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The Firm-Perceived Contingencies to Political Strategy

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ABSTRACT

Because assumptions that firm decisions to manage external politics revolve around traditional resources and capabilities (e.g., capital, technology) impede environmental management theories, this research explores additional antecedents, i.e., perceived uncertainty, firm political infrastructure. Study One qualitative data support ideas related to management as a matter of a firm's perceptually constructed environment among deterministic firms. Study Two quantitative data find a strategic choice firm orientation is developed through management structures (e.g., specialized staff, routines), despite post-hoc analyses confirming both firm types operate in similar environments. Combined, these studies disconfirm traditional resources as a driver of firm political activity. Moreover, Study Two confirms a sequence so that firm political action is driven (hindered) by infrastructure (uncertainty), not vice versa. These results also imply that public policy drafters can segment the market by firm political infrastructure to efficiently account for various levels of firm political response to such policy.

INTRODUCTION

The concept of firms managing forces external to their organization has seen several evolutionary arguments over the past 50 years. However, the general belief is that firms should alter their environment for greater control of operational conditions, i.e., strategic choice. Yet, determinism still runs rampant in today's society. Determinism is an orientation which views the environment as determining firm structure, and strategic choice an orientation which positions the firm as having choice in altering the environment so that it does not have to structurally adapt (e.g., Lawrence and Lorsch 1967; Pfeffer and Salancik 1978). While beverage manufacturers Pepsi Company and Coca-Cola Company employed local push-polls in an effort to defeat the Berkeley, California soda tax bill (Reich 2014), a proactive strategic choice strategy designed to alter regulation pressures, Dr. Pepper introduced the relatively less sugary Dr. Pepper 10 product in employing a reactive, determined strategy.

This research asks, Why are some firms determined by the external environment while others choose to alter it? Prior research is divided over the answer to this question. Some scholars suggest that choosing to alter the external environment is a matter of maintaining the right resources and capabilities (e.g., Burns and Stalker 1961; Duncan 1972; Hambrick, MacMillan, and Day 1982; Lawrence and Lorsch 1967; Schendel and Patton 1978), and others a matter of managerial choice (e.g., Pfeffer and Salancik 1978; Zeithaml and Zeithaml 1984). This research attempts to parse these discrepancies using primary data from the firm in question regarding firm-government relationships. Prior empirical attempts either judge a firm's management approach through secondary data (Bocquet, Le Bas, Mothe, and Poussing 2013; Lawless and

Finch 1989), asks customers to describe their supplying firm's management approach (Sharma and Vredenburg 1998), or only examine the manager's personality traits and demographics (Hitt and Tyler 1991). Study One (a) utilizes qualitative data to understand how firms perceive uncertainty in their environment and Study Two (b) taps quantitative data to test such uncertainty as driving determinism. The a) transcendental phenomenology and b) path model methodological lenses appropriately work to understand a) the phenomenon of strategic choice and deterministic firms experiencing the same environment differently and b) firm infrastructure impeding interpretations of environmental uncertainty among strategic choice firms, respectively.

FINDINGS

The present research – across two studies – offers findings important to those government officials charged with drafting government public policy. Firm management of the politics underlying government policy does not necessarily require traditional resources, but instead can result from a person's time, privileged information, access, etc. (Alt and Chrystal 1983). Thus, studying political threats of the external environment offers a study context that allows for the direct examination of firm resources and capabilities driving firm management. Indeed, the findings disconfirm prior notions regarding traditional resources, such as firm size and wealth, driving political activity. Instead, proactive firms simply develop internal infrastructure for managing governments (e.g., government affairs Washington, D.C. offices, specialized government forecasting roles).

DISCUSSION

Contributions to Environmental Management Literature

To our knowledge, prior research has yet to report such starkly differential drivers of strategic choice and deterministic firm management orientations. Findings across both studies suggest that a strategic choice firm orientation develops through intentional and tangible management structures (e.g., specialized staff, mechanisms, technical expertise). Yet, a deterministic firm orientation appears to be the result of experiencing the external environment as uncertain. Because firms with a strategic choice orientation operate in this same external environment, yet are not oriented as such because of perceptions of uncertainty, firms with a deterministic orientation appear to have enacted their environment. The "enacted" environment ensues from management that depends on firm experiences of events of the external environment (i.e., determinism; Silverman 1970). Because the post-hoc analyses indicate that both types of firms indeed operate in similar environments – deterministic firms are not found to be threatened more or have fewer traditional resources and capabilities (e.g., capital, technology) than strategic choice firms – the uncertainty deterministic firms report as a contingency to strategic political action appears to be enacted.

Contributions to Public Policy Literature

Additionally, the present research contributes to marketing and public policy literature by examining firm political infrastructure as a segmenting characteristic, as well as an antecedent to a wide variety of firm political strategy. The present findings suggest those drafting public policy

can assess the degree of firm political resistance to a policy given the degree of firm political infrastructure among those likely to be impacted by the policy. For example, after first segmenting the market accordingly, policy makers could adjust the policy tool so it can target portions of the market represented by relatively fewer firms maintaining political infrastructure. In turn, such targeted firms are relatively less likely to launch a strategic resistance to the given policy, which most likely aims to keep consumers safe and healthy. Prior firm political infrastructure research is either descriptive (Baysinger and Woodman 1982) or conceptual in nature (Shaffer 1995), or examines internal conflict experienced by associated departments and personnel (Shaffer and Hillman 2000). And prior corporate political activity literature with the potential to aid in such segmentation efforts is either policy- (Kolk and Levy 2001; Martin 1995) or activity-specific (Bhuyan 2000; Drope and Hansen 2006; Lux, Crook, and Woehr 2011), or also conceptual (Auld, Cashore, Balboa, Bozzi, and Renckens 2010; Hutt, Mowka, and Shapiro 1986; Stern 1969). Unlike this prior research, the present research identifies political infrastructure as a segmentation tool for which policy makers can utilize in predicting firm policy resistance regardless of the type of strategic resistance or policy topic. The present research finds infrastructure to drive activity ranging from lobbying to constituency building to political ties across policy topics ranging from public transportation to food tariffs to health care. Prior empirical corporate political activity and infrastructure research either identifies firm size and wealth or no market segmentation characteristics (Bhuyan 2000; Drope and Hansen 2006; Kolk and Levy 2001; Lux, Crook, and Woehr 2011; Martin 1995), respectively, potentially useful for policy makers in segmenting the market.

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