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Two Essays on the Chinese CEOs in the National People's Congress (NPC)

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TWO ESSAYS ON THE CHINESE CEOS IN THE

NATIONAL PEOPLE'S CONGRESS (NPC)

by

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ABSTRACT

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Existing studies suggest that firms actively seek to "create" their environment by trying to shape government regulations to produce a more favorable environment. The ultimate way to link a Chinese firm to the government is to elect its business leader as a member of the National People's Congress (NPC). In Essay 1, the effects of corporate political strategies on firm performance and strategic change will be explained through the lens of Chinese CEOs' political appointments, especially their behavior regarding legislation in the Congress. Drawing on a sample of 365 Chinese CEOs in the NPC over a period of seven years, the study found that having a CEO's legislation proposal(s) in the Congress is negatively associated with strategic change, and also that a CEO's media coverage is positively associated with performance conformity but negatively associated with strategic change.

Essay 2 examines the relationship between corporate political strategies and firm performance and market share, respectively. The research opens the "black box", that is, the various mediators between corporate political strategies and firm performance. We analyze a sample of 44,894 firms over a period of 12 years, our particular interest being Chinese CEOs' appointments in the NPC, and how such political appointments influence return on assets (ROA) and market share. We also explore the moderating role of firm ownership on the relationship between NPC membership and various mediators.

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Marrying Washington and Wall Street adds value for shareholders.

-Merrill Lynch TV ad (2002)

We have been dating for a long time, but I will not marry the government.

-Jack (Yun) Ma, founder and Executive Chairman of Alibaba Group, China

INTRODUCTION

Existing studies examining the relationship between corporate political activities and firm performance come from various disciplines such as strategic management, economics, political science, sociology and finance. Corporate political activities, defined as corporate attempts to influence government policy in a way that favors the firm (Baysinger, 1984), are commonly used by firms in various countries (Hillman, Keim, & Schuler, 2004). In the U.S., there is a rich literature examining corporate political activities. Studies have shown that the majority (over 63%) of Washington lobbyists are hired by firms and trade associations (Baumgartner & Leech, 2001), showing the pervasive interest of businesses in influencing public policy. The dominant view in management and political science literature is that a company's corporate political activities are positively associated with firm performance (Pfeffer & Salancik, 1978; Boyd, 1990; Hillman, Keim, & Schuler, 2004). Such activities can directly increase firm performance by influencing legislatures to pass laws that change market structures to a firm's competitive advantage

(Peltzman, 1976; Stigler, 1971), by getting government contracts (Blumentritt, 2003), by obtaining licenses and permits to operate, and even by restraining the abilities of potential or current competitors in the market. Corporate political activities can also indirectly lead to higher firm performance by influencing public policy and creating an environment that favor its core business, or by reinforcing social relationships between business executives and public officials, thereby maintaining favorable business conditions (Clawson et al., 1998). Theories such as resource dependence theory and industrial-organization economics support this view.

However, another research stream holds an opposite view; several recent empirical studies propose that corporate political activities are negatively associated with financial performance (Igan, Mishra, & Tressel, 2009; Aggarwal, Meschke, & Wang, 2012), and a firm's political contribution is negatively associated with market performance (Hadani et al., 2013). Despite extensive research on both sides, scholars haven't reached an agreement on this issue, and the relationship between corporate political activities and firm performance remains complex and unclear.

It is indisputable that firms are actively engaging in political activities not only in Washington, but also globally, but most of the existing studies are U.S-centric or mainly focus on Western countries, such as those in the European Union (Coen, 1997; Skippari, 2003), and Russia (Kubicek, 1996). Few studies focus on Eastern countries like Japan (Angel, 2000; Broadbent, 2000) and South Korea (Kang, 2002), with even fewer focusing on China. Hillman and Keim (1995) and North (1990) have proposed that the relationship between business and government, more specifically politicians on the board of directors and firm performance, are likely to be different in different institutional contexts. For example, in China, out of the 2,985 deputies in the 10th National People's Congress (2003-2008), 417 could be identified as business leaders of companies, which means in the whole Congress, nearly 14% deputies were CEOs, CFOs, COOs and general managers of companies.

The National People's Congress (NPC) is the national legislature in China, with the ultimate right to legislate, oversee government operations, and elect major government officers (Li & Liang, 2015). Unlike other corporate political activities that "indirectly" influence public policy, having a CEO in the Congress is the most effective and essential way to influence public policy because in such a situation the business leader is simultaneously manager and policy maker. Through legislation proposals, business leaders are able to propose nation-wide or region-wide legislation to shape government regulations and produce a more favorable business environment (Truex, 2014). According to the report of the 10th NPC, over 80% of the deputies' proposals were resolved in some way, and 50% resulted in policy improvement.

According to Forbes (2013), 71% of the top 500 richest Chinese business people have political appointments. In contrast, in the U.S. 115th Congress (2017-2018), there were only 37 former CEOs in the House and 10 in the Senate (Manning, 2017). In the U.S., it is not uncommon for current or former CEOs to be represented on presidential task forces or special committees. For example, in the G.W. Bush Administration, corporate executives had seats on the President's Energy Task Force and the Department of Commerce-led Advisory Committee on Trade Policy Negotiations (Hillmann et al., 2004). Currently, however, there is no CEO on-the-job that is also in either the House or the Senate (Manning, 2017).

The active participation of Chinese business leaders in political activities offers a dramatic context in which to examine the relationship between a firm's corporate political activities and its performance. In China, the reforms and opening-up, the expanded institutional regulation and the increase in the number of political interest groups have all stimulated corporate political activity, especially in the past 20 years. As the role of the government and the scope of its regulatory policies change over time, businesses must learn coping strategies for dealing with the corresponding uncertainty in the system. In addition, given the unique political and economic system of China, and the increasingly important political and economic roles that emerging markets like China play in the world today, it is both important and interesting to explore firms' political activities in the institutional context of China. By doing so, we can test current theories and empirical findings from the Western context, expanding them into a totally different institutional context. We can also gain a better understanding of the relationship between business and government in China, which is in such a dramatic era of change.

Therefore, in this study, the relationship between corporate political activities and firm performance will be explained through the lens of Chinese business leaders' political appointments, especially their legislation behavior in the Congress.

Further, we examine the relationship between having a business leader's legislation proposal(s) in the Congress and strategic change. Strategic change has been defined as the overall change in a firm's pattern of resource allocation in multiple key strategic dimensions (Finkelstein & Hambrick, 1990; Carpenter, 2000), such as advertising intensity (advertising/sales), research and development intensity (R&D/sales), plant and equipment newness (net P&E/gross P&E),

non-production overhead (selling, general, and administrative [SGA] expenses/sales), inventory levels (inventories/sales) and financial leverage (debt/equity).

The reasons that we want to focus on the relationship between corporate political activity and strategic change are as follows. First, this is the area that has received the least amount of attention for at least two decades (Hillman et al., 2004). That is, companies' efforts to better understand internal procedures and routines related to effective implementation of corporate political activities remain unclear. Second, timely strategic change is crucial as it reflects a company's ability to anticipate and respond to environmental change, which contains both opportunities and hazards. According to Wiersema and Bantel (1992), possessing this ability is one of the most important ways in which a company's competitiveness and viability are ensured, but surprisingly, to our best knowledge, there is no study examining the relationship between corporate political activity and strategic change.

Last, we want to focus on "fame and fortune". Media coverage of business leaders has significantly increased in recent decades (Halff, 2013); CEOs in the Congress are "superstars". Recent empirical studies propose that media coverage of CEOs significantly increases firm value. Nguyen (2015) has found that firms with the highest levels of CEO media coverage outperform those with the lowest levels by 8% in abnormal stock returns. Russell Reynolds Associates (2003) have surveyed institutional investors and have found that the presence of a "high-profile" CEO is one of the factors influencing investment decisions. Hamilton and Zeckhauser (2004) have found that as firm sales increase, the number of relevant articles in the New York Times increases, while the overall percentage mentioning the CEO declines. However, earlier works such as that by

Cutler et al. (1989) examining the relationship between media coverage and movement of stock prices find no evidence supporting the notion that media coverage could explain stock prices or aggregate price movements. In other words, the media play on a small role, repeat only already-known news, and do not convey useful information (Bendisch et al., 2013).

Despite the increasingly important role the media play in influencing business, scholars still have not reached an agreement on this topic. Moreover, the relationship between a business leader's media coverage and a firm's strategic change remains unclear.

This paper proceeds as follows. We first introduce the National People's Congress of China, its function and how CEOs and other business leader deputies are elected. Then we review the existing theories and empirical studies examining the effects of business leaders' legislation behavior and media coverage on firm performance and strategic change. We then discuss our study's data and method. Lastly, we present our findings and conclude this study by explaining its contribution to the literature.

Background information on Chinese business leaders' political appointments

In this section, we describe the setup of the National People's Congress of China (NPC), the manner in which business leaders are appointed as deputies to the NPC and how they influence public policy through legislation proposals.

The NPC is the national legislature of the People's Republic of China. Under China's current Constitution, the NPC is structured as a unicameral legislature, a legislature that consists of only one chamber or house. The NPC has the power to legislate and amend the Constitution if needed, to oversee the operations of the government, to approve the Annual Report of Government Work, and to elect the major officers of state, including the country's President and the Premier of the State Council.

There are People's Congresses at five administrative levels: national, provincial, prefectural, county and township. Representatives at the county level and below are elected directly by the people, whereas the higher-level deputies are elected by the deputies of the congress directly below them. In our sample, the NPC deputies, serving for a term of five years, were elected by deputies serving at the provincial level. The whole NPC, which had 2,987 deputies in 2016, meets once a year in Beijing for two to three weeks. Similar to the U.S. House of Representatives, the NPC allocates seats to each province in proportion to its population, ranging from 13 representatives for Taiwan to 175 representatives for Shandong.

The political appointment ratio of Chinese publicly listed private firms increased from around 22% in 1995 to 41% in 2012 (Li & Liang, 2015, see Figure 1). The ratio is defined as the number of listed private firms whose CEOs or Chairs are People's Congress or People's Political Consultative Conference (PPCC) members, divided by the total number of listed private firms.

Insert Figure 1 Here

There are also criticisms that the NPC is a "rubber stamp", by which is meant an institution that by law has considerable power but in fact has very little power. This "rubber stamp" label implies that the entity rarely or never disagrees with more powerful institutions. In China, the more powerful institution is the Chinese Communist Party (CCP). Political scientists such as O'Brien (1990) believe that by the time a bill is placed before the NPC, the major content has already been decided by the CCP or the government and the NPC deputies are expected to simply just vote it through; the more powerful government organ uses the NPC to endorse and formalize laws in order to create the superficial appearance of legislative process. One piece of evidence raised in support of the "rubber stamp" label regarding the NPC is that it has seldom, if not never, rejected a law brought to it by the government.

However, the NPC is not completely without influence; on the contrary, its influence is increasing. The reason we rarely see any laws rejected by the NPC is because the manner in which deputies attempt to influence the policy process is non-confrontational. This is partially due to the deputies' Chinese cultural background. Chinese people rarely criticize others openly and directly. Even if they do so, they have to do it in in a very polite way that involves specific expressions (i.e., *mianzi*, or "saving face" for oneself and for the person being criticized), especially as it relates to one's social standing, prestige and reputation.

As a pro-economic development regime, the Chinese state is ideologically oriented toward business (Kennedy, 2005). The CCP has written in its Party Constitution that "development is the first priority of our Party in governing and rejuvenating the country", and that "we shall continue to make economic development the central task and stick to the pursuit of comprehensive, coordinated and sustainable development."

Business development is central to accomplishing these Party goals; business often "educates" government officials, helping them to see problems from a business perspective, and business cooperates with the government to achieve outcomes that benefit the company, the government and the country as a whole. Often with authoritative and first-hand knowledge of the economy and industry, business leaders in the NPC have earned a "privileged position" at the policy-making table.

THEORY AND HYPOTHESES

Business leaders' proposal(s) and firm performance

Pfeffer and Salancik's (1978) publication, *The External Control of Organizations: A Resource Dependence Perspective,* is recognized as the pioneering and foundational work on resource dependence theory, which proposes that resources are key to organizational success and that access and control over resources is a basis of power: "The organization, through political mechanisms, attempts to create for itself an environment that is better for its interest", and "organizations may use political means to alter the condition of the external economic environment." Therefore, business leaders in the NPC actively seek to create their environment by trying to shape government regulations to produce a more favorable environment for their firms.

However, we believe that scholars holding this view ignore the very critical fact that in the NPC, business leaders' proposals are mainly industry- or sector-specific laws. In other words, business leaders are interested in policies that affect their own sector or the whole industry. Business leaders almost never propose legislations that could only benefit their own firms, such as obtaining licenses and permits to operate, getting loans etc. The obvious reason is that they do not want to be considered "selfish", since by definition they are the deputies of the people, not their own companies. Also, in order for a proposal to be presented to and considered by the NPC, a minimum number of 30 deputies are required to sign off on the proposal, which significantly adds to the difficulty of proposing legislation that only benefits one company.

Evidence has shown that Chinese CEO and business leader deputies propose and advance policies that favor their industries. For example, during the annual NPC conference in 2015, the CEO of Tencent Technology, Ma Huateng, proposed motions regarding legislation on the Internet and digital industry, Tencent's industry. The CEO of Geely Holding Group, Li Shufu, proposed motions on green energy automobiles, driverless cars and automatic driving at the NPC annual conference in both 2016 and 2017. He also called for reforms of the taxi services in the country. Geely is a Chinese multinational automotive manufacturing company whose main products are automobiles, taxis, motorcycles, engines, and transmissions. It sells passenger cars under the Geely and Volvo brands and taxis under the London Taxi brand. Although there is no information revealed at the national level regarding the result of each individual proposal, we can observe that the digital industry and the industry of electric and eco-friendly automobiles have received substantial financial support from the government in recent years. The proposals by Mr. Ma and Mr. Li thus benefit the industries they are in, not just Tencent and Geely.

Therefore, we believe that having proposals in the NPC will only lead to firm performance conformity, that is, "typical performance" among peer firms.

Hypothesis 1: A business leader with NPC proposal(s) is positively associated with performance conformity.

Business leaders' proposal(s) and strategic change

Regarding proposed legislation, most draft laws circulate between the NPC, the State Council, and relevant government ministries for months, some even for several years, before they are finalized and made publicly available. The average time it takes for proposed legislation to be finalized and made law is around 2 to 5 years, with very rare exceptions. This period of time is extremely valuable to firms with their business leaders in the NPC because they can change their business strategies and adjust their business practices based on their understanding of the formulation and execution of future policy changes. This early access to important legislation information provides these firms with a great "insider's advantage", which cannot be easily achieved by non-NPC firms, or the "outsiders".

Timely strategic change is crucial as it reflects a company's ability to anticipate and respond to environmental change, but such change could contain both opportunities and dangers. As the legislation process is a long one that usually lasts years and involves a large degree of uncertainty, business leaders who have proposals in the NPC know that change is coming but cannot be sure when and to what extent. This uncertainty drives them to maintain the status quo, or as the old Chinese saying goes: 以不变应万变 ("counter changes with changelessness"). Therefore, they are less likely to engage in strategic change, at least during their congressional tenure.

Another relevant factor is called the "distraction effect". The NPC deputies are all part-time deputies and almost all of them have full-time jobs. The whole NPC only meets once a year, but it is not the yearly two-week meeting that decides the fate of any particular legislation bill. Rather, it is expected that any disagreements should be resolved ahead of time and consensus should be reached behind closed doors months or even longer before the annual meeting convenes. NPC deputies and government officials initiate direct contact long before any official policies are adopted. Such exchanges can be initiated by either side during the proposition and consideration of specific regulations and laws (Kennedy, 2005). In the case of economic- or business-related legislation, the government may ask for a meeting regularly with business leader deputies from certain industries, and in order to finalize proposals, business leaders can also invite government officials to attend certain meetings of industry or business associations over policy issues. There are also many other forms of direct interaction between deputies from industry and the government. For example, the NPC often sends delegations to meet with local governments, scholars and researchers, business associations, companies or even employees in various cities, to gain opinions on certain legislation, or investigate policy issues. This study, research and investigation process is a very critical regulatory duty of deputies. In 2016, more than 1,700 NPC deputies participated in such activities, and the total number of legislation proposals in 2016 was 8,239 (Annual Report of NPC Standing Committee, 2016). Ministries at the national and regional level can hold formal or informal hearings to get opinions from industry, and industry leaders often invite deputies to visit their companies or even participate in press conferences and new product announcements, using these occasions to bring up development and policy issues. Contrary to popular belief, deputies' policy proposals calling for new legislation or revision of existing laws are taken quite seriously by the CCP and the government, because deputies have been in their fields for a long time, during which they have investigated and researched issues; legislation proposals are considered first-hand resources, and therefore can significantly affect ultimate policy changes (Jiang, 2003). According to Truex (2014), 77% of the deputy proposals are resolved in some way, and 50% result in policy improvement.

The research and investigation process occupies a large amount of business deputies' time and therefore causes business leaders to be distracted and less likely to focus on strategic change. Therefore, we propose that if a business leader has NPC proposal(s), his or her company is less likely to engage in strategic change.

Hypothesis 2: A business leader with NPC proposal(s) is negatively associated with strategic change.

The effects of business leaders' media coverage on firm performance and strategic change

Ego identity theory (Erikson, 1968) is a major individual development theory. The theory proposes that the ultimate purpose for individual development is self-fulfillment. Business leaders in the NPC have dual roles, and some have even more. They represent both the NPC and their companies, and most importantly, they represent themselves. Their multiple roles require them to focus on fulfilling a deputy's responsibilities, increasing firm performance and achieving personal goals. According to this theory, business leaders seek political appointments mainly for self-benefit. Before entering the NPC, business leaders focus on firm performance as it is a major and critical component of their self-benefit. However, after achieving business success and entering the NPC, business leaders move to a different life stage: from self-orientation to social orientation, a life stage with the ultimate purpose of serving others and society.

In a recent study by Li and Liang (2015), those two scholars find that in China, the more socially motivated successful individuals are, the more they feel obligated to contribute to the greater good of society. Therefore, business leaders are more likely to spend resources and effort in pursuing political appointments, such as NPC membership. Once the business leaders enter the NPC, they have already proved that they were successful business leaders and they have received recognition from the government, and the political activities offer less marginal economic benefits. The next stage is self-fulfillment, which is a socially-oriented life stage. Furthermore, studies have shown that CEOs with prominent media profiles are likely to prioritize their personal achievement and own success above that of the company (Collins, 2001); this is especially the case for our "business stars" in the NPC.

Taking all of this together, we expect that a greater volume of business leaders' media coverage is likely to lead companies towards "typical performance", or performance conformity, and that media coverage is negatively associated with strategic change, mainly because when business leaders move to the self-fulfillment life stage and are actively involved in political activities, they may be inclined to maintain the status quo of business, as it has proved successful in the past.

Hypothesis 3: Business leaders' media coverage is positively associated with performance conformity.

Hypothesis 4: Business leaders' media coverage is negatively associated with strategic change.

Figure 2 captures the hypothesized relationships in this study.

Insert Figure 2 Here

DATA AND METHODS

Sample

We analyzed a large firm-level dataset provided by the National Bureau of Statistics (NBS) of China for the period 2002-2009, containing an average of 289,600 firms each year. NBS conducted annual surveys of all state-owned enterprises and those non-state-owned enterprises with annual sales above 5 million RMB, or 762,000 USD. The dataset covers 37 manufacturing industries all over China. In 2004, for example, the firms in the dataset accounted for over 95% of China's total industrial value, produced over 90% of its output, generated 97.5% of its exports and employed over 72% of its industrial workforce.

From the dataset, we generated a sample of 365 firms with business leaders in the National People's Congress, which account for 87.5% of the total firms that have business leaders in the NPC. We define a business leader as a chairman, CEO, CFO, COO or a general manager of the company.

The information reported to NBS should be quite reliable (Cai & Liu, 2009; Brandt et al., 2012). There are several reasons why scholars believe this to be so. Firstly, the purpose of the NBC survey is to calculate the country's Gross Domestic Product (GDP). Every industrial company is required by the government to file an annual report of basic company information, production activities, accounting and financial information etc. Since 1995, NBS has established strict collection, calculation and double-checking procedures regarding this dataset. NBS also assigns every firm a legal identification number and tracks each company's ownership changes. Secondly, NBS's policies clearly state that *"the use of materials regarding units and individuals collected in the economic census shall be strictly limited to the purpose of the economic census and shall NOT be used by any unit as the basis for imposing penalties on respondents of the economic census."* Therefore, companies do not have clear incentives or motivations to misreport their information to NBS, because such information should not and cannot be used against them by other government agencies such as the tax authorities. Thirdly, we understand that the misreporting of statistical data from China is a concern, but most misreporting occurs with local GDP data provided by local governments (Cai & Liu, 2009). This dataset, however, was directly collected by the central NBS, and therefore we can reasonably believe that it is less likely to have been manipulated by local governments.

Sometimes a firm receives a new ID as a result of restructuring, merger or acquisition. We created numerical IDs to manually link firms over time, using information such as firm name, address, industry, major product and establishment date to link them. Finally, we obtained a sample of 2,212 observations of 365 companies.

Demographic information regarding the NPC deputies was collected from the official NPC deputy database, which provides deputy information such as name, age and educational background, as well as all other important background information. Additional information regarding the deputies, such as tenure in the company, tenure in the Congress, and whether the business leader was the company founder, was collected from deputies' official company websites, and also from Baidu Encyclopedia (www.baidu.com), which is the Chinese version of Wikipedia. Similar to Wikipedia, Baidu has profiles of NPC deputies and major company leaders.

Measures

Performance conformity. According to Hiller and Hambrick (2005), conformity refers to the extent to which a focal firm behaves like a "typical firm" in the industry or among its peers and avoids deviation from industry standards or norms. To measure performance conformity, we calculated a firm's return on assets (ROA) and compared it with the average ROA of the sample. If the performance of the focal firm is within 10% of the average of the all firms in the sample, variable *Performance conformity* was coded "1".

Strategic change. Following Finkelstein and Hambrick (1990) and Zhang (2010), we used five key strategic dimensions to generate a composite measure of changes in allocation of resources: R&D intensity, advertising intensity, nonproduction overhead expenses, inventory levels and financial advantage.

Media coverage was measured as the natural logarithm of the number of media reports. We used Python3 software to collect and content-analyze business leaders' media reports from Sina Finance. Sina (http://www.sina.com.cn) is the largest website in China and has over 100 million registered users worldwide. Sina Finance is believed to be the most comprehensive website containing company financial information, business leaders' news reports and other business related news and reports. The other reason we used Sina Finance to search business leaders' media reports was that by doing so we could significantly reduce duplicated news reports and therefore avoid double-counting of news. Unlike Google or Baidu Encyclopedia (www.baidu.com), Sina Finance rarely has duplicated reports on business leaders. To quantify business leaders' exposure to media and in order to make sure the search results were accurate, we did the following. We counted the number of articles that reported a business leader's activities. In the report, the role of a business leader could be a leader of a company, a deputy of the NPC, or both. We used the following combinations to search the media: a business leader's full name and his or her company name; a business leader's full name and the abbreviation of his or her company name; a business leader's full name and "NPC member" (*ren da dai biao*). The time range was from 2002 to 2009: starting one year before their Congress membership started and ending one year after their membership ended. Also, because the "key words" we searched were in Chinese, we needed to encode the string of new features to "GB2312", the code format in "search.sina.com.cn". Through Python3, we were able to run the codes and export the search results to an excel sheet. We also manually cross checked at least half of the results and found them to be very satisfactory.

Proposal was measured as a binary variable, coded "1" if a business leader in the observation year submitted a legal proposal as the primary sponsor to the NPC and "0" if not.

To control for any confounding effects of business leaders' personal characteristics, we also controlled for their *age, tenure, level of education, founder status, international experience,* status of being a *former official* and *gender*. Vast research has shown that those demographic traits relate to business leaders' cognition and influence firms' decisions. Additionally, we also included *government ownership*, coded as "1" if the government had any ownership of the focal firm and "0" if otherwise.

Analysis and results

Given the unbalanced panel data, both fixed-effects and random-effects models were considered. To decide between fixed or random effects, we ran a Hausman test (Hausman, 1978) after regressing the dependent variables on all other variables, where the null hypothesis was that the preferred model was the random-effects model and the alternative the fixed-effects model (Greene, 2008). The Hausman test showed that there were no systematic differences of coefficients between the fixed and random models. Therefore, random-effects models were appropriate for testing all three hypotheses.

A Wald test showed the presence of heteroskedasticity after running simple OLS regressions for all three dependent variables. Therefore, our analyses used robust standard errors to correct for heteroskedasticity (Huber, 1972; White, 1982).

Table 1 shows the descriptive statistics including means, standard deviations and correlations among the variables. The mean of the natural logarithm of media coverage was 2.171, which was about 145 times the number of media reports in numeric terms. In any given year, about 4.4% of business leaders submitted at least one proposal to the NPC. The average age of business leaders in our sample was about 53 years old, they had on average held the position for about 18 years, and on average had a college degree. Nearly 10% of them were former government officials, 45% of them had some international experience, and 8% of them were female. Among all firms, about 10% were owned or partially owned by the government.

To assess the multicollinearity among the variables, we calculated variance inflation factors (VIFs) after conducting a simple OLS regression for each of the dependent variables. For both models, the mean of the VIFs and the VIF for each variable were below the conventional criteria (VIF < 10) (O'Brien, 2007). Therefore, we included all variables in the model as there was no indication of multicollinearity concerns.

As shown in Table 2, we developed eight sets of random-effects regression models. Models 1-4 are logit models where the dependent variable is *performance conformity*. Model 1 includes only control variables (business leader and firm characteristics). Models 2-4 add the independent variables to examine the effects of *media coverage* and *proposal* on *performance conformity*. Similarly, Models 5-8 examine the effects of our independent variables on *strategic change*. Model 5 includes control variables only, and Models 6-8 include the independent variables.

Insert Table 1 and Table 2 here

H1 is not supported. As shown in Models 2 and 4 in Table 2, the coefficient for *proposal* was not significant. In H2, we hypothesized a positive relationship between *media coverage* and *performance conformity*. Models 3 and 4 examine this proposed relationship. We found that *media coverage* was positively associated with firm *performance conformity* and that the coefficient for *media coverage* was significant ($p < .050$), providing support for Hypothesis 2.

Both H3 and H4 are supported. As shown in Models 6-8, the coefficient was negative and significant for both *proposal* ($p < .050$) and *media coverage* ($p < .001$), suggesting that business leaders who submitted proposals to the NPC or received a high level of *media coverage* would make fewer changes to their organizations.

CONCLUSION & DISCUSSION

We examined the intriguing phenomenon that an increasing number of Chinese business leaders, both from state-owned and private-owned enterprises, are seeking political appointments in the NPC. This study contributes to the literature on corporate political activity and firm performance. This research helps us to better understand the consequences of Chinese business leaders' political appointments in the NPC, especially the effects of their legislation behaviors on firm performance and strategic change.

By collecting and analyzing a sample of 365 business leaders in the NPC, we were able to apply and expand Western individual development theories, such as Ego identity theory (Erikson, 1968), to an ancient Eastern culture and the unique institutional context of China.

We also contributed to the literature on business leaders' media coverage and its consequences on firm performance and strategic change.

Future research could explore the following questions: What are the antecedents of Chinese business leaders' political appointments? We understand that a business leader in the Congress has reach a new life stage and firm performance may not be their top priority, but what exactly drives business leaders to seek political appointments? Also, can we apply findings regarding the relationship between corporate political activities and firm performance in Western countries such as the U.S. and the U.K. to China (i.e., creating a matching sample of firms with/without CEOs in the Congress, and investigating the effects of congressional membership on firm performance)?

Furthermore, industry-level variables have received little attention. Research has shown that some firms in heavily regulated industries are more critically affected by public policies than others (Lang & Lockhart, 1990). This suggests that although business leaders' political appointments may be beneficial for all firms, these linkages are even more important for those in heavily regulated industries. So the question becomes: what kind of firms and industries would benefit more from such political appointments?

Other industry-level variables, such as industry concentration and competitors' political activities, could also impact firm's corporate political activities. Concentration within an industry generally refers to the degree to which a small number of firms provide a major portion of the industry's total production. If concentration is low, then the industry is considered to be competitive. If the concentration is high, then the industry will be viewed as oligopolistic or monopolistic. In a highly concentrated industry, because of the fewer total number of firms and the presence of only a few dominant firms, firms should be more motivated to seek political attachment and gain influence on public policies since the political payoffs are much higher than those for firms in fragmented and less-concentrated industries. In addition, competitors' political activities could also influence a business leader's motivation to seek political appointment. Schuler et al. (2002) have found that in the U.S., firm-level political activities are positively associated with overall industry-level political activities. Hersch and McDougall (2000) report that American and Japanese automakers regularly match each other's political donations. Skippari

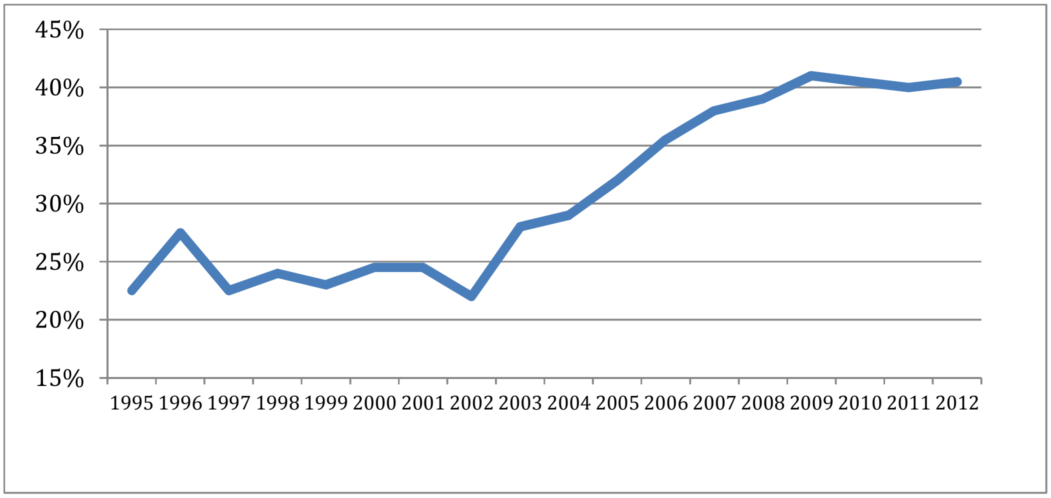
(2003) examines how firms in Finland both competed and cooperated with rivals to gain favorable political outcomes, which also suggests that intra-industry dynamics play a very important role in influencing corporate political activities. In China, we expect to find similar phenomena. For example, in the IT industry, almost all of the CEOs from major dominant firms have political appointments.

Meanwhile, future research could also examine relationship between location and the antecedents and consequences of political appointment. That is, are firms from certain parts of China more willing to build such connections with the government? Are companies in certain districts greater beneficiaries of political appointments? What are the differences across different districts?

Lastly, it would be very interesting to investigate the impact of different Congress levels on the relationship between political appointment and firm performance. There are five administrative levels of Congress in China (national, provincial, prefectural, county and township), and it is relatively difficult and takes a longer time for business leaders to propose legislation at the national level. Would it be relatively easier to propose similar legislation at the provincial or county level? These questions have important practical implications and are left for future research for answer.

Figure 1

Political Appointment Ratios in Chinese Publicly Listed Private Firms, 1995-2012



Political Appointment Ratio = Number of listed private firms whose CEOs or Chairs were PC or PPCC members / Total number of listed private firms

Data from Li & Liang (2015)

FIGURE 2

Theoretical Model

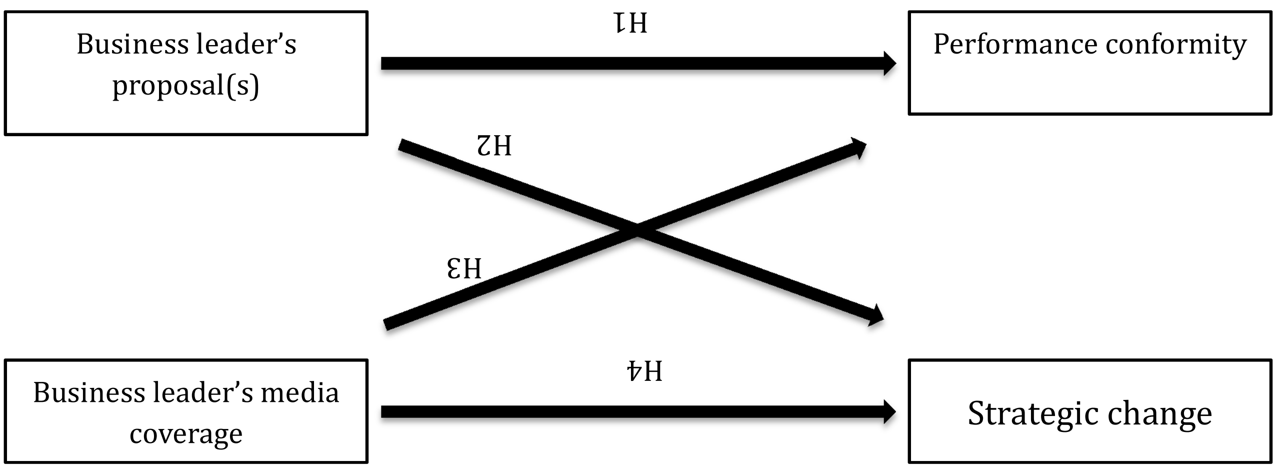


Table 1. Descriptive Statistics

	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11
1. Performance Conformity	0.031	0.174											
2. Strategic Change	0.835	1.764	-0.0145										
3. Media Coverage	2.171	1.169	0.0482*	-0.166***									
4. Proposal	0.044	0.205	-0.0135	-0.0351	0.0559**								
5. Founder	0.335	0.472	-0.00243	0.0119	0.0796***	0.0727***							
6. Age	52.682	7.379	0.0489*	-0.163***	-0.0404	-0.0460*	-0.107***						
7. Tenure	18.612	9.865	0.0278	-0.117***	-0.0701***	-0.0525*	-0.292***	0.394***					
8. Education Level	2.125	0.845	-0.0416*	0.0156	0.137***	-0.0650**	-0.128***	-0.267***	-0.0893***				
9. Government Ownership	0.107	0.309	0.00418	0.00562	-0.0049	-0.0392	-0.206***	0.0860***	0.0730***	0.107***			
10. Former Official	0.120	0.325	-0.00312	-0.00803	-0.0211	-0.0525*	-0.123***	0.0463*	-0.154***	0.0134	-0.0217		
11. International Experience	0.454	0.498	0.0935***	0.0129	0.192***	0.0653**	0.0781***	0.0139	-0.00141	-0.0937***	-0.0361	-0.0733***	
12. Female	0.081	0.273	0.00319	-0.0141	-0.0361	0.0953***	0.0899***	0.0133	0.0195	-0.108***	-0.0395	-0.109***	-0.00233

n = 2212. † $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$ (two-tailed tests).

Table 2. Regression Results

	Dep. = Performance Conformity				Dep. = Strategic Change			
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Proposal		-0.592		-0.603		-4.864*		-3.974*
		(0.76)		(0.76)		(1.89)		(1.85)
Media Coverage			0.459**	0.460**			-4.434***	-4.406***
			(0.17)	(0.17)			(0.40)	(0.40)
Founder	-0.044	-0.037	-0.054	-0.049	-2.111†	-2.092†	-1.307	-1.297
	(0.32)	(0.32)	(0.33)	(0.33)	(1.14)	(1.14)	(1.16)	(1.16)
Age	0.028	0.027	0.025	0.024	-0.612***	-0.623***	-0.624***	-0.632***
	(0.02)	(0.02)	(0.02)	(0.02)	(0.07)	(0.07)	(0.08)	(0.08)
Tenure	0.005	0.004	0.007	0.006	-0.231***	-0.238***	-0.256***	-0.262***
	(0.02)	(0.02)	(0.02)	(0.02)	(0.06)	(0.06)	(0.06)	(0.06)
Education Level	-0.185	-0.192	-0.259	-0.267	-1.479*	-1.570*	-0.469	-0.548
	(0.18)	(0.18)	(0.19)	(0.19)	(0.62)	(0.62)	(0.64)	(0.64)
Government Owned	0.106	0.101	0.135	0.132	1.708	1.682	1.553	1.532
	(0.44)	(0.44)	(0.44)	(0.44)	(1.52)	(1.52)	(1.51)	(1.52)
Former Official	0.154	0.141	0.246	0.230	-1.533	-1.696	-1.803	-1.935
	(0.44)	(0.44)	(0.45)	(0.45)	(1.60)	(1.61)	(1.63)	(1.63)
International Experience	1.101***	1.109***	1.015***	1.020***	0.736	0.854	3.033**	3.115**
	(0.30)	(0.30)	(0.30)	(0.30)	(1.00)	(1.00)	(1.03)	(1.04)
Female	0.008	0.052	0.070	0.120	-1.290	-0.964	-2.022	-1.751
	(0.50)	(0.51)	(0.51)	(0.52)	(1.87)	(1.88)	(1.90)	(1.91)
Constant	-5.642***	-5.551***	-7.474***	-7.370***	49.162***	50.209***	56.586***	57.380***
	(1.33)	(1.33)	(1.49)	(1.49)	(4.30)	(4.32)	(4.35)	(4.37)

n = 2212. † p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001 (two-tailed tests).

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Essay 2: Chinese CEOs in the National People's Congress (NPC): A Moderated Mediation Framework

INTRODUCTION

Research over the past two decades has yielded substantial evidence indicating that a close relationship exists between corporate political strategies and firm performance (Getz, 1993; Hillman, 1999; Hillman, 2005; Sun et al., 2012). It has been proposed in some studies that such relationship is positive (Truex, 2014; Zheng et al., 2015), and the core assumption is that improving firm performance indicates that firms implement different corporate political strategies (North, 1990; Lux et al., 2011). Meanwhile, it is also proposed in existing studies that such relationship was negative (Hadani and Schuler, 2013; Igan, Mishra, and Tressel, 2009; Aggarwal et al., 2012; Boubakri et al., 2008). In the literature it remains unclear how effectively and under what conditions corporate political strategies increase or decrease firm performance. One particular reason is scholars' lack of understanding of the mechanisms in this relationship (Truex, 2014). Through this study we address this gap and contribute to the literature by opening the "black box", that is, the various mediators between corporate political strategies and firm performance. Particularly, we are interested in CEOs' personal service in political entities, and how such service or political appointment influences firm performance, especially return on assets (ROA) and market share. As one important component of corporate political strategies, CEOs' personal service in political entities has gained substantial attention (Getz 1993; Hillman, 1999; Hillman, 2005). Hillman (1999) used the event-study methodology to study business leader's personal service, especially having a firm representative serve in the federal cabinet and elected to the U.S. House of Representatives and Senate. The findings suggest that such personal service positively affects firm value. About a decade ago, scholars began to switch the focus from developed countries to emerging economies (Zheng et al., 2015).

It is indisputable that firms are actively engaging in political activities not only in Washington, but also globally. However, most existing studies are U.S.-centric or mainly focus on Western countries, such as those in the European Union (Skippari, 2003), and Russia (Kubicek, 1996). Few studies focus on Eastern countries like Japan (Broadbent, 2000) and South Korea (Kang, 2002), with even fewer focusing on China. Hillman and Keim (1995), and North (1990) proposed that the relationship between business and government is likely to be different in different institutional contexts. In this study, we also tested and expanded current theories and empirical findings from Western research to a totally different institutional context—China. By doing so, we could gain a better understanding of the relationship between business and government, especially in China, a country in such a dramatic era of change.

According to Forbes (2013), 71% of the top 500 richest Chinese business people have political appointments. Out of the 2,985 deputies in the 10th National People's Congress (NPC, 2003-2008), 417 could be identified as business leaders of companies. The active participation of Chinese business leaders in political activities offers a dramatic context in which to examine the relationship between a firm's corporate political strategies and firm performance. In China, the economic reform, the expanded institutional regulation and the increase in the number of political interest groups, have all stimulated corporate political strategy, especially in the past two decades. As the role of the government and the scope of its regulatory policies change over time, businesses must learn coping strategies for dealing with the corresponding uncertainty in the system. In addition, given China's unique political and economic system and the increasingly important political and economic roles that emerging markets like China play in the world today, it is both important and interesting to explore firms' political activities in the Chinese institutional context.

The structure of this paper is as follows: we begin by looking at the theoretical background and existing literature on the relationship between corporate political strategies and firm performance, especially CEOs' personal service in political entities and its influence on firm performance. Then, we introduce the National People's Congress of China and CEO deputies in the Congress. Next, we formulate our research hypotheses and describe the data collection process and the methods we used. Finally, we present our findings and conclude with a discussion of implications for future research.

THEORY AND HYPOTHESES DEVELOPMENT

Corporate political strategies and firm performance

Corporate political strategies, or corporate political activities (CPAs), are relatively widespread (Faccio, 2006; Sun et al., 2012). CPA is an important component of firm nonmarket strategy (Lux et al., 2011). Such strategies are designed and implemented to manage the institutional or societal context of economic competition, and to create a more favorable environment for the firm. Getz (1993) grouped corporate political strategies into seven broad categories: lobbying, reporting research results, reporting research results, testifying, legal action, service by corporate leaders and constituency building. The underlying assumption is that firms engage in CPAs to improve firm performance (North, 1990), which is also the dominant view in management and political science literature. This view is supported in existing research, through which evidence is shown that corporate political strategies directly increase firm performance by influencing legislatures to pass laws that change market structures to a firm's competitive advantage (Peltzman, 1976; Stigler, 1971) by getting government contracts (Blumentritt, 2003), by obtaining licenses and permits to operate, and even by restraining the abilities of potential or current competitors in the market. Corporate political strategies can also indirectly lead to higher firm performance by influencing public policy and creating an environment that favors a firm's core business, or by reinforcing social relationships between business executives and public officials, thereby maintaining favorable business conditions (Clawson et al., 1998). Ferguson and Voth (2008) examined Germany before World War II. They collected monthly stock prices from official publications of the Berlin stock exchange, and their results showed that politically affiliated firms outperformed the stock market by 5% to 8%, and account for a large part of the market's rise. They attributed the reasons to the willingness of investors to pay higher prices for affiliated firms, and investors recognized the special value that politically connected firms had.

Meyer and Rowan's pioneering work (1977) of contemporary institutional research, *Institutionalized organizations: Formal structure as myth and ceremony,* provided a theoretical perspective that explains why firms implement corporate political strategies. A fundamental question that defines institutional theory is: why do firms look alike? The answer is the different institutional forces that push firms in industries toward similar, or isomorphic, practices (DiMaggio & Powell, 1983). In response, many firms follow the industry leader and adopt certain practices. Hillman (2003) examined the determinants of political strategies used by U.S. multinationals in Europe and found that institutional variables explain the choice of political strategy, including the approach, participation and strategy. In their meta-analysis study, Lux and colleagues (2011) suggested that institutional forces could shape corporate political strategies. The research analyzed 78 studies with a sample size of 72,265 and found that corporate political strategies are related to performance and that firms are "forced" to engage in political activities if they want to compete with firms that already engage in such activities.

Personal services as corporate political strategy

Corporate political strategies are largely comprised of Political Action Committee (PAC) contribution and lobbying (Lux et al., 2011). Scholars from different disciplines agreed that lobbying was the primary political strategy, and PAC contribution was the complementary action (Kaiser, 2009), and perhaps this is the reason that attention has focused heavily on these two political strategies. However, as one important component of corporate political strategies (Getz, 1993; Hillman, 1999; Hillman, 2005), personal service by CEOs in the government has been ignored for a long time, especially in those studies that focused on the U.S..

In his study, Getz (1993) proposed that corporate leaders' personal service in official government posts provides potential political benefits for the corporation. In the U.S., executives may serve at the federal cabinet level, in executive and administrative departments, or as consultants or members of special committees. In Table 1, we summarized research in the past two decades on the antecedents and consequences of CEOs' political appointment.

Insert Table 1 Here

Hillman and colleagues (1999) found that firm performance would be positively affected if a link were established between a firm and the government through personal service. In the study, they used Scholes-Williams' event-study methodology and limited personal service to political appointments at federal cabinet level and elections to the Senate and U.S. House of Representatives. Zheng and colleagues (2015) found political ties can improve both firm survival (labeled "buffering") and performance (labeled "enabling"), with weaker firms gaining more from buffering and stronger firms gaining more from enabling.

What about China?

As we have discussed earlier, 417 out of the 2,985 deputies in the 10th National People's Congress (2003-2008) could be identified as business leaders of companies, which means in the whole Congress, nearly 14% of deputies were CEOs, CFOs, COOs and general managers of companies. In contrast, this number is zero in the U.S. In other words, there is no CEO on-the-job that is also in either the House or the Senate (Manning, 2017).

The National People's Congress is the national legislature of the People's Republic of China. Under China's current Constitution, the NPC is structured as a unicameral legislature, a legislature that consists of only one chamber or house. The NPC has the power to legislate and amend the Constitution if needed, to oversee the operations of the government, to approve the Annual Report of Government Work, and to elect the major officers of state, including the country's President and the Premier of the State Council. Unlike other corporate political strategies that "indirectly" influence public policy, having a CEO in the Congress is the most effective way to influence public policy because in such a situation the business leader is simultaneously manager and policymaker. Through legislation proposals, business leaders are able to propose nation-wide or region-wide legislation to shape government regulations and produce a more favorable business environment (Truex, 2014). A seat in the Congress also allows firms to access a valued set of resources, such as bank loans, government subsidies, and so on, that indirectly help improving their performance and expand market share. We will elaborate on NPC firms' access to resources later in the paper.

Before an NPC firm formally "uses" its influence, the NPC membership itself already sends a strong and clear signal to the outside world that the firm is currently well-run, has achieved a certain level of status and received recognition from the government in the form of political appointment and access to other political connections that also come with membership in the NPC (Sun et al., 2011; Yang et al., 2017). Truex (2014) studied the relationship between NPC membership announcements and stock market reaction. He observed the average stock prices for NPC firms and non-NPC firms over a short time window starting a few weeks before NPC membership was announced and ending after the announcement. After conducting a formal weighted fixed effect analysis, he found that NPC membership brings an increase in share price ranging from three to four RMB (Chinese currency, equal to 0.43-0.58 USD), depending on the balancing model and window of time studied.

Although substantial evidence indicates corporate political strategy, especially CEO's personal service in political entities, could lead to higher firm performance, firms eventually have to come back to market and face market competition. Tian and Deng (2007) proposed that relative market share in a firm's industry will influence variance of political strategy choice. Schuler (1996) found that market changes are positively associated with firms' political involvement, especially competitive pressures from foreign imports, or import penetration, and declining consumption in the domestic market is positively associated with a firm's political involvement. Both scenarios suggest firms' attempts to respond to market changes. However, to our best knowledge, there is no existing study that empirically examines the direct impact of political strategy on market share. Deng and colleagues (2010) suggest that the purpose of firms' engaging in political strategy is to shape a better external environment for firms' market strategy and strengthen firms' competitive position in a given industry. Therefore we argue that NPC membership could help expand firm's market share.

Taking all of this into account, we propose:

Hypothesis 1: NPC membership is positively associated with firm performance.

Hypothesis 2: NPC membership is positively associated with market share.

Access to Resources

Network strategy helps an organization overcome the lack of valuable resources that it needs in order to grow (Zhang & Zhang, 2006). These resources include soft resources (such as policy preference, etc.) and hard resources (such as material resources, bank loans, government subsidies, etc.). Studies have shown that in China scarce resources are allocated according to *guanxi* rather than based on bureaucratic rules (Park and Luo, 2001). *Guanxi*, pronounced *gwan-see,* translates into "social connection", or "relationship", and is the informal connections essential to gaining approval or access to just about *everything* in China (Shaw & Meier, 1994): resources, valuable information, and licenses or permits to operate in certain industries. The two Chinese characters *guan* and *xi* literally translate into "a gate" or "a door" and "to connect" or "to attach". According to Park and Luo (2001), *guanxi* is a cultural characteristic that has strong implications for interpersonal and inter-organizational dynamics in Chinese society. It refers to the concept of *drawing on a web of connections to secure favors in personal and organizational relations*. There is a rich literature (e.g. Buttery & Leung, 1998) in which it is proposed that cultivating personal connections and establishing a personal *guanxi* network is *the very first thing* that foreigners seeking to do business in China should do. CEOs' political appointment or attachment with government officials is considered an important type of *guanxi* (Park & Luo, 2001). Building such political *guanxi* with government (Li & Liang, 2015) could lead to access, or lower cost to access specific resources that may be leveraged to influence firm performance. Substantial studies have been undertaken to examine Chinese CEOs' attachment with government officials at various levels of governmental, bureaucratic, and regulatory agencies and their access to various types of resources (Luo & Chen, 1997; Peng & Luo, 2000). Pearce and Robinson (2000) proposed that *guanxi* could increase sales, help avoid fines or taxes, and maintain a competitive advantage. Although *guanxi* itself cannot be bought or sold at a certain price, it can provide individuals and companies with the opportunity to acquire valuable resources and win them competitive advantage over others (Braendle et al., 2005). Khwaja and Mian (2005) found similar preferential treatment in Pakistan. They analyzed a loan-level data set of more than 90,000 companies that represents the universe of corporate lending in Pakistan. The results showed that politically connected firms receive substantial preferential treatment by being provided with greater access to credit. Such firms receive 45% larger loans than non-politically connected firms. Claessens and colleagues (2007) found that Brazilian firms with larger campaign contribution substantially increased their bank leverage relative to a control group after each election, showing their preferential access to bank financing. Similar evidence for lending patterns is also found in India (Cole and Duflo, 2004) and Thailand (Charumilind et al., 2006). Yu and Pan (2008) found that Chinese firms with political connections get more bank loans and longer loan maturity than those without political relations. Wang and Ni (2012) analyzed the data of Chinese-listed private firms from 2006 to 2009, and found that political connection is negatively associated with the cost of bank loans.

Regarding another critical resource, government subsidy, there are several reasons why governments grant such aid: to support certain industries or firms, to support certain developing regions, to encourage R&D, to help domestic firms compete in the global market, and so on. U.S. state governments have been awarding financial subsidies to individual companies, example such as Exxon Mobil in Texas, Amazon and Boeing in Washington, and most recently the 4.1 billion US dollars from the state of Wisconsin to Foxconn. The question was and will always be: who gets subsidies, or who has priority? In a recent study, Aobdia and colleagues (2018) analyzed publicly traded companies in the U.S. that received a subsidy from at least one state during 2000 through 2014, and found that political contributions increase both the likelihood that a company is awarded a state subsidy and the dollar value of subsidy awarded. Just like the state governments of the U.S., the Chinese government has a long history of awarding financial subsidies to individual corporations, state owned or privately owned. For example, through government subsidies, the manufacturing capacity of China's solar panel industry grew tenfold, leading to a vast global oversupply (Haley & Haley, 2013). A surge in exports of Chinese panels depressed world prices by 75%. In 2012, China's top six solar companies had debt ratios of over 80%. The subsidies took the form of free or low-cost loans; artificially cheap raw materials, components, energy, and land; and support for R&D and technology acquisitions. Zhang and colleagues (2014) analyzed firm-level data related to manufacturing companies listed in China. The results show that state owned firms can obtain more subsidies than private owned enterprises because of their unique connection with government.

Taking all of this into account, we propose:

Hypothesis 3: NPC membership is negatively associated with bank loan costs.

Hypothesis 4: NPC membership is positively associated with government subsidy.

Labor efficiency

Sullivan and Sheffrin (2003) define economic efficiency as a concept of resource utilization, a concept that refers to the production of goods and services from a certain quantity of resources. If we apply this concept to labor resources, then labor efficiency increases as the labor-to-revenue ratio decreases. Labor-to-revenue ratio shows how much a company spends on its employees to generate revenue. Lower ratio is generally good for business as it indicates a higher level of utilization and productivity of labor resources (Stuebs & Sun, 2010).

There has been a growing interest in the degree that human resource systems influence labor efficiency or productivity (Datta et al., 2005). Delery and Shaw (2001) proposed two features that distinguish Strategic Human Resource Management (SHRM) from traditional HR management: (1) SHRM focuses on the strategic role that HR plays in increasing organizational productivity and firm performance; (2) SHRM studies have focused on organizational-level analysis. Jackson, Schuler and Jiang (2014) define SHRM scholarship as *the study of HRM systems (and/or subsystems) and their interrelationships with other elements comprising an organizational system, including the organization's external and internal environments, the multiple players who enact HRM systems, and the multiple stakeholders who evaluate the organization's effectiveness and determine its long-term survival.* Such definition reminds us of the important interrelationship between an organization's external environment and HRM system. Collins and Clark (2003) examined the relationships between a set of HR practices, top management teams' (TMT) external and internal social networks, and firm performance. They found that TMT's external and internal social networks are positively associated with firm performance, and such social networks mediate the relationship between HR practice and firm performance. In their study, government agencies are critical components of firms' external environment. To our Chinese CEOs, the Congress is a great platform that increases their social networks in size, range, and strength. Such large, broad and strong-tied networks can in turn influence HR practices, either the "best practices" proposed by the universalistic perspective, or the strategic contingency proposed by the contingency perspective (Delery & Doty, 1996).

NPC membership can also increase labor productivity and brings labor efficiency benefits. Stuebs and Sun (2010) found that business reputation is positively associated with improved labor efficiency and labor productivity. As we have discussed earlier, a seat in the Congress sends a strong and clear signal to the outside world that the firm is currently well-run, has achieved a certain level of status and has special guanxi with government. Such status or reputation could attract and motivate employees. Good employees are attracted to NPC firms and they may be willing to accept less compensation to exchange for other benefits the employment opportunity brings. Employees' competing for careers with NPC firms creates a larger labor supply which in turn, decreases compensation. In addition, employee productivity increases as employees are motivated to work harder for reputable NPC firms. Such motivation could be intrinsic, including pride, enjoyment, accomplishment, and skill development, which are not necessarily associated with monetary rewards. To sum up, labor inefficiency is expected to decrease as labor costs go down and labor productivity goes up, therefore we propose a negative relationship between NPC membership and labor inefficiency.

Hypothesis 5: NPC membership is negatively associated with labor inefficiency.

Strategic Change

The reason we focus on strategic change is because it has been proven to be a critical antecedent of CEOs' influence on firm performance (Wiersema & Bantel, 1992; Zhang & Rajagopalan, 2010). Le and Kroll (2017) proposed a positive relationship between CEOs' international experience and firm performance, both directly and mediated through the greater strategic change fostered by these CEOs. In management literature, strategic change has been defined as the overall change in a firm's pattern of resource allocation in multiple key strategic dimensions (Finkelstein & Hambrick, 1990; Zhang & Rajagopalan, 2010): R&D intensity, advertising intensity, nonproduction overhead expenses, inventory levels and financial advantage. Following existing research, we define strategic change as the change over time of a firm's pattern of resource allocation in multiple key strategic dimensions that goes beyond industry-wide changes in those dimensions.

Timely strategic change is crucial as it reflects a company's ability to anticipate and respond to environmental change, but such change could contain both opportunities and dangers. Changing firm strategy involves great risk, especially in the cases when established ways of conducting business are abandoned, or current patterns of resource allocation are changed, because in those cases, payoffs are not always guaranteed. Such risks are even greater for CEO deputies in the Congress as almost all of the firms in the Congress are successful firms. In order to be elected as deputies in the Congress, CEOs must prove that they have been successful business leaders. For them, there is no need to change either the overall firm strategy or the pattern of resource allocation, as they already have a well-established track record and their strategy worked fairly well in the past. This is especially true for state-owned firms. We will elaborate on the impact of ownership in later sections. Also, the uncertainty associated with political appointment increases dramatically as CEOs join in the politicians' club. Uncertainty could be regarding the future of the business, or the future of a CEO's personal career. Such uncertainty drives CEOs to maintain the status quo, or as the old Chinese saying goes: “meet all changes with constancy”.

Another reason why CEOs are less likely to engage in strategic change is because of the totally new career that Congress membership brings. Being a Congress member is very different from being a business manager. This is a completely new identity and a totally different career path. Even if NPC deputies are all part-time based and the whole NPC meets only once during the two-week annual meeting, deputies are not just working for two weeks during the whole year. For example, proposing legislation bills, the most important duty of deputies, cannot be done in just two weeks. It is not the two-week yearly meeting that decides the fate of any particular legislation bill. On the contrary, it is expected that any disagreements should be resolved ahead of time and consensus should be reached behind closed doors, months or even longer before the annual meeting convenes. NPC deputies and government officials initiate direct contact long before any official policies are adopted. There are also many other forms of required interaction between deputies from industry and the government. For example, the NPC often sends delegations to meet with local governments, scholars and researchers, business associations, companies or even employees in various cities, to gain opinions on certain legislation, or to investigate policy issues. The research and investigation are critical regulatory duties of deputies. In 2016, more than 1,700 NPC deputies participated in such activities, and the total number of legislation proposals in 2016 was 8,239 (Annual Report of NPC Standing Committee, 2016). Such research and investigation process could occupy a large amount of business deputies’ time and therefore cause business leaders to be distracted and less likely to focus on strategic change. We also call this “distraction effect”.

Hypothesis 6: NPC membership is negatively associated with strategic change.

Mediating effects

In the previous sections, we have argued that NPC membership has a positive effect on both ROA and market share. We have also reasoned that NPC membership has a positive impact on government subsidy, and negative impact on loan cost, labor inefficiency and strategic change. We also posit that lower bank costs could help firms increase performance and expand market share. Jin and colleagues (2018) used firm-level data related to listed manufacturing companies in China from 2011 to 2015 and found that receiving government subsidies improves firm performance. Zhang et al. (2013) found that government subsidies, in both long and short terms, have significant positive effects on the financial performance of wind energy manufacturing companies. One early study by Brander and Spencer (1985) proposed that government subsidies, especially export subsidies, could be attractive policy tools because they improve the relative position of a domestic firm in non-cooperative rivalries with foreign firms, enabling it to expand its market share and improve its financial performance. In recent studies, such as that of Buts and Jegers (2013), a sample of 13,000 Belgian firms was analyzed and a significant and positive influence of fixed asset subsidies on market shares was found. Regarding the relationship between strategic change and firm performance and market share, there has been ongoing debate in existing studies for decades. One effect is adaptive and another is disruptive. In the adaptive view, which is also the dominant view, strategic change can have positive effects on both firm performance and market share because strategic change represents the firm's bold thinking and novel strategic initiatives (Zhang & Rajagopalan, 2010), and therefore it may allow the firm to align with the external environment and increase performance and expand market share. Regarding the relationships between labor efficiency and firm performance and market share, positive links have been established in various studies, specifically that labor efficiency can increase organizational outcomes such as firm performance and market share.

Hypothesis 7: Bank loan costs mediate the positive relationship between NPC membership and ROA.
Hypothesis 8: Bank loan costs mediate the positive relationship between NPC membership and market share.

Hypothesis 9: Government subsidy mediates the positive relationship between NPC membership and ROA.
Hypothesis 10: Government subsidy mediates the positive relationship between NPC membership and market share.

Hypothesis 11: Labor inefficiency mediates the positive relationship between NPC membership and ROA.
Hypothesis 12: Labor inefficiency mediates the positive relationship between NPC membership and market share.

Hypothesis 13: Strategic change mediates the positive relationship between NPC membership and ROA.
Hypothesis 14: Strategic change mediates the positive relationship between NPC membership and market share.

The moderating role of firm ownership

In 2014, 19 out of 20 of the largest enterprises in China were state-controlled or state-owned enterprises (SOEs). Chinese industry includes a total of 17,830 state-owned or state-controlled enterprises, which is more than half the total number of all enterprises in China (National Bureau of Statistics of China, 2014). Among all SOEs, near 20% are directly controlled by the central government. All SOEs are supervised by China's State Asset Supervision and Administration Commission (SASAC), whose main job is performing investors' responsibilities and supervising and managing the state-owned assets of the enterprises. The SASAC reports to the State Council, which puts SOEs under direct supervision of the central government. In other words, SOEs and governments (whether central or local governments), have such unique "blood ties", which give SOEs advantages that private firms seldom enjoy. The influence of Chinese firms' ownership on bank loan costs is an issue of great interest and complexity. In China, lenders are exposed to lower failure and bankruptcy risks when they issue loans to SOEs (Luo et al., 2018). This is the reason banks prefer to lend more money to SOEs at lower costs rather than give loans to private firms, and, moreover, almost all of the commercial banks in China are state-owned. Transferring money from banks to SOEs is similar to transferring money from the government's left pocket to the right. Unlike SOEs, private firms normally don't enjoy this preferential treatment. Therefore Congress membership is more "meaningful" to private firms because with it, private firms join the club that they were previously excluded from, a club whose members enjoy many advantages, including lower loan costs.

Hypothesis 15: Firm ownership moderates the negative relationship between NPC membership and bank loan cost, resulting in such relationship being experienced more strongly by private firms.

The same logic applies to the case of government subsidy. O'Connor et al. (2006) found that on average Chinese SOEs receive more subsidies than private firms. They further argued that the reason is that the government wants to use subsidies to pursue sociopolitical objectives such as creating job opportunities and stabilizing local economies. If a firm is an SOE and its CEO is a Congress member, such sociopolitical objectives are more likely to be set for this firm, and government subsidies are more likely to be given to this type of firm.

Hypothesis 16: Firm ownership moderates the positive relationship between NPC membership and government subsidy, resulting in such relationship being experienced more strongly by SOEs.

We have reasoned that NPC membership leads to less strategic change in general. This is especially true for SOEs. If a firm is owned by the central government, its CEO is appointed by the State Asset Supervision and Administration Commission. In other words, the CEO is appointed by the government and reports to the government. He or she is more of a politician than a businessperson. There is no need for such CEOs to change the pattern of resources allocation since they have well-established track records and their strategy worked fairly well in the past, this also being the reason they were appointed in the first place. However, CEOs from private firms are quite different. The National People's Congress provides them with a great platform from which to get easy access to resources and information, resources they are not used to having and information that would not have been shared with them previously.

For example, the average time for a legislation proposal to be finalized and made law is around two to five years, with very rare exceptions. This period of time is extremely valuable to private firms in the Congress because they can change their business strategies and adjust their business practices based on their understanding of the formulation and execution of future policy change. This early access to important legislation information provides private firms a great "insider's advantage", which cannot be easily achieved by non-NPC firms, or "outsiders". Since SOEs are "insiders" from their first day of operation, such insider's advantage is more salient for private firms.

Hypothesis 17: Firm ownership moderates the negative relationship between NPC membership and strategic change, resulting in such relationship being positive for private firms.

For decades, both scholars and government have been criticizing labor inefficiency and poor HR management practices of Chinese SOEs. The "cradle to grave socialism", lifetime employment and heavy burden social welfare all put SOEs in a disadvantaged position when competing against private firms. Since 1994, the central government urgently called for reforms and reorganization of SOEs. Increasing labor efficiency is one of the objectives. Compared to private firms, SOEs have a higher level of labor inefficiency and we expect SOEs that have CEOs in the NPC to experience stronger negative relationship between NPC membership and labor inefficiency. In other words, they increase labor efficiency to a larger extent than private firms do.

Hypothesis 18: Firm ownership moderates the negative relationship between NPC membership and labor inefficiency, resulting in such relationship being experienced more strongly by SOEs.

Figure 1 presents our theoretical framework.

Insert Figure 1 Here

METHODS

Data collection

We analyzed a large firm-level dataset provided by the National Bureau of Statistics (NBS) of China for the period 2002-2013. NBS conducted annual surveys of all state-owned enterprises and those private enterprises with annual sales above 5 million RMB, or 762,000 USD. The dataset covers 37 manufacturing industries all over China. The dataset ranges from 181,542 firms in 2002 to 345,101 firms in 2013, with an average of 321,722 firms per year throughout the sample period. In 2004, for example, the dataset contains 279,092 firms which accounted for over 95% of China’s total industrial value, produced over 90% of its output, generated 97.5% of its exports and employed over 72% of its industrial workforce.

Excluding the missing data, we generated a sample of 366 firms with business leaders in the National People's Congress, which account for 88% of the total firms that have business leaders in the NPC. We define a business leader as a chairman, CEO, CFO, COO or a general manager of the company. To link a business leader to the firm, we also collected their demographic information from the official NPC deputy database, which provides deputy information such as name, age and educational background, as well as all other important background information. We also crosschecked company websites and Baidu Encyclopedia (www.baidu.com) to make sure of information accuracy.

In order to make a valid comparison between firms whose CEOs were in the NPC and those whose CEOs weren't, we created a matching sample set using the Coarsened Exact Matching (CEM) method. CEM is a monotonic imbalance reducing matching method which means that the balance between the treated and control groups is determined by *ex ante* user choice rather than discovered through the usual laborious process of checking after the fact, tweaking the method, and repeatedly re-estimating (Blackwell et al., 2010). CEM also assures that adjusting the imbalance on one variable has no effect on the maximum imbalance of any other. We used year, firm size, location and industry as criteria to create a matching sample of 44,894 firms that have no CEOs in the NPC.

Measures

Return on assets (ROA). ROA is defined as net income divided by total assets. After we calculated the ratios, we accounted for industry effects by subtracting the industry median changes in these ratios.

Market share. To calculate a firm's market share, we looked at the ratio of the firm's total revenue divided by the total revenue of the top 20 firms in the industry.

NPC. If a focal firm has a business leader in the 10th National People's Congress (2003-2008), the variable *NPC* was coded "1", otherwise it was coded "0".

Bank loan costs. To calculate bank loan costs, we looked at the ratio of total interest a focal firm paid for long-term debt divided by the amount of total debt (Francis et al., 2013).

Government subsidy. We used the ratio of total government subsidy a focal firm received divided by the total subsidy the whole industry received. We also accounted for industry effects by subtracting the industry median changes in these ratios.

Labor inefficiency. To calculate labor inefficiency, we first added the total compensation and benefits a focal firm paid to its employees, and subtracted the total from the industry median. We then divided this number by the total revenue to get the labor-to-revenue-ratio.

Strategic change. Following Finkelstein and Hambrick (1990), and Zhang and Rajagopalan (2010), we used five key strategic dimensions to generate a composite measure of changes in allocation of resources: advertising intensity (advertising/sales), research and development intensity (R&D/sales), fixed assets intensity (fixed assets/total assets), non-production overheads (selling, general, and administrative expenses/sales), inventory levels (inventories/sales) and financial leverage (debt/equity). We took into account the differences between a firm's current pattern of resource allocation and its own pattern in the previous year. We also compared such differences to the industry's central tendency.

We accounted for exogenous influences on ROA, market share and bank loans by including relevant control variables: firm size, rule of law, industry concentration and government market control. It has been show in vast amounts of research that these variables relate to corporate political strategy, firm performance and market share. Take industry concentration for example, Schuler and colleagues (2002) propose that firms in concentrated industries are more motivated to implement political strategies as the political payoffs are higher for those firms. The authors further suggest that large firms also have stronger incentives to engage in political strategy as large firms are affected by the government and public policy changes to a greater extent than smaller firms.

ANALYSIS AND RESULTS

We test the proposed moderated mediation framework in several ways. We first follow the causal steps approach proposed by Baron and Kenny (1986), and then we use normal theory based framework (Preacher et al., 2007) for testing moderated mediation. Pre-regression analysis indicates that there are no serious violations of the major regression assumptions. Table 2 shows the descriptive statistics, including means, standard deviations and correlations among the variables.

Insert Table 2 Here

As shown in Table 3, we first perform multiple random-effects regression models to check if the framework complies with Baron and Kenny's (1986) requirements. According to their approach, establishing a mediation effect requires first, that the independent variable significantly affects the dependent variable; second, that the independent variable significantly affects the mediator; and third, when independent variable and mediator are added to the model simultaneously, the mediator significantly accounts for variability in the dependent variable and the effect of the independent variable on the dependent variable is significantly reduced.

Model 1 shows the effects of control variables on ROA and Model 2 adds the main effects of the moderating variable—firm ownership. Model 3 adds the main effect of independent variable NPC membership on ROA and the results show that NPC membership has a positive and statistically significant effect on ROA (β = 7.45, $p < 0.001$), so Hypothesis 1 is supported. Models 4 to 6 examine the effects of NPC membership on market share. Model 4 shows the control variables only and Model 5 adds the main effects of the moderating variable. Model 6 shows that NPC membership has a positive and statistically significant effect on market share (β = 1.33, $p < 0.001$). Hypothesis 2 is also supported. These results satisfy the first requirement of Baron and Kenny's (1986) approach. We then develop Models 7 to 10 to test the effects of NPC membership on mediators. NPC membership has a positive and statistically significant effect on government subsidy (β = 0.42, $p < 0.05$), and a negative and statistically significant effect on the cost of loans (β = -20.04, $p < 0.001$). However, the effects of NPC membership on strategic change and labor inefficiency are not statistically significant. Therefore, Hypotheses 3 and 4 are supported, but Hypotheses 5 and 6 are not. Next, we examine the effects of mediators on dependent variables. Following existing studies (Kenny, 2009), we add mediators to the regression models separately when they have high correlations. Models 11 to 14 show that government subsidy has a positive and statistically significant effect on ROA (β = 0.33, $p < 0.001$), strategic change has a positive and statistically significant effect on ROA (β = 0.05, $p < 0.001$), and labor inefficiency has a negative and statistically significant effect on ROA (β = -0.10, $p < 0.001$). However, the effect of loan cost is not significant ($p > 0.10$). Models 15 to 18 show that government subsidy has a positive and statistically significant effect on market share (β = 0.09, $p < 0.001$), and labor inefficiency has a negative and statistically significant effect on market share (β = -0.002, $p < 0.001$). However, the effects of loan cost and strategic change on market share are not significant ($p > 0.10$). These findings suggest that government subsidy mediates the relationship between NPC membership and ROA, and the relationship between NPC membership and market share, therefore Hypotheses 9 and 10 are supported.

Insert Table 3 Here

We then test the moderation hypotheses in Models 19 to 22. Model 21 suggests a positive and significant effect of the interaction between NPC membership and firm ownership on strategic change (β = 10.56, $p < 0.01$). Hypothesis 17 is therefore supported. Model 22 shows a positive and significant effect of the interaction between NPC membership and firm ownership on labor inefficiency (β = 9.37, $p < 0.05$). Hypothesis 18 is therefore supported. However, the interaction between NPC membership and firm ownership does not significantly affect loan cost and government subsidy. Figure 2 shows the statistically significant interaction effects.

Insert Figure 2 Here

To further explore how the indirect effects of NPC membership on ROA and market share differ depending on firm ownership, we follow Preacher and colleagues' (2007) normal theory based theoretical framework for moderated mediation. To compute the conditional indirect effects, we calculate regression coefficients from two different sets of models: one set of models with mediators as the response variables and another set of models with the dependent variables as the response variables. Conditional indirect effects are obtained by multiplying coefficients from the models along with the values of the moderator. Table 4 presents the conditional indirect effects of NPC membership on ROA (Table 5 for market share) for private and state-owned firms. Both provide 95% confidence level intervals for these effects. These findings are in line with our previous random-effects regression analysis.

Insert Table 4 Here

Insert Table 5 Here

Discussion and conclusion

The purpose of this study is to investigate the effects of NPC membership on return on assets (ROA) and market share, and examine various mediators among these relationships. The results suggested that NPC membership has positive effects on ROA and market share, also government subsidy mediates the positive effects NPC membership have on ROA and market share, respectively. Furthermore, NPC membership is positively associated with government subsidy and negatively associated with bank loan costs. When adding the interaction effects of firm ownership, the results showed that private firms experience a positive relationship between NPC membership and strategic change, and state-owned firms have a stronger negative relationship between NPC membership and labor inefficiency.

Our study offers a number of contributions to the growing literature of corporate political strategy. First, to our best knowledge, this study is the first one to open up the black box, that is, the various mediators between corporate political strategy and firm performance. Lacking of understanding of the mechanisms in this relationship is the major reason that it still remains unclear how effectively and under what conditions that corporate political strategies increase firm performance (Truex, 2014). Second, we developed a theoretical framework and found empirical evidence suggesting that NPC membership is positively associated with firm performance and market share. Our study supported the hypotheses proposed by various scholars (North, 1990; Lux et al., 2011). Third, by introducing a moderated mediation framework, we provided insights into the interaction effects of NPC membership and firm ownership on various mediators, and their influence on firm performance and market share eventually. These relationships have not been established in previous research.

Future research could further investigate other underlying mechanisms and a more comprehensive analysis is needed to consider both how and when corporate political strategy could improve firm performance. Meanwhile, scholars have been focusing on the consequences of corporate political strategy, little attention has been paid to the antecedents of political strategy, especially CEO's personal service in political entities. So what leads to the Congress membership? What kinds of firms are likely to get the membership? What kinds of business leaders are more likely to be elected or re-elected and stay in the Congress for a long time? Also industry-level variables need to be thoroughly analyzed. Research has shown that firms in heavily regulated industries are more critically affected by public policies than others (Lang & Lockhart, 1990), therefore firms in such industries are more interested in political strategy. Other industry-level variables, such as industry growth, industry concentration and competitors' political strategy, could also have impact on firm's engagement and choice of various corporate political strategies. Take the "control variable"-industry concentration for example: concentration within an industry generally refers to the degree to which a small number of firms provide a major portion of the industry's total production. If concentration is low, then the industry is considered to be competitive. If the concentration is high, then the industry will be viewed as oligopolistic or monopolistic. In a high concentrated industry, because of the fewer total number of firms and only a few dominant firms, firms should be more motivated to seek political attachment and gain influence on public policies since the political payoffs are much higher than that in a fragmented and lower concentrated industry. Also the focal firm's position in the industry and competitors' political strategy could also influence firm or a CEO's motivation to engagement in political strategy. Schuler and colleagues (2002) found that in the U.S., firm-level political activities are positively associated with overall industry-level political activities. Hersch and McDougall (2000) report that US and Japanese automakers regularly match each other's political donations. Skippari (2003) examines how firms in Finland both competed and cooperated with rivals to gain favorable political outcomes, which also suggests that intra-industry dynamics play a very important role. In China, we are expecting a similar phenomenon. In the IT industry, for example, almost all of the CEOs from major dominant firms are members of NPC or other political organizations.

Meanwhile, future research could also examine the location differences in the antecedents and consequences of CEO's political appointment. That is, are firms from certain provinces more willing to build such connections with government? Do companies from certain districts benefit more (or less) from political appointments? What are the differences across different locations?

Lastly, it will be very interesting to explore the impact of different Congress levels on the relationship between CEO's political appointment and firm performance. We now know there are five administrative levels of Congress in China: national, provincial, prefectural, county, and township. Will it be relatively easier to seek appointment at the provincial or county level? As long as the firm's business is regional, it can still benefit from such legislation changes. These questions have important practical implications and are left for future research.

Table 1 Summary of Research on the Antecedents and Consequences of CEO' Political Appointment

Author(s)	Year	Journal	Antecedents/ Consequences	Primary Data/ Method	Level of Analysis	Country	Main findings
Hillman et al.	1999	Strategic Management Journal	Consequences	Scholes- Williams event-study method	Firm	US	When a link is established between a firm and the government through personal service, firm performance will be positively affected
Peng & Luo	2000	Academy of Management Journal	Consequences	Case studies	Individual	China	Managers' micro interpersonal ties with government officials help improve macro organizational performance
Agrawal & Knoeber	2001	The Journal of Law and Economics	Consequences	Regression analysis of archival data	Individual /firm	US	Directors with political experience and directors with law degrees are more important on the boards of firms for which politics matters more
Hillman	2005	Journal of Management	Consequences	Regression analysis of archival data	Firm	US	Politicians on the board of directors are positively associated with firm financial performance. Firms in more heavily regulated industries will have a greater number of politicians on their boards than firms in less regulated industries.
Faccio	2006	The American Economic Review	Consequences	Regression analysis & event study	Firm	47 countries	Appointments of politicians to corporate boards has no price effect; but firm value increases when businessperson enters politics
Li & Zhang	2007	Strategic Management Journal	Consequences	Regression analysis of survey	Individual	China	Managers' political networking will be positively related to new venture performance in a transition economy
Goldman et al.	2009	Review of Financial Studies	Consequences	Regression analysis of archival data	Firm	US	Political connections have a pervasive impact on the value of public corporations even within the confine of the strong legal system in the U.S.
Lux et al.	2011	Journal of Management	Antecedents/ Consequences	Meta-analysis	Individual /firm	All	Corporate political activies is positively related to firm performance
Sheng et al.	2011	Journal of Marketing	Consequences	Regression analysis of archival data	Firm	China	Business ties have a stronger positive effect on firm performance than political ties, and both effects depend on institutional and market environments.
Hadani & Schuler	2013	Strategic Management Journal	Consequences	Regression analysis of archival data	Firm	US	Having former public officials serve on a firm's board of directors is negatively associated with corporate financial peformance
Truex	2014	American Political Science Review	Consequences	Regression analysis of archival data	Firm	China	A seat in the NPC is worth an additional 1.5 percentage points in returns and a 3 to 4 percentage point boost in operating profit margin in a given year.
Shi et al.	2014	Academy of Management Perspectives	Consequences	Perspective	Individual /firm	China	Political ties remain important because firms continue to depend on the government for critical information and resources, despite the advancements in the marketization process.
Li & Liang	2015	Academy of Management Journal	Antecedents	Regression analysis of survey and archival data	Individual	China	The "proself" and "prosocial" motives for seeking political connections will strengthen the relationship between private firm entrepreneurs' business success and their intention and attainment in seeking political appointment.
Zheng et al.	2015	Strategic Management Journal	Consequences	Regression analysis of archival data	Firm	China	Political ties can improve both firm survival (labeled "buffering") and performance (labeled "enabling"), with weaker firms gaining more from buffering and stronger firms gaining more from enabling.
Sun et al.	2016	Academy of Management Journal	Consequences	Regression analysis of archival data	Individual /firm	China	Appointing individuals to the board of directors who have served in some political capacity will increase the severity of blockholder rent appropriation
Yang et al.	2018	Business Horizons	Antecedents	Perspective	Individual /firm	China	Previous government work experience, political membership, family connections, shared social identities and instrumental exchange with government officials will help build political ties in China.

Figure 1 Theoretical framework

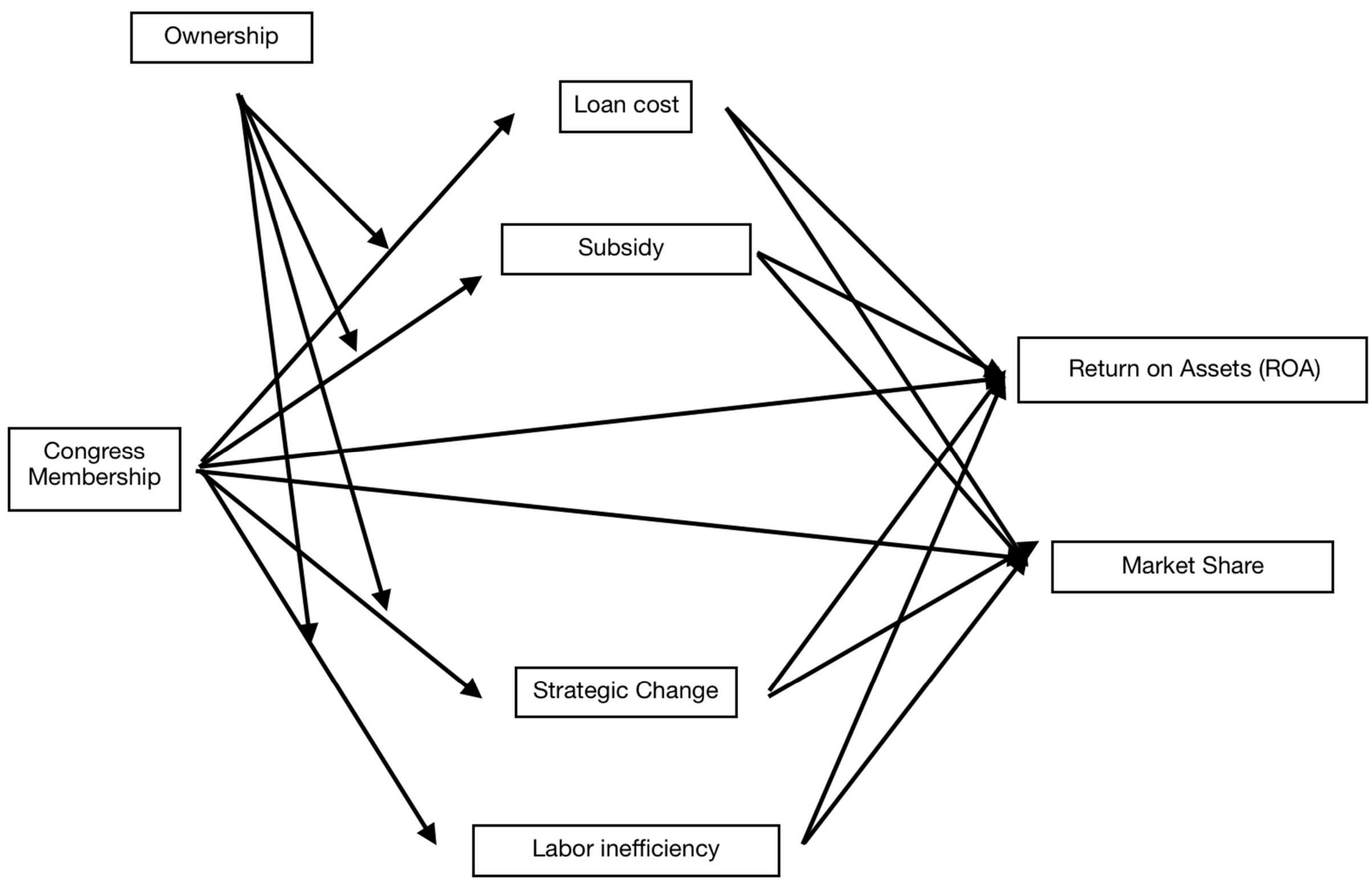


Table 2. Descriptive Statistics and Correlations

Variables	1	2	3	4	5	6	7	8
1.ROA	1							
2. Market share	0.10***	1						
3. Congress membership	0.01***	0.20***	1					
4. Cost of loan	-0.01***	0.01***	-0.01**	1				
5. Labor inefficiency	-0.20***	-0.09***	-0.02***	-0.02***	1			
6. Subsidy	0.02***	0.35***	0.06***	0.01**	0.02***	1		
7. Strategic change	-0.03***	0.01*	-0.01	0.01***	0.19***	0.03***	1	
8. Private	0.08***	-0.10***	-0.07***	0.01**	-0.09***	-0.07***	-0.05***	1
Mean	0.10	0.01	0.01	10.31	0.17	0.00	-8.26	0.95
SD	0.68	0.03	0.10	211.63	0.75	0.03	0.40	0.22

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 3 Results of Regression Analysis

	Model 1 ROA	Model 2 ROA	Model 3 ROA	Model 4 Market share	Model 5 Market share	Model 6 Market share	Model 7 Loan cost	Model 8 Subsidy	Model 9 Strategic Change	Model 10 Labor inefficiency
Firm size	-1.84***	-1.55***	-1.60***	0.58***	0.58***	0.57***	4.85***	0.25***	-2.12***	-7.84***
	(0.42)	(0.43)	(0.43)	(0.01)	(0.01)	(0.01)	(0.84)	(0.01)	(0.12)	(0.21)
Rule of law	-0.69***	-0.69***	-0.69***	-0.01**	-0.01**	-0.01**	-0.03	-0.04***	-0.80***	-0.73**
	(0.10)	(0.10)	(0.10)	0.00	0.00	0.00	(0.45)	(0.01)	(0.05)	(0.25)
Concentration	11.80***	11.77***	11.72***	3.30***	3.30***	3.30***	-5.80	2.91***	9.24***	20.66***
	(1.34)	(1.33)	(1.33)	(0.18)	(0.18)	(0.18)	(2.98)	(0.17)	(0.76)	(1.74)
Market control	7.88***	14.19***	14.27***	-1.28***	-1.28***	-1.28***	-8.28**	-1.42***	-9.46***	-51.21***
	(2.21)	(2.22)	(2.22)	(0.18)	(0.18)	(0.18)	(3.10)	(0.15)	(1.20)	(2.75)
NPC			7.45***			1.33***	-20.04***	0.42*	1.26	-3.35
			(1.73)			(0.28)	(3.78)	(0.20)	(2.01)	(2.12)
Private		13.46***	13.47***		-0.01	0.00	7.61***	-0.49***	-7.25***	-35.59***
		(1.14)	(1.13)		(0.06)	(0.06)	(2.18)	(0.09)	(0.93)	(1.49)
Constant	35.34***	21.29**	21.63**	-4.45***	-4.44***	-4.42***	-82.76***	-2.06***	33.64***	150.60***
	(7.12)	(7.37)	(7.38)	(0.38)	(0.38)	(0.38)	(16.67)	(0.25)	(3.03)	(6.78)
Province dummies significant at $p < .05$	9 of 30	12 of 30	12 of 30	27 of 30	27 of 30	27 of 30	0 of 30	1 of 30	9 of 30	18 of 30
Year dummies significant at $p < .05$	11 of 11	11 of 11	11 of 11	11 of 11	11 of 11	11 of 11	5 of 11	11 of 11	10 of 11	5 of 11
N	351,198	351,198	351,198	351,254	351,254	351,254	163,578	351,292	305,667	216,984
R-sq within/between/ overall	.01/.01/.01	.01/.02/.01	.01/.02/.01	.05/.25/.21	.05/.25/.21	.05/.25/.22	.00/.02/.00	.01/.08/.04	.09/.03/.07	.03/.06/.05

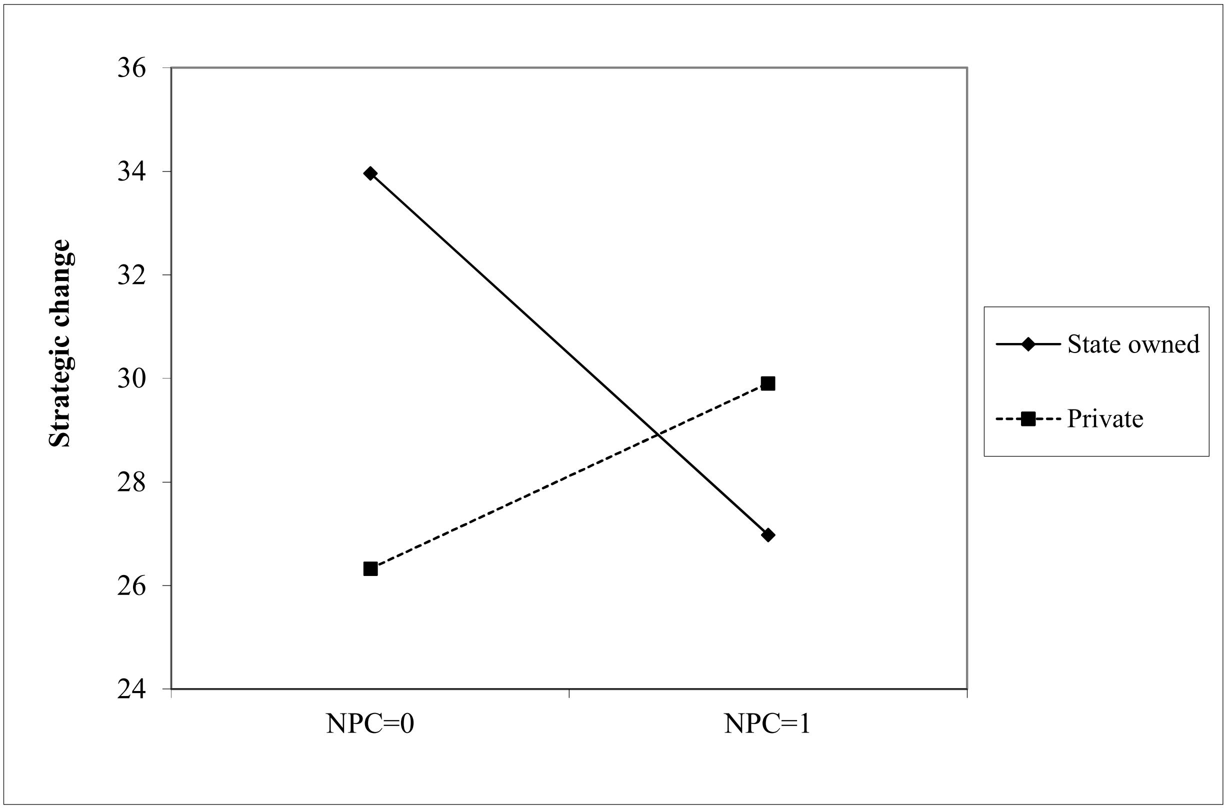
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 3 Results of Regression Analysis (Continued)

	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16	Model 17	Model 18	Model 19	Model 20	Model 21	Model 22
	ROA	ROA	ROA	ROA	Market share	Market share	Market share	Market share	Loan cost	Subsidy	Strategic Change	Labor inefficiency
Firm size	-1.72***	-1.67***	-1.80***	-1.18*	0.77***	0.56***	0.56***	0.67***	4.85***	0.25***	-2.12***	-7.84***
	(0.30)	(0.43)	(0.48)	(0.59)	(0.02)	(0.01)	(0.01)	(0.01)	(0.84)	(0.01)	(0.12)	(0.21)
Rule of law	-0.67***	-0.67***	-0.28**	-3.11***	-0.02**	-0.01	-0.01	-0.02**	-0.03	-0.04***	-0.80***	-0.73**
	(0.15)	(0.10)	(0.10)	(0.20)	(0.01)	0.00	0.00	(0.01)	(0.45)	(0.01)	(0.05)	(0.25)
Concentration	10.38***	10.72***	11.05***	12.90***	3.95***	3.03***	2.88***	3.70***	-5.80	2.91***	9.23***	20.65***
	(1.56)	(1.34)	(1.62)	(1.35)	(0.23)	(0.16)	(0.21)	(0.19)	(2.98)	(0.17)	(0.76)	(1.74)
Market control	17.39***	14.67***	12.09***	13.60***	-1.88***	-1.22***	-1.44***	-1.50***	-8.25**	-1.41***	-9.54***	-51.26***
	(2.35)	(2.22)	(2.68)	(2.24)	(0.19)	(0.18)	(0.22)	(0.19)	(3.11)	(0.15)	(1.20)	(2.75)
Congress membership	7.87***	7.36***	7.52***	6.60**	1.51***	1.38***	1.61***	1.58***	-17.86***	1.15	-6.98**	-10.53*
	(1.61)	(1.73)	(1.78)	(2.09)	(0.32)	(0.28)	(0.26)	(0.32)	(3.95)	(0.65)	(2.49)	(4.17)
Ownership (private firms)	13.35***	13.60***	11.60***	13.66***	0.14*	0.03	-0.01	0.08	7.72***	-0.46***	-7.63***	-35.87***
	(1.24)	(1.14)	(1.45)	(1.01)	(0.06)	(0.06)	(0.06)	(0.07)	(2.23)	(0.09)	(0.94)	(1.52)
Loan cost	-6.3e-04				6.6e-5							
	4.4e-4				4.97e-5							
Subsidy		0.33***				0.09***						
		(0.04)				(0.01)						
Strategic Change			0.05***				-1.44e-4					
			(0.01)				3.04e-4					
Labor inefficiency				-0.10***				-1.9e-3***				
				0.00				9.04e-5				
Congress membership x Private									-2.80	-0.93	10.56**	9.37*
									(4.76)	(0.70)	(3.79)	(4.55)
Constant	22.88***	22.28**	20.97*	45.46***	-6.96***	-4.32***	-4.32***	-5.35***	-82.84***	-2.08***	33.96***	150.82***
	(6.28)	(7.39)	(8.91)	(9.19)	(0.46)	(0.38)	(0.40)	(0.47)	(16.68)	(0.25)	(3.03)	(6.78)
Province dummies significant at $p < .05$	11 of 30	12 of 30	7 of 30	24 of 30	22 of 30	27 of 30	24 of 30	26 of 30	0 of 30	1 of 30	9 of 30	18 of 30
Year dummies significant at $p < .05$	10 of 11	10 of 11	10 of 11	4 of 11	11 of 11	11 of 11	10 of 11	5 of 11	5 of 11	11 of 11	10 of 11	5 of 11
N	163,558	351,198	305,667	216,984	163,578	351,254	305,667	216,984	163,578	351,292	305,667	216,984
R-sq within/between/overall	.01/ .02/.02	.01/ .02/.01	.01/ .00/.01	.02/ .06/.04	.05/ .24/.24	.07/ .30/.25	.04/ .25/.22	.05/ .26/.23	.00/ .02/.00	.01/ .08/.04	.09/ .03/.07	.03/ .06/.05

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 2 Plots of interaction effects



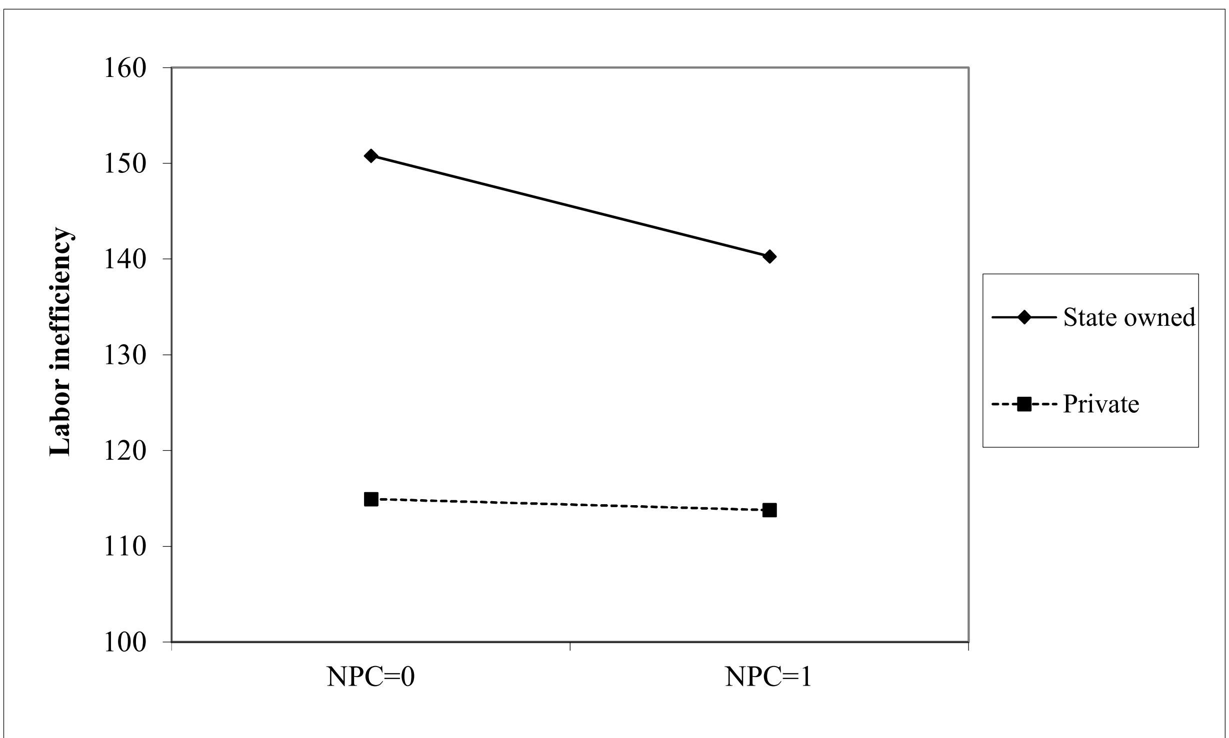


Table 4 Conditional indirect effects of NPC membership on ROA for private and state-owned firms

		Conditional indirect effects of NPC membership		
	Ownership	Effect	LLCI95%	ULCI95%
Loan cost	Private	0.22(0.06)	0.11	0.33
Loan cost	State-owned	0.14(0.07)	-0.004	0.29
Government subsidy	Private	0.05(0.06)	-0.06	0.16
Government subsidy	State-owned	0.74(0.13)	0.48	1.01
Labor inefficiency	Private	-0.33(0.38)	-1.07	0.41
Labor inefficiency	State-owned	2.69(0.66)	1.40	3.97
Strategic change	Private	-0.03(0.03)	-0.09	0.03
Strategic change	State-owned	-0.21(0.07)	-0.35	-0.07

95% confidence intervals presented

Table 5 Conditional indirect effects of NPC membership on market share for private and state-owned firms

		Conditional indirect effects of NPC membership		
	Ownership	Effect	LLCI95%	ULCI95%
Loan cost	Private	0.003(0.002)	-0.001	0.007
Loan cost	State-owned	0.002(0.002)	-0.001	0.005
Government subsidy	Private	0.03(0.03)	-0.03	0.09
Government subsidy	State-owned	0.41(0.06)	0.31	0.52
Labor inefficiency	Private	-0.01(0.01)	-0.02	0.01
Labor inefficiency	State-owned	0.06(0.02)	0.03	0.09
Strategic change	Private	-0.002(0.001)	-0.004	0.001
Strategic change	State-owned	-0.01(0.004)	-0.02	-0.004

95% confidence intervals presented

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2016 Lubar Business School Gold Star Teaching Award (Teaching Rating: 4.96/5.00)
2016 Midwest Academy of Management Doctoral Students Awards
2015 Sheldon B. Lubar Doctoral Scholarship, University of Wisconsin-Milwaukee
2015 Chancellors Fellowship, University of Wisconsin-Milwaukee
2014 Chancellors Fellowship, University of Wisconsin-Milwaukee
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2007 Honor Student Awards, Capital University of Economics and Business, Beijing

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<u>Manuscripts Under Review and in Progress</u>

Yang, X., Singh, R. & Cheng, Z. "Corporate Political Activity and Media Coverage: Effects on Strategic Change and Firm Performance -A Study on Chinese Business Leaders in the National People's Congress". (In preparation for submission to *Strategic Management Journal*)

Yang, X. & Cheng, Z. "The Returns to Office: a Study of Organizational Outcomes of CEOs Seating in Chinese Parliament". (In preparation for submission to *Strategic Management Journal*)

Conference Paper and Presentation

Yang, X., Singh, R. & Cheng, Z. "Corporate Political Activity and Media Coverage: Effects on Strategic Change and Firm Performance -A Study on Chinese Business Leaders in the National People's Congress". ***2018 Eastern Academy of Management Annual Meeting***, Providence, Rhode Island.

Yang, X. "The Current Research on Guanxi and Its Future: So Many Studies, So Many Remaining Questions". ***2017 Eastern Academy of Management Annual Meeting,*** Baltimore, Maryland.

Yang, X., Singh, R. & Cheng, Z. Business Leader's Political Appointment and Firm Performance-A Study on Chinese State and Private-Owned Enterprises. ***2017 Midwest Academy of Management Annual Meeting,*** Chicago, Illinois.

Goranova, M., & **Yang, X.**, "The Pay Inequality Conundrum: Examining Governance Antecedents of CEO-Employee Pay Ratio". ***2016 Academy of Management Annual Meeting,*** Anaheim, California.

Yang, X., "Business Leaders' Political Attachments, Firm Success and CEO-Worker Pay Dispersion - A Study on Chinese Privately Owned Enterprises". ***2016 Midwest Academy of Management Annual Meeting,*** Fargo, North Dakota.

Yang, X., Shaffer, M., You, Y., Joplin, J., Francesco, A. & Lau, T. "Life Balance, Role Commitments and Gender Difference: A Cross-Cultural Perspective". ***2016 Midwest Academy of Management Annual Meeting,*** Fargo, North Dakota.

Other Conference Appearances

Session Chair – "Strategy and Institutions ", ***2017 Midwest Academy of Management Annual Meeting***, Chicago, Illinois.

TEACHING EXPERIENCES

University of Wisconsin-Milwaukee

Independent Teaching

International Business (Online course, BUS ADM 496, Winter 2018)
Strategic Management (BUS ADM 600, undergraduate capstone class, Fall 2018)
International Business (BUS ADM 496, Teaching Rating: 4.80/5.00, Summer 2018)
Organizations (BUS ADM 330, Teaching Rating: 4.98/5.00, Spring 2018)
Organizations (BUS ADM 330, Teaching Rating: 4.86/5.00, Fall 2017)

Teaching Assistant

Organizations (BUS ADM 330, online course, Summer 2017)
Organizations (BUS ADM 330, Teaching Rating: 4.80/5.00, Spring 2017)
Organizations (BUS ADM 330, Teaching Rating: 4.96/5.00, Fall 2016)

INDUSTRIAL EXPERIENCES

School of Arts and Science - Rutgers, the State University of New Jersey
Project Assistant, May 2010-April 2013

DVLP Consultants Ltd., Beijing, China
Internship, November 2008-February 2009

ACADEMIC SERVICES

Academy of Management Review (AMR), Editor Assistant, July 2015- August 2016
Reviewer: Academy of Management Annual Meeting, 2016-
Reviewer: Eastern Academy of Management Annual Meeting, 2017-
Reviewer: Midwest Academy of Management, 2016-
Reviewer: International Corporate Governance Society (ICGS) Conference, 2016

Professional Membership

Academy of Management, 2015-
Society of Strategic Management, 2017-
Midwest Academy of Management, 2016-
Eastern Academy of Management, 2016-