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ABSTRACT

Corporate political activities (CPA) are important non-market strategy for firms across the world. However, whether CPA help firms' growth and when they are more valuable are not clear to date. In this paper, using comprehensive firm-level datasets reflecting lobbying activities of firms in emerging economies, we find that CPA is positively related to their growth in terms of firm size. Meanwhile, the effects of CPA are larger for larger firms and firms in countries in which the political regimes are more stable. The paper contributes to the CPA literature by investigating the contingent roles of CPA on firm growth.

Key words: Info Emerging economies; firm growth; growth obstacles; corporate political activities

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INTRODUCTION

When attempting to influence public policies, firms may deploy a broad range of specific corporate political activity (CPA). Common CPAs include information provision (i.e., lobbying), constituency building (i.e., motivating grass root support), and financial incentives (e.g., campaign contribution) (Hillman and Hitt, 1999; Bonardi *et al*., 2006). In this paper, we focus on lobbying. Through lobbying, firms provide information that is relevant to political actors such as regulators and legislators, in order to influence policymaking. Firms lobby for favorable public policies by supplying position papers or technical reports, providing research findings and survey results on the subject matter, or testifying as expert witnesses (Hillman and Hitt, 1999).

Outcome of CPA has been already studied extensively in the literature. However, previous researches suggest conflicting conclusions. On one hand, Hillman et al. (1999) and He et al. (2007) argued that political strategies have positive influences on firm' performance because they help firms to secure favorable regulatory conditions (Agrawal & Knoeber, 2001) and access to bank loans (Khwaja & Mian, 2005), which ultimately increase the value of firms (Johnson & Mitton, 2003; Roberts, 1990). On the other hand, recent researches (e.g., Fan, Wong, & Zhang, 2007) found that CPA leads to poor corporate governance and poor firm performance. Taken together, past research on the relationship between CPA and firm performance is at best mixed. Although outcome of CPA has long been recognized, most of existing researches on this arena are context insensitive or non-contingent (Brush & Artz, 1999) and did not answer such a key question: *When are CPA valuables for corporate competitive advantage?* In an attempt of explain these mixed results, we argue that the political resources needed to develop a competitive advantage might differ across firm's capabilities and countries' political system which are composed of different degrees of efficiency of CPA. We explore firm- and country- moderators which may affect the firm performance in the context of corporate non-market strategies. The present article is based on contingency theory (Aragon-Correa & Sharma, 2003; Brush & Artz, 1999) and argues that organizational performance is a result of alignment between the endogenous organizational design variables and the exogenous context variables. The dynamic fit between CPA and internal/external factors accompany the proactive environmental strategies, which might influence the value creation of firms.

For the firm-level moderators, we propose that firms with better political capabilities/resources can conduct the CPA more efficiently. Political capabilities refer to capabilities that allow firms to influence the public policy or to mitigate market failures (Hillman and Hitt, 1999; Williamson, 1975). Based on Resource-based view (RBV), which emphasis on the importance of firm capabilities in determining competitive advantages (Barney, 1991), scholars in the arena of CPA propose that firms having political capabilities are skillful in lobbying government or shaping public opinions (e.g., Hillman and Hitt, 1999; McWilliams et al., 2002). Especially, Wan (2005) argued that the possession of political capabilities allows firms to achieve higher levels of performance in the emerging economies where institutional development is lagging in comparison. Following the argumentation that firm size is one of proxies to measure the political capabilities and clout (Pfeffer and Salancik, 1978), we argue that larger firms, rooted from 1) more voters, 2) powerful information and 3) economy of scale are politically more powerful and thus, execute the CPA in more professional way.

In the country-level, we argue that long-term relationship between business and government is necessary condition for firm to secure the accumulated political connections. Hillmnan and Keim (1995) describe the public policy process as having "demanders" and "suppliers" of public policy. In a relational approach, trust develops between the suppliers and demanders of public policy, thereby reducing the marginal transaction costs of participation. This social capital, in turn, facilitates continued exchange, because when parties trust one another, they are more willing to engage in cooperative exchange, which then increases each party's social capital (Hillman & Hitt, 1999). In many ways a relational approach to political strategies is akin to the development of social capital that is embedded in a continued exchange relationship between parties (Nahapiet & Ghoshal, 1998). Theories and researches also suggest that the benefits of social ties are conditional on environmental context (Burt, 1997; Gulati & Higgins, 2003). In realm of CPA, varieties of models also have developed to examine the political/government structures which may influence the business-government ties. The underlying premise is that a firm’s CPA activities are determined by its political/government institutions where firms and politicians/officials interact with each other. Especially, existing literature supposes that CPA decision rely on country-level proxy indicators of political/government environment, such as political decentralization, federalism (e.g., Bordignon, Colombo & Galmarini, 2008) and parliamentary/congressional system (e.g., Hillman & Keim, 1995). These studies demonstrate that positive value of business-government ties are not automatic but varies directly with political/government conditions. However, these notions of the contingent value of political/government structures have not been extensively studied for outcome of CPA. Filling these research gaps, this study introduces political moderator such as "political stability (i.e., regime durability)" to explore the indirect relationship between CPA and a firm's performance.

In sum, incorporating firm-level features and country-level political structure data, this study provides the ideal empirical setting for testing whether the CPA generating competitive advantage are contingent upon internal and external conditions. In this study, we examine the results from an experienced-based and cross-national survey. The following section summarizes relevant prior researches and advanced testable hypotheses, then describes the research design and empirical methods in our fieldwork. Finally, we discuss several implications of our findings.

THEORY AND HYPOTHESIS DEVELOPMENT

CPA and political resource

Government policy and enforcement are major forces in the external environment of business (Hillman, Zardkoohi, & Bierman, 1999). Thus, government is a critical source of uncertainty and external interdependency for business (Mahon & Murray, 1981). Based on resource dependence theory, Hillman (2005) argues that firms try to create linkages with government officials or politicians to reduce uncertainty and environmental fluctuations. Scholars in resource dependence tradition also emphasize that the political capital embedded in managerial ties with government can be regarded as a unique and intangible resource that is difficult to replicate thus giving firms possessing such ties a significant advantage (Tsang, 1998). Tsang (1998) argued that good connection with government is valuable, rare and imitable for firms. Using this framework, we argue that business-government connection generated by CPA is 1) valuable, 2) rare and 3) inimitable resources. First, government officials maintain power to allocate resources and materials, arrange financing and distribution, and provide access to infrastructure (Park & Luo, 2001). Firms which can construct close relations with government benefit from their political connection. And thus political resource can be valuable source for competitive advantage for s firm. Second, this valuable political connection is established directly with the handful of top officials in the central or local government. Not many companies are able to approach these elite officials. Considering that policy is mainly made by high-rank officials or politicians, lobbying is considered to be able to rare political resources. Third, political resources created by CPA are inimitable. Most of officials or politicians do not receive the illegal money on a first meeting even in highly corrupted countries because there is possibility to be discovered and arrested. Establishing simple relation is easy but it takes some time to develop reliable relation, which is a key determinant of value creation of focal firm. Another barrier to imitation is the intricacy of interpersonal chemistry (Tsang, 1998), which makes political connection a socially complex resource. The ambiguity about exactly how to accumulate relation makes it very difficult to identify, let alone control all the key factors that contribute to establishing and nurturing good social connections. How to lobby efficiently is tacit knowledge and this skill is hardly to be imitated by new comers. Evidence exists that political connections can provide preferential conditions to firms especially in emerging markets to get more preferable policies and overcome barriers to operation (e.g., Khwaja & Mian, 2005; Charumilind, Kali, & Wiwattanakantang, 2006). In sum, CPA creates the political connection between a firm and officials/politicians. This business-government relations and dependencies are valuable, rare and imitable political resources. According to resource-based view (Barney, 2001), performances of firms which construct the political connection by means of CPA will be better than those of other firms. Thus:

H1: Lobbying activities help firms in emerging economies to grow faster.

Moderating effects of firm size and political regime durability

Although we expect to find a positive relationship between firm lobby and performance, however, it is arguable whether these CPA are universally beneficial to firm performance, regardless of different firm- and country-level contexts. The contingency framework propose that resources needed to develop a competitive advantage might differ across the external environment and thus same resources are valuable in some contexts but not in others (Brush & Artz, 1999). The contingency theory is based on the argumentation that firms that are able to properly align endogenous organizational variables with exogenous business context variables will gain a greater organizational performance (Burns & Stalker, 1961; Lawrence & Lorsch, 1967; Thompson & Strickland, 1983). A proactive environmental strategy can help a firm to keep its resources more valuable and inimitable (Aragon-Correa & Sharma, 2003). Oliver and Holzinger (2008) also assume that corporate political strategies which target value creation are based on the dynamic capabilities of scanning and predictive capabilities and institutional influence capabilities. Thus, we argue that organizational performance is a result of alignment between political resources and external condition where CPA is taken places. Our argumentation is in line with Aragon-Correa and Sharma (2003) who proposed positive link between a proactive environmental strategy and competitive advantage. We theorize that firm- and institution- specific factors may critically affect the effectiveness of CPA, and thus influence the outcome of CPA.

Firm size and political influence/efficiencies

Recent reviews study that firms' political capabilities are more directly linked with their CPA (e.g., Hillman, Keim & Schuler, 2004). Underlying premise is that firms with higher levels of political capabilities are more capable to mitigate transaction costs in the political marketplace, and thereby more capable to afford costs to conduct CPA. With strong managerial political capital, which can be defined as "resources that firms secure through direct and indirect social ties to policy agents that facilitate CPA in favor of focal firms' interests" individual firms have the ability to mitigate the transaction costs in political markets and are able to shape the political strategy to fit their own needs. Thus, firms with higher level of political capital with policymakers, and greater ability to utilize the political capital though the development of relational ties with policymakers can extract more benefits from their CPA. Existing studies argue that individual political capabilities come from resource advantages owned by individual firms, and show that firms with more tangible resources, such as total assets, organizational slack, and formal firm structure are more likely to conduct political actions alone (Hillman, Schuler, & Keim, 2004). Scholars continue to argue that organizational size is a proxy for resources. Pfeffer and Salancik (1978) identified an organization's size and the importance of the resources it controls as key determinants of organizational power. According to those authors, largeness increases organizational power relative to a firm's environment since "large organizations, because they are interdependent with so many other organizations and with so many people, such as employees and investors, are supported by society long after they are able to satisfy demands efficiently" (1978, *p*131). In the context of corporate political strategies, size is closely related with firm's political power in three processes. First, a larger firm has more stakeholders and thus more voters. Elected officials seek the votes necessary to gain office and remain in office, either through direct constituent votes or through party support. They also seek information on policy preferences of voters and the resources to finance and carry out their election campaigns. After being elected, the elected official retains the motivation to be responsive to organized interests because of the threat of competition in the next election. Although bureaucrats do not have the need for votes that elected officials do, cabinet members, for example, need legislators' votes to pass their agendas. These votes usually reflect the preferences of voters who support the legislators and their party. The preferences of the public and organized interest groups can also affect future budgets, the range of jurisdiction, and the prestige of agencies or bureaus. Thus, both constituent support and information are important resources for bureaucrats (Bonardi & Hillman, 2005). Therefore, the beneficiary of lobbying (i.e., politicians and bureaucrats) has the strong incentive to be responsive to the needs of stakeholders in their constituencies. Second, a larger firm can provide the necessary information or non-financial support for beneficiary of lobbying. Epstein (1969) argued that large firms often have complex public policy and therefore have incentives to share political information with politicians. Because lawmakers tend to select political informants who can provide extensive policy details and numerous constituents, large firms should have a competitive advantage in the political process (Schuler, Rehbein & Cramer, 2002). Third, firm size is also related with economies of scale (Hillman & Hitt, 1999). The larger firms with many related departments and professional staffs, can collectively pool their knowledge, which should enable them to capture synergies or other intangible resources by integrating their knowledge bases to handle their CPA. Therefore, we assert that larger firms can bear the cost of CPA more easily and utilize the CPA in a larger scale of operation. In sum, since a firm's size can be a proxy for political clout, influence and capabilities, it is probable that size will determine its share of the benefits and/or losses associated with political decisions and, thus, larger firm can execute the CPA more effectively.

H2: The effects of lobbying activities on firm growth are larger for bigger firms comparing to smaller firms.

Regime durability and continuity of political relationship

Lobbying is one of the means to initiate and maintain government-business relationship, which may help firm's performance. However, simply providing grease money to government officials or politicians may only establish a short-term relationship that is easily imitated by their competitors (Wang, 2005). For a sustainable competitive advantage over outside competitors, firm may construct a long-term relation with government based on political commitment and friendship. Tsang (1998) argued that establishing a *Guanxi* may be easy, but it takes time to develop interpersonal chemistry, which is a key determinant of firm's performance. A one-year relationship is hardly comparable to a ten-year one. Thus, firms that have built long-term relationship between government officials and politicians are likely to enjoy an edge over their competitors (Tsang, 1998). Accumulating such a long-term and thus close relationship between business and government depend on political capabilities, which we argued in pervious section, but it also depends on external political environments. If the regime changes frequently, accumulated political connections are easily terminated. Facing very volatile political power shift, firms might initiate short relationship to protect their business from any exploitation, but they might hesitate to maintain close relationship with government because their committed political resources can be disappeared by unexpected regime change. Durability of regime make CPA more lucrative because in any political system where governments change relatively often, any concession obtained from the current government is fragile and liable to be overturned by different politicians unless they are lobbied again (Campos & Giovannoni, 2007). Frequent regime change can also affect the behaviors of government officials. If the long-term relations are not secured, government and business relationship might be played as one-shot game. Therefore, the government officials would like to sweat the firms as much as they can, and they might not consider exploiting the firm for a long time by giving them business incentives. Our arguments are resonating with Morgan and Hunt (1994) that relational behavior is constrained through the trust and commitment that develop between the two parties. Thus, we argue that stability in regime change is determinant for trustfulness of business and government and this may lead to firm's advantage when they use CPA. Furthermore, unexpected regime change impedes the trustful business and government relationship but also change a political asset into liability. If this tie is vulnerable to political upheaval and so ruling powers are frequently replaced, existing political resources changed to be useless and sometimes to be handicap which might impair political advantage. When a firm had a political network tie to the politicians who were defeated by election or military coup, that firm can be the victim of retribution and direct government efforts at exclusion. In emerging economies, there are often two or more rival networks competing for political power. If one network gains political power, its members in government may use that power not only to bestow privileged resources on their friends but also to target for exclusion and punishment their enemies, including members of rival networks (Siegel, 2007). For example, Fisman (2001) showed empirically that political connections to former Indonesian dictator Suharto were worth a significant percentage of politically connected firms' market capitalization and that a sizeable portion of these firms' market capitalization was erased any time there was a legitimate rumor of Suharto's life-threatening illness or impending death. The interesting point is that democratic regime is not always durable. Sometimes autocrat regime is more durable and stable than democratic government. Only in Europe, however, were democratic regimes significantly more durable than autocracies. So, our framework to link between regime durability and effectiveness of lobbying is different from extant studies which focus on level of democracy. In sum, we hypothesize that durability of regime positively moderates CPA on the firm performance.

H3: The effects of lobbying activities on firm growth are larger when the political regime in a country is more durable.

DATA AND METHODOLOGY

One main data source used in the study is the World Bank’s Enterprise Survey (hereinafter, WBES), a series of panel surveys of industrial and service enterprises, conducted by the World Bank in 2002 and 2006, respectively. The main purpose of WBES was to identify institutional constraints on enterprise performance and growth in developing and transition economies. The survey focuses on questions of how taxation, regulation, performance of the financial sector, and institutional environment affect business operations (Clarke, 2008).

To increase data quality, WBES was conducted through face-to-face interviews with company managers and owners. However, as some questions in the surveys like lobbying activities, and financial performance of firms are sensitive questions, the number of firms responded to all these sensitive questions are smaller than the number of respondents. We conducted standard mean comparison tests to assess non-response bias. We found that the included (i.e., responding) firms were not significantly different from the excluded (i.e., non-responding) firm in terms of firm age (p>.90), firm size (p>.90,), and sale increase rate (p>.20). We discuss this problem and provide the possible remedies in following section.

Dependent variables

Although numerous objective measures of firm performance exist, sales growth is one of the most commonly used in studies of consequences of political strategies (Shrader, 2001). Sales growth of a firm is defined as (total sales $_{t}$ - total sales $_{t-4}$) / (total sale $_{t-4}$). Total sales WBES were reported by focal firms based on records in their accounting departments, thus are reliable measures of firms' actual sales.

Independent and control variables

We use lobbying activities reported by firms' top executives to capture their CPA. Lobbying is a dummy variable which equals 1 if a firm's response to the question on lobby is "yes", and 0 otherwise. The question on lobbying is the following: *Did your firm seek to lobby government or otherwise influence the content of laws or regulations affecting it?*

We measured the *Firm size* with the logarithm of total number of employees in a firm. As to regime durability, we use information from the Polity IV (Marshall & Jaggers, 2002). Regime durability is measured as the number of years since the most recent regime change (defined by a three-point change in the POLITY score over a period of three years or less) or the end of transition period defined by the lack of stable political institutions (denoted by a standardized authority score).

We also introduce several control variables into our analyses to control for country, industry and firm characteristics. Firm age is also used proxies for resources and capabilities that can be used in CPA (Hillman, Keim, & Schuler, 2004). Firm age is the natural logarithm of the number of year after a firm's establishment. Ownership structure is argued to affect the firm performance (Berger, Clarke, Cull, Klapper, & Udell, 2005). Foreign and government owned firm dummy is measured in way which equals 1 if more than 50% of a firm's capital is owned by foreign shareholders or local governments. The firms that are more mobile are more able to refuse informal payments to public officials (Chen, Yasar, & Rejesus, 2008) and then they can invest into other countries, which can affect the performance in domestic country. A dummy variable of whether or not a firm operates in other countries is measure of the firm's mobility. Firm's dependency on government (Sale to government or SOEs) is considered to link a firm' CPA activities direct with firm's short-term performance. This variable is measures as following question: "What percentage of total sales are to government, state-owned or state-controlled enterprise". To control for varying economic conditions across the industry, we included industry dummies. Lastly, country-level wealth is included to control economic development. GDP per capita is the natural logarithm of GDP per capita in a given country before the year of survey. GDP per capita data comes from World Development Indicator (WDI). Please note that information of mobility and firm's dependency on government is only available in WBES questionnaire.

Adequacy of the Measures

Cross-country international management research with poor data equivalence will come to bias empirical results and theoretical inferences (Hult, Ketchen, Griffith, Finnegan, Gonzalez-Padron, Harmanciogl, Huang, Talay, & Cavusgil, 2008). The WBES use standardized survey instruments and a uniform stratified sampling methodology to minimize measurement error and to yield data that are comparable across economies. The measurement equivalence and data collection equivalence are proved to be good by previous studies used the series of survey (Angelini & Generale, 2008; Barth, Lin, Lin, & Song, 2009; Martin et al., 2007). In addition, the firm level variables used in the paper are all objective, while country level variables come from data sources widely used in international management studies, thus further ensure that constructs have the same meaning across countries (Kirkman & Law, 2005).

As most surveys, the WBES may suffer a non-response bias that is firms' systematic refusal to participate may compromise the random nature of the sample. The WBES team carefully analyzed reasons of non-responses, and distinguished firms refused to participate from those have gone out of business and unable to locate. Non-response firms had been substituted with willing participates randomly selected from the same location-sector-size sampling category.

Although the non-response bias was carefully handled in the survey, the WBES may also suffer an under-response bias if a question is opinion-based or sensitive. Sensitive questions increase the possibility of under-response. The most sensitive questions used in the study are about a firm's lobbying activities. We expect that firms may under-respond to both questions if under-response exists. We use a firm's response to the lobby question as the dependent variable and control its response to the bribery question in analyses, thus control the under-response at firm level. As to country level under-response, Vaaler and McNamara (2004) argued that non-response or under-response bias may be related to country-level political conditions. Including country institution indicators and controlling country effects in multilevel analyses therefore further help correct for systematic non-response or under-response bias by country.

As in most international management research based on survey data, the use of dependent and independent variables from the same survey may raise the concerns of common method variance (CMV). CMV could be serious when the dependent variable and the independent variables are perceptions of respondents (Chang, Van Witteloostuijn, & Eden, 2010). Following Chang et al. (2010)'s recommendation, we take both procedural methods and statistical techniques to reduce the potential of CMV. First, we collect measures for different variables from different sources in that the dependent variable is from WBES and BEEPS but some independent variables are from other sources like Henisz (2000) and Fan, Lin and Treisman (2009). Second, to reduce respondents' evaluation apprehension and make them less likely to edit their responses to be more socially desirable, respondents were assured of the anonymity and confidentiality, and they should answer the questions as honestly as possible. The questionnaire was organized into several sections starting with less sensitive questions such as general information, and followed with more sensitive questions such as business-government relations and performance. It is worth to notice that major variables used in the study appear before those sensitive questions in the questionnaire, thus reduce the possibility that respondents response dishonestly. The interviews were conducted by well-trained interviewers guided by standardized and detailed questionnaire manuals, thus have high quality. Third, as Aiken and West (1991) pointed out, hypotheses based on interactions are less subjective to the common method variance because it is unlikely that respondents would have an "interaction-based theory" in their minds that could systematically bias their responses to produce these results.

RESULTS

Because our dataset has multilevel structure, we applied the multilevel regression as the main analysis method. A hierarchical (Multilevel) model is the predominant approach for dealing with nested data structures. For continuous dependent variable, hierarchical regression model is used (i.e., *xtmixed* command in Stata software). The likelihood-ratio test output confirms that adding random slope did not bring much significant improvement (p>.10). Thus we decided to use fixed-effect hierarchical regression model (random-intercept) which permits country-to-country variance only in intercept (Hamilton, 2008 p.423). The relations among the explanatory variables require that potential multicollinearity problems be investigated. The variance inflation factors for all variables in the models did not exceed 10, so they were well below the accepted cut-off value used to indicate multicollinearity concerns (Neter, Wasserman, & Kutner, 1996). Table 1 provides the summary statistics and correlations matrixes of key variables.

Table 2 presents the main results for the Hierarchical regression models. H1, involving direct effect of lobbying on firm growth, was supported as we expected. Lobbying to government officials or politicians has a significant and positive main effect on sale growth. In H2, we argued that political influences/capabilities, which is measured by firm size, positively moderate the relationship between CPA and firm performance. Supporting this hypothesis, results show that larger firms execute lobbying activities more efficiently. For H3, we posited that higher level of regime durability moderate the main effect of CPA on performance respectively. With a statistically significant coefficient, we found support for regime durability, confirming that performance of lobbying firms in more stable regime is significantly higher than that in less stable one. In sum, our hypotheses are all supported. Our hypotheses are depicted in figure 1 and 2, which contains the main effects and interrelated moderators.

Robustness Checks

Several additional tests confirmed the robustness of our findings. First, we replicated the regressions using non-hierarchical logit model. The logit models do not consider the nested country-level variances. Therefore, we added the country dummies in the regression. The results (Tables 3) confirm the robustness. Second, for dependent variables, we selected several alternatives as proxy of firm growth. WBES survey asks the respondents whether they opened new plants in last three years. Thus, this binary index measures the short-term growth of firm. Profitability such as ROA and ROE are widely used as financial performance. The results from using “opening new plants” were almost same as our main results. But the results from using ROA and ROE produce the marginally significant coefficient for main explanatory variables and insignificant coefficient for interaction terms (unreported but available upon request). Third, we substitute the firm size with government ownership as a proxy of political capability. State-owned enterprises can easily establish and maintain important connections with key Party and government officials than private and foreign firm and thus, they can accumulate the political capabilities to shape policy outcomes also helps firms safeguard their market returns (e.g., Holburn & Zelner, 2010). Therefore, we assume that government-owned firms have political clout, which enable them to execute the CPA in more effective way. These results indicate that sale increase for government owned firms which bribe to government is larger than that of other types of firms (Table 4).

CONCLUSION

CPA in Asian countries has long been noted by organizational scholars. For example, Angel (2000) studied lobby activities in Japan, while Kang (2002) invested lobbying in South Korea. However, no previous studies focused on effects of lobbying in emerging economies, including those in Asia. This paper investigates whether and under what circumstance do lobby activities facilitate firm growth in emerging economies, especially Asian developing economies.

The results of this analysis suggest three unique and interesting findings. First, our study found the specific contingencies about the conditions about when and where firm CPA is more valuable across the countries. Prior research reviewed here suggested that CPA carry only two values, positive or negative, while the results of this study suggest that success of CPA can also be a function of firm’s (internal) and political (external) factors, which were ignored in the literature. We identified the contingent value of CPA and have also shown that there are significant moderators to determine under which conditions the positive CPA effect is most beneficial. Our results indicate that effect of CPA are limited and even are changed to negative for small firms and in the volatile regime. Our study has implications for MNEs that come from countries featured by politically stable counties into countries featured by politically unstable counties. If these MNEs want to lobby in these host countries, they might need higher political capabilities to successfully conduct their political strategy. Second, much of the existing literature is country specific (e.g., Baysinger, 1984; Buchholz, 1982; Getz, 1993), providing little insight to the generalizability to different country contexts. A comprehensive schema for proactive political strategies that spans across nations is very rare from the literature (Hillman & Hitt, 1999). Our study is based on the data of emerging markets where corporate non-market strategies are indispensable for firm′s survival as well as value creation. Third, our study found that multi-levels of variables are both important for value creation of firm CPA. Hillman et al (2004)′s integrated reviews indicates that there exist multi-level antecedents for CPA. However no previous papers systemically studies hierarchical structures of political market in explaining outcome of CPA. Lastly, this study extended the existing resource-based view into context-sensitive approach. Firms respond to their environment by developing and exploiting opportunities or by reacting to perceived threats (Andrews, 1987). Specifically, institutional theory focuses on the pressures and constraints of institutional environment (Scott, 2008). One the other hand, in resource dependency theory, most organizations confront numerous and frequently incompatible demands from a variety of external actors (Pfeffer & Salancik, 1978). Resource dependency theory stresses the necessity of adapting to environmental uncertainty, coping with problematic interdependencies, and actively managing or controlling resource flows. The present study incorporates the existing theories and asserted that contingent views can explain the political market more clearly. Though the present analysis may provide some insight into contingent effects for success of CPA, it is not entirely beyond reproach. First, in keeping with prior work on resource based theories and the characteristics of our empirical context, we measured political capabilities in terms of firm size and ownership structures. However, other measures of performance, such as managerial/organizational political connections, might be more appropriate in other contexts. For example, managerial time to spend for government officials and membership of trade association are good proxies to measure the individual and collective level of capabilities. Second, we control for firm- and county- level factors which might affect the firm performance in the non-market context. But this might be a crude proxy. We should control for more firm characteristics to improve the precision of estimates of the effect of contingencies on CPA performance. Third, the small sample size is an important limitation of this study. Non-response bias may cause external validity which makes the generalization of the result to be difficult (Berk, 1983). In order to test selection response bias, we conducted the standard mean comparison tests and found no serious problem. However, comparing total sample size, a number of observations are dropped out because of missing answer about the information of firm performance. Future study might replicate similar models in other situations. Hopefully, these results will encourage future studies that develop more elaborate scales and gather more comprehensive data, by, for example, collecting longitudinal information about the whereabouts of pieces of knowledge in organizations.

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TABLE 1: Summary Statistics and Correlations

		Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Sale increase	21.88	213.24	1													
2	Lobby	.19	.39	.08**	1												
3	Firm size§	4.11	1.51	.09**	.23**	1											
4	Government owned firm	.01	.1	-.01	.00	.06*	1										
5	Regime durability	9.8	5.42	.07**	-.17**	.08**	-.1**	1									
6	Firm age§	3.05	.62	.03	.12**	.31**	.05†	-.05†	1								
7	Foreign owned firm	.16	.36	.05*	.04	.37**	-.03	.06*	.01	1							
8	GDP per Capita§	7.28	.95	-.01	-.04†	.2**	-.09**	.01	.17**	-.06*	1						
9	Mobility	.12	.33	.06*	.1**	.31**	.00	-.09**	.08**	.39**	-.04	1					
10	Sale to government or SOEs	29.96	42.66	.00	-.03	-.09**	.02	-.08**	-.28**	.08**	-.18**	-.02	1				
11	Manufacturing	.91	.29	.03	-.14**	.06*	-.12**	.36**	.03	.01	.37**	.01	.12**	1			
12	Service	.01	.12	-.01	.00	-.14**	-.01	-.1**	-.11**	-.05*	-.14**	-.05†	-.07*	-.39**	1		
13	Construction	.02	.13	-.01	.02	-.08**	.08**	-.13**	-.01	-.04†	-.16**	-.01	.04	-.43**	-.02	1	
14	Agricultural	.05	.22	-.02	.15**	.04	.06*	-.29**	.02	.05†	-.29**	.01	-.13**	-.73**	-.03	-.03	1

†, * and ** are significantly different from zero at the 10%, 5%, and 1% level, respectively. § *Natural logarithm*

TABLE 2. Hierarchical Modeling Results

DV: Sale growth	**Model 1**	**Model 2**	**Model 3**	**Model 4**
Controls				
Firm age	12.132	8.974	6.051	4.984
	(.195)	(.339)	(.533)	(.607)
Foreign owned firm	16.660	15.956	4.685	8.075
	(.310)	(.330)	(.785)	(.639)
Government owned firm	-12.594	-5.638	-12.552	-11.636
	(.818)	(.918)	(.819)	(.831)
GDP per Capita	-1.558	-.519	-4.077	-5.424
	(.853)	(.954)	(.539)	(.415)
Mobility	31.082*	26.995	23.92	17.859
	(.085)	(.137)	(.192)	(.332)
Sale to governments or SOEs	.089	.104	.073	.027
	(.556)	(.501)	(.601)	(.847)
Firm size			8.034†	7.602*
			(.069)	(.085)
Regime durability			3.225**	2.969**
			(.005)	(.009)
Hypotheses				
Lobby (H1, +)		45.717**	39.895**	79.978†
		(.001)	(.006)	(.070)
Lobby × Firm size (H2, +)				11.560*
				(.039)
Lobby × Regime durability (H3, +)				31.923†
				(.080)
Industry dummies	Y	Y	Y	Y
Constant	-32.044	-49.144	-59.924	-44.256
	(.719)	(.591)	(.463)	(.588)
N	1554	1554	1554	1554

†, * and ** are significantly different from zero at the 10%, 5%, and 1% level, respectively.

TABLE 3. Logit Model Results

DV: Opened new plants	**Model 1**	**Model 2**	**Model 3**	**Model 4**
Controls				
Firm age	11.937	8.930	4.62	3.274
	(.202)	(.341)	(.635)	(.737)
Foreign owned firm	20.375	20.687	1.869	5.094
	(.212)	(.204)	(.914)	(.769)
Government owned firm	-18.085	-13.527	-16.007	-15.026
	(.741)	(.804)	(.771)	(.784)
GDP per capita	-5.081	-5.062	-6.747	-7.256
	(.425)	(.426)	(.482)	(.448)
Mobility	27.237	22.689	22.384	15.634
	(.128)	(.205)	(.224)	(.397)
Sale to government or SOEs	-.000	-.009	.241	.218
	(.998)	(.943)	(.193)	(.239)
Firm size			7.124	6.54
			(.115)	(.147)
Regime durability			3.72	2.997
			(.186)	(.289)
Hypotheses				
Lobby (H1, +)		40.953**	41.322**	85.226†
		(.004)	(.005)	(.055)
Lobby × Firm size (H2, +)				11.993*
				(.032)
Lobby × Regime durability (H3, +)				34.078†
				(.063)
Industry dummy	Y	Y	Y	Y
Region dummy	Y	Y	Y	Y
Constant	-6.142	-16.523	-36.974	-24.386
	(.939)	(.837)	(.687)	(.790)
N	1554	1554	1554	1554

†, * and ** are significantly different from zero at the 10%, 5%, and 1% level, respectively.

TABLE 4. Regression Modeling Results for Sale Growth

DV: Sale growth	**Model 1**	**Model 2**	**Model 3**	**Model 4**
Controls				
Firm age	6.226	3.97	6.051	6.188
	(.561)	(.682)	(.533)	(.523)
Firm size	4.123	8.861*	8.034†	8.100*
	(.341)	(.044)	(.069)	(.066)
Foreign owned firm	3.673	5.871	4.685	4.687
	(.859)	(.733)	(.785)	(.785)
GDP per Capita	24.638**	-3.148	-4.077	-5.527
	(.018)	(.715)	(.539)	(.407)
Mobility	57.950**	19.835	23.92	21.198
	(.009)	(.280)	(.192)	(.248)
Sale to government or SOEs	.183	.074	.073	.037
	(.375)	(.625)	(.601)	(.792)
Government owned firm			-12.552	-14.111
			(.819)	(.797)
Regime durability			3.225**	3.017**
			(.005)	(.008)
Hypotheses				
Lobby (H1, +)		38.959**	39.895**	118.324**
		(.008)	(.006)	(.004)
Lobby × Government owned firm (H2, +)				.546
				(.961)
Lobby × Regime durability (H3, +)				37.669*
				(.038)
Industry dummies	Y	Y	Y	Y
Constant	-22.289	-49.301	-59.924	-49.311
	(.107)	(.579)	(.463)	(.548)
N	1554	1554	1554	1554

†, * and ** are significantly different from zero at the 10%, 5%, and 1% level, respectively.

FIGURE 1. Moderating Effect of Firm Size on Sale Increase

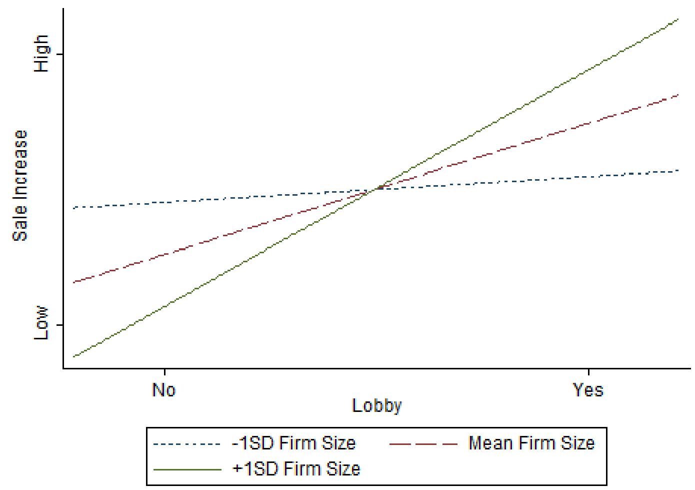
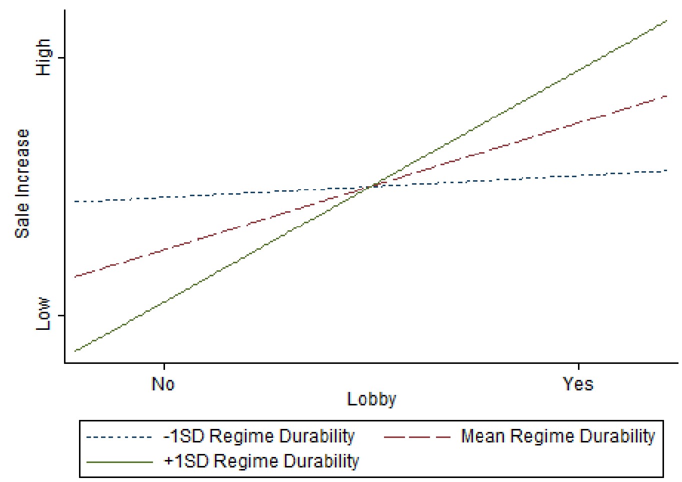


FIGURE 2. Moderating Effect of Regime Durability on Sale Increase



Note: Values for all variables are mean-centered and standardized.

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