

VICES AND VIRTUES OF CORPORATE POLITICAL ACTIVITY:
THE CHALLENGE OF INTERNATIONAL BUSINESS

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Vices and Virtues of Corporate Political Activity: The Challenge of International Business

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Abstract

We give a critical reading of the research interests of state-of-the-art corporate political activity (CPA) literature. We demonstrate that a non-critical tendency in literature to view CPA as a strategic activity, aimed at making profit, may encourage firms to sociopathic behavior in their political activities. Using psychiatric literature, we explore the nature of sociopathic CPA. We draw on a recent discussion initiated by virtue theorists, exploring firm moral agency in order to suggest the opening of several new research areas within CPA literature, more sensitive to moral questions.

Introduction

Corporate political activity (CPA) constitutes an intermediate form of activity between the spheres of traditional business and the societal context. By definition, CPA means "... any deliberate firm action intended to influence governmental policy or process" (Getz, 1997), or on a more strategic level "a concerted pattern of actions taken in the [...] non-market environment to create value by improving economic performance (Baron, 1997)." Such definitions have provided the baseline for scholarly and managerial literature, which attempts to increase understanding on the nature of CPA. Many scholars seek this understanding in order to help managers succeed in corporate political strategizing. Indeed, mainstream research has considered CPA to be an integral and equal part of the competitive strategies of a firm in national contexts. Recently, this logic has also been carried to the context of international business (e.g. Frynas, Mellahi & Pigman, 2006).

While this body of research has unquestionable merits, we argue in this paper that CPA research equally carries some serious limits in terms of future research on, as well as the practice of, CPA. That is, in the internationalized economy CPA may not be spatially and culturally

restricted to specific countries. Moreover, the intermediate position of CPA between business and society always includes an ethical dimension that cannot (and should not) be ignored (cf. Doh, 2005). In the worst case, if CPA researchers encourage firms to perceive CPA solely from the point of view of short-term profit maximization and/or from the point of view of a specific cultural and institutional perspective, it may turn against the overall development of society and viable business environment. Therefore, to pave the way for more internationally-focused future CPA research, it is time to clarify what kind of CPA researchers should rather contribute to.

In this paper we seek to address these issues by focusing on the ideological assumptions underlying the key literature on CPA and challenging some of the ethical implications of these assumptions. Specifically, we show how a non-critical attitude to CPA by management scholars may lead to questionable, even sociopathic, firm activity in the political arena.

While sociopathic activity is non-desirable from an ethical perspective, it may also have harmful effects on economic performance in the long run. As both public good theorists (Krueger, 1974; Brock, Magee & Young, 1989) and CPA researchers (Shaffer, 1995) have noted, ‘rent seeking’ is a fact of business life, whether legal (lobbying, contributions) or illegal (corruption, bribery, etc.). The implicit assumption in CPA literature seems to be that short run utility maximization derives from the basic behavioral characteristics of economic actors (Ghoshal, 2005). However, as evolutionary economists have demonstrated, short-run profit maximization may eventually harm a firm’s own survival (Daneke, 1985). This occurs when the societal welfare in general deflates (Nelson & Winter, 1982). In this context, an evolutionary perspective does not mean a crude application of the natural selection principle, meaning that only the ‘fittest’ and most resource-rich would survive. On the contrary, we see that socially harmful behavior may cause firms to cease to exist from a resulting lack of legitimacy (Meyer &

Rowan, 1977), and also because ‘social waste’ will harm each organization’s survival possibilities over the long term (Olson, 1982). Thus, ethical political behavior may not only be an ideological choice; it would also maximize societal welfare, and thus the survival opportunities of corporations.

Our argument proceeds as follows. We begin by framing the importance of addressing the ethical dimension, as well as assuming an international viewpoint on the economy in doing research on CPA. We then turn to construct a worst case scenario for how short-term view political activity may lead to sociopathic behavior by the firm; we also outline the characteristics of a sociopathically-acting firm. Next, by reviewing the existing CPA literature, and analyzing its normative assumptions, especially assumptions concerning what makes corporate political strategizing valuable for a firm, we consider the potential danger that the current track *in research* may promote the birth of sociopathically-acting firms. We concentrate solely on scientific management journals with the largest circulation (Academy of Management Journal, Academy of Management Review, and Strategic Management Journal). The selected journals may also be argued to possess the most direct link to business education, which channels the potential norms for political strategies. According to earlier reviews, we already know that the majority of the most-cited CPA research is published in these journals (Shaffer, 1995; Skippari, Eloranta, Lamberg & Parvinen, 2003). Finally, building on an Aristotelian notion of organizations as virtuous actors, we discuss future directions for CPA research so that the realization of the worst case scenario could be avoided.

Ethics and internationalization: The challenges of CPA

Corporate political activity is a field of strategizing which is more sensitive to ethical issues than its purely market-driven elders. There are at least two reasons for this. First, from

viewpoint of neo-classical economics, public sector organizations are a counterforce to firm actors – both parties are equally self-interested. If firms manage to gain an overwhelming influence in the political system, this counterforce is undermined. Consequently, in the long run, the balance of the whole economic system will be in jeopardy. Indeed, literature on regulatory capture (Laffont & Tirole, 1991; Levine & Florence, 1990), in its critique regarding neo-classical views on regulators, has acknowledged the danger of regulation being influenced by various corporate interests.

The second reason why CPA has ethical implications stems from the argument that the discourse of strategy itself is highly ideologically-laden, promoting in latent form such ethically suspect goals as managerial hegemony, aggressive competition, psychological egoism and viewing economic capital as the highest form of capital. All of these are presented in the guise of rationality and foresight in decision making (Knights & Morgan, 1991; Lilley, 2001; Oakes, Townley & Cooper, 1997; Shrivastava, 1986). It is one thing to promote such ideology in the economic marketplace, but when such values are promoted in the public arena, it becomes paramount that societal implications be kept in mind.

Therefore, we argue that if management science acts as a driver for CPA through promoting political strategies for management, it should also understand the ethical implications of what it is promoting. As far as we know the ethical perspective has received little attention in CPA literature, with Obermann (2004) being a rare exception. Most probably this is a consequence of the demarcation line between the largely functionalist CPA literature and the ethically-oriented corporate social responsibility literature (compare Bakker, Groenewegen and Hond, 2005 and Skippari et al, 2005). Our intention is to start narrowing this gap by reviewing implicit assumptions within CPA literature, as well as offering tentative new directions, drawing

on theories of sociopathy and virtue ethics. We do acknowledge, however, that the potential problem may be located in the nature of the management literature itself, as individual CPA researchers emphasize more (self)-critical stances vis-à-vis political strategy when publishing in the outlets of other disciplines (i.e. political science; economics) (for an overview see Hillman, Keim and Schuler, 2004).

The ethical challenge becomes even more demanding when the focus of CPA research shifts from a localized nation-state setting to the context of an internationalized economy. Internationalized firms face supranational regulative arrangements and new nation-state standards. They also face different institutional environments and even alternative conceptions of the role and responsibilities of firms in the society. Most importantly, firms which are similar in their political activity (e.g., oil companies lobbying authorities) may still reach different outcomes in different settings (e.g. The USA vs. Nigeria), particularly if considered in ethical terms. The local procedures of CPA cannot be automatically used globally; instead, globalization means that CPA has to be more carefully localized. Most importantly for our present argument, variety in ethical criteria across cultural contexts is likely to force the ethical viewpoint to the front stage, as implicit conventions are challenged in firms which are moving to new markets (Doh, 2005). For example, the most current strategy research explicitly identifies ways by which firms can exploit local political settings (Frynas, Mellahi & Pigham, 2006). If and when CPA research is increasingly motivated by the notion of helping firms to succeed in political strategies in the global arena, the ethical framing of decisions needs to be addressed by CPA researchers as well as practitioners.

Sociopathic CPA

If ethics and a localized context of action, which are two inherent aspects of CPA, are excluded from the theory and practice of political strategizing, in a worst case scenario the nature of CPA may turn sociopathic; a phenomenon well known on the level of individuals, but often ignored on the level of collective activity. Indeed, already in the early nineteenth century psychiatrists recognized persons who behaved as if they were “insane” (to use nineteenth century terminology), without actually being “insane” (Lykken, 1995). More recently, such behavior has been synonymously called “sociopathic”, “psychopathic”, or an “antisocial personality disorder”. We use the term “sociopathic” inclusively. According to Cleckley’s (1941/1988) seminal work *The Mask of Sanity*, sociopaths are characterized by traits such as superficial charm, manipulateness, emotional shallowness, deceitfulness, egocentrism, irresponsibility, insincerity, lacking a tendency to plan, remorselessness and impulsivity. Generally, sociopaths lack normal emotional reactions to common experiences. In the Diagnostic and Statistical Manual of Mental Disorders (DSM-IV) of the American Psychiatric Association (1994), personality disorder is broadly defined as an enduring pattern of inner experience and behavior that deviates markedly from the expectations of the individual’s culture, is pervasive and inflexible, has an onset in adolescence or early adulthood, is stable over time, and leads to distress or impairment.

Current diagnostic categories in the field of personality disorders, such as the Hare Psychopathy Checklist-Revised (PCL-R) (Hare, 1991; Hare, Hart & Harpur, 1991), have developed these conceptualizations, but they generally include the same basic characteristics as Cleckley’s (1941/1988). Daneke (1985) extended the use of a diagnostic categorization by applying it to corporate decisions, implying that such frameworks may be used to analyze

collective behaviors. He also suggested that the “goods and ills” of collective psychology are often greater than the sums of its parts.

We are aware that using the categories and indicators of sociopathy, originally used to denote a psychological phenomenon at the individual level of analysis, for organizational or group level behaviors, gives rise to an issue about levels of analysis. In this study, while we recognize that firms consist of numerous individuals, we assume that the members of a firm who are responsible for the strategic management and decisions concerning CPA will be sufficiently similar with respect to the characteristics we are considering that they can be characterized as a whole (Klein, Dansereau, & Hall, 1994). Furthermore, organizations are independent subjects – in a legal sense. When shareholders were released from personal responsibility for the actions of a firm, i.e., when the concept of “limited liability” was invented in the 19th century, legal responsibility had to be placed on some subject, because only subjects can bear responsibility. This was the birth of the corporate subject. It can even be argued that such non-existence of personal responsibility for firm actions is the source of pathological firm behavior, because the very nature of the firm is to create profit over all other concerns (Bakan, 2004: 11-13). Still further, organizations also have mechanisms that integrate psychological phenomena between organizational members. The Attraction-Selection-Attrition framework of Schneider (1987), for example, describes how people who do not fit in the organization (or part of it) are likely to leave the organization, and those who remain will be similar to each other. The literature considering shared mental models (Denzau & North, 1994; Klimoski & Mohammed, 1994; Mathieu, Heffner, Goodwin, Salas, & Cannon-Bowers, 2000), in turn, proposes that the group members can construct shared notions and ideologies. Social dilemma literature, while building on individual level dilemmas, has widely focused on group and organizational level issues (e.g.,

Zeng & Chen, 2003). Moreover, there is an extensive literature considering constructs such as learning, trust, and identity on the organizational level, while the origin of those constructs is on the individual and interpersonal level. Therefore, in several respects, our study is consistent with previous work that uses individual-level psychological concepts to discuss organization-level phenomena.

A comparison between the PCL-R criteria and Daneke's examples of adverse corporate behavior illustrates (Table 1) some differences in point of view toward sociopathy on the individual and organizational levels of analysis.

--- Insert Table 1 about here ---

Hare's PCL-R provides twenty fairly specific characteristics of sociopathic personality and behavioral patterns. Since the direct extrapolation of these characteristics to organizations and organizational behavior may produce conceptual misunderstandings, we have taken Daneke's characterization as the starting point of our conceptualization concerning firm sociopathic activity. We supplemented Daneke's categorization with the traits and behaviors provided by PLC-R so that each major element of sociopathy was included. Due to a fairly high level of abstraction, Daneke's categorization is also vague in terms of practical business issues.

Altogether, these concerns made us propose six basic characteristics of firm sociopathic activity (FSA), and elaborate these so that they are intelligible on the level of, and in terms of, corporate political activity. A sociopathically-acting firm (1) perceives the actors in political markets as objects to be used for egocentric purposes. When interacting with other organizations or institutions, a sociopathically-acting firm (2) seeks to intentionally manipulate and charm these objects without a genuine affect. In such interaction the firm sees no reason to draw a demarcation line between facts and fiction. Both are used in discourse if they promote the

interests of the firm. (3) Either the behavior is not restricted to any moral standards, or else these are exploited as a means for maximizing personal utility. Moreover, there is a clear lack of respect and empathy regarding informal cultural and societal rules. The sociopathically acting firm (4) does not care about the possible side effects of their behavior on others, or carry the responsibility inherently belonging to the activity. (5) The goals of a sociopathically acting firm are formulated unrealistically, and without the long-term commitment to achieve them. Finally, as a result of the impulsive behavior without consistent strategy, a sociopathically-acting firm (6) lacks the experience of fulfillment, which further intensifies the circle of unethical or even criminal behavior. Altogether, even a single emphasized occurrence of the above characteristics constitutes sociopathic firm activity, which may in the long run ruin the collective context of business-government relationships, harm citizens, and even crucially weaken the economic foundation of individual firms engaged in such behavior.

There are continuities between our work and critically-oriented work on strategic management. If an organization acts ‘strategically’ in the literal sense, its decision-making is based on a notion of the world being a game or a battlefield (see, e.g., Shrivastava, 1986; Knights & Morgan, 1991, Ghoshal, 2005). A strategic organization fulfills in particular condition 3, as it seeks to promote its self-interest, not taking into account any other interests, such as ethical ones. In the strategy discourse, a firm’s environment is conceptualized by viewing other organizations as ‘competitors’, coming close to fulfilling conditions (1) and (4) – it is much easier to exploit one’s competitors than one’s friends, constituents or collaborators (1), and in competition, the objective is to win, not to show sympathy to other players or worry about their end of the bargain (4). Misleading competitors (condition 2) is one clear area of traditional strategizing – consider, e.g., Mintzberg’s (1987) notion of strategy as a ‘ploy’.

The disturbing notion about corporate political activity as a new arena for strategic management is therefore based on the violent, rationalist, masculine and managerialist imagery underlying strategy discourse (Knights & Morgan, 1991; Ghoshal, 2005). Some may be willing to accept this as a matter of fact about the economic environment, but when science actively builds the notion of a “political marketplace” as a new battlefield for organizational strategists, the ethical implications become much more evident. If firms regard the activity of transforming the “political marketplace” as a source of profit, the ‘strategically sound’ conclusion is to transform that market. Indeed, Barney and Hesterly (1996) have demonstrated how the structure-conduct-performance paradigm in industrial organization economics, originally created for government regulators to identify and rectify less-than-perfect competition in markets, has been “turned upside down” (Barney & Hesterly, 1996: 131). Following Porter (1980), strategy researchers have created models for organizations to implement in creating above-normal economic performance, thus encouraging firms to strive for less than perfect competition.ⁱ

Some industries seem to be more sociopathic – or ‘strategic’ – than others, which is related, among other things, to differences in life-cycle phases. The tobacco industry, for instance, exhibits multiple symptoms of sociopathy. The business is fundamentally harmful not only to particular individuals but also for the whole society in terms of negative health effects and consequent health care expenses (Harris & Hatton, 1998; Kluger, 1997). Philip Morris International, for instance, communicates the following “Clear and consistent”, yet also highly cynical message: “Cigarette smoking is addictive. It can be very difficult to quit but, if you are a smoker, this shouldn't stop you from trying to do so. Cigarette smoking causes lung cancer, heart disease, emphysema and other serious diseases in smokers. Smokers are far more likely than non-smokers to develop diseases such as lung cancer. There is no such thing as a "safe"

cigarette.” (Quote from www.philipmorrisoninternational.com, under the heading “Smoking and Health”). If an organization openly admits to producing lethal and addictive products, why does it continue producing such products?

The tobacco industry has been active in defending its position via campaign contributions, lobbying, PR campaigns and legal battles (Bitton, Neuman & Glantz, 2002; Givel & Glantz, 1999; Kluger, 1997). For instance, in 2003, 24 companies and organizations lobbied the U.S. federal government or hired one of 69 firms to do so on their behalf. Overall, they spent over 34 million dollars solely in lobbying, of which the most active firm constituted over 16 million dollars (The Center for Public Integrity, 2005).

The tobacco industry can be interpreted in terms of all six of our symptoms of sociopathy. First, tobacco firms see political actors and organizations solely as potential supporters in their own battle against the opponents of smoking. Second, the tobacco industry has been infamous for trying to manipulate not only consumers but also the officials governing the business. Third, as their attempts to hide, for instance, the negative health effect of smoking demonstrate, the truth is being purposefully covered up to maintain opportunities to continue business activities. Fourth, tobacco firms seemingly ignore the negative side effects of their political activities on both individual and public health. Fifth, the business recipe in the tobacco industry seems to have been the maximization of short-term profits without understanding the boundaries of the companies. Finally, it is striking that tobacco companies have not only engaged in ongoing legal and political struggles in the U.S. and Western Europe, but they have also exported their activities to developing countries which are not in a position to limit their unethical activities.

Indeed, critically-oriented CPA research (Lamberg, Skippari, Eloranta and Mäkinen, 2004) has noted that unstable institutional settings will increase the probability to engage in political

maneuvers, as the potential gains are higher than in stabilized political settings. Thus, globalization may unleash sociopathic political activities; tobacco firms, for example, have created capabilities and processes in political behavior that can have a multiplied effect in less-controlled environments. NGOs (e.g. Teegen, Doh & Vachani, 2004) cannot be a viable solution against sociopathic practices, even if they have taken the role of global ‘watchdogs’. Therefore, it is of crucial importance to identify the potentially harmful messages of CPA research and business school education in a wider sense (Ghoshal, 2005).

The current direction of CPA research

Our objective in this paper is to understand the potential implications on CPA literature to CPA activity. The previous sections should have convinced the reader that the notion of corporate political activity as a ‘strategic’ activity for firms is far from unproblematic from an ethical standpoint. What is the orientation of the current, state-of-the-art CPA literature with regard to this critique? Is it acknowledged? Or is a non-critical stance towards CPA as a strategic activity even promoted to managers?

To systematically uncover the ethical underpinnings of the state of the art in CPA research, we reviewed the body of literature, especially looking for arguments with either ethical content or implications. Consequently, we concentrated on arguments the authors made to motivate the study of CPA. For the review, we decided to concentrate on the most influential management journals publishing any CPA-related research; namely The Academy of Management Review, Academy of Management Journal and Strategic Management Journal. In an earlier bibliometric analysis (see Skippari et al, 2005) these journals were identified as the key mainstream outlets in CPA research. Purposefully, we did not include Business & Society, which was regarded as a special forum read mostly by scholars who are readily knowledgeable on CPA-related issues. On

the contrary, the CPA research published in the mainstream journals reaches a wide audience of strategy scholars who may be influenced by these ideas regarding CPA. Moreover, we excluded the openly managerial journals, such as California Management Review. This was for two reasons. First, our primary interest is in academic CPA discourse and its possible long-term effects on managerial practice. Second, the predictions concerning CPA in managerial journals are far from hidden. On the contrary, they openly promote predator practices, but without the scientific argumentation in which we are interested. As a consequence, our sample is clearly not exhaustive, yet it includes 17 articles, most of which have been highly cited (cf. Skippari et al, 2005) and are directly related to CPA. The 17 articles were identified on the basis of the specific keywords ‘corporate AND political AND strategy/activity’ and by cross-checking the resulted list with the earlier reviews (Lamberg et al, 2004; Skippari et al, 2005).

The question concerning the ethics of studying CPA was explicated into two key questions while analyzing the articles: (1) whether ethical issues were mentioned by the CPA authors, and (2) whether the CPA authors openly promoted CPA to managers as a key area of strategy. Being involved in the study of CPA is not in itself an ethically problematic standpoint. Management science has an important function in understanding how the world works, and it is plausible to argue that, in today’s world, firms do act politically with strategic intentions. Therefore, we regard doing (2) without exploring (1) to be an ethically problematic approach. If management literature promotes CPA to managers without critically evaluating the outcomes to society, what if the managers take their advice literally?

The answer to the first question was simple: in our sample of the most influential CPA articles there was only one paper which touched on the ethical implications of CPA. Kim (1988) argues that firms who respond to the political needs of local governments may benefit from

bargaining power over the long term: “over the long pull, the bargaining position of firms can be best safeguarded if their business interests accommodate, rather than neglect or dominate over public interests in host nations” (Kim, 1988: 290). This is as close as CPA literature comes to ethical argumentation – in essence what is being said is that paying attention to social issues pays off in the long run. Some authors (Boddewyn & Brewer, 1994; Lord, 1995) argued for a more “critical” attitude for CPA, but what they addressed in their largely managerially-driven treatises were theoretical rather than ethical concerns. It is safe to argue that ethics has not been a concern for CPA literature published in the top management journals.

The answer to the second question, whether CPA literature promotes CPA for managers rather than simply exploring a relevant contemporary issue, is more complex. Some papers were openly managerial in their orientation, while others were simply theoretical (see Table 2). Managerially motivated works clearly indicated that their work was at least partially motivated by a willingness to help managers succeed in CPA. Theoretically motivated papers, on the other hand, did not discuss any managerial implications at all, but concentrated on understanding CPA as a phenomenon.

--- Insert Table 2 about here ---

As can be witnessed in Table 2, there was a large blurred area between openly managerialist and purely descriptive approaches to studying CPA. While these authors with a mixed motivation did not openly promote CPA as something strategists should be engaged in, they chose to study CPA phenomena which they regarded either as highly worthwhile for organizations or even critical for organizational success. While such research serves a theoretical purpose, as it helps us to explain firm behavior through the rationalities and incentives which drive behavior, it also serves a practical function when presented to a strategist. Indeed,

guidelines for rational action result from relevant and valid explanations about the world.

Knowing that political activity can shape the degrees of freedom society places upon the firm, and thus can potentially improve firm performance, certainly helps a manager to decide whether to explore the possibilities of engaging in CPA.

Table 3 below demonstrates the sort of argumentation authors engage in when motivating their research on CPA. We have included arguments in Table 3 that are either openly managerial or have potential value for practicing strategists. To validate our interpretation, we have included rich quotations from the source texts. The quotations were found in all parts of the papers studied, but mainly in the introductions and the concluding chapters.

--- Insert Table 3 about here ---

As one can witness in Table 3, key CPA authors relate the value of CPA to competition issues or even organizational performance itself (Hillman, Zardkoohi & Bierman, 1999; Marsh, 1998). Some authors note that the capability for CPA is a key resource in competition (Boddewyn & Brewer, 1994; Frynas, Mellahi & Pigman, 2006; Lord, 1995; Rehbein & Schuler; 1995; Schaffer & Hillman, 2000); some claim it is necessary to arrive at strategic targets (Boddewyn & Brewer, 1994; Hillman & Hitt, 1999; Maijoor & van Witteloostuijn, 1996; Nelson, 1995); while others also address more abstract outcomes such as legitimacy (Boddewyn & Brewer, 1994; Hillman, Zardkoohi & Bierman, 1999).

The lesson in our review of CPA literature is that in addition to a lack of studies addressing the ethical dimension of CPA, the majority of CPA literature implicitly promotes CPA from a purely utilitarian, non-critical standpoint. It seems clear that the central discourse on CPA in management science is, while motivating its own existence, also fueling the phenomenon itself. Some openly motivate their work with managerial implications, for example, along the lines of

Hillmann & Hitt (1998: 839): “Ultimately, our goal with this work and in suggesting future research areas is to provide a basis from which managers can navigate the public policy process and the interaction between market and nonmarket environments,” whereas other authors remain more neutral in their tone of voice. Yet, it does not take a great leap for a managerial audience to infer practical guidelines from the sentiments expressed, for example, by Boddewyn & Brewer (1994: 137), who argue that “political behavior can be a source of efficiency, market power, and legitimacy – particularly so in international contexts where political arbitrage and leverage opportunities are more variegated and abundant.”

Future directions of CPA research

The core contribution we wish to make with this paper is to demonstrate the problem of a non-critical attitude towards CPA within the academic community. This message is more important than ever, as the increasingly globalizing business environment further raises the strategic importance of the political side of business (Frynas, Mellahi & Pigman, 2006). Indeed, firms in less developed countries may not only imitate the competitive strategies of incumbent firms originated, for example, in The US. They may feel it necessary to adopt the political strategies as well, if they see them as necessary for legitimacy in international business. On the other hand, incumbent multinational corporations may find the less stable political environments in developing countries to be an arena for sociopathic strategizing. Thus, to conclude our case, it is necessary to explore alternative directions that might be fruitfully integrated as streams of discourse within the body of CPA research.

What should be done to re-imagine the dominant conception of corporate political activity as a strategic exploitation of the surrounding societies? Should we, for instance, try to formulate universal norms for action or map out ethically desirable outcomes? Taking into account the

need for CPA literature to address variety in cultural contexts stemming from the internationalization of business (cf. Doh, 2005), such universal prescriptions would seem an unwise pursuit.

Indeed, in moral philosophy at the turn of the century, universal prescriptions for action are also regarded as problematic. The focus has shifted from moral action to the characteristics of the moral agents themselves. This movement is known as virtue ethics, or neo-Aristotelian ethics. Virtue ethics experienced a renaissance in the late 20th century, due to the increasing difficulties experienced by dominant consequentialist/utilitarian and deontological models. The problem of Kantian deontological ethics, intent on building an ethical assessment of moral action based on duty, has for long struggled with the problem of conflicting duties. The consequentialist school argues that these problems can be avoided if behavior is assessed by its outcomes. Yet, in an exceedingly complex world people are less and less able to predict the final outcomes of their actions. Furthermore, it is hard to to agree on who should benefit from the outcomes of (consequentialist) moral actions. Therefore the placing of moral responsibility based on consequences is often as tricky a task as trying to formulate universally sound principles for moral action.

Virtue ethics, instead of focusing on moral action, focuses on moral character. Neo-Aristotelians (MacIntyre, 1985; Williams, 1985) have argued that virtue ethics overcomes the problem of responsibility in the complex late modernity in both the deontological and consequentialist models. Virtue ethics has been offered as a reflexive model, sensitive to local social contexts, because it places its center of interest in the social view of a good life and a good person. It is also beneficial for our project of trying to find an alternative, ethically-aware personality for organizational sociopathy.

The central assessment of an ethical person in Aristotelian ethics is the notion of the good life of a citizen. The Aristotelian good life is based on a specific notion of happiness, which is a complex consisting of both personal happiness and fulfilling one's productive potential in society. In essence the good life can be assessed in retrospect, as an unfolding narrative over the long term, yet it is also practiced through the virtues. Virtues are the character traits, or dispositions to act in a specific manner, which are recognized as ethical in one's society (MacIntyre, 1966).

While Aristotle listed a set of virtues (e.g., 'courageousness'), the neo-Aristotelians (MacIntyre, 1985; Williams, 1985) have emphasized the socially constructed nature of virtues. Virtues are not relative in the sense that individuals or organizations may make up their minds about them on their own, but are socially constructed in cultural contexts. In a sense, virtues can be regarded as institutions, or at least institutional beliefs about what is regarded as a good life or a good person – at least if one keeps in mind that institutions are dynamic (Berger & Luckmann, 1966; Sztompka, 1991).

There is an emerging discussion of *organizational virtue*, drawing on neo-Aristotelian thinkers, notably MacIntyre, to open up alternative views on organizational decision making (see the 2006 Special issue "In search of organizational virtue: Moral agency in organizations", *Organization Studies*, 27/3). Importantly for our present pursuit, the nature of such decision making is 'non-strategic', and opens up an interesting venue for CPA research. Using MacIntyre's (1985) terminology, a virtuous organization has managed not to let external goods (such as wealth or pleasure) to collapse a focus on internal goods, that is, excelling in some practice such as providing healthcare, or designing good computers as an end itself (see also Beadle & Moore, 2006). A corollary to the "character" of a virtuous person in Aristotelian ethics

is research into organizational virtue searches for an “organizational moral identity” (Weaver, 2006), the study of which would help researchers make sense of morally motivated decisions in organizations.

A virtuous organization, therefore, is indeed “accommodating to the public interests of host nations,” as argued by Kim (1988: 290), yet not only from a utilitarian but also from an ethical standpoint – intent on not only “acting strategically”, by maximizing profits, but also fulfilling the potential role of a good citizen in a host society. Such citizenship can be regarded in MacIntyre’s terms as a pursuit of an internal good.

Based on the six characteristics of firm sociopathic activity, as well as the emerging of discussion on organizational virtue, we will use the criteria for sociopathy to explore alternative ways of framing an organization’s orientation towards CPA. The six criteria for sociopathic firm activity have provided a map of non-virtuous activity. We propose an empirical agenda, where examples of virtuous activity are explored in order to meet the challenges of the internationalizing economy. Indeed, we propose a stream of research within CPA where examples of political activity, driven by non-strategic, specifically virtue-driven bases, are explored and theorized on.

We acknowledge, of course, that corporate political activity does not collapse on either a virtue or its countering sociopathic characteristic. In reality there is a continuum of states between these polar opposites, for instance compromises such as an organizational hypocrisy, which tries to balance between conflicting demands (see Brunsson, 2002). And in an international business this blurriness multiplies as the variety of contexts send different impulses to the strategic management of firms. Indeed, the question whether political forms of organizational activity display genuine concern for societal issues, or whether they are

opportunistic tools for impression management is a complex question, addressed by, e.g., the recent portrayal of environmental policies as ‘greenwashing’ rhetoric (Ramus & Montiel, 2005).

Research objective 1. Identifying and exploring organizations which perceive other actors in political markets as subjects with a collective interest towards a shared benefit.

Research objective 2. Identifying and exploring organizations which have commenced in open and truthful communication regarding their political intentions.

Research objective 3. Identifying and exploring examples of organizations sharing and discussing ethical practices within communities of firms.

Instead of regarding organizational environment purely as a battlefield or a field of competition, the organizations in question would have augmented or replaced a strategy metaphor for decision making with more collaborative metaphors. A radical example, used elsewhere, is the metaphor of an improvising jazz-combo, where mutual respect enables creativity in the collective pursuit of creating art (Weick, 1998). In more subdued terms, an approach to decision making, sensitive to other concerns than pure self interest, is acknowledged by many industry organization economists, who have taken to heart Granovetter’s (1985) insight that economic transactions are embedded in social relationships (see, e.g., Barney & Hesterly, 1996). Yet, our understanding of organizations who openly acknowledge the interdependence of interested parties in their political activity is extremely limited.

The study of instances where reflexive learning exists within a community of firm political actors exists is an exciting future research arena. If an organization openly communicates its political interests, this invites dialogue regarding other interests. Are there instances of firms who communicate tested ethical practices and principles, as well as positive consequences of ethical behavior, to other actors? What are their motivations? Openness also enables the perception,

discussion and rectification of potential problems in current practices, or even in underlying ethical standards.

Research objective 4. Identifying and exploring organizations which have made decisions about political activity from an openly moral standpoint, that is, a standpoint corresponding to a local view on morality.

This also includes general respect and empathy concerning the broader cultural and societal rules. Key to understanding organizational virtue is the notion that virtues are socially constructed. An actor in political markets cannot define his or her own normative principles of action from scratch; these must be in harmony with the moral standards of a particular society. The fulfillment of this virtue may also require tacit knowledge of a particular society that may greatly deviate in different parts of the world, for example, in terms of the prevailing religion and cultural history (Donaldson & Dunfee, 1994). Thus, as regards multinational corporations in general and CPA that includes cross-cultural interaction in particular, this virtue becomes crucial.

There are interesting tensions involved in accepting local moralities. What are the tensions of accepting, e.g., Nazi or Taliban ethics just because they were the prevailing standards in their respective societies at that time? This tension has interesting linkages with extant research themes within CPA such as corruption (e.g., Uhlenbruck et al. 2006). Indeed, many aspects in globalization require careful re-thinking of how far corporations should go in the ‘localization’ of their political activities; it is even questionable whether firms should engage in business at all in some parts of the world.

By accepting the view of local moralities in the internationalized economy, the multinational corporations simultaneously face a situation where they have to manage a set of diverging political markets. Therefore, one of the most crucial areas in researching political

activity from the viewpoint of virtues is to look at how internationalized firms are able to *orchestrate* their political attitudes and actions in the web of moral standards of different societies.

Research objective 5. Identifying and exploring organizations which have accepted responsibility for the possible negative derivatives produced by a firm's political activity.

If for some reason a firm has unintentionally or intentionally produced harmful societal outcomes, are there instances where the firm has, first, corrected the part of its behavior that contributed to the harmful outcome; and, second, tried to compensate the caused damage, if possible? More specifically, are there instances where firms have made these choices without explicit legal or reputational pressures? For example, one empirical research setting would be to study German firms after the Second World War, as they had to rectify their previous political operations in the new business environment.

Research objective 6. Identifying and exploring organizations which have made realistic, long-term formulations regarding political goals.

Unrealistic short-term goals, some bordering on megalomania, are hallmarks of sociopathic activity (see Table 1). They are also related to a lack of responsibility in one's activities. A promise of considerable improvement in the welfare may attract all the actors in political markets, and help a cunning player to reap short-term benefits. However, if these goals do not seem to be realized as the actors had expected, they may create unintended tensions between different groups and instigate them to short-term decisions without clear consequences, or even ruin the cooperative attitude. Therefore, investigation into instances where organizations have portrayed a realistic policy of formulating political targets over the long term is proposed as the final research area in virtuous political activity. Organizations operating in a very localized

context as “community members” may provide a starting point, but are there instances where multinational corporations would have portrayed such commitment? A potential area of exploration is for instance IKEA’s partnership with UNICEF to combat child labor (see “Appendix 6: Developing child labour policies: examples from four major businesses”, from UNICEF’s *Child Labor Resource Guide*, <http://www.unicef.org.uk/publications/clrg/app6.asp>).

We may ask what other long-term commitments exist in the arena of international political activity? How were these commitments born and why?

What is the motivation of the proposed new stream of research? Can organizational decision-making really be influenced through the augmentation of a new stream of research into the body of CPA literature? While DSM-IV, PCL-R and other psychological categories have been able to create some validity in diagnosing psychopathic and sociopathic persons, there is substantial controversy whether the healing of such syndromes is possible. In terms of collective behavior, it is open to question if the treatment of sociopathic firm activity is any easier. Most likely, as in the healing of personality disorders, the most critical years will be during the nascence of organizations. Thus, while sociopathic organizations may be more fixed in their ways, ethically conscious CPA research is most likely to motivate organizations in their infancy to create the most lasting effects.

Indeed, virtue theorists argue that moral agents are responsible not only for their actions now, but for the formation of their characters: “The corporate bully, the greedy entrepreneur, and the office snitch all would seem to be responsible for not only what they do, but who they are, according to Aristotle's tough criterion.” (Solomon, 2003: 45). That is, organizations are responsible for the moral identity (Weaver, 2006) that they have allowed to develop over the years. In this sense, making a case of CPA research may affect the ways in which future business

executives are educated (c.f. Ghoshal, 2005) and thus pave the way for a healthier generation of firms in terms of their political activities.

Yet, there is evidence that older firms have been able to make radical turnarounds in their moral and political practices – the extant organizations that were active participants during the national socialist regime in Germany being notable examples. Indeed, it may even be that moral agency even demands a certain element of “maturity” in an organization. Indeed, the question of whether and how sociopathic activity may be influenced in older firms is a sound empirical question.

Conclusions

The rapid pace of internationalization has increased the amount and importance of CPA-related research (see e.g. Doh, 2005; Frynas et al 2006). If the ways and consequences of political activities have been problematic previously, inside domestic boundaries, they are even more so in a global setting with a variety of corporations, nations and NGOs competing for dominance. In this paper, we have discussed the ethical implications raised by the relatively recent discussion of corporate political activity within the area of strategic management. We have demonstrated that most of the key CPA literature promotes the usefulness of CPA to firms, either explicitly or implicitly. We have explored the risk of sociopathic behavior arising from strategic activities in the political marketplace and drawn on virtue ethics, as well as psychoanalytical and sociological literatures on sociopathy, to propose future research arenas on corporate political activity.

Our main focus in the paper has been to give a critical examination of the effects that would ensue, should practitioners or future executives studying in business schools take seriously the imperative to extend their strategies into the political marketplace, as suggested by

CPA literature. As such, our interest has been emancipatory and ideological. However, by proposing six new research arenas we also seek to enter a practical discussion, to provide a sketch of what an ethically-motivated CPA might look like.

Empirical research strategies which could continue the topic of organizational political virtues could be advanced by studying the principles reported by managers with experience of operating in the international marketplace. Have they formulated similar virtues as those promoted in this paper? If so, do they find them valid and implementable? Furthermore, an evolutionary analysis of the long-term effect of upholding the six virtues in CPA practice on organizational long-term performance may convince readers who are looking for utilitarian grounds for the principles.

The ethics of international corporate political activity should be a topic of significant interest. Firms that ‘behave themselves’ on their home soil may be tempted to explore a wider range of political activity abroad. Theoretical explorations can be conducted on the topic as well as empirical ones. Other ethical traditions, different from virtue ethics, might also be applied to CPA. The integration of CPA into theorizing about corporate social responsibility and business ethics should open new paths and problems.

To conclude, we want to counter the possible misinterpretation of our argument that we regard all corporate political activity as inherently unethical. Not all firm political behavior is unethical: there are players with both more and less scrupulous principles for their political operations. Our argument is centered around the ideology of CPA literature and what it might cause if literally adopted in firms. What we have argued is that strategy-driven firms are susceptible to sociopathic behavior, because strategy and especially global strategy literature promotes short-term success in terms of purely economic performance.

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TABLE 1
 Characteristics of sociopathy in individual and firm action

PCL-R	Daneke (1985)
1. Glibness/superficial charm	1. The initiation or continuation of socially questionable activities even when costs of mitigation are relatively small.
2. Grandiose sense of self-worth	
3. Need for stimulation	2. An economic myopia or a focus on short run profits often at the expense of long term viability.
4. Pathological lying	
5. Conning/manipulative	3. A failure to learn from past mistakes, and a generally defensive attitude toward negative signals, which is conducive to cover-ups rather than corrective action.
6. Lack of remorse or guilt	
7. Shallow affect	
8. Callous/lack of empathy	
9. Parasitic lifestyle	4. A general atmosphere of irresponsibility that both stems from and breeds a low opinion of workers, consumers, and the community.
10. Poor behavioral controls	
11. Promiscuous sexual behavior	
12. Early behavior problems	
13. Lack of realistic, long-term goals	
14. Impulsivity	
15. Irresponsibility	
16. Failure to accept responsibility	
17. Many short marital relationships	
18. Juvenile delinquency	
19. Revocation of conditional release	
20. Criminal versatility	

TABLE 2

Selected papers and their motivations for studying CPA

Managerial motivation	Mixed motivation	Theoretical motivation	Ethical dimension mentioned
Lord, 1995	Rehbein & Schuler, 1995	Keim & Zeithaml, 1986	Kim, 1988
Hillman & Hitt, 1999	Boddeyn & Brewer, 1994	Lenway & Rehbein, 1991	
Hillman & Keim, 1995	Schaffer & Hillman, 2000	Kim, 1988	
Hillman, Zardkoohi & Bierman, 1999	Maijoor & Van Witteloostujin, 1996	Ring, Lenway & Grovekar, 1990	
Marsh, 1998	Nelson, 1995		
Frynas, Mellahi & Pigman, 2006	Schuler, 1996		
	Schuler & Rehbein, 2002		

TABLE 3

Arguments motivating the study of CPA
Audience

Text	Motivation for studying CPA	Audience	Quotations
Lord, 1995, AMJ	Creating value for managers	Managers	“The findings of this research also may assist managers seeking to better comprehend the public policy process and improve their management of government affairs... Corporations interested in influencing public policy might consider implementing, or review their existing, corporate grassroots activities.”
Hillman & Hitt, 1999, AMR	Creating value for managers	Managers	“Ultimately, our goal with this work and in suggesting future research areas is to provide a basis from which managers can navigate the public policy process and the interaction between market and nonmarket environments. Practitioners have benefited from a wealth of research on competitive and cooperative market strategies, but the academic community has paid far less attention to political strategies. As more firms attempt to participate in and gain influence with local, state, national, and international governments, a thorough understanding of political strategies is necessary.”
Hillman & Keim, 1995, AMR	Creating value for managers	Managers	“The theoretical framework discussed here provides some insight as to why and how the interface between business and government is likely to differ among countries. From this framework, we have developed some implications for the types of economic policies that are likely to be adopted in different countries and the tactics and strategies that businesses may ⁱⁱ use to represent their interests in public policy processes.”
Hillman, Zardkoohi & Bierman, 1999, AMR	Creating value for managers	Managers	“We will begin with a review of the nature of the business-government interface and then discuss tactics firms may ⁱⁱⁱ use to reduce uncertainty and/or increase their ability to influence the political process.”

Marsh, 1998, SMJ	Understanding CPA is necessary to help U.S. firms to survive international competition	Managers	“As international trade grows, the need to improve our understanding of how firms can compete effectively with foreign competitors also increases... This study offers empirical evidence that firms can create barriers for foreign competitors and benefit significantly by seeking trade protection.”
Frynas, Mellahi & Pigman, 2006, SMJ	Understanding CPA is necessary to acquire first mover advantage in developing markets	Managers	“...this article sheds light on how firms may acquire, sustain, and exploit political resources when faced with the liability of foreignness...an early market entry allowed first movers to establish lasting relationships with political decision-makers allowed firms to maintain their FMA as organizational surroundings evolved.”
Lord, 1995, AMJ	Understanding CPA as a resource	Academia, with a possibility for managerial interpretation	“If motivated to become politically active constituents, corporate stakeholders may be influential political assets... Corporate grassroots political activities which educate and motivate corporate stakeholders to become politically active will have a relatively great degree of influence on legislative behavior because of the need legislators have to be attentive to and responsive to constituent feedback.”
Rehbein & Schuler, 1995, AMJ	Understanding CPA as a resource	Academia, with a possibility for managerial interpretation	“Our premise is that a corporation needs the will and ability to engage in political strategies. Although the external factors... undoubtedly impact the impetus for political action by the firm, the firm and its managers make the definitive choices to undertake political strategies.”
Boddewyn & Brewer, 1994, AMR	Understanding CPA as a resource	Academia, with a possibility for managerial interpretation	“In this [resource-based] theory, the distinctive competences of firms—that is, their resources as deployed through capabilities—are essentially economic and organizational in nature but not political. When mentioned at all, political factors act only as constraints (e.g., Conner, 1991: 134). Moreover, when the tradeability of resources is discussed, only economic markets are mentioned but not political ones... we expand and enrich resource-based models of strategy by adding a political component that is largely missing in that literature”
Schaffer & Hillman, 2000, SMJ	Understanding CPA as a resource	Academia, with a possibility for managerial interpretation	“In addition to financial capital, the firm has limited political capital, which we define as the ability to influence government policy.”

Boddewyn & Brewer, 1994, AMR	CPA is a key area of strategizing	Academia, with a possibility for managerial interpretation	“...achieving strategic objectives (linked to efficiency, market power, or legitimacy) requires varying political behavior intensities and forms of the bargaining and nonbargaining types.”
Maijoor & Van Witteloostuijn, 1996, SMJ	CPA is a key area of strategizing	Academia, with a possibility for managerial interpretation	“[This paper] argues that strategic regulation is a major source of competitive advantage... understanding what generates sustainable competitive advantage is crucial in, if not the hard core of, the strategy field.”
Nelson, 1995, SMJ	CPA is a key area of strategizing	Academia, with a possibility for managerial interpretation	“The arguments I presented earlier invoke still a third theory of the sources of competitive or comparative advantage... The arguments I put forth here... are focused on governmental activities and investments that are aimed to help particular industries, or further the advance of particular technologies.”
Hillman & Hitt, 1999, AMR	CPA is a key area of strategizing	Academia, with a possibility for managerial interpretation	“Because government policies have significant effects on the competitive environment of firms, many firms are expanding their efforts to affect public policy decisions. There are a variety of ways in which firms try to influence public policy decisions. Relatively little is known, however, about the formation or choice of particular political strategies by firms.”
Hillman, Zardkoohi & Bierman, 1999, AMR	CPA increases firm performance	Academia, with a possibility for managerial interpretation	“While we cannot assert that the findings herein may be generalizable to other forms of political strategy, we have found clear evidence of a positive relationship between one type of political strategy, personal service, and firm performance.”
Marsh, 1998, SMJ	CPA increases firm performance	Academia, with a possibility for managerial interpretation	“Corporate political activity can also create effective barriers for competitors... The pursuit of trade protection represents one type of political activity that firms employ to create barriers for foreign competitors and improve the firm’s performance.”
Boddewyn & Brewer, 1994, AMR	CPA is a means of creating legitimacy	Academia, with a possibility for managerial interpretation	“Political behavior can be a source of efficiency, market power, and legitimacy - particularly so in international contexts where political arbitrage and leverage opportunities are more variegated and abundant.”

Hillman, Zardkoohi & Bierman, 1999, AMR	CPA is a means of creating legitimacy	Academia, with a possibility for managerial interpretation	“The U.S. political system has been granted legitimacy for over 200 years, and some would argue that being associated at a high level with the federal government is the ultimate form of legitimacy an organization can acquire.”
Schuler, 1996, AMJ	The relevance of CPA in global market	Academia, with a possibility for managerial interpretation	“Given the stakes at hand, in sectors in which firms are increasingly subject to global competition, it is necessary from both a firm-level strategic and a public policy perspective to understand the factors that compel a company to seek governmental protection against imports. Yet research on the relationship between the political and competitive strategies of firms remains largely underdeveloped.”
Schuler & Rehbein, 2002, AMJ	The relevance of CPA in global market	Academia, with a possibility for managerial interpretation	“In a constantly changing business environment, firms with access to those who make public policy enjoy competitive advantage... Spurred by globalization and technological development, firms search feverishly for sources of competitive advantage. One such source, long recognized but seldom emphasized, is government policy”
Hillman, Zardkoohi & Bierman, 1999, AMR	CPA is necessary for uncertainty reduction	Academia with a possibility for managerial interpretation	“An important aspect of the environment of business firms is their interaction with the government. Governmental entities have power over the opportunity sets faced by firms and shape their competitive environments... A common misperception is that the public policy arena is largely exogenous and that firms must simply react to policy decisions. Instead, the public policy process in every non-totalitarian system in the world is based on interest aggregation which creates opportunities for firms, just like other interest groups, to shape public policy... The organization that is able to effectively gain access to the political process or becomes able to influence policy may increase its chance of survival through a reduction in uncertainty. In addition to a reduction in uncertainty facing the firm, the organization that is able to gain such access may be able to influence the regulatory process in a manner more favorable to the firm and/or have increased access to government contracts.”

Boddeyn &
Brewer,
1994, AMR

CPA lowers
transaction costs

Academia, with a
possibility for
managerial
interpretation

“Firms can act politically to reduce their own production and transaction costs in order to improve their ability to provide cheaper, better, or unique products to their customers (e.g., through government subsidies), while raising the costs of their rivals at home and abroad (e.g., through government protection).”

ⁱ We are indebted to an anonymous reviewer for pointing out the relevance of Barney & Hesterly's treatise on the structure-conduit-performance (SCP) model.

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