

Chapter 16

The Performance Implications of Corporate Political Ties: Government–Business Relations in Turkey

Nazlı Berberoğlu Yılmaz
Ankara Yıldırım Beyazıt University, Turkey

ABSTRACT

The main purpose of this chapter is to examine the performance implications of corporate political ties (CPT) that the business organizations establish with the government in the long run. Since the relevant literature mostly focuses on the outcome of these relations, they miss the process which creates the outcomes. Hence, there is no consensus over the performance implications of corporate political ties in the relevant literature. In the chapter, the author examines the CPT-performance relation by taking the process into the center of the study which is conducted in a state-dependent national business system. More specifically, the author examines how the Turkish organizations adapt their political ties in the face of changing political environment and what are the performance implications of this adaptation.

INTRODUCTION

In the modern capitalist system, it is assumed that the main determinant of organizational success and failure is the market rules. Hence, the economy is evaluated independent from social, cultural and historical backgrounds of the related country by the neoclassical theories. However, the social embeddedness perspective points that the economy and economic relations cannot be disembodied from the context on the contrary of the main stream economic theory (Gemici, 2008; Granovetter, 1985). According to this perspective, economic activities are socially embedded and regularized, that take an idiosyncratic nature from the time and place in which they occur (Jessop & Ngai-Ling, 2006). In that case, since the economy cannot be interpreted independently from the social environment and institutions, we must not ignore the role of the state in the economy, where many of the sources of production are managed by it (Buğra, 1994; Polanyi, n.d.). Regarding the resources, it holds, the state is an important agent in the economic sphere. In reality, the free market structure does not function as envisaged in the ideal type.

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Even in the most advanced modern capitalist systems, the market alone cannot play such a decisive role. The state may find a legitimate basis for justifying interventions to the economy (Öniş, 1992). Moreover, government authorities at the head of state organs may create an obstacle to the realization of this ideal market situation, especially where the state's power is centralized in their hands. This, in turn, constitutes an area of intersection where the government and businessmen inevitably meet. The activities that organizations initiate to maximize their self-interest or to gain a competitive advantage in this intersection area, have drawn considerable interest of organizational researchers in recent years.

In this vein, the relevant literature suggest that political power can lead to the domination on the economic sphere by political arrangements, which disrupt competition in the market or may lead monopolies for giving privileges to the specific groups (Kumar, Thakur, & Pani, 2015). Moreover, government may arrange patent rights or licences for certain groups or restrict the entry of other groups into certain sectors. Thus, as one of the most affected parties from the power of the state, organizations establish connections with the state/government through varying mechanisms, inevitably. Organizational connections with the state/government are addressed by several theories in organization literature such as institutional theory, resource based view, stakeholder theory, agency theory. Resource Dependence theory, is the main focus of this study which also give explanation to state-business relations through corporate political activity(CPA) concept. The resource dependency theory basically focuses on how organizations manage their external dependencies (Pfeffer & Salancik, 2003). Hence, the CPA literature, examines the dynamics of organizations' relationships with the state or governments, and try to influence political environment and their outcomes (A. J. . Hillman, Withers, & Collins, 2009; A. J. Hillman, Keim, & Schuler, 2004; Sean Lux, Crook, & Leap, 2012; Skippari, Eloranta, Lamberg, & Parvinen, 2005). According to Rajwani and Liedong (2015) political activities that are implemented by the organizations are divided into three groups. These are; financial strategies covering organizations' financial supports for the political parties or actors; informational strategies containing organizations' involvement and intervention in the political decision-making processes, and relational strategies (corporate political ties, CPT) which refers developing both informal and formal relations with the political leaders and parties to reach resources and protection through the aegis of the state. The antecedents, mediating mechanisms and outcomes of these activities constitute an increasingly growing body of literature (A. J. Hillman et al., 2004; Lawton, McGuire, & Rajwani, 2013; S. Lux, Crook, & Woehr, 2011; Rajwani & Liedong, 2015a). However, there is a debate in the literature that, although there is a common opinion on the antecedents, complete and comprehensive information on the performance outcome of CPA cannot be reached yet (S. Lux et al., 2011; Rajwani & Liedong, 2015b). While some studies suggest positive impact of relational strategies on the performance others does not support this argument. In this study, the effects of the relational strategy on the performance will be examined in an emerging country. From the inconsistency mentioned above, the author will focus on state-business relations in a state-dependent business system.

The researcher thinks that such an investigation will contribute to the current literature in two ways. The first contribution is to shed light on the debate above. Contrary to the expectation that, CPT strategies will only have positive or negative impacts on performance, the author think that relational strategies' performance implications can go both ends regarding the changes in the political environment in which they are established. In other words, rather than focusing on the contingent value of these ties, observing an organization's political connections in a given time period will provide better understanding by explaining the underlying mechanisms of change in ties and their performance outcomes. This will enable us to demonstrate organizations' adaptability to the changing dynamics of political environment (Doğru, 2015). The author has designed the work by considering the process that witnessed changes in

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