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Institutional duality and political strategies of foreign-invested firms in an emerging economy

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ABSTRACT

This study investigates how the complex institutional environment surrounding foreign-invested firms (FIEs) affects their corporate political strategies (CPS) in China. Analyses of data on 442 FIEs operating in China show that the relative potency of dual institutional pressure from FIEs' home and host countries shapes their strategic choices. Institutional factors at the country, region, and firm levels not only affect firms' adoption of multiple firm-based tactics but also shape their collective-oriented associational activities. Moreover, participation in both foreign and domestic business associations enhances an FIE's adoption of firm-based political tactics, but joining domestic business associations has a stronger effect.

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1. Introduction

Research on the corporate political strategies (CPS) of foreign-invested firms (FIEs) has experienced rapid growth in recent years (Blumentritt & Nigh, 2002; Hillman & Wan, 2005; Iankova & Katz, 2003; Luo, 2001; Mondejar & Zhao, 2013). As a key component of firms' nonmarket strategy, CPS helps a firm build better connections with the government and other political institutions, gain access to markets and resources, and cope with environmental pressure and instability (Ahlstrom, Young, Nair, & Law, 2003; Hillman & Wan, 2005; Zimmerman & Zeitz, 2002). While the strategic effects and outcomes of CPS have been widely acknowledged and investigated (Boddewyn, 2016), our knowledge on the antecedents and processes of FIEs' political strategies in emerging markets is still very limited. Therefore it is imperative to achieve a better understanding of why and how FIEs vary in their CPS choices in emerging economies.

The extant literature on factors driving FIEs' CPS have been largely developed from traditional strategy and management perspectives, which tend to treat firms as unitary, rational, and self-interested actors (Jackson & Deeg, 2008). However, systematic

reviews and meta-analyses show that “antecedent variables drawn from traditional theories explaining why firms engage in CPS have limited explanatory ability” (Lux, Crook, & Woehr, 2011, p. 238). Particularly missing is the examination of how institutional factors affect firms' strategic political activities (Lux et al., 2011; Mondejar & Zhao, 2013). While the distinct and complex institutional environment of FIEs can be particularly crucial in shaping their CPS (Rodriguez, Siegel, Hillman, & Eden, 2006), it has received little attention in extant studies (Blumentritt & Nigh, 2002). This neglect can be partly attributed to the overall underdeveloped institutional perspective on organizational strategies in the international business literature (Peng, Wang, & Jiang, 2008; Peng, Sun, Pinkham, & Chen, 2009). Moreover, because dominant theories of CPS have been developed in the context of advanced Western democracies (Hillman & Hitt, 1999; Hillman, Keim, & Schuler, 2004), the CPS of FIEs in emerging economies have received insufficient theoretical explanation (Deng & Kennedy, 2010; Mondejar & Zhao, 2013). Given the institutional differences between emerging and advanced economies (Anderson & Sutherland, 2015; Hoskisson, Eden, Lau, & Wright, 2000; Wright, Filatotchev, Hoskisson, & Peng, 2005), it is intriguing to investigate the institutional forces that drive FIEs' CPS in emerging economies.

In addition, much of the research on international business has focused on FIE-host government negotiations at the time of initial entry into a country, while little research has been directed toward the postentry political strategies of FIEs (Hillman & Wan, 2005; Rodriguez et al., 2006). The few studies examining this issue

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largely focus on one or two firm-based political tactics, which underrepresents the variety of political tactics in emerging economies (Schuler, Rehbein, & Cramer, 2002). Moreover, little attention has been paid to the collective form of CPS that firms can utilize to engage the government and shape the external environment (with the exceptions of Ahlstrom, Bruton, & Yeh, 2008; Jacomet, 2005). Even fewer studies have examined firm-based and collective CPS side by side (Hansen, Mitchell, & Drope, 2004; Hansen, Mitchell, & Drope, 2005). Consequently, there is an incomplete picture of FIEs' CPS and also a lack of deep understanding of the relationship between firm-based and collective CPS (Jacomet, 2005).

In order to fill these research gaps, we draw theoretical insights from two burgeoning institutional approaches—the institutional duality perspective in international business (Kostova & Roth, 2002; Kostova, Roth, & Dacin, 2008) and the institution-based view in strategic management (Peng et al., 2009)—to examine the role of multilevel institutional factors in shaping FIEs' CPS in China. We simultaneously examine four typical firm-based political tactics as well as two forms of associational activities that function as important collective venues for CPS (Hillman & Hitt, 1999; Jia, 2014). We further examine the intricate relationship between these two distinct types of CPS and highlight their interconnections. Considering the call for more attention to CPS in emerging economies (Deng & Kennedy, 2010; Luo & Zhao, 2013), we situated our study in China's complex institutional context. As the world's largest emerging economy, China offers an intriguing context to enrich the literature and test our theoretical arguments.

Our study contributes to the literature in three aspects. First, we integrate and extend the institutional duality perspective in international business and the institution-based view in strategic management to enrich the institutional analyses of FIEs' CPS (Hillman & Wan, 2005; Luo & Zhao, 2013). Our analyses scrutinize institutional factors at multiple levels and also cover both formal and informal institutions. While the institutional duality perspective (Kostova & Roth, 2002; Kostova et al., 2008) emphasizes the dual institutional pressures on FIEs at the country level and the firm level, we further capture the heterogeneous institutional environment across regions and incorporate subnational institutional factors in our analyses. Regarding specific institutional forces, we follow the institution-based view in strategic management to highlight the fact that FIEs' strategic choices of CPS are “a reflection of the formal and informal constraints of the particular institutional framework” that FIEs confront (Peng et al., 2008, p. 923). Integrating these two institutional approaches, we therefore investigate how formal institutions such as laws and government regulations and informal institutions such as culture and norms at multiple levels affect an FIE's CPS. Second, departing from much of the existing CPS literature that focuses on either individual or collective CPS (Ahlstrom et al., 2008; Jacomet, 2005; Schuler et al., 2002), we simultaneously examine FIEs' adoption of multiple firm-based political tactics, different types of collective-oriented associational activities, and the relation between these two forms of CPS. Our research reveals that in addition to firm-based political tactics, FIEs join trade associations as an important venue of CPS, which can also facilitate FIEs' adoption of firm-based political tactics. These findings extend the research scope of the literature and depict a more comprehensive and dynamic picture of FIEs' CPS. Finally, through originally collected survey data, our empirical work focusing on China has both theoretical significance and important practical implications. As the largest emerging economy China has experienced a dramatic market transition yet with different levels of economic reforms and market development across regions; its complex institutional environment thus offers an ideal research context to enrich institutional analyses at multiple levels to achieve a deeper understanding of CPS in a

non-Western context (cf. Peng et al., 2008). Moreover, China has become one of the largest markets attracting foreign investments. Therefore our study also has broad and important practical implications for prospective investors and FIEs in China in order to better prepare or adapt.

The remainder of this paper first discusses firm-based and collective political activities as the two general types of FIEs' CPS in China. We then develop an institutional argument and a set of hypotheses on the determinants of FIEs' strategic choices. We test these hypotheses based on an original dataset collected from 442 FIEs in China. Finally, we discuss our findings and draw conclusions.

2. Firm-based and collective cps in emerging economies

Emerging economies differ from developed market economies in that the former are not well developed institutionally, and alternative mechanisms are often necessary to govern economic activities (Boisot & Child, 1996; Peng, 2003; Peng & Luo, 2000). In these economies an opaque policy-making process, a norm of government–business cooperation, poorly defined or enforced contract laws, and wide discretion of government officials in state-policy implementation put a premium on good relationships with the government (Kennedy, 2007). Since FIEs are further prone to the “liability of foreignness,” it is generally important for FIEs to maintain a sound relationship with the host government in order to establish legitimacy in the new environment and facilitate business operations (Ahlstrom et al., 2008; Sanyal & Guvenli, 2000).

Being the major stakeholder and the center of political power, the Chinese government plays a role in nearly all aspects of economic life. To succeed in such an environment, firms use political strategies individually or collectively to manage environmental uncertainties and government interference (Ahlstrom & Bruton, 2001; Tsang, 1996). These strategies range from passive conformance to official requirements, to active manipulation of the institutional environment so as to shape firms' public image or obtain government support (Ahlstrom et al., 2008). Some popular tactics include actively participating in local government-sponsored events and activities, pursuing a good relationship with and acquiring recognition from government agencies, and hosting visits from government officials (Ahlstrom et al., 2008; Gold, Guthrie, & Wank, 2002; Kennedy, 2007; Mondejar & Zhao, 2013). All these tactics help an FIE to engage and build a better relationship with the host government.

Unlike the firm-based political strategies that have received the most attention in the extant literature, collective political strategies have largely been neglected (Kennedy, 2007). Studies show that trade associations play an important role in CPS in advanced democracies (Aldrich & Staber, 1988; Barley, 2010; Hillman & Hitt, 1999) and also in the international business context (Hansen & Mitchell, 2000; Jacomet, 2005). As firms pool economic and political resources, collective-oriented associational activities have advantages over firm-based political tactics due to gaining higher bargaining power, lobbying more effectively, having broader public influence, and generating a positive image of the entity (Barley, 2010; Drope & Hansen, 2009; Jacomet, 2005). Since formal, effective institutional rules are absent in China's emerging economy, network connections with other firms and with trade associations provide important “structural support” (Xin & Pearce, 1996). In this context, trade associations have important political functions and serve as key communication channels with the government (Ahlstrom et al., 2008; Deng & Kennedy, 2010).

While both domestic and foreign trade associations thrive in China's emerging economy, they have different implications.

Domestic trade associations have a close relationship with the local government (Kennedy, 2007). Governments may provide partial or full financial support to some of these associations. Moreover, these associations are also very likely to invite retired government officials to be the nominal or actual leader of their organizations. These close institutional connections with governments facilitate communication with the local regularly agencies, lobby on behalf of firms or industries, and pursue favorable policies (Ahlstrom et al., 2008; Deng & Kennedy, 2010). In contrast, foreign trade associations face more constraints in China. According to Chinese law each foreign country can register only one trade association, yet foreign trade associations have become increasingly visible in China. These associations often have linkages with FIEs' home countries, and they actively lobby governments in both the host and home countries on behalf of their members (Kennedy, 2007). As an example, the American Chamber of Commerce in China aims to help American companies succeed through advocacy, information, networking, and business support services. It provides "a platform for them to interact with each other and the Chinese and U.S. governments," and structurally it has a regular department of government relations in charge of government affairs and cooperative activities (AmCham China, 2015).

Among various firm-based political strategies and collective associational activities, some FIEs choose to stay out of politics in the host country to avoid government intervention, which is particularly sensible in China given the horrendous level of corruption among government officials (Sanyal & Guvenli, 2000). Instead, these FIEs tend to value and maintain a close connection with the foreign business community. In contrast, other FIEs may strive to adapt to the local institutional environment and use a strategy of high involvement, employing extensive political tactics to engage the host government. When taking the collective-oriented associational approach, they actively pursue membership in domestic business associations. Some FIEs even utilize domestic associations to a greater extent than domestic firms to achieve their political goals (Kennedy, 2007).

Overall, while CPS is generally valuable, FIEs have the latitude to choose different responses to local institutional pressures, and they have high discretion in making choices (Kostova et al., 2008). *Given the wide choices available to FIEs, what factors affect their CPS in the complex institutional environment of an emerging economy?* To address this question, below we develop an institutional explanation of the different stances of FIEs' CPS.

3. Theory and hypotheses

While the mainstream research in strategic management has explained organizations' strategic choices from the industry- or resource-based perspective, Peng et al. (2009) emphasize that institutional contexts and forces are the key factors shaping organizational strategies, which is particularly salient in emerging economies with complex and changing institutional environments (Peng et al., 2008). From this institutional-based view, it is important to scrutinize the intricate institutional environments surrounding FIEs to examine their different strategic choices in CPS.

Related to this, in the international business field Kostova and her colleagues highlight the distinct institutional environment surrounding FIEs. Unlike a domestic firm, the fact that an FIE is embedded in fragmented and more dynamic institutional environments (Kostova et al., 2008) forces it to face the dual institutional pressures originating from its home and host countries (Kostova & Roth, 2002). On the one hand, an FIE experiences institutional influence from its home country. Since an FIE often faces fierce competition in the international market, it also tends to value a global view and foreign connections. On the

other hand, in a distinct local institutional environment an FIE needs to overcome the "liability of foreignness" and adapt to the local environment so as to fit in with the host country and gain legitimacy (Kostova, 1999). These two competing institutional forces provide different cognitive knowledge, social norms, and regulative policies, which prescribe different role models and scripts for an FIE (Kostova et al., 2008).

Under such institutional duality, an FIE's strategic choices are shaped by the strength and features of its institutional connections to the two sides. In a sense, these strategic choices reflect a tug of war between the institutional forces of an FIE's host country and those of its home country. The resulting strategy depends on which side of these institutional pressures (often channeled through organizational linkages with the environments) is more potent and exerts a stronger impact on the FIE.

We thus followed Kostova (1999) and Kostova and Roth (2002) to adopt and further extend their multilevel analyses in order to examine how the dual institutional pressures and organizational linkages at both the environment and firm levels affect FIEs' strategic choices. On the one hand, the macrolevel institutional environments and institutional gaps between home and host countries can affect FIEs' strategic choices. While Kostova and her colleagues mainly focus on the national level, in our research context we further extended the analysis to the subnational level and emphasized the important role of regional environment in shaping FIE strategy due to different levels of development of market institutions and varied political opportunity structures within an emerging economy (Kozhikode & Li, 2012; Shi (Stone), Sun, & Peng, 2012). In addition to the macro institutional environment, Kostova and her colleagues also emphasize that the "relational context" linking a subsidiary to its foreign parent is extremely important to an FIE's strategic choice because "it influences the way such pressures from the home country are interpreted and perceived by a foreign subsidiary" (Kostova & Roth, 2002, p. 218). We further examined the linkage of an FIE to multiple local stakeholders on both sides, including the host government and the indigenous parent firm.

When adopting multilevel analysis, we covered both formal and informal institutional factors to further capture the complex institutional environments in emerging economies. At the country level, we particularly considered the distance in national culture (as a key informal institution) between China and an FIE's home country to capture crucial institutional gaps that affect FIEs' CPS. At the sub-national level, we examined the development of market institutions and city characteristics to highlight the impact of formal constraints (e.g., government regulations) and the associated informal forces (e.g., market-oriented norms) on FIEs' CPS. Organizational linkages at the firm level can also channel institutional pressures. Accordingly, we contend that some firms (e.g., joint ventures, those firms dependent on the Chinese government, and the parent firm) would be more prone to the pressure derived from formal institutions (government regulations and rules); they are also more likely to gain knowledge and be more willing to adopt local practices (e.g., network practices) inscribed by Chinese culture and norms, which are the key component of informal institutions.

To summarize our multilevel analyses of both formal and informal institutional factors, Fig. 1 illustrates our theoretical model and guides our hypothesis development. Below we elaborate on our hypotheses to predict how institutional factors, both formal and informal, at three levels (country, region, and firm) affect FIEs' different stances on firm-based political tactics and choices of two different types of collective CPS. We further examine how collective-oriented CPS can influence firm-based CPS.

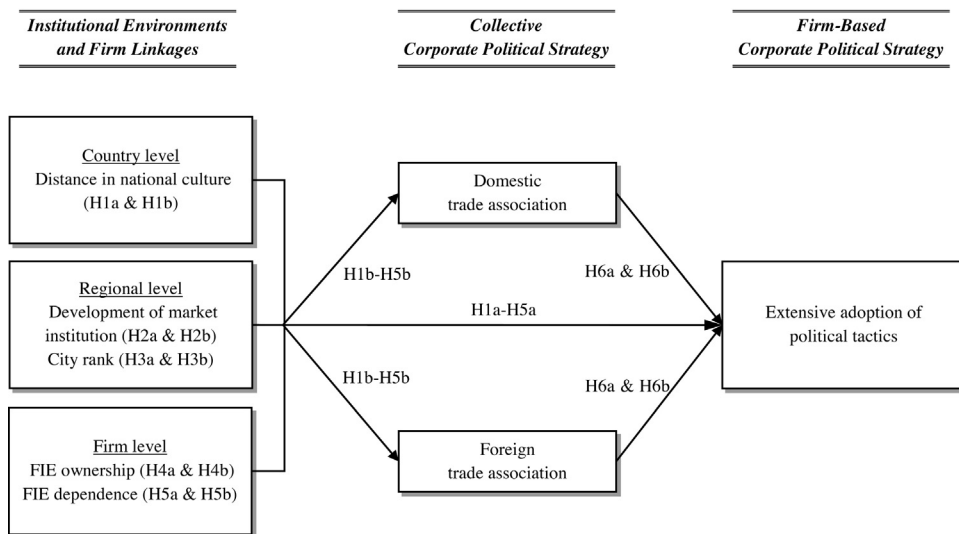


Fig. 1. An institutional model of FIEs' firm-based and collective CPS.

3.1. National context and institutional impact at the country level

The different institutional backgrounds of an FIE's home country can shape its organizational orientation and behavior. We captured country variations by focusing on the more-specific national culture of an FIE's home country and its cultural distance from the host country, which have been demonstrated to be powerful in affecting an FIE's strategic choices (e.g., Demirbag, Glaister, & Tatoglu, 2007; Estrin, Baghdasaryan, & Meyer, 2009; Salomon & Wu, 2012). When the national cultures of an FIE's home and host countries are similar, there is more common ground in the philosophical and cultural underpinning of organizational orientation and practices. Cultural similarities also enhance communication quality and foster mutual trust. Consequently, FIEs have fewer cultural and cognitive barriers in connecting with the host government and with the local business community. In contrast, some countries, such as developed Western countries, have different cultural and value systems from those in China, which shape different views and forms in CPS (Hillman, 2003; Hillman & Wan, 2005). FIEs from such home countries tend to maintain their connections with the foreign business community and are more likely to use foreign trade associations as collective leverage in CPS. Such a large cultural distance between an FIE's home and host countries makes the FIE less willing to appreciate subtle *guanxi* practices and adapt to indigenous political activities in order to engage the host government and the local business association (Campbell, Eden, & Miller, 2012; Gamble, 2003; Taylor, Beechler, & Napier, 1996). Based on these considerations, we hypothesize that:

H1a. Cultural distance between an FIE's home and host countries is negatively associated with the extensivity of employing firm-based political tactics to engage the host government.

H1b. Cultural distance between an FIE's home and host countries is negatively associated with the likelihood of joining a Chinese trade association, but is positively associated with the likelihood of joining a foreign trade association.

3.2. Subnational context and regional institutional environments

In addition to country-level institutional and cultural influences, emerging economies are often characterized by heterogeneous institutional environments at the subnational level. In China there is significant variation in government power and regulation,

development of legal systems, and market infrastructure across provinces in various geographic regions (Fan, Wang, & Zhu, 2007). Such uneven development in market institutions and a fragmented market environment impose different regional institutional contexts on FIEs. While some regions have made major strides in market development, other regions have been slow in the promarket transition. A region with a higher level of development of market institutions tends to be more open to the global market and accommodate market-oriented norms and practices, which weakens traditional *guanxi* practices including networking with the government (Guthrie, 1998; Peng, 2003). In contrast, a region lagging behind in market institution development tends to have a more locally oriented economy and inherits more traditional structures and practices of the socialist command economy. In such a region the government continues to play a central role in local economic life, and the institutional gap with the international market force is even larger; strong regulative power and traditional norms thus impose higher pressure on FIEs to localize their practices and engage the host government. In this sense, when formal market institutions are underdeveloped an informal governance structure, including networking with the government, becomes very important in business strategy and success (Peng et al., 2009). Based on these considerations, we predict that:

H2a. FIEs located in a region with a lower level of development of market institutions tend to employ firm-based political tactics more extensively in order to engage the host government.

H2b. FIEs located in a region with a lower level of development of market institutions are more likely to join a Chinese trade association, but are less likely to join a foreign trade association.

Governmental orientations and roles further vary across cities under different-level administrative jurisdictions. In those metropolitan cities with a higher-ranked government jurisdiction, formal market institutions are better developed and the internationalization trend is more imperative. Therefore, FIEs located in those areas are more attuned to the global market and connections with the foreign business community. In contrast, in a lower-ranked city, the formal market institutions are generally less developed, and the business community is also more locally oriented. Moreover, as a lower-level government is less prone to the direct and tight control of the bureaucratic central government, it usually possesses a higher discretionary power in implementing local economic policies and driving socioeconomic development.

While the central and provincial governments often emphasize separation of administrative power from business operations, a lower-level government in a smaller city often penetrates more deeply into the business community and is more involved in business operations, which nurtures the patron-client relationship (Kennedy, 2007). In this environment, FIEs would feel higher regulative and normative pressures to engage in informal networking with the local government and domestic association to establish more-extensive local political and business connections. A survey shows that “80 percent of companies agree that good *guanxi* with local government is more important than with the central government” (Deng & Kennedy, 2010, p. 110), suggesting the greater involvement and regulative power of local government in business. From a different perspective, because FIEs often play a key role in local economic development, they also have a greater leverage to influence the lower-level government through active engagement with government agencies or trade associations. All these help create a more favorable “political opportunity structure” and more sensible environment to stimulate FIEs’ CPS. Based on these considerations, we predict that:

H3a. FIEs located in a lower-ranked city tend to employ firm-based political tactics more extensively in order to improve their relations with the host government.

H3b. FIEs located in a lower-ranked city are more likely to join a Chinese trade association, but are less likely to join a foreign trade association.

3.3. Relational context and firm-level institutional linkages

The relational dynamics between FIEs and their parent companies are also important in investigating the institutional duality that affects firm strategy and practice (Hillman & Wan, 2005; Kostova, 1999; Kostova & Roth, 2002). Empirical evidence also indicates that organizational background and linkages with external and domestic institutions are important for filtering institutional pressure and shaping firms’ orientation and strategic choices (Ahmadjian & Robbins, 2005; Fiss & Zajac, 2004). In China’s context, firm-level linkages with institutional environments, particularly through FIE ownership and dependence on the foreign and domestic sides, can also affect an FIE’s CPS.

Firm ownership is an important factor in shaping FIEs’ CPS (Hillman et al., 2004). Wholly foreign-owned companies have a closer connection with their home country and stronger orientation toward the foreign business community. They feel less pressure to directly engage the local government and business community (Sanyal & Guvenli, 2000). In contrast, joint ventures with Chinese firms have structural connections with the local government and business circles. They are cognitively and culturally more embedded in the local environment. Moreover, their employees, often recruited through their Chinese partners, are more heavily influenced by Chinese traditional practices. Such structural connections and institutional linkages strengthen FIEs’ localization tendency and pressure them to more actively engage the host government and local business community. Thus

H4a. Compared to wholly foreign-owned firms, joint ventures tend to employ firm-based political tactics more extensively in order to target the host government.

H4b. Compared to wholly foreign-owned firms, joint ventures are more likely to join a Chinese trade association, but are less likely to join a foreign trade association.

An FIE’s dependence on the parent company or the host government can generate coercive and regulative pressure in the

area of organizational identification and strategic choice (Kostova, 1999; Kostova & Roth, 2002), leading to more compliance with institutional mandates (DiMaggio & Powell, 1983; Guler, Guillén, & Macpherson, 2002). When an FIE relies heavily on its foreign parent company for crucial resources, it is likely to conform to the cognitive framework, normative expectations, and regulatory rules of the FIE’s home country to achieve internal legitimacy with its parent company (Hillman & Wan, 2005; Kostova, 1999). In contrast, more dependence on the domestic parent firm and local government agencies pressure an FIE to adopt a stronger localization orientation and conform to local practices, including closely engaging the host government and local business association. Therefore:

H5a. FIEs with a higher level of dependence on the foreign parent firm tend to use political tactics less extensively in order to engage the host government, while those with a higher level of dependence on the domestic parent firm or local government agencies tend to do so more extensively.

H5b. FIEs with a higher level of dependence on the foreign parent firm are more likely to join a foreign trade association, while those with a higher level of dependence on the domestic parent firm or local government agencies are more likely to join a Chinese trade association.

3.4. Connections between collective and firm-based CPS

Because firm-based political tactics and collective-oriented associational activities are often treated as two distinct types of CPS, their relationship and connections are rarely examined and largely remain unclear (Hansen et al., 2004). To extend this line of research, we further examined the intricate relationship between associational activities (i.e., joining foreign or domestic trade associations) and firm-based political tactics. We view associational activities and firm-based political tactics as complementary, and argue that the former can nurture the development of the latter. Both domestic and foreign business associations lobby the host government to pursue favorable treatment by disseminating industry information and promoting association agendas (Peng & Luo, 2000; Unger, 1996; Wank, 2002). Through these associations firms can establish a communication channel with officials to better engage the host government (Ahlstrom et al., 2008). The associational process, via social learning and interaction (Galaskiewicz & Burt, 1991), can also enhance awareness and sensitivity of CPS and offer opportunities for an FIE to imitate other members by employing more-sophisticated political tactics. In China business associations are often semiofficial entities organized and supervised by the government (Ahlstrom et al., 2008; Wank, 2002). Therefore engaging in associational activities enables FIEs to better access government agencies and acquire better knowledge about state policies; it also helps FIEs seek out and seize opportunities to interact with officials that breed firm-based political tactics. Based on these considerations, we predict that:

H6a. Affiliation with a domestic or foreign business association enhances an FIE’s extensity in using firm-based political tactics to target the host government.

We further expect that joining a domestic versus a foreign trade association exerts a *differential* impact on enhancing an FIE’s activeness in adopting firm-based political tactics. As discussed above, domestic trade associations tend to have a closer relationship with the Chinese government (Kennedy, 2007). By joining a domestic trade association, FIEs can gain better access to government agencies and officials, mobilize more-extensive local networks, and acquire deeper knowledge about subtle *guanxi* practices. Embedded more deeply in the local environment, these

FIEs mimic other local firms in the domestic association by using refined firm-based political tactics to engage the host government. In contrast, foreign trade associations face institutional constraints regarding direct interaction with the Chinese government. For example, Chinese government officials may keep their distance from foreign trade associations due to their “illegal” organizational status under the constraint on registration (Han, 2012). FIEs affiliated with foreign trade associations also have a higher learning curve in becoming familiar with local political tactics for engaging the host government. Compared to domestic trade associations, foreign trade associations are thus less effective in serving as a bridge between FIEs and the host government. Moreover, to achieve their political goals members of foreign trade associations have the option of turning to their home countries to pressure the Chinese government on their behalf rather than directly engaging the host government (Kennedy, 2007, p. 188). Based on these considerations, we hypothesize that:

H6b. Compared to those affiliated with a foreign trade association, FIEs affiliated with a domestic trade association are more active in employing firm-based political tactics to engage the host government.

4. Methods

4.1. Data

Our data were drawn from a survey of 442 FIEs in China in 2007. The data contained detailed information on multiple firm-based political tactics and collective-oriented associational membership. The vast majority of the data were collected from China's northern coastal region, including Liaoning, Beijing, Tianjin, Shandong, and north of Jiangsu, which has received sizable foreign investments because of its coastal location and favorable policies from the central government. This region is also home to FIEs from a wide array of foreign countries and economies, such as developed Western countries in Europe and North America and later industrialized economies in Asia (e.g., Japan, Korea, Taiwan, and Hong Kong).

It has been well documented that the response rate to mail surveys of organizational studies in China has been extremely low (<10%) (Zheng, Morrison, & O'Neill, 2006). Moreover, some of the questions related to CPS also touch on sensitive issues. To address these concerns and ensure the data quality in our survey, we adopted a similar strategy as in many extant organizational studies in China (Akhtar, Ding, & Ge, 2008; Farh, Tsui, Xin, & Cheng, 1998; Zhou, Zhao, Li, & Cai, 2003) and relied on several local research partners and utilized their extensive connections with the local business community to secure cooperation from FIEs. We then recruited and trained graduate students from local universities' social science and business programs to conduct face-to-face interviews to complete the questionnaire. The chief respondent was often the company's general managers or other senior managers. The interviewers were also instructed to contact, whenever possible, other members of senior management team to obtain and verify crucial information. After data cleaning, 398 of the 442 surveyed FIEs were retained for statistical analysis. The sample covers a wide range of FIE home countries, types of ventures, city locations, and organizational dependence levels, which is ideal for conducting our test.

4.2. Dependent variables

To probe FIEs' use of *firm-based political strategies*, we followed popular measures developed in China's context and asked if an FIE

had ever adopted any of four important political tactics: participating in a government-sponsored public service activity, participating in a government-organized investment attraction activity, actively pursuing and acquiring recognition from a government agency, or hosting a visit from government officials (Ahlstrom et al., 2008; Luo & Zhao, 2013; Mondejar & Zhao, 2013). We then created two variables indicating the extensivity of firm-based CPS. We first created a continuous variable to summarize the information obtained from the above four items. We conducted a factor analysis using the principle component factor method for the four items and applied varimax rotation techniques. The analysis yielded only one factor with eigenvalue greater than 1. We then obtained the loadings and predicted the value of the resulting variable for firm-based CPS (factor score). Due to the binary character of the items we used, polychoric loadings were obtained and used in the calculation process (Lee, Poon, & Bentler, 1994). We also calculated the total number of different firm-based CPS that a firm has adopted and used that as a count dependent variable for firm-based CPS (count score). To measure different forms of *collective CPS*, as suggested by prior literature we focused on FIEs' associational activities and asked each FIE if it was (1) a member of a Chinese regional or industry-based trade association, or (2) a member of a foreign trade association in China. We used a binary coding (yes = 1) for each of these two variables.

4.3. Independent variables

We incorporated three sets of variables to capture the institutional characteristics and linkages at the country, regional, and firm levels. At the country level, we focused on the cultural distance between China and an FIE's home country. *Cultural distance* was constructed by using the Kogut and Singh (1988) formula, which is based on Hofstede's national culture scores on four culture dimensions: uncertainty avoidance, power distance, masculinity-femininity, and individualism-collectivism. Specifically, we measure the overall cultural distance between each FIE home country j and China as

$$CD_j = \frac{1}{4} \sum_{i=1}^4 \frac{(I_{ij} - I_{ic})^2}{V_i}$$

where I_{ij} is the Hofstede's score for cultural dimension i of country j , c indicates China, and V_i represents the variance of the Hofstede index for the cultural dimension i .

The second set of independent variables focuses on regional institutional environments. To measure the level of development of market institutions at a province level, we used the *marketization index* developed by China's National Economic Research Institute (Fan et al., 2007). The index is developed based on components in five major areas: size of the government in the regional economy, legal frameworks, economic structure, interregional, factor-market development, and trade barriers. To measure the administrative rank of the cities where firms are located, we incorporated three categories: municipalities (Beijing and Tianjin), provincial capitals or deputy-provincial level cities, and prefecture-level cities.

The third set of independent variables measures firm-level institutional linkages. Based on *ownership structure*, we classified FIEs into wholly foreign-owned firms and joint ventures with Chinese firms. To measure an FIE's *level of dependence* on foreign parent firms or Chinese parent firms, we asked respondents to evaluate the degree to which they depend on these entities along the following four dimensions: raw material supply, technology and equipment, marketing, and financing. To measure an FIE's dependence on local government agencies, we included two more

Table 1
 Descriptive statistics and correlations of variables.

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12
1 Domestic association member	0.43	0.50												
2 Foreign association member	0.31	0.46	0.24											
3 CPS (factor score)	0.00	1.00	0.45	0.24										
4 CPS (factor score)	1.93	1.55	0.45	0.24	0.97									
5 Cultural distance	2.08	1.22	-0.08	0.07	-0.23	-0.23								
6 Marketization index	8.48	0.85	0.01	-0.06	0.00	0.00	-0.01							
7 Municipalities	0.29	0.46	-0.05	0.06	-0.18	-0.18	0.08	0.15						
8 Provincial capitals	0.44	0.50	-0.09	-0.10	-0.17	-0.17	0.15	-0.22	-0.51					
9 Prefectures	0.27	0.44	0.15	0.05	0.35	0.35	-0.23	0.10	-0.35	-0.62				
10 Venture type (Joint venture = 1)	0.45	0.50	0.23	-0.09	0.28	0.28	-0.13	0.17	-0.17	-0.10	0.26			
11 Dep. on government agency	13.65	5.61	0.23	0.16	0.30	0.31	-0.01	-0.01	-0.20	-0.04	0.22	0.13		
12 Dep. on foreign parent firm	7.67	3.76	0.07	0.29	0.07	0.07	0.20	-0.13	-0.07	0.14	-0.09	-0.17	0.40	
13 Dep. on Chinese parent firm	7.82	4.73	0.20	-0.05	0.30	0.30	-0.13	0.11	-0.25	-0.17	0.42	0.43	0.35	-0.01
14 Firm age	1.61	0.89	0.17	0.16	0.22	0.22	0.01	0.06	0.11	-0.03	-0.06	-0.00	0.02	0.07
15 Firm size	4.88	1.66	0.31	0.21	0.47	0.47	-0.06	0.11	-0.10	-0.02	0.10	0.14	0.24	0.17
16 Market status	3.87	0.87	0.09	0.12	0.21	0.20	0.08	0.04	0.18	-0.05	-0.11	-0.02	-0.04	0.11
17 Service industry	0.25	0.43	-0.02	0.00	-0.11	-0.12	-0.08	0.09	0.41	-0.22	-0.13	-0.02	-0.10	-0.10
18 Heavy industry	0.26	0.44	-0.05	0.05	0.05	0.05	0.14	-0.01	-0.15	0.23	-0.11	-0.02	0.14	0.20
19 Light industry	0.38	0.49	0.07	-0.06	0.14	0.14	-0.10	-0.07	-0.32	0.01	0.29	0.09	0.03	-0.11
20 High-tech industry	0.10	0.31	-0.01	0.02	-0.15	-0.15	0.09	0.01	0.16	-0.03	-0.12	-0.07	-0.10	0.04
21 CEO gender (Male = 1)	0.83	0.37	0.03	0.01	0.03	0.03	0.13	-0.12	-0.15	0.15	-0.03	0.06	0.05	0.05
22 CEO age	44.30	7.38	0.05	-0.01	0.07	0.07	0.09	-0.20	-0.03	0.18	-0.16	-0.00	-0.05	0.08
23 CEO nationality (China = 1)	0.67	0.47	0.02	-0.25	0.15	0.15	-0.33	0.17	-0.13	-0.13	0.26	0.34	-0.03	-0.32
24 CEO China experience	3.62	0.63	0.01	-0.21	0.06	0.06	-0.14	0.21	-0.09	-0.12	0.21	0.24	-0.07	-0.30
25 CEO education	5.07	0.92	0.01	0.12	-0.04	-0.04	0.12	0.12	0.28	-0.01	-0.24	-0.09	0.11	0.24
Variables	13	14	15	16	17	18	19	20	21	22	23	24	25	
14 Firm age	-0.07													
15 Firm size	0.10	0.27												
16 Market status	-0.10	0.19	0.33											
17 Service industry	-0.10	0.06	-0.21	-0.02										
18 Heavy industry	0.00	-0.01	0.04	0.10	-0.33									
19 Light industry	0.16	-0.06	0.12	-0.10	-0.44	-0.49								
20 High-tech industry	-0.12	0.01	0.05	0.04	-0.18	-0.20	-0.27							
21 CEO gender (Male = 1)	0.06	-0.08	0.01	0.01	-0.12	0.11	0.04	-0.03						
22 CEO age	-0.15	0.10	0.05	0.06	-0.11	0.17	0.01	-0.11	0.29					
23 CEO nationality (China = 1)	0.25	-0.04	-0.04	-0.07	0.03	-0.17	0.14	-0.03	-0.05	-0.25				
24 CEO China experience	0.21	-0.01	-0.06	0.00	0.01	-0.14	0.07	0.07	-0.18	-0.16	0.64			
25 CEO education	-0.17	0.14	0.08	0.16	0.16	0.05	-0.29	0.16	0.00	-0.05	-0.18	-0.19		

items—infrastructure and employee recruitment. Each item was measured on a five-point scale, with one indicating no dependence at all and five indicating complete dependence.

We included several variables to control the effects of other major economic and firm characteristics. *Firm age* refers to the number of years an FIE had operated in China as of 2007. *Firm size* refers to the total number of employees. We used the logarithm transformation of these two variables to correct their skewed distributions. *Firm's market status* refers to the respondent's evaluation of their firm's position in the principal industry, including five ranked categories (1–5) from “the bottom group” to “the top three.” Sampled firms were divided into four industry groups: *heavy industry*, *light industry*, *high-tech industry*, and *service industry*.

To account for the impact of the CEO's personal characteristics on a firm's use of CPS, we included five control variables. CEO gender is a dummy variable with female CEO as the reference category. CEO nationality is a dummy variable with foreign CEOs as the reference category. The survey asked the respondents to evaluate the CEO's familiarity with the Chinese context. Its value ranged from one (not familiar at all) to four (very familiar). We used this measure as a proxy for CEO's experience in China. CEO's education is an ordinal variable ranging from one (middle school graduate) to six (postgraduate degree). Descriptive statistics are reported in Table 1.

4.4. Models

Data used in this analysis have a clustered structure because we are modeling the effects of the provincial institutional environment on the outcome variables, and for each province multiple

firms exist, and in the meantime firms are also clustered in terms of their country of origin. This clustering violates the statistical assumption about the independent observation of traditional regression methods. Thus we take into account the within-cluster correlation to account for the parameters' standard errors, which may be biased. We therefore used a cross-classified multilevel mixed effects model to estimate the effects of the covariates in Stata. We specified two random effects, i.e., province and country of origin as two levels to classify FIEs (Raudenbush & Bryk, 2002). Since in the firm-based CPS analyses our dependent variables are continuous and count variables, we chose Gaussian and Poisson link functions for each model.

Regarding collective CPS, we recognize that an FIE can be a member of both foreign and domestic trade associations at the same time. We thus adopted a bivariate probit model to estimate the likelihood of joining domestic and foreign trade associations. The models have a structure similar to that of the seemingly unrelated regression (SUR) models that assess correlations among the error terms of different equations. The models contain two equations, each of which focuses on one type of associational activity. More formally, we estimate

$$y_{i1}^* = \beta_{t1}X_{i1} + \epsilon_{i1}, \quad \text{where } y_{i1} = \begin{cases} 1 & \text{if } y_{i1}^* > 0 \\ 0 & \text{otherwise} \end{cases}$$

$$y_{i2}^* = \beta_{t2}X_{i2} + \epsilon_{i2}, \quad \text{where } y_{i2} = \begin{cases} 1 & \text{if } y_{i2}^* > 0 \\ 0 & \text{otherwise} \end{cases}$$

where X_{im} ($m = 1, 2$) is a matrix of covariates identical among firms, and β_m is a vector of parameters. Also,

Table 2
 Multilevel random effect models predicting FIEs' adoption of firm-based CPS.

	M1: CPS (factor score)		M2: CPS (count score)	
	Coef.	SE	Coef.	SE
Independent variables				
Cultural distance	−0.073	0.037 [†]	−0.042	0.021 [†]
Marketization index	−0.273	0.061 ^{***}	−0.237	0.061 ^{***}
Firm location (ref: <i>Municipalities</i>)				
Provincial capitals	0.306	0.142 [†]	0.201	0.147
Prefectures	0.598	0.110 ^{***}	0.453	0.104 ^{***}
Venture type (ref: <i>Wholly foreign owned firms</i>)	0.166	0.096 [†]	0.156	0.076 [†]
Dep. on government agency	0.023	0.009 ^{**}	0.017	0.002 ^{***}
Dep. on foreign parent firm	0.006	0.013	0.006	0.012
Dep. on Chinese parent firm	0.022	0.011 [†]	0.016	0.008 [†]
Control variables				
Firm age (log)	0.195	0.049 ^{***}	0.165	0.050 ^{**}
Firm size (log)	0.214	0.030 ^{***}	0.175	0.028 ^{***}
Firm market status	0.108	0.052 [†]	0.113	0.054 [†]
Industry type (ref: <i>Service industry</i>)				
Heavy industry	−0.004	0.130	−0.042	0.133
Light industry	−0.111	0.127	−0.103	0.127
High-tech industry	−0.301	0.157 [†]	−0.347	0.174 [†]
CEO gender (ref: <i>Female</i>)	−0.057	0.129	−0.071	0.131
CEO age	0.010	0.006	0.009	0.006
CEO nationality (ref: <i>Foreign</i>)	0.198	0.131	0.207	0.084 ^{**}
CEO China experience	−0.081	0.096	−0.104	0.095
CEO education	0.016	0.047	−0.006	0.048
Constant	−0.081	0.744	0.838	0.747
N	335		335	
Wald-Chi2	283		169	

[†] $p < 0.1$.
^{*} $p < 0.05$.
^{**} $p < 0.01$.
^{***} $p < 0.001$ (Two-tailed tests).

$$E[\epsilon_{i1}] = E[\epsilon_{i2}] = 0$$

$$Var[\epsilon_{i1}] = Var[\epsilon_{i2}] = 0$$

$$Cov[\epsilon_{ij}, \epsilon_{ik}] = Cov[\epsilon_{ik}, \epsilon_{ij}] = \rho_{jk} = \rho_{kj}, j, k \in [1, 2]$$

The models were estimated using a simulated maximum likelihood estimator (in particular, the Geweke–Hajivassiliou–Keane [GHK] simulator), which is asymptotically consistent and equivalent to the true maximum likelihood estimator since the ratio of the square root of sample size to the number of draws tends to zero. We used the Huber-White (heteroscedasticity-consistent) estimator to calculate standard errors.

We further examined the relationship between collective associational activities and firm-based political tactics (H6a and H6b). As shown in Fig. 1, to estimate the effects of trade association memberships on the extensity of firm-based CPS, we specified a path model to parse out these relationships. We used M-plus to estimate the parameters as well as possible correlation between the error terms of foreign and domestic association memberships.

5. Results

5.1. Institutional factors and firm-based political tactics

Table 2 shows the results of multilevel random effects models predicting the adoption of firm-based political tactics (H1a–H5a).

We first examined the effects of country-level factors. H1a postulates that the cultural distance between an FIE's home and host countries is negatively associated with the extensity of using firm-based CPS. In model 1 we used multilevel random effects models with a Gaussian link function to estimate the effects of covariates on the continuous dependent variable – the factor score of firm-based CPS. Since in model 2 the dependent variable is a count variable, we thus used a Poisson link function to estimate the

effects of covariates. Both model 1 and model 2 show significantly negative effects for cultural distance. This indicates that a greater cultural distance inhibits firms' intensive use of firm-based CPS because these firms lack a deeper understanding of the local culture and norms, which presents a salient barrier in this aspect.

We then examined the effects of regional institutional factors. H2a predicts that FIEs located in regions with a higher level of marketization tend to employ political tactics less extensively when engaging the host government. Consistent with this hypothesis, the marketization index has a significantly negative effect in both models. H3a further predicts that FIEs located in a lower-ranked city employ these political tactics more extensively. Compared to FIEs located in municipalities, those located in prefecture cities adopt firm-based CPS more extensively, as indicated in both models. In contrast, the coefficient of provincial capitals is only significant in model 1, which lends partial support to the hypothesized relationship.

We next examined the effects of firm-level institutional linkages. The results in both models show that compared to wholly foreign-owned firms, joint ventures were indeed using firm-based CPS more extensively. This lends strong support to H4a. H5a predicts that FIEs with a high level of dependence on their foreign parent firm will employ political tactics to a lesser extent, while those with a higher level of dependence on the Chinese parent firm or local governments will do so more extensively. The results of both models show that a higher level of dependence on Chinese parent firms has a positive effect on FIEs' participation in firm-based CPS. Dependence on local government agencies is also significantly and positively associated with the extensity of using CPS. However, neither model indicates that a higher dependence on foreign parent firms could reduce the extensity of using firm-based CPS. These findings lend partial support to H5a.

Table 3
 Bivariate probit models predicting FIEs' collective CPS.

	M1: Domestic Trade Association Membership		M2: Foreign Trade Association Membership	
	Beta	SE	Beta	SE
Independent variables				
Cultural distance	-0.065	0.031 [†]	0.007	0.004
Marketization index	-0.076	0.038 [†]	-0.137	0.078 [†]
Firm location (ref: <i>Municipalities</i>)				
Provincial capitals	0.083	0.266	-0.828	0.281 ^{**}
Prefectures	0.181	0.075 ^{**}	-0.606	0.090 ^{**}
Venture type (ref: <i>Wholly foreign owned firms</i>)	0.454	0.082 ^{***}	0.010	0.126
Dep. on government agency	0.037	0.011 ^{***}	0.013	0.017
Dep. on foreign parent firm	0.003	0.015	0.077	0.034 [†]
Dep. on Chinese parent firm	0.022	0.020	-0.031	0.013 [†]
Control variables				
Firm age (log)	0.163	0.053 ^{**}	0.184	0.082 [†]
Firm size (log)	0.173	0.037 ^{***}	0.127	0.066 [†]
Firm market status	0.053	0.026 [†]	0.038	0.147
Industry type (ref: <i>Service industry</i>)				
Heavy industry	-0.309	0.327	-0.097	0.211
Light industry	-0.104	0.277	-0.147	0.296
High-tech industry	0.007	0.363	-0.216	0.118
CEO gender (ref: <i>Female</i>)	0.147	0.154	0.165	0.176
CEO age	0.008	0.004 [†]	-0.017	0.014
CEO nationality (ref: <i>Foreign</i>)	-0.277	0.294	-0.486	0.261
CEO China experience	0.084	0.042 [†]	-0.126	0.103
CEO education	-0.017	0.057 ^{**}	0.016	0.073
Constant	-1.624	0.484 ^{***}	0.156	1.374
N	355		Rho 21	0.391 ^{***}
Wald Chi-2	195			

† $p < 0.1$.
[†] $p < 0.05$.
^{**} $p < 0.01$.
^{***} $p < 0.001$ (Two-tailed tests).

Cluster robust standard errors reported.

Overall, the results in Table 2 indicate the nuanced impacts of institutional characteristics and linkages at the country, region, and firm levels on FIEs' adoption of firm-based political tactics. We now turn to examining how these institutional factors affect FIEs' strategic choices in pursuing collective CPS.

5.2. Institutional factors and collective CPS

Table 3 presents the results of the bivariate probit models that predict whether FIEs will be a member of domestic and foreign trade associations (H1b–H6b). Tests show that the correlation of the error terms between these two models is statistically significant (Rho = 0.39). This suggests that these two models are not independent, and it is important to use the bivariate probit models to obtain accurate estimates.

Model 1 shows that cultural distance has a significant and negative effect on joining a domestic trade association, which is consistent with H1b. In regard to the impact of the regional environment, Model 1 shows that FIEs in regions with a higher marketization level are less likely to join domestic trade associations. This partially supports H2b. Table 3 further shows that compared to FIEs in municipalities, those in prefecture cities are significantly more likely to join domestic trade associations, while FIEs in provincial capitals and prefecture cities are significantly less likely to join foreign trade associations. Overall, the results provide partial support to H3b.

With regard to the impact of firm-level linkages we found that compared to wholly foreign-owned FIEs, joint ventures are more likely to join Chinese trade associations, which is consistent with H5b. Organizational dependence also significantly affects FIEs' associational activities. FIEs that rely more on local government agencies are more likely to join domestic trade associations (Model

1), while FIEs that rely more on foreign parent firms or less on Chinese parent firms are more likely to join foreign trade associations (Model 2). These results partially support H5b. Overall, the results in Table 3 show institutional characteristics, and that linkages at the country, region, and firm levels exert considerable impact on FIEs' strategic choices in pursuing collective CPS.

5.3. The relationship between collective and firm-based CPS

Our last set of analyses focuses on the relationship between firm-based and collective political strategies as two types of CPS, an issue that has rarely been examined in the extant literature. Following our theoretical model in Fig. 1, we used M-plus to specify a path model that has a similar structure to the seemingly unrelated regression models. The only difference is that trade association memberships are endogenous to the independent and control variables, and trade association memberships in turn affect adoption of firm-based political tactics. Based on findings from the previous bivariate probit analyses, we allowed the error terms of joining foreign and domestic trade associations to be correlated. The model fit statistics in Table 4 show that the model fits the data well.

Table 4 presents the results of the path models. We found that in both models the coefficients of domestic trade association membership are positive and significant, suggesting that membership in these associations increases FIEs' extensity of using firm-based political tactics. This is consistent with H6a. We then tested H6b, which predicts that domestic trade association membership is more effective in enhancing FIEs' use of CPS. As shown in the lower left section of Table 4, the Wald tests of parameter constraints reject the null hypothesis that the

Table 4

Path models predicting relationships between firm-based and collective CPS.

	M1: CPS (factor score)		M2: CPS (count score)	
	Coef.	SE	Coef.	SE
Independent variables				
Foreign association membership	0.256	0.100**	0.187	0.087*
Domestic association membership	0.451	0.075***	0.348	0.059***
Cultural distance	−0.092	0.029**	−0.057	0.016***
Marketization index	−0.083	0.124	−0.065	0.102
Firm location (ref: <i>Municipalities</i>)				
Provincial capitals	0.012	0.182	−0.098	0.169
Prefectures	0.402	0.078***	0.265	0.080***
Venture type (ref: <i>Wholly foreign owned firms</i>)	0.137	0.081†	0.132	0.084
Dep. on government agency	0.018	0.003***	0.010	0.004**
Dep. on foreign parent firm	−0.008	0.004†	−0.006	0.004
Dep. on Chinese parent firm	0.017	0.009†	0.013	0.005*
Control variables				
Firm age (log)	0.106	0.050*	0.071	0.042†
Firm size (log)	0.150	0.026***	0.119	0.027***
Firm market status	0.136	0.066*	0.109	0.060†
Industry type (ref: <i>Service industry</i>)				
Heavy industry	0.148	0.105	0.088	0.086
Light industry	0.051	0.137	0.031	0.068
High-tech industry	−0.250	0.099*	−0.350	0.156*
CEO gender (ref: <i>Female</i>)	−0.054	0.132	−0.051	0.127
CEO age	0.012	0.006**	0.011	0.004**
CEO nationality (ref: <i>Foreign</i>)	0.275	0.040***	0.292	0.035***
CEO China experience	−0.068	0.055	−0.095	0.050*
CEO education	0.010	0.086	0.003	0.047
Constant	−1.691	1.060	−0.653	0.897
N	335		335	
Wald-Chi2	283		166	
Wald tests of parameter constraints				
$H_0: \beta_{\text{foreign association}} = \beta_{\text{domestic association}}$	5.19*		15.57***	
Fit statistics				
SRMR	0.001		0.000	
CD	0.655		0.675	

† $p < 0.1$.* $p < 0.05$.** $p < 0.01$.*** $p < 0.001$ (Two-tailed tests).

Cluster robust standard errors reported.

coefficients of foreign and domestic trade association memberships are equal. This suggests that the effect of domestic trade association membership on FIEs is significantly stronger than foreign association membership in terms of promoting firm-based CPS. Overall, these findings lend strong support to H6b.

6. Discussion

6.1. Contributions

This study advances the literature by developing an institutional framework for examining CPS in the international business context. While the CPS of FIEs in emerging markets has attracted increasing attention in recent years, theoretical explanations on which factors shape FIEs' strategic stances on firm-based and collective CPS are still underdeveloped (Hillman, 2003; Hillman & Wan, 2005; Luo & Zhao, 2013; Mondejar & Zhao, 2013). Situated in China's intriguing institutional context, this paper addresses this important research issue and deepens our understanding of how institutional environments shape FIEs' adoption of multiple forms of CPS in emerging economies.

Drawing insights from the institutional perspectives in the international business context (Kostova & Roth, 2002; Kostova et al., 2008; Peng et al., 2008), we investigated the mechanisms underlying FIEs' different choices of CPS in China's emerging

economy. In this distinct institutional context, we developed a general theoretical framework to highlight the fact that institutional forces and linkages at multiple levels—country, region, and firm—shape the firm-based and collective CPS of FIEs. In the vein of institutional duality, we argued that FIEs face dual institutional pressure from home and host countries, and FIEs' CPS choices depend on which side of institutional force and linkages is more potent.

Our findings regarding the effect of institutional duality at different levels may be of particular interest. Our results (Tables 2 and 3) showed that while country-, region-, and firm-level institutional factors are all influential to FIEs' CPS, they affect CPS to different degrees and in different ways. Since the institutional perspective is less developed in the literature on CPS (Lux et al., 2011; Rodriguez et al., 2006) and on corporate strategy in international business in general (Peng et al., 2008), our study advances related literature in both theoretical development and empirical inquires. Moreover, by investigating institutional duality at different levels, we highlighted the complex institutional environments encountered by FIEs (Hillman & Wan, 2005). Hence the general theoretical framework of CPS should be extended to FIEs with caution, and scholars should pay attention to the uniqueness and complexity of the institutional forces shaping FIEs' CPS. Given the institutional differences between developed and emerging economies (Hoskisson et al., 2000; Wright et al., 2005),

the nuanced analysis of FIEs' institutional environments is especially critical in revealing the institutional motivations underlying their CPS choices in emerging economies.

Our study further enriches the existing literature by examining the intricate relationship between firm-based and collective CPS. We argued that trade associations have important political functions and serve as a communication channel between FIEs and the host government. Our findings in Table 4 confirm that affiliation with domestic or foreign business associations enhances an FIE's activeness in adopting firm-based political tactics to engage the host government. Moreover, compared to foreign trade associations, Chinese domestic trade associations exert a greater impact on FIEs' firm-based CPS. The positive connection between firm-based and collective CPS and the differential impact between domestic and foreign trade associations on the adoption of political tactics further enrich our understanding of CPS.

6.2. Managerial implications

Our findings also have important practical implications for FIE practitioners in an emerging economy. Extant studies find that FIEs tend to adapt to the host-country environment by emulating the practices of domestic firms, their alliance partners, or other international counterparts (Li, Zhou, & Shao, 2009; Peng & Luo, 2000). Our study highlights the importance of a thorough understanding of an FIE's specific institutional environment for strategic choices. Our findings suggest that rather than blindly emulating others, FIEs scrutinize their specific institutional environments and linkages with both foreign and local sides when choosing different approaches to CPS. Practitioners should consider both firm-based and collective political activities as complementary and interconnected strategies. Since associational activities can further promote interactions between firms and the host government, they should receive considerable attention. Moreover, since domestic trade associations exert a greater impact on strengthening firm-government ties and enhancing firm-based political tactics, practitioners need to move beyond their comfort zone in foreign business associations and more actively engage local business associations to better overcome environmental uncertainties, gain legitimacy, and secure institutional support from the host government in emerging markets.

6.3. Limitations and future research directions

Although our study makes theoretical and empirical contributions, we acknowledge its limitations and offer suggestions for future research accordingly. Due to the research scope and data constraints, we were unable to directly examine organizational outcomes and consequences following FIEs' adoption of various types of CPS, a subject that warrants further study. Although the strategic implications of CPS have been assessed in the literature (Hillman et al., 2004; Lux et al., 2011), future studies can utilize our analyses of various CPS forms to conduct more refined analyses. For example, they can examine how different CPS choices, including firm-based vs. collective CPS or different approaches within each type (e.g., joining a Chinese association vs. a foreign association), may impact FIEs and meet their expectations.

Furthermore, though we advance the analysis of FIEs' institutional environments by extending the analyses of institutional duality across multiple levels, we acknowledge that future studies should refine the measures and analyses of institutional factors at different levels. Empirically, the levels proposed in this study are hierarchical in nature—firms are embedded in cities and countries. We recognize that cross-level design and models can better reveal the institutional effects across different levels and especially the interaction effects among institutional forces in affecting FIEs' CPS.

Since we did not have sufficient sample sizes at all of these different levels, thus limiting our ability to effectively use this modeling, future research should improve on this by collecting data that better fits these models (Raudenbush & Bryk, 2002). Moreover, our cross-sectional data do not allow us to make a more convincing argument about the causal directions between collective and firm-based CPS. It is possible that in certain situations, politically active firms are also more likely to adopt or promote collective CPS by joining or even organizing domestic and foreign trade associations. We hope future studies can further explore this issue by using more appropriate research design. Finally, we believe in other emerging economies FIEs would face similar dual institutional pressures, and to investigate the relative potency of these institutional forces at national, regional, and relational levels is key to our understanding of FIEs' strategic choices among a set of firm-based and collective CPS. At the same time, we acknowledge that our general theoretical framework and arguments need to be further tested in other research contexts to enhance the generalizability of our findings. Along this approach, a more-nuanced analysis of institutional forces and the repertoire of CPS in other countries will further enrich the literature on CPS in emerging economies.

7. Conclusion

This study deepens our understanding of how complex institutional environments affect FIEs' choices of multiple forms of CPS in emerging economies. We find that dual institutional pressures and connections at the country, region, and firm levels affect firms' adoption of various forms of CPS, including firm-based tactics and collective-oriented associational activities. Moreover, FIEs' engagement in associational activities also enhances their adoption of firm-based tactics. In particular, domestic trade associations turn out to be more effective in enhancing firm-government relations and promoting the adoption of firm-based political tactics. Our study indicates that institutional analysis is a promising avenue of CPS in international business.

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