INSTITUTIONAL DYNAMICS IN CORPORATE POLITICAL LINKAGES: EVIDENCE FROM CHINA'S EMERGING ECONOMY

by

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ABSTRACT

JIANHUA GE. Institutional dynamics in corporate political linkages: Evidence from China's emerging economy. (Under the direction of DR. WEI ZHAO)

This dissertation aims to reveal the institutional dynamics in corporate political linkages as the extant literature largely fails to recognize that corporate political linkages are institutionally embedded. Specifically, three studies have been conducted to better understand the *motivation*, *impact*, and *spillover* of corporate political linkages. I will address these research questions by drawing empirical evidence from China. In Study 1, to understand why managers passionately pursue political connections, I propose a dual-embeddedness approach to simultaneously examine the structural and cultural motivations underlying such political actions. In Study 2, different from the extant literature that mostly focuses on the corporation involved in political connections, I shift attention to the side of government and discuss how local government officials can leverage political connections to co-optate the corporation into politics. In Study 3, through the lens of institutional logics, I investigate how corporate political linkages interact with two other institutional logics—market and family logics—in affecting corporate philanthropy. Altogether, these three studies deepen our understanding of the institutional embeddedness of corporate political linkages. They make broad theoretical contributions to the fields of organizational theory, institutional theory, and strategy, and also have important practical implications to management.

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CHAPTER 1: INTRODUCTION

Corporate political linkages, especially those within emerging economies, have gained increasing attention from multiple fields (Faccio, Masulis, & McConnell, 2006; Fisman, 2001; Hillman, Keim, & Schuler, 2004; Lux, Crook, & Woehr, 2011; Prechel & Morris, 2010; Truex, 2014). In organizational and management studies, scholars tend to treat these political linkages or connections as “nonmarket” strategies that have broad performance implications to the corporation (Baron, 1995a, 1995b, 1997). In line of this strategic perspective, scholars have studied both antecedents and outcomes of corporate political linkages (e.g., Claessens, Feijen, & Laeven, 2008; Faccio, 2006; Fisman, 2001; Hillman, Zardkoohi, & Bierman, 1999; Li, Meng, Wang, & Zhou, 2008; Okhmatovskiy, 2010; Peng & Luo, 2000; Wu, Wu, Zhou, & Wu, 2012; Zhou, 2013; Zhu & Chung, 2014). The extant literature, however, has largely ignored the institutional environments (e.g., cultural and socio-political institutions) in which the political linkages are built and utilized. Consequently, several critical limitations remain: (1) the literature tends to assume that political linkages are mainly motivated by material benefits, but ignores the cultural construction of motives of political linkages; (2) most studies on corporate political linkages focus on the corporations’ utilization of these linkages, while pay little attention to the role of political actors in exploiting such linkages to pursue political agendas; (3) multiple institutional logics are simultaneously influencing corporations, but how the political logic interacts with other logics (e.g., market and family) in affecting corporate behaviors is rarely examined.

To address these limitations, this dissertation aims to reveal the institutional dynamics in corporate political linkages. Specifically, three studies are conducted to examine the institutional embeddedness of the *motive*, *impact*, and *spillover* of political linkages (see Figure 1.1 for the structure).

[Figure 1.1 at the back of chapter]

Studies in the Dissertation

Study 1 (Chapter 2) addresses the cultural construction of managerial motive of political involvement. Why do corporate leaders enter politics? An implicit assumption in the extant literature is that managers engage in politics to enhance the value of the firm. Scholars thus focus on the structural features and the "pipe" function of political linkages, arguing that political networks can channel information and resources and produce power and competitive advantages. This study challenges this line of thinking. I propose a dual-embeddedness approach to simultaneously consider both structural and cultural aspects of political connections, both instrumental and expressive use of political connections, and both collective and individual incentives of political connections. Building on this approach, my analysis of managerial political connections in China reveals that managers become involved in politics to enhance both corporate performance and personal status. Moreover, this study also shows the impact of these two incentives in pursuing political connections is further moderated by political capital, cohort, and political credential of managers.

Study 2 (Chapter 3) shifts our attention from the corporations to the government side involved in political connections. One important issue largely ignored by extant research is that the political connections provide the firm and the government with opportunities for mutual influence. Therefore, just as firms and managers can achieve their goals through political connections, the state and government officials can also pursue their interests and political agendas through the same connections. In this study, I propose a political control model of corporate strategy to argue that political officials can channel their intentions into firms and steer business strategies. Consequently, corporate strategy is not purely the product of strategic initiatives; rather, it can be potentially an outcome of political control and co-optation, reflecting political agenda and serving political interests. Specifically, I find that politically connected firms are more likely to adopt an extensive growth strategy (i.e., quick market expansion with relatively low profitability) and acquire local deficit firms. These strategies are propelled to a large extent by local political officials for their promotion incentives within China's context. Through this process, under the guises that business co-optates the source of external uncertainty, business is, in reality, co-optated into politics.

Study 3 (Chapter 4) explores how political logic interacts with other institutional logics in affecting corporate behaviors. Research in the adolescent field of institutional logics has mainly focused on how multiple logics affect organizations simultaneously. Yet, the mutual constitution and interactions among logics are far less explored. Especially, we know relatively little about how the political logic impacts organizational responses to other institutional logics. Echoing the call for more attention to whether multiple logics reinforce or contradict each other, in this study, I examine whether and how market, family, and state logics exert impacts on corporate philanthropy. Moreover, this study pays attention to "spillover effects" of the state logic in affecting how other logics work. The results suggest that three logics all significantly influence corporate philanthropy; the state logic diminishes the effect of market logic, while the family logic is less susceptible to the state logic.

Empirical Context

In this dissertation, I focus on China—the largest emerging economy in the world—to empirically test my theoretical arguments and hypotheses for the following reasons. First, China has taken big strides in pro-market transition in the past thirty years, while political reform lags far behind its economic reform (Oi, 1995). The state-business interaction is still central to corporations. At the same time, to promote its economic agenda, the party-state in China is also intentionally embracing economic and business elites, particularly those from the private economic sector. Corporate political linkages, therefore, remain a vibrant issue in both business practices and state actions. The salience of corporate political linkages in China's business and political life enables us to not only theoretically inquire but also empirically examine the antecedents, mechanisms, and impacts of the connections between corporations and states.

Second, as plotted in Figure 1.2, in China's economic reform, the "decentralized experimentation" approach taken by the party-state results in great regional disparity regarding the development of local economy and market institutions (Heilmann, 2008; Tsui, 1996). At the same time, China's political institution is characterized as a regionally decentralized authoritarian system, in which the central government has concentrated personnel control over subnational governments, whereas subnational governments control the bulk of the economy (Xu, 2011). As such, China's distinctive state-led economic growth is described as local state corporatism (Oi, 1995; Walder, 1995), suggesting the critical role of *local* party/government in regulating enterprises and developing economies. Given the importance of local government in China's corporate life and the great variation in regional institutional environments, we are able to examine how the institutional dynamics across different regions may affect corporate political linkages.

[Figure 1.2 at the back of chapter]

The third reason that I believe China is a particularly appropriate empirical context for this dissertation research is that multiple institutional logics are simultaneously working in China's corporate sector. This institutional situation is a stark contrast to most Western countries, in which markets are the dominant force influencing corporations. In China, markets are no doubt growing rapidly, especially in the private economy sector. At the same time, two other traditional institutional forces are still salient in affecting corporate behaviors—family and state. The cultural influence of family and the political power of state are both long-standing and entrenched forces governing corporations, preceding the markets historically. The coexistence of multiple logics offers a great opportunity to investigate how these logics are interacting with each other in affecting corporations net of their individual impacts.

Main Contributions

This dissertation deepens our understanding of the motivation, impact, and spillover effect of corporate political linkages. First, it reveals the cultural construction of managerial incentives in pursuing political connections, as a response to the overly instrumental and rational thinking that dominants in the literature. Second, by investigating the duality of political connections, this dissertation shows that corporate political linkage can be simultaneously leveraged by the government side to pursue political agenda. Third, the literature fails to uncover the dynamic ways in which multiple institutional logics interact with each other in affecting corporate behaviors. This dissertation adopts the institutional logic approach to examine the interplay and interaction between the political linkages (state logic) and two other institutional logics. Altogether, these studies in the dissertation highlight the importance of institutional perspectives (i.e., the cultural and sociopolitical forces) to understanding corporate political linkages.

In the following three chapters, I start tackling the research questions one by one. In the final chapter, I discuss these studies as a whole and figure out possible directions for future research.

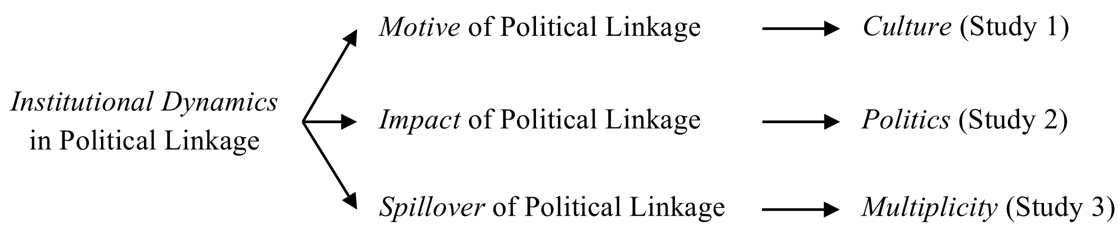
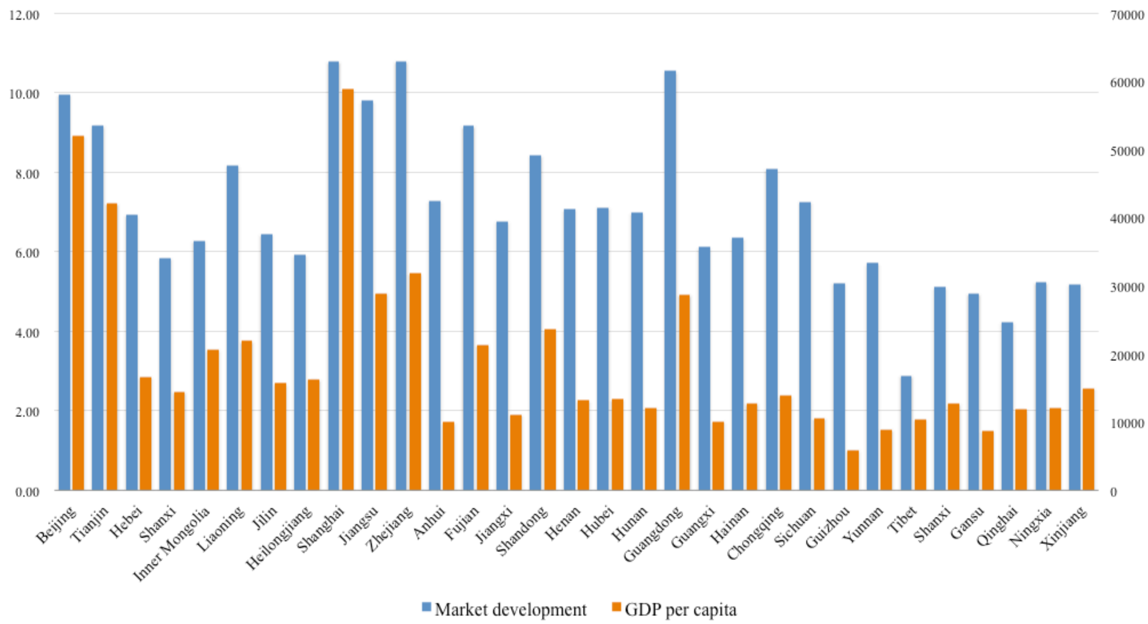


FIGURE 1.1: Structure of the dissertation



Note: Year = 2006; the scores of market development are adapted from Fan, Wang, & Zhu (2007); the GDP per capita (yuan) data are collected from National Bureau of Statistics of the People's Republic of China (http://www.stats.gov.cn/tjsj/).

FIGURE 1.2: Regional disparity in China (market and economic development)

CHPATER 2: CULTURE IN POLITICS: A DUAL-EMBEDDEDNESS APPROACH TO MANAGERIAL POLITICAL INVOLVEMENT

Introduction

Corporations never operate in the vacuum; rather, they are embedded in political institutions (Zukin & DiMaggio, 1990). The relationship between business and politics has long been an inquiry in social sciences (Epstein, 1969; Polanyi, 1957), and managerial political involvement has gained increasing attention in the field of organization and management. Instead of assuming economics and politics as separated sectors, scholars have increasingly realized the interplay between economic and political institutions. But a critical question that has not been convincingly addressed is: why do corporate leaders enter politics in the first place?

An implicit assumption in the extant research tackling this question is that managers engage in politics in order to enhance firm performance (Hillman et al., 2004). The literature tends to emphasize regulative constraints exerted by political authorities on the one hand and opportunities offered by political institutions on the other hand (Shaffer, 1995). Corporations therefore develop political connections to reduce environmental uncertainties, decrease transaction costs, handle resource dependencies, and gain access to information and policy influences (Hillman et al., 2004; Lawton, McGuire, & Rajwani, 2013; Lux et al., 2011). As Faccio (2006) succinctly put, politically connected firms enjoy "preferential treatment by government-owned enterprises (such as banks or raw material producers), lighter taxation, preferential treatment in competition for government contracts, relaxed regulatory oversight of the company, or stiffer regulatory oversight of its rivals, and many other forms" (p. 369). In this view, corporate leaders actively and intentionally engage in politics for instrumental utilities of network ties with political and regulatory authorities. Political connections thus become valuable resources to generate firm competitive advantages (McWilliams, Van Fleet, & Cory, 2002; Oliver & Holzinger, 2008). Thus, to develop and manage political connections is widely considered to be a firm's vital "nonmarket" strategy in order to improve overall firm performance (Baron, 1995a, 1995b, 1997, 1999). This argument has largely received empirical support from studies on the performance implications of political connections in various national contexts (Claessens et al., 2008; Faccio, 2006; Faccio et al., 2006; Fisman, 2001; Hillman et al., 1999; Li et al., 2008; Li & Zhang, 2007; Park & Luo, 2001).

Despite strong evidence supporting the instrumental use of political connections, I argue that the extant research has mainly focused on just one side of the coin. Political connections, as defined and operationalized in most studies, are linkages between individual firms and political institutions or agents such as party leaders, senior government officials, and elected legislators (Faccio, 2006; Fisman, 2001; Siegel, 2007). This definition reflects the established idea in the social network literature that network ties and linkages can serve as conduits of information, resources and power influence (Baker, 1984; Granovetter, 1985; Podolny, 2001; Uzzi, 1996, 1997, 1999). This structural embeddedness perspective emphasizes that political connections channel information and resources, produce power, and create competitive advantages for firms. In this study, I take a further step to highlight the cultural embeddedness of economic actors (DiMaggio, 1990; Zukin & DiMaggio, 1990). From this cultural embeddedness perspective, political connections can have significant cultural implications to the actors by shaping their social identities (Podolny, 2001; Rao, Davis, & Ward, 2000). In this light, managers' active political pursuit can be motived by not only economic considerations, *but also* cultural incentives, which has been largely ignored in the extant literature.

Another weakness in the extant literature is insufficient attention to agency problems in the political process. Since top managers play a great role in affecting corporations' political actions (Barron, 2010; Blumentritt, 2003; Cook & Barry, 1995), it is critical to discern between their *personal* incentives and their stewardship for the firm. In the literature on political connections, this issue has not been carefully explicated. Most studies arguably tend to assume managers are loyal agents that pursue political connections for collective rather than individual interests, as scholars often refer managerial political connections as *corporate* political activity or *corporate* nonmarket strategy. Unfortunately, this is not always true. Managers have their own political ideologies and individual interest, and thus their preference in political connections may not be consistent with the strategic demand and interest of their corporations. As Burris (2001) shows, managers' political contributions in reality follow a logic and pattern different from that of their corporations. It is therefore dangerous to draw inferences about the political preferences of managers from the research on corporate political activities. Moreover, "[a]nother trait that distinguishes individual capitalists from corporations is their susceptibility to mobilization on *noneconomic* issues" (Burris, 2001: 378 italics added). Acknowledging these differences, we would expect that managers' personal motivations—especially noneconomic ones—could significantly affect their political connections, in addition to the performance consideration for their corporations.

To address these considerable weaknesses in the literature, *this study adopts a dual-embeddedness approach to simultaneously consider both structural and cultural aspects of political connections*. Specifically, on the one hand, political connections bridge corporations and political authorities, endowing the corporations with resource and information advantages, among other benefits. On the other hand, managers' political connections shape their identities and images that are culturally meaningful for them. In this light, this study asserts that both economic implications for corporations and cultural incentives for managers can predict managers' intentions to enter politics. Empirical examination of this argument draws on data from a national survey of Chinese private enterprises. Although the conceptual arguments proposed in this paper are general, China's transitional economy offers an intriguing research site to develop and test these arguments. During the transition to a market economy, political connections are very important to private enterprises in China (Fligstein & Zhang, 2011; Walder, 2011). Moreover, China's socio-cultural context has profound influence on political participation, shaping the cultural implications of political connections.

The remainder of this paper is organized as follows. First, I develop the theory and research hypotheses. Next, I describe the data and methods. Finally, I present the results of the study and discuss their implications.

Theory and Hypotheses

A Dual-Embeddedness View of Managerial Political Connection

I adopt a dual-embeddedness approach to understanding the two-sided nature of political connections. As we know, economic actors are embedded in the social structure and culture, and both networks and culture are bases of action (Baker & Faulkner, 2009).

More importantly, networks themselves can be culturally meaningful since they shape and construct *identities* of economic actors (Owen-Smith & Powell, 2008; Podolny, 2001; Rao et al., 2000; White, 1992). Such identities should be interpreted and understood in relation to the cultural and institutional contexts in which the actors are embedded. Therefore, networks should be approached in two distinct yet interrelated ways. On the one hand, the *structural* aspect of networks suggests that the relations or linkages between actors comprise a wide variety of structural arrangements that both constrain and provide opportunities for these interconnected actors (Dacin, Ventresca, & Beal, 1999; Granovetter, 1985; Gulati & Gargiulo, 1999). Typically, these network linkages can serve as "pipes" that channel information and resources (Mizruchi & Stearns, 2001; Podolny, 2001; Uzzi, 1997, 1999), facilitate reciprocal exchange and cooperation (Powell, 1990; Uzzi, 1997), and boost social learning and innovation (Powell, Koput, & Smith-Doerr, 1996; Westphal, Gulati, & Shortell, 1997; Westphal, Seidel, & Stewart, 2001).

On the other hand, the concrete and dyadic relations define the identity of actors. In this situation, networks are not abstract ties and structures; instead, they have substantial content that entail "interests, values, motives, beliefs" (Friedland & Alford, 1991: 252). Specifically, with who and how the actor is networking have significant effects on his/her identity and further define the actor's social position within a status order (Podolny, 2001; Zuckerman, 1999). The concrete impacts of network ties on identity are conditioned on the cultural and historical context where the status order is socially constructed. That is, within the contexts characterized by shared and collective understandings and meanings of a social status order, ties with certain actors have identity and status implications.

Taken together, the duality of network ties suggests that certain actors' efforts to develop ties can be motivated simultaneously by *instrumental* and *expressive* incentives. The instrumental use indicates that an actor gets involved in networking for gathering information, advice, and resources to accomplish a certain task. The expressive use suggests that network ties (as the primary bases of social identity) convey a sense of personal belonging (Coleman, 1988, 1990; Podolny & Baron, 1997). Particularly within an established social status order, social identities stemming from network ties are closely associated with status and prestige benefits, presenting socioemotional and affect-based rewards to the actors.

From this dual-embeddedness perspective, I examine managers' instrumental and cultural motivations of pursuing political connections simultaneously. Management scholars have traditionally viewed managerial political involvement as a corporate strategy, generating firm-level benefits and strategic advantages (Baron, 1995b; Bonardi, Hillman, & Keim, 2005; Hillman, 2005; Hillman & Hitt, 1999; Hillman et al., 1999; Schuler, Rehbein, & Cramer, 2002). Scholars have indeed found ample evidence supporting this *corporate-performance-enhancing* view (e.g., (Claessens et al., 2008; Faccio, 2006; Faccio et al., 2006; Fisman, 2001; Hillman et al., 1999; Li et al., 2008; Li & Zhang, 2007; Park & Luo, 2001)). An implicit behavioral assumption underlying much of this scholarship is the stewardship view of top managers (Davis, Schoorman, & Donaldson, 1997; Donaldson & Davis, 1991). They tend to view executives as loyal stewards of firms and shareholders, whose political involvement yields strategic benefits for their firms. In this case, managers develop political connections for instrumental uses of these network ties, expecting performance rewards for the *firm*.

In addition to the collective incentives, managers may pursue political connections for personal rewards. As suggested by the dual-embeddedness view, connections with political authorities can shape peoples' social identities and endow status rewards to individuals. In a society that has culturally established a higher status for the political stratum—such as China—political connections carry great emotional and psychological implications for individual managers who are embedded in such a culture. The political "tint" of their social identities enables them to be distinguishable from other business managers and to enjoy a higher status, personal prestige, and life satisfaction. These individual incentives can also be important bases of managerial political involvement. In this light, managers may benefit themselves by pursing political connections, even at the cost of firm resources and at the risk of hurting firm performance. A key issue in this argument is the agency problem in managerial political involvement, which has not gained sufficient attention in current scholarship, though some studies have already offered indirect support to the governance problems in corporate political activities (Aggarwal, Meschke, & Wang, 2012; Coates IV, 2012; Hadani, 2012).

As illustrated in Figure 2.1, to get a better and more comprehensive understanding of why business leaders enter politics, a dual-embeddedness model is proposed in this study to consider (1) both structural and cultural aspects of political connections; (2) both instrumental and expressive use of political connections; and (3) both collective and individual incentives of political connections. To empirically test this argument, below I elaborate on the research hypotheses in the context of China's transitional economy.

[Figure 2.1 at the back of chapter]

Market Transition and Managerial Political Connection in China

As political actors usually function as regulators, policy-makers, and resource-holders, firms strive to develop and manage their relations with powerful political actors for privileged access to resources, including valuable information, government contracts, and bank loans (Charumilind, Kali, & Wiwattanakantang, 2006; Claessens et al., 2008; Khwaja & Mian, 2005; Li et al., 2008), favorable regulatory conditions such as entry permits, business licenses, and taxation (Agrawal & Knoeber, 2001; Wu et al., 2012), and legitimacy in turbulent environments (Chen, 2007; Peng & Luo, 2000). Particularly within transitional or emerging economies where the lack of market-supporting institutions create “institutional voids” (Khanna & Palepu, 1997), political connections (as well as other forms of networking strategies) are playing more important roles in business. This phenomenon occurs because informal networks can serve as substitutes for formal legal and market institutions in protecting property rights, gaining access to resources and information, reducing transaction costs, and buffering environmental turbulence (Boisot & Child, 1996; Peng & Heath, 1996; Peng & Luo, 2000; Xin & Pearce, 1996).

During China’s transition from state socialism to market capitalism, some scholars assert that such a transition will gradually lower the value of political connections with the development of market-supporting institutions (J. P. H. Fan, Wong, & Zhang, 2007; Guthrie, 1998; Nee, 1989, 1991; Nee & Opper, 2007, 2010, 2012). Other scholars, however, argue for the “persistence of power” or “conversion of power” that political connections can maintain instrumental utilities during the market transition (Bian & Logan, 1996; Rona-Tas, 1994). In this market reform, while Chinese state bureaucrats shuck off their former roles as allocators and redistributors of economic resources, they attend to new roles as regulators and brokers of market transactions (Yang, 2002). The state thus still controls access to critical resources (e.g., land, bank loans, and entry permits) and retains great opportunities to influence private enterprises through institutional channels and administrative power (e.g., laws, policies, and inspections) (Fligstein & Zhang, 2011; Lin, 2011; Peng & Luo, 2000; Walder, 1995). Moreover, due to the lack of political reform, the economic reform in China has intensified competition over resources and increased the uncertainty facing firms, which actually enhances the value of political connections. Indeed, empirical evidence largely suggests the continuing importance of political connections in business (e.g., (Li et al., 2008; Li, Meng, & Zhang, 2006; Li, He, Lan, & Yiu, 2012; Li & Zhang, 2007; Peng & Luo, 2000)).

We should also recognize that the transition to a market economy in China has proceeded at different paces in different regions (Parish & Michelson, 1996; Walder, 1996). Chinese economic reforms have always involved "decentralized experimentation," in which the central government conducts trial reforms in a limited number of places, and provinces need to take the main responsibility to develop their local market institutions. While political connections are generally important for firm performance in a transitional economy, they can be particularly valuable where formal market institutions are absent. Considering considerable regional variation in market development in China, I predict that:

Hypothesis 1: In regions where market institutions are less developed, managers are more eager to develop political connections.

But the urgency of pursuing political connections is also dependent upon the existing political capital of private enterprises, which can vary greatly based on their work and occupational background (Tsai, 2005). While some private entrepreneurs were peasants before starting private business since the early reform years, others were political officials (i.e., cadres) in government agencies or state-owned enterprises, who became private entrepreneurs and "*xiahai*" (literally to plunge into the sea) to pursue emerging economic opportunities (Dickson, 2003, 2008; Tsai, 2005). For the latter group, their former cadre status, as a form of political capital, can benefit their firms in getting insider information, gaining privileged access to resources, and developing personal relations with politicians. Such political capital, like *guanxi* and social capital in China (Gold, Guthrie, & Wank, 2002; Yang, 1994), can be accumulated, preserved, and utilized, and converted to economic advantages in their business even after exiting the state system (Rona-Tas, 1994). In the vein of the instrumental use of political connections, as managers' existing political capital is already very helpful to obtain the information and resource benefits, I would expect that:

Hypothesis 2: Managers' political capital moderates the relationship between market underdevelopment and intentions to develop political connections. That is, for those managers who were prior cadres, the relationship will be weaker.

Cultural Embeddedness and Political Connection

Political connection should be further studied in relation to the cultural context. As my dual-embeddedness model suggests that politics ties have unique cultural meanings to the managers, who are socialized and embedded in a society with certain cultural values. I elaborate on this point in the context of the Chinese society.

The stark separation between "official" and "plebeian" (*guan* and *min*) is a critical characteristic of the Chinese culture (Sun, 2004). As two distinct systems, the official enjoys a higher status compared to other classes, which is usually depicted as "a man of men" (*ren shang ren*) in China. In contrast, "businessman" was historically marginalized and resided at the bottom of the social status order. Even after the foundation of the People's Republic of China, the institutional environments of private entrepreneurs were turbulent. The Chinese Communist Party's (CCP) policies and formal legal institutions regarding private entrepreneurs have gone through dramatic changes and various stages of strict prohibition, tolerance, accommodation, and encouragement, during different historical periods (Chen & Dickson, 2010; Peng, 2004). Even though the legal status of private entrepreneurs have dramatically changed, their general social and political status is still awkward, which is deeply rooted in the political culture in China. It is common to see that private entrepreneurs are dissatisfied with their present social status as they usually have to humbly and obsequiously interact with government agents.

Institutionalization of social boundaries between business and politics and the privileged status of political elites in the deep-rooted culture endow great symbolic and substantial implications to a businessman's political connections. To a large extent, for economic elites, political connections embody their distinctive identity and offer often intangible but huge socioemotional rewards, which can be even more valuable to private entrepreneurs than the tangible material benefits.

Recognizing the distinct role of politics in endowing social status, it is much easier to understand why managers pursue developing political ties. As shown in the national surveys in 2000, over 70% of private entrepreneurs believed that it was effective to improve their social status through developing political connections, such as serving on the National People's Congress, increasing interaction with government leaders, and joining the Chinese Communist Party (CCP), among others (Tsai, 2005). At the same time, the political system also offers increasing opportunities and greater autonomy to private entrepreneurs (Chen & Dickson, 2008). Indeed, with the accumulation of economic wealth and social prestige, private entrepreneurs have emerged as economic elites and have gained increased access to politics. The party-state is co-opting the growing private sector for cooperation in the national economy and social development (Chen & Dickson, 2010; Dickson, 2003, 2008). In 2001, on the birthday of the CCP, President Jiang Zemin announced that the CCP should recruit private entrepreneurs because they represent advanced productive forces. The diminishment of political barriers has increased mobility opportunities and inspired political participation of private entrepreneurs who are eager to climb the ladder of social and political status.

Considering the goal of *personal-status-enhancing* defined by the cultural logic, we would expect that managers are motivated to get involved in politics, particularly for those who have attained higher economic status (i.e., economic elites), relative to other managers. On the one hand, as suggested by aforementioned Chinese political culture, the boundary between the political and economic system exists as a "glass ceiling" for business managers. For those managers who have already obtained elite status in the economic system, they are first encountering the political "ceiling" in upward mobility along the status order. To further improve their social and political status, these economic elites feel more urgency to break through the institutional barriers and are more intensively motivated to enter the political system. By comparison, managers who are occupying relatively low positions in the business world still need to secure their economic status in the first place. Their desire to enhance status via political involvement is much weaker. On the other hand, we should realize that although the political system has become open to private entrepreneurs, the party-state is intended to attract and selectively recruit those *elites* in the private sector (Chen & Dickson, 2010; Dickson, 2008). Thus, the present economic power and status are currency in politics. For the managers who are marginalized in the business word, they still have little opportunity to gain access to the political circle. As Chen and Dickson (2010) state, the party-state in China carefully screens who should gain access to the political arena, and the economic elite status seems to be the most influential determinant of who is chosen to be included. Accordingly, non-elite managers would be less ambitious in politics as they recognize that they are outsiders of this game. In sum, the aspiration for a higher status largely motivates business elites to join the political system, and their wealth and prestige lends their opportunity to knock on the door of politics. Based on these considerations, I propose that:

Hypothesis 3: Economic elites are more inclined to enter politics. That is, managers' socioeconomic status is positively associated with their desire to develop political connections.

I further argue that this status-enhancing effect is not fixed, but rather varies across different cohorts and private entrepreneurs with different political affiliations. First, I contend as cultural impacts are usually historically contingent, economic elites of different cohorts may have various perceptions on the desirability of further acquiring political status. A cohort is a group of people bounded by time and common life experiences (Reed, 1978; Ryder, 1965). Social changes, particularly critical historical events, are often imprinted in and exert profound effects on different cohorts (Stinchcombe, 1965). Due to these distinct life experiences, people are historically different, such as holding varying attitudes toward politics. In contemporary China, cohorts can be clearly defined based on several critical historical events: the foundation of the "new" China (1949), the start of the Cultural Revolution (1966), and the beginning of economic reform (1978). Since 1978, the regime has become committed to a development-oriented goal through a market-driven economic system (Bian, Shu, & Logan, 2001), which offers a much more open political environment for managers. In general, the managers born after 1978 are thus expected to be more active and ambitious in politics after they acquire economic status. In contrast, other cohorts of managers are more conservative or skeptical of political involvement due to turbulent political environment and traumatized collective memories in the modern Chinese history. Specifically, numerous political movements have profound impacts on people's political and life attitudes. Through the process of establishing the socialist China after 1949 and during the Cultural Revolution, "private entrepreneurs" were often targeted and stigmatized by the state. Their wealth was confiscated, and they and their families were often politically prosecuted. Due to such traumatized social memory, economic elites in earlier cohorts can be hesitant to pursue political connections after acquiring higher economic status. By comparison, new economic elites of those cohorts born after 1978 tend to be more passionate about politics. Therefore, I predict that:

Hypothesis 4: The relationship between managers' socioeconomic status and their intentions to develop political connections varies across different cohorts. Specifically, this relationship among the cohort born after 1978 is stronger than in other cohorts.

The positive association between socioeconomic status and desire to develop political connections can also be moderated by private entrepreneurs' basic political identification and credential. In China, individual's basic political identity is usually differentiated based on political affiliations (*zhengzhi mianmao*) and classified into three general categories: CCP membership, membership in one of eight democratic parties, or people without any party affiliation (*qunzhong*). Compared with economic elites who are members of CCP or any democratic party, those managers having no party affiliation lack the basic credential and legitimate identity in the political arena. They face the largest deficit in political identity, the strongest inconsistency with their economic status, and the highest level of political insecurity. Therefore, a higher political status is particularly valuable and desirable for them. This leads to the following hypothesis:

Hypothesis 5: Managers' political credential will moderate the relationship between managers' socioeconomic status and their desire to pursue a higher political status. Specifically, this relationship is stronger for managers without party affiliation than for those with party affiliation.

Data and Methods

The data used for testing the hypotheses are based on a survey of Chinese firms in the private sector conducted by the Privately Owned Enterprises Research Project Team in 2006. The research team first generated a nationwide random sample of private firms using multistage stratified sampling across all provinces and industries and then used a questionnaire to conduct direct interviews with the major owner of each firm represented in the sample. The survey was organized by the Industry and Commerce Association, a semi-official organization of private firms, operating at the national, provincial, city and county/district levels. Following interviewer training sessions organized in different locales, staff of the research department from the association visited the private firms in the sample to conduct face-to-face structured interview with each private entrepreneur. Interviews for 3,837 firms were completed in 334 counties and urban districts from all 31 provinces and metropolitan areas of China.

Dependent Variable

Manager's intention to develop political connection is measured by a Likert-type 5-point scale asking the managers their intentions (a higher score indicates more intentions) to gain a position in two political councils, i.e., Chinese People's Congress (CPC) and Chinese People's Political Consultative Conference (CPPCC). These two organizations are the most important authorities in China's public politics. The CPC is China's legislature, the highest organ of state power in China. The CPPCC is the advisory body to the party/government and its main function is to hold political consultation on major political, social, and economic policies (Li et al., 2006; Ma & Parish, 2006). Joining the CPC or CPPCC is the most salient way for private entrepreneurs to get access to politics. The entrepreneurs who have entered the political system are often distinguished as "red capitalists" from other business leaders as they have closer relations with politics and enjoy higher social and political status (Dickson, 2003; Tsai, 2005). Membership of these two political councils is also advantageous to their enterprises. It not only endows them formal political power, but also makes it easier for them to cultivate and develop formal and informal ties with political leaders and government bureaucrats, who are critical to their business (Li et al., 2006).

Independent Variables

The development of market institutions is assessed based on indices developed by the National Economic Research Institute (NERI). NERI has developed indices to generally capture the progress of institutional development in all 31 Chinese provinces, municipalities, and autonomous regions (G. Fan et al., 2007). This set of indices has been widely used in prior management studies to assess the development of markets and market-supporting institutions in China (e.g., Shi et al., 2012; Wang and Qian, 2011). In this study, to test Hypothesis 1 and present the results in a more straightforward way, I measure *weak market institutions* in those regions associated with underdeveloped markets by reversely coding the marketization index so that a larger score indicates that the market is less developed.

Manager's prior political capital. Consistent with the theoretical discussion, this type of political capital is assessed by asking whether the manager was a *prior cadre* working for either the Party or the government before founding the firm. It is measured as a dummy variable (1 is "yes" and 0 is "otherwise").

To assess *manager's present socioeconomic status (SES)*, the managers were asked to rank their economic status and social prestige along a 10-point scale, in which a larger score indicates a higher status. The people's economic success is correlated with their prestige in China, particularly with the development of marketization. The factor analysis also suggests that these two items are converged to one latent factor. I thus use the average score of these two items to measure the managers' present socioeconomic status (Cronbach's alpha is 0.87).

As discussed earlier, the cohorts of managers are classified based on three critical historical events (i.e., foundation of PRC, start of the Cultural Revolution, and the beginning of economic reform). Based on managers' birth year, I define four *cohorts*: cohort 1 (born before 1949), cohort 2 (born between 1949 and 1966), cohort 3 (born between 1966 and 1978), and cohort 4 (born after 1978). To directly test the hypotheses, cohort 4 is coded as the reference group in all analyses.

Manager's political credential is measured by their party affiliation: *CCP member*, *member of a democratic party*, and *managers without party affiliation*. All are coded as dummy variables (1 is "yes" and 0 is "otherwise").

Control Variables

I also control for a series of variables of individual and organizational characteristics. Manager's gender, age, and education are controlled as they all potentially affect people's political participation in China. *Gender* is a dummy variable (1 is male and 0 is female). *Age* is measured as number of years. According to the Chinese culture, elder people are expected to enjoy family happiness and quit their deep involvement in social and public issues. Controlling for manager's age can also help eliminate the influence of age from manager's cohorts. Manager's *education* is coded as an ordinal variable ranging from 1 to 6 (1 = "elementary school and below", 2 = "middle school", 3 = "high school", 4 = "junior college", 5 ="university", 6="graduate school"). As a manager's prior experience in political participation potentially affects the intention to develop future political connections, I also control for the variable of whether the manager has previously obtained a position in political councils, i.e., *prior member in CPC/CPPCC*. It merits attention that, in China, the elections for membership of CPC and CPPCC take place every five years, and the same person can be reelected.

As *firm performance* is related to managers' economic rewards as well as the opportunity to gain government recognition, I include the firm's return on sales (ROS) in the models. *Firm age* is also included since new ventures are more susceptible to "liability of newness" and thus more inclined to seek political protections. I also controlled for *firm size* (natural logged number of employees) and *listed firm* (a dummy variable, 1 for "yes" and 0 for "otherwise") since larger firms and listed firms are more likely to obtain political power due to their economic advantage. In China, most listed firms tend to comprise large and medium-sized firms and their spin-offs. In contrast to unlisted private firms, they tend to have a larger size and superior performance.

As suggested by prior studies, networking with peer firms will promote social learning and mimetic isomorphism (DiMaggio & Powell, 1983; Galaskiewicz & Burt, 1991). I controlled for this effect by including a variable of the firm's *membership in industrial associations*. Attendance at meetings of these associations provides opportunities for connections with other firms. I coded this variable as 1 if the firm had joined industrial or commercial associations and 0 otherwise.

Manager's political affiliation—especially membership in CPC and CPPCC—usually has symbolic impacts on firm's reputation and public image in China. Therefore, managers can also be motivated to pursue these political affiliations for firm reputation and image. To discern and control for this effect, I included two variables regarding firm's attention to and incentive of reputation and public image. The first variable is the firm's *desire to enhance public awareness* via media, which is ranked along a 5-point scale. The second is the firm's *advertising intensity*, which is calculated as the ratio of advertising expenses to sales in the past year. Finally, a set of dummy variables of *industries* is included in the models to control for the industry effects.

Model

I use both generalized ordered logit regression and ordinary least squares (OLS) models to conduct analysis, and the results are highly consistent. To make the interpretation of results more straightforward and the illustration of the moderating effects easier, I report here the results of OLS regression models with Huber-White corrections.

Results

Table 2.1 presents the results of descriptive statistics and correlations among the variables used in my analyses. As it shows, both weak market institutions and manager's socioeconomic status are positively correlated with manager's intention to develop political connection, lending preliminary evidence for the main hypotheses.

[Table 2.1 at the back of chapter]

Table 2.2 shows the results of models predicting manager's intention to develop political connections to gain political status. Hypothesis 1 predicts that in regions where the market is less developed, managers have more intentions to develop political connections. In Model 2, market underdevelopment has a significant and positive effect on manager's intention to develop political connection (b = .14, p < .001). Hence Hypothesis 1 is supported.

[Table 2.2 at the back of chapter]

In testing Hypothesis 2, Model 3 presents the findings about the moderating effects of manager's prior political capital on the relationship between weak market institutions and manager's intention to develop political connections. The results show support for Hypothesis 2. In Model 3, the interaction between market underdevelopment and prior cadre is negative and significant ($b = -.08$, $p < .05$). Figure 2.2 illustrates this moderating effect. As we can see, the effect of weak market institutions on manager's intention to develop political connection is weaker for those managers who have obtained political capital (i.e., prior cadres). This significant moderating effect implies that manager's political capital might be a substitute for the formal market institutions, which is consistent with previous findings in the literature.

[Figure 2.2 at the back of chapter]

The result of Model 4 shows that the effect of manager's present socioeconomic status on manager's intention to develop political connections is also positive and significant ($b = .08$, $p < .001$), controlling for the effect of market institutions. This finding offers strong support for Hypothesis 3.

Regarding the moderating effects of manager cohorts (Model 5), the coefficients of interactions between cohorts and manager's social status are all negative and significant. Figure 2.3 shows the comparisons among different cohorts. Consistent with Hypothesis 4, there is a sharp contrast between the cohort born after 1978 and the other three cohorts. As we can see, the cohorts born before 1949, born between 1949-1966, and born between 1966-1978 share somewhat similar patterns. The cohort born after 1978, however, has a significantly stronger effect. That is, among the cohort born after 1978, the effect of social status on manager's intention to develop political connection is much stronger than in other cohorts. This finding seems to suggest that with the accumulation of their economic wealth and social prestige, the cohort born after 1978 have much stronger interests and enthusiasm in political involvement than other cohorts. Hypothesis 4 is thus supported.

[Figures 2.3 and 2.4 at the back of chapter]

Model 6 present the results about the moderating effects of manager's political credential. The two coefficients of the interactions are both negative and significant. Figure 2.4 illustrates the comparisons among managers with different party affiliations. Compared with the managers who are party members (i.e., CCP or any other democratic party), we can see that the effect of manager's present socioeconomic status on manager's intention to develop political connections is stronger for those managers without any party affiliation. This result lends support for Hypothesis 5. It suggests that managers who have no political affiliations are more motivated by status incentives to pursue political connections.

Model 7 is the full model including all of the variables. The findings remain robust, which again show strong support to all the hypotheses.

Discussion

This study aims to better understand a manager's incentives in pursing political connections. To address the weaknesses in the extant literature, I propose a dual-embeddedness approach to integrate the structural and the cultural perspective and highlight both the corporate-performance-enhancing incentive and the personal-status-enhancing incentive in a manager's political aspiration. Results of the analyses provide strong support for this argument. Specifically, in the logic of the corporate-performance-enhancing incentive, it shows that under conditions where market institutions are less developed, managers tend to pursue political connections that can substitute for formal market institutions in business operations. This relationship between weak market institutions and a manager's intention to develop political connections is moderated by the manager's prior political capital. When managers already obtain certain political capital, the pursuit of political connections is less urgent. This relationship further manifests the incentive for firm business underlying a manager's political involvement.

At the same time, consistent with the cultural logic and the goal of personal-status-enhancing, the results also suggest that managers' present socioeconomic status has a positive effect on their intentions to develop political connections. This finding implies that for those economic elites who have obtained a relatively high socioeconomic status, entering politics is the preferable way to further improve their status in China. This study further exposes the contingencies of such status effects. For those economic elites who were born after 1978 and have no party affiliation, they are more eager to pursue a higher political status. All of these results lend strong support for manager's personal-status-enhancing incentive in entering politics. These findings highlight the importance of adopting a dual-embeddedness view in investigating the complex driving forces underlying manager's political involvement.

This study has several contributions to the literature. First, in addition to the instrumental utility of political connections stemming from the structural view of network ties, the dual-embeddedness approach suggests that political connections also have expressive value for managers as these political ties are also bases of identity and status. Complementary to the literature, this study provides a more comprehensive understanding of political connections as well as a more compelling answer to why managers enter politics. Since extant management and strategy studies mainly focus on the instrumental implications of political connections and other types of corporate political activities, it is not surprising that "antecedent variables drawn from traditional theories explaining why firms engage in CPA have limited explanatory ability" (Lux et al., 2011: 238). We can expect that, in addition to the established instrumental view, further incorporation of the cultural perspective into this field can greatly deepen our understanding of corporate political activities.

Second, as this study distinguishes between the rewards of political connections to the firms versus rewards to the managers, it also sheds light on the potential agency problem in a manager's political activities. Although this paper focuses on the status incentives for managers in China, personal benefits of managers' involvement in political activities are also widely acknowledged in other societies. For example, some studies in Western contexts suggest that personal benefits to managers include increased executive pay (Gupta & Swenson, 2003) and personal prestige and reputation (Hart, 2004). All of these imply that further examination of managers' personal incentives in political activities is necessary and critical. Moreover, discerning managerial personal incentives from corporate-level motivations has great implications for research on corporate political activities. For example, studies of the impacts of corporate political activities on firm performance show mixed findings (Aggarwal et al., 2012; Hadani & Schuler, 2013). This is very likely complicated by the fact that corporate political activities may be motivated by top executives' personal agenda rather than firm performance incentives (Chin, Hambrick, & Treviño, 2013). Future research on the link between corporate political activity and firm performance will also benefit to a great deal from considering the critical role of top executives and managerial discretion in corporate political strategies and activities.

Third, by developing the dual-embeddedness view of political networks and emphasizing the twofold managerial incentives in pursuing political involvement, this study highlights the importance and necessity in differentiating various types of political connections. In light of this dual-embeddedness model, economic incentives and cultural motivations should be weighted differently in managers' involvement of different kinds of political connections. For example, we can distinguish two kinds of manager's political connections in terms of their political and cultural significance in China. Informal political connections are based on managers' dyadic network relationships with political officials. Formal political connections are the managers' institutional linkage with or membership in high-status state agencies, such as state councils. Although both kinds of political connections have economic as well as cultural implications, they vary in degree of significance. In China's transitional economy, such informal and private connections have greater economic values as they help transfer resources, channel information, and reduce transaction cost, especially when formal institutions do not function effectively (Xin & Pearce, 1996). In contrast, formal political connections (as focused in this study) embody much more cultural and symbolic value and present greater socioemotional rewards to managers as such political connections signal high political and social status in China. By specifying these different kinds of political connections and refining our analysis by taking into account these differences, we should be able to better understand the motivations, portfolio, and impacts of corporate and managerial political activities.

Finally, the findings of the status effects stemming from cultural forces inform us that more attention should be paid to the cultural implications of networks and, more broadly, to the cultural embeddedness of organizations and networks. One the one hand, compared with the traditional market analysis that views organizations striving toward maximum efficiency, the cultural approach probes the intangible and social aspect rather than the economic view of organizational life (Hamilton & Biggart, 1988). This study, rather than contradicting the rational view, suggests the equivalently strong influence of culture in organizational strategic behaviors. On the other hand, this study contributes to the broad organization literature by implying that networks themselves are culturally embedded. As suggested in this study, the forces motivating the creation of corporate political networks are culturally defined. Several recent studies have just begun to reveal that networks are institutionally embedded and thus the network effects are institutionally contingent (Vasudeva, Spencer, & Teegen, 2013; Vasudeva, Zaheer, & Hernandez, 2013). In this light, future studies should pay more attention to the institutional embeddedness of the creation, impact, and dissolution of organizational networks.

TABLE 2.1: Descriptive statistics and correlations

Variables	Mean	SD	1	2	3	4	5	6	7	8	9
1. Intention to develop political connection	3.18	1.32									
2. Weak market institutions	2.83	1.79	.21								
3. Manager present economic status	5.83	1.77	.15	.02							
4. Prior cadre	0.17	0.38	.02	.06	-.02						
5. Cohort 1	0.08	0.27	.00	-.01	.04	.05					
6. Cohort 2	0.66	0.47	.01	-.01	.06	.04	-.40				
7. Cohort 3	0.25	0.43	-.01	.02	-.06	-.07	-.17	-.80			
8. CCP member	0.39	0.49	.05	.00	.06	.16	.08	.13	-.17		
9. Democratic party member	0.04	0.20	.08	.07	.03	.07	.03	.02	-.03	-.17	
10. Manager gender	0.87	0.33	.02	.00	.03	.00	.05	.03	-.06	.12	-.02
11. Manager age	44.81	8.16	-.01	-.02	.08	.10	.56	.35	-.66	.22	.03
12. Manager education	3.54	1.07	.04	.04	.06	.26	-.10	-.03	.09	.09	.17
13. Prior CPC/CPPCC member	0.41	0.49	.21	.12	.23	.07	.04	.12	-.14	.11	.15
14. ROS	0.08	0.23	.02	.05	-.04	-.02	-.04	.01	.01	-.02	.02
15. Firm age	7.18	4.38	.04	-.07	.17	-.03	.09	.12	-.16	.05	.09
16. Firm size	4.11	1.59	.14	-.01	.35	.05	.07	.11	-.14	.14	.07
17. Listed firm	0.02	0.12	.06	.03	.06	.02	.00	.01	-.01	.03	.03
18. Industry association member	0.64	0.48	.11	-.04	.16	.00	.00	.07	-.07	.08	.07
19. Desire to enhance public awareness	2.87	1.41	.26	.11	.07	-.03	-.01	-.05	.06	-.01	.03
20. Firm advertising intensity	0.02	0.15	.00	.01	-.04	.00	.02	-.06	.05	-.01	.02

Variables	10	11	12	13	14	15	16	17	18	19
11. Manager age	.09									
12. Manager education	.01	-.15								
13. Prior CPC/CPPCC member	.06	.19	.13							
14. ROS	-.02	-.04	.00	-.02						
15. Firm age	.05	.23	.00	.29	.02					
16. Firm size	.12	.18	.19	.43	-.04	.26				
17. Listed firm	-.01	.02	.03	.05	.03	.00	.07			
18. Industry association member	.03	.06	.11	.22	-.01	.16	.22	.03		
19. Desire to enhance public awareness	-.02	-.07	-.02	-.02	.04	-.06	-.06	.07	.01	
20. Firm advertising intensity	-.03	-.02	.00	-.01	-.18	-.04	-.01	-.01	-.02	.07

Note: $N = 2705$. Correlations greater than or equal to 0.04 are significant at $p < 0.05$.

TABLE 2.2: Models predicting manager's intention to develop political connections

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Manager gender	.02	.02	.02	.03	.03	.03	.03
	(.07)	(.07)	(.07)	(.07)	(.07)	(.07)	(.07)
Manager age	-.01*	-.01*	-.01*	-.01*	-.01*	-.01*	-.01*
	(.01)	(.01)	(.01)	(.01)	(.01)	(.01)	(.01)
Manager education level	-.03	-.03	-.04	-.04	-.04	-.04	-.04
	(.03)	(.03)	(.03)	(.03)	(.03)	(.03)	(.03)
Prior CPC/CPPCC member	.52***	.44***	.44***	.41***	.41***	.40***	.41***
	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)
ROS	.10	.07	.06	.09	.10	.10	.11
	(.15)	(.14)	(.14)	(.13)	(.13)	(.13)	(.13)
Firm age	-.00	.00	.00	.00	.00	.00	.00
	(.01)	(.01)	(.01)	(.01)	(.01)	(.01)	(.01)
Firm size	.06***	.07***	.07***	.05*	.05*	.05**	.05**
	(.02)	(.02)	(.02)	(.02)	(.02)	(.02)	(.02)
Listed firm	.27†	.24	.25	.20	.21	.23	.24
	(.16)	(.17)	(.17)	(.17)	(.17)	(.17)	(.17)
Industrial association member	.17**	.18***	.18***	.16**	.16**	.16**	.16**
	(.05)	(.05)	(.05)	(.05)	(.05)	(.05)	(.05)
Desire to enhance public awareness	.25***	.24***	.24***	.23***	.23***	.23***	.23***
	(.02)	(.02)	(.02)	(.02)	(.02)	(.02)	(.02)
Firm advertising intensity	-.19†	-.21*	-.20†	-.17	-.17	-.17	-.17
	(.11)	(.10)	(.10)	(.11)	(.11)	(.11)	(.11)
Manager's political capital							
Prior cadre	.04	.02	.03	.04	.04	.04	.04
	(.07)	(.07)	(.07)	(.07)	(.07)	(.07)	(.07)
Manager cohorts (ref = Cohort 4: after 1978)							
Cohort 1 (before 1949)	.13	.13	.13	.07	-.37	.03	-.37
	(.32)	(.32)	(.32)	(.31)	(.38)	(.31)	(.38)
Cohort 2 (1949 - 1966)	-.05	-.04	-.04	-.08	-.55	-.13	-.54
	(.27)	(.26)	(.26)	(.26)	(.34)	(.26)	(.34)
Cohort 3 (1966 - 1978)	-.10	-.10	-.10	-.14	-.60†	-.18	-.60†
	(.25)	(.24)	(.24)	(.24)	(.32)	(.24)	(.32)
Manager's political credential							
CCP member	.13*	.12*	.13*	.12*	.12*	.12*	.12*
	(.05)	(.05)	(.05)	(.05)	(.05)	(.05)	(.05)
Democratic party member	.38**	.33**	.33**	.33**	.33**	.37**	.36**
	(.12)	(.12)	(.12)	(.12)	(.12)	(.13)	(.13)

TABLE 2.2 (continued)

Hypotheses testing							
Weak market institutions		.12***	.14***	.14***	.14***	.14***	.14***
		(.01)	(.02)	(.02)	(.02)	(.02)	(.02)
Weak market institutions × Prior cadre			-.08*	-.08*	-.08*	-.08*	-.08*
			(.04)	(.04)	(.04)	(.04)	(.04)
Manager's SES				.08***	.45**	.11***	.45**
				(.02)	(.16)	(.02)	(.16)
Manager's SES × Cohort 1					-.43*		-.38*
					(.17)		(.17)
Manager's SES × Cohort 2					-.38*		-.34*
					(.16)		(.16)
Manager's SES × Cohort 3					-.34*		-.32†
					(.16)		(.16)
Manager's SES × CCP member						-.08**	-.07*
						(.03)	(.03)
Manager's SES × Democratic party member						-.13*	-.12†
						(.07)	(.07)
Constant	2.58***	2.60***	2.59***	2.79***	3.28***	2.82***	3.26***
	(.31)	(.30)	(.31)	(.31)	(.37)	(.30)	(.37)
F	17.17	20.52	20.05	20.65	19.02	19.60	18.09
R^2	.14	.16	.17	.17	.18	.18	.18

Note: N = 2705. †p < .10; *p < .05; **p < .01; ***p < .001.

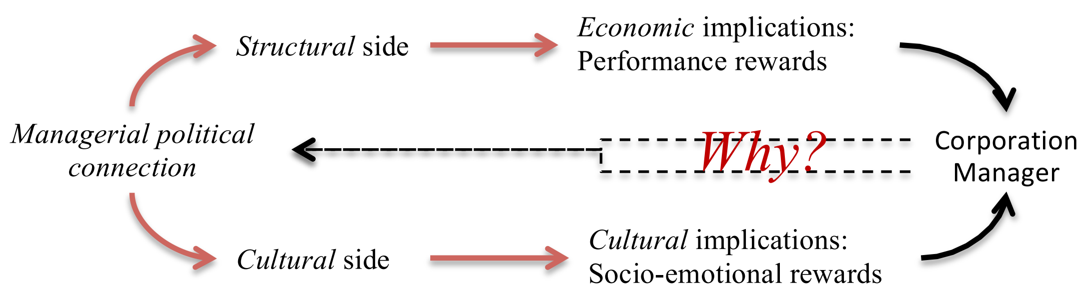


FIGURE 2.1: A dual-embeddedness framework of managerial political involvement

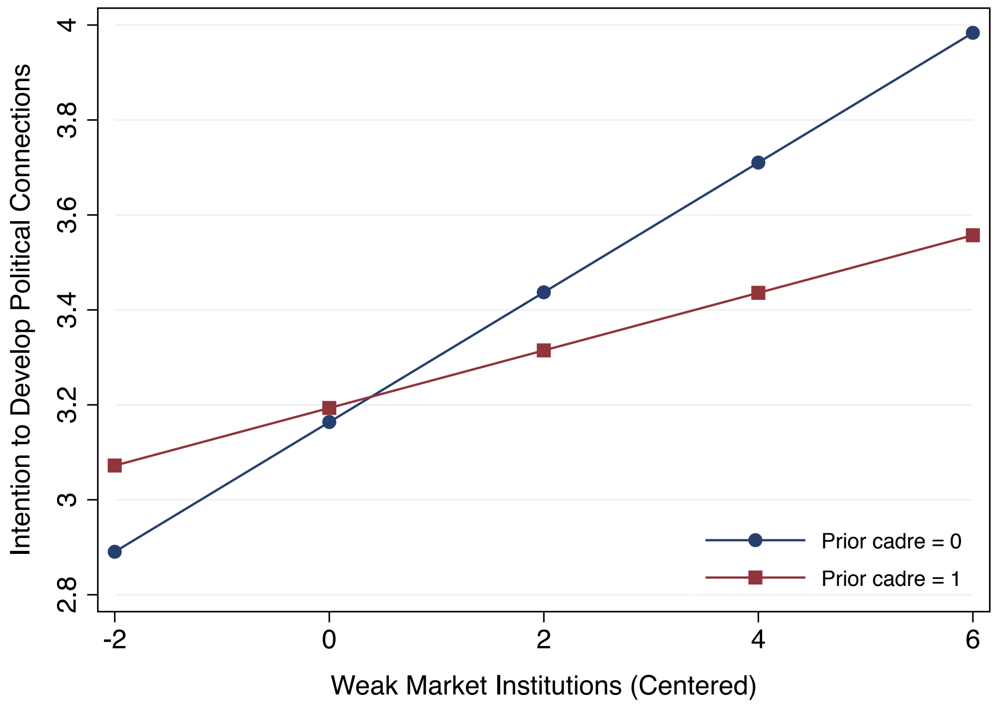


FIGURE 2.2: Moderating effect of political capital on the relationship between market underdevelopment and managerial intention to develop political connections

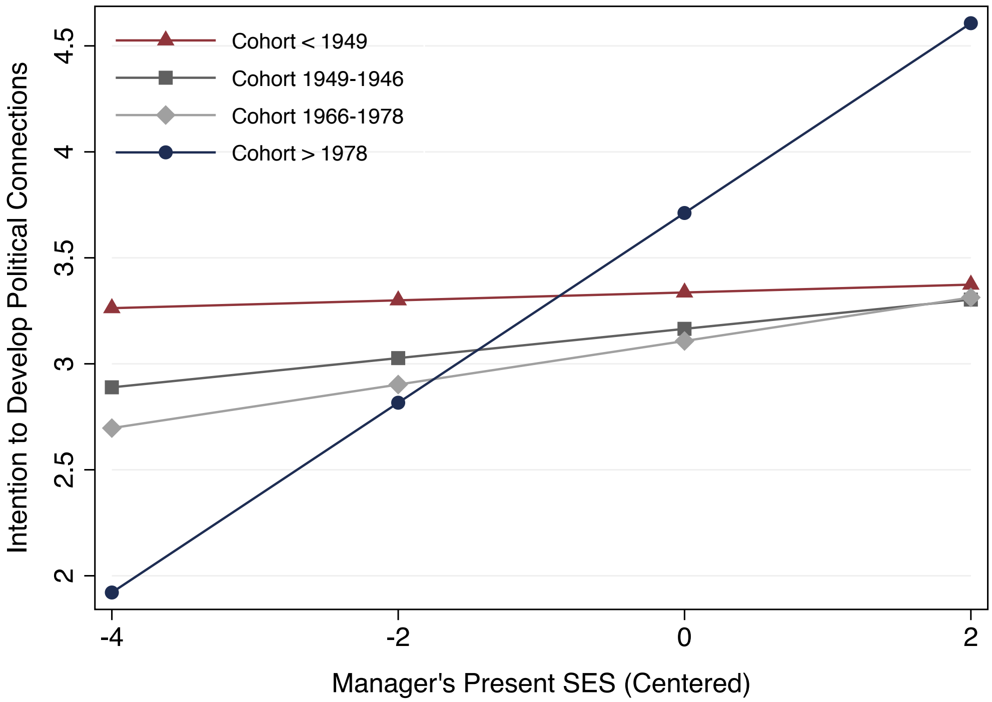


FIGURE 2.3: Moderating effect of manager cohorts on the relationship between manager socioeconomic status and managerial intention to develop political connections

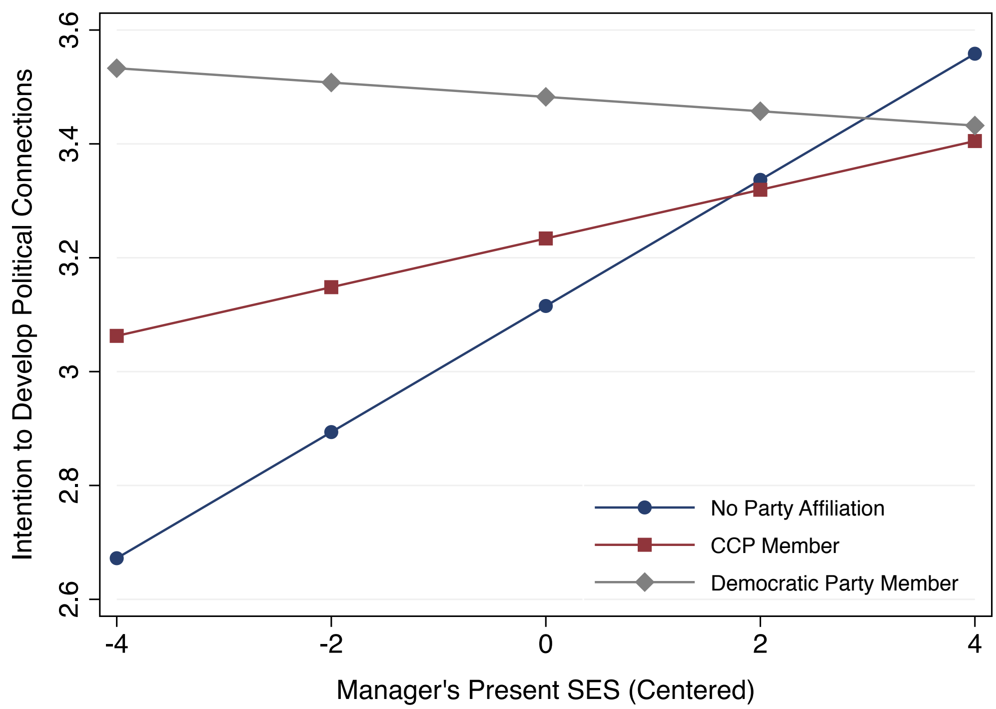


FIGURE 2.4: Moderating effect of manager's political credential on the relationship between manager socioeconomic status and managerial intention to develop political connections

CHAPTER 3: THE DUALITY OF CONNECTIONS: A POLITICAL CONTROL MODEL OF CORPORATE STRATEGY

Introduction

It is widely recognized the significance of state in business though the state may play different roles across economies (Lehne, 2012). In embracing politics into business studies, political connection is gaining increasing attention in strategy (Hillman & Hitt, 1999; Hillman, Keim, & Schuler, 2004). Most studies, based on empirical evidence from a wide range of countries, have suggested the economic and performance implications of political connection (e.g., Claessens, Feijen, & Laeven, 2008; Faccio, Masulis, & McConnell, 2006; Faccio, 2006; Fisman, 2001; Hillman, Zardkoohi, & Bierman, 1999; Hillman, 2005; Li, Meng, Wang, & Zhou, 2008; Li & Zhang, 2007; Park & Luo, 2001). As Faccio (2006) outlined, politically connected firms enjoy "preferential treatment by government-owned enterprises (such as banks or raw material producers), lighter taxation, preferential treatment in competition for government contracts, relaxed regulatory oversight of the company, or stiffer regulatory oversight of its rivals, and many other forms" (p. 369). Political connections thus become valuable resources undergirding firm sustainable competitive advantages (McWilliams, Van Fleet, & Cory, 2002; Oliver & Holzinger, 2008). It is widely considered as one "nonmarket" strategy that attempts to improve overall firm performance (Baron, 1995a, 1995b, 1997, 1999).

As to the impacts of political connection, the literature most commonly focuses on corporate performance, with only limited examination of corporate strategies. Only until recently did scholars start to examine the effects of political connections on business strategies. For example, Chung, Mahmood, & Mitchell (2007) found that political ties can facilitate diversification of business groups by offering strategic benefits, including privileged resources, favorable regulatory conditions, and new business opportunities. Li, He, Lan, & Yiu (2012), similarly, found a positive relationship between political connections and corporate diversification. They suggested that political connections have impacts on firms' excess capacity in resources, especially when the institutional support is weak. Though strategy scholars are becoming aware of this gap, research on political connections and corporate market strategy is still in the early stage of development. To advance this line of research, this study aims to explore how corporate strategies are affected by corporate political connection.

Political connections, as defined and operationalized in most studies, are linkages between individual firms and political institutions or agents such as party leaders, senior government officials, and elected legislators (Faccio, 2006; Fisman, 2001; Siegel, 2007). This definition reflects the idea in the social networks literature that network ties and linkages can serve as conduits of resources and influences (Baker, 1984; Granovetter, 1985; Podolny, 2001; Uzzi, 1996, 1997, 1999). Extant research, either on firm performance or strategy, tends to emphasize the benefits channeled into firms through their political connections.

Though acknowledging the information and resource benefits that can be obtained through firms' exploitation of the instrumental utilities of their network ties with political and regulatory authorities, this is not the *complete* story. One important issue largely ignored by prior research is that the political connections, as conduits or pipes of influences, can be leveraged and manipulated by both parties that are connected together (Okhmatovskiy, 2010). That is, political connections provide the firm and the government with opportunities for mutual influence, which I refer to as *duality* of political connections. Therefore, not only the firm, but the state, government, or political officials can simultaneously pursue their own political goals and interests through these political connections. Indeed, increasing studies are beginning to pay attention to the contingent value or "dark side" of political connections. They either mainly focus on how the effects of political connection vary across different historical periods (Siegel, 2007), market and nonmarket environments (Sun, Mellahi, & Wright, 2012), and organizational characteristics (J. J. Li, Poppo, & Zhou, 2008; Sun et al., 2012), or highlight the "grabbing hand" of government that political agents extract excessive rents from the benefiting firms (Dieleman & Boddewyn, 2012; J. P. H. Fan, Wong, & Zhang, 2007) and how government interference negatively affects corporate performance (J. P. H. Fan et al., 2007; Okhmatovskiy, 2010). Relatively little attention, however, has been paid to *how government affects corporate strategies through political connections*.

To tackle this issue in extant literature, in this study, I propose a political control model of corporate strategy. By considering the duality of political connection, this paper argues that political officials can channel their intentions into firms, affecting the orientation of business strategies. Consequently, corporate strategy is not the pure product resulting from corporate strategic initiatives; rather, it can be potentially an outcome of government political control and co-optation, reflecting political agenda and serving political interests. Empirical evidence for these arguments is obtained from China—a transitional economy with entrenched political authority. I find that politically connected firms are more likely to adopt extensive growth strategy and acquire local deficit firms (i.e., poor-performing firms). These strategies in reality are propelled by local political officials for their promotion incentives within China's political institutions. Such a political control effect is also found considerably varies across firms with different governance structures, and across regions characterized by varying degrees of institutional reform and economic development, shedding further light on the political logic underlying corporate strategy.

Theory and Hypotheses

The Duality of Corporate Political Connection

Political connections are ties *between* businesses and political actors. As suggested by social network and organizational embeddedness literature (Dacin, Ventresca, & Beal, 1999; Granovetter, 1985), such ties can bring information benefits (Baker, 1984; Burt, 1992; Uzzi, 1996, 1997), allow the cooptation of sources of environmental uncertainty (Burt, 1983; Pfeffer & Salancik, 1978), and provide access to critical resources (Mizruchi & Stearns, 1994; Uzzi, 1999). Moreover, not only serving as "pipes" delivering these benefits, network ties—especially those with institutional authorities as "prisms"—can also endow legitimacy and status (Baum & Oliver, 1991; Podolny, 2001) and shape identities (Rao, Davis, & Ward, 2000; White, 1992).

These insights have been integrated into the research on political connection. As political actors usually function as regulators, policy-makers, and resource-holders, firms are striving to develop and manage their relations with powerful political actors for potential benefits, such as access to privileged resources including information, government contracts, and bank loans (Charumilind, Kali, & Wiwattanakantang, 2006;

Claessens et al., 2008; Khwaja & Mian, 2005; H. Li et al., 2008), favorable regulatory conditions such as entry permits, business licenses, and taxation (Agrawal & Knoeber, 2001; Wu, Wu, Zhou, & Wu, 2012), and legitimacy in turbulent environments (Chen, 2007; Peng & Luo, 2000). Particularly within the transitional or emerging economies where a lack of market-supporting institutions creates "institutional voids" (Khanna & Palepu, 1997), political connections (and other forms of networking strategies) are playing more important roles in business. This is because these informal networks can function as substitutes for formal legal and market institutions in protecting property rights, gaining access to resources and information, reducing transaction costs, and buffering environmental turbulence (Boisot & Child, 1996; Peng & Heath, 1996; Peng & Luo, 2000; Xin & Pearce, 1996).

The duality of political connection, however, suggests the other side of the same coin. As stated above, the literature on political connection usually focuses on how these connections are strategically used by firms to derive some advantages. Once established, however, these ties can be leveraged not only by the firm, but also by the government agencies and officials. As Okhmatovskiy (2010) insightfully pointed out, we should consider "ties to the government not as instrumental ties that firms use just for their own benefits, but as relationships (associated with some norms and expectations) that provide the firm and the government with opportunities for mutual influence" (p. 1023). This duality approach, considering the "mutual" influence implicitly, offers an "exchange" framework to think of the impacts of political connections. First, we may realize that government can be the "grabbing hand" that intervenes business for political interests, and sometimes in the name of a "helping hand" (Frye & Shleifer, 1997; Shleifer &

Vishny, 2002). As business plays a great role in national and local economy and society to gain control over economic and societal issues and processes, political actors are inherently motivated to exert influences on business to align business with their political agenda. In multi-party countries, therefore, it is common to see the competition among political actors for power over business (Kozhikode & Li, 2012; Stark & Vedres, 2012).

Second, the benefits acquired from political connections suggest the dependence of firms on government. The more resources a firm can obtain, the greater its dependence, and the more likely the firm will be motivated to maintain these political linkages. Just as social embeddedness view asserts, networks simultaneously enable and constrain the actors who are embedded in them (Burt, 1980, 1987; Emirbayer & Goodwin, 1994). By the same token, the embedded political ties concurrently offer opportunities to and exert constraints on firms' choices and behaviors. To avoid the potential losses and to protect vested interests, firms tied with the government are expected to conform to political demands and requirements, downplaying their own strategic initiatives.

Taken together, the duality of political connection warrants a political control model of corporate strategy. On the one hand, firms exchange their acquiescence to political influence and their allegiance to political agenda to ensure privileged treatment. On the other hand, political officials impose their political influence on firms via political connections, which in turn shapes corporate strategy. Through this process, under the guises that business co-optates the source of external uncertainty, business is in reality co-optated into politics. Figure 3.1 illustrates the framework of this political control approach to strategy.

[Figure 3.1 at the back of chapter]

Political Connection and Corporate Strategy in China

I focus my discussion on private enterprises in China as they are most susceptible to political influences (state-owned enterprises are essentially political actors in China). During China's transition toward market capitalism from state socialism, some scholars assert that such transition will gradually diminish the importance of political connections with the development of market-supporting institutions (J. P. H. Fan et al., 2007; Guthrie, 1998; Nee, 1989, 1991; Nee & Opper, 2007, 2010, 2012). Some scholars, however, argue for the "persistence of power" or "conversion of power" so that political connection can maintain its instrumental and expressive utilities in the transition (Bian & Logan, 1996; Rona-Tas, 1994). In this reform, though Chinese state bureaucrats shuck off their former roles as allocators and redistributors of economic resources, they attend new roles as regulators and brokers of market transactions (Yang, 2002). The state still controls access to critical resources (e.g., land, bank loans, and entry permits) and retains great opportunities to influence private enterprises through institutional and administrative ways (e.g., laws, policies, and inspections) (Fligstein & Zhang, 2011; Lin, 2011; Peng & Luo, 2000; Walder, 1995). Indeed, empirical evidence to a large extent supports the continuing importance of political connections in business (H. Li et al., 2008; Li, Meng, & Zhang, 2006; Li et al., 2012; Li & Zhang, 2007; Peng & Luo, 2000).

These incentives underlying political connections, as suggested by the political control model, lend the power to government in influencing firms' strategic decisions. With the growth of the private sector in China, to enhance its power and control in economy, the Chinese state has created a variety of institutional linkages to co-optate private enterprises, including business associations, party branches, party membership, and political council positions (Dickson, 2003, 2008). By establishing these political connections to embrace private enterprises into politics, the government endows material and social benefits to these connected firms. At the same time, the government builds channels to infuse its political intentions into the firms. Particularly, the regional and local governments have exerted tremendous impacts on firms as “reforms have allowed provinces to play a much more important role in economic management than the ministries at the center which were traditionally in charge of planning and coordination” (Li & Zhou, 2005: 1746), indicating that firms are heavily local-embedded. The following case reported by *The Economist* vividly illustrates “the long arm of the state” and reflects the reality that “the government is flexing its muscles in business”:

> Local governments sometimes play a decisive role in determining which firms succeed and which fail. Take Himin, a manufacturer of solar water heaters based in the city of Dezhou in the northern province of Shandong. Himin is a private company, but it is the local government's champion. Together Himin and the government have devised a branding strategy for Dezhou as China's “solar city”. The government has helped Himin to grow by requiring apartment buildings to be equipped with solar water heaters and by subsidizing solar-heated bathhouses in villages. This leg-up has been crucial. The firm says it is now the world’s biggest manufacturer of solar heaters. In turn, Himin has been crucial to the success of Dezhou’s leaders, who last year hosted a big international conference on solar energy—in a 200m yuan solar-powered conference center built by Himin (The Economist, 2011 June 25).

Indeed, research has suggested that political incentives or career concerns of local officials largely motivate them to get involved in the economy and business because the economic reform has shifted the evaluation criteria for officials from political loyalty to local economic development (Bo, 1996; Fligstein & Zhang, 2011; Li & Zhou, 2005). Several key organizational features of the Chinese personnel control system are critical to understanding these incentives (Li & Zhou, 2005). First, unlike in the democratic regimes, Chinese local officials are selected rather than being elected. This highly centralized structure of personnel control provides incentives to local officials to perform consistently with the political agenda set by the Chinese central government. Second, the multidivisional-form (M-form) structure of the Chinese economy enables the comparison among regions (Li & Zhou, 2005), making the evaluation of local officials possible. Third, officials usually move up in the internal political labor market with little opportunity available elsewhere. Therefore, their concerns about their political career become an important incentive mechanism to motivate them to develop the local economy.

Acknowledging these political goals and interests of economic growth, we are able to investigate the political logic underlying corporate strategy. For career interests, local officials are motivated to promote local economy and pursue the GDP growth, which is often cited as the indicator of economic performance and has been found to positively affect political mobility (Chen, Li, & Zhou, 2005; Li & Zhou, 2005). To best boost the growth of GDP within a term, local officials are usually urging local firms to recklessly expand their size and increase their investment for an *extensive growth* within a short period. To facilitate this process, the local government often offers firms privileged accesses to favorable policies, lands, and bank loans. Such actions by the government are often criticized as "pull up seedlings to help them grow" (*ba miao zhu zhang*) since the extensive and rapid growth potentially undermines the profitability and invites great risks for future sustainability. Though there are many possible negative impacts on firms, adopting these strategies produces outcomes that benefit local officials regarding their upward mobility in the political hierarchy. First, the GDP growth, as a key performance criterion, can help local officials compete for political mobility in the "promotion tournament" (Zhou, 2007). Second, revenue contributions stemming from the growth of firms are also beneficial to the political career of local officials (Bo, 1996, 2002). Third, large firms are more visible and more capable of being targeted as "exemplary stars," signaling local economic prosperity and achievement of local officials.

Another related issue puzzling local governments and threatening local economic development is how to handle inefficient local firms. Facilitating the mergers and acquisitions of these firms has both economic and social significance to the local government. With the fiscal decentralization, revenues for the local government are tightly related to the development of local firms (Oi, 1992, 1995; Walder, 1995). That is, the local government has to bear the risks as well as enjoy the benefits that come with its entrepreneurship. As such, existence of inefficient firms directly affects the operating budget of the local government and the bonuses of officials. Selling these firms through mergers and acquisitions helps reduce the debt of the local government that owns them. Additionally, unemployment is seen as threats to social stability, and it always attracts great public attention. As inefficient firms can potentially cause unemployment, requesting local firms to acquire these inefficient firms (usually fully or partially accommodate the employees) is a way to avoid crisis of unemployment.

Based on these discussions, the political control approach suggests that the politically connected firms will be pressed to act in accordance with above-mentioned political interest and agenda; I thus propose that:

Hypothesis 1a: Politically connected firms are more likely to adopt the extensive growth strategy.

Hypothesis 1b: Politically connected firms are more likely to acquire local firms under deficit.

Institutional Contingencies of the Political Control

The effect of political control on corporate strategy is contingent on firm's external institutional and internal environment because the firm as well as the political actor are both institutionally embedded (Dacin et al., 1999; Vasudeva, Spencer, & Teegen, 2013; Zukin & DiMaggio, 1990). In this section I consider three such moderators: (1) *firms* with different governance structures and institutions are to varying extents susceptible to political influences; (2) the salience of economic performance as the *criterion* assessing government officials varies across regions characterized by different levels of reforming; (3) political urgency in utilizing these relations should not be the same for *political actors* in different institutional and economic situations.

The moderating effect of firm's governance structures and institutions. It is well acknowledged that a more advanced corporate governance system is better in restricting the power of single top leaders, improving decision quality, and serving shareholder value through a set of collective and structural decision-making and monitoring mechanisms. Specifically, corporate governance consists of "the whole set of legal, cultural, and institutional arrangements that determine what publicly traded corporations can do, who controls them, how that control is exercised, and how the risks and returns from the activities they undertake are allocated" (Blair, 1995: 3). Among Chinese private firms, though the general corporate governance is still in the very early development stage, we would expect that those publicly listed firms have a more nuanced governance system, and they are legally required to set up those formal structures, processes, and institutions in directing corporation operations.

For these firms, I see their governance institutions will deter them from being deeply influenced by political actors. First, as corporate leaders are usually the nodes of corporate political connections, they often bear pressures from political actors. For those private entrepreneurs who are fully in charge of their firms, the political pressures and requirements on them would be more directly reflected in their corporate actions. In contrast, in the listed firms, governance institutions set up strong *structural barriers* restricting corporate leaders to shift their pressures to the whole firm. As such, the leaders in listed firms may also be able to strategically avoid the political control by presenting the dilemma and difficulty to political actors. On the other hand, as legally regulated, listed firms bear the demands for greater transparency and accountability in corporate governance and strategy. The political exchange in China often takes the form of implicit agreements between corporate leaders and government officials; it is mostly informal and private. As such, listed firms will more intrinsically resist the political requests that are hard to be rationalized in their public disclosure. Based on these considerations, I propose that:

Hypothesis 2a: The effect of political connection on firms' adoption of extensive growth strategy is weaker for listed firms.

Hypothesis 2b: The effect of political connection on firms' acquisition of local firms under deficit is weaker for listed firms.

The moderating effect of institutional reform. Disparity across provinces in China results in the regional variation of the political control effect on corporate strategy. The transition to a market economy in China has proceeded at different paces in different regions (Parish & Michelson, 1996; Walder, 1996). Chinese economic reforms have always involved “decentralized experimentation,” in which the central government conducts trial reforms in a limited number of localities and provinces.

The effect of political control on corporate strategy is expected to vary across regions since the evaluation and promotion criteria for local officials are changing with the reform in China (Cao, 2001; Zhao & Zhou, 2004; Zhou, 2001). China’s reform of its personnel control system coincided with the beginning of its economic reform. A crucial turnaround in personnel management was the wholesale change in the evaluation criteria for government officials. Political conformity, which was the only important pre-reform criterion for promotion, gave way to economic performance and other competence-related indicators (Li & Zhou, 2005). The criterion shifting from loyalty to economic performance implies that local officials should instill distinct intentions and exert different pressures into firms via political connections. Acknowledging the regional variation in reforming, regions with a faster pace of economic reform would be more susceptible to the shift of logic defining promotion criteria.

To capture a region’s pace of reforming, I focus on the development of markets. This is because pro-market transition and the development of relevant institutions are essential in China’s economic reform, while the market institutions have been highly unevenly developed among different regions. The regions at the forefront of reform usually experience trials of newly-established market institutions, and they are first and more deeply affected by the reforming logics in almost every area, including the performance appraisal of government officials in economic reform. Based on these discussions, I propose that:

Hypothesis 3a: The effect of political connection on firms' adoption of extensive growth strategy is stronger in regions where markets are more developed.

Hypothesis 3b: The effect of political connection on firms' acquisition of local firms under deficit is stronger in regions where markets are more developed.

The moderating effect of local economic performance. Largely due to that the pace of economic reform has varied across regions, the level of economic performance (i.e., GDP per capita) in different regions is highly uneven. Considering the substantial disparity across regions in China, the central government consciously takes advantage of relative performance evaluation in political promotion. For example, Chen, Li, & Zhou (2005) found that the turnover of provincial leaders hinges on provincial economic performance relative to their immediate predecessors. Since more developed regions have higher benchmarks set by the immediate predecessors, local officials in these regions are facing greater pressures in promoting economic development and, therefore, tend to more deeply exploit the political connections for that purpose. Based on these arguments, I hypothesize that:

Hypothesis 4a: The effect of political connection on firms' adoption of extensive growth strategy is stronger in regions where economic performance is higher.

Hypothesis 4b: The effect of political connection on firms' acquisition of local firms under deficit is stronger in regions where economic performance is higher.

I summarize the theoretical model and hypotheses in Figure 3.2. To test the hypotheses, below I turn to discussing the methods and empirical analysis.

[Figure 3.2 at the back of chapter]

Methods

Data

The data used for testing the hypotheses comes from a survey of Chinese firms in the private sector conducted by the Privately Owned Enterprises Research Project Team in 2004 and 2006. The research team first generated a nationwide random sample of private firms using multistage stratified sampling across all provinces and industries and then used a questionnaire to conduct direct interviews with the major owner of each firm represented in the sample. The survey was organized by the Industry and Commerce Association, a semi-official organization of private firms, operating at the national, provincial, city and county/district levels. Following interviewer training sessions organized in different locales, staff of the research department from the association visited the private firms in the sample to conduct a face-to-face structured interview with each private entrepreneur. Interviews for 6,849 firms were completed in 334 counties and urban districts from all 31 provinces and metropolitan areas of China. After data cleaning, 4,680 firms are kept for analysis in this study.

Measures

Extensive growth strategy. I use the term of strategy to refer to a firm's realized strategy (Geletkanycz & Hambrick, 1997), and the accounting information are employed to assess the corporate extensive growth strategy. Compared to the self-reported subjective measures, the accounting information can better reveal the observable post-hoc strategy. I use *market-sale growth rate* and *profit growth rate* to capture the variable of extensive growth strategy. When a firm's market-sale growth rate is higher than the 50%

percentile but at the same time its profit growth rate is lower than the 50% percentile in its industry, the firm is conducting the extensive growth strategy. It is coded as a dummy variable that 1 indicates adoption of this strategy and 0 otherwise.

Acquisition of local deficit firms is assessed by asking whether a firm has acquired any local deficit/poor-performing firms, especially, under the pressure from the local officials. I coded this variable as 1 if the firm had acquired any local firms in that situation and 0 otherwise.

Political connection is measured as the firm leader's political status or affiliation with the state (Li et al., 2008; Wang and Qian, 2011). The questionnaire asked whether the firm's owner or CEO served as a delegate to the Chinese People's Congress (CPC) or Chinese People's Political Consultative Conference (CPPCC) at national, provincial, city or county/district levels. Both of these two political councils can bring political connections and reputation to its members (Ma & Parish, 2006). This political access provides a base for firms to reach government officials, which is beneficial to a firm's development in China (Lu and Pan, 2009). I code the response as a dummy variable, 1 indicating "yes" and 0 otherwise.

Listed firm is a dummy variable that 1 indicates listed firms and 0 otherwise.

Market development is assessed by marketization indices developed by the National Economic Research Institute (NERI) in China. The NERI has developed indices to generally capture the progress of institutional development in all 31 Chinese provinces, municipalities, and autonomous regions (G. Fan, Wang, & Zhu, 2007). This set of indices has been widely used in prior management studies to assess the development of markets and market-supporting institutions in China (e.g., Shi, Sun, & Peng, 2012; Wang & Qian, 2011).

Economic performance is measured as the one-year-lagged GDP per capita (thousand yuan) in different provinces. I take the logarithmic transformation to correct for the skewness.

I also control for CEO and firm characteristics. Since firm leaders play a great role in affecting corporate strategy (Hambrick & Mason, 1984), I control for CEO age, gender, and education background. Organizations are to different extents susceptible to political influences. In China, larger firms have easier access to state-controlled resources and lower risks of government expropriation of their assets than smaller ones (H. Li et al., 2008; Li & Zhang, 2007). Larger firms may also have more opportunities than smaller ones to acquire resources from sources outside the state. Less dependence on state thus may reduce large firms' susceptibility to government's pressures. New ventures might be more subject to political influence owing to the liability of newness. Therefore, I controlled for firm age, firm size, firm performance (assessed by return on sales, ROS). Moreover, two indicators of firm's strategic orientation—advertising intensity and R&D intensity—are controlled as they are potentially correlated to the extensive growth strategy. Specifically, advertising and R&D intensity are measured as the ratio of marketing and R&D expenditures over total sales, respectively. Industries are also controlled since the level of government regulation in China varies greatly across industries. To control for regional differences, dummies of provinces are also included.

Models

As both dependent variables in this study are binary variables, I use logit regression models (Long, 1997). In the sample, as the events of *acquisition of local deficit firms* (the dependent variable) constitute a small proportion (about 6%), the conventional maximum likelihood estimates may have substantial bias (King & Zeng, 2001). To reduce such bias, I use penalized maximum likelihood estimation (PMLE) in the logit models to predict acquisition of local deficit firms (Firth, 1993). PMLE can be unbiased even for data with rare events; moreover, PMLE is always converging and overcomes the "problem of separation" in logit models, a condition in which maximum likelihood estimates become inestimable.

To check robustness and sharpen inference drawn from the statistical models, I further conduct propensity score matching to generate a subset of firms without political connections that are comparable, regarding important observable covariates, to the set of politically connected firms in the sample (Rubin, 2006). Conditional on the propensity score, the marching estimates of the effects of treatment can somehow diminish the selection bias on observables.

Results

The descriptive statistics and correlations among the variables can be found in Table 3.1. Political connection is positively correlated with extensive growth strategy as well as acquisition of local deficit firms, which provides preliminary support to the hypotheses on main effects.

[Table 3.1 at the back of chapter]

Table 3.2 reports the results of logit models estimating the effect of political connection on firm's extensive growth strategy as well as the interaction effects.

Specifically, Model 1 includes control variables; Models 2-5 examine the main effect of political connection and the moderating effects. As regional GDP per capita and market development are highly correlated (r = 0.86), to avoid the problem of multicollineariy, the interaction effects are tested separately.

[Table 3.2 at the back of chapter]

As shown in Model 2, a firm's political connection has a positive impact on its adoption of the extensive growth strategy. On average, compared to those firms without political connections, politically connected firms having a 1.25 times higher odds of adopting the extensive growth strategy ($e^{0.22} = 1.25$), lending support to Hypothesis 1a.

In Model 3, the interaction term between political connection and listed firm is significant and negative (b = -2.11, p < 0.10). As the marginal effects in non-linear models are more complicated than in linear models, which are not solely determined by the interaction term (Berry, DeMeritt, & Esarey, 2010), I plot the specific interaction effect in Figure 3.3A. As it illustrates, for non-listed firms, the effect of political connection on extensive growth strategy is somewhat positive. In stark contrast, for listed firms, not only the positive effect disappears, this relationship becomes negative. This result to some extent supports Hypothesis 2a, which implies that due to the institutional and structural barriers made by corporate governance system, listed firms might be less susceptible to political influences in their strategies. Moreover, I conjecture that the negative impact for listed firms might be due to the fact that the extensive growth strategy very likely undermines a listed firm's performance in the stock market, especially for those politically connected firms that are highly visible in the market. These firms therefore are more resistant to adopt the extensive growth strategy, although political pressures may exist. At the same time, I also acknowledge that the data limitation (only 1.5% firms in this sample are listed) potentially raises concerns about the robustness of this result, which should be reassessed while more comprehensive and balanced data are available.

The results in Model 4 support Hypothesis 3a. Figure 3.3B illustrates the specific interaction pattern. As it shows, in regions with more developed markets, the positive effect of political connection on firm's adoption of extensive growth strategy is much stronger. This finding is consistent with the argument that economic reform and market development enhance the salience of economic performance as a key criterion in assessing government officials. This increasingly potent promotion criterion emphasizing economic performance largely motivates local government officials to exploit political connections and request politically connected firms to pursue extensive growth.

Hypothesis 3b states that economic performance moderates the relationship between political connection and extensive growth strategy. This hypothesis finds support in Model 5. As plotted in Figure 3C, in regions with higher GDP per capita, firm's political connection shows a stronger positive effect on extensive growth strategy. This shows evidence for the argument that given the criterion of political promotion centers on economic growth, government officials in the regions with a better base ironically face more pressures in pursuing their career development, and these pressures finally are first shifted to firms that are well connected with them.

Table 3.3 presents the results of models predicting firm's acquisition of local deficit firms. Generally the results are very similar to those shown in Table 3.2. Specifically, politically connected firms are more likely to acquire local deficit firms due to pressures from local government, having an odds 1.42 times ($e^{0.35} = 1.42$) higher than that of firms without political connections.

[Table 3.3 at the back of chapter]

The interaction effects are shown in Figures 3.4A, 3.4B, and 3.4C. The patterns are consistent with the hypotheses. While local government officials urge politically connected firms to acquire those deficit firms to reduce the financial burden on the government, listed firms tend to resist these requirements; in regions with higher GDP per capita and more advanced markets, political connection makes firms bear more political influences.

As the robustness check, results of the propensity score matching indicate that the average treatment effect (ATT) of political connection is 0.025 ($p < 0.10$) on firm's adoption of extensive growth strategy and 0.027 ($p < 0.05$) on firm's acquisition of local deficit firms. These results further support the main hypotheses.

In sum, these results show support to the hypotheses and the central argument. That is, in strong political environments, corporate strategy can be highly affected by politicians, and this political control effect is contingent on firm's internal and external institutional dynamics.

Discussion

Parallel to the statement that "organization as a reflection of its top managers" (Hambrick & Mason, 1984), this study proposes organizations can be potentially a reflection of *politicians*. Centering on such connections between business and politics, I develop a political control approach to corporate strategy and examine the impact of politicians on firms via firm's political connections. In China's political context, for incentives of career promotion, politicians are very likely to urge firms to adopt the extensive growth strategy for rapid growth in size, contributing to the local GDP growth that is pivotal to their political performance. Moreover, to shift the financial burdens to firms, they also tend to request firms to acquire those local firms under deficit. These political demands and pressures are first conveyed to the politically connected firms that also often enjoy preferential treatments from the politicians. Adopting this framework, I further explore the institutional contingencies—firm governance structure, market development, and regional economic performance—in affecting such political control effect.

This study contributes to the literature in several aspects. First, while numerous studies have examined the impacts of political connection on corporate performance, little research has been conducted to explore the relationship between political connection and corporate strategy. This study enriches the literature by theorizing the political control approach to corporate strategy and empirically testing the effects of political connection on corporate strategies: corporate growth strategy and acquisition strategy. Compared to research on corporate performance, exploring the impact of political connection on corporate strategy might be more valuable in revealing political dynamics of firm's political ties. For example, in China's context, there is usually a reciprocal and clientelist exchange between firms and politicians (Ong, 2012; Wank, 2002). The complex interactions between firms' gains from preferential treatment by the government and the cost of their political compliance often mess the relationship between firm's political connection and economic performance, making a clear connection-performance link even impossible. By the same token, it is also very hard to elicit the theoretical mechanisms based on empirical relationships between political connection and corporate performance. Shifting attention from performance to strategy and even more specific corporate actions/behaviors is promising to address these limitations. More future research specifically address the impact of political connections on corporate strategic actions thus is requested.

Second, the political control effect proposed in this study reveals the “duality” of political connections. Though political connections are widely studied in the field organization and management, we are confined to the perspective from the firm and mainly focus on how firms can strategically utilize these connections to serve their organizational goals. It is understandable for management scholars to adopt such lens in studying political connections, but we should acknowledge that it depicts an incomplete picture. While firms are pursuing their organizational goals by using the political ties, politicians—who are at the other side of such ties—can also manipulate their connections with firms to pursue their political goals. As shown in this study, for their political career promotions, politicians can also strategically leverage these political ties with firms to align corporate strategies with their political goals. Recent studies in this field have also begun to reveal the “dark side” of political connections and embeddedness, paying greater attention to the role of politicians in this relationship. While it is interesting to further explore the possible costs of political connections along the research on “dark side”, another line of research that might be more fascinating is, by considering that firms and politicians are both struggling to affect each other via political ties, to delve into the sophisticated interactions between firms and politicians and nuanced tensions in their political connections.

Third, more broadly, this study also contributes to the literature of business and politics. Beyond the scope of political connections, a large number of studies have already been accumulated around the relationship/interaction between business and politics. More recently, for example, political pluralism and party competition are found influential to business expansion (Kozhikode & Li, 2012) and interorganizational cooperation (Stark & Vedres, 2012). This study, situated in China's political system, suggests that the performance evaluation system for politicians has a huge impact on business because it structures the incentives of politicians and constructs government behaviors in interacting with firms. As the performance assessment criterion has been shifted from loyalty to economic performance with China's reform, we would expect that historical contingencies may exist regarding the interactions between firms and politicians in China. Acknowledging the data limitations, a historical analysis and comparison of government behavior and its impact on firms across reforming periods will be valuable in future research. Moreover, the important role of performance assessment of government officials amid the business-politics relations may sustains beyond China's political context, and I call for research to further test this argument and enrich this line of research by conducting comparative studies across different political systems.

TABLE 3.1: Descriptive statistics and correlations

	Variables	Mean	S.D.	1	2	3	4	5	6
1.	Extensive growth strategy	0.11	0.32						
2.	Acquisition of local deficit firms	0.06	0.24	.04					
3.	Political connection	0.43	0.50	.04	.10				
4.	Listed firm	0.01	0.12	-.02	.03	.04			
5.	GDP per capita	9.71	0.61	-.01	-.07	-.17	-.02		
6.	Market development	7.58	1.99	.00	-.07	-.13	-.03	.86	
7.	CEO age	41.95	9.49	.00	-.09	.02	.01	.15	.16
8.	CEO education	3.57	1.08	.04	.12	.11	.04	-.01	-.06
9.	CEO gender	0.87	0.33	.01	.03	.06	.01	-.01	.02
10.	Firm age	6.90	4.30	.02	.03	.26	.03	.07	.10
11.	Firm size	4.15	1.58	.03	.14	.43	.08	-.06	.00
12.	ROS	0.08	0.20	-.04	-.01	-.03	.04	-.03	-.04
13.	Advertising intensity	0.02	0.15	-.01	.00	-.02	.00	-.02	-.03
14.	R&D intensity	0.05	0.31	.00	.05	.03	.00	-.08	-.09

	Variables	7	8	9	10	11	12	13	14
8.	CEO education	-.14							
9.	CEO gender	.06	-.01						
10.	Firm age	.13	-.02	.06					
11.	Firm size	.03	.18	.12	.24				
12.	ROS	-.02	-.01	-.04	.02	-.05			
13.	Advertising intensity	-.02	.01	-.03	-.05	-.02	-.13		
14.	R&D intensity	-.05	.01	-.05	-.02	-.01	.03	.36	

Note: N = 4680; Correlations greater than or equal to 0.03 are significant at $p < 0.05$.

TABLE 3.2: Estimates of logit models predicting firm's extensive growth strategy

Variables	Extensive Growth Strategy				
	(1)	(2)	(3)	(4)	(5)
CEO age	0.00	-0.00	0.00	-0.00	-0.00
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
CEO education	0.12*	0.11*	0.11*	0.11*	0.11*
	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
CEO gender	0.04	0.03	0.02	0.03	0.04
	(0.15)	(0.15)	(0.15)	(0.15)	(0.15)
CEO age	-0.01	-0.01	-0.01	-0.01	-0.01
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Firm size	0.04	0.03	0.03	0.03	0.03
	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
ROS	-0.60**	-0.59**	-0.59**	-0.60**	-0.60**
	(0.22)	(0.22)	(0.22)	(0.22)	(0.22)
Advertising intensity	-0.89	-0.90	-0.90	-0.94	-0.93
	(0.64)	(0.64)	(0.64)	(0.64)	(0.64)
R&D intensity	-0.16	-0.17	-0.18	-0.14	-0.15
	(0.23)	(0.22)	(0.22)	(0.23)	(0.22)
Industry dummies	Yes	Yes	Yes	Yes	Yes
Province dummies	Yes	Yes	Yes	Yes	Yes
Listed firm		-0.74	0.27	-0.74	-0.72
		(0.53)	(0.63)	(0.53)	(0.53)
Market development		0.43	0.45	0.35	0.42
		(0.45)	(0.45)	(0.45)	(0.45)
Economic performance (GDP per capita)		-0.31	-0.33	-0.39	-0.42
		(2.13)	(2.13)	(2.13)	(2.13)
Political connection		0.22*	0.23*	-0.69†	-0.18
		(0.11)	(0.11)	(0.41)	(0.20)
Political connection × Listed firm			-2.11†		
			(1.20)		
Political connection × Market development				0.12*	
				(0.05)	
Political connection × GDP per capita					0.00*
					(0.00)
Constant	2.04	14.93	15.44	14.13	15.84
	(3.57)	(13.86)	(13.86)	(13.91)	(13.92)
$\chi 2$	76.49	83.56	87.24	88.90	89.72
Log likelihood	-1513.48	-1509.94	-1508.11	-1507.27	-1506.86

Note: *N* = 4175; †p<0.10; *p<0.05; **p<0.01.
Standard errors in parentheses.

TABLE 3.3: Estimates of logit models predicting acquisition of local deficit firms

Variables	Acquisition of Local Deficit Firms				
	(1)	(2)	(3)	(4)	(5)
CEO age	-0.04***	-0.04***	-0.04***	-0.04***	-0.04***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
CEO education	0.33***	0.33***	0.33***	0.32***	0.32***
	(0.06)	(0.06)	(0.06)	(0.07)	(0.07)
CEO gender	0.70*	0.68*	0.68*	0.70*	0.68*
	(0.28)	(0.27)	(0.27)	(0.28)	(0.27)
CEO age	0.02	0.02	0.02	0.02	0.02
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Firm size	0.31***	0.26***	0.26***	0.26***	0.26***
	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
ROS	-0.35	-0.35	-0.35	-0.33	-0.34
	(0.26)	(0.28)	(0.28)	(0.28)	(0.28)
Advertising intensity	-0.15	-0.13	-0.13	-0.15	-0.12
	(0.46)	(0.52)	(0.53)	(0.50)	(0.52)
R&D intensity	0.43**	0.38*	0.38*	0.41*	0.38*
	(0.17)	(0.17)	(0.17)	(0.16)	(0.17)
Industry dummies	Yes	Yes	Yes	Yes	Yes
Province dummies	Yes	Yes	Yes	Yes	Yes
Listed firm		0.47	1.11†	0.45	0.48
		(0.41)	(0.62)	(0.41)	(0.41)
Market development		-0.01	-0.01	-0.16*	-0.00
		(0.07)	(0.07)	(0.08)	(0.07)
Economic performance (GDP per capita)		-0.18	-0.19	-0.10	-0.44†
		(0.22)	(0.22)	(0.22)	(0.26)
Political connection		0.35*	0.37*	-1.28*	-0.09
		(0.16)	(0.16)	(0.54)	(0.26)
Political connection × Listed firm			-0.91		
			(0.80)		
Political connection × Market				0.22**	
				(0.07)	
Political connection × GDP per capita					0.00*
					(0.00)
Constant	-5.65***	-3.64†	-3.56†	-3.22†	-0.98
	(1.07)	(1.91)	(1.91)	(1.89)	(2.31)
χ2	172.73	182.22	183.49	182.48	182.52
Penalized log likelihood	-808.07	-794.94	-794.22	-787.39	-781.40

Note: $N = 4191$; †p<0.10; *p<0.05; **p<0.01; ***p<0.001.
Standard errors in parentheses.

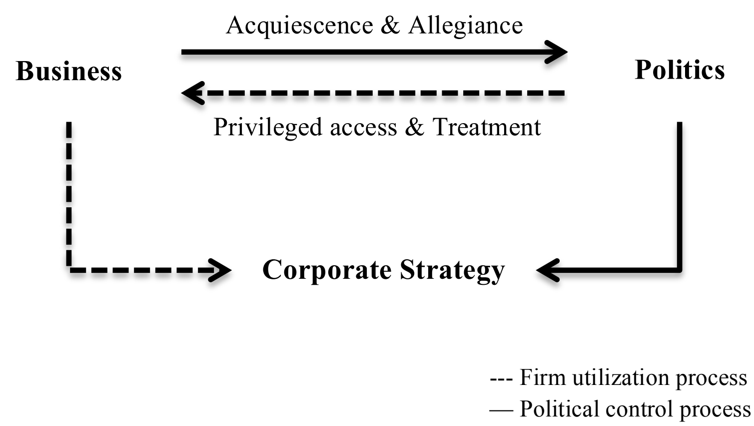


FIGURE 3.1: Political control model of corporate strategy

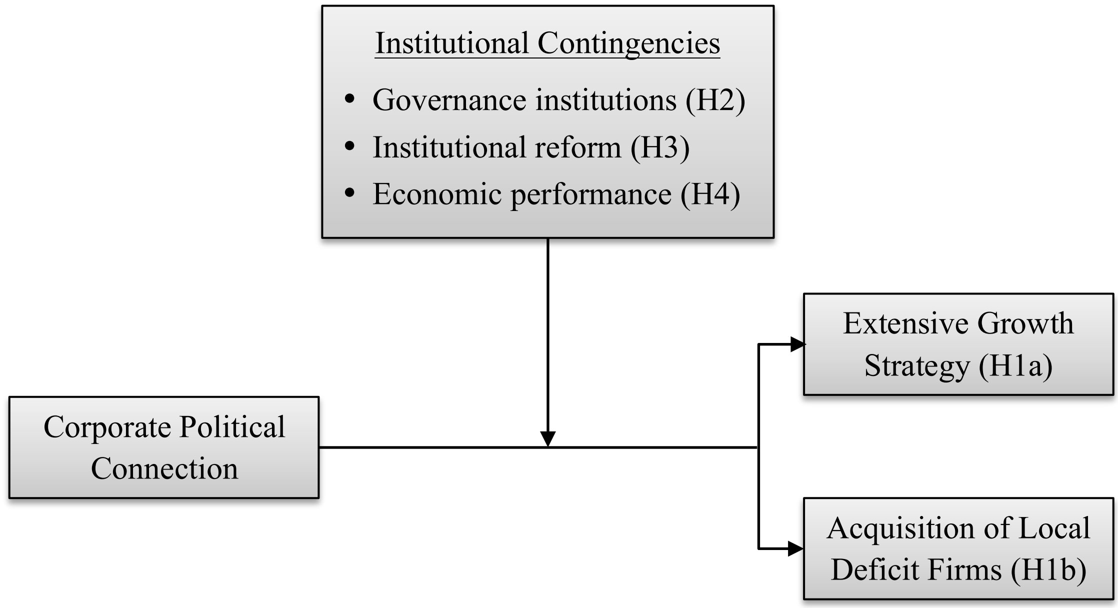
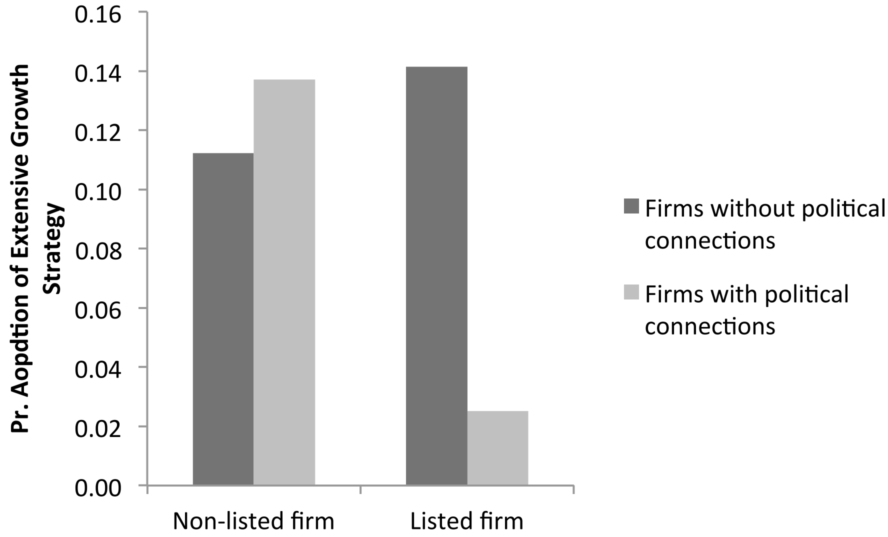


FIGURE 3.2: Framework and hypotheses



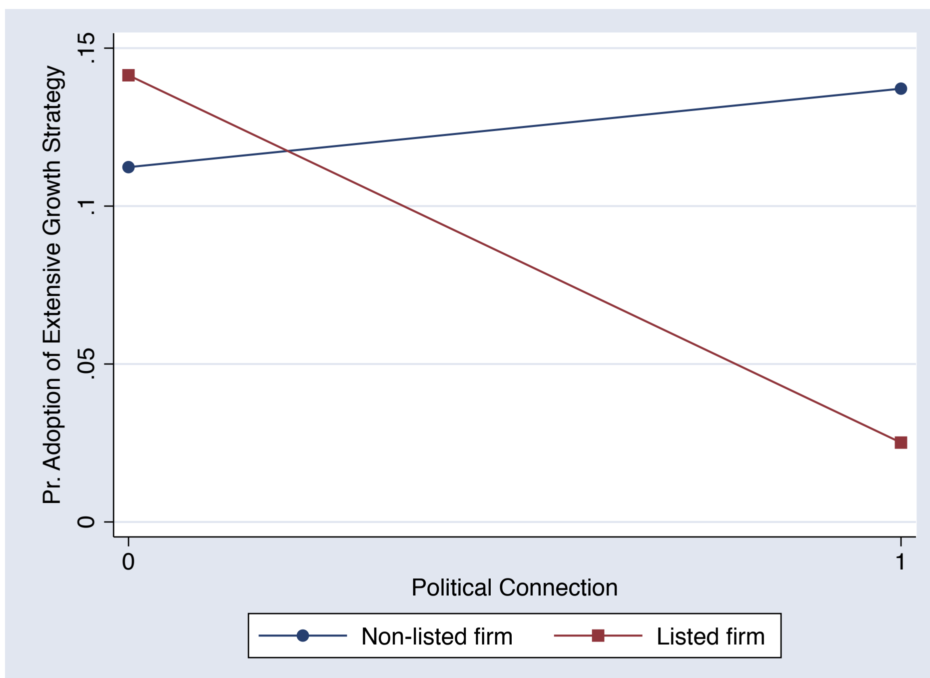
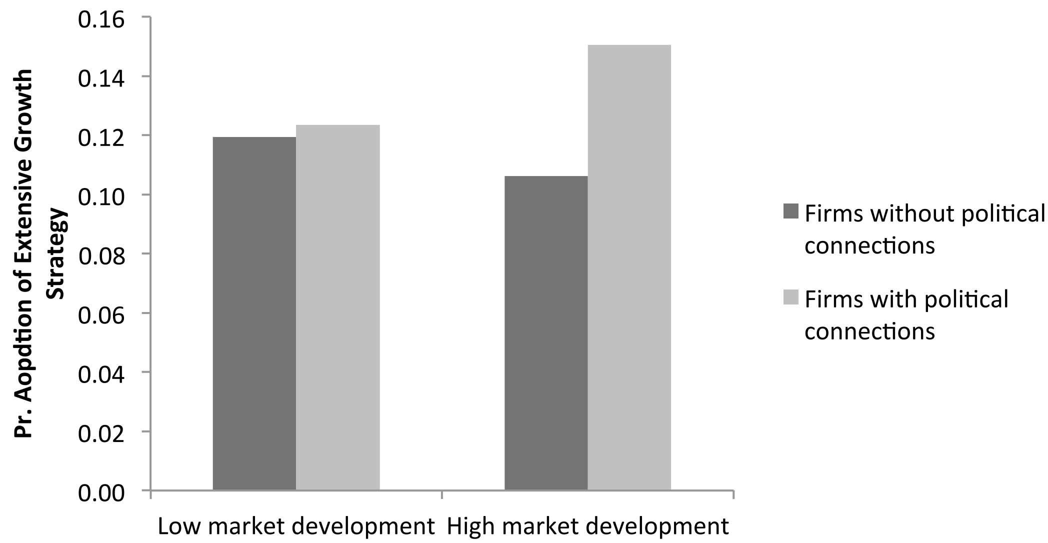


FIGURE 3.3A: Moderating effect of listed firm on the impact of political connection on firm's adoption of extensive growth strategy



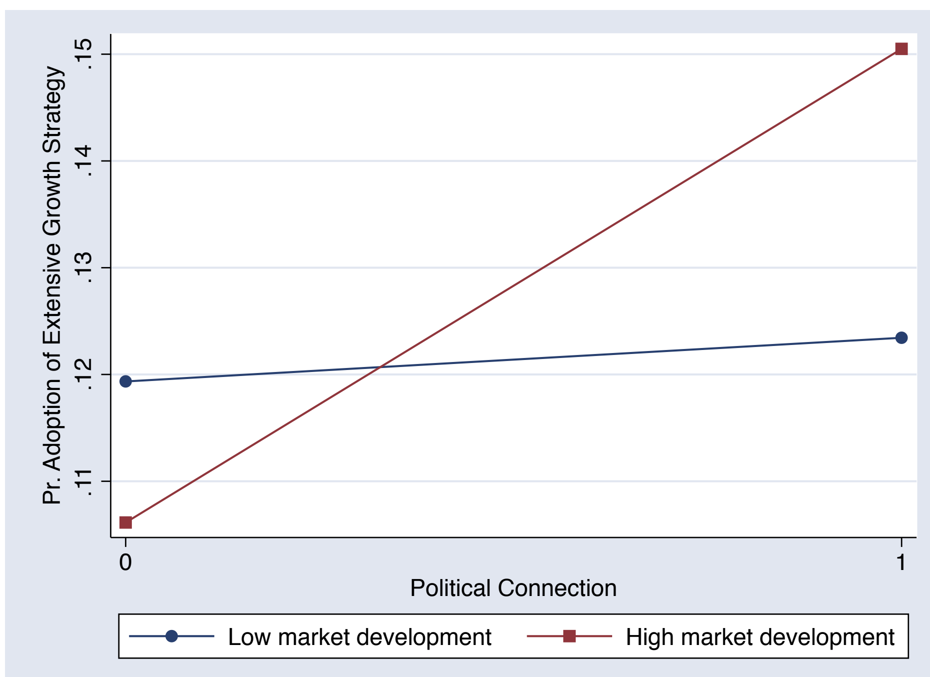
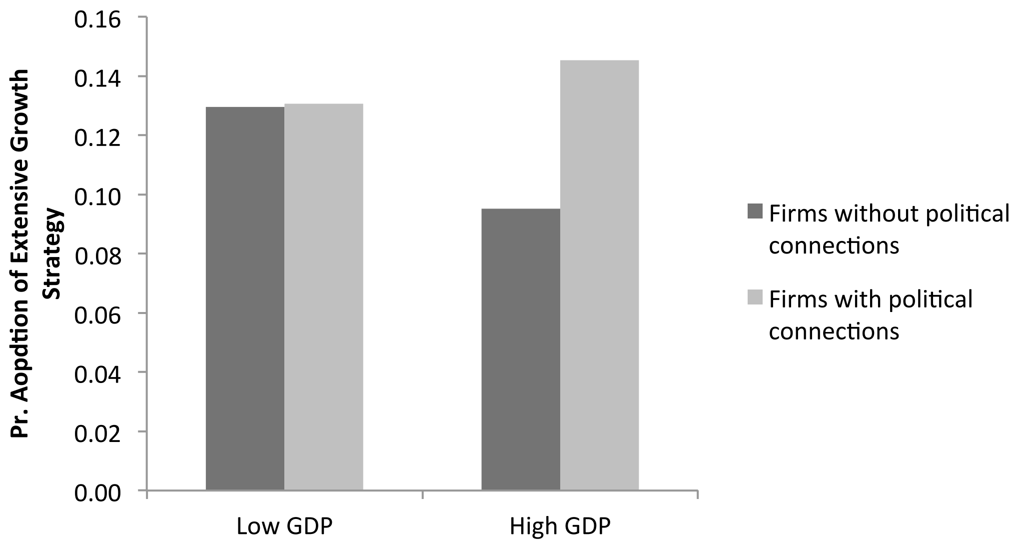


FIGURE 3.3B: Moderating effect of market development on the impact of political connection on firm's adoption of extensive growth strategy



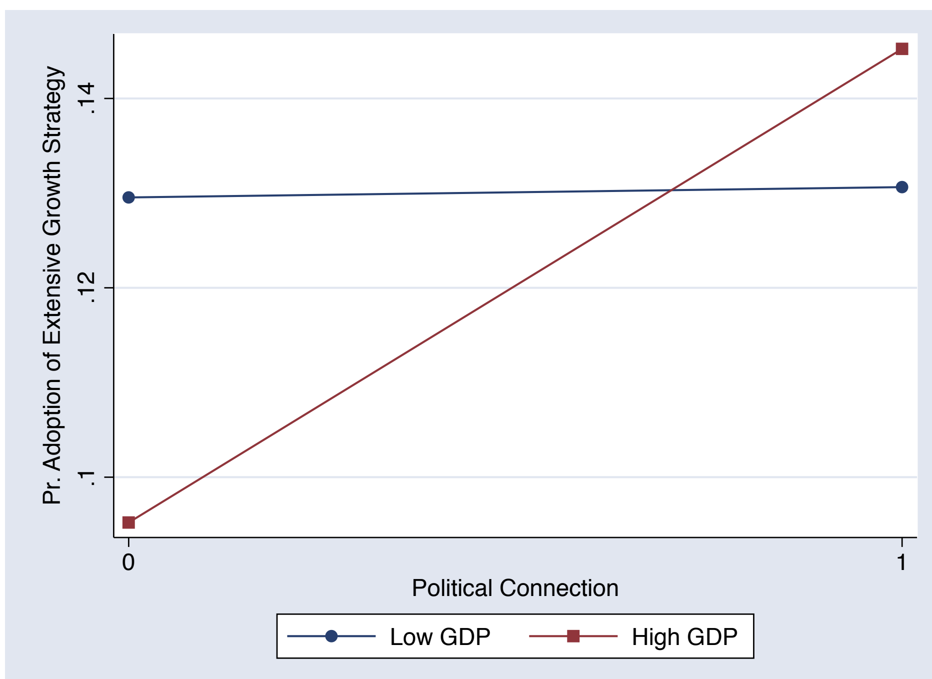
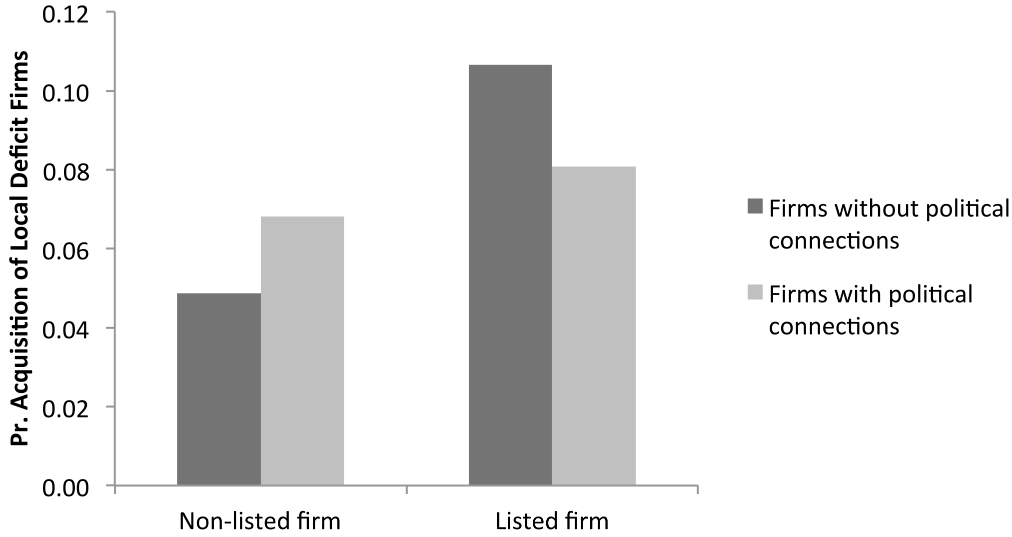


FIGURE 3.3C: Moderating effect of GDP per capita on the impact of political connection on firm's adoption of extensive growth strategy



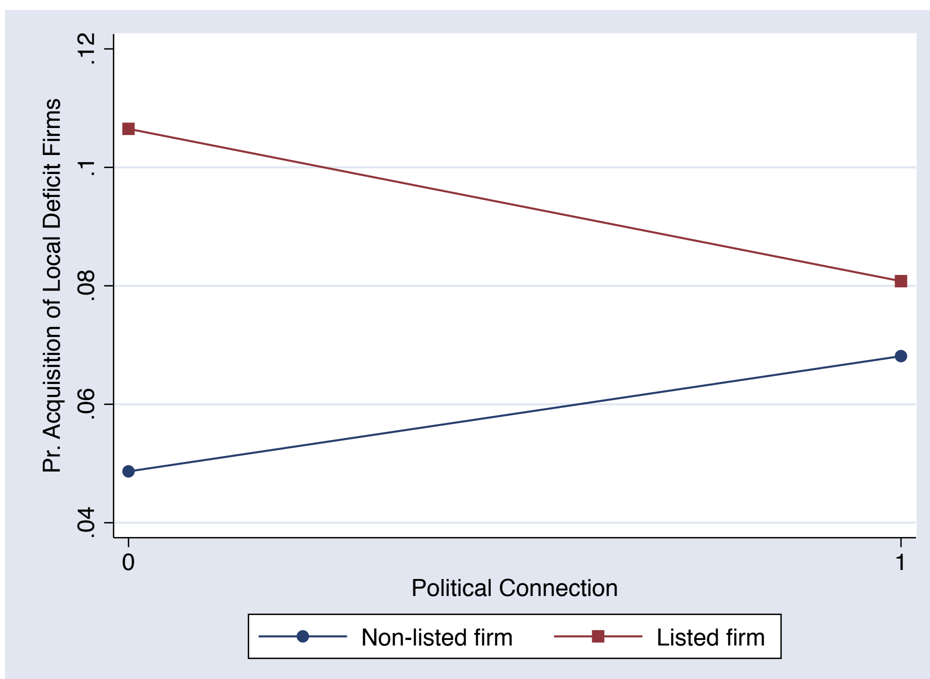
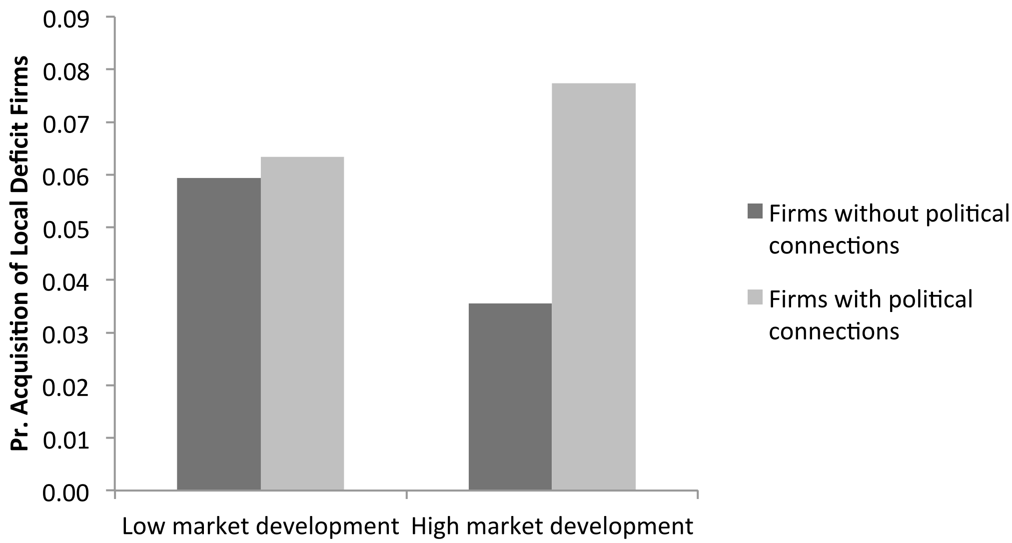


FIGURE 3.4A: Moderating effect of listed firm on the impact of political connection on firm's acquisition of local deficit firms



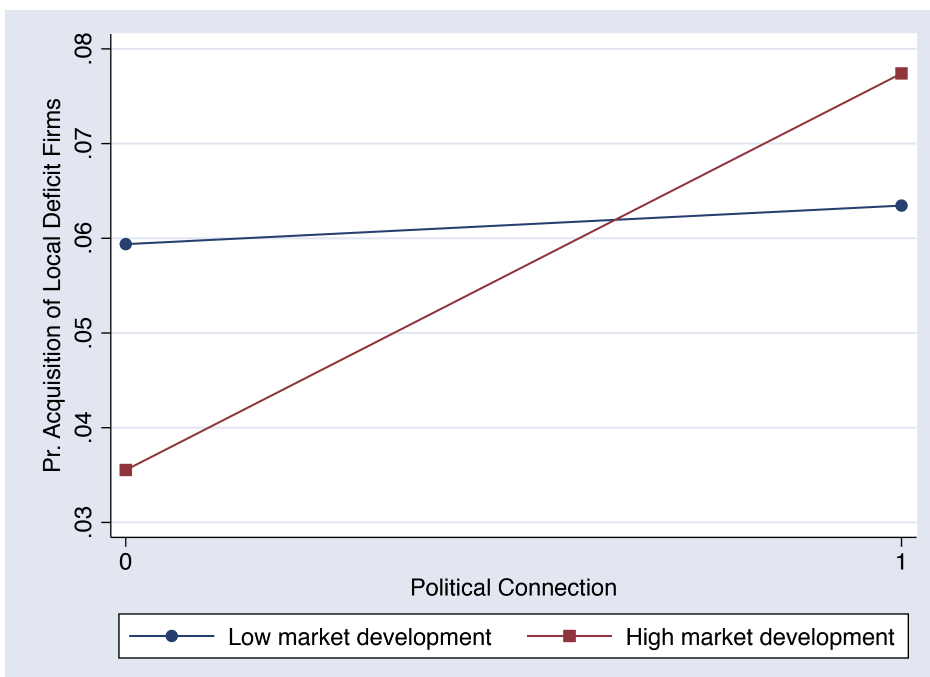
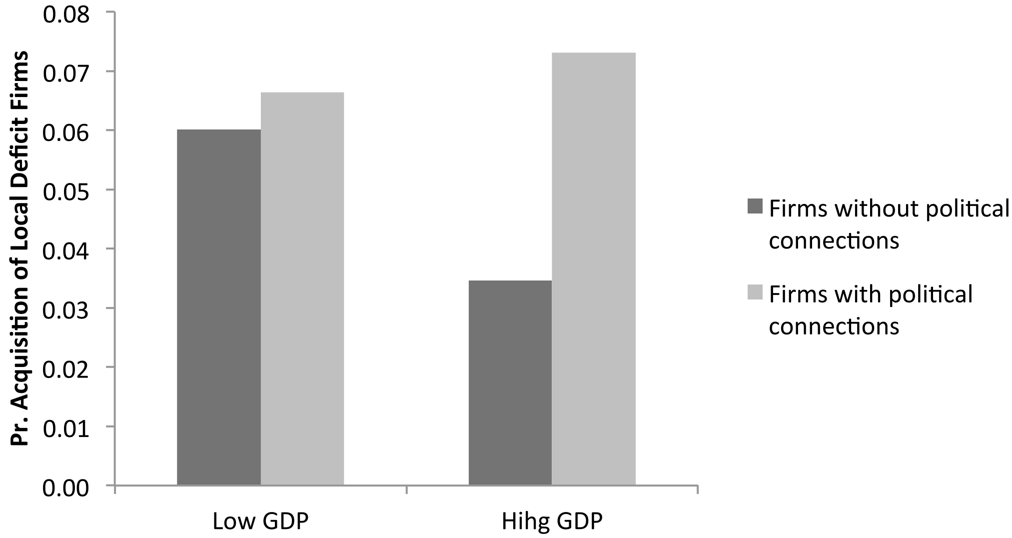


FIGURE 3.4B: Moderating effect of market development on the impact of political connection on firm's acquisition of local deficit firms



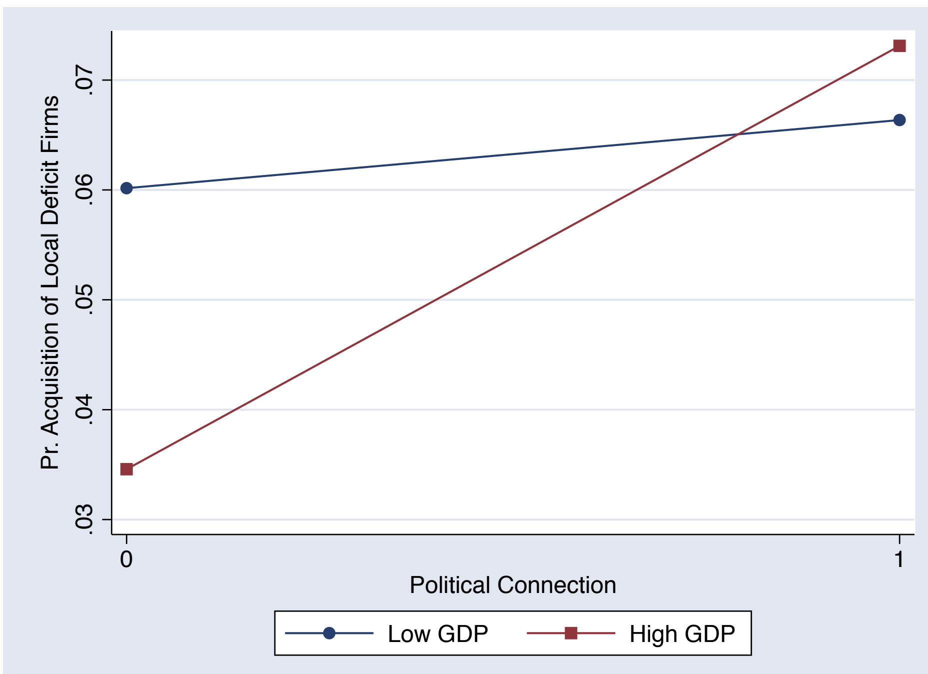


FIGURE 3.4C: Moderating effect of GDP per capita on the impact of political connection on firm's acquisition of local deficit firms

CHAPTER 4: LIVING IN THE TRIPLET WORLD: THE MARKET, FAMILY, AND STATE LOGICS AND CORPORATE PHILANTHROPY

Introduction

Interest in understanding how institutions affect organizational practices continues to engage scholars in a number of fields. In sharp contrast to early studies, recent development of the institutional logic approach suggests that institutional environment is not usually unified in affecting organizations. Rather, it is often fragmented and various institutional spheres are characterized by differentiated institutional logics (Friedland & Alford, 1991; Thornton & Ocasio, 2008). Institutional logics define the content and meaning of institutions, which provide the master principles of society, shape our reasoning, and guide social action (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011). This institutional logic approach provides a bridge between the macro institutional forces and the micro organizational processes (Thornton, Ocasio, & Lounsbury, 2012). Such link between logics and actions has been well elaborated in the literature (e.g., Lok, 2010; Lounsbury, 2007; Luo, 2007), and scholars have also revealed the historical contingency of institutional logics and the associated transformations in organizational strategy, structure, and practices (e.g., Thornton & Ocasio, 1999; Thornton, 2001, 2004).

Yet, as suggested by Greenwood and his colleagues, we know relatively little about how the coexistence of multiple logics affects organizations and how organizations respond to such institutional complexity and multiplicity (Greenwood, Díaz, Li, & Lorente, 2010; Greenwood et al., 2011). Particularly, in this burgeoning field, though scholars have gradually embraced the idea of institutional pluralism, the complex interplay and interaction among these multiple logics remain largely unexamined, an important gap in our knowledge given the theoretical and practical significance of these issues.

I take an early step to tackle this issue by examining how multiple institutional logics affect corporate philanthropy in China. Distinct from prior studies focusing on a dominant logic or shifting logics, this study confirms that organizations are more often subject to multiple logics, particularly in highly fragmented institutional fields. Echoing the call to pay more attention to the relations among logics (Greenwood et al., 2010), this study seeks to understand the individual effects of different logics and at the same time how they interact with each other in affecting organizations. Although some recent studies start to explore, mainly qualitatively, the "constellation" of multiple logics, the relationships among them is far from clear. As Meyer and Höllerer (2010) stated, "[l]ogics may peacefully coexist, compete, supersede each other, blend or hybridize, or reach a temporary truce" (p. 1251). Moreover, the relationships among multiple logics are far from determined; instead, they are largely contingent on the local cultural and sociopolitical context. It is therefore important to theoretically and empirically reveal the institutional dynamics in the relations and interplay among different logics.

Most extant studies on multiple logics focus on the macro institutional level or internal organizational processes in a qualitative manner. Few of them have examined how multiple institutional logics, in combination, shape organizational behaviors in dynamic and complex ways. Though these studies provide in-depth vivid illustrations of multiple logics, it is difficult to systematically adjudicate the relationships among multiple logics and their impacts. In this study, I develop theoretical arguments and hypotheses on such relationships and then draw upon quantitative evidence from large survey data to systematically examine the interplay of multiple logics in shaping corporate philanthropy.

This study also advances the literature on multiple institutional logics by situating the research in an intriguing institutional context—China's transitional economy. Most of extant studies of institutional logics have focused on the Western contexts and often highlight the overarching role of the market logic (Greenwood et al., 2010). China, the largest economy in the East, has a distinct and complex institutional environment, which provides an ideal research context to examine the coexistence and interplay of multiple institutional logics. China's institutions have been overhauled along with the dramatic market transition, economic reform, and social change in the last three decades, particularly since the mid-1990s. While the market logic becomes increasingly important, firms have been significantly and continually shaped by the traditional Chinese culture and values, especially the family culture (*familism*) (Wong, 1985). Moreover, the state still holds enormous regulative power and maintains a key role in economic life. This special context is appropriate to explore how these non-market logics affect firms collectively with the market logic. In particular, the state logic, though widely assumed to be important, has rarely been explicated in the major organizational scholarship (Greenwood et al., 2010). The Chinese context offers a great opportunity to observe how the state logic shapes corporate behaviors. In addition, since the conception of corporate philanthropy stems from the context of Western capitalism (Carroll, 1999), this study also highlights the cross-national differences in underlying beliefs about corporate philanthropy despite its proliferation worldwide.

Within the empirical context of transitional China, this study reports that corporate philanthropy is influenced by the market logic and at the same time two other logics: family and state logic. I show that organizations, with distinct characteristics (e.g., visibility, identity, and institutional linkages), are susceptible to these different logics to varying extents, which results in variation of their practices. Moreover, attention to the interplay among logics has been particularly missing in extant literature; this study speaks to this omission by showing that the two non-market logics, the family and state logic, diminish the effects of market logic.

Theory and Hypotheses

Multiple Logics of Corporate Philanthropy in China

Institutional logics are cultural beliefs and rules that shape the cognition and behavior of actors. They are overarching sets of assumptions, values and principles that prescribe "how to interpret organizational reality, what constitutes appropriate behavior, and how to succeed" (Friedland & Alford, 1991: 243). In institutional studies, logics refer to the belief systems and related practices that predominate in an organizational field (Scott, 2008), and they help to explain connections that create a sense of common purpose and unity within an organizational field (Reay & Hinings, 2009). Essentially, institutional logics in an organizational field provide the criteria for legitimacy; organizations thus comply with logics in order to gain support and endorsement from critical stakeholders and referent audiences. Logics also provide a certain "frame of reference" shaping reasoning and "a means of understanding the social world and thus for acting confidently within it" (Greenwood et al., 2011: 318).

The key feature of this institutional logic approach is its emphasis on the existence of multiple logics in modern society, which has been coined as "institutional pluralism," "institutional multiplicity," or "institutional complexity" in organizational studies (Dunn & Jones, 2010; Greenwood et al., 2010, 2011; Kraatz & Block, 2008). In their seminal paper, Friedland and Alford (1991) stated that, contemporary capitalist West is comprised of multiple institutional orders or realms, each of which has a central logic and the main sectors are markets, families, states, and religions. Echoing this idea, Thornton (2004) proposed the main institutional orders are market, corporation, professions, family, religions, and state. The institutional logic perspective is applicable to other non-Western societies, including modern China, though the composition of institutional spheres and their relative salience and potency would vary across nations.

In this vein, organizations usually face multiple logics, and sometimes they are not compatible. Earlier explorations of the phenomenon of competing logics focused on the transitory phenomenon of the replacement of a dominant logic by an alternative one (e.g., Thornton & Ocasio, 1999; Thornton, 2001). Scholars following this shifting logic approach mainly studied the fields in which institutions change from one logic to another and the subsequent impacts and changes in organizations (Cooper, Hinings, Greenwood, & Brown, 1996; Kitchener, 2002; Lounsbury, 2002; Seo & Creed, 2002; Thornton & Ocasio, 1999). Recently, scholars have started to recognize that when fields are fragmented or geographically bounded (Lounsbury, 2007; Pache & Santos, 2010), multiple institutional logics, even competing ones, can be simultaneously imposed on organizations. More generally, as implied by Friedland and Alford (1991), though "less prevalent logics might have only localized or weak influence, but in any field or industry, practices prescribed by different logic will be in play" (Greenwood et al., 2010: 522). That is, in understanding organizational practices responding to institutional logics, institutional multiplicity is not the exception, but the rule. In the economic sphere, for example, corporate behaviors should be understood in relation to not only market institutions, but also family, religion, and state.

China, as an illustration, is characterized by a fragmented institutional environment and accordingly multiple institutional logics during its pro-market transition. On the one hand, after the socialist command economy was dismantled, new markets emerged and have played an increasingly important role. Meanwhile, entrenched Chinese cultural beliefs and values, such as its value of family, also influence organizational behaviors, particularly those of family-involved business (Hamilton & Biggart, 1988). Moreover, the state remains the key institutional force to influence economic reforms and organizational behaviors as it holds an enormous continuing presence in the market as regulator, financier, and developmental state (Fligstein & Zhang, 2011; Lin, 2011; Walder, 2011). In such unique institutional context, to understand corporate behaviors, a comprehensive survey of the market, cultural (i.e., family), and political (i.e., state) forces is necessary (Lin, 1995).

Situated in a Chinese context to examine the effects of institutional logics, following the method of using typologies in theory building proposed by Doty and Glick (1994) and illustrated in institutional logics studies (e.g., Thornton, 2001; Thornton & Ocasio, 1999), I develop a theoretical model of three ideal types of institutional logics:

the market, the family, and the state. Each of these logics represents attributes that are hypothesized to affect corporate philanthropy in China. As a summary, Table 4.1 presents comparisons among the three logics underlying corporate philanthropy in China.

[Table 4.1 at the back of chapter]

The Market Logic

Since the conception of corporate philanthropy (as a dimension of corporate social responsibility) stems from the context of Western capitalism (Carroll, 1999), most studies analyzing corporate philanthropy, explicitly or implicitly, were underpinned by the overarching market logic (Greenwood et al., 2010). I treat the market logic underlying corporate philanthropy as the "baseline" logic since the literature in organization and management has generally dealt with this stream. The market logic suggests that, as the market (e.g., consumers and suppliers) increasingly demands philanthropy, it is institutionalized in the business community. Thus firms engage in philanthropy as an effective strategy to gain normative legitimacy and to differentiate themselves from competitors in order to get ahead in the product, labor, and capital markets (McWilliams, Siegel, & Wright, 2006). This logic is most evident in the notion of "strategic philanthropy" (Porter & Kramer, 2006; Smith, 1994) that implies corporate philanthropy and other social responsibility activities can be "much more than a cost, a constraint, or a charitable deed—it can be a source of opportunity, innovation, and competitive advantage" (Porter & Kramer, 2006: 80). Echoing this idea, researchers have engaged in examining the strategic role of philanthropy in organizations and have shed light on the economic benefits of corporate philanthropy and the associated mechanisms—can firms do well by doing good, and how does this occur? Studies addressing these questions suggest that a positive relation between corporate philanthropy and performance (usually financial performance) is due to corporate philanthropy's strategic effects of eliciting customer satisfaction and trust, building reputation, and forming intangible capital, among others (see Aguinis & Glavas, 2012 for a review).

This market-logic mechanism does work in China as well. In the past years, the public in China has gradually become sensitive to firms' words and actions on philanthropy (especially when the country suffers catastrophe), which potentially exerts normative pressures on the firms. Meanwhile, with the development of market and public media (e.g., micro blog), firms are encountering more scrutiny and are at a higher risk of being accused and sanctioned by the public. A piece of news used by Wang and Qian (2011: 10–11) to illustrate the reactions of the Chinese public to firms' philanthropy after the 2008 Sichuan earthquake exemplifies this well.

> Vanke, one of the largest and most profitable Chinese real estate firms, donated only CNY 2 million for earthquake relief. The relatively small donation was strongly criticized by the public. The Chairman of Vanke subsequently defended the company's behavior by making a statement that "two million is sufficient." This further induced a reputational crisis for the company, resulting in a 12 percent decrease in its stock price just within five days (May 15-20). In contrast, the JSB group, a much smaller company in terms of totals revenues and profitability, made a donation of CNY 100 million, the largest donation by any Chinese company. Sales of the firm's main product—Wanglaoji, an herbal tea—dramatically increased within days. The public even circulated a popular article posted on the Web praising Wanglaoji.

Within the market logic, market actors such as customers, suppliers, and distributors demand corporate philanthropy. Conforming to these norms and demands confers firms legitimacy, which is critical to firms' survival and success (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Wang & Qian, 2011). Thus, firms' philanthropic performance serves as the foundation of their competitive advantage and market performance. Generally, legitimacy endowed by the public will be followed by market reputation, consumption, and stock price (Pollock & Rindova, 2003). Conversely, backlash from the public will be followed by social and economic losses. Most prior studies have focused on the strategic implications of philanthropy, mainly examining the relationship between corporate philanthropy and financial benefits (e.g., Aguinis & Glavas, 2012; McWilliams & Siegel, 2001; McWilliams et al., 2006; Wang, Choi, & Li, 2008; Wang & Qian, 2011). Due to the increasingly close relationship between corporate philanthropy and the market response, firms will strategically invest in this realm to purse positive outcomes.

In light of this market logic, the key factor that affects the extent to which a firm faces and is sensitive to market expectations regarding philanthropy is the firm's market visibility. As a long line of research shows, "firms that are more in the public eye are more likely to face these legitimacy pressures than firms the public does not know" (Chiu & Sharfman, 2011: 1560). Consequently, firms that are highly visible are pressured to perform more socially responsible activities because they are under greater scrutiny by various stakeholders to be better corporate citizens. Moreover, visible firms may also have greater incentives to maintain higher levels of corporate philanthropy. This is because the reputation rewards and moral capital endowed by "doing good" are especially strong for firms that are visible to their stakeholders and the public. Likewise, the losses associated with their failure to defend legitimacy will also be greater than other firms. Visible firms therefore are motivated to engage more in philanthropy to carefully address the expectations and pressures from institutional actors and other important stakeholders. Applying these arguments to the Chinese setting guided by the market logic suggests that:

Hypothesis 1: Firms with a higher level of market visibility engage in more corporate philanthropy.

The Family Logic

Although corporate philanthropy is a modern concept, philanthropy has a long tradition in family business in Chinese history. Confucianism has emphasized the family as the key and basic social unit of society and the nexus of social relationships. Over the long Chinese history, successful businessmen and merchants were praised for making donations and contributions to local community construction and education, such as in stories of merchant groups in Anhui (*huishang*) and in Shanxi (*jinshang*) in the late imperial Chinese history. China's market reform also started from the success of implementation of a family responsibility system in the rural China.

The family logic indicates the cultural influences of Chinese familism on firms' conduct. Compared with the market analysis that sees organizations striving toward maximum efficiency, cultural approaches probe the non-rational and subjective, rather than the economic or material, aspects of organizational life (Hamilton & Biggart, 1988). The most highly regarded values and the enduring taken-for-granted beliefs affecting organizations in China are ancestor worship (*zuxian chongbai*), filial piety (*xiao*), and familism (Chau, 1991; Wijaya, 2008; Wong, McReynolds, & Wong, 1992). Within these cultural influences, all values and meanings are determined "in reference to the maintenance, continuity, and function of the family group" (Wong et al., 1992: 358). Family pride, reputation, wealth, harmony, solidarity, and continuity are therefore the ultimate expression of one's existence and fulfillment. This familism, at the organizational level, is evident in prevailing family business and private family firms in China. Underpinned by familism, firms controlled by families are different from other firms in significant ways (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010). Family firms usually combine noneconomic and economic goals and they are often concerned about more than financial returns (Post, 1993). Compared with their non-family counterparts, family firms engage in philanthropic practices mainly to project and preserve family prestige in local communities. This family logic of corporate philanthropy is highly related to the socioeconomic status of the family firm.

On the one hand, there is usually a tight connection between the firm and the family. "Family firm founders are likely to view their business operations as an extension of themselves—their identity, or self-view" (Dyer & Whetten, 2006: 789). This is manifested by the fact that most "Chinese merchants habitually equate the business name, the name of the firm's founder or present head, and the business family as a group" (Wong, 1985: 60). The identity of the firm, therefore, is inextricably tied to the family identity. That means the firm is seen both by internal and external stakeholders as an extension of the family itself (Berrone, Cruz, & Gomez-Mejia, 2012). Due to this tie, family firms are likely to initiate a tradition of socially responsible business practices and widely engage in philanthropic activities to project their firm reputation as well as family prestige and to try to avoid those illegitimate practices that would soil the "good name" of their family (Dyer & Whetten, 2006). For example, in China, the most salient approach to achieve family prestige ("*guang yao men mei*" and "*guang zong yao zu*") is to contribute greatly to public welfare, especially the local community in which the family is rooted ("*zao fu xiang li*"), such as through donations to road and bridge construction, to schools, and to local communities.

On the other hand, in most cases, family firms tend to be more long-term oriented since their vision is to pass on a legacy to their posterity, not simply to generate a sustainable income stream (Berrone et al., 2012; Dyer & Whetten, 2006; Zellweger, Nason, Nordqvist, & Brush, 2011). As they are inclined to achieve long-term development and pursue the preservation of the family's good name for future generations (Kets de Vries, 1993), family firms often take initiative to build up a friendly and sustainable community within which they operate. They are more likely to pursue social responsibility strategies to avoid being stigmatized as irresponsible corporate citizens due to the desire to protect family assets (Dyer & Whetten, 2006).

As suggested by the family logic, firms controlled by family engage in philanthropy for totally different reasons. Rather than for pure economic utilities, family firms perform social responsibilities for a broad spectrum of noneconomic "socioemotional wealth" (Berrone et al., 2010). This includes projecting and perpetuating a positive family image and reputation, receiving personal prestige in the local community and having social support among friends and acquaintances, maintenance of group integrity, among other goals. In addition, as family identity is closely tied to the family firm, public condemnation could be *emotionally* devastating for family members because it tarnishes the family's name (Berrone et al., 2010; Cruz, Gómez-Mejia, & Becerra, 2010). To preserve socioemotional wealth, family firms are expected to exhibit better performance in philanthropy. Moreover, as socioemotional wealth is prioritized, family firms are less susceptive to the economic and market logic in their decision and action (Berrone et al., 2010; Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007); they sometimes will pursue the family reputation gains even at the expense of economic losses (Deephouse & Jaskiewicz, 2013). In China, heavily affected by familism, firms controlled by family are expected to show greater engagement in corporate philanthropy compared to those nonfamily firms; and due to the priority of the family logic, they will also be less sensitive to the market logic of philanthropy. I therefore propose the following hypotheses:

Hypothesis 2a: Firms with a higher level of family involvement tend to engage in more corporate philanthropy than non-family firms.

Hypothesis 2b: When the family logic is salient, the effect of the market logic will be weaker.

The State Logic

As discussed above, market and community actors exert great influences on firms regarding corporate philanthropy. At the same time, however, in China "[t]he civil society remains closely bound to the state and is conspicuously absent as a driver of CSR" (Moon, Kang, & Gond, 2010: 530). Compared to "corporate philanthropy as self-government" in the US, the philanthropic practices of firms in China are mainly mandated by government (Moon et al., 2010; Zhao, 2012). This argument suggests the state logic of corporate philanthropy in China.

Recent studies have revealed the political embeddedness of corporate philanthropy and social responsible activities such that political institutions affect the form and the content of corporate philanthropy (Aguilera, Rupp, Williams, & Ganapathi, 2007; Detomasi, 2008; Zhao, 2012). Speaking to China, rooted in the traditional *danwei* institutions (Francis, 1996), governments often seek to shift responsibilities for social management onto firms, especially when they do not have enough resources to engage in community and social welfare projects (Dickson, 2003; Wang & Qian, 2011). To prompt firms' engagement in philanthropy that supports government's agenda, governments deploy incentives as well as enforce pressures for corporate philanthropy. As an illustration, "Chinese government and its various constituents have published an extensive set of recommendations, policies and regulations on CSR practice and reporting since around 2005" (Zhao, 2012: 440).

Compared with the market and family logic underpinning corporate philanthropy, the state logic defines the nature and rationality of corporate philanthropy substantially different. Philanthropy, rather than a business activity, is a "political task" assigned by the government and enforced by the regulative and coercive power. In line with this logic, some scholars state that firms do philanthropy to pursue "political legitimacy," that is, to build, maintain, and enhance the appropriateness and desirability perceived by the state (Zhao, 2012: 440). Essentially, responsiveness to government's demands by doing philanthropy is an effective way to nurture connections with government and secure the firms' status within a political hierarchy in China, which is critical to their real power in both economic and political sphere. In this vein, corporate philanthropy is not purely driven and constrained by the market and cultural forces, but also political imperatives.

The state demands corporate philanthropy in the manner of "political task", and firms that are closer to the political sphere are expected to first volunteer to engage in these activities to demonstrate their political loyalty and secure their relations with government. In this study, I focus on firms' political ties that capture the distance between a firm and the state (i.e., government and party in China). It is assumed that, in public crisis or the time the state cannot handle social problems, the government usually resorts to these politically-tied firms for corporate philanthropy to alleviate their burdens (Dickson, 2003).

Political tie makes firms subject to the state pressure in two different while interconnected ways. On the one hand, political ties are channels of pressures from the state (Okhmatovskiy, 2010). In early development stage around 1980, many Chinese private entrepreneurs built up their business by importing investments from the local government, and such mixed ownership structure during start-up, as a historical legacy, leads to continuous interference from the government. In addition to ownership relations with the state, other kinds of political ties convey the state's influences as well. For example, a growing number of private entrepreneurs have been incorporated into political councils in China in the past thirty years, suggesting a co-optation strategy employed by the state (Dickson, 2003). These firms occupy higher political positions among other firms; however, they encounter more expectations and pressures of philanthropy from the state and the general public as well. Another salient political tie in China is the penetration of business with a network of party cells. The presence of party in the non-state sectors of the economy strengthens the state's ability to monitor and control what goes on there (Dickson, 2003). These party cells within firms do channel the "voices" from the upper-level government and party, and mobilize the firms to actively engage into state-sponsored activities (*jiji xiangying*). All these political ties in reality exist as channels by which the state can convey their demands on firms.

On the other hand, political ties indicate firms' dependence on the state, enabling the state to enforce firms to act following their requirements. Resource dependence theory suggests that organizations, in their efforts to survive and attain stability, will politically control or negotiate their interdependencies. In that way, they may achieve a predictable or stable inflow of vital resources and reduce environmental uncertainty (Oliver, 1991; Pfeffer & Salancik, 1978). Indeed, most political ties are used by firms for managing their dependence on the state, such as access to valuable resources controlled by the state, contracts with state-owned enterprises, and state approval and certificates. Asymmetries in dependence create power for those who control resources (Pfeffer & Salancik, 1978), which allow the state to enforce their requirements. Prior studies have already demonstrated that an organization will be more likely to comply with institutional pressures when it has institutional linkages with the state (Zhou et al. 2003) or is dependent on the sources of these pressures (e.g., DiMaggio & Powell, 1983; Goodstein, 1994; Salancik, 1979). In China, the government usually turns first to politically connected firms, conveying their expectations and exerting pressure to mobilize these firms to support their work. When accepting "political tasks," to maintain or further strengthen their relations with the state, those firms that attempt to protect stability will act as "volunteers" to comply with the state's demands. Corporate philanthropy, in these firms, is therefore deployed as political investments for securing access to various forms of state resources. Based on these arguments, I propose the following hypothesis indicating the state logic:

Hypothesis 3a: Firms with political ties engage in more corporate philanthropy.

Whenever multiple institutional logics coexist, power comes to be a concern. Fields are "arenas of power relations" (Brint & Karabel, 1991), where some actors occupy more advantaged positions than others. And the most powerful actors will support those logics that reflect their values and beliefs, as well as their interests and the status quo (Reay & Hinings, 2009). Though the market, family, and state logics can exert their individual effects on organizations, the coexistence of multiple logics and their power relations imply that these individual effects might be contingent on each other.

Within China's context, I maintain that the state logic dominates among these logics in affecting organizations, and therefore the market and family logic will be less influential when the state logic is salient. The overarching power of the state logic stems from two sources: (1) the entrenched authority of party-state in endowing legitimacy for organizations in China and (2) the enforcement mechanism through which the state logic works.

First, though the normative and cultural-cognitive legitimacy sanctioned by the market and family logic are important to firms' development and success, the political legitimacy exclusively commanded by the party-state is far more critical and fundamental for firms' survival in China. In any case, to gain political legitimacy is more urgent and important for Chinese firms than to obtain the other types of legitimacy. As suggested by the state logic, when philanthropy is a "political task" enforced by the state actors, firms seeking or preserving political legitimacy will be highly motivated to engage more in corporate philanthropy regardless of the potency of other forces. That is, when political logic is salient, firms will be less sensitive to their market visibility and family involvement in determining to do philanthropy.

Second, "if we are to properly understand the relationship between institutional logics, we need to recognize that the responses of organizations are a function not only of the degree of institutional contradiction, but, also, of the *enforcement mechanisms* in place" (Greenwood et al., 2010: 536; italics added). The market and family logic mainly exert impacts on organizations through normative and imitative mechanisms, while the state logic is usually enforced by the coercive mechanism (DiMaggio & Powell, 1983). In another word, little autonomy remains for firms when corporate philanthropy comes to them as a "political task" enforced by the state actors, which suggests that factors related to the market and family logic will be accordingly downplayed in firms' decision-making on corporate philanthropy. Acknowledging the particular role of state logic, I hypothesize that:

Hypothesis 3b: When the state logic is salient, the effect of market logic will be weaker.

Hypothesis 3c: When the state logic is salient, the effect of family logic will be weaker.

In sum, as illustrated by Figure 4.1, this study aims to explore the triple logics regulating corporate philanthropy. In particular, I am interested in examining the interactions among these three prevailing logics in China's institutional context.

[Figure 4.1 at the back of chapter]

Methods

Data

The data used for testing the hypotheses is a survey of Chinese firms in the private sector conducted by the Privately Owned Enterprises Research Project Team in

2004 and 2006. The research team first generated a nationwide random sample of private firms using multistage stratified sampling across all provinces and industries and then used a questionnaire to conduct direct interviews with the major owner of each firm represented in the sample. The survey was organized by the Industry and Commerce Association, a semi-official organization of private firms, operating at the national, provincial, city and county/urban district levels. Following interviewer training sessions organized in different locales, staff of the research department from the association visited the private firms in the sample to conduct a face-to-face structured interview with each private entrepreneur. Interviews for 6,849 firms were completed in 334 counties and urban districts from all 31 provinces and metropolitan areas of China. After data cleaning, 4,680 firms are left for analysis in this study.

Measurement

Dependent variable. To assess corporate philanthropy, this study focuses on corporate giving/donation that is the most prominent indicator of philanthropy and has been widely used in prior research (e.g., Wang et al., 2008; Wang & Qian, 2011). It was measured as the amount of a firm's charitable contributions during the last year (2003 and 2005). The variable was highly skewed, so I computed its natural logarithm.

Independent variables. A firm's market visibility is captured by two indicators in this study. First, firm size is a proxy for visibility (Chiu & Sharfman, 2011; Edelman, 1990; Greenwood et al., 2010). Large firms usually attract much more attention from the market and media than the small ones, and they are expected to do more philanthropy since, at the same time, they are subject to much more scrutiny and pressure. *Firm size* was measured as the logarithm of the number of employees of the firm. Second, the listed firms are much closer to the public sphere and under greater scrutiny than those non-listed ones. Their stock prices can also be easily influenced by the public, either positively or negatively. For these firms, on the one hand, they have more incentives to conform to the institutional demands to gain market reputation; one the other hand, they are more susceptible to the loss of legitimacy (D'Aunno, Sutton, & Price, 1991). I therefore included *listed firm* as a measure of market visibility, which was a dummy variable (1 if a listed firm and 0 otherwise).

There is not a conclusive measure of the family firm construct and a wide assortment of proxies has been used in the empirical literature. It is difficult and somewhat arbitrary to select an effective operational threshold to designate a firm as family owned, and some scholars have highlighted the varying degrees of family involvement when they operationally define family firms (Gómez-Mejía, Cruz, Berrone, & De Castro, 2011). Following this idea, to capture the influences of a family in a target firm, I measured *family involvement* by the total amount of family members who are shareholders or board directors.

Regarding the state logic, I captured a firm's political tie by employing two indicators. CEO's *political connection* was a dummy variable that equals 1 if the CEO was a member of political councils in China, including Chinese People's Congress (CPC) and Chinese People's Political Consultative Conference (CPPCC). CPC and CPPCC are the two highest political authorities in China, and this measure has been widely adopted in prior studies (e.g., Li, Meng, Wang, & Zhou, 2008; Li, Meng, & Zhang, 2006; Ma & Parish, 2006). The second measure was *internal party cell*. The party cells in private enterprises are a powerful vehicle the part-state utilizes to co-opt the private sector in

China (Dickson, 2008). They thus usually mobilize the private enterprises to confirm to the party and government's requirements, including the demands on corporate philanthropy. This variable was also a dummy variable. If the firm has internal Communist Party committees, it equals 1 and otherwise 0.

Control variables. I controlled for a set of firm, intra-firm, and environmental variables. First, *firm age* was included as old firms founded in earlier periods may hold different attitudes toward corporate philanthropy because of their distinct organizational identity and organizational inertia (Marquis & Lee, 2013). Prior research has demonstrated that a firm's financial performance and resources (e.g., profitability) can positively affect its CSR activities (e.g., Chiu & Sharfman, 2011; Johnson & Greening, 1999). Accordingly, I controlled for firm profitability measured by *return on sales* (ROS), which was calculated as net income over sales, a common measure of corporate performance. A firm's *advertising intensity* will also enhance the firms' popularity and thus increase the public awareness. Meanwhile, firms of a high advertising intensity more likely come from the consumer-oriented industries. They treat the public much more seriously mainly because the external actors have great ability to either reward or sanction them. These firms therefore are expected to engage more actively in philanthropy demanded by the public (Tilcsik & Marquis, 2013). This variable thus was controlled for and calculated as the ratio of advertising expenses to sales in the past year. In addition, a firm's investment in R&D can potentially affect its investment in philanthropy (McWilliams & Siegel, 2000). I therefore controlled for the variable of *R&D intensity*, which was calculated as a firm's investment in R&D over its total sales in the past year.

Second, I controlled for several factors that may shape intra-firm processes and organizational orientations toward philanthropy. Because CEO holds a central position in a firm's decision-making process, his/her commitment to philanthropy is a key factor to affect a firm's engagement in philanthropic activities (Waldman, Siegel, & Javidan, 2006; Weaver, Treviño, & Cochran, 1999). As such, I controlled for a set of CEO's demographic characteristics, including CEO's *gender* (male is 1 and female is 0), CEO's *age*, CEO's *educational background*, which was coded as an ordinal variable ranging from 1 to 6 (1 = "elementary school and below", 2 = "middle school", 3 = "high school", 4 = "junior college", 5 ="university", 6="graduate school"). I also controlled for CEO's *party membership* (1 if party membership and 0 otherwise) as CEO's political ideology may potentially affect corporate behavior (Chin, Hambrick, & Treviño, 2013).

Third, I further controlled for the regional and industrial factors. The local market environment can influence firm practices and philanthropy in particular (Campbell, 2007; Wang & Qian, 2011). I assessed *market development* using indices developed by the National Economic Research Institute (NERI). These indices capture the progress of institutional development in all 31 Chinese provinces, municipalities, and autonomous regions (Fan, Wang, & Zhu, 2007) and have been widely used in management studies (Li & Qian, 2013; Shi, Sun, & Peng, 2012; Wang & Qian, 2011). Differences in corporate philanthropy may also exist among *industries* since the extent of government regulation, contact with the market, and visibility to the public vary. I therefore controlled for industries as a set of dummy variables.

As the data were collected from year 2004 and 2006, a year dummy (year 2004 equals 1) was also included in the models to control for potential year effects.

Models

The dependent variable corporate giving is censored and firms that do not do any corporate philanthropy have zero values. It is assumed that corporate giving involves two stages that a firm first decides on whether or not to contribute and then, if the first decision is affirmative, decides on the exact amount of its contribution. Since factors affecting firms' decisions on "give or not" is probably related to the dependent variable (i.e., amount of donation), firms' self-selection raises the concern of sample selection bias. I therefore used Heckman two-stage selection model and estimated it by MLE in STATA to predict corporate giving and also Huber-White's robust standard errors to correct for non-spherical disturbances. To check for multicollinearity between independent and dependent variables, I examined the Variance Inflation Factor (VIF) in the model. The average VIF is less than the "rule of thumb" of 10, which indicates no serious multicollinearity problem with the data (Greene, 2011).

Results

Table 4.2 reports the descriptive statistics and correlations of the variables in stage one. Table 4.3 presents the results of probit regression for the Heckman first-stage model, which predicts whether a firm donates or not. As suggested by institutional theory, firms may mimic peers within the same field when they decide whether to adopt a practice (DiMaggio & Powell, 1983), I thus also include a variable measuring *industry level giving* (proportion of firms donated in a certain industry). As expected, this variable has a significant and positive effect on firm's participation in philanthropy. In addition, firm age and firm ROS also have positive impacts, suggesting the importance of firm performance and the possible imprinting effect. Moreover, firm size and CEO's political connection, implying the market and political logic, also positively affect firm's participation in philanthropy, while family involvement has no statistically significant influence though the coefficient is positive. As corporate giving (i.e., amount of donation) is the main focus in this study, I now turn to it in more details.

[Tables 4.2 and 4.3 at the back of chapter]

Table 4.4 presents the descriptive statistics and correlations among the variables for the donated firms. As expected, all the variables measuring the market, family, and state logic are positively related to corporate giving, which provides preliminary evidence for the hypotheses. The following models provide more formal tests.

[Table 4.4 at the back of chapter]

Table 4.5 shows the results of second-stage Heckman estimation models. Model 1 is the baseline model that only includes the control variables. Model 2, 3, and 4 add the groups of variables indicating different logics (i.e., the market, family, and state) in sequence. Model 5, 6, 7, and 8 report the results of models testing the interactions among these three logics. The following interpretations are based on the full model of Model 8.

[Table 4.5 at the back of chapter]

As shown in the table, firm size and listed firm both have a significantly positive effect on corporate giving ($p < .001$), Hypothesis 1 hence is supported. Family involvement also has a positive relation with corporate giving ($b = .18$, $p < .01$), suggesting the effect of family logic and providing support to Hypothesis 2a. CEO political connection ($b = .54$, $p < .001$) and internal party cell ($b = .45$, $p < .001$) also positively affect corporate giving, lending a strong support to Hypothesis 3a.

Among the interactions between the market, family, and state logic, the coefficient of the interaction between family involvement and listed firm is significant and presents the expected direction ($b = -.93$, $p < .05$). This negative coefficient suggests that in those firms with high family involvement, corporate giving is less sensitive to the firm's market visibility, indicating a weaker impact of the market logic. Figure 4.2 illustrates this interaction pattern, providing support to Hypothesis 2b. At the same time, I also realize the product term of family involvement and firm size is not significant though it is positive, which suggests that the effect of firm size is not contingent on family involvement. This might be due to the fact that as firms grow large, the professional and commercial power is expected to be more salient, constraining the impact of the family logic (Fang, Randolph, Memili, & Chrisman, 2015).

The presence of political logic, as expected, also weakens the power of the market logic. In specific, the interaction between political connection and firm size is negative and significant ($b = -.09$, $p < .05$), indicating that for politically connected firms, the positive impact of firm size on corporate philanthropy is weaker. In other words, size matters less when firms bear political influence. Figure 4.3 shows this pattern clearly. Also, the product terms of political connection and listed firm ($b = -1.18$, $p < .05$), party cell and listed firm ($b = -1.05$, $p < .05$) are all significant and negative. These results suggest that when the state logic is potent, either in the form of political connection or internal party cell, the positive impact of market visibility (i.e., listed firm) on corporate philanthropy declines. Altogether, these findings provide a strong support to Hypothesis 3b. Figure 4.4 and 4.5 illustrate the expected patterns of interactions.

[Figures 4.2-4.5 at the back of chapter]

Regarding the interactions between the state logic (i.e., CEO political connection, party cell) and family involvement, the product terms of these variables are insignificant. Hypothesis 3b thus is not supported. The noninterference between these two logics is further explained and discussed in the next section.

Discussion

Compared with prior studies addressing a dominant logic in organizational practices, this study contributes to our understanding of the dynamic interplay between multiple logics in affecting organizations. In accounting for corporate philanthropy, most studies focus on the market logic that is prevalent in Western capitalism, or separately investigate the peripheral non-market logics (e.g., family logic in the family business studies). By incorporating the knowledge from the institutional pluralism, this study shows that in addition to the market logic, the non-market logics simultaneously play their distinctive roles. Within the context of transitional China, which is particularly appropriate to examine the coexistence of multiple logics, the family logic and the state logic have their additional effects on corporate philanthropy beyond the market logic. More importantly, the coexisting non-market logics can significantly influence how the market logic works. As shown in this study, the family and state logic weaken the power of the market logic in affecting corporate philanthropy.

In China's institutional environment, the market is burgeoning in the pro-market transition, while the traditional familism (family culture) and the entrenched politics are still penetrating into even all of the social spheres, including the economic sector in which the market was supposed to be dominant. It is not surprisingly that, as the results of this study suggest, when the family and state logic are salient, the effect of market logic on corporate behavior is weaker. Corporate behavior therefore should be understood in relation to not only market institutions, but also family, state, and religions (Greenwood et al., 2010). At the same time, though studies of institutional multiplicity reveal that practices are usually prescribed simultaneously by different logics, the interplay and interaction among these logics are not pre-determined. In this study, while the state logic was assumed to dominate in China's context, I did not find evidence for its intervening power over the family logic. Reconsidering China's sociopolitical and cultural context, this null result is reasonable due to the fact that different logics actually work at different society layers. The traditional familism is largely boosted by and embedded in the lineage and kinship networks that are rooted in China's rural society (Peng, 2004). The party-state's administrative jurisdictions and political influences, to a large extent, hardly penetrate deep into the local lineage systems and co-opt these deep-seated rural forces. As such, the traditional familism culture and its organizational appliances can even prompt practices that are colliding with formal laws and policies (Peng, 2010). This result therefore also reinforces the importance of reifying and elaborating on the levels where different institutional logics and forces reside and enact (Davis & Marquis, 2005).

For further elaboration of the coexistence of multiple institutional logics, future research can focus on the following aspects. First, while this study analyzes multiple institutional logics, the logics in fact all request consistent organizational actions. Future studies need to pay more attention to contradictions and conflicts among different logics (Lounsbury, 2007; Pache & Santos, 2010). Specifically, though prior studies already highlight the importance of inquiring whether different institutional logics may prescribe divergent and even competing "legitimate" practices, we should further explore how these competing logics interact with each other in affecting organizations. A more nuanced analysis of the combination and configuration of multiple institutional logics can greatly deepen our understanding of the institutional "complexity" that is implicit in institutional multiplicity.

Second, the typology method of theorizing institutional logics can surely benefit our understanding of the "ideal type" logics, while it risks oversimplifying the richness and complexity of the real state of institutional multiplicity. Indeed, scholars have started to reveal the "hybridization" or "blending" of different logics in organizational practices (Battilana & Dorado, 2010). To reach a deeper understanding of the real configurations of institutional logics, theoretically we should go beyond the simple typologies or classifications and, methodologically, more comprehensive fieldwork and to qualitatively explore the institutional and organizational dynamics are still critical and necessary.

Third, this study, along with the mainstream argument, emphasizes constraints of institutional logics on organizational practices. Another approach to institutional logics, instead, highlights the agency of organizations and tends to view multiple logics as cultural resources enabling organizational initiatives and strategic actions (Weber & Dacin, 2011). Scholars in cultural sociology have long argued that culture is a "tool kit" from which actors can proactively and creatively select different elements to construct their lines of actions (Swidler, 1986). Recent studies on institutional logics also start to appreciate such cultural agency and delve into the specific process and mechanism through which actors purposely use logics in their everyday practice (McPherson & Sauder, 2013). Future research can advance this line of research and deepen our understanding of the enabling function of institutional logics by bridging macro institutional forces with micro organizational practices.

Finally, research on institutional logics can further contribute to exposing and explaining “heterogeneity” or “variation” in organizational responses to institutional demands (Lounsbury, 2001, 2008; Oliver, 1991; Suchman, 1995). As shown in this study, different institutional logics are potentially operating at different levels and through different mechanisms. As such, institutional impacts on organizations are in reality filtered by the portfolio of organizational features, such as structure, identity, status, managerial sensemaking, and field position (Greenwood et al., 2011; Raaijmakers, Vermeulen, Meeus, & Zietsma, 2015). Future research therefore can enrich the literature by exploring the linkage between the institutional logics approach and the institutional sources of variation in organizational practices.

TABLE 4.1: The market, family, and state logics in corporate philanthropy

Characteristics	Market Logic	Family Logic	State Logic
Institutional sphere	Economic	Cultural	Political
Rationality	Wealth:	Prestige:	Power:
	Market competitive advantage	Family fame in rural society	Status in political hierarchy
Authority	Stakeholders	Communities	Government
Firm identity	Business	Family fortune	Political actor
Nature of corporate philanthropy	Business investment	Family deed	Political imperative

TABLE 4.2: Descriptive statistics and correlations (Heckman stage 1 model)

	Variables	Mean	S.D.	1	2	3	4	5	6	7
1.	Donation	0.77	0.42							
2.	Firm size	3.94	1.60	.30						
3.	Listed firm	0.01	0.12	.04	.07					
4.	Political connection	0.43	0.50	.26	.42	.04				
5.	Party cell	0.31	0.46	.18	.48	.05	.31			
6.	Family involvement	0.53	0.78	.11	.19	-.01	.17	.10		
7.	CEO gender	0.87	0.33	.06	.13	.01	.06	.11	.01	
8.	CEO age	41.95	9.49	-.05	.09	.01	.02	.09	.04	.06
9.	CEO education	3.57	1.08	.05	.18	.04	.11	.17	.02	.00
10.	Party membership	0.37	0.48	.09	.16	.03	.10	.36	-.03	.11
11.	Firm age	6.92	4.34	.18	.26	.03	.27	.15	.18	.06
12.	ROS	0.08	0.22	.01	-.05	.04	-.03	-.03	-.02	-.04
13.	Advertising intensity	0.02	0.15	.00	-.04	.00	-.02	-.04	-.01	-.03
14.	R&D intensity	0.05	0.31	.03	-.02	.00	.03	.00	.02	-.05
15.	Market development	7.58	1.99	-.06	.06	-.03	-.13	.03	-.02	.02
16.	Year 2004	0.37	0.48	.17	-.08	.00	.04	-.05	.02	.00
17.	Industry giving	0.77	0.10	.24	.16	.02	.15	.10	.07	.09

	Variables	8	9	10	11	12	13	14	15	16
9.	CEO education	-.15								
10.	Party membership	.16	.09							
11.	Firm age	.13	-.02	.03						
12.	ROS	-.03	-.01	-.02	.02					
13.	Advertising intensity	-.02	.01	-.01	-.05	-.17				
14.	R&D intensity	-.05	.01	-.02	-.02	.03	.36			
15.	Market development	.16	-.05	.02	.10	-.04	-.03	-.09		
16.	Year 2004	-.41	.03	-.06	-.09	-.02	.03	.11	-.39	
17.	Industry giving	-.23	.00	.05	-.01	-.03	-.02	.08	-.27	.70

Note: N=4680; Correlations greater than or equal to 0.03 are significant at $p < 0.05$.

TABLE 4.3: Probit estimates for Heckman first-stage model

Variables	Donation Decision (Yes/No)			
	(1)		(2)	
CEO gender	0.10	(0.08)	0.04	(0.09)
CEO age	-0.00	(0.00)	-0.00	(0.00)
CEO education	0.08**	(0.03)	0.01	(0.03)
Party membership	0.18**	(0.06)	0.10	(0.07)
Firm age	0.06***	(0.01)	0.04***	(0.01)
ROS	0.16	(0.12)	0.27*	(0.12)
Advertising intensity	0.24	(0.20)	0.27	(0.20)
R&D intensity	-0.00	(0.11)	-0.01	(0.12)
Market development	0.01	(0.02)	0.02	(0.02)
Year 2004	0.16	(0.15)	0.35*	(0.16)
Industry level of giving	2.98**	(0.93)	2.04*	(0.97)
Industry dummies	Included		Included	
Firm size			0.23***	(0.03)
Listed firm			0.72	(0.47)
Political connection			0.29***	(0.07)
Party cell			0.06	(0.08)
Family involvement			0.04	(0.04)
Constant	-2.39***	(0.71)	-2.19**	(0.74)
N	2729		2726	
χ^2	241.77		420.49	
Log likelihood	-1276.26		-1182.20	

Note: * p<.05; ** p<.01; *** p<.001.

Standard errors in parentheses.

TABLE 4.4: Descriptive statistics and correlations (Heckman stage 2 model)

	Variables	Mean	S.D.	1	2	3	4	5	6	7
1.	# Donation	10.12	1.54							
2.	Firm size	4.32	1.52	.56						
3.	Listed firm	0.02	0.12	.09	.10					
4.	Political connection	0.54	0.50	.30	.34	.04				
5.	Party cell	0.39	0.49	.36	.46	.08	.25			
6.	Family involvement	0.61	0.84	.18	.16	-.02	.14	.10		
7.	CEO gender	0.88	0.32	.07	.11	.01	.04	.09	.00	
8.	CEO age	41.48	9.68	.04	.13	-.01	.01	.11	.04	.04
9.	CEO education	3.62	1.09	.24	.14	.05	.09	.16	.03	-.03
10.	Party membership	0.40	0.49	.04	.11	.03	.04	.34	-.05	.09
11.	Firm age	7.54	4.38	.19	.22	.04	.23	.11	.14	.02
12.	ROS	0.08	0.20	-.01	-.09	.07	-.06	-.06	-.02	-.05
13.	Advertising intensity	0.02	0.10	-.05	-.06	-.01	-.02	-.05	-.02	-.03
14.	R&D intensity	0.06	0.30	.01	-.04	.00	.04	.00	.03	-.04
15.	Market development	7.48	1.99	.11	.11	-.05	-.13	.04	-.01	.02
16.	Year 2004	0.41	0.49	-.07	-.12	.01	.05	-.06	.02	.00

	Variables	8	9	10	11	12	13	14	15
9.	CEO education	-.11							
10.	Party membership	.12	.07						
11.	Firm age	.12	-.04	-.01					
12.	ROS	-.01	-.01	-.01	.03				
13.	Advertising intensity	-.05	.02	-.04	-.05	-.43			
14.	R&D intensity	-.08	.04	-.02	-.03	.03	.14		
15.	Market development	.24	-.08	.02	.10	-.06	-.03	-.14	
16.	Year 2004	-.50	.02	-.03	-.11	-.01	.04	.15	-.43

Note: N=2661; Correlations greater than or equal to 0.04 are significant at $p < 0.05$.

TABLE 4.5: Estimates for Heckman second-stage models

Variables	Corporate Giving (# Donation)							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CEO gender	0.08	0.10	0.11	0.12	0.12	0.12	0.12	0.12
	(0.09)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)
CEO age	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
CEO education	0.26***	0.23***	0.23***	0.21***	0.21***	0.21***	0.21***	0.21***
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Party membership	-0.23***	-0.11†	-0.08	-0.13*	-0.13*	-0.11†	-0.11†	-0.11†
	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
Firm age	-0.02**	0.02**	0.02**	0.04***	0.04***	0.05***	0.05***	0.05***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
ROS	-0.24	0.18	0.22	0.48**	0.50***	0.59***	0.58***	0.58***
	(0.15)	(0.15)	(0.15)	(0.15)	(0.15)	(0.15)	(0.16)	(0.16)
Advertising intensity	-0.34	-0.04	-0.01	0.19	0.22	0.27	0.27	0.27
	(0.32)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)
R&D intensity	0.12	0.16†	0.15	0.15	0.15	0.14	0.14	0.15
	(0.10)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)
Market development	0.08***	0.09***	0.09***	0.11***	0.11***	0.11***	0.11***	0.12***
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Year 2004	-0.86***	-0.03	0.01	0.39***	0.42***	0.54***	0.57***	0.57***
	(0.08)	(0.10)	(0.10)	(0.11)	(0.11)	(0.12)	(0.12)	(0.12)
Industry dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
IMR	-3.99***	-0.53†	-0.33	1.43***	1.52***	2.04***	2.17***	2.18***
	(0.18)	(0.30)	(0.31)	(0.38)	(0.38)	(0.43)	(0.44)	(0.44)
Logic of Market (**H1**)								
Firm size		0.47***	0.48***	0.54***	0.54***	0.64***	0.65***	0.65***
		(0.03)	(0.03)	(0.04)	(0.04)	(0.05)	(0.05)	(0.05)
Listed firm		0.65**	0.69**	0.83***	0.77***	1.70***	2.33***	2.33***
		(0.23)	(0.23)	(0.23)	(0.23)	(0.41)	(0.49)	(0.50)
Logic of Family (**H2**)								
Family involvement			0.14***	0.16***	0.17***	0.18***	0.18***	0.18**
			(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.06)
Logic of State (**H3**)								
Political connection				0.46***	0.46***	0.53***	0.54***	0.54***
				(0.07)	(0.07)	(0.07)	(0.08)	(0.08)
Party cell in firm				0.42***	0.42***	0.44***	0.45***	0.45***
				(0.06)	(0.06)	(0.06)	(0.07)	(0.07)

TABLE 4.5 (continued)

H2b								
Family involvement					-0.02	-0.02	-0.01	-0.02
× Firm size					(0.02)	(0.02)	(0.02)	(0.02)
Family involvement					-0.71†	-0.84*	-0.92*	-0.93*
× Listed firm					(0.37)	(0.37)	(0.37)	(0.37)
H3b								
Political connection						-0.09*	-0.09*	-0.09*
× Firm size						(0.04)	(0.04)	(0.04)
Political connection						-1.28**	-1.16*	-1.18*
× Listed firm						(0.49)	(0.49)	(0.49)
Party cell in firm							-0.00	-0.01
× Firm size							(0.04)	(0.04)
Party cell in firm							-1.07*	-1.05*
× Listed firm							(0.48)	(0.48)
H3c								
Political connection								-0.05
× Family involvement								(0.07)
Party cell in firm								0.07
× Family involvement								(0.07)
Constant	10.23***	8.70***	8.63***	7.40***	7.35***	7.02***	6.96***	6.94***
	(0.30)	(0.31)	(0.31)	(0.34)	(0.34)	(0.36)	(0.36)	(0.36)
F	47.10	55.30	54.22	55.31	51.58	48.74	45.91	43.24
R^2	0.32	0.37	0.38	0.40	0.40	0.41	0.41	0.41

Note: N = 2160; Standard errors in parentheses

† p< .10; * p<.05; ** p<.01; *** p<.001.

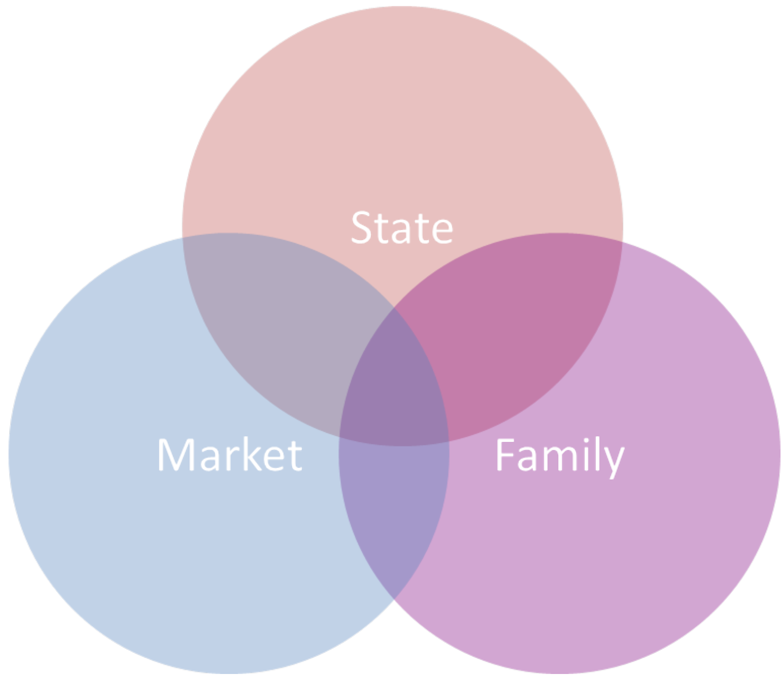


FIGURE 4.1: Coexistence and interplay of market, family, and state logics

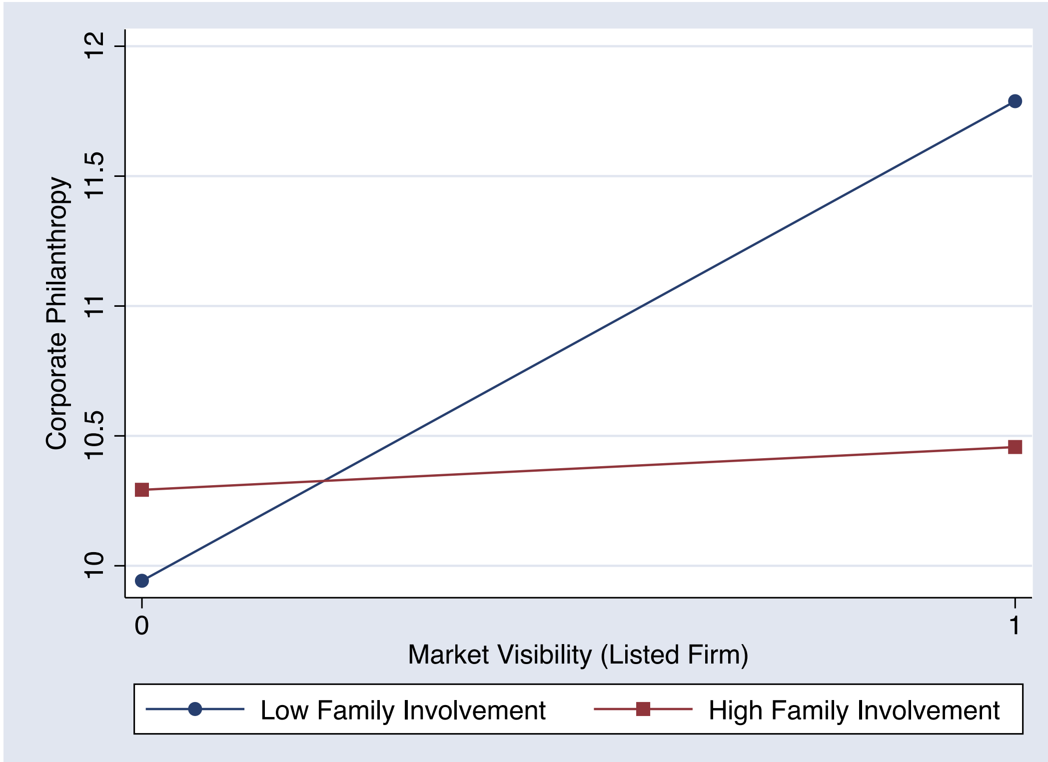


FIGURE 4.2: Moderating effect of family involvement on the impact of market visibility (listed firm) on corporate philanthropy

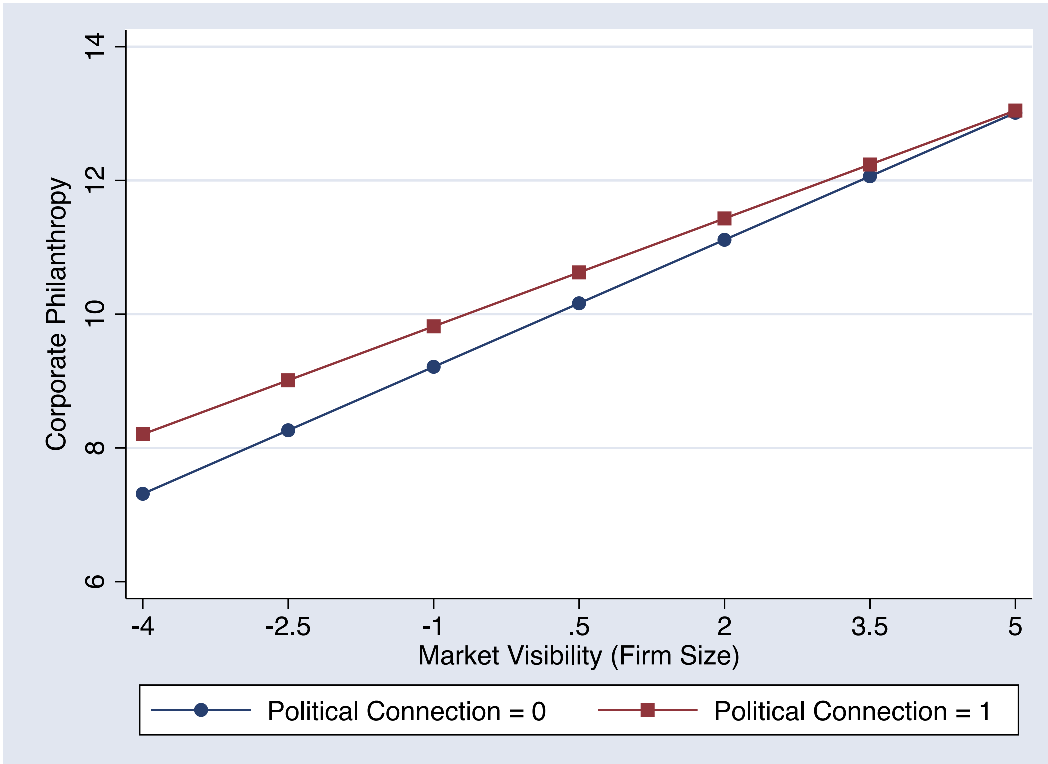


FIGURE 4.3: Moderating effect of political connection on the impact of market visibility (firm size) on corporate philanthropy

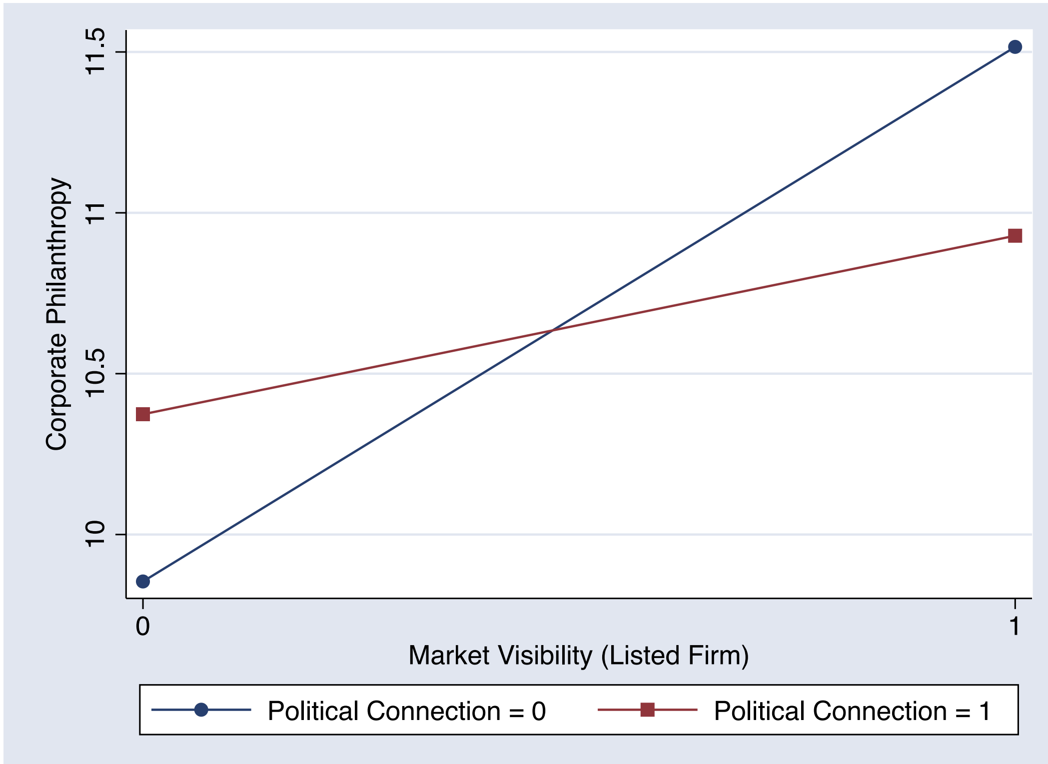


FIGURE 4.4: Moderating effect of political connection on the impact of market visibility (listed firm) on corporate philanthropy

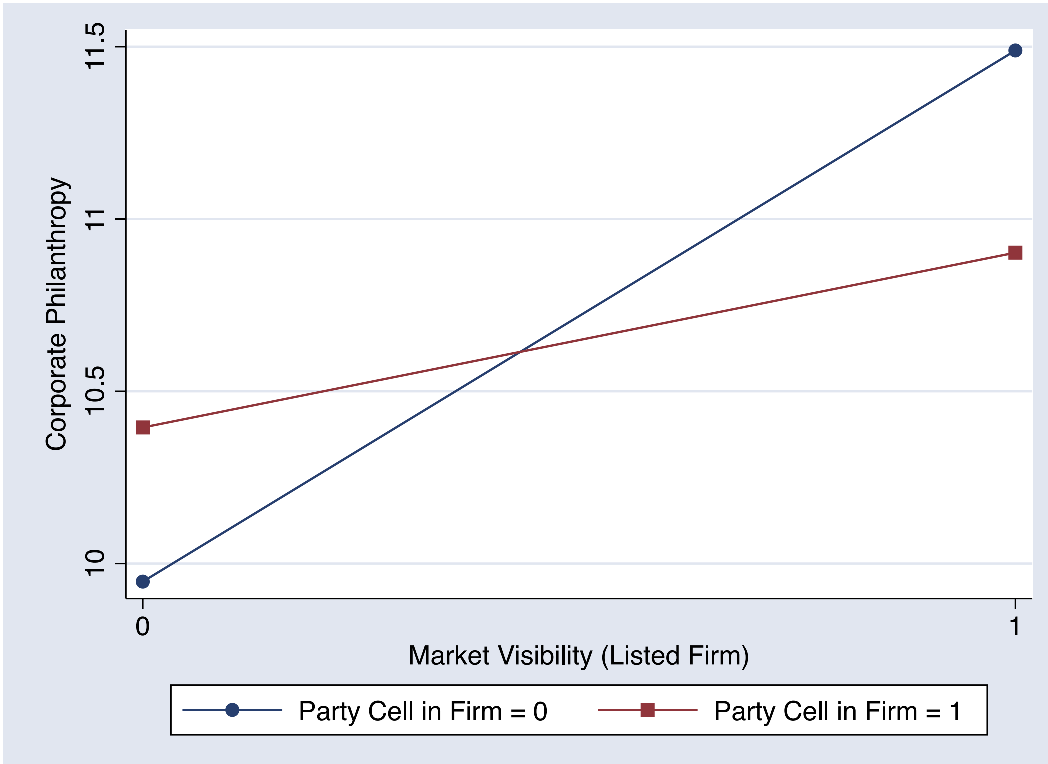


FIGURE 4.5: Moderating effect of party cell on the impact of market visibility (listed firm) on corporate philanthropy

CHAPTER 5: DISCUSSION AND CONCLUSION

In this dissertation, I have conducted three studies to reveal the institutional dynamics in corporate political linkages and found evidence form China's emerging economy. These studies contribute to our understanding of the cultural construction of motives underlying corporate political linkages, the state's co-optation of business through corporate political linkages, and the moderating role of corporate political linkages in affecting how market and family forces work. Theoretically, this dissertation deepens our understanding of the motive, impact, and spillover of corporate political linkages. It also contributes to the broad organization and management literature by showing that the networks surrounding organizations, such as political networks discussed in this dissertation, are institutionally embedded. Empirically, this dissertation tests all the hypotheses by drawing on national survey data from China, the largest emerging economy in the world. The findings offer great insights into the reality in China as well as rich empirical evidence to organization studies.

Institutional Dynamics of Corporate Political Linkage

Corporate political linkages, and more broadly corporate-state or business-politics relations, have gained increasing attention from multiple disciplines and fields. While the form and function of corporate political linkages may not be the same in different countries and under distinct political regimes, these political relations are substantial to corporations in all of the economies. The great salience of corporate political linkages might be largely due to the intricate and endogenous connection between corporations, market, and state (Krippner et al., 2004; Krippner & Alvarez, 2007; Polanyi, 1957). More importantly, the cross-country variations regarding corporate political linkages in reality remind us that *institution* matters here. It is because the broad institutional environments (i.e., cultural and sociopolitical contexts) largely vary across countries, the forms and impacts of corporate political linkages in emerging economies are so different from those in Western developed economies. By the same token, even within a certain country (e.g., China), institutional environments dramatically change from region to region and from time to time. Delving into such institutional dynamics in corporate political linkages is therefore also necessary and important. Studies in this dissertation advance this line of research and make several major contributions:

First, the dissertation (Chapter 2) reveals that *culture* is critical to our understanding of corporate political linkages, particularly corporate leader's motivation in pursuing political connections. In response to the overly instrumental and rational views on managerial political involvement that dominated the organization and management literature, this dissertation emphasizes the importance of culture. By investigating corporations and business leaders from the perspective of the societal culture shaping them, we find that corporate political linkages not only imply material benefits but also carry symbolic meanings and have socioemotional rewards valuable to the people. Culture has not received sufficient attention in organization and management studies, very likely due to the dominant economic way of thinking in these disciplines and emphasis of rationalized and instrumental calculation. Studies on corporate political linkages, obviously, are not an exception. They narrowly focus on the material implications while downplay and even ignore the cultural contexts infusing meanings to corporate actions. Instead, as a starting point, this dissertation suggests that the cultural approach is promising to expand and deepen our knowledge about this topic. To fertilize the cultural approach to corporate political linkages, future research can draw on more insights from these fields (DiMaggio, 1990; Dobbin, 1994; Weber & Dacin, 2011).

Second, the dissertation (Chapter 3) investigates the duality of corporate political linkages by shifting attention from corporations to government. Deeply influenced by the managerial perspective, research on corporate political linkages to date has largely been confined to how corporations strategically utilize their political connections, ignoring that government can simultaneously leverage these very connections to purse political goals. Paying attention to this political side can dramatically expand and enrich the research agenda of corporate political linkages. As the dissertations implies, the impacts of government on corporations should be examined by carefully gauging the political regime and administrative system of a certain government. Knowledge of the incentives and structures of government behaviors can substantially deepen our understanding of the role of government in corporate political linkages. Moreover, government's impacts are geographically diffused and bounded as well as historically dependent and contingent. Especially in the emerging economies, like China, where economic and political reform is far away from being settled down, exploring the shifting logics and regional varieties underlying the political connections, as did in this dissertation, is crucial.

Third, via the lens of institutional logics, this dissertation (Chapter 4) suggests that corporate political linkages undergirded by the political logic are interacting with other institutional logics (e.g., market and family logics in this dissertation) in influencing corporate behaviors. This institutional complexity/multiplicity approach to organizations is increasingly flourishing in the broad institutional and organizational literature. I adopt this approach in the research on corporate political linkages. On the one hand, institutional complexity is the rule, not the exception (Greenwood, Díaz, Li, & Lorente, 2010). Particularly in the corporate world where the market logic is assumed to dominate, we should address the relations between these differential logics (either coordinative or contradictive) at play to explore corporate political linkages. In addition, as suggested by Chapter 2, the cultural logic is also influential and parallel to other logics. The coexistence of multiple logics complicates our analysis of corporate political linkages while it also exposes us to interesting interactions, mutual-constructions, and hybridization among distinct logics, which awaits future explorations. On the other hand, regarding the power dynamics among the political logic and other logics, this dissertation suggests that political logic can moderate the market logic but it has less power over the family logic. For future research along this line, I see great potentials by (1) examining the power relations among multiple logics in other fields beyond corporate philanthropy as the struggles and tensions among logics may vary across different areas; and (2) investigating the power dynamics in different reforming periods because institutional reforms can alter their relative potency and relations.

Finally, this dissertation contributes to the recent research on the *institutional embeddedness of networks*. That is, networks themselves are institutionally embedded, which results in institutional contingencies regarding network's impacts (Vasudeva, Spencer, & Teegen, 2013; Vasudeva, Zaheer, & Hernandez, 2013). I refer to this institutional embeddedness of network embeddedness as a "second-order embeddedness" problem. Studies in this dissertation, while focusing on political linkages/networks, deepen our knowledge of the second-order embeddedness problem by showing that institutions do matter in network's *construction* (i.e., motivation underlying pursing connections), *content* (i.e., political pressures channeled by the connections), and *co-impact* (i.e., interacting with other logics in affecting corporate behaviors). Future research is in need to further explore these second-order embeddedness problems, including whether and how institutions affect network's structure, portfolios, and its longitudinal evolution/dissolution.

Broad Implications Beyond China

Though this dissertation is unique in terms of the empirical context, I believe its theoretical arguments have broad implications beyond China. As discussed in Chapter 2, in the field of corporate political linkages, the cultural implications of these political networks are rarely investigated and examined. Though this dissertation focuses on the specific meaning of political connections in China's social culture, the proposed dual-embeddedness approach can be easily applied to other societies because the cultural embeddedness of networks is widely acknowledged by scholars in the social network research (Baker & Faulkner, 2009; Dequech, 2003; Zukin & DiMaggio, 1990).

Chapter 3 specifically evaluates the impacts of China's performance appraisal criterion of political officials on affecting corporate strategy through political connections. The thrust political control model of corporate strategy, nevertheless, focuses on the corporation-politician exchange and the incentives of politicians structured by the political institutions. These can be surely examined within other political systems. For example, elections and political campaigns are central to the functioning of United States' democracy. As politicians are competing for votes, the political markets—where exchanges between corporations and politicians happen—are also prevalent in U.S. (Bonardi, Hillman, & Keim, 2005). Due to competition among parties, politicians are also pressed to align corporations with their political agendas. This is evident in Hungary, where Stark and Vedres (2012) found political ties shapes firm-to-firm ties. That is, firms of either left or right political affiliation exhibit a preference for partnerships with firms in the same political camp due to the political tagging enforced by politicians. As we can see, "politics and business are organizationally entangled in every capitalist economy" (Stark & Vedres, 2012: 700). Therefore, the political control model proposed in this dissertation can have broad implications in other contexts, and its plausibility and generalizability can be further tested.

The study of institutional multiplicity in Chapter 4 also has broad implications. Though the interaction between political logic and other logics to date is rarely examined, it is not exclusive to China. In studying corporate downsizing in Spain, for example, Greenwood and colleagues found that regional state logics and family logics impact on organizational responses to an overarching market logic (Greenwood et al., 2010). While the relations between political logic and market and family logics revealed in this dissertation may be special to China, the general theoretical framework can be elaborated and examined in other institutional environments. For instance, this dissertation raises the issue of societal layers where logics reside (e.g., the family logic at the community level in rural society while the political logic is the nationally top-down force) and postulates its importance in understanding the interactions among logics. Indeed, a very recent study in the United States just shows that community logic can amplify or dampen the influence of broader field-level logics (Lee & Lounsbury, 2015).

To sum up, China offers an intriguing institutional context to develop the theoretical framework and empirical studies in this dissertation. But these general theoretical framework and arguments have broad implications and should be further extended and examined in other institutional contexts.

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