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Political Connections: A Meta-Analyses Approach

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ABSTRACT

The aim of this study is to highlight the key findings of corporate political connections research. This study using 61 prior studies related to corporate political connections to develop a structured literature review. We found that most studies conducted in developing countries as its provide unique institutional setting for conduct political connections research. In addition, political connections is used as independent variables and prior studies focuses on three related topics which are corporate performance, corporate action, and loan and special rights. Meta-analyses study become more important nowadays as the number of empirical quantitative research amount has been increased lately. This analyses also has research and practical implementation for researcher, practitioners, and regulators.

ABSTRAK

Tujuan dari penelitian ini adalah untuk menyoroti temuan utama dari penelitian koneksi politik perusahaan. Penelitian ini menggunakan 61 studi sebelumnya yang berkaitan dengan koneksi politik perusahaan untuk menyusun tinjauan pustaka terstruktur. Kami menemukan bahwa sebagian besar studi dilakukan di negara berkembang karena menyediakan pengaturan kelembagaan yang unik untuk melakukan penelitian koneksi politik. Selain itu, koneksi politik digunakan sebagai variabel independen dan studi sebelumnya berfokus pada tiga topik terkait yaitu kinerja perusahaan, aksi korporasi, serta pinjaman dan hak khusus. Studi meta-analisis menjadi semakin penting saat ini karena jumlah penelitian kuantitatif empiris yang semakin meningkat akhir-akhir ini. Analisis ini juga memiliki penelitian dan implementasi praktis untuk penelusur ulang, praktisi, dan regulator.

1. INTRODUCTION

Unlike narrative literature reviews, the usage of meta-analysis is not a popular method in business, management, and accounting studies. Only a few meta-analyses were conducted on accounting, auditing, and corporate governance topic (van Essen, van Oosterhout and Carney, 2012; Hichem, 2015; Khelif and Chalmers, 2015; Byron and Post, 2016; Velte, 2018). The meta-analysis term itself was first documented by Glass as a research method to psychology discipline (Glass, 1976; Smith and Glass, 1977); as for the accounting discipline, the term was first introduced by Upper, Ho and Hunter (1985) which analysed the impact of the Foreign Corrupt Practices Act of 1977 on internal control processes.

Specifically, on corporate governance connection, the political connection has been shown to have a tremendous effect on corporate performance. The first studies of political connection re-

lated to corporate were conducted by Dinc (2005) and Khwaja and Mian (2005). They studied how politics influence government-owned banks (Dinc, 2005) and lender perceptions on politically connected firms (Khwaja and Mian, 2005). Both of those papers focused on loan size and characteristics.

As meta-analyses' relevance has been increasing in recent years as well as their great contribution, the objective of this paper is to analyse and evaluate 61 research papers on corporate political connection and its similar type. Even though most of the earlier meta-analyses studies have been conducted on the corporate governance topic, none were on the corporate political connection. This research review synthesises a few major breakthroughs and displays them for useful discussion that will lead to a new research path.

In our review, we identify 61 research and we

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have also included some topics correlated with the corporate political connection such as political scandals and election year/region. Furthermore, we separated research conducted in developing countries and developed countries, as developed countries tend to have stronger law enforcement related to politics and business which diminishes the benefits of rent-seeking of corporate political connection.

This review studies present useful data for researchers, regulators, and practitioners, which can hopefully in the future be a base for other researchers to conduct further meta-analyses. As for practitioners, they should be aware of how the meta-analyses result as it will provide fruitful benefits when implementing or evaluating the management process in their corporations. Last but not least, regulators can use the meta-analyses' result to evaluate and monitor the implementation of current and future regulations in the context of corporate political connections.

This study is structured as follows. The first section is about presenting the background of the corporate political connection meta-analyses study. In the second section, we provide the meta-analytic technique, followed by the third section which shows the findings and discussion of the meta-analyses. In our last section, we provide the conclusion which points to current research restrictions and presents recommendations for future studies.

2. RESEARCH METHODS

This study uses the quantitative meta-analysis method that only includes empirical quantitative research; it can be archival or experimental. Buckley, Devinney and Tang (2014), state that there are five key stages in the meta-analysis of business and management studies:

- selection of a useful research topic and description of the research problem;
- data collection;
- data preparation;
- data analysis; and
- interpretation and discussion of the results.

1 Selection of a useful research topic and description of the research problem

Selection of a useful research topic and description of the research problem becomes the first step. Meta-analysis is not different from other empirical studies. Commonly meta-analysis studies focus on certain topics that have various and mixed results. Researchers also need to define the research problem clearly and identify any variables and phe-

nomena that support the question, especially relative to the topic that has been stated. The variables should be able to reflect the hypothetical and theoretical structures that underlie the contentions of the meta-analysis research.

Data collection

After selecting and defining the research problem, data collection becomes the next step the researcher needs to take. Data collection is used to identify the source of primary literature through the extensive and progressive examination of numerous potential databases and literature. Three important sources that contribute to data collection are journals related to the research topic, references cited by reviewing previous literature, and other researchers who are masters in the research area. One of the characteristics of a meta-analysis is the limited broadness and depth of data collection. Thus, extensive data collection from multiple databases or literature sources becomes researchers' concern in avoiding a biased conclusion. Another procedure for looking through previous studies is used by various researchers of meta-analysis in complement common searching approaches, such as contracting other researchers to obtain unpublished data, investigate non-English studies, and e-mail list servers.

Data preparation

Once the data has been collected, the researcher needs to prepare and modify it to be easier to analyse. A good meta-analysis selects effect size metrics that show important concepts of the research topic (i.e. phenomena, association or causality). However, the consideration criteria are not explicitly expressed in common meta-analysis. These are significantly qualifying and explaining what a meta-analysis is. The criteria are additionally significant for different analysts who need to impersonate a meta-analysis and comprehend the scope of the analysis. In addition, the coding method is more frequently clarified by the meta-analyst than the consideration criteria, because this strategy gathers information from prior literature that meets the requirements in accordance with the coding protocol that represents the definition and scope of effect sizes and moderators. This coding method helps researchers understand what data should be included and excluded. Moreover, the multi-code coding method is a significant component of a good meta-analysis due to its capability to decrease bias association in a single code.

Data analysis

A meta-analysis depicts the size of effects in averages, standard deviations, and confidence intervals. The following stage of a meta-analysis after preparing the data is analysing it. The analysis of homogeneity is the main aspect of the meta-analytic data analysis. It provides evidence of research variability by calculating the probability affected by size variance due to sampling errors. The meta-analysis research needs to find out if there is any critical mediator impact in the average effect size, standard deviation, and confidence interval. It can demonstrate the effect size distribution to avoid a biased conclusion. As a subsequent advance for the homogeneity test, mediator identification provides insights into differences between primary studies by discovering research highlights (for example, year of publication, research design, and sample range), contextual factors (national economic and institutional environment), or other substantive contrasts. Lost data is constantly unavoidable in meta-analysis datasets, due to the imperfection of data. Thus, bias is another problem that is not widely recognised. The researcher of meta-analysis uses additional data to investigate research addresses that were not tended to by extant studies. That is why meta-analysis previous studies not only analysed prior findings but also extended their analysis to conclude that a single primary study may be accomplished.

Interpretation and discussion of the results

The last stage consists of interpretation and discussion of the results. The primary focus in meta-analysis interpretation is presented by stating main findings, generalisation, and the limitations of the meta-analysis. If statements are facilitated by numbers, graphs and tables, meta-analysis discussion can be more efficient and effective. Another important aspect is the list of previous studies used by the author disclosing which main literature articles contributed to the conclusions. In addition, the list of previous studies gives evidence of the validity of the consideration criteria. Meta-analysis procedure is still developing. This part is only capable of highlighting important general issues.

3. META-ANALYSES RESEARCH RESULTS

Data collection

Studies that were relevant for this research were identified by comparing international databases such as SSRN, Ebsco, Jstor, Emerald, Science Direct, etc. through the end of March 2019 with a targeted search for the following primary keywords: “political connection”, “political participation”, “political

connected board”, “corporate political activity” and related topics. As mentioned before, we focused on meta-analyses of the corporate political connections and related topics research studies. Although the corporate political connection study was first published in 2005, we only found a limited amount of quantitative research that examines the antecedents and descendents of corporate political connection which makes a temporal limitation not useful. We employed an approach that concentrates on research recommendations by content which stresses some major points for future studies similar to the approach Velte (2018) used.

We only used top published journal articles to ensure the quality of the manuscripts. In order to select top-quality journals, we used three journal indexers which are UT Dallas, Brigham Young University (BYU) Accounting, and Australia Business Deans Council (ABDC). We selected 24 top journals from UT Dallas, top business journals from BYU Accounting, and ranked A star on accounting and finance journals categories in ABDC. The results we found totalled 61 studies that suited our requirements.

Table 1
Literature review grouped by sample origin

Sample	Amount
Developing countries	37
Developed countries	10
Developing & developed countries	14

Source: UT Dallas, BYU Accounting and ABDC

We divided the corporate political connection studies into three categories based on their sample origin. We found that most corporate political studies were conducted on developing countries (n=41) and followed with developing and developed countries (n=14); as for studies that had samples from more than one country, they were classified as developing and developed countries and last is developed countries (n=10). This category was used as some research (Fung, Gul and Radhakrishnan, 2015; Abd Rahman and Ku Ismail, 2016; Habib, Muhammadi and Jiang, 2017a) indicates that developing countries (Malaysia, South Africa, Pakistan, Libya, Turkey, Indonesia, etc.), have provided certain advantages towards firms which select a board that has certain connections which include corporate political connection. It provides a unique institutional setting to conduct political connection studies consistent with the number of studies conducted is exceed two times than studies on developed countries.

The corporate political connection research has been published in very various journals, for example, Accounting review (n=1); Journal of Accounting and Economics (n=2); and Journal of Accounting Research (n=2). From Table 2, we can conclude that some finance journals such as the Journal of Corporate Finance (n=10) and the Journal of Financial Economics (n=12) dominate the studies in the context of corporate political connection.

Table 2
Literature review grouped by journals

Journal	Amount
Accounting Review	1
Accounting, Organization, and Society	1
Administrative Science Quarterly	1
Auditing	1
Contemporary Accounting Research	5
European Accounting Review	1
European Journal of Political Economy	1
International Journal of Accounting	3
Journal of Accounting and Economics	2
Journal of Accounting Research	2
Journal of Banking and Finance	4
Journal of Business Ethics	1
Journal of Contemporary Accounting and Economics	3
Journal of Corporate Finance	10
Journal of Financial and Quantitative Analysis	1
Journal of Financial Economics	12
Journal of International Business Studies	4
Organization Science	1
Review of Finance	1
Strategic Management Journal	4
The Journal Of Finance	1
The Quarterly Journal of Economics	1

Source: UT Dallas, BYU Accounting and ABDC

The development of corporate political connection studies year by year is showing no certain trends (Table 3). We can conclude starts from 2014, the publication of corporate political connection amount starting bloom. While for 2019, we only documented 1 publication as we collect the data at the end of April 2019 so there are only 4 months' publications included in 2019.

Table 3
Literature review grouped by years

Year	Amount
2005	2
2006	3

2007	2
2008	3
2010	2
2011	2
2012	4
2013	3
2014	10
2015	9
2016	6
2017	8
2018	6
2019	1

Source: UT Dallas, BYU Accounting and ABDC

Overview and discussion of meta-analyses results

We mapped the prior studies documented into six categories based on the topic's category. We provided a detailed overview of previous studies in the context of corporate political connection and its related topics in table 4 that provided as supplementary materials. These topics derived from the antecedents or descendents of political connection studies are provided below:

- Good corporate governance and audit (n=7)
- Corporate action (n=13)
- Loan and special rights (n=12)
- Corporate performance (n=15)
- Corporate share (n=9)
- Tax and regulations (n=5)

Our documented prior studies are dominated with political connection as the independent variable (n=56); our documented previous studies show that mostly we document the effect of corporate political connection. The rest of the studies use the political connection as a dependent (n=4) and moderating/intervening variables (n=2). One study uses the political connection both as an independent and dependent variable in different regression models (Berkman et al., 2017).

One of the main strengths of political connection studies is their correlation with corporate performance (Leuz and Oberholzer-Gee, 2006; Fan, Wong and Zhang, 2007; Li and Zhang, 2007; Boubakri, Cosset and Saffar, 2008; van Essen, van Oosterhout and Carney, 2012; Hung, Wong and Zhang, 2012; Amore and Bennedsen, 2013; Brockman, Rui and Zou, 2013; Batta, Sucre Heredia and Weidenmier, 2014; Lee, Lee and Nagarajan, 2014; Muttakin et al., 2015; Xu et al., 2015; Zheng, Singh and Mitchell, 2015; Fung, Gul and Radhakrishnan, 2015; Hichem, 2015; Sojli and Tham, 2017; C. R. Chen et al., 2017; Xu, M. David and Hi Kim, 2018). Specifically, it can be divided into several categories of corporate performance such as firm value

(Lee, Lee and Nagarajan, 2014; Fung, Gul and Radhakrishnan, 2015; Muttakin et al., 2015; C. R. Chen et al., 2017) and return ratio (Fan, Wong and Zhang, 2007; Boubakri, Cosset and Saffar, 2008; Amore and Bennedsen, 2013; Brockman, Rui and Zou, 2013; Batta, Sucre Heredia and Weidenmier, 2014; Xu et al., 2015; Sojli and Tham, 2017). As for other studies, they examine the corporate political connection with a specific variable such as survival capabilities (Zheng, Singh and Mitchell, 2015), post overseas listing performance (Hung, Wong and Zhang, 2012) and other variables.

Another major point of political connection studies is corporate action. These studies examine the connection between strategic action of corporations whether they have a certain political connection or not. Bertrand et al. (2018) found that publicly traded firms managed by politically connected CEOs adjust their employment and plant creation (and destruction) practices in ways that are consistent with helping incumbent politicians in their bid for re-election. Schweizer, Walker and Zhang (2019) found that politically connected top managers are more motivated to carry out cross-border M&A deals than their unconnected counterparts and are in a better position to handle the logistics, while Ferris, Houston and Javakhadze's (2016) studies also examine the correlation between political connection and merger activities. The other studies examine the contribution action including Corporate Social Responsibility (Tahoun, 2014; Lin et al., 2015; Zhang, Marquis and Qiao, 2016), disclosure (Al-Hadi, Taylor and Al-Yahyaee, 2016; Hung, Kim and Li, 2018), investment (Cull et al., 2015; Pan and Tian, 2017), and others (Chizema et al., 2014; Zhu and Chung, 2014; Kostovetsky, 2015).

In addition, loan and special rights have also become interesting topics for researchers regarding the political connection. Its main cause as political connection grand theory commonly based on rent-seeking theory which it will gain special treatment compared to firms that do not possess political connection. These topics are only divided into two, focus on the loan amount and its interest rate (Dinc, 2005; Khwaja and Mian, 2005; Claessens, Feijen and Laeven, 2008; Houston, Jiang and Lin, 2011; Boubakri et al., 2012; Infante and Piazza, 2014; Liu, Luo and Tian, 2016; Bliss et al., 2018) and is focused on government special treatment (Faccio, Masulis and McConnell, 2006; Duchin and Sosyura, 2012; Blau, Brough and Thomas, 2013; Jiang et al., 2018).

Some prior political connections literature also shows some interest in the corporate stock topic. Mostly it is correlated with stock returns either its

cumulative (Kim, 2013; Berkman et al., 2017; Lehner, 2018) or in the form of Cumulative Abnormal Returns (Hung, Wong and Zhang, 2015; D. Chen et al., 2017). Other sub-topics include as capital structure (Desai, Fritz Foley and Hines, 2008), IPO activities (Piotroski and Zhang, 2014), and forecasting and recommendations (Chen, Ding and Kim, 2010; M. Christensen et al., 2016).

Other categories rising in terms of political connection studies are good corporate governance (Chen et al., 2011; Braam et al., 2015; Du, 2017), auditing (Gul, 2006; Bliss, Gul and Majid, 2011; Habib, Muhammadi and Jiang, 2017b; He, Pan and Tian, 2018), certain regulations such SEC enforcement (Correia, 2014; Heese, 2019), and tax avoidance (Kim and Zhang, 2013; Christensen et al., 2015; Z. Lin et al., 2017). It indicates the diversity of topics that can be identified as in line with corporate political connection.

We also documented that most of the studies on political connection in top tier journals were concerned with endogeneity problems. These can be defined as broadly referring to situations in which an explanatory variable is correlated with the error term (Wooldridge, 2013). Commonly econometric techniques to deal with endogeneity problems are instrumental variables, difference-in-differences estimators, the regression discontinuity design, matching methods, panel data methods, and higher-order moments estimators (Roberts and Whited, 2013). In our literature review, we documented 32 studies using various techniques that aimed to address the endogeneity problems.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

One alternative research method that has become more common in the past years is meta-analyses (van Essen, van Oosterhout and Carney, 2012; Khelif and Chalmers, 2015; Velte, 2018). This meta-analyses study includes 61 previous empirical quantitative research in the context of corporate political connection. Based on our analysis, the corporate political connection was mostly conducted on developing countries as it provides a unique institutional setting. We also documented that political connection was commonly used as an independent variable as it was classified as one of the corporate characteristics that can affect various other corporate variables. In addition, the topics related to political connection mostly used by researchers are corporate performance, corporate action, and loan and special rights.

We hope that in the future, more researchers

will conduct meta-analyses on selected interesting accounting and business topics as its growing needs. Future meta-analyses should include the detailed type of political connection such as political affiliation and the political connection variable level such as board corporate or national level. We also encourage that future meta-analyses research include the lower-tier journals to provide a more comprehensive perspective on corporate political connection research.

This meta-analyses research may provide a useful overview not only to researchers interested in corporate political connection issues, but also to business industries and regulators. Practical implications can be derived from this study as various documented corporate variables have a correlation with political connection characteristics such as corporate performance. This can serve as an indication for managers and shareholders to carefully manage their political connections for their potential benefits. As for regulators, this study can be used to know how political connections and lobbying practices can enormously influence business practices, especially for governments in developing countries.

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