Does the Political Engagement of Top Managers Affect Firm Performance?*

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Abstract

Using over two decades of panel data on US public companies and a measure of political beliefs new to the management literature, we study how the political engagement and ideology of top managers affect firm performance. We find that firm performance is better if a firm’s chief executive officer and other top managers are politically engaged in terms of their propensity to make political contributions, regardless of ideology. We also find that a firm’s performance is improving in the conservatism of a firm’s female top managers (up to a certain limit) but is unrelated to the ideology of a firm’s male managers. Political engagement and female conservatism (again, up to a certain limit) also strengthen the positive relationship between a firm’s innovation intensity and firm performance. This study has implications for our understanding of political engagement, gender, and their interplay in the management of firms.

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