Mixing Business With Politics: A Meta-Analysis of the Antecedents and Outcomes of Corporate Political Activity
Sean Lux, T. Russell Crook and David J. Woehr
Journal of Management 2011 37: 223
DOI: 10.1177/0149206310392233

The online version of this article can be found at:
http://jom.sagepub.com/content/37/1/223

Published by:
http://www.sagepublications.com

On behalf of:
Southern Management Association

Additional services and information for Journal of Management can be found at:

Email Alerts: http://jom.sagepub.com/cgi/alerts
Subscriptions: http://jom.sagepub.com/subscriptions
Reprints: http://www.sagepub.com/journalsReprints.nav
Permissions: http://www.sagepub.com/journalsPermissions.nav
Citations: http://jom.sagepub.com/content/37/1/223.refs.html

>> Version of Record - Dec 20, 2010
What is This?
Corporate political activity (CPA) has increased rapidly in the United States; however, research findings are spread across several social science fields. The authors use meta-analysis to aggregate findings involving two sets of research questions: (1) what factors and to what extent do these factors influence firms to engage in CPA, and (2) does CPA, in turn, affect firm performance and, if so, to what extent? Two important contributions are made. First, the evidence suggests that, although many factors shape CPA, very few affect CPA to a large extent. Second, the results suggest that CPA is positively related to firm performance and is an important determinant of firm performance. The authors build on this evidence to suggest several future research directions.

**Keywords:** political activity; lobbying; PAC contributions; meta-analysis

Corporate political activity (CPA) is broadly defined as firms’ efforts to influence or manage political entities (Hillman, Keim, & Schuler, 2004). Campaign contributions, lobbying, executive testimony before legislators and regulators, operating a government relations office,

**Acknowledgements:** We would like to thank Chris Shook, two anonymous reviewers, Jim Combs, Kathy Getz, Dave Ketchen, Steve Michael, and Jeremy Short.

**Corresponding author:** T. Russell Crook, College of Business Administration, 419 Stokely Management Center, University of Tennessee, Knoxville, TN 37996, USA

**Email:** tcrook@utk.edu
and contributing to industry and trade political action committees (PACs) are all considered forms of CPA. CPA has been steadily increasing in the United States. For example, business contributions to the Republican National Committee and House and Senate campaign committees increased 220% from $358 million in 1994 to $782 million in 2004 (Kaiser, 2009), and business is the largest and fastest growing segment of U.S. special interests (Baumgartner & Leech, 2001). Moreover, the recent decision by the U.S. Supreme Court in *Citizens United v. Federal Election Commission*—which overturned a long-standing ruling limiting business spending on political campaigns—opens the door to even higher levels of CPA in the future.

Although CPA is of increasing interest to managers, policy makers, and citizens, understanding the relationship between business and politics remains an enigma. Scholars from management, economics, political science, and sociology have all studied business and politics; however, the study of CPA has not been a central focus in any of these disciplines. Instead, scholars tend to examine aspects of CPA most relevant to their home disciplines. Economists typically study industry factors, such as the number of competing firms in an industry, as antecedents to political activity (e.g., Salamon & Siegried, 1977), whereas political scientists typically focus on institutional and political factors, such as whether politicians can provide favorable policy, as CPA antecedents (e.g., Evans, 1988; Grier & Munger, 1993). While enriching what is known about CPA, the study of CPA in multiple disciplines from multiple theoretical perspectives has added further complexity (Getz, 1997). Like the proverbial blind men touching an elephant, scholars interested in CPA have produced a volume of empirical evidence without being able to develop an overall understanding of the business and politics relationship.

Two recent narrative reviews by Hillman et al. (2004) and Oliver and Holzinger (2008) provided essential first steps toward developing an overall understanding of CPA. Hillman et al. described the basic CPA process and how it is driven by factors at multiple levels of analysis. They also discussed how CPA shapes performance and identified previous empirical work informing each part of the CPA process. Oliver and Holzinger provided a more focused review outlining key CPA antecedents that have been researched in the literature.

We build on the foundation established by the narrative reviews by empirically examining two sets of core CPA scholarship research questions through meta-analysis. The first set of questions is, What factors influence firms to engage in CPA and to what extent? The decision to engage in CPA is driven by factors at multiple levels of analysis; however, scholars across disciplines differ in their focus with respect to these factors. We aggregate the extant findings across disciplines and from different levels of analysis via meta-analysis.

The second set of core questions is, Does CPA, in turn, affect firm performance and, if so, to what extent? A key assumption in most theoretical perspectives is that firms engage in CPA in order to obtain and/or maintain economic returns (e.g., North, 1990); however, empirical evidence has been mixed (Hillman et al., 2004). Addressing this question through meta-analysis also informs an ongoing debate in the strategic management field. Although scholars studying CPA have suggested that it is positively related to firm performance (Bonardi, Holburn, & Vanden Bergh, 2006; Hillman, Zardkoohi, & Bierman, 1999), CPA is generally assumed to have a negligible effect on firm performance (Boddewyn, 2003; Mahon & McGowan, 1996).
Our intended contribution is to use meta-analysis to build on what is known to provide a quantitative assessment of extant research. Combs, Ketchen, Crook, and Roth (in press) recently pointed out that “a healthy progression of assessment involves a broad narrative review followed by [a] meta-analysis.” Meta-analysis enables us to evaluate not only whether but how much factors shape CPA and whether and how much CPA shapes performance. We begin by reviewing CPA scholarship and then developing a series of 12 propositions. Next, we use meta-analysis to investigate whether empirical evidence supports these propositions as well as the extent of support (i.e., the size of the CPA relationships). Finally, we conclude by discussing the evidence and by mapping out potentially fruitful avenues for future research.

**Corporate Political Activity**

CPA is a component of firm nonmarket strategy. Firm nonmarket strategy is typically considered the firm’s efforts to manage the institutional or societal context of economic competition (Boddewyn, 2003). Such efforts can influence the extent firms obtain or maintain economic advantages (North, 1990). Scholars have similarly described these activities as enterprise (Freeman, 1984), external (Miles, 1987), and integrated (Baron, 1995) strategies. In addition to CPA, firms engage in public relations (Deephouse, 2000), corporate societal marketing (Hoeffler & Keller, 2002), and philanthropic (Saia, Carroll, & Buchholtz, 2003) activities in managing their external environments.

Scholars typically assume that firms engage in nonmarket strategies, and political activities specifically, to enhance performance (Mitchell, Hansen, & Jepsen, 1997; North, 1990). The decision to engage in CPA is thus often conceptualized as an investment decision: Firms allocate resources to political activities when they are perceived to generate better returns than investments in other activities. Like investments in certain strategies (e.g., branding or positioning), CPA is considered attractive when the benefits from obtaining beneficial policy outweigh the costs (Baron, 1995, 1997).

Our review is structured around the general model of the CPA process presented in Figure 1, moving from left to right and from top to bottom. Extant research suggests that factors at the institutional (e.g., Evans, 1988), market and industry (e.g., Grier, Munger, & Roberts, 1991), and firm level (e.g., Schuler, Rehbein, & Cramer, 2002) of analysis influence the extent to which CPA is likely to be seen as economically advantageous. The degree to which these factors are present in a firm’s external and internal environments influences the extent a firm engages in CPA (Baron, 1995, 1997). Political activities, in turn, are expected to impact firm performance.

Corporate political activity has been examined across multiple academic disciplines from multiple theoretical perspectives (Getz, 1997; Hillman et al., 2004). One of the goals of our synthesis of the literature is to explain how these various theoretical perspectives have led scholars to identify and evaluate multiple CPA factors (i.e., antecedents) at different levels of analysis. For each box in Figure 1, the major constructs within CPA inquiry are briefly presented. The research propositions capture some important relationships that have been examined in the CPA literature.
North (1990) asserted that political opportunities vary across institutional settings. In some countries with effective institutional environments, economic opportunities are more attractive than political activities, whereas political opportunities are perceived as attractive in countries with less effective institutions (North, 1990). Antecedents at the institutional level thus provide insight into CPA levels both within and among countries (i.e., institutional contexts). The six propositions presented at the institutional level should explain the CPA levels of firms within the same country and differences in CPA levels across institutions (i.e., the extent an institutional factor is present should explain the level of CPA in a given country, and the variation in this factor across countries should explain varying levels of CPA across countries). Only the former is examined in this meta-analysis with the U.S. institutional context.

The political economy perspective is often utilized by scholars at the institutional level of analysis to explain why some firms are more likely to engage in CPA than others (Buchanan, 1975; Stigler, 1971). Political economists are concerned that policy demanders (firms) will obtain the policies they seek from policy suppliers (politicians and government officials; Hillman & Keim, 1995). Political activity costs and the likelihood of success are determined by policy supply and demand (Bonardi, Hillman, & Keim, 2005). Policy demanders exchange political resources with suppliers for creating, modifying, and sustaining favorable policy and removing unfavorable policy. Political resources are primarily composed of votes, information, and money (Hillman & Hitt, 1999). Factors that increase or decrease the likelihood that firms will obtain desired policy outcomes are often used as CPA antecedents in political economics–based scholarship.
Politician incumbency. A firm must evaluate a politician’s ability to deliver demanded policy. The ability of politicians to deliver policy is a function of their ability to get into or maintain office and their ability to get legislation passed (Evans, 1988). Challengers and junior politicians unlikely to win election or reelection are typically viewed as unlikely to be able to deliver policy. Incumbent politicians are likely to be perceived as attractive political opportunities primarily because they are much more likely to win elections than are first-time candidates (Evans, 1988). Incumbent politicians are a less risky investment and are more likely to receive PAC contributions (Hersch & McDougall, 2000). In addition to being a less risky investment, incumbents can typically engage in a wider range of policy-making activities due to more security in future elections. We propose:

Proposition 1: Politician incumbency is positively related to CPA (i.e., the presence of incumbent politicians will stimulate CPA).

Ideology. Regardless of whether a politician is able to provide desired policy, the politician must be willing to do so. Firms may also perceive a politician to be receptive toward their policy demands based on stated ideology (Grier & Munger, 1993; Kalt & Zupan, 1984). Political actors typically possess bias or perspectives on the societal roles of government and business (Kalt & Zupan, 1984). In the United States, politicians in the Republican Party are often sympathetic to business interests, whereas Democratic Party members are viewed as more sympathetic to labor and environmental concerns (Hersch & McDougall, 2000). For example, business interest groups the U.S. Chamber of Commerce and the Federation of Independent Businesses gave 84% and 91%, respectively, of their contributions to Republican candidates in the most recent campaign cycle (Center for Responsive Politics, 2010). Empirical evidence has suggested that firms in the automotive manufacturing (Hersch & McDougall, 2000), education (De Figueiredo & Silverman, 2006), and defense (Tripathi, 2000) industries have been more likely to contribute to Republican politicians. Kaiser (2009) observed that the Republican Party gaining control of the Congress in 1994 likely led to increases in CPA as more business interests perceived a more sympathetic audience in Washington. Sympathetic politicians are more likely to provide business interests access and are more receptive to their policy ideas and positions, providing firms an opportunity for CPA.

Proposition 2: The number of politicians ideologically sympathetic to business interests is positively related to CPA (i.e., the presence of sympathetic politicians will stimulate CPA).

Political competition. Policy competition is the number of parties interested in or competing over a policy (Olson, 1965; Yoffie, 1987). Political opportunities are considered attractive when the demand for political resources is high and competing demands for policy are low (Bonaridi et al., 2005). Politicians are concerned with appeasing the maximum number of supporters possible. If supplying policy to one firm or group causes other constituents to withhold support, the politician is not likely to provide policy. Unlike in economic markets, high demand typically leads to low supply in political markets (Bonaridi et al., 2005).

Because politicians are less likely to supply policy when competing demands exist, firms are likely to engage in CPA whenever other competing firms or special interest groups seek policy that would negatively affect a firm’s business activities. Unions, for example, are likely
to seek policy that constrains business activities or raises labor costs for firms—both competitive threats (Hansen & Mitchell, 2000, 2001). Businesses must respond to reduce these threats; thus, firms are likely to respond to competing CPA with their own. Stated formally:

**Proposition 3:** The level of political competition is positively related to CPA (i.e., higher levels of political competition will elicit higher levels of CPA).

**Government regulation.** Regulation of economic activity is a popular antecedent of political activity in several theoretical approaches to CPA. In the political economy perspective (Stigler, 1971), regulatory costs and constraints present firms with a quantifiable political opportunity. Firms can estimate revenue increases from changing aspects of regulatory policy and the likely political action costs associated with such changes (Hart, 2001; Stigler, 1971).

Scholars applying a resource dependence perspective (Pfeffer & Salancik, 1978) to the CPA phenomenon often consider factors that affect firm dependence on the government as an antecedent to political activity (Miles, 1987). The more constraining and costly regulation is for a firm, the more likely the firm will attempt to manage regulatory factors through CPA. How pharmaceutical industry political activity influenced the creation of the 1992 Prescription Drug User Act (PDUFA) is illustrative. PDUFA stipulates that pharmaceutical and biotechnology companies seeking U.S. Food and Drug Administration (FDA) product approval pay the FDA for regulatory review. Now a major source of funding for the FDA, the regulatory agency has now become dependent on the regulated industry for funding through successful CPA (Angell, 2004).

Although some studies have not shown support for the relationship between regulation and firm political activity (e.g., Martin, 1995; Pittman, 1976), there is some general empirical support across the management, economics, and political science fields (e.g., Hansen & Mitchell, 2001; Kim, 2008; Mitchell et al., 1997; Pittman, 1977). Based on this, we propose:

**Proposition 4:** The level of government regulation is positively related to CPA (i.e., higher levels of government regulation will elicit higher levels of CPA).

**Government sales.** The extent to which firm revenues are derived from government sales has been a traditional determinant of firm political activity (Hart, 2001; Hillman et al., 2004). Scholars with a resource dependence perspective often consider government sales a major driver of CPA (Miles, 1987). As government sources comprise more and more of a firm’s revenues, the more dependent the firm becomes on government sales and contracts (Pfeffer & Salancik, 1978). Firms with a sizeable government business thus have an interest in managing this relationship through CPA. Empirical evidence also has suggested that firms in industries with government sales are more likely to engage in political activities (Boies, 1989). Taken together, this suggests that government sales might stimulate CPA; thus, we propose:

**Proposition 5:** The level of firm government sales is positively related to CPA (i.e., firms with higher revenues from government sales will demonstrate higher levels of CPA).

**Dependent politicians.** Scholars approaching CPA from a resource dependence perspective often conceptualize the relationship between governments and firms as normative and constraining
(Oliver & Holzinger, 2008; Pfeffer & Salancik, 1978). However, politicians can become dependent on firms as sources of political resources and/or essential products and services (Miles, 1987; Oliver, 1991). For example, one or a few firms may comprise the majority of economic activity in a congressional district. These firms are responsible for employing many of the congressional representative’s voters and supplying campaign contributions and information regarding the district. The politician’s fortunes, thus, become largely tied to the fortunes of these firms. Because the politician’s interests become dependent on one or possibly a few firms, the firm (or firms) is likely to engage in CPA to manage and/or exploit this dependency. Following this logic, we propose:

*Proposition 6:* The level of politician dependence on firms is positively related to CPA (i.e., higher levels of politician dependence will stimulate CPA).

**Market- and Industry-Level Antecedents of CPA**

*Industry concentration.* Consensus among firms in an industry provides an advantage in obtaining policy (Olson, 1965). The more policy demanders with similar interests, the easier it is for policy suppliers to provide policy reducing the threat of free riding (Olson, 1965; Yoffie, 1987). Similar to other forms of collusion, political collaboration is more likely and free riding less likely in concentrated industries (Esty & Caves, 1983; Pittman, 1976). The relationship between industry consolidation and industry-level (Grier et al., 1991; Grier, Munger, & Roberts, 1994) and firm-level (Masters & Keim, 1985) CPA largely supports the notion that industry concentration will stimulate CPA. Thus, we propose:

*Proposition 7:* The level of industry concentration is positively related to CPA (i.e., higher levels of industry concentration will stimulate CPA).

*International competition.* Raising barriers to entry for foreign competitors through policy is another political opportunity (Grier et al., 1994; Schuler, 1996). Obtaining protection from foreign competition through political activities is estimated to deliver as much as a 200% return on investment (Moran, 1985). Protectionist policies are attractive to both firms and politicians. Because all domestic firms in an industry face the same competitive threat, collective action is typically easier to coordinate. Firms that are affected the most by foreign competition often lead initiatives to increase barriers to entry and/or tariffs (Schuler, 1999). Foreign firms and their employees do not vote, providing politicians the opportunity to provide policy to their constituents without offending other voters (Epstein, 1969). Following this logic, we propose:

*Proposition 8:* The level of foreign competition is positively related to CPA (i.e., higher levels of foreign competition will stimulate CPA).

*Economic opportunities.* Economic opportunities in the marketplace are likely to affect the decision to engage in political activities (North, 1990). If the decision to engage in political activities can be modeled as an investment decision (Mitchell et al., 1997), then competing
investment options must be considered. Rapidly growing markets are likely to encourage firms to focus their efforts on economic rather than political activities. The opposite occurs in slow-growing markets with potentially less of an opportunity. For example, empirical evidence has suggested that domestic steel demand is negatively related to CPA (Schuler, 1999). Similarly Grier et al. (1991) found empirical evidence that suggested industry sales had a negative and exponential relationship with the number of politically active firms in the industry. Markets with diminishing economic opportunities are likely to make political opportunities more attractive by comparison.

Political activities may be complimentary to rather than a substitute for investments in other activities (Baron, 1995, 1997). For example, empirical evidence has suggested that firms make complimentary investments in research and development and CPA (Taylor, 1997). We directly test the theoretical assumption that firms engage in CPA due to a lack of more attractive economic investments. If firms engage in CPA to enhance performance, then economic opportunity should be negative to CPA. If CPA is complimentary to other activities, economic opportunity should be positively related to CPA. Stated formally:

Proposition 9: The level of economic opportunity is negatively related to CPA (i.e., higher levels of economic activity in a market will inhibit CPA).

Firm-Level Antecedents of Corporate Political Activity

Firm size. Perhaps the most reliable predictor of CPA is firm size (Hillman et al., 2004). One reason why size might be related to CPA is that large firms have a high degree of exposure to the overall social and economic environment and seek to maintain the overall health of the firm through both market and nonmarket activities (Miles, 1987). CPA is considered a relatively important nonmarket activity for such firms because it provides them with more reliable access to external resources that can help them limit exposure (Schuler & Rehbein, 1997). A second reason is that larger firms often provide essential services, especially to government. Lockheed, for example, is the only source of fighter aircraft for the U.S. military. Perhaps not surprisingly, Lockheed has often engaged in CPA. Thus, political opportunities are likely more prevalent as political and social actors become more dependent on the firm. A third reason is that firm size also serves as an indicator of available political resources; larger firms might possess more of the requisite resources to engage in CPA. Taken together, this suggests that firm size will relate to CPA. Thus, we propose:

Proposition 10: Firm size is positively related to CPA (i.e., larger firms will demonstrate higher levels of CPA).

Corporate strategy. A firm’s strategy should affect and ideally be integrated with firm political activities (Aggarwal, 2001; Baron, 1995). Firms that pursue conglomerate diversification strategies come into contact with a greater number and diversity of society. Pfeffer and Salancik (1978) described this as social exposure and asserted that firms with greater exposure have an interest in managing their social interactions through nonmarket activities. CPA enables firms to better manage their social exposure by countering constituent and
special interest political actions not in the interest of the firm. Because diverse firms have greater social exposure, firms pursuing diversification strategies are more likely to engage in CPA (Esty & Caves, 1983; Kim, 2008). Following this logic, we propose:

*Proposition 11:* Firm diversification is positively related to CPA (i.e., more diversified firms will demonstrate higher levels of CPA).

**Corporate Political Activity and Firm Performance**

A core assumption in most CPA scholarship is that firms engage in CPA to improve performance (Mitchell et al., 1997; North, 1990); however, scholars have only recently empirically examined whether CPA relates to firm performance. CPA affects firm performance when political activities influence the government to take action (or not take action) in a manner that benefits a firm. Obtaining rate increases (Bonardi et al. 2006), earmarks (De Figueiredo & Silverman, 2006), new import tariffs (Schuler, 1996), and government sales (Epstein, 1969) are just a few of the many ways policy changes directly and indirectly affect firm performance. Assuming firms are successful in their political influence actions, we expect the level of CPA to be positively related to firm performance. We thus propose:

*Proposition 12:* CPA is positively related to firm performance (i.e., firms with higher levels of CPA will exhibit better performance).

**Method**

**Literature Search**

We sought to identify the population of studies that empirically examined one or more of the relationships presented above. We began by investigating the literature for commonly used words to describe CPA. Our search revealed that the words *corporate political, political activities, political action, lobbying, campaign contributions, PAC, and corporate political strategy* were commonly used in the CPA literature. We used these words as the basis for a keyword search in databases such as ABI Inform, Business Source Premier, Dissertation Abstracts, EconLit, and JSTOR. *The Corporation in American Politics* (Epstein, 1969) is largely recognized as the first scholarly effort focused on business and politics. We thus chose 1969 as the starting date for our search. In addition to our keyword search, we examined the reference sections of review articles (Getz, 1997; Hillman et al., 2004; Keim, 2001; Oliver & Holzinger, 2008) to identify additional studies for inclusion. Getz’s (1998) bibliography of CPA was also of great assistance in identifying CPA studies.

**Inclusion Criteria for Studies**

To be included in the meta-analysis, studies had to empirically examine the relationship between one or more of the antecedents and CPA, and/or between CPA and firm performance.
More specifically, studies needed to report an effect size reflecting the observed relationship between the antecedents and CPA and/or CPA and outcomes. As an example, we recorded correlations between measures of size (e.g., sales) and measures of CPA (e.g., lobbying expenses).

We recorded three different effect size estimates—correlations (Hunter & Schmidt, 2004), t statistics (Lipsey & Wilson, 2001), and beta coefficients (Peterson & Brown, 2005)—for inclusion in our meta-analysis. Given that correlations are not dependent on any other variables in statistical models, correlations are the “first best” inputs into meta-analyses (Hunter & Schmidt, 2004). Thus, we recorded and used those effect sizes first. When correlations were not available, we recorded and used t statistics and beta coefficients, which are considered the “second best” inputs into meta-analyses (cf. Geyskens, Krishnan, Steenkamp, & Cunha, 2009; Geyskens, Steenkamp, & Kumar, 2006). According to Peterson and Brown (2005: 175), using inputs other than correlations, in general, yields “relatively accurate and precise population effect-size estimates. Potential benefits from applying this knowledge include smaller sampling errors because of increased numbers of effect sizes and smaller nonsampling errors.”

When only t statistics were available, we imputed effect sizes based upon the degrees of freedom and p values (Lipsey & Wilson, 2001). When only beta coefficients were available, we imputed effect sizes based upon formulae provided by Peterson and Brown (2005: 180): that is, \[ r = \beta + .05\lambda \]. In this formula, \( \beta \) is taken from the full regression model in a study. When \( \beta \) is positive, \( \lambda \) is equal to 1, and when \( \beta \) is negative, \( \lambda \) is equal to 0. A caveat to using \( \beta \) is that the imputation formula can be used only when the absolute value of \( \beta \) is within the range of .5 and –.5.

We identified 78 studies for inclusion, with a resultant sample size of 72,265. These studies were published from 1976 to 2010; each study is listed in the references with an asterisk. Because the study is the unit of analysis in meta-analysis, when studies used multiple measures of one or more constructs and reported effect sizes separately, the effect sizes were averaged (Hunter & Schmidt, 2004). For example, if a study used two CPA measures and reported a separate correlation for each, the two correlations were averaged to yield a single estimate. On the other hand, if a study reported effect sizes from two independent samples, each sample was treated as an independent observation.

**Coding Procedures**

To examine our research propositions (i.e., the relationships outlined in Figure 1), each of the studies included in the analysis was coded with respect to the set of antecedents, CPA, and outcomes as well as the effect size estimates. Specifically, studies were coded as to whether or not they examined the relationship between CPA and one or more of the six institutional-level antecedents (i.e., incumbent politicians, ideology, political competition, government regulation, government sales, and dependent politicians), the three market- and industry-level antecedents (international competition, industry concentration, and economic opportunities), and the two firm-level antecedents (firm size and competitive strategy).
Studies were also coded as to whether or not they examined the relationship between CPA and firm performance.

Measures

Measures used in our meta-analysis are summarized in Table 1 and are described in more detail below. In the first series of meta-analyses (evaluating the left half of Figure 1), CPA is the dependent variable and antecedents of CPA the independent variables. Firm performance is the dependent variable in evaluating the right half of Figure 1, with CPA as the independent variable.

**Firm performance.** Firm performance was typically measured using accounting-based outcomes. For example, measures for profits (e.g., returns on assets or returns on investment) were captured.

**Corporate political activity.** The measure for overall CPA is composed of all political activity measures in the studies we examined. PAC contributions and lobbying expenditures primarily comprise this measure; however, miscellaneous measures of CPA are also included (e.g., expenditures on government relations employees or office space in Washington, D.C.).

**Political antecedents.** Politician incumbency was measured by whether the politician was an incumbent in the previous election cycle (1, 0). Ideology was typically measured by whether the politician is affiliated with the Republican Party or not (1, 0) because the Republican Party is typically perceived to be more sympathetic to business interests. Total union political contributions was the most predominant measure for political competition. Special interest group contributions and the number of union or special interest group testimonies before legislators and regulators were used in a few studies.

Regulation was often measured by total regulatory compliance expenditures. The number of regulatory actions was also used in some studies. Government sales was measured by either total government sales or contracts specific to major government departments (e.g., Department of Defense contracts). The extent to which political actors were dependent on economic entities for political support was measured most often by margin of election victory. Politicians with slim margins of victory are considered to be more dependent on sources of political resources.

Industry concentration was often measured by concentration ratio (e.g., sales of four largest firms as a percentage of total industry sales). Foreign competition was typically measured as either the total of import sales in an industry or the percentage of import sales to total industry sales. Economic opportunity was measured by the change in sales, net income, or returns on assets in the past year. Increasing values indicated greater economic opportunity, whereas decreasing values indicated diminishing economic opportunity. Firm size was measured primarily by total sales. The number of firm employees was used in some studies. Diversification
<table>
<thead>
<tr>
<th>Construct</th>
<th>Measures</th>
<th>Example Studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional-level antecedents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P1. Politician incumbency</td>
<td>Years in currently elected office</td>
<td>Evans, 1988; Grier &amp; Munger, 1993; Mitchell, Hansen, &amp; Jepsen, 1997</td>
</tr>
<tr>
<td></td>
<td>Incumbent politician (1, 0)</td>
<td></td>
</tr>
<tr>
<td>P2. Sympathetic ideology</td>
<td>Republican Party affiliation (1, 0)</td>
<td>Bonardi, Holburn, &amp; Vanden Bergh, 2006; Grier &amp; Munger, 1993; Keim &amp; Zardkoohi, 1988</td>
</tr>
<tr>
<td></td>
<td>Special interest group lobbying expenditures ($)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Regulated firm or industry (1, 0)</td>
<td></td>
</tr>
<tr>
<td>P5. Government sales</td>
<td>Total firm government contracts ($)</td>
<td>Hart, 2001; Kim, 2008; Mitchell et al., 1997; Tripathi, 2000</td>
</tr>
<tr>
<td></td>
<td>Firm defense contracts ($)</td>
<td></td>
</tr>
<tr>
<td>P6. Dependent politicians</td>
<td>Number of employees in home district and/or state</td>
<td>Gray &amp; Lowery, 1997; Hersch &amp; McDougall, 2000; Pittman, 1976</td>
</tr>
<tr>
<td></td>
<td>Firm headquarters located in home district and/or state (1, 0)</td>
<td></td>
</tr>
<tr>
<td>Industry- and market-level antecedents</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P8. International competition</td>
<td>Import market share (%)</td>
<td>Hersch &amp; McDougall, 2000; Kim, 2008; Schuler, 1996</td>
</tr>
<tr>
<td></td>
<td>Imports ($)</td>
<td></td>
</tr>
<tr>
<td>P9. Economic opportunities</td>
<td>Firm/industry revenue growth ($)</td>
<td>Kim, 2008; McKeown, 1994; Taylor, 1997; Zardkoohi, 1985</td>
</tr>
<tr>
<td></td>
<td>Firm/industry profitability (net income, returns on assets, returns on investment)</td>
<td></td>
</tr>
<tr>
<td>Firm-level antecedents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P10. Firm size</td>
<td>Number of firm revenues</td>
<td>Drope &amp; Hansen, 2006; Kim, 2008; Pittman, 1976, 1977; Schuler et al., 2002</td>
</tr>
<tr>
<td></td>
<td>Number of firm employees</td>
<td></td>
</tr>
<tr>
<td>P11. Corporate strategy and diversification</td>
<td>Number of industries a firm/industry sells to Number of firm/industry product segments</td>
<td>Esty &amp; Caves, 1983; Grier et al., 1994; Kim, 2008</td>
</tr>
<tr>
<td>Corporate political activity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P1–11 (DV). Corporate political activity</td>
<td>Firm political action committee/campaign contributions ($)</td>
<td>Grier et al., 1991, 1994; Kim, 2008; Masters &amp; Baysinger, 1985; Masters &amp; Keim, 1985; Mitchell et al., 1997</td>
</tr>
<tr>
<td></td>
<td>Firm lobbying expenditures ($)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Firm combined total contributions and lobbying ($)</td>
<td></td>
</tr>
<tr>
<td>Economic performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P12 (IV). Firm performance</td>
<td>Returns on investment, returns on assets, and government-derived revenues</td>
<td>Bonardi et al., 2006; Cory, 1995; De Figueiredo &amp; Silverman, 2006; Lux, 2008</td>
</tr>
</tbody>
</table>

Note: DV = dependent variable; IV = independent variable.
strategy was typically measured by the number of Standard Industrial Classification or North American Industry Classification System codes a firm was active within.

Meta-Analytic Procedures

Meta-analysis statistically aggregates findings in a stream of research to establish whether a relationship exists (Glass, 1976). Analyses were conducted using software developed by Schwarzer, which follows the guidelines offered by Hunter and Schmidt (1990, 2004). Each effect size was weighted by sample size. This approach is more accurate than examining results from any one study because positive and negative sampling errors cancel out. Unfortunately, only one CPA study reported reliability coefficients. Given this, it was impossible to correct each study individually for measurement error or artifacts other than sampling error.

After obtaining our weighted effects (i.e., the meta-analytic estimates), we examined variance in effect size estimates. Variance in effect size estimates can arise from artifactual variance, such as sampling error, or from systematic effects, such as variables that moderate the relationship of interest (Hunter & Schmidt, 1990). Meta-analytic techniques allow researchers to determine if significant variance remains after accounting for artifactual variance. To test whether the effect size variance was more than expected by chance, the following formula was used: $\chi_k = \frac{T}{K} - \frac{1}{T}$, where $K$ was the number of effects, $T$ was the total sample size from primary studies, and $\varepsilon$ was the observed variance of $\tau$. If chi-square ($\chi^2$) was statistically significant, it suggested that there was significant variance in the population relationship, which is due to either unaccounted for artifactual variance or true variance from a moderating effect.

After examining variance, we calculated confidence intervals to determine if the effect size estimates differ from zero (Whitener, 1990). If the $\chi^2$ statistic is not significant, effect size variance among studies is small (i.e., homogeneous case) and all variance is assumed to result from sampling error, not moderating effects. Sampling error variance is calculated as follows: $\sigma^2 = \frac{\chi^2}{K}$, where $N = T/K$. The standard error of sampling error variance, $\frac{\sigma^2}{\sqrt{K}}$, was used to create confidence intervals for the homogeneous case. If significant effect size variance remains unexplained (i.e., heterogeneity), a wider confidence interval was calculated based on the standard error of the total effect size variance, that is, $\frac{\sigma^2}{\sqrt{K}}$ (Whitener, 1990).

Results

Table 2 presents the results corresponding to each of the 12 research propositions. Because different studies examined different CPA relationships (e.g., size and CPA vs. CPA and firm performance), the number of studies ($K$s) and the number of firms under investigation ($N$s) in our results varied across the relationships under investigation. The results are used to guide the remainder of our article.

Proposition 1, which proposed that politician incumbency is positively related to CPA, was supported with $\tau = .16$ ($p < .01$). Proposition 2 proposed that ideology is positively related to CPA; it was supported ($\tau = .08$, $p < .05$). Proposition 3, which proposed that
<table>
<thead>
<tr>
<th>Proposition</th>
<th>N</th>
<th>K</th>
<th>r</th>
<th>σ²</th>
<th>σ²</th>
<th>Residual Variance</th>
<th>Artifactual Variance</th>
<th>χ²</th>
<th>99% Confidence Interval</th>
<th>95% Confidence Interval</th>
<th>p value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional-level antecedents of corporate political activity (CPA)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Politician incumbency</td>
<td>2,641</td>
<td>4</td>
<td>.16</td>
<td>.00</td>
<td>.02</td>
<td>.02</td>
<td>10.3</td>
<td>42***</td>
<td>.01, .30</td>
<td>.06, .26</td>
<td>&lt; .01</td>
</tr>
<tr>
<td>2. Ideology</td>
<td>19,131</td>
<td>15</td>
<td>.08</td>
<td>.00</td>
<td>.02</td>
<td>.01</td>
<td>5.8</td>
<td>295***</td>
<td>.00, .15</td>
<td>.03, .13</td>
<td>&lt; .05</td>
</tr>
<tr>
<td>3. Political competition</td>
<td>4,152</td>
<td>6</td>
<td>.14</td>
<td>.00</td>
<td>.01</td>
<td>.01</td>
<td>10.7</td>
<td>61***</td>
<td>.03, .25</td>
<td>.06, .22</td>
<td>&lt; .01</td>
</tr>
<tr>
<td>4. Government regulation</td>
<td>11,525</td>
<td>18</td>
<td>.16</td>
<td>.00</td>
<td>.01</td>
<td>.01</td>
<td>21.6</td>
<td>90***</td>
<td>.11, .20</td>
<td>.12, .19</td>
<td>&lt; .01</td>
</tr>
<tr>
<td>5. Government sales</td>
<td>17,471</td>
<td>24</td>
<td>.15</td>
<td>.00</td>
<td>.02</td>
<td>.02</td>
<td>7.2</td>
<td>364***</td>
<td>.08, .21</td>
<td>.10, .19</td>
<td>&lt; .01</td>
</tr>
<tr>
<td>6. Dependent politicians</td>
<td>5,715</td>
<td>10</td>
<td>.11</td>
<td>.00</td>
<td>.01</td>
<td>.01</td>
<td>15.2</td>
<td>68***</td>
<td>.03, .19</td>
<td>.05, .17</td>
<td>&lt; .01</td>
</tr>
<tr>
<td>Market- and industry-level antecedents of CPA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Industry concentration</td>
<td>15,634</td>
<td>22</td>
<td>.11</td>
<td>.00</td>
<td>.00</td>
<td>.00</td>
<td>6.3</td>
<td>379***</td>
<td>.03, .19</td>
<td>.06, .16</td>
<td>&lt; .01</td>
</tr>
<tr>
<td>8. International competition</td>
<td>6,007</td>
<td>8</td>
<td>-.06</td>
<td>.00</td>
<td>.00</td>
<td>.00</td>
<td>60.5</td>
<td>14**</td>
<td>-.10, -.02</td>
<td>-.09, -.04</td>
<td>&lt; .01</td>
</tr>
<tr>
<td>9. Economic opportunities</td>
<td>11,643</td>
<td>16</td>
<td>.03</td>
<td>.00</td>
<td>.03</td>
<td>.03</td>
<td>4.5</td>
<td>385***</td>
<td>-.08, .13</td>
<td>-.04, .10</td>
<td>ns</td>
</tr>
<tr>
<td>Firm-level antecedents of CPA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Firm size</td>
<td>33,638</td>
<td>37</td>
<td>.19</td>
<td>.00</td>
<td>.03</td>
<td>.03</td>
<td>4.1</td>
<td>1,011***</td>
<td>.12, .25</td>
<td>.18, .20</td>
<td>&lt; .01</td>
</tr>
<tr>
<td>11. Corporate strategy</td>
<td>8,959</td>
<td>10</td>
<td>.10</td>
<td>.00</td>
<td>.01</td>
<td>.01</td>
<td>15.7</td>
<td>70***</td>
<td>.03, .16</td>
<td>.05, .14</td>
<td>&lt; .01</td>
</tr>
<tr>
<td>Performance implications</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Economic performance</td>
<td>7,507</td>
<td>12</td>
<td>.17</td>
<td>.00</td>
<td>.06</td>
<td>.05</td>
<td>3.2</td>
<td>440***</td>
<td>.02, .33</td>
<td>.06, .29</td>
<td>&lt; .01</td>
</tr>
</tbody>
</table>

a. Confidence intervals are based on r (cf. Whitener, 1990) and are partially determined by the amount of residual variance after removing sampling error variance. All but one χ² is significant; thus, we assume residual variance is heterogeneous for all results except for those related to international competition. **p < .05. ***p < .01.
political competition is positively related to CPA, was supported with $r = .14$ ($p < .01$). Proposition 4, which proposed that government regulation is positively related to CPA, was supported with $r = .16$ ($p < .01$). Proposition 5 proposed that government sales is positively related to CPA; it was also supported ($r = .15, p < .01$). Proposition 6, which asserted that dependence is positively related to CPA, was supported with $r = .11$ ($p < .01$). All six proposed institutional antecedents were positively and significantly related to CPA.

Less support was found from industry and market antecedents of CPA. Proposition 7, which proposed that industry concentration is positively related to CPA, was supported with $r = .11$ ($p < .01$). Statistically significant results in the opposite of the proposed direction were found for Proposition 8 ($r = -.06, p < .01$). This suggests that the level of foreign competition in an industry is negatively related to CPA. No evidence was found to support Proposition 9, which proposed that economic opportunity is negatively related to CPA ($r = .03, ns$). At the firm level of analysis, our propositions involving both size (Proposition 10) and corporate strategy (Proposition 11) were supported; both size and corporate strategy are positively and significantly related to CPA, with $r = .19$ ($p < .01$) and $r = .10$ ($p < .01$), respectively. Proposition 12, where we asserted that CPA is positively related to firm performance, was also supported with $r = .17$ ($p < .01$). Taken together, we found empirical support for 10 of the 12 propositions.

Post Hoc Analyses

We aggregated studies utilizing several different measures of CPA. This was done to maximize the sample size and to enhance the generalizability of our findings (Hunter & Schmidt, 2004). However, doing so left open the question of whether a particular form of CPA was driving our results. Thus, we performed post hoc tests to check for differences between the two primary forms of CPA: contributions and lobbying expenditures. It should be noted that there is no strong theory to suggest which form of CPA should be affected more. Therefore, we consider these analyses exploratory in nature to inform future research directions. Of the original 11 political antecedent propositions, an adequate number of both contribution and lobbying studies existed for only 3 antecedents: size, regulation, and industry concentration. Our post hoc analyses revealed no significant differences when the type of CPA is accounted for. This suggests the many political antecedents work similarly in predicting different types of CPA.

Discussion

The results of the meta-analysis indicate that antecedents at the institutional level (i.e., incumbent politicians, ideology, political competition, government regulation, government sales, and dependent politicians), market and industry level (i.e., industry concentration), and firm level (i.e., firm size and competitive strategy) have positive and significant relationships with CPA. The results also indicate that economic opportunities are not significantly related to CPA.
The biggest drivers of CPA are, not surprisingly, politician incumbency, government regulation, and firm size. These results inform two contested perspectives in CPA scholarship. Management scholars studying CPA have asserted that firm size is the largest driver of CPA (Hillman et al., 2004), whereas economists and political scientists have asserted that government regulation and a politician’s ability to provide policy (i.e., a political opportunity) are the primary drivers of CPA (Evans, 1988; Grier & Munger, 1993). The empirical evidence suggests that both sets of scholars are correct; the magnitude of the relationships is very similar for politician incumbency ($r = .16$), government regulation ($r = .16$), and firm size ($r = .19$).

Despite these findings, it may be argued that our results are disappointing with respect to the extent to which we can explain the determinants of CPA. That is, despite finding nonzero links between 10 of the 11 antecedents and CPA, the effects were relatively small ($M r = .11$). Because our results suggest that antecedent variables drawn from traditional theories explaining why firms engage in CPA have limited explanatory ability (accounting for 2% to 4% of the variance in CPA on average), the results may be viewed as troubling to scholars engaged in explaining why firms engage in CPA.

One interesting finding was the negative relationship between international competition and CPA. Traditionally, international competition has been hypothesized to be positively related to CPA. These contrary results may be due to the extent that free-market perspectives have been adopted in the business and government communities. Newer studies reported a negative relationship between international competition and CPA (Kim, 2008), whereas older studies reported positive correlations (e.g., Schuler, 1996).

Several caveats to this interpretation, however, should be considered. It is important to note that the decision to engage in CPA will likely be a complex one driven by a relatively large number of factors. One of the primary limitations of our meta-analysis, and of meta-analysis in general, is the inability to examine either the compound or interactive effects of the specified antecedents. That is, to the extent that our antecedents are relatively independent, their compound effect may be reflected in the sum of the individual effects, thus representing relatively high explanatory power. Alternately, it might be argued that the antecedents interact with each other such that far greater explanatory power may be derived from an examination of higher order interactions. To date, however, these effects have not been thoroughly examined in the empirical literature and thus are not addressable through meta-analysis. A third issue is that there might be several additional antecedents that have not been identified by CPA researchers. Taken together, we believe the findings indicate that there is enormous opportunity to continue to build on what is known about CPA, such as whether the antecedents have independent influences, whether they interact with one another, or whether more antecedents need to be identified to paint a more complete picture of the relationship between business and politics.

Results of the meta-analysis also provide support for a significant nonzero link between CPA and firm performance. The magnitude of this effect (i.e., $r = .17$) is in line with traditional factors known to influence performance (e.g., strategic resources and human capital relate to performance with $r = .17$; Crook, Ketchen, Combs, & Todd, 2008; Crook, Todd, Combs, Woehr, & Ketchen, in press). The fact that there is a consistent positive impact is
important because it appears to provide insight into the institution-based view of strategy (Peng, Sun, Pinkham, & Chen, 2009). Peng et al. recently described the institution-based view as the third leg of the strategic management field. If institutional factors are important to understanding how some and not other firms obtain competitive advantage, then political activities, or how firms manage and influence political entities, should be an important factor in determining firm performance (Baron, 1995, 1997). Our results support this perspective.

In our view, the empirical evidence suggesting CPA is positively related to firm performance should be of great interest to many stakeholders in the United States. Indeed, such results suggest that firms can obtain economic advantages through influencing government. This perhaps explains why more business interests are engaged in CPA now more than at any other time in recorded history (Baumgartner & Leech, 2001; Kaiser, 2009). Our view is that, combined with the newly obtained ability to engage in unlimited political advertising (i.e., the U.S. Supreme Court decision in *Citizens United v. Federal Election Commission*), CPA in the United States is likely to continue grow in practice.

**Future Research Directions**

Previous reviews have summarized the various theoretical perspectives and empirical evidence on CPA (Getz, 1997; Hillman et al., 2004; Keim, 2001; Oliver & Holzinger, 2008). While these reviews took some important steps, we believe that our synthesis via meta-analyses provides the next important step in this body of scholarship. Based on these results and the existing body of scholarship, we depict several research directions for each basic research question in Figure 2. The bold items in Figure 2 are additions to Figure 1, presented earlier in this article. The bold items represent both new research directions and previous CPA concepts that lacked adequate sample size for inclusion in our meta-analysis.

**Antecedents of corporate political activity.** The antecedents examined in this meta-analysis represent only a subset of the potential influences on the decision to engage in CPA. A number of potential antecedents conceptually linked to CPA have not been investigated empirically to an extent great enough to warrant inclusion in the meta-analysis. However, these influences might also matter. For example, issue salience (Gray & Lowery, 1997) and constituent needs (Mayhew, 1974) are both factors that might help further explain CPA at the institutional level. At the market and industry level of analysis, trade associations, which provide a mechanism for coordinating collective political action (Boies, 1989), and economic risk (Bhuyan, 2000; Grier et al., 1994) have both been suggested as determinants of CPA. In industries with government involvement, CPA provides a means for mitigating the risk of adverse government action. For example, Odyssey Marine Exploration, which requires government involvement to claim title on property salvaged at sea, considers government action as its primary business risk.

Beyond these potential antecedents, we also did not investigate a number of potential firm-level antecedents, such as slack resources (Schuler, 1996), type of economic activity (Miles, 1987), social exposure or legal activities (Mitchell et al., 1997), governance
(McKeown, 1994), foreign ownership (Hersch & McDougall, 2000), political strategy (Hillman & Hitt, 1999), political resources (Bhuyan, 2000), and corporate strategies outside of diversification (e.g., research and development activity; Taylor, 1997)). Of these less examined CPA antecedents, we believe firm governance is one antecedent that especially requires theoretical development and empirical investigation. However, at present, the empirical literature has not evolved to the point where we can synthesize the results of these potential antecedents via meta-analysis. While more research into these antecedents seems needed, it is doubtful that they would have explained a great deal more variance in CPA if included in the meta-analysis because they have not been viewed as central drivers of CPA in the literature.

While our results may be viewed as providing limited support for existing theoretical perspectives on CPA, we believe there are a number of issues in the extant literature that may serve to attenuate empirical findings. Specifically, existing theory has been developed at
a relatively broad level such that potential boundary conditions have not been fully incorporated. Bacharach (1989), for example, asserted that context is an essential part of theoretical development because it specifies where theories explain and describe phenomenon. Collective action, political economy, and resource dependence perspectives might have provided additional explanatory power had these perspectives been constrained to specific contexts. Moreover, political activities may be essential for some firms and of no consequence to others (Aggarwal, 2001; Baron, 1995, 1997). However, scholars typically do not account for context in CPA studies and instead often examine broad samples of large *Fortune* 100 and 500 firms.

The reliance on secondary data and perceived difficulty in collecting primary data also likely contribute to the lack of stronger support for current theoretical perspectives. CPA scholarship has one quality that is attractive to any social scientist—the complete population exists and is easily accessible because all federal political contributions (from 1974 forward) and all federal lobbying expenditures (from 1999 forward) are publically reported. Combined with readily obtainable independent variable data (e.g., Compustat, CRSP), many CPA hypotheses can be tested without ever leaving the office. Field research utilizing survey and/or interview methods, such as Epstein’s (1969) scholarship that launched the study of CPA, is needed. Although such methods would likely yield more insightful findings, many scholars have likely assumed the sensitivity of the subject may suppress response rates. However, the growing acceptance of CPA among the media and general public may alleviate management and board member concerns over participating in politically related studies. In our view, future scholarship should seek to evaluate, refine, and develop theory through field study methods.

CPA is largely comprised of PAC contributions and lobbying. Scholars and journalists have both observed that lobbying appears to be the primary means of CPA, with contributions acting more as complementary activity (Kaiser, 2009). Secondary data availability appears to have driven whether scholars examined contributions or lobbying as their dependent variable; contribution data has been available since 1974, whereas lobbying expenditure data has been publically reported since 1999. Our post hoc analysis demonstrates that whether different CPA antecedents affect contributions and lobbying differently remains largely unaddressed. Thus, future research appears needed to further understand the contingent conditions wherein different types of CPA are used, and the attendant performance implications.

The results also suggest that no one theoretical approach to CPA is optimal. The absence of a grand theory of CPA is not surprising however. As shown in Figure 2, the decision to engage in political activity is a complex one driven by a multitude of factors across different levels of analysis. Surprisingly, little integrative theoretical development has been done. Future scholarship should seek to integrate existing theories to improve our understanding of CPA.

CPA scholarship has largely been driven by a few dominant theories; however, the results suggest that the incorporation of other theoretical perspectives might provide a more complete explanation. Research involving top management teams is noticeably absent from CPA scholarship. In earlier qualitative studies of CPA, top management attitudes toward political activity were observed to be the largest driver of the decision to engage in CPA (Epstein, 1969; Miles, 1987). Firms with boards and management that did not believe business had a role in politics did not engage in CPA, whereas top management teams more indifferent toward political activities often engaged in some level of CPA (Blumentritt, 2003; Miles, 1987).
Although insightful, these interview-based studies did not provide quantifiable empirical evidence. CPA scholars should seek to incorporate top management team perspectives (e.g., upper echelons) and subject these perspectives to empirical tests.

Institutional theory (Meyer & Rowan, 1977; Selznick, 1957) is another theoretical perspective that may explain why firms engage in CPA. A basic question in institutional theory is, Why do firms look so similar? The answer lies in “institutional forces” that push firms in industries toward similar, or isomorphic, practices (DiMaggio & Powell, 1983). In response, many firms “follow the (industry) leader” and adopt certain practices. Although institutional theory is not yet a central theory guiding CPA inquiry, the evidence we have presented suggests that institutional forces might be shaping CPA. Our results suggest that CPA is related to performance and that firms might be “forced” to engage in CPA if they want to compete with firms that do engage in CPA. Longitudinal studies examining the spread of CPA practices across similar firms over time appears warranted.

Economics-based theory has dominated the study of CPA wherein policy is exchanged for political resources (i.e., money, votes, and information; Hillman & Hitt, 1999) between government officials and business actors. The supply and demand of policy and political resources determine policy outcomes just as supply and demand determine market prices (Bonardi et al., 2005). One question that should be addressed by future scholarship is whether theories based on economic exchange are appropriate for explaining politics.

Examining whether social exchange theory (Blau, 1964) is more appropriate than economic exchange–based theories for explaining CPA is a potential future research direction. In the United States, European Union, and most advanced countries, the exchange of political resources for policy is illegal. Unlike economic exchange, where a specified good is exchanged at a specified price and time, political exchange involves the exchange of political resources for unspecified favors (e.g., beneficial policy, contracts, information, etc.) at some time in the future. Economic exchange is governed by third-party-enforced contracts (North, 1990), whereas absent other forms of exchange governance, political exchange appears to be largely governed by trust. Blau (1964) described exchange under these conditions as social rather than economic exchange.

Cropanzano and Mitchell’s (2005) description of social exchange in an economic relationship may best describe CPA. Firms and politicians are in a predominately economic relationship; firms obtain economic returns from beneficial policy, and politicians obtain the resources they need to stay in office. The longer officials stay in office, typically, the larger their earnings potential once outside of government (Kaiser, 2009). However, the nature of CPA suggests that the exchange of political resources for policy is largely a social exchange. Because relatively little is known about economically driven social exchange (Cropanzano & Mitchell, 2005), theoretical development explaining how political exchanges occur and are governed would produce contributions to both CPA and social exchange scholarship.

Corporate political activity and firm performance. Empirical investigation of the relationship between CPA and firm performance has grown recently. The results suggest that such a relationship exists, indicating that firms view CPA as an investment decision. Although we have taken steps toward understanding the relationship between CPA and
performance, it is important to note that less is known regarding how CPA affects firm performance. A limitation to current scholarship and of our study is that extant research examines the effect of CPA in $t_0$ on performance in $t_1$. Because CPA likely affects performance in a more complex manner over different periods of time, the relationship between CPA and performance is likely underreported. However, this opens up a potential avenue for future research wherein researchers could examine how different time lags affect the relationship between CPA and performance (Meon, Sekkat, & Weill, 2009).

Future scholarship should continue to develop and to examine how CPA affects performance, because our results (i.e., the chi-square tests) suggest that the relationship between CPA and performance might be affected by other factors (i.e., moderators or mediators). Theoretically, some government policy action (e.g., the creation, change, and/or removal of laws; a change in enforcement of the law; etc.) should occur between the time when firms engage in political activity and when the benefits of those activities affect performance. Figure 2 illustrates this process across multiple levels of analysis.

Although the relationship between CPA and government action has not received much attention in the management field, political scientists and economists have often examined it (see Ansolabehere, De Figueiredo, & Snyder, 2003, for a review). Overall, the evidence suggests that campaign contributions have a limited affect on voting outcomes (Ansolabehere et al., 2003). However, the relationship between government action and firm performance has received very little attention. At present, scholars have examined only total contributions to a politician or party and subsequent voting behavior. Examining the allocation of contributions and lobbying efforts (i.e., how CPA is targeted) on voting behavior may prove to yield more informative results. Tripathi’s (2000) study of the U.S. defense industry provides one example studying allocation. Tripathi performed a post hoc analysis after studying CPA level and found that defense contractors changed allocation tactics from contributing to all key committee members to contributing to just key committee chairs after the post–Cold War defense spending cuts.

Some studies have empirically examined the entire CPA–government action–performance relationship. Bonardi et al. (2006) found that U.S. utility firms with more attractive political opportunities engaged in more lobbying activities and received higher rate increases than utilities with less favorable opportunities. De Figueiredo and Silverman (2006) found that universities in districts represented by members of the U.S. House and Senate Appropriations Committees engaged in more lobbying and respectively obtained 2.8% and 3.5% increases in federal earmarks for every 10% increase in lobbying. Future scholarship should build on these studies by examining other ways that CPA affects firm performance.

Conclusion

The results of our meta-analysis indicate that many of the traditional antecedents of CPA do affect CPA to some extent and that CPA is positively related to firm performance. However, our understanding of what factors affect CPA and the extent that CPA affects performance is not as developed as many scholars have perhaps assumed. This limits our ability to explain
the relationship between business and government as well as deliver practical insights to multiple stakeholders. Given this, we propose a research agenda that identifies promising new approaches to explaining the CPA phenomenon.

Note

1. We are thankful to an anonymous reviewer for suggesting this future research direction.

References

References marked with an asterisk indicate studies included in the meta-analysis.


*Myers, B. W. 2006. Corporate political activity and asset pricing. West Lafayette, IN: Purdue University.


