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**Article:**

Bell, S., Hindmoor, A. and Umashev, N. (2023) The determinants of corporate political activity in Australia. *Australian Journal of Political Science*, 58 (4). pp. 363-382. ISSN: 1036-1146

<https://doi.org/10.1080/10361146.2023.2231893>

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To cite this article: Stephen Bell, Andrew Hindmoor & Nicholas Umashev (2023): The determinants of corporate political activity in Australia, Australian Journal of Political Science, DOI: [10.1080/10361146.2023.2231893](https://doi.org/10.1080/10361146.2023.2231893)

To link to this article: <https://doi.org/10.1080/10361146.2023.2231893>



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Published online: 10 Jul 2023.



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# The determinants of corporate political activity in Australia

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## ABSTRACT

Large corporations in Australia have shifted from limited to more fulsome engagement in political activity (CPA) in recent decades. The paper argues that this reflects corporate institutional change in response to wider changes in the environment that have included growing government intervention, increased industry concentration and intra-sectoral competition, and a more complex and challenging discursive and issues environment. Quantitative and regression-based analysis of the drivers of CPA are employed and the analysis is extended and deepened with material drawn from interviews with twenty-five corporate government relations professionals.

## ARTICLE HISTORY

Accepted 25 June 2023

## KEYWORDS

Government relations; corporate political activity; lobbying; institutional change; political influence

## Introduction

Corporate political activity (CPA) occurs when large firms seek to influence governments, public policy, or the wider polity. It is a non-market strategy aimed at reducing costs, increasing profits, or promoting the political or reputational goals of the firm (Bernhagen and Mitchell 2009; Lux, Crook, and Woehr 2011). CPA has been increasing in a range of western democracies in recent decades with large corporations professionalising their CPA functions (Alves 2020; Bernhagen and Mitchell 2009; Coen 1997; Coen and Vannoni 2020; Drutman 2015; Ehrlich and Jones 2016). Research on this topic in Australia however is sparse (though see Allen 2012; Bell and Warhurst 1993). From a low base, particularly prior to and during the 1970s (Bell and Warhurst 1993), there has been an escalation of CPA in recent decades in Australia and the aim here is to explain why.

In terms of previous research, Bell and Warhurst (1993) studied the initial rise of government relations functions in large firms, Allen (2012; 2020) provides a broad practitioner overview of CPA, as do Sheehan and Sekules (2012), whilst Bell (2008) explains the mobilisation of firms to form the big business lobby group, the Business Council of Australia (BCA) in the early 1980s. The relative paucity of literature is partly due to firms having limited engagement with politics up until the 1980s, traditionally relying instead on ad hoc approaches, personal contacts, or on business associations.

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For large firms during this period, Geoff Allen (2011, 1), the first Executive Director of the Business Council of Australia (BCA), writes that ‘the leaders of major national corporations were largely missing from political and industrial action ...’ This has changed, however. One catalyst was what the *Australian Financial Review* described as a ‘business rabble’ at the Labor government’s National Economic Summit in 1983 (Stutchbury, 1983). Further catalysts were business engagement with ‘new politics’ issues such as the environment and women’s movements (Marsh 2003, 235), the growth of anti-corporate sentiment, and the increased mobilisation of adversaries and interest groups, as well as examples rising of overseas business activism. The result as Allen (2012, 1) writes, has been ‘a fundamental shift in the way major Australian companies have approached governments and the community that has taken place over the past two decades’. These developments should be of interest to political scientists because large firms constitute an important set of interests, whilst the impact of corporate influence and power have become more apparent (Bell and Hindmoor 2014; Edwards 2022).

Many overseas studies of CPA have used resource dependency theory as an explanation, seeing CPA as stemming from resource exchanges between firms and governments involving information, expertise, and access. As Coen, Katsaitis, and Vannoni (2021, 10) explain, ‘the main argument is that firms act in the political arena because they need something from the public authority ... In doing so, they exchange resources with the public authority’.

The relationship between firms and governments is certainly important, but as Mitchell, Hansen, and Jepsen (1997, 1097) argue, we also need ‘an approach which recognizes institutional and political factors, in addition to the narrower economic interests of the corporation’. The explanatory framework used here relies on institutional theory, especially historical institutionalism (HI), which essentially argues that agent’s behaviour is shaped by the broader institutional and structural context in which they operate. In this manner, agents create and change institutions and wider structures whilst these in turn shape the resources, incentives and constraints faced by relevant institutionalised agents (Bell 2011; Lowndes and Roberts 2013; Steinmo and Thelen 1992). The focus here is on how broader historical patterns of institutional and structural transformation have seen the operating environment of large firms change in Australia. This has provided strong incentives to shift from relative inactivity in the political environment, as was the case in the post-war period, to a stance now where most large firms have become much more politically active. The question then is what has changed?

Arguably, there have been four drivers of such change. First, firms have become bigger and better resourced, managerial orientations have changed, and there has been a rise of specialised government relations functions within firms, all of which have spurred CPA. Second, in terms of wider institutional factors, there has been strong growth in corporate regulation and in some cases in securing lucrative government contracts, both of which have increased levels of CPA. Governments also exert ‘pull factors’ involving calls for expertise, information and engagement, further incentivizing CPA. Third, at the industry level, there have been structural changes whereby firms increasingly operate within industries marked by increased industry concentration and intra-sectoral competition, again driving CPA. Fourth, the range of pressing issues has increased over time, making the lobbying environment noisier and more complex, and raising new legitimacy challenges for large firms, again driving CPA. Fifth, the broader business culture and the

institutions of government in Australia are also factors in shaping the level and nature of CPA, as a comparison between Australia and the US shows.

This article is divided into six sections with each section featuring both quantitative and qualitative analysis. The first section reviews data and methodology. The second outlines the general findings of both our quantitative and qualitative analysis and presents an overview of CPA in Australia. The third section looks at the firm-level drivers of CPA. The fourth examines broader institutional drivers of CPA, focusing on the interface with government in terms of regulation, government contracts, as well as government pull factors. Finally, the fifth section explores the role of structural features within industries while the sixth section discusses the impact of discursive dynamics and national culture.

## Data and methods

We have studied a cross-sectional sample of 135 large firms, comprised of the largest 15 firms (by revenue in 2019) from 9 representative sectors (energy and mining, manufacturing and industrials, retail, healthcare, financials, communications and information technology, utilities, transport, banks). We allocated firms to these sectors based on the Global Industry Classification Standard Code (GICS). We employ quantitative methods and regression analysis to determine the factors that correlate with and potentially act as drivers of CPA (our dependent variable), measured here by available data on 1. donations to political parties, 2. the hiring of an external lobbyist, 3. membership of an umbrella business association, and 4. corporate submissions to government policy committees. Annual donor returns, obtained from the Australian Electoral Commission Transparency Register (2019), were used to aggregate a firm's total donations to political parties over the years 2008–2019. Data is used from the Australian Lobbyist Register to determine whether a firm has hired an external lobbying agent since the lobbyist register's inception in 2008. A value of 1 is used if the firm has hired a lobbyist and 0 if a firm has not hired a lobbyist to construct our dependent variable. Data on firm membership of an umbrella association (the Business Council of Australia and Centre for Corporate Public Affairs) was obtained via publicly available membership lists in 2020. We use Australian Senate submissions as a proxy for firm interaction with government policy committees. This is due to the significant overlap between Senate submissions and other parliamentary committee submissions, such as the House of Representatives. Senate submissions by firms were manually searched for via the Parliament of Australia online directory and used to codify whether a firm made a submission to an Australian Senate Committee from 2008 to 2019. We test the impact of a host of suggested determinants of CPA against these measures, controlling for current ratio (as a measure of firm slackness) and the share of Australian ownership in 2019, using both OLS and Probit regression models.

Most studies of CPA have relied on quantitative analysis, but as Hillman, Keim, and Schuler (2004, 851) argue, studies of CPA should also consider using qualitative data based on interviews with key participants. A further rationale is that quantitative measures of CPA are limited in Australia by available data. Hence, in late 2021, twenty-five semi-structured interviews of about one hour were conducted with government relations professionals in a number of large companies in our sample. Many of

these respondents also had experience working in government, in business associations, or as third-party lobbyists. It was agreed that firms and interviewees would remain anonymous. Our interview data provides a broader and richer account of CPA than can be achieved through the somewhat narrow quantitative measures that are available.

## General findings

Similar to overseas research (Bernhagen and Mitchell 2009; Hillman, Keim, and Schuler 2004; Lux, Crook, and Woehr 2011; Mitchell, Hansen, and Jepsen 1997; Schuler and Rehbein 1997), our quantitative findings on the drivers of CPA point mainly to firm size, industry concentration, and the sales interface with government. While quantitative measures on regulatory burden are lacking in Australia, our interviews reveal that corporate regulation is also a major driver of CPA. Table 1 illustrates how firms have adopted various types and rates of CPA.

It is clear from Table 1 that CPA is not universal across firms in Australia. Overseas studies also reveal a degree of corporate inactivity. In the US, Hansen, Mitchell, and Drope (2004, 426) found about 20% of firms in their sample were inactive and that they were generally ‘smaller rather than larger firms, less exposed to government regulation, less visible, less targeted by other interests and more likely foreign-owned’. Our sample of 135 firms contains most of the largest firms in Australia but, even within this sample, the size of firms ranges from very large firms down to medium sized firms. The latter are less politically active than larger firms. Across our sample, over a twelve-year period (2008–2020), only about one third of firms made a political donation or hired an external lobbyist. Our interviews also suggest a downward trend for political donations, partly due to increased politicisation around such giving. As Table 1 shows, in aggregate across our quantitative measures, 64% of firms engaged in some form of CPA, leaving 36% that did not. Our data also suggests that only a few large firms run a Canberra office, unlike in the US where corporations have moved to establish Washington DC offices in recent decades. Inactive firms did not generally respond to our requests for an interview, although interviewee (15), from an inactive firm, commented on the problems of ‘political short-termism’ and said, ‘we prefer to do things our own way, rather than depend on politicians, because we don’t think they’re dependable’. Interviewee (14) said that ‘that’s one of the reasons why a number of firms don’t get engaged in lobbying, because it’s very hard to convince people that it’s value for money’.

It is clear however that the majority of large firms do engage in some form of CPA and this trend is increasing. Interviewee (16) said:

**Table 1.** Types and rates of CPA used by corporations in our first sample of 135 firms.

|   | %    |
|---|------|
| Hired lobbyists (2008–19)                           | 29.6 |
| Donated to political parties (2008–19)              | 34.1 |
| Belonged to an umbrella industry association (2020) | 28   |
| Made senate submissions (2008–19)                   | 50.4 |
| Utilised some form of CPA                           | 64   |

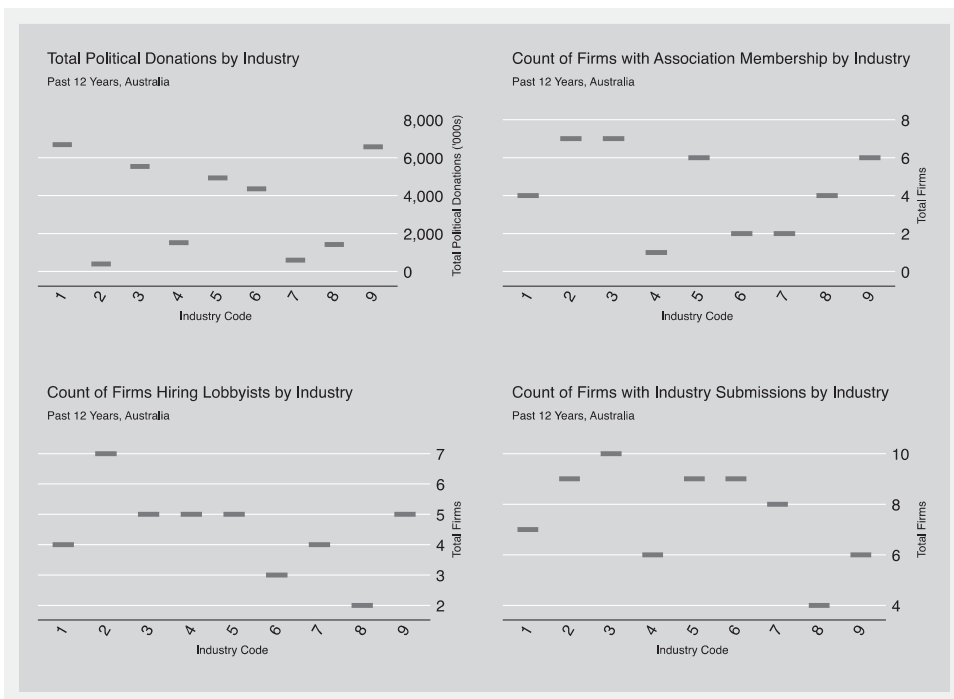
Note that the rates associated with the types of CPA, presented in this table, sum to greater than 100%. This is as a given firm in our sample may use more than one type of CPA.

companies have invested more in government relations. In the late 1980s, more was done through industry associations and third-party organisations. That was in part because companies didn't want to stick their head up. These days companies are much happier to be engaged and transparent.

Graph 1 below indicates a large variance between sectors across our different measures of CPA. Specifically, the energy and mining industry contribute the most to political donations (totalling \$6,684,335 over the past 12 years), the manufacturing and industrials sector and the retail sector are the most engaged with umbrella associations (7 members each), the manufacturing and industrials sector hires the most lobbyists (7 total), and the retail sector has the greatest number of firms engaged with senate committees (10 firms). Interestingly, firms utilise distinctly different CPA strategies depending on the industry they are in, as shown in Graph 1. This also reflects Grattan Institute findings that 'Businesses in highly regulated industries, such as transport, mining, energy, and property construction, all actively seek to influence politicians, although the channels of influence vary by industry'. (Wood and Griffiths 2018, 12).

### Firm-level drivers of CPA

Many firms in Australia have become bigger and better resourced, managerial orientations have changed, and in-house organisational changes have seen the rise of specialised government relations functions, all of which have spurred CPA.



Graph 1. CPA measures by industry. Industry codes: 1 – energy and mining, 2 – manufacturing and industrials, 3 – retail, 4 – healthcare, 5 – financials, 6 – communications and information technology, 7 – utilities, 8 – transport, 9 – banks.

## **Size**

A range of overseas studies have shown that larger firms, due to firm resources, interactions with governments, and political visibility, are likely to be more politically active (Hillman, Keim, and Schuler 2004; Lux, Crook, and Woehr 2011; Mitchell, Hansen, and Jepsen 1997; Schuler and Rehbein 1997). As Bernhagen and Mitchell (2009, 171) argue in the case of Europe, ‘firms become significantly more likely to take up political activity [...] the bigger they are’. In Australia, many firms have become larger over time. The Australian Competition and Consumer Commission (ACCC) reports that the top one hundred ASX companies have increased their share of GDP from 27% in 1993 to 47% in 2015 (Sims 2016).

In our quantitative analysis, firm size includes data on the number of employees and net income obtained from the Osiris Database. In the case of any missing data in the Osiris Database, this was obtained via a given firm’s financial statements and the Company360 database. We used financial data from the 2019 financial year in Australian Dollars. As shown in the OLS and Probit regressions found in Appendix 1, firm size had a statistically significant and positive impact on all four of our measures of CPA. Specifically, a one percent increase in the number of employees is associated with a \$46,421.66 increase in political donations as well as increasing the probability of hiring lobbyists, being a member of an umbrella association, and making senate submissions. Net income also had a statistically significant and positive impact on the likelihood of umbrella association membership and senate submissions; however, net income was not a statistically significant determinant of political donations and hiring a lobbyist, largely because firms do not engage heavily in such activities.

Our interviews also indicate firm size is a key driver of CPA. Interviewee (13) said ‘most very large organisations will have some sort of government relations function’. Interviewee (21) said ‘that the bigger the company the more likely they are to have a corporate public policy function’. However, the size of firms rapidly diminishes down our sectoral lists of firms and many firms in our sample are smaller compared to the bigger players and therefore face resource constraints, limiting CPA. Interviewee (9) explained, ‘because we are not a blue-chip company. We’re not sort of top 20 on the ASX. Our voice on these issues isn’t as loud, and we wouldn’t get the public forum that some other organisations get’. Interviewee (1) argued, ‘size does matter ... you’ll get medium sized firms that don’t have a dedicated government relations team ... Certain smaller businesses certainly won’t ... even medium sized firms will often rely on third party lobbyists’. Interviewee (1) noted ‘medium sized companies are unlikely to have any inhouse [government relations] capacity and if an issue comes up, they will go to one of those third-party lobbyist firms’. Interviewees suggested many medium and smaller firms relied on third-party lobbyists and/or on business associations, especially on their sectoral associations.

### ***The government relations function***

Increasing CPA is often linked to the rise of the government relations function (Bell 2022), mirroring, for example, US and European developments (Coen and Vannoni 2020; Drutman 2015). Geoff Allen (2020) argues that a substantial majority of large

firms, certainly those within the top one hundred, have developed professionalised public affairs and government relations functions, usually with three or four government relations specialists, but in some firms many more. Interviewee (18) said ‘government relations is a specialist responsibility in the top 100 companies and probably the top 150 companies’. Interviewee (4), when asked whether corporate government relations activity had increased over the years, replied, ‘oh yes, massively’. Interviewee (2) stated the government relations role typically involves ‘monitoring political environments, relationship management, writing policy submissions, attending forums, influencing our business association’s policy, contributing to their submissions, engaging internally, supporting the CEO and other executives, writing speeches, preparing presentations and helping the media and communications team’.

Martin (1995) and Drutman (2015) argue that the presence of such in-house political and policy capacity within firms can act as a catalyst for the further development of CPA activities as firms become more attuned and capable in the political arena. As Drutman (2015, 2) explains:

Hiring a lobbyist and creating a government affairs department sets in motion a series of processes that, over time, collectively push companies towards more lobbying. Corporate managers begin to pay more attention to politics. In doing so they see more reasons why they should be politically active.

This can involve government relations playing an educative role amongst senior managers. As Interviewee (1) argued, within the firm ‘about half my time is spent on engaging and influencing my internal stakeholders – getting them to understand what the political world is doing and how it impacts on us ... if I didn’t have that support internally ... I wouldn’t be effective’. Similarly, Interviewee (14) said his role was about ‘promoting politics and being a politician within the firm and helping them [management] to understand the political process’.

### ***The role of senior management***

This educative role is important because the returns from CPA can often be ambiguous and hard to measure (Hart 2004, 55). As Coen, Grant, and Wilson (2010, 14) point out, government relations managers ‘often find it a challenge to quantify their contribution to the bottom line’. Studies show mixed results, with some showing limited returns while other studies show stronger returns from CPA (Baumgartner and Leech 2001; Hanegraaff and Poletti 2021, 841). Evidence that CPA is increasing over time suggests that firms increasingly value it.

Here, the attitudes of senior managers are crucial. Our interviewees generally (though not always) regarded top management and boards as supportive of their role. Interviewee (20) thought that ‘you’ve got to know that you have the backing of the CEO and the top leadership team’. Interviewee (13) thought that management had an ‘increased level of awareness and engagement with politics ... [reflecting] the way politics can affect us if we do it badly’. Several interviewees pointed to increased professionalism, a greater strategic focus, and the ability of government relations managers to look across the firm had helped increase management support. However, support is not universal in Australia, even amongst large firms. As Interviewee (21) said, that:

one of my battles is that they [management] don't really understand this world at all. They have sales and numbers they need to reach, which is the world they come from because they're generally salespeople... there is also confusion that corporate and government affairs is about PR, when it's not

## Broader institutional drivers of CPA

Institutional analysis argues that agents, such as those involved in CPA, are shaped by, and respond to the broader institutional environment in which they operate (Bell and Feng 2014; Steinmo and Thelen 1992). Here, we outline two institutional drivers of CPA, (1) the interface with government in terms of contracts and regulation and (2) government 'pull factors' with governments wanting more from firms regarding advice, expertise, and information.

### *Interface with government: government sales/contracts*

Overseas research finds industry sales to the government as a significant determinant of CPA (Grier, Munger, and Roberts 1994; Hansen and Mitchell 2000; Hansen, Mitchell, and Drope 2004; Hillman, Keim, and Schuler 2004; Lux, Crook, and Woehr 2011; Mitchell, Hansen, and Jepsen 1997; Ozer and Lee 2009, 5; Wilson 1990). Boies (1989, 830) argues that 'corporations with the richest history of interaction with the state are amongst the most politically active,' whilst in the US, Wilson (1990) found that the 'scale of the contracts obtained from the federal government is the best predictor of the scale of the corporation's political activities'. Moreover, the resultant elimination of free rider problems in the case of firm-specific gains, suggests that firms with more government sales or contracts have incentives for more lobbying and political activism. Hillman and Hitt (1999) find that firms with heightened levels of dependence on government adopt a long-term, relational approach to CPA, as opposed to a short-term transactional approach.

In our quantitative analysis, data on government sales awarded to firms was obtained from AusTenders (2020). In line with the lobbyist register, as well as to account for time differences in lobbying activities and rewards, we aggregated data on government sales/contracts by firms over the years 2008–2020. Furthermore, we also use a second measure firm's interface with government in terms of government assistance to firms, which includes factors such as subsidies and tariffs. Data here is obtained via an index ranking of 1 (very low) to 5 (very high) sourced from IBISWorld market reports on sub-industries.

From our sample of 135 sample firms, 40 firms received government contracts, with the 12-year earnings average being \$10,300,000. As Appendix 1 shows, such earnings have a statistically significant and positive effect on whether a firm decides to hire lobbyists or be a member of an umbrella association. Although government contract earnings had a statistically insignificant effect on donations to political parties, 43% of firms that gave political donations also received government contracts.

Government assistance is, however, associated with lower levels of political donations and association membership. Specifically, a one-point increase in our government assistance index is associated with a decrease in donations of \$113,394 over a 12-year period.

This surprising result could be due to a variety of factors, such as higher firm visibility due to government assistance or already high levels of government assistance reducing the incentive to use CPA or association membership to receive more assistance.

In our qualitative analysis of this issue, Interviewee (6) mentioned that successful lobbying for an extension to the federal government's renewable energy target had generated a large contract for his company. Interviewee (21) thought that government relations was important 'because the government is our biggest and most important customer ... and the trust factor and the relationship and how you are viewed does impact the sales function'.

### **Government regulation**

Business regulation is cited in overseas research as a driver of CPA (Lux, Crook, and Woehr 2011; Wilson 1990). First, costly regulation creates an incentive for firms to alter or eliminate such regulation. Second, perhaps due to prior lobbying, an industry with a regulatory burden that creates high barriers to entry, thereby protecting incumbent firms, incentivizes firms to maintain those regulations. Allen (2012, 1) cites the findings of a McKinsey survey that found that corporate managers across the world saw governments and regulation as the second most important influence on corporate performance (customers ranked first).

There are no clear quantitative measures of regulatory impact on business in Australia. OECD (2018) data on product market regulation in Australia, covers only a narrow number of sectors and is limited in other ways. Hence, this variable is omitted from our quantitative work.

Our interview data however reveals that interviewees universally thought that government activity had increased over time. This is partly due to firms themselves demanding increased regulation and partly due to broader interest group pressure and policy change, especially since the 1980s and 1990s. Whatever the reason, increasing regulation has been an important driver of increased CPA in Australia. Interviewee (15) said 'you need to be more prepared for governments to become more involved in your business'. Interviewee (9) said the government relations 'role has grown in importance in correlation to the amount of government intervention in the sector'. Interviewee (24) said that the 'number of government agencies has increased, the amount of regulation has increased ... despite our reputation, we're not a small government country'. Interviewee (18) said 'the significant scale of resources into government relations [in companies] is directly relevant to the degree of regulation and government intervention'. Interviewee (20) said that CPA in Australia had increased due to 'government activity going up ... the levels of government intervention into markets and sectors has increased, I think, exponentially'. The same interviewee noted that their firm was subject to '300 major pieces of regulation and there's effectively 24 different regulators that have some input in our space'. Interviewee (3) said, 'that's where the risk and opportunity come from, from the fact that your commercial operations are very much pegged out by government policy and regulations'. Interviewee (12) said regulation is 'the thing that really drives our engagement ... there's a lot of complexity in the regulatory environment and just the monitoring itself is a significant resource'. Interviewee (5) thought that 'the majority of firms will make CPA

decisions based upon regulatory intervention'. Interviewee (7) thought CPA is mainly driven by 'how regulated your industry or your business is'.

### ***Pull factors from government***

A further driver of CPA is the changing nature of the political and policy world itself. Most respondents thought that governments had become more interested in engagement with business, giving rise to the growth of 'pull factors' from government in the form of ongoing requests for information, advice, expertise, and participation in policy networks and advisory roles. This activity is referred to in the literature as 'access goods' whereby business provides needed goods to government in return for enhanced access to government, enhanced credibility, and perhaps increased influence (Alves 2020; Bouwen 2002; Coen and Vannoni 2020). Interviewee (20) said that 'part of the process is the government wanting information, wanting input into things, setting up industry working groups, and what have you'. Interviewee (9) said access goods were 'a very critical part of the game'. Interviewee (4) stated that 'you get public servants wanting to run processes and consultations to get the right information and to show they have consulted'. As interviewee (1) stated, 'we are seeing a greater level of government interest and intervention ... the number of reviews and inquires etc. has grown exponentially ... we've got a pipeline of about 20 different government reviews and inquiries going ... and parliamentary committees have become far more important'. Moreover, 'we provide data to back up our policy position and indeed the government more and more has made it a condition of any advocacy'. Interviewee (10) said that parliamentary 'submission writing is really important ... that's a ticket to ride into public policy conversations'. Interviewee (5) answered a question about such business responses being akin to 'being an unpaid public servant' with 'Yes, I'd say that's the case here'. Interviewee (22) said that such were the demands that 'we have needed to make a decision, who is running the show? Is it what the government wants us to do, or is it what we want to do?' The same interviewee also cautioned that in dealing with government its 'about playing the ball not the man, so you're supporting the policy and not the political party. So, you're not alienating the opposition'. Such interaction and exchanges of information do not necessarily constitute business influence or power, however. Interviewee (2) cautioned that if governments look at your proposals and 'don't see a broader benefit or that electoral benefit then they're kind of, you know, business doesn't have a vote'.

### ***Industry-level drivers of CPA***

Industry level factors also drive CPA, especially within industries marked by structural features such as high industry concentration and intra-sectoral competition.

#### ***Industry concentration***

Overseas research has found that firms in concentrated industries are likely to be more politically active (Hillman, Keim, and Schuler 2004; Lux, Crook, and Woehr 2011; Ozer and Lee 2009, 5; Schuler, Rehbein, and Cramer 2002). Such firms face fewer problems in organising collective action in CPA and may have a higher total return on their political

investments since the firm's financial return from achieving policy change is more often concentrated (Olson 1971; Posner 1974). Conversely, in industries with low market concentration, firms face substantial costs for lobbying for a policy while only benefiting from a portion of the policy change's industry wide advantages (Olson 1971). In Australia, Bakhtiari (2019) suggests that lobbying has become a more effective method of achieving market dominance relative to innovation and therefore recent increases in market concentration have led to higher levels of CPA. On the other hand, in concentrated industries, CPA may be less effective due to policymakers being hesitant to grant favours to highly visible firms (Bauer, Pool, and Dexter 1972). To add to this, more concentrated industries may well find it easier to establish private cartels which act as a substitute for CPA-focused activities to achieve market control (Posner 1974). Though market concentration involves both negative and positive underlying effects on political action, overall, we expect that firms in highly concentrated industries will be more likely to engage in CPA.

In our quantitative analysis, we measure market concentration using an index ranking of 1 (very low) to 5 (very high) provided by IBISWorld market reports for 2019. Our findings in Appendix 1 suggest that market concentration is positively related to political donations with a one-point increase in the index being associated with a \$170,052.4 increase in political donations. Similarly, as shown in Appendix 1, using a Probit model, we find a statistically significant relationship between levels of industry concentration and CPA activities such as hiring a lobbyist, association membership, and senate submissions by firms.

### ***Competitive lobbying***

Competitive efforts by firms within given sectors to seek political or policy advantage over rival firms can also drive CPA. In the US, for example, Drutman (2015) finds that competitive lobbying dynamics can lead to snowballing effects whereby 'lobbying begets more lobbying'. This process is spurred by individual firms seeking particularistic adjustments to policies or regulation, a move which can prompt other firms to respond, generating a kind of lobbying leap frogging. The policy and regulatory environment thus becomes more crowded, complex, and particularistic, requiring further efforts by firms to monitor developments and stay on top.

This dynamic is present in Australia, though it is not universal across sectors. Interviewee (24) said that governments might sometimes be reticent to do special deals, 'because government will go, if we make changes on this company's behalf, who else will we piss off?' Interviewees also sometimes described their sector as relatively cooperative in the lobbying domain. Interviewee (13) described his sector as one where 'our interests as largely aligned', and as having a form of 'collegiate competition'. Lobbying competitiveness can also depend on the specific corporate issue. Interviewee (15) said that there can often be cooperation on 'pre-competitive issues' that span the sector, 'so there's a clear distinction between what's pre-competitive and what's competitive'. Interviewee (9) stated that in his sector, 'on one issue we'll all be friends and working together ... on other issues it will be street fighting'.

There is evidence of lobbying leapfrogging in Australia. Interviewee (14) said that on a key issue 'we knew there were other people lobbying for a counter point of view, so we

certainly upped the ante in our efforts to convince the government'. Interviewee (15) said that in one case a company 'lobbied to try and get the government to adopt standards that gave them preferment ... . Other companies, of course, had to respond to defend their position against that'. Interviewee (12) stated 'it's very competitive ... some of our competitors will be advocating for something ... that would fundamentally undermine our business ... so if we hear they are engaging more, we'll engage more'. As interviewee (1) put it, our competitors 'have seen that companies like us have been involved with government at a very deep level, and that's pushed them'. Interviewee (4) stated, 'we were arguing for further restrictions on advertising. The reason we were doing that was because our competitors were saturating the market with a lot of advertising'. The same interviewee said some the newer firms in the sector were not paying much taxation. 'We lobbied for a point of consumption tax which now has our newer competitors paying [much higher taxation]'. Interviewee (9) gave an example of where:

one particular operator, which was the most effective lobbyist ... did extremely well at carving out amendments in legislation ... largely to their benefit ... so every time an amendment would be proposed, yes, you would have a bunch of counter-lobbying from other operators ... it is true that lobbying begets lobbying.

Interviewee (20) said that 'if we get wind that our major competitor is making a push on a particular thing that could actually advantage them or disadvantage us, we would definitely be down in Canberra and lobby against that'.

## **Discursive dynamics and national culture**

The issues and discursive environment as well as national culture plays a role in both the extent and nature of CPA in Australia.

### ***Issue and discursive dynamics***

A further driver of CPA is the increasing welter of issues and pressures facing large firms. Large firms are increasingly facing new political challengers and reputational and legitimacy issues. Firms have faced challenges due to populists decrying the role of 'experts' and 'elites', roles which business has traditionally utilised to advantage in sharing expertise and knowledge with governments (Morgan and Ibsen 2021). Many interviewees said that the corporate policy agenda had widened beyond narrow bottom-line issues to a wider set of issues around climate and energy policy, as well as social issues, including workplace and social inclusion issues, summed up in the often-used phrase, ESG issues (environment, social, governance). Respondents also thought that pressures from institutional investors, activist investors, and pressures from corporate employees had added to the issues agenda. As interviewee (23) argued, 'shareholder activism is increasingly a feature of annual general meetings and input into the share price for CEOs ... that has provided a commercial imperative for companies to look much further than just the balance sheet'.

There are also technological and media challenges that have made interest group politics noisier, more immediate, and more demanding. Interviewee (24) said governments have 'become more receptive to a wider range of voices. The voices have multiplied, so business has to make sure it's better at selling its message'. Interviewee (19) said 'it's a far

busier, noisier environment ... with a more complex electorate with all these voices that weren't there previously'. Interviewee (7) argued,

there was a growing mistrust and cynical view of what you are doing and saying ... I do think that technologies have made a huge change in what information is available to people through less traditional channels ... now you'll have fifty different sources ... coming from their own perspective ... it's been disrupted ... it's made our job tougher.

Interviewee (13) thought that 'stakeholder groups have become considerably more engaged and activated' and that governments had 'become more reactive to a diversity of fairly clever stakeholder groups'. Interviewee (10) thought the more contested environment made corporate 'reputation' an issue and a driver of CPA. 'So, reputation, I think, is really important increasingly to corporates'. A survey of corporate affairs and government relations managers by the Sydney-based Centre for Corporate Public Affairs in 2019 argued 'corporations were stereotyped negatively ... Elected officials and regulators responded to the growth in sophistication and the voice of a range of interest groups targeting corporate behavior. Many companies felt themselves becoming increasingly regulated, and powerless' (2019, 1). In a major episode of reputational damage, the banking sector faced a federal Royal Commission into its activities in 2017 which found unethical and fraudulent behaviour. This, and the wider perceived negative impacts from banks, led interviewee (13), from the banking sector, to say banking had become 'very heavily politicized. So, we tend to get dragged into debates around – I mean, you name it'.

### ***The national culture and institutions of business-government relations***

Firms operate amidst a culture and set of institutions that define broader national traditions of business-government relations which can shape the level and nature of CPA. Analysis here often compares liberal-pluralist traditions of business-government relations and more corporatist forms that are typically found within Europe (Hillman and Hitt 1999). The former is said to involve more individualistic forms of CPA and the latter more collectivist forms, often more reliant on collective mobilisation through business associations.

These national distinctions are increasingly questionable, however. Recent European research points to the 'increasing importance of individual [corporate] action coupled with the decreasing relevance of collective forms of action, such as membership of national business associations' (Coen and Vannoni 2020, 614). Similarly, Aizenberg and Hanegraaff (2020) argue that increasingly 'corporations tend to lobby alone' in the EU (see also Bernhagen and Mitchell 2009; Hillman and Hitt 1999). Moreover, even if we compare liberal-pluralist countries we find quite different patterns of business-government relations which have clear impacts on the nature of CPA.

A number of interviewees had first-hand experience of lobbying and CPA in the US and pointed to marked differences between the two countries. As interviewee (24) argued, the US has a 'more competitive and opaque lobbying environment ... it's very aggressive, it's a different culture there. It's American culture, politics is more aggressive'. Institutional differences also matter here. Interviewee (9) argued that an important difference between Australia and the US is party discipline.

In Australia it's extremely rare for a member of any major party to cross the floor. Whereas in America that tends to be standard practice. So, a lobbyist's ability to pick off a member or senator on a certain issue is enhanced ... lobbying is a much bigger game in America because of the ability to change outcomes.

Interviewee (10) argued that in the US,

in their legislation you can stick anything inside pretty much any bill, and it can pass ... things are pretty freewheeling in the American political system ... So, you don't have that in Australia which makes it a lot harder ... Also, the culture of policymaking and politics is very different to the culture in Australia.

This difference was very apparent in the battle in 2005 between Telstra, the major telco firm in Australia, and the federal government over the rollout of the national broadband network. Telstra hired a CEO from the US who adopted an aggressive approach to government relations. Interviewee (9) commented that this CEO, 'employed a much more bolshie American approach which was not in sync with the more usual Australian approach to lobbying. We'll, we've all seen the fallout from that, and the fallout continues to this day'. As interviewee (10) put it, 'he brought the American way of doing government relations and he crashed and burned ... we just don't do business like that here in Australia'.

The culture and institutional setting of business-government relations are thus different in Australia. Hillman, Keim, and Schuler (2004) contrast two different styles of business-government relationships – short-term, needs driven, and ad hoc approaches vs. longer-term, trust-based, relational engagement between firms and governments. In Australia the more conciliatory approach compared to the US generates a pattern of engagement with government that is more of the latter type. As a result, it is labour intensive, further driving CPA, because of its focus on ongoing, long-term relationship building with governments, policy makers and other interlocutors. Short-term reactive engagement by business and an ad hoc approach to government are not widely endorsed by large firms in Australia. Interviewee (17) stated that 'in our experience government does not appreciate only "needs driven" engagement'. Interviewee (21) said their role was about building a 'trusted advisor role' with government. 'How do we get them to value our input? There's a big credibility factor here, it's not about going to them just when we want something'. Interviewee (6) said we operate 'from a strategic, long-term relational perspective, rather than just relying on narrow transactional advocacy ... it's about building awareness and hopefully trust'. Interviewee (1) related, 'the strategy is one of long-term relationship building ... you've got to become credible in the eyes of the stakeholders and eventually earn their trust'. Hence, the amount of time and effort devoted to CPA is partly driven by the perceived need by firms in Australia to try and cultivate relatively deep, ongoing, trust-based relations with policy makers, as opposed to simpler, ad hoc, needs driven approaches.

## Conclusion

In assessing the drivers of CPA in Australia, we have demonstrated that firm size, market concentration, and the scale of the existing interface with government are statistically associated with higher levels of CPA. However, such quantitative findings provide a

rather mechanical and static view of the drivers of CPA. What distinguishes the approach here is the interview data, which offers a richer and more dynamic picture of CPA in Australia.

We find that CPA has increased in recent decades, mainly driven, according to respondents, by the increased role of government in the business environment, particularly the increased regulatory burden faced by firms. The other elements that have driven increased CPA have included: a general recognition by senior managers that CPA is increasingly a strategic corporate function, the increasing demands by governments for business input into policy making, the increased complexity and competition in the lobbying environment, including the 'lobbying begets more lobbying', as well as the increased range of ESG issues that corporates face in the political and policy environment; one that is often regarded as hostile. A further finding is that although Australia and the US are broadly liberal pluralist political systems, there are marked differences in CPA style and intensity when the two countries are compared.

Beyond explaining the rise of CPA in Australia, further studies are needed to probe whether this is associated with rising corporate influence or power, and whether firms are increasingly pursuing narrow bottom-line agendas, as US research shows (Drutman 2015; Mizruchi 2013). Future research should also probe the wider consequences of rising CPA including positive and negative effects on different stakeholders. Finally, future research could also evaluate the effectiveness of current regulations and policies affecting CPA in Australia.

## Acknowledgements

The authors would like to thank the corporate interviewees who generously gave of their time, and to Geoff Allen for support and comments on the paper.

## Disclosure statement

No potential conflict of interest was reported by the author(s).

## Funding

This work was supported by the Australian Research Council under grant number DP20010052.

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## Data availability statement

The data that support the findings of this study are available on request from the corresponding author. Several data sources are not publicly available due to containing information that could compromise the privacy of research participants.

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## Appendix 1. Items related to quantitative analysis

**Table A1.** OLS regression on donations to political parties.

|                               | Political party donations (2008–2019) |                        |
|-------------------------------|---------------------------------------|------------------------|
|                               | (I)                                   | (II)                   |
|                               | b/p                                   | b/p                    |
| Net Income                    | 0.062<br>(0.137)                      | 0.065<br>(0.124)       |
| log(Employees)                | 45832.26***<br>(0.002)                | 46421.66***<br>(0.006) |
| Government Contract Earnings  | −0.007<br>(0.120)                     | −0.001<br>(0.136)      |
| Market Concentration Index    | 166454.6**<br>(0.021)                 | 170052.4**<br>(0.022)  |
| Government Assistance Index   | −92812.89**<br>(0.041)                | −103394.4**<br>(0.034) |
| Current Ratio                 |                                       | 1879.32<br>(0.709)     |
| Share of Australian Ownership |                                       | 220752.5<br>(0.342)    |
| Constant                      | −420917.9<br>(0.163)                  | −493010*<br>(0.086)    |
| $R^2$                         | 0.1574                                | 0.1631                 |
| $N$                           | 133                                   | 127                    |

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ . Robust standard errors used. Note government contract earnings are from 2008 to 2020. All other independent variables listed in the table are from 2019. Net income is in \$100,000 AUD units.

**Table A2.** Probit regression on hiring lobbyists.

|                               | Hired Lobbyist (2008–2019) |                      |
|-------------------------------|----------------------------|----------------------|
|                               | (I)                        | (II)                 |
|                               | b/p                        | b/p                  |
| Net Income                    | 4.97e-08<br>(0.452)        | 2.58e-08<br>(0.706)  |
| log(Employees)                | 0.151**<br>(0.023)         | 0.195***<br>(0.009)  |
| Government Contract Earnings  | 3.01e-09<br>(0.111)        | 3.26e-09*<br>(0.073) |
| Market Concentration Index    | 0.158<br>(0.305)           | 0.241<br>(0.119)     |
| Government Assistance Index   | 0.089<br>(0.638)           | −0.039<br>(0.838)    |
| Current Ratio                 |                            | −0.011<br>(0.293)    |
| Share of Australian Ownership |                            | −0.636<br>(0.249)    |
| Constant                      | −2.439***<br>(0.005)       | −2.497***<br>(0.010) |
| Pseudo $R^2$                  | 0.0926                     | 0.1203               |
| Prob > Chi2                   | 0.026                      | 0.026                |
| Log pseudolikelihood          | −73.797                    | −68.908              |
| $N$                           | 133                        | 127                  |

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ . Robust standard errors used. Note government contract earnings are from 2008 to 2020. All other independent variables listed in the table are from 2019. Net income is in \$100,000 AUD units.

**Table A3.** Probit regression on umbrella association membership.

|                               | Umbrella Association Membership (2020) |                        |
|-------------------------------|--|------------------------|
|                               | (I)                                    | (II)                   |
|                               | b/p                                    | b/p                    |
| Net Income                    | 9.63e-07***<br>(0.001)                 | 9.83e-08***<br>(0.000) |
| log(Employees)                | 0.366***<br>(0.000)                    | 0.372***<br>(0.000)    |
| Government Contract Earnings  | 8.70e-09**<br>(0.027)                  | 8.75e-09**<br>(0.027)  |
| Market Concentration Index    | 0.534**<br>(0.012)                     | 0.512**<br>(0.018)     |
| Government Assistance Index   | -0.633***<br>(0.006)                   | -0.651***<br>(0.005)   |
| Current Ratio                 |  | -0.014<br>(0.200)      |
| Share of Australian Ownership |  | -1.093*<br>(0.098)     |
| Constant                      | -4.229***<br>(0.001)                   | -3.769***<br>(0.005)   |
| Pseudo $R^2$                  | 0.4964                                 | 0.5065                 |
| Prob > Chi2                   | 0.000                                  | 0.000                  |
| Log pseudolikelihood          | -40.523                                | -38.655                |
| $N$                           | 133                                    | 127                    |

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ . Robust standard errors used. Note government contract earnings are from 2008 to 2020. All other independent variables listed in the table are from 2019. Net income is in \$100,000 AUD units.

**Table A4.** Probit regression on firm senate submissions.

|                               | Made a Senate Submission (2008–2019) |                       |
|-------------------------------|--------------------------------------|-----------------------|
|                               | (I)                                  | (II)                  |
|                               | b/p                                  | b/p                   |
| Net Income                    | 6.80e-07**<br>(0.014)                | 6.35e-07**<br>(0.018) |
| log(Employees)                | 0.198***<br>(0.003)                  | 0.222***<br>(0.003)   |
| Government Contract Earnings  | 2.72e-09<br>(0.177)                  | 2.30e-09<br>(0.222)   |
| Market Concentration Index    | 0.414**<br>(0.010)                   | 0.414**<br>(0.012)    |
| Government Assistance Index   | -0.272<br>(0.127)                    | -0.253<br>(0.167)     |
| Current Ratio                 |                                      | 0.000<br>(0.992)      |
| Share of Australian Ownership |                                      | -0.309<br>(0.564)     |
| Constant                      | -2.275***<br>(0.009)                 | -2.410***<br>(0.009)  |
| Pseudo $R^2$                  | 0.496                                | 0.506                 |
| Prob > Chi2                   | 0.000                                | 0.000                 |
| Log pseudolikelihood          | -69.103                              | -65.342               |
| $N$                           | 133                                  | 127                   |

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ . Robust standard errors used. Note government contract earnings are from 2008 to 2020. All other independent variables listed in the table are from 2019. Net income is in \$100,000 AUD units.