Family Firms in Government Lobbies

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Abstract

Purpose - Although the outcomes arising from firms’ interaction with policymakers is a developed theme, family firms’ political credentials and lobbying remain unexplored. To ignite this discourse, the extent to which these factors influence family firms’ tax experience and perception of corruption obstacles is estimated, as well as the impact on sales performance.

Design/Methodology/Approach - Cross-sectional data from Turkish family firms are examined by a structural equation model. The sample comprised of 588 family firms spanning 12 regions.

Findings - The paths revealed that family firms’ political credentials do not inherently yield a positive tax experience. Rather, membership of a business association provides a medium to engage in lobbying activity. In turn, this leads to a more positive tax experience but also a greater exposure to corruption. Likewise, informed lobbying increases sales performance while corruption has the reverse effect.

Originality/Value - The significant influences of political credentials and lobbying makes a novel contribution to organisational field theory. Practically, the study appeals to family firms seeking to ease their tax experience while increasing sales and bypassing corruption.

Keywords: Family Firms; Political Credentials; Informed Lobbying; Tax Experience; Corruption; Sales Performance.

1. Introduction

Knowledge of family firms’ parallel pursuit of business and family goals is well-developed in the literature (Littunen, 2003; Klein et al., 2005; Chrisman et al., 2013). Commonly espoused as ‘socioemotional wealth’, this attribute has been neatly described as the ‘non-financial aspects of the firm that meet the family’s affective needs such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty’ (Gomez-Mejia et al. 2007: 106). On account of this, scholars have grasped that family involvement deepens emotional attachment, social bonds, a sense of firm identity and the likelihood of bloodline succession (Miller and Le Breton-Miller, 2005; Berrone et al., 2012; Barros et al., 2017; Araya-Castillo et al., 2021). Hernández-Perlines et al. (2021) also believe that socioemotional wealth constitutes the essence and single most important characteristic that distinguishes family firms from other ventures. Thus, scholars’ interest in socioemotional wealth is predicated on its exclusivity to family firms and the extent to which it guides their strategy development (Chang and Mubarik, 2021).
Relatedly, Cennamo et al. (2012) intimated that socioemotional wealth stimulates a proactive behaviour of external participation in the course of family firm activity. This participation often takes the form of political involvement as family firms have been known to commit resources to forge relationships with lawmakers and regulators (Li and Zhang, 2010; Dou et al., 2014; Hillman et al., 2014). Ciravegna et al. (2020) concur that the involvement of family firm leaders in political activities supports their continued engagement with diverse stakeholders and signals their long-term commitment to the community loci. Indeed, family firms’ mingling with political agents is an age-old affair (Hashmi et al., 2018). As far back as 1841, it was reported that the Rothschilds had not only amassed the greatest fortune recorded in the Western world, but they had also changed the fate of history by financing monarchs and kings (Ferguson, 1998). Similarly, the Du Pont family’s influence in American politics during the 18th and 19th centuries was largely unconcealed (Wilkins, 1991). More recently, the political involvement of families such as the Tatas of India (Bennedsen et al., 2022), the Dantatas of Nigeria (Jalloh, 2017), the Guptas of South Africa (Martin and Solomon, 2016), the Koçs of Turkey (Baykan, 2019) and the Shinawatras of Thailand (Rappa, 2022) are a sample of bloodlines with ongoing political involvement. Still, the tendency to pursue and maintain political connections is greater in venal environments where access to public resources and favourable legislation are obtainable from such association (Bertrand and Schoar, 2006).

By comparison, large family firms court greater publicity and their political involvement is more conspicuous than their smaller counterparts. The latter are usually situated in local communities and are predominantly grassroots ventures (Salvato et al., 2020; Hossain et al., 2021). This proximity triggers a predicament between preserving a positive reputation versus cultivating political connections with local officials that may deplete the endowment of socioemotional wealth (Combs et al., 2020). Yet, this tension may also be relative to a community’s tolerance of corruption and the aspects of socioemotional wealth prioritised by family firms in diverse contexts. While there is no shortage of evidence reporting the political involvement of large family firms in various settings (Pérez and Puig, 2009; Xu et al.; 2015; Du, 2017; Balan; 2022), studies loosely assessing the lobbying activities of small family firms are limited to Colli et al. (2003) and Reay et al. (2015). This is unsurprising as Koiranen (2002: 181) since suggested that owners/managers ‘do not regard their family firms as active social citizens who lobby or actively participate in political decision-making’. It is now opportune to interrogate this contention.
To begin with, an attribute of family firms that has, so far, eluded investigation is the political credentials of owners/managers or board members of the enterprise. In this regard, political credentials are the previous appointment or election of family firms’ decision-makers to a political office. This attribute is also known as ‘ascribed connection’ when family firm leaders possess political credentials before developing their family business, or ‘achieved connection’ ex post (Jiang and Min, 2023: 240). As Coen (1997) suggests, it is presumable that family firm decision-makers with a political history maintain a degree of insider status that is sufficient to influence institutions and policy actors. There is also a contention that political credentials are an important attribute for navigating economic and social life (Bai and Wu, 2020), as it bestows access to instigate, influence or sway local, nation or foreign policy development. Nevertheless, scholarly interest in this theme is somewhat obsolete and exclusive to the political science corpus (Walder, 1995; Coen, 1997; Walder et al., 2000; Franceschet and Piscopo; 2014). Thus, knowledge of the manner in which decision-makers influence policy development by virtue of their political roots remains undeveloped in the family firm literature.

Secondly, as earlier alluded, the lobbying activities of family firms has largely escaped review. Lobbying denotes firms’ informal exchange of information with public authorities to influence the latter (Van Schendelen, 1993). In a rare study, Colli et al. (2003) touched on the lobbying effectiveness of Italian and Spanish family firms compared to their British peers during the nineteenth and twentieth centuries. Also rare, Reay et al. (2015) offered evidence of successful lobbying for legislative change by family wineries in Canada. The shortage of research in this sphere is surprising owing to the enduring understanding of family firms’ socio-political dependence and embeddedness (Lansberg, 1983; Leaptrott, 2005), and the value of liaising with the status quo (Melin and Nordqvist, 2007; Miller et al., 2009; Reay, 2009). Accordingly, both DiMaggio and Powell (1983) and Scott (2014) cite the incidence of the ‘organisational field’ in which firms, stakeholders, institutions and regulators with common values interact meaningfully to determine the inherent rules of the game. For family firms, involvement in the organisation field increases legitimisation and long-term financial viability (Olson et al., 2003; Reay et al., 2015).

Third, among other outcomes, the consequence of family firms’ political credentials and lobbying activity may manifest in (1) a more favourable tax experience but also (2) a greater exposure to corruption obstacles in the polity. Pertaining to tax experience, there is a broad
consensus that greater lobbying commitment by firms is associated with a lower tax rate and burden (Richter et al., 2009; Aidt, 2010; Meade and Li, 2015; Van de Vijver, 2022). In fact, Fredriksson (1997) maintains that the presence (or absence) of lobbying activity is a condition for instituting taxation policies. Therefore, all things being equal, it is probable that greater lobbying activity will produce a more positive tax experience even for family firms. Notwithstanding this upside, an intensification of family firms’ dealings with institutional actors in the organisational field may also increase exposure to debilitating corruption pitfalls. Recalling Bertrand and Schoar’s (2006) claim that family firms are more likely to develop political relationships in corrupt contexts, Carbone (2020: 5) shares a corresponding view that ‘lobbying is associated with corruption in many countries’.

To fathom the ramifications of political credentials, lobbying, tax experience and corruption obstacles, family firms’ sales performance is a plausible indicator of the material benefits of participating in the organisational field. Afterall, family firms’ involvement with political stakeholders is also enthused by the pursuit of financial sustainability (Olson et al., 2003; Reay et al., 2015). In this instance, sales performance refers to the magnitude of a firm’s accounts receivable which is widely adopted as a measure of organisational effectiveness (Schwepker and Good, 2011). Acknowledging that greater sales performance is a signal of firm competitiveness (Smyczek et al., 2019), it differs from relational performance measures [such as the quality of external relationships, employee and customer satisfaction] that are more subjective in nature (Ho and Kovaas, 2020). In this study, the interest in sales performance as an outcome is consistent with Onjewu et al.’s (2022a) examination of small family food firms in Turkey.

To proceed, the questions to be addressed by this inquiry are: (1) What is the effect of political credentials and lobbying on family firms’ tax experience and perception of corruption obstacles. (2) To what extent do these underlying correlations predict family firms’ sales performance. In addition, the contributions of this study are fourfold. From the outset, underpinned by organisational field theory, it conceptualises novel links between political credentials, lobbying, tax experience, corruption obstacles and sales performance of small family firms in Turkey. Subsequently, on the basis of path coefficients, it ranks the discrete contributions of political credentials, lobbying, tax experience and corruption obstacles to sales performance. Furthermore, it quantifies the extent by which the preceding factors predict the
Sales performance of family firms in the sample. Finally, to the authors’ best knowledge, this investigation is the first to offer nuanced evidence of political credentials and lobbying activity from small family firms.

The rest of this inquiry is arranged as follows. Section 2 briefly describes the context of small family firms in Turkey, while section 3 develops a background to organisational field as a theoretical lens flanked by the development of hypotheses. The method of the study is explained in section 4, as well as the measures, items and scales of the variables examined. Findings are presented in section 5 followed by a discussion in section 6. In section 7, the paper concludes with a consideration of theoretical contributions, practical implication and future lines of inquiry.

2. Theoretical Background and Hypotheses

The organisational field perspective lays emphasis on the convergence of groups, such as family firms, that share common meanings (Prysmakova, 2018). Fields are comprised of diverse players that ‘involve themselves with one another in an effort to develop collective understanding regarding matters that are consequential for their organisational activities’ (Wooten and Hoffman, 2017: 64). As first propounded by DiMaggio and Powell (1983), organisational field theory presupposes a connectedness and structural equivalence of actors within a network. This stance rationalises the interface between ‘organisations that, in the aggregate, constitute a recognised area of institutional life’ (DiMaggio and Powell, 1983: 148).

In the domain of family firms, Reay et al. (2015: 293) postulate that the ‘field-level context’ shapes the independent and collective behaviour of actors. They add that interactions in the organisational field of family firms are trilaterally aimed at (1) satisfying the needs of family members [or family logic], (2) profitability [or business logic] and (3) service to the community [or community logic], with the first and third dimensions (family and community) drawing parallels with the socio-emotional wealth thesis (Yu et al., 2015; Chen et al., 2022). Correspondingly, an appreciation of all three logics is necessary to ‘understand the impact of relationships among organisations within a field’ (Reay et al., 2015: 293). Hence, organisational field is a viable lens for examining relationships among members in scenarios where there is a multitude of actors, activities and ideation (Wedlin and Sahlin, 2017). In this vein, the organisational field view complements the assessment of the inherent indicators [i.e., political credentials, lobbying, tax experience, corruption obstacles and sales performance] that reflect the family, business and community logics of family firms (Reay et al., 2015). In its
third dimension of community logic, organisational field also accommodates and advances the pursuit of socioemotional wealth by informing the cultivation of political relationships through lobbying to exercise family influence (Llanos-Contreras et al., 2021). This premise is now conceptualised in the ensuing hypotheses:

**Political Credentials and Informed Lobbying**

There is a view that an active revolving door between business and politics has an influence on the formulation of public policy (Kirkland, 2021). As an attribute, credentials are a proof of membership attesting to an individual’s good standing as well as an affirmation of their de facto authority or assumed integrity (Duncan, 2018). For this reason, individuals with political credentials are afforded certain rights, entitlements and material privileges by the status quo (Walder, 1995). For leaders of family firms, these privileges may include lobbying opportunities. To lobby effectively, firms subscribe to business associations in order to fortify their political resources. As Coen (1998) explains, independent firms with limited political resources are deficient in credibility. Hence, they pursue ‘co-operative solutions which might in the long term bring about a more favourable business agenda’ than if acting independently (Coen, 1998: 82). This evokes the community logic in organisational field, as family firms see value in the collective action afforded by business associations. Feldstein (1975) long affirmed business-community alliance as evidence of altruistic behavior that is beneficial for all parties. Notwithstanding this occurrence, the reverse scenario is conceivable as owners/managers with political credentials may bypass collective lobbying opportunities by directly reducing information asymmetry between the firm and policymakers (Cuevas-Rodríguez et al., 2023).

Even so, it is probable that:

**H1**: Political credential has a positive effect on informed lobbying

**Political Credentials and Tax Experience**

In addition to informed lobbying, it is also conceivable that political credentials enhance the experience of family firms when interfacing with tax officials. Particularly, both ascribed and achieved political connections increase familiarity with government officials (Jiang and Min, 2023), to the extent that the latter become consistent and predictable in maintaining a formal/professional relationship with the firm (Zhou et al., 2013). Nevertheless, the present conceptualisation of tax experience differs from Fochmann and Weimann’s (2013) understanding as proficiency in navigating government-imposed levies. Rather, the emphasis here is on the professional, impartial, fair and transparent decision-making of government officials that influence firms’ satisfaction with the tax regime (Alexander, 2013; Blank, 2017; Al-Rahamneh et al., 2023). Evidence offered by Barkhatova (2000: 666) suggests that tax
officials may exert ‘psychological pressure’ by exaggerating the penalties incurred by family firms for unpaid taxes. This corroborates Okunogbe and Tourek’s (2024) assertion of manipulation and extortion by tax officials. Accordingly, whether by ascription or achievement, the possession of political credentials may afford a level of familiarity that compels tax officials’ better behaviour. In turn, for family firms, there is evidence that a cordial relationship between citizens and the state increases tax morale and compliance (Feld and Frey, 2007). Conversely, the lack of political credentials may inspire uncertainty and tension in the interaction between firms and tax officials owing to a shortage of familiarity and goodwill among parties (Raaphorst, 2017). On this basis, it is predictable that:

**H2:** Political credentials have a positive effect on tax experience

**Political Credentials and Corruption Obstacles**

Despite the utility of political credentials, this attribute may lead to greater exposure to graft especially for susceptible family firms with short-term motives and insular priorities (Miller and Le Breton-Miller, 2020). Metinsoy (2020) suggests that the high tax morale of family firms attracts unscrupulous tax officials, as Jiang and Min (2023: 241) state categorically that ‘if family firms have political connections, then they will become part of the political network and can thus use such network to bribe directly’. This view is also consistent with Jeong and Siegel (2018) and Castro et al.’s (2020) acknowledgment that politically dextrous firms face bribe demands. This is because having political credentials increases the visibility of family firms (Schuler et al., 2017). Consequently, being in the spotlight raises the intensity of their social engagement (Liu et al., 2021) and, by the same token, the extent to which they are exposed to corruption pitfalls (Jiang and Min, 2023). As an attribute, corruption obstacles underscore firms’ impression of deviant bureaucracy, pervasive bribery, conflict of interest, abuse of office and misuse of information (Andersson, 2017; Haddoud et al., 2024). When firms perceive corruption as an obstacle, they are disincentivised to invest (Voyer and Beamish, 2004) and prone to resist the legitimacy of the status quo (Linde and Erlingsson, 2013). At the meso-level, high rates of corruption lead to higher taxes for fewer taxpayers (Gray and Kaufmann, 1998). Then, at the micro-level, it upsets the internal management and performance of firms (Athanasouli and Goujard, 2015). Altogether, these arguments support the assumption that:

**H3:** Political credentials has a positive effect on the perception of corruption obstacles

**Informed Lobbying and Tax Experience**

A core function of business associations is facilitating information exchange to advance the interest of members (Rollings, 2023). They [business associations] function as intermediaries for firms interested in influencing regulation through indirect means (Govorun et al., 2016). In
In this sense, Yu et al. (2014: 315 - 316) affirm that ‘business associations play important roles as bridges between the government and business enterprises. On the one hand, they provide information to the state about the private sector; on the other hand, they offer enterprises another channel to interact with the state and society’. Relatedly, De Bruycker (2015) notes that business associations play pressure politics by their control and distribution of political information. Specifically, ‘by signalling the level of public support and opposition, organised interests try to pressure policymakers to take into account the preferences of their members and supporters’ (De Bruycker, 2015: 600). The benefit of pressure politics of this kind lies in policymakers’ motivation to respond to business associations’ demands or risk being penalised through democratic control mechanisms such as elections (Lucas et al., 2019). Once there is audience, it is typical for business associations to recommend the formulation or review of policies that relieve their tax burden. Lobbying activities have since been associated with lower tax rates and even tax exemptions (Richter et al., 2009; Lynch et al., 2020). These claims lend themselves to a fourth hypothesis:

**H4: Informed lobbying has a positive effect on tax experience**

**Informed Lobbying and Corruption Obstacles**

In addition to influencing the tax experience, it is also conceivable that informed lobbying by business associations lowers the perception of corruption obstacles. This is predictable as Stanley et al. (2014) note that business associations work to raise compliance standards. Similarly, Nugent and Sukiasyan (2009) assert that business associations play a positive role in helping firms avert requests for underhand payments. A positive relationship between bureaucratic corruption and business association membership has also been reported as a means for firms to defend themselves predatory state behaviour (Duvanova, 2007). Furthermore, business associations increase firms’ propensity for new product development when the former help to reduce their perception of political corruption (Sorkun and Özen, 2023). These claims uphold Dixit’s (2015: 25) position that business associations ‘of sufficient quality can eliminate corruption’, while those of lower quality can help reduce it. Hence, as a consequence of informed lobbying by business associations, it is also plausible that family firms enjoy more cordial dealings with tax officials. They may also be less exposed to requests for bribes as members of a business association especially in corrupt contents where officials seek to increase their income in this manner. Thus, based on Reay et al.’s (2015) reasoning of community logic shaping the collective behaviour of family firms, a fifth hypothesis is framed accordingly:

**H5: Informed lobbying has a negative effect on the perception of corruption obstacles**
Tax Experience and Corruption Obstacles

Firms’ tax experience is conditioned by the quality of relationship with tax officials (Salmi and Heikkilä, 2015). Often enough, this relationship is fraught with information opacity and interpretation problems which undermine trust and collaboration between both parties (Raaphorst, 2017). Thus, encounters with tax officials have been described as unpredictable at best (Smallbone and Welter, 2001). While there is evidence of convivial relationships between tax officials and firms (Enachescu et al., 2019), it is also typical for tax officials to exert psychological pressure to disarm, scare and unsettle owners/managers to pay up (Barkhatova, 2000). In effect, tax officials have an upper hand in interactions with firms by possessing prior information and wielding the power to initiate and enforce inspections (Nielsen, 2015; Cohen and Gershgoren, 2016). Such a scenario arises when tax payments require physical contact between taxpayers, there are complex tax laws, and the wages of tax officials are low (Tanzi, 1998). In this context, taxpayers’ experience becomes burdensome and they are susceptible to bribery requests from tax officials (Farah and Ainebyona, 2019; Kaya, 2022). Under such circumstances, McCulloch et al. (2019) find that the less frequently citizens have to pay bribes, the greater trust they have in tax officials. Relatedly, Griffith et al. (2009) reason that perceived corruption reduces entrepreneurial intention within the population. High rates of corruption constrain business development and hinders firms’ value creation as resources are misallocated to graft (Avnimelech et al., 2014, Budak and Rajh, 2014; Dutta and Sobel, 2016). This is especially true for smaller firms, like family enterprises, that utilise a higher proportion of their income to pay bribes (Bai et al., 2019). Therefore, based on Reay et al.’s (2015) family logic, a sixth hypothesis is drawn:

H6: Positive tax experience has a positive effect on the perception of corruption obstacles

Corruption Obstacles and Sales Performance

Typically expressed in monetary or percentage terms, sales performance reflects firms’ ability to generate income from transferring products and services to paying customers (Onjewu, 2022a). There is already copious evidence that the intensity of sales performance is weakened by corruption (Mauro et al., 2019; Martins et al., 2020; Priya and Sharma, 2023). Ezebilo et al. (2019) contend that corrupt practices may precipitate a loss of revenue to the extent that gross economic growth is impeded. The OECD (2017) identifies corruption as a hidden tariff in fraudulent markets that decimates firms’ sales by 5 – 10%. This argument is consistent with Hur-tegin and Jakee’s (2020) ‘sand the wheels’ view of corruption being a hindering factor. Accordingly, Gaviria (2002) have shown that corruption has a negative influence on sales performance, and Martins et al. (2020) demonstrate that this is especially true in the context of
large firms. Yet, Athanasouli et al. (2012) contend that small firms display higher engagement with corruption and there are heterogenous outcomes resulting from this activity. There is also a competing view that corrupt practices ‘grease’ rather than ‘sand’ the wheels of firms to facilitate an increase in sales performance (Williams and Kedir, 2016). This stance is ratified by Kalyuzhnova and Belitski’s (2019) study of 933 firms in Kazakhstan and echoes the second-best perspective mooted by Méon and Sekkat (2005) wherein participating in corrupt practices helps firms to overcome bureaucracy and rigid regulations that hinder ongoing operations and efficiency. Expounding Reay et al.’s (2015) business logic, the penultimate hypothesis probes these opposing views in the context of Turkish family firms:

**H7: Corruption obstacles have a negative effect on sales performance**

**Informed Lobbying and Sales Performance**

Based on the understanding that lobbying is a material corporate expenditure, Chen et al. (2014: 444) deduced that the attribute is ‘positively related to accounting and market measures of financial performance’. This follows the thinking that lobbying decisions are shaped by the aspirational motives of the firm to the extent that the ensuing benefits outweigh potential costs (Eun and Lee, 2019). Although Weymouth (2012) writes that firms with sales to the government are more likely to lobby, Kerr et al.’s (2014) affirmed that there is generally a positive correlation of 28% between lobbying expenditures and sales across the board. Indeed, active lobbying firms hold more intangible assets as demonstrated in their earnings-to-price ratio, dividend yield and return on equity which significantly exceed those of their non-lobbying counterparts (Chen et al., 2014). Kim (2017) intimates that the reduction of tariffs to increase total (domestic and international) sales is a common lobbying agenda among firms. Despite the volume of works suggesting a positive link between lobbying and sales performance, Hadani and Schuler (2012) assert that political investments are significantly and negatively related to firms’ return on sales. On this note, the current conceptualisation proposes informed lobbying to capture the degree by which family firms rely on business associations for (1) information on government regulations to (2) influence regulatory decision-making that might enhance sales performance. This channel is critical because family firms, being predominantly small in size, may find lobbying on their own to be too daunting for lack of financial and political capital (Osgood et al., 2017). In this vein, similar to H7, the concluding hypothesis is informed by Reay et al.’s (2015) business logic as stated below:

**H8: Informed lobbying has a positive effect on sales performance**

The hypotheses are summarised in the theoretical framework below.
3. **Method**

Prior to analysis, the data, measures, sample characteristics, measurement quality and fitness of the data are explained.

**Data and Measures**

The family firm data were sourced from the 2019 World Bank Enterprise Survey of Turkey. From a sample of 1,663 firms, the data was filtered by three criteria. First, only firms with +50% family control were retained. Secondly, only firms with membership of a business association as a medium for lobbying were selected. The associations subscribed to by the respondents were Turkish Industry and Business Association (TUSIAD), the Union of Chambers and Commodity Exchanges of Turkey (TOBB), Association of Independent Industrialists and Businessmen (MUSIAD), Foreign Economic Relations Board (DEIK) and The Turkish Business Women's Association (TIKAD). Last but not least, to avert statistical distortion, all cases with missing and ‘don’t know’ responses were removed from the sample. Following this, 588 family firms were retained from the initial 1,663 cases. The indicators isolated were (1) political credentials [POLCRED], (2) informed lobbying [INFOLOBB], (3) tax experience [TAXEXP], (4) corruption obstacles [CORROBS] and (5) sales performance [SALES]. The items and scale for each indicator are described in table 1 below.

**Table 1: Measures**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Item</th>
<th>Scale</th>
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</thead>
<tbody>
<tr>
<td>POLCRED</td>
<td>Has the owner, CEO, top manager or any of the board members of this firm ever been elected or appointed to a political position in this country?</td>
<td>Binary</td>
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<tr>
<td></td>
<td></td>
<td>[0 = No, 1 = Yes]</td>
</tr>
</tbody>
</table>

**Figure 1.** Theoretical Framework

![Theoretical Framework Diagram](image-url)
<table>
<thead>
<tr>
<th><strong>INFOLOBB</strong></th>
<th>Referring to the most important business association that this firm is part of, how useful are the following services provided to this firm:</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>1. Information on government regulations</td>
</tr>
<tr>
<td></td>
<td>2. Influencing regulatory decision-making processes or “lobbying”</td>
</tr>
<tr>
<td><strong>TAXEXP</strong></td>
<td>In reference to this establishment’s experience with the process of paying taxes, please tell me if you strongly disagree, tend to disagree, tend to agree, or strongly agree with the following statements:</td>
</tr>
<tr>
<td></td>
<td>1. Tax officials were professional and impartial</td>
</tr>
<tr>
<td></td>
<td>2. Tax officials were transparent when making decisions regarding this establishment</td>
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<tr>
<td><strong>CORROBS</strong></td>
<td>To what degree is corruption an obstacle to the current operations of this establishment?</td>
</tr>
<tr>
<td><strong>SALES</strong></td>
<td>In the last complete fiscal year, what were this establishment’s total annual sales for all products and services?</td>
</tr>
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**Research Context**

Geographically, Turkey traverses the Balkan Peninsula of Southeast Europe and the Anatolian Peninsula of West Asia (Arslan et al., 2020). It is famed for its high concentration of small businesses with the vast majority being family firms (Randolph et al., 2021; Yıldız et al., 2021). Along with other business forms, family firms make a significant contribution to Turkey’s $905 billion GDP, making it the 19th largest economy (World Bank, 2023). Although much attention has been paid to the business activities of six influential families [i.e. the Koç, Sabancı, Anadolu, Zorlu, Doğan, and Ülker families] (Ergün and Doruk, 2020), large and small family firms alike constitute 94% of all enterprises in Turkey (Erdogan et al., 2019). Scholars have recently highlighted the contribution of small family firms to the tourism and hospitality (Memili et al., 2020), food and beverage (Onjewu et al., 2022a), manufacturing (Kazancoglu et al., 2021) and agricultural sectors in Turkey (Acar and Özden, 2022). Erdogan et al. (2019:
20) also attest to the role of Turkish family firms in generating and sustaining innovation to advance the economy. This study predicates that, in comparison to large family firms, the effect of the political credentials and lobbying activities of small family firms in the grassroots has not been considered nor understood ab initio. This argument is backed up by Ergün and Doruk’s (2020) depiction of the regulatory influence of large family firms operating in Turkey’s banking sector. Despite its economic might, Turkey’s institutional and regulatory environment is perceived to be weak relative to countries of a similar profile (Selçuk, 2016; Aslan and Akçalı, 2017). Such a scenario foments a fertile ground for cultivating and obtaining payoffs from political connections (Muttakin et al., 2015). After all, the institutions that produce entrepreneurial outcomes are of human design (Bennett et al., 2016; Bennett, 2021; Bennett et al., 2023). Also worthy of note in the organisational field of Turkish family firms is the presence of business associations such as TUSIAD, TOBB, MUSIAD, DEIK and TIKAD. Both Dal and Dipama (2020) and Nizam and Yenal (2020) have stressed the importance of Turkish business associations as an essential channel for exercising political influence.

Sample Characteristics

The family firms in the sample were manufacturers, retailers and service providers. The vast majority (94.4%) had no more than 250 employees. Following the World Bank’s stratified random sampling approach, the 87 provinces of Turkey were split into 12 regions as shown in table 2. The ratio of family stake ranging from 50 – 100% is also presented for the 588 cases investigated.

Table 2. Frequencies

<table>
<thead>
<tr>
<th>Industry</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
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<tbody>
<tr>
<td>Manufacturers</td>
<td>328</td>
<td>55.8</td>
</tr>
<tr>
<td>Retailers</td>
<td>92</td>
<td>15.6</td>
</tr>
<tr>
<td>Services</td>
<td>168</td>
<td>28.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>588</strong></td>
<td><strong>100.0</strong></td>
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<thead>
<tr>
<th>Size</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 19 employees</td>
<td>257</td>
<td>43.7</td>
</tr>
<tr>
<td>20 – 99 employees</td>
<td>219</td>
<td>37.3</td>
</tr>
<tr>
<td>100 – 250 employees</td>
<td>79</td>
<td>13.4</td>
</tr>
<tr>
<td>+250 employees</td>
<td>33</td>
<td>5.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>588</strong></td>
<td><strong>100.0</strong></td>
</tr>
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<table>
<thead>
<tr>
<th>Region</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Istanbul</td>
<td>54</td>
<td>9.2</td>
</tr>
<tr>
<td>West Marmara</td>
<td>2</td>
<td>0.3</td>
</tr>
<tr>
<td>Region</td>
<td>Frequency</td>
<td>Percent</td>
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</tr>
<tr>
<td>Aegean</td>
<td>27</td>
<td>4.6</td>
</tr>
<tr>
<td>East Marmara</td>
<td>6</td>
<td>1.0</td>
</tr>
<tr>
<td>West Anatolia</td>
<td>12</td>
<td>2.0</td>
</tr>
<tr>
<td>Mediterranean</td>
<td>36</td>
<td>6.1</td>
</tr>
<tr>
<td>Central Anatolia</td>
<td>3</td>
<td>0.5</td>
</tr>
<tr>
<td>West Black Sea</td>
<td>99</td>
<td>16.8</td>
</tr>
<tr>
<td>East Black Sea</td>
<td>43</td>
<td>7.3</td>
</tr>
<tr>
<td>Northeast Anatolia</td>
<td>121</td>
<td>20.6</td>
</tr>
<tr>
<td>Central East Anatolia</td>
<td>115</td>
<td>19.6</td>
</tr>
<tr>
<td>Southeast Anatolia</td>
<td>70</td>
<td>11.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>588</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Family Ownership**

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>457</td>
</tr>
<tr>
<td>80 – 99%</td>
<td>22</td>
</tr>
<tr>
<td>60 – 79%</td>
<td>21</td>
</tr>
<tr>
<td>50 – 69%</td>
<td>88</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>588</strong></td>
</tr>
</tbody>
</table>

**Measurement Quality**

Following convention in non-linear analyses, the internal consistency of the outer model is assessed through composite reliability [CR] and Cronbach’s alpha [α] scores ≥ 0.7 (MacKenzie et al., 2011), while convergent validity is checked by average variance extracted [AVE] values ≥ 0.5 (Hair et al., 2011). However, only INFOLOBB and TAXEXP were latent variables [measured by more than 1 item] to allow estimation of CR, α and AVE. To ensure the uniqueness of all indicators in the path model (averting multicollinearity), variance inflation factor scores were calculated. All measures are well below the 3.3 threshold as stipulated by Hair et al. (2019) and Onjewu et al. (2022c). Table 3 presents the full reliability, validity and VIF scores.

**Table 3. Reliability, Validity and VIFs**

<table>
<thead>
<tr>
<th>INFOLOBB</th>
<th>TAXEXP</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR</td>
<td>0.930</td>
</tr>
<tr>
<td>α</td>
<td>0.849</td>
</tr>
<tr>
<td>AVE</td>
<td>0.868</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INFOLOBB</th>
<th>TAXEXP</th>
<th>POLCRED</th>
<th>CORROBS</th>
<th>SALES</th>
</tr>
</thead>
<tbody>
<tr>
<td>VIF</td>
<td>1.151</td>
<td>1.099</td>
<td>1.090</td>
<td>1.642</td>
</tr>
</tbody>
</table>

**Model Fit**

To verify the consistency between the model and data, the average R-squared (ARS) and average adjusted R-squared (AARS) suggested a high level of variance among the endogenous indicators. The average block VIF (AVIF) and the average full collinearity VIF (AFVIF) were below 3.3, denoting a low level of collinearity both vertically and laterally and a freedom from...
common method bias (Kock and Lynn, 2012; Kock, 2014; Kock, 2015). The Tenenhaus GoF [GoF] test also indicated a sufficient goodness-of-fit between the data and path model as prescribed by Kock (2014) and Kock (2022a). Finally, four causality assessment tests were performed as specified by Kock (2022b) namely: Sympsom's Paradox Ratio [SPR], R-squared Contribution Ratio [RSCR], Statistical Suppression Ratio [SSR] and Nonlinear Bivariate Causality Direction Ratio [NLBCDR]. The scores suggested a sound direction of causality in the correlations between the indicators. See table 4.

**Table 4. Model Fit Indices**

<table>
<thead>
<tr>
<th>Index</th>
<th>Value</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average R-squared</td>
<td>0.189</td>
<td>$P &lt; 0.001$</td>
</tr>
<tr>
<td>Average Adjusted R-squared</td>
<td>0.129</td>
<td>$P &lt; 0.001$</td>
</tr>
<tr>
<td>Average Block VIF</td>
<td>1.041</td>
<td>acceptable if $\leq 5$, ideally $\leq 3.3$</td>
</tr>
<tr>
<td>Average Full Collinearity VIF</td>
<td>1.315</td>
<td>acceptable if $\leq 5$, ideally $\leq 3.3$</td>
</tr>
<tr>
<td>Tenenhaus GoF</td>
<td>0.348</td>
<td>small $\geq 0.1$, medium $\geq 0.25$, large $\geq 0.36$</td>
</tr>
<tr>
<td>Sympsom's Paradox Ratio</td>
<td>0.875</td>
<td>acceptable if $\geq 0.7$</td>
</tr>
<tr>
<td>R-squared Contribution Ratio</td>
<td>0.999</td>
<td>acceptable if $\geq 0.9$</td>
</tr>
<tr>
<td>Statistical Suppression Ratio</td>
<td>0.875</td>
<td>acceptable if $\geq 0.7$</td>
</tr>
<tr>
<td>Nonlinear Bivariate Causality Direction Ratio</td>
<td>1.000</td>
<td>acceptable if $\geq 0.7$</td>
</tr>
</tbody>
</table>

4. **Analysis and Findings**

The analysis was undertaken by non-linear partial least squares structural equation modelling [PLS-SEM] using Kock’s (2022a) WarpPLS software version 8.0. This choice was informed by the study’s premise on predicting the influences of political credentials and informed lobbying. In this regard, Ali *et al.* (2016) state that PLS-SEM is suitable for research seeking to predict correlated outcomes. The results will be discerned by interpreting the *p*-values and path coefficients ($\beta$) of the links depicted in the path model.

![Path Model](image)

*Figure 2. Path Model*
The results are further summarised in table 5.

**Table 5. Test of Hypotheses**

<table>
<thead>
<tr>
<th>Relationship</th>
<th>β</th>
<th>p-value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1. POLCRED ⇒ INFOLOBB</td>
<td>0.19</td>
<td>0.01</td>
<td>Significant, Accepted</td>
</tr>
<tr>
<td>H2. POLCRED ⇒ TAXEXP</td>
<td>-0.14</td>
<td>&lt;0.1</td>
<td>Significant, Rejected</td>
</tr>
<tr>
<td>H3. POLCRED ⇒ CORROBS</td>
<td>-0.03</td>
<td>0.25</td>
<td>Not Significant, Rejected</td>
</tr>
<tr>
<td>H4. INFOLOBB ⇒ TAXEXP</td>
<td>0.26</td>
<td>&lt;0.1</td>
<td>Significant, Accepted</td>
</tr>
<tr>
<td>H5. INFOLOBB ⇒ CORROBS</td>
<td>0.20</td>
<td>&lt;0.1</td>
<td>Significant, Rejected</td>
</tr>
<tr>
<td>H6. TAXEXP ⇒ CORROBS</td>
<td>0.55</td>
<td>&lt;0.01</td>
<td>Significant, Accepted</td>
</tr>
<tr>
<td>H7. CORROBS ⇒ SALES</td>
<td>-0.14</td>
<td>&lt;0.01</td>
<td>Significant, Accepted</td>
</tr>
<tr>
<td>H8. INFOLOBB ⇒ SALES</td>
<td>0.11</td>
<td>&lt;0.01</td>
<td>Significant, Accepted</td>
</tr>
</tbody>
</table>

The path analysis revealed that family firms’ with political credentials have a propensity to engage in informed lobbying activity (β = 0.19**). However, it is intriguing that this attribute leads to a negative (β = -0.14***) rather than positive tax experience, and has no bearing on perceiving corruption as an obstacle (p-value = 0.25). Rather, it is informed lobbying through business associations that yields a favourable tax experience (β = 0.26***)), but conversely elevates the cognisance of corruption obstacles (β = 0.20***). Furthermore, tax experience also increases exposure to corruption obstacles (β = 0.55***), while the latter significantly impedes sales (β = 0.14***). Finally, informed lobbying is found to boost sales performance (β = 0.11***). All paths considered, the structural model explained 40% and 3% of the variance in corruption obstacles and sales performance respectively.

5. **Discussion**

To reiterate, the results have shown that the political credentials of family firm leaders is insufficient for yielding a positive tax experience or overcoming corruption obstacles. Rather, family firms looking to exert their political credentials are better served by subscribing to a business association that facilitates informed lobbying activities. Such membership generates a more positive tax experience and enhance sales performance notwithstanding an increased exposure to corruption obstacles. Largely, the findings uphold De Bruycker’s (2015) view that business associations are messengers of information. Reverting to DiMaggio and Powell’s (1983) organisational field theory, the findings can be explained through Reay *et al.*’s (2015) three logics. Thus, the field-level context shaping the family, business and community logics of the family firms under observation are now synthesised with extant literature.

**The Influence of Family Logic**

The impact of political credentials has been found to diminish family firms’ tax experience while bearing no relationship with their perception of corruption obstacles. However, this
attribute [political credentials] is valuable for enabling participation in informed lobbying opportunities afforded by business association membership. This finding validates Walder’s (1995: 312) suggestion that ‘political credentials do not serve as a proxy for ability’. It may constitute the ‘dark side of family firm dynamics’ in the pursuit of socioemotional wealth as mooted by Kidwell et al. (2018: 6). Moreover, family firm leaders’ sole focus on addressing family needs can be detrimental (Craig and Moores, 2005; Rutherford et al., 2006) so much that accrued socioemotional wealth becomes more of a liability than an asset (Naldi et al., 2013). Thus, Miller et al. (2011) stress the imperative to make trade-offs between the needs of the family [family logic] and the needs of the firm [business logic]. Likewise, a contingent of scholars believe that the long-term financial viability of the firm is realised by suppressing the immediate needs of the family (Morck and Yeung, 2004; Stockmans et al., 2012; Berrone et al., 2012). Nevertheless, Reay et al. (2015: 295) retort that a degree of family logic is still necessary to develop valuable inimitable resources for ‘a synergistic rather than competitive relationship between family and business logics’. Furthermore, revisiting Kirkland (2021), the inherent correlations reveal that the revolving door between family firms and politics has no direct influence on the formulation of public policy in the context of Turkey. Specifically, an improved tax experience and immunity from corruption obstacles are privileges that do not accrue to family firms by virtue of their political credentials.

The Influence of Community Logic
The effect of informed lobbying on enabling a more favourable tax experience has been determined to be a positive outcome of business association membership, albeit triggering a greater exposure to corruption obstacles. Although consistent with Yu et al. (2014) and Govorun et al. (2016), this finding contests Reay et al.’s (2015) suggestion that the family logic is stronger than the community logic. On the contrary, it is evident that family firms in the Turkish context pursue ‘co-operative solutions’ (Coen, 1998: 82) through membership of a business association. Subsequently, collective lobbying by business associations facilitates the exchange of material knowledge between family firms and policymakers that lead to tax officials being more professional, impartial and transparent when making decisions concerning the individual members. Specifically, the role of business associations such as TUSIAD, TOBB, MUSIAD, DEIK and TIKAD in facilitating information exchange to advance the interest of members (as per Rollings, 2023) is evidenced here. Seemingly, the opacity, interpretation and ambiguity issues that encumber good relations between family firms and tax officials (Raaphorst, 2017) are subdued by the collective lobbying services provided by
business associations. However, these benefits are obtained at the expense of family firms being considerably more exposed to corruption obstacles.

The Influence of Business Logic

Informed lobbying has also been found to wield a positive influence on family firms’ sales performance, although this outcome is significantly impinged by corruption obstacles. This shows that in addition to addressing non-financial family and community needs, firms simultaneously pursue profitability to satisfy the business logic. The average annual sales reported by firms in the sample was₺24,749,579, with ₤50,000 and ₤376,000,000 being the lowest and highest returns respectively. The negative influence of corruption obstacles on sales performance confirms prior findings (i.e. Mauro et al., 2019; Ezebilo et al. 2019; Martins et al., 2020; Priya and Sharma, 2023) that exposure to fraud is a hidden tariff that limits the income generation of firms. As opposed to ‘greasing the wheels’, corruption has been found to ‘sand the wheels’ in the context of family firms in Turkey. Thus, it is not evident that corruption helps these breed of firms to overcome bureaucracy and increase efficiency that manifests in sales performance as reasoned by Méon and Sekkat (2005), Willian and Kedir (2016) and Kalyuzhnova and Belitski (2019). Rather, what enhances sales performance is participation in informed lobbying as thought by Hadani and Schuler and Kerr et al. (2014). As maintained by Harymawan et al. (2019), the performance of family firms is significantly improved by having political connections and vice-versa. Through the representation of business associations, family firms in the Turkish context are able to overcome the deficiencies of size, financial and political undercapitalisation to participate in informed lobbying activities that increase sales as alluded by Osgood et al. (2017). This also ratifies Eun and Lee’s (2019) belief that firms’ lobbying decisions are shaped by the perceived benefits outweighing potential costs.

6. Conclusion, Implications, Limitations and Future Research

The verdict of this inquiry is that family firms looking to exploit their political credentials to boost sales performance can bypass corruption obstacles by devoting resources to the membership of a business association. This paper concludes by considering the theoretical and practical implications arising, as well as the limitations of the study and future lines of inquiry.

Theoretical Implications

Firstly, Koiranen’s (2002: 181) assertion that owners/managers ‘do not regard their family firms as active social citizens who lobby or actively participate in political decision making’ is strongly refuted. Secondly, this inquiry is one of the first to examine the interplay of political credentials, lobbying, corruption, tax experience and organisational performance in the family
firm context. The novel and mostly significant relationships in the path model offer fresh avenues for scholars to investigate these influences beyond sales performance. For instance, it is probable that these attributes may have a bearing on international performance outcomes such as export intensity (Haddoud et al., 2023; Onjewu et al., 2023). Thirdly, to advance organisational field theory, the results indicate the presence of a synergistic relationship beyond the family and community logics to include the business logic. The determination that corruption ‘sands’ rather than ‘greases’ the wheels in the context of Turkish family firms is a telling contribution that warrants further investigation in environments with complex institutional dynamics facing family firms; such as in Europe (Botero et al., 2015). Yet, considering the immense institutional voids in Turkey (Yildirim et al., 2022), it is surprising that family firms do not respond by participating in corruption to overcome bureaucracy and rigid regulations as a second-best approach. This validates Jiang and Min’s (2022) indication that family firms are ever more willing to protect their socioemotional wealth by shunning bribe payments in the interest of reputation preservation. Fourthly, new light has been shed on the importance of business associations to the lobbying aspirations of family firms. Notwithstanding the value of this collective negotiation opportunity, attention has also been drawn to the knock-on effect of business association membership as it elicits greater exposure to corruption obstacles. Finally, seeing as 94% [555 out of 588 cases with up to 250 employees] of the firms in the sample were small rather than large ventures, this study provides rare evidence of the political activity of small family firms.

**Practical Implications**

Family firm leaders in Turkey can reflect on the current findings to understand and regulate the use of their political credentials. To begin with, independent attempts to directly enhance their tax experience are self-defeating. This outcome can be evaded by subscribing to business associations that offer regulatory information and lobbying opportunities as a service. As business association members, family firms will view tax officials as more professional, impartial and transparent to the extent that their tax morale may be boosted. There is prior evidence suggesting that a high tax morale increases firms’ tax compliance and financial discipline (Cummings et al., 2009; Luttmer et al., 2014; Randelović, 2017). That being said, family firms in Turkey should also be wary that a more favourable tax experience is likely to increase exposure to corruption obstacles. However, this pitfall is tempered by the positive influence of informed lobbying on sales performance. Considering the relatively high level of corruption in Turkey (Karasaç and Halil, 2022), it is unlikely that family firms will attract public backlash from cultivating political connections to the extent that their socioemotional
wealth is depleted. On the contrary, the weak institutional and regulatory environment in the country (Selçuk, 2016; Aslan and Akçalı, 2017) mandates family firms to cultivate political relationships to satisfy financial and non-financial goals. Moreover, family firms can conceal their political involvement by working through business associations.

Limitations and Future Research

Despite the theoretical and practical contributions of this study, there are limitations to be acknowledged which will pave way for future research. The focus on Turkey as a single country means that the results may not reflect what obtains in other countries, even those with a similar socioeconomic profile. The World Bank data analysed is cross-sectional in nature. To this end, the relationships calculated in the path model are mainly associations so any reference to causality should be made with caution. Political credentials, corruption obstacles and sales performance have also been measured by single items which could weaken the intensity of attributes. As the PLS-SEM approach restricts the testing of theory, the application of organisational field theory and its three logics is only reflective. Future studies can address this weakness by replicating the theoretical model in countries with similar characteristics to Turkey. Longitudinal studies across political cycles will also enhance the current insights. Furthermore, political credentials, corruption obstacles and sales performance can be better captured using multi-item constructs. Further research questions arising from this study can probe (1) if/how the path model predicts other outcomes such as export performance, (2) the specific lobbying agenda of family firms and (3) the political influence of the discrete business associations subscribed to by family firms in Turkey. Research addressing these questions will produce additional insights to help these family firms to sell more Turkish delight.
References


