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IS WINNING EVERYTHING? WHY CAMPAIGN CONSULTANTS OPERATE IN  
THE AMERICAN POLITICAL SYSTEM

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A DISSERTATION APPROVED FOR THE  
DEPARTMENT OF POLITICAL SCIENCE

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## **Is Winning Everything? Why Campaign Professionals Operate in the American Political System**

There has been a public fascination with campaign consultants for quite some time. Political scientists, though, have paid little attention to them. Existing research shows that these consultants tend to help candidates win higher percentages of the vote. Despite such research, the study of campaign consultants is largely without theory. This dissertation advances the understanding of campaign professionals by systematically examining why consultants operate in the American political system. Using new survey data, I demonstrate that there are two major motivations for why individuals become and remain consultants: financial considerations and the desire to see ideologically preferred candidates elected to public office. With this in mind, how do risk-averse consultants maximize their performance in each area? Theoretically, this dissertation utilizes the Behavioral Theory of the Firm (BTOF) as a way to understand how risk and performance are related. Consultants and consulting firms make decisions based on a variety of factors, including how others in their specialization have recently performed, their aspirations and expectations, and how they have buffered themselves from exogenous shocks in their environment. The findings indicate that consultants deal with four types of risk: potential client electability, opponent quality, potential client résumé strength, and financial considerations; BTOF does a very good job explaining the first three. After examining the determinants of risk, I test BTOF as a predictor of consultant revenue and consulting firm winning percentage, with the latter using a second new data set. The theory performs well, indicating that increased risk tends to lead to greater performance in both areas. This dissertation demonstrates the portability of BTOF into the elections literature and provides a unique look into the world of a rarely examined political group.

## **Chapter 1: From Plato to Axelrod - An Examination into the Development of Campaign Professionals**

### *Introduction*

The journalist's career was at a crossroads. With a special needs daughter at home and little chance at ascending much higher in his job at the *Chicago Tribune*, he decided to take a risk. Paul Simon, a Democratic congressman from southern Illinois, was interested in challenging three-term Republican Senator Charles Percy. Simon had just defeated three other Democrats in the primary election, needed a press secretary, and was familiar with the journalist's political writings at the *Tribune* and needed a press secretary. Simon had asked him to take on this position once before, but with the primary now over, he knew his big chance had come. Soon after as he came on board as press secretary, the campaign manager, Thomas Pazzi, was fired for running up huge budget deficits, and he filled the position (Pick 1987).

The general election campaign against Senator Percy, a three-term incumbent Republican, was tough. When the dust settled, Simon defeated Percy by less than one percent of the vote. His young campaign manager, described as "topnotch" and "one of the three major string pullers for Simon," had launched a new career. Over the next fifteen years he became one of the top media strategists for progressive candidates, winning major mayoral, congressional, and senatorial races. Although local candidates were constantly knocking on the door, his goal was to be a national fixture in campaigns. Despite this lofty goal, he had turned down major roles in the 1992 Clinton and 2000 Gore presidential campaigns, stating a desire to stay in the Chicago area (Pick 1987).

His consulting career, already wildly successful, took things up a notch in the 2000s. From 2001-2007 he took on 42 primary and general election campaigns, winning 33 of them (Reardon 2007). As the 2008 election cycle ramped up, he debated whether or not to get involved with a presidential race. The main problem was that he had worked for all of the major Democratic presidential candidates: Hillary Clinton, Barack Obama, Joe Biden, and John Edwards. Although tempted to sit out the presidential race, David Axelrod instead agreed to run Barack Obama's historic campaign.

Campaign consultants are a necessary component of victory in American elections.<sup>1</sup> The growth of the consulting industry reflects this view. By the early 1990s roughly two-thirds of incumbent congressional candidates, and over 75 percent of candidates in open seats, hired consultants (Medvic 2001). Every election cycle brings 50,000 candidate for public office, many of whom hire at least one consultant (Johnson 2009). Yet there is substantial trepidation among the public about consultants. Some people think consultants try to manipulate the public or that consultants operate in a perpetual ethical gray area. For instance, a former director of the Survey Research Center at the University of New Hampshire wrote a book detailing some of the ways pollsters use their influence over campaign tactics to conduct negative campaigns (see Moore 1995). In Luntz's (1988) survey of consultants, 88 percent said that misrepresentations of abilities and unethical practices take place in the political consulting profession. These practices can take a variety of forms such as overbilling clients, intentionally distorting an opponent's record, lying about one's qualifications, or even having a conflict of interest.

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<sup>1</sup> From this point forward, the word "consultants" shall refer to campaign consultants unless otherwise noted.

While there may be true that some consultants work to manipulate a campaign message or engage in ethically dubious actions, this is far from their whole story. Sure, the consulting industry has seen its share of power-hungry, ethically dubious characters (often depending on one's partisan disposition), yet there are many upstanding, hard working, and ethical consultants. Undoubtedly, money plays a major role in the industry, but there is much more going on behind the scenes. This dissertation is an exploration into just that – the interaction of the consulting industry with the American political system.

Consulting is an oft overlooked aspect of American elections. This project will first address a frequently asked question: Why should political scientists study consultants? In answering the question, this chapter lends context to this project's overarching research question: How do consultants operate and interact in the American political system? Consulting is not a new profession, and it is not unique to American democracy – consultants are endemic to elections in particular, and to government in general. This chapter constructs the argument for why these individuals should be studied by political scientists by examining the relationship between consulting and elections, exploring the role consultants have historically played in American politics, and reviewing the extant political science literature. The evidence leads to the conclusion that consultants are not just incidental to electoral politics; they are an integral part of democracy and are here to stay.

*Do Consultants Really Matter?*

Justifying why political scientists should study a particular subject more is paramount to any research endeavor. It is not enough to justify this project merely on the lack of extant literature; there must be some need to understand more about consultants.

Part of the problem is the lack of available data. No agency or institution monitors the entire consulting profession. There are no data sets available; no THOMAS, no NES studies, nothing. The study of campaign consulting has no established, canonic source of data from which one might construct measures in order to test hypotheses about the industry. Much like the interest group literature of thirty years ago, the study of consultants is approached with some theory, a few case studies, and limited data.

The development of the interest group literature is an appropriate comparison to the academic work on consulting. In its infancy, that literature focused on developing theory, such as Truman's (1951) pluralist theory or Olson's (1965) theory of collective action. In justifying his work on lobbyists, Walker (1983; 1991) describes the important role these individuals play in American politics. What really held the discipline back was the lack of data. The study of consultants is similar – there are some theories out there, but they are largely untested. Yet, consultants continue to play an important role not only in American politics and democracy in general. Consultants are unique from interest groups, political parties, and the media, yet they interact with all of these institutions to create democratic government and act to advance the ambitions of politicians.

The impact of consultants on American politics goes beyond the electoral environment. Political science research has continually found a relationship between electoral outcomes and public policy: winners of elections shape new policy. They are the building block for our democracy, which makes the key institutions and actors



relevant for study. The next step is to demonstrate how election results can impact policy. For instance, one strand of literature explores the relationship between redistricting and policy/representation. When local or congressional districts are redrawn, the entire electoral picture can change. New majority-minority districts in the South in the 1990s led to a more liberal Democratic delegation. Yet, because more Republicans were elected throughout the region, the overall congressional delegation from these states became more conservative (Schotts 2003). Changes due to redistricting can significantly impact how laws are made, even at the state level (Herron and Alan E. Wiseman 2008).

Inasmuch as elections influence public policy, consultants matter in elections. This is one area in the consulting puzzle where political science has explored. The amount of money a candidate raises for an election positively affects their likelihood of winning (Krasno, Green, and Cowden 1994). In the political system there is an entire subgroup of consulting that helps candidates raise money. Herrnson (1992) demonstrates that using professionals significantly increases PAC donations and funds from large donors. Exploring fundraising a bit deeper, Dulio (2004) finds that hiring well-known and effective professionals increases total donations. He speculates this could be due to a couple of reasons. First, incumbents in tough elections tend to hire more effective consultants because they recognize the need for help.<sup>2</sup> When Sandy Maisel, a political science professor in Maine, ran for Congress in the 1970s, he decided to run his own campaign. Reflecting on his experience, he stated that candidates cannot serve the roles of both candidate and campaign manager.

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<sup>2</sup> An alternative reason for hiring a consultant is to make sure another candidate cannot hire them. For example, Oklahoma legislative races are dominated by the firm AH Strategies. A Republican candidate will hire them so that they not only get the “best” consultants but so that their primary opponents cannot.

Someone else has to be intricately involved (Maisel 1986). Incumbents about to breeze to reelection do not need every last dollar or vote so they tend to either not hire consultants or hire those who are not considered to be the most effective. Second, the most well-known consultants are expected to deliver in their expertise as they have garnered significant attention. If they are also considered effective in their specialization, it means they have a reputation for getting the job done. So it makes sense that when a candidate hires good consultants to raise money in a race that demands the maximum amount of resources, the total number of donations tends to be higher.

*What Else do Political Scientists Know about Consultants?*

Consulting legend Joe Napolitan once said that political science as a discipline is irrelevant to “real politics” (Binford 1985). While that is a loaded statement, it is not entirely inaccurate. There are aspects of “real politics” – some of the practical components – that the discipline has not dealt with much, of which consulting is one. The chapter makes a two-pronged argument. First, democracy (and thus the American political system) and campaign consultants are inseparable. Since lessons can be learned and applied across elections, democracy provides those with campaign experience an outlet for their skills. Second, the existence of consultants is widespread in this country. Most congressional candidates hire them and they come from all regions and states of the country. But what do political scientists know about consultants? Not much.

This section weaves together the few academic works on consultants, beginning with the definition of the subject of interest. Campaign professionals have been defined as “anyone who worked in two or more congressional and/or statewide campaigns during

the most recent campaign cycle” (Medvic 1998, 150; Schneier, Jr. 1987). This definition provides for a clear conceptualization of consultants, but it very narrow. Someone who works on dozens of state legislative races, such as Fount Holland in Oklahoma, is not a campaign professional under this definition. More broadly, they have been defined as someone who is engaged in the provision of advice and services to candidates, their campaigns, and other political committees (Sabato 1981). This definition is similar to that used by Karlsen (2010), which focuses on those who derive at least part of their income from providing services to campaigns and possess specialized knowledge. These service-based definitions are problematic because they do not do a very good job specifying who is counted as a consultant. Under these definitions, any paid staffer could be considered a consultant (Medvic 2003). The first definition has been used in the most significant academic theoretical exploration of professionals (see Medvic 2001), while the second is useful for its inclusion of state-centered consultants and that it covers many elements of consulting (Medvic 2003).

Other definitions of consultants relied on a multi-pronged approach. *Campaigns & Elections* magazine, in creating their biennial ‘Consultant Scorecard’ counts those consultants or firms who ‘worked’ on three or more statewide and/or congressional campaigns. ‘Working’ on a campaign means that money exchanged hands in exchange for campaign services. The magazine also includes the highest grossing consultants in their fields and members of the American Association of Political Consultants (AAPC) (Medvic 2003; Medvic 1998, 150).

In an article grappling with arriving at an agreed upon definition, Medvic (2003, 124) argues that a campaign consultant is “a person who is paid, or whose firm is paid, to

provide services for on presidential/national or more than one non-presidential/sub-national campaign (whether candidate or issue) per election cycle for more than one such cycle, not including those whose salary is paid exclusively by a party committee or interest group.” This definition is more exclusive than that used by *Campaigns & Elections* in that the latter may include party or interest group consultants. Medvic’s definition is well-constructed, but it is not used in this dissertation. In order to best understand how consultants operate in the political system, it is important to survey individuals who may currently be paid exclusively by a party or interest group but recently fit Medvic’s definition. These individuals can make important contributions to our understanding of how consultants view risk and cultivate clients. As such, the *Campaigns & Elections* definition of campaign consultants is used in this dissertation.

Political scientists have done a good job of developing the evolution of the modern campaign industry. Dulio (2004) notes that this change has been found in three areas: overall growth, significant turnover, and both combining to evolve into an industry of experts and specialists (see also De Vries 1989). Whereas early professionals emerged from the commercial world, most professionals are now trained by the parties (Farrell, Kolodny, and Medvic 2001). Professionals typically learn by doing, working their way up the campaign ladder (Binford 1985). They tend to be white, older than the average American, and highly educated. Professional firm principals typically have six-figure incomes, although non-principals have considerable lower salaries. Although early research indicated that ideology played a minimal role in how professionals view elections (Rosenbloom 1973), more recent literature has found that there are potentially ideological reasons for involvement in the political realm – most professionals have some

sort of ideological goals, one such being to procure a Congressional majority. Because of their political goals, professionals tend to be involved in multiple campaigns, particularly at the state and local levels (Dulio 2004).

Campaign professionals provide a myriad of services and have been classified into different groups. Medvic & Lenart (1997) list seven variations: fundraising mail, persuasion mail, polling, media, fundraising, general consulting and direct mail. Another type of professional engages in political research, of which there are two varieties. Candidate research involves knowing everything you can about your client; this includes being able to portray them in the best possible light and knowing the skeletons in their closet. Opposition research consists of finding the skeletons in your opponent's closet; conducting it is easier for challenger candidates since an incumbent's previous years are very transparent (roughly 5 percent of information is used). For instance, Johnson (2007) observes that Republicans redeveloped opposition research and rapid response in the 1980s and 1990s; since then, Democrats have been playing catch-up.

The bottom line is that political scientists know little about consultants. They know more about how consultants impact elections, and even this is limited to Congress. In this regard, our knowledge is narrow. Even in the surveys conducted by Luntz (1988) and Dulio (2004), the state and local consultants are largely eschewed in favor of presidential and congressional consultants. The literature on consultants has only focused on them as inputs (independent variables) at the congressional level, not outputs (dependent variables) in a complex political system.

Using consultants as an independent variable is one area in which political scientists have devoted much of their work on consultants. The literature shows that

hiring a consultant does help increase a candidate's share of the two-party vote, particularly for vulnerable incumbents and challengers (Dulio 2004; Medvic 1998). Medvic (1998) finds that hiring a professional is significant for Republican congressional candidates, but not for Democratic candidates. He notes that this may be due to many factors, including a stronger Democratic "farm system" and institutional and electoral advantages. Since the finding also holds for open seats, Medvic states that these Republican disadvantages may have been present there (see also Gaddie and Bullock 2000). The cumulative effect of hiring professionals depends on how many professionals are hired – each professional translates to a 2.5 percent increase in a candidate's vote-share. When broken down by type of professional hired, pollsters (4.7 percent), media (2.6 percent), and mail (3.3 percent) are statistically significant (Medvic and Lenart 1997). How much professionals matter also depends on their effectiveness: hiring effective consultants increases vote share by 1.6 percent in competitive races, as opposed to 1.44 percent in all races (Dulio 2004).

#### *Theoretical Underpinnings: Behavioral Theory of the Firm*

The previous research into campaign professionals has been very useful, though it does have some problems. Academics have jumped into model-building exercises to judge how campaign professionals influence elections without working to systematically understand their backgrounds, motivations, and behavior. Since scholars have tested the conventional wisdom regarding campaign professionals and electoral success, what happens when every congressional candidate hires one? The trend in elections and campaigns is such that an overwhelming majority of congressional candidates are using

campaign professionals; by 1992 over 60 percent of all congressional candidates hired at least one consultant (Medvic and Lenart 1997). The new question becomes the following: If every candidate is using these professionals, how are academics to determine their effects?

In order to answer this question, we need to better understand how campaign professionals find clients, run campaigns, and influence voters; in other words, how they interact within our political system. It is not enough to know whether or not consultants are in use, or even how they are in use. We must understand how they engage the political environment that they are hired to shape. The aspect of influencing voters has been developed in theory only, and has not been tested (see Nimmo 1970; Medvic 2001). This project will examine the first aspect. There has yet to be a systematic study of how campaign consultants identify candidates, recruit clients, and work within the established American political institutions to sustain their business; in other words, instead of using campaign professionals as the independent variable of interest, they should be the dependent variable.

The main theoretical underpinnings for this dissertation come from a behavioral theory of the firm (BTOF), developed by Cyert and March (1963) in their book of the same name. BTOF is a theory that focuses on organizational, and in some cases, managerial behavior. By combining some elements of organization theory and bounded rationality, the authors developed a portable theory that has held up considerably well across multiple disciplines, such as economics and business. Over time, scholars across multiple disciplines have adopted versions of BTOF, using it to provide the framework for research in economics, organizational science, management, political science, and

others. Cyert and March themselves called their seminal work *A* (not “The”) *Behavioral Theory of the Firm*, an acknowledgment that it would not provide a consistent set of defined assumptions and hypotheses (Argote and Greve 2007).

The central contributions of BTOF play a critical role in this project. Cyert and March wrote their work at a time when the “theory of the firm” was the dominant model of firm performance. This theory made the assumption that all firms acted to maximize their profits. Firms would maximize profit by determining the optimal amounts of both inputs and outputs (i.e. equilibrium). According to Cyert and March (1963), analyzing shifts in equilibrium conditions are best done with single-product firms. In the consulting world, however, many consultants and firms work in multiple specializations.

BTOF rejects the profit maximization assumption, arguing instead that firms can have other significant goals in addition to profits, asking whether profit is the only objective of a firm and if maximization describes what firms do about profits. The goal of BTOF was to modify the original “theory of the firm” and provide explanation of key conceptual relationships in the real business world (Cyert and March 1963).

In order to modify the rationalist “theory of the firm” into a *behavioral* theory of the firm, Cyert and March advocated using organization theory. Specifically, they drew upon the concept of “bounded rationality,” a concept developed by Herbert Simon and discussed extensively in March and Simon’s book, *Organizations* (1958). Bounded rationality rejects the assumption that individuals have full knowledge when making decisions, arguing instead that imperfect knowledge leads them to make decisions based on the information that is readily available. Due to the lack of full information, decision makers must “satisfice”, a combination of “satisfy” and “suffice.” The assumption of



bounded rationality, made throughout this project, has been used in many studies in political science because it fits well in the uncertain world of campaigning, particularly considering that an entire consulting specialization (research) is based on incomplete knowledge.

Incomplete information is a real concern for consultants when trying to decide whether to take on a particular client. Consultants do not know candidate personalities, who the prospective opponent is, and how much money will be spent on a race before it happens. One example is the 1994 U.S. Senate race in California which pitted wealthy Republican Congressman Michael Huffington against Diane Feinstein. Consulting legend Ed Rollins was Huffington's campaign manager and considered the race very winnable. Until, that is, he realized he had to interact constantly with Huffington's wife, Ariana, whom he refers to as "pathological" and a "sorceress." When news came about the Huffingtons employing an illegal immigrant late in the campaign, Ariana demanded that Rollins dig into Feinstein's past, convinced that there were skeletons in her past. Ariana allegedly went on to hire private investigators to do just this, although apparently nothing substantial was found. Michael Huffington went on to lose the race by just less than two percent. It was the only time in Rollins' career that he hoped his client would lose (Rollins 1996, 4).

The above example illustrates the reality of imperfect knowledge in two ways. First, Rollins was not fully aware how his campaign style would clash with his client's wife, leading to his pessimistic desire of defeat. Would any consultant work hard to win a race if they wanted to lose it? Second, he had no knowledge of Huffington's past employment of an illegal immigrant, an issue that turned out to be very negative for the

campaign.<sup>3</sup> Had he known all of this information, Rollins insists that he would not have taken the job (Rollins 1996). Consultants are not necessarily all about the money, even if a potential client has large personal wealth. Finances are just one aspect to being a consultant.<sup>4</sup>

Along with bounded rationality, *A Behavioral Theory of the Firm* emphasized other mechanisms absent from, or insufficiently addressed, in the “theory of the firm.” These mechanisms play an important role in this project and will be discussed – along with their relevance to consultants – separately. The first, *problemistic search*, relates to how organizations react to low performance (Argote and Greve 2007). Assuming bounded rationality, firms will set certain goals (expectations and aspirations) and choose the first alternative they see that meets these goals. If a firm identifies a problem area (such as low performance) that will hinder their progress, decision makers will search for a set of new alternatives in order to find a remedy (Cyert and March 1963, 120-122). One possible alternative is independent expenditures (IEs). Political parties or PACs will spend money on races, but cannot coordinate them with the actual campaigns. IEs provide consultants with a secondary source of clientele that can allow them to raise their performance across multiple aspects (see Chapter 5).

Consultants, just like other firms, have goals in the form of aspirations and expectations. They may want to bring in a minimum amount of revenue each election cycle or post a certain winning percentage. They do this in an individualized context.

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<sup>3</sup> In some ways this is eerily similar to Meg Whitman’s campaign for governor in California in 2010. A wealthy self-funder, allegations that Whitman employed an illegal immigrant surfaced late in the campaign. While this may not have been enough for her to lose the race, it consumed a lot of her campaign’s time and resources.

<sup>4</sup> Chapters 3 and 5 delve into this issue in much more detail. For instance, many consultants care about specific policies and ideology, sometimes even more than they do about money.

For example, a consulting firm principal has to bring in enough revenue to maintain a certain level of employment. They also, as is the case with organizations, adapt their behavior based on what Cyert and March refer to as “comparable organizations” (1963, 123). In the consulting context, firms learn about the methods and tendencies of the firms operating in similar specializations. These specialization-wide goals (or *aspirations*), play an important role in the decision making calculus.

Both the individualized expectations and specialization-based aspirations can operate in conjunction to lead to *problemistic search*. When a firm’s expectations fail to exceed their aspirations, they adapt by looking for new sources of revenue (Bromiley 1991a). These concepts play an important role in how decision makers deal with uncertainty, in addition to their overall performance.

In addition to *problemistic search*, Cyert and March identify *slack search* as another key mechanism in decision making. *Slack search* encapsulates the firm’s pursuit of new products, technologies, or practices that do not directly solve problems (hence the differentiation between *slack search* and *problemistic search*) (Argote and Greve 2007). Slack consists of resources above and beyond what is necessary to maintain an organization. This concept is important in how it allows decision makers to react to their environment. In a positive environment, slack serves as excess resources. In a less favorable environment, slack is a cushion, providing a pool of resources in order for the firm to maintain aspirations. Overall, it allows the firm to absorb the variability in their environment – it is a buffer (Cyert and March 1963, 36-38).

This buffer concept plays an important role in the feast-famine industry of campaign consulting. The “big money” elections are held in the even-numbered years –

president, most gubernatorial races, Senate, House of Representatives – leaving few opportunities for consultants to make money in the odd-numbered years. This feast-famine characteristic is offset by some firms through corporate consulting, lobbying, or other non-campaign activities. Still, each firm is subject to variability in their business environment. Perhaps a larger share of their clients loses in the primary than they are typically accustomed to, meaning they do not get paid throughout the entire campaign. Or maybe they have a large portion of non-paying clients. Whatever may be the case, consultants must find ways to sustain themselves through the bad times as well as the good. Slack helps them do this.

As mentioned earlier, there is no one behavioral theory of the firm. Scholars have modified the Cyert and March framework and assumptions to derive their own theoretical predictions. This project mirrors the models and conceptual relationships used in Bromiley's (1991a) influential work on corporate risk taking.<sup>5</sup> This article is used because it provides an excellent guide to testing the relationships between the concepts discussed above, using the BTOF framework to explain risk taking and performance. One of its strength, along with Cyert and March's framework, is that it focuses on those making decisions within the firm. A large majority of consultants surveyed for this project are principals in their consulting firms, meaning they are key individuals in making decisions for their business (see Chapter 3). This makes the BTOF framework and Bromiley's work relevant to the study of consultants.

Studying the consulting industry's decision making process requires the exploration of more than just the campaign firm (although Bromiley (1991a) uses the firm as the unit of analysis). Not only can consultants specialize in general management,

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<sup>5</sup> According to Google Scholar, Bromiley's (1991a) work has been cited 363 times.

but consultants of all types must manage their clients' time and resources. Of the 50,000 campaigns for public office each cycle, most are state and local elections. Consultants in state and local elections are expected to be the "jack of all trades". The average consultant, according to data collected for this project, does work in just over 3 different specializations. Thus, these individuals are not only decision makers, but they are managers as well, making a BTOF framework very much appropriate to study them.

The concepts of aspirations, expectations, performance, slack, and problemistic search can be, and have been, melded together to predict risk taking and firm performance. The main theoretical benefit of the former is that it provides contrasting predictions from prospect theory, BTOF, agency theory, and upper-echelons theory (see Chapter 3). In this sense, BTOF does not have to be tested as a singular theory, but can be tested against these other theories. Its strength lies in that it performs well when tested against other theories (see Bromiley 1991; Wiseman and Bromiley 1996).

In addition to theoretical strength, there is benefit in transporting BTOF to American politics. Indeed, BTOF is not foreign to political science; it has been used in foreign policy (see Allison's 1971 work on the Cuban Missile Crisis) and public administration (see Christensen and Lægreid 2003). American political organizations, such as parties, consulting firms, and lobby organizations can relate to the important concepts discussed above. Because of its broad framework, BTOF is portable to many aspects of political science, including American politics.

*Democracy and Consultants*

The extant literature demonstrates that consultants influence elections and, by extension, public policy. BTOF provides a theoretical framework to explore aspects of the consulting industry as a dependent variable. But there is something more going on here. Just how extensive is the use of consultants, not only in contemporary politics but historically? This section provides a historical account of the growth and evolution of the consulting industry.

If democracy and consultants are intertwined, there should be evidence of consultants in places other than the United States. American consultants, like James Carville, have worked in international elections. Their experience and success have made them valued in new markets. This is because, as Farrell, Kolodny, and Medvic (2001) write, the shift of campaign technology into the Digital Age has added such demands on political parties that they can no longer respond fully to the demands of the modern campaign. The result is that even in democracies with strong political parties, there is demand for consultants to provide technical skills. The contemporary consulting phenomenon is therefore not unique to American democracy. Just as there is an American Association of Campaign Consultants, there is also the International Association of Campaign Consultants, the European Association of Campaign Consultants, the Asia Pacific Association of Campaign Consultants, and the Association of Latin American Political Consultants. This is evidence that the industry is a global phenomenon.

A second component of the existence of consultants outside of the United States takes on a historical component, and requires us to step back in time. If democracy and consultants are so closely related, there would be some aspect of consulting found in the

ancient Greek and Roman democracies? These two democracies may not have fit within Dahl's (1972) concept of polyarchy, which requires free and fair elections – large segments of those populations did not have the right of suffrage – but this only serves to strengthen the argument of this chapter. For any system of government to be considered a democracy, there must be some type of elections, and with elections come consultants.<sup>6</sup> Thus, one cannot separate democracy from elections, establishing the connection between democracies and consultants.

To make the argument that democracy and consultants are inseparable, it is necessary to find evidence of them in prior democracies. The Greek city-states are examined first, and although evidence of campaign consultants is circumstantial, it is plausible that they existed in Athenian democracy. While information is not readily available about Greek elections, there is strong evidence that campaign consultants were present in Roman elections. Finally, before the modern incarnation of the campaign consulting firm, consultants were heavily involved in early American elections.

### *Consulting in the Greek City-States: A Story of Rival Schools*

Drawing conclusions about *campaign* consulting in the Greek city-states is difficult due to our limited knowledge about their political institutions (Staveley 1972). What we know is that elections existed in both Sparta and Athens.<sup>7</sup> We also know that the great Athenian schools produced politically active citizens. Specifically, Plato and

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<sup>6</sup> The city-state of Athens and the Roman Republic would fall within what Collier and Levitsky (1997) refer to as a “diminished subtype” of democracy. Diminished subtypes allow scholars to differentiate the degree of democracy of regimes based on attributes, moving down what Sartori would call a “ladder of generalization,” where the ideal subtype (in this case, polyarchy) is on top. Regimes that fall short of being a polyarchy, but maintain some of its attributes (such as “limited-suffrage democracy”) are understood to be diminished subtypes, or “less than complete instances of democracy” (437-438).

<sup>7</sup> Staveley (1972) notes that while Plutarch and Thucydides both claim that elections were present at the beginning of Athens, the truth is that it was most likely a gradual process (23).

Isokrates, who ran rival schools, both had students heavily engaged in the political process. The exact nature to which this relates to consulting is, however, a bit of a mystery.

It was not uncommon in Greece for a city to deal with surplus population or a discordant faction by establishing a colony. These new cities would have a fresh set of laws created specifically for them and a competent legislator was often brought in to advise the founder or sponsoring city in this task. Some examples of this include Protagorus, who drafted the laws for Pericles' colony of Thurii in southern Italy, and Plato himself, who wrote the laws for the new city of Megalopolis in Arcadia (Morrow 1960).

These legislative advisors played an important role in the Greek city-states, and while they may best be labeled *political* consultants, it may be possible that some engaged in campaign consulting as well. The key lies with two well-known rival schools (although they are not the only such institutions to exist), one run by Plato, the other by Isokrates. Each school took a different approach to education and practice and since they were held in public places, many people passed through them.<sup>8</sup> Importantly, Rowe (2002) states that both were heavily engaged in what we would today call political consulting.

Plato's Academy, according to Rowe (2002), resembled a modern-day think-tank. His teachings focused on the abstract, but he was not completely unconcerned with practice. After becoming disillusioned with contemporary politics, he saw that he could only rely on those who were like-minded. His hope was that philosophic men would

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<sup>8</sup> Indeed, Brunt (1993) states that Plato's Academy was held in a public place and that it was not his usual course to give private instruction (284).



come to power, or those holding political power would become philosophers (Morrow 1960). Although Brunt (1993) disagrees with other scholars that Plato's Academy became a prime training ground in statecraft, Morrow (1960) infers from the above statements that the Academy was involved in the training of statesmen and concludes that it was widely recognized as a place where advisers could be called upon when desired.<sup>9</sup> Brunt (1993) counters this argument by stating most of Plato's students were "metics" who were in no position to influence politics in any city-state. Regardless, even if training statesmen was not the primary purpose of the Academy, it is likely that some legislative advisors were taught by Plato.<sup>10</sup>

Whereas the Academy was akin to the modern-day think tank, Isokrates' school has been compared to a public relations firm (Rowe 2002).<sup>11</sup> His students were affluent (he had roughly 100), meaning they belonged to the class of individuals that supplied the cities with its political leaders (Rowe 2002; Brunt 1993).<sup>12</sup> Isokrates focused on applied politics, teaching his students to work together as a power-elite to control the courts and legislature. At one point, he had students with significant roles in the military leadership, courts, diplomatic positions, and the legislature. Finally, Isokrates himself was paid to write speeches and letters to potentates and government leaders and provide recommendations for how to govern (Rowe 2002).<sup>13</sup> How Isokrates' students worked together to control aspects of the government is unclear – Rowe is unable to provide

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<sup>9</sup> Brunt's (1993) argument is that many of Plato's "pupils" were more like comrades, or "friends who philosophize" together. Inevitably, he argues, many legislative advisers had passed through the Academy, but this does not mean they were Plato's students.

<sup>10</sup> Let us not forget that Plato himself was called on to write legislation for Megalopolis.

<sup>11</sup> Interestingly, there are stories of men who were taught at both rival schools. While the stories may not be true, it is plausible that people tried out multiple teachers (1991; 1983).

<sup>12</sup> While the teachers emphasized that education should be independent from money, the reality is that they did need a source of income (Eucken 1983).

<sup>13</sup> Isokrates is a different person than Socrates – the two should not be confused with one another.

additional information. He does state that Isokrates was paid one talent for assisting Timotheus and 20 talents for writing a speech for Nicocles. The evidence does seem to indicate that at the very least Isokrates was a part time public relations consultant.

Does this mean there were coordinated political campaign activities in ancient Greece? We cannot readily know. Complicating matters is that the conduct of the canvass is the area of Greek elections where information is most sparse. Historical evidence indicates that Athenians tended to pay more attention to a candidate's worth than his external appeal. There were few offices to run for, and the demands of the job required a level of skill and expertise found in few individuals. Because elections were more of a concern of the electorate than the ruling class, elections were less intense in Athens than in Sparta or Rome, making holding office less prestigious than it was elsewhere. By and large, elections were uncontested, but three factors likely contributed to the presence of an actual campaign. The first, a candidate being championed by a popular leader or demagogue, was the most common and effective. This is akin to pre-campaign activity of the modern campaign, where one candidate receives the blessing of the party establishment and has an unopposed path to the election. Second, if a man was not backed by such an individual, local political clubs would unite behind a candidate, or slate of candidates, who were intolerant of radical democracy. These clubs had the benefit of being the most organized political groups in Athens and could deliver large numbers of voters to the voting scene. Since voting was done by a show of hands, the clubs would strategically place their supporters throughout the voting arena.<sup>14</sup> The third factor in bringing about an election campaign was to embark on a door-to-door canvass.

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<sup>14</sup> This kind of politicking was legal but frowned upon in Athens. When this tactic was applied, political clubs would make sure their tracks were covered (Staveley 1972).

Given the political system briefly outlined above, this strategy could be successful (Staveley 1972).

While it is impossible to say for sure that campaign consultants existed in ancient Greece, there is evidence of a broader political consulting. There certainly were paid political consultants that were trained by some of the foremost philosophers of the era. There were electoral campaigns filled with politicking and commonly-used tactics. These elements are sufficient for the existence of campaign consultants. How such tactics became so widespread is unknown, but at the very least, it is plausible that campaign consultants played a role in ancient Greek elections.

#### *Family Matters: Consulting during the Roman Republic*

Many of history's early campaign consultants were most likely the candidates' friends and family. Indeed, Friedenber (1999) observes that we will never know who the first campaign consultant was, and he is absolutely correct. As discussed in the previous section, perhaps it was someone in Athens or Sparta. If the first was not from ancient Greece, however, it certainly was from the Roman Republic.

Elections in the Roman Republic were more intense than those in ancient Greece and more amenable to campaign effects (see Taylor 1949).<sup>15</sup> Beginning in the third century BC, there was a trend to publish candidate names early. This practice (called *professio*) seems to have been a strategic decision – by professing their desire to hold

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<sup>15</sup> During the Hannibalic War, Roman General Sempronius left the front, returning to Rome to oversee the consular elections (see Schotts 2003).

office to the magistrate early, they would have more time to canvass.<sup>16</sup> Another aspect that worked to strengthen the role of campaigns was that Roman politics was not dominated by political parties. Candidates did not represent the interests of large groups, they did not have to pledge support to a certain set of policies, and they did not associate themselves with a specific political creed. This made Roman elections very personal (Staveley 1972). The emphasis on personal politics emphasized the role of canvassing, a prominent component of American politics (e.g Fenno 1978).

The goal of the campaign was to ensure that one's followers attended the vote (*comitia*) in sufficient numbers to win the election.<sup>17</sup> Because elections were centered on local tribes, candidates wanted to carry as many as possible (Lily Ross Taylor 1949). For the most part, however, oratorical persuasion and highlighting political differences were excluded. There were few opportunities for communication or propaganda. Early campaign regulation actually forbade candidates from drawing attention to themselves by acts such as whitening their togas and from travelling to the market for public meetings. Campaigns instead became network-oriented. Candidates had to spend considerable time establishing new contacts with people who could influence voting – wealthier men and the municipal magistrate. Often, this meant the campaign began well over a year in advance of the *comitia* (Staveley 1972).

How, then, could candidates influence the vote through the campaign? One way was through bribery, something that was a significant problem by the second century BC.

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<sup>16</sup> This practice was regulated during the last century of the Republic so that *professio* had to be done by a certain date, similar to our filing deadlines. The magistrate still retained the right to nominate someone just prior to the vote. These candidates did occasionally win (Staveley 1972).

<sup>17</sup> In fact, voters had to travel to Rome for the *comitia*, meaning many people would have to travel long distances (Staveley 1972). One can imagine how this depressed turnout, and often, people would not vote unless they felt obligated to do so. Still, each tribe had a headquarters in Rome (Lily Ross Taylor 1949).

Another tactic, one less reprehensible, was to host fundraisers to supplement state campaign funds (Staveley 1972).<sup>18</sup> Just like today's campaigns, money played a significant role in Republic elections.

Two very pertinent by-products of the Roman *comitia* system became widely used campaign tactics. The first was the practice of *coitio*, or the pooling of campaign effort by two or more candidates.<sup>19</sup> One example of this came in 184 BC, when candidates in a censorial election pooled their campaigns in an unsuccessful attempt to defeat their common rival, M. Porcius Cato. In reality, *coitio* is widely viewed as a generally unsuccessful campaign tactic that required additional bribery in order to be effective (Staveley 1972).

The second by-product was that the assistance of political associates was essential to any electoral campaign. Having friends canvass on one's behalf was a well-established custom, although there were some legal concerns. Money spent by political associates could not come from the candidate's pockets, but this was nearly impossible to control (Staveley 1972). Still, political associates were a critical source of money and support, and helped deliver outside tribes to their preferred candidate ( Taylor 1949). In this sense, friends, particularly among the noble class, were similar to the American political machines of the late nineteenth and early twentieth centuries.

It is in this light we find perhaps the earliest known work of campaign consulting, a letter from Quintus Cicero to his brother, Marcus. The letter, which Shackleton Bailey (2002) calls a "naïve" but "deliberate and successful" effort "to reduce a Roman election

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<sup>18</sup> The fundraisers took the form of public games, allowing the candidate not only to bring in money, but also to increase name recognition.

<sup>19</sup> Staveley (1972) notes that some scholars have suggested that the practice of *coitio* was illegal, but he rejects this.

to the terms of an armchair exercise,” is a fascinating document. Similar to Fenno’s (1978) “concentric circles of constituency,” Quintus tells Marcus that its purpose is to pull together a two-fold strategy for the latter’s campaign for consul. The first task is to secure the support of his friends (the smallest of Fenno’s circles). In this case, “friends” is a vague term, referring to any person that regularly calls on Marcus or shows him goodwill. The important thing is to demonstrate the number and diversity of his friends: men with illustrious careers (for prestige), magistrates (for legal advice), and centurions or tribal leaders (to control voting blocs). He must then use his friends to accomplish the second task, to secure the vote of the people (Cicero 2002). Continuing the comparison to Fenno, a candidate would start with the smallest group (friends) and work out to those who actually will for vote them, then move to those who are likely to vote for them, and finally to all voters.

Quintus even works the public relations angle in the letter, telling Marcus to always have a crowd around him and to memorize names. Most importantly, he must have events daily. These events are to be “brilliant, resplendent, and popular” and must demonstrate “that high hopes and good opinions are entertained for your political future” (Cicero 2002, 441). Quintus also separates good men from good candidates with respect to constituent service: “A good man politely declines to help; a good candidate never declines” (Cicero 2002, 337). It is as if this advice were not coming from over two thousand years ago, but from the pages of Edwin O’Connor’s (1956) epic political novel, “The Last Hurrah,” where the main character and vestige of machine politics, Frank Skeffington, never turned away a constituent request.

What makes the letter even more interesting is that at one point Quintus quite possibly refers to other campaign consultants:

Take special pains to recruit and retain those who have from you, or hope to have, control of a tribe or a century, or some other advantage; for in these days, electioneering experts have worked out, with all their eager will and resources, how to get what they want from their fellow tribesmen (417).

Now, these “experts” may not have been campaign consultants in today’s sense, but it does imply that there were men out there that had experience in multiple campaigns. This is a critical point, that over time, campaigns cease to be viewed as events with random outcomes and looked upon as dynamic and even scientific occurrences. Had there been consulting prior to Quintus Cicero? We may never know. But it is clear that he thought that generalizations could be made from one election to the next and that his brother could learn from his expertise. After all, is that not the crux of consulting, to take one’s ideas and/or experiences and put them into practice on behalf of someone else?

#### *Campaign Consulting in Early America*

Instead of jumping ahead to the modern consulting firm, exploring electoral history from as early as Colonial America provides additional support for the argument that consulting and democracy are intertwined. When a young man wanted ideas to aid his campaign for the Virginia Colonial Assembly in 1758, a friend told him to buy refreshments for the voters. The candidate took this advice, buying 160 gallons of beverages for 39£ and cruised to electoral victory. With that successful campaign, George Washington’s career in public service began (Friedenberg 1999).

The first political campaign in the United States was for the ratification of the Constitution (Friedenberg 1999). The campaigns both for and against ratification eventually evolved into coordinated efforts that crossed state boundaries. To maximize their effect, votes were delayed or rushed in some states. Newspaper editorials and pamphlets, written both for and against notification, were reproduced in other states. “In effect, the advocates in the first states to debate ratification became consultants to those who debated ratification later” (Friedenberg 1999, 12).

The first wave of American consultants was comprised of volunteers, but their tasks were similar to their contemporary counterparts: organizing events, writing speeches, and developing media campaigns. As campaigns evolved, candidates began calling on friends and political associates for assistance. One of the earliest prominent political operative was John Beckley, who was also the first clerk of the Virginia House of Delegates. Beckley began learning his craft during Thomas Jefferson’s 1796 campaign for president. One of his projects for the campaign was to organize the swing state of Pennsylvania for Jefferson. His media blitz consisted of 30,000 sample ballots and handbills extolling the virtues of Jefferson and coordinated surrogate speakers on his behalf.<sup>20</sup> Combined, these efforts helped Jefferson win Pennsylvania, although he lost the election to John Adams. Four years later, Beckley once again worked for the Jefferson presidential effort, expanding his field of operations to encompass Pennsylvania, New York, Connecticut, and Maryland. In keeping with his 1796 media blitz, he circulated a biographical pamphlet about his candidate in these states

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<sup>20</sup> Given that only 12,000 people voted for president in Pennsylvania that year, the volume of the sample ballots was quite impressive.



(Friedenberg 1999). Jefferson would win critical electoral votes in three of those four states, helping him become the third President of the United States.

*Martin Van Buren: “The Little Magician”*

John Beckley may have been the first major nineteenth century campaign consultant, but he was not the last. One of the great political minds of his day, Martin Van Buren (“The Little Magician”) helped usher in the second Party System in American politics, effectively ending the “Era of Good Feelings” and transforming the nature of presidential campaigning (e.g. Sundquist 1973). Van Buren’s campaign style was to institute local networks of supporters. These networks included members of the press, state legislators, prominent citizens, and anyone else he could use. In his early political days, his networks grew to dominate New York politics (Loizeau 2008). While Van Buren would eventually be elected President, his best work was done behind the scenes. Donald Cole (1984) tells the story that after elected to the United States Senate, his first speech, on a land claim, was a dud. He realized he spoke too quickly and quietly to be a powerful orator and decided his strength was in his New York style of politics.

Martin Van Buren strongly believed in the existence of strong political parties.

Parsons (2009, ix-x) quotes him:

“We must always have party distinctions.” They “are inseparable from a free government” because they “rouse the sluggish to exertion, give increased energy to the most active intellect, excite a salutary vigilance of the public functionaries, and prevent that apathy which has proved the ruin of Republics.”

Van Buren disliked James Monroe's nonpartisan approach to governing.<sup>21</sup> Feeling that the old spirit of Jeffersonian Republicanism had been lost, he set out to revive it. His ultimate dream, national in scope, was to build a coalition of Northern Radicals, who opposed Monroe's nationalism, and Southern "Old Republicans" who were strongly in favor of states' rights (Loizeau 2008; Cole 1984).

After a very successful career in New York state politics, Van Buren set out to achieve his partisan dream in the 1824 presidential election.<sup>22</sup> His candidate in this race, William Crawford, was thought to be his best chance at establishing the new party system. Although Crawford was a nationalist, his economic views coupled with an affinity for simple government made him the favorite of many former Jeffersonians (Cole 1984). Unfortunately for Van Buren, Crawford suffered a stroke during the election, crippling both men from accomplishing their goals (Loizeau 2008). In an outcome that seriously hampered Van Buren's reputation as a political operator, John Quincy Adams took the vast majority of New York's electoral votes and became President (Parsons 2009). Even more damaging, Van Buren's New York political network, the Regency, lost its bid for governor and control of the state legislature (Cole 1984).

His reputation diminished, Van Buren went back to New York to plot his next move. After getting re-elected to the United States Senate, he then reconciled with a long time political rival, DeWitt Clinton. Although the two had been on opposite ends of electoral outcomes on numerous occasions, Van Buren knew that to achieve his dreams he had to unseat Adams. Clinton had been a Jackson supporter in 1824 (one reason Van

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<sup>21</sup> Interestingly, Parsons (2009) notes that early in his life, James Monroe was extremely partisan. He was so in favor of states' rights that he was against the ratification of the Constitution. As he aged, his partisan zeal mellowed, and he has become identified with the "Era of Good Feelings," which refers to the twenty-four year era dominated by a sole political party, Jefferson's Democratic-Republicans.

<sup>22</sup> During the 1824 campaign, Van Buren was actually a United States Senator.

Buren had decided to work for Crawford), and now both could be united against the President (Loizeau 2008). The one man that stood in the way of a second Adams administration was Andrew Jackson.

Van Buren's decision to work Jackson's campaign was heralded even by the political opposition. John Quincy Adams noted, "Van Buren is now the great electioneering manager for General Jackson" (Parsons 2009, 130).<sup>23</sup> Immediately after signing on with Jackson, Van Buren began integrating his New York style of networked politics into a national campaign plan, a revolutionary tactic at the time. Loizeau (2008, 63) writes, "In December 1826, Van Buren began to plan for the election of Jackson. Following a procedure he had honed during his New York years, he set out forging a network of strategic alliances and friendships." He began working with John C. Calhoun, the noted advocate of states' rights, and established partisan newspapers. He also worked to bring former political foes on board the Jackson campaign in an effort to advance principles (political, of course) over personality (Loizeau 2008).

The national Jackson campaign network was a complex web of coordinated activity. The strategy consisted of coordinated newspaper ads and editorials, fundraising, organized rallies, opinion polling, campaign paraphernalia, ethnic voting blocs, image making, opposition research, and smear tactics. While the Adams campaign tried some of these elements, the Jackson campaign, under Van Buren's management, was much more superior (Parsons 2009).

Using the same framework as he did in New York, the network was comprised of local groups, each with their own leaders. He had groups in New Hampshire,

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<sup>23</sup> Cole (1984) writes that Adams nearly appointed Van Buren to the United States Supreme Court in an effort to get him out of the way. Instead, he appointed Van Buren's friend, Smith Thompson, to the post.

Massachusetts, Connecticut, Delaware, Maryland, and Virginia. Van Buren himself was in charge of the New York campaign network.<sup>24</sup> Once a state or local leader committed his support to Jackson, he became a “hurrah boy”, or someone who dumped literature throughout his community. They also were charged with staging get-out-the-vote efforts on Election Day (Friedenberg 1999).

An early test of Van Buren’s machine came in December, 1827, when the Twentieth Congress met to elect a new Speaker of the House. His skill in establishing a trans-sectional alliance of southern planters and northern plain Republicans was evident when the incumbent Speaker of the House, John W. Taylor, was defeated in favor of the pro-Jackson Andrew Stevenson. Even more gratifying for Van Buren was seeing a majority of the New York delegation vote for Stevenson, a reversal of his 1824 fortunes (Parsons 2009).

Martin Van Buren’s new campaign tactics made use of contemporary mass media by making use of sympathetic newspapers and producing large amounts of pamphlets, handbills, and other printed literature (Friedenberg 1999). In what some consider one of the most bruising presidential elections in American history, Andrew Jackson soundly defeated John Quincy Adams, taking nearly 56 percent of the popular vote and winning every southern state and many in the north. Afterwards, Adams commented to his friends, “This mode of electioneering suited neither my taste nor my principles” (Parsons 2009, 152).

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<sup>24</sup> During the early stages of the 1828 campaign, a strong Anti-Masonic sentiment developed in New York. The Anti-Masons became such a threat to win the state’s gubernatorial election that Van Buren himself ran for the office. He would go on to win the election and take office in January, 1829, then resign in February to take the position of Secretary of State in the Jackson Administration.

*Marcus Alonzo Hanna: A New Kind of Boss*

The next major campaign figure in American history was Mark Hanna, who organized William McKinley's 1896 and 1900 presidential campaigns. A native of Cleveland, Ohio, Hanna was the consummate political insider of his day. His axiom was, "Some men must rule; the great mass of men must be ruled. Some men must own; the great mass of men must work for those who own" (Russell 1976, 2). While this axiom may appear heavy-handed, Hanna's experience taught him to care for those who worked for him – for example, he would continue to pay some of their wages when they were sick or injured.<sup>25</sup> Hanna would become a unique, revolutionary political operative. He was like a political boss in that he organized large campaign efforts, used patronage, and lined up votes; but once the election was over he did not immerse himself in the details of politics (Russell 1976). He really was more like the modern campaign consultant than the contemporary party bosses in that regard.

Mark Hanna was first and foremost a businessman. His first venture was an oil refinery, but it burned down while he was recovering from a bout with typhoid. Forced to move in with his in-laws, he was able to grow and diversify his father-in-laws business holdings. Soon, he became one of the richest men in Ohio. He then bought a street railway company, learning that getting business done often required him to grease the palms of the local politicians (Russell 1976). Still, Herbert Croly (1912) insists that Hanna did not get involved in politics because of his business interests, and any way his businesses benefitted from politics was incidental.

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<sup>25</sup> Russell (1976) states that Hanna learned this lesson when coal mine workers went on strike in Massillon, Ohio. It was the only time his workers ever went on strike.

Learning from his experience with local politicians, Hanna organized Cleveland's businesses into a pro-Republican group in the 1880 presidential election. His Business Man's Republican Campaign Club was a highly successful campaign instrument, one that was copied in other cities (Croly 1912). That year, he also got his preferred councilmen elected, making him the undisputed political boss of Cleveland's West Side. Getting involved in statewide politics, he organized Joseph Foraker's two successful gubernatorial campaigns. As is typically the case with politics, things often get complicated. In this case, Hanna wanted his friend, William Byrnes, appointed as the state's oil inspector. Foraker appointed someone else, thereby straining their relationship (Russell 1976).

The story of how Mark Hanna became a presidential kingmaker is rather complicated. Because Ohio was always a presidential swing state, quite a few prominent politicians from the state played a central role in presidential politics in the late nineteenth century. In 1884, James G. Blaine narrowly lost the presidency to Grover Cleveland. Although Hanna was a Blaine supporter, he felt John Sherman (nicknamed "Uncle Jawn") would be the best Republican candidate in 1888, largely due to his pro-business stance on the tariff issue. As his campaign manager, Hanna positioned Sherman as the front-runner leading up to the Republican convention in Chicago that summer. Essentially ceding the nomination to Sherman, Blaine decided to travel abroad. When the convention began, all of Ohio's delegates – including Hanna, Foraker, and a young William McKinley – were solidly behind the frontrunner. On the first ballot, Sherman received the plurality but lacked the requisite majority of the vote. After the first ballot, everything went downhill for the Sherman team. His support eroded over the next three

ballots as a pro-Blaine surge began. Other party bosses started throwing their support behind Benjamin Harrison, a longtime Blaine partisan. Eventually, Harrison won the nomination, which was a stinging setback for Hanna (Russell 1976).<sup>26</sup>

When Foraker was defeated in the 1889 Ohio gubernatorial election, Hanna worked to get McKinley elected the following cycle (in 1891). He also was charged with the task of keeping Sherman in the United States Senate. With both tasks being quite large, Hanna used his business contacts to raise money for his candidates (Russell 1976). His experience taught him that a successful campaign required unlimited financial resources. Speakers' expenses had to be paid, halls rented, candidates helped, and voters registered (Croly 1912).<sup>27</sup> This would become one of his greatest campaign strengths – when needed he could raise copious amounts of money for his candidates, well more than his opposition.

When McKinley was re-elected governor with a huge majority of the popular vote, people began mentioning him as a potential presidential candidate for 1896. To prepare for the campaign, Hanna retired from his company, and devoted himself to McKinley full time. Knowing the only other two serious candidates were Harrison (who had been defeated by Cleveland in the 1892 presidential election) and Speaker Thomas Reed, Hanna went about securing support for McKinley from other party bosses. When Reed decided not to actively campaign for himself, McKinley's path to the nomination began to clear. Hanna then established "McKinley Clubs" all over the country, spending

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<sup>26</sup> While Foraker did support Sherman at the convention, Hanna questioned his good faith. This added to their already contentious relationship (Croly 1912).

<sup>27</sup> Croly (1912) tells us that Hanna put his money where his mouth was. He once noticed that the Cuyahoga County (Cleveland) GOP was struggling with a \$1,260 debt. When he learned of the debt, he paid the balance from his own pocket.

\$100,000 of his own money. With the support of many of the Republican bosses and with plenty of money, McKinley cruised to the nomination (Russell 1976).

Hanna originally thought the Democrats would be in retreat due to the Panic of 1893 but William Jennings Bryan wowed the party's convention with his rhetorical skills. When currency became the main issue coming out of the conventions, the Republicans had to rethink their entire campaign strategy (Croly 1912).

What ensued was the vaunted presidential campaign of 1896, which Russell (1976) states has been the basis for every ensuing presidential campaign. Hanna set up twin campaign headquarters – in New York and Chicago – and began raising money. Some estimates have put the total amount spent by the McKinley campaign at over \$3.5 million, or nearly \$92 million today.<sup>28</sup> While there was no Federal Elections Commission at the time and thus no way to precisely calculate the amount, this was a staggering amount of money (Russell 1976).<sup>29</sup> A correlated revolutionary campaign tactic developed by Hanna in 1896 was when he introduced a better system of accounting to keep track of how the Republican National Committee (RNC) spent its money. Another of Hanna's innovations was that every move of the campaign was coordinated well in advance to be completed by a certain date. Execution was critical, with the goal being to peak the Saturday before the election (Croly 1912).

With a campaign flush with cash, Hanna set the new GOP strategy in motion. The West had become the new swing region and to counter Bryan's personal appeal, Hanna decided on an exhaustive and systematic educational campaign (Croly 1912). He

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<sup>28</sup> Conversion based off of the chart available at <http://www.wvec.k12.in.us/EastTipp/8/invent/handouts/cv2000.pdf>. The calculation is as follows:  $(3,500,000/0.049)*1.287$ .

<sup>29</sup> Indeed, Russell (1976) notes that Joseph Foraker himself estimates that the campaign spent roughly \$7 million.



blanketed the country with mailings printed in multiple languages, sending out over 250 million documents to the five million families on the Republican mailing list (Russell 1976). The surrogate speakers were well-coordinated in a national effort, dispersed to target and swing-states. Roughly 1,400 campaigners were sent out to swing states, their expenses paid by the RNC. These workers took canvasses to gauge Bryan's support. In Iowa, a place they thought Bryan might win, they saturated the state with speakers and mailings. After one month of coordinated campaign efforts, the McKinley team felt better about the state (he would go on to win it 55-43 percent) (Croly 1912). Despite his rhetorical abilities, William Jennings Bryan was soundly defeated on Election Day.

What can we take away by these previous pages? First, consulting is nothing new, not even in the United States. Family, friends, and political operatives were consistently involved in elections. Second, particularly in the case of Martin Van Buren, and perhaps even Mark Hanna (if Croly is to be believed), consultants were much more than power-hungry, greedy individuals. Van Buren had much larger goals in mind than to elect Andrew Jackson president – he wanted to reestablish the two-party system and bring back more states' rights policies. Finally, we cannot understand today's iteration of consultants without acknowledging who preceded them. The coordinated activities, media blitzes, campaign staff, and fundraising all evolved over time and were heavily influenced by what came before them. With this in mind, the next section will discuss the development of spread of consultants as a profession – and, some might consider, a necessity – in the American electoral system.

*Twentieth Century American Consultants: The Growth of a Profession*

The past century has seen the rise and fall of some of the most legendary figures in campaign consulting. More than just entertaining anecdotes, these stories signify just how much and quickly the profession has grown. It has become the norm for congressional candidates to have multiple consultants. Even local candidates use them. It is also important that the growing trend of using consultants is not geographically specific – candidates all across the country support the campaign consulting industry. As consulting legend Clifford White commented in 1980, “when a guy wants to run for office, the first thing he does is hire a political consultant” (Broder and Harwood 1980).

Many writers have dubbed the husband-wife duo of Clem Whitaker and Leone Baxter, from California, as the founders of the modern consulting firm. As we will see, there is quite a bit of truth to that, but there are a few often overlooked persons who deserve a mention as forerunners of the industry. The first individual is Ivy Lee, who was hired by the famous Rockefeller family to enhance their public image. One notable piece of advice that he gave the family was to walk through the street handing out dimes to the urchins to impress the country with his philanthropy. His most well-known contributions to public relations are Betty Crocker and Wheaties’ “Breakfast of Champions” slogan. His other famous client was Adolf Hitler, to whom Lee advised how to improve Nazi-American relations (Blumenthal 1980).

The second marginalized forefather of the consulting industry, Edward Bernays, helped to mobilize public opinion on behalf of Woodrow Wilson in support of World War I.<sup>30</sup> He believed that scientific principles could be applied to public relations and that public consent could be engineered (Friedenberg 1999; Blumenthal 1980). Bernays also advised Tomas Masaryk, who was about to become the president of the new Czech

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<sup>30</sup> Edward Bernays was actually Sigmund Freud’s nephew (Friedenberg 1999).

Republic, to announce the country's independence on a Sunday so that it would make Monday's headlines and maximize publicity. His book, *Propaganda*, was read and used by Nazi propagandist Joseph Goebbels (Blumenthal 1980).<sup>31</sup>

The third individual worth mentioning is Roy Harris, who was not a full-time campaign consultant but was still the kingmaker in Georgia during the 1930s-1950s. Harris' political career itself was noteworthy: he spent two stints as a state representative, including time as Speaker of the House; two years in the state Senate; and 21 years on the state Board of Regents. Yet it was his ability to get governors elected that made him the pre-eminent kingmaker in the state. He served as campaign manager for four governors: Eugene Talmadge, Ellis Arnall, E.D. Rivers, and Herman Talmadge (University of Georgia School of Law 1982).

It was Baxter and Whitaker, however, who took the California political world by storm. Beginning in 1933 they planned and ran 75 major political campaigns, ranging from referendum initiatives to presidential primary campaigns, winning over 90 percent of them (Rosenbloom 1973). Whitaker's experience in journalism taught him that a simple theme, repeated often enough, was the key to a successful campaign. Media, speeches, and strategy would reflect this theme (Friedenberg 1999). For those who could pay, Baxter and Whitaker brought order and predictability to the chaotic nature of Californian politics (Rosenbloom 1973).

Baxter and Whitaker transformed American campaigns in four ways. First, the use of campaign professionals transformed the way candidates would be presented to voters. Second, they pioneered campaign strategy, themes, and issue development.

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<sup>31</sup> When informed about this, Bernays reportedly commented, "I felt very badly, but I couldn't do anything about it" (Blumenthal 1980, 19).

Third, candidates began going on the “offensive” in their campaigns. Finally, Whitaker and Baxter began the move toward specialization in campaigns (Dulio 2004).

When Baxter and Whitaker ceased being major players in the consulting industry, one of their protégés took over the mantle of Californian Kingmaker. Stu Spencer was not an “issues” man. “It was power that interested me,” he once said (Chagall 1981, 61). By the early 1960s his resume included working assignments for Baxter and Whitaker, running the California Young Republicans, and doing the same for the national group. His move up the ladder to the consulting pantheon began with the 1964 California Republican presidential primary. His client, the moderate Nelson Rockefeller, was involved in a tight race with Arizona Senator Barry Goldwater.<sup>32</sup> Goldwater’s consultants? Baxter and Whitaker, along with Clifford White (another legend). Goldwater was the favorite and beat Rockefeller in New Hampshire, but Rockefeller had rebounded with a come-from-behind victory in Oregon, setting the stage for an epic primary campaign (White 1965).<sup>33</sup>

Early opinion polling showed a significant 47 percent to 36 percent lead for Rockefeller. Then personal issues began to hurt him. His second wife, whom he married in 1962 after a bitter split with his first, gave birth to his son, Nelson, Jr. The birth occurred just days before the primary and Goldwater took advantage of the situation, using the divorce against Rockefeller. Suddenly, the polls showed them tied at 44 percent heading into the last two days of the campaign (White 1965). Spencer went all-

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<sup>32</sup> There were fewer direct primaries for the presidential nomination back then. Since party machines still controlled large numbers of delegates (particularly for the Democrats), winning a popular-vote primary was one way to signify momentum and the legitimacy of one’s candidacy.

<sup>33</sup> The third major Republican candidate for President in 1964 was Henry Cabot Lodge from Massachusetts, a favorite of the Eastern Republican establishment. Despite a lack of political organization, he pulled off the victory in New Hampshire. Despite opening with a huge lead in polling for the Oregon primary, his support collapsed quickly, and Rockefeller won (White 1965).

out to stop the bleeding, even registering 50,000 African American voters in Los Angeles to vote for his candidate. As he acknowledged, “We paid out a lot of street money – and had a lot of ministers to deal with” (Chagall 1981, 59-60). In the end, it was not enough. Goldwater won the California primary with 51.6 percent of the vote, roughly three percent more than Rockefeller, and went on to win the nomination (White 1965).

One of Spencer’s next clients was an inexperienced actor-turned-politician, Ronald Reagan. Reagan decided to run for governor of California in 1966 against the incumbent Democrat, Pat Brown. The candidate asked his good friend, Barry Goldwater, who would be a good campaign consultant. Goldwater recommended Spencer even though they were opponents just two years prior. Spencer eventually took the job, telling Reagan to keep his main stump speech to twenty minutes and to study the workings of state government (Deaver 2001). When the Brown campaign began criticizing Reagan’s Hollywood record – one ad featured other actors with lines such as, “I’m a cowboy and I play Western roles but I couldn’t play governor,” and “Remember, it was an actor who shot Abraham Lincoln” – Spencer responded with short ads sticking with the basic campaign themes. Reagan won the race and was re-elected four years later. Spencer would go on to run the Gerald Ford presidential campaign in 1976 and play prominent roles in Reagan’s two successful presidential election campaigns (Chagall 1981, 69).

One last important note on Stu Spencer: Chagall (1981) credits him with being the consultant who brought tracking polls to campaigns. When William Clements ran for governor of Texas in 1978, he was thirty-five points behind his opponent. Utilizing tracking polls to monitor his client’s position in the race, Spencer led the way to a less

than one point victory, making Clements the first Republican governor of Texas since Reconstruction.

Not every consulting legend was from California. As the profession developed, major figures emerged in all regions of the country. Joe Napolitan, founder of the American Association for Campaign Consultants (AAPC), rose quickly through the ranks of Democratic consultants. Since there were only a handful of consultants at the time, his early days in the industry were marked by a lack of competition. At that point, he was not even concerned about high profile races (statewide, federal races), but just tried to convince some candidate in a small town that he could help the campaign (Napolitan 1999).

Napolitan got off to an inauspicious beginning as a consultant in 1957 when a man named Tom O'Connor walked through the door of his new PR firm in Springfield, Massachusetts. O'Connor walked up to Napolitan, and said, "I'm Tom O'Connor, I want to be mayor of Springfield, and I need help" (Chagall 1981, 8). A few months afterward, O'Connor was elected mayor. Four years later, Napolitan ran the campaign for the guy who unseated O'Connor (Chagall 1981).

By 1968, Napolitan's business was booming and, at age 39, he was already on the shortlist of best consultants in the country. That year, in which he turned down a dozen races, proved to be one of his biggest tests. The Hubert Humphrey presidential campaign was struggling to stay afloat and needed a new direction. Napolitan stepped in and began to rework the campaign's strategy, specifically in the media aspect (Blumenthal 1980).

Although Humphrey lost the campaign to Richard Nixon, the results were very close.<sup>34</sup> By the end of his career, Napolitan had worked on roughly 200 campaigns, winning 170 of them (Chagall 1981).

The South has also had its fair share of larger-than-life consultant personalities. Perhaps no two individuals epitomize this more than Lee Atwater and James Carville. Atwater was a South Carolinian who was described by consultant Ed Rollins as someone for which “it was never enough to win; he had to drive one more stake into your heart” (Rollins 1996, 143).<sup>35</sup> The 1988 presidential campaign illustrated this observation very well. Atwater was running George H.W. Bush’s presidential campaign that year against Massachusetts Governor Michael Dukakis, the Democratic nominee. During the Democratic primary, Al Gore brought up the issue of Massachusetts’ prison furlough program. At the crux of this issue was a man known as Willie Horton, a violent criminal who was granted a furlough. Once when out of prison, he committed additional crimes, including rape. John Pinkerton, the Bush campaign’s opposition research man, had already identified the program as a possible pro-Bush issue. Atwater had an ad made featuring Horton and showed it to focus groups. By the end of the ad, every person in the room switched their potential vote to Bush (Klein 2006).

In the end, the Horton ad was not put out by the Bush campaign but an independent group. The ad hit like a fire storm. Although it ran just once, the news networks played repeatedly and the pundits analyzed it to death (The Living Room

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<sup>34</sup> Humphrey lost the presidency to Richard Nixon by less than one percent in the popular vote. Many of the states that Nixon won, such as Ohio, Missouri, Illinois, California, and New Jersey were within a couple of percent.

<sup>35</sup> Here is a fun story about Atwater, as depicted in John Brady’s (1997) biography on him. Atwater was not a particularly gifted student. He tended to get Ds and Fs in middle school. In one class, his assignment was to write a book report emphasizing character development. He chose to do the Columbia, South Carolina phone book. In his analysis, the book jumped around from character to character without sustaining any of them. He concluded by predicting the book would have to be revised in the next year.

Candidate n.d.). The Dukakis campaign with its two chief strategists, Susan Estrich and John Sasso, were unable to respond quickly (Klein 2006). In another ad of legendary status, the Bush campaign used footage of Dukakis riding around in a tank to depict him as unsuitable for the role of Commander in Chief. The ad, known as “Tank Ride,” helped to drive the proverbial stake into the heart of the Dukakis campaign as Bush went on to soundly defeat the Massachusetts governor.

Atwater’s success post-1988 was short-lived. After being appointed as Chairman of the Republican National Committee (RNC), he was diagnosed with brain cancer and died before the Bush reelection campaign. Although Atwater died at the zenith of his political power, his successful 1988 presidential campaign had a significant effect on the 1992 race between George HW Bush and Bill Clinton.

James Carville, the legend known as the “Rajin’ Cajun,” began his consulting career later in life. His short career was nonetheless successful. By the time he was close to 40 years old, he had worked little and lost a lot. In 1984 he worked the South for Gary Hart’s presidential campaign. His salary was \$2,000 per month but he was not actually getting paid. On a cold and rainy April day, while in D.C., he was walking down the street with all of his possessions in a garment bag he began walking down the street when the bag broke and everything fell into a puddle. He was thirty-eight years old, had no clue when he would get paid, had no money, no health insurance, and he was not winning campaigns. Dejected, he just sat down on the side of the street and wept (Matalin and Carville 1994).

After reaching rock-bottom, Carville began to get some luck. He worked on the Lloyd Doggett senatorial campaign (Texas) in 1984. Although Doggett lost to



Republican Phil Gramm by a 59-41 percent margin, two important things happened. First, he impressed some Democratic Party political operatives, which would provide him future employment. Second, he met and began working with a young speech writer named Paul Begala. Two years later, Carville and Begala took a job with the Bill Casey gubernatorial campaign in Pennsylvania. Casey had already lost the gubernatorial election twice and was considered damaged goods by many in the consulting industry. In need of work, Carville took the job and piloted the moderate Democrat to victory (Matalin and Carville 1994).

His big break came five years later. When Pennsylvania Senator John Heinz died in 1991, Democrat Harris Wofford ran against former Governor and Bush cabinet member Dick Thornburgh. When Carville started on the campaign, Wofford was 47 points back in the polls. With his aggressive style, Wofford started gaining ground and went on to defeat Thornburgh in a shocking upset (Matalin and Carville 1994).<sup>36</sup>

Suddenly, candidates started calling Carville – not just any candidates, but presidential candidates. He recalls, “When Harris Wofford came from 47 points back to beat...Dick Thornburgh, candidates came calling. Paul [Begala] and I talked to Bob Kerrey, Tom Harkin, and Bill Clinton. It was there if we wanted it” (Matalin and Carville 1994, 8). At first, they thought of working for Bob Kerrey but changed their minds and hooked up with Bill Clinton. The fit between candidate and consultant was natural, and Clinton went on to defeat Bush (with no Atwater) in November, 1992. In the span of just eight short years, James Carville went from unemployed with all of his belongings lying in a puddle to presidential politics kingmaker.

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<sup>36</sup> Carville also piloted Georgia’s Zell Miller to the governorship. Miller, similar to Clinton, was considered a moderate Southern Democrat.

The extent to which campaign consulting permeates both history and contemporary politics is significant. By the Roman era, consultants became such a part of elections that Cicero wrote a handbook on electioneering. American elections, even those immediately following the Revolutionary War, were affected by amateur consultants.

### *Organization of the Dissertation*

Chapter 2 provides the details of how data was collected for this project. As the chapter notes, collecting fresh data on consultants is important, particularly in light of using the BTOF framework, which has not been used to study consultants. Because this data was collected via an online survey, the survey implementation and methodology is discussed at length. At the end of the chapter, the survey instrument is provided.

Chapter 3 provides the first systematic exploration into how consultants earn a living. In order to survive financially, they must be hired by enough candidates without overextending themselves (Dulio 2004). Candidates, knowing they need help in an increasingly technologically-advanced campaign world, need consultants (Thurber 1998). Building a clientele base is thus critical, but how one goes about doing so varies. Celinda Lake (1989), in an article for *PS*, observed that consultants do not merely tell their clients what to think on important issues; they prefer to work for someone who already has his/her mind made up and wish to talk about how their beliefs influence the voters.<sup>37</sup>

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<sup>37</sup> Bob Shrum (2007), a Democratic consultant, worked for candidates of all stripes just so long as they were of the same party identification. Raymond Struthers, another Democrat, actually ran Buddy Roemer's gubernatorial race in Louisiana after the candidate switched from being a Democrat to a Republican (Haydel 2004). But for those who have yet to establish themselves, James Carville sums it up: "...when you're coming up, you don't decide [who to work for]. You don't choose candidates, you choose to answer the phone and hope somebody on the other end is offering you the chance for a job. Not a job, the chance to get a job" (Matalin and Carville 1994, 55).

The exact nature of how consultants develop their clientele needs to be studied systematically.

Chapter 3 examines the risk propensity of individual consultants with respect to which type of clients they are willing to take on. Using the BTOF framework, it first tests Bromiley's (1991a) model on an aggregated risk propensity score. In an effort to provide rigorous testing of the model, factor analysis is used to disaggregate risk propensity and the theories are retested.

Chapter 4 looks at financial performance as a dependent variable, again using BTOF as the framework. Risk, the dependent variable in Chapter 3, becomes an independent variable of interest in predicting future financial performance. This is essentially a test of a risk-reward hypothesis, one which has mixed findings in the business literature.

Chapter 5 extends the risk-reward models into a second aspect of consulting: winning. As BTOF argues, along with prospect theory (Kahneman and Tversky 1979), revenue is not the only goal for decision makers. As Chapter 3 demonstrates, many consultants are motivated by getting candidate of their party and/or ideology into office rather than just financial gain. Using a new dataset, different from the survey results, Chapter 5 uses the BTOF framework to predict consulting firm win-loss records. This chapter uses the same concepts of expectations, aspirations, and slack, but instead uses them in a non-financial manner. By conducting analysis on non-financial risk taking and performance, this chapter begins to build a bridge between BTOF and other non-financial aspects of American politics.

Finally, Chapter 6 is the concluding chapter, which takes a step back and looks at the big picture. This dissertation is important not only because of who and what it studies, but also for how it goes about doing it. This chapter summarizes the key findings and places them in the larger theoretical context, then provides a path for future research on consultants.

### *Conclusion*

Democracy and consultants go hand-in-hand, and consultants exist throughout our political system. Despite the prevalence of consultants, political science has made little progress in studying consultants since groundbreaking work by Sabato (1981) and Nimmo (1970). Both academics and practitioners advocate more and better research on these individuals. Thurber (1998) explicitly calls for the development of theory to better explain consultants. Renowned pollster Celinda Lake simply states, “the on-going relationship of consultants with each other must be examined” (1989, 28). Finally, Friedenber (1999, 17) writes,

Democracies reward effective persuaders. Democracies resolve domestic strife through the ballot box. The men and women who seek office in democracies...must necessarily place a premium on the ability to persuade. It should not surprise us that those individuals who can master the techniques of political persuasion...have always been found behind the candidates for whom we vote.

## Chapter 2: Data & Methods

Despite being a subject worthy of academic study, there have been few such research projects on consultants. Similar to the literature on lobbyists, data collection has posed a significant problem. It is not a simple task to collect data on consultants, but there is information out there. All it really requires is some investigation. When determining how to collect data on these individuals, it makes sense to begin with research precedent.

### *Interviewing*

The data on consultants have come from two main sources: personal interviews and surveys. Much of the information we have is descriptive and biographical in nature and comes from personal interviews. Academically, works by Rosenbloom (1973) and Sabato (1981) have relied almost entirely on this method. Sabato's seminal book, for instance, relied on several dozen interviews, including discussions with Joe Napolitan, Stu Spencer, David Garth, and Charles Guggenheim – all of whom are noteworthy consultants – among others. The information provided in these works is instrumental in formulating a foundation for how the consulting industry has developed.

A second data collection method is related to the above, combining interviews with candidates and consultants with other primary information. Medvic interviewed congressional candidates about their use of consultants. His published academic works (Farrell, Kolodny, and Medvic 2001; Medvic 2001; Medvic 1998; Medvic and Lenart 1997) utilize this data well. Herrnson (1992) collected his data in a similar fashion,

interviewing 385 congressional candidates and campaign managers and combining that with FEC data.

Popular books provide critical descriptive information on consultants. Blumenthal's *The Permanent Campaign* (1980) and Klein's *Politics Lost* (2006) are two fantastic books on the development of the macro campaign industry vis-à-vis our electoral institutions. A third book of similar ilk is Chagall's (1981) *The New Kingmakers*, which outlines the growth and importance of specific consultants while providing key biographical details of their careers. Other useful books have been those written about specific campaigns, notably Theodore White's series on *The Making of the President* (1999; 1965), Dana Milbank's (2001) work on the 2000 presidential campaign, Elizabeth Drew's (1981) study of the 1980 presidential campaign, and Goldman's (1994) incredible documentation of Clinton's journey to the presidency in 1992. Finally, David Broder's (1980) documentation of the 1980 campaign deserves special mention because it highlights the role the consultants played in the drama that unfolded that year. These are but a few examples of works that shed some light on specific consultants.

### *Memoirs*

Another excellent source for anecdotal evidence in support of theory is biographies and memoirs about and by consultants themselves. There are numerous biographies of Martin Van Buren, but the books by Cole (1984) and Loizeau (2008) delve extensively into the former president's early political life. Finding Herbert Croly's (1912) biography on Mark Hanna was a pleasant surprise and provided excellent background into a little-known figure of American campaign history. Lee Atwater

proved to be a relatively difficult person to find information on as his premature death hindered any possibility of producing a memoir. Fortunately for campaign aficionados, John Brady (1997) has painted a balanced portrait of George H.W. Bush's 1988 presidential campaign guru.

Perhaps the most useful works have been the memoirs written by consultants themselves. The 1990s brought a boom in popular interest in all things consulting and the explosion of memoirs seems to back that up. Among those who published memoirs in the past twenty years includes Bob Shrum, Karl Rove, Richard Wirthlin, Michael Deaver, James Carville and Mary Matalin, Ed Rollins, Roger Ailes, Raymond Strother, Joe Napolitan, and Joe Trippi. In addition to providing useful anecdotes and information, these books reveal quite a bit about some of the biggest names in consulting history.

### *Survey Data*

Finally, there have been a handful of surveys conducted on consultants. Luntz (1988) had thirty-six leading consultants fill out his 21-item questionnaire in the late 1980s. Included as respondents in his study were Roger Ailes, David Doak, Charles Guggenheim, Ray Strother, Pat Caddell, Bob Teeter, Richard Wirthlin, Lee Atwater, Charlie Black, Joe Napolitan, and Stu Spencer, among others. His questions ranged from the most important factor in a political campaign, to ethics, to the role of the candidate, to the role of political parties in a campaign. His results, used descriptively, were used to tease out the differences between the different types of consultants.

Two large-*n* telephone surveys on consultants were conducted in the late 1990s, the first by Kolodny and Logan (1998). This survey had an *n*-size of 341 consultants that

were listed in *Campaigns & Elections (C&E)* magazine's 1997-1998 Political Pages. The second was conducted on behalf of American University's Center for Congressional and Presidential Studies by Yankelovich Partners, Inc. (which has subsequently changed its name to Harris Interactive). This survey had 505 respondents from a sample comprised of *C&E's* Political Pages and those consultants listed in *The Political Resource Directory (PRD)*. This survey had nearly fifty questions (some of which had multiple components) on a variety of topics, including ethics, background, the role of political parties, and voter cynicism. A couple of months after the telephone surveys were completed respondents were mailed a questionnaire asking them their opinions on well-known and effective consultants. This survey provided the data for Dulio's (2004) excellent book, *For Better or Worse?*

#### *We Need New Data*

The consulting literature provides only a thin amount of data for the contemporary researcher. This is not to fault previous researchers on consultants. As outlined in Chapter 1, their contributions to our understanding of consulting are instrumental. Without their concerted efforts to provide a foundation of knowledge on consultants, the next generation of research could not take place. Still, these data are revealing but ultimately insufficient for a theory-building, hypothesis-testing research project.

There are numerous shortcomings of the data sources describe above. First, the memoirs and biographies are useful and enthralling but lead the researcher down a biased path of descriptive and causal inference. Note that all of these works are written by or conducted with the most successful of consultants. James Carville led Bill Clinton to an



upset victory in the 1992 presidential election. Richard Wirthlin was Ronald Reagan's pollster for years. Joe Napolitan was a key founder and contributor to the consulting profession and was wildly successful. Ed Rollins coordinated one of the most lopsided presidential election victories in United States history – Reagan won 49 states in 1984, losing Mondale's home state of Minnesota by less than a quarter of a percentage point. Similar things can be said for Ray Strother, Lee Atwater, and even Mary Matalin.

These individuals have had long, successful careers and many of them reached the pinnacle of their profession by leading a man to the presidency. Their contributions to the consulting industry cannot be diminished, but their experiences are hardly representative of the average consultant. Most consultants do not run a presidential campaign or have biographies written about their lives. Many are marginally successful or do not enjoy consulting. A research project on the consulting profession as a whole, then, must attempt to generalize about the experiences of a representative group of consultants, not just the most successful.

The general presidential campaign books, while excellent reads, face a similar problem. Their advantage over the memoirs and biographies is that they discuss all facets of a nation-wide presidential campaign, including what happens at the lower levels of a campaign organization. Even the most successful consultants have to start somewhere, and these books often document the trials and failures of obscure consultants, some of whom go on to become well-known. One example is the 1980 presidential race. Young consultants like Bob Shrum, Joe Trippi, Tom Donilon, and others worked as speech writers and grassroots mobilizers for their candidate, Ted

Kennedy. While not well-known, young, and fairly inexperienced at the time, they would go on to become leading consultants for the next few decades.

Whereas the memoirs/biographies were biased toward successful consultants, the campaign cycle-specific books are biased in that they only discuss presidential elections. There are thousands of elections across country every two years at different levels of government. Consultants have worked at nearly every level of election, from presidential to mayoral, from congressional to city council. While the ultimate goal of each campaign is to get the most votes, the circumstances faced, skill level required, and organization varies for each one. To draw conclusions about the entire industry from one type of election would be a fallacy.

The interviews conducted by Sabato, Medvic, and others are great. They open a window in the mind of many types of consultants and the consultant-candidate relationship. These interviews could be used to make powerful causal arguments when applied to case studies of specific campaigns. But these interviews cannot be said to be representative of all consultants and are too few in number to make any sort of causal or descriptive inference on the entire industry.

The phone surveys also have considerable value but suffer from their own shortcomings. These surveys were conducted over a decade ago and significant changes in campaigning have occurred. More candidates hire consultants, technology has advanced (primacy of the internet, new social networking opportunities), and changes in election structures (McCain-Feingold campaign finance laws) have altered various aspects of how campaigns are conducted. Keep in mind that there have been three presidential elections since the last survey of consultants was taken. To highlight just

how much has changed, consider get-out-the-vote (GOTV) operations. The Bush/Cheney GOTV efforts in 2000 were mildly impressive but unreliable – Al Gore won the popular vote. Four years later, they redefined GOTV operations with their 72-hour drive over the final weekend. The 2004 election saw much higher turnout, particularly among Republican voters, leading to Bush’s reelection. In 2008, because many states allowed early voting, the GOTV efforts had to adapt. The Obama campaign developed such a wide GOTV network so as to make the 2004 Bush effort obsolete. This evolution of campaigning impacts how consultants interact in the political system and requires a fresh survey.

Finally, and most importantly, new data must be collected on consultants because the previous data does not allow for theory-building. The literature on consultants has generally fallen into two types. The first is the descriptive works, done by Sabato (1981) and Rosenbloom (1973) give background information on consultants – where they come from, what they think about campaigning in general, among other things. They are, in essence, an overview of the industry. The second type, illustrated by Medvic (2001; 1998) and Herrnson (1992), test general hypotheses about the impact of consultants on a campaign such as vote share and fundraising. They neither advance, posit, nor test a general theory about the industry.

The large-*n* surveys on consultants, used by Kolodny and Logan (1998) and Dulio (2004), do not paint a very complete portrait of the consulting industry. While the questions posed in the former survey are not public, the authors use the data to look only at the relationship between consultants and political parties. The data collected for

American University likewise probes at only a few components of the consulting industry.

To gain a better understanding of how consultants interact within the American political system, a new set of data has to be collected. This data cannot examine only the most successful consultants but try to incorporate responses from those who have moved in and out of the industry. It must be open to consultants who have worked in state and local campaigns. It must be able to test multiple theories about how consultants operate in the American politics.

To this extent, the survey conducted for this dissertation attempts to create a database that is representative of the consulting industry and asks questions that can address the theories built in subsequent chapters. The ensuing sections of this chapter will discuss how the survey was conducted, the sample consultants, the questions (broadly), and the response rate.

### *Web-based Surveys*

Much of the data for this dissertation comes from survey responses gathered online. There are alternatives to the online survey format, such as telephone and mail, but the Web-based implementation has its strengths. The literature on Web surveys is split into two parts: how researchers can optimize their use of Web surveys and the general utility of this survey medium. Invariably, some studies would fall under both categories, so the ensuing paragraphs will do their best to parcel things out.

How a survey is put together is critical to the process. Schwartz (1996) argues that the survey instrument is one half of the researcher-respondent conversation.

Graphics, visual design, answer options, and numbers influence how people take a survey. Error messages, for instance, tend to increase respondent frustration and lead to survey break-offs. Researchers should do their part to make the survey instrument as user-friendly as possible by avoiding drop-down menus, providing symbols instead of word labels, and adjusting the size of answer spaces to correspond with the desired answer format (Christian, Dillman, and Smyth 2007).<sup>38</sup>

Another line of discussion has focused on whether Web survey pages should be scrolling or split up over a number of pages. Peytchev, Couper, McCabe, and Crawford (2006) find that there was little difference between the two types. Scrolling surveys, though, suffered from a higher rate of nonsubstantive answers. Unlike what the authors suspected, paging surveys did not take longer to complete.

Some studies focus on how Web surveys can reduce “satisficing,” a combination of the words *satisfy* and *suffice*. Respondents can satisfice when they select the first answer option that is reasonably acceptable rather than fully considering the entire set of alternatives (Malhotra 2008). In phone surveys, a forced-choice format, which requires respondents to provide a specific answer (at least “yes/no”), is efficient compared to one that is check-all-that-apply. While the former is not as efficient for Web surveys, it does make respondents take the time to answer a question before moving on to the next one. This alone is sufficient for them to deeply process response options.<sup>39</sup> The check-all option allows for possible satisficing – one study found that an answer option

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<sup>38</sup> Although using drop-down menus can guarantee answer accuracy, Christian et al. (2007) note that this may not be the best strategy, particularly if the respondent is unfamiliar with them.

<sup>39</sup> On questions that allow for multiple answers, a longer response time per question does not lead to more options being marked (Smyth et al. 2006).

was more likely to be endorsed if it was in the first three options than when in the last three (Smyth, Dillman, Christian, and Stern 2006).<sup>40</sup>

There are two overarching weaknesses plaguing the general utility of Web-based surveys. The first deals with the representativeness of a sample, the second with response rates. These issues can be problematic because it is difficult to obtain one that is representative of a known population, something also referred to as “nonobservation.” (Fricker, Galesic, Tourangeau, and Yan 2005; Couper 2000). Nonobservations are categorized into three types: coverage, sampling, and nonresponse. These three categories are intertwined (although the last will be addressed separately below). Web-surveys generally offer poor coverage of the general household population and there is no good frame for selecting samples of Internet users. Due to the lack of lists, there really are no methods for creating a probabilistic sample of them. This in turn makes it nearly impossible to calculate response rates (Fricker et al. 2005).

One solution for the aforementioned problem is what Couper and Miller (2008) refer to as the “model-based” approach, under which the surveyor would use volunteer or an opt-in panel of internet users then try to correct any representational bias in the sample. This can be done by using propensity score adjustments or some other weighting method. Since there is no known population of campaign consultants (i.e. demographic, social, and economic characteristics), this does not pose a significant problem for this dissertation. Another approach to dealing with Web-based sample issues is “design-based.” The surveyor would build a probabilistic sample and provide Internet access to

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<sup>40</sup> Along the same lines, Toepoel, Das, and Van Soest (2008) find that trained respondents, as opposed to fresh respondents, are more prone to satisficing.

those without it. Despite Web-based survey sampling issues, there are tools available to the researcher to mitigate these problems (see below).

The second overarching problem, low response rates, is germane to this project. Response rates are an important part of the survey and research processes. If rates are too low, the study's external validity can be jeopardized. The challenge for researchers is to deal with the ever-changing barriers to high response rates. Researchers using Web surveys have to compete with marketers and spammers for the attention and cooperation of Internet users. Porter and Whitcomb (2003, 587) warn, "As spam continues to increase, annoyance with unsolicited e-mails will increase. Survey researchers using the Internet will continually have to refine their techniques in order to achieve a good response rate." Fortunately, there are tactics available for researchers to use to increase their response rates.

Online surveys generally have a reputation for low response rates (Couper 2000), partially because the research devoted to improving them has been minimal. The little research conducted on this has indicated that, compared to their mail counterparts, Web-based surveys can make use of cost-effective measures to achieve similar response rates. The key, according to some studies (Porter and Whitcomb 2007; Porter and Whitcomb 2003), is sending a postcard or letter prior to the actual survey solicitation (referred to as a "mixed-mode" contact approach). Some type of paper prenotification can increase the efficacy of potential Web survey respondents in several ways. First, there is a norm among Internet users to not send unsolicited email. Sending a letter or postcard gives respondents proper notification. Second, paper contacts could increase the perceived legitimacy of the researcher because spammers solely use email. Third, it helps invoke

the norm of reciprocity. If the researcher has spent the time drafting and printing a letter, the respondent will hypothetically take their time to complete the survey. Fourth, for those who do not use their email frequently, the paper prenotification allows them to check their email and complete the survey. Finally, it would allow researchers to pre-paid incentives, a tactic shown to increase response rates for mail surveys (Kaplowitz, Hadlock, and Levine 2004; Schaefer and Dillman 1998; but see Porter and Whitcomb 2007).<sup>41</sup>

There are other tactics available for Web surveys to help increase response rates. Personalizing email solicitations can increase rates by up to eight percent. This includes having only one email address listed in the addressee line (Heerwegh 2005; but see Porter and Whitcomb 2003).<sup>42</sup> One study has shown that providing respondents both a deadline for completion and telling them they are part of a selective group increases response rates (Porter and Whitcomb 2003). The expected and actual length of the survey also matters. As the stated length of the survey increases, survey completions decrease. For those researchers who may be thinking about misleading respondents, the break-off rate was higher when the announced length was less than the actual (Galesic and Bosnjak 2009).

The drawbacks to Web-based surveys appear to be significant; however, when studying the proper group, they may be mitigated. Despite the potential for low response rates and nonobservation issues, online surveys do have their benefits. They produce less

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<sup>41</sup> Kaplowitz et al (2004) find that sending a postcard/email notification combination was the cheapest method and yielded the second highest response rate (\$1.31 per response). Porter and Whitcomb (2007) find that there is no significant difference across various combinations of survey notification, arguing that any positive result with paper prenotification must take into account the cost for each added response. In their experiment, the exchange would have been one additional response for every \$20-30 spent on a letter or postcard.

<sup>42</sup> Responsibility theory states that an individual feels less obligated to help if others are perceived as being able to help. When email solicitations are addressed to a group, people will know that others are able to assist the researcher, thereby reducing the response rate (Heerwegh 2005).



item nonresponses, leading to questions being completed in a thoughtful, consistent manner (Fricker et al. 2005). In their analysis of web versus phone surveys, Fricker et al (2005) find that Web surveys may have an advantage over phone surveys in terms of observation errors as the former provide respondents with more privacy. Although web respondents take longer to complete the survey, they answer a high percentage correctly. They also are allowed to take the survey at their leisure, providing them the opportunity to carefully think through open-ended questions. Finally, though not applicable to this project, Web surveys can allow respondents to utilize different sensory channels.

### *The Sample*

There is no agreed upon, or known, universe of campaign consultants (Dulio 2004). This is partially because scholars have had a difficult time agreeing on a definition of the concept. But more than that, in a profession that has a “behind-the-scenes” reputation, it is nearly impossible to find a complete listing of every current consultant. Finding the population becomes even more complicated for this project because it additionally seeks to survey former consultants. This project replicates an approach used previously by American University’s Center for Congressional and Presidential Studies by deriving a substitute population sample from two sources.

The first sample source for scholars who have conducted surveys of consultants have obtained their samples from the magazine *Campaigns and Elections (C&E)*. Each year the publication provides lists of consultants broken down by specialization. The lists from the past two election cycles have hundreds of addresses, email addresses, and locations of consultants. The second source is from the *Political Resource Directory*

(*PRD*) which provides a list of consultants. Unlike the *C&E* list, *PRD* does not always provide more than just a name or firm. There is also some duplication of consultants between the two lists. When combined, these lists are by and large an up-to-date source of consultants with ample variation with respect to length of career, specialization, clientele base, geography, reputation, networking, and other key variables.

For this sample to have any generalizable qualities, we would expect it to be correlated with some type of known population distribution. In this case, we anticipate consultants in this sample to be distributed throughout the country based on the size of each state's population. States with higher populations (like California), and thus more candidates for elective office, should correlate with the number of consultants in the sample from that state. The correlation between the number of consultants in the sample from a state has a 0.823 correlation with that state's population.<sup>43</sup>

### *The Survey*

Deciding how to structure and design the survey was a matter of great thought. Although Couper, Traugott and Lamias (2001, 250) write that, "Web survey design should reflect the particular task at hand," it is very difficult to balance the design of the survey with the desire for higher response rates. In the best attempt to straddle this fence, the survey was split into sections as follows (see Appendix A for the survey instrument).

This survey questions are based significantly on previous ones with consultants, opening up with basic questions about their specialization, their status in the firm, how

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<sup>43</sup> This correlation is significant at the 0.001 level. Consultants listing Washington, DC as their address were excluded because DC has no voting member of Congress and is the seat of our Federal government. The correlation does include Virginia and Maryland, which have more consultants than one might expect due to their proximity to DC. Because these two states are included, the correlation may actually be higher.

big their firm is, when they began consulting, and how they were trained.<sup>44</sup> Nearly all of these questions were asked in the survey used by Dulio (2004). The next section deals with client cultivation, or how the consultants build their businesses. Because the business side of consultants has rarely been studied, many, but not all, of these questions are new.<sup>45</sup>

The third section, related to networking, relies nearly entirely on previous surveys, although most of them come from the field of public administration. First, though, questions on the importance of political parties in the campaign process have been asked by Dulio (2004) or Luntz (1988). The basic networking questions come from Meier and O'Toole's survey of Texas school superintendents as well as Hicklin's survey of Texas state university presidents and deans. These questions ask consultants how they spend their time, both in general and during campaigns. The only modification of these questions comes for the two on who they interact with – the structure remains identical to the other surveys but the actors and institutions they network with are appropriate for consultants.

The next section asks consultants about their work in prior elections, beginning with 2004 and ending at the 2008 cycle. All of these questions were asked in Dulio's (2004) survey. The fifth section deals with consultant reputation. Instead of asking them to gauge their own reputation, they are asked to identify other consultants' reputations. Two concepts are combined in these questions: how "well-known" someone is, and how "effective" they are. Consultants are asked to give their thoughts for each of the seven specializations: media, direct mail, survey research, field or get-out-the-vote, opposition

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<sup>44</sup> See the Appendix for the complete questionnaire.

<sup>45</sup> One question on important factors for the decision to take on a client was asked by Luntz (1988).

research, fundraising, and general campaign management. The last section asked consultants some basic demographic questions, such as gender, income, and education. These questions all appeared in Dulio's (2004) survey.

The survey itself was implemented using SurveyMonkey, a web-based survey tool.<sup>46</sup> SurveyMonkey allows its subscribers multiple design tools, such as skip-patterns, progress indicator, randomization of questions/answers, background themes, and the ability to download responses into a spreadsheet.

The survey did not make use of a progress indicator, since some research has indicated it does not lead to higher response rates (Couper, Traugott, and Lamias 2001). While its presence may increase survey completion time, it is unclear if this results in respondents rushing through the survey and thus satisficing in their answers. To cut down on the total number of pages, multiple questions were placed on one page, keeping those with common response categories or themes together. This reduces the amount of time spent loading each page, resulting in a decrease in completion time. This could lead to order effects since respondents can view multiple questions at a time. Finally, the survey mostly uses radio buttons for response options since they tend to require less effort (Couper, Traugott, and Lamias 2001). There were some questions, though, that required open-ended responses in an effort to obtain more substantive answers. Since the design of the answer boxes can impact the substance of a response, they were designed to reflect the amount of detail desired to each response. When questions were asked that were looking specifically for numbers, instructions were given so as to yield correct

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<sup>46</sup> The researcher would like to thank the OU Public Opinion Learning Laboratory (POLL) for use of its SurveyMonkey subscription. Through the kindness and hard work of Director Amy Goodin, Assistant Laurie Conway, and graduate assistants Natalie Jackson-Biffle and Mike Jones, the implementation of my survey instrument was not nearly as stressful as it could have been.

responses (Christian, Dillman, and Smyth 2007; Smyth et al. 2009). In an attempt to reduce respondent frustration, error messages were kept to a minimum (Christian, Dillman, and Smyth 2007).

### *The Response Rate*

As documented above, obtaining high response rates on Web surveys can be difficult. What impact the overall response rate has on the validity of the results is debatable. Low response rates are not necessarily an indicator of non-response bias (Sax, Gilmartin, and Bryant 2003). There is evidence that demonstrates that low response rates have no impact on validity (Templeton et al. 1997). As long as respondent characteristics are representative of nonrespondent, low response rates are not biasing (Krosnick 1999). Determining the characteristics of the nonrespondents, is, however, extremely difficult since their identity is unknown (Dey 1997). According to the American Association for Public Opinion Research (AAPOR), recent experimental comparisons have revealed little difference between surveys with low and high response rates (AAPOR 2010).

Because non-response bias is not necessarily an issue with the results of a survey, there is also not an agreed-upon response-rate threshold one must reach in order to report their findings. Some researchers have published Web survey findings with as little as a five percent response rate (see Christian, Dillman, and Smyth 2007). In a study of lengthy Web-survey response rates, Sax et al. (2003) report findings based on a nearly 20 percent rate. Another thing to consider is that much of the research on Web survey implementation in general uses undergraduates as the sample, making it difficult to extrapolate to an elite population most likely not representative of the American public.

This is not to say that any response rate will suffice, and as such, numerous steps were taken in an attempt to maximize the response rate for this survey.

The main tactic used to mitigate the problem of low response rates was to a “mixed-mode” recruitment and notification approach (Kaplowitz, Hadlock, and Levine 2004). To be cost-effective, a letter introducing the survey was sent to each person in the sample, regardless of the firm. This means that more than one consultant in a firm often received one. To add legitimacy to the study, the return address on the envelopes were for the University of Oklahoma Public Opinion Learning Laboratory (OU POLL), since academic studies tend to have higher response rates.<sup>47</sup> There were three categories of letters. The first was sent to those in the sample for whom a personalized email address was known ([name@\\_\\_\\_\\_\\_.com](#)) and simply informed them of the survey (#1 in Appendix B). The second was sent to those in the sample for whom only a generic email was available (i.e. [info@\\_\\_\\_\\_\\_.com](#)), informing them of the survey and asking them to supply a personalized email address (see #2 in Appendix B). The third group consisted of those for whom no email address was available, informing them of the survey, and asking if they would be willing to provide an email address (see #3 in Appendix B). Any person who requested a physical copy of the survey was sent one via mail.

Next, the survey invitation was emailed to each person in the sample that had any sort of email address listed. Because there still was no email address for some consultants, they did not receive an email invitation. For any email address that had the invitation bounce back was attempted to be updated and resent. Finally, an email

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<sup>47</sup> The “mixed-mode” tactic could not have been used without the generous financial assistance from OU POLL. They provided full funding for the letters, including the paper, toner, envelopes, and postage.

reminder was sent to everyone in the sample who had yet to respond five-six weeks after the initial invitation.

Another step taken to increase the response rate was to limit the number of questions. There is evidence that suggests that a 20 minute survey can yield sufficient response rates for academic studies (see Galesic and Bosnjak 2009). With this in mind, the survey was trimmed down so as to approximately take this amount of time. Before the survey was finalized or programmed it was reviewed by the following individuals: two general campaign consultants, a pollster, a congressional staffer, the director of an academic polling facility, and multiple political scientists, all of whom have had extensive experience in public opinion research. These individuals provided valuable feedback on the content and length of the questionnaire. While their advice was conflicting at times, every comment was taken seriously, and most suggestions were implemented.

AAPOR provides the standard definitions for response rates, completed and partial surveys, among others at their website.<sup>48</sup> After removing email invitations that bounced back and those who self-reported that they were not consultants, the total sample is 1,108. The first response rate, RR1, is simply the number of completed surveys over the total eligible sample. For this survey,  $RR1 = 91/1,108$ , or 8.2 percent. There were a number of partial completions, thus the second response rate, RR2 (the number of partials and completions over the total eligible sample) is  $222/1,108$ , or 20.0 percent. The true response rate by consultants is most likely higher since the original sample included many individuals who were not consultants but members of the media or academic

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<sup>48</sup> For their complete booklet for definitions and response rate formulae, visit: [http://www.aapor.org/AM/Template.cfm?Section=Standard\\_Definitions&Template=/CM/ContentDisplay.cfm&ContentID=1273](http://www.aapor.org/AM/Template.cfm?Section=Standard_Definitions&Template=/CM/ContentDisplay.cfm&ContentID=1273) (Accessed May 15, 2010).

institutions. Only those who self-reported that they were not consultants were removed, making it likely that there were some included in the final sample total.



### **Chapter 3: Taking the Plunge - Consultant Risk and Client Cultivation**

#### *Introduction*

The campaign consulting industry is full of risk. If you are a budding consultant, you may not have much say over for whom you work. James Carville, the legendary Democratic consultant, had this to say about choosing clients: "...when you're coming up, you don't decide. You don't choose candidates, you choose to answer the phone and hope somebody on the other end is offering you the chance for a job. Not a job, the chance to get a job" (Matalin and Carville 1994, 55). Even if your first client is a friend, choosing to be a consultant means you have to find more clients – more campaigns to work on – to sustain your livelihood until the next election. All of this, in the name of building a successful career.

The uncertainty of having clients is not unique to newly established consultants. Bob Squier, a long-time pollster in the Democratic Party and its candidates, worked on the Edmund Muskie presidential campaign in 1972. After the client's humiliating loss in the Florida primary (Muskie finished fourth), he was fired. According to colleague Bob Shrum, Squier, whose career was nearly ruined, spent the next few years working out of a small basement apartment on Capitol Hill (Shrum 2007).

Lee Atwater was another "who's who" of consultants who faced uncertainty early in his career. Atwater decided to jump into the consulting business by running the gubernatorial campaign of General William Westmoreland in 1974; the General lost badly in the primaries. He then shifted to the Lieutenant Governor race, taking on Carroll

Campbell as a client, who lost that race by six points.<sup>49</sup> Atwater biographer John Brady concludes that he had moved too quickly and, as a result, needed to restart his career.

The new strategy was to look for local candidates, guide them to victory, then move on to statewide races, regional politics, and beyond. The plan was a smashing success: Atwater ran twenty-eight winning campaigns over the next four years, starting with city council races (Brady 1997).

Campaigns are full of uncertainty. Uncertainty leads to risk. Thus, campaigns are risky endeavors for consultants. This chapter asks the following question: What explains how much risk consultants are willing to take when seeking out clients? This question is an important one in that candidates need at least one consultant to help run their campaign. But a candidate running for local office in small town America is not going to get Karl Rove to run their campaign. Someone else has to want the job; they have to be willing to take that client, weaknesses and all. A second important reason in seeking an answer to this question is that there may be a relationship between risk and performance. Before we can explore that relationship, we must better understand the factors that help explain just how risky consultants are willing to be.

### *What is Risk?*

Defining risk has posed a problem for academics. At the heart of the problem is the divide between “objective” and “subjective” measures. Objective measures are the result of scientific research, including health statistics, experimental studies, or probability risk analyses. The latter refers to public perceptions (Fischhoff, Watson, and

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<sup>49</sup> All told, a Republican losing a statewide race in South Carolina by six points was hardly a bad showing. After all, Republicans had only been on the ballot in the state since 1952.

Hope 1984). Not surprisingly, these two measures can come into conflict with one another.

Any definition of risk is predicated on uncertainty. Knight (1921) defines risk "as condition in which the consequences of a decision and the probabilities associated with the consequences are known entities" (see Baird and Thomas 1985, 231). But consultants rarely, if ever, know all the possible results that might occur. Some conceive of risk as expected value, which encompasses both the outcomes of a decision and some representation of the probability of the outcomes (Nickerson and Fehrer 1975). So risk involves uncertain outcomes that in the long run are important to firm survival and about which complete information is unavailable.

There are other definitions of risk. Brockhaus (1980, 513) defines risk as "the perceived probability of receiving the rewards associated with success of a proposed situation, which is required by an individual before he will subject himself to the consequences associated with failure, the alternative situation providing less reward as well as less severe consequences than the proposed situation." Combining these two definitions, we see that there are two aspects of risk that are relevant to this chapter. The first is that outcomes are uncertain. With respect to campaigns, consultants are never assured of the outcome until all the votes are cast. No matter what the polling says (see the Democratic New Hampshire primary in 2008), what the political science presidential election forecast predicts (see the 2000 presidential election), or what the candidates think (see Martha Coakley's behavior leading up to Scott Brown's upset victory in the special election to replace Ted Kennedy), an electoral outcome is in doubt until every vote is counted. The second important aspect of risk, detailed by Brockhaus, is that those

engaging in risky behavior are cognizant that their actions can lead to failure.<sup>50</sup> Thus, consultants would realize that some actions are more risky than others.

Disentangling the realization of certain actions to be risky is difficult for any researcher, though. Many scholars use specialized definitions of risk, a common one being *quantified risk*, or adverse consequences plus a probability assignment of certain events occurring (Kadvany 1996). If a scholar is unable to assign probabilities to potential events, they run the risk of leaving risk neutrality, risk acceptance, and risk aversion undefined (O'Neill 2001). In an effort to keep things somewhat simple, a sufficient definition would be: the potential adverse consequences of taking on certain clients under uncertainty (Kadvany 1996, 1).

This is a broad definition of risk. In a consultant-business sense, it is about strategic moves that cause income or electoral success to vary, that involve venturing into the unknown, and that may result in career ruin - moves for which the outcomes and probabilities may be only partially known and where hard-to-define goals may not be met (Baird and Thomas 1985, 231-232). This conceptualization means that many aspects of a potential client are tied to risk, ranging from their name recognition to their ability to pay the campaign bills.

It is important to note that, according to Medvic's (2003) definition, to be classified as a consultant, one must be hired by more than one campaign in per cycle. So unless a consultant is running a presidential campaign (which can be akin to being involved in up to 50 races – one for each state), they need to develop a clientele base. This means that a consultant will have to make a decision related to how risky it is to

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<sup>50</sup> Brockhaus also brings the concept of rewards into the definition. The relationship between risk and reward will be explored in more detail in the two ensuing chapters.

work with a particular client more than once each cycle, depending on the total number of clients one has. Thus, risk is something consultants must frequently deal with as they conduct their business affairs.

### *Risk in the Political System*

The notion of risk-averse voters has been discussed in American politics, particularly in the area of how risk enters the voting calculus and campaigns. Kenneth Shepsle (1972) explored the role of vagaries in electoral campaigns. Finding that voters are risk-averse rather than risk-accepting, he argued that candidates should not be ambiguous because voters are risk-averse. Ambiguity on the campaign trail creates a murky situation for voters, who would have a hard time distinguishing the difference between candidates. Shepsle was not alone in this opinion; the call for a clear distinction between political parties and candidates also came from the American Political Science Association (APSA 1950).

The argument for creating a distinguishable party system, and thus, to cater to the risk-averse voter runs counter to Downs' (1957) theory that candidates and parties should gravitate toward the political middle. Elections are won, argued Downs, by convincing moderates and independents to vote for your party or candidate. Shepsle counters this by stating that people want to vote for candidates they know more about, allowing them to see if the candidate aligns with their beliefs.<sup>51</sup>

The discussion regarding risk and voters has developed over time. Risk-aversion has been used to explain split-ticket voters. Using formal theory, Bugarin (1999) demonstrates that when there is great uncertainty about a party's policy positions, voters

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<sup>51</sup> Shepsle (1972) does contend that if voters are risk-accepting, Downs would be correct in his hypothesis.

use ticket-splitting as a risk-averse tool to insure themselves against potentially extreme policy. Uncertainty, and thus risk, can be a significant component in how a median voter maximizes their utility. A voter with an aversion to risk may behave differently than a voter who is more certain of the outcome from their vote. Bishop, Formby, and Smith (1991) show that under periods of economic inefficiencies, a risk-averse median voter could be more willing to vote for a redistributive referendum. Why? Because of the mobility between income classes induced by social programs and market forces, the median voter is never completely certain of their future in the income distribution. When there is economic inefficiency, the risk-averse median voter will prefer a more equal income distribution in case they end up needing a social program to stay on their feet.

Something similar can be true for term limit referenda. If voters are risk-averse toward new candidates, incumbents have a strong advantage. This poses problems for passing a term limit referendum because voters are less willing to want any new candidate, regardless of party. If they are risk-accepting, they will be more willing to vote for a referendum. When voters' risk is moderate, they could actually vote to reelect the incumbents and vote for term limits (Chen and Niou 2005). Another study slightly disagrees with this conclusion, arguing that term-limits can be imposed by risk-averse voters because they prefer cycling between left and right wing candidates to a system that imposes a candidate of a single ideological position on the entire electorate (Glaeser 1997).

There is some evidence that risk does play a role in how voters view elections. Drawing from Shepsle (1972) and Downs (1957), this literature looks at voter uncertainty by combining responses on a number of questions in the National Election Study.

Spatially, the uncertainty shifts each voter's ideal point on an ideological dimension. These shifts can occur either toward or away from the center of this dimension. If the variance of voter perceptions of a centrist candidate is high, candidates will reinforce their ideological position on the dimension. If it is low, the center is attractive for the candidate (Enelow and Hinich 1981). Bartel's (1986) study of the 1980 presidential election revealed that voters dislike uncertainty, even though it was pervasive. While critical of deriving a measure of uncertainty from questions asked for another purpose, Bartel's does note that uncertainty appeared to be a determinant of electoral choice.

Circling back to some of the original arguments about risk in American campaigns made by Shepsle and Downs, other scholars have examined how actors in the political system deal with the voters' perceived risk-aversion. Some have suggested that risk-averse voters may choose a candidate who announces their policy positions early because it provides them certainty compared to the candidate who does not make their positions known (Anderson and Glomm 1992). So candidates, in an attempt to appeal to risk-averse voters, should produce policy positions earlier in the campaign.

By and large, the risk literature in American politics is fairly thin. In other fields of political science, the concept of risk has been an integral part of research on the political system.<sup>52</sup> In comparative politics, risk and voting behavior again take the forefront. Opposition political parties in Mexico have been frequently studied. Their problem tends to be that Mexican voters are, like American voters, risk-averse. Voters may not like the dominant party, but they are uncertain about the policy positions of, and governance under, the opposition. This is referred to as voters rather living with "the

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<sup>52</sup> This concept of risk differs from the 'hazards' risk models espoused by Jenkins-Smith and Silva (1998) and Jenkins-Smith, Strandberg, and Trouset (2010).

Devil you know than the Saint you don't" (Morgenstern and Zechmeister 2001). Adding this risk-aversion to other states with hegemonic political parties, Paolino (2005) concludes that voters give greater weight to the policies of the dominant party when deciding who to support. Given the primacy of economic issues in many of these nations, he states that voters may decide which parties' economic policies are acceptable. If more than one party remains, they must then decide whether to risk voting for the opposition.

The notion of risk-aversion can extend beyond the voting public. Consultants are political elites and are heavily engaged in the political process, much more so than the hypothetical median voter. There has not been much written on the relationship between risk and these political insiders in the American literature. In one study, utilizing Shepsle's notion of a risk-averse voting public, Austen-Smith (1987) concludes that firms seeking to make campaign contributions are risk-neutral. When it comes to the trade-offs between advancing their policy preferences and who to give money to, they are ambivalent.

Where we see some exploration into political elites and risk is in the international relations literature on war and conflict resolution. This literature examines how and why political leaders enter into bargains or coalitions and how this induces risky behavior. Negotiators are one group of elites that act differently based on their risk perceptions. When negotiating, risk-accepters will often hold out for the best bargain available, whereas risk-averse negotiators are more willing to compromise. Of course, holding out for more, the risk-accepters run the risk of being shut out a coalition or bargain (Bottom et al. 2000).



Events leading to war must be examined within the context of risk. Ignoring risk leads to erroneous conclusions about the conditions under which we expect war to occur (Bueno de Mesquita 1981; see also Kim and Bueno de Mesquita 1995). Using the theory of power cycles, which states that the growth and decline of a powerful country is critical in understanding the existence of extensive wars, Tossman and Chan (2004) hypothesize that certain critical points in a country's power trajectory are particularly dangerous occasions for such conflicts. These critical points in time introduce uncertainty for officials. If a country is about to enter a period of a decline, officials will behave differently than if the country is on the rise.

Risk is an important concept for political scientists to better understand. Throughout the political system – in American and elsewhere – individuals must operate with uncertainty. In the context of campaign consultants, cultivating a clientele base is full of risk. Candidates must react to a quickly changing political environment and consultants are there to help. Perhaps more fundamentally for consultants, each potential client carries with them a certain amount of risk. The next three chapters deal with how consultants can deal with risk and possibly use it for their advantage.

### *Theory 1: Behavioral Theory of the Firm*

Consultants operate in a political system full of risk. This makes consultant-client relationship an interesting one. Each cycle, at least 50,000 campaigns for local, state, and federal office employ a campaign consultant (Johnson 2007). Each of these 50,000+ clients has some element of risk encapsulated in their campaign. Some of them stand no chance of winning because of a lack of name recognition. Some have no experience in

politics or connections with donors or grassroots organizations. Some have no money. Hal Evry, a consultant who worked for candidates of both parties, had one rule about his clients. "We made a rule that anybody walking into our office had to have half a million dollars in assets before we would even talk to him - because 95 percent of the people who run for office don't have the money to run and win" (Chagall 1981, 299). Other candidates are extremely liberal in a conservative state or district. The bottom line is that unless a candidate is unopposed in both the primary and general elections, there is some amount of risk involved with taking on a client. Thus, to a certain extent, risk is endogenous to client cultivation. The number of firms that can take unopposed clients is limited. No matter how much a consultant may try to avoid it, they will have to take some risk. In effect, the only certainty in consulting is uncertainty.

How can we better understand this element of risk in the consulting industry? What factors help explain how risky a consultant will be with respect to clientele? It is here that we turn to theory in the business literature that explores this phenomenon.

There are two models tested against one another in this chapter. The first is based on Cyert and March's (1963) behavioral theory of the firm (BTOF). This theoretical framework seeks to understand how organizational decision makers make operating and strategic decisions (Lant and Montgomery 1987). Managers in the firms have levels of performance they aspire to and a level of performance they expect. If their expectations fall below aspirations, they look for solutions in order to raise expected performance to aspirations. If they cannot find solutions, they will proceed to lower expectations (Bromiley 1991a).

This study implements a similar model utilized by Bromiley (1991a, 39) and based on BTOF. The model of risk propensity takes the following form:

$$\begin{aligned} \text{Risk}_t = & b_0 + b_1 \text{performance}_{t-1} + b_2 \text{industry performance}_{t-1} \\ & + b_3 \text{aspirations}_t + b_4 \text{expectations}_t + b_5 \text{slack}_{t-1} + \\ & b_6 \text{slack}_{t-1}^2 + e, \end{aligned}$$

where

$b_i$  = parameters to be estimated,

$t$  = year,

and

$e$  = error term.

The next few paragraphs will walk through each variable how its theoretical relationship with *risk*. Remember, risk is defined as the potential adverse consequences of taking on certain clients under uncertainty.

**Performance:** Performance is an integral and well-tested component of risk, dating back to some of the early works on this concept by Bowman (1980; 1982). As a firm increases their performance in year  $t$ , their willingness take on risk will decrease because taking on risk provides little benefit (declining marginal utility of income). Even if poor performance is perceived to be caused by risky behavior, BTOF argues that the firm would have to take additional risk to change the direction of their performance.

*H<sub>1</sub>: Prior Performance has a negative impact on risk willingness.*

**Industry Performance:** The logic of the relationship between industry performance and risk is similar to that of individual firm performance, which is hypothesized to have a negative impact on risk. In an industry populated with poorly

performing firms, the industry will be dominated by firms making risky actions. With other firms in an industry taking more risk, the individual firm has to act riskier – imitating other firms – just to keep up (Bromiley 1991a; Robert M. Wiseman and Bromiley 1996). The industry performance is a way to acknowledge that certain industries perform better or take more risk than others.

Using the term “industry” here is a bit misleading since this dissertation is focused on one industry – the campaign consulting industry as a whole. Instead, think of “industry” performance as “specialization” performance, where how much risk in clientele the average pollster takes is a significant factor in how risky the individual pollster is. Whether this is by implementing a new technology, such as a polling firm using internet polling or automated polling in lieu of traditional services, or taking on local clients for the first time, when the average consultant within a specialization is acting risky, others will follow.

*H<sub>2</sub>: Higher industry Performance will have a negative impact on risk willingness.*

Expectations and Aspirations: Expectations and aspirations are two variables that are inextricably linked. Expectations are what an individual firm will have as a goal, while aspirations are industry-wide targets that firms try to reach. Aspirations is similar to industry performance in that how an industry performs impacts a firm’s aspirations. It helps firms do two things. First, they set future goals in order to “keep up with the Joneses”. Second, firms performing above the industry average will try to increase their performance above their current levels. Firms that aspire to a higher performance will look for ways to do so. Some of the new routines taken will reduce organizational predictability. The behavioral theory of the firm places a high importance on the role of

routine in firm behavior. Any reduction in predictability increases uncertainty with respect to the outcomes the organization may incur and may in particular increase income stream uncertainty (Bromiley 1991a). As Wiseman and Bromiley (1996; Bromiley 1991a, 41) note, the relationship between aspiration and risk is rooted in prospect theory. The level of a firm's aspiration is a reference level: "firms that anticipate returns below that level will be risk seeking, and those that anticipate returns above it will be risk avoiding."

Adding to these concepts, prospect theory argues that individuals are not solely utility maximizers. There is evidence for this among consultants. Dulio (2004) finds evidence for this when he asks consultants what their motivation was for getting into the business. This question was replicated in the survey disseminated for this project, and respondents were asked what their motivation currently is. Table 3.1 gives the results for their initial motivation.

In Dulio's (2004) survey, only 11.2 percent of respondents cited the financial aspect as their main motivation for getting into the business, compared with the 61 percent that said it was about their political beliefs, ideology, or party. This division has remained. New survey results indicate that consultants were still mainly motivated by their political beliefs, ideology or party. Nearly 30 percent mentioned the thrill of the competition or "love of the game." Less than 15 percent mentioned money as their primary motivation for becoming a consultant.

Has this motivation changed in any way? As Table 3.2 shows, more consultants list the pecuniary benefits of their job as their current motivation – an increase from less than 15 percent to more than 28 percent. Whereas money was the second-least

motivating factor for getting in the business, it is the plurality response for currently being in the industry. One consultant stated that while their original motivation was that they liked politics and campaigning, but are “jaded and disillusioned now with the system. I am only motivated by paycheck.” Or as another put it, he is still interested in government/politics, but is “also interested in making money.” Perhaps the best response was from a respondent whose original motivation had been to make “more money” with “better hours.” Her main motivation had not changed, but she could not pass up a partisan barb: “I love kicking the \*\*\*\* out of Republicans and getting paid for my trouble.” Subtle shifts such as the middle example demonstrate that once consultants get going, money does become important.

Despite money being the largest motivator, the combination of political beliefs, ideology, or party add up to over 56 percent of the responses, meaning a majority of consultants are motivated by the prospect of enacting change in some way, or as one put it, “making things better for my children.”

Thus, consultants will take the necessary steps in order to not lose what they could gain financially. This leads to the traditional hypothesis relating aspiration and risk:

*H<sub>3</sub>: Increased aspirations have a positive impact on risk willingness.*

**Table 3.1: The Motivations of Campaign Consultants for Getting into the Business**

<b>Motivations</b>	<b>2004</b>	<b>2010</b>
Your Political Beliefs or Ideology	53.5%	31.25%
To Help Your Party by the Majority Party in Government	7.5%	13.64%
The Thrill of the Competition	18.7%	28.98%
The Money You Could Earn	11.2%	14.77%
The Power and Influence that Come with the Job	4.5%	1.14%
Other	4.7%	10.23%
<b>Total (N)</b>	<b>493</b>	<b>176</b>

Source: Dulio (2004) and data collected by the author (2010).

**Table 3.2: The Current Motivations of Campaign Consultants for Being in the Business**

<b>Motivations</b>	<b>2010</b>
Your Political Beliefs of Ideology	24.85%
To Help Your Party by the Majority Party in Government	13.02%
The Thrill of the Competition	20.71%
The Money You Could Earn	28.40%
The Power and Influence that Come with the Job	1.78%
Other	11.24%
<b>Total (N)</b>	<b>176</b>



With respect to expectations, some scholars (Lant and Montgomery 1987) have used actual performance to predict risk, but Bromiley (1991a) argues that expected performance is a better measure. Using expectations allows for a differentiation between the direct effects of performance on risk and the aspirations-expectations process. Having expectations sets a bar for a firm, putting a financial goal readily in sight. These expectations come from the firms themselves. They are set by the consultant or firm and derived from performance from prior election cycles. While the most recent cycle may carry the most weight, it is not the only influence on expectations. Firms trying to meet those expectations take on less risk. This leads to the hypothesis relating expectations and risk:

*H<sub>4</sub>: Increased expectations have a negative impact on risk willingness.*

As noted earlier, expectations and aspirations are tied closely together. Scholars refer to the link between the two as an “attainment discrepancy.” Wiseman and Bromiley (1996) hypothesize, that as aspirations rise relative to expectations (or the industry-based target is outperforming firm goals), firms will incur additional risk. This is because the decision makers are faced with the prospect of failing to meet their objectives so they in turn embrace options with higher risk that provide an opportunity to meet their goal and avoid a loss (Palmer and Wiseman 1999).

There is some debate as to the validity of the Wiseman and Bromiley hypothesis. As Lant and Montgomery (1987, 505) put it, attainment discrepancy is used as a cue for future performance and thus a critical piece of information that decision makers look for when assessing the relationship between the organization and environment. Instead of

having some ambiguous benchmark, such as maximizing long-term profit, this provides a clear conceptualization of preferences.

There is some evidence that an attainment discrepancy acts as a cue for future performance. Lant and Montgomery (1987), when exploring the relationship between attainment discrepancy and risk, delineate between two types of risk-based “searches” (which they take from March and Cyert 1963). The first, *problem search* (a similar concept to *problemistic search*), is the search for small refinements in what the organization is currently doing. This would include making activities more efficient. The second type, *innovative search*, is the search for new goals, new technologies, or new markets. They argue that there is a positive relationship between *problem search* and risk, and a negative relationship between *innovative search* and risk, since performance below a certain level will lead to more risk-taking and performance above a certain level will lead to less risk-taking.

The previous results for attainment discrepancy are likewise mixed. Lant and Montgomery (1987) go on to find that when performance is below aspirations, firms will engage in riskier behavior and seek more innovation, although this was not a direct test of attainment discrepancy. Wiseman and Bromiley (1996) test this hypothesis directly and find that attainment discrepancy is a significant negative factor in risk-taking, although Palmer and Wiseman (1999) find that is significantly positive. Combined with Bromiley’s (1991a) finding that expectations can have a significant *positive* influence on risk, these findings may complicate our ability to explore the relationship between these variables and risk. The key may lie in the distinction between “search” types. Since this

study is focused on a consultant's search for clientele, the relationship between attainment discrepancy and risk will be similar to that of innovative search and risk:

*H<sub>3a-4a</sub>: Increased attainment discrepancy will have a negative impact on risk willingness.*

Slack: In the business literature, the exact relationship between slack and risk is a matter of debate. Some argue that it increases risk while others point out that it decreases risk. Slack is the available amount of resources a firm has on hand. It acts like a buffer against fluctuations in environmental conditions and absorb shocks to the industry (Cyert and March 1992). This is an important concept in understanding risk, business, and consultants. The consulting industry is based largely on a feast-famine calendar where high-profile, money-making elections occur every two years. In the off-season, consultants have to count on what they made in the previous cycle to get them through the lean times.

Suppose we have a consultant who made a significant amount of money in the 2008 election cycle. Perhaps they worked on a front-running presidential campaign and some statewide races. By raking in the money, they have set themselves up well for the 2009 off-season, where there are few large-budget campaigns. Their high levels of available resources should increase risk because risk is small relative to the organization's current wealth (Wehrung and MacCrimmon 1986). They can afford to take on a risky client – if they do not get paid much for the race, they can still survive.

Bromiley (1991a) argues that higher levels of slack will increase risk in declining industries as well because firms are looking to replenish their reserves. Suppose we have a consultant that did not do well in 2008 financially. They need to bring on clients in

2009 in order to pay the bills and avoid laying-off employees. It may not really matter the quality and financial aptitude of the client, just as long as the consultant has the opportunity to make enough money to keep going. So what we see is that those consultants with mean or median amounts of slack will be the least likely to take on risky clients. This suggests a possible non-linear, U-shaped relationship between slack and risk.

The problem with the concept of slack is that it is a bit empirically unstable. For example, while Cyert and March (1963) make a compelling case for a positive relationship between slack and risk, other scholars have found just the opposite (see Bromiley 1991; Wiseman and Bromiley 1996). Using the Bromiley model, we hypothesize the following:

*H<sub>5</sub>: High and low levels of slack should increase risk willingness.*

*H<sub>6</sub>: Moderate levels of slack should decrease risk willingness.*

### *Theoretical Framework 2: Upper Echelons and Agency Theory*

An alternative approach to BTOF is a conglomeration of upper echelons theory and agency theory. These theories take a more managerial approach to risk-taking compared to the BTOF. In some ways, they are similar to BTOF in that the focal point of these theories is on the decision maker. They just view different factors as being significant influences on risk. The next few paragraphs discuss the key components with regard to risk.

Top Management Team Characteristics: *Upper-echelons* theory argues that there is a relationship between decision-maker characteristics, strategic choices, and risk

(Palmer and Robert M. Wiseman 1999). It is largely a measure of diversity, or heterogeneity, within the decision making group of a firm. The logic of upper echelons theory is that heterogeneity mitigates external pressures on the firm, allowing them to maintain the status quo. Diversity at the top of the firm allows it to respond differently depending on the environment. This diversity ensures that riskier, non-routine structures will be considered as decisions are made (Bantel and Jackson 1989).

*H<sub>7</sub>: Top Management Team Heterogeneity should increase risk willingness.*

Managerial Ownership: Agency theory suggests that managers who do not hold an equity position in a firm are less likely to engage in risky behavior than managers who do. For consultants, this would be due to the fear of losing employment for gambles that do not pay off. Without equity, consultants may feel that taking a risk will jeopardize their employment status. When gambles do not pay off, the consultants can get fired or, even worse, their firm would go under (Palmer and Robert M. Wiseman 1999; Galbraith and Merrill 1991).

*H<sub>8</sub>: As ownership equity increases, so should risk willingness.*

### *Variable Measurement*

There are quite a few theoretically relevant variables to be tested. While the literature cited above is largely business-oriented, that does not mean that they cannot be measured in an appropriate context for consultants. The proceeding paragraphs will discuss how these variables are measured.

Risk: Risk is the dependent variable of interest in this chapter. As stated above, it is a difficult concept to deal with. The business literature has often used ex-post, or

actual, variance of a firm's return on investment or equity. Bromiley (1991a) advocates using an ex ante measure of risk because firms do not know the future too far in advance, if ever. An ex ante measure of risk is advantageous for studying consultants as well since it is very difficult to project the outcome of most elections well in advance of the event.

In this study, risk is measured based on how consultants responded to 19 questions that asked how important certain factors were in whether they would take on a client (see Table 3.2). These factors range from a potential client's prior military service, to their name recognition, to their ability to pay the consultant. Respondents were asked to rank how important each factor was on a scale from 0 to 10, where 0 was "not at all important" and 10 was "extremely important." If a factor was rated to be "not at all important" it means the consultant was willing to take on a riskier client. For example, if a consultant deemed it unimportant that the candidate would be willing to pay their bills, the consultant is taking on more risk than someone who felt that was an important factor.

**Table 3.2: Factors Included in Aggregated Risk Measure**

<b>Factor</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>N</b>
Candidate's name recognition	4.64	3.21	149
Candidate's likelihood of primary election victory	5.09	2.98	152
Candidate's likelihood of general election victory	5.05	2.96	152
Candidate's profile fits district	4.99	3.19	150
Candidate's profile fits state	4.47	3.20	150
Level of office	4.89	3.26	150
Candidate's prior candidacy	2.99	3.03	151
Primary election opponent's quality	3.7	2.86	149
General election opponent's quality	3.46	2.96	151
Primary election opponent's ability to work with grassroots organizations	2.38	2.41	151
Primary election opponent's quality of consulting team	2.69	2.71	148
General election opponent's quality of consulting team	2.40	2.75	149
Candidate's ideology close to your own	5.51	3.28	152
Candidate's prior activism	3.67	3.02	150
Candidate's ability to work with grassroots organizations	3.73	2.94	150
Candidate's ability to work with other campaigns	3.1	2.87	150
Candidate's prior military experience	1.93	2.57	152
Candidate's ability to pay	8.5	2.03	152
Candidate's willingness to commit use of personal funds	3.71	3.49	147

In Table 3.2, where higher scores indicating higher risk willingness, consultants deem the candidate's ability to pay as the most important factor (mean of 8.5). The only other factors with an average over 5 are the candidate's likelihood of winning the primary and general elections, although the candidate's profile comes in at 4.99. Signifying across-the-board agreement with this, the "ability to pay" factor has the lowest standard deviation (2.03). All factors had the maximum range, meaning at least one person rated each factor a 0 or a 10, except for the general election opponent quality factor (range from 0 to 9).

The individual risk factors were then aggregated and inverted so that each consultant's risk score ranged from 0 to 190, where 190 indicated the highest risk propensity. This kind of aggregated measurement has been used in prior research. In some of the original studies on risk, Kogan and Wallach (1964) give 12 questions to respondents, with the riskiest alternative at one end of the scale and a safe option on the other. The 12 responses were then aggregated into one overall risk measure. This method has also been used in the business literature to better understand venture creation (Gartner 1985) and entrepreneurial risk-taking (Brockhaus 1980). Fischhoff, Watson, and Hope (1984) actually advocate for an aggregated measure of risk so that each unit of analysis would have a single value where the higher value indicated the highest risk propensity.

Among respondents of this survey, there was quite a bit of variation in risk propensity (see Table 3.3). All consultants were willing to take on at least some amount of risk. With the minimum risk propensity being 34, no consultant was completely risk-averse. There was at least one consultant was extremely risk-accepting with a risk



propensity of the maximum 190. The mean (113.75) and median (107) both fit right in the middle of the range. With a standard deviation of 36.67, two-thirds of the respondents have a risk propensity score anywhere between 77.08 and 150.42.

Performance: Political consulting is a private market enterprise, and therefore focused on their financial well-being. Performance is measured as the how much revenue a consultant brought in during the 2007-2008 election cycle. The figures are self-reported dollar amounts. There is no efficient method to double-check all of these figures. First of all, not all respondents listed every campaign they worked on during that cycle (a later question). Some wanted to keep that information confidential. Others simply worked on too many campaigns to list them all from memory. While the website Hotline.com does have a fairly comprehensive database of consulting firms from the previous (and current) election cycle, it does not always show which individual consultant worked on a specific campaign. Another issue is that the Hotline database focuses on firms, not individual consultants. This would yield information at the wrong level of analysis (firm instead of individual consultant) and would not provide complete information for those consultants that had their individual races listed. Thus, the self-reported revenue measure will have to suffice.

**Table 3.3: Descriptive Statistics for Risk Propensity**

	<b>Mean</b>	<b>Median</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Standard Deviation</b>
Risk Propensity	113.75	107	34	190	36.67

Expectations, Aspirations, and Industry Average: Similar to performance, consultants were asked how much revenue they expected to bring in during the 2009-2010 election cycle. While this survey was disseminated in early 2010 and some consultants had already brought in revenue, there are considerably more elections and potential clients in 2010. Because many states had yet to have their filing deadline, each consultant's client list had not yet been formed. This adds validity to the expectations measure because consultants would have some idea as to which clients could be available, but they did not have the full picture. Since expectations are similar to goals, this still enables respondents to self-report their financial goals for the 2009-2010 election cycle.

The aspiration measure is based on the average revenue brought in by specialization. First, the average revenue for each of the main consulting specializations is calculated. As identified by Medvic and Lenart (1997), these are general consultants, field operators, pollsters, media consultants, direct mail specialists, fundraisers, and researchers. Since *aspirations* is a combination of past performance and the average industry performance, Bromiley (1991a) notes that those below the industry average will aspire to the mean. Those firms performing above the industry average will have the mean multiplied by 1.05.<sup>53</sup> Table 3.4 gives these averages. General consultants/strategists comprise the plurality of respondents with 34.20 percent, doubling the next highest (media consultants, 17.10 percent). Field operations, direct mail specialists, fundraisers, and researchers are clustered fairly closely together (between 6.22 and 9.84 percent).

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<sup>53</sup> This 1.05 multiplier is established in previous research by Bromiley (1987) and Lant and Montgomery (1987).

**Table 3.4: Average Revenue by Specialization**

<b>Specialization</b>	<b>Number</b>	<b>Percentage of Respondents</b>	<b>Average Revenue</b>
General campaign consultant or strategist	66	34.20%	\$615,418.80
Field Operations	12	6.22%	\$1,115,005
Pollster	28	14.51%	\$1,539,000
Media Consultant	33	17.10%	\$511,672.90
Direct Mail Specialist	19	9.84%	\$2,785,000
Fundraiser	15	7.70%	\$441,666.70
Researcher, including opposition research	15	7.70%	\$144,000
<b>Total</b>	<b>188</b>	<b>100.00%</b>	<b>\$856,369.90</b>

There is a wide discrepancy in the average revenue each specialization brings in. Direct mail specialists, on average, brought in nearly \$2.8 million compared to the \$144,000 by researchers. Field operators and pollsters also averaged over \$1 million in revenue for the 2007-2008 cycle. The average consultant, overall, brought in just over \$850,000 in revenue. This gives the aspirations variable quite a bit of nuance and variation.

The industry, or specialization, average is listed above in the far right column. Each consultant is asked what their main specialization is, and the specialization average is the average revenue for that specialization.

**Attainment Discrepancy:** The attainment discrepancy is the difference between aspirations and expectations.

**Slack:** Slack is a buffer variable between a consultant's revenue stream and exogenous shocks. In the business literature, slack is measured as a series of ratios that get at available, potential, and recoverable reserves. In the consulting industry there is a simpler way of getting at this concept. Many consultants, when signing on a client, will negotiate a win bonus. A win bonus is a sum of money given to the consultant by the client as a reward for winning the race. This money, by definition, comes into the consultant's coffers only after the election takes place. Since most elections come in November of even years, win bonuses can provide a consultant with a nice financial buffer heading into the off-season. The slack measure, then, is how much money in win bonuses a consultant brought in. To get at the hypothesized U-shaped relationship between slack and risk, the slack measure is then squared.

Top Management Team Characteristics: TMT characteristics is the variable of interest for the upper-echelons theory. There are different ways of measuring it, such as the average education of a firm's upper managers, their age, tenure, and team size (Bantel and Jackson 1989). Another measure is based on the functional heterogeneity which emphasizes the firm's specialization (Palmer and Wiseman 1999).<sup>54</sup> For this study, the latter measurement will be used. Consultants were asked which specializations their firm offered. All seven specializations could be chosen. Their response was aggregated so that the heterogeneity measure could range from 1 to 7, where the higher number indicates more heterogeneity.

Managerial Ownership: This is the variable of interest for agency theory, which states that as ownership equity increases, so does risk. The business literature looks at the common stock held either directly or indirectly by an individual (Palmer and Wiseman 1999). Since consultant firms are not publicly traded, the same measure cannot be used. Instead, a measure is utilized that examines how much stake the consultant has in the financial outcome of their firm. Respondents were asked to choose from three options for their role in their firm. They were either data analysts, managers, or principals/owners. Data analysts were coded as 1; managers, 2; and principals/owners, 3.<sup>55</sup> This places those consultants with the least financial stake in their firm at the lower end of the measure and those – the principals/owners – with the most at stake at the high end.

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<sup>54</sup> Palmer and Wiseman (1999) use a combination of the two measures, upper management education and specialization.

<sup>55</sup> There are only two data analysts among the respondents. In the campaign consulting industry, data analysts are integral parts of the campaign and are not relegated to purely working in an office.

Control Variables: Two control variables are included in all models of aggregated risk propensity. The first is a measure of consultant experience. Respondents were asked the year in which they took their first paid campaign job. This year was subtracted from 2010 to calculate how long they have been in the industry. This is a rough measure, as some consultants left the industry for a period of time, only to come back later to again work as a consultant. Despite the roughness of this measure, it is only a control variable.

The second control is the consultant's clientele base. Respondents were asked if they worked for corporate clients in addition to political candidates. This measure is a dummy variable, where 0 = they only work for political candidates and 1 = they work for both corporate clients and political candidates.

### *Methodology*

With a discrete dependent variable with a range such as that showed above, Ordinary Least Squares (OLS) regression would be an appropriate statistical method to use (Gujarati 2004). However, many of the same independent variables will be used in subsequent chapters to model consultant financial performance. One potential methodological problem is that of the two models' error terms being correlated. When this occurs, model parameters cease to be the best linear unbiased estimates (BLU) due to the possibility that parameters are not efficient. To counteract this problem, the first models in this chapter (Table 3.6) uses seemingly unrelated regression (SUR), a technique developed by Zellner (1962) to provide more efficient model parameters. This statistical technique runs the seemingly unrelated regressions at the same time, allowing the correlation between error terms to be calculated. Parameters are then adjusted to be

made more efficient. For each model, the Breusch-Pagan test for model independence is reported. The null hypothesis for this test is that the residuals for the two models are independent. A significant  $\chi^2$  value indicates that the residuals are not independent, thus requiring the SUR parameters to be reported.

There appear to be no other major methodological issues with these first models. Diagnostics for multicollinearity (variance inflation factors - VIF) and heteroskedasticity (Breusch-Pagan test) indicated that these problems were not present. Although *slack* and *slack*<sup>2</sup> are strongly correlated, their VIF score are not alarmingly high (VIF is highest for *slack* and = 6.9), the generally accepted threshold for multicollinearity (Gujarati 2004). Finally, there was no evidence of outliers or extreme cases biasing the results. Since neither time series nor panel data was being used, autocorrelation is not expected to be an issue.

### *Findings*

When it comes to taking on risky clients, do consultants act more in line with BTOF or agency/upper echelons theory? To begin this examination, Table 3.5 shows the descriptive statistics for the independent variables used in the models. First, some respondents did not want to answer financially-related questions. This has consistently been an issue for survey researchers and is not unique to consultants. Second, almost every independent variable shows considerable variation. Managerial equity, as one would expect from a measure with three options, has the smallest standard deviation. Because the median managerial equity is 3, we see that most respondents are principals/owners of their consulting firm. Due to the generally small size of firms in the



industry, this is not surprising. The measure for TMT characteristics has an average of 2.25 with a median of 2, indicating that half of the firms have 2 or less specializations and the other half have 2 or more specializations.

**Table 3.5: Descriptive Statistics for Independent Variables**

<b>Variable</b>	<b>Mean</b>	<b>Median</b>	<b>Standard Deviation</b>	<b>N</b>
Performance	\$856,369.90	\$250,000	\$1,612,283	117
Expectations	\$1,028,131	\$300,000	\$1,809,633	117
Aspirations	\$727,954.90	\$551,250	\$622,926.80	114
Attainment Discrepancy	-\$323,205.90	\$211,672.90	\$1,709,429	114
Slack	\$18,288.22	0	\$37,646.33	118
TMT Characteristics	2.25	2	1.85	222
Industry (Specialization)	\$934,441	\$615,418.80	\$736,088.50	188
Average Managerial Equity	2.89	3	0.378	175

Attainment discrepancy shows a mean value of -\$323,205.90. This variable is calculated by subtracting expectations from aspirations, indicating that the former is higher than the latter for the average consultant. In terms of BTOF, negative values are necessary in order to test the hypothesized relationship between attainment discrepancy and risk because a measure with all values being positive would indicate that every consultant is aspiring to do better than they expect. Given the hypothesized positive relationship between attainment discrepancy and risk, all positive values for this measure would be problematic.

We next move on to testing the first round of models for this chapter. Table 3.6 shows the results of the regression with the aggregated risk propensity as the dependent variable. Four models are displayed: the BTOF variables alone, BTOF with the attainment discrepancy variable instead of aspirations and expectations, the agency/upper-echelons theories model, and a total model with all theoretical variables included. Because the Breusch-Pagan test of independence is not significant for the agency/upper-echelons theories model, the OLS residuals, adjusted  $R^2$ , and F-statistic are reported.

The BTOF models clearly perform the best. In the first model is significant overall (Chi-Square = 52.41), and 22 percent of the variation is explained. With four significant independent variables, the model is fairly robust. The first three models will be discussed briefly, with the brunt of analysis being on the last one.

While the model is robust, it does not perform exactly as expected. First, performance is significant in the expected direction. For every \$100,000 in generated revenue, consultants are expected to reduce their risk propensity by 2.34 points. With the

typical consultant revenue at about \$850,000, performance is expected to reduce risk propensity 19.89 points. This would be a substantively significant reduction in risk.

The three other statistically significant variables are in the opposite direction of our hypotheses. For every \$100,000 in expected revenue, a consultant is expected to increase their risk propensity by 1.94 points. With the typical consultant expecting to bring in roughly \$1 million, the average consultant is expected to increase clientele risk by 19.4 points. Aspirations are expected to decrease risk propensity by 4.18 points for every \$100,000. For the average consultant, this leads to an expected decrease in over 30 points. Finally, every \$100,000 in the industry average revenue, the consultant is expected to increase risk propensity by 4.18 points and thus 39 points for the average consultant.

The second BTOF model is very similar to the first, although it only explains 12 percent of the variation. The only variable that performs as expected is performance, for which every \$100,000 in generated revenue leads to an expected decrease in risk propensity of almost 3 points, or 25.5 points for the average consultant. Attainment discrepancy is expected to decrease risk by 2.48 points for every \$100,000.

While the BTOF models do not really perform all that well, they at least have statistically significant theoretically relevant variables. The same cannot be said for the agency/upper-echelons theories model. In explaining 17 percent of the variation in the risk propensity dependent variable, clientele base is the only significant variable. By taking on corporate clients in addition to political candidates, a consultant is expected to decrease their risk by about 5 points. Neither of the hypothesized relationships between TMT characteristics and managerial equity is supported in the model.

The combined BTOF-agency/upper-echelons theories model has both the highest pseudo- $R^2$  (0.23) and overall model Chi-Square (65.5, significant at the  $p < 0.001$  level). Again, the only variable that is statistically significant in the expected direction is performance. For each \$100,000 increase in revenue, a consultant is expected to decrease risk propensity by 2.51 points. For the average consultant with \$850,000 in revenue, this comes out to a more than 21-point decrease in their risk propensity toward potential clients. This indicates that as consultants do well financially, they are less willing to take on risky clients. When performance is good, they will not feel like taking on additional risk because it would not provide enough additional benefit. This aspect of BTOF seems to be confirmed.

Like the other BTOF models, expectations have a positive, significant relationship with aggregated risk. Every additional \$100,000 in performance expectations is likely to increase risk by 2 points. This equates to a roughly 20-point increase for the average consultant. The implication of this finding is that consultants are willing to take on additional risk when they expect to do well financially, particularly in relation to aspirations. Similar to the prospect theory rationalization used for performance, consultants are not expected to be risky in this situation. The suggestion here is that they may be more utility-maximizing than BTOF gives them credit for.

The expectations variable is not the only interesting relationship in this model. Aspirations decreases risk by an expected 4.38 points for every \$100,000 increase. On average, then, consultants decrease their clientele risk by nearly 32 points due to their aspirations. This is, according to BTOF, counterintuitive because consultants are expected to take on risk in order to meet their aspirations. That this relationship is

negative indicates that consultants do not want to take risky clients to meet their financial aspirations.

Finally, industry average has a significant, positive relationship with consultant risk propensity, the opposite direction of the hypothesis. With an expected increase of 4.3 points for every \$100,000 in a specialization's revenue, the average consultant will increase their risk by over 40 points. Instead of decreasing risk as industry performance increases, as hypothesized, this model suggests that consultants in low-performing specializations are not willing to take on risky clients. The implication of this finding would be that there is little pressure on consultants to keep up with other industries.

**Table 3.6: Models of Consultant Risk Propensity with Respect to Potential Clients**

<b>Independent Variables</b>	<b>Hypothesized Direction</b>	<b>BTOF 1</b>	<b>BTOF 2</b>	<b>Agency/Upper-Echelons (OLS)</b>	<b>Combined</b>
<i>BTOF Variables</i>					
Performance (\$100k)	-	-2.34*** (0.448)	-2.98*** (0.433)	----	-2.51*** (0.434)
Expectations (\$100k)	-	1.94*** (0.394)	----	----	2.02*** (0.384)
Aspirations (\$100k)	+	-4.18*** (0.982)	----	----	-4.38*** (0.968)
Attainment Discrepancy (\$100k)	+	----	-2.48*** (0.379)	-2.06 (2.21)	----
Slack (\$100k)	-	-32.38 (22.07)	-34.33 (22.98)	-44.53 (26.84)	-25.42 (23.37)
Slack <sup>2</sup> (\$1m)	+	0.001 (0.00158)	0.00013 (0.0002)	0.00022 (0.00019)	0.000066 (0.00016)
Industry Average (\$100k)	-	4.18*** (0.914)	2.96*** (0.614)	----	4.30*** (0.935)
<i>Agency/Upper-Echelons Variables</i>					
TMT Characteristics	+	----	----	-3.88 (2.38)	-2.81 (2.01)
Managerial Ownership	+	----	----	3.03 (13.11)	8.79 (11.14)
<i>Controls</i>					
Experience		0.306 (0.346)	0.295 (0.361)	0.23 (0.41)	0.26 (0.36)
Clientele Base		-9.78 (8.31)	-4.51 (8.25)	-4.98* (2.34)	-10.18 (8.21)
Constant		112.65*** (10.62)	106.96*** (10.79)	114.98** (37.4)	
<b>N</b>		92	92	87	90
<b>Pseudo-R<sup>2</sup></b>		0.22	0.12	0.17	0.23
<b>Chi-Square</b>		52.41***	56.24***	2.33* (F-statistic)	65.5***
<b>Breusch-Pagan Chi<sup>2</sup></b>		6.78**	11.664***	----	10.11**

\* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$ , one-tailed test  
*Standard Errors in parentheses*

That the BTOF model performs better than the agency/upper-echelons model is not exactly high praise for the latter. Yes, there are some significant variables, but three out of four of them are significant in the opposite direction. Slack, the variable that explores the relationship between financial buffer and risk, is not significant in any of the four models. *Managerial equity* and *TMT characteristics* are not significant, either.

What does this mean for these theories? Do they not work well with consultants? To answer this last question in the affirmative would be premature. There are, after all, 19 different components collapsed into the aggregated risk propensity measure. It is quite possible that this contributes to the loss of theoretical consistency for these models. The next step, then, in analyzing the relationship between consultants and clientele risk is to explore how the 19 components relate to one another and can be disaggregated into different, unique, dependent variables.

### *Disaggregating Risk*

Disaggregating the risk propensity measure may help bring some coherence to the BTOF and agency/upper-echelons theories. By doing so, there is a way to identify different types of risk and how each type is influenced by the BTOF, agency, and upper echelons theories' variables. This would add critical insight into our understanding of risk that the business literature does not probe for.

To disaggregate the risk propensity score, factor analysis is conducted using principal-component factor scores. After the factors are rotated and making sure they are orthogonal, the result is that the 19 risk components break down nicely into four



categories (Table 3.7). Each component, with the exception of *prior candidacy* and *prior military experience* has at least a 0.6 correlation with their respective factor.<sup>56</sup>

The first factor contains components such as *name recognition*, *likelihood of primary election victory*, *likelihood of general election victory*, *candidate profile fits district*, *candidate profile fits state*, *level of office*, and *prior candidacy*. Each of these components is directly related to the client's personal strength of electability. The second factor includes components directly related to the potential client's quality: *primary election opponent's quality*, *general election opponent's quality*, *primary election opponent's consulting team*, *general election opponent's consulting team*, and the *primary opponent's ability to work with grassroots organizations*. The potential client cannot control these components, but they can very much help determine the outcome of the election.

Factor 3 is a conglomeration of résumé-building activities for potential clients. *Prior activism*, *working with grassroots organizations*, *ability to work with other campaigns*, and *prior military experience* indicate achievements and established connections for the candidate. Finally, the fourth factor is clearly finance-related. A candidate's *ability to pay* and *willingness to commit to use personal funds* are the only two monetary components of risk propensity. That these two load together on their own factor should come as no surprise.

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<sup>56</sup> Prior military candidacy has a 0.51 correlation with Factor 4, which is a bit higher than its 0.43 correlation with Factor 3. Because both correlations are below 0.6, the component is placed in Factor 3 per the author's judgment. Prior candidacy is also not correlated with any of the other factors as strongly as 0.6, so it is placed in Factor 1, the factor it is mostly highly correlated with.

**Table 3.7: Risk Factor Analysis**

<b>Factor 1: Electability</b>	<b>Factor 2: Opponent Quality</b>	<b>Factor 3: Résumés</b>	<b>Factor 4: Financial</b>
Name Recognition	PE Opponent Quality	Ideology Close to Own	Ability to Pay
Primary Election Victory	PE Opponent Work with Grassroots	Prior Activism	Willingness to Commit Use of Personal Funds
General Election Victory	PE Opponent Consulting Team	Ability to Work w/ Grassroots	
Profile Fits District	GE Opponent Quality	Ability to Work w/ Other Campaigns	
Profile Fits State	GE Opponent Consulting Team	Prior military experience	
Level of Office			
Prior Candidacy			

These four factors, *electability*, *opponent quality*, *résumé*, and *financial* can be isolated as their own dependent variables. Each dependent variable ranges is standardized on a 0 to 100 scale. Table 3.8 gives the descriptive statistics for each of these new dependent variables. As a percentage, consultants tend to be riskier when it comes to their clients' opponents (mean = 71.3). This is perhaps because when a consultant signs on with a client, the opponent/s may not be yet known, particularly for the general election. If they waited to see who all of their client's opponents were, they would not have many clients. The *financial* risk measure, understandably, has the lowest percentage of risk-taking (mean = 39.9). This indicates that consultants are not as willing to take on as much financial risk as they are for other clientele aspects.

Consultants also seem to be willing to take risk on their possible clients' résumés. This could be partially due to the prior candidacy component falling into the *electability* factor. The bottom line is that many candidates who have not served in the military or worked with grassroots organizations go on to win both the primary and general elections. Their clients can always build their résumé status during the campaign. Finally, consultants tend to take less risk with the *electability* components (mean = 54.8). This is understandable because it relates directly to their win/loss record and could affect their professional reputation. No one wants to be branded a "loser" in their industry, and a couple of unelectable clients can lead to that.

The new dependent variables were calculated by adding the responses for each component included in the factor. To invert the scale so that higher scores indicate higher risk, the sum is subtracted from the 100. For example, the new *electability* risk dependent variable is  $70 - (\text{prior activism} + \text{primary election victory} + \text{general election$

*victory + profile fits district + profile fits state + level of office + prior candidacy).*

Similar to the regressions shown earlier, there is potential residual correlation between the risk models and the performance models for Chapter 4. When the Breusch-Pagan test for independence is significant, indicating significant residual correlation between the two models, seemingly unrelated regression (SUR) is used. This happens to be the case for the *electability* and *opponent* risk models. The other two models, *résumé* and *financial*, have insignificant residual correlation, and OLS regression is used.

### *Findings, Part II*

When it comes to *electability* risk-taking, BTOF does a much better job than it did on the aggregated risk dependent variables (Table 3.9). Instead of only one variable being significant in the hypothesized direction, three theoretically-relevant independent variables behave as expected. First, expectations are negative and significant as theorized. For every \$100,000 in expected revenue, a consultant will decrease their risk-propensity by about 0.04. With the average expected revenue at about \$1 million, the typical consultant will reduce risk by 0.4 points. Out of the theoretically-correct variables, expectations have the smallest substantive impact. Thus, as their expectations increase, consultants do tend to be willing to reduce risk in terms of client electability in order to not jeopardize their goals.

Aspirations have a much larger substantive effect on electability risk-taking. The average consultant increases risk in this area by nearly a full point (0.8), which translates into an expected 1.2 percent increase in risk-taking. This evidence would suggest that as

consultants aspire to reach the industry-specific benchmarks, they are willing to take on less electable clients.

This increase from aspirations is mitigated by the industry average, which decreases risk by an expected 0.121 points for every \$100,000. Since the average industry performance is over \$900,000, the typical consultant decreases risk by 1.6 percent from this factor. Low-performance specializations, such as research, appear to be conducive to high risk-taking consultants. Consultants in these specializations are more willing to take on potentially loser candidates so that they can increase their share of the market.

One interesting finding is the positive statistical significance of slack. Whereas consultants with a mid-level buffer is hypothesized to take on less risk and those with low and high amounts will be risk accepting, the relationship between slack and risk appears to be the opposite. Thus, as consultants gradually increase their financial buffer, they are more willing to take on electorally riskier clients. Given the inconsistency of the findings in the business literature regarding slack, this negative (in terms of theory) finding is not all that surprising.

**Table 3.8: Descriptive Statistics for Disaggregated Risk Dependent Variables**

<b>Variable</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Median</b>	<b>Standard Deviation</b>	<b>N</b>
Electability Risk	14.26	99.8	54.8	49.9	24.9	153
Opponent Risk	12	100	71.3	70	22.3	151
Résumé Risk	0	100	64.6	66	22.6	153
Financial Risk	0	100	39.9	45	22.6	153

**Table 3.9: Models of Electability Risk Taking**

<b>Independent Variables</b>	<b>Hypothesized Direction</b>	<b>BTOF 1</b>	<b>BTOF 2</b>	<b>Agency/Upper-Echelons (OLS)</b>	<b>Combined</b>
<i>BTOF Variables</i>					
Performance (\$100k)	-	0.0588*** (0.0121)	0.0721*** (0.012)	----	0.058*** (0.121)
Expectations (\$100k)	-	-0.0389*** (0.0106)	----	----	-0.038*** (0.011)
Aspirations (\$100k)	+	0.114*** (0.285)	----	----	0.112*** (0.027)
Attainment Discrepancy (\$100k)	+	----	0.0512*** (0.0104)	-0.004 (0.006)	----
Slack (\$100k)	-	1.68** (0.599)	1.78** (0.629)	1.68* (0.746)	1.50* (0.644)
Slack <sup>2</sup> (\$1m)	+	-0.0000561 (0.000043)	-0.00007 (0.00004)	-0.00007 (0.00005)	-0.00005 (0.00005)
Industry Average (\$100k)	-	-0.121*** (0.024)	-0.074 (0.017)	----	-0.118*** (0.026)
<i>Agency/Upper-Echelons Variables</i>					
TMT Characteristics	+	----	----	0.102 (0.065)	0.045 (0.056)
Managerial Ownership	+	----	----	0.028 (0.37)	-0.188 (0.312)
<i>Controls</i>					
Experience		-0.004 (0.009)	-0.003 (0.01)	0.001 (0.011)	-0.002 (0.01)
Clientele Base		0.288 (0.227)	0.10 (0.227)	0.078 (0.25)	0.277 (0.228)
Constant		-0.199 (0.286)	-0.025 (0.293)	-0.668 (1.07)	0.173 (0.932)
<b>N</b>		91	91	89	89
<b>Pseudo-R<sup>2</sup></b>		0.282	0.203	0.098	0.281
<b>Chi<sup>2</sup></b>		66.28***	56.42***	2.37* (F-statistic)	63.73***
<b>Breusch-Pagan Chi<sup>2</sup></b>		7.962**	8.83**	----	7.545**

\* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$ , one-tailed test  
*Standard Errors in parentheses*

While the finding regarding slack may not be that surprising, the positive relationship between performance and electability risk-taking was unexpected. The negative coefficient implies that as consultants bring in more revenue, they are more willing to take potentially unelectable candidates. One explanation for this could be that they feel as though they can survive some campaign losses, even if they come in the primary. If candidate loses in the primary, their professional relationship with the consultant is essentially ended for the time being and the consultant will not bring in additional revenue from that client. Apparently, this does not influence consultants to take less risk on this kind of client.

The other models of client electability risk propensity, particularly the agency/upper-echelons model, do not enhance the findings. Neither TMT characteristics nor managerial equity are significant predictors of risk-taking here. In that model, the only significant variable is slack, and the coefficient is identical to that of the first BTOF model.

Likewise, by substituting attainment discrepancy for aspirations and expectations, the first model is not improved. While attainment discrepancy is significant in the hypothesized direction (positive), it has little substantive impact. The final model, which combines BTOF and agency/upper-echelons, is not really any different than the first model (although the N size is slightly smaller).

When it comes to taking risk on potentially less-electable clients BTOF does a fairly good job explaining our dependent variable. Although it is not perfect (see performance and slack), it does much better than agency/upper-echelons theory. It also does better at explaining this specific type of risk than it does the aggregated risk



propensity score. These findings, then, are an encouraging beginning to our more nuanced exploration of clientele risk-taking.

The model of opponent quality risk-taking (Table 3.10) falls prey to the exact same pitfalls of the aggregated model analyzed earlier. The same four variables, performance, aspirations, expectations, and industry average are all significant, but performance is the only one that falls in the hypothesized direction. For every \$100,000 in revenue, consultants are expected to decrease their willingness to take on risk with clients who face strong electoral opposition by 0.8 points. For the typical consultant, who averages about \$850,000 in revenue, this amounts to an expected risk propensity decrease of nearly 7 points (or 14 percent decrease). This is a strong, substantive finding in support of BTOF.

Unfortunately, BTOF fails to predict proper directionality for the other significant variables. This could be because, as is discussed earlier, opponent quality is rarely fully known when a consultant signs on with a client. It is also difficult for the consultant to control which opponents enter a particular race (Krasno and Green 1988). While it may be the case that political parties try to keep primary election fields small, they cannot directly (at least legally) squelch opposition in the general election. Instead, one could easily understand that consultants are more concerned with aspects of their clientele base that they can control, such as working with someone who has prior electoral experience, has raised money in the past, has served in the military, and ideologically fits the district/state they are running in.

The agency/upper-echelons model continues to perform poorly. Not only are the TMT characteristics and managerial equity variables insignificant, the model itself fails

to reach statistical significance ( $F = 1.42$ ). So far, this model has failed in its attempt to explain the aggregated risk measure, electability risk, and opponent quality risk.

**Table 3.10: Models of Opponent Risk Taking**

<b>Independent Variables</b>	<b>Hypothesized Direction</b>	<b>BTOF 1</b>	<b>BTOF 2</b>	<b>Agency/Upper-Echelons (OLS)</b>	<b>Combined</b>
<i>BTOF Variables</i>					
Performance (\$100k)	-	-0.804*** (0.128)	-0.851*** (0.123)	----	-0.80*** (0.128)
Expectations (\$100k)	-	0.719*** (0.113)	----	----	0.703*** (0.113)
Aspirations (\$100k)	+	-0.973*** (0.274)	----	----	-0.978*** (0.285)
Attainment Discrepancy (\$100k)	+	----	-0.762*** (0.107)	-0.118* (0.064)	----
Slack (\$100k)	-	-7.83 (6.43)	-8.16 (6.46)	-9.31 (7.84)	-6.95 (6.84)
Slack <sup>2</sup> (\$1m)	+	0.0006 (0.0005)	0.0006 (0.0005)	0.0008 (0.0005)	0.0005 (0.0004)
Industry (Specialization) Average (\$100k)	-	0.999*** (0.258)	0.840*** (0.173)	----	0.982*** (0.274)
<i>Agency/Upper-Echelons Variables</i>					
TMT Characteristics	+	----	----	-1.04 (0.683)	-0.584 (0.591)
Managerial Ownership	+	----	----	2.32 (3.89)	3.34 (3.28)
<i>Controls</i>					
Experience		-0.012 (0.103)	-0.016 (0.104)	-0.082 (0.123)	-0.039 (0.107)
Clientele Base		-0.777 (2.42)	-0.146 (2.33)	0.267 (2.67)	-0.725 (2.42)
Constant		34.19*** (3.06)	33.6*** (3.01)	32.8** (11.28)	26.7** (9.81)
<b>N</b>		91	91	89	89
<b>Pseudo-R<sup>2</sup></b>		0.176	0.161	0.03	0.202
<b>Chi<sup>2</sup></b>		58.82***	58.77***	1.42 (F-statistic)	60.32***
<b>Breusch-Pagan Chi<sup>2</sup></b>		9.884***	10.471***	----	9.43**

\* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$ , one-tailed test

Standard Errors in parentheses

The résumé risk model is another one that is not explained very well. The BTOF models do not have significant F-statistics, which indicates an overall lack of its ability to predict this risk factor. The agency/upper-echelons model fairs no better. This may not be all that surprising, since candidates can work on their résumé during their campaign. If they are serving in one office and running for another, they can work on legislative or governance accomplishments that they can use for campaign purposes. They can open networks with, or create entirely new, grassroots organizations. For consultant, this would be the most malleable form of risk. If these components mattered in a potential client, they still have time to turn things around.

**Table 3.11: Models of Résumé Risk Taking**

<b>Independent Variables</b>	<b>Hypothesized Direction</b>	<b>BTOF 1</b>	<b>BTOF 2</b>	<b>Agency/Upper-Echelons (OLS)</b>	<b>Combined</b>
<i>BTOF Variables</i>					
Performance (\$100k)	-	-0.22 (0.163)	-0.33* (0.158)	----	-0.22 (0.161)
Expectations (\$100k)	-	0.22 (0.142)	----	----	0.211 (0.140)
Aspirations (\$100k)	+	-0.998** (0.346)	----	----	-0.982** (0.356)
Attainment Discrepancy (\$100k)	+	----	-0.33* (0.136)	-0.067 (0.069)	----
Slack (\$100k)	-	-2.11 (7.77)	-3.28 (7.91)	-1.4 (8.44)	-0.49 (8.22)
Slack <sup>2</sup> (\$1m)	+	-0.0001 (0.0006)	-0.000008 (0.0005)	-0.00009 (0.0006)	-0.0002 (0.0005)
Industry Average (\$100k)	-	0.855** (0.322)	0.34 (0.21)	----	0.833* (0.34)
<i>Agency/Upper-Echelons Variables</i>					
TMT Characteristics	+	----	----	-1.54* (0.73)	-1.18 (0.745)
Managerial Ownership	+	----	----	1.67 (4.18)	3.94 (4.13)
<i>Controls</i>					
Experience		0.047 (0.121)	0.038 (0.124)	0.04 (0.129)	0.052 (0.125)
Clientele Base		-2.47 (2.87)	-0.604 (2.78)	-0.802 (2.76)	-2.70 (2.83)
Constant		33.54*** (3.67)	31.77*** (2.79)	31.92** (12.14)	25.18* (12.31)
<b>N</b>		93	93	91	91
<b>Adjusted R<sup>2</sup></b>		0.0415	0.0027	0.0137	0.0765
<b>F-Statistic</b>		1.50	1.04	1.18	1.75

\* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$ , one-tailed test  
*Standard Errors in parentheses*

The final model of this chapter looks at the financial riskiness of consultants. So far, BTOF has been the only theory that has had predictive strength in any of the models. This time, however, the agency/upper-echelons model yields some fruit. Looking at the combined model, which accounts for both BTOF and agency/upper-echelons theories, we see that our squared slack measure is significant in the positive direction as hypothesized. Every \$1 million in squared slack leads to an expected slight increase in risk (0.0001 points). This translates to a 0.03-point increase in financial risk for the average consultant. Even though the dependent variable ranges from 0 to 20, this is still a small, substantive change in risk propensity.

The most interesting finding in the financial model is that managerial equity is significant in the positive direction. This is the only model in which one of the agency/upper-echelons variables acts as expected, but it is at least some evidence that these variables are relevant in the consulting context. For every one-point increase in managerial equity (scaled from 1 to 3), consultants increase their risk by .606 points. The typical respondent, who is a principal in their firm and has high equity increases their financial risk by nearly one percent. This indicates that, as consultants increase their decision-making role in their firm, they tend to be more willing to take on financial risk. Not only do they not stand as much of a chance of losing their job for losing a gamble, they reap the benefits when their risk prospers.

In another sense, one striking null-finding is that BTOF does not fare well in predicting consultants' financial risk propensity. Performance, expectations, aspirations, and industry average are not significant factors of a consultant being willing to take on

financially risky clients. What exactly this means for predicting performance will be explored in subsequent chapters.

**Table 3.12: Models of Financial Risk Taking**

<b>Independent Variables</b>	<b>Hypothesized Direction</b>	<b>BTOF 1</b>	<b>BTOF 2</b>	<b>Agency/Upper-Echelons (OLS)</b>	<b>Combined</b>
<i>BTOF Variables</i>					
Performance (\$100k)	-	-0.001 (0.0151)	0.003 (0.014)	----	-0.002 (0.018)
Expectations (\$100k)	-	-.004 (0.013)	----	----	-0.044 (0.012)
Aspirations (\$100k)	+	0.038 (0.032)	----	----	0.0269 (0.034)
Attainment Discrepancy (\$100k)	+	----	0.008 (0.0123)	0.006 (0.006)	----
Slack (\$100k)	-	-1.05 (0.723)	-1.00 (0.72)	-1.16 (0.767)	-1.14 (0.756)
Slack <sup>2</sup> (\$1m)	+	0.0009* (0.00005)	0.00008 (0.00005)	0.0001* (0.00005)	0.0001* (0.00005)
Industry Average (\$100k)	-	-0.033 (0.03)	-0.01 (0.02)	----	-0.022 (0.03)
<i>Agency/Upper-Echelons Variables</i>					
TMT Characteristics	+	----	----	0.005 (0.067)	-0.007 (0.07)
Managerial Ownership	+	----	----	0.662* (0.38)	0.606* (0.326)
<i>Controls</i>					
Experience		-0.020 (0.011)	-0.02 (0.012)	-0.023 (0.012)	-0.024 (0.013)
Clientele Base		0.599* (0.27)	0.513* (0.26)	0.55* (0.26)	0.594* (0.259)
Constant		0.119 (0.345)	0.197 (0.336)	-1.79 (1.1)	-1.58 (0.976)
<b>N</b>		91	91	89	89
<b>Pseudo-R<sup>2</sup></b>		0.0594	0.0595	0.0844	0.162
<b>F-Statistic</b>		1.71	1.81	2.16*	2.06*

\* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$ , one-tailed test

Standard Errors in parentheses, Robust Standard Error for the combined model



## *Conclusion*

Three theories were tested to see if they could predict how risky consultants act in building a clientele base. Only one, upper-echelons theory, failed to attain significance in any model. In the first set of models tested in this chapter, only the BTOF theory could claim any consistent predictive power. When using an aggregated measure of risk propensity, the performance variable was consistently significant, indicating that consultants do seek to minimize risk when they are already bringing in considerable revenue. According to BTOF, this is because any additional revenue brought in through taking on risky clients does not mean as much as the earlier revenue (law of diminishing marginal utility).

The problem with BTOF is that, while many of its variables were significant, some were in the opposite direction as hypothesized. Instead of hailing a partial finding and calling it a day, this chapter probed deeper into the relationship between consultants and risk. Using factor analysis, four disaggregated risk measures were created: client electability, client opponent quality, client résumé, and financial risk. When testing the three theories on these new dependent variables, some very interesting findings were uncovered. First, BTOF performs very well when predicting taking on potential electorally-challenged clients. Second, opponent and resume client-related risk taking is adequately explained by the three theories outline in this project. This suggests that more additional theories should be developed or refined in order to explain these types of risk. Finally, agency theory does play a factor in how risky consultants are when it comes to finances. If a consultant is a principal/owner of a firm, they tend to take more financially

risky clients. These more nuanced findings add an element of substance not only to political science, but also to previous works on business-related risk.

One final note on upper-echelons theory is needed. While it was not supported in any of the models, there could be a good reason for this. A firm's TMT characteristics were measured by the number of specializations offered (out of 7). By and large, consulting firms are smaller outfits. This, combined with the fact that individual consultants tend to specialize in multiple campaign services, suggests that firms may not use their specialization heterogeneity to increase risk. A different measure – perhaps one that operationalizes educational diversity among principles/owners – could provide better results. The logic behind an educational operationalization is that diversity in this area allows managers to use different types of ideas in a consulting firm. This could lead to firms taking on riskier clientele because unique ideas and strategies may be required for different campaign environments. In other words, one approach may not fit all in the campaign world. The ability of a firm to utilize different tactics and strategies can allow them to bring in more riskier clients but still manage to perform. Such an operationalization would require information on educational attainment for each member of a firm's management team and would thus be difficult to obtain. Yet such a measurement of educational diversity has academic precedence (Palmer and Robert M. Wiseman 1999).

The next logical relationship to be explored is that of the relationship between risk and performance.

## **Chapter 4: It's a Business, After All - Risk Propensity and Consultant Financial Performance**

### *Introduction*

Joe Trippi worked his first presidential campaign in 1980, for Ted Kennedy's unsuccessful attempt to unseat President Jimmy Carter in the Democratic primary. Looking back on it in his 2004 memoir, *The Revolution Will Not be Televised*, Trippi remarked that there is no glory in working on a presidential campaign – it is a thankless, tiring, and stressful endeavor that gets you no money, perks, or prestige. That being said, he parlayed his job with the Kennedy Iowa campaign team with jobs for the Kennedy campaign in Maine, New Hampshire, Illinois, Arizona, Texas, and Michigan. He went on to run numerous races for all offices, including Howard Dean's meteoric 2004 presidential campaign (Trippi 2004). Trippi went from a no-name kid from California that had only worked a city-council race to near president-maker with a book contract.

The reality in the campaign consulting industry is that it is a job. If you fail to make money, you cease being a consultant. The previous chapter examined consultants' motivations for getting into the industry, most of which were somewhat idealistic. Once reality set in, those motivations changed. In the study conducted for this project, one consultant commented that his motivation came from the fact that campaigns kept hiring him. Another stated that while his original motivation for getting into the industry was about pleasure, it had become all about the money. Money allows consultants to keep doing what motivates them, and that is largely to advance certain issues/causes and elect members of their same political party.

Chapter 3 explored the predictors of both aggregated and specific measures of risk. This becomes important because risk is often deemed to have a significant influence on financial performance. In keeping with the results from that chapter, this chapter uses the same theoretical lens – behavioral theory of the firm (BTOF) – to examine these two concepts in an attempt to answer how exactly risk and performance are related.

### *Risk and Performance in the Business Literature*

Similar to *risk*, political scientists have yet to examine how consultants perform financially. This chapter argues that financial performance is a critical component in the consulting industry. Rosenbloom (1973) said as much in his seminal work on consultants when he wrote that the new breed of consultants is not dependent on a relationship between them and one politician or political group. They instead seek to break their dependence on these organizations by establishing a base of their own, thus creating a private, profit-making company. In this world, the consultants get paid to win, not the quality and quantity of voter participation. This may be a cynical view of the industry, but it does have an element of truth to it: consulting is a job that seeks to be financially independent.

There is no longer a real consensus among those in the business literature regarding risk and performance. For a long time, most studies either found or assumed that risk positively influences performance, but this has changed over time (see Nickel and Rodriguez' excellent 2002 article detailing this development). One of the earliest empirical tests of this hypothesis, conducted by Fisher and Hall (1969), found that firms with greater exposure to risk have higher rates of return. Research testing the

relationship between risk and performance took off in the 1980s when Bowman (1980; 1982) argued that firms taking risk would have to get higher revenues in return, otherwise these projects would not be attractive enough. The problem was that risk was negatively related with performance, so he concluded that firms should not engage in financially risky projects. This finding, known as “Bowman’s Paradox”, proved to be a fruitful field of study for business academics.

Since Bowman’s influential research was conducted in the early-1980s, numerous studies have been conducted exploring this risk-reward relationship.<sup>57</sup> This research sought to explain why some, but not all, managers are willing to take risks even when they expect lower returns to result (see also Deephouse and Wiseman 2000). Some scholars, such as Fiegenbaum and Thomas (1985; 1986), have found that this paradox may be based on the industry being studied - some have a positive relationship between the two concepts while others have negative associations. Others contend that definitions of risk and the measurement of key variables drive the results (McNamara and Bromiley 1999). Still others have criticized the paradox based on methodological issues and variance measures (Baucus, Golec, and Cooper 1993).

### *Theory and Hypotheses*

The preponderance of the literature has taken on Bowman’s Paradox theoretically. From this literature, two theoretical explanations for this paradox developed. The first, built upon Kahneman and Tversky’s (1979) prospect theory, discussed briefly in Chapter 3, was developed to explain why people do not always maximize returns. In the current

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<sup>57</sup> Most of these studies have examined the relationship between performance and risk, which is the focus of Chapter 3. The studies looking at previous risk on performance are less prevalent.

context, prospect theory points out the importance of a reference point for determining a manager's risk propensity. When expected results are above the reference point, the manager is risk-averse; when they are below the reference point, the manager is risk-seeking. The higher expected results lead to increased returns, whereas low expected results lead to a negative relationship between risk-reward (Nickel and Rodriguez 2002, 4). One particular study that illustrates this theory was conducted by Fiegenbaum and Thomas (1988), who found that risk was positive for firms performing above the industry average and negative for below-average performers.

This leads to two main hypotheses linking prospect theory with risk-reward. If a firm is performing at a below-average level, their risks will result in lower performance because they have no choice but to take risk. The risks they do take may not have the potential for high returns, but they cannot afford to pass up the opportunity. Conversely, above-average performing firms will see a positive relationship between risk and performance. These firms have the benefit of already performing well, so any risk they do take will have to be accompanied with the possibility of large returns (Bromiley 1991a).

The second theory is behavioral, derived from Cyert and March (1963), and suggests a positive relationship between risk and performance. Their argument is that firms need to be compensated for taking risks with high returns. If a risky situation presents itself, but does not have the potential for high rewards, the firm will pass it up. Instead of establishing a reference point like prospect theory, the BTOF framework bases the risk-reward relationship on expectations with regard to aspirations, or the attainment discrepancy. Just as with prospect theory, two main hypotheses are developed. First,

when expectations fall below aspirations, the decision-makers partake in risky organizational behavior that results in lower returns. Second, when expectations are above aspirations, the organization will not take unnecessary risk and become risk-averse. These firms will have experience a positive risk-reward relationship (Nickel and Rodriguez 2002). Miller and Bromiley (1990) have provided evidence for this theory, as did Miller and Leiblein (1996).

The general model of the *risk-performance* relationship is similar to that used by Bromiley (1991a):

$$Performance_t = b_0 + b_1 risk_t + b_2 prospect\ theory_t + b_3 expectations + b_4 aspirations + b_5 industry performance_{t-1} + b_6 slack_{t-1} + b_7 slack_{t-1}^2 + e,$$

where

$b_i$  = parameters to be estimated,

$t$  = year,

and

$e$  = error term.

Just like the previous chapter, the next few paragraphs will discuss the theoretical relationship between each variable and performance.

**Risk:** Risk is the key variable of interest. One side of the argument states that firms will generally take on risky clients if the potential benefits are high enough. With high expected returns, successful gambles will yield higher revenue. What does this mean for consultants? Consultants are always looking for clients, to a certain extent. In some cases, they take a risky client, depending on the candidate's electability or ability to

pay (see previous chapter). This risk can pay dividends financially as some risky clients clearly bring the possibility of a large revenue source with them. Joe Trippi (2004) tells the story of how Howard Dean hired his consultants. In 2002, when the Democratic frontrunners were dancing with various high-end consultants (namely, Bob Shrum), Dean had to hold back. He simply could not afford to pay a bunch of consultants during the formative stretches of his insurgent campaign. As 2004 drew closer, he was able to bring in some experienced, well-regarded consultants. One of them was Stephanie Schriok (finance director). When she told other consultants that she had signed on with Dean, they told her it would be the end of her career. Then Dean went on to become the frontrunner himself, bringing in large amounts of campaign contributions. Was agreeing to work for Dean a risk? Absolutely. But given the type of race (presidential) and other factors, there was a potential that he could end up bringing in considerable sums of money to pay his consultants.

*H<sub>1</sub>: Risk has a positive impact on performance.*

Prospect Theory: Risk is not the only part of the story, though, according to Kahneman and Tversky's (1979) prospect theory. An alternative to the above hypothesis, posed by Wiseman and Bromiley (1996), states that for firms that are performing below the industry (or specialization) average, risk will decrease their overall performance because they are willing take on risky clients that do not have the potential to produce high returns. Even if they are successful with the gamble, they cannot significantly increase their revenue. In this sense, a below-average performing consultant will take on potentially riskier clients in an attempt to increase revenue. These candidates may not be running for high-profile offices (president, senate, or even congress), but for local or even



municipal races. With typically small budgets, these races provide work but not much in terms of overall revenue.

*H<sub>2</sub>: Those who more willing to take risk and are performing below the specialization average will have lower performance.*

Attainment Discrepancy Process: This is a key variable for the behavioral theory. The hypotheses for expectations and aspirations are rather interesting. Bromiley (1991a) uses separate hypotheses for each variable, similar to his risk model. A firm's goals, or expectations, can impact their performance in a positive way. Remember, expectations are set by the consultants or firms themselves. While expectations are based on prior performance, it allows for consultants to take the current environment into account. For instance, Republicans knew that 2008 could be a tough cycle for their party and candidates. Facing a tough environment, their expectations could be tempered and thus different from their 2006 performance.

When the firm establishes their goal, they will work to meet those expectations. While this may lead to them taking on less risk, it also means that they do their best to match performance with expectations. Thus, the hypothesis relating expectations and performance is:

*H<sub>3</sub>: Expectations has a positive influence on performance.*

The logic is similar for aspirations. As the industry-wide barometer for performance, firms feel the pressure to "keep up with the Joneses." To avoid being labeled as an underachieving firm, decision makers will do what it takes for the firm to meet their aspirations. The higher the aspirations, the more revenue a firm will try to bring in.

*H<sub>4</sub>: Aspirations has a positive influence on performance.*

One critique of using both variables is that it does not best incorporate the aspirations-expectations process into account. A clearer way of looking at this process is to use the actual attainment discrepancy (Wiseman and Bromiley 1996). Under BTOF, when expectations fall below aspirations, firms look for ways to improve their performance. While this means taking on more risk, some tactics can be implemented without raising additional uncertainty, meaning there is an independent and direct effect on performance. These tactics can include increasing advertising, reducing overhead, or increase networking for clients. March and Simon (1958) argue that a higher difference between aspirations and expectations will increase a firm's search for innovation. Because firms with a high attainment discrepancy become risk-seekers, their return – or performance – is lower. Thus, I hypothesize an inverse relationship between attainment discrepancy and performance.

*H<sub>5</sub>: Attainment discrepancy will have a negative influence on performance.*

Industry Performance: Previous studies that seek to explain performance utilize industry performance as a control variable ( Wiseman and Bromiley 1996; Palmer and Wiseman 1999; Bromiley 1991a). That does not stop Bromiley (1991a) from suggesting a positive relationship between it and performance. The logic is fairly straightforward. Firms in high performing industries (or specializations) will have more potential revenue than those in low performing ones. As a specialization's share of the consulting market increases, the average firm in that specialization will tend to bring in more revenue. Table 3.4 (previous chapter) showed that direct mail specialists, on average, had the highest revenues of the seven specializations. One would expect that consultants in this

specialization would generally perform better financially than consultants in other specializations.

*H<sub>6</sub>: Industry performance will have a positive influence on performance.*

Slack: Remember that slack can be useful because it is a buffer between a firm and the economic environment. Cyert and March (1963, 279) argue precisely this, writing that “Slack provides a source of funds for innovations that would not be approved in the face of scarcity...” They draw the link between his and successful firms, noting that lasting innovation is made by firms with substantial slack, which tend to be the most successful firms. Without slack, firms face a shortage of funds and dysfunctional organization changes such as reducing staff. The presence of a buffer helps firms deal with short-term fluctuations in the economic environment (Bromiley 1991a, 43).

Similar to the relationship between slack and risk, firms with a lot of slack and those with very little may actually behave in a similar way. Having copious amounts of slack can provide an advantage, which leads to better performance. Consultants with a large buffer, for example, will be able to open offices in new cities and states, thus broadening their marketability and exposure. Firms with very little slack have to be well-managed and reduce costs, perhaps by reducing the number of staff during the off-year elections. This lower overhead can help to increase revenue as well.

*H<sub>7</sub>: High and low levels of slack should increase performance.*

*H<sub>8</sub>: Moderate levels of slack should decrease performance.*

The total model can be displayed in a similar fashion as those tested in Chapter 3. Again, note that aspirations and expectations are used to calculate attainment discrepancy.

### *Variable Measurements*

The above variables are largely similar to those used in Chapter 3. All are derived from consultant responses to the survey used for this study.

Performance: As a dependent variable, performance proved to be difficult to measure. This is because we are not interested in performance at time  $t$ , but at time  $t+1$ . This question was not asked of consultants, since time  $t+1$  is the 2009-2010 election cycle. For the time being, the 2007-2008 revenues are used as the performance dependent variable (measured in \$100,000 increments). While this is chronologically backwards – we are explaining past revenue by future risk, expectations, aspirations, and industry performance – previous performance should be highly correlated with performance at  $t+1$ . Thus, until that data is collected the models cannot be accurately tested.

A second measure of performance, one that could serve as a proxy, is the number of clients the consultant already has lined up or is expecting to get in the 2009-2010 cycle. For this measurement, consultants were straightforwardly asked the number of clients they anticipated working for in the 2009-2010 cycle. Examining this variable can be useful in two ways. First, since the survey was disseminated early in 2010, most consultants had the opportunity to sign on with clients, whether for the recently-concluded 2009 elections or the upcoming 2010 primary elections. In private correspondence, quite a few consultants indicated that they were already in the midst of the primary season (particularly those working races in Texas and Illinois). Second, while the number of clients is not perfectly indicative of revenue, it should mimic

performance fairly well. The 2009-2010 cycle does not have a presidential election, so consultants working on any one race will not yield outlying cases of revenue. In order to make the same amount of revenue as working strictly on a presidential race, a consultant would have to work multiple campaigns. Again, this is not a perfect proxy, but it should yield some preliminary results when the actual revenue data is available.

**Risk:** Risk (at time  $t$ ), the main independent variable of interest, is measured in two ways. The first models will include the aggregated measure of willingness to take risk used early in Chapter 3. This is the composite risk propensity score that ranges from 0 to 190 based on responses to the 19 candidate profile questions. As found in Chapter 3, risk can be disaggregated into four types based on the results of factor analysis. Factor scores are estimated in Stata for each of the following types of risk: electability, opponent, résumé, and financial. These scores are used as independent variables in all models where risk is disaggregated. This approach has been successfully used by Miller and Bromiley (1990), who find three unique risk factors in their analysis: stock returns, financial ratios, and income stream uncertainty. Their three factors were a combination of nine measures of risk used in the business literature. The measure of risk used here focuses on four types of income stream uncertainty.

**Prospect Theory:** Prospect theory is a second independent variable of interest. The hypothesis is basically stating an interaction effect between risk and aspirations, but with a slight difference. For models using the aggregated measure of risk, this will be calculated as risk multiplied by a dichotomous variable (where 1 equals the consultant is performing below the specialization average and 0 means they are performing above the

specialization average). All consultants that are above their specialization average will have a measure of 0; all below their specialization average will have their risk score.

The second set of models in this chapter use disaggregated measures of risk. One version of these models will use the interaction specified above. To see if this prospect theory relationship can also be disaggregated, four interaction variables will be created and tested in the second version of the second set of models. These four interactions will be calculated by taking each factor score and multiplying it by the dichotomous variable used above.

**Attainment Discrepancy Process:** The three variables used in the attainment discrepancy process are all measured the same as the previous chapter. Respondents are directly asked for their revenue expectations for the 2009-2010 election cycle. Aspirations are calculated based off the industry performance variable. Attainment discrepancy is measured as aspirations minus expectations.

**Industry Performance:** The measure of industry performance is identical to Chapter 3, which gives each consultant the average revenue for their specialization. With seven total specializations, consultants are given only one output.

**Slack:** Slack, the buffer variable, is measured as the amount of win bonuses reported for each consultant. To test the hypothesis that higher and lower levels of slack will increase performance (a U-shaped relationship), a second variable is calculated by squaring the normal slack measure.

**Control Variables:** A couple of control variables utilized in the business literature can also be introduced for consultants. Because performance at time  $t+1$  is strongly related to prior performance, the performance variable used in Chapter 3 will be used as a

control. Consultant experience and clientele base are included, both of which are controls in all Chapter 3 models. A final variable will control for how the consultant is paid. For instance, consultants who are salaried may not bring in as much revenue as those who are paid a commission for how many clients and how much revenue they bring in. This variable is dichotomous, where 1 equals a salaried consultant and 0 is not salaried.

For the client expectations models, a win bonus control variable is used.

### *Methodology*

The dependent variable, performance at time  $t+1$ , is a continuous variable suitable for Ordinary Least Squares (OLS) regression. Just as in Chapter 3, strictly using OLS may provide inefficient parameter estimates because similar independent variables are being used. When this happens, the models with nearly identical independent variables run the risk of having correlated errors. To mitigate this problem, as seen in Chapter 3, seemingly unrelated regression (SUR), parameters are reported when the Breusch-Pagan test for independence is significant.

As is the case with the models in Chapter 3, there appear to be no other methodological concerns. Model diagnostics indicate that neither multicollinearity nor heteroskedasticity are present for the revenue models. One final methodological note is required. Performance at time  $t$  is an independent variable in the Chapter 3 models and the dependent variable here is performance at time  $t+1$ . Because these variables are different (albeit highly correlated), we do not have an issue with simultaneity between the Chapters 3 and 4 models.

When using the client expectations dependent variable, multicollinearity is an issue when including both the slack (VIF = 9.31) and slack<sup>2</sup> (VIF = 8.42) variables. To reduce potential bias and inefficiency in the parameter estimates, these variables are dropped from the models. While this may result in underspecified models, these variables are not significant in the revenue-based models presented in this chapter, nor were they very noteworthy in most of the Chapter 3 models (electability risk and financial risk notwithstanding). Since it is still important to include a variable that gets at the buffer concept, a win bonus control is added. Consultants were asked to rank on a scale of 0 to 10 how important win bonuses are to them, with 0 being not at all important and 10 being extremely important. This variable is significantly correlated with slack ( $p < 0.001$ ), but multicollinearity is not present when using just the win bonus measure (VIF = 1.5).

The client expectations models are not simultaneous with the Chapter 3 models as the Breusch-Pagan test of independence in the SUR equations is not significant for any of them. Because of this, and the discrete nature of the variable (ranges from 0 to 100), tobit regression is used.

### *Findings*

The statistical analysis of revenue performance yields some very interesting results. Before delving too far into those, Table 4.1 provides the descriptive statistics for the disaggregated risk factor scores. These were derived from the factor analysis conducted in Chapter 3. The previous chapter presents the descriptive statistics for the aggregated risk score as well as the other independent variables.



The four factor scores are grouped closely together. They all have a minimum of less than zero and a maximum of somewhere between 2.11 and 3.07. Their medians are all close to zero, as are their means (not reported – all means were very close to zero). As is the case with the risk index scores used as dependent variables in Chapter 3, the *N*-size is fairly substantial (151).

The findings for the first performance models are strikingly similar to the aggregated risk models in Chapter 3, as displayed in Table 4.2. The overall model is highly significant (Chi-Square = 448). The adjusted  $R^2$  is also quite high at 0.836, indicating that the model explains almost 84 percent of the variation in the performance dependent variable, making the model statistically robust and does an adequate job explaining the variable of interest.

**Table 4.1: Descriptive Statistics for Disaggregated Risk Factor Scores**

<b>Variable</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Median</b>	<b>Standard Deviation</b>	<b>N</b>
Electability Factor	-2.69	2.11	0.093	1	151
Opponent Factor	-1.93	3.00	-0.084	1	151
Resume Factor	-2.18	3.07	0.009	1	151
Financial Factor	-2.69	2.30	0.085	1	151

The results are somewhat mixed based on the theoretical expectations. The BTOF variables do tend to be statistically significant, but some coefficients have the opposite signs. Most importantly for the research question in hand, the risk variable is negative and significant, whereas the theory expected a positive relationship. Still, given that this relationship is frequently debated, this finding is not terribly surprising. The coefficient of -0.107 indicates that for every increase in one unit in the aggregated risk score we expect to see a decrease of nearly \$11,000 (remember, the dependent variable is measured in \$100,000 increments). The average risk propensity score for respondents is about 114, indicating that the typical consultant sees an expected revenue decline of over \$1.2 million. This amount is a very substantial decrease in revenue (seeing that the average revenue for consultants is \$850,000) and suggests that they are punished financially for taking on risky clients.

That risk is negatively related to performance correspond well some previous research (Palmer and Robert M. Wiseman 1999; Deephouse and Robert M. Wiseman 2000; Veliyath and Ferris 1997). It is plausible that taking on risky clients can backfire financially. If the clients are inexperienced and underfunded, they are less likely to win. This reduces potential revenue by eliminating the possibility of win bonuses for these types of candidates. It also may be that consultants feel the need to take on risky clients due to their motivations. The plurality of consultants remain in the industry because they want to advance certain issues, partisan causes, or for the thrill of competition (Chapter 3). If money is not their main motivation, they would be willing to take clients who may not win or be able to pay.

If taking risk decreases revenue, how are consultants able to make money? First, their expectations can significantly increase revenue, as the H<sub>3</sub> suggests. Every additional \$100,000 in expected revenue leads to an expected revenue increase of \$63,000. This is a substantively large sum of money and suggests that by setting individual firm goals can help the firm reach higher revenue.

A second way for consultants to increase revenue is to be in the “right” specialization. In addition to expectations, industry performance is significantly positive, as expected. For every \$100,000 increase in industry performance, revenue increases by an expected \$82,000. Since this variable is essentially a control for consultant specialization, this confirms the hypothesis that being in a certain specialization can yield higher revenue.

Of particular importance to our BTOF hypotheses, the attainment discrepancy significantly decreases revenue. As expectations decrease with respect to aspirations, the attainment discrepancy has a positive value, indicating lower performance. For every \$100,000 in the attainment discrepancy, revenue is expected to decrease by an expected \$63,000. This is a substantively significant number for consultants and provides strong evidence for BTOF. Consultants who have the larger discrepancy seem to be willing to be more risk-seeking, leading to lower revenues.

**Table 4.2: Aggregated Risk Model of Revenue Performance<sub>t</sub>**

<b>Independent Variables</b>	<b>Hypothesized Direction</b>	<b>BTOF 1</b>	<b>BTOF 2</b>
<i>BTOF Variables</i>			
Aggregated Risk	+	-0.107*** (0.020)	-0.108*** (0.109)
Expectations (\$100k)	+	0.63*** (0.057)	----
Aspirations (\$100k)	+	-0.66** (0.21)	----
Attainment Discrepancy (\$100k)	-	----	-0.63*** (0.053)
Slack (\$100k)	-	2.37 (4.41)	2.20 (4.40)
Slack <sup>2</sup> (\$1m)	+	-0.00032 (0.0003)	-0.0003 (0.0002)
Industry (Specialization) Average (\$100k)	+	0.82*** (0.21)	0.79*** (0.095)
<i>Prospect Theory Variables</i>			
Risk*Aspirations	-	0.026 (0.017)	0.025 (0.016)
<i>Controls</i>			
Prior Performance (\$100k) Experience		0.057 (0.067)	0.056 (0.066)
Clientele Base		-1.51 (1.58)	-1.47 (1.53)
Salaried		1.31 (1.38)	1.34 (1.36)
Constant		10.34*** (3.07)	10.42*** (2.91)
<b>N</b>		78	78
<b>Pseudo R-Square</b>		0.836	0.836
<b>Chi-Square</b>		448.29***	448.34***
<b>Breusch-Pagan Chi-Square</b>		6.40*	7.023**

\* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$ , one-tailed test  
Standard Errors in parentheses

The BTOF model results are very encouraging. While risk is significant in the opposite direction, expectations and industry performance are both positive as hypothesized. One significant flaw to the first model is that aspirations is statistically significant in the opposite direction as hypothesized. Aspirations has a coefficient of -0.66, indicating that for every \$100,000 increase in the industry (specialization) benchmark, revenue decreases by an expected \$66,000. Consultants apparently are not able to do whatever it takes to keep up with other firms in their specialization. Rather, it seems that consultants performing below the specialization mean are not making the necessary adjustments to increase their revenue stream. Another implication could be that a consultant's performance within their specialization is not enough to drive them to expand their clientele base.

The prospect theory variable, which is an interaction between risk and aspirations, is not statistically significant. The buffer variables, slack and slack<sup>2</sup> also fail to reach traditional levels of significance.<sup>58</sup> The control variables, experience, clientele base, and whether the consultant is salaried are also not significant.

Disaggregating risk makes a significant theoretical difference, as shown in Table 4.3. Like the first models, the Chi-Square is strongly significant (nearly 450 for both) and the Pseudo-R<sup>2</sup> is very impressive (0.841 for both), indicating the models do a good job explaining performance.

Once disaggregated, risk can be a significant and positive influence on consultant revenue. In the second model, which uses the attainment discrepancy in lieu of aspirations and expectations, all four risk factor scores are significant in the positive (hypothesized) direction. This, combined with the negative (as expected) coefficient for

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<sup>58</sup> The slack variable is not significant even if the squared measure is removed.

the attainment discrepancy, has important consequences for how appropriate the BTOF is in explaining consultants in general. For every increase of one electability factor score unit, revenue increases by an expected \$298,000. Opponent quality risk, also positive, yields an expected increase of \$256,000 for every one unit increase in its factor score. Thus, while most consultants are able to make money by taking risks on their clients' electability, they should also be more willing to take clients facing quality opponents.

The second two risk factor scores have smaller substantive significance than the above two. Taking risk on clients' résumés is statistically significant: each one unit increase in the résumé factor score increases revenue by an expected \$101,000. For most consultants, this actually results in a small increase in revenue; the same is true of taking financial risk.

Does it pay for consultants to take risk on their clientele? To a certain extent, it does. The riskier the consultant, the more revenue they bring in, but there is a limit. Most consultants are not going to be bringing in hundreds of thousands of dollars by being risky. In one way, this is not surprising. Inasmuch as they take risky clients if they know there is potentially a large benefit, they are, after all, taking a risk. Sometimes this means taking on clients who cannot pay their bills. Other consultants end up with clients that lose in the primary, eliminating the possibility of a general campaign's-worth of revenue. The up-side is that taking risk appears to pay off more than it loses, so taking calculated risks can be beneficial for the bottom line.

There are other ways for consultants to make revenue, namely by having high expectations (for the first model) and/or by being in specializations that tend to be more revenue-friendly (both models). Every additional \$100,000 in expectations leads to an

expected revenue increase of about \$64,000. Substantively, having higher expectations can lead to much larger revenue than by taking risk. It appears as though firms can benefit by setting higher revenue-based goals.

Earlier evidence indicated that certain specializations have the ability to bring in more revenue than others. This is no secret and the data bears that out. Direct mail specialists, media consultants, and pollsters can bring in more money researchers.

Like the models in Table 4.2, aspirations (first model) and attainment discrepancy (second model) are negatively significant, as hypothesized. While the coefficients are similar (-0.650 for aspirations and -0.645 for attainment discrepancy), the latter has a smaller substantive influence than the former. Much of this difference is due to the positive influence of expectations on performance being reflected in the attainment discrepancy. Again, this provides strong evidence in support of the BTOF expectations – consultants who have high expectations with regard to aspirations are risk-averse, and this leads to them taking risk where the payoff is worth the gamble.



**Table 4.3: Disaggregated Risk Model of Revenue Performance<sub>t</sub>**

<b>Independent Variables</b>	<b>Hypothesized Direction</b>	<b>BTOF 1</b>	<b>BTOF 2</b>
<i>BTOF Variables</i>			
Electability Risk	+	2.94*** (0.757)	2.98*** (0.705)
Opponent Risk	+	2.53*** (0.742)	2.56*** (0.740)
Résumé Risk	+	0.972 (0.627)	1.01* (0.617)
Financial Risk	+	1.23* (0.694)	1.24* (0.69)
Expectations (\$100k)	+	0.642*** (0.058)	----
Aspirations (\$100k)	+	-0.650** (0.214)	----
Attainment Discrepancy (\$100k)	-	----	-0.645*** (0.054)
Slack (\$100k)	-	1.62 (4.65)	1.51 (4.64)
Slack <sup>2</sup> (\$1m)	+	-0.002 (0.0003)	-0.0002 (0.0003)
Industry (Specialization) Average (\$100k)	+	0.819*** (0.208)	0.813*** (0.096)
<i>Prospect Theory Variables</i>			
Risk*Aspirations	-	0.022 (0.017)	0.022 (0.017)
<i>Controls</i>			
Prior Performance (\$100k) Experience		0.036 (0.070)	0.036 (0.069)
Clientele Base		-1.63 (1.70)	-1.64 (1.64)
Salaried		1.15 (1.41)	1.15 (1.39)
Constant			
<b>N</b>		76	76
<b>Pseudo-R<sup>2</sup></b>		0.841	0.841
<b>Chi<sup>2</sup></b>		449.68***	449.36***
<b>Breusch-Pagan Chi<sup>2</sup></b>		5.87*	6.52*

\* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$ , one-tailed test  
*Standard Errors in parentheses*

Quite a few variables are not statistically significant, including the buffer (slack) and control variables. The prospect theory interaction is also not significant. Risky consultants with higher aspirations perform no better or worse than any other consultant. That these individuals do not perform better strengthens the BTOF model overall as it clearly does a better job explaining consultant revenue.

Results get even more interesting when using the client expectations dependent variable. This variable looks at the number of clients a consultant expects to have during the 2009-2010 election cycle. Since the survey was disseminated in early 2010, consultants have plausibly already signed on with multiple clients (with still more to come in 2010). As Table 4.4 indicates, the average consultant expects nearly 20 clients in the 2009-2010 election cycle, though this number is somewhat skewed (skewness = 1.98) from the high maximum value. Half of the consultants expected at least 10 clients.

The results of the aggregated risk model of client expectations are not particularly positive (Table 4.5), although the overall model is significant. Of the theoretically relevant variables, expectations and industry performance are significant in the expected, positive, direction. For every \$100,000 increase in expectations, a consultant is expected to gain over three-quarters of a client (for just Model 1). For every \$100,000 in industry performance there is an expected increase of 1.9 clients in Model 1, and an increase of 1.3 clients in Model 2. As has been consistent across all models in this dissertation, consultants in high-revenue specializations see an increase in expected clients for the 2009-2010 election cycle.

**Table 4.4: Descriptive Statistics for Client Expectations**

	<b>Mean</b>	<b>Median</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Standard Deviation</b>	<b>N</b>
Client Expectations	19.73	10	0	100	23.27	156

The remainder of the model casts a slight shadow over the predictive power of BTOF. The risk measure, our main variable of interest, is not statistically significant. This is interesting in that even though risk has had a negative relationship with performance in some business studies, it is always statistically significant. Thus, the overall riskiness of the consultant has no bearing on how many clients they expected to have in the current election cycle.

This either means that risk may not play a role in some sort of client-as-performance model, or there is something else going on. According to the disaggregated model of client expectations, some risk is indeed significantly related to performance. In Model 2 presented in Table 4.6, electability risk is negatively associated with client expectations, indicating that as consultants increase their willingness to take electorally vulnerable candidates, they expect to work with fewer clients. Not only is this variable statistically significant, its coefficient is rather large. Each one unit increase in this factor score is expected to result in a decrease of roughly four expected clients (in both models).

Despite the hypothesized positive relationship between risk and performance, it is not unprecedented to find the opposite (see Bromiley 1991). One potential reason for this negative relationship is that electorally vulnerable candidates require more time and effort if the consultant/client team is able to pull off the upset. Operating under such time constraints reduces the total number of clients and consultant is able to have.

**Table 4.5: Aggregated Risk Model of Number of Clients as Performance<sub>t</sub>**

<b>Independent Variables</b>	<b>Hypothesized Direction</b>	<b>BTOF 1</b>	<b>BTOF 2</b>
<i>BTOF Variables</i>			
Risk	+	0.02 (0.07)	0.03 (0.07)
Expectations (\$100k)	+	0.8** (0.3)	----
Aspirations (\$100k)	+	-1.50* (0.7)	----
Attainment Discrepancy (\$100k)	-	----	-0.9** (0.3)
Industry (Specialization) Average (\$100k)	+	1.9** (0.7)	1.3** (0.4)
<i>Prospect Theory Variables</i>			
Risk*Aspirations	-	0.04 (0.06)	0.03 (0.07)
<i>Controls</i>			
Prior Performance (\$100k)		-0.8* (0.4)	-0.9* (0.4)
Experience		-0.2 (0.2)	-0.2 (0.2)
Clientele Base		5.9 (5.4)	6.9 (5.4)
Salaried		11.4* (4.92)	12.0** (4.6)
Win Bonus Importance		-0.6 (0.7)	-0.6 (0.7)
Constant		5.5 (10.5)	3.2 (10.3)
<b>N</b>		86	86
<b>Pseudo R<sup>2</sup></b>		0.04	0.04
<b>LR Chi-Square</b>		29.08***	28.06***

\* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$ , one-tailed test

One key aspect to the disaggregated risk model of client-based performance is that the attainment discrepancy is once again statistically significant in the expected direction. Once again, the prospect theory variable is not significant. For every \$100,000 in the discrepancy, a consultant is expected have nearly one less client. For those clients above the median, this equates to having nearly two clients less than those below the median. The other BTOF variables are not significantly related to client expectations, though the second model is significant overall.

Just as in the aggregated risk model of client expectations, the consultant's specialization matters. Consultants expect an additional 1.5 clients for every \$100,000 in average specialization revenue (Model 2). This is a substantively significant impact on expected clients. Certain specializations are able to work with multiple clients at a time, such as direct mailers and pollsters because they do not require intense field operations.

**Table 4.6: Disaggregated Risk Model of Number of Clients as Performance<sub>t</sub>**

<b>Independent Variables</b>	<b>Hypothesized Direction</b>	<b>BTOF 1</b>	<b>BTOF 2</b>
<i>BTOF Variables</i>			
Electability Risk	+	-4.2 (2.5)	-4.5 (2.4)
Opponent Risk	+	1.7 (2.4)	1.7 (2.4)
Resume Risk	+	-0.5 (2.0)	-0.7 (2.0)
Financial Risk	+	3.6 (2.2)	3.6 (2.3)
Expectations (\$100k)	+	0.8** (0.3)	----
Aspirations (\$100k)	+	-1.3 (0.7)	----
Attainment Discrepancy (\$100k)	-	----	-0.9** (0.3)
Industry (Specialization) Average (\$100k)	+	1.8* (0.7)	1.5*** (0.4)
<i>Prospect Theory Variable</i>			
Risk*Aspirations	-	0.05 (0.06)	0.03 (0.05)
<i>Controls</i>			
Prior Performance (\$100k)		-0.8* (0.4)	-0.86* (0.405)
Experience		-0.2 (0.2)	-0.15 (0.20)
Clientele Base		4.2 (5.5)	4.7 (5.4)
Salaried		12.9** (4.5)	13.3** (4.5)
Win Bonus Importance		-0.009 (0.8)	-0.01 (0.77)
Constant		4.0 (6.8)	3.2 (6.7)
<b>N</b>		85	85
<b>Pseudo R<sup>2</sup></b>		0.05	0.04
<b>LR Chi-Square</b>		34.06***	33.62***

\* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$ , one-tailed test

## *Conclusion*

This chapter explores the relationship between risk and consultant performance, whether it be financial or in terms of the number of expected clients for the 2009-2010 election cycle. This relationship, though appreciated in the business literature, is understudied in political science. Still, it is an important relationship to explore because of its ramifications for both consultants and political science in general.

With regard to consultants, risk generally matters. How it does so depends on how deeply we delve into the concept of risk. In an abstract, aggregated sense, it tends to decrease performance. Placed within the behavioral theory of the firm framework, as consultants are more willing to be risky the less revenue they bring in. But when risk is broken up into the four factors identified in Chapter 3, we find that the willingness to be risky in each of the factors can increase revenue. This relationship, however, is substantively small. Other variables, such as experience and specialization, tend to have a larger impact on performance. Still, consultants looking for an edge in performance can find one by taking a little risk.

This benefit changes when we shift to the clients-as-performance models. Here, risk is either not significant (in the aggregate models) or negatively significant (electability risk in the disaggregated models). While this stands at odds with our hypothesis, it is plausible that taking risk in time consuming areas can decrease this aspect of performance rather than enhance it.

For political science in general, these results should open the door for future research concerning the relationship between risk and performance. This relationship does not have to be strictly confined to a financial context. Risk is prevalent in all



aspects of the American political system, not just consultants and elections. When political actors are willing to engage in risky behavior, they may be impacting their likelihood of success in a given matter.

Risk is not limited to finances. Specific clients are more or less risky than others, depending on the district and opponents. Chapter 5 continues to unlock this world of risk and reward by going beyond finances and looking at whether actually taking on risky clients influences a consulting firm's won-lost record. By conceptualizing the BTOF model in something other than finances (the logic remains the same), the next chapter provides evidence that risk and performance in general are tied together, which is something that can be explored in multiple fields in political science.

## Chapter 5: Winning - Does High Risk Lead to (Belated) Electoral Success?

### *Introduction*

Nathan Atkins began his political consulting career between his junior and senior years of college as a volunteer for Oklahoma Senator Jim Inhofe. A year later he returned to work for Senator Inhofe as a paid staffer. Within three years, he had been to all 77 counties in Oklahoma and worked on two other congressional campaigns. Why does he do it? The hours are irregular, the political environment is constantly changing, and the money is not the best. Still, the ultimate reward is that he is able to make a difference. “A lot of time is spent talking to folks about the issues, and working toward solutions. I’d do it for free if I didn’t have bills to pay” (Lackmeyer 2010).

Atkins’ sentiment is commonplace among campaign consultants. Consultants want to make money – they have bills to pay, after all – but there is something else that draws them to the profession. Nearly 45 percent of consultants surveyed for this project stated that they got into consulting because of their beliefs or ideology, or to help their preferred political party win elective offices. Roughly 38 percent say that one of those reasons remains as their motivation for continuing in the profession (see Chapter 3, Tables 3.1 and 3.2). Consultants are more than just pecuniary-focused, power-hungry individuals seeking attention.

In order to create and maintain a business, consultants must cultivate a clientele base. In Chapters 3 and 4, this project examined how consultants identify potential clients based on some risk-related components of client characteristics. This chapter delves into this second side – winning elections. The desire of consultants to win

elections is another important aspect of the industry. In order to better understand consultants, we have to better understand how they go about trying to win elections. This chapter explores which factors influence the amount of risk a consulting firm will take on in one electoral cycle and how are risk and performance linked with respect to a consulting firm's won-lost percentage. Using a new data set, Chapter 5 demonstrates that the behavioral theory of the firm (BTOF) applies not just to the monetary side of consulting, but to the winning side as well.

### *BTOF and Winning Percentage*

The basic tenets and argument of the BTOF are explained in Chapters 3 and 4. The purpose of this section is to derive hypothesized relationships between the key concepts of the theory and a firm's electoral winning percentage. Before getting to the hypotheses, though, we must make the argument that the conceptual basis for BTOF can extend from the pecuniary aspects to other areas.

Remember that the BTOF framework seeks to understand how organizational decision makers make operating and strategic decisions (Lant and Montgomery 1987). While monetary profit is a significant measure of performance for consultants, their track record of winning is also important. Firms have an interest in winning elections – a measure of performance – and they look for ways to improve it. A firm's winning percentage is the actual record of how successful a firm has been at getting their candidates into office.<sup>59</sup> As with profit, the firm has levels of winning that they aspire to

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<sup>59</sup> The actual won-lost record is a separate concept from whether a consulting firm exceeds expectations. For instance, it is one thing for an obscure Republican state senator to *nearly* win a Senatorial election in a deeply blue state. It is an entirely different matter if he actually pulls off the upset (i.e. Scott Brown in

and expect to achieve. When their expectations fall below aspirations, they look for solutions to increase their performance (Bromiley 1991a).

Similar to a consultant's financial performance, uncertainty is at the crux of winning percentage. Elections are far from being a hard science, and even the best election prognosticators (such as Stu Rothenberg, Nate Silver, and Charlie Cook, among others) get races wrong. Just as consultants face uncertainty in getting paid for their work, they face uncertainty about whether any particular client will win the election. This uncertainty can manifest itself in many ways. A client may be politically inexperienced, underfunded, in an unfriendly district in terms of partisanship, or be running in a bad cycle for their party. Reducing the predictability of any particular race increases uncertainty in the outcome, and all firms must confront this (e.g. Bromiley 1991b; Wiseman and Bromiley 1991). At the same time, there is only one reason for a candidate to hire a consultant: to help win the election. If a candidate ceases to believe consultants accomplish this, they will not hire consultants.

Another source of uncertainty with respect to electoral outcomes is that consultants often do not know for sure which candidate they will be opposing when they sign with a client. If a consultant begins working with a client during the primary election stage, the opposition is possible equally unsettled. This places many dynamics of the race in flux, unless a client is running against an incumbent.

With uncertainty playing an important role in a firm's winning percentage, one critical component of performance is risk. The first model in this chapter explores the

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Massachusetts). Matching expectations is a test of Mary Matalin's statement (quoted earlier) that there are no pyrrhic victories in politics. Although this is an intriguing hypothesis, it is a question for a later project.

extent to which BTOF can explain how much risk consulting firms take during each election cycle. Again, I utilize Bromiley's (1991a, 39) model specification:

$$\begin{aligned} \text{Risk}_t = & b_0 + b_1 \text{risk}_{t-1} + b_2 \text{performance}_{t-1} + b_3 \text{industry} \\ & \text{performance}_t + b_4 \text{expectations}_t + b_5 \text{aspirations}_t \\ & + b_6 \text{slack}_{t-1} + b_7 \text{slack}_{t-1}^2 + e, \end{aligned}$$

where

$b_i$  = parameters to be estimated,

$t$  = year,

and

$e$  = error term.

The one major difference between this model and that used in Chapter 3 is that data availability allows for lagged risk to be controlled.

As with previous chapters, the general model of the *risk-performance* relationship is similar to that used by Bromiley (1991a):

$$\begin{aligned} \text{Performance}_t = & b_0 + b_1 \text{risk}_t + b_2 \text{risk}_{t-1} + b_3 \text{performance}_{t-1} \\ & + b_4 \text{attainment discrepancy}_t + b_5 \text{industry} \\ & \text{performance}_t + b_6 \text{slack}_t + b_7 \text{slack}_t^2 + e, \end{aligned}$$

where

$b_i$  = parameters to be estimated,

$t$  = year,

and

$e$  = error term.

There are two key differences between this *risk-performance* model and that which was used in Chapter 4. First, I control for previous performance. Second, a lagged risk variable is included. Like the previous chapters, the next few paragraphs will discuss the theoretical relationship between each variable and performance and risk.

**Performance:** Performance, which was significant and negative in Chapter Three's model of consultant risk, is expected to perform similarly here. If a firm performed well in the previous cycle, they will reduce their risk in the subsequent cycle because doing so provides little benefit. How does this work with winning percentages? If a firm wins a high percentage of their races in 2006 (say, 80 percent), will they want to take increased risk in 2008 and jeopardize their ability to get ideologically preferred candidates into office? Winning creates a standard in consulting, and a very high one at that.

*Risk H<sub>1</sub>: Higher performance<sub>t</sub> has a negative impact on risk<sub>t</sub>.*

**Risk:** When examining the significant indicators of performance, it is widely expected that risk<sub>t</sub> will be negative. The logic behind this is straightforward: if a firm takes on a bunch of risky clients in 2006, its winning percentage that year will take a hit. After all, their candidates, on average, could have less electoral experience, less money, worse electoral climates, and better opposition. Clients with any of these characteristics are less likely to win than one that does not have them. Having multiple clients with a low chance of electoral success will decrease a firm's winning percentage for that cycle.

*Performance H<sub>1</sub>: Higher risk<sub>t</sub> has a negative impact on performance<sub>t</sub>.*

The trickier relationship is that between risk<sub>t-1</sub> and performance<sub>t</sub>. BTOF contends that high risk yields high return, specifically for financial return. Clearly, taking electoral

risk in 2006 should hurt a firm's winning percentage that year. But can there a delayed positive relationship between risk and performance, such that taking additional risk in 2006 could yield a higher winning percentage in 2008? This could happen in two ways. First, the delayed positive influence on performance could occur indirectly. For instance, a firm may take high risk in the 2006 cycle. Per the above hypothesis, their performance that year would suffer. Seeing this drop in performance, a firm could decide to reduce the amount of risk they take in 2008, thus increasing performance that year. The problem with this logic is that it runs contrary to previous BTOF literature. Bromiley (1991a) finds that previous risk is a positive indicator of future risk, although the significance of this relationship is not consistent across every study. This positive relationship is expected because firms are consistently looking to increase performance and are thus exploring new ways to do so.

The potential indirect relationship between lagged risk and performance faces another problem. Consultants are thrill seekers. According the Table 3.1 (Chapter 3), nearly 30 percent of consultants cited competition as the motivation for becoming a consultant. Even after participating in the industry, this figure remains above 20 percent. In each race they work on, the consultant puts something on the line – their ideology, political affiliation, money, the possibility of losing, or power. Clearly, consultants have a competitive streak in them; they want to take risk.

The second potential relationship between lagged risk and performance is more direct. Taking electoral risk provides opportunity. What the consultant does with that opportunity is up to him/her, but they certainly can take advantage of it. Mary Matalin once wrote that there are no Pyrrhic victories in campaigns; you either win or lose (1994,

55). This assessment is wrong. Pyrrhic victories can provide a way for electoral risk-taking to pay off. Joe Trippi is one such example. After winning a city council race in San Jose, California, he landed a job with the Ted Kennedy 1980 presidential campaign in Iowa. Despite being a field representative in a conservative county that was considered friendlier to Jimmy Carter, Trippi worked hard, developing relationships with the locals. Although Kennedy went on to lose that county, the final margin was much closer than expected. People noticed the job Trippi did and he turned his opportunity into jobs in other races around the country – many of which he won (Trippi 2004).

Taking electoral risk creates new opportunities to work for clients that may be better situated to win. The payoff does not have to be immediate. Building a clientele base takes time and finding a way to increase performance is similar. Each campaign is a chance to lay the groundwork for future success.

*Risk H<sub>2</sub>: Higher risk<sub>t-1</sub> has a positive impact on risk<sub>t</sub>.*

Risk provides a way for firms to receive future benefits, in this case, with an increased percentage of victories in the next cycle. Taking riskier clients in, say, 2006 is hypothesized to decrease a firm's winning percentage that year. At the same time, the firm can be rewarded a number of ways. First, repeat candidates can often increase their percentage of the vote from one cycle to the next. If a candidate did not win in their first attempt, they may be more successful the second time around. Second, the electoral environment changes every cycle. While Republicans did well in the 2004 elections, they were steamrolled in the 2006 and 2008 cycles, burdened by an unpopular president and slow-growing economy. Democratic candidates, such as Jerry McNerney in California and Paul Hodes in New Hampshire, may have lost in one cycle, but were able



to win the next time around. Finally, even if a firm's risky clients all lose in one election cycle, they still created contacts in an area. These contacts can yield additional candidates in subsequent cycles, candidate who may be more experienced and better funded.

*Performance H<sub>2</sub>: Higher risk<sub>t-1</sub> has a positive influence on performance<sub>t</sub>.*

Expectations and Aspirations: These variables, closely related, are hypothesized to have similar relationships as those discussed in prior chapters. Expectations, or a firm's goal, will set the bar at a certain level of performance. Taking less risk enables a firm to meet those goals (Bromiley 1991a).

*Risk H<sub>3</sub>: Higher expectations<sub>t</sub> have a negative influence on risk<sub>t</sub>.*

Expectations, while they lead to a firm taking less risk, also mean that a firm will do what it takes to meet their goals. When it comes to congressional candidates as clients, taking less risk helps them increase their winning percentage. It also means that they will do other things necessary to meet their goals, such as hiring better staff and investing resources (Bromiley 1991a).

*Performance H<sub>3</sub>: Higher expectations<sub>t</sub> have a positive influence on performance<sub>t</sub>.*

Aspirations are a reference point for a firm and are based on their specialization. Firms that are in high performing consulting specializations will take measures to reach the specialization performance average. BTOF hypothesizes a positive relationship between aspirations and risk, as those firms performing below aspirations will do whatever it takes to meet this specialization-based measure (e.g. Cyert and March 1963; Wiseman and Bromiley 1996; Bromiley 1991a). Firms that are trying to meet aspirations

will look for candidates that can help them reach aspirations, even if it means taking on risky clients.

*Risk H<sub>4</sub>: Higher aspirations<sub>t</sub> will have a positive influence on risk<sub>t</sub>.*

Because aspirations will lead to a reduction in risk, it will also increase a firm's winning percentage. After all, like expectations, firms will do what it takes to meet their aspirations.

*Performance H<sub>4</sub>: Higher aspirations<sub>t</sub> will have a positive influence on performance<sub>t</sub>.*

Attainment Discrepancy: Despite the debate on the conceptual clarity on the attainment discrepancy (e.g. Lant and Montgomery 1987; Palmer and Wiseman 1999), this hypothesis will be the same as in prior chapters. A firm's desire to see its ideologically preferred candidates elected does not mean they ignore the political landscape. Even if a conservative, Republican consulting firm wants a similarly-minded candidate in every congressional district, it knows that some districts will not vote for such a candidate. Some districts are so Democratic in their partisan composition that a Republican has virtually no chance of winning, and vice versa. In this manner, attainment discrepancy is similar to Cyert and March's (1963) *innovative* search, where performance over a certain level will lead to less risk-taking.

*Risk H<sub>5</sub>: Higher attainment discrepancy<sub>t</sub> has a negative influence on risk<sub>t</sub>.*

The relationship between attainment discrepancy and performance is also different with winning percentage than it is with profit. March and Simon (1958) argue that firms with higher attainment discrepancy will have lower performance because they are risk-seeking. Per the above hypotheses, this clearly cannot be the case. Instead of

becoming risk-seekers, firms with a higher attainment discrepancy become more risk-averse. This will lead to an improvement in performance.

*Performance H<sub>5</sub>: Higher attainment discrepancy<sub>t</sub> has a positive influence on performance<sub>t</sub>.*

Industry Average: Industries, or specializations, that perform well the prior cycle (in terms of winning percentage) will lead to other firms in the specialization to being more risk averse in the subsequent cycle due to risk having a negative relationship on performance. Since a firm does not want to be performing poorly vis-à-vis its contemporaries, low performing firms will take less risk<sub>t</sub> so as to increase their winning percentage (Bromiley 1991a; Robert M. Wiseman and Bromiley 1996).

*Risk H<sub>6</sub>: Higher industry averages<sub>t-1</sub> will have a negative influence on risk<sub>t</sub>.*

Because firms competing in high-performing specializations will work to have similar winning percentages, it is expected that industry average and winning percentage are positively linked (see Chapter 4).

*Performance H<sub>6</sub>: Higher industry averages<sub>t-1</sub> will have a positive influence on performance<sub>t</sub>.*

Slack: Slack is the available amount of resources a firm has on hand. It acts like a buffer against fluctuations in environmental conditions and absorb shocks to the industry (Cyert and March 1992). In the context of winning campaigns, slack is a bit different, although it is still analogous to a buffer. Instead of tangible, monetary resources, slack in this context is the number of other campaigns a firm uses to guard itself against a potentially bad winning percentage and can take many forms. Firms may work numerous additional state and local races, they may work a presidential race, and/or

they may be part of the independent expenditures in some campaigns. These buffers may allow a firm to pick and choose which congressional clients it works for. Just as in the previous chapters, a non-linear relationship is expected between slack and risk. If a firm has a very low or very high amount of buffer, it will be willing to take more risk. If it has a moderate amount of buffer opportunities, it will not be in a position to take additional risk. Figure 5.1 shows the relationship between slack and risk.

*Risk H<sub>7</sub>: High and low levels of slack<sub>t</sub> will increase risk<sub>t</sub>.*

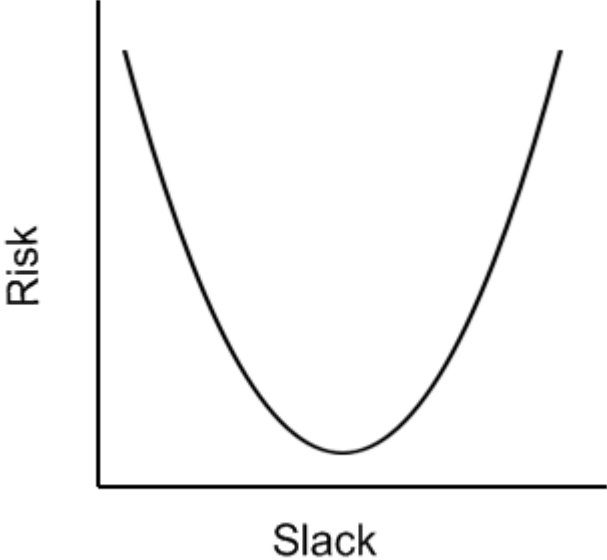
*Risk H<sub>8</sub>: Moderate levels of slack<sub>t</sub> will decrease risk<sub>t</sub>.*

Because of the theoretically negative hypothesized relationship between risk<sub>t</sub> and performance<sub>t</sub>, the relationship between slack and performance is different from that hypothesized in Chapter 4. As firms with high and low levels of slack take more risk, their performance in the immediate election cycle will suffer. Firms with moderate amounts of slack will see an increase in their winning percentage. Figure 5.2 shows this relationship in graphic form.

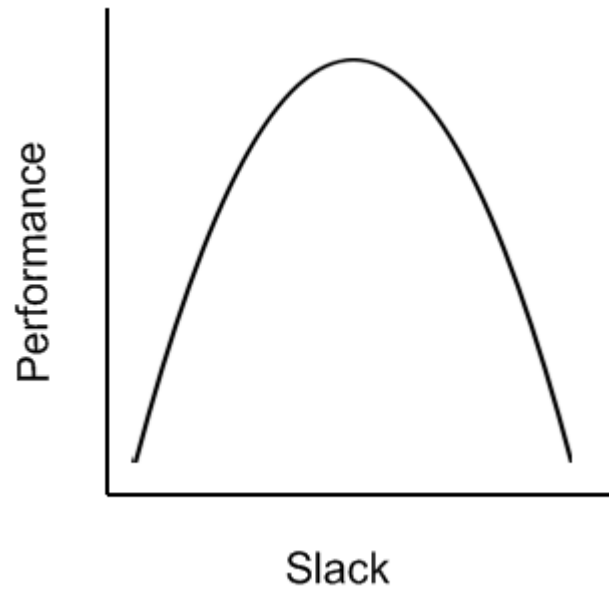
*Performance H<sub>7</sub>: High and low levels of slack<sub>t</sub> will decrease performance<sub>t</sub>.*

*Performance H<sub>8</sub>: Moderate levels of slack<sub>t</sub> will decrease performance<sub>t</sub>.*

**Figure 5.1: The Hypothesized Relationship between Slack and Risk**



**Figure 5.2: The Hypothesized Relationship between Slack and Performance**



### *Variable Measurement*

As specified in the above models, this chapter is looking at the determinants of risk and performance in the context of consulting firms winning elections. The unit of analysis is thus the campaign consulting firm in a given election cycle. To get a more precise measure of performance, operationalized as a firm's winning percentage, than what is self-reported in the survey results used in the prior chapters (which surveys individuals, not firms), a new data set is created. The publication formerly known as *Campaigns & Elections* (now *Politics Magazine*) produces a yearly consulting firm scorecard, in which the publication lists which races a firm works on. The scorecards are not based entirely on firm-reported races, but make use of campaign filing reports with various entities such as the Federal Elections Commission (FEC) and state boards of election. The scorecard lists races for all levels of government – presidential, congressional, gubernatorial, state legislative, county, and even municipal races. The scorecards also keep track of any ballot initiatives that a firm works on. Finally, the end of each firm's listing includes a section of races that firm worked on behalf of independent expenditures.

Each scorecard lists a few hundred firms. Because state legislative and local races are difficult to obtain information on, such as candidate biographies, and states collect fundraising information differently, this chapter focuses exclusively on firms that have worked on congressional races.<sup>60</sup> To increase the number of firms included, this study includes the 2006 and 2008 election cycles as a potential year<sub>t</sub>. Since special elections are unique from regular races, the off-year congressional elections are not included in this

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<sup>60</sup> While this chapter focuses only on firms that have worked congressional races, future research can include all firms regardless of the level of campaigns worked.

data (Gaddie, Bullock III, and Buchanan 1999). This also means that a firm can be counted in both 2006 and 2008, if its list of clients includes at least one congressional candidate for each general election.<sup>61</sup> By including both 2006 and 2008 in this study, the *n*-size is 398. It should finally be noted that the scorecards and this data set inevitably miss some firms that worked congressional races. *C&E* magazine clearly does the best they can, and while they miss some firms, this listing is fairly comprehensive at the congressional level since FEC filing reports are the same for every campaign.

Risk: Measuring risk can be challenging, and there is some debate over whether it should be taken before or after the event – in this case, election – occurs. Some scholars argue that measures of risk should be *ex ante*, or be available prior to the firm's decision. This way, the firm is aware of the risk they are taking and the measure is valid for academic study (Bromiley 1991a). While Chapter 3 uses an *ex ante* measure of risk, it is not always possible to obtain such a measure. Uncertainty is a major component of risk, and sometimes firms cannot know just how much risk they are taking. In the context of congressional campaigns, some variables associated with candidate risk are known in advance – such as experience, incumbency, and previous vote received – others are not (fund raising, issue salience, or presidential approval). This can necessitate the use of *ex post* measures of risk. While such measures may not be ideal, other scholars have nevertheless used it (e.g. Fiegenbaum and Thomas 1988; Fiegenbaum and Thomas 1986; Bowman 1982; Bowman 1980; Palmer and Wiseman 1999). This chapter makes use of an *ex post* risk measure.

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<sup>61</sup> The clients do not have to be unique for each general election. For instance, a firm could work for the same candidates in each cycle. Also, many candidates use multiple consulting firms in their bid for election.



Risk is the dependent variable in this chapter's first model and an independent variable in the second. When operationalizing risk in the context of winning campaigns, it is important for the measure to reflect a client's prospects of winning a race. Many congressional candidates make use of consultants, so any measure of risk must be based on the individual candidate and then aggregated to account for each of a firm's clients. This entails a multi-step process where each candidate's risk is first assessed. To do this, each congressional candidate's predicted percentage of the vote is estimated based on significant variables identified in the congressional elections literature. Predicted percentages for House and Senate candidates are estimated separately, the models for which are specified below.<sup>62</sup>

These models are not meant to be comprehensive models that explore new theoretical ground in the congressional elections literature. They are, rather, parsimonious models.

$$\text{House Candidate's Percentage of Vote}^{63} = b_0 + b_1 \text{ fundraising expenditures}^{64} + b_2 \text{ incumbency}^{65} + b_3 \text{ unopposed}^{66} + b_4 \text{ district}$$

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<sup>62</sup> The overall risk and performance models specified earlier make use of a lagged risk measure, requiring a risk measure for the 2004 cycle be calculated for all 2006 consulting firms. The unit of analysis is the individual candidate, not the congressional race. This is done because consulting firms often sign up with candidates before their opposition is known (i.e. they sign up prior to the primary or even candidate filing deadline). Thus, many of the variables used in this model – particularly opponent's fundraising and experience – are not known prior to a firm signing on with a client.

<sup>63</sup> The dependent variable is the percentage of vote received by a congressional candidate. Data comes from the FEC.

<sup>64</sup> Fundraising typically has a nonlinear relationship with the dependent variable (Swearingen and Jatkowski, III Forthcoming). Therefore, the natural log of fundraising is used. Data comes from FEC post-election filing reports.

<sup>65</sup> Incumbency consistently has a positive influence on a candidate's percentage of the vote (Abramowitz 1975). Data comes from the FEC. The variable is measured dichotomously, where 1 = incumbent.

<sup>66</sup> Unopposed candidates are, barring a coherent write-in campaign, assured of winning election, thus significantly reducing the risk associated with any candidate. Data comes from the FEC, and measured dichotomously, where 1 = the candidate is unopposed.

$$partisanship^{67} + b_5 \text{ previous vote}^{68} + b_6 \text{ experience}^{69} + b_7 \text{ Democrat}^{70} + b_8 \\ 2006^{71} + b_9 2008^{72} + \text{error}.$$

The Senate elections model is specified as follows:

$$\text{House Candidate's Percentage of Vote}^{73} = b_0 + b_1 \text{ fundraising} \\ \text{expenditures}^{74} + b_2 \text{ incumbency}^{75} + b_3 \text{ district partisanship}^{76} + b_4 \text{ previous} \\ \text{vote}^{77} + b_5 \text{ experience}^{78} + b_6 \text{ Democrat}^{79} + b_7 2006^{80} + b_8 2008^{81} + \text{error}.$$

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<sup>67</sup> A district's level of partisanship is a significant predictor of election outcomes (Bond, Fleisher, and Talbert 1997). Data is the *Cook's PVI* for each district, where a positive *PVI* indicates a district friendly to the candidate. For example, if a district R+5, the Republican candidate sees a value of +5 and the Democratic candidate sees a value of -5.

<sup>68</sup> Incumbents can be deemed "vulnerable" if their percentage of the vote in the previous election is low (Bond, Covington, and Fleisher 1985). It is also somewhat common to see a particular challenger run in a district more than once – and sometimes win (i.e. Carol Shea-Porter in New Hampshire). This variable is measured as the percentage of vote a candidate received in the prior election. If the candidate did not run in the preceding election, their value is 0. Data comes from the FEC.

<sup>69</sup> Previous elected experience is often a key determinant of the dependent variable. Although some scholars have used different measures of candidate experience (Bond, Covington, and Fleisher 1985), Jacobson (1990; 1992) "finds that the simple electoral office dichotomy captures the most important component of candidate quality" (Bond, Fleisher, and Talbert 1997, 284). This variable is measure dichotomously with 1 = candidate has prior elected experience. Data comes from *LexisNexis* searches for a candidate's biographical information, and CNN and NYT online election previews.

<sup>70</sup> A control variable, where 1 = Democratic candidate and 0 = Republican candidate. Data comes from the FEC.

<sup>71</sup> A control variable, where 1 = 2006 election cycle.

<sup>72</sup> A control variable, where 1 = 2008 election cycle. Since three election cycles are included in this, the 2004 cycle is the "default" cycle (e.g. Gujarati 2004).

<sup>73</sup> The dependent variable is the percentage of vote received by a congressional candidate. Data comes from the FEC. The overall model is similar to that used by Campbell and Summers (1990), except their model uses the Democratic share of the two-party vote as the dependent variable. This model merely doubles the number of observations by changing the unit of analysis to the individual candidate. Other similar Senate election models are those used by Grier (1989) and Regens and Gaddie (1995).

<sup>74</sup> Fundraising typically has a nonlinear relationship with the dependent variable, even for Senate races (Abramowitz and Segal 1986; Abramowitz 1988). Therefore, the natural log of fundraising is used. Data comes from FEC post-election filing reports.

<sup>75</sup> Incumbency consistently has a positive influence on a candidate's percentage of the vote (Abramowitz 1975). Data comes from the FEC. The variable is measured dichotomously, where 1 = incumbent.

<sup>76</sup> A district's level of partisanship is a significant predictor of election outcomes (Stewart 1989). This variable is measured as the percent of the two-party vote received in the previous two presidential elections (Bond, Fleisher, and Talbert 1997).

<sup>77</sup> Incumbents can be deemed "vulnerable" if their percentage of the vote in the previous election is low (Stewart III 1989; but see Squire 1992; Squire 1989; Adams and Squire 1997). This variable is measured as the percentage of vote a candidate received in the prior election. If the candidate did not run in the preceding election, their value is 0. Data comes from the FEC.

<sup>78</sup> Previous elected experience is often a key determinant of the dependent variable (Abramowitz 1988). Like in the House model, this variable is measure dichotomously with 1 = candidate has prior elected

The results of the congressional elections models are presented in Table 5.1. The House model performs very well as the overall model is significant (*F-Statistic* is significant) and over 88 percent of the variation is explained. All of the traditional House election variables are significant. The Senate model yields similar results. The *F-Statistic* is highly significant, and over 60 percent of the variation in the dependent variable is explained. Again, all of the typically relevant variables are significant.

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experience. Data comes from *LexisNexis* searches for a candidate's biographical information and CNN's election preview website.

<sup>79</sup> A control variable, where 1 = Democratic candidate and 0 = Republican candidate. Data comes from the FEC.

<sup>80</sup> A control variable, where 1 = 2006 election cycle.

<sup>81</sup> A control variable, where 1 = 2008 election cycle. Since three election cycles are included in this, the 2004 cycle is the "default" cycle (e.g. Gujarati 2004).

**Table 5.1: Model of Congressional Election Results – 2004-2008**

<b>House Elections</b>		<b>Senate Elections</b>	
<i>Independent Variables</i>	<i>Coefficient (robust s.e.)</i>	<i>Independent Variables</i>	<i>Coefficient (robust s.e.)</i>
Expenditures (logged)	0.65*** (0.04)	Expenditures (logged)	0.86*** (0.24)
Incumbency	9.36*** (0.89)	Incumbency	5.14* (2.8)
Unopposed	22.89*** (0.88)	--	--
Partisanship	0.51*** (0.02)	Partisanship	0.38*** (0.11)
Previous Vote	0.11*** (0.011)	Previous Vote	0.17*** (0.054)
Experience	1.91** (0.63)	Experience	5.28** (2.19)
Democrat	3.3*** (0.47)	Democrat	5.68*** (1.63)
2006	-0.51 (0.35)	2006	-0.76 (1.83)
2008	-0.41 (0.34)	2008	-0.91 (1.75)
Constant	31.1*** (0.59)	Constant	5.89 (6.24)
<i>N</i>	2422	<i>N</i>	198
<i>F-Statistic</i>	2244.24***	<i>F-Statistic</i>	48.13***
<i>R-Squared</i>	0.88	<i>R-Squared</i>	0.61
Breusch-Pagan Test for non-robust model	66.62***	Breusch-Pagan Test for non-robust model	4.82*

*Dependent Variable: Candidate's Percentage of the Vote in the General Election.  
Results obtained using OLS regression.*

*\*p < 0.05, \*\*p < 0.01, \*\*\*p < 0.001, 1-tailed test where hypothesized*

With the House and Senate models estimated, the measure of risk moves to its second step of giving each congressional candidate a risk score. After running the above models, the expected value for each candidate is saved. This value signifies what percent of the vote each candidate is expected to get based on their actual fundraising, experience, previous vote, challenger qualities, and election cycle. Table 5.2 provides the summary statistics for the expected values.

**Table 5.2: Summary Statistics for Congressional Candidate's Predicted Percentage  
of the General Election Vote**

<b>Statistic</b>	<b>House Candidates</b>	<b>Senate Candidates</b>
N	2422	198
Mean	52.3	50.36
Median	53.1	48.5
S.D.	19.4	11.9
Minimum	5.76	19.03
Maximum	107.4	72.90

The average House candidate is expected to receive 52.3 percent of the vote. Since many candidates are unopposed in their campaign for the House, this is not surprising. The average Senate candidate, on the other hand, is expected to receive close to 50 percent, which reflects the more competitive nature of Senate elections.<sup>82</sup> Table 5.2 also indicates that no candidate is expected to receive 0 percent of the vote: the lowest expected House candidate is expected to get almost 6 percent and the lowest Senate candidate is expected to get roughly 19 percent.<sup>83</sup>

The third step to operationalizing risk is to subtract each candidate's expected percent of the vote from 100. This is done because candidates who are expected to receive a higher percentage of the vote are less risky than those expected to receive a small percentage. For instance, Carolyn Cheeks Kilpatrick, running in Michigan's 13<sup>th</sup> District in 2006 is expected to receive about 100 percent of the vote. Based on this expectation, she is not at all a risky candidate since the House model assures her victory. David Crowley, on the other hand, a Republican running in California's 33<sup>rd</sup> District in 2008, is expected to receive less than 19 percent of the vote. Any firm that signs him as a client is taking a considerable risk given his low chances of victory.

Creating a firm-specific risk score is the final step in operationalizing risk. Doing so requires knowledge of every congressional candidate a firm works for. As mentioned above, this information is available from *C&E* magazine's Consultant Scorecards. The

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<sup>82</sup> This operationalization of risk uses the predicted percentage of a candidate's vote because the unit of analysis must be the individual candidate. Since the unit of analysis is not the overall race, the incumbent's share of the vote is not the dependent variable. Instead, the models control for incumbency and open seat races.

<sup>83</sup> One important note is that, due to the extreme partisanship and lack of challengers in many majority-minority districts across the country, some House candidates are predicted to receive slightly more than 100 percent of the vote. While logically impossible, this happens only in rare cases and signifies a candidate that has no risk of losing.

final measure, then, is an average of each of their client's individual risk scores. Thus, if a firm has 5 clients with candidate risk scores of 40, 45, 50, 55, and 60, the firm's risk score would be  $250/5$ , or 50.

This measure of candidate risk is comprehensive and based in the congressional elections literature. It is also intuitive in that it essentially assigns each candidate a risk score from 0 to 100, which is consistent with how this variable was measured in the previous chapters. Finally, the measure is portable in that it can be extended to both prior and future election cycles.

**Performance:** Performance is a dependent variable in the second model and lagged performance is an independent variable in the first. In this chapter, performance refers to a firm's winning percentage in congressional races, measured simply as the number of congressional election wins divided by the total number of congressional election candidates. The lagged measure is simply the firm's winning percentage from the previous election cycle.<sup>84</sup>

**Industry Average:** The industry, or specialization, average is the average winning percentage for those firms within its specialization. The *C&E* scorecards list each firm's specializations – each firm has up to 5 – with the first one being their main specialization. Per the model specifications above, this variable is measured at time<sub>t-1</sub>. Table 5.3 gives the winning percentages by consulting specialization.

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<sup>84</sup> Since 2008 is the most recent election cycle, lagged performance comes from either 2004 or 2006.



**Table 5.3: Winning Percentages  $Time_t$  and  $Time_{t-1}$  Based on Specialization**

<b>Specialization</b>	<b><math>Time_t</math></b>	<b><math>Time_{t-1}</math> (Pure)</b>	<b><math>Time_{t-1}</math> (No lag = 0)</b>
Media	62.2	68.3	47.0
Direct Mail	59.0	71.8	37.7
Polling	69.4	70.2	63.4
Fundraising	59.2	69.1	39.9
General	57.0	64.6	20.8
Fieldwork	66.7	57.2	19.1
Internet	64.2	69.6	24.0
Research	68.6	56.1	21.0
Other	54.1	63.9	24.0

The first column gives the specialization. Note that there are 9 specializations listed here, as opposed to 7 in Chapters 3 and 4. This is because the *C&E* scorecards identified “Internet” consulting as its own specialization. There is also an “Other” specialization that includes the Geographic Information Systems (GIS) and public relations specializations. The second column,  $\text{Time}_t$ , gives the average winning percentage of all firms within the specialization. Pollsters (69.4 percent), researchers (68.6 percent), fieldworkers (66.7 percent), internet specialists (64.2 percent), and media consultants (62.2 percent) all had average winning percentages of over 60 percent. Column three is the lagged winning percentage of firms that existed long enough to have their congressional election performance measured in more than one cycle. Direct mailers (71.8 percent) and pollsters (70.2 percent) each had average winning percentages of over 70 percent. Close behind them were the internet specialists (69.6 percent), fundraisers (69.1 percent), and the media consultants (68.3 percent). The final column is the independent variable, industry average, used in the subsequent models. Firms that have no previous performance in congressional elections (other than at  $\text{Time}_t$ ) are given a lagged performance value of 0 since they have no prior congressional election victories to take credit for.

**Expectations and Aspirations:** As discussed above, expectations and aspirations are conceptually related variables. Expectations, the individual firm-specific goals, are based on each firm’s previous winning percentages and measured in two ways. The first measure is the simple average of a firm’s congressional winning percentages in the previous two election cycles. A firm that had an overall winning percentage of 0 in congressional elections at  $\text{Time}_{t-1}$  and of 100 in  $\text{Time}_{t-2}$  would have an expectation to win

50 percent of their congressional races at Time<sub>t</sub>. This measure does not control for the number of races a firm has been involved in over the previous two election cycles, however. The second measure adds up the total number of congressional races won over the previous two cycles and divides that by the total number of congressional races worked on over the same time span. Both measures are reported in the tables.

Aspirations, the specialization-based goals, are based on the combination of the individual firm's performance in Time<sub>t-1</sub> and their specialization's performance in the same cycle. To be consistent with Bromiley's (1991a) operationalization, firms that performed below their main specialization's average will seek to achieve that mark in the next cycle. For these firms, the aspirations value will equal the specialization average performance from the previous cycle. Firms that outperformed their main specialization's average will seek to achieve slightly better than they did during the previous performance. For these firms, the aspirations value will equal their performance multiplied by 1.05, based on Bromiley's (1991a) model.

**Attainment Discrepancy:** The attainment discrepancy is measured as the aspirations minus expectations. Because two measures of expectations are presented in the tables, two measures of attainment discrepancy are also calculated. The first is a firm's aspirations minus their simple expectations average. The second is a firm's aspirations minus their total expectations average.

**Slack:** Slack is the buffer that guards consulting firms from exogenous shocks. In the context of winning percentage, slack allows firms to guard themselves against a potentially bad slate of congressional candidates, and bad electoral environment, or a widespread and late-breaking scandal (i.e. the Jack Abramoff scandal and the Republican

Party in 2006). Slack can take a variety of forms in the corporate world (see Miller and Leiblein 1996), and the same can be said for consulting firms. The first way a firm may buffer its winning percentage is by working on a presidential campaign. Consulting firms may devote much of their time to these campaigns and may subsequently choose which other candidates they want to work for. This variable is a dichotomous one, with 1 = firm worked on a presidential campaign at Time<sub>t</sub>. Because it is dichotomous, it is not squared like the other slack measures.

A second measure of slack is the number of state and local races a firm works in. These races are more numerous than their congressional counterparts and can allow the firm to work in politically friendly areas. A high number of state and local races could mean that a firm is able to choose less risky races while still getting preferred candidates into office, albeit at a different level of government. This type of slack is measured simply as the number of total state and local races a firm works in at Time<sub>t</sub>, and as specified by the models above, is also squared.

The final measure of slack is the number of races a firm works on through the independent expenditure (IE) arm of a campaign. Political parties and PACs often commission ads, polls, phone banks, and other campaign-related activities on behalf of candidates. Because these activities cannot all be coordinated with the actual campaign, the outside entities contract these services out to firms not already working in the campaign. Thus, even though a firm is not officially on a specific campaign, it can still work to influence a race's outcome. This final variation of slack is measured as the number of races – federal, state, and local – a firm receives contracted out work. It, too, is squared.

## *Methodology*

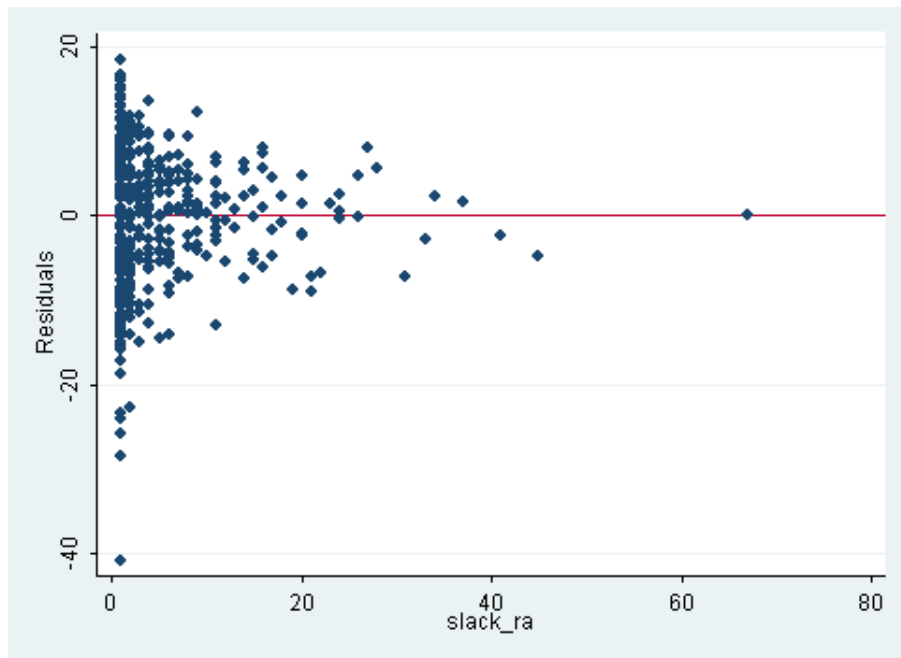
Each of the models presented here – risk and performance – present a unique challenge. Like with some of the models specified in preceding chapters, many of the independent variables are similar, creating the possibility of a simultaneity issue. After assessing the Breusch-Pagan test of independence through seemingly unrelated regression (SUR), there is no evidence of simultaneity in any of the models given in this chapter.

While simultaneity is apparently not reducing the efficiency or bias of the model parameters, another variable might be doing so. Many of the firms included in this study worked in only a few congressional races, potentially biasing the model parameters. Figures 5.3 and 5.4 illustrate the potential heteroskedasticity introduced through this variable.

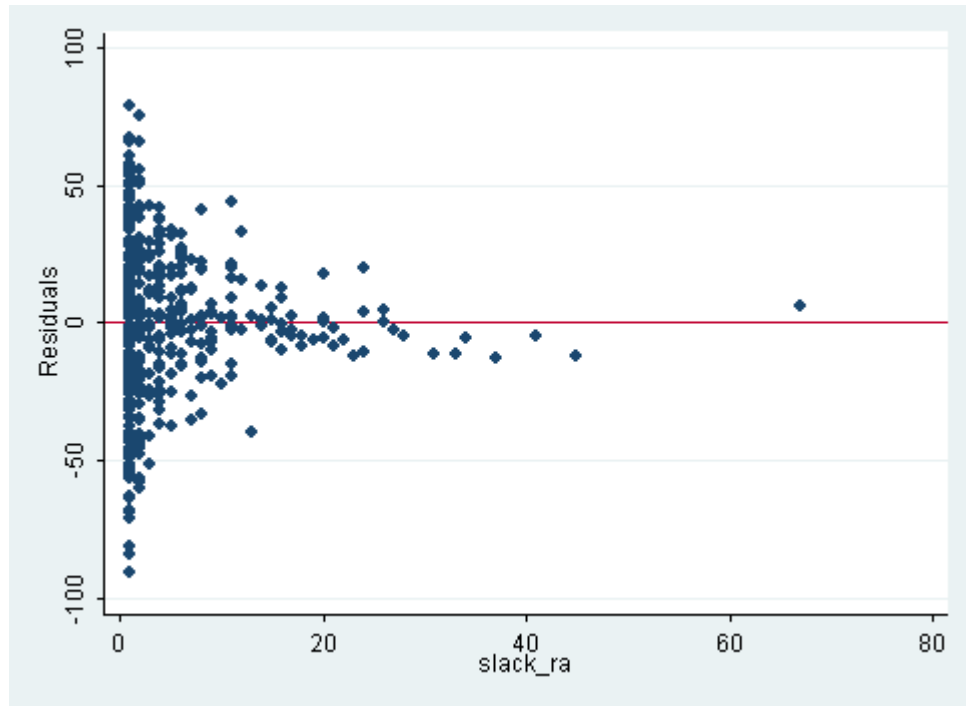
Figure 5.3 shows the model residuals of the risk model (y-axis) plotted against the number of congressional races a firm worked on (x-axis). The heteroskedastic problem is clearly evident – as the number of congressional races increases, the residuals decrease. Figure 5.4 shows the residuals of the performance model (y-axis) plotted against the number of congressional races (x-axis). The heteroskedastic problem is equally as prevalent as in Figure 5.3. One solution to the problem of variable-specific heteroskedasticity is to use weighted least squares regression (WLS). There is reason to believe that every observation should not be treated equally, as some firms ran one or two congressional races while others worked on dozens. Weighted least squares attempts to

give every each data point the proper amount of influence on the estimated parameters, increasing the model's precision (Gujarati 2004).

**Figure 5.3: Risk<sub>t</sub> Regression Model Residuals Plotted Against the Number of Races**



**Figure 5.4: Performance, Regression Model Residuals and Number of Races**





## *Findings*

Table 5.4 shows the summary statistics for the key variables in this chapter. The performance<sub>t</sub> variable indicates that most consultants do rather well at getting their clients elected to office: the average firm winning percentage is 61.4 while the median is 71.8.<sup>85</sup> The range and standard deviation (39.3) indicate substantial variation in winning percentage. The lagged performance variable also has a large standard deviation and range. That the median value is 0 is not surprising as any firm that had not worked a congressional race between 2002 and time<sub>t</sub> received a 0 since they had no previous performance.

Risk<sub>t</sub> and also the lagged risk variables have a large range. The mean risk<sub>t</sub> is 47.0 – note that every firm took *some* risk – while the mean lagged risk is much lower at 22.6. Similar to lagged performance, this is because some firms did not work for congressional candidates between 2002 and time<sub>t</sub>, taking no prior risk. The two expectations variables are very similar to one another, with ranges from 0 to 100 and standard deviations just above 23. The same is true for attainment discrepancy. The industry average and aspirations variables are comparable as well. This is expected, as for many firms, their aspirations are a function of their specialization.

The last set of variables is those related to slack. Every firm worked on at least one congressional race, as they should have, and the average firm worked on a little more than 5 races. Not every firm work on independent expenditure races or state and local

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<sup>85</sup> This figure is above 50 percent for a couple of reasons. First, not every candidate hired a consultant. Based on research summarized earlier, we would expect candidates that did not hire a consultant to be more likely to lose. Second, many winning candidates hired multiple consultants. This winning percentage figure does allow for multiple consultants to “claim” the same candidates.

rates. The average firm worked on 6.2 state and local rates (maximum of 201), while working on 1.7 contracted out rates. These summary statistics demonstrate that the key variables have quite a bit of variation, although the similarities between industry average and aspirations could pose some methodological problems due to their potentially high correlation.

**Table 5.4: Summary Statistics for Chapter 5 Key Variables**

<i>Variable</i>	<b>N</b>	<b>Mean</b>	<b>Median</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Std. Deviation</b>
Performance <sub>t</sub>	398	61.4	71.8	0	100	39.3
Performance <sub>t-1</sub>	398	37.3	0	0	100	41.8
Risk <sub>t</sub>	398	47.0	46.5	5	71.7	10.2
Risk <sub>t-1</sub>	398	22.6	16.7	0	70.8	23.4
Expectations <sub>t-1</sub> (Simple Avg.)	398	60.5	50	0	100	23.3
Expectations <sub>t-1</sub> (Total Avg.)	398	60.4	50	0	100	23.7
Aspirations <sub>t-1</sub>	397	38.4	39.6	19.1	66.6	14.9
Industry Avg. <sub>t-1</sub>	397	37.5	37.7	19.1	63.4	14.3
Attainment Discrepancy (Simple Avg.)	397	2.8	9	-45.9	72.9	23.1
Attainment Discrepancy (Total Avg.)	397	2.9	9	-45.9	72.9	23.5
Presidential Campaign <sub>t</sub>	398	0.09	0	0	1	0.28
State & Local Races <sub>t</sub>	398	6.2	1	0	201	15.6
Contracted Out Races <sub>t</sub>	398	1.7	0	0	64	7.7
Number of Races Worked	398	5.2	2	1	67	7.4

The first models use  $\text{risk}_t$  as the dependent variable and are shown in Table 5.5. On the whole, BTOF works well in explaining firm winning percentage. Each model experiences significance at the  $p < 0.001$  level and explains 16 percent of the variation. There is an issue with multicollinearity in models 1 and 2. The offending variables, industry and aspirations, are not only conceptually linked, but highly correlated (0.98). Their variance inflation factor (VIF) scores are above 10. Multicollinearity can both reduce the efficiency of the model parameters and introduce bias (Gujarati 2004) and this problem needs to be addressed in the near future. The first two models, BTOF 1 and BTOF 2, use expectations and aspirations separate and contain a higher number of significant variables. Since the coefficients are consistent across models, this analysis will focus primarily on the first.

In the BTOF 1 model, many of the theoretically relevant variables are significant. The lagged risk variable is significantly positive as hypothesized. Its coefficient is small, though, as for every point of risk taken in the previous cycle a firm is expected to increase risk at time  $t$  by 0.07 points. For the average firm, this equates to an expected increase in risk of only 1.6 points. Lagged performance, on the other hand, has a much more substantive impact on risk. As expected, its coefficient is negative, decreasing risk at time  $t$  by an expected 0.20 points. Thus, as firms perform better in prior elections, they take, on average, less risk. The average 7.5 point decrease in risk is three-fourths of a standard deviation, indicating a substantive relationship between prior performance and risk, as BTOF expects. This indicates that firms do set a standard based on their most recent performance. As they are more successful, they shy away from taking additional risk in the ensuing election cycle. One reason for this could be that consultants are

getting repeat business. If they work for a similar slate of candidates each cycle, these candidates – many of whom could have won – become inherently less risky.

**Table 5.5: Models of Campaign Consulting Firm Risk<sub>t</sub>, 2006 – 2008**

<i>Independent Variables</i>	<i>Hypothesized Relationship</i>	<b>BTOF 1</b>	<b>BTOF 2</b>	<b>BTOF 3</b>	<b>BTOF 4</b>
Risk <sub>t-1</sub>	+	0.07* (0.036)	0.07* (0.04)	0.10** (0.04)	0.09** (0.04)
Performance <sub>t-1</sub>	-	-0.20*** (0.052)	-0.19*** (0.06)	-0.17*** (0.04)	-0.16*** (0.03)
Industry Average <sub>t-1</sub>	-	-2.77* (1.66)	-2.68* (1.6)	0.054 (0.052)	0.05 (0.05)
Aspirations <sub>t-1</sub>	+	2.77* (1.64)	2.68* (1.6)	--	--
Expectations (Simple Avg.)	-	--	0.01 (0.06)	--	--
Expectations (Total Avg.)	-	0.02 (0.045)	--	--	--
Attainment Discrepancy (Percent Avg.)	-	--	--	-0.069 (0.056)	--
Attainment Discrepancy (Total Avg.)	-	--	--	--	-0.06 (0.04)
<i>Slack</i>					
Presidential Election <sub>t</sub>	+	2.06 (3.32)	1.78 (3.31)	1.92 (3.25)	2.10 (3.3)
State & Local Elections <sub>t</sub>	-	-0.28 (0.19)	-0.29 (0.19)	-0.27 (0.19)	-0.26 (0.19)
State & Local Elections <sub>t</sub> <sup>2</sup>	+	0.007 (0.005)	0.007 (0.005)	0.006 (0.005)	0.006 (0.005)
Contracted Out Races <sub>t</sub>	-	0.15 (0.68)	0.17 (0.68)	0.12 (0.68)	0.11 (0.68)
Contracted Out Races <sub>t</sub> <sup>2</sup>	+	-0.007 (0.02)	-0.008 (0.02)	-0.007 (0.02)	-0.006 (0.016)
<i>Controls</i>					
2006		5.89*** (1.53)	5.91*** (1.54)	5.65*** (1.54)	5.64*** (1.54)
Number of Races		0.22 (0.73)	0.23 (0.73)	0.27 (0.72)	0.26 (0.72)
Constant		44.9*** (3.18)	45.4*** (3.72)	45.2*** (2.16)	45.1*** (2.15)
N		397	397	397	397
F-Statistic		7.11***	7.09***	7.62***	7.65***
Adjusted R Square		0.16	0.16	0.16	0.16

*Dependent Variable: Average Client Riskiness taken on by firm*

*\*p < 0.05, \*\*p < 0.01, \*\*\*p < 0.001, 1-tailed test where hypothesized*

The two problem variables, industry performance and aspirations, just barely reach statistical significance. The coefficients are numerically identical but with opposite signs. For every one percentage point increase in their specialization's performance, a firm is expected to take 2.77 points of less risk. For the average firm, this reduces risk by roughly 104 points, a substantively huge amount, seeing as no firm had a risk score of higher than 72 points. The coefficient for aspirations balances this out. For each one percentage point increase in a firm's aspirations, their risk increases by an expected 2.77 points. The typical firm increases their risk by over 106 points, holding every other variable at their mean. The combination of industry performance and aspirations yields about a 2 point increase in risk for the average firm.

The above statistics indicate that firms do in fact feel pressure from other firms in their main specialization. When their colleagues – or competitors – win a higher percentage of their races, a firm will take less risk in the next cycle to as to reduce the hypothesized short-term impact of taking riskier clients. At the same time, a firm's aspirations lead to their taking additional risk. Aspiring to perform better will encourage a firm to take whatever steps necessary to reach those specialization-based goals, even if it means taking riskier clients that could, in the short-term, reduce their winning percentage. Importantly, this is irrespective of a firm's political affiliation.<sup>86</sup>

While many of the BTOF variables reach statistical significance, some do not. Specifically, a firm's expectations – their firm-based goals – are not significant. None of the slack measures were significant, either. These findings indicate that the specialization-based goals (aspirations) tend to matter more than expectations. In

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<sup>86</sup> Party affiliation – Democrat, Republican, or Nonpartisan – is not a significant variable in any of the BTOF models presented in Table 5.5.

addition to this, firms do not appear to buffer their risk taking by taking on state and local clients, working on a presidential campaign, or working on contracted out races.

The BTOF 3 and BTOF 4 models substitute attainment discrepancy for expectations and aspirations. Like in the previous chapters, this variable is not significant.<sup>87</sup> Lagged risk and performance are both statistically significant, although the small coefficient for the former indicates that its substantive significance is lacking. The coefficient for previous performance is just slightly lower than in the first two models, thus its substantive significance is about the same.

If BTOF does a decent job of explaining risk in the context of consulting firm winning percentage, how does it do explaining their performance? As Table 5.6 demonstrates, it does a very nice job. Every model reaches overall significance (*F*-*statistic* significant at  $p < 0.001$ ) and explains roughly 44 percent of the variation. Unlike in Chapters 3 and 4, attainment discrepancy is significant in BTOF 4. This analysis will focus primarily BTOF 4, particularly since the BTOF 1 and BTOF 2 models suffer from multicollinearity.

Many of the BTOF variables are significant in model 4, but the lagged performance variable is in the wrong direction (negative instead of positive). As discussed in Chapter 3, organization theory is a key component of BTOF and is predicated on stable environments. The consulting industry is much more volatile than the public sector. Firms are constantly entering and exiting the market, numerous potential candidates survey the electoral environment to determine if they should run (e.g. Lublin 1994), and every campaign must deal with crises (Garrett 2006). That prior

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<sup>87</sup> Multicollinearity is not a problem with the BTOF 3 and BTOF 4 models.



performance decreases performance<sub>t</sub> is interesting, but does not diminish the remaining results in the models.

Despite the problem with prior performance, other BTOF variables perform well. As expected, risk<sub>t</sub> significantly reduces a firm's winning percentage. For every additional point added to a firm's risk score, their winning percentage decreases by an expected 2.3 percent. This finding should come as no surprise, since candidates that have less money, are not experienced, and are in less favorable districts are more likely to lose an election.

An additional BTOF variable, industry performance, is statistically significant. As expected, firms in higher performing industries tend to perform better. As the industry average winning percentage increases by one point, a firm in the same industry will see an expected increase in their performance of nearly one-half percent. The median firm, with an industry<sub>t-1</sub> winning percentage of almost 38 percent, will see an expected increase in performance of roughly 19 points, holding the other variables constant.

Since the sample for this study includes the 2006 and 2008 elections cycles, controlling for the partisan affiliation of the firms is paramount. Not surprisingly, Republican firms had a significantly lower winning percentage than Democrats (the control group) in congressional races during these years. In fact, being a Republican firm resulted in an expected decrease in performance of nearly 20 percent. Nonpartisan firms – those who explicitly work for a third party or those who were self-described independent firms – fared even worse. These firms experienced an expected 35.4 percent

decrease in their winning percentage, an unsurprising result considering the lack of third-party electoral success in American elections.

**Table 5.6: Models of Campaign Consulting Firm Performance, 2006 – 2008**

<i>Independent Variables</i>	<i>Hypothesized Relationship</i>	<b>BTOF 1</b>	<b>BTOF 2</b>	<b>BTOF 3</b>	<b>BTOF 4</b>
Performance <sub>t-1</sub>	+	-0.59** (0.20)	-0.63*** (0.16)	-0.24* (0.12)	-0.30** (0.09)
Risk <sub>t-1</sub>	-	-2.30*** (0.16)	-2.30*** (0.16)	-2.27*** (0.16)	-2.27*** (0.16)
Risk <sub>t-2</sub>	+	0.36** (0.13)	0.35*** (0.11)	0.29* (0.13)	0.31** (0.11)
Industry Average <sub>t-1</sub>	+	-11.6* (5.2)	-12.0** (5.1)	0.31 (0.25)	0.47* (0.22)
Aspirations <sub>t-1</sub>	+	11.5** (5.2)	11.9** (5.0)	--	--
Expectations (Simple Avg.)	+	0.44** (0.19)	--	--	--
Expectations (Total Avg.)	+	--	0.50*** (0.14)	--	--
Attainment Discrepancy <sub>t-1</sub> (Simple Avg.)	+	--	--	-0.29 (0.18)	--
Attainment Discrepancy <sub>t-1</sub> (Total Avg.)	+	--	--	--	-0.41** (0.13)
<i>Slack</i>					
Presidential Election	-	-4.1 (10.2)	-0.20 (10.2)	-8.1 (10.1)	-4.1 (10.1)
State & Local Elections	+	0.50 (0.57)	0.59 (0.57)	0.53 (0.58)	0.62 (0.57)
State & Local Elections <sup>2</sup>	-	-0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)
Contracted Out Races	+	2.2 (2.1)	2.0 (2.1)	2.32 (2.10)	2.1 (2.10)
Contracted Out Races <sup>2</sup>	-	-0.04 (0.05)	-0.04 (0.05)	-0.04 (0.05)	-0.03 (0.05)
<i>Controls</i>					
2006		5.6 (4.8)	5.3 (4.8)	5.18 (4.82)	4.73 (4.78)
Number of Races		0.73 (2.23)	0.62 (2.2)	0.98 (2.23)	0.86 (2.21)
Republican Firm		-19.5*** (3.84)	-18.3*** (3.8)	-19.4*** (3.86)	-18.4*** (3.85)
Nonpartisan Firm		-35.7*** (9.7)	-34.9*** (9.6)	-35.6*** (9.7)	-35.4*** (9.6)
Constant		152.5*** (13.7)	148.8*** (12.2)	154.6*** (13.7)	147.7*** (12.3)
N		396	396	396	396
F-Statistic		21.1***	22.0***	22.04***	22.86***
Adjusted R Square		0.43	0.44	0.43	0.44

*Dependent Variable: Firm Won-Lost Percentage*

\**p* < 0.05, \*\**p* < 0.01, \*\*\**p* < 0.001, 1-tailed test where hypothesized

Finally, regarding the risk-reward hypothesis, it is important to note that the lagged risk variable is statistically significant in the expected (positive) direction in all four models. The coefficients range from 0.29 (BTOF 3) to 0.36 (BTOF 1), indicating that for each one unit increase in  $\text{risk}_{t-1}$ , the firm can expect a roughly 0.3 percent increase in  $\text{performance}_t$ . The average firm, then, can expect an average increase in their winning percentage of at least over 6.5 points. This is a substantively significant finding considering that the average firm wins 61.4 percent of their races.

Remember that Chapter 4 (Table 4.3) found that individual consultants take different types of risk with respect to revenue performance. “Electability risk” was both significant and positive, indicating that consultants that take risk with electorally weaker candidates can increase their revenue stream. But this still is different than what is found here, which suggests firms increase their winning percentage by taking risk in the previous election cycle.

There are a couple of possible reasons for this seemingly counterintuitive finding. First, even though consultants may take electoral risk for monetary purposes, the plurality of consultants surveyed hold winning elections to be a higher motivation than revenue. One possible explanation for this finding is that by taking on risky candidates, firms are laying the groundwork for future election cycles. Many candidates run for Congress more than once; the next time they run, it is possible they use the same consulting firms. In their second campaign they often receive an increased share of the vote (prior electoral percentage is strongly significant in the election models in Table 5.1). Particularly in House races, which occur every 2 years, they still have name recognition from their first

campaign, a network of campaign activists, and a donor base. Firms understand this dynamic.

A second explanation for the finding that lagged risk increases winning percentage is that election outcomes are not a complete science. Sure, political scientists like to model election outcomes based on macro factors – such as presidential approval and economics – but campaigns matter. This is where the previous research on the impact of consultants comes in handy. Herrnson (1992) finds that hiring fundraising consultants increases the amount of money a candidate raises. Money is generally a significant factor in elections (Green and Krasno 1988). Hiring consultants has been found to increase a candidate’s share of the vote and their likelihood of winning (Medvic 2001; Medvic 1998; Medvic and Lenart 1997). The bottom line is that consultants help candidates win races. Many consultants are in the business to win, and to that extent, they feel that their employment on a campaign will help that candidate do so.

If consultants matter in election outcomes, and thus campaigns, it should not be such a surprise that consultants are willing to take risky clients despite the association that risk hurts their winning percentage in the short-term. There is almost always a chance a candidate will win an election. The old adage that “you don’t play the games on paper” is important here. Candidates still have to campaign, debate, and get their message out. To that extent, political comebacks are not impossible – the improbable can, and does, happen.

Finally, campaigns are a learning process. Even if a consultant has a set strategy that they deploy in each campaign they work on, the tactics can change. Each campaign

is unique and there is always something to learn for the next time. It is entirely possible that this is the case here – firms get better over time.

### *Conclusion*

This chapter advances our theoretical knowledge and understanding of consultants in a few ways. First, it rigorously tests the portability of the BTOF models by bringing them into a new context. Whereas Chapters 3 and 4 focused on taking financial risk, this chapter examines the winning side of campaigns. Consultants want to win elections in addition to making money, but the BTOF concepts are still relevant. Firms still take electoral risk with clients, have different types of goals, and can buffer their environment. While there is no evidence of the last aspect mentioned, there does appear to be some for the first two.

Another important ramification of this chapter is that the evidence suggests that consultants are more than simple tools used by candidates to get elected. One of the dominant systematic explorations of the affect of consultants on elections is how they help candidates (Medvic 2001; Medvic 2003; Dulio 2004; Herrnson 1992). Instead, the findings discussed here indicate that there may be more going on. Clearly the politician and political candidate is the ultimate boss of the campaign, but consultants do look for clients that would implement their ideological preferences. This is one reason why consultants are willing to take electorally risky clients.

Second, this chapter examines which factors influence how much electoral risk a consulting firm will take. The most revealing findings are that past performance and past risk significantly influence the amount of risk a firm is willing to take. The models also

suggest that how other firms in their specialization matters. Finally, while firm-specific goals are not significant, industry-based goals do increase electoral risk.

Third, and perhaps most importantly, Chapter 5 looks at the important factors of firm winning percentage. Clearly,  $risk_t$  decreases a firm's performance, as do prior performance and industry average. Both types of goals help increase winning percentage, as firms will use such goals as motivations. Finally, there is a direct relationship between prior risk and performance, perhaps a puzzling finding at first, but one that is plausible as firms can be laying the groundwork for future elections with the same clients, surprises do happen in elections, and firms hone their craft over time. The next chapter will provide final thoughts about what these findings mean for political science in general and where further research on consultants can take us.

## **Chapter 6: “Don’t Stop Thinking About Tomorrow”: What does all of this Mean for Political Science?**

### *Introduction*

It has been many years since the notable pollster Celinda Lake (1989) and political scientist James Thurber (1998) pleaded with academics to explore campaign consultants in a more systematic and theoretical manner. As Lake pointed out, “Crassly put, candidates come and go, but consultants stay forever (or at least for a while) (1989, 28). To a large extent, this is true. Successful consultants and their careers – like Bob Shrum, Joseph Napolitan, and Baxter & Whitaker – extend over decades. Even those consultants who are not veterans of presidential campaign battles spend considerable time in the industry, spending long hours during peak season working on congressional, state, and local races. These are people who clearly play a central role in American politics.

The academic work on campaign consultants over the past 20-30 years has served to lay the foundation for a new research agenda over the next 20-30 years. This project goes beyond the debate of definitions and conceptualizations (those debates absolutely have their place) to tell *part* of the story of a political industry that is not well understood by academics or the public. It is a story of business and a dedication to ideology, of making a living and filling a competitive fix. Until now, much of their story has been relegated to the op-ed pages of newspapers and magazines.

### *What this Project Accomplished*

The literature on consultants is largely limited to how consultants add to a candidate’s campaign (Medvic 2001; Medvic 1998; Dulio 2004; Herrnson 1992). There



are some works that explore the consulting world with theoretical rigor (namely Medvic 2001; Nimmo 1970), but neither is able to systematically test their hypotheses. While this collective body of literature has yielded somewhat predictable results, it is necessary for laying the groundwork for additional study. After all, finding that consultants significantly increase a candidate's chances of winning is a good (although not necessarily a sufficient) justification for why political scientists need to pay attention to consultants. Yet this is only the beginning. Consultants are more than just a tool used by candidates to achieve electoral victory.

This project set out to provide at least a partial answer to the question of how campaign consultants operate in the American political system. Within this overarching narrative, three subquestions were addressed. Instead of simply relying on the argument that consultants are an important subject for study because they influence elections, Chapter 1 set out to connect the underpinnings of democratic government to the rise of campaign consulting (i.e. "Why study consultants?"). Chapter 3 then identifies two main aspects of consulting: the business side and the desire to win elections. Once these components of the consultant psyche are established, the chapter begins to examine risk in the financial context (i.e. "How can we understand consultants' financial risk taking?"). Chapter 4 then adds to the financial complexity by addressing the determinants of financial performance (i.e. "How can we understand consultants' financial performance?"). Finally, Chapter 5 moves to the second aspect of consulting by studying the risk taking and performance tendencies of consulting firms in the context of winning elections.

Providing adequate answers to these questions is not a straightforward and simple task. Because studies on consultants are not as common as those on Congress, elections, voting behavior, or even interest groups, it became important to establish a strong foundation for why consultants are worth spending so much time on. The argument, presented in Chapter 1, is that campaign consultants are a by-product of democratic systems with fair elections. In democracies, election results impact subsequent policy. Since election outcomes matter, so too do the campaigns. This lies at the root of the academic relevance of consultants.

The evidence in support of the connection between democracy and campaign consultants is strong. While there is no explicit evidence of campaign consultants during Greek democracy, there is some circumstantial evidence. The evidence is much stronger for the Roman Republic, particularly in the writings of Quintus Cicero, who wrote a guide to electioneering. Consultants were even around at the beginning of American democracy. Indeed, Thomas Jefferson had the help of one of America's first campaign advisors, John Beckley.

It was not until the 1930s that we saw the modern incarnation of the consulting firm with the advent of Baxter & Whitaker. After that point, the growth in the consulting profession has been such that Johnson (2009) estimates that 50,000 candidates each year hire a consultant. Prior to the advent of consulting as a profession, consultants seemed to be in the race for more than just money. Even now, money is not the main motivation for people getting into the profession (see Chapter 3). Thus, money is not sufficient for the existence of consultants, but the reality of free and fair elections do. This is an argument that has not been made in the literature, but it is one that is very revealing.

Although money is neither necessary nor sufficient for the existence of consultants (depending on the definition used), it certainly helps. Revenue is an important component for many individual consultants and Chapters 3 and 4 are the first systematic explorations into the financial aspect of being a campaign consultant in the academic literature. The gist of these chapters is that there is a relationship between financial risk and reward, although this relationship is not as straightforward as is exhibited in the business literature.

Chapter 5 merges the business literature used extensively in Chapters 3 and 4 and the notion that winning elections is an important part of the consulting profession. Ideological preferences play a main role in the motivation of consultants even after they have been in the business for quite some time. Chapter 5 unpacks this aspect a bit, using the same theoretical approach as the previous chapters. Again, the thrust of the chapter details the relationship between electorally risky clients and winning percentage (performance). While this relationship is not as immediate as the one detailed in Chapters 3 and 4, the evidence suggests that it exists.

This paper does not uncover any new ground methodologically, but a variety of statistical rigors were taken. Ordinary least squares regression is a robust method, but there are issues with using just that with the data covered in this project. Much of the business literature uses one measure of risk in a model. Chapters 3 and 4 utilize exploratory factor analysis to identify 4 unique types of risk that consultants can take. Because the models in these chapters are similarly specified, there is evidence that the models' errors are correlated. To remedy this problem, seemingly unrelated regression (SUR) is used. Not to be outdone, Chapter 5 creates a new measure of candidate

electoral risk based on the congressional elections literature and uses weighted least squares (WLS) regression to examine the relationship between electoral risk and winning percentage.

The above level of statistical rigor would not have been possible without the creation of two new datasets, both of which were a large undertaking. The first new dataset is derived from a new survey of individual campaign consultants (see Chapter 2). Other studies have surveyed individual consultants (e.g. Luntz 1988; Dulio 2004), but this survey added a variety of new questions to the mix, only some of which are explored here. This survey was approved by the University of Oklahoma's Institutional Review Board and implemented online, the first study of consultants to be administered in this manner. In this dataset, individual consultants are the unit of analysis. Among the questions used in this project were those about potential client attributes, their specialization(s), their original and current motivations for being a consultant, their position in their firm, the amount of revenue they brought in during the 2006 electoral cycle, and how much money in win bonuses they brought in during the same cycle.<sup>88</sup>

The second dataset changed the unit of analysis from the individual consultant to the firm. While collecting data on individuals would have been consistent with the survey discussed above, the necessary information is not available at the micro level. Using a commonly used list of consulting firms (e.g. Dulio 2004; Medvic 2001), the second dataset looked at each firm's congressional clients to determine how much risk they assumed in a given electoral cycle. The calculation of the risk measure by means of OLS regression itself required another unique dataset. When the risk measure was calculated, it was added to this second dataset and combined with data on a firm's

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<sup>88</sup> See Chapters 2-4 for more details on survey questions and variable measures and operationalizations.

congressional winning percentage, the number of congressional races worked on, specialization(s), previous performance, previous risk, and various measures of slack. These datasets were a time-consuming project that turned out to be very rewarding. Not only did they perform well in the models, but the wide range of data collected will support additional research projects (to be discussed below).

### *Theoretical and Conceptual Insights*

This project is largely centered on Cyert and March's (1963) behavioral theory of the firm (BTOF). Despite model specifications that heavily borrow from previous literature, there are some key theoretical and conceptual insights to be found here. There are relevant insights in a general sense for political science, the BTOF framework, and individual variable conceptions, all of which are discussed below.

Political scientists have not made much use of BTOF, despite the fact that one of its intellectual fathers, James March, was a political scientist. The groundwork for BTOF is not foreign to political science, however. BTOF draws upon the concept of "bounded rationality," which assumes that actors in the political system have imperfect knowledge (remember Ed Rollins and the Michael Huffington for Senate campaign in 1994) and they make decisions based on what information is available. This is known as "satisficing," a combination of "suffice" and "satisfy." Bounded rationality is commonly used in political science (for one example, see Krutz 2005), but the specific aspects of BTOF are not.

In the BTOF framework, despite imperfect information, actors still desire to perform well. The theory does a nice job explaining performance as a function of

different types of goals (expectations and aspirations), industry benchmarks, and buffers (slack). In this dissertation, firms are at least somewhat aware of how well others in their specialization (industry) are performing. They also know how well they have performed in the past. They set minimum standards of performance based on their past performance (expectations) and how well their specialization has done. If they have performed below others in their specialization, they set a goal of matching that. If they have over performed within their specialization, they seek a marginal improvement beyond that level. In the event of exogenous shocks to their environment (i.e. campaign finance reform, a bad election cycle for their party), they look for ways to buffer potential losses. This buffer provides them a type of security blanket from rapid shifts in the political system.

At the same time, firms are also looking for additional ways to improve performance. This is where the concepts of risk and performance intersect. Even as firms look to increase their revenue or winning percentage, uncertainty influences their decision making. Risk taking plays a key role in understanding how consultants perform. If consultants do not feel that taking a risk will benefit them at any future time, they will not take it. Depending on how well they are performing, how well related firms are doing, and how much of a buffer they have in reserve, firms will take varying amounts of risk.

The concepts and the theoretical relationships between them are worth implementing in political science. This dissertation used two main dependent variables found in BTOF literature: risk and performance. In Chapters 3 and 4, risk and performance were analyzed in the context of financial revenue. Chapter 5 explored these

phenomena in the context of winning elections. Some of Shepsle's work (Shepsle 1972) uses the concept of risk in terms of voters. Students of Congress often look at various types of performance, such as major legislation (e.g. Mayhew 2005). These concepts are not unique to business or economics; they are very much an integral component of politics.

Even looking at other aspects of American politics yields an interesting potential connection with BTOF. Lobbyists, political parties, and major donors are just a few of the other political actors with a financial stake in politics. Lobbyists raise money and dispense funds to candidates via PACs. Political parties (and their electoral committees) are constantly bringing in money and doling it out. Even major donors, particularly the "bundlers," fall in with the concept of financial performance. Likewise, each of these groups faces risk. Lobbyists have to choose which candidates to support, as do political parties and major donors.

As this dissertation demonstrated, finances are not the only component to the concepts of risk and performance. Members of Congress (MCs) author legislation, committees look to pass bills, congressional leaders and presidents have legislative agendas, parties have their brand, and lobbyists work on behalf of specific issues. Risk plays a role in the performance of each of these groups. BTOF may not be 100 percent portable to each of these sub-fields, but adjustments can be made. Industry performance, for instance, may be applicable for lobby organizations (such as all union lobby groups) but not for legislators. If industry performance is not applicable, the same will hold for aspirations. The other key concepts, such as expectations and slack, can easily be modified to work in other sub-fields and contexts.

This dissertation not only moves the literature on consultants forward, it also provides some conceptual clarity for how BTOF relates to political science. A significant conceptual contribution made in this project is that there are multiple forms of risk. Chapter 3 identified 4 components of risk in potential clients: electability, resume, financial, and opponent strength. Each of these relates differently to risk and can be modeled singly. BTOF does particularly well at modeling potential client electability risk, but does not perform as well with financial risk. Still, BTOF does a decent job of predicting financial performance and how these four types of risk relate to it. This indicates that more work needs to be done to explore how BTOF relates to different components of risk in the political system.

This dissertation makes one final theoretical contribution to the BTOF literature. Chapter 5 adds a new component to the risk-reward relationship in the BTOF context by adding a second, or lagged, measure of risk. Risk does not need to produce immediate benefits for a consulting firm. Consultants are looking for ways to compete, candidates that share their ideology/policy preferences, and ways to make money. There is nothing in this that necessitates a myopic view of risk. Taking risk opens the door for opportunity, and even Pyrrhic victories can pay off in the long run.

### *Major Empirical Findings*

This dissertation is not limited to its theoretical/conceptual contributions. Each empirical chapter (Chapters 3-5) provides useful and unique insights into the world of campaign consultants. This section highlights the key findings from each of the chapters.



The first significant finding, detailed in Chapter 3, is that consultants are more than money-seeking entrepreneurs. This fits in well with BTOF, which argues that firms can have goals other than maximizing profits. According to the survey results, the main motivation for consultants beginning their career as a consultant – and staying in the business – is to see their ideological brethren enact their preferred policies. Money is a big part of being in the business, but it is not everything. This finding helped set up the remainder of the dissertation by broadening the conceptual map beyond money.

Chapter 3 looks at influential factors of a consultant's willingness to take on risky clients. The empirics of the chapter are separated into two main sections. The first examines an overall model of risk, using a general risk propensity score derived from the consultant survey. The BTOF model does a better job explaining a consultant's willingness to take risk than the Agency/Upper Echelons model, but BTOF's explanatory power is limited due to some variables being significant in the wrong direction. This problem is significantly addressed by determining that there are four unique types of risk (identified using factor analysis): electability, opponent quality, résumé, and financial risk.

The second section of findings in Chapter 3 looked at how well BTOF performed against each of the four new risk types as dependent variables. Overall, BTOF did a very good job explaining a consultant's willingness to take electorally risky candidates. The evidence suggests that consultants use their expectations and aspirations to gauge which clients they should work for. Consultants appear to use moderate amounts of slack to increase their risk. Finally, consultants who brought in larger amounts revenue were willing to take on significantly riskier clients.

BTOF does an adequate job explaining a consultant's willingness to take risk with respect to potential opponents. Consultants who brought in higher amounts of revenue were less likely to be willing to take risk in this area, and we again see a dynamic between goals and risk.

In the last two models in Chapter 3, BTOF does a poor job explaining a willingness to take risk with regards to finances and a potential client's résumé. None of the models predicting résumé risk were significant and none of the variables significantly met the hypothesized standards. There was an interesting finding in the final model, which examined financial risk. Whereas BTOF outperformed the upper echelons/agency theory in each of the previous Chapter 3 models, one of its key independent variables was successful in the last model. Consultants who had a financial stake in their firms were more willing to take on clients with financial question marks.

Chapter 4 used the conceptual depth developed in Chapter 3 to test how risk, as well as other BTOF variables, influence revenue performance. Beginning with the aggregated measure of risk, the first model of revenue performance demonstrated a similar problem as the first model in Chapter 3 – some significant variables were in the wrong direction. By disaggregating the risk variable, we get an excellent model of consultant revenue performance. The biggest finding in this model is that being willing to take risk leads to increased revenue, and this applies to all four types of risk. As hypothesized, there is a risk-reward dynamic present in the consulting industry in terms of revenue.

Interestingly, this risk-reward finding holds even for consultants willing to take on financially risky clients. Bounded rationality plays a critical role here. Not all clients are

capable of running self-funded campaigns, thus there is high uncertainty with regards to many candidates. This does not mean that they are incapable of raising funds. To the contrary, many candidates who have to fundraise can bring in large amounts of money, particularly if they hire a fundraising consultant (Herrnson 1992). Consultants can easily bring in considerable amounts of revenue even with financially risky clients.

Chapter 5 shifts from financial considerations to the ability to win elections. The first model in this chapter examined the determinants of how risky consulting firms actually were in 2006 or 2008, using a regression-based measure of risk. BTOF performs fairly well in this model, as past performance, industry performance, and aspirations all significantly predict risk (in their hypothesized directions). The key finding here is that firms will look for ways to decrease electorally risky candidates in the context of winning percentage in some circumstances, but not all. If a firm has performed well in the past, they will take less risk because it ensures that they will have better clients. Firms in higher performing industries (specializations) will likewise take less risk to make sure their winning percentage “keeps up with the Joneses.” On the other hand, firms that have taken more risk in the past tend to take more risk in the present, as will firms trying to meet specialization-based goals.

The finding of a direct relationship between prior and present risk is interesting and has ramifications for the performance model in Chapter 5. Why do firms seemingly take higher risk year after year? Is it because it is addictive? According to the performance model, it has more to do with future benefits. As expected, taking risky clients leads to a decline in winning percentage in the short-term, but it pays off in the long run. This sheds light on one aspect of the Chapter 5 risk model – firms continue to

take risky candidates year in and year out because it helps them win elections further on down the road. Even though BTOF does not assume that firms will maximize performance, it is not naïve to think that firms take risk for no reason. Consultants, argues BTOF, are always looking to improve performance. Taking on clients in new geographical markets, helping candidates in tough races for the sake of the party, or even just helping out a friend all provide an opportunity for the firm to network for prospective clients. It also helps them improve their craft and get to know additional electoral districts. In other words, it helps decrease the uncertainty associated with a given area.

### *Normative Implications*

In an October 2010, op-ed, *New York Times* columnist David Brooks articulated a seemingly widely held view about consultants. “I can see why media consultants would believe money is vitally important: the more money there is the more they make,” he wrote when talking about campaign fundraising (2010, 1). While Brooks was not lambasting consultants for their opulence, the reality (as it always is in political science) is more nuanced.

If this dissertation could make one point, it would be this: the interaction between consultants and the political system is complex but understandable. Consultants are not all about money; they do not solely seek power. They want to make money (they are not alone here!), win elections, and influence policy. Some like the nature of competition while others are fueled by a desire to crush their political opposition at the ballot box. Two of the most important tables in this whole project are Tables 3.1 and 3.2 which show these varying motivations for consultants to be in the industry. While these tables are not

regression results, the information contained therein establish two of the contexts in which BTOF is tested. It also affirms earlier research conducted by Dulio (2004).

That consultants are complex political actors should come as no surprise. As BTOF argues, profit maximization is not the only goal in an uncertain (i.e. risky) system where actors must “satisfice.” In this way they behave like many firms in the business world – they are not terribly unique in this regard. Sure, the Republican consultants want their party to be in the majority, but they have to balance this desire with the need to stay in business. They are risk-averse individuals and firms, but often take some risk; not for the sake of taking risk, but because they hope that it pays off over time.

Tables 3.1 and 3.2, in conjunction with the key findings bring home another thing to bear in mind. There is a dynamic relationship between the consultant and the client. The political science literature has done a good job showing how consultants can help candidates, but this dissertation shows how candidates return the favor, so to speak. In a business-sense, it is natural that consultants need clients to survive. But beyond that, the type of client matters. Consultants sometimes need that risky client that no one else is willing to take because they need the business or are looking for a unique way to get their preferred candidates into office.

This dynamic relationship between the consultant and client is an important component of the industry. Richard Wirthlin spent decades as Ronald Reagan’s pollster. When he visited President Reagan after the announcement of his Alzheimer’s diagnosis in 1994, Wirthlin was so moved by the deteriorated state of his long-time boss and friend that he cried as soon as he left the President’s presence (Wirthlin 2004). In a scene at the end of *The War Room*, a documentary of then-Governor Bill Clinton’s campaign staff

during the 1992 presidential campaign, communications director George Stephanopolous remarks on election day that he teared up just thinking of referring to his boss as “Mr. President.” Not every consultant works with the same client(s) for decades or wins the presidency in an upset, but they are invested in their work. It almost seems as if many of them live their political dreams vicariously through their clients.

The final normative consideration to be discussed harkens back to Chapter 1, which made the argument that the rise of the modern consulting industry was largely inevitable. If this is the case, how do people (scholars and the general public alike) view this profession? The first key is to realize that consultants are here to stay. This is because they never really went away. While the industry has evolved, campaigns have been a fundamental element of American history. The campaign over ratification of the Constitution demonstrated that people would take the tactics and strategies from one campaign and apply them over and over. Martin Van Buren did not just wake up one day and find himself running Andrew Jackson’s 1828 presidential campaign. He had honed his craft of networked politics for years in New York. Mark Hanna did not become Ohio’s political kingmaker overnight; he worked within the system to grow his influence over time. When Baxter and Whitaker began the modern consulting firm, they saw an economic market for their skills. Hundreds and thousands of people have followed suit, merging political passion and entrepreneurialship.

As long as there are free and fair elections in the United States, there will be campaign consultants. This is not meant to trivialize the problems that are a part of the consulting industry. Some research shows that consultants generally want ethical reforms and industry standards (Johnson 2007; Luntz 1988). Despite this, consultants are known

to trip up (remember when Dick Morris getting caught with a prostitute?). Some will inevitably do things that approach an ethical gray area. Still, most consultants are not corrupt, power-hungry individuals. This research demonstrates that, whatever their faults may be, they are confronted with much of the same problems as everyone else.

### *What Comes Next?*

The research on campaign consultants continues to accumulate, but it is an area in need of development. James Thurber (1998) made his plea for a more theoretically-guided subfield over ten years ago, but political scientists have largely yet to answer the call. Stephen Medvic's (2001) excellent book –itself almost a decade old – remains one of the few theoretical examinations into consulting world. This dissertation is an attempt to begin the laborious task of applying theory and evidence to consultants. This section focuses on some areas – theoretically and empirically – to expand the research into consultants over the next decade.

No research project is perfect, and this work certainly demonstrates that. Theoretically, this work grapples with importing an economic/business theory to the American political system. While BTOF does a decent job here, it needs to be developed further. Which conceptual relationships, if any, need to be adjusted? BTOF has been tweaked in the business literature over time and the same holds here. If it becomes a more engrained theory in political behavior literature, it will develop. That not every variable performs as expected does not indict either the theory or this work. It simply means more exploration is needed.

There is also a need for empirical development on BTOF. This work uses different measures of risk and performance, but this occurs across contexts (financial, electoral). There are other ways with which to measure these concepts. For instance, this project explores consultant revenue as a measure of performance, whereas another might prefer to use profit. Chapter 3 disaggregates risk into four types, but it is all in the context of client cultivation. Another way to look at it could be to delve more deeply into candidate finances. Chapter 5 uses a candidate-centered risk measure, but a possible alternative could be to look at the odds of a candidate winning (such as what Nate Silver does on [fivethirtyeight.com](http://fivethirtyeight.com)), which would measure a candidate's risk against a hypothetical performance of an opponent. Each of these alternatives would be a time-intensive project, but it could aid in bringing precision to the questions examined here.

Another area for further research in the risk/performance context is to acquire more data points. The survey instrument implemented here does not ask consultants to divulge financial information for past electoral cycles, instead focusing on 2009-2010. To both increase the number of observations, it would be prudent to disseminate the survey again in a few months and repeat it every cycle. This would also have the benefit of allowing for a panel study for those who respond across multiple cycles, allowing us to better understand how consultants develop their clientele base over time.

Moving up from the micro-level, it would be beneficial to examine consulting firms across additional cycles as well. Chapter 5's models have an adequate  $n$ -size, but expanding the playing field could add robustness and nuance to the findings. Although time consuming, the data is available going back into the 1980s. It would be interesting



to see if BTOF performs better over time or if it is a consistent predictor of firm winning percentage.

Another research topic that comes from Chapter 5 is the concept of “effective” consulting firms. Dulio (2004) makes a solid attempt to use this concept in his work. Effective consultants are those who get the job done. They may not be the most well-known, but when they are involved in a race, their candidates perform well. This evokes the idea of campaign efficiency. Effective consultants should be able to help their candidates achieve optimal performance, *ceteris paribus*. The data collected for the 2004-2008 congressional candidates is a launching point to test this hypothesis. Each candidate is expected to receive a certain percentage of the vote in the general election based on their fundraising, experience, incumbency, political environment, district characteristics, and opponent quality. Which consultants, or types of consultants, help candidates reach that expected percentage? What makes some consulting firms more effective than others? This is an alternative measure of “effectiveness” from that used by Dulio, who asks consultants who of their colleagues they feel are effective. Instead of using survey responses, this method would allow for a cross-sectional approach across elections.

Yet another area of further research based on Chapter 5 is implementing the BTOF risk/performance models in more contexts. Is there a difference between House and Senate candidates in terms of the risk-reward argument? Chapter 5 does not make this distinction, averaging each of a firm’s congressional candidates together. What about state and local races? Local races are sometimes difficult to get adequate systematic information on, but given enough time (and perhaps graduate assistants) it can

be done. This allows the BTOF models to be carried out for specific electoral contexts as well as in an omnibus fashion by grouping all candidates together.

One key aspect not included in this dissertation, though it was a part of the prospectus, is a consultant's reputation. Do consultants with a better reputation have more candidates? Do they make more money? Are they able to reduce uncertainty yet still bring in revenue? There really is no simple way to calculate or estimate a consultant's reputation. Even though the survey instrument asked questions about reputation, there are too many consultants to be able to rely just on those responses. Without leading consultants toward giving their opinions about specific firms, and thus possibly biasing responses, it would be virtually impossible get a reputation score for enough firms just from the survey. In order to solve this problem, an in-depth study must be conducted. Researchers need feedback from numerous consultants, party officials, and elected officials to piece the reputation puzzle together. This cannot happen overnight, or even in a year. It is an ongoing project that requires funding and assistance.

One cannot build a suitable measure of reputation without an adequate database of consultants. There are a few sources, such as *C&E Magazine* and the Political Research Directory, that provide a wide-ranged listing of consultants and firms. Yet the 1,100 or so consultants in this project's survey sample were just the tip of the iceberg. Even using Medvic's (2003) narrower definition of who can be considered a consultant, hundreds, if not thousands, of consultants are not included in these databases. These resources list a wide range of consultants with varying levels of performance, but there are more out there. For every major campaign firm there are dozens of small and individual consulting groups. The overarching desire is similar to what scholars studying lobbyists spent

decades hoping for: more data. Reforms in the lobbying industry and persistence from key scholars such as Jack Walker eventually paved the way for more and better data. The same thing needs to be done for consultants.

One final note will be made regarding future research on consultants, although many more could be made. While this project utilized BTOF as its theoretical lens, other theories can and should be created and/or imported into the consulting literature. The original design of this project was to use the networking literature prevalent in the public administration field to explain winning percentage (see McGuire 2006; Rethemeyer 2005; and Meier and O'toole 2001 for some basics). The idea was that some consultants are more effective than others (see above). Networking with other actors in the political system, such as political parties, PACs, or other campaigns, can help a consultant increase their performance. Again, performance can extend across multiple contexts. Consultants can network to help build a clientele base and they can network within the campaign setting to help their clients win their elections. This would integrate an additional theoretical perspective in conjunction with (or perhaps in competition to) BTOF.

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## Appendix A: Recruitment Letters

### 1) Initial letter recruitment for Web Survey, Group 1

Colin Swearingen  
University of Oklahoma  
455 East Lindsey St., Room 205  
Norman, OK 73019

*Dear (Respondent),*

*My name is Colin Swearingen. I am a researcher from the University of Oklahoma currently studying campaign consultants in American politics. I need your help with an online survey that focuses on how campaign consultants build their business, craft their reputation, and how they operate in a campaign setting.*

*As a group of individuals, campaign consultants are widely viewed as unknown figures that work behind the scenes to manipulate the public to vote for their candidate. Political scientists have conducted some studies on consultants, but there are many areas that have gone unexplored. As a campaign consultant, I am asking your help in determining some of the characteristics concerning your role in your firm, training, and interactions during a campaign. Your responses, together with others, will be combined and used for statistical summaries only.*

*In a couple of days I will send you an email that will reintroduce you to the survey, and in about a week you will receive another email with a link to the survey and a unique, anonymous password to use.*

*The online survey will take between 15-20 minutes of your time. Your participation is voluntary and you may refuse to answer any question. All answers will be confidential and there is no compensation for participating.*

*If you have any questions about this research, please feel free to contact me. Thank you for considering my request and I hope you will be willing to help me with this project.*

*Thank you in advance for your help.*

*Sincerely,*

Colin Swearingen  
[cswearingen@ou.edu](mailto:cswearingen@ou.edu)  
(440) 708-6675 (cell)

*Note: The University of Oklahoma is an equal opportunity institution*

## 2) Initial letter recruitment for Web Survey, Group 2

Colin Swearingen  
University of Oklahoma  
455 East Lindsey St., Room 205  
Norman, OK 73019

*Dear (Respondent),*

*My name is Colin Swearingen. I am a researcher from the University of Oklahoma currently studying campaign consultants in American politics. I need your help with an online survey that focuses on how campaign consultants build their business, craft their reputation, and how they operate in a campaign setting.*

*As a group of individuals, campaign consultants are widely viewed as unknown figures that work behind the scenes to manipulate the public to vote for their candidate. Political scientists have conducted some studies on consultants, but there are many areas that have gone unexplored. As a campaign consultant, I am asking your help in determining some of the characteristics concerning your role in your firm, training, and interactions during a campaign. Your responses, together with others, will be combined and used for statistical summaries only.*

*In a couple of days I will send you an email that will reintroduce you to the survey, and in about a week you will receive another email with a link to the survey and a unique, anonymous password to use. Currently, I have only a generic email address for you (i.e. [info@xxx.com](mailto:info@xxx.com)). If necessary, please email me at [cswearingen@ou.edu](mailto:cswearingen@ou.edu) to provide a more convenient email address.*

*The online survey will take between 15-20 minutes of your time. Your participation is voluntary and you may refuse to answer any question. All answers will be confidential and there is no compensation for participating.*

*If you have any questions about this research, please feel free to contact me. Thank you for considering my request and I hope you will be willing to help me with this project.*

*Thank you in advance for your help.*

*Sincerely,*

Colin Swearingen  
[cswearingen@ou.edu](mailto:cswearingen@ou.edu)  
(440) 708-6675 (cell)

*Note: The University of Oklahoma is an equal opportunity institution*

### 3) Initial letter recruitment for Web Survey, Group 3

Colin Swearingen  
University of Oklahoma  
455 East Lindsey St., Room 205  
Norman, OK 73019

*Dear (Respondent),*

*My name is Colin Swearingen. I am a researcher from the University of Oklahoma currently studying campaign consultants in American politics. I need your help with an online survey that focuses on how campaign consultants build their business, craft their reputation, and how they operate in a campaign setting.*

*As a group of individuals, campaign consultants are widely viewed as unknown figures that work behind the scenes to manipulate the public to vote for their candidate. Political scientists have conducted some studies on consultants, but there are many areas that have gone unexplored. As a campaign consultant, I am asking your help in determining some of the characteristics concerning your role in your firm, training, and interactions during a campaign. Your responses, together with others, will be combined and used for statistical summaries only.*

*In a couple of days I will send you an email that will reintroduce you to the survey, and in about a week you will receive another email with a link to the survey and a unique, anonymous password to use. Currently, I have **do not** have an email address for you. I would greatly appreciate it if you would email me at [cswearingen@ou.edu](mailto:cswearingen@ou.edu) to provide a convenient email address.*

*The online survey will take between 15-20 minutes of your time. Your participation is voluntary and you may refuse to answer any question. All answers will be confidential and there is no compensation for participating.*

*If you have any questions about this research, please feel free to contact me. Thank you for considering my request and I hope you will be willing to help me with this project.*

*Thank you in advance for your help.*

*Sincerely,*

Colin Swearingen  
[cswearingen@ou.edu](mailto:cswearingen@ou.edu)  
(440) 708-6675 (cell)

*Note: The University of Oklahoma is an equal opportunity institution*

#### 4) Dissemination of Web Survey - Email

*Dear (Respondent),*

*My name is Colin Swearingen. I am a researcher from the University of Oklahoma currently studying campaign consultants in American politics. I need your help with an online survey that focuses on how campaign consultants build their business, craft their reputation, and how they operate in a campaign setting.*

*As a group of individuals, campaign consultants are widely viewed as unknown figures that work behind the scenes to manipulate the public to vote for their candidate. Political scientists have conducted some studies on consultants, but there are many areas that have gone unexplored. As a campaign consultant, I am asking your help in determining some of the characteristics concerning your role in your firm, training, and interactions during a campaign. Your responses, together with others, will be combined and used for statistical summaries only.*

*The online survey will take between 15-20 minutes of your time. Please fill out your survey by [DEADLINE]. **Click here to access the survey.***

*Thank you for your help.*

*Sincerely,*

*Colin Swearingen*

*[cswearingen@ou.edu](mailto:cswearingen@ou.edu)*

*(440) 708-6675 (cell)*

*Note: The University of Oklahoma is an equal opportunity institution*

**5) Survey Reminder Email [this email is sent to the SAME GROUP of participants as the first email. This email is to REMIND them to participate in the survey.]**

*This is a REMINDER. If you haven't already filled out your survey, there is one more opportunity to help us out! Remember, your participation is voluntary, not required and any survey information you provide will be kept strictly confidential. [This message continues on with the same content as the FIRST e-mail, and a link to the survey.]*

## Appendix B: Questionnaire

### INFORMATION SHEET FOR CONSENT TO PARTICIPATE IN A RESEARCH STUDY

**Invitation to Participate:** You were selected as a possible participant because of your experience as a campaign consultant.

**Purpose of the Research Study:** The purpose of this study is to analyze how campaign consultants build their business and interact in our political system.

**Procedures:** If you agree to be in this study, you will be asked to do the following things: answer an online survey and/or discuss in an interview your experiences as a campaign consultant, or someone knowledgeable about campaign consultants.

**Risks and Benefits of Being in the Study:** The study has the following risks: The benefits to participation are: There are no benefits to participation.

**Compensation:** You will not be compensated for your time and participation in this study.

**Voluntary Nature of the Study:** Participation in this study is voluntary. Your decision whether or not to participate will not result in penalty or loss of benefits to which you are otherwise entitled. If you decide to participate, you are free not to answer any question or discontinue participation at any time without penalty or loss of benefits to which you are otherwise entitled.

**Length of Participation:** 15 minutes for the survey.

**Confidentiality:** The records of this study will be kept private and your supervisor will not have access to your responses. In published reports, there will be no information included that will make it possible to identify you as a research participant. Research records will be stored securely. Hard copies of interview notes will be stored in a locked location. Typed notes will be password protected. Data will be destroyed after the research is complete. Only approved researchers will have access to the records.

**Contacts and Questions:** If you have concerns or complaints about the research, the researcher(s) conducting this study can be contacted at (440) 708-6675 or [cswearingen@ou.edu](mailto:cswearingen@ou.edu). You may contact my academic advisor, Keith Gaddie at (405) 314-7742 or [rkgaddie@ou.edu](mailto:rkgaddie@ou.edu). In the event of a research-related injury, contact the researcher(s). You are encouraged to contact the researcher(s) if you have any questions. If you have any questions, concerns, or complaints about the research or about your rights and wish to talk to someone other than the individuals on the research team, or if you cannot reach the research team, you may contact the University of Oklahoma – Norman Campus Institutional Review Board (OU-NC IRB) at (405) 325-8110 or [irb@ou.edu](mailto:irb@ou.edu).

**Conclusion:** I have read and understand the consent form. I agree to participate in this research study.  
(Participants may print this screen for their records.)

A. I agree to participate; press START to begin.

B. I decline to participate; Close Browser to leave.

## General Background 1

1) Are you currently working as a professional campaign consultant or have you worked as such at any point since 2004? [if no, skip Qs 37-48]

- Yes, currently working as political consultant
- Yes, have done so at any point since 2004
- No

2) Currently, what is your primary role as a campaign consultant? (Which role did you play the most?) Would you describe yourself as a:

- General campaign consultant or general strategist
- Field Operations
- Pollster, including survey research and focus group consultant
- Media Consultant
- Direct mail specialist
- Fundraiser
- Research, including opposition research
- Other (Specify)

3) After your primary role as a campaign consultant, what other specializations have you worked in? (Choose all that apply)

- General campaign consultant or general strategist
- Field Operations
- Pollster, including survey research and focus group consultant
- Media Consultant
- Direct mail specialist
- Fundraiser
- Research, including opposition research
- Other (Specify)

4) What campaign services does your firm offer? (Choose all that apply)

- General campaign consulting
- Field Operations
- Pollster, including survey research and focus group consultant
- Media Consultant
- Direct mail specialist
- Fundraiser
- Research, including opposition research
- Other (Specify)



5) About how many people are employed in total in your firm during a campaign season? [open]

6) About how many people are employed in total in your firm during a noncampaign season? [open]

## **General Background 2**

7) What is your role within the campaign firm at which you work?

Principal/owner  
Data Analyst  
General Manager  
Other [open]

8) In which year did you take your first **paid** campaign job?

9) Thinking back to when you first became active in political campaigns in a paid professional capacity, what would you describe as your main motivation for becoming a professional consultant? [open]

10) Has this motivation changed in any way? What would you describe as your main motivation today for being a professional consultant? [open]

11) Some campaign consultants have left the business and pursued other ventures. Does this apply to you? (If “No” or “DK/Refused”, skip to #11)

Yes  
No  
DK/Refused

12) If so, how many times have you exited and re-entered the campaign profession? [open]

## **Training**

13) How were you “trained” to be a campaign consultant? Did you...

Get an advanced degree on campaign politics  
Run a friend’s campaign  
Work/intern on a campaign  
Get training from a political party

Other

14) Prior to becoming a consultant have you ever:

	Yes	No	DK/Ref
Worked in the office of a federal, state, or local elected official			
Worked for a national, state, or local political party or party committee			
Worked in government			
Worked for a news media organization			

15) This question is for those who have left the campaign consulting business at least once. After leaving the consulting business did you:

	Yes	No	DK/Ref
Work in the office of a federal, state, or local elected official			
Work for a national, state, or local political party or party committee			
Work in government			
Work for a news media organization			

**Firm**

16) Does your firm work only for Republicans, only for Democrats, or does it accept clients from both parties?

- Only Republicans
- Mostly Republicans
- Half Republicans, Half Democrats
- Mostly Democrats
- Only Democrats
- Don't know/refused

17) Does your firm have commercial as well as political clients or does it only do political work?

Commercial and political

Only political

Only commercial

18) What is the source of your personal income?

Commission based on how many campaigns you are working on

Salary

You bring in your own clients

Other (specify)

19) Please list the states that you have worked on campaigns in. [open]

20) How many clients do you anticipate having during the 2009-2010 election cycle?

21) What goals do you have for the 2009-2010 election cycle? Be as general or specific as you would like.

22) How much total revenue did you personally bring in during the 2007-2008 election cycle? [open]

23) How much total revenue do you personally expect to bring in during the 2009-2010 election cycle? [open]

24) Does your firm actively recruit clients?

Yes [go to #25]

No [go to #26]

25) If so, how?

### **Win Bonuses**

26) On a scale from 0 to 10, where 0 = not at all important and 10 = extremely important, how important are win bonuses to your firm?

27) About how much did your firm make in win bonuses in the 2008 election cycle? [open]

### **Prospective Clients**

28) The following factors are sometimes considered by consultants in their decision whether to take on a prospective client. Please rank each factor on a scale from 0 = not at all important to 10 = extremely important.

	0	1	2	3	4	5	6	7	8	9	10
Prior Candidacy											
Candidate's Positive Name Recognition/Standing in the Community											
Candidate's Likelihood of Victory in the Primary Election											
Candidate's Likelihood of Victory in the General Election											
Candidate's Having Prior Military Experience											
Candidate Ideology Close to Your Own											
Candidate's Ability to Pay You											
Candidate's Commitment to use Personal Funds											
Candidate Profile Fits District											
Candidate Profile Fits State											
Level of Office											
Opponent's Quality in Primary											
Opponent's Quality in General Election											
Opponent's Consulting Team in Primary											
Opponent's Consulting Team in General Election											
Level of Candidate's Prior Activism											
Candidate's Ability to Work with Grassroots Organizations											
Primary Opponent's Ability to Work with Grassroots Organizations											
Candidate's Ability to Work with Other Campaigns of the Same Party											

**Firm 2**

29) In which city/cities does your firm have offices? [open]

30) How does your firm get its name out to potential clients? [check all that apply]

Advertise in *Campaigns & Elections* magazine

Word of mouth

Through political parties

Through other political institutions (PACs, 527s, etc)

Through work on prior high-profile elections (governor, Senate, Congress, President)

Other [open]

31) On a scale of 0 to 10, where 0 = not at all important and 10 = extremely important, how important is your firm's reputation to you?

32) On a scale of 0 to 10, where 0 = not at all important and 10 = extremely important, how important is your personal reputation to you?

33) Which of the following factors play an important role in your reputation as a professional campaign consultant? Please rate each factor, with 0 = not at all important and 10 = extremely important.

	0	1	2	3	4	5	6	7	8	9	10
Winning Races											
Publicity through Media											
Publicity through Party Organizations											
Publicity through PACs											
Word of Mouth with Other Consultants											
Word of Mouth with Potential Clients											

### Networking 1

*We are interested in how campaign professionals allocate their time both within the campaign and outside of the campaign. Please think back to the electoral cycle you most recently worked in (for which you were paid).*

34) In the campaigns you have worked on in the past, have you ever had assistance from the national party organization or Congressional campaign committees?

Yes

No

Don't know/refused

35) Below is a list of services that are sometimes provided to candidates by the national and/or state party organization, State House PACs, State Senate PACs, 527s, or congressional campaign committees. Thinking about races you know the party entity may be engaged in, please rank on a scale from 0 to 10 how helpful these services are to you, where 0 is not at all helpful and 10 is extremely helpful.

	0	1	2	3	4	5	6	7	8	9	10
Campaign Contributions											
Independent Expenditures											
Get-out-the-Vote operations											
Opposition research											
Polling											
Management or strategy advice											

36) During the most recent election cycle (2007-2008), approximately what percentage of your time is spent (please have percentage equal 100)...

Working within the campaign organizations in which you were hired to work on

Interacting with people outside of the campaign organizations in which you were hired to work on

37) During the most recent election cycle (2007-2008), while working within those campaigns in which you were hired to work on, what percentage of your time was spent (please have percentage equal 100)...

Working in your specialization

Coordinating with other consultants on the same campaign

Coordinating with groups/individuals who are not working on the campaign in official capacity

38) During the most recent election cycle (2007-2008), while interacting with people outside of the campaign(s), what percentage of your time was spent on (please equal to 100)...

Pro bono work

Working for political parties

Advertising your firm

Building your reputation

**Networking 2**

39) During the most recent election cycle (2007-2008), please indicate how frequently you interacted with individuals in the following groups:

Who usually initiates contact?

Within the campaign:

	Daily	More than once a week	Weekly	Monthly	Never	I do	Other person
Candidate							
Campaign manager							
Other campaign consultants on the same campaign							
Other campaign consultants							
Other campaigns							
National Political parties							
State/Local Political parties							
PACs							
Activists							
Other grassroots groups							
Fundraisers							
FEC Filers/CPAs							

Outside the campaign:  
contact?

Who usually initiates

	Daily	More than once a week	Weekly	Monthly	Never	I do	Other person
Political parties							
Other campaigns							
Other campaign consultants							
Media organizations							
PACs							
Activists							
Other grassroots groups							
Potential Clients							

### Recent Campaigns 1

*Next, we are interested in your involvement in recent campaigns.*

40) Have you worked in any state or local races since 2004?

Yes

No

41) Thinking about any type of work you may have done as a paid campaign consultant, about how many presidential, gubernatorial, congressional or Senate races did you personally work on in the 2008 election cycle?

42) Please list all of the presidential, gubernatorial, congressional, or Senate races did you personally work on in the 2008 election cycle and whether you won each campaign.

43) Thinking about any type of work you may have done as a paid campaign consultant, about how many state or local races did you personally work on in the 2008 election cycle?

44) Please list all of the state or local races did you personally work on in the 2008 election cycle and whether you won each campaign.



45) Thinking now about 2006, about how many presidential, gubernatorial, congressional, or Senate races did you personally work on in the **2006** election cycle?

46) Please list all of the presidential, gubernatorial, congressional or Senate races did you personally work on in the 2006 election cycle and whether you won each campaign.

47) Thinking about any type of work you may have done as a paid campaign consultant, about how many state or local races did you personally work on in the **2006** election cycle?

48) Please list all of the state or local races you personally worked on in the **2006** election cycle and whether you won each campaign.

49) And how about 2004? Thinking about any type of work you may have done as a paid campaign consultant, about how many presidential, gubernatorial, congressional, or Senate races did you personally work on in the **2004** election cycle?

50) Please list all of the presidential, gubernatorial, congressional or Senate races you personally worked on in the **2004** election cycle and whether you won each campaign.

51) Thinking about any type of work you may have done as a paid campaign consultant, about how many state or local races did you personally work on in the **2004** election cycle?

52) Please list all of the state or local races you personally worked on in the **2004** election cycle and whether you won each campaign.

## **Recent Campaigns 2**

53) Please estimate your overall won-lost as a professional campaign consultant. This includes elections prior to 2004. [open]

54) On a scale of 0 to 10, where 0 = not at all important and 10 = extremely important, how important is your won-lost record to you?

## **Reputation**

*The accompanying questions ask you to identify the most “well-known” and the most “effective” consulting firms (or individual consultants) in seven areas of specialization at*

*the federal level (e.g. those who work in congressional races). “Well-known” indicates high-profile consultants who draw the most attention when joining a campaign, and “effective” means consultants who do the best job in getting their candidates elected (but not necessarily the greatest electoral winning percentage) in their particular area of expertise. These two lists (“well-known” and “effective”) may or may not be the same.*

*The purpose of asking you these questions is only to assess the impact of consultants in a number of campaign specialties. Please be assured that your answers here are completely anonymous. In no way whatsoever will your responses here be linked to the answers you gave in the initial survey.*

55) Who are the most “well-known” consulting firms in the following areas at the federal level and within the party you normally work for? Recall that “well-known” refers to those consulting firms (or individual consultants) who are the most high-profile, or those consulting firms (or individual consultants) who draw the most attention when joining a campaign.

- Media Production
- Direct Mail
- Survey Research
- Phone Vendor
- Opposition Research
- Fund-raising
- General Campaign Management

56) Who are the most “effective” consulting firms in the following areas at the federal level and within the party you normally work for? Recall that “effective” refers to those consulting firms (or individual consultants) who do the best job in their particular area of expertise.

- Media Production
- Direct Mail
- Survey Research
- Phone Vendor
- Opposition Research
- Fund-raising
- General Campaign Management

*Now, would you mind offering your thoughts on those consultants at the federal level who work for candidates of the party that you normally oppose?*

57) Who are the most “well-known” consulting firms in the following areas at the federal level and within the party you normally oppose? Recall that “well-known” refers to those consulting firms (or individual consultants) who are the most high-profile, or those consulting firms (or individual consultants) who draw the most attention when joining a campaign.

Media Production  
Direct Mail  
Survey Research  
Phone Vendor  
Opposition Research  
Fund-raising  
General Campaign Management

58) Who are the most “effective” consulting firms in the following areas at the federal level and within the party you normally oppose? Recall that “effective” refers to those consulting firms (or individual consultants) who do the best job in their particular area of expertise.

Media Production  
Direct Mail  
Survey Research  
Phone Vendor  
Opposition Research  
Fund-raising  
General Campaign Management

## **Demographics**

*Finally, we are interested in some general background questions for demographic purposes:*

59) What is your age?

60) What is the last grade of class that you completed in school?

High school graduate (Grade 12), equivalent, or less  
Technical, trade, or business school after high school  
Some college (no four-year degree)  
Four-year college degree (B.A., B.S.)  
Some graduate school (no graduate degree)  
Master’s degree (M.A., M.S.)  
Law degree (J.D.)  
Ph.D. (Doctorate)  
Don’t know/Refused

61) In politics today, do you consider yourself a Republican, Democrat, or Independent?

Republican  
Democrat  
Independent  
No Preference  
Other (Specify)

62) In general, would you describe your political views as very conservative, conservative, moderate, liberal, or very liberal?

Very conservative  
Conservative  
Moderate  
Liberal  
Very liberal  
Other  
Don't know/Refused

63) Thinking about your own personal income in 2008, how much did you earn from your political consulting work before taxes. Please do not include income from any sources other than political consulting.

Less than \$50,000  
\$50,000 to under \$150,000  
\$150,000 to under \$250,000  
\$250,000 to under \$500,000  
\$500,000 to under \$750,000  
\$750,000 to under \$1,000,000  
\$1,000,000 to under \$2,000,000  
More than \$2,000,000  
Don't know/Refused

64) Are you of Hispanic or Latino descent, such as Mexican, Puerto Rican, Cuban, or some other Spanish background?

Yes  
No  
Don't know/Refused

65) What is your race? Are you White, Black, Asian, or some other race?

White  
Black  
Asian  
Hispanic (VOL)  
Other (Specify)  
Don't know/Refused

66) What is your gender?

Male

Female

*They will submit their results after this question and directed to a “thank you” page.*

If you would be interested in conducting a follow-up interview via phone or in person, please contact me at:

[cswearingen@ou.edu](mailto:cswearingen@ou.edu)

(440) 708-6675