

THE POLITICAL DUALITY: ON THE ADVANTAGES AND DISADVANTAGES OF EX-POLITICIANS AND FORMER GOVERNMENT OFFICIALS SERVING ON BOARDS OF DIRECTORS

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Abstract

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In this study, we examine two key issues situated at the intersection of corporate governance and corporate political activity literature. The first is whether the presence of ex-politicians or former government officials on a corporate board provides a competitive advantage for the firm. A second, related question is whether the presence of these outside directors on the board of directors is perceived as desirable by their fellow directors. While some have characterized the study of board processes as a black box (Leblanc, 2003; Pugliese et al., 2009) due to the difficulty in acquiring data, we circumvented this challenge by directly surveying 82 Canadian board members, then delved deeper with ten directors using supplemental qualitative interviews. The results were examined via the lens of strategic positioning theory in contrast to the well-worn use of agency and resource dependency theories in the literature. Our findings suggest that heterogeneous benefits may accrue depending upon the industry involved, and the political experience of the director(s) in question. However, a majority of current directors expressed significant reservations concerning the appointment of a political director. These findings, combined with the understudied Canadian context and the use of qualitative research methods, contribute to the extant literature.

Keywords: Board Composition, Business-Government Relations, Politicians, Government Officials, Outside Directors, Strategic Positioning, Canada

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1. INTRODUCTION

Much has been written at the intersection of corporate governance and strategic management. More than 150 articles spanning 23 academic

journals have broached aspects of the subject, with the majority of the articles focusing on the American context (Pugliese et al., 2009). Within this sphere of research are studies on corporate political activity, in particular, the potential importance of political

connectedness for board members (Agrawal & Knoeber, 2001; Baysinger, 1984; Hadani & Schuler, 2013; Hillman, 2005; Hillman, Cannella, & Paetzold, 2000; Hillman & Keim, 1995; Keim & Baysinger, 1988; Keim & Zeithaml, 1986; Sun, Hu, & Hillman, 2016; Roberts, 1990). Those articles that are empirically based employ linear regression almost universally and attempt to draw inferences about the relationship between the firm, the composition of the board, and aspects of business performance. This methodological approach has created a gap in the literature, with competing perspectives (Hadani & Schuler, 2013; Hillman, 2005; Sun et al., 2016) on whether political connections impact accounting and market-based measures of firm performance. Also obfuscated, due to the nature of previously employed research methods, is whether the ability to benefit from having an ex-politician or governmental bureaucrat on the board is outweighed by the drawbacks associated with the same (Lester, Hillman, Zardkoohi, & Canella, 2008).

This article seeks to address these two research questions. First, do outside directors with former political or governmental experience provide a firm with a competitive advantage over those firms without such a presence on their board? Some have argued that having an ex-politician or former government official on the board can both mitigate environmental risk uncertainty and provide an advantage from a resource dependence perspective (Pfeffer & Salancik, 2003; Hillman, 2005; Sun et al., 2016). According to Hillman (2005), "resource dependence logic provides a compelling rationale for the creation of linkages between the firm and its external environment through boards" (p. 467). Hillman (2005), further asserts that "when comparing firms with politician directors to those without, the logic of resource dependence theory suggests the former should outperform the latter" (p. 469). However, a firm can achieve political capital via establishing elite relationships with currently serving politicians and government officials (Baysinger, 1984; Hillman & Hitt, 1999) without nominating them to the firm's board of directors, reducing environmental risk without waiting until they are no longer elected nor employed by the government. Further, in cases of CEO duality where the CEO is also the board chair, research has shown that board roles configured in this way are associated with higher levels of corporate political activity in general (Johnson, 2019), irrespective of board composition.

Given that the firm can reduce environmental uncertainty by forming externalized linkages that remain actively involved in government, there must presumably be some proprietary benefit to internalizing individuals on the board that have left office or the public service. From a resource dependency perspective, Hillman (2005) and Lester et al. (2008) found that the benefits of political capital derived from outside political directors are heterogeneously distributed, providing the potential for differentiated benefits to the firm. We wish to explore this question from a Porterian perspective which argues that sources of differentiation have the potential to provide firms with a competitive advantage. This includes corporate governance-related tasks, which are a subset of the firm infrastructure activities of the organization. In contrast to the resource dependence

perspective which argues that benefits are contingent upon the external resources upon which they are based and the linkages that are formed, Porter's strategic positioning theory directly links the market positioning of the firm to the performance of the organization (Porter, 1980, 1985). Whether internalized political contacts provide a sustainable source of differentiation is at the root of this inquiry.

Should our first research question lead us to conclude that ex-politicians or former government officials can sustain beneficial and differentiated market positions, the implicit assumption is that these will be viewed favorably by the firm's non-political directors - the gatekeepers of corporate governance. Our second research question explicitly examines whether Canadian directors would wish to have someone with political or government experience join their board in place of other prospective directors. There may well be mitigating factors that countermand any benefits that may accrue with engaging political directors on the board. If so, these are important to identify and understand. For example, Sun et al. (2016) argued that firms with concentrated ownership by large stockholders may use political capital to unfairly appropriate firm surpluses from shareholders with smaller holdings, undermining the principles of good governance. Politically active firms have also been more frequently associated with defensive responses and less likely to engage in accommodative responses to shareholder activism (Hadani, Doh, & Schneider, 2019). McDonnell and Werner (2016) discovered that firms that found themselves the target of social movements were associated with a greater likelihood of rejected political contributions, fewer opportunities to provide congressional testimony, and fewer government contracts - impacts which could affect long-term firm performance. McDonnell and Werner's (2016) findings may lead to conflicting firm-level responses, with some firms retreating from corporate political activity, while others choose to internalize political knowledge through the appointment of politically connected outside directors. In situations where the corporate political activities of the firm are viewed negatively, to the point of undermining firm legitimacy, Bianchi et al. (2019) found that firms tend to respond with increased corporate social responsibility practices and disclosure. Even when politically connected outside directors are viewed as beneficial, Lester et al. (2008) found that the benefits of these directors deteriorate over time, reducing the sustainability of any differential market position.

The structure of this article is as follows. In Section 2, we undertake a systematic examination of the extant literature related to this topic focusing upon works of relevance and identifying gaps in the literature. Section 3 documents our data collection process and the choices involving our use of analytical methods. This is followed by our research findings in Section 4, which reports on the results of our research analysis. In the adjacent Section 5, we discuss the implications for theory and practice, while acknowledging some limitations to our work and identifying future research opportunities. Section 6 summarizes the key elements in our study.

2. LITERATURE REVIEW

The existing literature highlights the importance of this topic. Directors with political experience serve as a link to the external environment and an attempt to shape government policy in favour of the firm (Baysinger, 1984). These outside directors can “aid the firm with their knowledge of government procedures and their insight in predicting government actions. More directly, they may also act to enlist government in the firm’s interest or to forestall government actions inimical to the firm” (Agrawal & Knoeber, 2001, p. 180). Such individuals can provide important connections to key decision-makers, enough to potentially justify their board nomination when their business skills, on their own, may be lacking (Byrne, 1998). They are more likely to be present on boards in heavily regulated industries (Hillman, 2005) and for firms with larger boards of directors (Agrawal & Knoeber, 2001). In the American context, research has found that those with longer tenure in politics, and a greater breadth of experience, are more likely to accept such an outside directorship, although this likelihood deteriorates with the passage of time and a change in the governing party (Lester et al., 2008). A contingent response to changing environmental circumstances has also been noted, both in terms of the selection and composition of directors with political and governmental experience (Hillman et al., 2000) and the use of other corporate political activities (Roberts, 1990; McDonnell & Werner, 2016; Hadani et al., 2019). The motivations of firms in seeking to appoint such individuals have also been widely examined (Hillman & Keim, 1995; Keim & Baysinger, 1988; Keim & Zeithaml, 1986) within the literature. Hillman (2005) found political connections of firms were positively associated with market-based measures of firm performance - both market capitalization and market-to-book ratios - but not accounting-based measures, in a study of 300 American firms. In contrast, Hadani and Schuler (2013) found that political connectedness was negatively associated with market capitalization and not significantly associated with return on sales in a study of 943 firms over a ten-year period. In addition to these studies, the topic has been examined from various theoretical perspectives.

The role of directors with political and government experience, including the impact of their political connections on firm performance, has been considered from differing theoretical perspectives that intersect with the field of corporate political activity. These perspectives include agency theory (Keim & Baysinger, 1998; Hadani & Schuler, 2013; Bona-Sánchez, Pérez-Alemán, & Santana-Martin, 2014), corporate governance (Johnson, 2019), distributive politics (Roberts, 1990), legitimacy theory (Bianchi et al., 2019), political markets theory (Schuler & Rehbein, 2011), the resource-based view (Capron Insead & Chatain, 2008; Bonardi, 2011), resource dependency theory (Hillman et al., 2000; Hillman, 2005; Lester et al., 2008; Carretta, Farina, Gon, & Parisi, 2012; Bona-Sánchez et al., 2014; Sun et al., 2016), signaling theory (Wu, Li, & Li, 2013), and stewardship theory (Bona-Sánchez et al., 2014), among others. In most articles, the research on corporate political activity has served to extend the literature, although, in some circumstances, it has challenged the basic

tenets of the theory, such as with the resource-based view. For example, Bonardi (2011) argues that:

The future of the political resources concept requires a relatively drastic adaptation of the RBV approach as it has been used for economic environments. Resources that are rare, hard-to-imitate and non-substitutable do exist in political environments; however, explaining why certain firms are more able than others to shape public policies generally requires to look beyond these traditional RBV criteria (p. 253).

Similarly, Capron Insead and Chatain (2008) applied an RBV lens to managing corporate political resources. However, they departed from traditional approaches to RBV theory by employing market power logic in place of resource efficiency arguments which are a stalwart of the resource-based perspective.

The cultural context of directors with prior political relationships merits mentioning. Hall (1976) differentiated between high context and low context cultures, where interpersonal communications play a more prominent role in the former, and lesser in the latter. An inference derived from Hall’s work is that the role of directors with prior political experience would be both more prevalent, and more impactful, in countries where interpersonal communication is more central to the cultural dimensions of the country under examination. Empirical evidence supports this proposition (Adhikari, Derashid, & Zhang, 2006). Hillman and Keim (1995) posited and Faccio (2010) observed that the benefits of political connections varied across national contexts. Most studies examine the issue of political connectedness with a focus on a particular country and thus have an embedded lens of either a high or low context perspective. High context countries, where relationship-based interactions are more essential, include China, Malaysia, Taiwan, and Russia. More market-oriented societies have also been studied, in particular, the United States. However, as Adhikari et al. (2006) caution, generalizing findings from market-oriented, low context countries to relationship-based, high context countries is problematic due to “significant institutional differences” (p. 577), a position with which we concur. For example, the American system of government, with its federalist republic model, is quite different from the parliamentary democracy that exists in neighboring Canada in terms of both historical origins and modern legislative practice. Of note is that the former has a formal separation between the legislative and the executive branches, whereas the latter system does not. In addition, the American president has the ability to appoint individuals to the cabinet from within or from without the legislative branch whereas, by constitutional convention, cabinet officers in Canada are appointed by the prime minister from the legislature or are expected to seek a position in the House of Commons, and to resign their cabinet appointment if electorally unsuccessful (Dawson, 1957; Mallory, 1971).¹ Accordingly, Hillman and

¹ In this article we differentiate between political experience and governmental experience whereas most of the literature uses these terms interchangeably, either by happenstance or due to political institutional differences. Political experience in this article refers to elected politicians who may or may not have served in cabinet, while government experience refers to individuals who have been employed by government in a bureaucratic role, such as deputy ministers, etc. In the American context, which is the most

Keim (1995) suggest that corporate political activity in parliamentary democracies such as Canada would be focused on the executive branch, whereas in the United States, firms' efforts would target those in the legislature. We would therefore suggest that in situations where institutional differences are dissimilar, one should not generalize findings from, unlike research contexts. Unfortunately, the Canadian context has not experienced the same degree of academic examination of this topic as has been the case with the American experience.

Lastly, we wish to comment on the methodological approaches to this phenomenon. In virtually all empirical studies examined in this literature review, data samples consisted of surveys or archival data. Analytical tools almost exclusively featured linear regression, although Siegel's (2007) work featured a survival model; no qualitative studies were found. Pugliese et al.'s (2009) meta-analysis of research at the broader nexus of corporate governance and strategic management topics examined 150 peer-reviewed journal articles from 81 publications covering the period 1972 to 2007, of which 76% were empirical in nature. With regards to the empirical works, 62% focused exclusively on the American context and only 13% used interviews as their sole source of data. Drawing on the work of Pettigrew, Thomas, and Whittington (2002) and Huse (2005), the authors recommended greater use of interviews, surveys, and direct observation in future research on the phenomenon.

In light of the above, this article contributes to the extant literature by examining the role of outside directors with political experience in the low context culture of Canada. This particular research context has lacked the empirical examination of this phenomenon to the same degree as other geographies - providing a novel environment for this study - but has the potential for generalizability due to the number of Westminster parliamentary democracies throughout the world. Further, this article will address the topic from the perspective of strategic positioning theory (Porter, 1980, 1985), which holds that firms may generate sustainable competitive advantages through the management of their business activities to support differentiated, cost leadership, or niche-based strategies, provided these strategies that are not readily duplicated. This philosophical lens has yet to be applied to the phenomenon of corporate directors with political connections. We also expand upon the range of outside director experience studied by considering the contributions of both ex-politicians (elected officials and cabinet officers) and former government officials (bureaucrats). Adding to the uniqueness of this article is the use of interviews that followed surveys of currently serving board members as the source of data. Qualitative methods of data analysis - specifically, textual content analysis - will be used to produce insights into the topic of the ex-politicians and government officials serving on corporate boards of directors.

studied empirically (Pugliese et al., 2009), members of Congress are elected, but cabinet officers are political appointees that may not necessarily have previously been elected, or if presently serving in elected office, must vacate their seat in Congress prior to accepting their appointment, as required by the US Constitution. Hence, in the US context, cabinet officers may have government experience but not necessarily political experience; in Canada, a cabinet officer by constitutional convention is either a sitting Member of Parliament, or an appointed Senator; the former having both political and government experience, and the latter having the possibility of both, one, or neither type of experience.

To summarize, this article makes an important contribution to our field of study by invoking an established theoretical frame that has yet to be applied to this research phenomenon and does so with a directly relevant but difficult to access data sample, in an under-studied geographic research context with the potential for international generalization, utilizing qualitative research methods that are under-represented in empirical studies of this phenomenon.

3. RESEARCH METHODS

In our review of the empirical literature, we noted that studies of this phenomenon have lacked methodological diversity. Prior works make almost exclusive use of inferential methods, such as linear regression, with pre-existing datasets such as COMPUSTAT and its equivalents (Pugliese et al., 2009). In our own sample of the relevant literature, we too found a reliance on quantitative methods, in particular, the use of regression analysis. A sample of our findings is shown in Table 1 below.

Table 1. A sample of research methods within the corporate political activity literature

<i>Authors</i>	<i>Research methods</i>
Adhikari et al. (2006)	Regression analysis
Agrawal and Knoeber (2001)	Regression analysis
Baysinger (1984)	Descriptive statistics
Bianchi et al. (2019)	Regression analysis
Bona-Sánchez et al. (2014)	Regression analysis
Carretta et al. (2012)	Regression analysis
Faccio (2010)	Regression analysis
Hadani et al. (2019)	Factor analysis and regression analysis
Hadani and Schuler (2013)	Regression analysis
Hillman (2005)	Regression analysis
Hillman et al. (2000)	Loglinear modelling
Johnson (2019)	Regression analysis
Lester et al. (2008)	Regression analysis
McDonnell and Werner (2016)	Regression analysis
Sun et al. (2016)	Regression analysis
Roberts (1990)	Regression analysis
Schuler and Rehbein (2011)	Regression analysis

As a result of what we perceived as the over-reliance upon quantitative methods in general, and regression analysis in particular, we decided to pursue a mixed-methods approach since our intent was not to test hypotheses but rather to examine the richness of director sentiment toward having ex-politicians and former government officials serving on boards of directors. We implemented a two-phase research design, first by distributing an online survey to experienced board members, and second, by using the survey results to inform the use of in-depth qualitative follow-on interviews. In our view, this approach was well suited to shedding light on boardroom processes, which some have been termed a black box (Leblanc, 2003; Pugliese et al., 2009) through which director selection is considered and discussed behind closed doors.

3.1. Data collection

Data for this article originated from an online survey and an optional follow-up qualitative interview. The authors approached the Directors College, a joint director education program operated by McMaster University and the Conference Board of

Canada, to survey their alumni. Those that have completed the program earn a Chartered Director designation, and all recipients of the email were program graduates, almost exclusively from Canada, and representing a variety of for-profit, governmental, quasi-governmental, and voluntary organizations. Following granting of their approval, the Directors College sent an email invitation to participate in an online survey to 705 of their alumni, an approach that has been found to increase the response rate (Crawford, Couper, & Lamias, 2001).

In terms of the instrument, we chose an online survey design for a number of reasons related to the nature of our study. We believed a mailed survey would be problematic as corporate directors do not occupy physical offices in the businesses for which they provide oversight, leading to questions as to whether the surveys would reach their intended audience. We were also concerned about ensuring that responses originated from the actual directors and that these were not redirected to the investor relations department or delegated to administrative staff. With telephone surveys, the volume of calls to be performed, the screening of calls by staff, and differences in time zones were viewed as potential problems. Emailed surveys were viewed as less desirable because we could not be assured the survey would be rendered properly across multiple electronic devices and email clients; that concerns about computer viruses might make respondents reluctant to open an email attachment from an unfamiliar sender; and that the tabulation of emailed surveys is more challenging and time-consuming than for online surveys. Finally, we wished to mitigate the financial and environmental costs associated with producing a large volume of mailed surveys when we were unsure of the response rate. While it has been suggested that online surveys may be subject to a lower response rate due to concerns related to data privacy, the lack of a physical reminder as represented by a mailed survey, and other factors (Van Selm & Jankowski, 2006; Manfreda, Bosnjak, Berzelak, Haas, & Vehovar, 2008), we believe that connections with the personal email accounts of our intended recipients were of greater importance. To facilitate a higher response rate, we also included an extra reminder to stimulate survey completion (Van Mol, 2017).

Of the invitations issued, 317 emails were opened, 24 bounced back, and one recipient unsubscribed from the email feed. A total of 122 persons began the survey, representing a 38% initial response rate. Of those that began the survey, 82 respondents answered the 23 pre-tested questions that were asked, representing a completion rate of 26% for those that opened the invitation email. Survey respondents originated primarily from the charitable/not-for-profit sector (44%), publicly-traded firms (15%), and government owned crown corporations (15%), with the remainder scattered among other organizational types including hospitals, school boards, and privately held firms. The typical survey respondent had served on two corporate boards, one institutional board (school boards, hospitals, government agencies, etc.) and three charitable boards, with 15 years of cumulative board service, representing an array of board experience. The average time to

complete the survey was 21 minutes and 48 seconds. Given our target audience of seasoned business executives and the difficulty in data acquisition for such audiences that had been noted in the literature, we purposely chose to undertake a more comprehensive survey instrument at the risk of a smaller sample size. Our decision is reasonable when one considers the surveying literature (Keeter, Miller, Kohut, Groves, & Presser, 2000; Curtin, Presser, & Singer, 2000; Hendra & Hill, 2019). As Curtin et al. (2000), noted, "large differences in response rate had only minor effects on cross-sectional analyses in a single omnibus survey" (p. 426). Further, they found that non-response bias remained constant regardless of survey duration, suggesting that harder to reach individuals within a sample frame would not skew results had a longer surveying period been undertaken. Given that our survey was intended to shape but not restrict the subsequent use of qualitative interviewing, we were satisfied with the quantitative results achieved.

The opportunity to participate in a follow-up interview was extended to all respondents who completed the online questionnaire. Of the 82 respondents who completed the survey, 17 expressed a willingness to participate in the follow-up interview. All 17 participants were contacted and of these, 11 agreed to schedule an interview time for either a phone or Skype conversation. Of these 11 participants, 10 interviews were conducted and one respondent did not respond to phone, email, and voicemail attempts at contact. This represents a 12% participation rate for interviewees. While the authors would have preferred a higher response rate, we were limited by two constraints: that data access on director behavior is difficult to obtain (Leblanc, 2003; Pugliese et al., 2009), and that our prospective interview pool was a sub-sample of a survey sample drawn itself from a limited population. That said, our interview sample consisted of experienced business executives with direct, personal knowledge concerning the focal matter of this study. Given that we were seeking to understand a phenomenon from a theory-driven perspective rather than making use of hypothesis testing, small sample sizes are not unusual; in fact, they are particularly common (Miles & Huberman, 1994; Creswell & Poth, 2016). More important than sample size from a qualitative research perspective is reaching a 'saturation point' from which the variety of perspectives on the phenomenon have been identified and from which additional interviews add no new perspectives (Myers, 2019). We also note that empirical evidence has not shown a direct link between response rates and response bias (Kohut, Keeter, Doherty, Dimock, & Christian, 2012; Hendra & Hill, 2019) and are confident that our interview sample captures the essence of this director selection phenomenon from the collective perspectives of the participants. Our ten interview participants consisted of three women and seven men with the following characteristics:

- Nine had served previously on a board with an ex-politician or former government official.
- Four had been on a board previously where an ex-politician or former government official was considered and rejected for nomination or appointment.

- The average participant has served on four corporate boards, three institutional boards, and five charitable boards with 20 years of total board experience, representing a more experienced sub-sample than the broader survey sample.

- None of the participants had previously been elected to a political position.

- Half of the participants had previously worked in government.

A structured interview involved asking five research questions of each of the ten interviewees. These questions asked for respondents' thoughts on key findings from the survey and solicited additional commentary from each respondent. The topics for the five questions were as follows:

1. In your opinion, are boards without an ex-politician or former government official among their directors operating at a disadvantage to those that do?

2. Our survey revealed the conditions under which a board might consider appointing an ex-politician or former government official. And yet a majority of respondents preferred someone without political experience to join their corporate board. How would you explain that?

3. A majority of respondents suggest that a firm's business-government activity fluctuates with their strategic goals, their business needs, and the state of the economy. This suggests the business-government relations increases and decreases over time. Is there a role for the board in creating a continuously active and long-term business-government relations strategy? Would the costs outweigh the benefits?

4. Over the next decade, respondents generally expected the relative size of the business sector to grow, the government sector to shrink, and the voluntary sector to grow. If this were to occur, what should a board's strategic response be to this change?

5. One in five respondents suggested that the purpose of an ex-politician or former government official on board is to gain access to government contracts. This of course can all be done above board, but it also opens the door to potential misuse. Hypothetically, let's imagine you're in an industry with four other companies, making similar products that are sold to the government. Each company controls 20% of the market. One of your rivals appoints an ex-politician to their board and you hear rumours that this individual is illegally influencing government contracts. Would the misuse of a politician director by a rival firm affect your perspective on appointing one to your firm? Would your views change if two or three of your rivals, representing 40-60% of the market, were making similar choices?

We have included these questions and sample responses in Appendix A attached to this article. At the end of the interview, respondents were provided the opportunity to offer additional comments or ask questions of the interviewer in an open-ended fashion.

3.2. Data analysis

Upon the passing of the completion deadline, the online survey was closed, and the data downloaded for analysis. Initial test data to validate the survey design were removed and the remaining

data were imported into SPSS for analysis. Descriptive statistics and frequency distributions were run on the data as part of an initial exploratory review. The results of these preliminary findings served as the basis for the follow-up interview questions to which ten respondents provided supplementary qualitative responses. The interviews were digitally recorded for subsequent transcription by an external provider subject to a confidentiality agreement. Upon receipt of the transcripts, they were compared to the original audio recordings to verify accuracy. Following the completion of these supplementary interviews, the transcripts were imported into a qualitative analysis software program. As this was an exploratory research project for the authors, the application of qualitative analysis seemed particularly well suited as a methodological process in order to explore relationships and patterns within the data, absent of initial hypothesizing (Strauss & Corbin, 1990).

Interviews were analysed using textual content analysis techniques (Krippendorff, 2004). The researchers were selective in using descriptive content analysis methods (Neuendorf, 2002) so as not to make undo assumptions or inferences. A coding start list was developed (Miles & Huberman, 1994) based upon initial themes from the literature, such as actors/roles within the phenomenon; motives for appointing outside directors with political and governmental experiences to boards; motives of potential directors with political and governmental experience seeking board appointments; benefits to these appointments; disadvantages of same; qualifications of prospective directors; board composition; ethics and related issues; party affiliations; and measures of firm performance. Additional codes were developed upon review of the frequency distributions from the survey results, otherwise, an open coding process was employed. The initial interview was completely coded according to the identified coding elements and those that emerged from the open coding. These new codes were then applied, in addition to the previous codes, to the second interview. This process was repeated until all interviews were coded. The second round of coding was then undertaken so that codes that arose from later transcripts could be examined for their relevance to earlier transcripts. This iterative process was repeated until no new coding opportunities were identified. We then proceeded with an axial coding process to delineate relationships among the distinct codes that were identified (Strauss & Corbin, 1990). Results are reported in a discursive fashion to facilitate clarity of understanding.

4. RESEARCH FINDINGS

Question 1: Do boards with an ex-politician or former government official operate at a competitive advantage when compared to rivals that lack having one or more similarly qualified board members in place?

Interview participants described the possibility of firms being contingent beneficiaries of having an ex-politician or former government official on the board. Three potential beneficiaries were specifically enumerated, including:

- Firms operating in heavily government-regulated industries;
- Firms dependent upon government procurement for a significant portion of their business;
- Firms that are involved in dealing with foreign governments due to their exporting activities.

It was suggested that businesses which meet any of these criteria would benefit from having one or more board members with political and/or governmental experience to a greater degree than firms in less regulated industries, firms that do not sell to the government, and firms not significantly engaged in exporting to other countries.

Firms that satisfy one or more of the contingencies described above may not experience equivalent benefits from having one or more directors with past political or governmental experience. Disproportionate benefits may accrue to firms having board members with appropriate political or governmental experience, skills, reputation, or network status. More explicitly, participants suggested that the proportionality of the benefit varies with the extent to which the prospective ex-politician or former government official has the following characteristics:

- The relevance of their experience: If the board member has a thorough understanding of the work methods and processes of a relevant government department or agency.
- If their skills are germane to the issues at hand: These include leadership skills, persuasive communications skills, and acting as a passionate champion of an issue or cause.
- Reputation: Were they well-respected while in politics or government and are they still perceived in a favourable light?
- Network status: Is their network of contacts in politics and government still active and responsive to the board member's inquiries?

Prospective board members in possession of these characteristics may result in a board benefitting to a greater degree than from having board members without these skills, or in comparison to their rivals whose board members lack these skills. However, ex-politicians and former government officials may differ in the extent to which they have these characteristics. Further, these skill aptitudes may not be limited to ex-politicians or former government officials. As one participant described, "high-powered former CEOs and [individuals with extensive experience serving on other boards may] have just as many connections politically as does an ex-politician. If you are talking about an ex-prime minister, then that is a bit of a different story". Interview participants made the point that merely having someone with past political or governmental experience is not a panacea to addressing a firm's business-government relations needs or activities.

Question 2: Why did a majority of respondents to a director survey prefer someone without political experience to join their corporate board?

Of all survey respondents, 61% indicated a preference for nominating someone without any political or governmental experience to join their board. Of the interview participants, most were circumspect of the benefits of appointing an ex-politician or former government official.

A minority perspective was expressed by one participant, who said "I do see a real advantage in having ex-politicians and ex-bureaucrats as part of a board just because of the fact that they can bring that insight in terms of the viability of certain issues and in terms of the government's willingness to consider or to be persuaded in terms of considering issues that are important to the board". A variety of counter-perspectives were advanced to highlight the disadvantages of adding such an individual to the board. These included the motivations of recruiting an ex-politician to join the board, reputational concerns, greater media and stakeholder scrutiny, the effect of their party affiliation, and being unaccustomed to verbal discretion. Some participants expressed concern about the personality traits of politicians, specifically, "politicians come with egos, huge egos, and the best boards are very collegial mechanisms" where individuals with large egos may not contribute as effectively.

Other participants suggested that a limiting factor on the appointment of an ex-politician to a corporate board might lie in the questionable motives a company might have for doing so:

People are wondering, for instance, unless it is a very transparent type of recruiting, they are wondering why they are even on the board to begin with, even before they walk in the door. Why is this person on the board? Because most boards now have quite sophisticated matrices of experiences and talents under which you are hiring, so you can tell with most boards how did that person get there. They are an accountant, it could be geography, it could be a whole bunch of assets, but if it just does not seem to be a natural fit, people I think are wondering if that person is on the board either because the board pushed to put them there or the board is seeking to do something that's not quite on the up and up.

A related issue arises out of the perceived differences between ex-politicians and former government officials. A high-profile ex-politician joining a corporate board may produce greater media and stakeholder attention than the appointment of a former government official. Said one respondent,

I think that having a politician on a corporate board just adds a level of scrutiny... there's a risk in how that is it going to be perceived with the politician on the board, and the politician could bring a wealth of experience and knowledge about the processes, but there is a danger that it is going to be perceived by the public as somebody who's using political ties.

Underlying this perspective may be the view held by some that question the trustworthiness of politicians:

I think political life carries some baggage. If they have conducted themselves well while they were politicians and in their political life, I would say that it should not be held against them, but if there is any coloration at all, boards of directors seek a level of integrity in ethical behavior that is unfortunately... [above the standards of] most politicians today, even if they were not personally conducting themselves that way, the coloration is that they probably were...

it is the old association. If you associate with criminals, then you are one, whether you did anything wrong or not, so guilt by association.

Two polls by Ipsos (2015, 2019) reinforce that perception. According to a 2015 survey of 4,026 Canadians, just 6% of respondents indicated a high degree of trust in their national and their local politicians. Similarly, 11% of respondents held a favourable view of the trustworthiness of CEOs whereas 77% viewed firefighters as the most trustworthy occupation. Meanwhile, a 2019 global survey indicated that the least trusted professions were government ministers and politicians, with 57% and 67% of respondents distrusting them, respectively.

Participants in our own interview also identified ex-politicians' party affiliations as a potential weakness affecting their suitability of serving on a corporate board. Reasons given by interview participants included:

- If the party affiliation of the board member is different than the affiliation of the party in power, their ability to influence government may be severely diminished, which devalues the information they can provide;
- Their party affiliation may influence their judgment about the firm's non-political business activities, which can contribute to poor decision-making at the board level;
- Their party affiliation regarding a policy issue may run counter to the strategic vision of the company, providing conflicting perspectives on the appropriate direction for the firm.

Another limiting factor was the perception that at least for ex-politicians as compared to government officials, the former may suffer from a lack of verbal discretion. As one respondent expressed, "an elected official is more likely - because they are so used to being able to stand up and say what they want and people actually listening to them - to be less discrete, I have found, than directors whose backgrounds have been in the executive suite". Given the differences in competitive rivalry among businesses within an industry as compared to political parties, and in consideration of the confidential nature of board meetings and the sensitive discussions held in camera, board members accustomed to widely expressing their opinions to the media and other stakeholders might be perceived as more of a liability than an asset.

An underlying theme that emerged from the responses was the concern that the board as a collective, or outside directors with political connections, might choose to act from a political perspective, rather than from a business one. As an interviewee offered,

I think political experience basically carries with it the perception that things may not always be done for business reasons. It might be done for political reasons and while that might be advantageous if you are a political entity, it is certainly not the way I would run a business.

5. DISCUSSION

This article sought to address two topics. The first was whether boards without an ex-politician or former government official among their directors

are operating at a competitive disadvantage; the second was why a majority of the board member survey respondents preferred someone without political experience to join their corporate board.

In regards to the first research question, our findings suggest that there may be some benefits to having directors with prior political or governmental experience, particularly in terms of their knowledge of government and their network of contacts in business and politics which other members of the board and/or senior management may or may not share in common. The topic of outside directors with political or governmental experience serving on corporate boards of directors in low context countries has been empirically examined previously, although so far as we have found, not in Canada. Past studies have suggested that directors with political experience are more common in larger firms, in highly regulated industries (Agrawal & Knoeber, 2001; Hillman, 2005), among firms with government contracts (Goldman, Rocholl, & So, 2013), and firms that interact with foreign governments due to their exporting activities (Agrawal & Knoeber, 2001), all of which were supported by our findings. Lester et al. (2008) found that the greater the breadth and depth of political service experiences, the more likely that the individual will accept an outside directorship. Our research describes a broader set of expectations beyond tenure and diversity of experience: that firms seek a relevant experience that is germane to the firm, with prospective directors being perceived in a favourable light if still are held in high regard and possessing an active and responsive network of political and government contacts. Implicit in the extant literature, however, is the assumption that the contributions of the directors with prior political or governmental experience are in addition to any pre-existing activities of the firm's government relations department. This assumption has implications for both theory and practice, which we will discuss shortly.

Of principle interest, from a strategic management perspective, is the relationship between the political connectedness of ex-politicians and former government officials on corporate boards and the financial performance of those firms. Solely in regard to ex-politicians, both Hillman (2005) and Hadani and Schuler (2013) found no significant relationship with accounting measures of firm performance, such as return on assets (ROA) and return on sales (ROS). Hillman (2005) found a positive relationship with both market capitalization and market-to-book value (both forward-looking measures of expected performance) whereas Hadani and Schuler found a negative relationship with market capitalization. The evidence in support of a relationship between ex-politicians and firm performance is premised on the use of market-based measures of firm performance. However, such measures reflect the stock price of the firm, which in turn is a function of the present value of expected future cash flows. In contrast, accounting-based valuations of firm performance are rooted in realized cash flows for the current period (Gentry & Shen, 2010; Keats, 1988). Thus, while evidence suggests directors with political experience do not provide a positive impact on either ROA or ROS, there is uncertainty

introduced as to whether firms with directors having political experience produce even the future expectation of the same in relation to firm performance. Our findings describe board members with political or governmental experience as being perceived as having knowledge about the development of public policies, how procurement contracts are awarded, and how domestic or foreign governments can be persuaded. Whether or not, in practice, a given board member is able to successfully perform these tasks is immaterial to the perception that they can, and hence why share prices, based on an expectation of higher future earnings, might increase, and therefore be captured in terms of an improvement in a firm's market capitalization and market-to-book ratios, but not realized in terms of earnings improvement (Hadani & Schuler, 2013; Hillman, 2005).

A related issue is whether the benefits of the directors with prior political or governmental experience are appropriable by the firm. Hillman (2005) adjusted firm performance based upon industry performance whereas, in the work of Hadani and Schuler (2013), it is not clear that this was undertaken. Hillman's approach was an appropriate methodological decision necessary to address uneven average returns across industries; the author's findings directly suggest that a firm's expected future earnings are heterogeneously conferred upon those firms with directors with prior political experience compared to those firms that lack these resources; a finding consistent with Lester et al. (2008). As a result, whatever the actions of the directors with prior political experience might be on the industry as a whole, their firm is better off. Thus, the beneficiary of political response by the government is firm specific. If this is true - and our survey respondents and interview participants at the very least perceive it might be - then such a situation could provide the firm with a competitive advantage over their rivals.

A further issue involving findings from the literature and our study is the conflicting expectation of enhanced, future returns for the firm. The use of inferential statistics as the nearly exclusive research method employed does not lend itself well to examining issues of either the underlying causality or the symptomatic results that may arise from it, which Hillman acknowledges (2005, p. 477). However, there are at least three explanations that could account for the following findings in the literature:

- Contradictory evidence that the market may or may not expect enhanced future returns from directors with prior political experience (Hadani & Schuler, 2013; Hillman, 2005; Sun et al., 2016).
- Consistent evidence that accounting measures of firm performance do not indicate realized differential returns (Hadani & Schuler, 2013; Hillman, 2005).
- Evidence that firms in heavily regulated industries are more populated with directors with prior political experience than firms in less heavily regulated industries (Agrawal & Knoeber, 2001; Hillman, 2005).
- The assumption that prior to the contribution of the directors with prior political experience, the activities of the firm's government

relations department did not account for the difference in expected future firm performance.

The first explanation is that directors with prior political experience educate the board and senior management as to how to connect with the government. If their knowledge is transferable and actionable, then senior management, and/or their government relations department can act on this information. The activities of senior management and/or the firm's government relations department, when publicly disclosed, then account for a rise in share price that may impact market-to-book value (Hillman, 2005) and may or may not affect market capitalization (Hadani & Schuler, 2013; Hillman, 2005). This explanation is consistent with the perspective of our interview participants.

A second possibility is that the firms studied by Hillman (2005) but not by Hadani and Schuler (2013) had a greater propensity of board members who had been previously employed as government bureaucrats - not politicians or political appointees - in and around the year 2000 studied by Hillman but with a lesser presence prior to, and after, in the 1998 to 2008 period studied by Hadani and Schuler (2013). Neither of the authors - nor much of the extant research in the field - examines the role of former government bureaucrats on corporate boards in contrast to this study. The effect of these individuals on corporate boards could possibly account for some of the contradictory findings in the works of Hillman (2005) and Hadani and Schuler (2013).

A third possibility is that the directors with prior political experience have differentiated skills that are neither transferable nor actionable by, senior management. Thus, the addition of outside directors with prior political experience is in serving as lobbyists and making direct, personal requests of public office holders and government officials - roles for which senior management and their government relations departments may be less effective. This distinction is significant from both a legal and ethical business perspective, but it also has ramifications for both corporate governance and strategic management. In the case of non-transferable skills, the implication is that the knowledge of how political authority impacts firms and the means by which to affect it, particularly in highly regulated industries, may be actionable by the firm; this is requisite if the firm's government relations activities are expected to have an enhanced impact on future firm performance, subject to the oversight of the governance policies of the board and the strategic direction of senior management. The other possibility is that outside directors with prior political experience act as agents of the firm to achieve what members of the firm's senior management team and their government relations department, on their own, are unable to do; otherwise, Hillman's evidence would not support the impact that the presence of directors with prior political experiences have on the expected future performance of the firm.

The second research question we examined was why a majority of survey respondents preferred someone without political experience to join their corporate board. This research question is different from its predecessor: if Hillman's (2005) findings

are correct and Hadani and Schuler (2013) are mistaken, then the political connections provided by ex-politicians and former government officials may provide a heterogeneous competitive advantage to the firm (Lester et al., 2008). However, with this research question, we implicitly examine the rationale for not pursuing such a potential advantage, if it even exists. Findings from the literature provide one cross-sectoral reason, and four points specific to the banking sector, as to the undesirability of politically experienced board members. For example, Bona-Sanchez et al. (2014) found that the presence of ex-politicians on the board reduced earnings informativeness of firms. Carretta et al. (2012) discovered that politicians serving on the boards of co-operative banks were associated with lower lending volumes, loan portfolio quality, net interest revenue, and market capitalization, but positively associated with operational efficiency. Our findings describe different motivations from the research.

Interview respondents raised the issue of board transparency as a potential concern. If a prospective director with political or government experience has no discernible business skills or related experience, then some stakeholders may question the decision-making processes of the board; they may wonder if the skill expectations for future board members have been ignored, and if so, why that might be the case for the individual under consideration. This scrutiny of the prospective board member could impact their effectiveness if successfully nominated to the board. An individual that, on the surface at least, may seem ill-suited for a boardroom role may also bring additional scrutiny upon the firm itself from external stakeholders, including from government regulatory agencies, institutional investors, and other influential stakeholder interests. Unless they possess business acumen from their days prior to politics or government service, the politician-director's views on business-related issues might be tainted or biased because of political ideology associated with their party affiliation. A further possibility is a potential for conflict between the party policy of the former politician and the strategic perspectives of the firm which may run counter to one another and produce contradicting board opinions as to the future direction of the firm. Interview participants also cited perceptions of big egos and insufficient discretion, as concerns about the board appointing such an individual. Given the above, a board appointment for a former politician or bureaucrat would seem logical only if their knowledge and the value of their network were durable and long-lasting. However, as Lester et al. (2008) noted, the value of such individuals declines rapidly with party shifts in government. Accordingly, with the competitive advantages in doubt, and uncertainty as to any upside in extending a board appointment to those with political or government experience (McDonnell & Werner, 2016; Sun et al., 2016; Bianchi et al., 2019; Hadani et al., 2019), boards may wish to exercise an abundance of caution before making these types of appointments in the future.

Central to strategic positioning theory is the belief that management, through the pursuit of differentiation, cost leadership, or niche-based

strategies, has the potential to craft unique strategic opportunities within the industry for their firms. That these opportunities, if sustainable, can provide a long-term competitive advantage as compared to their rivals, resulting in superior firm performance. A key manifestation of this theory is the concept of the value chain, which identifies value-adding activities at the business unit of analysis. Two less considered aspects of the value chain can and should evolve, in part due to this research article.

Porter (1980, 1985) delineated between primary and support activities in constructing the value chain, with the latter consisting of firm infrastructure, human resources, technology, and procurement. The nomenclature of this delineation is important, as the primary activities relate to the use of direct material and direct labour that is involved in the value-creating transformation of a good from a collection of lesser valued raw materials into a higher valued finished product. The value-creating activities associated with managing the business also add value, albeit indirectly to the production process, and hence are termed support activities. Despite occasional lapses in referencing (Holsapple & Singh, 2004; Lind & Zmud, 1991; Patnaik & Sahoo, 2009) which might suggest a common misperception, these activities are not secondary in terms of their value-creating potential; they provide indirect benefits to the firm, relative to the production process, from an industrial organization perspective. One such activity is the category of firm infrastructure.

Firm infrastructure is the odd lot within the context of the value chain. In contrast to the more clearly defined support activities of human resources, technology, and procurement, this category consists of the detritus that does not fall within the domain of other value creativities activities at the business unit of analysis. Such items can include the accounting function, financial controls and management, quality assurance, strategic management, and so forth. For firms consisting of a single business unit, this would also include the full range of corporate governance activities. Rather than being lumped in with the leftovers of the support activities, we believe there is merit in the delineation of corporate governance as a separate value-creating support activity.

We offer a three-point argument in favour of subdividing firm infrastructure to provide for a discrete category encompassing corporate governance activities. First, there is a defined set of sub-activities that may be itemized as relating to corporate governance. Among these include board management; shareholder and stakeholder management including government relations; business ethics; legal and regulatory compliance; public disclosure and transparency. These sub-activities do not fall within the rubric of another, defined, value chain activity separate from firm infrastructure. Second, corporate governance activities have the potential to increase firm valuation (Gompers, Ishii, & Metrick, 2003; MacAulay, Dutta, Oxner, & Hynes, 2009) which is a single business unit firm, would be a relevant factor at the business unit of analysis. Third, the exercise of managerial authority in these areas has the potential to support the generic strategies

identified by Porter as to differentiation, cost leadership, and niche-based competition. Our findings in this article describe the presence of an ex-politician or a former government official as having the potential to provide a competitive advantage for the firm. Whether or not the firm wishes to differentiate themselves through the use of outside directors with political connections is an altogether separate matter; it is sufficient to demonstrate that the potential exists for the provision of competitive advantage. Accordingly, on the basis of its definable characteristics which are mutually exclusive of other value-creating activities, the empirically demonstrated impact on firm value, and the potential to support the key principles of strategic positioning theory, we contend a theoretical contribution would arise from delineating corporate governance as a standalone support activity.

Our second theoretical contribution also relates to the value chain concept. Porter (1985) uses the five primary and four support activities of the value chain to distinguish between cost and value creation. For example, with the production of a high-end luxury automobile, the cost of procuring the raw materials, assembling them into a finished vehicle, and distributing said vehicle to the customer will be less than the price at which the vehicle is sold. Often overlooked in the value chain is the tenth component: profit margin. It is the residual between the value created by each of the nine value chain activities and the cost in provisioning those same activities. We argue that, as a result of the descriptive findings in this article and extant research in corporate governance, the profit margin in the value chain should be delineated between expected and realized returns. The differences in the research findings of Hadani and Schuler (2013) and Hillman (2005) are whether political connections produce market-based improvements (expected profits) of firm performance; both found that accounting-based measures (realized profits) were not significantly related to corporate political activity. Our research confirms the perception that political connections may produce expectations of higher future earnings, regardless of whether those earnings actually materialize. Accordingly, the value chain should be reflective of the possibility that value-creating activities of the firm may result in expected future earnings but that not all of those earnings expectations will be fully monetized. By doing so, we may extend the strategic positioning framework to discriminate between those business activities that are expected to produce higher but ultimately illusory market expectations and those activities that provide realized value enhancement to the firm. This would add another dimension to the competitive strategy of the firm.

This article has practical implications for corporate governance in general, and corporate political activity in particular. Research suggests that the use of political connections may impact expected future returns (Hillman, 2005), in which the perceptions of our interview participants would be in agreement. Research has also suggested that the effective management of corporate governance activities has the potential to increase firm valuation (Gompers et al., 2003; MacAulay et al., 2009), of which corporate political activity is

a sub-component. The impact of these activities on the firm, particularly in Canada, is likely to increase over the next decade.

The relative contributions of the business and voluntary sectors are likely to rise, and the relative role of government within Canadian society is likely to fall, according to a survey we undertook with alumni of the Directors College. The survey results, which presaged the interviews we reported on in this article, were telling. Of the 82 Canadian board members who completed the survey, 73.1% of respondents expected the role of business to grow either a little or a lot over the next decade. According to the same respondents, 63.4% expect that the role of the voluntary sector will become relatively more important. Some 57.3% of respondents expected the role of government to shrink, either a little or a lot, over the next decade. Of these three possibilities, 75.6% of those surveyed believed the relative increase in the role of business within Canadian society was the most significant of the possible developments. Precisely half of our respondents believe the overall level of business-government relations activity in Canada will increase, with only 7.3% expecting it to decline. Nearly three-quarters of respondents expect that the level of business-government activity by their own board will fluctuate with changes in the business environment or economy, 80% believing it will fluctuate with their business needs, and 75% believing it will fluctuate with the business' strategic goals and objectives. Should these expectations come to pass, boards in Canada need to be prepared for the outsourcing of public services, the marketization of public goods, and the associated economic opportunities that may arise. Rather than being reactive to a seismic shift in the goods and services being delivered by government, business, and the voluntary sector, proactive businesses through their corporate political activities would be wise to lay the groundwork for the anticipated changes in public service delivery.

6. CONCLUSION

Our study is unique in that it examines a research topic in a novel context from a theoretical frame hitherto unused in empirical studies of this phenomenon with a dataset and research methods that have not previously been undertaken. With this novelty comes certain research limitations which we wish to acknowledge. First, the dataset consisted of ten interviews which followed a comprehensive survey of 82 board members, all of whom were alumni of the Directors College, a director education program offered jointly by the Conference Board of Canada and McMaster University. While interview access to directors is notoriously difficult to achieve (Huse, Minichilli, & Schøning, 2005; Leblanc, 2003), our data set is nonetheless a convenience sample and should not be regarded as being representative of the population of Canadian directors as a whole.

Geographically, this study is also limited to the Canadian context with its Westminster-style parliamentary system. Though most of the empirical research in Western-based societies has focused on the much larger American marketplace (Pugliese et al., 2009), with its unique political institutions

and systems of governance, there are countries besides Canada where Westminster-style political institutions are in existence from which prospective board members with political or governmental experience might be drawn. These include the populous nations of India, Pakistan, Bangladesh, the United Kingdom, Australia, and many less populated countries as well. Some of these countries differ in terms of their business communications traits, either as low context or high context cultures, in addition to other institutional, cultural, and ethical considerations. Accordingly, future researchers may wish to examine the effect of political connections in countries that share similar political institutions, such as the Westminster-style of government, but which differ in the nature of their interpersonal relationships, cultural norms, and practices, and the degree to which business-government relations are perceived to be transparent and free from corruption.

Based upon surveys, followed by comprehensive interviews, our findings detail certain firms as being contingent beneficiaries from having ex-politicians or government officials on their board of directors. Three beneficiaries identified by our interviewees included firms operating in industries that are heavily regulated by the government (examples in Canada would include airlines, financial services, telecommunications, and interprovincial transportation); firms that are reliant upon business-to-government sales for a significant portion of their revenues; and firms engaged to a significant degree with export-oriented activities. Our findings also support the view that not every firm benefits equally from the presence of outside

directors with political or governmental connections (Hillman, 2005; Lester et al., 2008). Directors possessing experience relevant to the specific business, with skills germane to the issues facing the firm, having a positive reputation established before they left the political-governmental sphere, which remains well thought of, and with an active and responsive network of contacts, may be perceived as more desirable for a board appointment than others under consideration.

According to the directors we interviewed, the desirability of appointing a politically connected individual to a board is also fraught with potential risk. For firms considering such an appointment, especially for a high-profile politician as compared to a less known former bureaucrat, our participants offered that these actions may immediately raise questions as to the board's motivation for pursuing such an appointment. This may result in questions that can challenge the reputation of the firm, as the appointment may bring with it additional and undesired media and stakeholder scrutiny. In addition to these issues are the potential 'baggage' that may come with a high profile political personality: that among these include the possibility of ego, an unfamiliarity with the collegiality of board practices, a lack of oral discretion, and a perceptual bias based upon political ideology. Perhaps reflective of these perceptions, a majority of our survey participants preferred board appointments of individuals that had not previously served in a political or governmental role. These descriptive findings have implications for both strategic positioning theory and the practical application of corporate governance policies and procedures.

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APPENDIX A

Table A.1. Interview questions and sample responses

<i>Question</i>	<i>Sample responses</i>
<p>1. In your opinion, are boards without an ex-politician or former government official among their directors operating at a disadvantage to those that do?</p>	<p>“I think it may depend on the type of board and if it’s a board that sort of requires a lot of relations with governments for one reason or another. It may be a benefit to that. Initial immediate access to decision-makers. If it’s a board that is not necessarily relying on government, then it may not be an advantage”.</p> <p>“I think for instance highly regulated industries or businesses that require government funding...I think it would be to their advantage to have someone who’s got some experience in government. I’m less inclined to say that that person should be a politician as opposed to a government official and I say that for a very specific reason... It’s a lot easier for an official to do that because of the camaraderie around officials and the kinds of things they have to put up with in a political world... So I think in those circumstances it would probably be a good idea, in particular if the respective businesses have foreign operations”.</p> <p>“If it’s a regulatory type of business, then I would suggest that there may be a construed advantage to having either an ex-politician or a former bureaucrat on that board, just from the context of understanding the dynamics of policy and regulations, those types of things. But if it’s a business that does not see a great deal of regulation or perhaps it’s more in the not-for-profit realm, then the only real advantage is the network that the individual brings forward in terms of the outreach that can go beyond the board, in terms of any issues that might arise at the board room table”.</p> <p>“I think that ex-politicians can be more of a problem than they’re worth and public servants can be helpful if they’re well educated and really understand the issue, but per se, I don’t think they’re necessarily an asset either”.</p>
<p>2. Our survey revealed the conditions under which a board might consider appointing an ex-politician or former government official. And yet a majority of respondents preferred someone without political experience to join their corporate board. How would you explain that?</p>	<p>“I think political experience basically carries with it the perception that things may not always be done for business reasons. It might be done for political reasons and while that might be advantageous if you’re a political entity, it’s certainly not the way I would run a business”.</p> <p>“I suppose that there’s always a fear that there’s a loyalty to perhaps a specific party or allegiance to a specific government... If the individual is fresh out of being an elected official, then perhaps they have a much stronger opportunity to tie back into the existing government or into the existing bureaucracy to help steer issues or to help guide the board in its thinking... but I do see a real advantage in having ex-politicians and ex-bureaucrats as part of a board just because of the fact that they can bring that insight in terms of the visibility of certain issues and in terms of the government’s willingness to consider or to be persuaded in terms of considering issues that are important to the board”.</p> <p>“Most boards now have quite sophisticated matrixes of experiences and talents under which you’re hiring, so you can tell with most boards how did that person get there. They’re an accountant, it could be geography, it could be a whole bunch of assets, but if it just doesn’t seem to be a natural fit, people I think are wondering if that person is on the board either because the board pushed to put them there or the board is seeking to do something that’s not quite on the up and up. So it’s almost like it’s tainted to begin with”.</p> <p>“I think that having a politician on a corporate board just adds a level of scrutiny, perhaps not the way I wanted to say it, but there’s a risk in that how is it going to be perceived with the politician on the board and the politician could bring a wealth of experience and knowledge about the processes, but there is a danger that it is going to be perceived by the public as somebody who’s using political ties”.</p>
<p>3. A majority of respondents suggest that a firm’s business-government activity fluctuates with their strategic goals, their business needs, and the state of the economy. This suggests the business-government relations increases and decreases over time. Is there a role for the board in creating a continuously active and long-term business-government relations strategy? Would the costs outweigh the benefits?</p>	<p>“I think it depends on the strategy, so I can see it fluctuating. There are times when there’s a more need to have a more government relations focus and time when not to do so, so I would think it would depend and I wouldn’t have a permanent strategy within the board for continual government relations. I’d say it would depend on our own business strategy”.</p> <p>“I think one is that it’s always good to have a good working relationship with government, because even when you don’t need them or want them, they are there and they are regulators, so you always want to have a good working relationship with them because they can affect your business. But it’s also good to have a good working relationship with them so that you do have the connections when there’s issues that you need assistance with... You don’t need to spend a lot of money to foster good relations.</p>

Question	Sample responses
	<p>You do need resources because you need people that are keeping in contact, but it shouldn't be very expensive".</p> <p>"It takes a long time to build strong strategic relationships with anyone, but particularly with the government. I am now able to add value to some work I'm doing based on many years of building those relationships and luckily, still having a lot of those people still around at the senior administrative level in the three levels of government. So I can still add value to the people I work for by picking up the phone, but that took a long time to build those relationships".</p> <p>"I think boards companies and boards would be wise to maintain a very close relationship with their governments, particularly the policies of their governments relative to the nature of their business and I say that because inevitably if you're going to take your business off shore, in other words you're going to expand into an international offering or you are going to do some new and innovative work around your product, there's no doubt that ultimately you're going to have to have that relationship and you're going to have to have a very good relationship".</p>
<p>4. Over the next decade, respondents generally expected the relative size of the business sector to grow, the government sector to shrink, and the voluntary sector to grow. If this were to occur, what should a board's strategic response be to this change?</p>	<p>"I think boards are just going to have to understand that as pressures come onto different government, both locally, provincially and nationally to tighten budgets, they're going to be looking for alternative ways to deliver those services and clearly those businesses and those boards that are engaged in opportunities to deliver those kinds of services on behalf of government are going to have to understand where those opportunities lie and how best to capture them and it probably goes right back to that point that we just previously discussed, in terms of that ongoing relationship and perhaps seeding or planting the seed for those kinds of opportunities".</p> <p>"I believe very strongly that the appetite for professional [board] guidance and for people that really do know what they're talking about is going to grow over time because the old boys' club or the reason people got appointed to boards 30-40-50 years ago is no longer the way people look at those skills going forward. They're basically looking at the skills an individual brings, and I believe there's a definite role for them. I think that the board's size won't increase dramatically, but the caliber and the capability of boards is going to increase over time, partly because of the metric that you described, which is really business growing at a constant rate, government shrinking and the voluntary sector growing".</p> <p>"Well, first I think it's healthy that the view is that the business sector will grow. When I look at that, the first thing that I think of is social responsibility and if government is shrinking and if the charitable sector is growing, society might be looking to business to take a lot more responsibility and to support the nonprofit, volunteered charitable sector".</p>
<p>5. One in five respondents suggested that the purpose of an ex-politician or former government official on board is to gain access to government contracts. This of course can all be done above board, but it also opens the door to potential misuse. Hypothetically, let us imagine you're in an industry with four other companies, making similar products that are sold to the government. Each company controls 20% of the market. One of your rivals appoints an ex-politician to their board and you hear rumors that this individual is illegally influencing government contracts. Would the misuse of a politician director by a rival firm affect your perspective on appointing one to your firm? Would your views change if two or three of your rivals, representing 40-60% of the market, were making similar choices?</p>	<p>"No, absolutely not".</p> <p>"I'll say this very strongly: I do not believe that that is the purpose of an ex-politician to be on a board, but I do think there is value in certain situations because of the perspective and experience they can bring. They know about the public and they know about certain sectors of the public, how they think and they know about government bureaucracy and they also have some wisdom that they bring from their experiences there and that's where I think they can bring value. If I knew that a politician was illegally contracting, it would not affect my views of the benefit of politicians or civil servants being on a board. I would just shake my head and say "That's very sad. That's a misuse. That's very inappropriate".</p> <p>"No. I would never...if I were chair of the board, I would never council the board to consider doing anything unethical. Even in the short term, if we lose that contract, I believe in the long term those things find their way very quickly into the press and into the public eye and those companies may get one contract or they may have that contract revoked. At the moment there is such scrutiny around this stuff, but I can't imagine any board of any major corporation of any note, any chair of the board countenancing anything that is the least bit unethical. That's a personal value of mine, because I have seen this come back to bite people and, of course, if this were a private corporation, I suppose at some point you'd have to make it clear to your shareholders this was the position you were taking and I'm sure that the shareholders would find a way to assist you in perhaps outing those other corporations".</p> <p>"There are those politicians for which that would be the case and I have had lots of experience in dealing with politicians like that in my career, but I've also got a substantial more amount of experience with politicians who are very much above board and very much will understand and know that they must play according to the rules".</p>