

# Study examines CEO influence on corporate political activity

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Credit: University of Texas at San Antonio

A new study by Bruce Rudy, assistant professor of management at The University of Texas at San Antonio (UTSA), examines the influence corporate CEOs have on their firm's political activity. Rudy's top-tier research focuses on corporate lobbying investment, finding that individual characteristics of the firm's leader influence such decisions.

Rudy and his co-author, Andrew Johnson, assistant professor of management at Texas A&M University—Corpus Christi, examined 100

large companies over a 27-year period to assess the impact their CEOs have on the firm's investment in lobbying.

"Strategy research talks a lot about the role of the leader in making critical decisions within the firm, yet most of this research focuses on market-related activities like mergers and acquisitions. We wanted to know whether CEOs' influence also impacted how firm's engage in politics," he said.

"There are basically two types of lobbying investment a firm can make," Rudy said. "Firms can contract with existing lobbyists or choose to invest money to develop lobbying capabilities in-house. Each type of lobbying investment has benefits and drawbacks for the firm."

Rudy and his co-author found that CEOs that were younger, had shorter tenure, held undergraduate degrees in business and law or were promoted to CEO via backgrounds in accounting, finance, and law were more likely to invest internally to build lobbying capabilities within the firm. Older and longer tenured CEOs were more likely to contract with Washington, D.C. lobbyists that were external to the organization.

"External lobbyists tend to be former politicians or D.C. insiders who are really good at tapping into their network," Rudy said. "This skill set is particularly well-suited for maintaining the status quo in politics which older and tenured CEOs prefer. In contrast, the CEO characteristics that predicted a firm's investment in in-house lobbying capabilities tend to be less associated with status quo maintenance. A skilled in-house lobbying team may even be capable of shifting policy that can benefit the firm over the long-term."

As for the future of CEOs and political activity with a corporate CEO soon to be inaugurated as President of the United States, Rudy noted that some industries are excited by the prospect, while others are not.

"Firms are going to be focused on the president-elect's policy positions, more than his standing as a CEO," he said. "Corporations have been involved in politics since the early days of our nation and it is difficult to imagine a future where this isn't the case."

**More information:** B. C. Rudy et al, The Chief Political Officer: CEO Characteristics and Firm Investment in Corporate Political Activity, *Business & Society* (2016). [DOI: 10.1177/0007650316675606](https://doi.org/10.1177/0007650316675606)

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