The Influence of Business Strategy on Relationship Between Political Connection and Market Performance

Muhammad Laras Widyanto, Eva Herianti, Sri Kurniawati, Amor Marundha

Abstract: Political factor is one of the environmental factors influencing the success of business growth in developing countries such as Indonesia. This condition happens because capital market in developing countries such is managed under law supremacy, and resources allocation is also controlled and managed by government. The purpose of the research is to analyze and test the influence of business strategy on relationship between political connection and market performance. The research uses *purposive sampling* on manufacturing companies listed in Indonesia Stock Exchange period 2012 – 2016 using SMARTPLS 3.0 analytical tools. The result shows that political connection positively and significantly influences on market performance. While the research contributes that low costs and differentiation strategy do not moderate the influence of political connection on market performance. The research contributes that political connected companies (connected between government and military) may provide benefits, such as simplification on regulatory, network amongst other companies and regulation, and simplification for project winning with end result to increase sales, then it finally improves market performance.

Index Terms: Political Connection, Low Cost Strategy, Differentiation Strategy, Market Performance

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1 INTRODUCTION

Political factor is one of the environmental factors influencing the success of business growth in countries, especially in developing countries. This condition is proven by several research showing that capital market in developing countries is managed under law supremacy, and resources allocation is also controlled and managed by government (Adhikari et al., 2006; Faccio, 2006). Therefore, in order to run for the company smoothly, the company builds capital politics to gain profit (Allen et al., 2005). This opportunity is then used by public companies to elect or appoint politically directors or commissioners in support of their political network. Chaney et al. (2011) point out that there are three things that political-connected corporations do: (1) companies obtain benefit from political relations by embezzling payments, hiding, obscuring, or at least making financial reporting delays in order to mislead shareholders through various considerations, (2) political-connected companies will feel safe from sanctions or penalties if companies report low-quality corporate financial condition, and (3) firms with low earnings quality are more likely to engage in political connections because they can provide a positive signal for stakeholders. Chen et al. (2010) proves that in politically connected companies, analysis predictions are less accurate when compared with political-unconnected companies. This research shows that political connections can create information asymmetries. Mobarak & Purbasari (2006) proved that political-connected companies with the Soeharto regime have advantages such as ease of permission in importing compared to non-political companies. Thus, political connections can have a powerful effect on the development of the company.

Fisman (2001) is a researcher who studies the relationship between political connections and firm value. Fisman (2001) considers five important events related to the deteriorating health of President Soeharto and studied stock price reactions to link political connections with the government. The contribution of his research results shows that political connections reach a range of 12-23 percent of firm value. Johnson & Mitton (2003) examined the effect of political connections on the value of firms in the Malaysian Capital Market. The contribution of his research shows that political connections account for about 17 percent of market value. The findings of this study prove that between political and corporate value or market performance have interrelated relationships. Several previous research results have proven the influence of political connections on corporate value and become an interesting topic to be studied. Goldman et al. (2009) indicates that political connections have a significant effect on firm value. Conversely, a political-unconnected company does not affect the value of the firm. In addition, Imai (2006), Khawaja & Mian (2004), Ang & Boyer (2000) examined the effect of political connections on firm value. The results of his research indicate that political connections have a significant effect on firm value. The findings of this study prove that if the value of political connections found high, then the political connections are located in countries with high levels of corruption (Ang et al., 2011). In contrast to the results of research Goldman et al. (2009), Imai (2006), Kwaja & Mian (2004), Johnson & Mitton (2003), Fisman (2001), and Ang & Boyer (2000) indicate a significant influence between political connections and firm value, while Berkman & Galpoththage (2016) shows that political connections do not affect company value. Berkman & Galpoththage (2016) examined the effect of political connections on firm value using a portfolio-time-series approach related to five important political events in Sri Lanka. The contribution of the research indicates that the Sri Lankan government is not biased against political-connected companies when delivering large projects. The various

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previous findings as described above show any inconsistencies in the study of the influence of political connections on firm value which lead researchers to examine the effect of political connections on market value. The reason the researcher uses the market performance as variable to replace the corporate value variable is merely as an emphasis that one of the company's performance indicators is measured through the stock market value, so that it explicitly can provide an explanation related to the market performance of the company. This study uses business strategy in moderating the influence of political connections on market performance. The reason researchers use business strategy variables as a moderating variable because business strategies can offer superior performance achievement (Porter, 1980). In addition, good business strategy whether a low costs strategy and differentiation strategy when used as a mixed strategy, it can improve performance (Helms et al., 1997). This suggests that the objective of a business strategy is to lead and operate cost efficiency to produce better performance (Thomhill & White, 2007). Thus, this study examines the influence of business strategy on the relationship between political connections and market performance.

2. Literature Review and Hypothesis Development

2.1. Signal Theory

Signal is a reflection of the actions taken by the management company that aims to provide guidance to shareholders relating to the condition of the company. The signal theory stated that companies with good quality tend to signal to the market in the hope that the market will respond and can differentiate good and bad quality companies (Brigham & Houston, 2001). Hartono (2009) states that the information published by the company management as an announcement will give a signal to shareholders in making investment decisions. The information contains a positive value, it is expected that the market will respond at the time the information is received by the market indicated by the change in trading volume of shares. When information is announced and all market participants have received the information, market participants first analyze the information as a good signal or bad signal. The rapid development in the economic field requires companies to continue to survive in increasingly competitive global competition. To be able to compete with other companies, a company is faced with conditions that encourage them to be more creative in obtaining the most effective funding sources, and able to generate profits to ensure the survival and development of the company in the future. (Harnovinsah, 2016). The company's ability to generate profits in its operations is a key focus in the assessment of the company's achievements (fundamental analysis of the company) for profit companies apart is an indicator of a company's ability to meet obligations to persons with funds is also an element in the creation of value for companies that demonstrate the company's prospects in the future (Budiharjo, 2018).

2.2. Political Connection

A political company is a company which, if at least one of the largest shareholders of the company (anyone directly or indirectly controls 10% of the votes in the company) or the board of directors (CEO) is a member of parliament, minister, head of state or has a close relationship with politicians who hold important government posts (Faccio, 2006). Purwoto (2011) states that political-connected companies are companies with certain ways of having political ties or seeking closeness with politicians or governments. Chaney et al. (2011) indicates that there are three things that political corporations are involved in: (1) companies benefit from political relations by embezzling payments, hiding, obscuring, or at least making financial reporting delays in order to mislead shareholders through various considerations, (2) political-connected companies will feel safe from sanctions or penalties if companies report low-quality corporate financial condition, and (3) firms with low earnings quality are more likely to engage in political connections as they can provide a positive signal for stakeholders. This proves that companies tend to take advantage of political acquisition to gain profit so as to enhance the company's image for stakeholders.

2.3. Business Strategy

Business strategy is a strategy based on the process of organizational adaptation to environment changes (Miles and Snow, 1978). Porter (1980) explains that the typology of business strategy aims to check whether companies that follow business strategies can improve performance. Furthermore, Porter (1980) states that low cost and differentiation is a business strategy that can be used as an industrial strategy. The low cost strategy shows the importance of efficiency in the company's operational activities. Whereas, differentiation strategy shows the company need to do innovation strategy to offer unique product to customer. Both of these strategies are used by companies to meet the needs of various segments (Banker et al., 2014; Shen, 2006; Kald, 2003; and David et al., 2002). This research uses the generic strategy of Porter (1980) for several reasons, as follows: (1) this generic strategy has become one of the most widely used strategy typologies and is recognized as the dominant paradigm in the competitive strategy literature (Kim et al., 2004; Campbell-Hunt, 2000), and (2) This generic strategy is linked to market performance.

2.4. Market Performance

Market performance is an evaluation of the company's financial condition as one of the financial indicators used by internal and external parties in assessing the development of the company. Wibowo (2014) states that there are several ways that stakeholders use to measure the company's market performance. One way that can provide accurate information is through the ratio of Tobin's q. Tobins' q is an indicator used by stakeholders to measure the company's market performance in order to evaluate the performance of the company's management in managing its assets by taking into account the market value of the company. Market performance is very important because with high market performance, it reflects the shareholders' wealth. High market performance is the desire of shareholders. This is because shareholder and corporate wealth are represented by stock market prices. Market performance has a bearing on stock prices. That is, by looking at high stock prices make the market performance increases. High market performance will make shareholders believe that the prospects of the company will be good in the future. Therefore, market performance is a shareholder's perception of the firm's success rate relating to stock prices. Market performance is shaped through an indicator of the market value of the stock and strongly influenced by the investment factor. That is, if the market performance is high, it will give a positive signal about the company's growth in the future so it can increase investment opportunities.

2.5. Political Connection and Market Performance

A political company is a company which, if at least one of the largest shareholders of the company (anyone directly or indirectly controls 10% of the votes in the company) or the board of directors (CEO) is a member of parliament, minister, head of state or has a close relationship with politicians who hold important government posts (Faccio, 2006). Purwoto (2011) states that political-connected companies are companies with certain ways of having political ties or seeking closeness with politicians or governments. Chen et al. (2010) proves that in politically connected companies, analysis predictions are less accurate when compared with political unrelated companies. This indicates that political connections can create asymmetries information. Mobarak & Purbasari (2006) prove that political companies connected with the Soeharto regime had such advantages as permitability in importing compared to non-political companies. Thus, political connections can have a powerful effect on the development of the company. Goldman et al. (2009) indicates that political connections have a significant effect on firm value. Conversely, a non-political company does not affect the value of the firm. In addition, Imai (2006), Khawaja & Mian (2004), Ang & Boyer (2000) examined the effect of political connections on firm value. The results of his research indicate that political connections have a significant effect on firm value. The findings of this study prove that if the value of political connections found high, then the political connections are located in countries with high levels of corruption (Ang et al., 2011). In contrast to the results of research Goldman et al. (2009), Imai (2006), Kwaja & Mian (2004), Johnson & Mitton (2003), Fisman (2001), and Ang & Boyer (2000) indicate a significant influence between political connections and firm values, Galpoththage (2016) suggests that political connections do not affect company value. Berkman & Galpoththage (2016) examined the effect of political connections on corporate value using a portfolio-time-series approach to five important political events in Sri Lanka. The contribution of the research indicates that the Sri Lankan government is not biased against political-connecting companies when delivering large projects. Bebchuck & Neeman (2005) state that the government has an important role in determining the level of shareholder protection through its regulations, policies and implementation. Therefore, the company sees this as an opportunity to lobby politicians to obtain the appropriate level of protection. Companies can use company assets to bear the cost of lobbying politicians. Based on the above description, then the hypothesis proposed in this study as follows.

H_1: Political connection influence on market performance

2.6. Political Connection, Business Strategy, Market Performance

Political connections can be seen from two sides. That is, political connections can provide benefits to the company but can also harm the company. Xu et al. (2012) indicates that when political control is reduced, it will improve company performance. This occurs when the effectiveness of good corporate governance mechanisms exists. However, the objectives of each political official vary, thus affecting the company. Chaney et al. (2011) indicates that there are three things that political corporations are involved in (1) companies benefit from political relations by embezzling payments, hiding, obscuring, or at least making financial reporting delays in order to mislead shareholders through various considerations, (2) political-connected companies will feel safe from sanctions or penalties if companies report low-quality corporate financial condition, and (3) firms with low earnings quality are more likely to engage in political connections because they can provide a positive signal for stakeholders. This proves that companies tend to take advantage of political acquisition to gain profit so as to enhance the company's image for stakeholders. Goldman et al. (2009) indicates that political connections have a significant effect on firm value. Conversely, a non-political company does not affect the value of the firm. In addition, Imai (2006), Khawaja & Mian (2004), Ang & Boyer (2000) examined the effect of political connections on firm value. The results of his research indicate that political connections have a significant effect on firm value. The findings of this study prove that if the value of political connections found high, then the political connections are located in countries with high levels of corruption (Ang et al., 2011). In contrast to the results of research Goldman et al. (2009), Imai (2006), Kwaja & Mian (2004), Johnson & Mitton (2003), Fisman (2001), and Ang & Boyer (2000) indicate a significant influence between political connections and firm values, Galpoththage (2016) suggests that political connections do not affect company value. Berkman and Galpoththage (2016) examined the effect of political connections on corporate value using a portfolio-time-series approach to five important political events in Sri Lanka. The contribution of the research indicates that the Sri Lankan government is not biased against political-connecting companies when delivering large projects. Companies will always compete in competing for resources and market share between companies. This product market has important implications for company policy. Low cost strategies tend to have a strong need for external financing due to the reason as follows: (1) one major source of cost advantage is pursuing economic scale and operational excellence, (2) the need to avoid delisting from the capital market, (3) management orientation companies in obtaining compensation related to company performance, so company management uses low cost strategy with political connections to signal to shareholders that the quality of the company tends to be good. Differentiation strategies tend to focus on innovation strategies by relying on non-financial measures to co-operate corporate management (Ittner et al., 1997; Govindarajan and Gupta, 1985; Simons, 1987). This differentiation strategy is done by company management for example through new product development, so company management uses political connection to influence market performance. Based on the above description, then the hypothesis proposed in this study as follows.

H_{2a}: Low cost strategy moderates the influence of political connections on market performance
H_{2b}: Differentiation Business Strategy moderates the influence of political connections on Market Performance

3. Research Methodology

3.1. Data and Sample Selection

This study uses financial statements and annual financial statements data of companies published through the website www.idx.co.id. This study uses a sample manufacturing companies listed on the Indonesia Stock Exchange (IDX) period 2012-2016 with sampling technique that is purposive sampling through the following criteria.

Table 1. Sample Selection Process

No.	Criteria	Not Match Criteria	Amount
1.	Manufacturing companies that publish financial statements and annual financial reports on the Indonesia Stock Exchange (BEI) during the period 2012-2016	-	128
2.	The financial statements and annual financial statements of manufacturing companies during the period 2012-2016 are reported in Rupiah	-	128
Number of samples that meet the criteria		128	
Year of observation		5 years	
Number of sample observations		640	

Source: www.idx.co.id

3.2. Operational Definition

This study uses three variables to test the hypothesis of the influence of business strategy on the relationship between political connections and market performance. The three variables used are (1) political connection, (2), business strategy, and (3) market performance.

1. Political Connection

This study uses two criteria, hereinafter referred to as proxies to measure political connected companies. The two proxies of the political connected company are (1) the board of directors and / or the board of commissioners who have been or are currently in government or have political experience at the national level and are called political-connected companies with the government, and (2) the board of directors and / or the board of commissioners once or in office with the military (general grade) and categorized as a political-connected company with the military.

2. Business Strategy

Business strategy deals with how to compete for the product / service market that has been decided to enter (Simons, 2000). This research uses business strategy based on Porter (1985) as a moderating variable consisting of low costs business strategy and differentiation strategy. Low cost business strategy is measured by asset utilization efficiency which shows that the importance of efficiency in the company's operational activities. The formula used is as follows.

$$\textit{Asset Utilization Efficiency} = \frac{\textit{Total Sales}}{\textit{Total Asset}} \quad (1)$$

Business differentiation strategy is measured by price premium capability which shows that the company charges the premium price to the customer, so the company management needs to undertake innovation strategy to offer unique product. The formula for calculating price premium capability using profit margin formula as follows :

$$\textit{Price Premium Capability} = \frac{\textit{Profit from Operation + Research \& Developement}}{\textit{Sales}} \quad (2)$$

3. Market Performance

Market performance is an evaluation of the company's financial condition as one of the financial indicators used by internal and external parties in assessing the development of the company. Wibowo (2014) states that there are several ways that stakeholders use to measure the company's market performance. One tools that can provide accurate information is through Tobin's Q ratio. Tobins' Q is an indicator used by stakeholders to measure the company's market performance in order to evaluate the performance of a company's management in managing its assets by taking into account the market value of the firm. This study uses Tobin's Q as a proxy of market performance obtained by the following formula.

$$\textit{Tobins'Q} = \frac{\textit{(Price Closing Shares x Number of o/s shares) + Liability}}{\textit{Asset Book Value}} \quad (3)$$

3.3. Analysis Technique

The analysis tool used in this research is SMARTPLS 3.0. There are two model stages used to test the hypothesis in structural equation model that is the outer model and the inner model. Model measurement (outer model) is a model test to measure the validity and reliability of a research model through the algorithm iteration process. The structural model (inner model) is a model test to predict the causality relationship between variables through the bootstrapping process. The measurement model is used to measure the convergence validity, discriminant validity and reliability. Convergent validity is measured through the AVE loading factor and score. According to Hartono (2008) to meet the convergent validity then the loading factor for each parameter > 0.50. While the Rule of thumb score AVE > 0.50. Discriminant validity is measured through cross loading. If cross loading is> 0.50 and does not correlate high between different parameters in explaining different constructs, then discriminant validity is met. Furthermore, the reliability test using Cronbach alpha and composite reliability. Rule of thumb for Cronbach Alpha and Composite Reliability > 0.60.

4. Results and Discussion

This research uses two types of model to explain the model of structural equation by using partial least square (PLS). Both models are measurement model (outer model) and structural model (inner model). The measurement model (outer model) is a model test to measure the validity and reliability of the data through the algorithm iteration process. Meanwhile, the structural model (inner model) is a model test to predict the causality relationship between the variables through the bootstrapping process.

4.1. Evaluation of Measurement Model (Outer Model)

1. Convergent Validity

The purpose of the convergence validity test is to measure the scores obtained from the parameters used to measure the same constructs that have a high correlation (Hartono, 2008). Figure 1 below is the result of path analysis diagram (PLS algorithm iteration) main effect test and table 2 shows overview of PLS algorithm iteration.

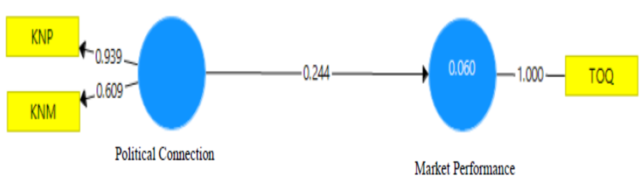

Figure 1. Line Analysis Diagram (Iteration Algorithm PLS) Test the Main Effect

Table 2. Iteration Overview of PLS Algorithm

Variables	AVE	*Composite Reliability*	*Cronbach Alpha*	R *Square*
Political Connection	0.626	0.762	0.661	0.000
Market Performance	1.000	1.000	1.000	0.060

Source: *secondary data processed, 2018*

Figure 1 shows that the loading factor for political connections and market performance is more than 0.50. These results indicate that any indicator or proxy that measures the variables of political connection and market performance has met the required loading factor value. Thus, the researcher concludes that the indicator used to measure political connection and market performance is able to measure the variable or construct of this research, so that it can be used for testing of structural model. Table 2 shows that the AVE score for these two variables (constructs) is more than 0.50 (AVE > 0.50). These results indicate that the variables (constructs) of political connections and market performance are able to measure what should be measured. The highest AVE score is in the variable (construct) of market performance and the lowest on the variable (construct) of political connections.

2. Discriminant Validity

The purpose of the discriminant validity test is to measure the absence of a high correlation between different indicators or proxies that measure different variables (constructs). Table 3 shows the results of the discriminant validity test through the value of cross loading.

Table 3. Cross Loading Value

Indicator (Proxy)	Political Connection	Market Performance
KNP	0.939	0.247
KNM	0.609	0.107
TOQ	0.244	1.000

Source: *secondary data processed, 2018*

Based on table 3 above shows that each indicator (proxy) of each variable (construct) in this measurement model has satisfied the discriminant validity test. This can be known through the value of cross loading each indicator (proxy) has a different score and the score is more than 0.50 (Cross loading > 0.50).

1. Reliability Test

The purpose of reliability test is to measure the accuracy and accuracy of a tool or indicator (proxy) in performing its measurement function. This study uses the value of cronbach alpha and composite reliability to measure the reliability of research data. Based on table 2 above, the result of reliability test of both variable (construct) political connection and market performance through cronbach alpha > 0.60 and composite reliability value > 0.60. Thus, the results of this study indicate that the value of reliability has met the role of thumb.

4.2. Evaluation of Structural Model (Inner Model)

The purpose of structural model evaluation is to predict the causality relationship between variables (constructs). The evaluation of this structural model uses the R square value to explain how much independent variables are able to predict the dependent variable, as well as the path coefficient and t-statistic or p-value to test the significance of causality between variables. Based on table 2, the value of R^2 is 0.060. This

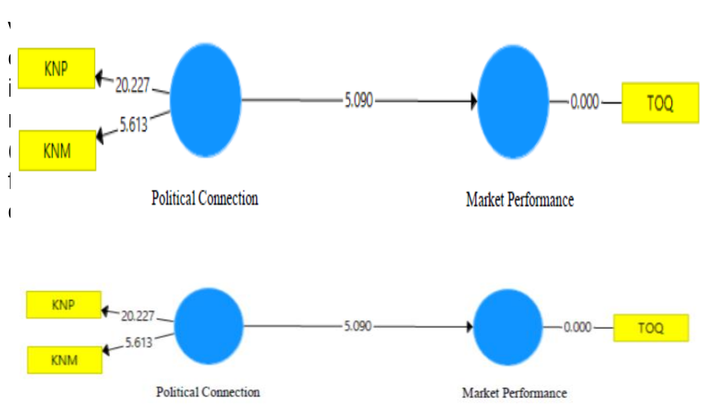

Figure 2 Bootstrapping-Evaluation Chart of Structural Models Test the Main Effect

Table 4. Main Path Lines Coefficient

Hypothesis	*Original Sample*	*Sample Mean*	*Std. Deviation*	*t-Statistics*	*p-Value*
Political Connection -> Market Performance	0.244	0.250	0.048	5.090	0.000

Source: secondary data processed, 2018

Figure 2 and Table 4 show that the result of the structural model used in this study to test the first hypothesis relates to the main effect. Once the main effects are tested, then further test the effects of moderation. In testing this moderation effect, the researchers did not test the validity (convergent and discriminant validity) and reliability. This is due to the moderation variable (proxy) indicator, be it low cost business strategy variables and business differentiation strategy has only one indicator (proxy), so the indicator (proxy) reflects the variables measured. The following is a Figure 3 of the structural model testing results through bootstrapping of moderation effects and the 5 table of path coefficients.

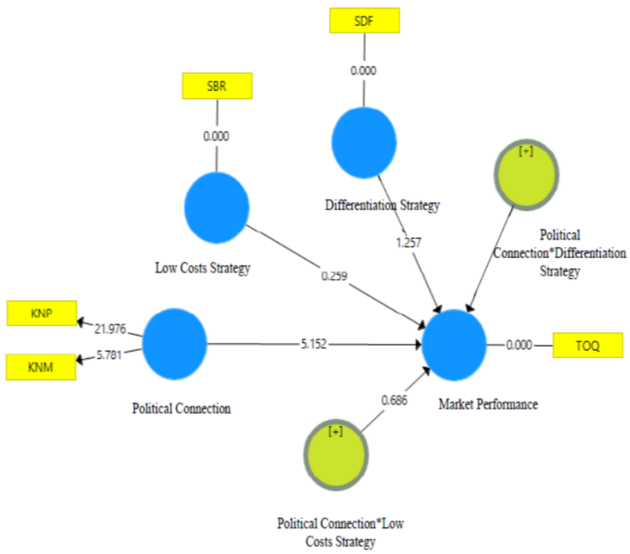

Figure 3 Bootstrapping-Evaluation Chart of Structural Models Test the Main Effect

Table 5 Full Model Path Coefficient (Moderation Effect)

Hypothesis	*Original Sample*	*Sample Mean*	*Std. Deviation*	*t-Statistics*	*p-Value*
Political Connection -> Market Performance	0.249	0.257	0.048	5.152	0.000
Low Cost Business Strategy -> Market Performance	0.009	0.014	0.033	0.259	0.796
Differentiation Strategies -> Market Performance	0.039	0.035	0.031	1.257	0.209
Political Connection * Low Cost Strategy -> Market Performance	-0.035	-0.030	0.051	0.686	0.493
Political Connection * Differentiation Strategies-> Market Performance	-0.002	-0.012	0.037	0.053	0.958

Source: secondary data processed, 2018

Figure 3 and Table 5 show that the result of the structural model used in this study to test H_{2a} and H_{2b} is related to moderation effects. Hypothesis (H_1) states a political connection affecting market performance. The results of this study indicate that the coefficient value is 0.244, the t-statistic value is 5.090 (> 1.96) and p-value is 0.000 (< 0.005). Therefore, the researcher concludes that hypothesis (H_1) is supported statistically. Democratically, political connections have a positive and significant effect on market performance. Hypothesis (H_{2a}) states a low costs strategy of moderating the influence of political connections on market performance. The results of this study indicate that the coefficient value is -0.035, t-statistic value is 0.686 (<1.96) and p-value is 0.493 (> 0.005). Therefore, the investigators conclude that the hypothesis (H_{2a}) is not statistically supported. Thus, the low costs strategy is unable to moderate the influence of political connections on market performance. Hypothesis (H_{2b}) states a differentiation strategy moderating the influence of political connections on market performance. The results of this study indicate that the coefficient value is -0.002, the t-statistic value is 0.053 (<1.96) and p-value is 0.958 (> 0.005). Therefore, the investigators conclude that the hypothesis (H_{2b}) is not statistically supported. Thus, differentiation strategies are unable to moderate the influence of political connections on market performance.

5. Conclusions

The purpose of this study is to examine and analyze the influence of business strategy on the relationship between political connections and market performance. This study uses a sample manufacturing company listed on the Indonesia Stock Exchange (IDX) period 2012-2016. A political company is a company which, if at least one of the largest shareholders of the company (anyone directly or indirectly controls 10% of the votes in the company) or the board of directors (CEO) is a member of parliament, minister, head of state or has a close relationship with politicians who hold important government posts (Faccio, 2006). Purwoto (2011) states that political-connected companies are companies with certain ways of having political ties or seeking closeness with politicians or governments. Politically connected companies with both government and military can improve market performance because they can enjoy some benefits, such as ease of regulation, the benefits of networking between other companies and governments, and the ease of winning projects. Through these advantages, the company's management strives to improve the operational quality of the company to produce products in order to increase sales. The higher the sales with the ease of regulation and winning the project, it affects the company to continue to grow and produce higher market performance. Companies will always compete in competing for resources and market share between companies. This product market has important implications for company policy. Low cost strategies tend to have a strong need for external financing with the reasons that : (1) one major source of cost advantage is pursuing economic scale and operational excellence, (2) the need to avoid delisting from the capital market, (3) management orientation companies in obtaining compensation related to company performance, so company management uses low cost strategy with political connections to signal to shareholders that the quality of the company tends to be good. The low costs business strategy is unable to moderate the influence of political connections on market performance because the political connected firm feels that it has the power (power), thus les controlling costs (cost efficiency). The main focus of companies implementing this strategy is cost control. Therefore, the motivation used to encourage the performance of the company's management tends to be based on cost measurement, so that political companies are less likely to utilize this strategy. Differentiation strategies tend to focus on innovation strategies by relying on non-financial measures to compensate corporate management (Ittner et al., 1997; Govindarajan & Gupta, 1985; Simons, 1987). This differentiation strategy is done by company management for example through new product development, so company management uses political connection to influence market performance. The differentiation of business strategy is unable to moderate the influence of political connections on market performance as it seeks to produce unique products in order to offer products different from its competitors because it has a high value for consumers. This has led to political connections companies less likely to use this strategy because companies must continue to produce unique products and still maintain and adapt to the external environment. As a result of the tendency to produce and customize products with an ever-changing external environment, the management of politically connected companies is less utilizing this strategy, but tends to use political connections to acquire projects without having to go through this strategy. This study has several limitations and can be used as a reference consideration in subsequent research. The limitations can be described as follows: (1) this research is only limited to criteria of the category of political connected companies that is, board of commissioners and board of directors who have or are in positions in government or military, (2) measurement of political connected companies using dummy (binary) variable, so it can cause subjectivity category data, (3) researchers only use several factors that affect the market performance, namely, political connections and business strategies, thus affecting the value of R^2 value. This is evidenced by the value of R square is still relatively low, (4) this research is not able to make business strategy as a moderating variable, be it low cost business strategy or business differentiation strategy. This research has some suggestions based on the limitations described above and can be used as a reference consideration in subsequent research. The suggestions can be described as follows: (1) subsequent research can use criteria of the category of political connected companies example boards of directors or board of commissioners who have a political party or involved in political parties by considering the ease of obtaining data and accuracy of data, (2) future research may use the percentage of board of commissioners or a board of directors connected to politics, so it is expected to be able to measure the power of influence of political connections, (3) subsequent research can use other factors that affect market performance for example capital structure or earnings management, (4) further research can use corporate governance variables as a moderating variable with expectations that corporate governance is able to weaken the relationship of political connections to market performance.

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