



NEAR EAST UNIVERSITY
GRADUATE SCHOOL OF SOCIAL SCIENCES
POLITICAL SCIENCE PROGRAM

**CORPORATE LOBBYING AND FIRM
PERFORMANCE**

DAMENG ITIKNA EMMANUEL

MASTER'S THESIS

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DECLARATION

I Dameng Itikna Emmanuel, hereby declare that this dissertation entitled 'Corporate lobbying and Firm performance' has been prepared myself under the guidance and supervision of "Assoc. Prof. Dr. Direnç KanoI" in partial fulfillment of The Near East University, Graduate School of Social Sciences regulations and does not to the best of my knowledge breach any Law of Copyrights and has been tested for plagiarism and a copy of the result can be found in the Thesis.

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DEDICATION

I dedicate this thesis to the Almighty God, my late father Mr. Emmanuel M. Dameng my mother Mrs. Lydia E. Dameng, my brothers Mr. Mallo E. Dameng, Mr. Maram E. Dameng, my sisters Bwe'hafa E. Dameng, Naomi M. Dameng and to my nephew Weng M. Dameng.

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ABSTRACT

CORPORATE LOBBYING AND FIRM PERFORMANCE

With the rise of lobbying activities by firms, with the Political Action Committee (PAC) contributions and donations in the United States, lobbying has become a legal practice recognized by the constitution. Hence, corporate lobbying activities are deliberate activities to lobby government regulations, policies and legislation these activities are related to marketing, accounting and financial performance of firms also recent research indicates how lobbying has the capacity to influence almost all aspects of a firm. This leads to the realization of the direct relationship between a political connection and firm performance. It is important to note that there is no certainty with regards to the output of corporate lobbying activities as to how it affects the performance of a firm based on different factors that have to do with the incumbent government of different countries. The economic and environment of a firm is closely related that is why the relationship between the firm and the government is very important. The effectiveness of a firm is based on its interaction with the government. This study used meta-analysis as a method to look at various ways through which this activity affects a firm either positively, negatively or if it doesn't in any way affect firm performance.

Keywords: Corporate lobbying, Firm performance, Political connection, corporate political activity.

ÖZ

KURUMSAL LOBİCİLİK VE ŞİRKET PERFORMANSI

Firmaların lobi faaliyetlerinin artmasıyla birlikte, Amerika Birleşik Devletleri'nde siyasi eylem komitesi (PAC) katkıları ve bantları ile lobi faaliyetleri anayasa tarafından tanınan yasal bir uygulama haline gelmiştir. Bu nedenle, kurumsal lobi faaliyetleri, hükümetlerin düzenlemelerine, politikalarına ve mevzuatına yönelik bilinçli faaliyetlerdir ve bu faaliyetler firmaların pazarlama, muhasebe ve finansal performansı ile ilgilidir. Son zamanlarda yapılan araştırmalar, lobicilerin bir firmanın neredeyse tüm yönlerini etkileme kapasitesine sahip olduğunu göstermektedir. Bu, politik bir bağlantı ile firma performansı arasındaki doğrudan ilişkinin gerçekleşmesine yol açar. Kurumsal lobicilik faaliyetlerinin çıktısının, farklı ülkelerin yerel hükümeti ile ilgili farklı faktörler üzerindeki sağlam bir tabanın performansını nasıl etkilediğine dair bir kesinlik olmadığı dikkat çekicidir. Bir firmanın ekonomik ve çevresi yakından ilişkilidir, bu nedenle firma ve hükümet arasındaki ilişki çok önemlidir. Bir firmanın etkinliği, hükümetle olan etkileşimine dayanmaktadır. Bu çalışmada meta-analiz, bu faaliyeti bir firmayı ne olumlu, olumsuz, ne de herhangi bir şekilde firma performansını etkilemediği için titli yollarla incelemek için bir yöntem olarak kullanılmıştır.

Anahtar Kelimeler: Kurumsal lobicilik, Firma performansı, Politik bağlantı, Görevdeki hükümet.

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ABBREVIATIONS

CPA- Corporate Political Activity

PAC-Political Action Committee

INTRODUCTION

Considering the rise of corporate lobbying by firms, with Political Action Committees (PAC) played a role in the development of corporate lobbying in the United States. Lobbying has become a legal practice recognized by the constitution (Chen, 2015). Corporate lobbying activities are conscious activities to lobby government regulations, policies, legislation. Lobbying is related to marketing, accounting and financial performance of firms. Also recent research indicates how lobbying has the capacity to influence almost all aspects of a firm, this directs us to realize the connection between corporate lobbying and firm performance and it is important to understand that there is no certain output of corporate lobbying activities as to how it affects the activities of a firm (Coates, 2012).

The environment and economic performance of a firm are closely related that is why the relationship between the firm and the government is very important; the effectiveness of firms is base on their interaction with the government (Chen, 2015). Several firms in the United States have more than 100 lobbyists representing their interest (Drutman, 2012). Although lobbying is a debated practice (De Figueiredo, 2013), its acceptability is evident in how so many companies spend about \$2.6 billion every year on lobbying. These activities help firms to be visible in the market. Making comparison of firms from 1970s and 1950s corporate lobbying has built itself over time in the United States, it has become a common practice that is been regulated by the government , lobbying activities tend to integrate government into firms activities, these practices aim at influencing public policies which are mostly been done quietly because so many firms do not open up on their involvement in lobbying activities, corporate lobbying basically aims at improving the firms strength in the competitive market, paying lower tax and obtaining government contracts (Coates,2012).

So many studies show that firms that are involved in any politically related activities, are involved in these activities basically to obtain either financial, economic, political or some kind of privilege from the government depending on their area of interest but this topic happens to have divided opinions as to whether firms lobby with these aims on

their minds or not and if there should be necessarily a motive behind their participation in either politically related activities or philanthropic activities (Fisman, 2012).

Research in more than 35 countries shows that firms involvement in corporate lobbying has been positive, records of how firms receive some kind of help from the present political administration although it might not be immediately firms that have a connection with the government tend to receive something at the end of the day compared to firms that do not have a connection with the government (Faccio, 2002).

So many political scientist try to explain the relationship between corporate lobbying and firm performance because most people tend to associate lobbying with corruption in the sense that they believe that so many firms get involved in corporate lobbying so as to advance their market, financial and economic performance in a given market environment, research shows that the size of the firm is a major determinant of a firm involvement in corporate lobbying (Hillman et al, 2014).

Firms make use of various political techniques such as lobbying so as to influence particular public policies and most firms that have succeeded in creating a connection with the government tend to have varieties of benefits. One of the most important areas of the firms is their ability to effectively relate with the government because the government has the capacity of shaping the competitive community of most business firms (Hillman et al, 2014).

Corporate lobbying is the corporate ways of influencing government related policies which has been widely practiced by business firms in so many countries (Schuler et al, 2014). Firm performance can be measured not based on the personal advancement of the company but based on the environment in which it operates depending on the company's area of specialization, its ability to produce effective management and succeed effectively in a competitive environment (Cooper et al, 2010).

The measurement of firm performance when firms get involved in corporate lobbying do not necessarily mean that these practices influence their performance and if the corporate lobbying activity influences their activities is it positive, negative or it does not at all affect their performance in terms of knowing or measuring firm performance there are so many aspects of firms performance financial performance, market performance, net performance, relational performance, economic performance and so many aspects

measuring this becomes more and more difficult (Fisman, 2012). Lobbying is the act of attempting to influence decisions made by officials in a government, most often legislators or members of regulatory agencies. Lobbying is done by many types of people, associations and organized groups, including individuals in the private sector, corporations, fellow legislators or government officials, or advocacy groups (Drutman, 2012).

Lobbying is a type of political activity that is been practiced by corporations, a special interest group with the aim of influencing government legislators. These practices are popular in the United States; research has shown that lobbying is related to accounting, marketing and firm performance. In the United States, the federal government see lobbying as a form of communication that is made on behalf of a client to members of the Congress and is a corporate activity that is been protected by the constitution as a right of freedom of speech. Lobbying activities can provide the government with important information by firms or individuals that have the possibility of been affected by government policies (Chen, 2015).

Research on corporate lobbying and firm performance shows that money can not necessarily have an influence on political decisions though is still uncertain most especially tax-related policies that pertain to firms receiving benefits as a result of their connection to politicians or members of parliament, relationships like these lead to easy access to finance, advancement of their market, lower taxation and issuing of contracts by the government (De Figueiredo, 2013).

Corporate lobbying can be referred to as a non-market way of enhancing both the economic and social performance of the firm (Brown, 2015). This ensures that the firm maintains certain strength both in the local and the international market because of the high level of competition (North, 1990). Other mediums that are used by firms can be through public relations and philanthropic activities (Chen, 2015). Corporate lobbying is been generalized as a medium through which firms make efforts into the government with the aim of enhancing their activities, this is also referred to as a type of investment that is been made by firms (Baron, 1999). Generally, each firm encounters different challenges as regards to the market competition and also the outcome of lobbying but

firms that have a strong interaction with the incumbent government may face challenges (Hillman, 1999).

So many scholars argue that the activities, regulations and policies of government can favor some firms and as well not favor some other firms, but the activities of lobbying which involves having close interaction with the government can bring about good outcomes for the firms in areas like having access to protected markets, subsidies, taxation, sanctions and competitive markets (Stigler, 2011).

In this study we aim at answering the following research questions by using quantitative studies to carry out a meta-analysis to reveal if there is a relationship between corporate lobbying and firm performance. Does corporate lobbying affect firm performance? If so, is the effect positive or negative?

The next chapter will focus on clearly stating and defining important concepts like corporate lobbying and firm performance in order to have an understanding of what this studies aim at achieving and also to show the relationship between the two important concepts, different kinds of literatures and studies will be explored so as to understand other scholars findings and understanding of the relationship between corporate lobbying and firm performance, is the relationship positive, negative or if there is no relationship between the two concepts

CHAPTER 1

CONCEPTUALIZATION OF CORPORATE LOBBYING AND FIRM PERFORMANCE

Corporate lobbying is a non market strategy that are created with the aim of having an effect on public policies, legislators, policymakers, and regulators this is been practiced by firms to deliberately influence and enhance their performances, corporate lobbying can also be explained as ways of influencing government related policies which is been widely practiced by firms in so many countries. Lobbying is related to marketing, accounting and financial performance of firms. Also, recent research indicates how lobbying has the capacity to influence almost all aspects of a firm (Chen, 2015).

Corporate lobbying might be seen as a major form of improving the performance of a firm as to the reasons why firms lobby are different some firms lobby maybe because they see other firms lobby and the outcome of this activity is not always certain. Considering the fact that it takes longer time with patience, some of the challenges can be the political orientation and as well as the changing government, although it is expected that the firm should always have the capacity to relate with all government ideologies.

Firm performance involves the various aspects and sectors of a firm it can be the financial, marketing, investment, economic, environment, and every other domain of the firm, all the above-mentioned sectors of a firm can either be affected positively or negatively depending on the activities that is been practiced by the firm, if the firm is been influenced positively by the activities it tend to have an effect on the external activities as well as the size of the firm. It is mostly with this understanding that firms

engage in corporate political activities with the aim of having an influence in the public policies as well as the policymakers (Hillman, 1999).

Firms that have any sort of political connection that's if any of the shareholder or past DG of the firm wins a prominent seat in the government or a shareholder in the firm happens to have a certain kind of connection with the government firms, this firm tends to have an upper hand than the other firms that do not have such kind of connection. this activity opens up the visibility of the firm both in the local and international market they believe that this activity can either affect the firm positively or negatively and there is a close relationship between corporate lobbying and firm performance because this connection does not just affect the visibility aspect but in almost all aspects that have to do with the firm (Hill et al, 2010).

CHAPTER 2

THEORETICAL FRAMEWORK

The Government plays a vital role in the establishment of a firm, this can either be positive or negative based on different kinds of literature a firm tend to have a certain kind of connection with the government either directly or indirectly and there is no possibility whereby the firm does not come in contact with the government, although this point can be argued on the fact that the firms create their own funds and capital to make new investments, a question that must be considered is who creates the environment for the investment? Yes, there are so many strategies that are been organized by the firm in ensuring that the performances of the firm are been enhanced. These can be marketing strategies and other related activities but is the government that makes the license, taxes, import and export tariffs, market regulations what can go into the local and as well as the foreign market (Bonardi et al, 2013).

We can have a situation whereby we have two firms that are into the same kind of business with the same size the difference is that one lobby while the other does not lobby how can we portray the importance of corporate lobbying in a case like this? This might look at corporate lobbying as not important or is not all firms that are large that involve in corporate lobbying. It is true that both of the firms pay taxes and also have a license that needs to be renewed but there is a possibility whereby the firm that lobbies can get flexibility in terms of license renewal and the payment of taxes also the acquisition of government contract (Hillman, 1999).

Between the firm and the incumbent government the firm cannot find a suitable atmosphere to work in. In order for a firm to effectively enhance its activities in a given

environment or country the relationship this firm has with the government is very important, because the government can either positively or negatively affect the performance of the firm in that given territory. Hillman (1999) argues that one of the reasons that there is a clear relationship between corporate lobbying and firm performance is because the government holds the capacity and the saying as to what the firm is in its territory other scholars like Chen (2015) argues the fact that firms face so much competition and corporate lobbying opens so many opportunities to those that are involved in lobbying activities.

Furthermore, corporate lobbying does not only influence a particular domain of the firm performance. It is because it takes longer time for this activity to have an effect, while for some other firms it doesn't take a long time depending on how effective their lobbying strategies are (Walters, 2012). Corporate lobbying tends to open new markets for firms in terms of breaking borders new negotiations and business opportunities, it is more easy for firms that have a certain kind of communication or relationship with the government to explore new markets not only in the local market but in times of international contracts that sometimes involves the country itself or is a way for the government to improve its relationship with other countries, it is said to be almost impossible for a firm to stand on its own without having some sort of connection with the government (Walters, 2012).

They do these because new policies made by the government will either positively or negatively affect the performance this policy is a two dimensional thing of which firms always look out to see what the new legislation is saying at the same time the government is also looking out to get information from firms which can first help them to improve their economy (Benson et al, 2011).

In some pluralist countries like the United States firms come together as a sectional interest groups with the aim of influencing public policies and they also play a vital role in the creation of public policies, this doesn't mean that the system can easily be predicted as to how the relationship aspect can be because of the environmental orientation which has to do with the political stability and orientation and also with the changing political orientation in the country an example is the United States the Republicans are business oriented while the Democrats are not. This entails that as

much as ideologies change over time the firm most always have this in mind, the firm that can infiltrate the political committee which that is in charge of the policy process can be able to overcome some of the uncertainties that have to do with its effective performance in that environment and can be able to acquire favors from the government in a form of contracts. It is also difficult to understand the relationship between corporate lobbying and firm performance because most scholars believe that firms that are involved in these practices with the aim of gaining some kind of favor at the end of the day and it makes it even more difficult to measure the relationship (Coates, 2012).

There are situations whereby a member of a firm gains an appointment or wins a political seat in the government. This makes it easy for the firm to have access to the political process because it is almost difficult for a firm most especially when it has no access to the government as to how things are been done in the system, it is also certain that as much as the political process is affecting the activities of firms, more firms are being encouraged to get involved in corporate lobbying because of its outcomes so many other firms are trying to influence the political activities in regards to the government policies (Angel, 2010).

In most research about the relationship between corporate lobbying and firm performance it is considered that firms engage in these activities predominantly with the aim of obtaining some incentives from the government through its policies (Stigler, 2011). The only relationship or effect of corporate lobbying with firm performance can only be said is positive if the public policies directly affect positively any aspect of the firm or the government decides not to do anything with regards to the firm (Bonardi et al, 2011).

This relationship can be portrayed in areas like new import tariffs, government regulations, taxation, earmarks, rate increase etc. This further shows the positive relationship between corporate lobbying and firm performance (Schuler, 2014). Further studies indicate that corporate lobbying has been an area of investment because of the firm size relationship with corporate lobbying and its positive relationship. Industries that specialize in a particular product have higher level of gaining a positive outcome from corporate lobbying. This is because they have the same objectives and goals; this makes it suitable for public policies to be lobbied (Shuler et al, 2012).

Many scholars believe that most firms that involve in corporate lobbying tend to receive more favors compared to firms that do not have strong connection or any kind of political connection with the government while other research portrayed that most firms involvement in political affairs can be with the aim of having some kind of insurance in case of any economic problem that might arise in the future. Diana et al (2013) argues that it is more likely for firms that are involved in at least one sort of political activity to obtain some kind of aid from the government. This same topic that has to do with corporate lobbying and how this activity improves positively, negatively or does not influence firm performance is still an area that is still explored by political scientists, economists, and management scholars, although some research indicates that some firms happen to have gained more positive incentives or government favors through PAC donations and their effect on firm performance (Kim, 2012).

Also with the rise of corporate lobbying by firms, with PAC donations in the United States, lobbying is a legal practice recognized by the constitution (Chen, 2015). The author further argues that corporate lobbying activities are deliberate activities to lobby government regulations, policies, legislation. Lobbying activities are related to marketing, accounting and financial performance of firms (Boies, 2012). The environment and economic performance are closely related (Boies, 2012). The effectiveness of firm performance is based on their interaction with the government (Chen, 2015). Research shows that firms in the United States have more than 100 lobbyists representing their interest (Drutman, 2012). Although lobbying is a controversial practice according to Drutman (2012) he argues that so many companies spend about \$2.6 billion every year on lobbying, these activities helps firms to be visible in the market. He further argues that compared to the 1970s and 1950s corporate lobbying has built itself over time in the United States; lobbying activities tend to integrate governments with firm activities. Corporate lobbying is a set of deliberate activities that firms do in order to influence public policies. These practices are done quietly (Shuler, 2014). Shuler (2014) argues that lobbying activities by firms are practices that aim at improving the strengths of firms in the competitive market, pay lower tax and also to obtain government contracts (Hillman, 1999). Although firms that do not lobby have lower rate of fraud detection (Frynas et al, 2014), most decisions that

are made by politicians are based on personal gains not with the goal of improving the public (Ansolabehere et al, 2002). In his book 'Soft Corruption' Schluter (2014) argues that most corporate lobbying activities that are been carried out by either politicians or firms are mostly corrupt practices. Other scholars like Drutman (2012) argues the point that in the United States industries spend billions of dollars to lobby corporate political activities that have to do with climate change.

Some of the things that lead firms into involving in lobbying activities might be because some other firms are also involved in lobbying activities. Kim (2008) argues that corporate lobbying has affected positively most importantly the equity returns of companies, considering the incentives that firms get through PAC contributions Hillman et al (2010) empirical research which includes data from 124 firms using 5 different elections shows that there is some kind of benefit that firms gain from its involvement through PAC contributions. Hansen and Mitchell (2013) argued that most of the benefits that firms gain are not necessarily in their involvement in PAC activities (Drope & Hansen, 2006). Based on research firms happen to spend more on lobbying compared to involvement in campaign contributions or having some kind of relationships with politicians with the aim of improving their performance. Bonardi et al (2011) argues further that in the political arena or market relating how firms get to improve their activities through corporate lobbying. This can be understood through the marketing strategies which have to do with demand and supply. It's in two dimensions in terms of political groups or politicians need financial aids and vital information and firms benefit at the later stage through public policies that can positively strengthen the firms in that given environment. This benefits them to have fewer difficulties in terms of trade or market barriers, regulatory inspection, regulation, stock market (Fisman, 2012).

Hillman (1999) confirms that corporate lobbying enhances firm performance to some certain extent. Jayachandran (2011) argues that there is not much significant positive effect of corporate lobbying on firm performance. Other scholars like Hersch et al (2010) explain that although most studies show that firms involve in corporate lobbying with the aim of getting a favor from the activity. They argue that there are other activities that enhance firm performance e.g. public relations effectively manage its immediate market environment. Other arguments which are based on the concept of corporate political

activity are always viewed as an activity that influences the activities of firms positively (Correia, 2012). The extent to which corporate lobbying can positively or negatively influence the performance of a firm depends on the political environment. Is the political environment friendly and favorable to the firm? Correia (2012), the institutional environment also plays a role, for example in the US the republicans can easily create a positive outcome for firms base on their ideology while the democrats ideology is basically on human rights and environment related issues (Hersch et al, 2012). Other scholars argue that although the institutional environment is a considerable factor but there are other factors that have been neglected. Firm performance is mostly been associated to a firm ability to set out strong lobbying strategies and also assisting politicians in their campaign by making donations. But it must not be the case; some of these donations are from individuals and not by firms. This must be regarded as a donation that has been made with the motive of enhancing the interest of an individual instead of referring to it as a corporate political activity (De Figueiredo & Silverman 2013). The fact that there are firms that gain from PAC donations cannot be neglected. Jayachandran (2011) argues based on the Senatorial elections in the United States, in 2001 most firms if not all that offered assistance to the republican during the election, research shows that there was a significant increase in their activities. Further studies indicates that firms that are either directly or indirectly involved in campaign donations tend to have higher performance compared to those who do not. Cooper et al (2010) and Stigler (2011) explain more on the point that the government has the power to either support some firms or also not support other firms this factor encourages firms to indulge in lobbying activities. Jayachandran (2011) explains that the power that the government has motivates so many firms to strive to create some kind of a political connections this is mostly because of the strong competition in the market. Fisman (2012) further argues that corporate lobbying is an essential factor because firm will not be worried about tax related matters and the ability to freely trade on the local and international market.

firms get involved in corporate political activities for different reasons some firms lobby in order to bring about a change in public policies, because some of these policies can be harmful to their productivity in that particular market. While other firms lobby to obtain

incentives that has to do with obtaining contracts from the government, reduction of government tariffs, elimination of competitors in the market. Some firms get involved in corporate lobbying not with the aim of obtaining any favor but because they are interested in having a close political relationship with the government. Although research shows that firms that invest more on lobbying activities rather than PAC donations tend to do better than firms that do not lobby. Corporate political activity can produce positive results for some firms and for other firms the results can be negative regardless of the amount of money that have been spent (Okhmatovsky, 2012).

The monetary factor may be an important aspect of lobbying because when firms look at how much other firms spend in lobbying activities it tends to discourage other firms from involving in lobbying activities, although some firms are not open to how much they spend in lobbying (Fisman, 2012). One major issue can be when a firm has a very high expenditure for lobbying; the result might not be equal to what the firm has spent. A firm involvement in corporate lobbying most not necessarily provides a positive result (Salorio & Rivoli, 1991). Although is the firms responsibility to consider all the possible risk involved in it before taking a decision, is also necessary to know that some firms do not take part in corporate political activities, that does not necessary signify that they are not interested in government-related activities (Sadrieh, 2007). In understanding the importance of cooperate lobbying, although there seems to be a level of corruption not in every case but mostly in countries that have a certain level of corrupt practices. Facio (2002) and North (1990) argue that the political orientation of the country determines the outcome of any corporate political activity. Bebchuk et al (2013) argues that the institutional environment can be an added advantage for firms that are involved in lobbying activities. Facio (2002) argues that this practice contains a high degree of malpractice mostly when firms have any sort of political connection, that's when any of the shareholders or past DG of the firm wins a prominent seat in the government or a shareholder in the firm happens to have a certain kind of connection with the government. Firms like this tend to have an upper hand than the other firms that do not have that kind of connection, further arguments were been done using 42 countries these explains that the situation can even be greater in countries that have lesser political orientation as been argued also by (North, 1990).

The concept of firms having a political connection has been argued by Facio (2002) stating that one of the reasons why some firms out-perform other firms which is mostly for a particular period of time. North (1990) argues that corporate political activities can be effective for a firm within a given period of time while Coates (2012) further explains this point using the Republicans in the United States. According to him they Republicans seem to have more consideration for business firms compared to democrats. This doesn't mean that firms that get involved in corporate political activity do not gain incentives when is the Democrats that have the power but it entails that the political ideology of the government is something that plays a role. That is why the result of this activity cannot be easily predicted. Coates (2012) believes that something will definitely be gained but it cannot always be the case.

A strong aspect that can be understood is that firms that take part in corporate political activity with the aim of having a positive output or have a very strong lobbying capacity always tend to catch up with the new government in order not to lose their place. Because other firms are working to also build a political connection, we can as well consider the point that large firms with financial back up get involved in corporate political activity compared to others that don't have much financial back up. Hillman (1999) argues that firms that get involved in corporate lobbying or have any kind of political connection don't get to perform as well as firm that do not engage in this practices. Firms like that do not have good management and tend to put more concentration in these practices. Aggarwal (2001) argues that large firms tend to involve more in corporate lobbying because they take into consideration the importance of being visible both in the local and international market, they believe that there is a close relationship between corporate lobbying and firm performance because this connection do not just affect the visibility aspect but almost all aspects that has to do with the firm. Hill et al (2010) mentions that more firms get involved in lobbying and based on their research between 1999 to 2006 there has been a rise in the amount been spent by firms for lobbying. Explaining that is not all firms that lobby, particular firms lobby that is to say that their area of specialization is a factor in terms of the market competition, stating that bigger firms tend to spend more and as well involve in lobbying compared to the ones that are not big (Aggarwal, 2001). Other scholars believe that in terms of the

types of firms that practice lobbying of which consist mostly of larger firms, political activities are more important to bigger firms than to smaller firms (Angel, 2014).

Other factors which can be referred to as the capability factor of which firms are more effective in some areas compared to other firms, depending on their area of specialization which brings about competition. Another very important aspect can be referred to as the invisible area of competition which is known as the corporate political activity as much as firms invest in other visible area of competition it is also expected that firms give intentional attention to the invisible market strategies which has to do with involvement in political activity (Brown, 2015).

Non-market action which has to do with political connections might increase market opportunities for firms Oliver and Holzinger (2012). Firms most view this domain as a form of competitive area because firms tend to achieve more by not neglecting the importance of its capability Angel (2014). The positive impact of a firm involved in political activities or investing in corporate lobbying can be because this activity is very important in improving the firm activity in the market environment, because if the firm doesn't have a certain kind of relationship with the government the reforms and rules might affect negatively affect the activities of the firm in that market and as well affect positively the activities of other firms (Brown, 2015). Although some firms will decide to either obey or not obey which has its own consequences, other scholars believe that political activity is a major way of increasing a firm profit although the outcome of this activity is not always certain (Stigler, 2011). The height in which a firm can attain is equal to how strong its political connection is (Hillman, 1999). There is no much evidence pertaining to how corporate lobbying enhances firm performance because most literatures relate private firms to corporate political activity, tax related issues are mostly related to a firm political connections which is also related to the profit of the firm (Hillman et al, 2014).

Benson et al (2011) argues that as much as firms consider having a connection with the government there should be an intentional strategy which includes improving the stakeholder's relationship. That have to do with the firms' behavior towards its customers, the market environment this activity is very important in improving the profitability of the firm. Firms involvement in corporate lobbying can affect just specific

areas of the firm, mostly moral capital which has been argued by Stigler (2011) he further argues that a firms involvement in corporate lobbying most not necessary be because they want to improve their performance, this can be a kind of an insurance that might yield positive results in the future in case if the firm gets into trouble. We stated earlier on in this thesis that the outcome of firms involvement in corporate lobbying is not always certain but Coates (2012) argues that firms must be ready to take the risk while Brown (2015) argues that firms that effectively engage in corporate political activity tend to benefit more.

In the United States the PAC has been used by firms to influence their activities and the public policies made by the government to their own interest. Some other businesses make use of societal buildings and coalition to gain the governments attention in terms of advocating for they firms advertisements are made (Kim, 2012). Firms' relationship with the government adds value to the performance of the firm, there is what is referred to as political behavior which is known as a nonmarket policy, this activity is an all-around strategy which is not only concerned with one area of the firm but the general performance of the firm which can also include economic performance (Benson et al, 2011).

Although the positive effect is expected, some studies found positive some negative and some no effect. The theoretical framework explored different kinds of literatures and has found different studies on the relationship between corporate lobbying and firm performance, the next chapter will focus on the method that have been used to carry out this research, different literatures, studies, type of analysis and why the method is suitably and compactable with this topic corporate lobbying and firm performance.

CHAPTER 3

DATA ANALYSIS AND RESULTS

This study searched through different literatures to look at various studies on corporate lobbying and firm performance, basically looking at the numbers of studies that indicate the positive and negative relationship between corporate lobbying and firm performance. Also looking at the possible outcomes of corporate lobbying and related studies to corporate lobbying such as political connection, lobbying, meta-analysis, incumbent government, PAC contributions, corporate lobbying and firm performance, corporate political activity looking at the place of politics in business, the relationship between the government and the firm, in the search for different literatures that discussed about if there is a positive, negative or no relationship between corporate lobbying and firm performance basically using the Google Scholar to find studies related to this topic, this study didn't focus on any specific year but on various literatures that explores this study.

In realizing how important it was to use quantitative study for this topic we searched through different kinds of literatures that have used meta-analysis to carry out research on this topic we used article like mixing business with politics (Lux et al, 2010). We looked at some studies that first developed our topic corporate lobbying and firm performance (Chen, 2015) and other Journals on Business and Politics, Journal of Management, we didn't choose any specific date in carrying out this research, we explored as much as possible literatures from different years and we also tried to update our information on recently published articles and also journals (Hill, 2018). We also sought out for journals that have worked on this topic corporate lobbying and firm performance going through their bibliography to find related studies Hill et al, (2018) in

making our research on the search engine basically Google Scholar we also considered other methods that have been used in other literatures who have worked on the same topic as we did one of which is JSTOR and Web of Science.

Different studies identified the need for a political connection in order to identify a relationship between corporate lobbying and firm performance, different tables in different kinds of literatures portrayed the importance of firm size in the measurement of firm performance. To what extent firms go to ensure that there is a connection between the government and the firm, this study further identified various elements that can be used to bring together findings related to this particular topic this led to the identification of the importance of using meta-analysis through a quantitative studies to carry out this research.

This led to the finding out of the fact that corporate lobbying has so many factors and determinants and the outcome for every firm is not always the same and the reasons why firms involve in this activity is always different one common reason can be to influence policies another can be because other firms lobby, another aspect is that some firm get involved in this activities not because the desire to obtain favor from the government and other firms involved in philanthropic activities which can be said to be an indirect way of the firm gaining attention to itself.

Based on the different studies, corporate lobbying affects the firm at different levels and it makes it difficult for it to be measured, corporate lobbying which involves activities that is either directly or indirectly used by firms to improve their performances. Corporate political activity can be said to be practices that are organized which can be in a form of campaign contributions, or any other means that is been used to influence the legislation or government officials (Hillman, 1999). The different kinds of literatures that have been worked on corporate lobbying and firm performance have identified a relationship and it is necessary to classify all firms that are successful to have in one way or the order influence the government policies.

In identifying how corporate lobbying has influenced a firm performance we looked at the various aspects and sectors in the firm, it clearly shows that corporate lobbying is positively related to firm performance based on the various literatures we explored, it might not be the same for every firm but there is a positive relationship, Although it can

take a longer time for the effect to be identified but is not always the case. This study used quantitative studies through meta-analysis in finding out the positive and negative relationship between corporate lobbying and firm performance.

3.1 Meta-analysis

Meta-analysis is a method through which different studies concerning the same topic are been studied in an analytic manner by putting together the results and findings of past research by using quantitative methods, based on the different studies most of the studies identified a relationship between corporate lobbying and firm performance of which is mostly positive or negative, meta-analysis is better for our studies because it doesn't just analyze only one particular study, but it indicates different research this has been carried out by different studies with their methods, test results and findings by looking at the positive and negative dimension of the studies. To what extent is there a relationship between corporate lobbying and firm performance?

This research method looks at different studies this tends to provide more positive results compared to concentrating on only one studies to make the required analyses, meta-analysis is a medium through which research is been carried out on previous literatures regarding a particular topic with the aim of finding out the basic relationship between the different literatures and studies (Glass, 1976). This has been done using Schwarzer's software which was originally started by Hunter and Schmidt (1995). This have been tested to be effective rather than just analyzing the findings in just one study, studies so far have indicated that corporate lobbying is mostly reliable based on the measurement of firm performance, one of this is the size of the firm. This further indicates the relationship between firm size and corporate lobbying which is mostly a positive relationship (Bacharch, 1989).

Based on different literatures, different relationship and aspects that corporate lobbying can affect, clearly indicates also in this study that there is still no sure result as to how corporate lobbying affects firm performance, although our study identify more positive relationship. There is still need for more study on the positive as well as the negative

relationship between corporate lobbying and firm performance. The relationship between corporate lobbying and firm performances indicates mixed results which are positive and as well negative, but many studies show that the relationship is often positive.

Another aspect we identified in this study is based on the positive outcome of corporate lobbying in relation to firm performance. Although in the United States research shows that firms that have a certain level of connection with the government have higher tendencies of lobbying government policies, we identified both positive and negative relationship between corporate lobbying and the positive relationship tend to be more. Based on the studies by different scholars and firm performance, it further shows that more studies and deep analyses have to be done on this particular topic of corporate lobbying and firm performance in understanding the relationship and why there should be a relationship.

In making and compiling our test results as to the relationship between corporate lobbying and firm performance we studied the test results of different studies on corporate lobbying and firm performance in most of the studies different methods have been used. The easily identified one which we also used in carrying out our research is when there is a positive relationship it signifies that the coefficient is statistically significant and is in the desired direction as the proposed hypothesis, and when the relationship is not a success is a failure which entails that the relationship is not significant and the coefficient is statistically not significant when is anomaly which shows that the coefficient is statistically significant and is on the opposite direction as to the proposed hypothesis.

For our results we used $p < 0.05$ as a final point to the significant level, and a 95% significant level to mark out the test results, the various studies we studied in our research carried out different descriptive methods although some were clear enough and also straight to the point other studies were not clear enough, test on the independent as well as the dependent variable. We identified all the studies that found a significant relationship between corporate lobbying and firm performance for us to state that the relationship is positive; we assembled all the test results we identified the number of successful results in most of the studies the higher the success results was

that help us to understand that there is a positive relationship between corporate lobbying and firm performance.

On the various studies we analyzed some carried out more test while others carried just a few test, in other to show the success we considered the test results per study and also per test in other to also consider if the test was a success, failure or anomaly we identified if each of the test results from the various studies is either positive, a failure or the result from the test or the study was anomaly, the various test results we studied used different methods and statistically significant level.

Variables	Success	Failure	Anomaly
Test(107)	70	23	14
Studies(79)	50	17	12

The above table shows the number of test that was carried out to determine if there is a relationship between corporate lobbying and firm performance and if there is a relationship of which our research has been able to identify a relationship, our test results used $P < 0.5$ aiming at a 95% significant level to determine if the relationship between corporate lobbying and firm performance is a success which is positive and when is less than the 95% significant level it signifies that is a failure, our research base on our test shows 70 success out of the 107 test, 23 failures and 14 anomaly. In most of the studies different methods were been used but the easily identified one which we also used in carrying out our research is when there is a positive relationship it signifies that the coefficient is statistically significant and is on the desired direction as the proposed hypothesis, and when the relationship is not a success and a failure which entails that the relationship is not significant and the coefficient is statistically not significant. When it is anomaly it signifies that the coefficient is statistically significant and is on the opposite direction.

These studies which are the total number of literatures we counted, these results are per study and per Journal that we used to carry out this research; each study used different methods to operationalise the research. Some studies were clear while others were not clear, out of 79 studies 50 was a success, 17 a failures and 12 anomalies.

These studies based on the different test we carry out shows that there is a positive relationship between corporate lobbying and firm performance.

CONCLUSION

There is a rise in firm's involvement in politics, this has in way drawn more attention to this domain as to the reasons why some firms get involved in corporate lobbying while others don't and if there is a relationship between corporate lobbying and firm performance what is the relationship? This takes us to the PAC contributions and corporate political contributions, in countries like the United States more is been spent by firms that engage in this practice. This research paper focused on the relationship between corporate lobbying and firm performance and in making this research we used meta-analysis because it was the better method for this research, we searched through various studies that have researched on this topic looking at their research method, and the methods they used to test their hypothesis.

The final result based on the meta-analysis shows that there is a positive relationship between corporate lobbying and firm performance. We gathered different studies we used $p < 0.05$ to find if the result was statistically significant looking at how the positive, failure and the anomaly has been tested and in doing that although most of the studies used different statistical significant level to test the hypothesis as well as the study, some of the studies had more test while others just few tests, our result shows a positive relationship meaning that corporate lobbying is positively related to firm performances.

Firms encounter different challenges understanding the fact that the business-government relations cannot be neglected or ignored and for a firm to reduce the level of challenges its relationship with the incumbent government will go a long way in doing that. This can bring about reduction in taxation or flexibility in the payment of tax, the firm survival in the local market which contains a high level of competition, this relationship can expand the influence of the firm in that particular country.

This research did not limit itself to just a particular period of time, but we sort through so many literature that have to do with management, politics, business, and so many other sectors and in carrying out our research we considered different aspects of firm performance financial, marketing, production, tax, competition in the local and international market, some of the studies we explored focused on the impact corporate

lobbying has on the financial performance of the firm and specific domains related to corporate lobbying and firm performance, we tried as much as possible to study major studies their measurement of firm performance in relations to corporate lobbying. Our results show that there is a relationship between corporate lobbying and firm performance but we also realized that more research needs to be done on this topic.

Companies and firms need to put more emphases on their relationship, and there is the need for firms to understand the need for a relationship, in our research we realized that some firms just lobby because other firms lobby, the government creates and makes the atmosphere suitable for the business and the government needs the firms in improving the economy, theses has to do with what is really happening mixing business and politics because either directly or indirectly there is a close relationships between corporate lobbying and firm performance.

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APPENDIX

Name of article	Year	Result
Corporate political contribution and stock returns (the journal of finance)	Cooper, M. J., Gulen, H. & Ovtchinikor, A.V. (2010)	Positive
Corporate political donations (business and politics)	Aggarwal, R.K., Meschke, F., & Wang, T. Y. (2012)	Positive
Estimating the value of political connections	Fisman, R., (2012)	Positive
First mover advantages in international business and firm-specific political resources	Frynas, J.G., Mellahi, K., & Pigman, G.A. (2013)	Positive
Do politically connected boards affect firm value?(review of firm value)	Goldman, E., Rocholl J., & Jongil S. (2013)	Positive
Are PAC contributions and lobbying linked? New evidence from the 1995 lobby disclosure.	Ansolabehere, S., De Figueiredo, J.M., et al.(2002)	Positive
In search of El Dorado : the elusive financial returns on corporate political investments(strategic management journal)	Hadani, M., & Schuler, D.A. (2013)	Positive
Corporate political activities	Jayachandran, S. (2011)	Positive
Do campaign contributions and lobbying expenditures by firms create political capital?	Hersch, P., Netter, J., & Pope, C (2012)	Positive
Performance indications of lies to the government SOE: a political perspective	Okhmatovsky, I. (2012).	Positive

Firm level response to government regulations	Shaffer, B. (2010).	Positive
Contingent political capital and international alliances	Siegel, J. (2013).	Positive
The effect of corporate political activities	Sun, P., Wright, M. & Mellahi, K. (2011)	Positive
Corporate political activities	Lawton et al (2000).	Positive
Performance indications of a firm with political connections	Lord, (2000).	Positive
Integrated strategy: Market and nonmarket components	Feng and Johansson (2015).	Positive
Corporate politics, governance and non-market strategies	Wilson, (2009).	Positive
Performance indications of lies to the government	Dahan, (2014).	Negative
Political alliance and sustainability	Rahbein, (2014).	Negative
Corporate environmental reporting	De Figueiredo, (2002).	Negative
Corporate lobbying and in the European parliament	De Figueiredo and Richter, (2014).	Positive
A contribution to the conceptualization of political resource utilized in corporate political action	Dahan, N. (2005).	Negative
Politically connected boards and audit pricing	Hadani and Schuler, (2012).	Positive
Firms created political capital	Hersch and McDougall, (2010).	Negative
Political connections	De Figueiredo and Silverman, (2013).	Positive
Unpacking the relationship between an innovation strategy and firm performance: the role of task conflict and political activity.	Clercq et al, (2009)	Positive
Political activity and firm performance with nonmarket research: A review and international comparative assessment.	Rajwani et al, (2015)	Negative
Corporate lobbying, political connections and firm performance	Schuler, (2014).	Positive
Strategic adaptability and firm	Mckee et al, (2012).	Positive

performance : A market contingent perspective.		
Determinants and effects of political connections	Pfeffer and Salancik, (2014).	Negative
Home country environments, corporate diversification strategies and firm performance.	Wan, W., & Hoskisson, R. (2017).	Positive
Do firm size matters matter?(analyzing business lobbying in the united states (business and politics)	Hillman et al, (1999).	Positive
The structure and conduct of corporate lobbying (how firms lobby the federal trade commission)	Stigler, (2011).	Negative
Corporate philanthropy and corporate financial performance: the roles of stakeholder response and political access.	Wang, H. & Qian, C. (2011).	Positive
Country resource environments, firm capabilities, and corporate diversification strategies.	Wood, D. (2013)	Positive
Political connected boards and audit pricing	Kim, (2008).	Positive
Comparing interest group PAC contributions to house and senate incumbents	Boies et al, (2012).	Positive
Corporate political strategies and firm performance: indications of firm specific benefits from personal service in the US	Hillman et al, (2010).	Positive
The market for corporate control and firm innovation.	Hitt, M., Hoskisson, R., Johnson, R., & Moesel, D. (2017).	Positive
Alliance networks and firm performance: The impact of repeated partnerships.	Goerzen, A.(2007)	Positive
The attractiveness of political markets: implications for firm strategy	Bonardi et al (2011).	Positive
Disaggregation and explaining corporate political	Hansen and Mitchell (2013).	Positive

activity		
Market structure and political influence	Angel et al, (2010).	Positive
Determinates and effects of corporate lobbying	Salancik et al, (2014).	Positive
Strategic decision speed and firm performance.	Baum, J., & Wally, S. (2003)	Positive
Corporate political action and foreign competition	De Figueiredo (2002)	Positive
Politicians on the board of directors: Do connections affect the bottom line?	Hillman, A. (2005).	Positive
Corporate political action: rethinking the economic and institutional influences	Kalt and Zupan, (2012)	Positive
The external control of organization	Hillman et al, (1999)	Positive
Corporate political strategy and foreign companies	kim, (2012)	Positive
Market structure and campaign contributions	Aggarwal, V(2012)	Positive
The determinants of corporate lobbying participation and intensity	Bonardi et al,(2013)	Positive
Public affairs and political strategy: Theoretical foundations.	Getz, K. (2006)	Positive
Corporate strategies for political action	North, (1990)	Positive
Targeting corporate political strategy	Hill, Kelly et al, (2010)	Positive
Relationship between firm investments in the technology and innovation and political action	Walters, (2012)	Negative
Politically connected boards affect firm value	Goldman, E., Rocholl J., & Jongil S. (2009)	Positive
An empirical investigation of determinates of trade association	De Figueiredo, (2013)	Positive
The relationship between firm investment in technology	Facio et al, (2011)	Positive
Philanthropic as a strategy	Jin-Hyuk Kim, (2011)	Positive
The effects of business and political ties on firm performance	Sheng, S., Zhou, K., & Li, J. (2011)	Positive

Rethinking the economic and institutional influences	Drutman, (2015)	Negative
Pursuing strategic advantage through political means	Brown, (2015)	Negative
The external control of firms	Coates, (2012)	Positive
Business and public policy	Drope and Hansen, (2006)	Negative
Determinants of political strategies in U.S Multinationals.	Benson ,(2011)	Positive
Corporate political strategies	Mathur, I., & Singh, M. (2010)	Negative
Top management teams and the corporate political activity: Do top management teams have influence on corporate political activity?	Ozer, M. (2010)	Positive
Campaign contributions and access	Chen, (2015)	Positive
Money business and the state material interests and fortune	Salorio, (1991)	Positive
Non-market performance	Faccio, (2002)	Positive
Government oriented corporate public relation strategies in transitional china.	He, Y., & Tian, Z. (2008)	Positive
Resource dependency, innovative strategies and firm performance in BOP markets.	Schuster, T.(2014)	Positive
Academic earmarks and the returns to lobbying	Richter et al,(2009)	Negative
The structure and conduct of corporate lobbying	Oliver et al, (2012)	Positive
Estimating the value of political connection	Coates, (2012)	Positive
Corporate political activity	Benson et al, (2011)	Positive
Corporate political strategy and formulation	Bebchuk, et al, (2013)	Positive
Contributions, lobbying and committee voting in the US house of representative	Correia, M (2012)	Positive
On the political participation of the firm in the electoral process	Drutman, (2012)	Positive

PLAGIARISM REPORT

ETHICS COMMITTEE APPROVAL



B L MSEL ARA TIRMALAR ET K KURULU

16.08.2018

Sayın Dameng Itikna Emmanuel

Bilimsel Ara tırmalar Etik Kurulu'na yapımı oldu unuz **“Corporate Lobbying and Firm Performance”** ba lıklı proje önerisi, sadece ikincil kaynak kullanıldı ı için Etik Kuruluruna girmesine gerek yoktur. Bu yazı ile birlikte sadece ikincil kaynak kullanmak artıyla ara tırmaya ba layabilirsiniz.

Doçent Doktor Direnç Kanol

Bilimsel Ara tırmalar Etik Kurulu Raportörü



Not: E er bir kuruma resmi bir kabul yazısı sunmak istiyorsanız, Yakın Do u Üniversitesi Bilimsel Ara tırmalar Etik Kurulu'na bu yazı ile ba vurup, kurulun ba kanının imzasını ta ryan resmi bir yazı temin edebilirsiniz.



YAKIN DOĐU ÜNİVERSİTESİ

B L MSEL ARA TIRMALAR ET K KURULU

16.08.2018

Dear Dameng Itikna Emmanuel

Your project "Corporate Lobbying and Firm Performance" has been evaluated. Since only secondary data will be used the project it does not need to go through the ethics committee. You can start your research on the condition that you will use only secondary data.

Assoc. Prof. Dr. Direnç Kanol

Rapporteur of the Scientific Research Ethics Committee



Note: If you need to provide an official letter to an institution with the signature of the Head of NEU Scientific Research Ethics Committee, please apply to the secretariat of the ethics committee by showing this document.

