POLITICAL DIRECTORS AND THE RECRUITMENT OF FOREIGN WORKERS

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ABSTRACT

Companies strive to gain a competitive advantage by recruiting highly qualified employees. One way to achieve this goal is by recruiting foreign workers, frequently through the H-1B visa program. However, immigration has become a contentious political issue in the United States, making it more difficult to recruit foreign workers. We examine how politicians on the board influence recruitment strategies aimed at attracting foreign workers. Using former President Donald Trump's election and "Buy American, Hire American" policy, we estimate the impact of political directors on recruiting strategies. By analyzing the near-universe of job advertisements in the U.S., we develop novel firm-level measures of employment barriers for foreign workers. We find that the presence of political directors increases the employment barriers for foreign workers after Trump's inauguration. We also argue that the information processing capabilities of the board moderate this effect: diverse boards and boards with HR committees decrease the employment barriers for foreign workers, whereas shareholder meetings during periods of heightened political risk increase these employment barriers.

Keywords: board of directors; political environment; skilled migration; recruitment; information processing

POLITICAL DIRECTORS AND THE RECRUITMENT OF FOREIGN WORKERS

The board of directors provides strategic advice to the firm in a variety of areas (Johnson, Daily, & Ellstrand, 1996; Krause, Semadeni, & Cannella, 2013). One such area is advising companies on how to attract and recruit highly qualified employees (Nyberg & Moliterno, 2019). Human resource recruitment and talent development strategies typically emphasize hiring the best employees around the globe, which includes recruiting foreign workers on temporary work visas such as the H-1B in the United States (Kerr & Lincoln, 2010; Norlander & Varma, 2019).

However, hiring foreign workers in the U.S. is fraught with political risk (Edsall, 2021). Some argue that foreign workers, including those on H-1B visas, put downward pressure on the wages and employment opportunities of U.S. workers, and that companies hire foreign workers to cut labor costs by replacing U.S. workers. While there is substantial evidence that immigration has a positive net effect on firms' competitive advantage (Choudhury, 2022; Hernandez, 2024), strong opposition in parts of the voting population makes hiring foreign workers a political issue that elected officials may exploit to get elected or remain in office.

The board of directors is an important governance instrument to advise on such political risks. In particular, research has documented that the experience of directors who are former politicians—known as political directors—influences how firms mitigate political risks in the environment (Hillman, 2005). By advising managers and other directors on political issues (Agrawal & Knoeber, 2001), political directors may be a way for institutional pressures in the political environment to enter the firm and affect firm strategy (Hillman, 2005; Marquis & Qian, 2014; Tihanyi et al., 2019; Wei, Jia, & Bonardi, 2023; Zhang, Marquis, & Qiao, 2016). In this study, we examine how political directors—in particular their advice stemming from their political experience—shape HR recruitment strategy when the political environment increases the uncertainties and risks of hiring skilled immigrants.

While political connections provided by directors make firms more receptive to political influences (Faccio & Hsu, 2017; Wei et al., 2023), we know little about *how* these influences enter the firm and affect firm strategies. We suggest that the advice and information provided by political directors play a crucial role (Albino-Pimentel, Anand, & Dussauge, 2018). Building upon this perspective and conceptualizing the board as an information processing group (Boivie, Bednar, Aguilera, & Andrus, 2016), we argue that directors who are perceived as expert political advisors during periods of political risk and uncertainty will influence a firm's foreign worker recruitment. We further investigate the boundary conditions under which the advice of political directors influences foreign worker recruitment. We suggest that the advice and information provided by political directors will be less influential when the board has a greater information processing capacity enabling it to consider diverse perspectives (Krause, Withers, & Waller, 2024).

We conduct our study in the context of former President Donald Trump's 2016 "America First" campaign rhetoric and administration. While campaigning, Trump made threats against firms hiring foreign workers. Once in office, Trump announced plans to limit the hiring of foreign workers by U.S. firms. While previous U.S. administrations targeted the hiring of undocumented foreign workers, the Trump administration targeted foreign workers and companies that sponsor their work visas. Hence, the Trump administration sought to influence firms' HR recruitment strategies. Using difference-in-difference methodologies on S&P 1,500 companies, we classify the text of over 250 million job postings to identify increased employment barriers for foreign workers around Trump's election and "America First" rhetoric.

We intend to make three contributions. First, we contribute to the understanding of the advisory role of political directors. While it is well known that political directors play a critical role in firms' political strategies (Hillman, Keim, & Schuler, 2004; Tihanyi et al., 2019; Wei et al., 2023), we contribute to an understanding of *how* political influences enter and affect the board (Albino-Pimentel et al., 2018). Specifically, we emphasize the underexplored role of political directors as expert advisors who shape HR strategies (i.e., recruiting foreign workers) when contextual conditions call for their expertise (Hillman, 2005; Hillman, Withers, & Collins, 2009).

Second, we integrate the literature on political directors with information processing theory (Boivie et al., 2016). The information processing capacity of the board may reduce the influence of any particular director(s)—such as political directors—when diverse perspectives are incorporated into board discussions. We suggest that some board conditions may slow down decision-making, add diverse perspectives, and serve as a buffer against political advice that may or may not be in the best interest of the firm, which adds to recent theory on how information processing can improve board decisions making (Krause et al., 2024).

Third, we contribute to the literature on HR management with new evidence of political influences on firm-level employment practices and new sources of data. In the absence of mandatory reporting requirements on employment practices, research on firm-level HR practices faces empirical challenges (Gerhart, Wright, Mc Mahan, & Snell, 2000). We build novel measures of barriers to employment for foreign workers with machine learning models that analyze the near universe of job advertisements in the U.S. and argue that the political environment of the firm influences recruitment practices. We conceptually link political rhetoric against foreign workers to monthly changes in employment barriers found in job postings.

POLITICAL DIRECTORS AND HUMAN RESOURCE RECRUITMENT STRATEGY

HR strategy contributes to firms' competitive advantage if employees are core strategic resources (Nyberg & Moliterno, 2019). Researchers have shown how an HR strategy that incorporates foreign workers can contribute to that advantage. For instance, foreign workers can provide unique resources, including in areas such as entrepreneurship, innovation, and patenting (Kerr & Lincoln, 2010), knowledge transfer (Wang, 2015), international business (Hernandez, 2014), and competitive sports (Glennon, Morales, Carnahan, & Hernandez, 2021). On its face, the reason is simple: firms that can attract the best talent globally are in a better position to compete.

A firm's recruitment strategy is a critical first step in a firm's successful HR strategy. Recruitment includes all activities intended to identify and attract potential employees to build human capital resources (Ployhart & Hale, 2014). Firms strive to optimize their recruitment activities to build pools of qualified applicants for downstream HR processes such as employee selection (Orlitzky, 2008). For this purpose, firms strategically use job advertisements and purposely design the language being used in them. For instance, firms may use language that emphasizes diversity-related practices, which increases the pool of minority employees by reducing perceived employment barriers (Williamson, Slay, Shapiro, & Shivers-Blackwell, 2008). At the same time, some job advertisements may contain employment barriers, such as gendered language, industry jargon, or unrealistic job requirements (Miller-Merrell, 2020). Employment barriers applicable to foreign workers may involve language related to immigration matters, such as requiring an employee to be a U.S. worker or excluding visa sponsorship from the benefits of the position (Harrison, Harrison, & Shaffer, 2019). While some immigration employment barriers are legally sound, such as when companies hire for positions in areas of national security, language describing employment barriers for foreign workers may infringe on the rights of foreign-born workers to equal opportunity in the labor market (Department of Justice, 2022).

The political debate over recruiting foreign workers in the U.S. is often centered around foreign workers as exploitable lower-cost substitutes for U.S. workers (Borjas, 2003). However, immigrants have been found to increase wages at all skill levels and complement the skills of U.S.

workers (Ottaviano & Peri, 2012). Evidence from the audit industry, for example, suggests that skilled foreign workers complement U.S. workers (Aobdia, Srivastava, & Wang, 2018). When firms are denied the opportunity to hire foreign workers in the U.S., they are more likely to invest abroad and hire in foreign locations (Glennon, 2024). Given the variety of strategic reasons why firms hire and their level of dependence upon foreign workers, we expect that firms with political directors faced a variety of considerations at the time of Trump's inauguration.

Political Directors and Foreign Workers During Times of Political Uncertainty

Directors play an important role in providing strategic advice to management and other directors (Johnson et al., 1996). This advisory role crucially depends on the knowledge and experiences of directors (Lungeanu & Zajac, 2019). An important form of experience is expertise gained in the political system, typically provided by political directors (Hillman, 2005; Tihanyi et al., 2019), which may affect organizations and influence fellow directors (Albino-Pimentel et al., 2018). In particular, directors are perceived as expert advisors by other directors when they have relevant experiences that match the needs of the board and company (Hillman et al., 2009), leading them to gain influence in boardroom discussions (Lungeanu & Zajac, 2019).

The advice political directors provide constitutes important information for the board to consider in boardroom discussions (Boivie et al., 2016). Political directors may provide relevant information to the board, which can systematically influence the board's decisions in favor of political directors' advice and expertise (Krause et al., 2024). Thus, political directors may utilize their political expertise to inform other directors about political issues and be seen by them as expert political advisors for several reasons. First, the political expertise gained in political positions allows political directors to interpret and provide advice on political issues (Albino-Pimentel et al., 2018). This may increase their influence in the boardroom since they have first-hand insights into the political process. They also may overestimate the effectiveness of governmental influence on the private sector (Albino-Pimentel et al., 2018). Second, directors have long been known to provide information channels through which the board can learn about important governance and strategy issues (Davis, 1991; Hillman & Dalziel, 2003). Political directors' connections to the political system may provide valuable and up-to-date information on current political issues (Bonardi, Hillman, & Keim, 2005). Overall, political directors and their advice may reduce uncertainty and risks from the political environment, especially during turbulent political times, which increases their voice and influence in the boardroom.

Governance practitioners also urge boards to manage political risks proactively during times of political uncertainty and change. Political directors will be particularly influential during these times because their advice on how political risks may affect talent pipelines becomes highly valuable for boards (Cole & Westbrook, 2013; Lau & McCarthy, 2013). In particular, boards should "ensure their organization's talent strategy reflects a proactive approach" and consider how "risks factor into the organization's human capital plans" (Cole & Westbrook, 2013: 17).

When access to foreign workers became an uncertain and risky political issue during the Trump administration, political directors were likely to be influential advisors because "specific types of directors may be more/less valuable as environments change" (Hillman et al., 2009: 1409). To illustrate the uncertain environment in which political directors were asked to advise on foreign worker strategy: Trump repeatedly attacked the foreign worker programs and immigration laws. While Trump's campaign rhetoric was unfriendly to foreign workers, uncertainty loomed over the actual implementation of policies and laws related to foreign workers. On the one hand, while U.S. presidents are powerful political actors, they face political constraints as laws that govern foreign workers require legislative actions in the U.S. Congress (Henisz, 2000). Previous presidents struggled to implement campaign promises once elected, such as President Bush's inability to reach a compromise with conservatives over comprehensive immigration reform, and President Obama's contested executive actions to address the status of undocumented "dreamers" born abroad but raised in the U.S. On the other hand, the media emphasized the risk Trump posed to the H-1B program before the election (Huntley, 2015) and suggested using risk mitigation strategies such as reduced hiring of foreign workers post-election (Chadha & Gee, 2018; Purnell, 2017). Trade associations similarly anticipated restrictions on guest worker program hiring during the Trump administration (Milford, 2020).

While political directors' expertise may be influential in board discussions during times of political uncertainty and risk (Hillman et al., 2009), their advice may also have uncertain effects on firm strategies during this time. For instance, Carpenter and Westphal (2001) show that specialized director expertise is valuable in stable environments whereas it may be less helpful in changing and uncertain contexts. Krause et al (2013) report that Chief Operating Officers' specialized expertise is beneficial when a firm's operational efficiency is declining because this expertise is contingent on the firm's need for such expertise. Similarly, political directors' expertise is most valuable in stable political environments because they would be better able to influence and advise on public policy and political issues (Fisman, 2001).

Regardless of partisan affiliations, political directors may influence and advise the board to align recruitment practices with Trump's nationalistic rhetoric to mitigate risks amid heightened political uncertainty. Specifically, political directors may advise shifting HR recruitment strategies toward hiring more U.S. workers (and fewer foreign workers). First, by hiring more U.S. workers, firms avoid potential constraints imposed by the Trump administration that may restrict the supply of foreign workers. The political uncertainty in the immigration system may increase the cost of attracting foreign workers and risk disrupting business planning (Acosta & Marinoni, 2024): for example, offers might have to be rescinded if workers cannot obtain legal authorization to work. Second, political directors may overestimate the influence and power of the government over firm strategy (Albino-Pimentel et al., 2018). Yet, boards may perceive this advice as reliable and align foreign worker recruitment with immigration-unfriendly governmental rhetoric and regulations, leading to increased hiring of domestic workers. Third, during periods of political uncertainty, experts may heavily rely on previous routines (Almandoz & Tilcsik, 2016) and expertise (Finkelstein, 2019). Political advice based on entrenched routines and mental models may further drive the board towards following government positions and preferring domestic workers. Lastly, political directors may raise immigration and foreign worker issues in board discussions (Ocasio, 1997). Drawing the board's attention to these issues may further increase the influence and reliance on political directors, resulting in changes to firms' recruitment strategies that are more aligned with an immigration-unfriendly political environment. Thus, we propose:

Hypothesis 1. Firms with a political board of directors increase the recruitment of U.S. workers after President Trump takes office.

MODERATING EFFECTS OF THE INFLUENCE OF POLITICAL DIRECTORS

While political directors are likely to increase a company's recruitment of U.S. workers, we suggest that the information-processing capacity of the board may affect the influence of these directors. Information processing theory posits that boards are more effective when their information processing capacity matches the information processing demands of their environment (Hinsz, Tindale, & Vollrath, 1997). In our case, Trump's proposed changes to the immigration system created substantial political uncertainty, requiring high levels of board information-processing capacity to effectively monitor and advise management (Boivie et al., 2016; Cao, Duan, & Cadden, 2019).

Boards with better information-processing capabilities may be well-positioned to reduce the influence of political directors (Krause et al., 2024). Such boards may derive relevant information from alternative sources or discuss information introduced by political directors more effectively and creatively, leading to better decision outcomes (Krause et al., 2024; Pan, McNamara, Devers, & Yonish, 2024). These boards may consider more information and alternative perspectives and viewpoints, which may lead to more informed and nuanced discussions around political issues such as hiring foreign workers. We examine three aspects of board context that may influence the board's information processing capabilities: the diversity of the board, the existence of an HR committee, and the salience of the political environment (i.e., the timing of the annual shareholder meeting).

Moderating Effects of Board Diversity

Directors on a board may differ in their demographic background, including ethnicity, nationality, age, and gender. More diverse boards have a greater breadth of experience (Haynes & Hillman, 2010), enabling directors to make better decisions and consider different viewpoints. The increased diversity and openness to different perspectives may be an appropriate remedy to the solutions boards arrive at when considering the advice and counsel of political directors.

First, ethnic-minority directors may bring unique experiences into boardroom discussions and support recruitment efforts targeted at foreign workers. They may improve the cultural diversity in board discussions (Richard, Murthi, & Ismail, 2007), which may promote the creative problem-solving ability of the board by incorporating additional information and slowing down deliberations (Baker, Pandey, Kumar, & Haldar, 2020; Triana, Miller, & Trzebiatowski, 2014).

Ethnic-minority directors may also be familiar with discrimination issues and equal employment opportunity concerns, making them allies of other marginalized groups—such as foreign workers. This allyship may introduce relevant information into board discussions. For instance, foreign workers face disadvantages in the labor market—such as long visa wait times (Mukhopadhyay & Oxborrow, 2012)—that ethnic minority directors may better understand. These diverse sets of information and perspectives may increase the information processing capacity of the board.

Second, foreign directors hold a foreign nationality by birth and are therefore typically familiar with the business and political environment of other countries (Estélyi & Nisar, 2016). Foreign directors can add informational value to board discussions and decisions when conditions draw on their international expertise. For instance, foreign directors improve the performance of cross-border acquisitions when the target is located in the home country region of the director (Masulis, Wang, & Xie, 2012) and improve a firm's international market operations (Estélyi & Nisar, 2016). Similar to how foreign directors may add value when their international expertise is particularly valuable, foreign directors may provide valuable advice when HR issues surrounding immigration are discussed on the board. Foreign directors are likely to have "skin in the game" and be familiar with immigration issues based on their personal immigration experiences. Such knowledge should provide the board with valuable perspectives, ultimately improving the board's problem-solving and information-processing capabilities (Areneke & Kimani, 2019).

Third, age diversity in the board may increase the information and expertise available within the board (Li et al., 2021). While younger directors may have a higher risk propensity and willingness to support strategic change (Wiersema & Bantel, 1992), older directors may rely more on established ideas, values, and norms (Bantel & Jackson, 1989), such as supporting U.S. traditions and principles that are welcoming to foreign workers and legal immigrants. Age diversity may broaden the social capital available to the firm as younger directors bring connections to entrepreneurs while older directors may bring senior-level connections to the firm (Ali, Ng, & Kulik, 2014). In addition, each generation is shaped by different viewpoints in social, political, and economic environments (Malmendier & Nagel, 2011), which may lead to more informed decision-making (Cuervo-Cazurra, Purkayastha, & Ramaswamy, 2023). Overall, the diverse mix of perspectives among generations of directors may generate better discussions on the benefits of foreign workers, increasing the board's information-processing capabilities.

Finally, gender diversity introduces different experiences and norms into boardroom discussions. For instance, women directors may have a better attendance record at board meetings (Adams & Ferreira, 2009), which may improve effort norms in the board and board discussion overall. Women directors also bring different information processing styles to board discussions that may affect the manner information is introduced and discussed in the boardroom (Pan et al., 2024). Hence,

Hypothesis 2. Board diversity moderates the effect of political boards on firm recruitment strategies. Specifically, firms with more diverse boards reduce the effect of political directors on the recruitment of U.S. workers.

Moderating Effects of Governance Conditions

Another important information processing condition that may improve board deliberations and decision-making is the existence of specialized board committees (Free, Trotman, & Trotman, 2021). Boards of directors have been urged to pay greater attention to HR risk management and assign dedicated committees a role in reviewing talent development practices (Lau & McCarthy, 2013). Boards that can draw on the expertise of board committees can address complex strategic issues more effectively (Boivie et al., 2016; Kolev, Schepker, Wangrow, & Barker, 2023).

Specifically, board committees improve the capacity of the board to deal with time constraints and complex information (Brandes, Dharwadkar, & Suh, 2016). Firms that establish board committees also reduce their dependence on any particular director. For instance, some strategies—such as corporate philanthropy—are shaped by influential directors (Brown, Helland, & Smith, 2006; Su & Sauerwald, 2018). As a response, firms establish dedicated organizational structures—such as foundations (Marquis & Lee, 2013)—to lower this influence, thus regaining autonomy from individual directors and ensuring high-functioning board decision-making.

The HR committee is a structure within the board to effectively deal with strategic HR issues. A smaller setting for discussing HR issues, such as hiring foreign workers, tends to enable the board to function more efficiently and effectively (Bement & Krause, 2021), ultimately enhancing its information-processing capabilities related to recruitment strategy. Firms establish HR committees to discuss and approve HR strategies more formally and routinely. Board committees are an important governance instrument to effectively discuss concerns about HR issues (Stiles et al., 2015) and establish routines after effective solutions have been identified (Edwards, Sánchez-Mangas, Jalette, Lavelle, & Minbaeva, 2016). Previous research has also shown that dedicated organizational structures are an effective means of discussing international issues (Hajro, Gibson, & Pudelko, 2017).

In addition to structuring discussions on HR issues, directors on an HR committee may also interact more formally and frequently with senior HR managers, who can provide expert domain advice to the discussions. HR experts may draw upon a diverse network of relevant professional expertise on legal issues in recruitment as well as HR strategy in the areas of recruitment and selection (Erickson & Jacoby, 2003). HR committees would provide a regular forum to discuss HR issues such as recruitment challenges evolving from the Trump administration's proposed crack-down of the foreign worker system, thus improving the board information processing capabilities and board decision effectiveness. Hence,

> *Hypothesis 3. Boards with an HR committee moderate the effect of political boards on firm recruitment strategies. Specifically, an HR committee reduces the effect of political directors on the recruitment of U.S. workers.*

Moderating Effects of Political Environment Salience: Timely Shareholder Meetings

The timing of annual shareholder meetings may impact the hiring of U.S. workers by increasing the salience of the political event and thus the information processing demands of the board. Time plays an important role in determining team effectiveness (Harrison, Price, Gavin, & Florey, 2002). More generally, the timing of events and information plays a prominent role in strategy. For instance, managers may release positive news to the markets to maximize stock option returns during scheduled vesting periods (Edmans, Goncalves-Pinto, Groen-Xu, & Wang, 2018).

Yet, the timing of events initiated by firms is prone to endogeneity concerns (Lee & Yerramilli, 2022). Therefore, we use the timing of annual shareholder meetings as an exogenously timed event that heightens the salience of the political environment, increasing the attention to political circumstances and the influence of political directors. Shareholder meetings are important events and firms proactively, for instance, try to reduce the scrutiny of critical shareholders by holding these meetings at remote locations (Li & Yermack, 2016). In practice, the shareholder meeting provides an opportunity for the board to discuss strategic issues that are currently "in the news." While the primary purpose of the shareholder meeting is to inform and consult shareholders, boards utilize the time immediately surrounding the meeting to meet and discuss strategic issues. For instance, the By-Laws of Microsoft suggest that a "regular meeting of the

Board of Directors may be held without notice immediately after the annual meeting of shareholders at the same place at which such meeting was held."

The timing of the annual shareholder meeting closely following the Trump election allows us to examine how boards respond to an influx of unexpected political information, which may increase the information processing demands due to the novel and urgent nature of the information. First, if the shareholder meeting closely follows the election of Donald Trump, foreign worker issues may be urgent topics for discussion on the board. These issues may be poorly understood due to their recent and unexpected nature, creating uncertainty on the board about how to respond. As a result, the influence of political directors with a perceived expert understanding of political issues may become more influential as recency bias emphasizes the influence of current events (Arnold, Collier, Leech, & Sutton, 2000). Second, foreign worker hiring may be perceived as an urgent political issue when it is discussed shortly after Trump was elected as existing plans could be disrupted. This may create more pressure on the board to develop plans to address the implications of an incoming administration's stated policy preference for reduced foreign worker hiring. It may also elevate information processing demands, making relying on expert advice more likely (Boivie et al., 2016; Graffin, Boivie, & Carpenter, 2013). Hence,

Hypothesis 4. Timely shareholder meetings moderate the effect of political boards on firm recruitment strategies. Specifically, timely shareholder meetings increase the effect of political directors on the recruitment of U.S. workers.

METHODS

Data and Sample

We construct a monthly dataset of firm-level employment practices, financial data, and board information for S&P 1,500 firms. Data sources include employment practices built from job posting text obtained from Lightcast (formerly Burning Glass) and financial and board information from Institutional Shareholder Services (ISS) and Compustat. The period of the study is from January 2015 through December 2019, which includes the 2 years before and the 3 years after former President Trump's inauguration.

Monthly firm-level data is linked from job postings to Compustat and ISS via matching on the firm name. We follow Wasi and Flaaen (2015) to standardize all firm names and fuzzy-match standardized job posting firm names to ISS firm names, resolve imperfect matches manually, and examine subsidiaries of parent corporations. We manually linked subsidiaries so that, for example, our consideration of job postings from Walmart includes job postings from Walmart, Sam's Club, and Walmart Labs, which advertise for employment under separate names.

Dependent Variable

The primary dependent variable in this study, *U.S. Workers Only*, is the percentage of job postings in a firm-month that includes a statement to the effect that the job holder must be a U.S. worker. A U.S. worker is any individual who is a U.S. citizen or resident of the United States. As discussed in the supplemental analysis, we also test our hypotheses with alternative novel dependent variables such as *Visa Holders Excluded* and *Work Authorization Required*. These measures capture job posting language that creates real or perceived barriers to employment for foreign workers. We construct these measurements from the text of job postings within the text corpus provided by Lightcast.

The Lightcast dataset has been examined by academic researchers. Carnevale, Jayasundera, and Repnikov (2014) describe the data-collection process, including de-duplication, and note that over 80% of postings requiring at least a Bachelor's degree can be found online. Hershbein and Kahn (2018) correlate Lightcast data to Current Population Survey data on the U.S. economy and report favorably on its representativeness of the U.S. economy while noting overrepresentation of computer occupations and underrepresentation of construction (as would be expected with online job postings). The dataset exhibits good coverage overall and especially good coverage of high-skilled occupations such as those covered by the H-1B visa program (Cammeraat & Squicciarini, 2021). This data has been used to examine a variety of strategic human resource questions (Deming & Kahn, 2017; Goldfarb, Taska, & Teodoridis, 2020; Hershbein & Kahn, 2018).

We train machine learning models to recognize barriers to employment for foreign workers in the text of job postings. Variables are built from the text of job postings using the Context Rule Assisted Machine Learning (CRAML) software and framework (Meisenbacher & Norlander, 2022). Research Assistants (RAs) hand-coded a sample of the most frequently occurring "text chunks" containing keywords such as "citizen", "authoriz", "1b" and "visa." Hand-coding leads to context rules that are extrapolated to build a training dataset, which is matched to "true positives" and "true negatives" hand-coded by independent RAs. To assess the accuracy of the machine learning models, we calculate a harmonic mean of precision and recall (F1-score) of 0.976 based on a comparison between the machine learning output and the training dataset. With a maximum score of 1 when precision and recall are perfect, and 0 when either precision or recall is zero, the F1-score suggests a high level of accuracy and precision.

Treatment, Post, and Interaction Variables

To capture the effects of political boards following Trump's inauguration, we created a product term from a post-treatment indicator, *Trump Inauguration*, and a policy-treatment variable, *Political Board.* We construct a post-treatment indicator, *Trump Inauguration*, which is equal to one for all observations after January 20, 2017, and is otherwise zero. We considered several significant dates: the election on November 8, 2016, the inauguration on January 20, 2017, and the 100th day of the Trump administration on April 18, 2017 (when the "Buy American, Hire American" Executive Order was issued). We selected the inauguration for the post-treatment indicator for several reasons. First, while the results of the November election came as a surprise (Wagner, Zeckhauser, & Ziegler, 2018), the formal transfer of power after which Trump could implement policy took place on January 20, 2017. Second, the "Buy American, Hire American" Executive Order issued in April 2017 fell short of the expressed ambitions of the Trump Administration to restrict the H-1B visa program and was perceived to have minimal impact. However, regulatory scrutiny of visa applications increased following the implementation of the Executive Order through administrative actions, as denial rates increased from 13% in 2016 to 24% in 2017, and requests for additional evidence increased from 17% to 38 percent (Anderson, 2021). The post-inauguration period is when firms began facing heightened and ongoing uncertainty over the strategic implications of the Trump administration's stance.

We construct our main policy-treatment variable, *Political Board*, from proxy statements. This binary indicator firm-level variable is equal to one if a firm had one or more political director(s) on their board at the time of Trump's inauguration and is otherwise zero. Political directors were identified by coding directors' biographies in proxy statements. We included individuals in this category when they were an active member of a political party (such as Edward Cox, Chair of the New York Republican Party, and board member at Noble Energy), member of an executive branch of government (such as Mike Leavitt, a former governor of Utah and board member at American Express), member of the legislative branch (such as Kelly Ayotte, former U.S. Senator from New Hampshire and board member at Caterpillar), and influential local politicians and high-ranking government officials (such as Richard Daley, former mayor of Chicago and Chief of Staff to President Obama, and board member at Coca Cola).

Moderator Variables

Board Diversity Index is a standardized variable centered on the mean of the following categories: ethnicity, nationality, age, and gender. We used the Blau index to calculate the diversity of a board's ethnicity and nationality and the Coefficient of Variation to calculate the diversity of director age (since this variable is measured on an ordinal scale). We used the ratio of female to male directors on the board to capture board gender diversity. We gathered this data from the ISS Directors database, which includes rich information about directors, including ethnicity from ISS' Diversity Feed. The "ISS Diversity Feed" offers good coverage of ethnic diversity: About 5% of director observations have an "unknown" ethnicity each year. As a conservative step, we code "unknown" as belonging to the majority group. By constructing an index across multiple diversity dimensions, we reduce the potential bias of an endogenous relationship between the selection of a political director and other directors by virtue of their demographics.

HR Committee is a binary indicator firm-level variable equal to one if a firm had an HR Committee at the time of Trump's inauguration and is otherwise zero. The variable was collected from proxy reports as well as board committee charters. A company was identified to have an HR committee if a dedicated committee exists on the board that is tasked with employee and talent issues. The variable also captures when one of the standard board committees (i.e., audit, compensation, nomination) includes responsibilities related to employee and talent issues. For instance, Advanced Micro Devices (AMD) assigned the compensation committee the additional responsibility to "provide advice and guidance to the Company with regard to its talent management and development programs," which is also reflected in the naming of the committee: "Compensation and Leadership Resources Committee." This moderator is plausibly exogenous to the appointment of political directors because it is related to the existence of a board-level structure for discussion of employee and talent issues.

Timely Shareholder Meeting is a firm-level binary indicator that equals one if the firm's annual shareholder meeting was held during the period of greatest uncertainty: after the November 8, 2016 election and before May 1, 2017, and is otherwise equal to zero. The variable captures a period of heightened attention and uncertainty around the Trump administration's immigration policy as related to H-1B visas and heightened attention to strategic planning and decision-making for boards. As the timing of annual shareholder meetings is unrelated to the appointment of political directors, the election, or its result, this is a plausibly exogenous variable that captures a period in which the political environment was uncertain when firms' board meetings took place.

Control Variables

We control for five variables at the board level (derived from ISS Directors): First, we include the ratio of independent directors on the board (*Board Independence*) to account for the independent insights and advanced control function of independent directors on the board. Second, we include an indicator variable if the CEO is also the chairperson of the board (*CEO Duality*) to capture reduced monitoring from the board if the board is also chaired by the CEO. Third, we control for board size (*Board Size*) as captured by the total number of directors on the board. This variable was included to account for the possibility that larger boards may be faced with collective action problems, leading to reduced monitoring of the firm's recruitment strategies.

Fourth, we control for the political ideology of the political directors on the board since conservative politicians on the board may be more aligned with the policies of a Republican president. We call this variable *Progressivism* and it is measured following Busenbark et al. (2023). We first identified the names of all political directors and applied a donation-based technique. From the political donation records of each political director, we gathered (1) the number of donations to the Democratic Party divided by the total number of donations, (2) the dollar amount of donations to the Democratic Party divided by the total dollar value of donations, (3) the number of years in which the director made donations to the Democratic Party divided by the total years in which a donation was made, and (4) the number of distinct Democratic recipients divided by total recipients. We averaged these four items for each political director, which measures the progressivism of each political director. We then took the average of all political directors' progressive political ideology on the board to arrive at a board-level measure of progressive political ideology.

Fifth, we control for the political donations associated with the 2016 presidential election candidates Hillary Clinton and Donald Trump. We found three political directors who donated to one of Donald J Trump’s political campaigns and 56 who donated to Hillary Clinton. This pattern was expected since Trump was a political outsider in 2016. We call this variable *Clinton Intensity*, which is the intensity with which the average political director on the board supported Hillary Clinton and was measured as the number of times contributions to a Hillary Clinton campaign fund were made during the runup to the 2016 election divided by total number of campaign contributions of the average political director. We focus on the Hillary campaign since the very low levels of donations to a Trump campaign fund did not allow us to estimate a coefficient for the corresponding Trump measure.

We also control for six firm-level variables from Compustat. First, we include *Firm size*, measured as the log of total assets to account for the possibility that larger firms pursue a different HR strategy due to their economic importance. Second, *Financial Leverage*, measured as the log of total debt divided by total assets, accounts for the possibility that financial constraints influence a firm's HR strategy. Third, *Financial Performance*, measured via return on assets (ROA), accounts for the possibility that financially well-performing firms are less likely to search for new HR strategies due to the fulfillment of performance benchmarks. Fourth, *R&D Intensity*, measured as R&D expenditures over revenues, relates to a firm's innovation strategy. More innovative firms have a greater demand for knowledge workers and global talent, thus potentially making them more resistant to challenges to their current HR strategy concerning foreign workers. Fifth, *Financial Slack*, captures the strategic flexibility of a firm and is operationalized as the current ratio, which is defined as current assets divided by current liabilities (Bromiley, 1991). Sixth, *Largest Institutional Blockholder*, is the percentage ownership of the largest institutional investor with a minimum of 5% ownership following Schnatterly et al. (2008). Sixth, we control for firm-specific *Political Risk* (Shi, Gao, & Aguilera, 2021). The political risk measure is a logged quarterly variable constructed from quarterly earnings call transcripts (Hassan, Hollander, van Lent, & Tahoun, 2019). This measure captures a company's mentioning of political topics within proximity of words indicating "risk" or "uncertainty."

Empirical Strategy

Our main policy treatment variable, *Political Board*, may not be randomly assigned across the firms in our sample, affecting our statistical inferences by selection-based endogeneity because companies may appoint politicians to influence regulations and political outcomes (Clougherty, Duso, & Muck, 2016). Thus, companies may self-select into the treatment condition (i.e., having a political board) with outcome implications in mind (e.g., influencing government processes) (Shaver, 1998). Following Shi and DesJardine (2022), to address these self-selection issues, we relied on matching (Imbens, 2004).

We use propensity score matching (PSM) to create a quasi-experimental sample. For each firm with a political board, we aim to find a firm with a non-political board that closely resembles the firm with a political board. We matched on a subset of variables that are theoretically related to the selection of a firm into the treatment condition (i.e., having a political board) while affecting the outcome of interest (Narita, Tena, & Detotto, 2023). *Board Independence* and *CEO Duality* were included as matching variables because the influence of top managers is a crucial antecedent of corporate political activities (Hillman et al., 2004). *Board Size* and *Firm Size* were included because they may signify the resource needs of the firm (Hillman & Dalziel, 2003). *Financial Slack*, *Financial Leverage, and Financial Performance* are part of the matching model because financial difficulties may motivate firms to be more politically active (Hillman et al., 2004). *R&D Intensity* was used because some firms may want to utilize the entrepreneurial efforts of the state (Mazzucato, 2013). *Largest Institutional Blockholder* was included because shareholders—especially larger investors—may play a central role in influencing board composition and firm political actions (Hillman et al., 2004). Lastly, *Political Risk* was part of our matching model because firms experiencing elevated levels of political risk may want to manage this risk via non-market strategies, such as appointing political directors to the board (Wei et al., 2023).

We ran the matching process without replacement (Stuart, 2010: 11) and chose one-to-one matching within caliper to increase the matching quality. Setting a caliper enables us to designate a threshold to match the treatment and control groups based on their propensity scores, giving us more control over alternative methods such as one-to-one matching with nearest neighbor (which may result in varying quality matches since treated and control units are matched with different propensity scores if there are no closer units available). A caliper is the maximum allowable distance between the propensity scores of matched units. We set the caliper to 0.25 standard deviations of the linear propensity scores following previous research (Stuart, 2010).

To ensure that the matching procedure effectively reduced confounding bias, we checked that the matching procedure created comparable treatment and control groups. For this purpose, we examined balancing diagnostics to evaluate whether the distribution of the covariates is similar in treated and untreated companies. Individual *t*-tests examined whether the created groups were statistically similar (McDonnell & King, 2013). We report the results in Table 1 and find that the groups satisfy the balancing criterion since the *p*-values for the comparisons between treatment and control groups are statistically insignificant.

Insert Table 1 about here

We take additional steps to address endogeneity concerns by using a differences-in-differences (DID) research design that seeks to compare firms with a political board to those without. We also include a battery of control variables. Lastly, we include several fixed effects, including month-fixed effects and firm-fixed effects. Month-fixed effects control for seasonal changes in demand for labor. Firm fixed effects control for time-invariant firm-specific factors such as location or industry and thus many plausible sources of concern. Following Abadie et al. (2023), we cluster standard errors at the level at which the treatment is assigned (i.e., firm) in the main specification. Robustness checks described below address many other plausible sources of concern.

The baseline DID research design identifies the effect of political directors on firm recruitment practices in the aftermath of President Trump's inauguration. This model presents differences between the propensity-matched sample of firms with and without *Political Boards* in the aftermath of a common shock to all firms, the *Trump Inauguration*. In the baseline model, the interaction term between *Political Board* and *Trump Inauguration* illustrates the effects of political directors in the aftermath of a political event. The baseline model is:

1) $$U.S.Workers\ Only_{i,t} = \beta_0 + \beta_1 Trump\ Inauguration_t * Political\ Board_i + \beta\ Controls_{i,t} + MonthFE + FirmFE + \varepsilon_{i,t}$$

Where *i* indexes firm and *t* indexes month. *U.S. Workers Only* is the main dependent variable. $Trump\ Inauguration_t$ is an indicator for all months after Trump took office on January 20, 2017. $Political\ Board_i$ is an indicator for firms with a politician on the board of directors in January 2017. Month and firm fixed effects are included and fully absorb the time-invariant firm effect of political directors on the board. The coefficient β_1 on the interaction effect $Trump\ Inauguration_t * Political\ Board_i$ is our parameter of interest and represents the effects of politicians on the board in the aftermath of Trump's inauguration on the inclusion of U.S. worker recruitment barriers in job postings.

In the moderation models, we seek to demonstrate that the baseline effect can be influenced by different moderators. Empirically, we add a moderator to estimate differences-in-differences-in-differences (DDD) models that test moderating hypotheses. We estimate these regressions at the firm and month levels. For these regressions, we calculate the following:

2) $$U.S.Workers\ Only_{i,t} = \beta_0 + \beta_1 Trump\ Inauguration_t * Political\ Board_i * Moderator_{it} + \beta_2 Trump\ Inauguration_t * Political\ Board_i + \beta_3 Trump\ Inauguration_t * Moderator_{it} + \beta\ Controls_{i,t} + MonthFE + FirmFE + \varepsilon_{i,t}$$

where $Moderator_{it}$ is one of the moderator variables and $Trump\ Inauguration_t * Political\ Board_i * Moderator_{it}$ is a three-way interaction term with the parameter of interest

β_1, which indicates the change in the main interaction effect $\beta_2 Trump\ Inauguration_t * Political\ Board_i$ when the moderator is equal to one. Our first moderator variable, *Board Diversity Index*, is a time-varying board-level characteristic. Our second moderator indicates a firm-level governance structure (*HR Committee*$_i$). Our third moderator (*Timely Shareholder Meeting*$_i$*)* is an indicator that equals one if the annual shareholder meeting of the firm was held after November 8, 2016 and before May 1, 2017.

RESULTS

Table 2 reports descriptive statistics including mean, standard deviation, and correlation coefficients for all variables.

Insert Table 2 about here

Causal inference requires that absent Trump's inauguration, trends for firms with and without political directors on the board should be parallel. Figure 1 displays unconditioned trends from the unadjusted data. The effect of Trump's immigration policy on the average percentage of jobs that require *U.S. Workers Only* within firms that have political boards is illustrated in red, and other firms are in blue. Firms with political boards increased *U.S. Workers Only* job postings after Trump's inauguration (indicated with a vertical line), while other firms did not. A visual inspection suggests similar pre-trends for *U.S. Workers Only* in both firms with and without politicians on the board. These visual findings suggest a greater impact of Trump's inauguration on the recruitment strategy of firms with political directors. Appendix 1 (see online supplement for appendices) provides additional tests of the parallel trends assumption.

Insert Figure 1 about here

Baseline Model (DID)

Hypothesis 1 predicts that boards with political directors increase the use of U.S. workers-only language following Trump's taking office, which is tested in Table 3 via an interaction term between *Trump Inauguration* and *Political Board*. Table 3 reports this interaction term without (Model 1) and with control variables (Model 2). The positive and significant sign on the *Trump Inauguration*Political Board* interaction term in the control variable model (Model 2: $b = 0.012$, $p = 0.000$) implies that firms with a politician on the board significantly increased U.S. worker requirements following Trump's inauguration. The 1.2% increase in *U.S. Workers Only* post-Trump's inauguration carries practical significance considering the 3% baseline for *U.S. Workers Only* barriers for all firms.

Insert Table 3 about here

Moderation Model (DDD)

Table 4 reports the effect of moderators on the main interaction effect between political boards and Trump's inauguration. Across all specifications, the main effect is positive and significant: firms with a political board have 0.9% more *U.S. Workers Only* language in job postings post-Trump's inauguration at average levels of diversity, 1.6% more *U.S. Workers Only* language in job postings at firms without an HR committee, and 0.9% more *U.S. Workers Only* language at firms that do not have a *Timely Shareholder Meeting* in the period of greatest uncertainty.

Table 4, Model 1 tests Hypothesis 2, which suggests that a more diverse board reduces the effect of political directors on the recruitment of U.S. workers. The three-way interaction term between *Trump Inauguration* and *Political Board* with *Board Diversity Index* is negative and significant (b = -0.018, p = 0.000), supporting the hypothesis that a diverse political board has significantly fewer *U.S. Workers Only* language barriers after Trump's inauguration than firms with average diversity. Examining the practical significance of this result, a firm with a political board and one standard deviation above average diversity would be expected to have 0.9% fewer jobs listed with *U.S. Workers Only* barriers after Trump's inauguration, a significant reduction in the main interaction effect. This suggests that a diverse board counters the effect of political directors and reduces *U.S. Workers Only* barriers to employment for foreign workers.

Table 4, Model 2 tests Hypothesis 3, which states that firms with an HR committee on the board will reduce the effects of political directors on the recruitment of U.S. workers. The three-way interaction term involving the moderator *HR Committee* is negative and significant (b = -0.045, p = 0.000), providing evidence that an HR committee on the board reduces employment barriers for foreign workers. In practical terms, boards with an HR committee have 2.9% fewer *U.S. Workers Only* barriers in the presence of a political director following Trump's inauguration. This suggests that HR committees counter the effect of political directors and reduce the use of language in job postings that present barriers to employment for foreign workers.

Table 4, Model 3 tests Hypothesis 4, which suggests that firms with political directors that have an annual shareholder meeting during a period when H-1B policy is highly uncertain will be more likely to increase *U.S. Workers Only* restrictions. The three-way interaction term involving the moderator *Timely Shareholder Meeting* is positive (b = 0.008, p = 0.017), providing evidence that firms with political directors that meet when the election results are most salient (and the policy is most uncertain) are more likely to increase barriers to employment for foreign workers. In practical terms, boards that met during the period of greatest uncertainty have 1.7% greater barriers in the presence of a political director following Trump's inauguration.

Insert Table 4 about here

Compared to a baseline of 3% of jobs with *U.S. Workers Only* language (see Table 2), the main effect of a political board is to increase the use of U.S. workers-only language in a firm's job postings by 1.2% (Table 3), representing a 40% increase from the baseline. The practical significance of the main effect is therefore to increase *U.S. Workers Only* barriers from 3% to 4.2 percent. The hypothesized moderation effects are also practically significant: the effect of a one standard deviation increase of the average board diversity is a 1.8% reduction in *U.S. Workers Only*; the effect of an HR committee is a 4.5% decrease; and a timely annual shareholder meeting increases *U.S. Workers Only* barriers by 0.8 percent.

Robustness Checks

We perform robustness checks to ensure the above results are not sensitive to (1) alternative dependent variables and (2) alternative samples. In the first robustness test, we constructed two alternative dependent variables (*Visa Holders Excluded* and *Work Authorization Required*) using unique context rules and separately trained machine learning models, which are independent of the *U.S. Workers Only* main dependent variable. Therefore, these alternative dependent variables test different barriers to employment for foreign workers. The first alternative dependent variable

Visa Holders Excluded captures the percentage of job postings in a firm and month that state that the firm is not willing to sponsor a visa-holder for the position. The second alternative dependent variable *Work Authorization Required* captures the percentage of job postings in a firm and month that state that the job holder must be legally authorized to work in the U.S.

The F1-Score is 0.874 for *Visa Holders Excluded* and 0.994 for *Work Authorization Required,* again suggesting a high degree of accuracy and precision in a comparison between the results of machine learning results and the training data. Visual results are included in Figure 2. In Panel A, firms with *Political Boards* increased *Visa Holders Excluded*, the percentage of jobs for which they are unwilling to sponsor visas, at a greater pace than firms without a political board. In Panel B, firms with *Political Boards* were more likely to have *Work Authorization Required* before and after Trump's inauguration. After the policy, *Work Authorization Required* increased in both types of firms but increased more at firms with political boards.

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Insert Figure 2 about here

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Table 5, Panel A reports the results of moderated regression models using *Visa Holders Excluded* (Models 1-3) and *Work Authorization Required* (Models 4-6) as dependent variables. Models 1 and 4 use the *Board Diversity Index* moderator, Models 2 and 5 use the *HR Committee* moderator, and Models 3 and 6 use the *Timely Shareholder Meeting* moderator. In all six models, the main interaction effect is significant and in the expected direction: firms with political directors increase barriers to employment after the inauguration. The moderation effects are in the predicted direction and significant in five of the six models (results are non-significant only in Model 4).

These results confirm that the increase in barriers to employment is not an artifact of a single machine-learning model and is robust to alternative dependent variables.

In the second robustness test, we assess the baseline model on seven different samples using different matching strategies and a two-stage model to ensure results are robust to different samples. Table 5 Panel B reports estimates of the main model on the full sample without any matching technique applied (Model 1), PSM with replacement (Model 2), PSM with no replacement and 1:2 matching (Model 3), PSM with no replacement and 1:3 matching (Model 4), PSM with 1:1 matching and industry-time fixed effects (Model 5), Coarsened Exact Matching (CEM) (Model 6), and a sample that uses an exclusion restriction (Model 7).

In Model 7, we apply a Heckman selection model in a two-stage process. In the first stage, we run a probit model and include all variables used in our main matching procedure. Consistent with Shi and DesJardine (2022), we added a variable that acts as an exclusion restriction: the average percentage of political directors in the SIC 2 industry excluding the focal firm. This variable significantly predicted the appointment of political directors to a firm's board of directors (0.259, $p < 0.01$). We calculated the inverse Mills ratio from this model and included it in the second stage model. The effect with *U.S. Workers Only* as the dependent variable is robust across all samples.

Insert Table 5 about here

In the online supplement, we provide additional tests of the parallel trends assumption (Appendix 1), report statistics from the Oster (2019) selection test (Appendix 2), control for additional variables related to mimetic pressures and resource dependence (Appendix 3), and test for a moderating role of resource dependence (Appendix 4).

Synthetic Controls

We also assess the robustness of our main findings by using alternative causal inference methods, specifically the synthetic control method, which has been utilized in studies involving large samples before (Abadie, 2021). The synthetic control method has become increasingly popular in management research to estimate the causal impact of treatment effects (Fremeth, Holburn, & Richter, 2016; Lipsitz & Starr, 2022). Synthetic controls match each firm in the treatment group to a synthetic firm created from firms in the control group (Abadie, 2021), which minimizes differences in pre-trends between treatment and control groups. We estimate the effect of a *Political Board* using *stacked* synthetic controls to illustrate the counterfactual recruitment strategy of firms with a *Political Board* toward foreign workers had they not had a politician on the board. Stacking the synthetic controls for each firm is useful where multiple treated units exist: a synthetic control firm is created for each firm separately, which can be aggregated back to a weighted average of the treatment effect (Wiltshire, 2021). Figure 3 presents visual results using the stacked synthetic control method. These suggest that in the absence of Trump's inauguration, firms with *Political Boards* would not have increased barriers to foreign workers' employment.

Insert Figure 3 about here

DISCUSSION

Theoretical Contributions

Our study aims to make three contributions. First, we add to the board advice literature by examining the advisory role of political directors during periods in which the political environment poses a challenge to status quo HR strategies. Previous research has examined the role of political connections (Wei et al., 2023) and suggested that these connections "[drive] these firms to make different strategic decisions than firms lacking such influence" (Tihanyi et al., 2019: 2303–2304). An emerging stream of research has begun to shed light on how political connections affect firms through political directors (Albino-Pimentel et al., 2018).

Our study extends this research by arguing that political directors act as influential expert advisors on topics within their area of expertise, especially if the board faces uncertainty and ambiguity. We find that regardless of partisan orientation, political directors may increase the influence of changes in government policy on firm behavior. Albino-Pimentel et al (2018) argue that political directors have distinct "mental models" that guide their decision-making when engaging in uncertain and ambiguous strategic decisions. While Albino-Pimentel et al (2018) examine strategic choices that are only somewhat influenced by politics, we examine strategic choices that are inherently political. We find that political directors *reduce* the efforts of firms to hire foreign workers, while Albino-Pimentel et al (2018) found that political directors *increase* foreign acquisitions. This complementary finding suggests that the political context of strategic decisions plays an important yet under-investigated role, which our study addresses and shows that political directors' advice leads companies to be more aligned with current governments and their policies under conditions of uncertainty. As such we more clearly link the idea that political directors utilize their political expertise as advice for managers and other directors.

In addition, recent studies suggest that director advice may have downsides and is context-dependent (Krause et al., 2013). Our study extends this research and suggests that political advice on the board may lead companies away from evidence-based HR practices, and to become more risk-averse when changes are underway in the political arena. Assuming that foreign workers complement the workforce of U.S. companies (Choudhury, 2022) and create human capital-based advantages for firms (Nyberg & Moliterno, 2019), this finding extends research suggesting that political influences on the board can lead to negative decisions and firm outcomes (Faccio, 2006; Faccio, Masulis, & McConnell, 2006; Fisman, 2001; Hadani, Bonardi, & Dahan, 2017; Hadani & Schuler, 2013). However, given that firms must balance HR risks (i.e., missing out on the best employees) with political risks (i.e., being misaligned with political realities), and the literature suggesting that firms with political directors are more likely to survive (Zheng, Singh, & Mitchell, 2015), the heightened reluctance to hire foreign workers in firms with political directors may still lead to improved firm outcomes.

Second, we contribute to the literature on the information-processing role of boards of directors by examining board-level moderators that can limit the influence of individual directors (Boivie et al., 2016; Krause et al., 2024). While the traditional view of board decision-making suggests that strategic choices will be made through the aggregation of preferences of individual directors, we show that the composition of the board (i.e., board diversity and dedicated board committees) may incorporate additional perspectives or slow decision-making to reduce the influence of directors with political expertise (Krause et al., 2024). Our study adds important insights into the study of corporate governance that may help to reduce the influence of expert advice that may not be ideal considering the circumstances (Krause et al., 2013), potentially reducing the extent to which experts may be liabilities in strategic decision making (Almandoz & Tilcsik, 2016).

Third, we contribute to the understanding of employment practices by providing new evidence on how the external environment affects recruitment, a study made possible by building a novel measure of firm-level recruitment strategy drawn from job postings. With machine learning models, we create monthly data at the firm level from public observations of firm recruitment behavior. We link HR practice changes at firms to board structure and changes in the political environment, contributing to knowledge about the institutional environment that shapes employment practices. Our study has significance for studies in HR management about firm-level employment practices and their institutional environment (Gerhart et al., 2000).

Future Research and Limitations

Our study faces limitations but also offers new research directions. First, limitations with the job posting data exist. While our data allows us to speak to changes in barriers to employment in job postings, we do not observe the actual hiring of foreign and U.S. workers. Despite Lightcast's de-duplication and efforts to clean the data—and our machine learning models built and assessed for accuracy—as with any large data source, it was not possible to audit for accuracy at the level of the individual job posting. Further, there is no inherent one-to-one match between a job posting and vacancy (one job posting may be related to several positions, or vice versa).

Second, our machine learning-generated outcome variables may also be utilized to examine the signaling function of corporate political activity. Gordon and Hafer (2005) show that firms may signal their willingness to engage politically with the regulatory state by using political expenditures such as campaign contributions. Our job posting data may be a more nuanced and non-monetary way to signal alignment with the government, potentially broadening our outcome variable to studies that aim to examine how effective employment barriers are as signals.

Third, while DID and PSM methods attempt to replicate the conditions of an experiment and establish causality, our results should be interpreted with caution. While board-level moderators are frequently used in academic studies (e.g., Lungeanu & Zajac, 2019), internal governance mechanisms may raise endogeneity concerns. In addition, PSM cannot eliminate unobservable differences between the treatment and control groups. While we matched on relevant variables following previous research (Faccio & Hsu, 2017)—and implemented a range of robustness checks considering alternative matching approaches and a variety of additional control variables—unobservable factors may influence the appointment of political directors nonetheless.

CONCLUSION

While research on the value of political directors has flourished in recent times, their influence on firm strategies remains theoretically and empirically ambiguous. We argue that political directors' influence on firm strategies is particularly strong when the political environment is changing and poses risks to firms—such as the shift in the political support for foreign workers when Donald Trump was elected and inaugurated President of the United States. Further, we show that diverse boards and dedicated committees on boards can dampen this political influence on the board, which is encouraging news for firms seeking to navigate turbulent political climates.

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Table 1

Balancing Test for Matching

	Full Sample N = 28,680				Propensity Score Matched Sample N = 13,890				
Matching Criteria	Control Mean (N=20,220)	Control S.D.	Treatment Mean (N=8,460)	Treatment S.D.	Control Mean (N=6,945)	Control S.D.	Treatment Mean (N = 6,945)	Treatment S.D.	*t*-statistic (*p*-value)
Board Independence	0.82	0.09	0.85	0.08	0.85	0.07	0.85	0.08	0.43 (0.66)
CEO Duality	0.32	0.47	0.42	0.49	0.40	0.49	0.38	0.49	0.38 (0.65)
Board Size	9.54	1.81	11.06	2.42	10.61	1.79	10.52	1.72	0.54 (0.71)
Firm Size	8.54	1.42	9.96	1.62	9.58	1.42	9.54	1.44	0.25 (0.60)
Financial Leverage	0.24	0.14	0.26	0.13	0.26	0.14	0.26	0.12	-0.39 (0.35)
Financial Performance	0.06	0.07	0.05	0.07	0.06	0.07	0.06	0.07	-0.26 (0.40)
R&D Intensity	2.63	2.46	2.93	3.06	2.77	2.90	2.83	2.89	-0.17 (0.43)
Financial Slack	2.07	5.59	1.54	1.53	1.65	3.10	1.69	1.56	-0.14 (0.45)
Largest Inst. Blockholder	10.09	4.65	9.99	4.33	10.06	4.08	10.09	4.08	-0.08 (0.47)
Political Risk	4.19	1.14	4.46	1.22	4.33	1.09	4.33	1.19	0.05 (0.52)

Notes: *t*-statistics and *p*-values from t-tests are adjusted for clustering by firm.

Table 2

Summary Statistics and Correlation Table

#	Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1	U.S. Workers Only	0.03	0.11	1.00																	
2	Political Board	0.50	0.50	0.13	1.00																
3	Board Diversity Index	0.11	0.43	-0.07	0.02	1.00															
4	HR Committee	0.10	0.30	0.15	-0.01	0.06	1.00														
5	Timely Shareholder Meeting	0.32	0.47	0.01	0.01	-0.04	0.08	1.00													
6	Board Independence	0.85	0.08	0.00	-0.02	0.04	0.08	-0.03	1.00												
7	CEO Duality	0.39	0.49	0.05	-0.02	-0.23	0.04	-0.03	0.08	1.00											
8	Board Size	10.56	1.75	-0.04	-0.03	0.12	0.11	0.05	0.12	0.02	1.00										
9	Progressivism	0.51	0.11	0.02	0.06	-0.02	-0.02	0.02	-0.01	0.01	0.04	1.00									
10	Clinton Intensity	0.01	0.05	0.04	0.15	-0.04	0.04	0.00	-0.02	0.02	-0.00	0.47	1.00								
11	Firm Size	9.56	1.43	-0.02	-0.01	0.06	0.12	0.06	0.26	0.02	0.39	0.04	0.05	1.00							
12	Financial Leverage	0.26	0.13	-0.06	0.02	0.11	-0.10	-0.10	0.10	-0.05	0.07	-0.00	-0.02	-0.02	1.00						
13	Financial Performance	0.06	0.07	0.00	0.01	0.10	-0.06	0.00	0.03	0.08	-0.05	0.01	-0.04	-0.09	0.01	1.00					
14	R&D Intensity	2.80	2.90	0.13	0.01	0.13	0.08	0.11	0.03	0.02	0.05	0.03	0.02	0.09	0.09	0.27	1.00				
15	Financial Slack	1.67	2.46	0.02	0.01	0.04	-0.09	-0.02	-0.23	-0.02	-0.09	-0.03	-0.02	-0.17	-0.07	0.13	0.15	1.00			
16	Largest Institutional Blockholder	10.07	4.08	0.05	0.00	0.01	-0.01	-0.06	-0.03	-0.09	-0.18	0.01	-0.01	-0.27	0.04	-0.15	-0.11	-0.00	1.00		
17	Political Risk	4.33	1.14	0.02	-0.00	-0.05	-0.02	0.00	0.01	-0.01	-0.04	-0.00	-0.01	0.09	-0.16	-0.06	-0.09	-0.00	0.05	1.00	
18	Trump Inauguration * Political Board	0.29	0.45	0.12	0.64	0.20	0.00	0.01	0.03	-0.13	-0.02	0.08	0.20	0.02	0.04	0.02	0.01	0.01	0.08	0.01	1.00

Notes: Observations: 13,890. Correlation coefficients greater than 0.028 in absolute value are significant at the $p < 0.05$ level.

Table 3

Main Interaction Effect Results (Baseline Results)

	Model 1 Without Control Variables	Model 2 With Control Variables
Trump Inauguration * Political Board	0.012	0.012
	(0.000)	(0.000)
Trump Inauguration	0.005	0.006
	(0.237)	(0.184)
Board Independence		-0.039
		(0.000)
CEO Duality		0.002
		(0.287)
Board Size		-0.001
		(0.049)
Progressivism		0.004
		(0.397)
Clinton Intensity		-0.008
		(0.371)
Firm Size		0.003
		(0.318)
Financial Leverage		-0.006
		(0.589)
Financial Performance		0.012
		(0.218)
R&D Intensity		0.002
		(0.553)
Financial Slack		0.000
		(0.680)
Largest Institutional Blockholder		0.000
		(0.516)
Political Risk		0.001
		(0.007)
Constant	0.021	0.036
	(0.000)	(0.171)
Month & Firm Fixed Effects	Y	Y
Observations	13,890	13,890

Notes: *p*-values are reported below coefficients in parentheses.

Table 4

Moderators of Main Interaction Effect Results

Variables	Model 1 Board Diversity Index	Model 2 HR Committee	Model 3 Timely Shareholder Meeting
Trump Inauguration * Political Board (Main Effect)	0.009	0.016	0.009
	(0.000)	(0.000)	(0.000)
Trump Inauguration * Political Board * Moderator	-0.018	-0.045	0.008
	(0.000)	(0.000)	(0.017)
Trump Inauguration * Moderator	-0.008	0.050	0.004
	(0.021)	(0.000)	(0.124)
Political Board * Moderator	0.023	-	-
	(0.000)	-	-
Moderator	-0.001	-	-
	(0.833)	-	-
Trump Inauguration	0.008	0.001	0.004
	(0.059)	(0.859)	(0.347)
Board Independence	-0.038	-0.047	-0.039
	(0.000)	(0.000)	(0.000)
CEO Duality	0.001	0.002	0.001
	(0.521)	(0.141)	(0.450)
Progressivism	0.005	0.004	0.003
	(0.281)	(0.358)	(0.461)
Board Size	-0.001	-0.001	-0.001
	(0.040)	(0.013)	(0.028)
Clinton Intensity	-0.008	-0.009	-0.008
	(0.415)	(0.341)	(0.398)
Financial Slack	-0.000	0.000	0.000
	(0.754)	(0.700)	(0.722)
Political Risk	-0.001	-0.001	-0.001
	(0.010)	(0.003)	(0.006)
Firm Size	0.002	0.003	0.003
	(0.362)	(0.190)	(0.207)
Financial Leverage	-0.006	-0.001	-0.005
	(0.567)	(0.911)	(0.616)
R&D Intensity	0.002	0.002	0.001
	(0.405)	(0.381)	(0.630)
Financial Performance	0.004	0.013	0.01
	(0.709)	(0.193)	(0.336)
Largest Institutional Blockholder	0.000	0.000	0.000
	(0.783)	(0.582)	(0.455)
Constant	0.038	0.035	0.03
	(0.150)	(0.187)	(0.228)
Month & Firm Fixed Effects	Y	Y	Y
Observations	13,890	13,890	13,890

Notes: p-values are reported below coefficients in parentheses.

Table 5

Robustness Checks with Alternative Dependent Variables and Samples

Panel A	Moderation Model with Alternative Dependent Variables					
	Visa Holders Excluded			Work Authorization Required		
	(1) Board Diversity Index	(2) HR Committee	(3) Timely Shareholder Meeting	(4) Board Diversity Index	(5) HR Committee	(6) Timely Shareholder Meeting
Trump Inauguration * Political Board (Main Effect)	0.009	0.016	0.009	0.016	0.023	0.01
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.002)
Trump Inauguration * Political Board * Moderator (Moderation Effect)	-0.018	-0.045	0.008	-0.007	-0.065	0.02
	(0.000)	(0.000)	(0.017)	(0.411)	(0.000)	(0.001)
Controls	Y	Y	Y	Y	Y	Y
Month & Firm FEs	Y	Y	Y	Y	Y	Y
Observations	13,890	13,890	13,890	13,890	13,890	13,890

Panel B	Main Effects with Alternative Samples and Specifications						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Trump Inauguration *	0.011	0.007	0.011	0.012	0.008	0.012	0.010
Political Board (Main Effect)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Inverse Mills Ratio							0.015
							(0.000)
Sample	Full Sample	PSM With Replacement	PSM 1:2 Matching	PSM 1:3 Matching	PSM Industry * Time FEs	CEM	Exclusion Restriction
Controls	Y	Y	Y	Y	Y	Y	Y
Month & Firm FEs	Y	Y	Y	Y	Y	Y	Y
Observations	28,608	16,536	17,924	20,582	13,890	9,558	28.608

Notes: *p*-values are reported below coefficients in parentheses level. Controls include *Board Independence, CEO Duality, Board Size, Progressivism, Clinton Intensity, Firm Size, Financial Leverage, Financial Performance, R&D Intensity, Financial Slack, Largest Institutional Blockholder, Political Risk.*

Figure 1

U.S. Workers Only For Firms With Political Boards (Red Squares) And Non-Political Boards (Blue Circles)

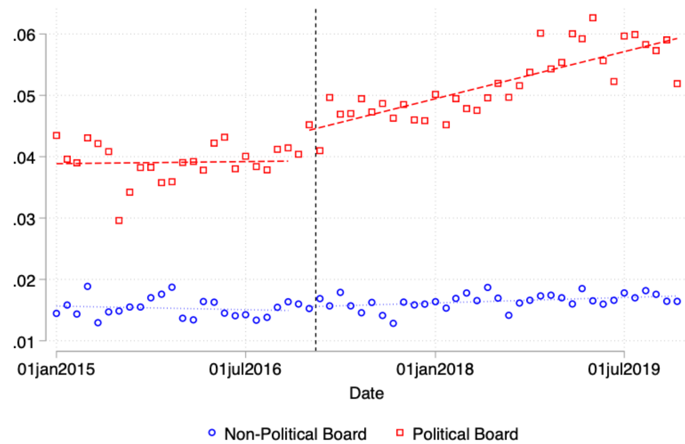
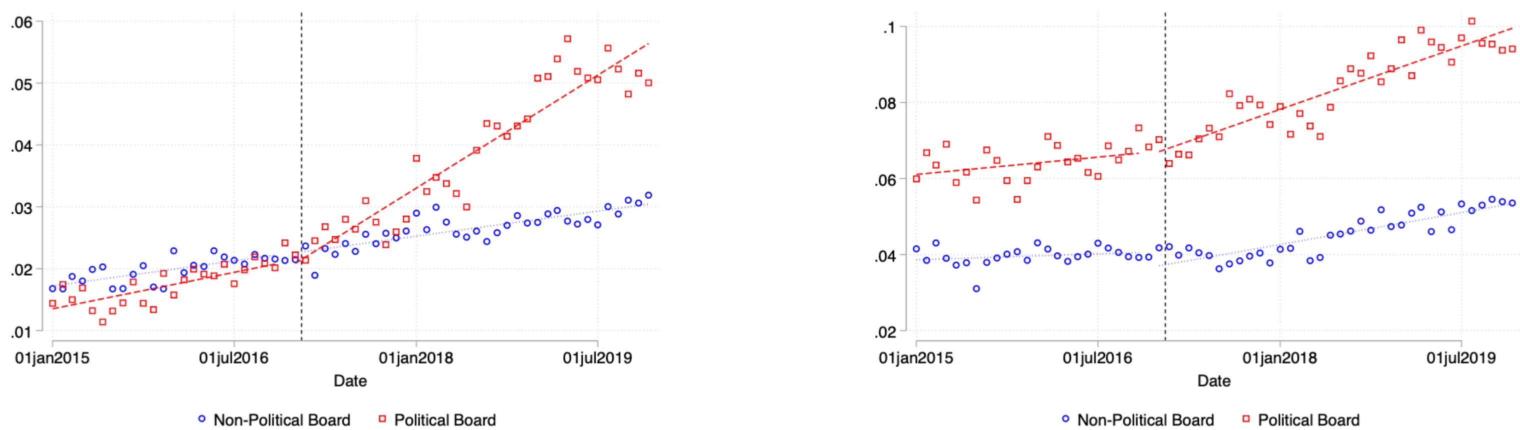


Figure 2

Firms with Political Boards (Red Squares) And Non-Political Boards (Blue Circles)

Panel A. Percent Visa Holders Excluded

Panel B. Percent Work Authorization Required

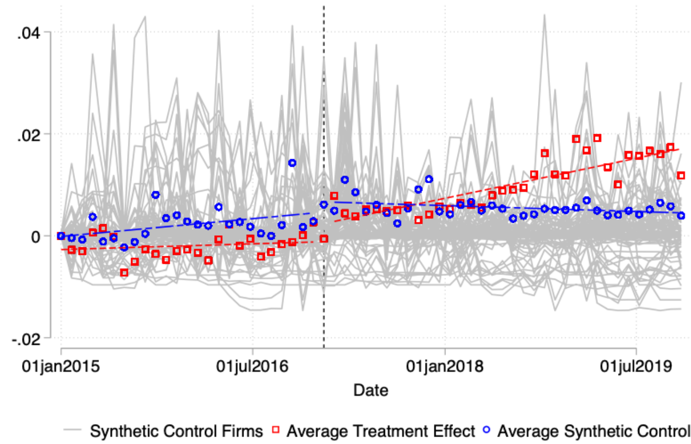


Notes: The vertical line indicates January 20, 2017, the date of Trump's Inauguration

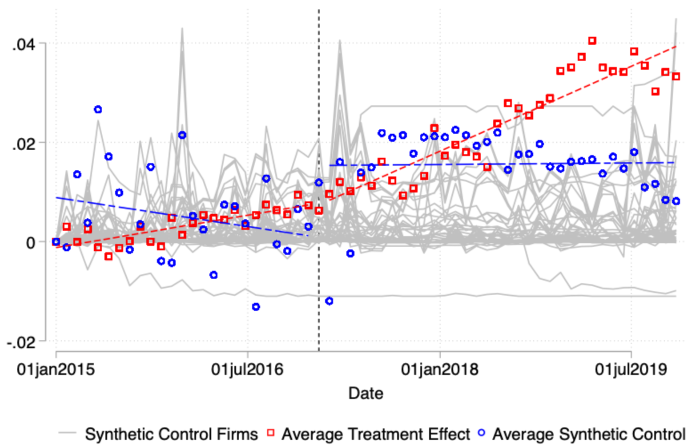
Figure 3

Average Political Board (Red Squares), Average Synthetic Political Board (Blue Circles)

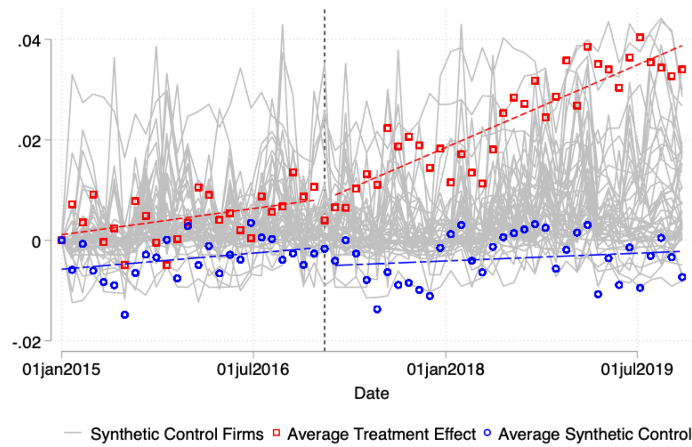
Panel A. U.S. Workers Only



Panel B. Visa Holders Excluded



Panel C. Work Authorization Required



Notes: The vertical line is January 20, 2017 (Trump's Inauguration). Control firms (in grey) outside of the y-axis range are dropped.

APPENDICES

Appendix 1. Parallel Trends Assumption

Our main results report the average effects of firms with political boards post-*Trump Inauguration*. To validate the parallel trends assumption and examine time trends in the period leading up to and after the inauguration, we disaggregate the *Trump Inauguration*Political Board* variable into treatment effects over time, following Zheng et al. (2024), Beck, Levine, and Levkov (2010), Bourveau, Lou, and Wang (2018), and Chen, Hung, and Wang (2018). We generate six indicator lag and lead variables and interact these indicators with the treatment (*Political Board)*. As a reference group, we drop the period immediately preceding the *Trump Inauguration*. We do not trim the data, and construct lags and leads based on the number of months in the pre- (24 months in three equal pre-periods) and post- (36 months in three equal post-periods) periods observed. Table A.1. demonstrates that effects are not significant in the period *Trump Inauguration + 1*, significant in the period *Trump Inauguration + 2* (13-24 months after *Trump Inauguration*) for *U.S. Workers Only* at $p<0.10$, and for the alternative dependent variable *Work Authorization Required* at $p<0.01$. In the period *Trump Inauguration + 3*, the effect is significant at $p<0.05$ for the alternative dependent variable *Visa Exclusive*, and below $p<0.01$ for *U.S. Workers Only* and *Work Authorization Required*. We do not find a significant effect of *Political Board* in the period before *Trump Inauguration*. These results suggest that the effect of *Trump Inauguration* in firms with *Political Boards* was lagged, and increases over time.

Table A.1.

Leads and Lags of the Main Interaction Effect

	(1) U.S. Workers Only	(2) Visa Holders Excluded	(3) Work Authorization Required
Trump Inauguration - 2	-0.004	-0.001	0.002
	(0.231)	(0.908)	(0.677)
Trump Inauguration - 1	-0.004	0.002	0.003
	(0.189)	(0.698)	(0.602)
Trump Inauguration + 1	0.004	-0.002	0.008
	(0.130)	(0.628)	(0.106)
Trump Inauguration + 2	0.005	0.002	0.020
	(0.053)	(0.634)	(0.000)
Trump Inauguration + 3	0.016	0.009	0.025
	(0.000)	(0.021)	(0.000)
All Controls	Yes	Yes	Yes
Firm-Fixed Effects	Yes	Yes	Yes
R-Squared	0.845	0.780	0.868
Observations	13,890	13,890	13,890

Notes: p-values are reported below coefficients in parentheses. Controls include *Board Independence, CEO Duality, Board Size, Progressivism, Clinton Intensity, Firm Size, Financial Leverage, Financial Performance, R&D Intensity, Financial Slack, Largest Institutional Blockholder, Political Risk.*

Appendix 2. Selection Test

To address potential selection and omitted variable bias, Oster (2019) proposes a selection test that considers how large unobservable factors would need to be relative to observable controls to nullify the finding. The test statistic δ is obtained by comparing the changes in the coefficient for the treatment effect (β_1 in Equation 1) and R^2 between the baseline and full model. We implement the test using the Stata command 'psacalc' after running the fixed effects regression as the baseline, treating the month and firm fixed effects as nuisance parameters and comparing Models 1 and 2 in Table 3 of the paper.

The addition of observable control variables in Model 2 has only a small influence on the coefficient β_1 or R^2, suggesting that unobservables would need to have a much larger impact than observables to nullify the results. We assume that unobservables could explain a maximum R^2 of 130% of the model with full controls, following Oster (2019), Starr, Prescott, and Bishara (2020), and Zheng et al. (2024). We obtain a value of δ that exceeds the critical threshold of 1 for the selection test. We also obtain "true" bounds for β_1 [0.01167, 0.01187] that fall within the 90% confidence interval from Model 1 in Table 3 [0.00964, 0.01369], suggesting that unobservable omitted variables are unlikely to drive this result.

Table A.2.

Selection Test (Oster (2019))

Estimated β from equation (1) =0	$1.3R^2$; δ=1
δ	"True" β_1 Bound
45.22	[0.01167, 0.01187]

Appendix 3. Additional Control Variables

We include an additional battery of controls related to the role of mimetic pressure and resource dependence. Firms more dependent upon the government might appoint political directors for different reasons related to political connections, which may make them more responsive to changes in the political environment. We create six variables to control for these mechanisms:

Mimetic Pressure: An industry average of the dependent variable *U.S. Workers Only* that excludes the focal firm when creating the industry average. Two-digit SIC codes were used to calculate the averages for each month in our dataset. This measure controls for change in industry-level activity and the behavior of peer firms.

Financial Risk: The standard deviation of the return on assets (ROA) for the prior three years. Firms with higher firm-specific financial risks may seek government assistance, which may affect their dependence on the government.

Political Intensity: The ratio of political directors to board size. This measure accounts for the degree to which boards are composed of and influenced by political directors.

Years Since Active Federal Politician: The average number of years since the political director(s) on the board held an appointment in the federal government. Political directors who have recently departed political positions in the federal government may have more experience with federal politics and/or political connections into the federal government, which can make them more responsive to the political environment.

Government Revenue: We incorporate revenue data from USAspending.gov for government contractors. USAspending.gov has been used extensively to assess firm dependence on the federal government by capturing the revenue firms derive from government contracts (Abdurakhmonov, Ridge, Hill, & Loncarich, 2022). Since the variable was skewed, we calculated the natural logarithm of government revenue.

Foreign Sales: The percent of revenue derived from countries other than the United States. We calculate the natural logarithm since this variable was skewed. This controls for the case that firms with large volumes of overseas sales may have greater dependence upon government import and export policies.

Table A.3, Columns 1 – 6 control separately for each of the above variables along with the battery of controls in the main analysis. Column 7 includes all control variables in a single model. The main effects are robust to the inclusion of these controls.

Table A.3

Robustness Check: Controlling for Mimetic Pressure and Resource Dependence

	(1) Mimetic Pressure	(2) Financial Risk	(3) Political Intensity	(4) Years Since Active Federal Politician	(5) Government Revenue	(6) Foreign Sales	(7) All Resource Dependence Controls
Trump Inauguration * Political Board (Main Effect)	0.012 (0.000)	0.012 (0.000)	0.012 (0.000)	0.012 (0.000)	0.012 (0.000)	0.012 (0.000)	0.012 (0.000)
Controls	Y	Y	Y	Y	Y	Y	Y
Month & Firm FEs	Y	Y	Y	Y	Y	Y	Y
Observations	13,586	13,890	13,890	13,890	13,890	13,890	13,839

Notes: *p*-values are reported below coefficients in parentheses. Controls include *Board Independence, CEO Duality, Board Size, Progressivism, Clinton Intensity, Firm Size, Financial Leverage, Financial Performance, R&D Intensity, Financial Slack, Largest Institutional Blockholder, Political Risk*.

Appendix 4. Moderating Effects of Resource Dependence Variables

We used a combination of the additional variables described in Appendix 3 above to conduct additional moderation analysis to examine whether and how explanations related to resource dependence theory affect our results. Table A.4 inserts the resource dependence variables as potential moderators of the effect of political directors.

In Columns 4 and 5, *Government Revenue* and *Foreign Sales*, there is evidence that the influence of political boards is increased within firms that have a high percentage of foreign sales and that are government contractors. Firms with a high percentage of foreign sales may face a significant dependence on the federal government concerning import and export policies and support the firm in international disputes. Firms that are government contractors and derive substantial revenues from government contracts are more dependent on the government as a customer (Abdurakhmonov et al., 2022). Hence, in both cases, the results support the idea that reciprocal demands from the federal government increase the influence of political directors on the focal board. There is no evidence that a firm's political risk or the years since a political director left federal politics influence the main effect. The reasons for the somewhat mixed findings may be inconsistent demands for reciprocity from governments. It is well established that relational resources are highly dependent on situational conditions such as alignment between the political affiliation/ideology of the political director and the party in power (Lester, Hillman, Zardkoohi, & Cannella, 2008; Siegel, 2007). In addition, the political connections must be tied to the correct level of political decision-making. In our case, boards need to establish connections with the Trump administration. Yet, around the time of our study, Trump was an outsider with limited support among former politicians who may serve on corporate boards.

Table A.4

Supplementary Analysis: Moderating Effects of Resource Dependence

	(1) Financial Risk	(2) Political Risk	(3) Years Since Active Federal Politician	(4) Government Revenue	(5) Foreign Sales
Trump Inauguration * Political Board (Main Effect)	0.016 (0.000)	0.012 (0.054)	0.012 (0.000)	0.008 (0.000)	0.003 (0.275)
Trump Inauguration * Political Board * Moderator	-0.178 (0.007)	-0.000 (0.897)	-0.001 (0.796)	0.001 (0.000)	0.004 (0.000)
Controls	Y	Y	Y	Y	Y
Month & Firm FEs	Y	Y	Y	Y	Y
Observations	13,890	13,890	13,890	13,890	13,839

Notes: *p*-values are reported below coefficients in parentheses. Controls include *Board Independence, CEO Duality, Board Size, Progressivism, Clinton Intensity, Firm Size, Financial Leverage, Financial Performance, R&D Intensity, Financial Slack, Largest Institutional Blockholder, Political Risk*.

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