The Synergistic Financial Effect of Corporate Political Activities: The Case of Listed Canadian Companies

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Abstract

Corporate political activities can bring genuine political capital to firms and are an effective way to access key resources to boost financial capital and maximize profits. These activities fall into three categories: coopting ex-politicians to decision-making bodies (board of directors and top management) to benefit from their social capital; lobbying to directly influence public policy; and making financial contributions to the activities of political parties and committees. This study asks the following question: what is the combined effect of two of these activities (political connections and lobbying) on the financial and accounting indicators of Canadian listed companies? We argue that engaging in corporate political activities allows firms to accumulate a type of political capital that we define as the sum of all political activities conducted by an individual company. To perform our research, we analyzed Canadian companies listed on the S&P/TSX composite index from 2012 through 2016. Results show that firms with this type of political capital are generally in a better financial position than those without it. A significant correlation was found between a firm's political capital and its main sources of financing (equity and long-term debt) as well as with its ROE. Political capital has more positive impacts on key firm financial indicators than does each type of political activity on its own (synergistic effect).

Keywords: political capital, political connections, lobbying, corporate political activities

1. Introduction

It is widely accepted that the political and business worlds are becoming increasingly intertwined and that politicians of every stripe are in favour of pro-business measures in the name of job creation. The interests of companies (especially large international corporations) are therefore served by maintaining close ties to the political class. As society's representatives, politicians have the fundamental role of regulating the sharing of collective resources; accordingly, companies derive an advantage by controlling political decisions, as this allows them easier access to these resources. The financial dependence of politicians on companies is increasingly enhancing the control that the latter exercise over them. Breton and Pesqueux (2006) argue that companies influence society because they affect its representatives (politicians), especially by the funding they provide and the control they then acquire over public regulations and policies. To exercise this political control, companies are resolutely engaged in numerous political activities that make it possible for them to accrue the real political capital necessary to their success and accomplishments. The literature has identified three main corporate political activities: nomination of ex-politicians to the board of directors or top management (political connections); lobbying; and funding political parties and committees.

In the literature, corporate political activities are analyzed from various theoretical perspectives. Whereas political science scholars are more interested in the reasons (why?) and the process (how?) of these activities, management and economics researchers have focused on their financial impact. Studies on corporate political activities adopt two main views of the role of companies in society, one based on social contract considerations and the other on competition and the market. The former holds that companies are essentially social institutions that have a contract with society as a whole. This contract allows them to use collective resources within the limits of the law to create and effectively disseminate wealth, which is presumably proportional to the recipient's participation in the production process or to the value of each factor of production in a market. From this standpoint, corporate political activities or influencing public policies is the best way for companies to avoid

fulfilling their social contract, for example, by impeding tax regulation.

However, from a competition and market standpoint, companies face risks and must deal with them by conducting political activities. In fact, with expanding globalization and competition, each company faces major challenges that may affect growth and longevity. Companies must continually renew themselves, and to that end must rely on resources in their environment. However, those resources may diminish when new actors make inroads into the market. Companies must therefore apply innovative strategies to access these key resources and survive and prosper. One main strategy that can strengthen their competitive advantage is to conduct corporate political activities (Hadani 2007). These activities are considered an effective way to obtain the resources needed to increase financial capital and thus maximize profits.

The business world often views regulations and political decisions as a threat. The economic model perspective suggests that the market should regulate itself, without any intervention from the State. Companies must remain vigilant to these interventions, which come in the form of regulations of economic and market activities. Corporate political activities are therefore used as means to confront regulatory threats and preserve economic benefits.

Consequently, companies are stepping up their initiatives and applying greater political pressure to prevent wide-scale regulation of their activities. Indeed, power has now shifted from the world of states to the world of business, as described in the literature: "[There is] no question that business in general, and transnational corporations (TNCs) in particular, have become a political force that has to be taken into account" (Fuchs and Lederer 2007, p.1). More specifically, corporate management literature recognizes that firms leverage political pressure as a competitive strategy: "Corporate political action (CPA) is defined as any deliberate firm action intended to influence governmental policy or process" (Getz 1997, p. 32).

An increasing body of studies on firm political activities clearly demonstrates that the political influence of firms is growing and that firms are widely capitalizing on this benefit. In the U.S., a number of studies have investigated the impact of such activities on access to specific resources (public contracts and loans) and firm financial performance (Goldman et al., 2013; Chen et al., 2015). In Canada, several studies have shown that listed companies hold the lion's share (more than 50%) of political connections and that such connections benefit firms in terms of performance and access to some resources, including public contracts (Dicko 2016).

However, most of the studies on corporate political activities hone in on only one of the three categories of corporate political activities. In the Canadian context in particular, no study has yet examined the combined effect of these activities. For this reason, we have decided to analyze the impact they wield jointly on the financial and accounting indicators of Canadian listed companies. More specifically, we aim to know whether simultaneous engagement in two political activities, specifically corporate political connections and lobbying, results in a synergistic effect. This study is the first of its kind in the Canadian setting. We base our reasoning on the hypothesis that combining certain political activities allows firms to accrue genuine political capital and obtain more benefits than engaging in only one activity at a time. In this study, we consider that a firm possesses political capital when it engages in the two corporate political activities we have selected to analyze. We draw not only on the management and economic perspective and resource dependence theory for our research, but we also refer to social capital theory as we look at firms' political connections built through the social networks of board and executive members.

The study draws on five-year data (2012 through 2016) on companies listed on the S&P/TSX composite index, a body of companies with the highest capitalization. Results show that a combination of corporate political activities (as political capital) has a more positive impact on the firm's key financial indicators than each activity alone. This confirms our research assumption that conducting joint political activities is more beneficial than engaging in them one at a time. Our results also confirm resource dependence theory whereby political activities are a method for firms to deal with their environmental constraints and gain access to key resources they need to remain competitive and succeed. Lastly, we find that Canadian companies must keep increasing their political activity output.

2. Theoretical Foundations

As mentioned previously, the corporate management literature considers that corporate political activities are a strategic factor allowing firms to reinforce their competitive advantage (Hadani 2007). From that perspective, these activities could be considered a method by which the firm can obtain the key resources it needs to develop and succeed and therefore to improve its competitiveness. As described in the literature, these resources can also be obtained and often occur through the companies' social networks: "Businesses, like legislators, build and utilize network ties in helping to decide when and to what degree to engage in political activity" (Kowal, 2018, p.

100). For these reasons, our research setting is based on two complementary theories: social capital and resource dependence theories.

2.1 Resource Dependence Theory

According to this theory, the survival and even the success of an organization depend on its ability to manage its relations with the environment. The organization relies on its environment to the extent that its operations are made possible with the help of the resources that come from the environment. Depending on its main activity and operating conditions, the organization has specific needs in relation to its environment and must therefore find ways to connect to the environment to gain access to the required resources. More specifically, "organizations require personnel, money, social legitimacy, customers, and a variety of technological and material inputs in order to continue to function" (Pfeffer 1981, p. 101).

Firms' political activities are considered an appropriate way to connect to the environment, especially the public policy environment. These activities allow firms to control their environment and ultimately obtain the key resources they need. These resources may be financial (for example, obtaining public procurement contracts or subsidies) or non-financial (such as blocking the adoption of laws detrimental to companies). For example, the appointment of an ex-politician to the board (political connections) could give the firm insight into political inner workings and be an advantage when bidding on public contracts or requesting government funding. Similarly, lobbying could help the firm not only to dodge over-regulation (considered a competitive drawback) but also to be at the forefront of any government opportunity.

One preferred corporate political activity is to nominate ex-politicians to the board of directors or the executive. These types of appointees are favoured because they have what is called "social capital", an essential factor in leveraging other types of capital, such as funding. In fact, according to Pierre Bourdieu (1986), social capital can be converted to economic capital. This means that a business could use the social capital of individuals within the organization to access the resources that it needs in the environment. Thus, the social capital of directors and executives could be leveraged to acquire resources for the good of the organization. In keeping with this idea, resource dependence theoreticians affirm that directors are a means for the organization to have favourable relationships with the environment, acquire the resources necessary for its success, communicate and receive information, and obtain legitimacy in the eyes of external organizations. When the organization faces difficulties resulting from lack of control over its environment, it can use its board of directors as a way to co-opt important external organizations on which it is dependent (Pfeffer, 1972; 1973; Pfeffer and Salancik, 1978). An organization can thus appoint directors from financial institutions, large organizations (economic and social) or political circles and thereby obtain financial, strategic, political, and social support from all these organizations.

2.2 Social Capital Theory

We learn from sociologist Pierre Bourdieu that individuals must each take a social trajectory that determines their social position in a socially defined space. This social position characterizes what Bourdieu calls "present capital" (1979, p. 109), in opposition to "initial capital," which, depending on collective events (social crises or other events), individual events (meetings, relationships, etc.) or institutionalized events (clubs, family gatherings, old friendships, etc.), transforms into present capital. Bourdieu (1979, p. 114) stressed that social capital has three dimensions: volume of capital, composition of capital and change in these two properties over time, the third dimension representing the social trajectory of individuals occupying a social space. It is the volume of capital, defined as the set of actually usable resources and powers—economic, cultural and social capital—which is the factor that distinguishes the main classes in society. Therefore, an individual's social position at a particular time in a socially defined space depends on his cultural capital (inherited and/or educational capital), economic capital and social capital. The sum of these three types of capital determine at moment X and in temporal space Y an individual's present capital.

According to Bourdieu, social capital is defined as "a capital of social connections, honourability and respectability that is often essential in winning and keeping the confidence of high society, and with it a clientele, and may be drawn on, for example, in making a political career (Bourdieu, 1979, p. 122).

For Bourdieu (1980), social capital represents the social effects resulting from a group's ability to mobilize its cultural and economic capital. A group may be defined and constituted as a family, alumni of elite schools, exclusive clubs, nobility, and so on. This means that capital attracts capital; in other words, the acquisition of social capital can occur only in a social space where other members of society also possess cultural capital, economic capital and social capital. Possessing cultural and economic capital allows for easier access to social capital, which provides useful types of support.

Thus, access to capital becomes difficult for those without other forms of capital, such as those from underprivileged environments, even if they acquire economic capital by some good fortune (e.g. winning the lottery). This is all the more true when one considers, as Bourdieu did, that the different social classes are located on a spectrum ranging from those who are best provided with both economic and cultural capital (owners and managers) to those who are most deprived in both respects (office workers, labourers and agricultural workers) (Bourdieu, 1979, p. 114). In addition, cultural capital and economic capital may be converted into social capital.

Bourdieu also defines social capital as "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition" (Bourdieu, 1979, p. 248-249). Social capital comes from belonging to a group constituted by a set of agents who not only have common properties but also are united by useful and durable relationships. According to Portes (1998, p. 3-4), Bourdieu's definitions highlight two major components of social capital: (1) social relations in themselves (networks), which enable individuals to access resources owned by their partners (in the network), and (2) the extent and quality of these resources. In this sense, we can define social capital as a set of resources and social relations. Ballet (2005, p. 78) points out that social capital is frequently conceived of as a set of social relationships for cooperation, cohesion and generating benefits.

Accordingly, corporate political activities, and especially political connections, are primarily based on the social capital of powerful individuals within the organization, i.e. directors, executives, and shareholders. These activities allow the firm to accrue genuine political capital, an extremely valuable asset for acquiring mainly financial resources, and therefore maximizing profits.

3. Financial Impact of Corporate Political Activities

Of the three types of corporate political activities, political connections have received the most attention, most likely due to the difficulty of obtaining accurate and reliable data. Most prior literature focused on the impact of firms' political connections on their financial performance and access to resources, such as loans and contracts. This research was carried out not only in the U.S. (Goldman et al., 2009), but also in Canada (Dicko and El Ibrami, 2013; Dicko and Khemakhem, 2015) as well as elsewhere in the world (Claessens et al., 2008 in Brazil; Ang et al., 2013 in Singapore; Boubakri et al., 2013 on a sample of 77 countries; Brockman et al., 2013 on 22 countries; Li and Xia, 2013 in China).

In the Canadian context, Dicko (2016) demonstrated that politically connected Canadian firms listed on the S&P/TSX composite index are awarded more numerous and lucrative federal government contracts than non-politically connected firms are. Similar results were obtained by Goldman et al. (2013) and Wang (2014) in the U.S. Dicko and Khemakhem (2015) also show that the political connections of S&P/TSX Canadian firms are positively and significantly related to their return on assets. In their study of the U.S. context, Goldman et al. (2009) demonstrate a positive abnormal stock return following the announcement of the nomination of a politically connected individual to the board of an S&P 500 company. In Brazil, Claessens et al. (2008) show that Brazilian firms that contributed to (elected) federal deputies during the 1998 and 2002 election periods experienced higher stock returns than firms that did not. They also found that contributing firms substantially increased their bank financing relative to a control group after each election, indicating that access to bank finance is an important channel through which political connections operate.

Research on the financial impact of corporate lobbying activities is scant, except for studies in the U.S. Chen et al. (2015) demonstrated that U.S. corporate lobbying activities are positively associated with the firms' accounting and market performance, whereas Skaife et al. (2017) concluded that lobbying in the U.S. fails to enrich stockholders (measured by abnormal returns) even though the activities are associated with an increase in executive compensation. Unsal et al. (2016) confirm not only that lobbying activities in the U.S. do not improve firm performance, but that the scope of these activities depends on the political leanings of the CEO. Firms with Republican CEOs spend more on lobbying than those with a Democratic or politically neutral chief, but experience more negative effects on financial performance.

Our study stands apart by the fact that it analyzes the joint impact of two political activities on specific firm financial and accounting indicators. Although the direction of this impact cannot be predicted on the basis of the few prior Canadian studies on individual corporate political activities, the trend of these prior findings indicates that such activities will have a positive impact on the accounting and financial performance indicators of Canadian organizations. We thus hypothesize that:

> *H1: Firms' political connections have a positive impact on their financial indicators.*

> *H2: Firms' lobbying has a positive impact on their financial indicators.*

H3: Combining political connections and lobbying enhances firm financial indicators more than carrying out these activities separately.

4. Research Method

4.1 Study Sample and Data Sources

To conduct this study and meet our research objectives, we examined Canadian firms on the S&P/TSX composite index with data from the five most recent years, i.e. 2012 through 2016. Of the 300 firms selected, the index's 30 financial institutions and insurance companies were eliminated, as were those companies not consistently on the index or for which data were missing for the five-year period. At the end of the tally, 214 firms were analyzed.

The list of organizations and the set of financial data were downloaded from the Compustat database. Data on firm lobbying activities were hand collected from the website of the Commissioner of Lobbying of Canada at https://lobbycanada.gc.ca/eic/site/012.nsf/fra/h_00950.html. Data on political connections were hand collected from the BoardEx database, which lists detailed profiles of directors and executives of the largest listed companies across the world.

4.2 Statistical Analyses Performed and Study Variables

To fulfill the research objective, we performed two types of statistical analysis: bidirectional analyses to understand correlation links between political activities and the selected financial indicators; and multidirectional analyses to see the impact when several other factors are taken into account simultaneously.

Three types of variables are used in this study: political activities, the selected financial indicators, and control variables for multidirectional analyses.

4.2.1 Political Activities Variables

We chose to analyze the combined impact of two political activities, political connections (i.e. appointment of ex-politicians to the firm's decision-making bodies) and lobbying activities. Here is how these variables were measured:

- Political connections: the literature generally considers a firm to be politically connected when at least one member of the board of directors or top management or the principal shareholder has been a member of parliament (federal, provincial or regional), a prime minister, a minister, a cabinet member, or a political advisor (Faccio, 2006). We apply this definition in this study and use the dichotomous variable "Political Connections", which equals 1 if the firm is connected, 0 otherwise.

- Lobbying activities: the dichotomous variable "Lobbying" is used, equalling 1 if the firm conducted a lobbying activity during the study year, and 0 otherwise.

4.2.2 Financial Indicator Variables

We examine only accounting and financial variables to discover their correlations with the two corporate political activities, political connections, and lobbying activities. We chose two types of financial indicators: accounting and market performance and financing sources. For accounting and market performance, the following indicators are examined:

- ROA: earnings before interest and taxes divided by total assets;

- ROE: earnings before interest and taxes divided by total equity;

- Earnings per share (EPS): earnings before interest and taxes divided by total outstanding common shares;

- Revenue: natural logarithm of total revenues;

- Market value: natural logarithm of market value for the study period.

For indicators relating to financing sources, we chose two to represent the two main sources recognized in accounting, equity and debt. The following two indicators measure both sources:

- Equity: natural logarithm of total equity;

- Long-term debt: natural logarithm of total long-term debt.

4.2.3 Additional Control Variables for Multivariate Analyses

As mentioned previously, regressions were performed to understand the impact of political activities on the financial performance of the firms under study. To that end, the following model was used:

$$Financial\ Performance = a0 + b1Political\ connections +$$
$$b2Lobbying + b3Political\ connections * Lobbying + b4Firm\ size + \qquad (1)$$
$$b5Debt + b6Relative\ net\ cash\ flow + b7Relative\ PPE + b8Industry + \varepsilon$$

Where:

- Financial performance is measured by three indicators: ROA, ROE and EPS.
- Political connections: see above paragraphs.
- Lobbying: see above paragraphs.
- Political connections * Lobbying: this is an interaction variable that equals 1 if the firm is both politically connected and has lobbied. This variable measures the combined effect of the two political activities.
- Firm size: measured by the natural logarithm of total revenues.
- Debt ratio: this is the level of indebtedness measured by the ratio of long-term debt to total assets.
- Relative net cash flow: measured by total cash divided by total assets.
- Relative PPE: measured by net PPE assets divided by total assets.
- Industry: this is a dummy variable coded 1 to 19, according to industry, as follows: 1 - agriculture, forestry, fishing and hunting; 2 - mining, quarries, and oil and gas extraction; 3 - utilities; 4 - building; 5 - manufacturing; 6 - wholesale trade; 7 - retail trade; 8 - transportation and storage; 9 - information and culture; 10 - finance and insurance; 11 - real estate and leasing; 12 - professional, scientific and technical services; 13 - business management; 14 - administrative services and support and waste management and remediation; 15 - educational services; 16 - health and social assistance; 17 - arts, entertainment and leisure; 18 - accommodation and food services; and 19 - other service industries.

5. Results of Statistical Analyses and Discussion

5.1 Descriptive Statistics

Table 1 shows that three industries make up 65% of the group, in the following proportions: mining, quarries and oil and gas extraction (35%), manufacturing (18%), and real estate (12%). Other industries are represented in varying proportions, all of which are under 10% per industry. We can then expect that the three main industries will be overrepresented in lobbying activities and among politically connected firms.

Table 1. Industry

	Frequency	Percent	Valid Percent	Cumulative Percent
Mining, quarries, and oil and gas extraction	375.00	35.00	35.00	35.00
Utilities	70.00	6.50	6.50	41.60
Building	20.00	1.90	1.90	43.50
Manufacturing	191.00	17.90	17.90	61.30
Wholesale trade	19.00	1.80	1.80	63.10
Retail trade	55.00	5.10	5.10	68.20
Transportation and storage	60.00	5.60	5.60	73.80
Information and culture	80.00	7.50	7.50	81.30
Real estate and leasing	130.00	12.10	12.10	93.50
Professional, scientific and technical services	30.00	2.80	2.80	96.30
Administrative services and support and waste management and remediation	10.00	0.90	0.90	97.20
Health and social assistance	5.00	0.50	0.50	97.70
Arts, entertainment and leisure	15.00	1.40	1.40	99.10
Accommodation and food services	5.00	0.50	0.50	99.50
Other	5.00	0.50	0.50	100.00
Total	1070.00	100.00	100.00	

Table 2 shows that 41% of the sample firms are politically connected, but only 27% of the sample has conducted any lobbying. The co-opting of ex-politicians to corporate decision-making bodies therefore appears to be a more popular political activity than attempts to exert direct influence through lobbying activities registered with the Commissioner of Lobbying. Table 3 shows that only 20% of the sample firms conducted both types of political activities by combining political connections and lobbying activities.

Table 2. Frequencies of Political Connections and Lobbying

	Frequency	Percent
Political connections		
Non-connected firm	635	59.3
Politically connected firm	435	40.7
Total	1070	100.0
Lobbying		
Firm did not lobby	781	73.0
Firm lobbied	289	27.0
Total	1070	100.0

Table 3. Political Connections and Lobbying Cross Tabulation

			Lobbying		
			Firm has not lobbied	Firm has lobbied	Total
Political connections	Non-connected firm	Count	559	76	635
		% within Political connections	88.0%	12.0%	100.0%
		% within Lobbying	71.6%	26.3%	59.3%
		% within total	52.2%	7.1%	59.3%
	Politically connected firm	Count	222	213	435
		% within Political connections	51.0%	49.0%	100.0%
		% within Lobbying	28.4%	73.7%	40.7%
		% within total	20.7%	19.9%	40.7%

According to Table 4, four industries exhibit the highest proportions of political connections: mining at 24.4%, followed by manufacturing at 19.5%, information and culture at 11.5%, and utilities at 10.3%.

The same four industries lead in terms of lobbying activities (Table 5): mining at 28.7%, manufacturing at 23.9%, information and culture at 13.8%, and utilities at 10.4%.

Table 4. Industry and Political Connections Cross Tabulation

			Politically Non-connected Firm	Politically Connected Firm	Total
Mining, quarries, and oil and gas extraction	Count		269_a	106_b	375
	% within	Political connections	42.4%	24.4%	35.0%
Utilities	Count		25_a	45_b	70
	% within	Political connections	3.9%	10.3%	6.5%
Building	Count		10_a	10_a	20
	% within	Political connections	1.6%	2.3%	1.9%
Manufacturing	Count		106_a	85_a	191
	% within	Political connections	16.7%	19.5%	17.9%
Wholesale trade	Count		5_a	14_b	19
	% within	Political connections	0.8%	3.2%	1.8%
Retail trade	Count		30_a	25_a	55
	% within	Political connections	4.7%	5.7%	5.1%
Transportation and storage	Count		35_a	25_a	60
	% within	Political connections	5.5%	5.7%	5.6%
Information and culture	Count		30_a	50_b	80
	% within	Political connections	4.7%	11.5%	7.5%
Real estate and leasing	Count		90_a	40_b	130
	% within	Political connections	14.2%	9.2%	12.1%

Professional, scientific and technical services	Count			10_a	20_b	30
	% within connections	Political	1.6%	4.6%	2.8%
Administrative services and support and waste management and remediation	Count		5_a	5_a	10
	% within connections	Political	0.8%	1.1%	0.9%
Health and social assistance	Count		0_a	5_b	5
	% within connections	Political	0.0%	1.1%	0.5%
Arts, entertainment and leisure	Count		10_a	5_a	15
	% within connections	Political	1.6%	1.1%	1.4%
Accommodation and food services	Count		5_a	0_a	5
	% within connections	Political	0.8%	0.0%	0.5%
Others	Count		5_a	0_a	5
	% within connections	Political	0.8%	0.0%	0.5%

Table 5. Industry and Lobbying Cross Tabulation

		Firm Lobbied	Firm Did Not Lobby	Total
Mining, quarries, and oil and gas extraction	Count	292_a	83_b	375
	% within Lobbying	37.4%	28.7%	35.0%
Utilities	Count	40_a	30_b	70
	% within Lobbying	5.1%	10.4%	6.5%
Building	Count	14_a	6_a	20
	% within Lobbying	1.8%	2.1%	1.9%
Manufacturing	Count	122_a	69_b	191
	% within Lobbying	15.6%	23.9%	17.9%
Wholesale trade	Count	19_a	0_b	19
	% within Lobbying	2.4%	0.0%	1.8%
Retail trade	Count	44_a	11_a	55
	% within Lobbying	5.6%	3.8%	5.1%
Transportation and storage	Count	34_a	26_b	60
	% within Lobbying	4.4%	9.0%	5.6%
Information and culture	Count	40_a	40_b	80
	% within Lobbying	5.1%	13.8%	7.5%
Real estate and leasing	Count	128_a	2_b	130
	% within Lobbying	16.4%	0.7%	12.1%
Professional, scientific and technical services	Count	13_a	17_b	30
	% within Lobbying	1.7%	5.9%	2.8%
Administrative services and support and waste management and remediation	Count	10_a	0_a	10
	% within Lobbying	1.3%	0.0%	0.9%
Health and social assistance	Count	5_a	0_a	5
	% within Lobbying	0.6%	0.0%	0.5%
Arts, entertainment and leisure	Count	12_a	3_a	15
	% within Lobbying	1.5%	1.0%	1.4%
Accommodation and food services	Count	3_a	2_a	5
	% within Lobbying	0.4%	0.7%	0.5%
Others	Count	5_a	0_a	5
	% within Lobbying	0.6%	0.0%	0.5%

Again, these industries lead in terms of combined political activities (Table 6): manufacturing (22.5%), mining (22.1%), information and culture (18.8%) and utilities (12.2%). The first two industries stand out from the rest of sample as they face increasing challenges, particularly regarding global environmental issues. Although free from any immediate threats from Canadian regulations, particularly because Canada is an oil country, these industries are nonetheless challenged by the current Liberal government's creation of a carbon market. This could explain why these industries are more politically active than the others. Around the world, companies with high environmental impacts are facing unprecedented regulatory constraints, even in the U.S. For example, Brulle (2018) shows that from 2000-2016, U.S. companies spent over $2 billion on lobbying about climate change regulation, this amount representing 3.9% of total lobbying expenditures.

Table 6. Industry, Political Connections and Lobbying Cross Tabulation

		Firm Carried Out None of These Activities	Firm Lobbied and Is Politically Connected	Total
Mining, quarries, and oil and gas extraction	Count	328_a	47_b	375
	% within Political connections and Lobbying	38.3%	22.1%	35.0%
Utilities	Count	44_a	26_b	70
	% within Political connections and Lobbying	5.1%	12.2%	6.5%
Building	Count	14_a	6_a	20
	% within Political connections and Lobbying	1.6%	2.8%	1.9%
Manufacturing	Count	143_a	48_b	191
	% within Political connections and Lobbying	16.7%	22.5%	17.9%
Wholesale trade	Count	19_a	0_b	19
	% within Political connections and Lobbying	2.2%	0.0%	1.8%
Retail trade	Count	44_a	11_a	55
	% within Political connections and Lobbying	5.1%	5.2%	5.1%
Transportation and storage	Count	40_a	20_b	60
	% within Political connections and Lobbying	4.7%	9.4%	5.6%
Information and culture	Count	40_a	40_b	80
	% within Political connections and Lobbying	4.7%	18.8%	7.5%
Real estate and leasing	Count	129_a	1_b	130
	% within Political connections and Lobbying	15.1%	0.5%	12.1%
Professional, scientific and technical services	Count	16_a	14_b	30
	% within Political connections and Lobbying	1.9%	6.6%	2.8%
Administrative services and support and waste management and remediation	Count	10_a	0_a	10
	% within Political connections and Lobbying	1.2%	0.0%	0.9%
Health and social assistance	Count	5_a	0_a	5
	% within Political connections and Lobbying	0.6%	0.0%	0.5%
Arts, entertainment and leisure	Count	15_a	0_a	15
	% within Political connections and Lobbying	1.8%	0.0%	1.4%
Accommodation and food services	Count	5_a	0_a	5
	% within Political connections and Lobbying	0.6%	0.0%	0.5%
Others	Count	5_a	0_a	5
	% within Political connections and Lobbying	0.6%	0.0%	0.5%

5.2 Results of Analyses of Variance (ANOVA)

These tests highlight the traits that distinguish firms with political activities from the others. Politically connected firms are statistically significantly different from non-politically connected firms in terms of equity, long-term debt, market value, revenues, ROA, cash flow, and industry (see Table 7). Table 8 shows that politically connected firms have higher equity, long-term debt, market value, revenues, ROA, ROE, and EPS. These observations trend in the direction of previous studies that demonstrated that politically connected firms are wealthier and exhibit better financial indicators (Dicko, 2016; 2020). This first statistical result seems to confirm our first hypothesis.

Table 7. ANOVA Results

Factor: Political Connections

		Sum of Squares	ddl	Mean Square	F	Sig.
(Ln) Total equity	Between Groups	191.726	1	191.726	118.070	.000
	Within Groups	1700.149	1047	1.624		
	Total	1891.875	1048			
(Ln) Long-term debt	Between Groups	226.460	1	226.460	76.160	.000
	Within Groups	2765.324	930	2.973		
	Total	2991.784	931			
(Ln) Market value	Between Groups	167.774	1	167.774	129.355	.000
	Within Groups	1226.966	946	1.297		
	Total	1394.739	947			
(Ln) Revenues	Between Groups	429.671	1	429.671	197.152	.000
	Within Groups	2214.262	1016	2.179		
	Total	2643.933	1017			
ROA	Between Groups	.044	1	.044	3.817	.051
	Within Groups	12.270	1061	.012		
	Total	12.314	1062			
ROE	Between Groups	4.413	1	4.413	2.449	.118
	Within Groups	1910.036	1060	1.802		
	Total	1914.449	1061			
EPS	Between Groups	3034858.056	1	3034858.056	.562	.453
	Within Groups	5687361980.898	1054	5395979.109		
	Total	5690396838.953	1055			
Relative net cash flow	Between Groups	.358	1	.358	27.386	.000
	Within Groups	13.862	1061	.013		
	Total	14.220	1062			
Relative PPE	Between Groups	.089	1	.089	.853	.356
	Within Groups	110.372	1061	.104		
	Total	110.461	1062			
Debt ratio	Between Groups	92.932	1	92.932	1.308	.253
	Within Groups	75298.691	1060	71.037		
	Total	75391.623	1061			
Industry	Between Groups	73.990	1	73.990	4.754	.029
	Within Groups	16620.818	1068	15.563		
	Total	16694.807	1069			

Table 8. Descriptive statistics

Factor: Political Connections

		N	Mean	St. deviation	Minimum	Maximum
(Ln) Equity						10.438
	Firm is politically connected	427	7.838	1.333	3.634	13.582
	Total	1049	7.322	1.343	1.761	13.582
(Ln) long-term debt	Firm is not politically connected	514	6.281	1.741	-4.135	10.380
	Firm is politically connected	418	7.272	1.702	1.253	11.288
	Total	932	6.725	1.792	-4.135	11.288
(Ln) Market value	Firm is not politically connected	540	7.532	1.038	2.233	10.775
	Firm is politically connected	408	8.381	1.259	5.945	11.201
	Total	948	7.897	1.213	2.233	11.201
(Ln) Revenue	Firm is not politically connected	585	6.624	1.517	-1.007	10.665
	Firm is politically connected	433	7.938	1.418	4.024	10.778
	Total	1018	7.183	1.612	-1.007	10.778
ROA	Firm is not politically connected	630	.042	.130	-1.609	.560
	Firm is politically connected	433	.056	.061	-.306	.270
	Total	1063	.048	.107	-1.609	.560
ROE	Firm is not politically connected	629	.093	.241	-2.036	1.176
	Firm is politically connected	433	.224	2.082	-20.156	35.3250
	Total	1062	.146	1.343	-20.156	35.3250
EPS	Firm is not politically connected	625	61.575	866.815	-7.339	9223.372
	Firm is politically connected	431	170.649	3483.685	-5.664	9223.372
	Total	1056	106.093	2322.442	-7.339	9223.372
Relative net cash flow	Firm is not politically connected	630	.088	.138	.000	.804
	Firm is politically connected	433	.051	.063	.000	.383
	Total	1063	.073	.115	.000	.804

Relative PPE	Firm is not politically connected	630	.455	.334	.000	.987
	Firm is politically connected	433	.474	.303	.000	.979
	Total	1063	.463	.322	.000	.987
Debt ratio	Firm is not politically connected	629	.518	.916	-10.148	9.168
	Firm is politically connected	433	1.120	13.156	-180.990	146.750
	Total	1062	.764	8.429	-180.990	146.750
Industry	Firm is not politically connected	635	5.52	4.104	2	19
	Firm is politically connected	435	6.06	3.701	2	17
	Total	1070	5.74	3.952	2	19

The same observation applies to lobbying: lobbying firms differ from other firms in statistically significant ways in terms of equity, long-term debt, market value, revenues, ROE, cash flow, debt, and PPE (see Table 9). As with politically connected firms, lobbying firms exhibit higher equity, long-term debt, market value, revenues, ROE, and EPS (Table 10). These results go in the same direction as our second hypothesis.

Lastly, when both components of political capital (political connections and lobbying) are considered together, we note statistically significant differences between firms with and without political capital in terms of the same indicators noted for lobbying, i.e. equity, long-term debt, market value, revenues, ROE, cash flow, debt, and PPE (see Table 11).

Table 9. ANOVA Results

Factor: Lobbying

		Sum of Squares	ddl	Mean Square	F	Sig.
(Ln) Total equity	Between Groups	390.995	1	390.995	272.755	.000
	Within Groups	1500.879	1047	1.434		
	Total	1891.875	1048			
(Ln) Long-term debt	Between Groups	456.349	1	456.349	167.389	.000
	Within Groups	2535.435	930	2.726		
	Total	2991.784	931			
(Ln) Market value	Between Groups	335.115	1	335.115	299.180	.000
	Within Groups	1059.625	946	1.120		
	Total	1394.739	947			
(Ln) Revenues	Between Groups	588.327	1	588.327	290.786	.000
	Within Groups	2055.605	1016	2.023		
	Total	2643.933	1017			
ROA	Between Groups	.003	1	.003	.245	.620
	Within Groups	12.311	1061	.012		
	Total	12.314	1062			
ROE	Between Groups	9.570	1	9.570	5.326	.021
	Within Groups	1904.878	1060	1.797		
	Total	1914.449	1061			
EPS	Between Groups	312744.613	1	312744.613	.058	.810
	Within Groups	5690084094.341	1054	5398561.759		
	Total	5690396838.953	1055			
Relative net cash flow	Between Groups	.139	1	.139	10.500	.001
	Within Groups	14.080	1061	.013		
	Total	14.220	1062			
Relative PPE	Between Groups	1.804	1	1.804	17.612	.000
	Within Groups	108.657	1061	.102		
	Total	110.461	1062			
Debt ratio	Between Groups	454.646	1	454.646	6.431	.011
	Within Groups	74936.976	1060	70.695		
	Total	75391.623	1061			
Industry	Between Groups	27.710	1	27.710	1.776	.183
	Within Groups	16667.097	1068	15.606		
	Total	16694.807	1069			

Table 10. Descriptive statistics

Factor: Lobbying

		N	Mean	St. deviation	Minimum	Maximum
(Ln) Equity						10.439
	Lobbying firms	281	8.332	1.283	3.689	13.582
	Total	1049	7.322	1.344	1.761	13.582
(Ln) Long-term debt	Non-lobbying firms	657	6.273	1.654	-4.135	10.380
	Lobbying firms	275	7.807	1.645	1.254	11.289
	Total	932	6.726	1.793	-4.135	11.289
(Ln) Market value	Non-lobbying firms	677	7.522	0.978	2.234	10.574
	Lobbying firms	271	8.838	1.238	5.244	11.201
	Total	948	7.898	1.214	2.234	11.201
(Ln) Revenues	Non-lobbying firms	737	6.714	1.470	-1.008	10.779
	Lobbying firms	281	8.415	1.288	4.702	10.745
	Total	1018	7.183	1.612	-1.008	10.779
ROA	Non-lobbying firms	777	0.049	0.117	-1.609	0.561
	Lobbying firms	286	0.046	0.076	-0.455	0.172
	Total	1063	0.048	0.108	-1.609	0.561
ROE	Non-lobbying firms	776	0.089	0.766	-20.157	2.007
	Lobbying firms	286	0.303	2.256	-1.011	35.325
	Total	1062	0.147	1.343	-20.157	35.325
EPS	Non-lobbying firms	770	95.605	2606.389	-6.929	9223.372
	Lobbying firms	286	134.331	1278.795	-7.339	9223.372
	Total	1056	106.093	2322.443	-7.339	9223.372
Relative net cash flow	Non-lobbying firms	777	0.081	0.129	0.000	0.805
	Lobbying firms	286	0.055	0.065	0.000	0.383
	Total	1063	0.074	0.116	0.000	0.805
Relative PPE	Non-lobbying firms	777	0.438	0.336	0.000	0.987
	Lobbying firms	286	0.531	0.271	0.000	0.971
	Total	1063	0.463	0.323	0.000	0.987
Debt ratio	Non-lobbying firms	776	0.367	6.667	-180.990	26.852
	Lobbying firms	286	1.842	11.919	-4.177	146.750
	Total	1062	0.764	8.430	-180.990	146.750
Industry	Non-lobbying firms	781	5.840	4.124	2.000	19.000
	Lobbying firms	289	5.480	3.436	2.000	18.000
	Total	1070	5.740	3.952	2.000	19.000

Table 11. ANOVA Results

Factor: Political Connections * Lobbying

		Sum of Squares	ddl	Mean Square	F	Sig.
(Ln) Total equity	Between Groups	356.354	1	356.354	242.981	.000
	Within Groups	1535.521	1047	1.467		
	Total	1891.875	1048			
(Ln) Long-term debt	Between Groups	418.247	1	418.247	151.142	.000
	Within Groups	2573.538	930	2.767		
	Total	2991.784	931			
(Ln) Market value	Between Groups	352.565	1	352.565	320.029	.000
	Within Groups	1042.174	946	1.102		
	Total	1394.739	947			
(Ln) Revenues	Between Groups	567.848	1	567.848	277.895	.000
	Within Groups	2076.085	1016	2.043		
	Total	2643.933	1017			
ROA	Between Groups	.009	1	.009	.767	.381
	Within Groups	12.305	1061	.012		
	Total	12.314	1062			
ROE	Between Groups	15.229	1	15.229	8.500	.004
	Within Groups	1899.220	1060	1.792		
	Total	1914.449	1061			
EPS	Between Groups	2792737.144	1	2792737.144	.518	.472
	Within Groups	5687604101.809	1054	5396208.825		
	Total	5690396838.953	1055			
Relative net cash flow	Between Groups	.144	1	.144	10.826	.001
	Within Groups	14.076	1061	.013		
	Total	14.220	1062			

Relative PPE	Between Groups	1.223	1	1.223	11.877	.001
	Within Groups	109.238	1061	.103		
	Total	110.461	1062			
Debt ratio	Between Groups	562.423	1	562.423	7.967	.005
	Within Groups	74829.200	1060	70.594		
	Total	75391.623	1061			
Industry	Between Groups	.717	1	.717	.046	.830
	Within Groups	16694.091	1068	15.631		
	Total	16694.807	1069			

Table 12. Descriptive statistics

Factor: Political Connections * Lobbying

		N	Mean	Std Dev.	Minimum	Maximum
(Ln) Equity						10.439
	Lobbying and PC firms	207	8.498	1.302	3.689	13.582
	Total	1049	7.322	1.344	1.761	13.582
(Ln) Long-term debt	Non-lobbying and Non-PC firms	725	6.368	1.663	-4.135	10.380
	Lobbying and PC firms	207	7.980	1.666	1.254	11.289
	Total	932	6.726	1.793	-4.135	11.289
(Ln) Market value	Non-lobbying and Non-PC firms	745	7.580	1.005	2.234	10.776
	Lobbying and PC firms	203	9.066	1.200	6.175	11.201
	Total	948	7.898	1.214	2.234	11.201
(Ln) Revenues	Non-lobbying and Non-PC firms	806	6.800	1.469	-1.008	10.779
	Lobbying and PC firms	212	8.640	1.267	5.098	10.745
	Total	1018	7.183	1.612	-1.008	10.779
ROA	Non-lobbying and Non-PC firms	851	0.047	0.117	-1.609	0.561
	Lobbying and PC firms	212	0.054	0.052	-0.169	0.165
	Total	1063	0.048	0.108	-1.609	0.561
ROE	Non-lobbying and Non-PC firms	850	0.087	0.736	-20.157	2.007
	Lobbying and PC firms	212	0.387	2.612	-0.863	35.325
	Total	1062	0.147	1.343	-20.157	35.325
EPS	Non-lobbying and Non-PC firms	844	131.867	2597.471	-7.339	9223.372
	Lobbying and PC firms	212	3.484	3.918	-5.665	19.893
	Total	1056	106.093	2322.443	-7.339	9223.372
Relative net cash flow	Non-lobbying and Non-PC firms	851	0.079	0.125	0.000	0.805
	Lobbying and PC firms	212	0.050	0.059	0.000	0.383
	Total	1063	0.074	0.116	0.000	0.805
Relative PPE	Non-lobbying and Non-PC firms	851	0.447	0.333	0.000	0.987
	Lobbying and PC firms	212	0.531	0.267	0.000	0.952
	Total	1063	0.463	0.323	0.000	0.987
Debt ratio	Non-lobbying and Non-PC firms	850	0.401	6.381	-180.990	26.852
	Lobbying and PC firms	212	2.221	13.814	-4.177	146.750
	Total	1062	0.764	8.430	-180.990	146.750
Industry	Non-lobbying and Non-PC firms	857	5.750	4.141	2.000	19.000
	Lobbying and PC firms	213	5.690	3.085	2.000	12.000
	Total	1070	5.740	3.952	2.000	19.000

In conclusion, possession of political capital appears to make it possible for firms to differentiate themselves in a positive way, in view of the statistics showing that firms with political capital exhibit, on average, higher equity (8.49 vs. 7.03), higher long-term debt (7.97 vs. 6.36), higher market value (9.06 vs. 7.57) and higher revenues (8.63 vs. 6.80). These results provide an initial confirmation of our third hypothesis and are in line with previous studies demonstrating that politically connected firms obtain greater financial resources, such as loans or government contracts (Dicko, 2016; Goldman et al., 2013).

5.3 Results of Correlation Analyses

Correlation analyses provide insights into the bivariate relationships. Table 13 reports that having political connections is positively and significantly correlated to equity, long-term debt, market value, and revenues. The same type of observation is noted for lobbying, and a significant relationship is obtained for ROE. When the firm uses both types of political capital (political connections + lobbying), there is a positive and significant correlation with the main variables that measure the firm's financing sources and financial performance, i.e. equity, long-term debt, market value, revenues and ROE. Thus, it can be initially concluded that political capital

enables a firm not only to access capital (equity and debt), but also to improve financial performance. Will this conclusion be corroborated by multivariate analyses?

Table 13. Results of Pearson Correlation Analyses

	1	2	3	4	5	6	7	8	9	10	11
1 Political connections	1										
2 Lobbying	.409[**]	1									
3 Political connections and Lobbying	.602[**]	.820[**]	1								
4 (Ln) Total equity	.318[**]	.455[**]	.434[**]	1							
5 (Ln) Long-term debt	.275[**]	.391[**]	.374[**]	.710[**]	1						
6 (Ln) Market value	.347[**]	.490[**]	.503[**]	.845[**]	.695[**]	1					
7 (Ln) Revenues	.403[**]	.472[**]	.463[**]	.638[**]	.600[**]	.704[**]	1				
8 ROA	.060	-.015	.027	-.042	.095[**]	.139[**]	.117[**]	1			
9 ROE	.048	.071[*]	.089[**]	-.127[**]	.072[*]	.051	.088[**]	.149[**]	1		
10 EPS	.023	.007	-.022	.021	.007	.405[**]	-.018	-.003	-.002	1	
11 Relative net cash flow	-.159[**]	-.099[**]	-.101[**]	-.353[**]	-.393[**]	-.261[**]	-.344[**]	.000	-.016	-.026	1

** Correlation significant at 0.01 level (two-tailed).
* Correlation significant at 0.05 level (two-tailed).

5.4 Results of Regression Analyses

We analyze the impact of political capital (plus other variables) on the main indicators of financial performance that were selected for this study, i.e. ROA, ROE and EPS. To this end, we use a general linear regression model. All three models are statistically highly significant (p value = 0.000). The model with ROA has an adjusted R^2 of 0.182, while the one with ROE has an adjusted R^2 of 0.874 (and is the model with the greatest explanatory power). Lastly, the model with EPS has an adjusted R^2 of 0.485 (See Table 14 for details).

Table 14. Results of General Linear Regressions

Dependent Variables: ROA, ROE and EPS

Source	Dependent Variable	Type III Sum of Squares	ddl	Mean Square	F	Significance
Corrected model	ROA	.192[a]	16	.012	3.338	.000
	ROE	1275.169[b]	16	79.698	73.771	.000
	EPS	1012.902[c]	16	63.306	10.870	.000
Constant	ROA	.034	1	.034	9.548	.002
	ROE	.370	1	.370	.343	.559
	EPS	27.544	1	27.544	4.729	.031
Political connections	ROA	.000	1	.000	.030	.863
	ROE	.063	1	.063	.058	.810
	EPS	20.843	1	20.843	3.579	.060
Lobbying	ROA	.000	1	.000	.064	.800
	ROE	.408	1	.408	.378	.540
	EPS	30.541	1	30.541	5.244	.023
PC*Lobbying	ROA	.003	1	.003	.840	.361
	ROE	.562	1	.562	.520	.472
	EPS	58.153	1	58.153	9.985	.002
Industry	ROA	.119	9	.013	3.677	.000
	ROE	27.903	9	3.100	2.870	.004
	EPS	674.070	9	74.897	12.860	.000
Firm size	ROA	.017	1	.017	4.743	.031
	ROE	.362	1	.362	.335	.564
	EPS	17.451	1	17.451	2.996	.085
Debt ratio	ROA	.001	1	.001	.141	.707
	ROE	1020.362	1	1020.362	944.484	.000
	EPS	.547	1	.547	.094	.760
Relative net cash flow	ROA	.016	1	.016	4.505	.035
	ROE	.481	1	.481	.446	.505
	EPS	60.912	1	60.912	10.459	.001
Relative PPE	ROA	.002	1	.002	.473	.493
	ROE	.228	1	.228	.211	.646
	EPS	229.670	1	229.670	39.436	

Error	ROA	.547	152	.004	
	ROE	164.211	152	1.080	
	EPS	885.229	152	5.824	
Total	ROA	1.057	169		
	ROE	1464.977	169		
	EPS	2821.505	169		
Corrected total	ROA	.740	168		
	ROE	1439.381	168		
	EPS	1898.130	168		

a. R^2 = .260 (adjusted R^2 = .182)
b. R^2 = .886 (adjusted R^2 = .874)
c. R^2 = .534 (adjusted R^2 = .485)

We find that ROA and ROE are not significantly influenced by either the political connections or lobbying variable, or even a combination of both variables.

Only EPS is influenced significantly by political connections and lobbying, and very significantly by a combination of both variables (i.e. political capital). Thus, the fact of carrying out concurrent political activities provides more positive effects than conducting one political activity at a time. Building political capital therefore has a synergistic effect. These results confirm our research hypotheses, at least for one of the financial performance indicators.

6. Conclusion

The main purpose of this study was to examine the combined impact of two corporate political activities (as political capital) on key firm financial and accounting indicators. For this purpose, we used data on Canadian companies listed on the S&P/TSX composite index covering a five-year period (2012 through 2016).

Two industries dominate in terms of volume of political activities, representing more than 50% of our sample: mining (quarries, and oil and gas extraction) and manufacturing. As they grapple with escalating social and environmental issues around the world, these two industries must reinvent themselves and be more proactive in fighting regulation. Some companies are responding, as shown by the surge in anti-climate change lobbying in the U.S. (Brulle, 2018).

Firms with political connections that engage in lobbying activities (considered a form of political capital) generally fare better than firms lacking this capital, enjoying, on average, higher equity, long-term debt and market value. As a result, they obtain more financing than the other group.

According to bivariate statistical analyses (ANOVA and correlation), firms with political connections and lobbying activities (either individually or both) exhibit better financial indicators, confirming our research hypotheses. In fact, certain previous studies show that politically connected firms are usually those with greater financial means.

According to regression analysis results, political connections and lobbying have a positive and very significant effect on EPS. In fact, when the two activities are taken together, their impact on EPS is greater than when each activity is considered separately.

The current study is the first Canadian investigation to examine the combined effect of corporate political activities on the firm's key financial and accounting indicators. Results show that conducting at least two political activities at once produces more positive synergistic effects than separate activities do. These results confirm the fact that capital attracts capital (from Bourdieu' social capital theory). Having political capital allows firms to obtain financial capital. Thus, to acquire more capital and subsequently more resources, firms must continue accumulating political capital through political activities.

Our results also show that corporate political activities are more prevalent in industries subject to greater uncertainty, i.e. mining, oil and gas, manufacturing, and information and culture. In fact, these industries require sizeable financial investments and are more likely to face heavier consequences from environmental uncertainties. Moreover, in view of the greater challenges associated with the serious environmental issues confronting them, the oil and manufacturing industries are particularly targeted by national and international regulations intended to reduce CO_2 emissions. According to resource dependence theory, organizations facing complex environmental challenges need to find ways to overcome these barriers and access key resources from their environment (Pfeffer and Salancik, 1978). In the Canadian context, these industries seem to be responding by using a combination of political activities to acquire financial resources. Our results therefore confirm the

resource dependence theory assumption whereby political activities help firms face environmental uncertainties and obtain access to the key resources they need.

The findings set out in this study align with several prior investigations. They generally show that politically connected companies have easier access to key financial resources. Wang (2014) examined a sample of 112 listed companies out of the top 500 recipients of the U.S. Department of Defense contracts in 2008 and found that the contracts generated 22.35% of the total revenue of politically connected companies but only 8.68% of the revenue of non-connected companies. In the Canadian context, Dicko (2016) shows a correlation between obtaining government contracts and the political connections of listed companies. The current study thus supports prior claims that corporate political capital (in the form of corporate political activities) is one of the main strategic levers that can help firms obtain a decided competitive advantage (Getz, 1997; Hadani, 2007).

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