Boardroom Politics under Rising Populism: Performance Feedback and the Appointment of Political Directors

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Abstract:	We examine whether firms appoint former politicians to corporate boards in response to financial performance feedback. Integrating the behavioral theory of the firm with research on corporate political connections, we argue that performance feedback does not translate mechanically into political board appointments. Instead, the effect of performance deviations on the appointment of political directors is moderated by the ideological character of the political environment. Using data on Spanish listed firms from 1990 to 2023, we find that performance deviations from aspiration levels are associated with a lower likelihood of appointing former politicians. However, populist ideology moderates this baseline relationship. Far-left populism attenuates and can reverse the negative association at higher levels, whereas far-right populism reinforces it, particularly under below-aspiration performance. Our study contributes to research on performance feedback, nonmarket strategy, and political connections by showing that firms' governance responses to performance discrepancies depend on the ideological form institutional uncertainty takes.

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Keywords: performance feedback; populism; political directors; behavioral theory of the firm; corporate political connections.

Introduction

The appointment of former politicians to corporate boards has attracted growing attention in the management literature (e.g., Fernández-Méndez et al., 2018; Hillman, 2005; Huang et al., 2024; Jiang et al., 2021; Pascual-Fuster and Crespí-Cladera, 2018; Shin et al., 2018; Sun, 2019; Tihanyi et al., 2019; Zhong and Zheng, 2025). These appointments are typically understood as a way for firms to manage their dependence on political and regulatory actors, as embedding experienced

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public officials within governance structures may help reduce uncertainty and improve access to valuable policy-relevant information and stakeholders (Lester et al., 2008; Pfeffer and Salancik, 1978).

Research on political directors and corporate political connections explains why such ties may be valuable but offers limited insight into when firms decide to strengthen them through board appointments. Despite the rapid growth of this literature, the antecedents of political ties remain much less developed than their consequences (Wei et al., 2023). In this regard, studies rooted in resource dependence theory highlight the informational, legitimating, and access-related benefits that former politicians may provide to firms (Hillman, 2005; Lester et al., 2008; Pfeffer and Salancik, 1978). Nonmarket strategy research likewise emphasizes that the value of nonmarket resources depends on context rather than arising automatically (Dorobantu et al., 2017). At the same time, another strand of the literature shows that political ties do not generate uniform benefits and may even become liabilities under some conditions (Siegel, 2007; Sun et al., 2012). Taken together, this literature establishes that political ties can matter, but also that their value is contingent. Yet it still leaves open a central question: when do firms decide that strengthening board-level political capital is worth the cost?

To address that question, we turn to the behavioral theory of the firm. According to this perspective, firms evaluate performance relative to aspiration levels, and deviations from those aspirations redirect managerial attention and stimulate organizational search (Cyert and March, 1963; Greve, 2003). When managers perceive that firm outcomes may depend on regulation, public policy, or broader political volatility, such search may extend into the nonmarket arena as well (Rudy and Johnson, 2016). Political director appointments are especially relevant in this respect because they embed political capital within the board itself. Compared with episodic lobbying or other

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transactional political tactics, appointing a former politician is a highly visible and relatively durable governance move through which firms internalize political access, interpretive capacity, and institutional intelligence (Hillman, 2005; Hillman and Hitt, 1999).

Nevertheless, performance feedback should not translate mechanically into political board appointments. Political directors are not a routine response to every performance discrepancy. Their expected benefits are uncertain, and their appointments entail costs. Like other forms of co-optation, they may reduce strategic autonomy (Selznick, 1949). Moreover, politically connected directors can become liabilities when their affiliations fall out of step with the surrounding political environment, exposing firms to reputational damage, policy reversals, and regulatory scrutiny (Siegel, 2007; Sun et al., 2012).

The effect of performance feedback on the appointment of former politicians should depend on whether the surrounding institutional environment raises the expected value of board-level political capital enough to justify those costs. This is where institutional context becomes theoretically central. Recent work in nonmarket strategy stresses precisely this point: the value of political ties varies across institutional environments and across the kinds of public stakeholders that matter under specific conditions (Dorobantu et al., 2017; Hiatt et al., 2018). Our argument builds on this contingency logic and applies it to the decision to appoint former politicians to the board.

We analyze populism as a particularly consequential source of such contingency. Populism, defined here as an ideology framing society as a dichotomy between "the elite" and "the people" (Mudde, 2004), undermines institutional stability (Blake et al., 2024) and amplifies political volatility (Rašković et al., 2024). For firms, the key implication of populism is not limited to the possibility of future policy change once populists gain office but extends to earlier stages, when it begins to reshape expectations before formal institutional transformation occurs. We therefore

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focus on rising populism; that is, the stage at which it begins to reshape firms' expectations. During this phase, the rise of populist rhetoric can politicize the environment in which firms operate, amplify uncertainty about future regulation and redistribution, and make business-government ties more publicly visible and contested (Culpepper, 2021; Hartwell and Devinney, 2024a). Under these conditions, political connections take on a different strategic value. Existing ties may become less predictable, while firms place greater value on political guidance, access, and a better understanding of the institutional environment. As a result, political directors may become more useful as a way of helping boards deal with uncertainty, even though the potential costs of appointing them may also rise.

Performance feedback and institutional uncertainty, in the form of rising populism, jointly shape the appointment of political directors. Performance discrepancies direct managerial attention to the call for action, but they do not determine in advance whether the relevant response lies in markets, operations, or governance. Populism helps shape that choice because it alters both the expected returns and the perceived risks of political ties. The heightened uncertainty populism introduces may broaden the appeal of political directors across industries (Hartwell and Devinney, 2024a; Panibratov et al., 2023). Meanwhile, amplified anti-elite rhetoric may raise the reputational and political risks associated with visible corporate-political ties (Hartwell and Devinney, 2021; Kaufman and Murillo Bonvehí, 2021; Rodrik, 2018). Importantly, populism is not ideologically uniform. Far-left and far-right variants differ because populism attaches itself to different host ideologies, which shape how "the elite" is defined and which policy domains become politically salient (Hunger and Paxton, 2022). These differences imply that the value of political directors, and the way firms respond to performance feedback, may vary systematically across ideological contexts.

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We examine these arguments using data on appointments of former politicians to the boards of Spanish listed firms between 1990 and 2023. Spain offers a useful empirical context for this analysis because political appointments to boards are present, public debate over revolving-door practices has been intense, and both far-left and far-right populist rhetoric have gained preeminence within the same national arena. At the same time, this case clarifies the scope of our claims. We do not assume that far-left and far-right populism have invariant implications across countries. In Spain, far-left populism has been closely associated with redistributive, interventionist, and anti-corporate themes, whereas far-right populism has combined nationalist and exclusionary rhetoric with a comparatively market-friendly economic orientation. This context allows us to study how a common firm-level trigger (i.e., financial performance relative to aspirations) interacts with different ideological forms of populism in shaping a highly visible nonmarket governance choice.

We find that deviations from aspiration levels are generally associated with a lower likelihood of appointing former politicians to corporate boards. This negative relationship, however, weakens as far-left populism intensifies and strengthens under far-right populism, particularly in the case of below-aspiration performance. These findings suggest that firms do not treat political directors as routine board additions. Rather, they represent a contingent governance response to the threats and opportunities created by performance discrepancies in populist environments. In the Spanish context, this response becomes more attractive under far-left populism, with its redistributive and interventionist orientation, and less attractive under far-right populism, whose economic profile has been comparatively more market-friendly.

This study contributes to research on boards, corporate political connections, nonmarket strategy, and the behavioral theory of the firm. First, it extends research on political directors by shifting the focus from the consequences of their appointment to the factors that precede it, and by clarifying

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the conditions under which firms deploy this governance mechanism in response to performance feedback. Second, it contributes to nonmarket strategy research by showing that performance feedback may push firms beyond market-based responses and toward the establishment of board-level political ties. Third, it advances contingency-based views of political ties by showing that the value of board political capital depends on ideological and institutional context, not simply on the existence of government dependence. In doing so, the paper responds to recent calls to integrate research on corporate political connections more closely with broader theories of institutional contingency and stakeholder relations in nonmarket strategy (Dorobantu et al., 2017; Hiatt et al., 2018; Wei et al., 2023). A final contribution is to show that firms respond differently depending not only on the level of politicization, but also on whether that politicization is associated with far-left or far-right populism.

Background and hypotheses

Political directors as a nonmarket governance resource

Boards of directors do more than monitor managers. From a resource dependence perspective, they help firms manage their ties to the external environment by providing knowledge, legitimacy, and access to key stakeholders (Hillman and Dalziel, 2003; Mizruchi, 1996; Pfeffer, 1972; Pfeffer and Salancik, 1978; Thompson, 1967). This boundary-spanning role becomes especially important in politically sensitive contexts, where understanding regulations and accessing policymakers can shape strategic decisions. In such settings, appointing former politicians to the board offers firms a distinctive form of political capital (Gao et al., 2023; Hillman, 2005).

Former politicians bring resources that are difficult to obtain through ordinary market channels. These individuals provide privileged access to regulatory processes, political networks, and policy

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expertise developed over years of public service (Hillman, 2005; Lester et al., 2008; Sun, 2019). Their presence increases the likelihood of favorable regulatory outcomes, including leniency in antitrust scrutiny (Kang and Zhang, 2018), financial support during periods of distress (Faccio et al., 2006; Wood et al., 2023), and preferential access to government contracts (Goldman et al., 2013). These benefits stem from politicians' distinctive human and social capital (Lester et al., 2008). Former officeholders possess sophisticated knowledge of governmental processes and policy design, allowing them to anticipate regulatory developments, interpret political signals, and reduce the firm's costs of compliance and strategic positioning (González-Bailón et al., 2013; Hillman, 2005; Hillman and Hitt, 1999). In addition, their social capital provides direct channels to key policymakers, acting as boundary-spanners who can secure preferential treatment in financing, contracting, and regulatory oversight (Pfeffer and Salancik, 1978). These mechanisms collectively serve as a hedge against institutional uncertainty. They therefore extend the firm's nonmarket capacity by internalizing political access and interpretive capability within its governance structure (Wei et al., 2023).

However, appointing political directors is not costless (Selznick, 1949). Such appointments are highly visible, relatively durable, and potentially controversial. They may expose firms to reputational scrutiny and be interpreted as signs of elite collusion or revolving-door behavior. Their value is thus context-dependent rather than automatic (Siegel, 2007; Sun et al., 2012). For that reason, firms are unlikely to rely on them as a routine response to every challenge they face. Their appeal should instead be greatest when managers perceive that strengthening the firm's board-level political capital offers clear strategic benefits.

Performance feedback and political appointments

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Resource dependence theory explains why political directors may constitute a valuable governance resource but is less informative about when firms are likely to activate that resource. The behavioral theory of the firm helps explain when such activation occurs. Firms evaluate their outcomes relative to aspiration levels, and deviations from those aspirations reshape managerial attention and the scope for organizational search (Cyert and March, 1963; Greve, 2003). Performance below aspirations tends to trigger problemistic search, whereas performance above aspirations usually reduces pressure for change, even if it can sharpen attention to the protection of existing advantages.

In the absence of additional contextual pressures, these dynamics imply that performance deviations reduce rather than increase the likelihood of political appointments. Appointing a political director is a specific and politically salient governance decision, not a generic response to performance discrepancies. When firms perform above aspirations, they have weaker incentives to alter board composition because the pressure to search is low and the expected value of politically sensitive governance changes is limited. When firms perform below aspirations, search is activated, but boards may still avoid political appointments because such appointments are visible, potentially contentious, and not the most direct response to operating or competitive problems. Under performance pressure, boards may instead prioritize responses perceived as more proximate, conventional, and defensible, including operational adjustments or appointments based on functional expertise rather than political capital.

This reasoning is consistent with research showing that performance feedback affects not only the intensity of search but also its direction (Kuusela et al., 2017). Firms facing shortfalls do not necessarily move toward nonmarket responses unless these are perceived as effective and legitimate in the focal context (Cao et al., 2024; Rudy and Johnson, 2016). Likewise, negative

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feedback in board settings can favor expertise-oriented adjustments over more politically exposed changes (Jung et al., 2023). Absent contextual conditions that raise the value of political connections, performance deviations should therefore reduce the likelihood that firms appoint political directors. Accordingly, we formulate the following:

> **Hypothesis 1** *Performance above aspirations is negatively associated with the likelihood that a firm appoints a political director to its board.*
>
> **Hypothesis 2** *Performance below aspirations is negatively associated with the likelihood that a firm appoints a political director to its board.*

Although much of the foundational research on political directors is rooted in the U.S. context, evidence suggests that corporate political connections are significantly more prevalent in European economies (Faccio, 2006). Prior research also shows that their value tends to be greater in politically consequential and heavily regulated industries, where firms are more exposed to state intervention and policy uncertainty (Agrawal and Knoeber, 2001; Hillman, 2005) or in contexts marked by institutional weakness or heightened politicization, where political connections can substitute for formal institutional support (Gao et al., 2023; Wei et al., 2023; Xin and Pearce, 1996). By compensating for weak or unstable regulatory frameworks, political ties provide firms with a buffer that facilitates navigation of uncertain political and market conditions. This implies that the usefulness of political directors is not uniform across firms or contexts, but depends on the characteristics of the institutional environment in which firms operate (Dorobantu et al., 2017; Hiatt et al., 2018). We argue that rising populism is one such context.

Populism as a context of amplified institutional uncertainty

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Populism is commonly understood as a thin ideology that frames society as divided between "the people" and "the elite" and challenges established institutional arrangements in the name of popular sovereignty (Mudde, 2004; Mudde and Rovira Kaltwasser, 2017). For firms, however, its significance lies less in immediate policy change than in its capacity to unsettle expectations before formal institutional transformation occurs. As populist rhetoric gains traction, it can increase uncertainty about future regulation, redistribution, state intervention, and the legitimacy of business-government ties. In this sense, populism politicizes the environment in which firms operate and makes political exposure more salient (Blake et al., 2024; Hartwell and Devinney, 2024a). Rather than simply increasing uncertainty, populism can also reshape the strategic role of political connections.

Under relatively stable institutional conditions, political ties may help firms secure access, information, and influence vis-à-vis policymakers and regulators, which is the role they have often been argued to play in more regulated settings (Agrawal and Knoeber, 2001; Hadani et al., 2017). Under rising populist pressure, by contrast, their value may increasingly lie in helping firms interpret volatility, anticipate shifts in political priorities, and cope with a more contested political arena. These effects do not depend on populists being in office. As populist ideas diffuse across the political system, mainstream parties may partially adjust their rhetoric and policy positions in response, generating a broader process of ideological contagion that extends uncertainty beyond populist actors themselves (Mudde, 2004; Schwörer, 2021). This view is consistent with Jamison and Henisz's (2025) conceptualization of populism as a recursive ideational system in which contextual grievances and populist political responses mutually reinforce one another over time, thereby amplifying the salience of populist discourse even before formal institutional change occurs.

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Populism also modifies the cost side of political engagement. By shifting politics away from quieter, more technocratic forms of influence and toward more visible and contested forms of conflict, populist rhetoric increases public scrutiny of firm-government relationships (Culpepper, 2021). Political directors may become more valuable as sources of access and interpretation, but also more problematic as symbols of elite collusion. The Spanish case captures this tension well. Felipe González's appointment to Gas Natural's board in 2010 quickly became the object of public criticism over revolving-door practices, [1] while Juan José Güemes resigned from Unilabs' board in January 2013 following intense scrutiny over perceived conflicts of interest.[2] These episodes suggest that, in a more politicized environment, the reputational costs of political appointments may rise even when their strategic value remains high.

These reconfigurations in expected benefits and expected costs are central to our argument because they shape how firms interpret performance feedback. As argued before, performance discrepancies do not lead firms mechanically toward political appointments. Instead, they become meaningful when the surrounding ideological climate changes the perceived value, visibility, and risk associated with board-level political capital. Under such conditions, managers may reassess whether political directors represent valuable buffers against institutional uncertainty or, alternatively, unnecessary sources of reputational exposure. This logic also suggests that the effects of populism are unlikely to be ideologically uniform. Far-left and far-right variants differ in how they define "the elite", the policy agendas they prioritize, and the forms of uncertainty they generate for firms (Hunger and Paxton, 2022; Schwörer, 2021). For this reason, we examine how far-left

[1] Example extracted from https://elperiodicodelaenergia.com/felipe-gonzalez-se-chotea-de-su-paso-por-gas-natural/ (last accessed 20 April 2026).

[2] Example extracted from https://www.elconfidencial.com/espana/2013-01-15/guemes-dimite-como-consejero-de-unilabs-tras-la-polemica-de-la-privatizacion_215755/ (last accessed 20 April 2026).

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and far-right populism differentially condition the relationship between performance feedback and firms' decisions to appoint political directors.

Far-left vs. far-right populism

Populism is best understood as a set of ideas rather than a fully developed ideology (Mudde and Rovira Kaltwasser, 2017). As a result, it can take different forms, and various scholars have emphasized the importance of distinguishing among them (Devinney and Hartwell, 2020; Rodrik, 2018). In this paper, we focus on the contrast between far-left and far-right populism, as the impact of rising populist parties also depends on their specific ideological orientation (Schwörer, 2021). Both far-left and far-right populism undermine institutional checks and balances when they reach the government by portraying strong institutions as barriers to the "will of the people", making their rise a threat to democratic norms and political institutions (Blake et al., 2024; Corina et al., 2025; Guriev and Papaioannou, 2022; Schamis, 2006). However, they differ sharply in the kinds of elites they target, the policy domains they politicize, and the threats they pose to firms

Far-left populists typically identify the elite as the wealthy and powerful, including corporations, banks, and affluent individuals, who are perceived as hoarding wealth at the expense of ordinary citizens (Sallai et al., 2024a). In response, they advocate for redistributive policies like progressive taxation, expanded welfare, and more public investment in health care, education, and housing to reduce exclusion and inequality (Mudde and Rovira Kaltwasser, 2017). They also support strengthening labor rights, increasing minimum wages, and implementing regulatory measures to curb corporate abuses and environmental degradation (March, 2017; Mouffe, 2018). An illustrative example in the case of Spain is the party Podemos, later split into Unidas Podemos and Sumar. These parties advance policy agendas that combine a pronounced commitment to economic redistribution with orientations commonly linked to green, alternative, and libertarian traditions

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(Sánchez-García and Marcos-Marne, 2026). In fact, some of the most significant policy achievements of Podemos and Sumar in the recent left-leaning coalition governments in which they participated include a substantial increase in the statutory minimum wage, the creation of a minimum income scheme for vulnerable households, and proposals to make the tax system more progressive (Mendes, 2025).

In contrast, far-right populists tend to define the elite as cosmopolitan actors promoting globalization, multiculturalism, and liberal values. These include supranational organizations, liberal intellectuals, and political elites who are viewed as undermining national identity, sovereignty, and traditional values (March, 2017; Rama and Santana, 2020). Far-right populists promote nationalist policies, such as stricter immigration controls, trade protectionism, and efforts to preserve cultural heritage. This pattern is evident in the case of Vox in Spain, which advances strong Spanish nationalism and a hard-line anti-immigration stance, framed by promises to "make Spain great again" (Turnbull-Dugarte, 2019), while also embracing a markedly neoliberal economic orientation with an emphasis on liberalization over market regulation (Sánchez-García and Marcos-Marne, 2026). More broadly, far-right parties often oppose international agreements and organizations perceived to dilute national autonomy. Their platforms also emphasize law and order, with calls for stronger policing, judicial reforms, and enhanced border security (Futák-Campbell and Schwieter, 2019; Mudde, 2004, 2007).

A key implication of these differing approaches lies in their stance toward redistribution. Far-left populists actively pursue redistributive agendas and often criticize capitalism and private enterprise as exploitative (Acemoglu et al., 2013; Bennett et al., 2023). Conversely, far-right populism tends to embrace market-friendly policies and generally opposes significant wealth redistribution (Guriev and Papaioannou, 2022). This ideological divergence shapes how businesses perceive and

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respond to populist threats when populist rhetoric is on the rise. Firms are likely to perceive far-left populism as a threat due to its explicit anti-corporate stance and emphasis on redistribution. In response, they may be inclined to appoint politically connected directors to protect their interests through enhanced access to policymakers.

However, this logic is complicated by the broader political climate that populism creates. Populist movements often criticize revolving-door practices and seek to delegitimize close ties between business and politics (Fernández-García and Luengo, 2020), especially when the firm is not aligned with their discourse (Blake et al., 2024). This can create reputational risks for firms appointing political directors, particularly in environments characterized by intense public scrutiny and anti-elite rhetoric. Moreover, as anti-capitalist sentiment intensifies under far-left populism, the costs of maintaining close ties with political figures rise (Shleifer and Vishny, 1994). These ties risk alienating key stakeholders and complicate efforts to align political objectives with corporate priorities. Therefore, while far-left populism may increase the strategic need for appointing political directors, it simultaneously raises the political, managerial, and reputational costs of doing so. These countervailing pressures help explain why the relationship between populism and the appointment of political directors is both complex and context-dependent.

We do not expect the rise of far-left populism to drive appointments directly. Instead, populist rhetoric alters firms' interpretation of performance signals by reshaping expectations about future regulation, redistribution, and political scrutiny. For firms that are underperforming, the redistributive logic of far-left populism may generate political and institutional opportunities, including subsidies, regulatory relief, or preferential treatment, designed to preserve employment or protect vulnerable industries (Tao et al., 2017). Accordingly, under far-left populism such interventions are embedded in a broader redistributive and discretionary logic, making access to

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political actors more contingent on firm-level performance and political alignment (Alcaraz et al., 2024; Blake et al., 2024). In such contexts, appointing politically connected directors can be a strategic response to enhance access to state resources, improve bargaining power, and strengthen the firm's survival prospects.

Conversely, firms that are overperforming may become targets of redistributive policies, including increased taxation, heightened regulatory oversight, or reputational attacks. Successful firms are often viewed with suspicion by far-left populists, who may criticize their expansion and seek to restrict their growth through tighter merger and acquisition regulations, giving rise to what has been referred to as "antitrust populism" (Hovenkamp, 2025). As a result, even high-performing firms may resort to appointing political directors as a defensive strategy, aiming to buffer themselves from political risks and preserve strategic autonomy (Zhang et al., 2016).

In both cases, performance feedback interacts with the ideological pressures of far-left populism to shape the firm's strategic calculus regarding political appointments. Consistent with this argument, performance discrepancies matter only insofar as populist ideology reshapes how firms evaluate the risks and potential advantages of political engagement. Thus, we advance the following hypotheses on firm behavior as far-left populist pressure increases relative to periods in which populist rhetoric was weak or absent:

> **Hypothesis 3** *Higher far-left populism weakens the negative association between performance above aspirations and the appointment of political directors.*
>
> **Hypothesis 4** *Higher far-left populism weakens the negative association between performance below aspirations and the appointment of political directors.*

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As previously mentioned, far-right populist rhetoric is generally less threatening to firms than that far-left populist rhetoric, at least in its initial stages, since corporations are not typically framed as part of "the elite" (March, 2017; Mudde, 2007). Unlike the redistributive pressures characteristic of far-left populism, far-right populism presents a distinct ideological profile that often adopts market-friendly or pro-business rhetoric, particularly when aligned with national interests (Guriev and Papaioannou, 2022).

However, the exclusionary orientation of far-right populism can still generate significant regulatory uncertainty, especially in industries dependent on global supply chains, migrant labor, or international cooperation (Kyle and Gultchin, 2018; Rodrik, 2018). Furthermore, while far-right populism may appear business-friendly in the short term, its long-term effects can be destabilizing due to the erosion of institutional quality and weakening of democratic checks and balances (Bellodi et al., 2024; Docquier and Rapoport, 2025). In addition, its polarizing rhetoric contributes to a noisy and unpredictable political environment, thereby increasing the reputational and managerial risks for firms that engage too closely with political actors.

On that account, although far-right populism may not be overtly hostile to business interests, it still presents threats and creates ambiguity around the benefits of forming political connections. The tension between ideological alignment on one hand and institutional and reputational risks on the other leads us to expect no clear or systematic relationship between far-right populism and the appointment of political directors. Still, as in the case of far-left populism, the emergence of performance discrepancies may alter the cost-benefit calculus involved in appointing political directors.

Under far-right populism, the absence of a redistributive agenda, combined with a broadly pro-market orientation, significantly reduces the strategic value of political appointments. For

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underperforming firms, the lack of state-led redistributive tools diminishes the usefulness of political connections as a means of securing support, bailouts, or preferential regulation. For overperforming firms, the threats typically associated with far-left populism, including expropriation, punitive taxation, or greater scrutiny of profits, are largely absent. Although far-left populists may endorse targeted interventions, such as subsidies tied to national objectives like job creation or local investment, these measures are generally detached from firm-level performance and lack the broader redistributive logic characteristic of the far left. As a result, the political economy of far-right populism is less conducive to bailing out underperforming firms simply because they are struggling, and overperforming firms face fewer political scrutiny. Together, these dynamics not only fail to activate performance-based political appointments but may actively discourage them, as the expected benefits of political connections decline while reputational and institutional risks remain. On this basis, we propose the following hypotheses regarding the effects of the emergence of far-right populism relative to a low-populism baseline:

> **Hypothesis 5** *Higher far-right populism strengthens the negative association between performance above aspirations and the appointment of political directors.*
>
> **Hypothesis 6** *Higher far-right populism strengthens the negative association between performance below aspirations and the appointment of political directors.*

Methodology

Spanish political context

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Since the restoration of democracy in 1977, Spain's political structure has often been described as a hybrid system of "presidential-parliamentarism" (Aragón Reyes, 2002) where the executive, legislative, and judicial branches are separate to reduce governmental discretion. Nonetheless, the executive branch plays a preeminent role that has eroded the power of other institutions, such as the parliament, the judiciary, and the monarchy (Rodríguez-Teruel, 2020). Indeed, Spain displays one of the highest executive dominance over parliament scores in the democratic world (Lijphart, 2012).

Spain's political authority is distributed across the central government, the autonomous communities, and local governments. According to Article 149 of the Spanish Constitution, the central government retains key responsibilities such as macroeconomic management, foreign policy, and core regulatory powers, while the autonomous communities exercise extensive competences in salient policy areas that include health and education. Local governments provide proximity services and implement many public policies, often in coordination with regional administrations. This multilevel structure shapes political competition and policy making, since parties routinely operate across arenas and may hold office at one level while competing or bargaining at others (Field, 2014).

For decades, the political landscape at the national level was marked by a stable two-party system, with the Spanish Socialist Workers' Party (PSOE) and the People's Party (PP) alternating in control of the executive branch since 1982. However, other political forces, particularly on the left, have maintained a sustained presence. Among them, Izquierda Unida (IU), founded in 1986, emerged as a coalition of leftist groups with roots in Spain's communist and republican traditions. Even if it never posed a serious challenge to the dominance of PSOE or PP, IU consistently offered a populist-inflected critique of the political and economic establishment (Ramiro-Fernández, 2004).

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Its discourse emphasized the divide between the privileged elites and the working class, called for greater democratic participation, and rejected neoliberal policies, positioning itself as a defender of social rights and economic justice.

The 2008 financial crisis marked a turning point in Spanish politics, triggering widespread disillusionment with the traditional parties and intensifying demands for political renewal. In this context, new populist forces gained traction. On the left, Podemos emerged in 2014 with an explicitly anti-elite and anti-austerity message that echoed and expanded upon many of the themes long present in IU's discourse (Ramiro and Gomez, 2017). The success of Podemos among younger and more urban voters led to a realignment within the left, culminating in an electoral alliance with IU under the name Unidas Podemos. This coalition eventually entered government in partnership with the PSOE. By 2023, however, internal tensions and electoral fatigue led to the launch of Sumar, a new platform spearheaded by former minister Yolanda Díaz, aimed at uniting a broader progressive front that included sectors of both Podemos and IU. According to Schwörer (2021, p. 70), the rise of Podemos reshaped Spain's party system, pushing center-left parties toward a more explicitly anti-elitist discourse, which illustrates how populist movements can influence the ideological orientation of established political actors.

Meanwhile, on the right, Vox rose to national prominence by promoting a populist agenda rooted in nationalism, anti-immigration, and strong opposition to regional separatist movements, especially in Catalonia (Vampa, 2020). Historically, voting for the far right in Spain was particularly stigmatized due to its association with the Franco dictatorship, which contributed to limiting its electoral appeal during the early decades of democracy, even though support for actors on the far left was also shaped by legacies of polarization. In recent years, however, this stigma has

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largely faded, which has helped parties on this spectrum gain traction.[3] Together, these developments have contributed to a fragmentation of the Spanish party system and entrenched populist discourse as a central force in the country's contemporary political landscape.

Sample

Our initial sample consisted of all Spanish firms listed on the Madrid Stock Exchange as of 1990, covering a period from 1990 to 2023. This extended timeframe makes it possible to track the evolution of populism in Spain, especially its marked intensification during the mid-2010s. Populist sentiment became increasingly salient after 2014, as new political actors gained momentum. Podemos secured representation in the national parliament in 2015, marking a significant shift on the left. Several years later, Sumar emerged as a broader coalition that further reshaped the left-wing space. On the right, Vox expanded rapidly during the same period. This trajectory consolidated the presence of these parties within Spain's institutional landscape.

From this initial sample, we excluded observations with non-systematic missing data, as well as firm-year records from the point at which a firm was delisted or involved in a merger. Given that our analysis focuses on performance feedback, and that firms in banking and financial services follow distinct accounting standards (Lemmon and Lins, 2003), we also excluded companies in that sector. After applying these criteria, the final sample consists of an unbalanced panel with 1,134 firm-year observations across 78 companies, which served as the basis for our regression analyses.

Dependent variable

[3] Chislett, W. (2018). *Spain no longer bucks the trend on far-right parties*. Available at https://www.realinstitutoelcano.org/en/commentaries/spain-no-longer-bucks-the-trend-on-far-right-parties/ Posted on 11 December 2018. Last accessed 20 April 2026.

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Our dependent variable indicates whether a firm appointed a former politician to its corporate board in a given year. It is coded as 1 when a new appointment occurs during the focal year, and 0 otherwise. This specification captures any appointment of a former politician, regardless of whether politically connected directors are already present on the board, in line with our focus on firms' decisions to add political capital. Due to legal and institutional restrictions in Spain, similar to those in many other countries, active politicians holding executive or legislative responsibilities are generally prohibited from serving on the boards of publicly listed firms. Consequently, the political appointees in our analysis are former officeholders who have left formal political roles.

In line with Faccio (2006), we focused exclusively on high-ranking political positions at the national level in Spain, whether elected or appointed. These include roles such as prime minister, vice-prime minister, cabinet minister, deputy minister, and member of the national parliament or the senate. Limiting our analysis to these senior positions allows us to capture individuals with the most influential experience, policy knowledge, and access to valuable political networks. The firms in our sample appointed a total of 155 politicians over the study period. Among these, half were affiliated with right-leaning political ideologies, while the remainder were associated with centrist (22%) and left-leaning (28%) political orientations.

We collected the data following a three-step process. First, we identified the names of board members serving on each company's board for every year within the study period. We gathered this information from legal filings, annual reports, company websites, and corporate directories such as DICODI, DUNS, and The Maxwell Espinosa Shareholders Directory. Second, we searched the curriculum vitae and personal profiles of each board member available on the websites of the Spanish Congress and Senate and/or on their personal or other corporate websites to determine whether they had held a governmental position, either through election or appointment. Third, to

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ensure comprehensive coverage, we conducted an additional search to identify any political backgrounds that may not have been captured in the previous step. This involved tracking the names of all directors in major Spanish newspapers, including El País, El Mundo, ABC, La Vanguardia, Expansión, Cinco Días, and El Economista.

Independent variables

Building on prior research that examines how performance feedback influences strategic choices and investments in the nonmarket domain (e.g., Cao et al., 2024; Gao et al., 2023; Kotiloglu and McDonald, 2023; Rudy and Johnson, 2016), we operationalized performance using return on assets (ROA). The data required to compute ROA were collected from multiple sources, including Compustat, Datastream, the Spanish Securities Market Commission, and firms' official websites.

To determine aspiration levels, we followed the approach by Greve (2003), who operationalized Cyert and March's (1963) framework. Aspiration (A) was modeled as a weighted average of two components: the social aspiration level (SA), defined as the average performance of other firms in the same industry (excluding the focal firm), and the historical aspiration level (HA), calculated from a weighted combination of the focal firm's own past performance and its prior aspiration level. In this formulation, subscripts *t* and *i(j)* indicate time and firm, respectively.

$$A_{t,i} = \alpha_1 SA_{t,i} + (1 - \alpha_1) HA_{t,i}$$

$$SA_{t,i} = \frac{(\sum_{j \neq i} P_{t,j})}{(N - 1)}$$

$$HA_{t,i} = \alpha_2 HA_{t-1,i} + (1 - \alpha_2) P_{t-1,i}$$

We then estimated the optimal weights for the social and historical components by identifying the combination that yielded the best model fit, consistent with the method used by Greve (2003). This

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was done using the quasi-likelihood under the independence model criterion (QIC), where lower values indicate a better fit (Cui, 2007). The search space for both weight parameters was defined within the [0, 1] interval, using increments of 0.25. After evaluating all possible combinations, we found that the optimal alpha values equaled 0 (α_1) and 0.5 (α_2). These values imply that firms in our sample rely exclusively on their own historical performance, rather than industry peers, when assessing whether their current performance is satisfactory. Moreover, they appear to update their historical aspiration levels based equally on previous aspiration levels and recent performance outcomes.

Following Greve (2003), the final step involved building two variables to capture the firm's performance relative to its aspiration level by applying a spline function to the performance-aspiration gap. The first variable, *performance above aspirations*, captures cases in which a firm's performance exceeds its aspiration level. This variable equals the difference between actual performance and aspirations when the gap is positive, and 0 when performance is below or equal to aspirations. The second variable, *performance below aspirations*, measures the extent to which a firm underperforms relative to its aspiration level. It is defined as the absolute difference between actual performance and aspirations when performance falls short of aspirations and takes the value 0 otherwise. This functional form allows us to distinguish the effects of positive and negative discrepancies, recognizing that firms may respond differently depending on whether they are outperforming or underperforming relative to their goals.

Moderating variables

We argue that *far-left* and *far-right populism* exert distinct moderating effects on the relationship between performance feedback and the appointment of former politicians to corporate boards. To capture these ideological differences, we built our variables using the most recent version of the

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Timbro Authoritarian Populism Index.[4] Developed by the Swedish think tank Timbro,[5] the index maps electoral support for political parties classified as populist and/or authoritarian across European countries and national elections. Despite its label as the Authoritarian Populism Index, we shall note that the dataset treats "authoritarian" and "populist" as distinct classifications that do not necessarily overlap. According to the index methodology, parties classified as authoritarian are typically those that either advocate nondemocratic ideologies or have demonstrated a willingness to depart from democratic principles in practice. This same source also indicates that the categorization of political parties as populists rests largely on previous research since few parties explicitly self-identify as populist. The index further differentiates between far-left and far-right populism, which is especially adequate for our study.

The dataset covers all parties obtaining at least 1 percent of the vote in a national election, with smaller parties only included when their ideological classification is unambiguous. By offering longitudinal data on populist vote shares in national elections from 1945 to 2023, the index enables researchers to examine the rise and entrenchment of populist movements across 31 European countries. Indeed, it has become a widely recognized metric in the political science and management literature (e.g., Bennett et al., 2023; Hartwell and Devinney, 2024b; Sallai et al., 2024b; Stankov, 2018).

For Spain, the database includes the following parties as populists and/or authoritarian: Izquierda Unida, Partido Comunista de España, Sumar, Podemos, Partido de los Trabajadores de España-Unidad Comunista, Herri Batasuna, Fuerza Nueva, Vox, and Partido del Trabajo y Empleo Agrupación Ruiz-Mateos. Consistent with the Timbro codification and following clarification with

[4] The latest report and data can be accessed at https://populismindex.com/report/ (last accessed 20 April 2026).
[5] Timbro was founded in 1978 by Sture Eskilsson and the Swedish Employers' Association (a precursor to the Confederation of Swedish Enterprise) and has been financed by the Swedish Free Enterprise Foundation since 2003.

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the Timbro team, we classify Izquierda Unida, Partido Comunista de España, Sumar, Podemos, Partido de los Trabajadores de España-Unidad Comunista, and Herri Batasuna as far left, and Fuerza Nueva, Vox, and Partido del Trabajo y Empleo Agrupación Ruiz-Mateos as far right. Our main operationalization of populism includes all of these parties. As a robustness check, we re-estimated our models after excluding parties only labeled as authoritarian by Timbro. The results remain consistent.

We acknowledge that our theoretical framework emphasizes populist rhetoric. However, our empirical measures do not capture rhetoric itself, but rather the electoral strength and political salience of parties advancing such rhetoric. Several datasets attempt to capture populism through different lenses, including measures based on expert assessments of party discourse. One prominent example is V-Dem, which more directly targets the discursive dimension of populism.[6] Nevertheless, we rely on Timbro's measure for several reasons. First of all, we believe that our approach is consistent with our focus on firm behavior, as rhetoric that fails to resonate with voters is unlikely to generate credible political constraints or opportunities for firms. Electoral support thus serves as a revealed-preference indicator of the societal acceptance and political viability of populist rhetoric, capturing the conditions under which such rhetoric becomes consequential for corporate decision making. Second, in the case of Spain, the V-Dem dataset does not offer consistent data to distinguish between far-left and far-right populism over our period of study, despite this distinction being fundamental to our theoretical argument and empirical investigation. Finally, Timbro offers a more objective proxy because it is based on observable electoral outcomes for parties classified as populist in prior scholarly work, rather than on expert evaluations of the

[6] For more information on V-Dem's dataset and its operationalization of populist rhetoric, please refer to https://v-dem.net/data/the-v-dem-dataset/ (last accessed 20 April 2026).

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degree to which party representatives employ populist rhetoric. This feature reduces reliance on subjective assessments and aligns the measure more closely with the political strength of populist actors.

Control variables

We incorporated an additional set of control variables to mitigate potential confounding factors that could bias our findings. We began by accounting for several general firm-level characteristics such as *firm size* (total sales), *proprietary technology* (cumulative number of patents the firm has been awarded throughout its existence), *firm age*, and the *accumulated number of mergers* involving other firms in our sample. Building on the foundational study by Bourgeois (1981), we also introduced controls for two forms of organizational slack. We measured *potential slack* through the debt-to-equity ratio.[7] Meanwhile, we captured *unabsorbed slack* by using the current ratio. Meanwhile, Although Bourgeois identified a third type of slack referred to as absorbed slack, we focused only on unabsorbed and potential slack, as these are more directly related to firms' ability to undertake strategic actions (García-García et al., 2022; Iyer and Miller, 2008).

We also included several governance-related variables to consider the potential influence of ownership structure and board composition on the likelihood of appointing directors with political backgrounds to the board (Gao et al., 2023). Specifically, we controlled for *foreign ownership*, measured as the percentage of shares held by foreign investors; *state ownership*, defined as the percentage of shares held by the Spanish government; and *board ownership*, calculated as the percentage of shares held by members of the firm's board. We also added a range of board- and CEO-level characteristics because these attributes may affect organizational behavior and

[7] It is worth noting that the debt-to-equity ratio functions as an inverse indicator of potential slack, with higher values reflecting lower levels of available financial flexibility.

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governance outcomes, including board appointments (e.g., Boivie et al., 2021; Gao et al., 2023; Lange et al., 2015; Stern and Westphal, 2010). These comprise *board size*, measured by the total number of board members; the *number of former politicians* already on the board; the *reduction in the number of former politicians on the board*, coded as 1 if the number decreased in t, and 0 otherwise; the existence of *other non-former politicians appointees* to the board of directors, coded as 1 if such appointments occurred in t, and 0 otherwise; *CEO duality*, coded as 1 if the CEO of the firm is also the chairperson of the board, and 0 otherwise; *CEO tenure*, measured as the number of years the CEO has served in the current position; *founder CEO*, equal to 1 when the CEO of the firm is also its founder; *CEO board experience*, defined as the cumulative number of boards on which the CEO has served up to year t; *CEO board interlocks*, measured as the number of boards on which the CEO serves in year; *CEO age*; and a dummy taking the value of 1 if the *CEO is a former politician*, and 0 otherwise.

At the industry level, we accounted for the firm's sector of operation, as this may influence its incentives to appoint directors with political backgrounds. Firms operating in *regulated industries* often face greater institutional scrutiny and more frequent interactions with government agencies, which may increase the strategic value of political connections at the board level (Hillman, 2005). To capture this effect, we included a binary variable coded as 1 if the focal firm operates in a heavily regulated industry and 0 otherwise. Following the classification used by Fernández-Méndez et al. (2015) and García-García et al. (2019), we defined regulated industries as those related to electricity, water, oil, gas, transportation, telecommunications, and construction. We also attempted to capture isomorphic pressures by introducing a measure of *political hiring isomorphism*, defined as the percentage of firms within the same industry and year that have former

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politicians on their boards. This variable reflects the tendency of firms to model their governance practices on those of peer organizations operating under similar institutional conditions.

At a more macro level, we included two variables to capture the broader political environment, which may influence firms' incentives to appoint politically connected directors. First, we introduced a binary variable coded as 1 if there had been *a change in the ruling party* at the national level in t, and 0 otherwise. Such political transitions may diminish the relevance of a former politician's connections, as their contacts within government and the executive branch may no longer hold positions of influence. As a result, firms may seek to appoint alternative political figures in order to maintain access to current decision-makers, given that ties to active government officials are considered one of the most valuable and scarce resources for corporate political strategies (Blanes i Vidal et al., 2012). Second, we included a dummy variable coded as 1 if the national government was formed by a single party holding a *majority*, and 0 if it was formed through a coalition. Coalition governments typically entail greater political complexity and inter-party negotiation, which may increase the strategic value of directors with political experience or cross-party connections. Finally, as our analysis is based on panel data, we included a control variable for the year of each observation.

We relied on a wide range of data sources to create the control variables described above. We obtained the financial information from Compustat, Datastream, the Spanish Securities Market Commission, and the official websites of the firms included in our sample. We collected patent data from ESPACENET, an international database of patent documents. We gathered information on firm age and domestic mergers from corporate reports and news databases. We compiled the data related to ownership structure, board composition, and CEO characteristics from multiple sources, including DICODI, DUNS, The Maxwell Espinosa Shareholders Directory, academic

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studies on Spanish privatizations (Vergés, 1999, 2010), filings from the Spanish Securities Market Commission, and national press coverage. When necessary, we conducted additional online searches to address missing values. This approach also extended to the collection of macro-level variables, which we retrieved through targeted searches across official and publicly available online sources.

Analytical approach

Our dependent variable, which captures the appointment of a former politician to a corporate board, is a binary indicator covering the period from 1990 to 2023. Given the structure of the data, we employed a panel-data probit model to test our hypotheses. To address potential concerns regarding the non-independence of observations, we clustered standard errors. According to Hoetker (2007), the nonlinear nature of probit models makes it more appropriate to interpret marginal effects rather than raw coefficients. In other words, it is more informative to examine how changes in the explanatory variables affect the probability of the outcome of interest. Therefore, in the next section, we present the marginal effects estimated using Stata's *margins, dydx(*)* command.

Results

Table 1 shows the means, standard deviations, and pairwise correlations of the main variables included in our models. These results indicate that multicollinearity does not pose a problem. We lagged all independent, moderating, and control variables. We also mean-centered the main effects and moderating variables before creating the interaction terms to reduce potential multicollinearity (Jaccard and Turrisi, 2003).

Please insert Table 1 about here

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Table 2 presents the main results of our analysis, which focus on the average marginal effects from the probit regression on the appointment of former politicians. Model I includes only the control variables. Model II adds the main effects of performance feedback above and below aspirations. Model III introduces the far-left and far-right populism variables. Model IV incorporates the interaction between performance feedback and far-left populism. Model V includes the interaction between performance feedback and far-right populism. Model VI combines all main effects and interaction terms in the full model.

Please insert Table 2 about here

The effects of performance above and below aspirations do not exhibit a consistent pattern of statistical significance across models, although their coefficients are uniformly negative. These results provide partial support for our baseline predictions in H1 and H2, which posit that performance feedback reduces the likelihood that a firm appoints a political director to its board.

The interaction terms between performance feedback and far-left populism are positive and statistically significant. In models IV and VI, the interaction between performance above aspirations and far-left populism is positive and highly significant (at 0.001 with p-values of 0.000 in both models). Similarly, the interaction between performance below aspirations and far-left populism is positive and significant (at 0.001 with a p-value of 0.022 in model IV, and 0.001 with a p-value of 0.017 in model VI). These results suggest that in far-left populist contexts, both

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positive and negative performance discrepancies increase the likelihood of appointing former politicians, consistent with Hypotheses 3 and 4.

As for Hypothesis 5, it predicted that as performance exceeds aspirations, the likelihood of appointing former politicians decreases in contexts of stronger far-right populism. Our results do not support this hypothesis, as the average marginal effects of the interaction between performance above aspirations and far-right populism lack significance across models. One possible interpretation is that when performance is above aspirations, firms may experience a degree of slack, which allows them to allocate resources to governance choices that would be less likely under tighter constraints. By contrast, the interaction between performance below aspirations and far-right populism is consistently negative and statistically significant in models V (at -0.003 with a p-value of 0.044) and VI (at -0.003 with a p-value of 0.055). These findings indicate that in far-right populist contexts, poor performance further reduces the likelihood of appointing former politicians, as such actors may not be perceived as offering effective solutions to performance shortfalls, thereby offering support to Hypothesis 6.

Figures 1 through 3 offer a graphical depiction of the significant interaction terms. The graphs are based on the *intgph* command in STATA 16 (Zelner, 2009). To improve the clarity and readability of graphical representations, we uncentered the performance feedback and populism variables and excluded extreme observations that would otherwise distort the visual display. Specifically, we winsorized the performance feedback variables at the 5th and 95th percentiles of their distributions when preparing the figures. In all regression analyses, we retained the full range of observations, including outliers. Consistent with prior research, we follow this approach because performance measures such as ROA often display distributions with sharp central peaks, skewness, and fat tails, where extreme values occur relatively frequently (Henderson, 2012; Mandelbrot, 1963, 1967;

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McKelvey and Andriani, 2005). In such cases, extreme values occur with some regularity and may reflect meaningful instances of performance discrepancies. These cases are theoretically relevant to our study, and excluding them from the analysis would risk omitting the very dynamics we seek to understand. Nonetheless, to verify that the presence of outliers does not bias our results, we conducted a robustness check using the winsorized performance feedback variables in the regression models. The results remained consistent, confirming that our findings are not sensitive to the inclusion of extreme values.

Figures 1 and 2 illustrate how the relationship between performance feedback and the probability of appointing former politicians varies with far-left populism. The solid line represents low far-left populism (mean – 1sd), while the dashed line corresponds to high far-left populism (mean + 1sd). The shaded areas indicate 90% confidence intervals. Across both performance above and below aspirations, firms operating in environments with higher levels of far-left populism exhibit a greater predicted probability of appointing former politicians. The differences between high and low populism become more pronounced as performance deviates further from aspiration levels. The 90% confidence intervals indicate that the positive effect of performance discrepancies on political appointments is statistically different from zero across the full range of both overperformance and underperformance when far-left populism is high. In contrast, under low levels of far-left populism, the statistical significance of the estimates is less certain for the extreme values of performance discrepancies.

An analysis of the magnitude of the effects shows that moving one standard deviation above the mean level of performance above aspirations is associated with around a 2.5% reduction in the probability of appointing a former politician when far-left populism is low. When far-left populism is high, the same shift relative to the mean corresponds to an increase of about 5.5% in that

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probability. For performance below aspirations, which is measured in absolute terms, a one standard deviation increase relative to the mean is associated with an almost 3% decrease in the likelihood of appointing a former politician when far-left populism is low. Under high levels of far-left populism, the same change corresponds to an increase of roughly 2%.

Please insert Figures 1 and 2 about here

Turning to far-right populism, Figure 3 displays the predicted probabilities of appointing former politicians across varying levels of performance below aspirations, at both low and high levels of far-right populism. In this case, the solid line indicates low far-right populism (mean – 1 SD), and the dashed line corresponds to high far-right populism (mean + 1 SD), with shaded areas denoting 90% confidence intervals.[8] The figure shows that as performance falls further below aspirations, the probability of appointing a former politician declines at both levels of far-right populism. However, the decline is more pronounced at higher levels of far-right populism. In practical terms, a one standard deviation increase in performance below aspirations relative to the mean is associated with an approximately 1.5% reduction in the likelihood of appointing a former politician when far-right populism is low. Under high far-right populism, the same change in performance corresponds to a reduction of nearly 3%. The 90% confidence intervals further indicate that the effect of performance below aspirations is statistically different from zero across the full range

[8] Far-right populism variable is highly skewed. Therefore, applying a conventional lower bound would result in negative values that do not exist in the data. To address this, we adopted an asymmetric range where the lower bound is defined as the mean minus the standard deviation of values below the mean. This approach allows us to ensure that all values remain within the valid range of the variable. It also preserves comparability with standard practices by maintaining the logic of a one-standard-deviation shift around the mean.

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under low levels of far-right populism. For high levels of far-right populism, the effect appears statistically significant primarily at low to moderate levels of performance below aspirations.

Please insert Figure 3 about here

Discussion and conclusions

Our study examines whether firms appoint former politicians to corporate boards in response to performance feedback and how that relationship is conditioned by rising populism. We find a baseline negative association between performance deviations from aspiration levels and the appointment of former politicians. This pattern suggests that political directors are not routine responses to performance discrepancies. Because these appointments are visible, durable, and potentially costly, firms seem reluctant to rely on board-level political capital unless the surrounding political environment raises its expected value enough to outweigh its liabilities.

Nonetheless, this baseline reluctance is not persistent across political cycles. It varies with the ideological form of rising populism. Far-left populism attenuates the negative association between performance deviations and political appointments and, particularly for above-aspiration performance, reverses it at higher levels. Under these conditions, firms may view former politicians as more valuable because redistributive pressures, regulatory intervention, and discretionary state action increase the expected benefits of board-level political capital. By contrast, far-right populism reinforces firms' reluctance to appoint former politicians, particularly under below-aspiration performance. In our setting, the more market-friendly and less redistributive profile of far-right

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populism appears to reduce the instrumental value of political directors as a solution to underperformance issues, reinforcing firms' reluctance to appoint them.

This study redirects attention from the well-documented consequences of corporate political connections to their antecedents. Prior research has established that former politicians can provide firms with valuable board-level resources, including access to policymakers, regulatory expertise, and networks that facilitate navigation of public decision-making processes (Hillman, 2005; Lester et al., 2008; Withers et al., 2012). However, the literature has devoted considerably more attention to the effects of political connections than to the conditions under which firms decide to establish them (Wei et al., 2023). Our findings help address this imbalance by showing that firms do not respond to performance discrepancies by mechanically reinforcing board-level political capital. Instead, deviations from aspirations are generally associated with a lower likelihood of appointing former politicians, which is consistent with the view that such appointments are high-visibility, relatively durable, and potentially controversial governance choices whose benefits are uncertain and whose costs are nontrivial.

We also show that the strategic relevance of political ties is shaped not only by firms' exposure to formal regulation, but also by broader political discourses that redefine expectations about future policy trajectories, organizational legitimacy, and the scope of state intervention. Existing studies emphasize that political directors are especially valuable in regulated industries, where they facilitate access to policymakers and help firms manage regulatory complexity and policy uncertainty (Hadani and Schuler, 2013; Hillman, 2005; Withers et al., 2012). Our findings offer a new angle that enriches, rather than replaces, earlier explanations. They suggest that rising populism can reshape the value of political ties beyond these traditional settings, not by making them uniformly more attractive, but by altering the conditions under which firms see them as worth

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activating. In this sense, the politicization of the institutional environment changes both the expected benefits and the potential liabilities of appointing former politicians to the board. In such contexts, firms may view political directors as providers of regulatory access or governance expertise (Hillman and Dalziel, 2003), as well as sources of interpretive and relational capital that help them navigate ideologically charged environments (Blake et al., 2024). Importantly, we do not find evidence of a generalized increase in political appointments under populism. Rather, populist pressures shape when firms interpret performance discrepancies as relevant to board-level political engagement. Because our analysis focuses on the likelihood of appointing political directors rather than on the performance consequences of such appointments, our implications concern governance choices and strategic responses, not their ex post effectiveness.

Our study also contributes to the behavioral theory of the firm and to research on populism by demonstrating that organizational responses to performance discrepancies depend on the surrounding political and ideological context. The behavioral theory of the firm posits that firms engage in problemistic search or adaptive behavior when performance deviates from aspiration levels (Cyert and March, 1963; Greve, 2003). Subsequent research likewise emphasizes that the interpretation of performance feedback is shaped by contextual factors that influence managerial attention and perceived opportunity structures (Gavetti et al., 2012). Our findings identify populism as one such factor. Existing research shows that firms adapt to populist pressures through changes in rhetoric, employment practices, or symbolic positioning designed to align with dominant narratives (Blake et al., 2024). We add to this line of work by showing that populism also reshapes board-level governance decisions by altering how firms evaluate political connections. More specifically, populist pressures modify expectations about redistribution, government intervention, and political scrutiny, thereby shaping how performance discrepancies influence political director

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appointments. These patterns do not suggest that firms appoint political directors to directly improve operational performance. Rather, performance outcomes appear to heighten firms' sensitivity to political opportunities and threats embedded in redistributive and interventionist discourses, or more generally in highly politicized environments (Gao et al., 2023). In this sense, performance feedback functions less as a trigger for operational change than as a signal that amplifies firms' attention to the political meaning of their governance choices.

Beyond these theoretical contributions, the findings speak directly to the corporate political activity literature and clarify how firms' political strategies are reconfigured under conditions of ideological polarization and heightened political risk. Corporate political activity research emphasizes firms' efforts to influence policy outcomes through lobbying, political connections, and relational strategies in relatively stable institutional environments (Lawton et al., 2013). Recent work, however, highlights that increasing political volatility shifts the logic of corporate political activity from influence seeking toward risk management, legitimacy preservation, and uncertainty mitigation (Dorobantu et al., 2017; Katic and Hillman, 2023; Lenway et al., 2022; Wei et al., 2023). Our results are consistent with this emerging view, as political director appointments under populist pressure appear less concerned with securing discrete policy favors and more focused on managing exposure to politicized scrutiny and potential intervention. More importantly, our findings show that the activation of this mechanism follows a contingency logic. Firms do not accumulate political ties indiscriminately. Rather, they appear to resort to this governance-based political resource only when the surrounding environment makes it sufficiently attractive relative to its potential costs. In parallel, our results resonate with work showing that political connectedness does not generate uniform benefits, but interacts with how firms deploy other political actions and with the type of outcomes they aim to influence (Ridge et al., 2017). The implication is that board political capital

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should not be viewed as a generic political premium. Its value depends on whether firms see the environment as one in which politically embedded governance resources can help them manage the specific uncertainties they face.

Beyond its theoretical and empirical contributions, our study generates relevant implications for managerial practice and public policy. For managers, the results suggest that the strategic value of appointing former politicians depends not only on alignment with parties in power (Haveman et al., 2017; Siegel, 2007; Sun et al., 2012), but also on the ideological orientation of populist movements gaining prominence. Rising far-left populism may lead firms to evaluate political appointments as a way to manage exposure to redistributive pressures, regulatory discretion, or heightened scrutiny. By contrast, during periods of rising far-right populism, such appointments are likely to be perceived as less valuable or even counterproductive, particularly for firms facing performance challenges. At the same time, these findings underscore the trade-offs inherent in political appointments under populist conditions. Increased politicization can raise reputational risks, intensify public scrutiny, and complicate governance dynamics, making the cost-benefit calculus of political engagement more complex than in less polarized environments.

From a public policy perspective, the findings inform ongoing debates about the transparency and regulation of revolving-door practices (Katic and Hillman, 2023). If political appointments become more closely associated with firms' exposure to redistributive pressures or politicized scrutiny, concerns about their legitimacy may intensify. Our results do not offer specific regulatory prescriptions, but they do highlight the importance of continued scrutiny of how and why former politicians are appointed to corporate boards, particularly in highly politicized environments. Policymakers may therefore wish to consider whether existing disclosure and cooling-off

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frameworks adequately address the reputational and governance challenges associated with political appointments under rising populism.

Despite these contributions, our study has several limitations. We conceptualize populism as a family of discursive and political processes that politicize the elite-people cleavage and increase uncertainty surrounding institutional norms and policy trajectories (Gidron and Hall, 2020; Mudde and Rovira Kaltwasser, 2017). As noted earlier, populism varies substantially across national contexts in terms of organizational capacity, policy content, and electoral strength. Accordingly, although the mechanisms examined here (rhetorical politicization, reputational risk, and uncertainty about future policy) are likely relevant beyond the Spanish context, their magnitude and expression are expected to vary across institutional settings. Moreover, while redistribution-related and reputational arguments inform our theorizing about the distinct implications of far-left and far-right populism, we do not empirically disentangle these underlying mechanisms. This constitutes an important limitation of the study and a promising avenue for future research. Spain nevertheless represents a theoretically informative setting, as it allows us to observe the parallel rise of far-left and far-right populist movements within a relatively stable democratic framework. We therefore interpret our findings as identifying a transferable mechanism through which political ties may be activated in response to performance feedback under ideological uncertainty, while recognizing that its empirical manifestation is likely to vary across contexts such as Italy, the United States, or Latin America.

Future research could examine whether and how this conditional logic operates in other institutional settings, especially in countries with deeper histories of populism, different degrees of polarization, and distinct regulatory regimes. Researchers could also compare the consequences of appointments involving politicians with experience at the national, regional, and local levels, as

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well as examine how firm ownership structures, including publicly listed, private, family-controlled, and state-owned firms, affect reliance on political ties. In addition, a more granular analysis of the profiles of these appointees, distinguishing between technocrats, party loyalists, and former cabinet members, could clarify the specific forms of political capital being leveraged. This framework could also be extended beyond board appointments to examine firms' ties to other types of governmental stakeholders (e.g., Hiatt et al., 2018). Qualitative research could further deepen understanding of the motivations behind such appointments and of the internal dynamics through which firms navigate populist pressures or related issues such as shareholder activism (DesJardine et al., 2025), thereby offering a more nuanced account of corporate political strategies in volatile political environments.

Our analysis is limited to domestic political ties and does not consider how populist dynamics shape firms' political engagement across borders. Scholars could extend this framework by examining how the ideological orientation of populist governments influences policy risks for foreign multinationals operating abroad (e.g., Blake and Moschieri, 2017; De Villa et al., 2019; García-Canal and Guillen, 2008). Finally, our analysis focuses primarily on the economic dimensions of populism and their influence on board composition through performance feedback. Future research could also examine the social and reputational consequences of corporate-political ties, including how these relationships affect firms' legitimacy and public standing in the societies where they operate.

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Table 1. Descriptive statistics and correlations.

		Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12
1	Former politician appointment	0.07	0.26	1.00											
2	Performance above aspirations	-0.02	4.85	-0.04	1.00										
3	Performance below aspirations	0.01	5.20	-0.04	-0.12	1.00									
4	Far-left populism	0.07	5.24	-0.01	0.01	-0.02	1.00								
5	Far-right populism	0.05	4.52	-0.05	-0.01	0.01	0.23	1.00							
6	Firm size	4.95	10.92	0.02	-0.06	-0.07	0.04	0.11	1.00						
7	Proprietary technology	61.16	160.90	-0.04	-0.02	-0.01	0.11	0.16	0.55	1.00					
8	Firm age	75.71	38.77	0.01	-0.06	-0.06	0.06	0.12	0.15	0.12	1.00				
9	Accumulated no. of mergers	0.40	0.74	0.06	-0.09	-0.10	0.02	0.08	0.21	-0.08	0.29	1.00			
10	Potential slack	0.63	0.56	-0.02	0.21	0.19	0.03	0.06	0.03	0.02	-0.01	0.04	1.00		
11	Unabsorbed slack	0.25	0.44	0.03	0.00	-0.04	0.08	0.08	-0.01	-0.02	-0.02	-0.02	-0.11	1.00	
12	Foreign ownership	9.00	19.78	0.05	0.00	-0.00	0.09	0.07	0.08	-0.05	0.03	0.04	0.01	-0.02	1.00
13	State ownership	1.70	9.93	0.12	-0.02	-0.03	0.01	-0.05	-0.01	-0.02	-0.03	-0.03	-0.02	-0.06	-0.07
14	Board ownership	17.23	23.78	-0.03	-0.05	0.00	-0.03	-0.03	-0.21	-0.09	-0.03	0.02	0.02	-0.02	0.00
15	Board size	11.27	5.18	0.10	-0.12	-0.15	-0.10	-0.02	0.36	0.16	0.15	0.29	-0.04	-0.07	-0.08
16	Politicians on board	0.43	0.82	0.12	-0.04	-0.07	0.02	-0.03	0.24	-0.01	0.01	0.25	-0.04	-0.04	0.14
17	Reduction in no. of politicians	0.06	0.24	0.11	-0.02	-0.02	-0.01	-0.02	0.09	0.00	0.02	0.05	-0.02	-0.03	0.07
18	Other hires	0.31	0.46	-0.01	0.05	-0.03	0.00	0.04	-0.05	-0.03	-0.05	-0.01	-0.01	-0.05	-0.04
19	CEO duality	0.45	0.50	-0.06	0.05	0.06	0.11	0.12	-0.06	-0.02	0.06	0.06	0.03	0.08	-0.02
20	CEO tenure	1.71	0.95	-0.01	-0.06	-0.03	0.13	0.07	-0.05	-0.06	-0.02	0.10	-0.08	0.01	-0.05
21	CEO founder	0.09	0.28	0.01	-0.04	-0.03	-0.01	-0.04	0.02	-0.08	-0.22	0.16	0.01	-0.06	-0.10
22	CEO board experience	2.27	2.26	0.03	-0.04	-0.04	0.03	0.09	0.30	0.19	0.28	0.10	-0.02	0.01	0.06
23	CEO board interlocks	1.22	0.60	0.03	-0.04	-0.02	0.05	-0.00	-0.01	0.03	-0.05	-0.04	-0.04	0.16	0.01
24	CEO age	55.66	8.75	-0.01	-0.02	-0.05	0.09	0.17	0.14	-0.02	0.15	0.10	-0.05	0.13	0.06
25	Former politician CEO	0.04	0.20	0.08	0.00	-0.03	0.05	-0.01	0.18	0.08	0.00	-0.06	-0.05	0.22	0.03
26	Heavily regulated industry	0.31	0.46	0.15	-0.11	-0.13	0.00	-0.01	0.55	0.21	0.19	0.28	-0.01	0.05	0.07
27	Political hiring isomorphism	27.26	26.22	0.08	-0.03	-0.06	0.08	-0.05	0.34	0.02	0.18	0.24	0.04	0.03	0.10
28	Party in power change	0.13	0.34	0.06	0.04	-0.04	0.04	-0.14	0.01	0.00	-0.01	0.01	-0.03	-0.02	0.05
29	Absolute majority government	0.23	0.42	-0.06	0.04	0.03	-0.34	-0.20	0.04	-0.00	0.03	0.06	0.10	-0.05	-0.09
30	Year	21.64	9.13	-0.13	0.02	-0.00	0.35	0.53	0.25	0.22	0.24	0.19	0.18	0.04	0.04

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Table 1. Descriptive statistics and correlations (cont.).

		13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
13	State ownership	1.00																	
14	Board ownership	0.08	1.00																
15	Board size	0.05	-0.07	1.00															
16	Politicians on board	0.14	-0.11	0.37	1.00														
17	Reduction in no. of politicians	0.06	0.00	0.10	0.00	1.00													
18	Other hires	0.09	-0.01	0.12	0.08	-0.02	1.00												
19	CEO duality	-0.01	0.06	-0.13	-0.04	-0.08	-0.02	1.00											
20	CEO tenure	-0.00	-0.01	-0.07	0.00	-0.03	0.00	0.20	1.00										
21	CEO founder	0.05	-0.06	-0.02	0.17	-0.02	0.05	0.23	0.24	1.00									
22	CEO board experience	-0.04	-0.10	0.14	0.18	0.06	-0.04	0.16	-0.04	-0.15	1.00								
23	CEO board interlocks	0.10	-0.04	0.07	0.05	0.01	0.05	0.18	-0.00	-0.06	0.29	1.00							
24	CEO age	-0.01	-0.11	0.08	0.11	-0.00	-0.07	0.30	0.20	0.16	0.29	0.07	1.00						
25	Former politician CEO	0.15	-0.00	0.07	0.17	0.04	-0.03	0.04	-0.03	-0.06	0.23	0.08	0.19	1.00					
26	Heavily regulated industry	0.13	-0.20	0.43	0.33	0.16	0.04	-0.09	0.05	0.06	0.26	0.13	0.12	0.23	1.00				
27	Political hiring isomorphism	0.02	-0.20	0.33	0.45	0.09	0.04	-0.06	0.03	0.06	0.22	0.04	0.12	0.19	0.59	1.00			
28	Party in power change	-0.01	-0.02	0.04	0.05	0.03	-0.04	-0.00	-0.02	-0.02	0.03	0.03	-0.01	0.01	-0.01	-0.02	1.00		
29	Absolute majority government	-0.09	-0.00	0.10	-0.01	0.00	-0.09	0.03	-0.07	0.01	0.01	-0.01	-0.07	-0.04	-0.04	0.06	0.01	1.00	
30	Year	-0.22	0.02	0.15	-0.07	-0.06	-0.15	0.21	-0.01	-0.12	0.18	0.03	0.23	-0.03	-0.09	-0.01	0.01	0.11	1.00

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Table 2. Average marginal effects of the probit regression on the appointment of former politicians.

VARIABLES	Model I	Model II	Model III	Model IV	Model V	Model VI
Performance above aspirations (PAA)		-0.002	-0.002	-0.006*	-0.002	-0.006*
		(0.462)	(0.469)	(0.085)	(0.502)	(0.084)
Performance below aspirations (PBA)		-0.002	-0.002	-0.005*	-0.005*	-0.008**
		(0.349)	(0.335)	(0.078)	(0.077)	(0.031)
Far-left populism			0.001	0.001	0.001	0.001
			(0.482)	(0.430)	(0.445)	(0.402)
Far-right populism			0.002	0.003	-0.002	-0.001
			(0.430)	(0.178)	(0.500)	(0.785)
PAA*Far-left populism				0.001***		0.001***
				(0.000)		(0.000)
PBA*Far-left populism				0.001**		0.001**
				(0.022)		(0.017)
PAA*Far-right populism					0.000	0.000
					(0.782)	(0.781)
PBA*Far-right populism					-0.003**	-0.003*
					(0.044)	(0.055)
Firm size	0.000	0.000	0.000	0.000	0.000	0.000
	(0.959)	(0.959)	(0.875)	(0.808)	(0.874)	(0.813)
Proprietary technology	-0.000*	-0.000*	-0.000*	-0.000*	-0.000*	-0.000*
	(0.079)	(0.089)	(0.079)	(0.096)	(0.075)	(0.094)
Firm age	0.000	0.000	0.000	0.000	0.000	0.000
	(0.710)	(0.765)	(0.797)	(0.809)	(0.855)	(0.884)
Accumulated no. of mergers	0.015*	0.014*	0.014*	0.015**	0.015**	0.016**
	(0.054)	(0.069)	(0.065)	(0.046)	(0.049)	(0.034)
Potential slack	0.007	0.013	0.014	0.019	0.012	0.019
	(0.385)	(0.173)	(0.154)	(0.377)	(0.205)	(0.267)
Unabsorbed slack	0.014	0.014	0.014	0.014	0.013	0.014
	(0.116)	(0.117)	(0.123)	(0.111)	(0.121)	(0.103)
Foreign ownership	0.000	0.000	0.000	0.000	0.000	0.000
	(0.230)	(0.237)	(0.250)	(0.193)	(0.263)	(0.200)
State ownership	0.001	0.001	0.001	0.001	0.001	0.001
	(0.109)	(0.108)	(0.142)	(0.138)	(0.145)	(0.137)
Board ownership	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.348)	(0.323)	(0.376)	(0.280)	(0.400)	(0.293)
Board size	0.003*	0.003*	0.003**	0.003**	0.003**	0.003**
	(0.069)	(0.084)	(0.046)	(0.048)	(0.049)	(0.050)
Politicians on board	0.005	0.005	0.004	0.004	0.004	0.004
	(0.633)	(0.625)	(0.694)	(0.689)	(0.701)	(0.698)
Reduction in no. of politicians	0.048**	0.047**	0.046**	0.045**	0.044*	0.044*
	(0.034)	(0.033)	(0.041)	(0.046)	(0.052)	(0.054)
Other hires	-0.024	-0.023	-0.025	-0.026	-0.026	-0.026
	(0.148)	(0.147)	(0.131)	(0.119)	(0.122)	(0.109)
CEO duality	-0.010	-0.009	-0.009	-0.010	-0.009	-0.011
	(0.587)	(0.639)	(0.629)	(0.589)	(0.605)	(0.575)
CEO tenure	-0.004	-0.004	-0.005	-0.005	-0.006	-0.005
	(0.625)	(0.607)	(0.549)	(0.587)	(0.518)	(0.542)
Founder CEO	0.011	0.009	0.009	0.011	0.009	0.010
	(0.723)	(0.772)	(0.750)	(0.716)	(0.770)	(0.737)
CEO board experience	0.001	0.001	0.002	0.002	0.002	0.002
	(0.689)	(0.664)	(0.525)	(0.513)	(0.493)	(0.478)

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CEO board interlocks	-0.001	-0.002	-0.002	-0.001	-0.002	-0.001
	(0.893)	(0.849)	(0.827)	(0.904)	(0.830)	(0.899)
CEO age	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001
	(0.474)	(0.469)	(0.504)	(0.514)	(0.542)	(0.543)
Former politician CEO	0.028	0.028	0.027	0.031	0.026	0.030
	(0.306)	(0.304)	(0.316)	(0.259)	(0.341)	(0.281)
Regulated industry	0.039*	0.034	0.032	0.028	0.032	0.028
	(0.080)	(0.110)	(0.134)	(0.170)	(0.135)	(0.172)
Political hiring isomorphism	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.501)	(0.537)	(0.510)	(0.369)	(0.522)	(0.389)
Party in power change	0.030	0.030	0.031	0.038*	0.031	0.038*
	(0.143)	(0.144)	(0.137)	(0.070)	(0.135)	(0.067)
Absolute majority government	-0.033*	-0.033*	-0.024	-0.024	-0.024	-0.023
	(0.070)	(0.069)	(0.225)	(0.225)	(0.226)	(0.227)
Year	-0.003**	-0.003**	-0.004***	-0.004***	-0.004***	-0.004***
	(0.026)	(0.026)	(0.010)	(0.004)	(0.007)	(0.003)
Observations	1,134	1,134	1,134	1,134	1,134	1,134

pval in parentheses
*** p<0.01, ** p<0.05, * p<0.1

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Figure 1. The moderating effect of far-left populism on the relationship between performance above aspirations and the appointment of former politicians to corporate boards.

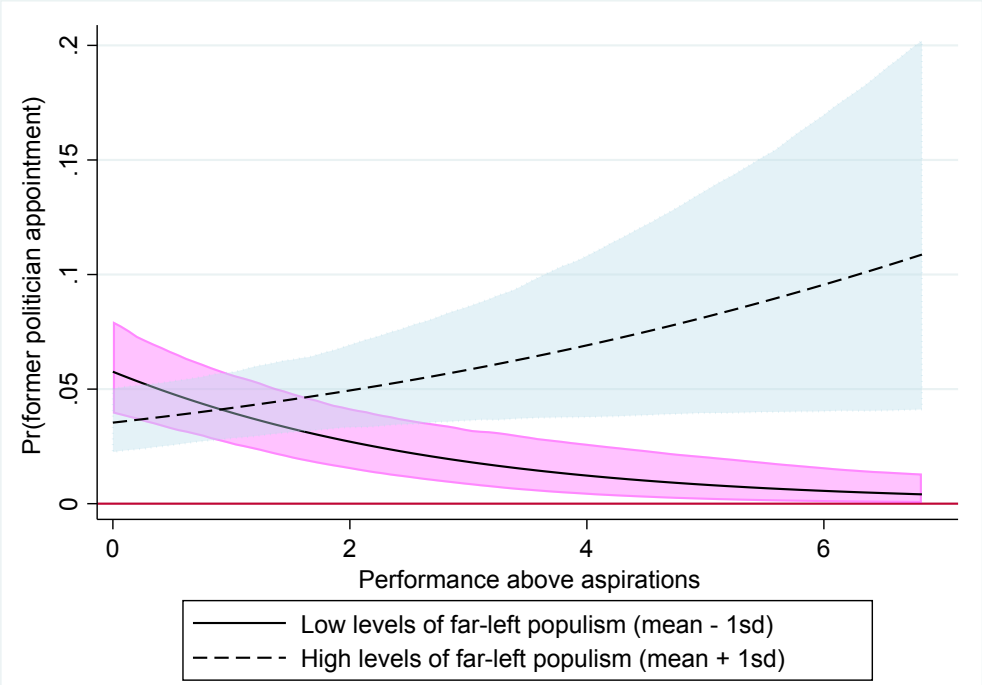

Figure 2. The moderating effect of far-left populism on the relationship between performance below aspirations and the appointment of former politicians to corporate boards.

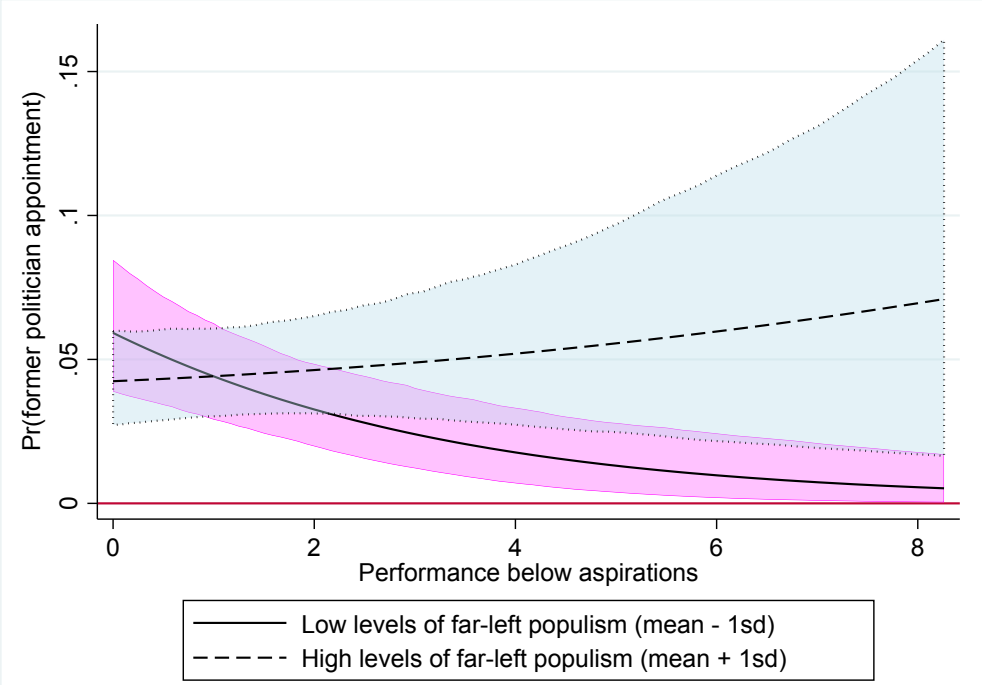

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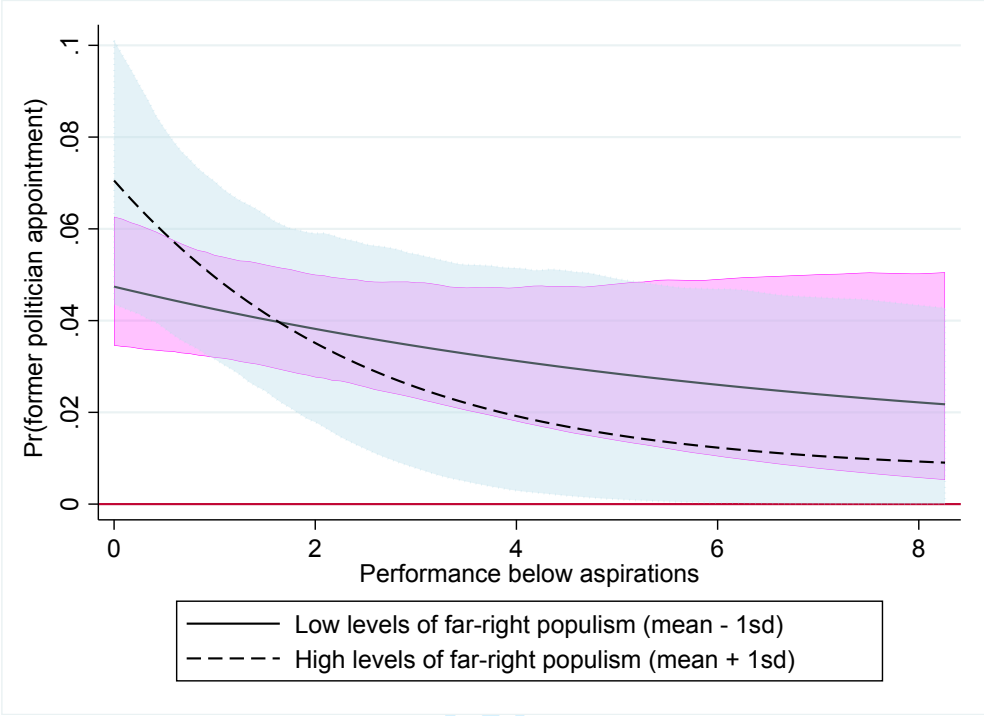
Figure 3. The moderating effect of far-right populism on the relationship between performance below aspirations and the appointment of former politicians to corporate boards.



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Raquel García-García is an Associate Professor of Management at the University of Oviedo. Her research interests lie in the field of corporate strategy. Her articles have been published in *Journal of World Business*, *Long Range Planning*, *Multinational Business Review*, and *Management International Review*. She has also published a book chapter on emerging market multinationals with Oxford University Press. Her studies, presented at numerous conferences, have been funded by prestigious organizations such as the British Academy of Management, the Leverhulme Trust, Banco Santander, and the Spanish Ministry of Economy. She has also served as an ad hoc reviewer for leading international journals and conferences and is currently a member of the editorial board of *Long Range Planning*.

Esteban García-Canal is Professor of Management at the University of Oviedo (Spain). His research interests are focused on the confluence between organizational economics, corporate strategy, and international business. His research has been published in leading journals, such as *Strategic Management Journal*, *Academy of Management Perspectives*, *Research Policy*, *Organization Studies*, *Business History*, *Journal of Management Studies*, *Harvard Business Review* or *Long Range Planning*. He currently is or has been a member of the editorial boards of the *Journal of International Business Studies* (JIBS), *Journal of Management Studies*, *Management International Review*, *Global Strategy Journal*, *Management Research and Universia Business Review*, among others. He has been President of the International Management Division of the Asociación Científica de Economía y Dirección de la Empresa (ACEDE) and coordinator of the Economics and Management Division of the Agencia Estatal de Investigación (Research Grants Council) in Spain.

Laura Fernández-Méndez is an Associate Professor in the Management Department at Universidad Pontificia Comillas-ICADE (Spain). She received her MBA and PhD from the

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University of Oviedo (Spain). Her research fields include political connections, digitalization, non-market strategies, corporate's sociopolitical activities, sustainability, and regulated Industries. She has published in top journals in such as Journal of World Business, Global Strategy Journal, Journal of International Management, and Journal of Business Research. She has presented her work in peer-reviewed academic conferences. She has also been a researcher in several competitive research projects.

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