ANTECEDENTS OF FOREIGN

CORPORATE POLITICAL ACTIVITY IN AMERICAN POLITICS

by

LEE WARREN BROWN

Presented to the Faculty of the Graduate School of

The University of Texas at Arlington in Partial Fulfillment

of the Requirements

for the Degree of

DOCTOR OF PHILOSOPHY

THE UNIVERSITY OF TEXAS AT ARLINGTON

August 2014

Acknowledgements

The completion of a dissertation and PhD. coursework is not something that I could have accomplished on my own. I would like to thank God for his grace and sustaining provisions throughout this journey. I would like to thank my wife, Grace. Her unconditional support, kindness and love through all the highs and lows of the last four years has been a sustenance that I do not deserve. I would also like to thank my children, Darcy and Maverick. You have been incredibly patient, loving unconditionally, and always believing in your Dad. You will probably not remember all of the long nights and times of stress that kept me from giving you my full attention which you deserve, but I thank you for the grace and patience you have shown me. To Jean, your arrival will come after this phase in life is over, but you are blessed with the greatest siblings and mother a little girl could ask for. I would also like to thank my extended family who have been supportive throughout this entire process. I could not have done this without the help of my mom and dad. Dad's unwavering support, and Mom's love, food and ability to edit.

The best decision I made in my studies is to ask Abdul Rasheed to chair my dissertation. He is a mentor as well as a professor, and I am forever indebted for the time and energy he afforded me. I thank Jim Quick for his willingness allow me to work on projects that pushed me and taught me to move from a student to a researcher. This practical exposure to research by doing was key in my academic development. To Jeff McGee, your encouragement during my MBA capstone course was the final push I needed to apply for the PhD. program. I will be forever grateful. To Ann McFadyen, thank you for always supporting while at the same time expecting rigorous and high quality work in class and in the dissertation process. You taught us that we must do good work, but showed us that it is possible by standing on the soldiers of giants, and for that I am thankful. To Dr. Yasar, thank you for the dozens of hours in which you sat with me working through my data and results. You went above and beyond anything I could have asked for in a committee member, and for that I am thankful.

Finally, I would have never completed my PhD. without the support of my fellow classmates. I am especially grateful for the friendship of Dennis, Jenny and John. You have made this difficult process an enjoyable one. Finally, I would like to thank Carla Buss. Your kind heart and supportive demeanor will never be forgotten. I am grateful for having the opportunity to know you, and proud to call you my friend.

May 8, 2014

Abstract

ANTECEDENTS OF FOREIGN CORPORATE POLITICAL ACTIVITY

IN AMERICAN POLITICS

Lee Brown, PhD

The University of Texas at Arlington, 2014

Supervising Professor: Abdul A. Rasheed

International firms compete in the United States in both the market and non-market arenas (Doh, & Lucea, 2013). The international management literature has a long history of research focused on market competition, but non-market competition has been largely ignored (Lawton, McGuire & Rajwani, 2013). At the same time, there is a large and increasing amount of money being spent by foreign firms on lobbying and other non-market activities in America. In an effort to aid in our understanding of foreign firms who engage in corporate political activity (CPA) in the United States, I investigated foreign firms that engage in CPA in America. In this multi-level examination I hypothesized country, industry and firm level antecedents using a sample of 33,299 foreign firms, 129 of which engage in CPA in the United States. Findings indicate that firm size, the presence of institutional investors, and industry structure have the strongest influence on foreign firms engaging in CPA in the US. Previous research on corporate political activity has been dominated by the study of

domestic firms. This domestic focus occurs despite the fact that foreign entities make up a quarter of the total money spent on lobbying in America (Freeman, 2012). This is one of the first studies of CPA across a broad range of countries and industries to date. This is also the first study, to my knowledge, that attempts to test well established domestic CPA findings in foreign firms.

Table of Contents

List of Illustrations

List of Tables

Chapter 1

Introduction

1.1 Why Study Foreign Corporate Political Activity?

Political spending by firms in the United States has increased in amount and importance in recent years. Several legal rulings at the Supreme Court and lower level courts have only increased the amount of money flowing into the political arena by both wealthy individuals and corporations. On January 21, 2010, the United States Supreme Court handed down its decision in Citizens United v. Federal Election Commission with a 5-4 vote, striking down restrictions on independent political spending by corporations and unions and affirmed the free speech rights of both. In this decision, the Supreme Court upheld the ruling that gave corporations and unions protection under the first amendment and restricted the government from constraining political expenditures of firms. In 2014, the Supreme Court lifted bans on aggregate campaign donations allowing more private money to be spent in election campaigns. Generally, we think of US citizens and domestic firms engaging in the political process, but foreign firms are also participating. Foreign firms have always had the ability to hire American lobbyists to represent their interests with congress and other political actors. Another way foreign firms have engaged in the American political landscape is direct contributions distributed through their US subsidiaries. Foreign firms are not legally allowed to donate to political campaigns and PACs, but by using US subsidiaries these foreign firms are able to get around these restrictions. In this dissertation, I will examine this CPA behavior of foreign firms in American politics.

The increase in political freedom, along with an increase in the importance of international trade in recent decades, has only heightened the importance of lobbying and political spending in the United States. Since 1998 when the Center for Responsive Politics began collecting and providing total lobbying data, spending has grown from $1.44 billion in 1998 to $3.28 billion in 2012. The total dollar growth has been staggering. The total number of registered lobbyists has increased from 10,408 in 1998 to 12,374 in 2012. The total lobbyist number peaked in 2007 at 14,852 (Center for Responsive Politics, 2012). Political contributions had been held in check for some time, but with the Citizens United case of 2010 many of the contribution limits for corporations were lifted. This helped lead to the first billion dollar presidential campaign in 2012. The trajectory of these political activities keep pointing up. As these actions continue to grow in importance, it is important for management scholars to understand who is engaging in these non-market actions and why.

Organizational scholars have been urged to take up non-market research, particularly research focusing on how firms compete in the political arena (Henisz & Zelner, 2003). This is important to organizational scholars because organizations are currently competing to influence laws and regulations that govern the marketplace. Hundreds of millions of dollars are spent each year by foreign institutions on Washington Lobbyists and political contributions. This money is intended to influence decision makers on laws and regulations relevant to the foreign firms. Research indicates that firms engage in political action to obtain a strategic competitive advantage against competitors (Capron and Chatain, 2008). The number of foreign firms participating in US CPA and the amount of money being spent should give management researchers a strong justification to further understand this phenomenon.

Almost every nation in the world participates in the foreign lobbying process and many donate to campaigns through PACs. While there are some examples of foreign lobbyists stepping out of line and it being brought to the public's attention through legal action, these cases are rare but growing. More often than not the act of foreign CPA goes unnoticed by both academics and the general public, despite the impact this large amount of money is having on foreign policy.

Foreign firms who lobby and donate to the US political system are generally global competitors of domestic business interests. The process results in a system in which U.S. politicians are being incentivized to pass legislation favorable to foreign firms over its domestic competitors. Sometimes these pressures are necessary in order to break down barriers to trade and create an efficient and free market for the American consumer, but when pushed too far this becomes a matter of rent seeking for the foreign firm in the American market at the expense of domestic competitiveness. These actions have implications for domestic employees and consumers that have yet to be studied.

Increases in technology, decreases in transportation costs, and customers' increased access to information have led to highly competitive global markets (Schwab & Porter, 2009). Few industries remain in which domestic firms are able to focus solely on their domestic competition. Firms must also evaluate and react to foreign competition. A necessity for firm survival is having a product that competes well in this global marketplace. The rise in global competition has been met with a rise in research focusing on this new global marketplace. Academics have turned their attention to global competition and competitiveness (Johnson, 1995), emerging (Meyer and Estrin, 2001) and established (Douglas and Rhee, 1989) foreign markets, and their influence on domestic firms (Kumaraswamy, Mudambi, Saranga, and Tripathy, 2012). One common thread throughout this research is the role that firms play in increasingly more open and competitive international markets. In this work, I expand the focus on global competitiveness into non-market competition, which has received far less attention in the literature (Lawton et al., 2013).

Prior research indicates that firms compete in both the market and non-market arenas (Capron and Chatain, 2008). Historically, non-market research is found in management (Hillman et al., 2004), economics (McWilliams, Van Fleet and Cory, 2002, Yasar, Forthcoming) and political science (Stratmann, 2005), but it has also received some attention in the sociology literature (Boies, 1989) and other fields (Bagley, 2010). The non-market strategies that firms are using in an effort to gain a competitive advantage can come in the form of engaging in social, political, and environmental issues. Any activity by a firm that attempts to shape government policy in a way that is advantageous for a firm is considered corporate political activity (CPA) (Baysinger, 1984). In this dissertation I will focus on these political actions taken by foreign firms.

CPA has been studied in abundance in the domestic market, but there has been a surprising lack of focus on how foreign firms play a role in the non-market arena. The Center for Political Responsiveness provides digital data on domestic firms' contributions to political candidates and lobbyists. This available data has led to a large amount of research on domestic firms' political activities, but foreign firms are also active in this arena and they have been largely ignored. They are pouring millions of dollars each year into Washington lobbying companies in an effort to obtain face time with decision makers who can shape the public policy favorably to the foreign firm. In this dissertation I hope to shed some light on foreign firms that are engaged in these CPA behaviors.

1.2 Overview of the Remaining Chapters

In the following chapters I will try and shed some light on foreign firms and their presence in American politics. Following the lead of Hillman, Keim, and

Schuler's (2004) review article, I will examine both firm and industry level antecedents of CPA. I will also push this research forward by studying country level variables that are influential in driving a firm's willingness to engage in corporate political activities. Before doing this I will introduce the concept of foreign lobbying in American politics and describe a key actor in the process, the foreign lobbyist. Next, I will describe how foreign firms use foreign subsidiaries to participate in the political arena through campaign and PAC contributions. After I review the relevant CPA literature, I will provide theoretical support for my hypotheses and methodology, including operalizations for all the constructs used in this study, and empirical results from my analysis. Finally, I will finish with a discussion of findings and suggestions for future research.

Chapter 2

Literature Review

2.1 The Foreign Lobbying Process

Foreign lobbying in American politics has received little attention in both the popular press, and in academic study. While some political science research has investigated the use of foreign lobbying by countries and its influence on the US government providing aid (Freeman, 2012, 2009), very little has been written about foreign firms who lobby in the US. This is interesting, considering foreign entities make up one quarter of all lobbying in the US when measured by dollars spent. On top of that, the majority of foreign lobbying is done to support business interests. In the next section I will describe the history of foreign lobbying in America. Then, I describe who is acting as foreign lobbyists. Finally, I review the literature and findings on CPA in both the domestic and international management literatures.

2.1.1 *A History of Foreign Influence In American Politics*

Concern about foreign lobbying is not something new to the 20th and 21st centuries. George Washington wrote about it in his farewell address saying "against the wiles of foreign influence… the jealousy of a free people ought to be constantly awake, since history and experience prove that foreign influence is one of the most baneful foes of republication government (Washington, 1907)." This quote implies that the American people have always felt unease over foreign interests being represented in their democratic legal system, and also that it is not an issue unique to today's environment.

Before foreign lobbying was tracked and recorded by the US government, we have evidence of several instances in the 19th century in which foreign lobbying was utilized by countries to help them in their relationships with other countries. In 1883 the Chinese government convinced Anson Burlingame to resign as U.S. Minister and travel to Great Britain in an effort to persuade Britain and the US to commit to respect the sovereignty of the Chinese government (Huang, 2002). In the U.S. purchase of Alaska, the Russian government hired a former Senator in 1867 for $30,000 plus incentives to influence the purchase and payment of the area by the U.S. government (Dunning, 1912).

The United States is not always on the receiving end of foreign lobbying. It has also adopted proactive foreign lobbying practices in an effort to influence foreign governments as well. In the negotiation of a peace treaty with Morocco in 1786 three foreigners were appointed as agents of the US in Morocco. They were to act on behalf of the US government to transmit communication to his Majesty of Morocco from the US congress and to assist any American citizen who may have a need for their service (Roberts and Tull, 1999). In the development of the 1854 Reciprocity Treaty with Canada, the U.S. government employed lobbyists to spend a large sum of money in order to secure support for the treaty (Tansill, 1922).

Foreign lobbyists have long been at the heart of controversy in America. Regulating the lobbying process began in 1939 when President Roosevelt's belief that the Nazi propaganda of the 1930s was influencing America to stay out of the pending war in Europe. The scare of Nazi propaganda was followed up with the fear of Communist propaganda of the 1950s. The next decade was met with less propaganda from other countries. Business interests began to take center stage in the foreign lobbying process, beginning with the sugar lobby of the 1960s.

The long history of foreign lobbying combined with a concern over the intent of foreign lobbyists in American politics led to the enactment of the Foreign Agents Registration Act in 1938. While foreign lobbying had been a concern for years, it wasn't until fears of Nazi operations in American politics began to manifest itself in the 1930s that a formal act was passed to help monitor and control it. In the years before World War II congressional investigators found large amounts of "anti-democratic" material distributed throughout congress. These publications were funded by Nazi, pro-Germany, or Communist interests (Lee, 1988). In 1934 a special committee was developed to partake in an eleven month cross-country trip to investigate Nazi propaganda circulated in the United States. They reported that:

> "Incontrovertible evidence has been submitted to prove that there are many persons in the United States representing foreign governments or foreign agencies with funds and other materials to foster un-American activities, and to influence the external and internal policies of this country thereby violating the letter and the spirit of international law, as

well as the democratic basis of our own American institutions of government (United States Department of State, 1938)."

In response to the recommendations of this committee the Foreign Agents Registration Act was passed by the 75th Congress in 1938 and the act was signed by Franklin D. Roosevelt. This regulation has become the cornerstone act in terms of regulating the promotion of foreign interests in America. The supporters of this act argued that foreign and domestic interests should be distinguishable between each other, and that U.S. citizens' constitutional right to express themselves on policy should be different than the rights of foreign principals (Lawson, 1996).

The FARA act was an act of compromise between those who understood the necessity of allowing foreign agents to be heard by congress and those who thought they should be banned altogether. The act did not prohibit foreign activity or even propaganda information to be distributed in the United States, but the act mandates the documentation of these activities. This was done so that any American citizen could know where the propaganda is coming from, and more importantly, who was paying for it (Lee, 1988).

Since the act was initially passed there have been several revisions in response to pressures and current events. In 1942 FARA was amended to define and provide answers to questions left unanswered or answered ineffectively in the original act. Early on, many foreign agents were declining to report their actions because they did not see their actions as a form of political propaganda. The term "political propaganda" was defined and clarified with a broader scope as the act of intending to influence a recipient or any section of the public within the United States with a reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party to the foreign policies of the United States. This newer and broader definition of foreign propaganda allowed the act to attain and make available the information it had originally intended to capture. The second major amendment, in 1942, was the transfer of the responsibility and enforcement of the act from the State Department to the Department of Justice. This was a welcomed change because the State Department did not have investigative personnel which made enforcement of the act difficult. The transfer of responsibilities was seen as a better fit from both parties (Lawson, 1996).

The act remained largely unchanged with only minor amendments from 1942 to 1966. Although the focus changed from fear of Nazi propaganda to that of communist propaganda in the 1950s led by McCarthyism, the underlying structure of the FARA act remained in place. In the 1960s an ideological shift took place in the goals of many foreign agents who were trying to influence Americans. Historically, foreign agents were representing the ideological views and priorities of other nations in the United States, but beginning in the 1960s we see more economic interests being promoted by foreign agents.

The Sugar Lobby is one example of a successful lobbying practice that was able to influence legislation in the United States. In 1960, President

Eisenhower stopped the import of sugar from Cuba which at the time made up 1/3 of the sugar consumed in the United States. Other nations and companies with sugar interests saw this as an opportunity to use foreign lobbying in an effort to increase their market share and improve economic gains. The effort worked. Quotas were enlarged in most of the countries already benefiting from the current system and new countries were given quotas to begin selling sugar in the US (Hollander, 2005; Lee, 1988).

In response to the change in ideology from foreign agents, the FARA amendments of 1966 moved the act from focusing on subversive activities of political propaganda to now monitoring activities of foreign entities viewed as legitimate foreign agents whose goal is to affect the domestic political process (Lee, 1988). In 1966 there was less worry about an overthrow of the government and a stronger focus on monitoring lawyers, lobbyists, and public relation advisors who were influencing policies for their clients' benefit. This monumental shift in the focus of the FARA act has moved the issue of foreign lobbying from strictly a public policy and political science issue to one that is of considerable interest to management and business scholars as well.

2.1.2 *Who Lobbies: A Description of Foreign Lobbyists*

Research on lobbying falls under the larger subheading of corporate political activities (CPA). Understanding how the lobbying process works in the US is essential for understanding why and how firms use lobbying. Unlike some other forms of CPA, lobbying is a negotiation between multiple parties. It is not a market transaction with an exchange of dollars for specific legislation passed in return. Rather, all registered lobbying dollars go directly to lobbying firms, not politicians or staffers. In return, lobbyists conduct research on the problems that the firm faces, and determine political constituencies with similar political interests. Next, they coordinate meetings with these politicians and legislative agencies to present their case for changes. They argue that legislative or enforcement change would be mutually beneficial. Through this process the lobbyist's private information is shared with politicians that may be useful politically. Information typically focuses on employment, wages, and services in areas the politician represents. The indirect nature of the lobbying process leads to solutions for problems that might not have been originally envisioned by the lobbying firm or the original firm who hired them. Despite the indirect nature of problem solving that lobbying offers, it has been found to be effective. Increasing lobbying expenditures by 1% has been found to lower effective tax rates by .5 to 1.6 percentage points for the average lobbying firm that participates in lobbying (Richter, Samphantharak, & Timmons, 2009).

In one of the only works that has investigated who foreign lobbyists are in the United States, Chung Lee's (1988) dissertation surveyed personal characteristics, recruitment patterns, lobbying activities, and perceptions of foreign lobbyists. This was the first and only systematic examination of individuals who act as lobbyists for foreign entities. Using a mail survey of foreign lobbyists and supplementing with personal interviews, Lee was able to shed some light behind the curtain of who is actually participating in lobbying on behalf of foreign agents. Results indicated that the majority of foreign lobbyists were middle aged white males. They varied on personal religion, but most identified themselves as Protestant, Catholic, or Jewish. These foreign lobbyists are higher earners and more educated than most of the population. Surprisingly, Lee found that the foreign lobbyists did not necessarily consider themselves intensely political. Party preference was not dominated by one party or the other. Most of the time foreign lobbyist never had a lifelong aspiration to do what they were doing. Rather, they happened upon the job through a variety of past experiences and connections. These networks and experiences were deemed to be valuable in the role of a lobbyist. The largest percentage of foreign lobbyists have college majors in political science but the field is populated by a substantial number of history, economic, language (or literature) and engineering majors. When asked what they thought would be a recommended college major for someone hoping to one day become a foreign lobbyist they again replied with a variety of answers including political science, communication, law, public administration, public relations, economics, journalism, and business administration in that order. Before working as a foreign lobbyist most of the respondents were lawyers, domestic lobbyists, congressional staff or businessmen.

The job responsibilities of lobbyists also varies dramatically. The most popular job was to persuade decision makers, but influencing the general public, monitoring legislations, and providing clients with information also made up a substantial proportion of foreign lobbyists' job responsibilities. The lobbyists focus primarily on influencing the legislative branch or the executive branch while only one lobbyist surveyed reported that the governmental target of their foreign lobbying was aimed at the judicial branch. Lee (1988) also found that 78 percent of lobbyists were acting upon the economic and commercial interest of their client. After trade, interests of foreign lobbyists were focused on arms sale, military aid, energy, economic aid, travel, and fishery. Their tactics varied, ranging from actually testifying at congressional hearings and personal presentation of arguments to more indirect techniques including running letter writing campaigns and entertaining.

2.1.3 *Campaign Contributions*

An alternate approach to CPA is to donate to campaigns. Corporations are not legally allowed to donate to political campaigns, but in practice this is more of a technicality than a limitation. Incorporated firms are allowed to make contributions to political action committees (PAC). Some of these PACs are actually sponsored by the corporations themselves. Others are not, but have clear intentions stated as to the candidate or group of candidates they are supporting. These PACs then use the money to fund election related activities. Before 1998, when lobbying data was released into the public domain research on PACs dominated the landscape of CPA research. Now with data available on both lobbying and PACs we have a complete picture of all the properly reported campaign finance that firms engage in.

Only American citizens and firms can contribute financially to federal politics. Unlike lobbying, which is completely open to foreign firms, this leaves foreign corporations out of campaign finance. There is a way that foreign firms can work around these rules. American subsidiary of foreign firms are considered US firms. They are able to both create and donate to PACs. In 2012, 188 foreign firms created PACs through their US subsidiaries donating substantially to both Republican and Democratic candidates (Opensecrets, 2014).

Corporate PACs are not created in a vacuum. They are developed to support similar causes and ideals that the leaders of the organization support, or they are developed to help the organization gain, maintain, or get around a competitor's competitive advantage. As far back as 1971 with the passing of the Campaign Finance Act, PACs have been seen as a threat to free elections. Using original survey data from 224 corporations who donated to 591 candidates, donations were found to be given in support of anti-labor ideologies (Kaufman, Karson, & Sohl, 1988).

While foreign CPA has been largely ignored in the management literature, there has been a long line of research on domestic CPA of various kinds. Next, I will review the CPA literature and determine where studying foreign lobbying might contribute to the field.

2.2 CPA Research

2.2.1 *Overview of CPA Research*

Corporate political activities (CPA) have been defined as "corporate attempts to shape government policy in ways favorable to the firm" (Hillman, Keim, & Schuler 2004). Shaffer (1995) argued that firms' political behavior can be explained as either strategic adaptation or attempts to influence public policy. The difference between the two is usually predicated on the type of legislation that government is developing. "When government uses its authority to implement public policies through processes of legislation and regulation, the main response of firms is adaptation. Conversely, when government develops public policies, firms act as interest groups and attempt to influence policy development" (Shaffer, 1995 pg. 498).

Although CPA can take various forms, due to the availability of data most of the CPA research has historically focused on creating or donating to PACs, donating funds directly to candidates, and more recently lobbying has been the focus of attention in CPA scholarship (Gawande, Krishna, & Robbins, 2006). The popularity of different CPA research seems to be determined by the availability of information at the time. Different legislation throughout the years has opened up different data sources for researchers to test their theoretical work. In addition to campaign contributions, PAC contributions and traditional lobbying, firms also undertake CPA by assigning inside staff members to their Washington D.C. office to act as inside lobbyists. Firms also allow their employees to serve in government positions, they hire former government officials, and join trade associations in an effort to influence regulation.

While the benefit of information, influence, and lower transaction costs are important, the main goal of firms is not to enact great political change, but rather to be efficient and collect profits and increase value. One of the first papers to show that CPA, specifically linkages with the government, positively affects firm value was provided by Hillman, Zardkoohi and Bierman (1999). Using event-study methodology Hillman and colleagues found that having an organizational representative serving in a political capacity returns firm-specific performance benefits (Hillman et al., 1999). This important development helped to support the theoretical claim that firms competing successfully in the non-market were doing so with a focus on the bottom line, and it was not driven by some sort of political preference held by the organizational decision makers. The increase in firm performance is suspected to be driven by the reduction in uncertainty, decreases in transaction costs, and increased survival that can all be obtained by successfully managing business-government relationships.

As mentioned previously, the CPA literature is broad and spread across many disciplines, applications of theory, and empirical approaches. To help get a handle on the variety of research being produced on the topic there have been multiple attempts to review, summarize, and promote future research in CPA. These reviews are an invaluable resource to understanding the literature in such a broad and varied research stream.

In their recent meta-analysis studying the antecedents of CPA, Lux, Crook & Woehr (2011) found many different factors that influenced CPA, but very few factors influenced CPA to a large extent. They also showed support for the proposition that CPA is positively related to firm performance, and it is an important determinant of that performance (Lux, et al., 2011). In Getz's (1997) review of the Corporate Political Activity literature she integrates multiple social science theories while at the same time identifying several basic questions about firms' participation in CPA including who does it, their rationale, and their methods. Getz also investigates how CPA has evolved over time and finally she reviews where CPA is practiced. Studies about antecedents of CPA (the why question) dominate the CPA literature. Next comes studies about who participates in CPA. This includes the research stream focused on firm characteristics. There has also been a relatively strong stream of research investigating how firms engage in CPA. Different forms of CPA include campaign contributions, contributions to political action committees (PACs), internal and external lobbying, participating in trade associations, participating in government voluntary agreements, hiring former political actors, and allowing employees to work in government agencies to name a few (Hillman et al., 2004).

This line of research focuses on the choice between different forms of CPA. Why would a firm engage in one form of CPA over another? Reasons can be issue specific or they can be determined by company characteristics. Questions about where and when firms participate in corporate political activity have received the least amount of attention in the literature, and they provide the greatest opportunities for future research. Getz concludes that our understanding of CPA is strengthened by the complementary social science theories found across a variety of disciplines.

In the most recent review paper on CPA, Lawton, McGuire, and Rajwani (2013) organize the literature into three domains. They argue that most of the CPA work falls into either a study of resources and capabilities, institutions, or the political environment. After reviewing the literature, Lawton and colleagues (2013) identified several areas that future research should address. First, to better understand resources and capabilities researchers should focus on international firms and their different political resource configurations. Another largely unstudied area of CPA is ethical considerations. The business ethics and CPA literature would both be strengthened by a greater focus on ethics in CPA. Also, new methods could strengthen the political environment stream and research is needed that will integrate the three domains. Finally, research would be strengthened by focusing on international firms. Specifically, management scholars should focus on developing economies as they grow and become more and more important in international business because we expect to see their institutions becoming more elaborate in the coming years. This new agenda should help improve our understanding of how emerging market firms begin to act politically.

2.2.2 *CPA mode Choice*

Firms operate in a variety of industries and environmental settings. This variance between firms can lead to a wide range of CPA choices adopted. As I mentioned earlier, while lobbying expenses and campaign or PAC donations dominate the CPA research, it is not the only way that firms engage in corporate political activity. Corporations mix and match a variety of political tactics to meet their needs. A small stream of research has focused on the choice among various forms of corporate political activity by firms.

A widely utilized taxonomy of corporate political activity was developed by Hillman and Hitt (1999) in which they present two general approaches to political action, two levels of participation, and three types of generic political action. Types of political action have been grouped into three groups; financial incentive, constituency building, and information strategy. Firms participate in financial incentive strategies through providing contributions, hiring individuals with government experience, paying to speak, paid travel, and sending company members to serve on government committees or in office. Firms participate in constituency building by using advocacy advertising, economic or political education programs, mobilizing grassroots efforts, and holding press conferences on policy issues. Finally, firms participate in an information strategy through internal and external lobbying, reporting of research results, and commissioning think tanks. Using factor analysis, Hillman and Hitt were able to assign strategies into these groups (Hillman & Hitt, 1999).

In a study of manufacturing firms Schuler, Rehbein and Cramer (2002) found that politically active firms will combine multiple tactics in order to achieve competitive advantage through public policy. Drivers of these tactics include Congressional attributes, firm size, government contracts, and industry concentration. Schuler et al. (2002) measured CPA as a single, multivariate phenomenon. Using three corporate political tactics; PAC contributions, staff members located in the Washington office (inside lobbyists) and number of outside lobbyists and political consultants retained, they found that the likelihood that a firm would combine tactics was influenced by political activism, institutional features of congress, firm size, government contracts, and industry concentration. Firms who make the decision to engage in political activities are more likely to increase and combine tactics after their initial CPA decision.

While investigating threats to international operations, including how a firm manages political risk, Keillor, Wilkinson, & Owens (2005) found that the type of political activity that a firm engaged in varies based on the type of political threat that the firm faces. As firms become more multinational, CPA has been used to help manage the political risk associated with engaging in international operations. The political environment and the specific political threat faced by these international operations are important in the firm's choice to select political tactics and strategies.

2.2.3 *Antecedents of CPA*

2.2.3.1 Environmental Influence

The environment that a firm competes in has been shown to influence the type of CPA a firm chooses, and environment has been found to also be influential beyond CPA mode choice (Hillman et al., 2004). Firms have been found to choose to lobby in order to encourage or discourage regulation within an industry. The ultimate example of this is when industries become completely deregulated. Different forms of deregulation combined with variations in company characteristics lead to variations in adaptation to deregulation which influences firm performance. The pace and scope of deregulation has a great deal of influence on how firms will respond (Kim & Prescott, 2005).

Bonardi, Hillman & Keim (2005) theorize about democracies as if they were markets for public policies. In this political market demanders and suppliers of public policy interact. Demanders are firms while suppliers are government officials. Political market attractiveness can influence a firm's decision of whether or not they should become politically active. Market attractiveness is largely influenced by the issue a firm is lobbying for. Nonelection issues, issues with concentrated benefits and diffused costs, defending existing regulation or policies rather than advocating or opposing new issues, focusing on a narrow policy domain, and advocating or opposing issues without unique partisan identification are all attractive political markets for firms to enter. Firms are less likely to receive push back for lobbying in support of issues that fall into these categories. If the supply side of a political market is attractive, firms will adopt a leader strategy, regardless of the demand side. If the supply side is attractive but the demand side is unattractive, firms will adopt a follower approach. This approach will wait until another actor engages in political activities or until the supply side conditions change. In response to an unattractive supply and demand side, organizations will wait and see how things develop without becoming politically involved (Bonardi, et. al., 2005)

Sometimes government pressure on firms can be influential without enacting explicit regulation. One example is pressure encouraging firms to participate in voluntary agreements organized by governmental organizations in an effort to avoid government mandates. A recent study examined the U.S. Department of Energy's Climate Challenge voluntary agreement program. The goal of the climate challenge program was to have national electric utility companies reduce their greenhouse gas emissions. This particular case was studied in the management literature with a focus on the difference between firms who chose to participate and those who did not participate in the Department of Energy's voluntary program. They found that some participants were more likely to be joining the program with an interest on decreasing emissions, while others may have been doing it for other, more political reasons. Early joiners were successful in lowering greenhouse gas emissions, but late joiners showed no difference in greenhouse gas emissions than non-participants in emission reduction. The authors suggest that having no sanctioning mechanisms can lead to membership in voluntary agreements becoming a political activity of a firm attempting to manage its perception rather than an actual agreement to improve the company in the way intended. The authors highlight the difficulty governments face in using voluntary agreements to enact change. They also show that the choice to join or not to join a voluntary agreement might just be a form of political activity rather than a genuine act of change (Delmas & Montes-Sancho, 2010).

2.2.3.2 Industry Influence

The broad external environment is not the only influential factor in firm decision making and political behavior. Industry has been found to be largely influential in the presence and magnitude of political activity. Regulation and profits are often times highly dependent on industry success. Companies use CPA to try and have a voice in existing and pending regulation and to gain a larger share of profits from their industry rivals. Next, I will review the CPA research focusing on industry influences.

Industries face two problems when attempting to influence Congress, collective action and commitment. Typically, firms within an industry are the groups who spend the most money lobbying and donating to campaigns. Collective action problems exist in CPA when firms within an industry are spending money to influence congress, but any benefits from change are received by everyone in the industry. Regulation is generally handed down and applies to everyone in the industry. For this reason successful lobbying efforts might improve the profit of the firm engaging in lobbying, but the less politically active firms within the same industry often times benefit from the resulting regulations. Firms also face commitment problems when they spend money on political activity becuase they are unable to insure that it will influence Congress in the way that they had intended it to (Gordon & Hafer 2007).

Responding to a gap in the literature, Greier, Munger, and Roberts (1994) examine the factors that influence the overall level of political activity across groups. This adds to an already robust political science literature that examines interest group money being donated to specific politicians. They examine PAC contributions at the industry level. Greier and colleagues' extensive data set covers five election cycles ranging from1978-1986 across 124 different industries. As predicted, industries with a greater potential to benefit from the assistance of the government contribute more money to PACs. Each industry does face collective action problems, so this makes it difficult for firms to actually realize all of these benefits.

Political action in the US public accounting profession has been studied because of its close ties to government regulation and development of tax code. In an eight year study of the big six accounting firms leading up to the Private Securities Litigation Reform Act of 1995, Roberts, Dwyer, and Sweeny (2003) examined why US public accounting firms would promote litigation reform. They also examined how the profession was able to obtain such reform. Consistent with the Hillman and Hitt (1999) model of CPA, the US accounting profession adopted a relational approach to CPA that was long-term and spanned multiple issues. Roberts and colleagues highlight the significant resources that the accounting profession devotes to political activities and how vital the role of government is in the survival of the accounting profession.

In an investigation of why some firms give, and why some firms give substantially more than others, Hart (2001) found that corporate PAC formation and PAC size has changed over time. High tech firms typically use PACs to encourage the government for legislation that enables rent seeking by these firms.

In a study from the field of international economics it was found that firm size is an important determinant in political activity. Industries dominated by large firms obtain higher levels of legal protection. One explanation for this is the sizable amount of money that these firms can invest in nonmarket activities, specifically political contributions (Bombardini, 2008).

An often overlooked strategy that is seen used by small political actors is indirect or grassroots lobbying. Grassroots lobbying is the process of raising awareness at a small or local level with the intention of gaining enough support and voice that the lobbying makes a difference in the legislative process. In a recent study, Walker (2012) examined how industry, degree of inside lobbying and partisan PAC contributions shaped grassroots lobbying. Industries that are most likely to engage in grassroots lobbying process include those which are in the public eye and industries most concerned with taxation and government intervention. It was also found that contributions to Republican, but not Democratic, candidates also heighten firms' propensity to lobby the public (Walker, 2012).

2.2.3.3 Managerial Influence

The majority of CPA research in the management, political science, and the economic literature treats the decision of whether or not to participate in CPA as a firm level decision. In other words, firms analyze potential CPA benefits as the major determinant in whether or not the firm decides to engage in the behavior. There is a smaller stream of research that does take into consideration who is making the decisions of the firm and their influence on CPA behavior. The thought behind this is that firms are run by individuals who have preferences and independent thoughts. When they bring these into a firm they influence the decisions of the firm. A major argument in this dissertation is that a firm's geographical location should influence the CPA decisions of the firm. One reason for this is that the cultural differences between the decision makers within the firm may be highly influential in whether or not the firm engages in CPA, and in how much they engage in this behavior both in the likelihood of participation and in the volume of CPA the firm engages in.

Many times the CPA literature avoids distinguishing the actions of the firm and the personal views of the decision makers within the firm. Most studies assume that owners and managers have aligned views and actions in regards to the CPA behavior the firm should adopt. In an effort to understand how differences between different types of ownership and decision makers might influence the firm's political behavior, Hadani (2012) focuses on the relationship between institutional investors and CPA. Hadani used a sample of S&P 500 firms across five election cycles. Hadani argues that owners and managers do not, in fact, have the same views on CPA. Findings suggested that institutional ownership is associated with reduced CPA. This is one of the few studies that examines the relationship between CPA at the firm level and how individuals may or may not be influencing CPA behavior.

Studying campaign contributions of 151 manufacturing firms, Ozer (2010) found that firms' political activity is affected by senior executive's involvement in political activity. Ozer presents the conflict of interest concerning the firms political activities as an agency issue. The managers are willing to use CPA to mitigate firm specific risks, and this is strengthened by managers' unrealistic expectations regarding their firm's CPA efforts and the lack of clear feedback in the CPA process. Owners, on the other hand, avoid CPA behaviors out of reputational concerns, but they are more likely to engage in CPA when there is an absence of monitoring. This relationship is contingent on CEOs having a long tenure and top management team heterogeneity.

The decision to engage in CPA is more complex than a simple binary decision to engage or not engage. CPA decisions can lead to internal conflicts within the firm engaging in the process. Using grounded theory developed out of case studies, Shaffer and Hillman (2000) examine the internal conflicts that arise within the firm in forming business-government strategies by corporations comprised of diversified business units. Three types of conflicts are commonly found within politically active firms. The first conflict is over the position that the firm takes in its business-government interactions. These are pre policy issues that come into play before any CPA is undertaken. The second conflict is a fight for compliance costs and benefits that result from the business-government relations of the firm. The fight for costs and benefits are post policy issues resulting from the changes in business necessitated by new policy the firm now operates within. The final conflict is a conflict of who should represent the organization in the public arena. This is conflict between individual business units in how the firm should be represented in the external public policy arena (Shaffer & Hillman, 2000). The complexity of CPA is highlighted by understanding interfirm conflict in the CPA decision making and managing process.

Theoretical work has already begun arguing that culture is an important influence to the firm's decision to engage in CPA in another country. In an effort to explain how national culture may affect the type and prevalence of managers' political objectives and the strategies these managers use to achieve those objectives, Baron (2011) utilized Hofstede's cultural dimensions as an explanatory factor. Baron proposed that uncertainty avoidance would be positively related to an attachment to rules and regulations which influenced the political objective component of CPA. Long-term planning or short term orientation would led to differences in strategic planning preferences. These differences in strategic preferences influenced the general approach to CPA that the firm took. Individual and collectivistic managers naturally have different negotiation preferences. These preferences should influence their level of participation in CPA. Power distance will influence decision making expectations while gender role orientation influences attitudes toward financial inducements. These two dimensions influence the tactics and techniques of CPA that an organization will engage in. These components of CPA (political objectives, general approach, level of participation, and tactics and techniques) should be driven by cultural dimensions through the dimension's influence on managerial preferences (Baron, 2011). The theoretical arguments that Barron provides are interesting and strong, but empirical support is needed to understand and to further substantiate the argument.

2.2.4 *Outcomes of CPA*

Political activity of firms is said to be higher when political markets are attractive. Our understanding of the non-market arena is enhanced by the understanding that firms are in the market to buy favorable public policy, while representatives are willing to sell their support if they are able to gain resources helpful to their future election campaigns. While this concept is sobering, it has been found to successfully explain much of firm's CPA. Building on the attractiveness of political markets concept, Bonardi, Holburn, and Vanden Berg (2006) examine what influences the outcomes of a firm's nonmarket strategy. They found that rivalry between interest groups and politicians was the most important characteristic in the regulatory and political environment. Also, firms that can lower transaction costs through internal capabilities have more positive outcomes from their nonmarket strategies. These findings were derived from a sample of U.S. electric utility companies over a 13-year period.

2.2.5 *Theoretical Work in CPA*

2.2.5.1 Resource Based View

Non-market actions by firms have been shown to influence firm performance, but unlike traditional firm performance there has been a lack of theoretical development in the non-market arena. To remedy this, there has been an attempt to help build non-market theory in recent years. Some of these attempts modify traditional organizational theory concepts to fit and apply them in the non-market arena. In others a more original theory building approach is used providing new insight to researchers interested in how firms engage the non-market.

Since Jay Barney's (1991) seminal work, the resource based view of the firm has been used to help management scholars better understand how firms achieve competitive advantages in the markets they compete in. There has been a considerable effort to use the resource based view to better understand how firms compete not only in traditional markets, but in the non-market arena as well. While not everyone agrees with its usefulness (Bondari, 2011), there has been both theoretical and empirical support for using the RBV in CPA research. Political resources and capabilities are important in explaining how firms are able to compete and gain competitive advantages in the non-market. These non-market advantages have also been shown to improve a firm's profit position.

In their influential theoretical paper, McWilliams and collegues (2002) provided strong theoretical support for the use of the resource based theory of the firm in the corporate political activity literature. They showed how political strategies could be aimed at raising the costs of rivals substitute resources by blocking them through political means. This would leave the politically active organization with resources that are now valuable, rare, and costly to imitate. This provided the theoretical support needed for a large amount of subsequent research which expanded the CPA literature by building on the RBV. In their theoretical work, Capron and Chatain argued that the action firms take against their competitors in political markets can influence their competitor's resources. The success of these actions is dependent upon the competitive reaction of the firms that are being attacked (Capron & Chatain, 2008).

Closely related to RBV, the theory of dynamic capabilities has increased our understanding of how firms change and react to turbulent and dynamic environments. Some of these concepts can be applied to firms who are operating in a dynamic political environment. Oliver and Holzinger (2008) argue that the effectiveness of political strategies is dependent upon the management's dynamic political capabilities. They also propose four strategies to manage political capabilities at the firm level. These strategies require managers to be proactive, defensive, anticipatory, and reactive to be successful in the face of dynamic political environments (Oliver & Holzinger 2008).

The resource based view of the firm has been used to understand nonmarket competition in the area of political resources in CPA research, but Bondari (2011) claims that these arguments are overblown, and that the RBV is not well suited for use in CPA research without some fundamental adjustment. The focal point of the argument rests on the fact that most of the political activities that firms engage in use money. While money is valuable it is not rare, and it certainly is not inimitable. To overcome resource losses through CPA firms should be able to spend similarly in the political markets and achieve similar results, making the advantage substitutable. If CPA research is to use the resource based view, Bondari argues that authors need to move away from calling CPA activity itself a resource and focus more on managerial competency, specialties, and networks as a source of sustained political advantage.

2.2.5.2 Additional Theoretical Work

In an effort to bring in the theory of first mover advantages into the political resource literature, Frynas, Mellahi, and Pigman (2006) found that acquiring, sustaining, and exploiting firm-specific political resources is a long term process in an international business context. Using case study methodology and three case examples they found that while there is a relationship between first mover advantages and political resources, it is complex. Nonmarket strategies were found to be used by both first movers and late movers. While first movers did obtain advantages, late movers were also successfully able to use nonmarket strategies in an attempt to neutralize advantages of the first movers.

Corporate political activity has been studied in the business law literature by Bagley (2010) who uses multiple theories from strategic management including Porter (1980) and work building on the RBV drawing from Barney (1991) to show how business law can be a source of competitive advantage. The focus is specifically on the strategic value of managing the legal dimension of a business. Bagley argues that abiding by laws is important, but an often overlooked part of the picture is the managers' ability to use the legal system to increase both the total value created in an industry and the share of that value captured by the firm. Using the RBV framework, legal astuteness can be viewed as a managerial capability that is valuable and can lead to a sustainable competitive advantage (Bagley, 2010).

Lyon and Maxwell (2004) examine three nonmarket strategies used to influence the lobbying behavior of other groups. First, they present the concept of astroturf. Astroturf is the process of covertly subsidizing a group which holds similar views to engage in lobbying behaviors that it would not normally engage in. The second strategy is called the Bear hug. They define bear hug as a firm openly paying a group to adjust its lobbying activities. The final strategy is called self-regulation. This is when the firm voluntarily tries to limit its activities from potential social harm.

Sawant (2012) was one of the first to incorporate the ideas of transaction cost economics into political markets. He proposed that under high asset specificity, corporate political activity and internalization are substitutes. Sawant argues that this happens due to favorable public policy mitigating asset specificity. When managers are determining whether or not to internalize they will turn to CPA when its transaction costs are lower than internalizing.

The CPA research in international management has yet to build out a sufficient theoretical base for developing our understanding of why and how international firms should differ from domestic firms in their CPA activities. The literature has been scattered and large gaps remain. First, very little research has been concentrated on firms engaging in CPA outside of their home country. The research that has studied cross boarder CPA has focused almost entirely on large, developed nations (Lawton et al., 2013). In addition to this, despite the large amount of firms, countries, and dollars at play in the foreign lobbying CPA in America, no management scholar and very few academic researchers overall have studied this phenomenon. I hope to add to the CPA and international management research with this work. In the next section I will review the dispersed CPA literature that does look outside of US domestic business interests.

2.2.6 *CPA Research in International Management*

It has been argued that scholars might be able to improve their understanding of CPA if they were to turn their focus to international business (Lawton et al., 2013). This is something that researchers have attempted to do, but the research is currently inadequate and scattered. There is some research on how domestic firms might interact with the US government in an effort to gain a competitive advantage and how they compare to foreign firms (Hansen & Mitchell, 2000). There are also examples of how differences in political environments influence foreign firms' behavior and profits (Kozhikode & Li, 2012). Finally there is a small amount of theoretical research focusing on how firms might participate in CPA in countries other than their home country (Lawton et al., 2013), but no empirical research to test these claims.

It is usually argued that multinational enterprises will invest less in host countries that have higher policy risk. This understanding does not leave room for differences in individual firm behavior. Holburn and Zelner (2010) found that multinational enterprise's response to policy risk in the host country will differ between countries with different capabilities for accessing and managing such risk. They found that if a firm's home country commonly faces strong redistributive pressures they will be more willing to seek out host countries with higher risks for their international investments. These findings were shown using a sample of multinational enterprises in the electric power generation industry between 1990-1999 (Holburn & Zelner, 2010).

Political activity can vary depending on what cultural context an organization is operating within. In some countries, the distinction between friendships, political ties, business partners, and other relationships can be blurry. In China for example the role and utilization of guanxi can be an important influencer of firm performance. Guanxi "refers to the concept of drawing on a web of connections to secure favors in personal and organizational relations." (Park and Lou, 2001, p455). In Park and Lou's study of Chinese firms they found that similar to CPA in western context, guanxi is used to overcome disadvantages in resources. This is done by exchanging favors with government officials. Survey research on 128 Chinese firms support the hypothesis that guanxi is being used in this way to seek or maintain strategic advantage. They also found that though the web of connections is vast, only favors with government officials were engaged in for strategic factors (Park & Lou, 2001).

One reason many firms engage in political activities such as lobbying is to seek protection from international trade through government regulation. Focusing on the magnitude, scope, and timing of political strategies used by US steel firms to influence US trade policy, it was found that the larger firms dominated the trade protection politics. Surprisingly, trade protection was sought more in response to weak domestic demand than as a response to competition from foreign imports (Schuler, 1996).

Political activity is usually measured as contributions to different parties including direct contributions to campaigns, lobbyists, or PACs. Another approach to measuring activity in the political arena is capturing petitions firms filed with their home government against foreign competition. In a study of U.S. firm performance after anti-dumping petitions were filed it was found that U.S. anti-dumping laws significantly improved profits of the firm seeking protection. Between 1980 and 1992 the petitioner received and average increase in market value of $46 million as a result of filing the petition (Marsh, 1998).

While CPA research on foreign firms is limited there is some relevant research on international firms and how they respond to public policy. In a study of international expansions by Japanese manufacturing firms it was found that firms with relevant international experience were less sensitive to the effects of uncertain policy in the foreign country. The authors argue that experiential learning can mitigate the effects of uncertainty for firms operating in foreign locations (Delios & Henisz, 2003). In other words, firms that had gathered relevant types of international experience were less sensitive to the deterring effect of uncertain policy environments on investment.

In a study of international firms doing business in Italy, it was found that political tradition is influential, but only at the margin. What is most important is locational and infrastructural factors. When multinationals choose locations they decide from a short list of competitive locations. Political orientation can be influential for firms who are already on that short list (Mudambi & Navarra, 2003).

Sometimes the political environment within a country is so strong that it will influence a firm to actually exit the market. One study measuring the effects of political hazards and regime change on exit rates found that foreign owned subsidiary exit rates are influenced by several things. First, exit rates increase with exit by peer firms. This relationship was found to be especially strong when political hazards are high. It was also found that a firm's experience under the standing political regime negatively moderates the influence on an organization's subsidiary exit rates, but in this situation exit rates increase upon change in political regime (Henisz & Delios, 2004). In other words, firms are more willing to endure political hazards if they feel comfortable with the group in charge, but when the political powers change, firms are less willing to operate within the country.

Holtbrugge, Berg, & Puck, (2007) conducted one of the few studies of political activities in a foreign setting. In it they considered political stakeholders and political activities in German multinational corporations. The sample included data from the 19 largest German multinational firms and their subsidiaries in China, France, India, Russia, and the United States. Findings suggested that the influence of multinational firm's political stakeholders increased with firm size. They found that the influence of political stakeholders increases with the size of the multinational corporation. This is a good first step, but is limited in generalizability due to its focus on a small group of large German multinational firms.

Okhmatovskiy (2010) studied the consequences of board and ownership ties to State owned enterprises. Ties to SOEs are associated with higher profitability, while no significant differences are discovered for firms with direct ties to government. These findings may be more or less important depending on where in the world a firm is doing business due to the prevalence of state owned enterprises varying highly throughout the world.

In some nations business groups are highly influential in the business and political environment. Dieleman and Boddewyn (2012) used the case study method to examine how business groups manage political ties in emerging economies. In a study of how the Salim Group in Indonesia managed their political ties, four buffering mechanisms were identified. This group had multiple political ties, and they proactively attempted to prevent these political ties from being linked to each other. The Salim group also tried to keep ties from misappropriating group resources. They spent time trying to prevent political ties from spreading damage to the entire organization. Finally, the Salim group actively tried to prevent political ties from turning into liabilities by detaching from political ties that fall out of power (Dieleman & Boddewyn, 2012).

While much of the CPA literature focuses on political contributions of some kind, deciding to become or remain a member of a business association is also an act of corporate political activity. Many times this is a better way for a small firm to have its voice heard because smaller firms do not have the large amounts of cash available that is needed to wield great influence in legislation through more traditional methods. In a study of European firms from France, Sweden, and the UK it was found that the country of origin had a significant influence on the attitudes toward business associations. An online survey of 206 small to medium sized firms found that the difference in a firm's home country influenced how firms used information to gather political information, how they perceived a business association's effectiveness to influence policy, and finally their perception of policymakers' use of information provided was again influenced by home country differences. The ANCOVA tests used found that country level differences were stronger than the industry level influences for the surveyed firms (Hultén, Barron, & Bryson, 2012).

In some countries firms may encounter a pluralistic society. India is a great example of a pluralistic society in which the central government sets nationwide economic policies, but it is only nominally more powerful than the state governments which regulate local politics. Similar to the United States, India elects its national officials through nationwide elections while individual states hold state elections. India has a multiparty political system. It is not uncommon for some parties to have a strong national presence while other parties are found in only a region of the country. Kozhikode & Li (2012) examined how this interesting dynamic might influence business in the country. Using data on 94 commercial banks from 1948 to 2003 they found that when different parties controlled the state and national government business expansion was promoted. Kozhikode and Li argued that this political pluralism reduced the power of each party to limit the decision making process of banks. Banks were also found to have selectively pursued areas under political pluralism to exploit the opportunities they provided.

Using survey research of Fortune 500 firms and oversampling firms with large foreign investors Hansen and Mitchell (2000) found that "foreign" firms are less likely to contribute to lobbying and more likely to contribute to PACs. Foreign firms were not found to be hyperactive politically. Foreign firms were also found to lobby less, and were less likely to have PACs. Also, fewer foreign firms gave to charity (Hansen and Mitchell, 2000).

In McMenamin's (2012) qualitative cross cultural research, he found that political activity means different things in different contexts. In Australia and Canada corporate political activity is a pragmatic approach that firms engage in expecting some form of reciprocation from those they contribute to. These considerations are typically delivered through personal or organizational relationships that are strengthened by the financial contribution. This has become a well-known and followed institutional norm in these countries. In Germany this norm does not exist. Donations in political finance are small in number and they express preferences in ideology for the right-wing pro-business parties over the social democrats.

Foreign governments, political parties, government-controlled entities, and foreign for-profit corporations are spending millions of dollars a year buying influence in Washington by hiring well-connected lobbyists and contributing to political campaigns. While this activity is clearly influential in American politics and has ramifications for both foreign and American firms, the management literature has left this phenomenon relatively unstudied.

As I have shown, CPA research has been limited almost entirely to studies of US firms, or foreign firms lobbying within their home country. Specifically, CPA by foreign firms in the United States has not been looked at in the literature. In the following section I will summarize what we already know about foreign and cross border CPA and identify opportunities for future research. Then I will propose country, industry, and firm level hypotheses in an attempt to better understand the antecedents of foreign lobbying in American politics.

2.2.7 *Relevant Research in Economics*

In Olsen's (1965) work he investigates the formation of political and trade organizations. Central in his work is the incentives and disincentives, leading to the conclusion that individuals are self-interested. In addition, Olsen discusses the concept of free riders. The free rider problem is key in CPA research because large, politically active firms must be aware of smaller firms absorbing the benefits of favorable regulation without bearing any of the costs.

In an attempt to understand the power of foreign lobbying by special interests in politics Grossman and Helpman (2001) posit that the general belief that foreign lobbying is harmful to the US economy may not be accurate. Foreign lobbying facilitates reductions in trade barriers, which actually raises welfare. Using the Foreign Agents Registration Act's lobbying data they found that tariff and non-tariff barriers were reduced with foreign lobbying.

2.2.8 *Summary of Findings and Opportunities for Future Research*

Research on corporate political activity has primarily focused on domestic issues within the United States. The interaction between businesses and governments has been studied in a variety of domains. While we glean knowledge from several different fields, our focus is centered on research that focuses specifically on firms attempting to influence government for their benefit. The past research has primarily focused on either antecedents or outcomes of CPA.

As discussed earlier, research on antecedents of CPA can generally be divided into environmental, industry, or managerial influence. For environmental influence the general argument is that firms are heavily influenced by the environment in which they compete. Firms will be more likely to engage in CPA if they are in an environment highly influenced by government regulation (Delmas & Montes-Sancho, 2010), or if the market for public policy is attractive (Bonardi et al., 2005). A firm's CPA behavior is also strongly influenced by the type of political system the firm operates under (Mudambi & Navarra, 2003).

Research focusing on the industry that a firm competes in and how it might influence CPA has found that, as predicted, industries with the potential to gain the most from government assistance are the most active in CPA in terms of political contributions (Greier et al., 1994). It has also been found that industries dominated by high regulation and large firms are more likely to spend money on CPA than other industries (Bombardini, 2008).

Finally, a large share of attention has been focused on the influence that managers and decision makers have in the firm's decision whether or not to engage in CPA. While most research assumes that the firm and the decision makers within that firm are not mutually exclusive, research attempting to disentangle the question of who is participating has shown that the ownership structure of the firm (Hadani, 2012) and individual differences between managers (Ozer, 2010) are both influential in the firm's decision to engage in CPA. This research supports the notion that firms are not only influenced by its industry and environment, but that the individuals who are making decisions within the firm are also important players in the CPA debate.

As I point out numerous times in this work, the corporate political activity literature has been dominated by the study of firms in a domestic context. The general consensus is that this is driven by the availability of data found in the US. There is concern from a variety of parties that money flowing into campaigns during elections and into lobbying firms are deteriorating the democratic process (Alzola, 2013). The transparency in this process found in the US does not exist in the same degree anywhere else in the world. This has provided scholars' access to the data necessary to test their hypotheses. This provides us with an increased understanding of the CPA process, a nuanced understanding of CPA in the US context, as well as antecedents and outcomes of CPA. On the other hand, it has also caused our understanding of CPA to be largely confined to the US context.

While there has been some work focusing on CPA in settings outside of the US, it is scattered and difficult to fit within any sort of framework or model. The most common perspective that researchers take in looking at CPA outside of the US is by examining the country that the firm is doing business in and trying to understand how the environment might influence the firm behavior with these countries and how that differs from US firms. These studies are highly variable but are necessary if we are to increase our understanding of how and why firms engage in CPA in different countries and how that differs from the US. Because much of this work is specific to cultures and countries it is difficult to generalize findings beyond the specific contexts in which these studies are conducted.

Findings have shown that a firm's willingness to engage in business activities is influenced heavily by political risk (Holburn and Zelner, 2010). While political risk is important, Delios and Henisz (2003) found that firms can mitigate the effects of this risk with experience in dealing with the current political regime although these experience effects seem to disappear entirely when a new political regime comes to power. In addition to the political risk, relationships with government officials and regulators has been found to influence the way firms behave (Lou, 2001). This is especially true in China with the importance and prevalence of Guanxi (Park and Lou, 2001).

The way in which a country regulates is not limited to a political philosophy or regime. Especially relevant for businesses is the government's willingness to compete in what would otherwise be a free market. An interesting study with indirect implications on CPA studied state owned business. State owned businesses and a firm's relationship with them has been found to be important in countries in which the government plays a strong role in competition (Okhmatovskiy, 2010). In some countries it is not state owned businesses that dominate the business landscape, but rather business groups. In these countries, business groups have been found to be highly influential in political systems and they have unique strategies of political activities which would not work in different institutional settings (Dieleman and Boddewyn, 2012). Finally, political systems (Kozhikode & Li, 2012), specifically differences and rivalries between state and national government parties influence where firms might be more or less willing to engage in business. From an American context, there has been some research which examined how domestic firms have been found to use political activity to seek protection from foreign competition (Schuler, 1996).

There is a much smaller stream of research that examines how firms engage in CPA across borders which my work will add to. Up to this point, these papers have examined how firms from a single country might lobby in a specific set of other countries, such as European companies lobbying in other EU countries. This work has concentrated on firms in developed nations (Lawton, Rajwani, & Doh, 2013).

While CPA has begun to receive some notice in the international management literature, it has yet to receive the focus that other topics have. Recent reviews of the literature have called for an increased focus on international firms and cultural level influences on CPA behavior in foreign firms (Lawton et al., 2013; Lux et. al, 2011). In this dissertation I provide one of the first examinations into not only firm and industry influences on CPA, but also country level differences influencing CPA. I support these propositions by positing that a firms actions are influenced by the environment in which they operate within and by the managers and decision makers within the firm. Using a unique dataset which measures all lobbying behavior of foreign firms and other foreign entities, I can empirically investigate the lobbying behavior from different countries, industries and firms. Adding the country level of analysis to our already strong industry and firm level understanding of CPA will allow for a more nuanced understanding of what influences firm CPA, specifically firm lobbying. In regards to the firm and industry level propositions, this will be one of the first studies investigating whether or not our understanding of CPA holds for firms outside of the domestic context. It will be interesting to see how firms from different parts of the world are influenced by variables which have traditionally been considered highly influential in a firm's political activity.

Chapter 3

Theory and Hypothesis Development

3.1 Firm Level Hypotheses

Historically, one of the prominent firm-level antecedents found in CPA research has been firm size. Size has been operationalized using several different measures, but the general consensus is that larger firms are more likely to engage in CPA than smaller firms. There are several reasons for this that have been offered in the literature. One explanation is that the indirect market for political favors does not lend itself to successfully purchasing small amounts of political capital for niche legislation. The market runs more like an auction with the largest political actors having a disproportionately large influence on the policy discussion (Freeman, 2012). Using the theory of political markets view, this means the market for large firms is much more attractive than that of small firms because they can invest large amounts into the political process.

In addition to this explanation, there are also reactive reasons to suggest that large firms will be more proactive in political markets than small firms. Anecdotal evidence suggests that large firms who are unwilling to participate in the political process seem to have a greater risk of legislation and questioning levied against them from government entities. The best example of this might be seen in the last twenty years of the technology industry. For most of the 1990s Microsoft sold the dominate operating system in the personal computer industry.

They were extremely successful in the markets in which they competed, but they largely ignored non market activities. In 2001, the United States vs. Microsoft case was filed against Microsoft accusing the software giant of engaging in abusive anti-trust practices. In giving away their Internet Explorer internet browser with their operating system it was argued that this gave them an unfair advantage in the web browser software industry. Interestingly enough, after settling the lawsuit Microsoft really did little to change its behavior in its competitive markets (Jenkins and Bling, 2007). What they did change considerably was the way in which they approached non-market activities. Microsoft is now one of the largest political actors with both external and internal lobbyists, large political contributions, and PACs. Critics argue that Microsoft was less guilty of anti-trust infringement but rather they were guilty of hoarding large profits and cash without sharing some of these profits with rent seeking government actors.

In a more recent and developing case from the same industry we see that Apple might be facing similar issues. In May of 2013 the Apple CEO, Tim Cook, was called to testify before congress to answer questions about the tax burden that one of the world's most profitable companies paid. Implications were that Apple had unethically dodged billions of dollars in taxes by utilizing offshore subsidiaries primarily as tax havens to get around its tax obligations. Cook argued that the company is being unfairly targeted. He pointed out that while Apple did use subsidiaries, it did nothing illegal. He argued that Apple did nothing outside of normal operating procedures for large multinational firms, and they did in fact pay one of the largest tax burdens over the last few years. Cook argued that his company was being targeted as a product of the size and success of the firm and not actually firm behavior. It will be interesting to monitor both Apple's adjustments in accounting practices and their participation in the political process as a response to this recent political pressure.

I expect that these political activities undertaken by firms as both proactive and reactive approaches to government will apply to foreign firms as well. Reactive approaches by foreign firms should be stronger than those by domestic firms because of liability of foreignness issues that foreign firms must overcome. Foreign firms are much easier for congress to target with legislation and regulation because their constituents are less likely to feel passionate and strongly defend the rights of a foreign firm. Even if the pressure hurts the American consumer at the macro level those costs are diffused over a large number of people and each individual is harmed in such a small manner that it is unlikely the politicians will receive pushback. For these reasons I propose that:

H1: Firm size is highly correlated with firm corporate political activity.

One firm attribute that has been an aspect of conflict in the CPA literature is that of firm slack. Firm slack, is defined as "A cushion of actual or potential resources which allow an organization to adapt successfully to internal pressures for adjustment or to external pressures for change in policy, as well as to initiate changes in strategy with respect to the external environment," (Bourgeous, 1981: 30). Arguments and findings vary on whether the relationship between firm slack and CPA will be positive or negative. Some have argued that large amounts of firm slack will be associated with higher firm CPA because firms that have excess cash are better able to allocate some of these funds towards lobbying efforts and other non-market activities than those firms who are struggling with the management of their cash flow. Similar to the arguments of firm size, firms with large firm slack have enough money to invest in political activities. They can counter a competitor's political activity by outspending them in political markets (Meznar and Nigh, 1995).

Although there has yet to be empirical support for the counter argument, some scholars have proposed that firms with low levels of slack will also be more politically active. The reason for this is that when firms have low levels of slack they are in financial trouble. Firms are in their position of limited slack as a result of their inability to successfully compete in their current market, and political markets might be a more attractive competitive position than using their limited cash position for a more traditional competitive move. I do not believe that this argument is applicable for foreign firms. If a foreign firm is struggling to succeed and they are running low on cash, the firm is more likely to respond in traditional ways than through political markets. They might shut down or scale back international operations and focus more on their domestic market. They might also engage in the opposite approach and use some of their domestic market returns to expand their foreign operations in the hope that with more cash, they are better able to compete abroad. Political activity is unlikely to be one of the top strategies that a firm uses to respond to low organizational slack. For these reasons I propose that:

H2: Foreign firms with high organizational slack will be active in CPA behaviors with the US government.

One of the most common government interactions that takes place in all profitable firms is government taxes. As Benjamin Franklin famously wrote, “Nothing can be said to be certain, except death and taxes.” Even firms who avoid all political activities do engage with government on taxes. If foreign CPA is to be successful, one way that we expect this to show up is in the taxes that the firm actually pays. Despite this inevitable interaction between the government and the firms, there has been very little research on tax rate and CPA. In one of the few results oriented studies that did examine lobbying and its influence on taxes found that each percentage point increase in lobbying leads to an effective tax rate decrease by somewhere between .5 to 1.6 percentage points for the lobbying firms (Richter et al., 2009). This research was conducted on US firms with publically available financial statements.

While foreign firms might behave differently than US firms, an understanding of the US tax code for different types of foreign firms suggests that foreign CPA, if successful, might also decrease effective tax rates. There are many ways that foreign firms can conduct business in the US, and the tax code attempts to insure that foreign firms pay their fair share and do not get a free ride. The US will tax a foreign firm when income is connected to business or trade in America. The tax rate is levied at the same rate as that of domestic firms. Foreign branches will be taxed on profits equal to that of US firms. Finally, US subsidiaries are considered US firms and are taxed as such.

While it is argued that money is used to buy political access and influence, that political access and influence should buy outcomes if it is to be useful (Richter et al., 2009). For these reasons I predict that foreign firms with lower effective tax rates will engage in increased CPA.

H3: Effective tax rate is negatively correlated with foreign firm corporate political activity.

This dissertation examines foreign firm's willingness and likelihood to engage in CPA in the United States. Foreign firms are heterogeneous in ways beyond simple firm level variables. Some foreign firms might even be considered "less foreign" depending on who is making the decisions in the firm. One driver of decision making responsibility might be who owns the firm. Firm ownership has been found to have influence on many firm level variables (Johnson &

Greening, 1999; Hoskisson, Hitt, Johnson & Grossman 2002; Chaganti & Damanpour 1991). I predict that foreign firms with a larger percentage of institutional ownership will be more likely to engage in CPA in the US than firms with a smaller percentage of institutional ownership.

Institutional investors are buying into foreign stock in an effort to achieve high returns. They are not always buying with a simple buy and hold mentality. At times, these institutional investors can influence stock price, or if they have a large enough percentage of firm shares they can influence firm behavior. Institutional investors are more likely to have a relationship with both lobbyists and other political actors than traditional foreign firms with local leadership. I predict that these relationships will lead to foreign firms with higher institutional ownership to be more likely to engage in CPA than those with less institutional ownership.

H4: A foreign firm's percentage of institutional ownership will be negatively related to foreign firm corporate political activity.

3.2 Industry Level Hypotheses

Multilevel research has found that both country and industry can influence firm actions. Allred and Steensma (2005) found that both the country level context and industry structure significantly and directly influenced firm innovation investment. I predict that in addition to firm level results, both industry and country level variables will be significant and important in the non-market arena as well. In traditional CPA research, industry has played a major role in influencing the presence and intensity of CPA. Government regulation is often limited to a specific product or industry, so it makes sense that differences in industry will influence the amount of CPA that we see. In industries characterized by high government regulation there is generally high levels of CPA (Hadani, & Schuler, 2013). Firms engage in CPA in an attempt to influence the regulation that is being levied. These firms seek an opportunity to influence the rules of the game that are being handed down, and more often than not they use CPA in an attempt to do this.

The strategy literature has shown strong support for the proposition that competition within an industry influences the behavior that the industries' firms engage in. Particularly in the international business literature, it has been found that firms within industries which face heavy domestic competition in their home market are more likely to be innovative and better prepared to compete in the global marketplace (Charitou, and Markides, 2012). The argument is that these firms were forced to be efficient, competitive, and successful in order to survive as a firm domestically. For this reason when they begin to compete abroad and become a multinational firm they are better able to compete with the new global competition and innovate in response to difficulties in the international market because they have experience innovating in order to survive in their home market.

In a sense, their home market better prepared them for the competitive pressures they would face in the global marketplace.

I predict that these pressures will not only influence the firm's approach to market competition, but they will also influence the way that a firm handles their activities in the non-market arena. Firms that are successful in highly competitive environments tend to not only be well run firms that efficiently manage their mission and strategy, but these firms also operate well within the context of the legal system they are under. Very rarely are firms able to succeed financially with a complete disregard for the political constraints and benefits of political action. Successful firms are known to leave no stone unturned, and they do everything legally and ethically permitted to gain a competitive advantage against their competitors. For this reason I predict that a firm's industry conditions will be highly influential in a firm's willingness to engage in foreign lobbying.

One industry characteristic that should be highly influential on the willingness of firms within that industry to engage in CPA is environmental complexity. Researchers have long argued that environmental complexity is one of the most important characteristics of the environment (Emery & Trist, 1965). Firms have been shown to use CPA in an effort to mitigate uncertainty within their environment. A complex environment is, by definition, more uncertain than a simple one, and for this reason I argue that firms competing in complex industry environments will be more likely to engage in CPA than firms in simple environmental industries.

H5: International firms competing in complex industry environments are more likely to participate in CPA behavior in the United States than international firms in low complexity industry environments.

Another form of environmental complexity involves the competitive complexity in the industry. Firm size within an industry has been shown to be influential in a firms' willingness to engage in CPA. While at the firm level, larger firms are more likely to engage in CPA, industries dominated by a small number of large firms have been shown to behave differently. As industries move toward a monopoly or oligopoly they are able to achieve excess rents because the market process has broken down in that industry. These firms no longer need to engage in non-market activities to capture larger shares of their industry sales. For this reason I expect that as industries are controlled by a smaller amount of large firms the amount of foreign CPA will actually decrease.

H6: As industry Herfindahl Index decreased, international firms are more likely to participate in CPA behavior in the United States than international firms in industries with higher H-indexes.

The political science literature has already established that CPA in the US operates like an auction more than it does a traditional market (Freeman, 2012). The winners take the largest share of political gains, while the losers try to free ride on any potential benefits, but the free riders do not have much say in the process. I predict that this will hold for foreign firms that lobby in the US for several reasons. First, unsuccessful foreign firms might be even less likely to engage in CPA in the US than unsuccessful domestic firms. Foreign firms might be more likely to ignore the US market and concentrate their efforts in their home country rather than spending a great deal of time and effort competing in the non-market in the US.

Revenue will also be important to foreign CPA in a more practical since. Most forms of CPA, and all CPA measured in this dissertation require monetary commitment from the firm. Firms in industries with higher revenues are more likely to have the cash necessary to engage in CPA. It is reasonable to expect that firms that engage in CPA will be clustered within high revenue industries. In an effort to compete for a greater share of these large industry rents, I expect firms in these industries to be more likely to engage in corporate CPA. Formally, I propose that:

H7: Foreign firms in industries with high revenues are more likely to engage in foreign CPA than in industries low in revenue.

Corporate political activity varies greatly by industry. This is understandable due to Shaffer's (1995) findings that firms undertake CPA as either a proactive or reactive approach to regulation. It is difficult for government actors to hand down regulation concerning individual firms. Most regulation cuts across entire industries. Empirical evidence suggests that industry regulations are highly influential in firms' willingness to participate in CPA. In a large scale study of Fortune 1500 firms across a 10 year time frame Hadani and Schular (2013) found that CPA does not provide a measurable boost in firm performance unless the firm engaging in political activity competes in a regulated industry. I expect that foreign firms in regulated industries will be more likely to engage in CPA than those in non-regulated industries.

H8: Foreign firms in industries which are highly regulated are more likely to engage in foreign firm corporate political activity.

3.3 Country Level Hypotheses

Hofstede's (1980) work has been arguably the most influential work examining national culture and values receiving over 22,000 citations according to GoogleScholar. It has been used to help scholars better understand culture's influence on workplace behaviors, attitudes, and other organizational outcomes (Kirkman, Lowe, & Gibson, 2006). Hofstede's work is some of the most highly cited in all of the social sciences. The international management literature has embraced Hofstede's dimensions as a theoretical base for much of its research over the last thirty years (Kirkman, et al., 2006). This has helped Hofstede's framework to have a greater impact than others (Sivakumar and Nakata, 2001). In this section I will briefly review Hofstede's cultural value dimensions. I will give examples of international and strategic management literature which use some or all of the dimensions for theoretical support, and finally, I will explain why they should be important to CPA, specifically research on foreign firms lobbying the United States.

In defining culture, Hofstede chose to describe it as “The collective programming of the mind which distinguishes the members of one human group from another”. While working for IBM between 1967 and 1969 he surveyed more than 88,000 employees using over 116,000 morale surveys in 72 different countries. These results were limited to 40 countries and 20 different languages with substantial data from which he drew his conclusions. He originally classified each country on four dimensions using factor analysis. The four factors were (1) individualist – collectivist, (2) power distance, (3) uncertainty avoidance, and (4) masculinity – femininity. Hofstede later added short term and long term orientation as his fifth dimension.

Hofstede’s work has been used widely in many different academic disciplines, but it has not been without criticism. The work has been argued to lack generalizability within countries due to the limitations of using a single corporation for the study. Minimizing a country’s culture to a simple four or five dimension concept has been argued to hinder the nuance and accuracy at which it can be used. Finally, Hofstede completely ignores heterogeneity within countries. Assigning each country with a single score on these dimensions might mask the differences between individuals and groups within a single country. These differences might be significant (Sivakumar and Nakata, 2001). Despite these criticisms, Hofstede's work has been used successfully as a driving theory for empirical support and as a paradigm (Søndergaard, 1994).

Even in the face of this criticism, Hofstede's cultural dimensions have been found to provide value to organizational researchers studying cultural differences in international business. In a recent review of the literature, Kirkman and colleagues (2006) reviewed 180 papers in top management and psychology journals that had used Hofstede's framework. These studies included cultural studies at the individual, group or organization, and country level of analysis where culture was the main effect. They found that Hofstede's work was helpful in advancing research across multiple disciplines and contexts. Culture has also been studied and found as a moderating variable at each of these levels of analysis. In this paper I will use Hofstede's dimensions at the country level of analysis. This was the original application of cultural dimension research. Findings usually report that as cultural distance increase, firm behaviors are influenced.

Entry mode research has spent a considerable amount of attention on cultural differences, and found that as cultural distance between countries increased so did their tendency to choose a joint venture over an acquisition (Kogut and Singh, 1988; Chang and Rosenzweig, 2001). As entry mode research advanced, moderators and exceptions to these rules were found which helped us to more fully understand the relationship between cultural distance and entry mode. Entry mode research focuses on strategic market moves by the firm, but firms also make similar decisions in entering the non-market arena in other countries by lobbying and other political activities. Using cultural distance in the CPA literature might help us to better explain when and why foreign firms might engage in corporate political activities.

Culture is important to strategy and international management researchers because firms are made up of individuals who decide the strategies that firms will engage in. Some of these strategies include how the firm will operate in the non-market arena. When looking at firms using an international business perspective we find firms that are run by managers from different parts of the world. These different parts of the world are unique in their culture, and the managers are at least partially shaped by the culture they are operating in.

In the following propositions I try to bring out the unique aspects of each cultural dimension that we miss in much of the research on culture. Kogut and Singh's (1988) measure of cultural distance has proved to be extremely helpful for understanding how the differences between cultures might influence many aspects interesting to management scholars, but by combining all five dimensions and comparing cultural distance we run the risk of losing much of the nuance that Hofstede's work provided. I propose that the individual Hofstede dimensions will be influential in the likelihood and volume of CPA undertaken by foreign firms in the US. Barron (2011) argues that culture will play an important role in CPA behavior because managers and decision makers are influenced by the cultural background that they come from. Governments vary all across the world. The way a company learns to interact with their government will influence the ways in which they generally prefer to operate in the non-market. As discussed earlier, researchers in management, international business, and a variety of other fields have found that culture can be highly influential in how people behave and how these behaviors influence the organizations they are a part of.

Countries high in individualism value the abilities and responsibility of the individual within a society. People are expected to take care of themselves and those who are close to them, such as immediate family. Collectivist countries, on the other hand, have tight social frameworks. Individuals operate within the context of the groups they belong to. People are distinguished by ingroups and outgroups. Individuals are loyal to their ingroups and their ingroups are expected to look after them. All of these factors exist on a continuum. For example, most countries do not exist in either the collectivist or individualist camp, but rather they fall somewhere on the continuum between the two extremes. Managers from individualistic cultures are more likely to assume credit for their successes as a byproduct of hard work and individual talent and skill. Collectivist cultures are more appreciative of the importance that the organization, the network of contacts, and others have in supporting a successful business. This individual responsibility and individual credit for performance should lead firms in individualistic countries to seek out and hire foreign lobbyists in America to help achieve greater financial rewards. This leads to hypothesis 9.

H9: Firms from individualistic countries are more likely to participate in CPAs with the US government than firms from more collectivist countries.

Hofstede's concept of uncertainty avoidance measures "the extent to which society feels threatened by uncertain and ambiguous situations and tries to avoid these situations by providing greater career stability, establishing more formal rules, not tolerating deviant ideas and behaviors, and believing in absolute truths and the attainment of expertise (Hofstede, 1980)". Countries high in uncertainty avoidance try to minimize unusual circumstances that they are not familiar with. This has influence in the implementation of rules, laws, and regulation that govern the country. Low uncertainty avoidance countries are more comfortable with change in their environments. I expect to find that countries high in uncertainty avoidance are more likely to engage in foreign lobbying in American politics in an effort to control some of the uncertainty associated with engaging in cross boarder international business. This reasoning rests on the assumption that managers' objectives are influenced by the rules and regulations in America, and that having a voice in the policy making conversation will help to diminish some managerial uncertainty found in engaging in international business. This leads to following proposition:

H10: Firms from countries strong in high uncertainty avoidance are more likely to participate in CPAs with the US government than those from countries weak in uncertainty avoidance.

Hofstede originally defined the dimension of masculinity as “the extent to which the dominant values in society are ‘masculine’ – that is, assertiveness, the acquisition of money and things, and not caring for others, the quality of life, or people (Hofstede, 1980, p. 46)”. Hofstede defined femininity as the opposite of masculinity valuing relationships and quality of life. This dimension also measures how roles are distributed between genders. Some who have used this dimension refer to it as the difference between “quantity of life vs. quality of life”. Previous research has found that using financial means to influence political behavior is accepted in masculine cultures, but discouraged in more feminine cultures (Volkema, 2004). For this reason I propose that the firms from more masculine cultures are more likely to engage in the political process in America, specifically through lobbying.

H11: Firms from masculine cultures are more likely to participate in CPAs with the US government than those from feminine countries.

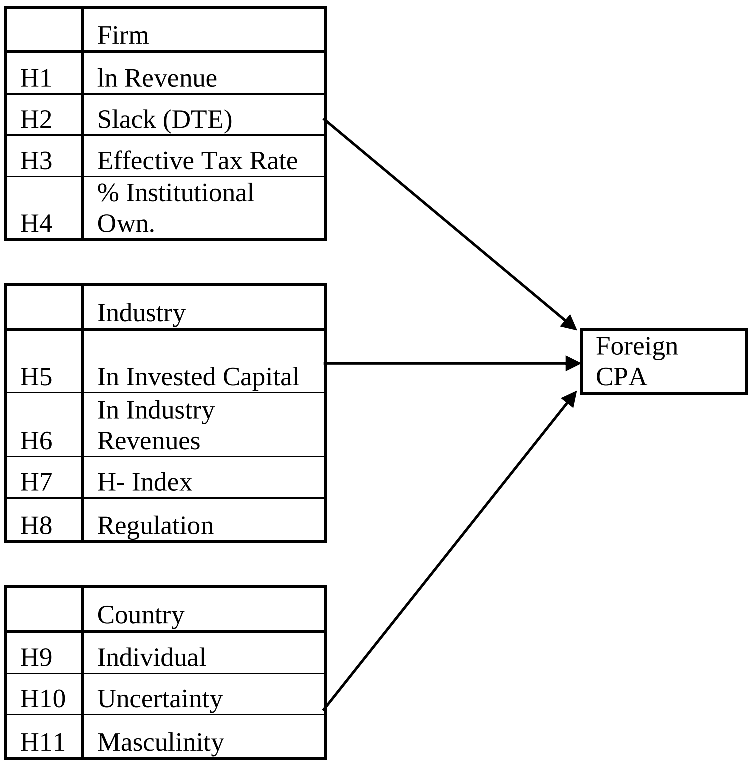

Figure 3-1 Theoretical Model

Chapter 4

Methods

4.1 Sample

Identifying a valid sample of foreign firms that engage in political activities in the United States was a multistep process involving multiple archival data sets. First, I identified all the foreign firms and foreign subsidiaries who engaged in CPA in the US. Foreign firms engage in CPA in the US in two different ways. First, foreign firms can hire US lobbyists like any other American company. There is no limit to lobbying expenditures or frequency for foreign firms. Foreign firms can engage in the lobbying process directly, or through their US subsidiaries. The other way foreign firms engage in CPA is by making political contributions. Unlike lobbying, foreign firms are not allowed to give political contributions through PACs like US firms. In an effort to get around these limitations, foreign firms have been found to funnel political contributions through their US subsidiaries.

To obtain the complete sample of foreign firms who are engaged in CPA in the US, I started with two sources of lobbying data, the Foreign Agents Registration Act and the lobbying disclosure act reported by Opensecrets.org. The Foreign Agents Registration Act measures all lobbying by foreign firms. The Opensecrets database tracks all lobbying by US firms, so this database captures all foreign subsidiaries who engage in lobbying. In addition to these lobbying databases I captured all firm political contributions again through the Opensecrets political contribution database. In an effort to parse out the foreign firms engaged in CPA, I used the UNIWORLD databases list of US subsidiaries of foreign firms. Using this list I pulled all lobbying and political contribution activity performed by a US subsidiary of a foreign firm. In addition to this I found every lobbying activity that came directly from a foreign firm. With this data I now have the complete picture of all financial political activity by foreign firms in the US. My full sample included 149 foreign firms engaging in CPA.

Next, in order to obtain firm level data for the firms who have lobbied in the United States I used the Morningstar, Bloomberg and Capital IQ data aggregated by Aswath Damodaran. This data is available for publically traded foreign firms. Similar to US databases like COMPUSTAT, we do not have access to financial information on private foreign firms. With this data I was able to match all publicly traded foreign firms who lobbied in the United States and obtain firm level data for the year they lobbied. The Damodaran data classify each firms into industry groups. The data is available from 2008-2012 and it contains data from 33,299 publically traded foreign firms. 124 of the 149 foreign firms who engaged in CPA were publicly traded and listed in the dataset. Using these datasets I can calculate industry level data using industry aggregates. My final sample included 124 foreign firms in 50 different industry groups and from 21 countries ranging from Eastern European to Middle-Eastern to East Asian countries. Over the five year dataset these 124 firms engaged in CPA in the US 287 times. To calculate CPA I summed all of the CPA activity for a given year. This is consistent with previous research which found that politically active firms combine multiple forms of CPA (Schuler et al., 2002). What this means is if a firm hired multiple lobbyists and donated to a political campaign in a given year these monies were aggregated to provide us with the yearly CPA total for the firm. Theoretically, there is support for this approach. The full sample collapsed by year and firm includes 65,581 data points for publically traded foreign firms.

4.2 Variables

4.2.1 *Firm Level Variables*

Firm Size- Firm size is measured in revenues. For purposes of interpreting the results I will use the natural log of revenue reported. Revenue and CPA have been associated in past research (Hart, 2001, Stigler, 1971, & Lux, 2011)

Firm Slack- Firm slack was measured using debt to equity ratio. This is consistent with previous research in CPA (Hillman et al., 2004). Slack has been operationalized in several different way in the CPA literature including current assets-to-current liabilities, and free cash flows. Alternative measures of slack were tested with similar results.

Effective Tax Rate- Firm effective tax rates were calculated by dividing the taxes paid by the taxable income as reported to the stockholders. Previous research on domestic firms in the political science literature has found that there is a relationship between increased lobbying and lower effective tax rates falling between .5 and 1.6 percentage points for every 1 percent increase in lobbying expenditures.

Ownership held by institutional investors- In this variable I measure the percent of shares held by mutual funds, pension funds and trusts as a percent of total stock outstanding. Recent research has found that institutional ownership is associated with reduced CPA among S&P 500 firms (Hadani, 2012), but I expect this relationship to be reversed with foreign firms.

4.2.2 *Industry Level Variables*

Process/facility complexity: Process/facility complexity will be measured by the sum of invested capital by industry. Environmental complexity research by Cannon and St. John (2007) identified process/facility complexity as a distinct and separate measure of environmental complexity. Capital intensity, as measured by current invested capital, has been used in the CPA literature, to measure this type of complexity within an industry (Mathur, Singh, Thompson, 2013).

Average Industry Sales- Firm performance is measured in revenues. To calculate the average industry revenue I sum all revenue at the industry group and divide by the count of industry firms. For purposes of interpreting the results I will use the natural log of revenue reported.

Competitive Complexity- Competitive complexity has been measured in various ways in the management literature (Cannon and St. John, 2007), but in the

CPA literature, it has been measured using the Herfindahl (H) index (Mondejar & Zhao, 2013). The H index is the squared market shares of all industry incumbents.

Government regulation or control- I will used a binary measure of regulation that has been used in recent corporate political activity research (Hadani & Schuler, 2013). This variable attempts to differentiate between highly regulated and non-regulated industries. Regulated industries include utilities, telecommunications, transportation, energy, banking, oil, and insurance (Grier et al., 1994).

4.2.3 *Country Level Variables*

Culture- To measure cultural characteristics of the foreign countries I use the cultural dimensions and associated country ratings from Hofstede's (2001) work. The dimensions I used in this study are individualism/collectivism, uncertainty avoidance, and masculinity/feminine orientation. Due to collinearity issues, the other dimensions were not tested in the final analysis.

Individualism vs Collectivism- The individualism/collectivism cultural dimension measures the value of community and groups versus personal achievements and individual rights within a culture.

Uncertainty Avoidance– The uncertainty avoidance cultural dimension is a measure of a culture's comfort with uncertainty and ambiguity.

Uncertainty Avoidance - Masculinity/femininity measures the value of emotional roles. Masculine countries value competitiveness and materialism amongst other things, while feminine cultures measure relationships and quality of life.

4.2.4 *Control Variables*

Trend (year)- Due to the study containing multiple years, I controlled for year variations in the data by using year dummies.

Industry Profit Margin- Profit margin is estimated by dividing the net income by the total revenues. I used industry profit margin as a control variable. Gross Profit margins has been previously used in CPA research as a performance variable and have been found to influence CPA (Shaffer et al., 2000).

4.3 Analysis

To investigate the results of foreign firms who engage in CPA in the US, I used Poisson regression. The dependent variable in this study is foreign firms engaging the corporate political activity in the US. There is no negative corporate political activity. Firms either engage to some extent or they do not. At the same time, CPA is not something that a large amount of foreign firms compete in. While there are substantial amounts of foreign firms engaged in these US non-market actions, in comparison to the full sample of non-US publically traded firms, foreign CPA is a rare event. Poisson regression has been found to be an appropriate approach in these rare event situations (Baum, Calabrese, & Silverman, 2000).

An additional methodology that might have fit with this data set would be rare event logit. If the research questions ignored intensity of CPA and only predicted whether a foreign firm would or would not engage in CPA, then rare event logit would be the a good fit because of the large amount of zeroes and small amount of ones in the dependent variable. Using rare even logit the regression results are similar (Park, 2004; King and Zeng, 2001: 138). Next I will provide the results of the empirical analysis, followed by a discussion of the findings.

4.3.1 *Firm Level Hypotheses Results*

Firm Size - Firm size, as measured in revenue, is hypothesized to be positively related to CPA. Hypothesis one is strongly supported ($\beta = 1.97$, $p < .01$).

Slack- Slack, as measured by debt to equity ratio, was a supported predictor of CPA in foreign firms ($\beta = 0.002$, $p < .01$). Hypothesis two was supported.

Effective Tax Rate to CPA- I considered the relationship between effective tax rate and CPA. Effective tax rate was marginally supported in the full model ($\beta =-1.88$, $p < .1$). Hypothesis three was marginally supported.

% held by investors to CPA- Institutional investors were predicted to relate positively to CPA. As expected, increased percentage held by institutional investors is positively related to an increase in CPA. Hypothesis four was supported (β =-4.12, $p < .01$).

4.3.2 *Industry Level Hypotheses Results*

Sum of Current Invested Capital - Process/facility complexity was expected to be positively related to CPA. This hypothesis five was not empirically supported (β =-0.36, p=.177).

Table 4-1 Correlation Table

		1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	CPA	1													
2	Ind. Market Share	-0.000	1												
3	Year (Control)	-0.005	-0.003	1											
4	Revenue	0.019*	0.107*	-0.09*	1										
5	Slack (DTE)	0.000	-0.000	-0.01*	0.0134*	1									
6	Effective Tax Rate	0.001	0.032*	0.036*	0.3314*	-0.005	1								
7	% Institutional Own.	0.018*	0.020*	-0.08*	0.2616*	0.004	0.056*	1							
8	Invested Capital	-0.003	-0.10*	0.114*	-0.127*	-0.01*	-0.04*	-0.01*	1						
9	Industry Revenues	0.008*	0.264*	-0.02*	0.3879*	0.005	0.100*	0.025*	-0.2*	1					
10	H- Index	-0.000	0.060*	-0.04*	0.0177*	0.005	-0.05*	0.069*	-0.06*	0.080*	1				
11	Regulation	0.011*	0.119*	-0.06*	0.0461*	0.010*	-0.01*	0.061*	-0.12*	0.263*	0.116*	1			
12	Individual	0.009*	0.007	-0.08*	-0.122*	-0.002	-0.10*	0.185*	0.03*	-0.07*	0.157*	0.098*	1		
13	Uncertainty	0.001	0.020*	0.026*	0.1461*	-0.000	0.130*	0.077*	-0.02*	0.049*	0.059*	0.016*	0.472*	1	
14	Masculinity	-0.003	-0.01*	0.035*	0.0907*	-0.007	0.133*	0.021*	-0.01*	0.019*	-0.11*	-0.04*	0.351*	0.567*	1

n=65,581
* Correlation is significant at the 0.05 level (2-tailed).

Table 4-2 Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
CPA	22640.15	2191349	0	3.50E+08
-------------	-----------	----------------	-------	---------
Ind. Market Share	0.206776	2.57599	0	65.13378
Year (Control)	3.805355	1.08653	1	5
-------------	-----------	----------------	-------	---------
In Revenue	18.92845	2.52239	7755	26.87636
Slack (DTE)	0.764478	14.61018	0	3561.69
Effective Tax Rate	0.180764	0.16245	0	0.5
% Institutional Own.	0.184871	0.191438	0	1
-------------	-----------	---------------	-------	---------
ln Invested Capital	21.48469	2.267657	0.8643	57.82699
ln Industry Revenues	20.34473	.9710324	81601	24.72677
H- Index	0.301423	.433576	9.00E-06	73.46936
Regulation	0.170583	0.376147	0	1
-------------	-----------	---------------	-------	---------
Individual	53.36611	28.82574	11	100
Uncertainty	63.83998	28.08356	8	100
Masculinity	65.91763	23.29392	5	100

Table 4-3 Poisson Regression of Hypothesized Relationships

	Model 1		Model 2		Model 3		Model 4	
	Coef.		Coef.		Coef.		Coef.	
Ind. Market Share	-0.037		-0.8619*		-0.8360**		-1.130**	
Year (Control)	-0.39344		-0.01757		0.048008		0.06793	
Revenue			1.3154**		1.6674**		1.9729**	
Slack (DTE)			0.0012**		0.00149*		0.00217*	
Effective Tax Rate			-1.5400*		-2.329**		-1.8821†	
% Institutional Own.			4.9083**		5.0413**		4.1251**	
Invested Capital					-0.25307		-0.36207	
Industry Revenues					-0.47964		-0.47214	
H- Index					-3.789**		-6.3357*	
Regulation					1.577497*		1.275**	
Individual							0.0580**	
Uncertainty							0.008784	
Masculinity							-0.0496†	
N=65,581								
Log pseudolikelihood	-1.2e+10		-7.5e+09		-7.5e+09		-6.6e+09	
Pseudo R2 =	0.0134		0.3871		0.4607		0.5471	

†P<.1 *p < 0.05, ** p < 0.01

Industry revenue- Industries with higher revenues were expected to be industries in which foreign firms engaged in more CPA than those with lower revenues. This was not the case. Hypothesis six was not supported (β =-0.47, p=.249)

Herfindahl index **-** I hypothesized that the industry Herfindahl index would be negatively related to foreign firm CPA. In other words, I predicted that more competitive industries without a few firms dominating the industry are more likely to have firms engaged in CPA. This was consistent with the empirical findings, supporting hypothesis seven (β =-6.33, $p < .01$).

Government regulation- Consistent with previous research, I hypothesized that regulation would be positively related to foreign firms CPA. Hypothesis eight was supported (β =1.27, $p < .01$).

4.3.3 *Country Level Hypotheses Results*

Individualism vs Collectivism to CPA- Cultural effects were expected to be influential in foreign firms engaging in CPA. Individualism was expected to be positively related to CPA. While the relationship was statistically significant and in the correct direction, the effect size in Hypothesis nine was smaller than expected (β =0.05, $p < .01$).

Uncertainty Avoidance to CPA**-** Uncertainty avoidance was predicted to be positively related to CPA behavior in foreign firms. I did not find this to be the case, thus hypothesis ten not significant (β =0.0087839, p = .774).

Masculinity vs Femininity to CPA- Firms in more masculine cultural countries were predicted to be more likely to engage in CPA than firms in countries that are predominantly feminine culturally. The relationship was in the opposite direction predicted and insignificant. Thus, hypothesis 11 was not supported (β =0.008, p = .051.).

The parameter estimates presented in table 4.4 show support for the Poisson regression findings. Using a dummy variable for CPA as the independent variable where firms who engage in CPA are set equal to 1 and firms who do not engage in CPA is the base group and set equal to zero (Paul and Yasar, 2009). Note that you can obtain the same results with t-test.

Table 4-4 Percentage Differences Between Groups

Dependent Variable	CPA (Dummy)	
Ind. Market Share	0.2808109	
	[0.2404382]	
Year (Control)	-0.8228937	**
	[0.0764522]	
ln Revenue	4.168007	**
	[0.1080905]	
Revenue	26707.64	**
	[2835.897]	
Slack (DTE)	0.4803355	**
	[0.1803228]	
Effective Tax Rate	0.0546358	**
	[0.0082608]	
% Institutional Own.	0.2267204	**
	[0.0123313]	
ln Sum of Invested Capital	-0.0972516	
	[0.1925684]	
Sum of Invested Capital	4.03E+16	
	[4.56E+16]	
ln Industry Revenues	0.5266443	**
	[0.05621]	
Average Industry Revenue	924.6212	**
	[332.3731]	
H- Index	0.1848136	**
	[0.0189295]	
Regulation	0.1506338	**
	[0.0275875]	
Individual-Collective	22.16643	**
	[1.186839]	
Uncertainty	12.17847	**
	[1.436884]	
Masculinity-Fem	0.6951698	
	[1.756051]	

†P<.1 *p < 0.05, ** p < 0.01

Chapter 5

Discussion

In the current economic environment, focus on non-market activities continues to grow in importance. With a convergence of loosening campaign and lobbying regulation on both firms (Hansen, 2011) and individuals (Liptak, 2014), private firms engaging in legal battles claiming individual freedoms (Volokh, 2014), and growing income equality (Jaumotte, Lall, & Papageorgiou, 2013) are all increasing the importance of being able to successfully navigate in both the market and non-market arenas.

There has been a small, but consistent stream of research examining firms engaged in CPA (Hillman et al., 2004, Lawton, 2013). This research has allowed us to understand more about both the political and firm implications of these activities. As previously mentioned, one piece missing in this research is an understanding of how foreign firms engage in CPA. Dissertations should make contributions to the knowledge in a given discipline, and I attempt to do the same with a focus on foreign firm CPA. In this study I highlight antecedents of CPA by studying which variables might be driving foreign firms to engage in the CPA process in the US.

In this dissertation I had the opportunity to begin an examination on foreign firms engaging in CPA in the United States. The empirical results found in this study were mixed. There was very little evidence that cultural effects found in the foreign firm's country of origin had any influence on a firm's willingness to engage in CPA. On the other hand, firm level variables were strong in influencing CPA. Industry level variables were generally not significant, but the Herfindahl index and regulation were both important, as expected.

The first firm level variables examined in this study were measures related to firm size. Firm size has a long history of influence in the non-market literature (Lenway, & Rehbein, 1991, Useem, 1984). Specifically non-market actions that require heavy financial contributions are generally dominated by the largest of firms (Freeman, 2012). One explanation for this is that CPA operates more as an auction than a traditional market. The largest firms are able to obtain a disproportionate and substantial amount of the influence that CPA provides. For foreign firms I found that firm size continues to be an important and significant factor influencing CPA. Revenue increases were found to positively influence a firm's CPA activity.

Firm slack was, as expected, positively related to firm performance. It is not surprising that firms with more excess capital use some of that capital in order to engage in the CPA behavior in the workplace. While the effect size was smaller than I had expected, the relationship was highly significant. This relationship that has been shown often times in domestic CPA holds for foreign firms engaged in CPA in the US.

The effective tax rate is the rate at which a firms pre-taxed profits are taxed. This is the aggregate number if we include all forms of taxes that the firm paid. As expected, firms who engage in CPA pay less in taxes than those that do not, but the relationship was not as strong as I had expected, dropping to marginal significance in the full model. There are findings in the political science literature that suggest that this relationship holds for domestic firms, and this is the first look at foreign firms CPA and tax rate. One reason for only finding marginal significance is that foreign corporations are taxed in the US only on business income in connection to US business and trade. Foreign tax law is complicated and these multinationals that are doing business all over the world will have effective tax rates influenced by more than just its US sales.

Institutional investor activity has received scant research in the CPA literature, despite its strong influence in many other firm level variables (Hadani, 2012). In this dissertation, I found that the higher the percentage of institutional ownership of a foreign firm, the higher the likelihood that the firm engages in CPA in the US. Theoretically, I argued that there might be a network effect going on. Institutional investors are more engaged in the political process, and as foreign firms are increasingly owned by these investors they are more likely to influence their non-market strategies. There are some alternate explanations that could be driving this relationship that we cannot rule out empirically. One is that this relationship between institutional investors and CPA is driven not by the institutional investors' networks, but by the size of the foreign firm. An argument could be made that institutional investors are more likely to invest in large firms. We already know that large firms are more engaged in CPA than smaller firms (Hillman et al., 2004), so it is possible that I have the casual mechanism reversed. It could be that institutional investors are investing primarily in large firms which is driving our results rather than the institutional investors' networks and willingness to engage in CPA. Another less likely possibility is that institutional investors are attracted to firms who are more politically active than those who are not. As they invest in non-market activities these firms take notice and begin investing more into these firms. With this study we are unable to fully understand the direction of the relationship, but it is clear that a relationship exists. The percentage of ownership held by institutional investors is one of the strongest positive relationships with CPA that we have found.

In this dissertation I attempted to look at foreign CPA through a multi-level theoretical lens. At the industry level I found that the Herfindahl index was strongly related to CPA. The larger the Herfindahl index the closer the industry is to being a complete monopoly. A monopoly industry would have one firm with 100% marketshare, or a Herfindahl index of 10,000. On the other hand, if an industry contained thousands of firms and they were competitive to a point where each firm had almost no market share, the Herfindahl index would be close to 0. In this study we found that foreign firm CPA is increased as Herfindahl index decreases. This might seem counter intuitive at first, but there is good reason for this finding. At first glance, we could assume that since large firms dominate CPA, industries that are controlled by large firms are more likely to engage in CPA, but we find that the opposite is actually true.

While at the firm level it is true that large firms engage in more CPA than smaller firms, if the firm is so large that they dominate their industry, they no longer need to engage in CPA. These firms are able to successfully compete and dominate their market, furthermore CPA is not the most useful strategy for these firms. One reason for this might be that in industries controlled by monopolies or oligopolies the industry leaders can choose to use other means of non-market strategies, such as price fixing, as their primary form of non-market activity, leaving CPA of little practical importance. Excessive rents can be obtained without using political actions. On the other hand, large firms in highly competitive industries might be successful, but they cannot dominate and dictate the market through their action. As a result they try to use size to their advantage in another way. They finance CPA in the US in an effort to gain an advantage on smaller firms in their competitive industries. Going back to Porter's Five Forces (Porter, 1979), we see that when firms compete in more competitive industries, specifically those that do not have strong barriers to entry, the dominate firms use CPA to help secure or maintain industry leadership.

I predicted that firms in regulated industries would be more likely to engage in CPA than firms in industries not traditionally characterized by high regulation. In domestic firms, CPA is much more common in regulated industries. In addition to this, CPA is more effective and leads to greater performance gains in highly regulated industries (Hadani and Schuler, 2013). In this dissertation I found the same relationship in foreign firms. Foreign firms were much more likely to engage in CPA in the US if they competed in a regulated industry.

I hypothesized two additional industry level variables that were not supported. First, I expected that average industry sales levels would be positively related to foreign firms engaging in CPA. I did not find evidence that this was taking place. This was surprising. Clearly, the most dominant factor in a firm's willingness to engage in CPA is the size of the firm, but the relationship is more nuanced than expected. Large firms in competitive and highly regulated industries seem to dominate the foreign CPA landscape. Aggregated industry sales do not make a statistically significant impact on CPA activity.

Current invested capital was predicted to be positively related to foreign CPA. I expected that firms who have large amounts of capital invested would lead them to protect that capital in any way possible. That would include the use of both non-market and market actions. Empirically, I do not find that to be the case. Foreign firms in industries who have large amounts of invested capital are no more likely to engage in CPA than firms in less capital intensive industries.

In whole, industry variables were less influential than expected. Only the Herfindahl Index and industry regulation were strongly supported. I conclude that large foreign firms in competitive and highly regulated industries are most likely to engage in CPA, but no other industry level variables were statistically significant. While industry level variables are not all inconsequential, firm characteristics seem to be the strongest predictor in whether or not a foreign firm will engage in CPA. These results are counter to many CPA research finding using samples of domestic firms. Industry level variables have been found to have some of the most dominate effects on firm CPA. This is not the case for foreign firms.

In addition to firm and industry, I also predicted and tested country level variables that might influence CPA. I tested three of Hofstede's cultural dimensions by country and found that they had very little influence on a foreign firm's willingness to engage in CPA. Issues with collinearity did not allow me to test all five of Hofstede's cultural dimensions, but alternate models also resulted in insignificant country level variables. In addition to Hofstede cultural dimensions, other country level variables were omitted due to collinearity. The most prominent of these was measures of corruption. Both the corruption perception index and the opacity index were tested and proved to not be significantly related to CPA in foreign firms.

In hindsight, we can explain the lack of country level influence by drawing on some of the international business literature. There has been some argument that cultural distance is decreased by increased international business and exposure, and this convergence has effects on firm level variables outcomes (Shenkar, 2001). Only the largest foreign firms engage in CPA. Many of these large multinational firms are not ingrained in their home countries culture and customs, but rather focus on competing in the global marketplace. While I expected to find culture and country to remain significant, there is a reasonable explanation for the lack of results.

Finally, I predicted that industry regulation would be an important driver of foreign CPA. In most CPA research, regulation is considered one of the strongest driving influences on the decision to engage in CPA. It has also been found to strongly influence the effectiveness of CPA on firm performance. This relationship held in foreign firm engaging in CPA in the US.

The findings of this study provide insight into both the CPA and the international management literatures. There should be a clear intersection between the two research streams because foreign firms are actively engaged in the CPA process both indirectly through their US subsidiaries and through direct lobbying efforts. This work provides evidence suggesting that foreign firms behave different than domestic firms in non-market competition and continued research on foreign CPA would be warranted.

5.1 Limitations

Every research project has limitations, and this dissertation is no exception. The limitations of this research can be organized into specific topic and sample limitations, and those limitations that all archival research can fall into. First, like much of the research using archival data, I must note that when interpreting results there is always a possibility of spurious relationships. In an attempt to minimize these misinterpreted relationships I have tried to drive my hypotheses out of theory rather than empirical phenomenon in an effort to mitigate this possibility.

Like all data, there is always a potential for error in the archival records. I have examined the variables of interest and cross checked data where secondary sources are available, but without control of the data aggregation process there is always potential for error in the data sets. The risk of these errors being highly influential on my results is minor, but it is still a limitation. Specifically in this CPA research we focus primarily on monetary forms of CPA. I do not capture network based and other forms of CPA that foreign firms might be engaged in. While the majority of the CPA literature studies monetary forms of CPA, such as contributions and lobbying, there is evidence that firms engage in CPA in other ways (Hillman et al., 2004). None of these are captured in this research. Future research may shed light on whether or not foreign firms are engaged in these types of activities.

In addition to missing out on several types of non-market actions by foreign firms which are not monetary, CPA research by nature is research of large firms. We cannot capture foreign firms who are making conscious decisions in the non-market, but choose to not engage financially. One large problem firms' face when deciding to engage in political activities is that there is a large free riders problem. Even if a firm is successful in their CPA efforts, the resulting political action, usually involving regulation, is applied at the industry level. This allows many non-contributors to also receive the benefits that the contributors receive. In this dissertation we examine what might cause a firm to engage in CPA in the US, but we have no way of determining whether or not a firm is making a conscious decision to pass on CPA behaviors and instead ride the coattails of large heavy spending firms.

5.2 Future Directions

This is one of the first studies to focus specifically on non US firms and their engagement in CPA. This is the only work, to my knowledge, that examines firms engaging in cross border CPA from multiple countries. This new and untapped area leaves much room for future research. The first area that naturally fits within this domain is social network research and foreign firm lobbying. As previously described, when foreign firms lobby they do so through a US lobbyist. This lobbyist acts as an intermediary between the firm and the political constituent. It would be interesting to look at the network effects that different lobbyists have between both the foreign firm and the political actor they are paid to influence.

Campaign contributions are made with minimal reporting outside of who the donations are for and the amount donated. Lobbying on the other hand is subject to more stringent reporting requirements. Lobbyists are required to report what they were hired to do for the firm, as well as the actions they took in completing those actions. A more in depth look at foreign lobbying as opposed to domestic should be possible in future research. In this paper we found some firm and industry level differences between foreign and domestic politically active firms. Studying the interactions between lobbyist and firm in the future will allow for more fine grained conclusions about not only the firm that is lobbying, but the intentions of these efforts and potential outcomes. We could also detect network effects on lobbyist nested within lobbying firms and which firms are hiring them.

Finally, future research would benefit from a more nuanced approach to defining CPA. Most CPA research looks exclusively on money flowing from firms to political constituents through lobbying or political contributions, but some research has taken a more nuanced approach. This includes examining high ranking officials and looking at how they spend politically. This is especially pertinent in today's political environment where recent news highlighted CEOs of large organizations being replaced due to individual political contributions to unpopular political agendas. Also, firms engage in political activity by allowing high ranking employees to serve on government boards and in government positions. While I doubt we would see these sort of appointments for foreign firms, we might see US subsidiaries of foreign firms engage in similar behavior These are some of the areas that CPA research has investigated in recent years in domestic firms, and studying foreign firms this way might lead to interesting and helpful findings.

Chapter 6

Conclusion

In the introduction to this paper I outlined the need for research on foreign CPA, and proposed both a theoretical and an empirical approach to begin this stream of research. Building on literature from both domestic CPA and international management I proposed a theoretical model containing firm, industry, and country level variables. The results of this study suggest that the model was generally successful in predicting foreign firms engaging in CPA. Some levels of analysis were more influential in foreign CPA than others.

The strongest and most consistent results were found using firm level variables. Consistent with previous CPA research, foreign CPA is dominated by the largest firms. These large firms are more likely to choose to engage in non-market political activities. They are also doing so with much more intensity. These large foreign firms are behaving like homogeneous multinational corporations more than they are behaving like traditional foreign firms. In addition to large firms, I found that foreign firms owned by a larger proportion of institutional investors are much more likely to engage in CPA in the US than those with a smaller percentage of institutional ownership. Finally, it was found that firms who had a lower effective tax rate were more likely to engage in CPA.

Surprisingly, industry variables were not as influential as predicted in general. That being said, the nature of competition within the industry was important. If an industry was dominated by few firms, those firms needed to do very little in terms of CPA behavior. Industry regulation was also a significant and important determinant of foreign firm CPA. Country level variables were also either insignificant, or significant with small effect sizes.

As a whole, this dissertation provides support for the study of foreign firms in CPA research. Even though foreign firms are actively engaged in CPA behavior they differ sufficiently from domestic firms in their CPA behavior, so management researchers would be well served in examining them in future research.

References

Alas, R. (2006). Ethics in countries with different cultural dimensions. *Journal of Business Ethics*, *69*(3), 237-247.

Allred, B. B., & Steensma, H. K. (2005). The influence of industry and home country characteristics on firms' pursuit of innovation. *MIR: Management International Review*, 383-412.

Alzola, M. (2013). Corporate Dystopia: The ethics of corporate political spending. *Business & Society*, 388 –426.

Bagley, C. E. (2010). What's Law Got to Do With It?: Integrating Law and Strategy. *American Business Law Journal*, *47*(4), 587-639.

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management*, *17*(1), 99-120.

Barron, A. (2011). Exploring national culture's consequences on international business lobbying. *Journal of World Business*, *46*(3), 320-327.

Baum, J. A., Calabrese, T., & Silverman, B. S. (2000). Don't go it alone: Alliance network composition and startups' performance in Canadian biotechnology. Strategic management journal, 21(3), 267-294.

Baysinger, B. D. (1984). Domain maintenance as an objective of business political activity: An expanded typology. *Academy of Management Review*, 248-258.

Boies, J. L. (1989). Money, business, and the state: Material interests, Fortune 500 corporations, and the size of political action committees. *American Sociological Review*, 821-833.

Bombardini, M. (2008). Firm heterogeneity and lobby participation. *Journal of International Economics*, *75*(2), 329-348.

Bonardi, J. P. (2011). Corporate political resources and the resource-based view of the firm. *Strategic Organization*, *9*(3), 247-255.

Bonardi, J. P., Hillman, A. J., & Keim, G. D. (2005). The attractiveness of political markets: implications for firm strategy. *Academy of Management Review*, *30*(2), 397-413.

Bonardi, J. P., Holburn, G., & Vanden Bergh, R. (2006). Nonmarket performance: Evidence from US electric utilities. *Academy of Management Journal*.

Bourgeois III, L. J. (1981). On the measurement of organizational slack. *Academy of Management review*, 29-39.

Cannon, A. R., & John, C. H. S. (2007). Measuring Environmental Complexity A Theoretical and Empirical Assessment. *Organizational Research Methods*, *10*(2), 296-321.

Capron, L., & Chatain, O. (2008). Competitors' resource-oriented strategies: acting on competitors' resources through interventions in factor markets and political markets. *Academy of Management Review*, *33*(1), 97-121.

Center for Responsive Politics. (2012). www.opensecrets.org.

Chaganti, R., & Damanpour, F. (1991). Institutional ownership, capital structure, and firm performance. Strategic Management Journal, 12(7), 479-491.

Chang, S. J., & Rosenzweig, P. M. (2001). The choice of entry mode in sequential foreign direct investment. *Strategic Management Journal*, *22*(8), 747-776.

Charitou, C. D., & Markides, C. C. (2012). Responses to disruptive strategic innovation. *MIT Sloan Management Review.*

Delios, A., & Henisz, W. J. (2003). Political hazards, experience, and sequential entry strategies: The international expansion of Japanese firms, 1980–1998. *Strategic Management Journal*, *24*(11), 1153-1164.

Delmas, M. A., & Montes‐Sancho, M. J. (2010). Voluntary agreements to improve environmental quality: symbolic and substantive cooperation. *Strategic Management Journal*, *31*(6), 575-601.

Dieleman, M., & Boddewyn, J. J. (2012). Using organization structure to buffer political ties in emerging markets: A case study. *Organization Studies*, *33*(1), 71-95.

Doh, J. P., & Lucea, R. (2013). So close yet so far: integrating global strategy and nonmarket research. *Global Strategy Journal*, *3*(2), 171-194.

Douglas, S. P., & Rhee, D. K. (1989). Examining generic competitive strategy types in US and European markets. *Journal of International Business Studies*, 437-463.

Dunning, W. A. (1912). Paying for Alaska. Political Science Quarterly, 385-398.

Emery, F. E., & Trist, E. L. (1965). The causal texture of organizational environments. E*nvironment*, *11*, L12.

Freeman B. J. (2012) *The Foreign Policy Auction.* CreateSpace Independent Publishing Platform.

Freeman, B. J. (2009). *The Best Foreign Policy Money Can Buy? An Investigation of Foreign Lobbying and US Foreign Policy* (Doctoral dissertation).

Frynas, J. G., Mellahi, K., & Pigman, G. A. (2006). First mover advantages in international business and firm-specific political resources. *Strategic Management Journal*, *27*(4), 321-345.

Gawande, K., & Krishna, P. (2003). Political economy of U.S. trade policy: Empirical approaches. In E. K. Choi, & J. Harrigan (Eds.), Handbook of international trade (pp. 213–250). Oxford: Blackwell.

Gawande, K., Krishna, P., & Robbins, M. J. (2006). Foreign lobbies and US trade policy. *The Review of Economics and Statistics*, *88*(3), 563-571.

Getz, K. A. (1997). Research in Corporate Political Action Integration and Assessment. *Business & Society*, *36*(1), 32-72.

Gordon, S. C., & Hafer, C. (2007). Corporate influence and the regulatory mandate. *Journal of Politics*, *69*(2), 300-319.

Grier, K. B., Munger, M. C., & Roberts, B. E. (1994). The determinants of industry political activity, 1978-1986. *American Political Science Review*, 911-926.

Hadani, M. (2012). Institutional ownership monitoring and corporate political activity: Governance implications. *Journal of Business Research*, *65*(7), 944-950.

Hadani, M., & Schuler, D. A. (2013). In search of El Dorado: The elusive financial returns on corporate political investments. *Strategic Management Journal*, *34*(2), 165-181.

Hansen, W. L., & Mitchell, N. J. (2000). Disaggregating and explaining corporate political activity: Domestic and foreign corporations in national politics. *American Political Science Review*, 891-903.

Hart, D. M. (2001). Why Do Some Firms Give? Why Do Some Give a Lot?: High-Tech PACs, 1977–1996. *Journal of Politics*, *63*(4), 1230-1249.

Hasen, R. L. (2011). Citizens United And The Illusion Of Coherence.Michigan Law Review, 109(4).

Henisz, W. J., & Delios, A. (2004). Information or influence? The benefits of experience for managing political uncertainty. *Strategic Organization*, *2*(4), 389-421.

Henisz, W. J., & Zelner, B. A. (2003). The strategic organization of political risks and opportunities. *Strategic Organization*, *1*(4), 451-460.

Hillman, A. J., & Hitt, M. A. (1999). Corporate political strategy formulation: A model of approach, participation, and strategy decisions. *Academy of Management Review*, 825-842.

Hillman, A. J., Keim, G. D., & Schuler, D. (2004). Corporate political activity: A review and research agenda. *Journal of Management*, *30*(6), 837-857.

Hillman, A. J., Zardkoohi, A., & Bierman, L. (1999). Corporate political strategies and firm performance: indications of firm-specific benefits from personal service in the US government. *Strategic Management Journal*, *20*(1), 67-81.

Hofstede, G. (1980). *Culture's consequences: International differences in work-related values* (Vol. 5). Sage Publications, Incorporated.

Hofstede, G. H. (2001). *Culture's consequences: Comparing values, behaviors, institutions and organizations across nations*. Sage.

Holburn, G. L., & Zelner, B. A. (2010). Political capabilities, policy risk, and international investment strategy: Evidence from the global electric power generation industry. *Strategic Management Journal*, *31*(12), 1290-1315.

Hollander, G. M. (2005). Securing Sugar: National Security Discourse and the Establishment of Florida's Sugar-Producing Region. Economic Geography,81(4), 339-358.

Holtbrügge, D., Berg, N., & Puck, J. F. (2007). To bribe or to convince? Political stakeholders and political activities in German multinational corporations.*International Business Review*, *16*(1), 47-67.

Hoskisson, R. E., Hitt, M. A., Johnson, R. A., & Grossman, W. (2002). Conflicting voices: The effects of institutional ownership heterogeneity and internal governance on corporate innovation strategies. Academy of Management journal, 45(4), 697-716.

Huang, H. (2002). Overseas studies and the rise of foreign cultural capital in modern China. International sociology, 17(1), 35-55.

Hultén, P., Barron, A., & Bryson, D. (2012). Cross-country differences in attitudes to business associations during the 2007–2010 recession. Journal of World Business, *47*(3), 352-361.

Jaumotte, F., Lall, S., & Papageorgiou, C. (2013). Rising Income Inequality: Technology, or Trade and Financial Globalization? IMF Economic Review, 61(2), 271-309.

Jenkins, G. T., & Bing, R. W. (2011). Microsoft's Monopoly: Anti-Competitive Behavior, Predatory Tactics, And The Failure Of Governmental Will. *Journal of Business & Economics Research (JBER)*, *5*(1).

Johnson Jr, J. H. (1995). An empirical analysis of the integration-responsiveness framework: US construction equipment industry firms in global competition. *Journal of International Business Studies*, 621-635.

Johnson, R. A., & Greening, D. W. (1999). The effects of corporate governance and institutional ownership types on corporate social performance. Academy of Management Journal, 42(5), 564-576.

Kaufman, A., Karson, M., & Sohl, J. (1988). Corporate political action committees' strategies in the 1980 congressional elections. *The Social Science Journal*, *25*(3), 289-307.

Keillor, B. D., Wilkinson, T. J., & Owens, D. (2005). Threats to international operations: dealing with political risk at the firm level. *Journal of Business Research*, *58*(5), 629-635.

Kim, B., & Prescott, J. E. (2005). Deregulatory forms, variations in the speed of governance adaptation, and firm performance. *Academy of Management Review*, *30*(2), 414-425.

King, G., & Zeng, L. (2001). Logistic regression in rare events data. Political analysis, 9(2), 137-163.

Kirkman, B. L., Lowe, K. B., & Gibson, C. B. (2006). A quarter century of culture's consequences: a review of empirical research incorporating Hofstede's cultural values framework. *Journal of International Business Studies*, *37*(3), 285-320.

Kobrin, S. (1979). Political risk: A review and reconsideration. *Journal of International Business Studies*, *10*(1), 67-80.

Kogut, B., & Singh, H. (1988). The effect of national culture on the choice of entry mode. *Journal of international business studies*, 411-432.

Kozhikode, R. K., & Li, J. (2012). Political Pluralism, Public Policies, and Organizational Choices: Banking Branch Expansion in India, 1948–2003. *Academy of Management Journal, 55*(2), 339-359.

Kumaraswamy, A., Mudambi, R., Saranga, H., & Tripathy, A. (2012). Catch-up strategies in the Indian auto components industry: Domestic firms' responses to market liberalization. *Journal of International Business Studies, 43*(4), 368-395.

Kumaraswamy, A., Mudambi, R., Saranga, H., & Tripathy, A. (2012). Catch-up strategies in the Indian auto components industry: Domestic firms' responses to market liberalization. *Journal of International Business Studies*, *43*(4), 368-395.

Lawson, C. (1996). Shining the Spotlight of Pitiless Publicity on Foreign Lobbyists Evaluating the Impact of the Lobbying Disclosure Act of 1995 on the Foreign Agents Registration Act. Vand. J. Transnat'l L., 29, 1151.

Lawton, T., McGuire, S., & Rajwani, T. (2013). Corporate political activity: A literature review and research agenda. *International Journal of Management Reviews*, *15*(1), 86-105.

Lawton, T., Rajwani, T., & Doh, J. (2013). The antecedents of political capabilities: A study of ownership, cross-border activity and organization at legacy airlines in a deregulatory context. *International Business Review*, *22*(1), 228-242.

Lee, C. H. (1988). *Foreign lobbying in American politics*. American Studies Institute, Seoul National University.

Lenway, S. A., & Rehbein, K. (1991). Leaders, followers, and free riders: An empirical test of variation in corporate political involvement. Academy of Management Journal, 34(4), 893-905.

Liptank, A., (2014) April 2. Supreme Court strikes down overall political donation cap. *The New York Times*. Article title.

Luo, Y. (2001). Toward a cooperative view of MNC-host government relations: Building blocks and performance implications. *Journal of International Business Studies*, *32*(3), 401-419.

Lux, S., Crook, T. R., & Woehr, D. J. (2011). Mixing business with politics: a meta-analysis of the antecedents and outcomes of corporate political activity.*Journal of Management*, *37*(1), 223-247.

Lyon, T. P., & Maxwell, J. W. (2008). Corporate social responsibility and the environment: A theoretical perspective. *Review of environmental economics and policy*, *2*(2), 240-260.

Marsh, S. J. (1998). Creating barriers for foreign competitors: a study of the impact of anti-dumping actions on the performance of US firms. *Strategic Management Journal*, *19*(1), 25-37.

Mathur, I., Singh, M., Thompson, F., & Nejadmalayeri, A. (2013). Corporate governance and lobbying strategies. *Journal of Business Research*, *66*(4), 547-553.

McMenamin, I. (2012). If money talks, what does it say?. *World Politics*, *64*(1), 1-38.

McWilliams, A., Van Fleet, D. D., & Cory, K. D. (2002). Raising Rivals' Costs Through Political Strategy: An Extension of Resource-based Theory. *Journal of Management Studies*, *39*(5), 707-724.

Meyer, K. E., & Estrin, S. (2001). Brownfield entry in emerging markets.*Journal of International Business Studies*, 575-584.

Meznar, M. B., & Nigh, D. (1995). Buffer or bridge? environmental and organizational determinants of public affairs activities in american firms. *Academy of Management Journal*, *38*(4), 975-996.

Mondejar, R., & Zhao, H. (2013). Antecedents to Government Relationship Building and the Institutional Contingencies in a Transition Economy.*Management International Review*, *53*(4), 579-605.

Mudambi, R., & Navarra, P. (2003). Political tradition, political risk and foreign direct investment in Italy. *MIR: Management International Review*, 247-265.

Okhmatovskiy, I. (2010). Performance implications of ties to the government and SOEs: A political embeddedness perspective. *Journal of Management Studies*, *47*(6), 1020-1047.

Oliver, C., & Holzinger, I. (2008). The effectiveness of strategic political management: A dynamic capabilities framework. *Academy of Management Review*, *33*(2), 496-520.

Olson, M. (1965). The logic of collective action. Cambridge, MA: Harvard University Press.

Ozer, M. (2010). Top management teams and corporate political activity: Do top management teams have influence on corporate political activity?. *Journal of Business Research*, *63*(11), 1196-1201.

Park, N. K. (2004). A guide to using event study methods in multi-country settings. Strategic Management Journal, 25(7), 655-668.

Park, S. H., & Luo, Y. (2001). Guanxi and organizational dynamics: Organizational networking in Chinese firms. *Strategic Management Journal*,*22*(5), 455-477.

Paul, C. J. M., & Yasar, M. (2009). Outsourcing, productivity, and input composition at the plant level. *Canadian Journal of Economics/Revue canadienne d'économique*, *42*(2), 422-439.

Porter, M. E. (1979). How competitive forces shape strategy (pp. 21-38). Harvard Business Review.

Porter, M. E. (1980). Competitive strategies. *New York*.

Richter, B. K., Samphantharak, K., & Timmons, J. F. (2009). Lobbying and taxes. *American Journal of Political Science, 53*(4), 893-909.

Roberts, P. H., & Tull, J. N. (1999). Moroccan Sultan Sidi Muhammad Ibn Abdallah's Diplomatic Initiatives Toward the United States, 1777-1786.Proceedings of the American Philosophical Society, 233-265.

Roberts, R. W., Dwyer, P. D., & Sweeney, J. T. (2003). Political strategies used by the US public accounting profession during auditor liability reform: The case of the Private Securities Litigation Reform Act of 1995. *Journal of Accounting and Public Policy*, *22*(5), 433-457.

Robertson, C. J., Gilley, K. M., & Street, M. D. (2003). The relationship between ethics and firm practices in Russia and the United States. *Journal of World Business*, *38*(4), 375-384.

Sawant, R. J. (2012). Asset Specificity and corporate political activity in regulated industries. *Academy of Management Review*, *37*(2), 194-210.

Schuler, D. A. (1996). Corporate political strategy and foreign competition: the case of the steel industry. *Academy of Management Journal*, *39*(3), 720-737.

Schuler, D. A., Rehbein, K., & Cramer, R. D. (2002). Pursuing strategic advantage through political means: a multivariate approach.*Academy of Management Journal*, *45*(4), 659-672.

Schwab, K., & Porter, M. (2009). *The Global Competitiveness Report 2008–2009.* World Economic Forum.

Shaffer, B. (1995). Firm-level responses to government regulation: Theoretical and research approaches. *Journal of Management*, *21*(3), 495-514.

Shaffer, B., & Hillman, A. J. (2000). The development of business-government strategies by diversified firms. *Strategic Management Journal*, *21*(2), 175-190.

Shaffer, B., Quasney, T. J., & Grimm, C. M. (2000). Firm level performance implications of nonmarket actions. *Business & Society*, *39*(2), 126-143.

Shenkar, O. (2001). Cultural distance revisited: Towards a more rigorous conceptualization and measurement of cultural differences. *Journal of international business studies*, 519-535.

Shenkar, O. (2001). Cultural distance revisited: Towards a more rigorous conceptualization and measurement of cultural differences. *Journal of international business studies*, 519-535.

Sivakumar, K., & Nakata, C. (2001). The stampede toward Hofstede's framework: avoiding the sample design pit in cross-cultural research. *Journal of international business studies*, 555-574.

Søndergaard, M. (1994). Research note: Hofstede's consequences: a study of reviews, citations and replications. *Organization studies*, *15*(3), 447-456.

Stigler, G. J. (1971). The theory of economic regulation. *The Bell journal of economics and management science*, 3-21.

Stratmann, T. (2005). Some talk: Money in politics. A (partial) review of the literature. In *Policy Challenges and Political Responses* (pp. 135-156). Springer US.

Tansill, C. C. (1922). *The Canadian reciprocity treaty of 1854* (No. 2). Johns Hopkins University, 73.

United States. Dept. of State. (1938). *Registration of Agents of Foreign Principals: Rules and Regulations Prescribed by the Secretary of State Pursuant to the Act of Congress Approved June 8, 1938 (Public No. 583--75th Congress)*. US Government Printing Office.

Useem, M. (1984). The inner circle: Large corporations and the rise of business political activity in the US and UK. Oxford University Press.

Volkema, R. J. (2004). Demographic, cultural, and economic predictors of perceived ethicality of negotiation behavior: A nine-country analysis. *Journal of Business Research*, *57*(1), 69-78.

Volokh, E. (2014). Sebelius v. Hobby Lobby: Corporate Rights and Religious Liberties. Cato Institute.

Walker, E. T. (2012). Putting a Face on the Issue Corporate Stakeholder Mobilization in Professional Grassroots Lobbying Campaigns. *Business & Society*, *51*(4), 561-601.

Washington, G. (1907). Farewell Address, September 19, 1796. *The Writings of George Washington*, *35*, 218.

Yasar, M. (Forthcoming). Political influence of exporting and import-competing firms: Evidence from eastern European and central Asian countries. *World Development*.

Zaheer, S., & Mosakowski, E. (1997). The dynamics of the liability of foreignness: A global study of survival in financial services. *Strategic management journal*, *18*(6), 439-463.

Zhao, J. H., Kim, S. H., & Du, J. (2003). The impact of corruption and transparency on foreign direct investment: An empirical analysis. MIR: Management International Review, 41-62.

Biographical Information

Lee Warren Brown received a Ph.D. in Business Administration with a major in management and minor in international business from the University of Texas at Arlington. He also received an MBA in business administration and a BBA in management from the University of Texas at Arlington. His main research area is corporate political activity and he also has research interests in ethical leadership. He is currently an assistant professor at Texas A&M University Central Texas. His work has been accepted for presentation at The Academy of Management, Southern Management Association, British Academy of Management and Southwest Academy of Management conferences. His work has also been published in the Journal of Applied Biobehavioral Research, Encyclopedia of Mental Health and Research in Management Vol. 10.