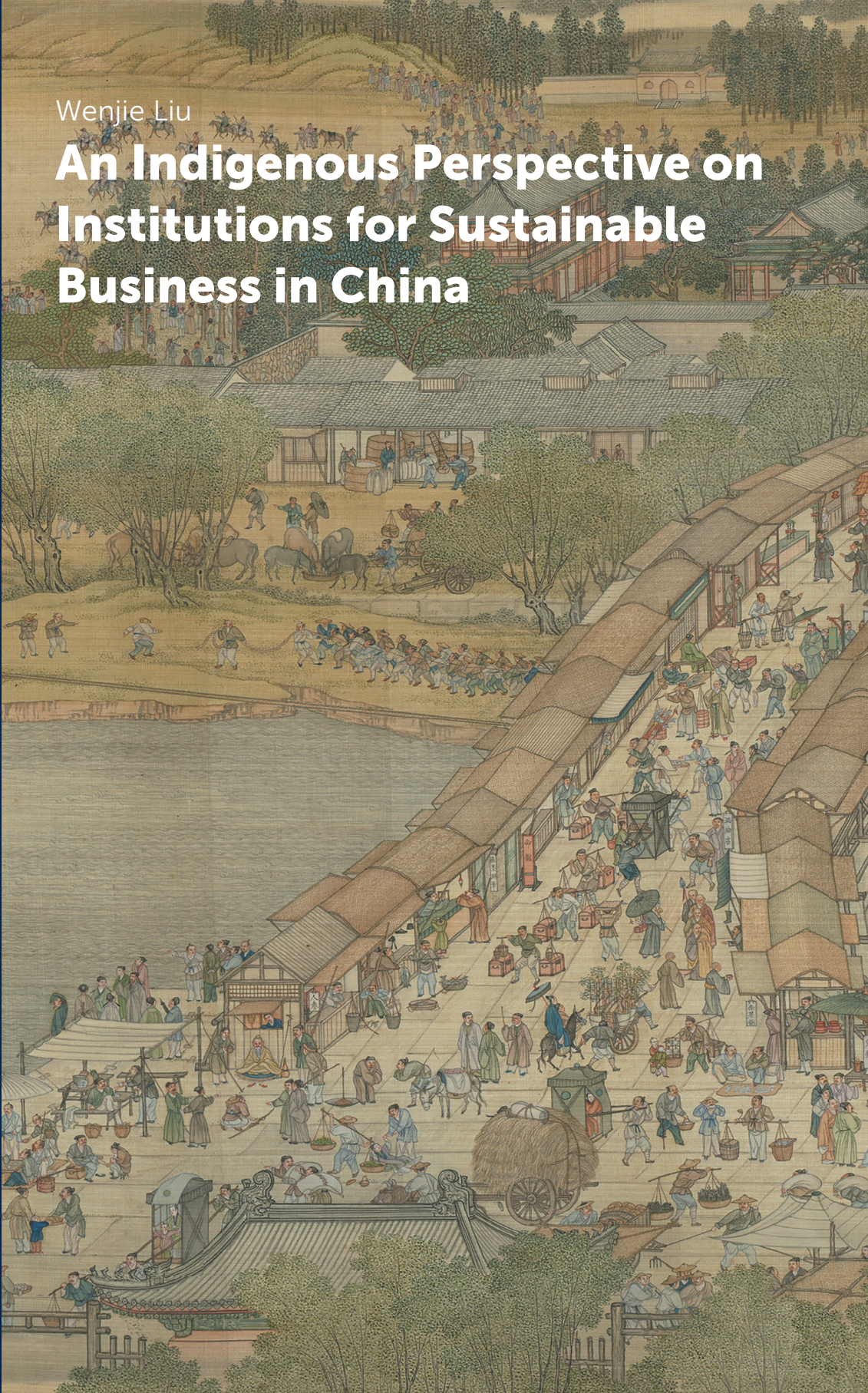


Wenjie Liu

# An Indigenous Perspective on Institutions for Sustainable Business in China



**An Indigenous Perspective on  
Institutions for Sustainable Business in China**





**An indigenous perspective on  
institutions for sustainable business in China**

Een inheems perspectief op  
instituten voor duurzaam ondernemen in China

Thesis

to obtain the degree of Doctor from the  
Erasmus University Rotterdam  
by command of the  
rector magnificus

Prof. dr. A.L. Bredenoord

and in accordance with the decision of the Doctorate Board.

The public defence shall be held on  
Thursday 15 June 2023 at 15.30 hrs

by

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## Preface

Since China began to open and reform its economy in 1978, its GDP growth has averaged 9.5% a year, leading to significant welfare increases of most Chinese citizens. A well-known slogan of that era is “Time is Money, Efficiency is Life” (Chinese: 时间就是金钱, 效率就是生命). In 2011, which was my first year at university, PM<sub>2.5</sub> (cutoff sizes  $\leq 2.5 \mu\text{m}$ , particles that can enter the lungs) pollution first came to the public attention, and many Chinese citizens began to reflect upon the environmental ramifications of rapid industrialization and natural resource depletion. But as it was a new topic in China and it was not clear what business school students with this interest could help tackle these issues, after graduation I pursued a research master’s degree in innovation management, while continuing to pay close attention to the pressing environmental and social challenges that China was facing. During my postgraduate studies, I was extremely fortunate to have had the chance to visit Delft University of Technology in the Netherlands and realized that many of the socio-environmental problems that excited me had to do with institutional arrangements that accommodate economically, environmentally, and socially sustainable business. I figured that the Netherlands would be a great place to start my doctoral journey and thus applied to Rotterdam School of Management (in part because Pursey and Frank, who then became my supervisors, were exceptionally passionate about corporate sustainability in China).

I wish to express my most sincere gratitude to my supervisory team which provides me with an opportunity to pursue a PhD in a nurturing environment and a chance to conduct bold research. *Pursey*, it has been truly an honor to be your PhD student. You are always there to help me identify and tap into opportunities around me and offer advice to help me overcome adversities and hardships. The continued encouragement and support you have given to me have made me more assertive and determined along my doctoral journey. I have also greatly benefited from your talent to empathize with different cultures and philosophies and to understand and share the feeling and experience of others. Through our insightful and constructive discussions over the years, I have had a deeper appreciation and understanding of how to use theoretical resources in critical ways to expose political constraints and cultural traditions that are implicit in theory, address the limits to our current theoretical understandings, and ultimately make contributions to theory. What kind of scholar I am and will become is deeply influenced by you.

*Frank*, it has been a real privilege to work with and learn from you. Thank you for seeing potential in me and accepting me being your student. Old memories like our initial correspondences and discussions come flooding back when I write this dissertation. That's where my PhD journey began, and I am grateful for all the support and valuable advice you have provided me with. It is you who guide me to the field of corporate sustainability and prepare me to be a sustainability scholar; and it is you who let me understand and appreciate the importance of integrating sustainable strategies into business school curriculum and preparing those leaders of tomorrow as a force for positive change. Your help is not only in the academic, but also in many other aspects. In particular, I am very impressed by the unity of knowledge and action (Chinese: 知行合一) you have displayed in terms of sustainable living, which has inspired me to be more sustainable in everyday life.

I am very grateful to all other members of my doctoral committee as well. *Chris*, I have been following your work from the start of my PhD, which, in turn,

has left a deep imprint on my own studies. I am thrilled that you enthusiastically accept to serve on my doctoral committee, provide constructive comments on my dissertation, and take the time to share helpful advice about academic life with me. I surely cherish them, and I will undoubtedly continue to do so in the years ahead. *Rose*, thank you for your enthusiasm in being part of my committee and finding the time to give advice and help. I truly cherish your input and will surely act on it. *Brian*, thank you for your kind willingness to be a member of my committee and to share your expertise. Thank you for your constant support, encouragement, and insightful advice. I feel very privileged to have you all as my “highly/very learned opponents” and look forward to your questioning at the PhD defense ceremony.

I also sincerely appreciate the support from my two friends, *Suzana* and *Musa*. I am delighted and honored that you accept to be paranymphs for my big day. I truly cherish all our chats full of wise advice, developmental feedback, and insightful suggestions over the years. Thank you for your constant support.

I am truly honored to be part of the Department of Strategic Management & Entrepreneurship at RSM. *Amin, Anuj, Bas, Chenzhi, Guanyi, Ilaria, Jitse, Mahdi, Michael, Mingqi, Musa, Omar, Pengfei, Radina, Ron, Ruxi, Sanvit, Shara, Stefan, Suzana, Umut, Yannick, Yanze, Yassine*, and other former and current PhDs in our department, *Chen, Franziska, Mallory, Meiling, Meng, Shiyuan, Xiaoyu, Xue*, and other visiting PhDs, thank you for our insightful exchanges and many memorable events over the years. *Zhiyan*, a special thanks for your enthusiasm in being my departmental mentor. I am grateful for the engaging conversations, constructively critical feedback, and your mental support. *Andreas, Ansgar, Alina, Caroline, Christopher, Dogukan, Giuseppe, Emanuel, Hans, Joris, Justin, Korcan, Laura, Luca, Ingrid, Magdalena, Mirko, Patricia, Rene, Richard, Siyu, Taco, Tom, Vareska, Xena*, and *Yu*, thank you for intellectual discussions and developmental suggestions. *Angie, Carolien, Ellen*, and *Patricia*, thank you for helping me with numerous enquiries during the time I spent at our department.



I am also privileged to do my PhD at ERIM, which develops and nurtures my international academic career through an extensive range of research initiatives and support programmes. I would like to thank *Aimee, Ana, Balint, Flore, Jaklien, Kim, Miho, Phoebe, Pursey, Steven, and Tineke* for providing me with access to these resources and build international academic networks. I am grateful to the financial support of *ERIM*, as well as those from *Department, IACMR, Pursey, and Frank*, which sponsored my participation in numerous conference presentations, data collection, external courses, and my research visit.

I appreciate the excellent editorial advice *Jonathan Doh* and *Tieying Yu* have provided for my first two accepted manuscripts. As a doctoral student, I have barely any experience in navigating the peer-reviewed publication process. Your clear guidance helps me better interpret the reviewers' comments and enables my work to provide more nuanced insights and stronger contributions. I am also indebted to *Kate Odziemkowska, Panikos Georgallis, Mirko Benischke, Zhiyan Wu, Desirée Pacheco, Jan-Willem Stoelhorst*, and numerous conference participants for their insightful thoughts and feedback on earlier drafts.

Along this journey many other people have lent support to me as well. *Marc*, thank you for your kind willingness to be my referee, the kind words you had to say about me, and the suggestions for preparing myself for the job market. *Lori*, I am grateful for your enthusiastic endorsement for my visit to Columbia Business School, for the support you gave to my application for the Kwok Leung Memorial Dissertation Fund, and for your wise advice every time we talked. *Maïke*, thank you for giving me a helping hand for data collection, and for all motivational talks and encouragement during the job market. I wish to thank all great people both inside and outside of RSM/ERIM, including those who are not listed here, for all the insights and memories: *Anyan, Boshuo, Chuqiao, Dan, Hodar, Jingtao, Karthik, Lingjie, Jiahao, Jianan, Maria Carmen, Maria Changyu, Qi, Seongun, Sai, Shirong, Shiyao, Tian, Vera, Xiaowei, Yang, and Yongkang*.

Lastly, I would like to take this opportunity to extend the deepest gratitude to my family. Thank you for showering me with your unconditional love, patience, and the unfaltering support. It is you who always give me the strength to pursue what I believe is right and worthwhile. (Chinese: 最后，我想借此机会向我的家人致以最诚挚的感谢。感谢你们给予我无条件的爱、耐心、以及坚定的支持。是你们给我以力量，去追求我认为正确的和有价值的事。)

I am extremely fortunate to have completed my PhD in such a nurturing and supportive environment, with so many great people. I am hopeful that my dissertation sheds a new light on the types of institutional arrangements that are effective in addressing the pressing environmental and social challenges that China presently faces, and it is my hope that my dissertation will inform and inspire future work on China-endemic theorizing, which addresses the idiosyncratic context of Chinese business.

LIU Wenjie

刘文杰

Rotterdam, February 2023



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## Chapter 1

### Introduction

This chapter highlights the academic significance and societal relevance of the phenomenon under investigation in this dissertation: the sustainability of “the Chinese model.” It provides a theoretical account of why an indigenous perspective is critical for understanding unique institutional arrangements that accommodate economically, environmentally, and socially sustainable business in China. Further, this chapter introduces three research questions concerning this phenomenon and then summarizes the three studies that answer these questions, which also form the main pillars of this dissertation. This chapter concludes with a clarification of the author’s contribution to each study included in this dissertation.

#### **1.1 Theorizing from the East: Institutions and Sustainable Business in China**

Management is a contextual discipline. Most of the management and organization theories that we use today originated in the global West and carry certain assumptions about institutions, philosophies and cultural values in Western contexts (Barkema, Chen, George, Luo, & Tsui, 2015; Morris, Aguilera, Fisher, & Thatcher, 2023). Nonetheless, those theories have been characterized as acontextual by many scholars in the East, and their insights have been directly applied to Eastern contexts (Jack, Zhu, Barney, Brannen, Prichard, Singh et al., 2013). A ramification of such a context-blind approach is an insufficient understanding of how the contextual differences between the West and the East affect management practices, which also



diminishes new theory development opportunities. To address this, there have been calls to “decolonize knowledge” in management scholarship (Banerjee, 2022; Connell, 2014; Hamann, Luiz, Ramaboa, Khan, Dhlamini, & Nilsson, 2020), to theorize the unique or perplexing phenomena in the East, and to leverage its institutional, cultural, and philosophical traditions to ultimately advance a richer, more robust field of management (Barkema, 2001; Barkema et al., 2015; Tsui, 2007; Tsui, Schoonhoven, Meyer, Lau, & Milkovich, 2004).

Against the backdrop of Eastern settings China stands out as an economic powerhouse and a unique socio-political experiment. Since China began to open up and reform its economy in late 1978, its GDP has grown at a rate of almost 10 percent a year, and the number of people living in extreme poverty has fallen by close to 800 million. In 2010, it overtook Japan to become the world’s second largest economy and overtook the U.S. in becoming the largest value-added manufacturer in the world. It is worth noting that China’s economic growth does not build on the same foundations as those developed countries in the West, but it has evolved through a system of industrial governance and political involvement that is very distinct from the Western trajectory (Boisot & Child, 1996; Nee, 1992; Xu, Lu, & Gu, 2014). One of the most salient characteristics distinguishing the Chinese economy from Western ones is the dominant role of the Chinese government, as the ultimate regulator of both social life and economic domain (Mitter & Johnson, 2021). Researchers have recently developed three frameworks explaining how political institutions shape organizational and management practices in China: (1) the multifaceted state influence model: organizations experience multiple, seemingly competing demands from the central and local governments (Li & Lu, 2020; Luo, Wang, & Zhang, 2017; Wang & Luo, 2019; Wang, Wijen, & Heugens, 2018), (2) the political dependence model: organizational responses to government pressure are influenced by the extent to and way in which they depend on the government (Haveman, Jia, Shi, & Wang, 2017; Ji, Huang, & Li, 2021; Marquis & Qian, 2014;

Zhang, Marquis, & Qiao, 2016), and (3) the political imprinting model: government pressure can also be channeled through cognitively experienced political imprinting in and around organizations (Marquis & Qiao, 2020; Wang, Du, & Marquis, 2019; Xu, Zhou, & Chen, 2021).

Yet we only have inadequate knowledge about what types of institutional arrangements are effective in addressing the pressing environmental and social challenges that China presently faces, taking into account the political institutions of the Chinese state. The economic expansion of the Chinese economy has brought about significant environmental and social challenges, such as the rapid depletion of natural resources, the pollution of land, water, and air, and the menace of social inequality. This raises important questions about the sustainability of the Chinese economy, as its future viability is contingent on business' ability to simultaneously contribute to economic expansion, environmental protection, and social cohesion. Should China adopt the practices that are effective in North America, where environmental and social policies have been enacted for several decades, or develop institutions that are germane to the Chinese situation? Given the dominant role of the Chinese government, is there also a role for civil society such as environmental organizations? And are the political institutions of the Chinese state conducive to informal control mechanisms beyond the traditional confines of formal instruments?

My goal in this dissertation is to build theoretical explanations that do full justice to China as a major Eastern context and that make for the most compelling narratives concerning the roles political institutions play in shaping different environmental and social institutions in this context. To this end, I first develop a novel meta-analytic approach to assess the applicability of Western management theories in the Eastern context of China and then probe the need for complementary, China-endemic perspectives to explain the specificities of Chinese firms and management practices (Chapter 2). Furthermore, I draw insights from the meta-analytic results to theorize and test how politically constrained environmental

organizations shape the sustainability of local supply chains (Chapter 3) and how one-party political regimes engender an informal corporate control mechanism to increase firms' conformity with the government's socio-environmental policies (Chapter 4). In all, my dissertation research seeks to shed a clear light on the types of institutional arrangements that accommodate economically, environmentally, and socially sustainable business in China, which would, therefore, make sense from both an academic and a societal perspective.

### **1.2 An Indigenous Perspective on Institutions for Sustainable Business in China**

As China's political institutions are radically different from those of Western societies (Zhou, 2021), it is crucial to question the assumptions of our existing theories and perspectives and to configure theoretical resources in critical ways to expose the politics and political constraints that are implicit in theory development. Morris, Aguilera, Fisher, and Thatcher (2023) identified two approaches to incorporate contexts into theorizing: an "outside-in" approach and an "inside-out" approach. The former approach to theory-building "takes existing theory (e.g., institutional theory) and considers what happens when assumptions break down or elements of a given theory are not present in a particular context" (Morris et al., 2023: 3). By leveraging existing theories developed in the West and taking into account non-Western contexts in which organizations are embedded, this approach relies on contextually sensitive theories to build new theory (Filatotchev, Ireland, & Stahl, 2022), thus charting a path from contextual differences to opportunities for new theory development (e.g., Dencker, Bacq, Gruber, & Haas, 2021; Peng & Heath, 1996). In contrast, the inside-out approach to theory development "takes local, homegrown concepts and ideas from an [non-Western] context and uses them as a basis for creating a new theoretical perspective or a new set of theoretical ideas that might have relevance and value beyond that context" (Morris et al., 2023: 3). By using local languages, locally embedded subjects, and locally derived constructs to theorize locally meaningful phenomena (Bruton, Zahra, Van de Ven, & Hitt, 2022),

this approach has potential to generate more impactful research that expands the remit of the management field (e.g., Morris, Leung, Ames, & Lickel, 1999; Xin & Pearce, 1996). But as it adopts a phenomenon-driven way of theorizing and seeks to advance a context-specific understanding of local phenomena, this approach may invite a greater challenge for generalizability (Fisher, Mayer, & Morris, 2021).

In the present dissertation, I opt for the outside-in approach, as it not only rejects one-sided invitations into the Western mainstream but also avoids a retreat into the indigenous enclaves of management scholarship. To apply this approach, I propose that it is crucial to contrast the context of theoretical application with the context of theoretical origin. When the same theory is used beyond its context of origin, assumptions that are specific to the context may become less tenable or break down, rendering the theory less useful or relevant to the context of application. As such, the context of theoretical origin can serve as the benchmark against which to compare the context of theoretical application. The choice of the context of theoretical origin is essential; the U.S. may be viewed as the context of theoretical origin, as most organization and management theories that are currently in use are the contextualized product of the Post-World War II economic expansion of the U.S. (Colquitt & Zapata-Phelan, 2007), such as neo-institutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977), resource dependence theory (Pfeffer & Salancik, 1978), resource-based theory (Barney, 1991), agency theory (Fama & Jensen, 1983b; Jensen & Meckling, 1976), and transaction cost theory (Williamson, 1975). Assessing the interoperability of these Western theories between the U.S. and China can unveil to what extent established Western frameworks are useful to our understanding of Chinese management practices and probe the need for developing environmental and social institutions that are germane to the Chinese business context. Therefore, the first overarching question of my dissertation is:

***Research question 1: How well do classic Western management theories hold up in China?***

After comparing the explanatory power of our current theoretical toolkits in the context of application with the context of theoretical origin, the next step is to relax or revise the assumptions of the existing theory so as to fit local institutional contexts more tightly. A common assumption in the democratic societies of the global West is that governments do not impede non-governmental organizations' (NGOs) entry, operation, and exit unless they engage in activities aimed at violently overthrowing the government (Doh & Guay, 2006; Doh & Teegen, 2002, 2003; Teegen, Doh, & Vachani, 2004). Europe has a long history of social protest movements that can be traced back to as early as the eighteenth century (Tarrow, 2011). Likewise, civic activities emerged early in the U.S., and NGOs of many kinds flourished in all eras of its history (Skocpol, Ganz, & Munson, 2000). These long and deep historical roots have created a breeding ground that guarantees a high degree of freedom and political involvement for NGOs that operate in today's Europe and U.S. (Schofer & Fourcade-Gourinchas, 2001). To accomplish their desired goals, NGOs can use various tactics to influence organizational decision makers, from contentious tactics—including lawsuits, boycotts, and protests—to collaborative tactics (Yaziji & Doh, 2009).

But in China, civil society is under close surveillance by the government; from absolute control in early periods to administrative regulation more recently (Teets, 2013, 2014). To ensure harmony and social stability, the Chinese government allows NGOs to use collaborative tactics but silences disruptive protests (King, Pan, & Roberts, 2013; Marquis & Bird, 2018; Spires, 2011). Yet developing firm-NGO collaborations is not necessarily easy in China. Researchers have found that Chinese firms seek legitimacy and resources mainly from the government rather than from market or civil society (Haveman et al., 2017; Marquis & Qian, 2014; Wang, Stuart, & Li, 2021; Zhang et al., 2016), because the government still retains substantial control over the market (Xu, 2011). The alternative sources of legitimacy from the government, however, may lead to a

weakened incentive for Chinese firms to collaborate with NGOs. While governments' policy priorities likely influence those power-dependence relations, the political institutions of the Chinese state have determined that neither contentious nor collaborative tactics can enable local NGOs to achieve their objectives on their own. Given that the direct targeting of firms is probably strategically inconsequential, the second question of my dissertation is:

***Research question 2: How do Chinese NGOs promote sustainable business?***

While considerably constraining other institutional actors, China's political institutions also enable the government to take over greater responsibilities other institutional actors cannot assume. Governments around the world perennially seek to find a balance between fostering free enterprise, to the benefit of economic development, and imposing some degree of corporate control, to align firm behavior with public policy goals. The primary instruments used to achieve this balance in Western societies are the corporate control mechanisms of government regulation (D'Aunno, Succi, & Alexander, 2000; Dean & Brown, 1995; Kingsley, Vanden Bergh, & Bonardi, 2012; Lazzarini, 2015) and state ownership of corporations (Bruton, Peng, Ahlstrom, Stan, & Xu, 2015; Inoue, Lazzarini, & Musacchio, 2013; Musacchio, Farias, & Lazzarini, 2014; Musacchio, Lazzarini, & Aguilera, 2015). In Western settings, where political leadership is contested and various political parties compete for dominance, governments tend to be restricted to the use of these formal control instruments (Aguilera, Duran, Heugens, Sauerwald, Roxana, & van Essen, 2021; Tihanyi, Aguilera, Heugens, van Essen, Duran, Sauerwald et al., 2019). As political parties typically represent diverse ideological standpoints and the extent of their power is subject to change after regular elections, true ideological control of corporations is impossible for the majority of Western governments.

This situation is different for the Chinese government. The continuing role of a single ruling party in China allows it to go beyond "naked coercion," which is neither economically viable nor efficient in the long run (Lee & Zhang, 2013; Schatz,



2009; Stern & Hassid, 2012), and to develop “softer” approaches to maintain control which encourage closer cooperation and more effective governance (Marquis & Bird, 2018). An emerging theme in this research is that the political values and attitudes of top leaders can influence corporate practices and strategies. For example, scholars have found that Mao Zedong’s orthodox communist ideology still affects government officials’ aversion toward capitalism (Wang et al., 2019) and firms’ negative perception of private ownership (Xu et al., 2021) and foreign capitalism (Marquis & Qiao, 2020). The Chinese government hence tends to have a third corporate control mechanism at their disposal, one that is not available to democratic governments: control by means of exposure of the corporate elite to the prevailing state political ideology. Yet political leaders may idiosyncratically interpret state political ideology, and how the government uses political ideology to align corporate practices with public policy goals remains unclear. Thus, the third question of my dissertation is:

***Research question 3: How does the prevailing ideology of the Chinese state affect sustainable business?***

I provide an overview of my research questions in Table 1.

**Table 1 Overview of Research Questions**

<b>RQ 1:</b>	How well do classic Western management theories hold up in China?
<b>RQ 2:</b>	How do Chinese NGOs promote sustainable business?
<b>RQ 3:</b>	How does the prevailing ideology of the Chinese state affect sustainable business?

### **1.3 Dissertation Overview**

I answer these research questions in three studies, which constitute the next three chapters of my dissertation. I provide a brief overview of each study.

#### **1.3.1 Chapter 2**

Chapter 2 presents a study which provides a more definitive answer to the question of how well classic Western management theories explain management practices in the Chinese context. To answer this question, we integrate matching techniques into meta-analysis, forwarding matched-samples meta-analysis (MSMA). We use MSMA to compare the mean effect sizes for five classic theories on two matched

samples drawn from a large body of U.S. and Chinese studies. We build on the MSMA results to explicate how these existing theories further our understanding of Chinese firms and management practices and how indigenous ideas can enrich and extend these theories. Table 2 summarizes the main aspects of Study 1.

**Table 2 Summary of Study 1**

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<b>Theories</b>	Institutional theory, resource dependence theory, resource-based theory, transaction cost theory, agency theory
<b>Data</b>	452 matched samples drawn from 1,028 U.S. and Chinese studies
<b>Methods</b>	Matched-samples meta-analysis
<b>Findings</b>	When compared with their U.S. counterparts, Chinese firms (a) are less responsive to coercive and mimetic pressures yet more subject to normative pressures, (b) establish fewer business relations when face resource dependencies and transaction costs, (c) extract more profit from managing generic strategic resources, and (d) are more sensitive to pay incentives and private blockholders.

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Meta-analysis has progressively evolved from a tool of research synthesis toward a vehicle for theory building over the past decades (Bergh, Aguinis, Heavey, Ketchen, Boyd, Su et al., 2016; Gonzalez-Mulé & Aguinis, 2018; Post, Sarala, Gatrell, & Prescott, 2020). Yet, while meta-analysis testing procedures have been developing in sophistication and capabilities, research findings are often synthesized into a single effect size without sufficiently accounting for the influence of idiosyncratic characteristics associated with the meta-analysis study search process. As such, the findings from the meta-analysis may be vulnerable to a variety of threats including those associated with the nonrandom nature of their sampling strategies (Cortina, 2003; Stanley & Doucouliagos, 2012). By integrating the principles of matched sampling into meta-analysis, we introduce MSMA to make inferentially more valid comparisons of meta-analytically derived effect sizes across macro social units like countries. This novel meta-analytic approach provides not only explicit provisions to account for nonrandom sample selection bias in meta-analysis, but also a new way for cross-country comparative studies of firms and management practices.

We use MSMA to compare mean effect sizes and mechanisms for five classic management theories—institutional theory, resource dependence theory, the

resource-based view, agency theory, and transaction cost theory—on 452 matched samples drawn from 1,028 U.S. and Chinese studies. Meta-analytic results show that institutional theory is critical for our understanding of the Chinese context. Its central tenets are applicable across both contexts, and it can accommodate contextual differences. Yet the theory's predicted effects are weaker in China. Notably, Chinese firms are less responsive to coercive and mimetic pressures yet more so to normative forces than their U.S. counterparts. This challenges the conventional wisdom that the Chinese government relies mostly on coercion due to its overwhelming influence. We conjecture that the Chinese government does not rely on coercion alone but combines its “hard” power with “soft” control strategies to generate more effective governance. Second, resource dependence theory in its current form is less useful in China. The overall effect size is significantly positive in the U.S. but insignificant in China, possibly because extant conceptualizations stop short of considering the type of power-dependence relations in Chinese society. Whereas U.S. firms are mostly dependent on resources supplied by market actors, Chinese firms are also critically dependent on the resource-provision role of government. Similarly, transaction cost theory, which is developed based on a unidimensional markets-hierarchies continuum, is not as applicable in China as it is in the U.S.

The resource-based view has high application value in China, where its explanatory power is even stronger than in the U.S. Whereas VRIN resources are important in both contexts, Chinese firms squeeze higher profits from unremarkable non-VRIN resources. This can probably be attributed to China's incomplete transition to a market economy, leading to more sustained firm heterogeneity in its mixed economy. Finally, the applicability of agency theory is on par across China and the U.S., but some noticeable differences exist as well. The pay-for-performance link is considerably stronger in China than in the U.S., possibly because the U.S. is a more “managerialist” country than China. Another salient

difference is monitoring by private blockholders, which is an ineffective mechanism in the U.S. but an effective one in China. Collectively, these differences call for a more nuanced theorization of corporate governance in the Chinese context.

Our findings suggest that while traditional Western lenses are important for understanding the Chinese context, they cannot completely account for the specificities of Chinese firms and managerial practices. This points to a need to develop complementary, China-endemic explanations.

### 1.3.2 Chapter 3

Chapter 3 presents a study which provides new theory and evidence on how cross-border, cross-sector collaborations affect the global diffusion of sustainable practices. We draw on social movement and resource dependence theories to explain how politically constrained NGOs exploit the collaborative opportunities presented by foreign multinational enterprises (MNEs) to enhance the sustainability performance of local firms in these MNEs' global supply-chain networks and how the effect of MNE-NGO collaborations decreases alongside the government's prioritization of the environment. We test our ideas on a sample of global brands engaged in environmental collaborations with Chinese NGOs and corroborate quantitative analyses with qualitative ones. Table 3 summarizes the main theoretical and empirical elements of Study 2.

**Table 3 Summary of Study 2**

<b>Theories</b>	Social movement theory, resource dependence theory
<b>Arguments</b>	<p>1. Global supply chains that tie MNEs to their local partners offer NGOs constrained by autocratic political regimes a favorable opportunity structure to gain leverage over local firms by establishing MNE-NGO collaborations. This two-step form of leverage helps NGOs increase their influence and legitimacy to facilitate the adoption of sustainable practices by local firms within the MNEs' global supply-chain networks.</p> <p>2. This mediated stakeholder effect decreases when politically produced conditions reduce the synergistic potential of this opportunity structure: greater priority given to environmental protection by governments substitutes for MNE-NGO collaborations.</p>
<b>Data</b>	Collaborations in environmental sustainability between Chinese local NGOs and 167 MNEs across 24 countries whose global supply-chain networks include Chinese manufacturers in the period between 2014 and 2020
<b>Methods</b>	Fixed-effects model, instrumental-variables approach, dose-response

<b>Findings</b>	modelling, placebo test, supplementary qualitative analysis 1. The collaboration between local NGOs and foreign MNEs has a positive impact on the sustainability performance of local firms in the MNEs' global supply chains. 2. The positive relationship between MNE-NGO collaborations and supply-chain sustainability performance is weaker when governments prioritize the environment.
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We argue that global supply chains that tie MNEs to their local partners offer politically constrained NGOs an opportunity structure to gain leverage over local firms by establishing MNE-NGO collaborations. This two-step form of leverage helps those NGOs increase their influence and legitimacy to facilitate the adoption of sustainable practices by local firms within the MNEs' global supply chains. We thus hypothesize that the collaboration between local NGOs and foreign MNEs has a positive impact on the sustainability performance of local firms in the MNEs' global supply-chain networks. Furthermore, this mediated stakeholder effect may decrease when governmentally produced structural conditions reduce the synergistic potential of this opportunity structure: greater priority given to the environment by governments likely substitutes for MNE-NGO collaborations. We hypothesize that the positive relationship between MNE-NGO collaborations and supply-chain sustainability performance will be weaker when governments prioritize environmental protection.

We test our ideas on a sample of MNEs with suppliers that are engaged in manufacturing in China between 2014 and 2020 ( $N = 688$ ). We use data scraping techniques to extract a total of 10,431 environmental management records and then manually scrutinize the data for collaborative activities between non-Chinese MNEs and Chinese NGOs. We use the count of such activities as an indicator of an MNE's collaborations with NGOs as a proxy for MNE-NGO collaborations and measure the sustainability performance of this MNE's supply chains in China using a novel green supply chain index. The analyses are performed using fixed-effects models with standard errors clustered by MNE. We employ an instrumental-variables approach, dose-response modelling, and a placebo test to ensure a causal interpretation of our findings. We also conduct a supplementary qualitative analysis

of 211 sustainability reports of MNEs and 59 reports of Chinese NGOs to deepen our understanding of the considerations and mindsets about collaborations between Chinese NGOs and foreign MNEs. Overall, we find strong evidence that the global diffusion of sustainable practices depends on collaborations across sectoral and geographical boundaries.

### 1.3.3 Chapter 4

Chapter 4 presents a study that examines how governments control corporations through exposure of the corporate elite to state political ideology. We use social identity theory to explain how exposure to state political ideology leads board members to identify with the ruling party and transform into “agents of the state” who implement its evolving public policy goals, and how this identification effect varies with the top leader’s personalized imprints and regional bureaucratic capacity. We enrich our hypothesis development with interviews conducted in China and test our ideas on a longitudinal dataset of Chinese listed firms. Table 4 presents a summary of Study 3.

**Table 4 Summary of Study 3**

<b>Theories</b>	Social identity theory
<b>Arguments</b>	<ol style="list-style-type: none"> <li>1. Board members who are exposed to this ideology begin to identify with the ruling party, transforming into “agents of the state” who then help implement the state’s public policies by influencing boardroom decision making.</li> <li>2. The central state is not in complete control: local governments’ interests and local bureaucratic capacity also affect corporate (non)conformity.</li> </ol>
<b>Data</b>	China’s recent (2012) ideological shift from pro-market-oriented “Dengism” to common prosperity-based “Xiism”; a longitudinal dataset of 845 Chinese listed firms in the period between 2008 and 2016
<b>Methods</b>	Natural experiment, augmented event-study methods, two-stage least squares (2SLS) regressions with Heckman correction
<b>Findings</b>	<ol style="list-style-type: none"> <li>1. Political-ideological exposure of the corporate elite is positively related to a firm’s conformity with the state’s public policy objectives.</li> <li>2. When firms are located in regions with a higher degree of political imprinting, the positive relationship between political-ideological exposure of the corporate elite and firms’ conformity with state public policy objectives will be stronger.</li> <li>3. When firms are located in regions with greater bureaucratic capacity, the positive relationship between political-ideological exposure of the corporate elite and firms’ conformity with the state’s public policy objectives will be weaker.</li> </ol>



We argue that political-ideological exposure leads board members to identify with the ruling party and transform into “agents of the state”: actors who defend and uphold the interests of the ruling party and state bureaucracy vis-à-vis the organized interests of non-state corporate owners. Identification with the ruling party motivates board members to demonstrate their loyalty by engaging in ideological identity-congruent activities. This allows the state to exploit these agents instrumentally. Changes in state political ideology will prompt ideology-exposed board members to follow suit and support corporate compliance with evolving public policy objectives. However, the central state is not in complete control. We argue that this control mechanism is more effective in firms located in regions with top leaders’ personalized imprints left during their historical, regional political career which increases alignment between central and local government goals, but it loses some of its power in relatively autonomous regions, whose stronger bureaucratic capacity resists central policy swings.

We test our ideas on a longitudinal dataset of 845 Chinese listed firms in the period 2008–2016 and capitalize on China’s recent (2012) political-ideological shift from pro-market “Dengism” to common-prosperity-based “Xiism.” Following Maoism (1957–1976) and Dengism (1978–2012), Xiist China (2012–present) has prioritized new policy objectives that begin to tackle major socio-environmental challenges facing Chinese society (Mulvad, 2019). This ideological shift directly affects Chinese firms, primarily in the area of heightened expectations related to corporate social responsibility (CSR) activities. We gauge political-ideological exposure based on a novel measure developed by Zhang and Greve (2019) and capitalized on China’s recent ideological shift from pro-market “Dengism” to common-prosperity-based “Xiism.” To address endogeneity concerns, we implement two identification strategies. The first strategy combines two-stage least squares (2SLS) regressions with Heckman correction to address multiple forms of endogeneity simultaneously. The second strategy consists of treating the political-

ideological shift as a natural experiment and using augmented event-study methods to test the effects of this exogenous shock in the full sample.

Our results show that this ideological shift has forged a positive, increasingly strong relationship between the exposure of board members to ideology and the Xiism-congruent activities of their firms. This positive relationship is strengthened when firms are located in politically imprinted regions that represent the historical power base of President Xi, but is weakened in regions with stronger bureaucratic capacity that resists central policy swings.

### **1.4 Declaration of Contribution**

Chapters 2, 3, and 4 are a joint effort. I elaborate on my contribution to each of those chapters by providing a brief overview of the co-author team, my relation to the co-author team, and my precise contribution.

#### **1.4.1 My Contribution to Chapter 2**

Chapter 2 is a study which has been published in the *Journal of Management*. I am the first co-author. The other three co-authors are Pursey Heugens, Frank Wijen, and Marc van Essen. Pursey Heugens and Frank Wijen are my supervisors. Marc van Essen is a professor of international business at Darla Moore School of Business in the University of South Carolina. We came up the research question in a joint effort. I carried out the literature review, managed a team of research assistants for data collection, analyzed all the data, interpreted the findings, wrote the manuscript of the paper, and addressed the comments from the journal editor and reviewers. The other three co-authors provided detailed feedback throughout the whole process, guided the review process and implementation of the suggestions from reviewers and the journal editor, and revised the writing of the manuscript. The paper draws on my theoretical expertise in the interoperability of classic management theories between the U.S. and China. The other co-authors added some more in-depth theoretical knowledge concerning these theories. Table 5 summarizes the contributors to Chapter 2.

**Table 5 Summary of Contributors to Chapter 2**

<b>Development stage</b>	Published in the <i>Journal of Management</i>
<b>My role</b>	First co-author
<b>Other co-authors</b>	<b>Pursey Heugens &amp; Frank Wijen</b> (Supervisors), <i>Erasmus University Rotterdam</i>
(Special relationship)	<b>Marc van Essen</b> , <i>University of South Carolina</i>
<i>Affiliation</i>	

### 1.4.2 My Contribution to Chapter 3

Chapter 3 is a study which has been conditionally accepted for publication in the *Journal of International Business Studies*. I am the first co-author. The other co-author is Pursey Heugens, my supervisor. I came up with the research question independently, carried out the literature review, collected and analyzed the data, interpreted findings, wrote the manuscript of the paper, and addressed the comments from the journal editor and the reviewing team. My theoretical contribution to the paper is my expertise in power and dependence, cross-sector collaborations, and global sustainability. The other coauthor added some more in-depth theoretical knowledge about these topics. He also provided detailed feedback throughout the whole process, guided the review process and the implementation of the suggestions from the reviewing team and the journal editor, and revised the writing of the manuscript. Table 6 summarizes the contributors to Chapter 3.

**Table 6 Summary of Contributors to Chapter 3**

<b>Development stage</b>	Conditionally accepted for publication in the <i>Journal of International Business Studies</i>
<b>My role</b>	First co-author
<b>Other co-authors</b>	<b>Pursey Heugens</b> (Supervisor), <i>Erasmus University Rotterdam</i>
(Special relationship)	
<i>Affiliation</i>	

### 1.4.3 My Contribution to Chapter 4

Chapter 4 is an unpublished manuscript. I am the first co-author. The other two co-authors are Pursey Heugens and Frank Wijen, my supervisors. I came up with the research question independently, carried out the literature review, collected and analyzed all the data, interpreted the findings, and wrote the manuscript of the paper. My theoretical contribution to the paper is my expertise in state-business relations,

institutional change, and corporate sustainability. The other coauthors added some more in-depth theoretical knowledge relating to all these topics. They also contributed to the paper’s development by providing detailed feedback and revising the writing of the manuscript. Table 7 summarizes the contributors to Chapter 4.

**Table 7 Summary of Contributors to Chapter 4**

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<b>Development stage</b>	Unpublished
<b>My role</b>	First co-author
<b>Other co-authors</b>	<b>Pursey Heugens &amp; Frank Wijen</b> (Supervisors), <i>Erasmus University</i>
(Special relationship)	<i>Rotterdam</i>
<i>Affiliation</i>	

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## Chapter 2

# Chinese Management Studies: A Matched-Samples Meta-Analysis and Focused Review of Indigenous Theories<sup>1</sup>

### Abstract

The field of Chinese management studies has grown tremendously over the past four decades. Management theories originating from the U.S. have remained dominant in the analysis of Chinese firms, prompting the question of how powerfully these Western lenses explain management practices in non-Western contexts. Through a matched-samples meta-analysis, which integrates matching techniques into meta-analysis, we compare the mean effect sizes for five classic Western management theories—institutional theory, resource dependence theory, the resource-based view, agency theory, and transaction cost theory—on 452 matched samples drawn from 1,028 U.S. and Chinese studies. Surprisingly, as compared to their U.S. counterparts, Chinese firms (a) are less responsive to coercive and mimetic pressures yet more subject to normative pressures, (b) establish fewer business relations when faced with resource dependencies and transaction costs, (c) extract more profit from managing generic strategic resources, and (d) are more sensitive to pay incentives and private blockholders. To understand the specificities of Chinese management practices, we conduct a focused review of

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<sup>1</sup> This study has been published. **Liu, W.**, Heugens, P.P.M.A.R., Wijen, F., & van Essen, M. 2022. Chinese management studies: A matched-samples meta-analysis and focused review of indigenous theories. *Journal of Management*, 48(6): 1778-1828.

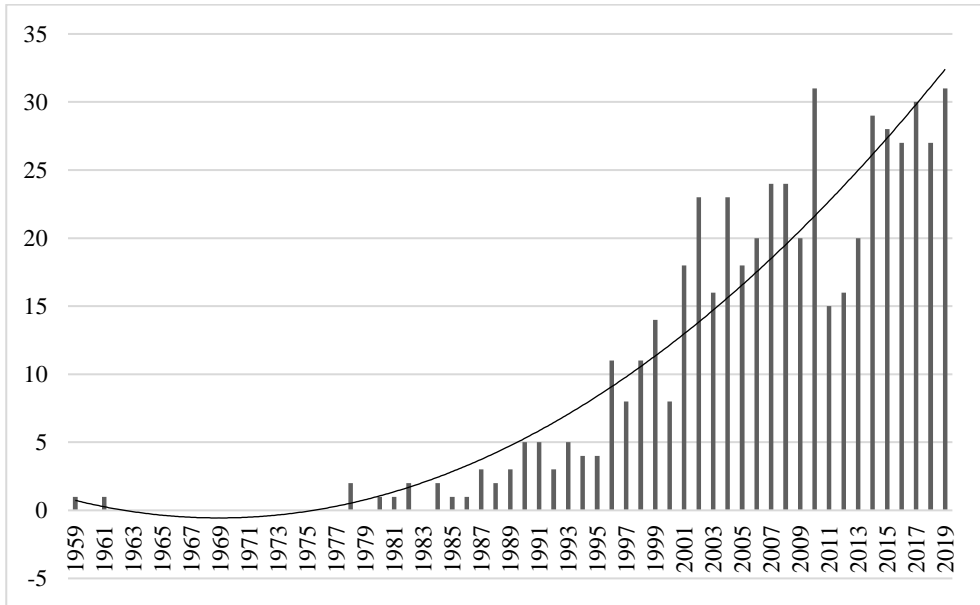
the literature on China-endemic explanations: political institutional imprinting theory, state-driven sustainable development, and China-endemic corporate governance. We conclude that indigenous theories effectively complement Western perspectives when accounting for Chinese management practices.

## **2.1 Introduction**

Scholarly interest in Chinese management practices has grown exponentially over the past four decades (see Figure 1). This “Cambrian explosion” in the Chinese Management Studies (CMS) field in part derives from China’s rapid change and astounding growth since the economic reforms beginning in 1979, rendering it “a legitimate and viable context for management and organization research” (Tsui et al., 2004: 136). Whereas most contributions to the CMS field consider China a natural laboratory for testing “Western” theories, a growing interest in uniquely Chinese phenomena is noticeable (e.g., Haveman et al., 2017; Marquis & Qiao, 2020; Raynard, Lu, & Jing, 2020; Wang et al., 2019; Wang & Luo, 2019; Wang et al., 2018; Xu et al., 2021). These indigenous studies attempt to demystify the seemingly paradoxical “Chinese model,” which weds sustained economic growth to communist rule by an autocratic government (Mitter & Johnson, 2021). While prior research has shown the value of applying Western theories in China, the country also hosts many idiosyncratic management practices, which call for complementary perspectives that go beyond established frameworks (Barney & Zhang, 2009; Meyer, 2006; Tsui, 2006, 2009; Van de Ven, Meyer, & Jing, 2018).

Yet our knowledge about Chinese management remains relatively limited and is colored by Western lenses (Barkema et al., 2015; Jia, You, & Du, 2012). It often relies on the strong assumption that management knowledge is universally valid (Jack et al., 2013; Muzio, 2022), including the applicability of Western theories to China. Yet most management theories that are currently in use originated in North America between the 1950s and 1980s, inspired by the rapid growth of the U.S. economy at the time (Colquitt & Zapata-Phelan, 2007). The Chinese economy,

**Figure 1 Distribution of Chinese Studies in Leading Management Journals over Time**



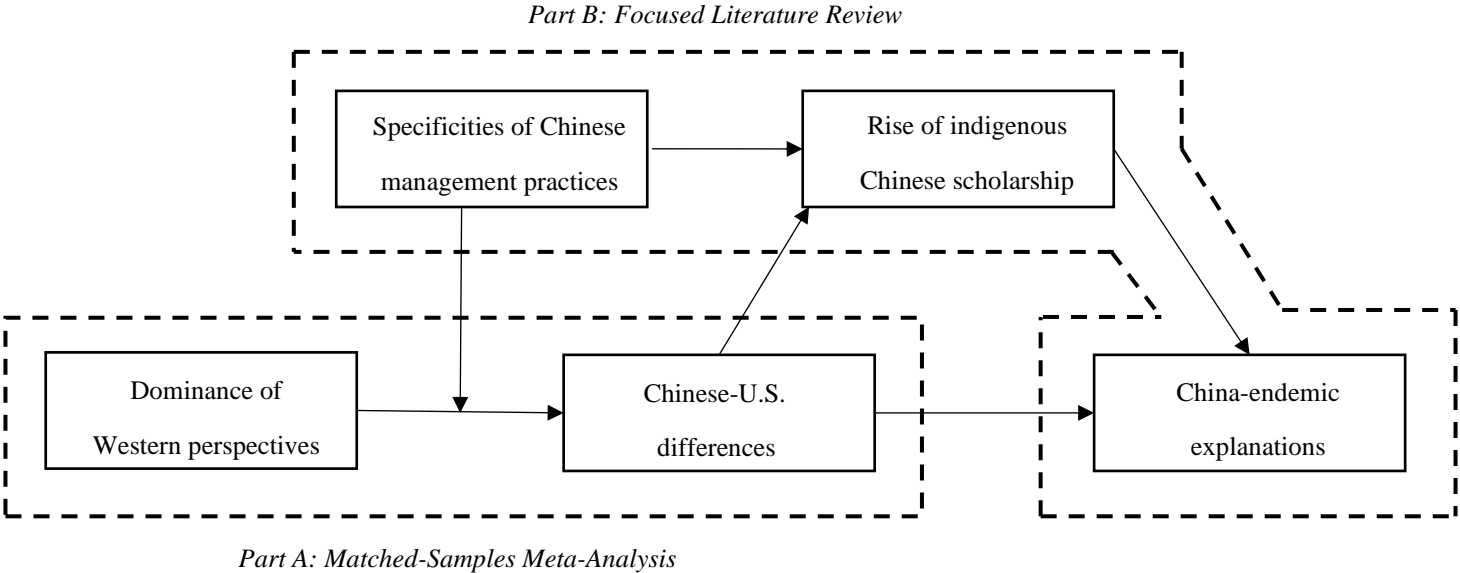
*Note:* List of journals includes *Academy of Management Journal*, *Administrative Science Quarterly*, *Journal of International Business Studies*, *Journal of Management*, *Journal of Management Studies*, *Organization Science*, *Organization Studies*, and *Strategic Management Journal*.

however, has evolved through a system of industrial governance and political involvement that is very distinct from the Western trajectory (Boisot & Child, 1996; Haveman et al., 2017; Nee, 1992; Xu et al., 2014). Furthermore, through their training in PhD programs of international universities, Western theories have strongly been instilled in Chinese scholars, which has long kept indigenous Chinese perspectives from blossoming (Barney & Zhang, 2009; Tsui et al., 2004). But later generations of CMS scholars have increasingly begun to develop China-endemic perspectives on management (e.g., Huang, Geng, & Wang, 2017; Marquis & Bird, 2018; Marquis & Qiao, 2020; Wang et al., 2019; Wang et al., 2018). The CMS field thus consists of two main parts: (a) studies using Chinese data to test and extend Western frameworks, and (b) studies developing endemic perspectives on Chinese management practices. An overarching framework capturing these is presented in Figure 2.



**Figure 2 Framework of Matched-Samples Meta-Analysis and Focused Literature Review**

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To take stock of the entire CMS field, we therefore first conduct a matched-samples meta-analysis (MSMA; Part A in Figure 1), in which we compare mean effect sizes and mechanisms for five classic management theories—institutional theory (e.g., DiMaggio & Powell, 1983; Meyer & Rowan, 1977), resource dependence theory (e.g., Pfeffer & Salancik, 1978), the resource-based view (e.g., Barney, 1991), agency theory (e.g., Fama & Jensen, 1983b; Jensen & Meckling, 1976), and transaction cost theory (e.g., Williamson, 1975)—on two comparable samples of studies drawn from the U.S. and China. These five theories encapsulate the bulk of macro-management research to date (Pugh & Hickson, 2007; Smith & Hitt, 2005), making the body of empirical studies testing them sufficiently large for a meta-analysis in both contexts (cf. Crook, Ketchen, Combs, & Todd, 2008; Drees & Heugens, 2013; Geyskens, Steenkamp, & Kumar, 2006; Heugens & Lander, 2009; Mutlu, van Essen, Peng, Saleh, & Duran, 2018). We integrate matching principles into meta-analysis to test the applicability of Western theories in China and probe the need for complementary perspectives. Our database consists of 1,028 primary studies, 452 matched samples, and 1,030 effect sizes. Second, we conduct a focused review of the literature on China-endemic studies (Part B in Figure 1) to identify distinct ways of theorizing that emerge from China. We find that political institutional imprinting theory, state-driven sustainable development, and China-endemic corporate governance represent most salient China-endemic perspectives.

Our study harbors four contributions. First, we unveil contextual differences between China and the U.S. in mean effect sizes and intervening mechanisms, and we discuss the extent to which established Western frameworks are useful to our understanding of Chinese firms and management practices. Second, we report the results of a focused review of the CMS literature, identifying three emerging strands of China-endemic theorizing. Third, we introduce the method of MSMA, or meta-analysis of econometrically matched samples, as a way of making inferentially more valid comparisons across macrosocial units. Fourth, we propose opportunities for

further theoretical advancement in the CMS field and identify uncharted empirical territory.

## **2.2 Overview of the Classic Management Theories**

The second half of the 20<sup>th</sup> century witnessed the formalization of hitherto fragmented ideas into a variety of comprehensive theoretical frameworks (Colquitt & Zapata-Phelan, 2007). Neo-institutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977), for example, questions Weber's (1921) instrumental view on the functioning of bureaucracy. Another major lens is resource dependence theory (Pfeffer & Salancik, 1978), which codifies preexisting ideas about the external control of organizations (Emerson, 1962; Thompson, 1967). The resource-based view of the firm (Barney, 1991) attributes interfirm performance differentials to internally accumulated factors of production. Agency theory (Fama & Jensen, 1983b; Jensen & Meckling, 1976) focuses on principal-agent relationships to broaden the risk-sharing literature. Informational imperfections are also central to transaction cost theory (Williamson, 1975), which is based on Coase's (1937) analysis of the choice between markets and hierarchies. These five theories represent the most prolifically researched ideas on management that have sprung up in the West, and they collectively reflect a prominent and complementary set of views on many aspects of organizational behavior.

### **2.2.1 Institutional Theory**

Institutional theory has developed into a leading perspective in organization and management over the past four decades (Greenwood, Oliver, Lawrence, & Meyer, 2017; Heugens & Lander, 2009; Scott, 1987, 2008). Scholars have assessed how institutions—mutualistic and durable social arrangements—account for the homogenization of organizational populations without necessarily rendering them more efficient (Mizruchi & Fein, 1999; Tolbert & Zucker, 1983). The limitations of economic reasoning have led institutional theorists to shift attention from the task environment to the institutional context and emphasize the logic of appropriateness

over consequentiality (e.g., DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Zucker, 1977). The search for legitimacy drives the development and sustenance of rationalized collective rules—the “institutionalized myths”—of society (Meyer & Rowan, 1977: 345). Institutionalism thus reflects on isomorphic processes through which organizations “collectively incorporate templates for organizing from their institutional environments in search of legitimacy” (Heugens & Lander, 2009: 61).

DiMaggio and Powell (1983) identified three institutional drivers of isomorphism: coercive, mimetic, and normative pressures. First, coercive pressures come from commanding authorities such as governments with legislative power over organizations (Mezias, 1990; Provan, 1987) and from critical resource providers upon whom organizations depend (Ingram & Simons, 1995; Palmer, Jennings, & Zhou, 1993). Second, mimetic isomorphism occurs when organizations face a problem with unclear solutions (Haunschild & Miner, 1997; Kraatz, 1998). To mitigate uncertainty, organizations mimic the behavior of others with similar traits (Baum & Haveman, 1997; Keister, 2004), who appear with great frequency (Guillén, 2002, 2003; Haunschild, 1993), or who realize desirable outcomes (Keister, 2002; Williamson & Cable, 2003). Third, isomorphism becomes normatively diffused when organizations struggle to establish a cognitive base and legitimation for their autonomy (Greenwood, Suddaby, & Hinings, 2002; Lawrence, 1999). The diffusion of normative isomorphism is predominantly driven by professional networks (Geletkanycz & Hambrick, 1997; Haunschild, 1994; Lee & Pennings, 2002) and accreditation bodies (Eesley, Li, & Yang, 2016; Honig & Karlsson, 2004; Mezias, 1990). We focus on the three core empirical relationships stipulated by institutional theory: (a) coercive pressures–isomorphism; (b) mimetic pressures–isomorphism; and (c) normative pressures–isomorphism.

### **2.2.2 Resource Dependence Theory**

Resource dependence theory has long been a dominant perspective for understanding organization-environment relations (Smith & Hitt, 2005),

constituting one of the most influential theories in organization and management (Davis & Cobb, 2010; Drees & Heugens, 2013; Hillman, Withers, & Collins, 2009). The theory is premised on the notion that organizations critically depend on means supplied by actors in their environment (Aldrich & Pfeffer, 1976; Pfeffer, 1972; Pfeffer & Nowak, 1976; Pfeffer & Salancik, 1974). A central concept is that of power (Emerson, 1962), which derives from external actors' control over resources vital to business organizations (Ulrich & Barney, 1984). Resource dependencies make organizations lose autonomy (Pfeffer & Salancik, 1978), either through power imbalances (stemming from uneven dependencies) or mutual dependencies (involving reciprocal power) (Casciaro & Piskorski, 2005).

Resource dependence theory assesses the countermeasures organizations can take to secure resources and regain their autonomy (Drees & Heugens, 2013). Organizations regain control by creating (semi)permanent ties or merging with other formally independent organizations (Pfeffer & Salancik, 1978). Forming interorganizational arrangements allows organizations to set their boundaries "at the point that maximizes strategic control over crucial external forces" and become more autonomous (Santos & Eisenhardt, 2005: 495). Prior studies have highlighted several arrangements: board interlocks (Mizruchi, 1996), alliances (Gulati, 1998), joint ventures (Ahuja, 2000), and mergers and acquisitions (M&As; Meyer, Estrin, Bhaumik, & Peng, 2009). Despite their dark-side manifestations (Oliveira & Lumineau, 2019), most studies show that interorganizational arrangements can help mitigate resource dependencies (Drees & Heugens, 2013; Krishnan, Geyskens, & Steenkamp, 2016; Shi, Sun, & Prescott, 2012). We test the following relationships: (a) resource dependence–board interlock; (b) resource dependence–alliance; (c) resource dependence–joint venture; and (d) resource dependence–M&As.

### **2.2.3 The Resource-Based View**

The resource-based view originated in strategic management but has also secured a preeminent position in disciplines like human resource management,

entrepreneurship, and international business (Barney, 2001; Barney, Ketchen, & Wright, 2011; Barney, Wright, & Ketchen, 2001; Kraaijenbrink, Spender, & Groen, 2010). Its central question is “Why do some firms persistently outperform others?” (Barney & Arian, 2001: 124). Barney (1991) argued that competitive advantage derives from a firm’s resources that are valuable, rare, inimitable, and nonsubstitutable (VRIN)—traits that conjunctively produce performance advantages. Within this framework, competitive advantage is viewed as “a rent conferred by one or more imperfections in the resource market that prevents at least one input being on equal terms to all actual or would-be competitors” (Lockett, Thompson, & Morgenstern, 2009: 11). Central to this argument are two assumptions: firm heterogeneity and path dependence (Barney et al., 2001; Lockett et al., 2009). First, strategic resources may be heterogeneously distributed across firms within an industry (Barney, 1991; Conner, 1991; Priem & Butler, 2001). Second, these resources may not be perfectly mobile across firms, leading to sustained firm heterogeneity (Barney, 1991, 2001).

Prior research has tested the relationships between a firm’s control over strategic resources and its performance-related outcomes (Armstrong & Shimizu, 2007; Crook et al., 2008; D’Oria, Crook, Ketchen, Sirmon, & Wright, 2021; Nason & Wiklund, 2018; Newbert, 2007). A prior meta-analysis (Crook et al., 2008) shows that VRIN resources have stronger performance effects than resources lacking these traits. This relationship strengthens when performance outcomes are not subject to potential value appropriation by third parties. The meta-analysis by Nason and Wiklund (2018) furthermore indicates that, even though VRIN resources facilitate opportunity recognition and exploitation, they mostly stimulate nongrowth performance outcomes. To evaluate the resource-based view’s predictive power across contexts, we investigate two central relationships: (a) non-VRIN resources—accounting and market performance and (b) VRIN resources—accounting and market performance.

### **2.2.4 Agency Theory**

Agency theory is a leading framework informing especially corporate governance research (Aguilera, Desender, Bednar, & Lee, 2015). It has spawned an extensive body of empirical evidence (Dalton, Daily, Ellstrand, & Johnson, 1998; Dalton, Hitt, Certo, & Dalton, 2007). Many contributors to the field of corporate governance focus on the principal-agent conflict of separated “ownership” and “control” in organizations (Fama & Jensen, 1983b). A separation of decision-making and risk-bearing functions implies that decision-making agents do not bear the wealth effects of their strategic choices (Fama, 1980; Fama & Jensen, 1983a; Jensen & Meckling, 1976). In spite of specialization benefits (Fama & Jensen, 1983b), it also leads to “potential for mischief when the interests of owners and managers diverge” (Dalton et al., 2007: 1). That is, managers may inappropriately leverage their advantages to extract higher rents than what the owners of organizations accord them (Villalonga & Amit, 2006; Villalonga, Amit, Trujillo, & Guzmán, 2015).

Three principal governance mechanisms have been developed to mitigate conflicts of interest between owners and managers (Dalton et al., 2007). Independent monitoring (Fama, 1980), first, functions through the board of directors, which is supposed to oversee managers to ensure that the latter’s decisions are aligned with the interests of owners (Fama & Jensen, 1983a, 1983b). This mechanism spans two aspects of board structure (Dalton et al., 1998; Dalton & Dalton, 2011): board composition, specifically the proportion of the board that is comprised of outside directors (Bhagat & Black, 2002; Wagner, Stimpert, & Fubara, 1998); and leadership structure (Mizruchi, 1983), especially CEO duality—referring to CEO chairing of the board (Krause, Semadeni, & Cannella, 2014). Managerial incentives (Jensen & Meckling, 1976; Jensen & Murphy, 1990), second, are effectuated through executive compensation (Barkema & Gomez-Mejia, 1998; Devers, Cannella, Reilly, & Yoder, 2007; Tosi, Werner, Katz, & Gomez-Mejia, 2000) and managerial ownership (Dalton, Daily, Certo, & Roengpitya, 2003).

Research has shown that performance-dependent compensation and equity ownership motivate executives to embrace the interests of shareholders, leading to decisions that serve their joint interests (Fahlenbrach & Stulz, 2011; McConnell & Servaes, 1990; Mehran, 1995). Concentrated external ownership (e.g., Pound, 1988; Shleifer & Vishny, 1986), third, grants large-block shareholders or institutional investors the means to monitor management (Aggarwal, Erel, Ferreira, & Matos, 2011; Anderson, Mansi, & Reeb, 2003; Demsetz & Villalonga, 2001). Hence, we examine three core relationships: (a) monitoring mechanism (i.e., board independence, CEO duality)–performance, (b) alignment mechanism (i.e., executive compensation, managerial ownership)–performance, and (c) investment mechanism (i.e., blockholder, institutional investor)–performance.

### **2.2.5 Transaction Cost Theory**

Transaction cost theory explains why organizations exist in markets and where the boundaries of organizations should be (Cuypers, Hennart, Silverman, & Ertug, 2021; Gibbons, 2010; Madhok, 2002; Santos & Eisenhardt, 2005). It sees society as a network of transactions, which can be performed either via a market or within an organization (Coase, 1937). As transacting agents are boundedly rational and opportunistic (March & Simon, 1958), the most efficient form of exchange depends on the balance of the transaction costs associated with market mechanisms to organize an arm's length exchange and the governance costs ensuing from organizing exchanges through managerial authority within an organization (Williamson, 1975, 1981, 1991). Competition is expected to enhance the efficiency of market mechanisms, but market failures and transaction costs push more transactions within the boundaries of organizations (Williamson, 1971).

Williamson (1975) translated the core tenets of transaction cost theory into testable hypotheses by attributing the relative efficiency of alternative governance structures to observable dimensions of transactions (i.e., asset specificity, uncertainty, and frequency). Asset specificity highlights the idiosyncratic nature of



“assets that are tailored to a particular transaction and cannot be easily redeployed outside the relationship of the parties to the transaction” (Geyskens et al., 2006: 520). Since market mechanisms often fail to curb transacting agents’ opportunism, transaction-specific assets induce the problem that agreements may not be respected (Williamson, 1998). One solution is hierarchical governance, which addresses this safeguarding problem more efficiently than market governance (Williamson, 1991). Relational governance, characterized by transacting parties maintaining autonomy yet jointly developing certain policies, is a viable alternative to hierarchical governance (Williamson, 1991). As such, we test two relationships: (a) asset specificity–hierarchical governance and (b) asset specificity–relational governance.

### **2.3 Methods**

Meta-analytic techniques are instrumental in understanding inconclusive prior research findings and determining a field’s state-of-knowledge (Cooper, Hedges, & Valentine, 2009; Hunter & Schmidt, 2004; Post et al., 2020; Stanley & Doucouliagos, 2012). However, prior findings are often synthesized into a single effect size without sufficiently considering and removing the influence of study characteristics such as data, context, and method (Aguinis, Ramani, & Cascio, 2020; Gonzalez-Mulé & Aguinis, 2018). By integrating the principles of matched sampling into meta-analysis, we introduce MSMA to make inferentially more valid comparisons of meta-analytically derived effect sizes across macrosocial units.

#### **2.3.1 Literature Search and Coding**

To ensure comprehensiveness, we employed four complementary literature search strategies. First, we consulted prior review articles and meta-analytical reviews (e.g., Crook et al., 2008; Drees & Heugens, 2013; Geyskens et al., 2006; Heugens & Lander, 2009; Mutlu et al., 2018). Second, we explored four electronic databases: ABI/INFORM Global, EconLit, Google Scholar, and JSTOR, using a comprehensive set of search terms. Third, we manually searched eight leading management and organization journals: *Academy of Management Journal*,

*Administrative Science Quarterly*, *Journal of International Business Studies*, *Journal of Management*, *Journal of Management Studies*, *Organization Science*, *Organization Studies*, and *Strategic Management Journal*; and a China-focused journal *Management and Organization Review*. Finally, we used two-way snowballing to forward-trace references of the retrieved studies and backward-trace articles citing these studies in Google Scholar and ISI Web of Knowledge.

We used three inclusion criteria (Lipsey & Wilson, 2001). First, a study had to investigate either the U.S. or Chinese contexts. We also included multicountry studies reporting U.S. or Chinese effect sizes separately. Second, the article empirically examined at least one of the relationships of interest. We used a list of construct definitions and measures derived from prior meta-analyses to identify correct relationships. Third, the study reported sample size and effect size information. These efforts yielded a database of 1,028 primary studies, divided over institutional theory (97), resource dependence theory (146), the resource-based view (234), agency theory (433), and transaction cost theory (118).

We developed a coding protocol to harvest both study-level and effect-size-level information (Lipsey & Wilson, 2001). When studies examined more than one focal relationship, we coded them all to extract more information from each study. From the 1,028 primary studies, we coded 1,720 samples, divided over institutional theory (162), resource dependence theory (161), the resource-based view (304), agency theory (948), and transaction cost theory (145). We then identified comparable U.S. and Chinese samples, producing a definitive dataset comprising 452 matched samples and 1,030 effect sizes, distributed over institutional theory (40 matched samples and 84 effect sizes), resource dependence theory (38/88), the resource-based view (78/257), agency theory (274/559), and transaction cost theory (22/42). The supplemental materials offer bibliographic information on the articles included in the meta-analysis.

### **2.3.2 A Novel Analytic Strategy: Matched-Samples Meta-Analysis**

As emphasized by Lipsey and Wilson (2001: 73), “[c]onceptually, this distinction [between study-level and effect-size-level information] is similar to that between independent and dependent variables.” Study characteristics like context, method, and sample influence the nature and magnitude of research findings. Effect sizes are not only influenced by theorized mechanisms that have treatment effects on selected populations but also by espoused study characteristics. Such characteristics can substantially confound research findings (Lipsey & Wilson, 2001). To address this challenge, meta-analysts often model study-level variables as moderators of the mean effect size through meta-analytic regression analysis (MARA) or hierarchical linear modelling meta-analysis (HiLMMA). These approaches, however, are less suited for direct comparisons of effect sizes affected by macro-institutional and cultural differences (Aguinis et al., 2020). Inasmuch as treatment effects could be more causally estimated by econometrically inferring randomized controlled trials in observational studies (Shadish, Cook, & Campbell, 2002), finding an appropriate “counterfactual” allows us to more precisely compare effect sizes drawn from two macro units in meta-analysis.

Matching techniques allow researchers to compare the effect sizes of studies with those of their closest peers only, rendering comparative meta-analysis feasible. As “an intuitive method for addressing causal questions,” matching pushes researchers to “confront the process of causal exposure as well as the limitations of available data” (Morgan & Winship, 2015: 140). The basic idea of matching is: If there are two large pools of cases, those that receive a treatment (treatment group) and those that do not (control group), researchers should identify cases that are very similar on salient dimensions across both groups and then check whether the treatment causally affects the outcome in a subsample of treated cases and matched control cases (Imbens, 2004; Imbens & Wooldridge, 2009). This simplifies the analysis of causal effects and reduces dependence of estimates on parametric models

(Morgan & Winship, 2015). In recent years, matching has become an indispensable technique for empirical research at the macro and micro levels to address endogeneity concerns (Li, 2013; Stuart, 2010). We combined meta-analytical techniques with matching to accomplish adequate cross-country comparisons.

We developed MSMA for comparative theoretical synthesis. First, we selected a number of conditioning variables—*geographical range* (dummy, nationwide/regionwide), *data collection method* (dummy: archival/survey), *mean year of observation* (continuous), *median year of observation* (continuous), *sample size* (continuous), *industry* (categorical: manufacturing/ technology/service/mixed), and *focal relationship* (categorical: intervening mechanisms)—to calculate the “closeness” that determines whether cases are good matches and correct for violation of the strongly ignorable treatment assignment (SITA; Rosenbaum & Rubin, 1983) assumption (Imbens, 2004; Imbens & Wooldridge, 2009). Second, we entered these conditioning variables into the logit model to predict the propensity score (Rosenbaum, 2010), the conditional probability of receiving the treatment (i.e., using a Chinese sample). Third, we matched Chinese and U.S. studies using four schemes of propensity score matching (Guo & Fraser, 2014): nearest neighbor within caliper =  $.25\sigma_p$  (scheme 1), nearest neighbor within caliper =  $.1\sigma_p$  (scheme 2), Mahalanobis without propensity scores (scheme 3), and Mahalanobis with propensity scores (scheme 4). Nearest neighbor within caliper matching is useful for addressing non-normal, non-continuous variables, and Mahalanobis metric matching for identifying matched pairs where the sample is small (Guo & Fraser, 2014). We used one-to-one matching to avoid the exclusion of treatments that could not be matched with multiple non-treatments. After matching, we used the Wilcoxon rank sum (Mann-Whitney) test for continuous covariates and the chi-square test for categorical covariates to check for remaining imbalances (Guo & Fraser, 2014). Lastly, we selected the matched samples with the highest matching effectiveness for meta-analysis, and used the others for robustness checks.

We used Hedges-Olkin meta-analysis (HOMA; Hedges & Olkin, 1985) to calculate meta-analytic mean correlations between variables and corresponding confidence intervals (Lipsey & Wilson, 2001). We used Pearson product-moment correlation coefficients ( $r$ ), which are commonly used by management scholars to assess bivariate relationships (Bergh et al., 2016; Combs, Ketchen, Crook, & Roth, 2011). When applying HOMA, researchers should make a choice between a fixed-effects model and a random-effects model (Hedges & Vevea, 1998). Considering that not all of the variance between effect sizes can be attributed to sampling error, we opted for a random-effects model to account for unique differences in the set of true population effect sizes (Geyskens, Krishnan, Steenkamp, & Cunha, 2009).

## **2.4 Matched-Samples Meta-Analytic Results**

### **2.4.1 MSMA Results for Institutional Theory**

Table 8 presents the matching results for institutional theory. The logit model has a high level of goodness of fit (pseudo  $R^2 = .506$ ). While pre-matching imbalance checks suggest that pretreatment characteristics *geographic range* ( $p < .05$ ), *median years of observation* ( $p < .001$ ), and *focal relationship* ( $p < .01$ ) were not exogenous, post-matching checks show that selection bias was successfully removed in schemes 1, 2, and 4. We chose matching scheme 2, as the known variance of that scheme's post-matching logit model diminished most (pseudo  $R^2 = .035$ ).

Table 9 reports HOMA results for institutional theory based on matching scheme 2. The mean effect size of organizational isomorphism is significantly positive across both contexts, yet it is stronger in the U.S. than in China (U.S.:  $r = .23, p < .001$ ; China:  $r = .13, p < .001$ ). In terms of intervening mechanisms, the bivariate correlations of the matched U.S. and Chinese samples for coercive, mimetic, and normative pressures and isomorphism are .30 ( $p < .001$ ) vs. .09 ( $p < .001$ ), .34 ( $p < .001$ ) vs. .11 ( $p < .001$ ), and .10 ( $p < .001$ ) vs. .19 ( $p < .001$ ). This implies that coercive and mimetic isomorphic forces are weaker in China than in the U.S., and vice versa for normative isomorphism.

### 2.4.2 MSMA Results for Resource Dependence Theory

Table 10 presents the matching results for resource dependence theory. The logit model for predicting propensity scores has a moderate level of goodness of fit (pseudo  $R^2 = .259$ ). While pre-matching imbalance checks show that *data collection method* ( $p < .10$ ), *mean years of observations* ( $p < .05$ ), *median years of observations* ( $p < .001$ ), and *focal relationship* ( $p < .001$ ) were associated with the treatment, post-matching imbalance checks show that selection bias was successfully removed through matching in all schemes. We chose matching scheme 3, as known variance of that scheme's post-matching logit model diminished most (pseudo  $R^2 = .026$ ).

Table 11 reports HOMA results for resource dependence theory based on matching scheme 3. The mean effect size is significantly positive in the U.S., but not statistically significant in China (U.S.:  $r = .04$ ,  $p < .001$ ; China:  $r = .02$ ,  $p > .10$ ). In terms of intervening mechanisms, the bivariate correlations of the matched U.S. and Chinese samples for resource dependence and board interlocks, alliances, joint ventures, M&As are .05 ( $p < .05$ ) vs. .04 ( $p < .05$ ), .10 ( $p < .01$ ) vs. .05 ( $p > .10$ ), .03 ( $p > .10$ ) vs. .03 ( $p > .10$ ), and .03 ( $p < .10$ ) vs. -.01 ( $p > .10$ ). Heightened resource dependencies thus lead to formation of interlocks, alliances, and M&As in the U.S., whereas in China only the interlock effect is positive, suggesting that Chinese firms are less likely to take a relational approach when faced with resource dependencies.

### 2.4.3 MSMA Results for the Resource-Based View

Table 12 presents the matching results for the resource-based view. The logit model for predicting propensity scores has a high level of goodness of fit (pseudo  $R^2 = .429$ ). While pre-matching imbalance checks show that *geographic range* ( $p < .001$ ), *data collection method* ( $p < .001$ ), *mean years of observations* ( $p < .10$ ), *median years of observations* ( $p < .001$ ), *industry* ( $p < .001$ ), and *focal relationship* ( $p < .10$ ) were not exogenous, post-matching imbalance checks suggest that selection bias was successfully removed in schemes 1 and 2. We chose matching scheme 1, as known variance of that scheme's post-matching logit model diminished most (pseudo  $R^2$

= .024).

Table 13 reports HOMA results for the resource-based view based on matching scheme 1. The mean effect size is significantly positive in both contexts, though it is weaker in the U.S. than in China (U.S.:  $r = .09, p < .001$ ; China:  $r = .14, p < .001$ ). This pattern holds for accounting performance (U.S.:  $r = .08, p < .001$ ; China:  $r = .13, p < .001$ ) but is reversed for market performance (U.S.:  $r = .20, p < .001$ ; China:  $r = .03, p > .10$ ). In terms of intervening mechanisms, the bivariate correlations of the matched U.S. and Chinese samples for the performance effects of non-VRIN and VRIN resources are .02 ( $p > .10$ ) vs. .04 ( $p < .01$ ) and .19 ( $p < .001$ ) vs. .21 ( $p < .001$ ). From these results, we conclude that the performance effects of VRIN resources are on par across both contexts yet those of non-VRIN resources are stronger in China than in the U.S.

#### **2.4.4 MSMA Results for Agency Theory**

Table 14 presents the matching results for agency theory. The logit model for predicting propensity scores has a moderate level of goodness of fit (pseudo  $R^2 = .387$ ). While pre-matching imbalance checks show that *data collection method* ( $p < .001$ ), *mean years of observations* ( $p < .10$ ), *median years of observations* ( $p < .001$ ), *sample size* ( $p < .001$ ), *industry* ( $p < .05$ ), and *focal relationship* ( $p < .001$ ) were not exogenous, post-matching tests show that selection bias was successfully removed in schemes 1 and 2. We chose matching scheme 2, as known variance of that scheme's post-matching logit model decreased most (pseudo  $R^2 = .005$ ).

Table 15 reports HOMA results for agency theory based on matching scheme 2. The main relationships (monitoring mechanisms, alignment mechanisms, and investment mechanisms) are all in the same order of magnitude and show similar patterns of (non-)significance when comparing U.S. and Chinese samples:  $-.02$  ( $p < .001$ ) vs.  $-.02$  ( $p < .10$ ),  $.03$  ( $p < .01$ ) vs.  $.05$  ( $p < .001$ ), and  $.00$  ( $p > .10$ ) vs.  $.00$  ( $p > .10$ ). In terms of monitoring mechanisms, the bivariate correlations of the matched U.S. and Chinese samples for the performance effects of board

independence and CEO duality are  $-.02$  ( $p < .01$ ) vs.  $-.02$  ( $p > .10$ ) and  $.02$  ( $p < .10$ ) vs.  $.01$  ( $p < .10$ ). With regard to alignment mechanisms, the bivariate correlations for the performance effects of CEO pay and managerial ownership in the U.S. and China are  $.05$  ( $p < .01$ ) vs.  $.13$  ( $p < .001$ ) and  $.01$  ( $p > .10$ ) vs.  $.03$  ( $p < .01$ ). Concerning investment mechanisms, the bivariate correlations of the matched U.S. and Chinese samples for the performance effects of blockholders and institutional investors are  $-.03$  ( $p < .05$ ) vs.  $.04$  ( $p < .05$ ), and  $.01$  ( $p > .10$ ) vs.  $.03$  ( $p > .10$ ), and the bivariate correlation between state ownership and performance for the Chinese sample is  $-.03$  ( $p < .05$ ). From these results, we conclude that agency theory tends to hold similarly across China and the U.S., although there are some noticeable differences in alignment and investment mechanisms.

#### **2.4.5 MSMA Results for Transaction Cost Theory**

Table 16 presents the matching results for transaction cost theory. The logit model for predicting propensity scores has a high level of goodness of fit (pseudo  $R^2 = .572$ ). While pre-matching imbalance checks show that *geographical range* ( $p < .001$ ), *data collection method* ( $p < .10$ ), *median years of observations* ( $p < .001$ ), *sample size* ( $p < .05$ ), and *industry* ( $p < .01$ ) were not exogenous to the treatment, post-matching imbalance checks suggest that selection bias was removed in schemes 1 and 2. We chose matching scheme 1, as known variance of that scheme's post-matching logit model decreased most (pseudo  $R^2 = .107$ ).

Table 17 reports HOMA results for transaction cost theory based on matching scheme 1. The mean effect size is considerably stronger in the U.S. than in China (U.S.:  $r = .12$ ,  $p < .01$ ; China:  $r = .06$ ,  $p < .10$ ). In terms of intervening mechanisms, the bivariate correlations of the matched U.S. and Chinese samples for asset specificity and hierarchical governance as well as relational governance are  $-.05$  ( $p > .10$ ) vs.  $.02$  ( $p > .10$ ) and  $.21$  ( $p < .001$ ) vs.  $.16$  ( $p > .10$ ). These results show that transactional hazards resulting from asset specificity are more likely to lead to the formation of relational governance in the U.S. than in China.



**Table 8 Propensity Score Analysis and Imbalance Check: Institutional Theory**

Variable	Logit model		Pre-matching imbalance check	Post-matching imbalance check			
	beta	se		Scheme 1	Scheme 2	Scheme 3	Scheme 4
Geographic range	-0.302	(1.020)	[0.041]	[0.548]	[1.000]	[0.636]	[1.000]
Data collection method	-3.165**	(1.106)	[0.537]	[1.000]	[1.000]	[1.000]	[1.000]
Mean years of observation (log)	1.034†	(0.536)	[0.221]	[0.769]	[0.758]	[0.964]	[0.744]
Median years of observation (log)	483.067***	(81.273)	[0.000]	[0.266]	[0.278]	[0.084]	[0.115]
Sample size (log)	0.260	(0.174)	[0.320]	[0.291]	[0.386]	[0.448]	[0.652]
Industry			[0.002]	[0.720]	[0.890]	[1.000]	[1.000]
2. Technology							
3. Service	-2.642†	(1.379)					
4. Mixed	0.550	(0.733)					
5. Other	-0.086	(1.251)					
Focal relationship			[0.001]	[0.675]	[0.731]	[0.924]	[0.924]
2. Mimetic pressures— <i>isomorphism</i>	-2.026*	(0.785)					
3. Normative pressures— <i>isomorphism</i>	-1.028	(0.627)					
Constant	-3672.852***	(617.506)					
N of samples	150		162	40	40	46	46
N of studies	92		97	26	27	34	34
Pseudo $R^2$	0.506			0.119	0.035	0.122	0.095

Note: If post-matching bivariate tests are nonsignificant, then the propensity score has successfully removed group differences on the observed covariates.

†  $p < 0.10$ , \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ ; robust standard errors in parentheses;  $p$  value in brackets.

**Table 9 Hedges-Olkin Meta-Analytic Results: Institutional Theory (Scheme 2)**

Focal relationship	HOMA results for the matched U.S. sample							HOMA results for the matched Chinese sample						
	$K$	$N$	Mean $n$	SE	CI 95%	$Q$ test	$I^2$	$K$	$N$	Mean	SE	CI 95%	$Q$ test	$I^2$
Isomorphic pressures— <i>Isomorphism</i>	42	60,689	0.23**	0.02	0.19/0.27	768.54***	0.95	42	75,748	0.13***	0.01	0.10/0.16	590.93***	0.93
Coercive <i>isomorphism</i>	19	20,530	0.30**	0.04	0.23/0.38	312.08***	0.95	16	30,866	0.09***	0.02	0.06/0.12	87.16***	0.84
Mimetic <i>isomorphism</i>	7	2,727	0.34**	0.06	0.23/0.46	50.25***	0.90	9	22,521	0.11***	0.02	0.07/0.15	54.33***	0.87
Normative <i>isomorphism</i>	16	37,432	0.10**	0.02	0.07/0.14	102.84***	0.86	17	22,361	0.19***	0.03	0.13/0.25	335.93***	0.96

Note:  $k$  = number of effect sizes;  $N$  = number of observations; SE = standard error of the mean correlation; CI 95% = 95 percent confidence interval around the meta-analytic mean;  $Q$  test = Hedges & Olkin (1985) chi-square test for homogeneity;  $I^2$  = scale-free index of heterogeneity.

†  $p < 0.10$ , \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ .

**Table 10 Propensity Score Analysis and Imbalance Check: Resource Dependence Theory**

Variable	Logit model		Pre-matching imbalance check	Post-matching imbalance check			
	beta	se		Scheme 1	Scheme 2	Scheme 3	Scheme 4
Geographic range	0.132	(1.006)	[0.520]	[0.311]	[0.310]	[1.000]	[1.000]
Data collection method	0.526	(0.697)	<b>[0.067]</b>	[0.705]	[0.628]	[0.676]	[0.677]
Mean years of observation (log)	-0.455	(0.332)	<b>[0.023]</b>	[0.541]	[0.397]	[0.558]	[0.505]
Median years of observation (log)	212.787*	(97.279)	<b>[0.000]</b>	[0.456]	[0.501]	[0.170]	[0.279]
Sample size (log)	-0.165	(0.181)	[0.829]	[0.199]	[0.121]	[0.884]	[0.507]
Industry			[0.338]	[0.817]	[0.328]	[0.913]	[1.000]
2. Technology	-1.556*	(0.655)					
3. Service							
4. Mixed	-1.222†	(0.488)					
Focal relationship			<b>[0.000]</b>	[1.000]	[0.977]	[0.986]	[0.987]
2. Dependence—Strategic alliance	-0.274	(1.132)					
3. Dependence—Joint venture	2.425*	(0.943)					
4. Dependence—M&As	1.176	(0.917)					
Constant	-1,617.127*	(738.670)					
N of samples	148		161	40	34	38	40
N of studies	136		146	39	34	36	37
Pseudo R <sup>2</sup>	0.259			0.057	0.142	0.026	0.034

Note: If post-matching bivariate tests are nonsignificant, then the propensity score has successfully removed group differences on the observed covariates.

†  $p < 0.10$ , \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ ; robust standard errors in parentheses;  $p$  value in brackets.

**Table 11 Hedges-Olkin Meta-Analytic Results: Resource Dependence Theory (Scheme 3)**

Focal relationship	HOMA results for the matched U.S. sample							HOMA results for the matched Chinese sample						
	$K$	$N$	Mean	SE	CI 95%	$Q$ test	$I^2$	$K$	$N$	Mean	SE	CI 95%	$Q$ test	$I^2$
Resource dependence— Interorganizational arr.	49	564,285	<b>0.04**</b>	0.01	0.01/0.06	1574.59***	0.97	39	201,548	0.02	0.01	-0.01/0.04	1089.80***	0.97
Dependence—Board interlock	6	5,376	<b>0.05*</b>	0.03	0.00/0.10	17.41**	0.77	5	11,677	<b>0.04*</b>	0.02	0.00/0.08	18.36**	0.84
Dependence—Alliance	6	2,702	<b>0.10**</b>	0.03	0.04/0.16	7.22	0.45	4	729	0.05	0.07	-0.09/0.19	10.84*	0.82
Dependence—Joint venture	13	25,832	0.03	0.03	-0.03/0.08	163.32***	0.93	13	14,198	0.03	0.05	-0.06/0.12	169.44***	0.94
Dependence—M&As	24	530,375	<b>0.03†</b>	0.02	-0.01/0.06	1359.35***	0.98	17	174,944	-0.01	0.02	-0.05/0.02	680.93***	0.98

Note:  $k$  = number of effect sizes;  $N$  = number of observations; SE = standard error of the mean correlation; CI 95% = 95 percent confidence interval around the meta-analytic mean;  $Q$  test = Hedges & Olkin (1985) chi-square test for homogeneity;  $I^2$  = scale-free index of heterogeneity.

†  $p < 0.10$ , \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ .

**Table 12 Propensity Score Analysis and Imbalance Check: The Resource-Based View**

Variable	Logit model		Pre-matching imbalance check	Post-matching imbalance check			
	beta	se		Scheme 1	Scheme 2	Scheme 3	Scheme 4
Geographic range	-1.893***	(0.492)	[0.000]	[0.784]	[0.784]	[1.000]	[1.000]
Data collection method	-1.344†	(0.715)	[0.000]	[0.651]	[0.821]	[1.000]	[0.813]
Mean years of observation (log)	-0.137	(0.301)	[0.000]	[0.402]	[0.405]	[0.581]	[0.518]
Median years of observation (log)	475.193***	(78.155)	[0.000]	[0.916]	[0.849]	[0.061]	[0.061]
Sample size (log)	0.305†	(0.184)	[0.401]	[0.675]	[0.807]	[0.740]	[0.597]
Industry			[0.000]	[0.846]	[0.898]	[0.994]	[1.000]
2. Technology	-0.475	(0.697)					
3. Service	-3.467**	(1.258)					
4. Mixed	0.468	(0.488)					
Focal relationship			[0.077]	[0.820]	[0.496]	[0.812]	[1.000]
2. VRIN resource—Performance	-0.378	(0.454)					
Constant	-3,612.898***	(593.847)					
N of samples	304		304	78	78	72	72
N of studies	234		234	68	70	63	66
Pseudo $R^2$	0.429			0.024	0.031	0.048	0.051

Note: If post-matching bivariate tests are nonsignificant, then the propensity score has successfully removed group differences on the observed covariates.

†  $p < 0.10$ , \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ ; robust standard errors in parentheses;  $p$  value in brackets.

**Table 13 Hedges-Olkin Meta-Analytic Results: The Resource-Based View (Scheme 1)**

Focal relationship	HOMA results for the matched U.S. sample							HOMA results for the matched Chinese sample						
	$K$	$N$	Mean	SE	CI 95%	$Q$ test	$I^2$	$K$	$N$	Mean	SE	CI 95%	$Q$ test	$I^2$
<b>Resources—Performance</b>	150	993,399	<b>0.09***</b>	0.02	0.05/0.14	28718.59***	0.99	107	270,886	<b>0.14***</b>	0.01	0.12/0.16	2331.98***	0.95
Accounting performance	136	942,658	<b>0.08***</b>	0.02	0.05/0.12	14207.95***	0.99	97	240,830	<b>0.13***</b>	0.01	0.13/0.18	1994.50***	0.95
Market performance	14	50,741	<b>0.20***</b>	0.10	0.01/0.38	5149.29***	1.00	10	30,056	0.03	0.02	-0.02/0.07	108.95***	0.93
<b>Non-VRIN resources—Perf.</b>	87	967,788	0.02	0.03	-0.03/0.08	27198.28***	1.00	37	231,945	<b>0.04**</b>	0.02	0.01/0.08	1331.69***	0.97
Accounting performance	77	920,841	-0.00	0.02	-0.05/0.04	12518.38***	0.99	29	204,484	<b>0.05***</b>	0.02	0.01/0.08	1008.62***	0.97
Market performance	10	46,947	<b>0.21†</b>	0.11	-0.01/0.43	4506.08***	1.00	8	27,461	0.04	0.03	-0.01/0.09	108.07***	0.94
<b>VRIN resources—Perf.</b>	63	25,611	<b>0.19***</b>	0.02	0.15/0.23	513.38***	0.88	70	38,941	<b>0.21***</b>	0.02	0.17/0.26	992.03***	0.93
Accounting performance	59	21,817	<b>0.19***</b>	0.02	0.16/0.23	347.57***	0.84	68	36,346	<b>0.22***</b>	0.02	0.18/0.27	972.35***	0.93
Market performance	4	3,794	0.16	0.12	-0.07/0.38	59.28***	0.97	2	2,595	-0.01	0.02	-0.05/0.03	0.26	0.00

Note:  $k$  = number of effect sizes;  $N$  = number of observations; SE = standard error of the mean correlation; CI 95% = 95 percent confidence interval around the meta-analytic mean;  $Q$  test = Hedges & Olkin (1985) chi-square test for homogeneity;  $I^2$  = scale-free index of heterogeneity.

†  $p < 0.10$ , \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ .

Table 14 Propensity Score Analysis and Imbalance Check: Agency Theory

Variable	Logit model		Pre-matching imbalance check	Post-matching imbalance check			
	beta	se		Scheme 1	Scheme 2	Scheme 3	Scheme 4
Geographic range	-1.436 <sup>†</sup>	(0.787)	[0.888]	[1.000]	[1.000]	[0.319]	[1.000]
Data collection method	1.466 <sup>**</sup>	(0.525)	[0.000]	[0.776]	[0.776]	[0.984]	[1.000]
Mean years of observation (log)	-0.790 <sup>***</sup>	(0.180)	[0.089]	[0.467]	[0.582]	[0.676]	[0.260]
Median years of observation (log)	516.865 <sup>***</sup>	(42.753)	[0.000]	[0.119]	[0.328]	[0.000]	[0.003]
Sample size (log)	0.024	(0.088)	[0.000]	[0.541]	[0.448]	[0.886]	[0.800]
Industry			[0.015]	[0.562]	[0.562]	[0.992]	[0.651]
2. Technology							
3. Service							
4. Mixed	0.184	(0.718)					
Focal relationship			[0.000]	[0.878]	[0.774]	[0.970]	[0.986]
2. Alignment mech.—Performance	-0.503 <sup>†</sup>	(0.280)					
3. Investment mech.—Performance	1.157 <sup>***</sup>	(0.265)					
Constant	-3,928.812 <sup>***</sup>	(324.734)					
N of samples	875		948	274	274	194	196
N of studies	402		433	164	165	129	127
Pseudo R <sup>2</sup>	0.387			0.007	0.005	0.182	0.058

Note: If post-matching bivariate tests are nonsignificant, then the propensity score has successfully removed group differences on the observed covariates.

<sup>†</sup>  $p < 0.10$ , \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ ; robust standard errors in parentheses;  $p$  value in brackets.

Table 15 Hedges-Olkin Meta-Analytic Results: Agency Theory (Scheme 2)

Focal relationship	HOMA results for the matched U.S. sample							HOMA results for the matched Chinese sample						
	$K$	$N$	Mea n	SE	CI 95%	$Q$ test	$I^2$	$K$	$N$	Mean	SE	CI 95%	$Q$ test	$I^2$
Monitoring—Performance	92	832,523	-0.02 <sup>***</sup>	0.01	-0.03/0.01	1828.34 <sup>***</sup>	0.95	104	342,015	-0.02 <sup>†</sup>	0.01	-0.04/0.00	2821.52 <sup>***</sup>	0.96
Board inde.—Perf.	49	441,514	-0.02 <sup>**</sup>	0.01	-0.04/-0.01	851.97 <sup>***</sup>	0.94	51	173,970	-0.02	0.02	-0.05/0.02	2592.85 <sup>***</sup>	0.98
CEO duality—Perf.	43	391,009	0.02 <sup>†</sup>	0.01	-0.00/0.03	941.01 <sup>***</sup>	0.96	53	168,045	0.01 <sup>†</sup>	0.01	-0.00/0.02	205.27 <sup>***</sup>	0.75
Alignment—Performance	91	482,759	0.03 <sup>**</sup>	0.01	0.01/0.05	3094.31 <sup>***</sup>	0.97	64	194,516	0.05 <sup>***</sup>	0.01	0.03/0.07	1615.45 <sup>***</sup>	0.96
CEO pay—Perf.	42	199,715	0.05 <sup>**</sup>	0.02	0.02/0.08	2229.12 <sup>***</sup>	0.98	11	59,552	0.13 <sup>**</sup>	0.04	0.05/0.20	878.58 <sup>***</sup>	0.99
Maga. ownership—Perf.	49	283,044	0.01	0.01	-0.00/0.03	864.43 <sup>***</sup>	0.95	53	134,964	0.03 <sup>***</sup>	0.01	0.01/0.04	331.85 <sup>***</sup>	0.85
Investment—Performance	111	551,787	0.00	0.01	-0.02/0.02	3376.18 <sup>***</sup>	0.97	97	300,390	0.00	0.01	-0.02/0.02	2343.78 <sup>***</sup>	0.96
Blockholders—Perf.	28	49,659	-0.03 <sup>*</sup>	0.02	-0.06/-0.00	216.46 <sup>***</sup>	0.88	24	104,486	0.04 <sup>*</sup>	0.01	0.01/0.07	481.49 <sup>***</sup>	0.95
Inst. investors—Perf.	83	502,128	0.01	0.01	-0.01/0.03	3055.70 <sup>***</sup>	0.97	21	73,841	0.03	0.03	-0.02/0.09	998.72 <sup>***</sup>	0.98
State ownership—Perf.								52	122,063	-0.03 <sup>*</sup>	0.01	-0.05/-0.01	757.88 <sup>***</sup>	0.93

Note:  $k$  = number of effect sizes;  $N$  = number of observations; SE = standard error of the mean correlation; CI 95% = 95 percent confidence interval around the meta-analytic mean;  $Q$  test =Hedges & Olkin (1985) chi-square test for homogeneity;  $I^2$  = scale-free index of heterogeneity. The effect sizes of the CEO duality-performance relationship were reversed when calculating the performance effects of monitoring mechanisms.

<sup>†</sup>  $p < 0.10$ , \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ .

**Table 16 Propensity Score Analysis and Imbalance Check: Transaction Cost Theory**

Variable	Logit model		Pre-matching	Post-matching imbalance check			
	beta	se	imbalance check	Scheme 1	Scheme 2	Scheme 3	Scheme 4
Geographic range	-2.185*	(0.874)	[0.000]	[0.611]	[1.000]	[1.000]	[1.000]
Data collection method	-3.485**	(1.279)	[0.052]	[0.647]	[0.639]	[1.000]	[1.000]
Mean years of observation (log)	0.515	(0.855)	[0.137]	[0.961]	[0.957]	[0.914]	[0.914]
Median years of observation (log)	459.715**	(139.773)	[0.000]	[0.466]	[0.238]	[0.044]	[0.053]
Sample size (log)	1.242**	(0.399)	[0.013]	[0.157]	[0.289]	[0.130]	[0.290]
Industry			[0.001]	[0.392]	[0.653]	[0.639]	[0.639]
2. Technology							
3. Service							
4. Mixed	2.187**	(0.780)					
Focal relationship			[0.282]	[0.665]	[0.653]	[0.606]	[0.329]
2. Asset specificity—relational gov.	-1.236	(0.764)					
Constant	-3,501.188**	(1,062.982)					
N of samples	115		145	22	20	20	20
N of studies	94		118	17	16	18	19
Pseudo $R^2$	0.572			0.107	0.189	0.541	0.515

Note: If post-matching bivariate tests are nonsignificant, then the propensity score has successfully removed group differences on the observed covariates.

<sup>†</sup>  $p < 0.10$ , \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ ; robust standard errors in parentheses;  $p$  value in brackets.

**Table 17 Hedges-Olkin Meta-Analytic Results: Transaction Cost Theory (Scheme 1)**

Focal relationship	HOMA results for the matched U.S. sample							HOMA results for the matched Chinese sample						
	$K$	$N$	Mean	SE	CI 95%	$Q$ test	$I^2$	$K$	$N$	Mean	SE	CI 95%	$Q$ test	$I^2$
Asset spec.—Governance	29	16,646	<b>0.12</b> **	0.04	0.05/0.19	586.47***	0.95	13	16,614	<b>0.06</b> <sup>†</sup>	0.04	-0.01/0.13	168.57***	0.93
Asset spec.—Hierarchical gov.	10	12,062	-0.05	0.04	-0.13/0.04	189.96***	0.96	9	15,908	0.02	0.02	-0.02/0.06	32.30***	0.78
Asset spec.—Relational gov.	19	4,584	<b>0.21</b> ***	0.03	0.15/0.27	73.52***	0.77	4	706	0.16	0.21	-0.24/0.57	87.70***	0.98

Note:  $k$  = number of effect sizes;  $N$  = number of observations; SE = standard error of the mean correlation; CI 95% = 95 percent confidence interval around the meta-analytic mean;  $Q$  test =Hedges & Olkin (1985) chi-square test for homogeneity;  $I^2$  = scale-free index of heterogeneity.

<sup>†</sup>  $p < 0.10$ , \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ .

Table 18 Theoretical Implications of Matched-Samples Meta-Analytic Results

	MSMA results	Established Western frameworks		China-endemic explanations
		U.S.-China convergence	U.S.-China divergence	
Institutional theory	<p><b>Applicability:</b> institutional theory is critical for our understanding of the Chinese context.</p> <p><b>Overall effect:</b> the overall effect size of received studies is smaller in China than the U.S.</p> <p><b>Intervening mechanisms:</b> Chinese firms are less responsive to coercive and mimetic pressures yet more susceptible to normative forces than U.S. firms.</p>	<p>Organizational choice is constrained by the institutional environment.</p> <p>The institutional environment includes actors that affect an organization's ability to reach societally imposed expectations.</p> <p>Organizational survival depends on the conformity to pressure in the institutional environment.</p>	<p>Formal institutions are more developed in the U.S., whereas informal institutions are stronger and more pervasive in China.</p> <p>The institutional environment of U.S. firms is shaped collectively by government, market, and civil society, whereas the one faced by Chinese firms is defined firstly by government and secondly by market.</p>	<p>The Chinese bureaucracy has a complex structure and multiple hierarchies.</p> <p>The Chinese society has long been accustomed to the rule of man.</p> <p>The Chinese political system remains autocratic.</p> <p><b>Insights for indigenous theories:</b> the Chinese state may rely not only on hard power (i.e., coercive forces) but also on soft control (i.e., normative forces).</p>
Resource dependence theory	<p><b>Applicability:</b> the extant conceptualizations of resource dependence theory are not as useful in China.</p> <p><b>Overall effect:</b> the overall effect size of the established framework is significantly positive in the U.S. but insignificant in China.</p> <p><b>Intervening mechanisms:</b> Chinese firms are less likely to take a relational approach when faced with resource dependencies than U.S. firms.</p>	<p>Organizational choice is constrained by the task environment.</p> <p>The task environment includes actors that affect an organization's ability to reach its self-selected goals.</p> <p>Organizational survival depends on the responsiveness to substantive resource dependencies in the task environment.</p>	<p>U.S. firms depend mostly on market actors for resource provision, whereas Chinese firms depend critically on the government for provision of the resources they require.</p> <p>Task environment actors in the U.S. mainly pursue economic goals, whereas those in China also focus on socio-political goals.</p>	<p>Power imbalance enables the Chinese government to enforce mobilizational state governance.</p> <p>Chinese firms need to appease the government as both a regulator of a social life and a resource provider.</p> <p><b>Insights for indigenous theories:</b> Chinese firms prioritize the public-ordering mechanism of requesting financial resources and other state support.</p>
Resource-based view	<p><b>Applicability:</b> the resource-based view is perfectly applicable in China.</p> <p><b>Overall effect:</b> the overall effect size of received studies is even larger in China than in the U.S.</p>	<p>Strategic resources are heterogeneously distributed across firms within an industry.</p> <p>Strategic resources are not perfectly mobile across</p>	<p>China has partially transitioned away from the centrally planned economy, leading to lower resource mobility and more sustained firm heterogeneity in its mixed</p>	<p>With regard to the resource-performance relationship, a China-endemic perspective seems to be redundant.</p>

	<p><b>Intervening mechanisms:</b> while VRIN resources are important in both contexts, Chinese managers extract higher profits from non-VRIN resources.</p>	<p>firms, leading to sustained firm heterogeneity. A firm's sustained competitive advantages are derived from its strategic resources.</p>	<p>economy than the U.S. market economy.</p>	
Agency theory	<p><b>Applicability:</b> the applicability of agency theory is on par across China and the U.S.</p> <p><b>Overall effect:</b> the effect sizes of mainstream corporate governance relations are similar in both contexts.</p> <p><b>Intervening mechanisms:</b> the pay-for-performance link is stronger in China than in the U.S.; monitoring by private blockholders is ineffective in the U.S. but effective in China; and state ownership has a negative impact on Chinese firms' financial performance.</p>	<p>While the board of directors is supposed to be independent and oversee managers, there is much criticism of its actual effectiveness.</p> <p>Managerial incentives motivate executives to embrace the interests of shareholders.</p> <p>While external ownership concentration is assumed to be effective in monitoring management, the different sources of external ownership should be disentangled to better understand their actual effects.</p>	<p>The U.S. is a managerialist country where managers often can ratchet up their pay, irrespective of underlying performance, whereas Chinese managers' remunerations are more on par with the accomplished financial results.</p> <p>Developed external corporate governance institutions render blockholding costly and redundant in the U.S., whereas Chinese blockholders compensate for more weakly developed governance institutions.</p>	<p><b>Insights for indigenous theories:</b></p> <p>Weak external corporate governance institutions in China may facilitate financial fraud.</p> <p>The Chinese government can enact internal control of corporations via state ownership and party committees inside firms.</p> <p>Chinese private blockholders may have enacted unique governance arrangements, which are beneficial for financial performance.</p>
Transaction cost theory	<p><b>Applicability:</b> transaction cost theory in its current form is not as applicable in China.</p> <p><b>Overall effect:</b> the overall effect size of the established framework is smaller and less significant in China than in the U.S.</p> <p><b>Intervening mechanisms:</b> Chinese firms are less likely to choose relational governance when faced with transactional hazards resulting from asset specificity than U.S. firms.</p>	<p>Transacting agents are boundedly rational, opportunistic, and in search of minimizing transaction costs.</p> <p>Efficiencies related to transactional features and/or hazards determine the choice of governance structures.</p>	<p>Hierarchies and markets in the U.S. necessitate a high degree of information codification, whereas transaction-governance structures in China rely on limited codification of information.</p> <p>The ownership of property in the U.S. has furnished unambiguous legal rights, whereas in China such rights continue to depend critically on the discretion of local governments.</p>	<p>The Chinese economic system is characterized by network capitalism, involving the transactional options of clan and fief.</p> <p>Chinese society provides weak formal support for business but imposes strong norms of reciprocity, leading to the prevalence of <i>guanxi</i>.</p> <p><b>Insights for indigenous theories:</b> China's culture and level of development shape its transactional preferences.</p>

## **2.5 Applicability of Classic Management Theories in China**

One objective of this study is to assess the applicability of the five classic management theories in the Chinese management context. We build on the MSMA results to explicate how these theories further our understanding of Chinese firms and managerial practices. This section serves as a prolegomenon to the contributions of CMS research to global management knowledge (Tsui, 2004, 2006, 2009), its purpose being to open contextual dialogues of our empirical findings, rather than to offer definitive answers (cf. Sætre & Van de Ven, 2021). Table 18 provides an overview of the MSMA results in relation to U.S.-China convergencies and divergencies as well as China-endemic explanations.

### **2.5.1 Applicability of Institutional Theory in China**

From the MSMA results, we find that institutional theory is critical for our understanding of the Chinese context, for two reasons. First, its central tenets are applicable across both contexts: Organizational choice is restricted by the institutional environment; the institutional environment is inhabited by actors that impact an organization's behavior in relation to societal expectations; and an organization's survival depends on its conformity to institutional pressure (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Second, institutional theory is capable of accommodating contextual differences. Formal institutions (e.g., constitutions, laws, regulations) serve as the dominant isomorphic force in the U.S. (North, 1991). In contrast, informal institutions (e.g., traditions, cultures, political ideologies) are stronger and more pervasive in China (Li & Liang, 2015; Marquis & Qiao, 2020; Wang et al., 2019; Yiu, Wan, Chen, & Tian, 2022). Relatedly, the institutional environment of U.S. firms is collectively shaped by government, market, and civil-society actors (Greenwood et al., 2017; Scott, 2014), whereas the one facing Chinese firms is defined predominantly by government and secondly by market (Marquis & Bird, 2018; Yue, Wang, & Yang, 2019). Despite the varied institutions and institutional actors across contexts, its context sensitive nature



renders institutional theory an instrumental theoretical toolkit for explaining organizational isomorphism in China.

Nonetheless, the theory's predicted effects are weaker in China than in the U.S. Notably, Chinese firms are less responsive to coercive and mimetic pressures yet more so to normative forces than their U.S. counterparts. This challenges the conventional wisdom that the Chinese government relies mostly on coercion due to its overwhelming influence (Liu, 2021; Xie, Shen, & Zajac, 2021; Zhang & Greve, 2018). We conjecture that the Chinese government does not rely on coercion alone but combines its “hard” power (i.e., coercive forces) with “soft” control strategies (i.e., normative forces) to generate more effective governance, for three reasons. First, the Chinese bureaucracy has a highly complex organizational structure and multiple levels of hierarchy (Chang & Wu, 2014; Child, Lu, & Tsai, 2007; Zhou, 2021). Since 1979, China has enacted a series of administrative and economic reforms (Lin, 2011; Nee, Oppen, & Wong, 2007), leading to the decentralization of power but also to conflicting demands between the central state and local governments (Jia, Huang, & Zhang, 2019; Wang & Luo, 2019). Lower-level administrators may thus not faithfully enforce policies and directives from higher authorities and even form alliances to compromise the original intention behind state policies (Luo et al., 2017; Wang et al., 2018), engendering “collusion among local governments” (Zhou, 2010: 47). Decentralization may, therefore, push the central state to resort to complementary, informal control mechanisms. Second, Chinese society has long been accustomed to the “rule of man” (Huang et al., 2017: 358), where “the rule of law is weak and state bureaucrats retain power over the economy” (Haveman et al., 2017: 67). State bureaucrats not only uphold the formal policies issued by their higher-ups in government, but also rely on unwritten rules and expectations that are considered binding on business organizations in exchange for socio-political legitimacy (Marquis & Qian, 2014; Stevens, Xie, & Peng, 2016). The central state can make use of these informal forces emanating from local state

bureaucrats by designing and adjusting its political evaluation system (Wang & Luo, 2019). Third, despite decades of reform, China's political institutions remain autocratic, allowing the central state to control individuals and organizations beyond "naked coercion" (Schatz, 2009: 208). Chinese firms and managers have a vested interest in the survival of the regime and therefore work for the benefit of the ruling party (Lee & Zhang, 2013; Levitsky & Way, 2010).

Recent CMS scholarship has shown tremendous interest in China's political institutions and the associated soft power. Raynard et al. (2020), for example, reported an inductive, longitudinal analysis of a small state-run factory transforming into a global leader in power equipment manufacturing. To theorize the state-owned enterprise (SOE) transformation that unfolded during China's economic transition away from Soviet-type economic planning, the authors built on the institutional change literature to frame China's institutional upheaval, emphasizing the unicity of this context: "Not only was the entire institutional fabric of society in flux, but basic assumptions about the purpose of economic activity were effectively rewritten" (Raynard et al., 2020: 1301). These authors unpacked the ways in which SOE managers use "values work", "a category of actions directed at (re)articulating what is right or wrong, good or bad, in the design and operation of an organization" to mitigate the risks of enacting seemingly immoral organizational change (e.g., pay differentials), practices which were condemned in the orthodox socialist era (Raynard et al., 2020: 1301). This way of contextualizing and theorizing enables them to engage both Western and Chinese audiences, thereby making theoretical contributions to global management knowledge while maintaining relevance to indigenous management practices.

### **2.5.2 Applicability of Resource Dependence Theory in China**

We also find that resource dependence theory in its current form is less useful in China. The overall effect size is significantly positive in the U.S. but insignificant in China. This might be because extant conceptualizations stop short of considering

the type of power-dependence relations in Chinese society. According to resource dependence theory, organizational choice is constrained by the task environment and subject to the logic of consequentiality (Pfeffer & Salancik, 1978). But whereas U.S. firms are mostly dependent on resources supplied by market actors (Ahuja, 2000; Gulati, 1998; Mizruchi, 1996), Chinese firms are also critically dependent on the resource-provision role of government (Marquis & Qian, 2014; Zhang et al., 2016). Extreme power imbalance between the public and private sectors allows the Chinese government to enforce “mobilizational” state governance (Zhou, 2012, 2013), ranging from the Great Leap Forward launched by Mao Zedong to the Great Rejuvenation of the Chinese nation initiated by Xi Jinping. Since this type of state governance prevails over all other considerations, it can pose tremendous pressure on the firms involved in the mobilization (He, Wang, & Zhang, 2020; Wang et al., 2018). Since the task and institutional environments substantially overlap in China, Chinese firms are inevitably forced to accommodate both the logic of consequentiality and of appropriateness in coping with resource dependencies (Li & Lu, 2020; Luo et al., 2017; Wang et al., 2018). In China, the government is not only the regulator of social life but also the main resource provider. Meeting governmentally imposed expectations is therefore not just a goal onto itself but also an intermediate goal towards substantive performance for Chinese firms (cf. Drees & Heugens, 2013). As such, while organizational survival still requires responsiveness to resource dependencies, the countermeasures Chinese firms will deploy are likely to be distinct from those used by U.S. firms.

This China-endemic explanation renders the counterintuitive MSMA results understandable: The private-ordering option of corporate tie formation (e.g., alliances, joint ventures, and M&As) may not help Chinese firms to cope with their dependence on the government. To mobilize critical resources, Chinese firms need to invoke the public-ordering mechanism of requesting resources from the state (Haveman et al., 2017; Jiang, Jia, Bai, & Bruton, 2021; Liu, 2021; Yu, Zhang, Tan,

& Liang, 2022). CMS scholars have explored some strategies that are useful in this regard, such as business-state ties and fraudulent means. Haveman and associates (2017: 67), for instance, found that developing relationships with state bureaucrats enables Chinese firms to develop mutual trust, which “help[s] persuade bureaucrats to lighten regulatory burdens, grant firms access to state-controlled resources, and improve government oversights.” Relatedly, through an investigation of Chinese high-tech firms’ patenting activities, Wang, Stuart, and Li (2021: 269) concluded that “Fraud appears to pay in the context of China’s state innovation subsidy program.” These studies instigate us to rethink the ways in which Chinese firms can regain autonomy by proving their worth to the ultimate regulator of both social life and the economic domain.

### **2.5.3 Applicability of the Resource-Based View in China**

We find that the resource-based view has high application value in China, where its explanatory power is even stronger than in the U.S. Whereas VRIN resources are important in both contexts, Chinese firms squeeze higher profits from unremarkable non-VRIN resources. This can probably be attributed to China’s incomplete transition to a market economy, leading to more sustained firm heterogeneity in its mixed economy (He, Tong, & Xu, 2022; Huang et al., 2017). Over the past four decades, China has implemented a series of economic reform and open-door policies to bolster its economic development (Lin, 2011; Nee et al., 2007). Nevertheless, this transition seems not to arrive at a free market economy but a mixed economy where the state still retains substantial control (Musacchio et al., 2015; Wu, Eesley, & Yang, 2022; Xu et al., 2014). Many characteristics of the former state-command economy are still alive in today’s Chinese economy, such as Soviet-style 5-year plans (Li & Lu, 2020; Wang et al., 2018) and multilevel state capitalism (Arnoldi, Villadsen, Chen, & Na, 2019; Genin, Tan, & Song, 2021; Zhou, Gao, & Zhao, 2017). Even though economic reforms have given rise to an increasingly open market (Duanmu, Bu, & Pittman, 2018; Xia & Liu, 2017), these characteristics continue to

prevent the efficient distribution of strategic resources across firms and hinder the mobility of strategic resources in the market (cf. Barney, 1991). Strategic resources are, therefore, more likely to yield sustained competitive advantages in China than in the U.S. Since the resource-based view has been able to accommodate U.S.–China differences, the scope for a China-endemic theorization of the resource–performance relationship appears limited.

### **2.5.4 Applicability of Agency Theory in China**

We also find the applicability of agency theory is on par across China and the U.S. First, the results for monitoring mechanisms render support to the criticism against the effectiveness of corporate boards in both contexts. Although independent monitoring was originally considered to be an effective way of overseeing managers (Fama & Jensen, 1983a, 1983b), there has been much criticism of monitoring mechanisms' negative impacts on efficient decision-making (Dalton & Dalton, 2011; Krause et al., 2014). While empirical findings about CEO duality and outside directors in the U.S. are mixed, the evidence from China is also largely inconclusive (Chen, Li, & Shapiro, 2011; Peng, Li, Xie, & Su, 2010; Peng, Zhang, & Li, 2007). Second, managerial incentives have shown to be an effective instrument to mitigate managers' self-interest in both contexts. Even though institutions matter to the functioning of alignment mechanisms (Mutlu et al., 2018; van Essen, Heugens, Otten, & van Oosterhout, 2012), performance-based compensation helps managers in both contexts to embrace the interests of shareholders. Third, evidence on the role of concentrated external ownership remains inconclusive in both China and the U.S., suggesting that it might be important to differentiate between public and private blockholders and institutional investors in order to compare their respective motives and means to monitor management.

Some noticeable differences exist as well. First, the pay-for-performance link is considerably stronger in China than in the U.S., possibly because the U.S. is a more “managerialist” country than China. While U.S. managers can ratchet up

their pay, irrespective of the underlying performance—helped by strong market intermediaries such as pay consultants—and form an elite class of their own (Mizruchi, 1983, 1996; Useem, 1980), Chinese managers are not equally powerful and their remunerations are more tied to accomplished financial results (Du & Choi, 2010; Hu & Xu, 2022). Another salient difference is monitoring by private blockholders, which is an ineffective mechanism in the U.S. but an effective one in China. It is of critical importance, since “[t]he origin of corporate governance in China springs from the existence of large controlling shareholders” (Jiang & Kim, 2020: 734). Our findings point to the less-developed external corporate governance institutions (e.g., banks, market authorities, ministry of finance, and courts) in China. Such institutions are strong in the U.S., making blockholding costly and redundant. By contrast, such institutions are relatively weak in China, making it rewarding for blockholders to monitor managers themselves (Li, Chen, Chua, Kirkman, Rynes-Weller, & Gomez-Mejia, 2015). One further difference is the negative relation between state ownership and financial performance in China, suggesting that state ownership impairs corporate profitability. This is worthy of discussion, because it casts doubt on the recent viewpoint that Chinese SOEs have become strategic players, well-equipped to face “the new realm of corporate governance” (Mutlu et al., 2018: 946). Since “SOEs currently account for one-third of firm numbers but two-thirds of market capitalization” (Jiang & Kim, 2020: 735), this begs the question of resource efficiency. Collectively, these differences call for a more nuanced theorization of corporate governance in the Chinese management context.

### **2.5.5 Applicability of Transaction Cost Theory in China**

We find that transaction cost theory in its current form is not as applicable in China as it is in the U.S. In fact, the ability of a unidimensional markets-hierarchies continuum to adequately capture transaction options in non-Western settings has long been questioned in the literature (e.g., Boisot, 1986; Boisot & Child, 1988a, 1996; Nee, 1992). The extant literature has identified two major divergencies

between China and the U.S. First, hierarchies and markets in the U.S. require a high degree of information codification, yet transaction-governance structures in China rely on limited codification of information (Boisot & Child, 1988a; Ouchi, 1980). Second, whereas the ownership of property in the U.S. has furnished unambiguous legal rights, such rights in China continue to depend critically on the discretion of local governments (Boisot & Child, 1996; Nee et al., 2007). These contextual divergences imply the transactional options of “clan” and “fief” in the Chinese system, which cannot simply be seen as an intermediate state between markets and hierarchies. To better understand the transactional options available in the Chinese context, therefore, the current markets and hierarchies framework of transaction-cost theory needs to be reconceptualized.

Culture and level of development have been regarded as two critical factors shaping transactional preferences in China (Boisot & Child, 1988a, 1996). An important concept capturing these two factors is *guanxi*, which has been used to understand the prevalent use of personalized relationships to address transactional hazards in Chinese society, where legal support for business development is significantly underdeveloped yet norms of reciprocity are deeply rooted (Park & Luo, 2001; Peng & Luo, 2000; Xin & Pearce, 1996). Decades of research have been devoted to the relative effectiveness of *guanxi* activities (cf. Chen, Chen, & Huang, 2013; Luo, Huang, & Wang, 2012). A more recent line of research has explored the antecedents of *guanxi* activities and found this choice to be determined by individual-, firm-, and institutional-level factors (e.g., Bu & Roy, 2015; Karhunen, Kosonen, McCarthy, & Puffer, 2018; Li, Wei, Cao, & Chen, 2022; Nee, Holm, & Opper, 2018; Opper, Nee, & Holm, 2017). Opper et al. (2017) proposed that while *guanxi* activities can protect the firm from serious risks, they are also inherently costly, such that the level of *guanxi* activities must be determined by a careful trade-off between risk and return. Relatedly, Nee et al. (2018) questioned the sharp distinction between personalized relationship and generalized trust, showing that the

level of trust Chinese entrepreneurs display in interacting with strangers is associated with their prior experience in relational exchange. Transaction cost theory is, therefore, less capable of accounting for the processes whereby Chinese transactors balance transaction costs and governance costs. In addition, the Chinese term *guanxi* itself is a highly complex construct that is difficult to capture (Li, Zhou, Zhou, & Yang, 2019). This calls for further theoretical development unpacking the role of culture and level of development in shaping the choice between *guanxi* and other transactional options available in China.

## **2.6 Focused Literature Review of China-Endemic Studies**

While traditional Western lenses are important for understanding the Chinese context, they cannot completely account for the specificities of Chinese firms and managerial practices. This points to a need to develop complementary, China-endemic explanations. We identify three emerging strands of China-endemic theorizing. Political institutional imprinting theory is developing into an indigenous lens for understanding the soft power of political institutions in China. State-driven sustainable development focuses on explicating how the shift in government priorities drives corporate socio-environmental actions. China-endemic corporate governance offers a more nuanced understanding of Chinese firms' corporate governance practices.

### **2.6.1 Political Institutional Imprinting Theory**

Political institutional imprinting theory is rooted in China's historical trajectory. China has a long history, which has produced wide acceptance of a dominant role of the state and aversion toward capitalism. While these historical roots have created a breeding ground favoring today's practices (Li & Liang, 2015; Smith & Kaminishi, 2020), the strong guidance of the Chinese Communist Party (CCP) over the past 70 years (1949-present) has left a strong imprint on the Chinese economy (Marquis & Qiao, 2020; Wang et al., 2019). The historical development of CCP-led China becomes unintelligible if abstracting from the transformative power of Sino-



communist ideology (cf. Mulvad, 2019). Despite a high level of administrative continuity under the CCP, contemporary China has witnessed several fundamental political-ideological transitions: from Mao Zedong's utopian-egalitarian universalism (1957–1976), via economic modernization in Deng Xiaoping's spirit (1978–2012), to most recently Xi Jinping's common prosperity (2012–present). This transformative power characterizes Chinese society and the associated complexity and malleability of its political institutions (Liu, Heugens, & Wijen, 2020b; Luo et al., 2017; Wang et al., 2018). By combining insights from the MSMA results for institutional theory with elements drawn from imprinting theory (e.g., Stinchcombe, 1965), political institutional imprinting theory argues that autocratic governments can affect organizational behavior through cognitively experienced political imprinting. By complementing Western organizational institutionalism, the theory offers a framework for understanding the unique political embeddedness of Chinese firms and managers.

Most studies taking a political institutional imprinting perspective focus on the transition from Maoism to Dengism (e.g., Marquis & Qiao, 2020, 2021; Raynard et al., 2020; Wang et al., 2019; Wang & Luo, 2019; Xu et al., 2021). From the establishment of its basic socialist institutions (1957) to Mao's death (1976), China adhered to Marxism-Leninism and sought to abolish private ownership of capital goods and to overthrow the capitalist world system (Wang, 1999). This hegemonic vision generated three types of enduring influence on organizations and individuals with prior exposure to intense ideological experiences. First, Mao's imaginary of class struggle between proletarians and capitalists and the related Great Proletarian Cultural Revolution (1966–1976) affect the ways in which ideologically vested individuals, especially the generation of “children of the cultural revolution” (Zhou & Hou, 1999: 12), perceive capitalism. Wang et al. (2019) found that government officials who joined the Party in Mao's era were socialized into orthodox communist ideology, rendering them more reluctant to engage with entrepreneurs, as the latter

were viewed as domestic capitalists. Chinese entrepreneurs thus had to resort to external support, such as international business transactions (Lu & Xu, 2006; Zhao & Ma, 2016). Interestingly, Marquis and Qiao (2020) showed that even Chinese private entrepreneurs who were politically imprinted at an early age also perceived foreign capitalist countries as evil. In a similar vein, recent work by Xu et al. (2021) unveils that corporate leaders who were influenced by Maoist ideology advocated the spirit of unselfishness and viewed private ownership as a sin, thus engaging less in patent applications and more in patent infringement.

Second, the communist model of serving the public interest is still alive in government bodies and business organizations. In Maoist China, the national economy was strictly state-planned and the central state assumed all economic rights, in which the state-led economic model “considers the public interest as comprehensive input into the system” (Adizes & Weston, 1973: 114). This system profoundly impacted the individuals, organizations, and regions of today’s China. At the individual level, orthodox communist imprints facilitate the development of entrepreneurs’ prosocial mindset (Jiang, Zalan, Tse, & Shen, 2018) and motivate them to act on public policies (Dai, Liu, Liao, & Lin, 2018). Communist imprints also have an enduring impact on government officials (Liang, Wang, & Zhu, 2020; Wang & Luo, 2019). For instance, as compared to provincial governors, leaders of provincial party committees more consistently prioritize social stability across their career and encourage firms to employ SOE employees who lost their jobs (Wang & Luo, 2019). At the organizational level, SOEs founded during the communist era maintain their state logic in the market reform era, as evidenced through continued prolabor policies and welfare practices (Han & Zheng, 2016, 2019; Han, Zheng, & Xu, 2014; Marquis & Qian, 2014) and government director appointments in corporate boards (Wei, 2017). At the regional level, political legacies are embedded in local institutional infrastructures and spawn variations in firms’ environmental or social actions (Marquis & Qian, 2014; Raynard, Lounsbury, & Greenwood, 2013).

Third, economic ramifications of Mao's focus on autarky—that is, local self-sufficiency through the people's communes and the Great Leap Forward—shape managerial risk preferences and corporate financial strategies. Starting from the ruins of the civil war in 1949, the domestic growth model of Maoist China relied predominantly on state-led industrialization and collectivization. Numerous urgently needed resources were withdrawn from the agricultural sector and diverted to industrial production, which, however, failed to produce qualified industrial products (Fan, 1997; Wang, 1999). Consequently, the three years of the Great Chinese Famine (1959-1961) had accustomed Chinese entrepreneurs and SOE managers to the norm of frugal management: valuing strategic resources and minimizing resource losses (Hu, Long, Tian, & Yao, 2020; Lai, Morgan, & Morris, 2020; Long, Tian, Hu, & Yao, 2020; Marquis & Qiao, 2021). For example, Long et al. (2020) found that firms led by CEOs who experienced the Great Chinese Famine in early life have lower stock-price crash risks than those with CEOs who did not. Hu et al. (2020) showed that CEOs who bore this imprint opted for more conservative accounting policies, especially in uncertain environments. Finally, Marquis and Qiao (2021) offered a more nuanced understanding of how Chinese private entrepreneurs' resource scarcity imprinting affects their resource use. The idea of frugal management also resonates with the MSMA results for the resource-based view, which show that Chinese firms run a given resource base more efficiently.

Little scholarly attention, however, has been paid to the role of Dengism and Xiism in shaping China's contemporary institutional landscape. Marquis and Qiao (2020) and Xu et al. (2021) indicated that when the Chinese government lost faith in orthodox Marxist communism, entrepreneurs' communist ideological imprints that characterized capitalism as evil began to decay. Relatedly, by spotlighting the corporate control function of state political ideology, Liu et al. (2020b) demonstrated that since his ascent to power in 2012, President Xi has

exercised informal state control over corporate practices by reinterpreting the labels and meanings of the prevailing political ideology of Chinese society. It enables the Chinese government to align corporate behavior with public policy goals by actively exerting ideological pressure.

### **2.6.2 State-Driven Sustainable Development**

As our MSMA results for resource dependence theory suggested that Chinese firms prioritize the public-ordering mechanism of requesting state support, we formalize a state-driven sustainable development theory. This endemically Chinese perspective is triggered by the shift in the government's priorities from unbridled economic expansion towards sustainability. From 1978 until 2012, policies aimed at developing the economy have led to phenomenal economic growth and significant welfare increases for most Chinese citizens. These achievements have, however, taken a heavy environmental and social toll. Natural resources are rapidly depleting, forcing China to import ever more energy, ores, and other resources (Zhang & Cheng, 2009). Furthermore, the pollution of land, water, and air continues to increase, threatening the livability of major Chinese cities (Liang & Yang, 2019; Wang, Li, Fang, & Zhou, 2016). Likewise, the uneven spread of economic affluence between and within regions has seriously challenged social cohesion (Chen & Fleisher, 1996; Fleisher, Li, & Zhao, 2010). This raises important questions about the sustainability of the Chinese model. In late 2012, Xi Jinping came into power and altered the one-sided promarket vision by highlighting common prosperity and better social and environmental performance (Economy, 2018). In the words of Mulvad (2019: 458), "[t]he task of rebalancing development is no longer secondary to furthering growth but has become the primary, existential challenge for the CCP and the defining problem of Xiism." This shift in government priorities renders corporate environmental management and social responsibility (CSR) more state driven in Xiist China.

Meanwhile, Chinese firms are confronted with the question of how to

allocate scarce resources to address government pressure associated with environmental and social challenges. Rapidly diverting resources from production and operations to socioenvironmental practices might thwart profit imperatives and even threaten organizational survival (He et al., 2020; Wang et al., 2018). Yet Chinese firms depend critically on the government for the provision of requisite resources (Haveman et al., 2017). They also seek sociopolitical legitimacy from the state, rather than from market or civil-society actors (Chen, 2007; Stevens et al., 2016). When faced with resource scarcity, Chinese firms are also less likely to resort to the private-ordering mechanism of corporate tie formation than to the public-ordering solution of requesting resources from the state (Wang et al., 2021). This power-dependence relation enables the Chinese government to force local firms heavy-handedly to go beyond primary business considerations.

CMS scholars have developed two indigenous frameworks explaining how Chinese firms enhance CSR or environmental action in response to government pressure: the multifaceted state influence model (Li & Lu, 2020; Luo et al., 2017; Wang & Luo, 2019; Wang et al., 2018) and the political dependence model (Ge & Zhao, 2017; Ji et al., 2021; Jia & Zhang, 2013; Marquis & Qian, 2014; Zhang et al., 2016; Zhang, Xu, Chen, & Jing, 2020a). The former captures conflicting socioenvironmental demands emanating from the central and local governments. China's economic reform has resulted in "a regionally decentralized authoritarian system" (Xu, 2011: 1076), in which the central government maintains political control while local governments enjoy high economic discretion (Choi, Jiang, & Shenkar, 2015; Jia et al., 2019). Where the central government has recognized the societal and environmental challenges facing China, local governments still tend to exclusively focus on economic development (Child et al., 2007; Qi, Ma, Zhang, & Li, 2008). Luo et al. (2017) found that provincial governments' high priority given to short-term GDP growth conflicts with the central government's expectations on CSR reporting. Wang et al. (2018) showed that Chinese firms controlled by both

highly central and very decentral government bodies are less likely to engage in environmental action than those under the jurisdiction of intermediary administrative branches. Regional disparities in government demands can also be explained by officials' concerns over their promotion to the central government, such as political contestability and career horizon (Li & Lu, 2020) and desires of peaceful retirement (Wang & Luo, 2019). Political opportunism implicit in China's water quality monitoring system is an archetypal example. Since political promotion is linked to water quality assessments yet monitoring stations record only upstream pollutant emissions, local government officials tend to enforce more stringent environmental standards on firms located upstream from monitoring stations than those located downstream (He et al., 2020).

The political dependence model stresses the influence of firms' dependence on the government on their motivations for engaging in socio-environmental actions. Marquis and Qian (2014) examined differentiated effects on CSR reports of four political dependence sources: political connections, private or government ownership, political legacy, and financial resources. Zhang et al. (2016) further distinguished between ascribed and achieved political connections, showing that ascribed connections—that is, executives holding government positions—buffer firms from donation pressures by the government, whereas achieved connections—that is, executives serving on political councils—bind firms to government pressure and enhance donation. Ge and Zhao (2017) found that firms with ascribed connections tend to engage in more visible external CSR practices, whereas those with achieved connections adopt more internal CSR actions. Relatedly, Li and Lu (2020) showed that firms are more likely to respond to government pressure by making advances in CSR when politically connected CEOs have greater concerns for legitimacy. In addition, corporate philanthropy is also considered instrumental in regaining political legitimacy after harm-inflicting decisions (Ji et al., 2021) or fraud punishment (Zhang et al., 2020a).

### **2.6.3 China-Endemic Corporate Governance**

Corporate governance in China has experienced three institutional transitions: the privatization of SOEs and the introduction of SOE laws in the 1980s; the launch of the Shanghai and Shenzhen Stock Exchanges, company laws, and security laws in the 1990s; and the introduction of listed firms' corporate governance codes and revision of corporate laws from 2000 onwards (Jiang & Kim, 2015; Mutlu et al., 2018). Despite increasing convergence to international standards, corporate governance legislation and enforcement are still lacking, which exacerbates corporate fraud in China (Chen, Firth, Gao, & Rui, 2006; Yiu, Wan, & Xu, 2019; Yiu, Xu, & Wan, 2014). Scrutinizing private Chinese technology firms' financial statements, Stuart and Wang (2016) observed that more than half of the sampled firms engage in fraudulent financial reporting. The prevalence of financial misdemeanors was aggravated by low penalties and viable ways to regain legitimacy after committing fraud. Zhang et al. (2020a) found that after being penalized by the government, Chinese firms often resort to corporate philanthropy to regain legitimacy. Bao, Zhao, Tian, and Li (2019: 809) showed that political connections and interlock networks lighten penalties and transform fraudulent Chinese firms "from financial misdemeanants to recidivists." Furthermore, fraudulent firms treat inappropriately secured resources, such as state-funded innovation grants, as unearned gains and often invest them in symbolic innovation projects (Wang et al., 2021).

As compared to weak external corporate-governance controls, the Chinese government has enacted strong internal controls of corporations. These are enforced via the voting rights on shares owned by the state and through the decision-making right of the party committee inside the firm. First, state ownership continues to thrive in China and plays a critical role in the corporate sector (Bruton et al., 2015). Unlike profit-seeking firms, Chinese SOEs mainly serve to support the government's policy agenda, such as maintaining high employment levels (Raynard

et al., 2020; Shinkle & Kriauciunas, 2012; Wang & Luo, 2019), securing access to international markets (Liang, Ren, & Sun, 2015; Luo, Xue, & Han, 2010; Pan, Teng, Supapol, Lu, Huang, & Wang, 2014; Wang, Cui, Vu, & Feng, 2022), and offsetting competitive disadvantages in global competition through clustering R&D (Genin et al., 2021; Jia et al., 2019; Zhou et al., 2017). Second, the CCP's grip on the corporate sector has been tightened since 2013, when the Chinese government embarked on a series of SOE reforms to strengthen the "mixed ownership" strategy, which encourages private capital to invest in SOEs and help mitigate agency problems. To counterbalance the introduction of private capital investment and formalize the leadership role of the CCP in firms, the Chinese government launched the "party building" initiative in 2015. By 2018, around 90% of SOEs and 6% of private-owned firms listed on Chinese public stock exchanges have incorporated party-building provisions in their corporate bylaws (Lin & Milhaupt, 2021). A recent study finds, though, that formalization of the Party's leadership increases the risk of political influence and undermines corporate value (Lin, Guo, & Chen, 2019).

In contrast to the negative performance implications of government blockholding and political influence, Chinese private blockholders tend to monitor managers more effectively, through an elaborate shareholder structure (Luo, Wan, Cai, & Liu, 2013), psychological ownership (Zhu, Chen, Li, & Zhou, 2013), a family-owned business group (Chen, Arnoldi, & Na, 2015), family involvement in middle management (Hu, Zhang, & Yao, 2018), and/or strong nonkin relationships (Liang, Wu, & Zhang, 2018). Private blockholdings also generate agency problems, however, between controlling and noncontrolling shareholders, between controlling shareholders and the family, and between shareholders and creditors (Villalonga et al., 2015). These problems entail unique governance arrangements. For instance, work on family firm succession by Huang, Chen, Xu, Lu, and Tam (2020: 710) demonstrates that the power-transfer paradox of both empowering and dominating child successors, which is rooted in ancient Chinese patriarchal monarchies, is still



alive in Taiwan and mainland China, as “parent-incumbents tend to exert generational coercive control when their child-successors are seen as very unwilling and incapable or very willing and capable of taking over patriarchal family organizations.” Relatedly, a study of seven family firms by Li and Piezunka (2020: 314) showcases the influence of role transitions on intergenerational leadership successions, suggesting that a succession is more likely to be successfully completed when the mother is active in the family but not the firm as this “allows the mother to help the founder and successor maintain their existing family roles and interactions while transitioning into new roles in the firm.”

### **2.7 Future Research Directions**

These strands of indigenous theorizing are still under development and harbor promising avenues for future research. We identify research opportunities in three areas: autocratic governments, impact of past on future actions, and generalizability of indigenous theories.

**Autocratic governments.** The autocratic rule of the Chinese government is one of the most salient characteristics distinguishing China from Western countries and driving the emergence of China-endemic studies. A first opportunity is to investigate how the Chinese government seeks to accomplish the “Two Centenary Goals.” By 2021, the centennial of the founding of the CCP, China aimed to have eliminated extreme poverty and reach an average middle income with equivalent improvement in overall living standards. Open questions are what role local firms play in meeting these targets and whether the Chinese government would close the chapter on high-speed growth and move on to high-quality development. By 2049, the centennial of its founding, China wants to stand on the frontier of science and technology, achieve moderately advanced income levels, and become influential internationally. Future research could explore the way in which Xi’s hegemonic projects and the associated 5-year plans champion the 2049 goal. In what way does Xi’s Chinese Dream reshape China’s global view of the capitalist world

economy? What motivations underlie Xiist China's major economic initiatives, including the Belt and Road Initiative, Made in China 2025, China Standards 2035, and the Digital Silk Road Initiative? To what extent will Xiist hegemony affect Chinese and non-Chinese firms, and how should they react?

These major economic initiatives spotlight China's decoupling strategy in the domestic market and coupling strategy in international markets. Made in China 2025 sets market-share targets for indigenous firms, and China Standards 2035 aims at establishing China as a global standard setter for cutting-edge technologies such as artificial intelligence and 5G telecommunication. Whether and to what extent will China's decoupling strategy reduce its dependence on foreign markets for provision of critical products and technologies? And what strategic shifts will domestic and foreign firms, respectively, entail for a decoupled future in the Chinese market? On the other hand, the goals of the Belt and Road Initiative are focused on building connection, cooperation, and integration with the countries involved, and those of the Digital Silk Road Initiative are to complement the Belt and Road Initiative by promoting digital infrastructure. In what way will China's coupling strategy reshape Chinese firms' competitiveness, internationalization strategies, and business models, and how should foreign firms within and outside the nations involved respond to possible changes in international trade rules? Moreover, as these initiatives serve as integrative parts of China's overall approach, what fundamental impacts will their combination have on the world economic order?

Sustainable development is likely to remain one overarching topic on China's economic agenda for the next few decades (e.g., China's 2060 carbon neutral goal). Despite the increasing attention paid to the role of the government in promoting the sustainability of the Chinese model, we still insufficiently understand the types of institutional arrangements that can most effectively accommodate economically, environmentally, and socially sustainable business operations. Future research could shed light on the following questions: Should the central government

continue to play a leading role in securing natural resources and containing pollution as well as maintaining social cohesion, or should it delegate these important policy issues to local governments to accommodate local conditions? What environmental and social practices will business organizations voluntarily assume, either on an individual basis or through industry self-regulation? Should Chinese civil society assume a larger and more independent role? Should China embrace the same institutional arrangements as those in Europe and North America, where environmental and social policies have been implemented for several decades, or should it develop institutions germane to the Chinese situation?

**Impact of past on future actions.** There is a need to rethink the complexity and malleability of China's political institutions. While Maoism remains a major source of political imprinting, Dengism and Xiism become increasingly salient in defining the prevailing political ideology of Chinese society. Future research could explore how these more recently created political ideologies reconceptualize what is politically right or wrong and morally good or bad in China and how these ideological changes redirect social expectations towards local firms. Researchers could unpack the black box of the persistence and discontinuity of Mao's dream, the decay and reamplification of Deng's spirit, the formation and interpretation of Xi's vision, as well as the ways in which multiple sources of political imprinting conflict, coexist, and coevolve. Critical questions include: How does Dengist imprinting affect the generation of Chinese entrepreneurs and SOE managers who have become the dominant corporate decision makers in contemporary China? How do these politically imprinted corporate elites respond to the legacy of Maoism and the rise of Xiism, and will they also act as institutional entrepreneurs who actively define China's future institutional landscapes?

A related interesting area for future research is the impact of Chinese cultures: "Within China, there are five major schools of philosophy; four locally developed (Confucianism, Taoism, Legalism, and Militarism) and one imported

(Buddhism)” (Barkema et al., 2015: 462) . Future studies could unpack the ways in which these traditional cultures persist and diffuse in Chinese society and how they shape corporate governance and strategy (Park, Zhang, & Keister, 2020a). It would be important to factor in political institutions’ influence, as the formation of dominant cultural values in the Chinese context never seems to be independent from the government and its political leadership. Furthermore, it would be interesting to more deeply study how the inflow of Western cultural values, such as via Chinese returnees from abroad (Luo, Chen, & Chen, 2021), affects corporate behavior and the impact of the countermeasures the Chinese government has employed to blockade Western values (Zheng & Wang, 2020). Owing to the growing importance of international business, additional meaningful contributions can be made by exploring foreign investors’ perception, intercultural translation, and cultural entrepreneurship (Park & Zhang, 2020). How should foreign investors understand and tap into Chinese business models and market opportunities? When going public in advanced economies, will the prevalence of financial fraud suppress the quality of Chinese firms’ financial reports and produce unfair valuations, and if so, how should they mitigate risks of distrust and reshape investor perceptions? Will Chinese corporate practices and cultural values diffuse in the West and influence Western firms?

**Generalizability of indigenous theories.** A key question in the CMS field is: Can certain China-endemic theoretical lenses be applied to non-Chinese contexts? This question is worthy of careful thought, as it is critical for elucidating the role indigenous ideas assume in theory building (Banerjee, 2022; Bruton et al., 2022; Filatotchev et al., 2022). Indigenous theorizing emerges as a way of knowing that is contrasted to the Western-based mainstream, but this dichotomous view may limit contributions of non-Western theories to global management knowledge (Barney & Zhang, 2009; Child, 2009). In fact, “[i]t is fair to say that the bulk of organizational and managerial theories informing scholarship conducted within the USA would be

classified as context specific” (Whetten, 2009: 32). However, this body of “indigenous” scholarship has been characterized as acontextual by many scholars outside the U.S., and its insights have been directly applied to many other contexts. This hinges on the assumption that the insights can, at least partially, be generalized to other market economies—an assumption that may be challenged. It also suggests that our current theoretical toolkits are not a panacea, and they may not apply in autocratic contexts or in settings where the informal economy is dominant.

We share organization theorists’ unease “with one-sided invitations into the Northern mainstream, as well as with Southern critics’ retreat into indigenous enclaves of organizational scholarship” (Hamann et al., 2020: 1). We maintain that China-endemic studies are not China-specific but potentially generalizable to non-Chinese contexts. Yet it would be difficult to adequately cognize the generalizability of indigenous theories in the very beginning. Consider, for instance, the line of *guanxi* research. Initially, CMS scholars created their own term for the conceptualization of personalized relationships in Chinese society, which has long been accustomed to norms of reciprocity (Tsui, 2009). Later, scholars outside China have gradually realized that the conception of *guanxi* is rooted in local social capital and that similar relational systems also exist in other societies. As documented by Child (2009), Brazil has *jritinho*, Hungary has *uram batyam*, Russia has *blat*, and *good old boy* networks abound in the U.S., Japan, and elsewhere.

A meaningful area for future inquiry, therefore, is to explore the applicability of China-endemic lenses in non-Chinese contexts, especially in other autocratic contexts. The core tenet of political institutional imprinting theory is that autocratic governments can serve as an ideological imprinter. Likewise, the backbone of Chinese sustainable development theory is that firms depend on the government for provision of resources and political legitimacy in autocratic contexts. And the Chinese take on corporate governance also highlights state control in the corporate sector. In fact, a large share of the world economy operates at the nexus

of corporatism and autocracy. A large part of the world's political order is autocratic, historically or currently, with political power residing in the hands of a dominant political party, military regime, or monarchy (Magaloni & Kricheli, 2010). In recent years, autocracy as a political system has been on the rise (by 55 percent; The Economist Intelligence Unit, 2021). The economic reach of autocratic regimes has become increasingly large as well. In 2020, nearly one quarter (24%) of the Forbes Global 2000 largest public companies were held and operated in nondemocratic countries and territories, representing a 6% increase over the past decade. These companies generated a total of USD 9.51 trillion in revenues and USD 0.58 trillion in profits in 2019. As such, autocratic countries represent a highly relevant context in which to test and extend the theories derived from China.

## **2.8 Conclusion**

We examined the extent to which Western management theories are applicable in non-Western contexts. Our MSMA of Chinese and U.S. firms demonstrated the existence of contextually varying differences across mean effect sizes and underlying mechanisms. We attributed China's autocratic state and political ideology as the overarching drivers of the marked organizational and managerial differences across both countries. Building on the meta-analytic results, we identified three strands of China-endemic theorizing, which addresses the idiosyncratic context of Chinese business.

A methodological innovation is the integration of the principles of matched sampling into meta-analysis, which broadens the remit of meta-analytic techniques in management studies. The MSMA approach enhances the comparability of effect sizes between macro-social units like countries or industries. This enables researchers to draw more valid inferences and spur more precise theoretical advancement from comparative meta-analytic studies. This approach may inspire researchers studying management practices in other non-Western contexts, including Africa, Latin America, and India. In conclusion, while well-established

Western management theories do shed valuable light on corporate practices in China, they need to be complemented with China-endemic lenses to more comprehensively account for contextual dissimilarities.

## Chapter 3

# Cross-Sector Collaborations in Global Supply Chains as an Opportunity Structure: How NGOs Promote Corporate Sustainability in China<sup>2</sup>

### Abstract

This paper presents new theory and evidence on how cross-border, cross-sector collaborations affect the global diffusion of sustainable practices. By highlighting the structural characteristics of global supply chains, we study how NGOs constrained by autocratic political regimes exploit the collaborative opportunities presented by foreign MNEs to enhance local firms' sustainability performance. Drawing on social movement and resource dependence theories, we propose that global supply chains that tie MNEs to their local partners offer these NGOs a favorable opportunity structure to gain leverage over local firms by establishing MNE-NGO collaborations. This two-step form of leverage helps NGOs increase their influence and legitimacy to facilitate the adoption of sustainable practices by local firms within the MNEs' global supply-chain networks. Yet, this mediated stakeholder effect decreases when governmentally produced structural conditions reduce the synergistic potential of this opportunity structure: greater priority given to the environment by governments substitutes for MNE-NGO collaborations. To

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<sup>2</sup> This study has been conditionally accepted. **Liu, W.**, Heugens, P.P.M.A.R. 2023 Cross-sector collaborations in global supply chains as an opportunity structure: How NGOs promote corporate sustainability in China. *Journal of International Business Studies*.



test our theory, we examine the relationship between Chinese NGOs' collaborations with 167 MNEs across 24 countries and these MNEs' local green supply-chain ratings in the period 2014-2020. This study contributes to the literatures on social movements, MNE-NGO collaborations, and sustainability in global supply chains.

### **3.1 Introduction**

The sustainability of global supply chains is becoming an increasingly important topic of inquiry in international business (IB) (Marano & Kostova, 2016; Narula, 2019; Wettstein, Giuliani, Santangelo, & Stahl, 2019). A key question involves the challenge of pushing sustainability concerns upstream to the supply-chain partners of multinational enterprises (MNEs). This challenge is rooted in the complex, multi-level, and contextually embedded nature of global supply chains, leading to information asymmetry between MNEs and their supply-chain partners (Bondy, Matten, & Moon, 2008; Kim & Davis, 2016; Narula, 2019; Short, Toffel, & Hugill, 2016; Villena & Gioia, 2018). Researchers have found that, due to information asymmetry, voluntary codes and standards promoted by MNEs produce only modest and uneven improvement in reducing environmental impact (Aragon-Correa, Marcus, & Vogel, 2020).

Through its focus on the MNE, IB research on the sustainability of global supply chains pays less attention to the possibility that this challenge creates a collaborative opportunity to be exploited by non-governmental organizations (NGOs). This is not surprising, given that most of this research has focused on Western contexts in which NGOs can use several tactics to influence corporate decision makers (Briscoe & Gupta, 2016; King, 2008b; McDonnell, King, & Soule, 2015; Vasi & King, 2012), with contentious tactics being seen as more legitimate and effective than cooperative ones (Odziemkowska, 2022). But in autocratic contexts, civil society is subservient to the government, and contentious targeting of firms is viewed as a source of chaos and anomie (King et al., 2013; Spires, 2011). The opportunity to collaborate with downstream actors—MNEs buyers of local

firms—may therefore be one of the very few options for NGOs to gain leverage over local firms and promote corporate sustainability. Thus, we need a newly theorized conception of NGOs' role in autocratic contexts to better understand the vertical extension of sustainable practices from MNEs to their local supply-chain partners.

Central to our theorizing is the notion of *opportunity structure* (Tilly, 1978), which social movement sociologists have used to conceptualize a particularistic or even clandestine modality of influence allowing an actor to realize an agenda or to bond another actor to it, especially when resource dependencies diminish the actor's autonomy (Pfeffer & Salancik, 1978). Building on social movement and resource dependence theories, we propose that the MNE-specific nexus of inter- and intra-firm commodity relationships that tie a foreign MNE to local firms constitutes an opportunity structure for NGOs constrained by autocratic political regimes. These NGOs can collaborate with MNEs by acting as an external information intermediary, thus allowing MNEs to coerce their upstream partners to improve sustainability performance. This two-step form of leverage enables NGOs in autocratic contexts to achieve their objectives without risking a conflict with the government, which may not approve of the NGO exerting direct pressure on local firms. Yet, MNE-NGO collaboration is no panacea: governments' prioritization of the environment can crowd out its positive effect on supply-chain sustainability.

We conduct a study of collaborations in environmental sustainability between Chinese NGOs and 167 MNEs across 24 countries whose global supply-chain networks include Chinese manufacturers in the period between 2014 and 2020. China is an appropriate research context, as it is the largest autocratic economy in the world in which NGOs are subjected to some degree of state control; from complete control in early periods to administrative supervision and guidance in later ones (Teets, 2013, 2014). Now that the Chinese state no longer controls NGOs outright, they begin to influence corporate practices (Marquis & Bird, 2018; Wang

et al., 2018). China has also been very successful at attracting global upstream players. In 2010, it overtook the U.S. in becoming the largest value-added manufacturer in the world, accounting for 28 percent of all global production in 2018 (Black & Morrison, 2021). Since MNEs are increasingly being held accountable for the environmental impact of their supply-chain partners, Chinese NGOs enjoy novel opportunities to leverage their influence upon local firms.

Our study makes three contributions. First, it extends social movement theory by developing a new perspective on how interorganizational ties can create a favorable opportunity structure. Prior research has focused on opportunity structures at the firm (Briscoe, Chin, & Hambrick, 2014; King, 2008b; McDonnell et al., 2015; Vasi & King, 2012) and industry levels (Baron, 2001; Bartley & Child, 2014; McWilliams & Siegel, 2001; Schurman, 2004; Weber, Rao, & Thomas, 2009). In contrast, we conceptualize such opportunity structures as the product of a target's ties to other organizations. We coin the concept of *interorganizational opportunity structure*: interorganizational ties can enable a two-step form of leverage and induce multilateral power-dependencies to operate in concert, thereby producing an opportunity structure for politically or economically constrained NGOs. This perspective also revises the prevailing view of opportunity structure as developed on the basis of contentious tactics (Briscoe & Gupta, 2016; Schifeling & Soderstrom, 2022).

Second, our study advances the literature on MNE-NGO collaborations by identifying how the notion of opportunity structure enriches our understanding of the political landscape such collaborations entail. While current literature has highlighted the virtues of collaborations across borders and sectors (Buckley, Doh, & Benischke, 2017; Doh, Tashman, & Benischke, 2019; Montiel, Cuervo-Cazurra, Park, Antolín-López, & Husted, 2021; Oh & Oetzel, 2022), scholars have also emphasized that such collaborations face considerable obstacles (Bode, Rogan, & Singh, 2019; McDonnell, Odziemkowska, & Pontikes, 2021; Odziemkowska, 2022;

van Tulder & Keen, 2018). We assert that collaborations fall short of aspirations partly because little is known about how power relations shape the context in which they unfold and function (de Bakker, Rasche, & Ponte, 2019; Gray, Purdy, & Ansari, 2022). We fill this gap by showing that MNE-NGO collaborations represent not simply a structure to leverage resources across sectors but also an opportunity to shift the balance of power across geographical boundaries.

Finally, our study contributes to research on sustainable practice adoption in global supply chains by illuminating the role of local NGOs in shaping the vertical extension of sustainable practices from MNEs to local supply-chain partners. Scholars have emphasized the challenge of information asymmetries MNEs face when pushing sustainability concerns upstream to their distant partners and the structural nature of that challenge (Aragon-Correa et al., 2020; Bartley & Egels-Zandén, 2015; Bondy et al., 2008; Locke, Amengual, & Mangla, 2009). But, given that existing supply chain governance systems provide limited support for MNEs to effectively monitor the actions of their local suppliers (Kim & Davis, 2016; Villena & Gioia, 2018), current research leaves important questions unanswered about how sustainable practices can be diffused effectively (Kolk, 2016; Narula, 2019; Wettstein et al., 2019). We unveil that local NGOs can act as an intermediary and mitigate information asymmetry between MNEs and local suppliers, thus enhancing MNEs' ability to diffuse sustainable practices along global supply chains.

## **3.2 Theory and Hypotheses**

### **3.2.1 Corporate Sustainability in Global Supply Chains**

In the 1980s, groups of civil society actors began to sound the alarm regarding business failures in relation to the environment, and advocate sustainable development. They argued that unbridled economic growth contributed to environmental imbalances and would lead to the exhaustion of natural resources, which in turn would undermine economic systems (Meadows, Meadows, Randers, & Behrens, 1972). Corporate sustainability research was initially conceptualized as

environmental or green management (Hart, 1995; Jennings & Zandbergen, 1995; Russo, 2003) and took “a systems perspective” (Bansal & Song, 2017), focusing on business as a system nested in larger macroeconomic, political, societal and ecological systems (Shrivastava, 1995; Starik & Rands, 1995). Recent sustainability research, however, has become deeply entangled with corporate social responsibility (CSR) research (Bansal, 2005; Reinecke, Manning, & von Hagen, 2012; Scherer, Palazzo, & Seidl, 2013). Despite the increasing convergence of the two fields of study, we emphasize the continued importance of a systems perspective in understanding sustainability issues in a globalized world, in which MNEs entertain multiplicitous cross-sectoral ties with other actors in global supply chains, which may affect sustainable practice adoption in these networks.

Corporate sustainability in the context of global supply chains has received increasing interest in recent years. Many studies have shown that the effectiveness of voluntary codes and standards for governing social and environmental issues in MNEs’ global supply chains is limited (Aragon-Correa et al., 2020; Bartley & Egels-Zandén, 2015; LeBaron & Rühmkorf, 2017; Locke et al., 2009; Mayer & Gereffi, 2010). Existing governance systems apparently fail to sufficiently reduce information asymmetries between MNEs and local supply-chain partners. One example is Section 1502 of the 2010 Dodd Frank Act pertaining to conflict minerals, which requires U.S. listed firms to determine and disclose whether their products contain minerals originating from the Democratic Republic of the Congo. An analysis of over 1,300 firms that submitted a report in 2015 shows that “almost 80% admitted they were unable to determine the country of origin of such materials, and only 1% could certify themselves conflict-free with certainty beyond reasonable doubt” (Kim & Davis, 2016: 1896). Low visibility, illegal subcontracting practices, and symbolic compliance in global supply chains all contributed to this unsatisfactory outcome (Bondy et al., 2008; Murcia, Panwar, & Tarzijan, 2021; Short et al., 2016). The situation is even worse for lower-tier suppliers (Grimm,

Hofstetter, & Sarkis, 2016; Tachizawa & Wong, 2014). Villena and Gioia (2018) found that while MNEs rarely engage their suppliers' suppliers, these lower-tier suppliers are even less concerned with socio-environmental issues and are thus the biggest source of risk to an MNE's reputation. Since stakeholders now expect MNEs to assume full-chain responsibility, it is important to explore innovative governance arrangements that can help in the diffusion of sustainable practices from MNEs to their local partners (Kolk, 2016; Wettstein et al., 2019).

### **3.2.2 MNE-NGO Collaborations**

An emerging phenomenon in sustainable supply chain governance involves collaborations between MNEs and civil society actors, including environmental groups, labor unions, and local communities (Yaziji & Doh, 2009). Civil society has long been recognized as an important actor in global governance (de Bakker, den Hond, King, & Weber, 2013; Doh & Teegen, 2002; Sun, Doh, Rajwani, & Siegel, 2021; Teegen et al., 2004). Early work has shown that MNE-NGO collaborations can help MNEs overcome institutional barriers to internationalization (Dahan, Doh, Oetzel, & Yaziji, 2010; Doh & Teegen, 2002; Marano & Tashman, 2012; Webb, Kistruck, Ireland, & Ketchen, 2010) and produce voluntary self-regulation programs (Boddewyn & Doh, 2011; Reed & Reed, 2009; Vachani, Doh, & Teegen, 2009). Recently, scholars have highlighted the potential of such collaborations for tackling grand challenges. Buckley, Doh, and Benischke (2017) argued that as grand challenges ordinarily transcend sectoral and geographical boundaries, their solutions should likewise involve interactions between multiple sectors and countries. Doh, Tashman, and Benischke (2019: 451) proposed the concept of collective environmental entrepreneurship, a model by which individual sectors "leverage and combine their sector-specific competencies to discover, develop, and scale innovative adaptive responses to environmental challenges." Similarly, work by Montiel and colleagues (2021) predicts that MNEs' partnerships with local NGOs will contribute to addressing negative externalities in host-country

communities and facilitate the implementation of the United Nations' (UN) Sustainable Development Goals (SDGs) there.

MNE-NGO collaborations continue to face considerable obstacles, however. Bode, Rogan, and Singh (2019), and van Tulder and Keen (2018) noted that such collaborations are often difficult to form and maintain, due to the conflicting interests involved. Liu and associates (2020a) also suggested that MNE-NGO collaborations can go awry and result in adverse outcomes for both parties. A sociological explanation for this strife is that interorganizational relationships are not simply a maneuver to access partner resources (Oliver, 1991; Pfeffer & Salancik, 1978) but also depend on the approval of important audiences (Podolny, 2001). To avoid disruptive audience scrutiny, including accusations of “selling out” (Zald & McCarthy, 1980) or “sleeping with the enemy” (Burchell & Cook, 2013), many NGOs forgo collaborative opportunities to safeguard continued access to resources controlled by their audiences (e.g., donors, volunteers). Scholars have recently begun to examine the conditions that overcome countervailing audience effects (McDonnell et al., 2021; Odziemkowska, 2022). These studies are premised on the Western mindset that audiences ordinarily define their identity in strong opposition to targets and expect the contentious targeting of them (Hsu & Grodal, 2021; King & Soule, 2007). In autocratic contexts, however, an important audience of the NGO is the government, which only allows NGOs to achieve their objectives via collaborative tactics (King et al., 2013). The challenge of global supply-chain governance thus creates a collaborative opportunity that can potentially be exploited by NGOs in autocratic contexts.

### **3.2.3 NGOs in China**

While organized civil society has dramatically altered the political landscape of democratic countries in the West, the situation is different in China. China has experienced more than two thousand years of centralized imperial rule and the dominant role of the state is widely accepted (Schwartz, 1985). Decades-long

propaganda portraying China's victory in the Second Sino-Japanese War (1937–1945) as the Chinese Communist Party's (CCP) single-handed vanquishing of an external enemy, and celebrating its defeat of the Chinese Nationalist Party (KMT) in the Chinese Civil War (1945–1949), have cemented the legitimacy of the CCP's rule since 1949 (Mitter & Johnson, 2021). The party-state's attempt to control all aspects of Chinese society came to a calamitous end in the Cultural Revolution (1966–1976), launched by Mao Zedong (MacFarquhar & Schoenhals, 2009). By the end of this socio-political purge, the CCP was in danger of losing its legitimacy (Shambaugh, 2008). From 1978, Deng Xiaoping became the “core” of the second generation of party leadership and relaxed political control to favor pro-market economic reform (Vogel, 2011). This resulted in a need for alternative arrangements to take over responsibilities the party-state no longer assumed. NGOs began to emerge in the 1980s to fill this void (Zhou, 1993). The 1989 Tiananmen Square protests, however, prompted the CCP to establish regulations curtailing the growth of NGOs (Ma, 2002). In 1998, after the Falun Gong protests, the Chinese state issued the *Regulation on Registration and Administration of Social Organizations* to strengthen its control of civil society (Hildebrandt, 2011). As of 2020, a total of 36 regulations have been issued to manage NGOs in China.

Despite governmental control over NGOs, China's integration into global society has led to a revolution in popular expression and an increased willingness on the part of individuals to engage in civic activities (Hasmath & Hsu, 2016; Yang, 2009). As a result, the number of registered social organizations has steadily increased from around 200,000 in 1998 to more than 890,000 in 2020. Yet a large proportion of these are factually government-organized NGOs (GONGOs), which are staffed by people acting “like government officials, far removed from reality” (Spires, 2012: 140). These GONGOs fulfill state goals and are wary of international influences due to the Chinese state's suspicions of civil society acting as a weapon of foreign imperialism (Economy, 2011; Foster, 2014; Unger & Chan, 2014; Wu,



2002). The last two decades have also seen explosive growth in the number of grassroots NGOs, however, which were neither created by nor officially incorporated into the party-state but established by private individuals to pursue social missions (Spires, Tao, & Chan, 2014). Chinese grassroots NGOs obtain a high level of societal support even without official government approval, and are becoming increasingly visible in a number of key issue areas including environment protection, labor rights, education, and HIV/AIDS because they are “people who are doing real work, not just talking” (Spires, 2012: 140).

The rise of unsanctioned grassroots NGOs in China challenges the conventional wisdom that an autonomous civil society exists only in the democratic West (Fishkin, He, Luskin, & Siu, 2010; He & Warren, 2011). Recent scholarly treatments of civil society in China have focused on explaining the survival of grassroots NGOs under authoritarianism. Building on fieldwork in Guangdong, Spires (2011) identifies four key factors enabling a “contingent symbiosis” between a fairly autonomous civil society and an autocratic state: the fragmented nature of the state; the effect of censorship on keeping information local; NGOs refraining from democratic claim-making; and NGOs addressing social needs that would otherwise fuel grievances against the state. Teets’ (2013) fieldwork in Beijing also shows that the decentralization of public welfare and the linking of officials’ promotion to the supply of public goods have given rise to “consultative authoritarianism”, enabling the expansion of an operationally autonomous civil society. Dai and Spires’ (2018) study of eight grassroots NGOs shows that they are not helpers of the state but employ advocacy strategies to influence local-level government policy, including cultivating a stable relationship with the government, carefully selecting frames, and obtaining media exposure. Nonetheless, Hasmath and Hsu (2014) noted that while government engagement produces legitimacy and secures access to resources, the Chinese state’s fear of opposition and its insufficient epistemological understanding of NGO activities have led to a situation in which

state-NGO collaborations are vulnerable.

In recent years, management scholars have begun to explore the role of China's grassroots civil-society actors in influencing corporate activities. For example, Marquis and Bird (2018) found that Chinese firms located in provinces with more cases of environmental activism, including environment-related complaints and protests, are subject to more environmental penalties issued by local governments. Moreover, Wang, Wijen, and Heugens' (2018: 22) study shows that while "[n]ot a single interviewee saw the pressure from citizens' initiatives as being anywhere near to that from the government, which they took as unavoidable and intimidating," it also the case that "[s]lowly but surely, grassroots organizations are becoming increasingly effective" in promoting corporate environmentalism. Thus, Chinese NGOs pursue social ends in ways that extend beyond the traditional confines of the state bureaucratic apparatus. Not only is partnering with government the most efficient tactic such NGOs can resort to, but they also enjoy new opportunities presented by MNEs and engage in cross-sector, cross-border collaborations. Yet little is known about whether and how MNE-NGO collaborations are effective in promoting corporate sustainability in the context of global supply chains in autocratic contexts., to which we now turn.

### **3.2.4 MNE-NGO Collaborations and Supply-Chain Sustainability Performance in China**

The gap between NGOs' aspirations and abilities can be fairly dramatic. Social movement theorists contend that identification of favorable opportunity structures, conceptualized as structural or cultural characteristics of the target of mobilization, enables NGOs to select targets that are most receptive to their demands (Amenta, Carruthers, & Zylan, 1992; Kellogg, 2011; King, 2008b; Vasi & King, 2012). A key intuition behind this mechanism is that structural and cultural characteristics of the target help NGOs deploy their efforts more selectively (Briscoe & Gupta, 2016). This intuition has been confirmed by sociological studies showing how favorable

opportunity structures at the firm and industry levels can increase NGOs' ability to substantiate their claims. Firm-level opportunity structures are associated with firm reputation, performance declines, governance structures, and the ideology of key decision makers (Briscoe et al., 2014; King, 2008b; McDonnell et al., 2015; Vasi & King, 2012), whereas industry-level structures relate to industry competition, cost structures, customer preferences, and advertising intensity (Baron, 2001; Bartley & Child, 2014; McWilliams & Siegel, 2001; Schurman, 2004; Weber et al., 2009).

However, none of these features can enable NGOs to achieve their objectives in autocratic contexts, due to the unavoidable resource dependencies they incur locally. According to resource dependence theory, a critical determinant of an organization's ability to manage its external dependencies is the extent to which these dependencies are mutual or imbalanced (Casciaro & Piskorski, 2005). In autocratic China, NGOs' relations with government and business are characterized by limited mutual dependence and a high degree of power imbalance, in which NGOs are the less powerful party. The imbalance of power favors the public sector in the government-NGO dyad. Like any other organization in China, NGOs depend on the government for legitimacy, while the government only relies minimally on NGOs for the provision of public goods. This asymmetry renders local NGOs subject to administrative supervision and guidance by the government. In pursuit of social stability and economic growth, the Chinese government allows NGOs to use collaborative tactics but also silences disruptive protests (King et al., 2013; Spires, 2011). In the firm-NGO dyad, the power imbalance favors the private sector. Because the government has substantial control over markets, Chinese firms seek legitimacy from the government rather than from civil society (Liu, Heugens, Wijen, & van Essen, 2022). The availability of alternative sources of legitimacy weakens the incentive to concede to NGOs' demands or collaborate with them. Therefore, direct targeting of firms may not be a viable strategy for NGOs to achieve their objectives in autocratic contexts.

Drawing from social movement and resource dependence theories, we propose that cross-sector collaborations in global supply chains present a favorable opportunity structure for NGOs operating in autocracies to gain leverage over local firms linked to MNEs. Since its accession to the World Trade Organization in 2001, China has become “the world’s factory”—a large number of firms have transformed into first- or lower-tier suppliers for global brands (Black & Morrison, 2021). China’s integration into the global economy has allowed MNEs to exploit lax regulations, low taxes and duties, abundant low-skilled labor, and well-financed infrastructure in China (Buckley & Casson, 2009; Luo, Zhang, & Bu, 2019). Moreover, it has also conferred international market access and technological spillover benefits to local firms, enabling them to expand their manufacturing capacity (Buckley, Clegg, & Wang, 2002; Wei & Liu, 2006). While the extent to which MNEs concentrate their production in China and the degree to which Chinese firms depend on exports vary, MNEs often have market intelligence and financial resources at their disposal, providing them with an advantage over local manufacturers in the buyer-supplier relation (Amaeshi, Osuji, & Nnodim, 2008; Bartley & Child, 2014). As the relations between MNEs and local suppliers are much more power-balanced than the relations between NGOs and local firms, MNEs can act as a third party that can help NGOs neutralize unfavorable local power-dependence relations by performing trilateral power-restructuring operations across geographical and sectoral boundaries.

The opportunity structure produced by cross-border, cross-sector collaborations represents a two-step form of leverage based on the target’s ties to other organizations (cf. Gargiulo, 1993). When the focal party (NGOs) seeks to gain influence over another party (local firms), yet unfavorable power relations make direct, bilateral power-restructuring operations untenable, the focal party can still achieve its objectives by seeking to collaborate with a third party (foreign MNEs) on whom the party it attempts to influence (local firms linked to MNEs) depends.

This idea resonates with work on institutional entrepreneurship, which has shown how NGOs can influence governments by leveraging the power of more central actors (Battilana, Leca, & Boxenbaum, 2009). This two-step leverage enables NGOs in autocratic contexts to gain leverage over local firms without having to pressure local firms themselves, thus avoiding conflicts with the government and potential resource loss due to ineffectual power maneuvers. NGOs are thus likely to opt for cross-border, cross-sector collaborations to receive help from MNEs in enforcing sustainability claims vis-à-vis local firms in global supply chains.

Such complicated maneuvers are more feasible when the third party involved in the process is also motivated to go along with them. As societal expectations for MNEs to become more sustainable continue to grow, MNEs increasingly compete to differentiate themselves through sustainable practices along their global supply chains (Kolk & van Tulder, 2010), which allow them to secure their social license to operate and gain a competitive advantage (Bansal & Roth, 2000; Campbell, 2007; Sharma & Vredenburg, 1998). Yet, MNEs face significant monitoring challenges, specifically concerning the conduct of upstream partners (Bird, Short, & Toffel, 2019; Bondy et al., 2008; Kim & Davis, 2016; Narula, 2019; Villena & Gioia, 2018). In contrast, local NGOs understand the situation on the ground and can determine the extent to which manufacturing activities lead to pollution (Maksimov, Wang, & Yan, 2019; Montiel et al., 2021). As a result of this symbiotic relationship, the two-step influence model fits MNE-NGO collaborations well. As a first step, local NGOs can act as an external intermediary to reduce information asymmetries between MNEs and their local partners, thus putting MNEs in a better position to make local firms improve their sustainable practices and curb their ability to shirk their responsibilities. The second step involves suppliers' financial dependency on MNEs, such that MNEs can enforce sustainability claims vis-à-vis local firms in global supply chains. Thus, the more local NGOs and foreign MNEs collaborate, the greater the synergistic potential of

the two-step leverage strategy. Formally, we hypothesize that:

**Hypothesis 1:** In autocratic countries, the collaboration between local NGOs and foreign MNEs has a positive impact on the sustainability performance of local firms in the MNEs' global supply chains.

### 3.2.5 Moderating Effect of Government's Environmental Priority

Private governance is conditioned by public governance and can interact with it in different ways (Bartley, 2005; Bartley & Egels-Zandén, 2015; Mayer & Gereffi, 2010), depending on “the national contexts and the specific issues being addressed” (Locke, Rissing, & Pal, 2013: 519). China has had stringent environmental protection laws even in the time of unbridled economic growth, but they were not consistently enforced (Marquis, Zhang, & Zhou, 2011). In the absence of effective public governance, private governance arrangements between NGOs and MNEs can help fill the institutional void. But since the Chinese government has acknowledged the existence of major environmental problems and acted on the recoupling of regulation and enforcement (Li & Lu, 2020; Luo et al., 2017; Marquis & Qian, 2014; Wang et al., 2018), it begs the question of whether the government's own commitment to environmental protection amplifies or attenuates the potential of MNE-NGO collaborations.

We argue that the opportunity structure presented by MNE-NGO collaborations impacts supply-chain sustainability performance less when the government prioritizes the environment. This substitution effect results from local NGOs' lack of ability and foreign MNEs' lack of motivation to address sustainability problems beyond what can be handled by governments. The two-step influence model firstly depends on local NGOs' ability to access the resources they need to engage in interventions. Research on cross-sector collaborations acknowledges that complex problems need more complex interventions (de Bakker et al., 2019; Gray et al., 2022; van Tulder & Keen, 2018). But, unlike their Western counterparts, which have seen more than a hundred years of development, Chinese

NGOs are only approaching adolescence (Spires, 2011; Teets, 2014). Most seek to influence corporate practices that explicitly violate existing laws and regulations, such as overexploitation of natural resources and excessive emission of pollutants (Marquis & Bird, 2018). When environmental protection laws are not consistently enforced, they can increase supply chains' legal compliance by providing locally verified information to MNEs. But when the government prioritizes the environment, recoupling of regulation and enforcement itself can coerce local firms to comply with environmental regulation (Li & Lu, 2020; Luo et al., 2017; Marquis & Qian, 2014; Zhang et al., 2016), rendering the NGOs' interventions redundant. It is important to note that whereas GONGOs may still provide MNEs with resources to help them better adapt their local suppliers to the government's policy change, GONGOs most likely prepare local firms for this new prioritization of policy on their own or by collaborating with local actors because they are often wary of international influences (Spires, 2012). Therefore, among those NGOs that are motivated to collaborate with foreign MNEs, only a few have the ability to engage in interventions that can drive change beyond local legal requirements.

The two-step influence model also depends on MNEs' willingness to differentiate themselves through their sustainable practices. Differentiation is sensible when competition-related factors such as brand reputation, production cost, and stakeholder integration drive a positive relationship between a firm's socio-environmental strategy and its competitive advantage (McWilliams & Siegel, 2001). But as the provision of sustainable practices itself is costly, the value of a sustainability differentiator equals "extra revenue minus extra cost" (McWilliams & Siegel, 2011: 1489). In global supply chains, the extent to which an MNE is willing to improve supply-chain practices is hence determined by the costs and benefits of differentiation. When the government haphazardly enforces environmental protection laws, MNEs should be more motivated to help NGOs coerce their local suppliers to comply with environmental regulations, as such

collaborations allow them to differentiate themselves from competitors at relatively low cost. Yet, when the government acts decisively to align regulation and enforcement, this differentiator is eroded in that not all MNEs are willing to push their partners to adopt proactive practices beyond local legal requirements. This reasoning is consistent with prior research on multinational nonmarket strategy (Sun et al., 2021), which has found that home- and host-country pressures do not always result in upward harmonization of sustainable practices (Strike, Gao, & Bansal, 2006; Surroca, Tribó, & Zahra, 2013).

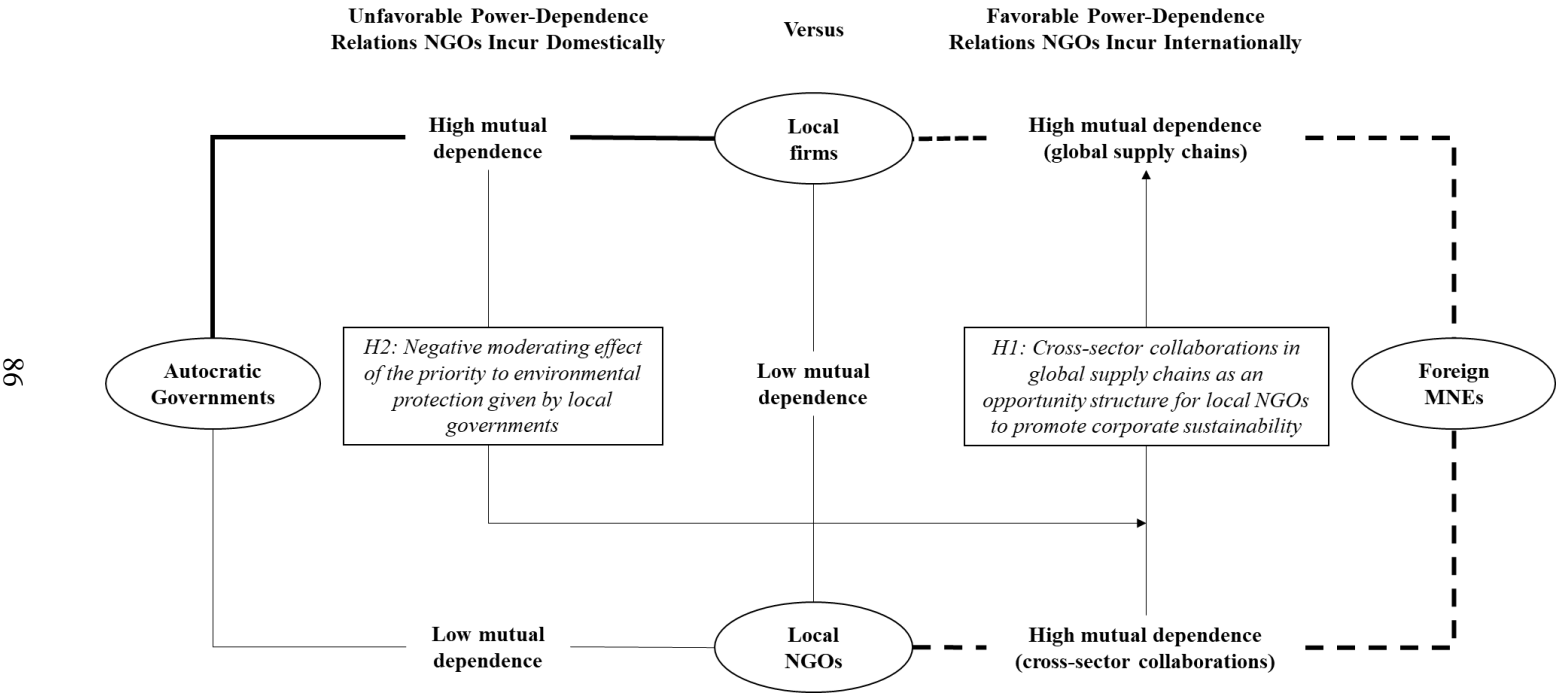
We hypothesize a substitution effect of public regulations on private governance led by local NGOs and foreign MNEs in terms of improving supply-chain sustainability performance in autocratic contexts. That is, MNE-NGO collaborations are more effective where governments do *not* prioritize environmental protection. Stated formally:

**Hypothesis 2:** In autocratic countries, when governments prioritize environmental protection, the positive relationship between MNE-NGO collaborations and supply-chain sustainability performance will be weaker.

Figure 3 summarizes our theoretical framework. The involved resource dependencies are summarized in Table 19. Our main argument is that cross-sector collaborations in global supply chains present an opportunity structure for NGOs constrained by autocratic regimes to restructure unfavorable resource dependencies they incur locally and leverage their influence on local firms. This, in turn, can improve the sustainability performance of local firms within global supply chains (H1). However, the government's own commitment to environment protection substitutes the effect of MNE-NGO collaborations (H2).



Figure 3 Impact of MNE-NGO Collaborations on Supply-Chain Sustainability in Autocratic Contexts



*Note:* Bold lines represent the relations between two parties characterized by high mutual dependence; dashed lines refer to power-dependence relations across geographical boundaries.

**Table 19 Resource-Dependence Relations, Resource Flows, and Power-Reconstructing Operations**

<b>Panel A: Power-dependence relations NGOs in autocratic contexts incur locally and internationally</b>				
	<b>Resource-dependencies between A and B</b>	<b>Resource flows from A to B</b>	<b>Resource flows from B to A</b>	<b>Implications for power-reconstructing operations</b>
<b>Unfavorable power-dependence relations NGOs incur locally</b>	Local NGOs ↔ Local governments	Autocratic governments rely minimally on local NGOs for provision of public goods.	Local NGOs depend on autocratic governments for socio-political legitimacy (e.g., entry, operation) and strategic resources (e.g., access to local firms, trust of state bureaucrats).	The asymmetric interdependence renders local NGOs subject to administrative supervision and guidance, thus precluding the contentious targeting of local firms.
	Local firms ↔ Local governments	Autocratic governments rely on local firms to support their policy agenda, such as maintaining economic growth, high employment levels, and access to international markets.	Local firms depend on autocratic governments for socio-political legitimacy (e.g., entry, operation) and strategic resources (e.g., state subsidy, trust of state bureaucrats).	The availability of alternative sources of legitimacy for local firms leads to the seeming absence of incentives to concede to NGOs' demands or collaborate with them.
	Local NGOs ↔ Local firms	There are only very limited resource flows from local NGOs to local firms.	There are only very limited resource flows from local firms to local NGOs.	The direct targeting of local firms may not be a viable strategy for NGOs to achieve their objectives in autocratic contexts.
<b>Favorable power-dependence relations NGOs incur internationally</b>	Foreign MNEs ↔ Local firms	Local firms depend on foreign MNEs for providing international market access and technological spillover benefits.	Foreign MNEs rely on local firms for provision of abundant low-skilled labor, well-developed safety and quality control regimes, and well-financed infrastructure.	MNEs have an advantage over local firms, thus presenting opportunities for NGOs to leverage their influence upon local firms by cross-sector, cross-border collaborations.
	Local NGOs ↔ Foreign MNEs	MNEs need NGOs to provide them with locally verified information about their suppliers' actions.	NGOs benefit from help from foreign MNEs in enforcing sustainability claims vis-à-vis local firms in global supply chains.	Cross-sector, cross-border collaborations involving local NGOs and foreign MNEs can leverage complementarity of both parties' resources.

Panel B: Favorable opportunity structures emanating from the target's ties to other organizations				
	Trilateral resource-dependence relations	The opportunity side	The structural side	Implications for power-reconstructing operations
<b>The opportunity structure presented by cross-sector collaborations in global supply chains</b>	Local NGOs ↔ Local firms ↔ Foreign MNEs	The two-step form of leverage enables local NGOs to gain leverage on local firms without having to risk a conflict with government which may not approve of the NGO exerting direct pressure.	Local NGOs and foreign MNEs depend on each other for the provision of the abilities they lack in relation to improving supply-chain sustainability performance, rendering such complicated power maneuvers strategically consequential.	Because global supply chains create both an opportunity to shift the balance of power and a structure to leverage both parties' resources, local NGOs and foreign MNEs may opt to collaborate to co-create innovative solutions to sustainability issues in autocratic contexts.

### **3.3 Methods**

#### **3.3.1 Data and Sample**

Our sample covers global firms with suppliers that are engaged in manufacturing in China. Data sources include Compustat, the World Bank, the Economist Intelligence Unit, the National Bureau of Statistics of China, the Ministry of Ecology and Environment of China, and the Institute of Public & Environmental Affairs of China (IPE; see <http://www.ipe.org.cn/>). IPE is increasingly being used as a source of data in Chinese management studies (e.g., Marquis & Bird, 2018; Wang et al., 2018) and offers primary information on national environmental management and corporate environmental actions. IPE collects environmental information from official, credible sources (e.g., environmental authorities) and has consolidated a sizeable pool of national water and air quality data (0.16 million data points per day) and firms' real-time emissions data (1.80 billion data points to date). IPE also discloses information on global brands' supply-chain environmental management in China including collaborations since 2006 and it started evaluating these brands' supply-chain sustainability performance from 2014 onward. By 2020, IPE is tracking 238 global (non-Chinese) brands across North America, Europe, Australia, and Asia, which yields a representative sample of influential MNEs. We accessed IPE to extract data for MNE-NGO collaborations from supply-chain environmental management records and obtain ratings for all MNEs' supply-chain sustainability performance between 2014 and 2020.

We complemented MNEs' supply-chain information with financial data from Compustat North America and Global by matching company names provided by IPE with Compustat identifiers. Because IPE provides Chinese and English versions of reports, we double-checked focal MNEs' information using both languages. We obtained MNEs' home-country economic statistics and democracy indicators from the World Bank and Economist Intelligence Unit. We pulled local governments' statistics from China Statistical Yearbooks (Li & Lu, 2020; Luo et al.,

2017; Marquis & Qian, 2014) and regional environmental indicators from China Environment Yearbooks (Marquis & Bird, 2018; Wang et al., 2018). As the Ministry of Ecology and Environment of China issued these yearbooks only up until 2019, we extrapolated data for 2020. We matched geography-specific data with firm-specific data based on the location of MNE-NGO collaborations. Data matching was based on an average of geography-specific data, as MNEs are subject to different provinces' influence when their collaborations with NGOs occur in multiple sites. After merging these databases and removing observations with missing information, our final dataset includes 167 MNEs and 688 firm-year observations from 2014 to 2020, inclusive.

### **3.3.2 Dependent Variable**

We measured MNEs' *supply-chain sustainability performance* using the logged Green Supply Chain Corporate Information Transparency Index (CITI), which rates global brands' performance in terms of managing the environmental issues of Chinese manufacturers in their global supply-chain networks. It consists of a set of standards co-developed by IPE and the Natural Resources Defense Council (NRDC, a US-based international environmental advocacy group). The scores of Green Supply Chain CITI are based on five criteria and 12 categories: (a) responsiveness and transparency (i.e., response to public enquiries, promoting supply chain transparency); (b) compliance and corrective actions (i.e., screening suppliers for environmental compliance, requiring suppliers to take corrective actions, issuing announcements); (c) green supply chain practices (i.e., responsible management of chemical and raw material suppliers, responsible management of waste water, responsible management of solid waste, responsible management of logistic suppliers, supplier self-management); (d) energy conservation and emission reduction (i.e., pushing suppliers to disclose energy and climate data, pushing suppliers to disclose pollutant release and transfer data); and (e) promotion of the public's green choices (i.e., directing the public's attention to suppliers'

environmental performance). These categories are weighted by their relative importance to the development of green supply chains, with a maximum of 100 points. As an MNE may procure from multiple levels of suppliers, points are maximized when an MNE pushes its Tier 1 suppliers (those that supply the brand directly) to monitor lower-tier suppliers (Tier 1 suppliers' suppliers), thus reflecting its efforts to lower full-chain environmental impact. For example, 21 textile brands have begun to collect the list of lower-tier chemical suppliers from their direct suppliers or promote suppliers to track the environmental performance of these chemical suppliers on their own in 2021.

### **3.3.3 Independent Variable**

To operationalize *MNE-NGO collaborations*, we used data scraping techniques to extract a total of 10,431 environmental management records from IPE's Blue Map website. We manually scrutinized the data for collaborative activities between non-Chinese MNEs and Chinese NGOs, using the logged count of such activities as an indicator of an MNE's collaborations with NGOs. Illustrative examples include: (a) Dell and Chinese environmental NGOs motivated a Suzhou-based electronics factory to implement corrective actions for its ships carrying pollutants and hazardous materials and underwent a third-party audit to verify corrective action effectiveness on November 29, 2020; (b) H&M and Chinese environmental NGOs motivated a Qingdao-based printing factory to provide explanations for its wastewater-related procedural violations on November 30, 2020; and (c) Apple and Chinese environmental NGOs motivated a Yangzhou-based electronics factory to implement corrective actions for its violations of wastewater discharge standards and disclosed information on the status of its corrective actions on December 9, 2020. After combining data, the yearly average collaborations with Chinese environmental NGOs for the sampled MNEs, before log-transformation, are 0.833 (2014), 0.913 (2015), 2.566 (2016), 9.018 (2017), 17.404 (2018), 7.640 (2019), and 7.795 (2020). Average collaborations are higher in 2017 and 2018 because IPE only

disclosed the top 100 brands for these two years. When fluctuations are removed, the overall trend is upward, and 2020 was not an unusual year for collaborations, the COVID-19 pandemic notwithstanding.

### **3.3.4 Moderator Variable**

China's economic reform has resulted in "a regionally decentralized authoritarian system" (Xu, 2011: 1076), in which personnel management and resource mobilization are highly centralized, yet provincial governments have a great deal of discretion over economic and socio-environmental issues (Walder, 1995; Zhou, 2021). As a result, while the Chinese central state recognizes environmental challenges and champions sustainable development, local governments do not always prioritize environmental concerns to the same extent (Li & Lu, 2020; Luo et al., 2017; Wang et al., 2018). The disparities across provinces enable us to examine how the main effect varies with the structural conditions of government.

We proxied *government's environmental priority* by logging the amount of government expenditure on environmental protection and monitoring aggregated to the provincial level in the previous year. This measure has several merits. First, data derived from public sources are considered to be more reliable than those derived from private sources in China (Jia et al., 2019; Wang et al., 2018). Local governments are required to report their spending on environmental protection and monitoring to the Ministry of Ecology and Environment, which discloses these statistics in China Environment Yearbooks. Second, the government's environmental expenditure is calculated as a monetary value and is seen as a direct reflection of its engagement in environmental governance. Third, this indicator covers important aspects of environmental protection, including the prevention and control of environmental pollution of water, air, solids, noise, and soil, developing ecological protection abilities, nuclear safety and non-ionizing radiation, and strengthening the enforcement of environmental monitoring.

### **3.3.5 Control Variables**

We controlled for several factors that may affect our relationship of interest. First, we include four MNE-level variables: firm size, firm age, financial strategy, and financial performance. Research has shown that larger MNEs tend to be more visible and draw more stakeholder scrutiny, leading to a greater need for legitimacy (Kostova & Zaheer, 1999; Zaheer, 1995). We therefore control for *firm size*, measuring it using the natural logarithm of an MNE's total assets (McWilliams & Siegel, 2001). We also control for *firm age* based on the initial public offering year. Moreover, prior studies have found that firms' sustainability performance is associated with financial performance (Bansal, 2005; Russo & Fouts, 1997) and financial strategy (Li & Lu, 2020; Wang et al., 2018). We therefore control for MNEs' *leverage ratio* to proxy for its financial strategy and *return on assets (ROA)* to proxy for financial performance.

We also control for three variables reflecting MNEs' home country institutions. We proxied MNEs' home-country government and market-supporting institutions by *gross domestic production (GDP) per capita*, as economically more-developed countries put greater pressure on businesses to contribute to sustainable development (Luo et al., 2019; Pisani, Kourula, Kolk, & Meijer, 2017). To capture the impact of home-country civil society, we control for MNEs' home-country *democracy index*, which provides an indication of the strength of democracy in that country, and *civil liberties index*, which more specifically indicates civil society's efforts to combat intolerance and censorship of dissenting opinions.

We also included four variables to account for local governmental institutional pressures. Related studies have found that Chinese firms located in more economically developed regions are more likely to engage in CSR reporting and practices (Luo et al., 2017; Marquis & Qian, 2014). We thus included *province's economic development*, measuring it using a province's GDP growth. *Province's environmental evaluation* was included by entering the number of environmental investments per construction project investment, which reflects the risk of potential



environmental crisis. The logged count of *province's environmental accidents* was included because it affects the urgency with which governments address environmental issues (Marquis & Bird, 2018; Wang et al., 2018).

### **3.3.6 Estimation**

We used firm fixed-effects models with standard errors clustered by firm. Fixed-effects estimates help address omitted variable concerns, as they absorb all time-invariant differences at the firm level such that the residual variation only contains firm-specific variation over time (Wooldridge, 2015). Clustering standard errors at the firm level enables us to estimate the standard error of a regression parameter when observations are subdivided into firm-specific clusters, thereby providing estimations that are more accurate than heteroscedasticity robust standard errors (Cameron & Miller, 2015; Petersen, 2009). We also employed an instrumental-variables approach and dose-response modeling to circumvent endogeneity issues, and used alternative specifications and measurements to determine the robustness of our findings.

### **3.3.7 Supplementary Examination of Local Firm-NGO Collaborations**

We theorize that MNE-NGO collaborations are linked to supply-chain sustainability performance through an MNE-specific nexus of supply-chain relationships tying a foreign MNE to local partners. To assess the validity of this notion, we undertook a placebo test which checks for an association that should be absent if the research design is sound but not otherwise, on an additional database of Chinese local firm-NGO collaborations between 2014 and 2020 obtained from the same data sources. This dataset consists of 153 Chinese firms with local suppliers and 358 observations. We chose this sample because Chinese firms seek legitimacy in large part from the government rather than from market or civil society (Haveman et al., 2017; Zhang et al., 2016), such that they have no strong incentive to grant concessions to NGOs. Therefore, the supply-chain relationships between local firms and suppliers should not constitute an opportunity structure for NGOs pursuing corporate sustainability.

If our argument holds, the effect of local firm-NGO collaborations on supply-chain sustainability performance should be non-existent or much weaker than the effect of MNE-NGO collaborations in our focal sample.

### **3.3.8 Supplementary Qualitative Analysis**

We supplemented our quantitative analyses with qualitative ones to deepen our understanding of the considerations and mindsets about collaborations between Chinese NGOs and foreign MNEs. Since our setting is self-documenting, in that MNEs and NGOs are engaged in the production and circulation of written materials, we rely on available documents to conduct this qualitative analysis (Hammersley & Atkinson, 1983). We collected 211 sustainability, CSR, ESG, or impact reports, statements on non-financial information, or integrated annual reports for the latest two years of 100 MNEs topping the 2020 green supply chain CITI list, and 59 reports of Chinese NGOs that are actively engaged in supply-chain collaborations. We then read these reports, retrieved relevant excerpts, and added examples to our qualitative description of MNE-NGO collaborations.

## **3.4 Results**

Table 20 reports descriptive statistics and Table 21 presents the correlation matrix. We computed variance inflation factors (VIF) to check for multicollinearity. VIFs range from 1.16 to 2.24 (mean = 1.57), all below the rule-of-thumb cutoff of 10. Table 22 presents the results of fixed-effects regressions testing our hypotheses. Model 1 is the baseline model and includes only control variables. Model 2 adds the main predictor of interest, MNE-NGO collaborations. Models 3 contains regressions encompassing the interaction between MNE-NGO collaborations and government environmental priority.

**Table 20 Descriptive Statistics**

	Observations	Mean	S.D.	Min	Max
1. Supply-chain sustainability performance*	688	2.687	1.010	0.000	4.443
2. Firm size*	688	11.450	2.671	3.600	19.750
3. Firm age*	688	3.438	0.460	1.609	4.263
4. Leverage	688	0.608	0.206	0.000	2.208
5. ROA	688	0.043	0.073	-0.604	0.286
6. GDP per capita*	688	10.770	0.266	10.030	11.400
7. Democracy index*	688	2.205	0.077	1.883	2.373
8. Civil liberty index*	688	2.274	0.053	2.049	2.398
9. Province's economic growth	688	0.067	0.025	-0.056	0.168
10. Province's environmental evaluation	688	0.035	0.014	0.014	0.151
11. Province's environmental accidents*	688	0.146	0.233	0.000	1.792
12. Government environmental priority*	688	12.870	1.126	10.210	15.420
13. MNE-NGO collaborations*	688	0.769	1.271	0.000	4.977
Country	Australia, Austria, Belgium, Czechia, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Korea, Netherlands, New Zealand, Philippines, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, UK, US				

\* Log transformed. † Standard Industrial Classification (SIC).

**Table 21 Correlation Matrix**

	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Supply-chain sustainability performance*	1.000												
2. Firm size*	0.116	1.000											
3. Firm age*	0.169	0.069	1.000										
4. Leverage	0.071	-0.111	0.347	1.000									
5. ROA	0.026	0.011	0.122	-0.238	1.000								
6. GDP per capita*	0.077	-0.379	0.411	0.263	0.115	1.000							
7. Democracy index*	0.129	0.018	0.139	0.088	-0.016	0.039	1.000						
8. Civil liberty index*	0.047	-0.037	-0.278	-0.018	-0.081	-0.350	0.497	1.000					
9. Province's GDP per capita	0.253	-0.022	0.027	-0.042	0.128	0.010	0.038	0.078	1.000				
10. Province's environmental evaluation	0.289	0.049	0.032	0.024	-0.040	0.026	0.014	-0.052	0.123	1.000			
11. Province's environmental accidents*	0.009	0.054	-0.031	-0.040	0.080	-0.086	0.038	0.174	0.243	-0.196	1.000		
12. Government environmental priority*	0.232	0.088	0.052	0.046	-0.079	0.081	-0.029	-0.156	-0.047	0.341	-0.652	1.000	
13. MNE-NGO collaborations*	0.656	0.068	0.089	0.051	0.001	0.029	0.058	-0.060	0.221	0.404	-0.177	0.425	1.000

Note: N of observations = 688; all correlations with absolute value greater than 0.08 are significant at  $p < 0.05$ . \* Log transformed.

**Table 22 Fixed-Effects Models Predicting Supply-Chain Sustainability Performance**

Independent and control variables	Dependent variable: Supply-chain sustainability performance		
	Model 1	Model 2	Model 3
MNE-level controls			
Firm size	0.075 (0.200)	0.092 (0.190)	0.116 (0.194)
Firm age	2.130** (1.007)	2.158** (1.025)	2.098** (1.013)
Leverage	-0.404 (0.408)	-0.400 (0.394)	-0.326 (0.378)
ROA	-1.856*** (0.602)	-1.841*** (0.606)	-1.809*** (0.597)
Home-country-level controls			
GDP per capita	0.995 (0.753)	1.045 (0.730)	1.171 (0.725)
Democracy index	-0.010 (1.528)	-0.168 (1.511)	-0.231 (1.507)
Civil liberties index	1.187 (1.492)	1.052 (1.489)	1.379 (1.467)
Host-country local government-level controls			
Province's economic growth	2.608* (1.452)	2.058* (1.220)	1.396 (1.165)
Province's environmental evaluation	-2.735** (1.154)	-3.155*** (1.126)	-2.448** (1.050)
Province's environmental accidents	0.202** (0.098)	0.253*** (0.096)	0.076 (0.099)
Government environmental priority	0.193*** (0.034)	0.135*** (0.034)	0.221*** (0.041)
Hypothesis testing			
MNE-NGO collaborations		0.112*** (0.039)	1.269*** (0.326)
MNE-NGO collaborations × Government environmental priority			-0.085*** (0.024)
Constant	-20.836** (9.907)	-20.355** (9.770)	-23.297** (9.833)
Firm fixed effects	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes
Within R-squared	0.167	0.191	0.209
N of firms	167	167	167
N of observations	688	688	688

Note: Robust standard errors clustered by firm in parentheses; all significance tests are two-tailed.

\* p<0.1

\*\* p<0.05

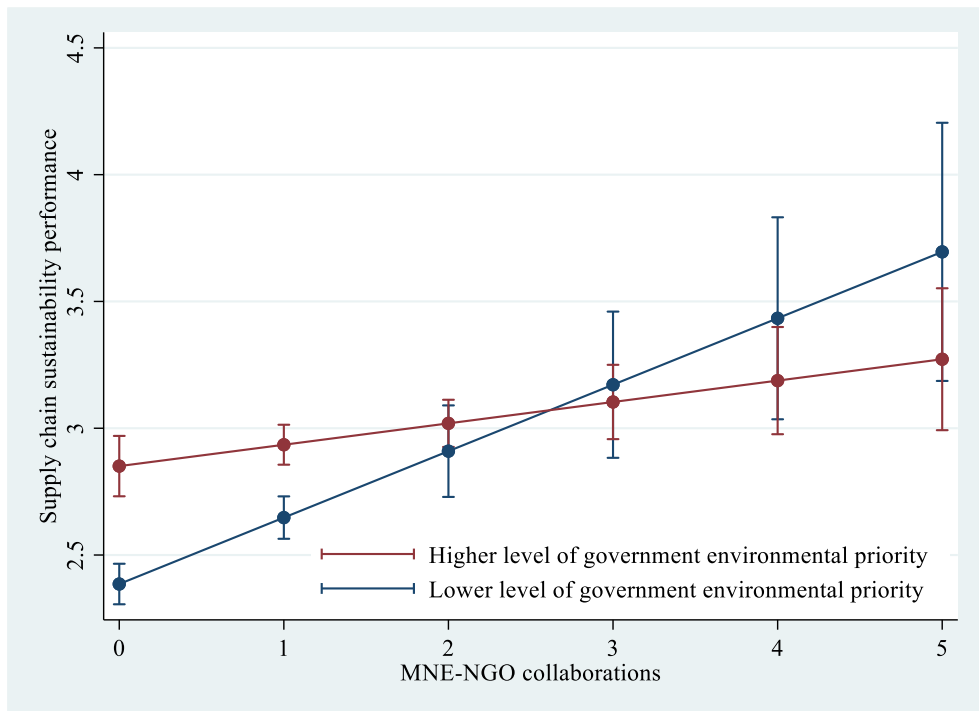
\*\*\* p<0.01

Model 2 tests Hypothesis 1, which contends that in autocratic countries, local NGOs view foreign MNEs as presenting an opportunity structure to improve the sustainability performance of local firms within the MNE's global supply-chain networks. Collaborations between Chinese NGOs and foreign MNEs should thus be positively associated with the MNEs' green supply chain ratings in China. The results show that the relationship between MNE-NGO collaborations and the MNEs'

local green supply chain ratings is positive and significant ( $b = 0.112$ ,  $p = 0.005$ ), supporting Hypothesis 1.

Hypothesis 2 predicts that the effect of MNE-NGO collaborations will be attenuated by the priority given by the government to environmental protection. When provincial governments invest more in environmental protection, the focal relationship should be weaker. Model 3 indeed shows a significant, negative effect for the interaction of MNE-NGO collaborations and government environmental investment ( $b = -0.085$ ,  $p = 0.000$ ), supporting Hypothesis 2. We depict this moderating effect in Figure 4, illustrating the effect of MNE-NGO collaborations between one standard deviation above and below the government's mean environmental investment. This figure is consistent with our theorized effect.

**Figure 4 Effects of MNE-NGO Collaborations on Supply-Chain Sustainability Performance by Government's Environmental Priority**



**Table 23 Sub-Group Analyses on MNE Characteristics**

Independent variables	Dependent variable: Supply-chain sustainability performance						
	Model 1 Full sample	Model 2 Sub-sample of US MNEs	Model 3 Sub-sample of non-US MNEs	Model 4 Sub-sample of manufacturing MNEs†	Model 5 Sub-sample of non-mfg. MNEs†	Model 6 Sub-sample of small MNEs‡	Model 7 Sub-sample of large MNEs‡
MNE-NGO collaborations	0.112*** (0.039)	0.005 (0.055)	0.133*** (0.049)	0.061 (0.041)	0.204** (0.077)	0.059 (0.058)	0.129*** (0.049)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Within R-squared	0.191	0.349	0.210	0.247	0.279	0.292	0.201
N of firms	167	54	113	130	37	87	85
N of observations	688	227	461	514	174	326	362
		Model 8 Sub-sample of young MNEs‡	Model 9 Sub-sample of old MNEs‡	Model 10 Sub-sample of low-ROA MNEs‡	Model 11 Sub-sample of high-ROA MNEs‡	Model 12 Sub-sample of low-leverage MNEs‡	Model 13 Sub-sample of high-leverage MNEs‡
MNE-NGO collaborations		-0.010 (0.082)	0.145*** (0.041)	0.187*** (0.044)	0.051 (0.050)	-0.055 (0.044)	0.163*** (0.047)
Control variables		Yes	Yes	Yes	Yes	Yes	Yes
Firm fixed effects		Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects		Yes	Yes	Yes	Yes	Yes	Yes
Within R-squared		0.307	0.211	0.231	0.278	0.192	0.269
N of firms		47	130	128	109	99	109
N of observations		149	539	368	320	312	376

*Note:* Robust standard errors clustered by firm in parentheses; all significance tests are two-tailed.

† SIC codes 2000-3999 belong to the industry of “manufacturing.” SIC codes 4000-4999, 5000-5199, 5200-5999, 6000-6799, 7000-8999, and 9100-9729 respectively represent “Transportation, Communications, Electric, Gas and Sanitary service,” “Wholesale Trade,” “Retail Trade,” “Finance, Insurance and Real Estate,” “Services,” and “Public Administration.”

‡ The first subgroups refer to characteristics below the sample mean, and the second subgroups refer to characteristics above the sample mean.

\* p<0.1

\*\* p<0.05

\*\*\* p<0.01

We also performed sub-group analyses on MNE characteristics, including home country, industry, firm size, firm age, financial performance, and financial leverage. As shown in Table 23, we found that the collaborations between local NGOs and foreign MNEs are more effective with (a) MNEs coming from non-US countries ( $b = 0.133, p = 0.007$ ; U.S.:  $b = 0.005, p = 0.922$ ); (b) MNEs belonging to non-manufacturing industries ( $b = 0.204, p = 0.012$ ; manufacturing:  $b = 0.061, p = 0.140$ ); (c) MNEs whose total assets are larger than the sample mean ( $b = 0.129, p = 0.010$ ; smaller:  $b = 0.059, p = 0.311$ ); (d) MNEs who are older than the sample mean ( $b = 0.145, p = 0.001$ ; younger:  $b = -0.010, p = 0.898$ ); (e) MNEs whose ROA is lower than the sample mean ( $b = 0.187, p = 0.000$ ; higher:  $b = 0.051, p = 0.307$ ); and (f) MNEs whose leverage is higher than the sample mean ( $b = 0.163, p = 0.001$ ; lower:  $b = -0.055, p = 0.209$ ). These analyses suggest that local NGOs should deploy their efforts selectively, not only based on local firms' ties with foreign MNEs but also in line with these MNEs' characteristics.

### 3.4.1 Endogeneity Tests

We account for the endogeneity concern that MNEs with which NGOs collaborate are not randomly selected in terms of their supply-chain sustainability performance. MNEs that actively promote sustainable practices along their supply chains might be particularly appealing to NGOs, as this might signal their willingness to help enforce sustainability claims. If this were the case, the estimated relationship in an ordinary least squares (OLS) model, even with fixed effects, will have a bias toward finding a less positive main effect. To address this form of bias, we first utilized an instrumental-variables approach and then performed dose-response modelling.

**Instrumental variables (IV).** We use the IV approach to address endogeneity (Semadeni, Withers, & Trevis Certo, 2014). An ideal IV is ordinarily the result of a natural experiment that changes the endogenous regressors but not the ultimate dependent variable (Angrist & Krueger, 2001). We instrumented for MNE-NGO collaborations using two historical variables which could be considered

as natural experiments: (1) a dichotomous indicator of whether the province in which an MNE-NGO collaboration formed had major “treaty ports” opened to foreign trade forced upon them by Western countries between 1842 and 1943, and (2) the number of months that the province was “liberated” by the People’s Liberation Army before (or after) the founding of the People’s Republic of China in October 1949. Empirically, since these historical events played out far prior to our research window, using them as IVs can strip out variation in MNE-NGO collaborations that is specific to certain MNEs and potentially reflective of a time-varying latent preference for MNEs with good sustainability performance in supply chains. Theoretically, as an independent civil society is not yet fully formed in China, it is possible that both the civil-society logic and the party-state logic have an influence on how Chinese NGOs choose actions, even though they are not explicitly government sponsored (Zheng, Ni, & Crilly, 2019). We hence used events as a proxy for the two institutional logics, which we will elaborate below.

The First Opium War (1839–1842) marked the beginning of modern China. The defeat of the Qing Dynasty by the British Empire was concluded by the Treaty of Nanking (1842), which ceded Hong Kong Island to the British and initiated a treaty port system by opening five Chinese ports—Canton, Amoy, Foochowfoo, Ningpo, and Shanghai—to British merchants. Subsequently, more “unequal treaties” were forced by Western powers to change foreign trade in China, and the system eventually included dozens of treaty ports (Nield, 2015). The treaty port era lasted until 1943, when China and Britain signed the Treaty for the Relinquishment of Extra-Territorial Rights, ending the system after 101 years. Economic historians have noticed that the treaty port era has left Western imprints on these regions, which continue to affect their relations with the rest of the world (Brandt, Ma, & Rawski, 2014; Keller, Li, & Shiue, 2011). For instance, Xu (2000) found that despite foreign privilege and social discrimination, the steadfast commitment to upholding freedom of speech and association in the treaty ports led to an ever-increasing



growth of chambers of commerce and associations of attorneys, accountants, and bankers. We presume that the former presence of treaty ports likely will have a positive impact on MNE-NGO collaborations.

The founding of China was proclaimed by Mao Zedong on October 1, 1949, but provinces vary in the timing of formally establishing the communist regime. An important difference detected by economic historians is that “[‘]old liberated areas[’] (OLAs)—enjoyed tremendous legitimacy and support from the local people than those formerly governed by its political opponent—the [KMT-led] Nationalists’ government [of the Republic of China], referred to as the [‘]newly liberated areas[’] (NLAs)” (Kung & Lin, 2003: 58). Organizational scholars note that the earlier a region had come under communist control, the stronger its communist legacies, which continue to influence values and beliefs in those regions (Fan, 1995; Liu et al., 2022; Marquis & Qiao, 2020; Raynard et al., 2013). Wang et al. (2019), for example, found that Chinese mayors in provinces that were liberated early are prone to have a stronger communist (i.e., anti-capitalist) ideology and are less likely to appoint private entrepreneurs to political councils. We conjecture that a province’s liberation timing may have a negative influence on local NGOs’ willingness to seek help from capitalists, including collaborating with foreign MNEs. This variable ranges from April 1946 (Heilongjiang) to May 1951 (Tibet), thus containing large variance in the experiences of implementing the communist system across provinces.

Table 24 presents the result of our IV analysis. Empirically, our instruments are strong in that the F test of the first-stage regression is larger than the rule-of-thumb value 10 ( $F\text{-statistic} = 26.13, p = 0.000$ ) and they are exogenous as supported by a failure to reject the overidentifying restrictions test ( $Hansen\ J\text{-statistic} = 0.903, p = 0.342$ ). Model 1 replicates the OLS estimates as shown in the baseline model of Table 4 ( $b = 0.112, p = 0.005$ ). To address downward bias in the OLS estimates, we estimated an IV model in Model 3, which indicates that the instrumented MNE-NGO collaborations have a positive and statistically significant impact on supply-

chain sustainability performance ( $b = 0.219, p = 0.001$ ). In line with our prediction, the IV estimates are more positive and significant than the OLS estimates, thereby providing strong evidence for a causal effect of MNE-NGO collaborations.

Our IV analysis also tests how different institutional logics are experienced by the NGOs in our sample. Surprisingly, the first-stage estimates reported in Model 2 show a significant, positive relationship of MNE-NGO collaborations with a province's treaty ports ( $b = 2.411, p = 0.000$ ) yet no statistically significant relationship with liberation timing ( $b = 0.011, p = 0.700$ ). Model 4 generates similar reduced-form estimates (province's treaty ports:  $b = 0.534, p = 0.002$ ; province's liberation timing:  $b = -0.012, p = 0.489$ ). While further tests are needed, our results suggest that in our sample, Chinese NGOs' willingness to collaborate with foreign MNEs is shaped by the civil-society logic originating from the global West and is relatively independent of the party-state logic prescribed by the Chinese government.

**Table 24 Instrumental Variable Models Predicting Supply-Chain Sustainability Performance**

Independent and control variables	Dependent variable			
	Model 1 OLS	Model 2 First stage	Model 3 IV	Model 4 Reduced form
	Supply-chain sustainability performance	MNE-NGO collaborations	Supply-chain sustainability performance	Supply-chain sustainability performance
MNE-NGO collaborations	0.112*** (0.039)		0.219*** (0.068)	
Province's treaty ports, 1842–1943		2.411*** (0.334)		0.534*** (0.166)
Province's liberation timing, 1946–1951		0.011 (0.030)		-0.012 (0.017)
Control variables	Yes	Yes	Yes	Yes
Firm fixed effects	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes
F-statistic on omitted instruments		26.13		
Hansen J-statistic			0.903	
N of firms	167	167	167	167
N of observations	688	688	688	688

Note: Robust standard errors clustered by firm in parentheses; all significance tests are two-tailed.

\*  $p < 0.1$

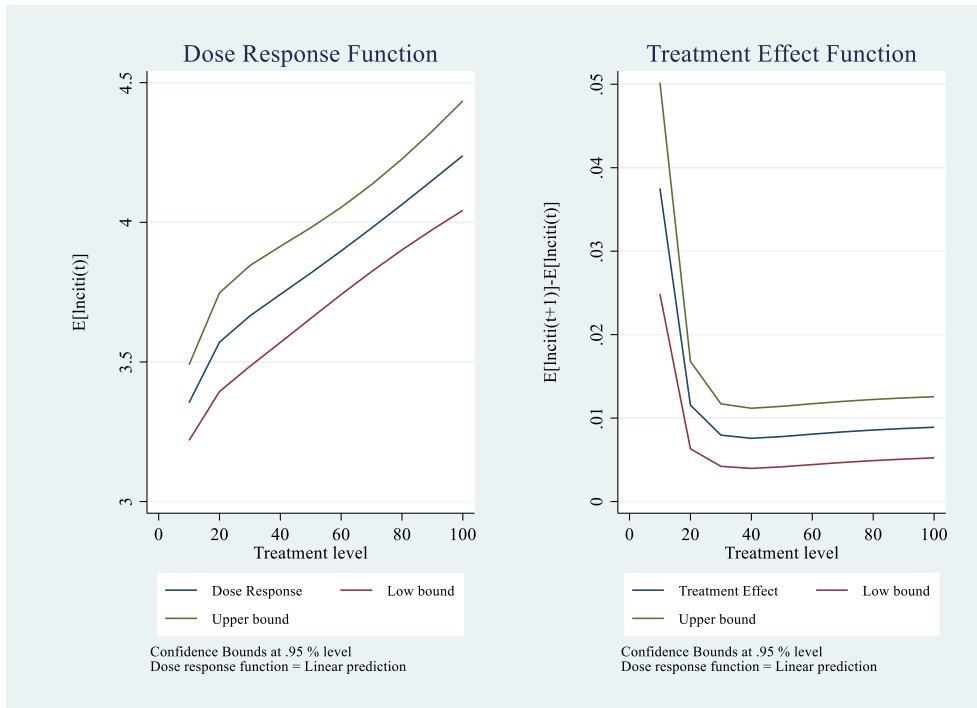
\*\*  $p < 0.05$

\*\*\*  $p < 0.01$

**Dose-response modelling.** To address selection bias, we also used dose-response modelling, a generalized propensity score matching method developed by Hirano and Imbens (2004). Since Rosenbaum and Rubin's (1983) work on propensity score analysis, matching has become an important technique for estimating causal effects in observational studies (cf. Li, 2013; Stuart, 2010). However, matching methods tend to focus on selection issues associated with binary treatments (Bia & Mattei, 2008). Dose-response modelling extends matching to settings where the treatment is continuous and defines a generalization of the binary treatment, labelled as the generalized propensity score (Hirano & Imbens, 2004). This technique is widely used. Zhang and colleagues (2020b), for example, specified dose-response models to predict the average treatment effect of CSR strategy implementation, measured as a continuous variable, on market responses. Likewise, Core (2010) used it to examine the relationship between CEO equity incentives and accounting irregularities. This method is also applicable to our empirical context, in which the measurement of our treatment variable—the logged number of MNE-NGO collaborations—is not binary.

Results show that the estimated effect of MNE-NGO collaborations on supply-chain sustainability performance is positive and significant ( $b = 0.010$ ,  $p = 0.000$ ), thus lending support to a causal inference of our findings. Figure 5 provides a graphic illustration of the dose response and treatment effect functions of our models. An increased treatment level of MNE-NGO collaborations leads to material improvements in terms of the sustainability performance of local firms within global supply-chain networks, and this treatment effect first diminishes and then remains stable when the treatment level increases. These results suggest that the first collaborations, which represent relatively exogenous events, are particularly important in terms of improving supply-chain sustainability performance.

**Figure 5 Dose Response Models Predicting Supply-Chain Sustainability Performance**



### 3.4.2 Robustness Checks

We conducted multiple tests to determine the robustness of our findings. Regarding model specifications, we used random-effects regressions and generalized estimating equations (GEE) models as alternatives to fixed-effects models. Fixed-effects methods use only the within variation and thus reduce bias at the expense of sampling variability (Wooldridge, 2015). Random-effects models allow for the modeling of time-invariant variables and use both within-firm and between-firm variation (Certo, Withers, & Semadeni, 2017). GEE models are similar to random-effects models but make inferences about the population when accounting for within-firm correlation (Ballinger, 2004). We respecified our models using random-effects models with industry and year fixed effects and population-averaged GEE methods. The results are consistent.

We also used several alternative measures. We changed the measure of governmental environmental priority to the number of environment-related complaints filed via WeChat's environmental tip-off platform, standardized by provincial total population, as recent research shows that pressures from civic activism can spur government actions (Marquis & Bird, 2018). We also used alternative measures for control variables. We replaced MNEs' total assets with total sales and number of employees to measure firm size. We removed the environmental accident variable, considering its relatively high correlation with the environmental investment variable. Our results remain the same when opting for these alternatives and are strengthened in some cases.

### 3.4.3 Placebo Test

Placebo test results are reported in Table 25. Model 1 reproduces Model 2 of Table 22, showing a statistically significant, positive relationship between MNE-NGO collaborations and supply-chain sustainability performance ( $b = 0.112$ ,  $p = 0.005$ ). The sample of collaborations between local firms and NGOs, however, showed no evidence of a statistically significant relationship ( $b = 0.087$ ,  $p = 0.301$ ). These results lend further support to our opportunity structure argument and improve the causal inference of our findings.

**Table 25 Supplementary Examination of Local Firm-NGO Collaborations**

Independent and control variables	Dependent variable: Supply-chain sustainability performance	
	Model 1 Sample of cross-border collaborations	Model 2 Sample of local collaborations
MNE-NGO collaborations	0.112*** (0.039)	
Firm-NGO collaborations		0.087 (0.083)
Control variables	Yes	Yes
Firm fixed effects	Yes	Yes
Year fixed effects	Yes	Yes
Within R-squared	0.191	0.164
N of firms	167	153
N of observations	688	358

*Note:* Robust standard errors clustered by firm in parentheses; all significance tests are two-tailed.

\*  $p < 0.1$

\*\*  $p < 0.05$

\*\*\*  $p < 0.01$

### 3.4.4 Supplementary Qualitative Evidence

Our qualitative data added further insights into the collaborations between Chinese local NGOs and foreign MNEs. Three dimensions of the opportunity structure presented by cross-sector collaborations emerged. First, this opportunity structure offers disenfranchised parties a seat at the table. Both parties recognized that they did not have the ability to single-handedly promote the sustainability of Chinese manufacturers. A survey of Chinese NGOs by China Development Brief says that: “In developed countries, even environmental advocacy for a clean, green, harmonious, and sustainable world often takes the form of collective opposition to protest government policies or company engineering projects. However, how this rather confrontational approach fits into China’s very different traditions remains unclear. (...) The Chinese government is quite powerful, and it manages such a large and complex society with a powerful posture, ensuring social order, social stability and ‘harmony’.” A joint report by five Chinese NGOs shows that they experienced collusion between government officials and entrepreneurs: “companies seem to be well-informed in advance: when the problems were reported to local governments, the smell often disappeared before inspectors came.” In the meanwhile, many MNEs were not successful in reducing their supply-chain footprints, as “they do not know how to manage the environmental performances of their suppliers in China,” and “the environmental information required to properly inform their oversight in China is inadequate or unavailable to them” (IPE Green Supply Chain Report 2019).

To co-opt MNEs into cross-border, cross-sector collaborations, IPE developed the Blue Map, a digital platform where NGO members of the Green Choice Alliance (GCA) of China can share locally verified information and foreign MNEs can use such information to manage local supply chains. GCA was founded by 21 Chinese local environmental NGOs in 2007, with the aim of incorporating environmental information disclosure and public participation into supply-chain management systems and promoting businesses to improve their environmental

performance. GCA currently has 58 NGO members located all over China, such as Green Anhui, Green Home, Green Jiangnan, Green Qilu, Green Taihang, Wuhan Acture, Wuhu Ecology, and Nanchang Qianggan. The Blue Map has attracted a significant number of global brands: “In China, Bestseller cooperates with [IPE] that monitors many aspects of environmental supply chain management and records suppliers performance on a public database” (Bestseller Sustainability Report 2020), “Since 2016, we have comprehensively screened our suppliers in China using the Blue Map Database” (ASICS Sustainability Report 2019), “We also conducted online monitoring of environmental violation in our subsidiaries and supply chain via the Blue Map Database” (TCL Technology Group Corporation CSR Report 2019), and “We use the IPE Blue Map application to monitor supplier environmental compliance” (Foxconn Corporate Sustainability Report 2020).

Second, this interorganizational opportunity structure offers a leverage strategy based on two-step influence mechanisms. The evidence suggests that Chinese NGOs pushed local manufacturing factories to comply with local environmental standards by first providing real-time performance data and historical trend information related to air-pollution emissions and wastewater discharge to global brands and then exploiting local factories’ financial dependency on foreign MNEs to enforce their sustainability claims on these local factories. A typical example is Ralph Lauren, whose 2021 Global Citizenship & Sustainability Report shows that “We have the right to terminate our business relationship should the supplier fail to comply with the applicable laws and regulations. In addition to that, we are screening our supply base for any potential significant environmental impacts through the Higg Index Facility Environmental Module and IPE Supervision platform (the latter is specific to China-based facilities). If an issue is found, we require the supplier to take corrective action and put in place preventive measures to avoid recurrence. Specifically, on any violation record found on the IPE platform, we also require the facilities—at a minimum—to publish enterprise

feedback onto the platform, which details the corrective and preventive measures taken.” To ensure local factories’ corrective and preventive measures being taken, GCA members would implement verification through “third-party on-site review” or “off-site document review” based on the facts of the violation, the year of record, and the means of punishment.

Third, this opportunity structure creates standing lines of communication between NGOs and MNEs, making their collaborations more dynamic. This allows NGOs and MNEs to shift their attention to more advanced collaborations, such as jointly tracing and reducing emissions. The Levi Strauss Sustainability Report 2020 states: “We have also shared our supplier factory list and data with the IPE Green Supply Chain Map, which provides real-time performance data and historical trend information related to air emissions and wastewater discharge. LS&Co. suppliers have disclosed more than 375 Pollutant Release and Transfer Register forms since 2016, covering 100% of higher environmental impact suppliers since 2018, and we have encouraged many additional suppliers to disclose as well.” HP echoed that: “During 2020, we continued encouraging our suppliers to submit inventories of substances released through IPE’s public pollutant release and transfer register system” (HP Sustainability Impact Report 2020).

A final theme is full-chain sustainability. Several brands started pushing their Tier 1 suppliers to monitor lower-tier suppliers. HP states: “We also collaborated with first-tier manufacturing suppliers in China to determine whether sub-tier suppliers complied with local environmental laws. This review of almost 900 sub-tier suppliers identified 39 reported violations in 2020. Of these, 16 have been corrected, and we continue working with the relevant first-tier suppliers and IPE to address and resolve the remaining issues.” (HP Sustainability Impact Report 2020). In the case of Suitsupply: “As a result of the collaboration with IPE and being committed to transparency in our supply chain, we do not only publish our direct tier 1 suppliers but also indirect suppliers or upstream suppliers in China which hold



a higher risk in terms of environmental impact due to the nature of their operations like wet processing, wastewater treatment and hazardous waste treatment” (Suitsupply Corporate Responsibility Report 2020). Similarly, “at Inditex we have invested more effort in the environmental management of the supply chain beyond textile facilities, having included upstream suppliers such as chemical product suppliers and centralised effluent treatment plants” (Inditex Group Statement on Non-Financial Information Financial Year 2020).

Overall, these quotes suggest that cross-sector collaborations in global supply chains offer disenfranchised parties a seat at the table, create a two-step influence model for implementing monitoring mechanisms together, and shape standing lines of communication to adapt to new situations.

### **3.5 Discussion**

By viewing cross-sector collaborations in global supply chains as an opportunity structure for NGOs in autocratic contexts, we develop novel theory on how MNE-NGO collaboration improves the sustainability performance of local firms in global supply-chain networks and how the effect of this private governance arrangement decreases alongside the government’s prioritization of environmental protection. Empirically, our study is among the first quantitative studies of MNE-NGO collaborations. Using a sample of global brands engaged in environmental collaborations with Chinese NGOs, we find strong evidence that the global diffusion of sustainable practices depends on the symbiotic relationships between both parties.

#### **3.5.1 Implications**

Our findings contribute to multiple strands of research and offer insights into tackling grand challenges.

**Social movements.** We contribute to social movement theory by developing a novel framework for identifying opportunity structures based on interorganizational ties. Current literature often conceptualizes opportunity structures as structural characteristics of the target of mobilization (Briscoe & Gupta,

2016). Firm-level characteristics include firm size (Vasi & King, 2012), reputational decline (King, 2008b), governance structures and leadership styles (King, 2008a; McDonnell et al., 2015; Vasi & King, 2012), values of elite decision makers (Briscoe et al., 2014; King, 2008a), and private regulatory initiatives (Mena & Waeger, 2014). Industry-level characteristics include degree of industry competitiveness (Baron, 2001; King, 2008a), government action (King, 2008a), industry cost structures (Baron, 2001), customer preferences (McWilliams & Siegel, 2001), and connectedness of internal and external polities (Weber et al., 2009). While scholars have recognized the indirect effects on other entities in the targeted field in recent studies of anti-sweatshop movements (Bartley & Child, 2014; Briscoe, Gupta, & Anner, 2015) and anti-Walmart activism (Ingram, Yue, & Rao, 2010; Yue, Rao, & Ingram, 2013), the agency of a third party has not become central to the analysis of opportunity structures yet.

We show that when NGOs are constrained by unfavorable firm and industry opportunity structures, they can still leverage the opportunities presented by the target's ties to other organizations. Our argument extends the line of social movement research portraying opportunity structures as a feature of the target of mobilization and develops a new theoretical framework of how opportunity structures based on interorganizational ties are identified, effectuated, and suppressed. Our conceptualization builds on what Gargiulo (1993) called two-step leverage and resonates with what Walker, Martin, and McCarthy (2008) termed proxy targeting. Two-step leverage emphasizes the complex resource-dependencies an actor incurs, arguing that the actor can gain leverage on a limiting party by building a cooperative relation with a player that may control this party's behavior (Gargiulo, (1993). Relatedly, Walker and colleagues' (2008) conception of proxy targeting stresses the role of a target's vulnerabilities, showing that an actor can purposively levy tactics against one organization in order to elicit change in a non-targeted organization. We build on these ideas and suggest that a target's ties to

other organizations presents an opportunity structure to actors that have none of the traditional opportunity structures at their disposal. Additionally, by unveiling that opportunity structures can be suppressed when other actors such as governments step in, our research revises a static, linear view of opportunity structures.

Our work also proposes a new avenue for opportunity structure research, which to date is mostly based on contentious tactics (Briscoe & Gupta, 2016). Only recently have scholars endeavored to explore collaborative movement tactics (McDonnell et al., 2021; Odziemkowska, 2022). McDonnell and colleagues (2021), for example, found that large-scale industry scandals can perturb activists' repertoires and alter the perceived risks and rewards of collaborations. Odziemkowska (2022) identified characteristics of NGOs (e.g., cooperative repertoires, specialization, movement segmentation) and firms (e.g., being contentiously targeted by a movement; see also McDonnell, 2016) that can enable cross-sector collaborations to form. Nonetheless, despite these efforts, the "[']opportunity structure['] for collaboration is not well understood" (Schifeling & Soderstrom, 2022: in print). We therefore set out to provide theory and evidence on how interorganizational ties produce opportunity structures for collaboration. We show that cross-border, cross-sector collaborations present opportunities for NGOs in autocratic contexts to impact targets by tapping a third party linked to the target through global supply-chain networks.

**MNE-NGO collaborations.** We advance the literature on MNE-NGO collaborations by creating a deeper understanding of when and how such collaborations form and deteriorate. Prior research has focused on the potential benefits of MNE-NGO collaborations emanating from the recombination and complementarities of individual actors' resources and capabilities (Boddewyn & Doh, 2011; Dahan et al., 2010; den Hond, de Bakker, & Doh, 2015; Doh et al., 2019; Marano & Tashman, 2012; Webb et al., 2010), with a growing interest in how they can tackle social and environmental grand challenges (Buckley et al., 2017; Doh et

al., 2019; Montiel et al., 2021). Yet the optimism around cross-sector collaborations is not universal. Many scholars have emphasized there is a considerable obstacle to collaborating due to conflicting interests of the organizations involved (Bode et al., 2019; Liu et al., 2020a), conflicting evaluations of the same relationship by distinct audiences (Burchell & Cook, 2013; McDonnell, 2016; Odziemkowska, 2022), and confusion over how to link the type of collaboration to the intervention needed to drive change (van Tulder & Keen, 2018). The theoretical puzzle lies largely in the fact that “[t]here is a tendency for a linear and relatively simple use of [theories of change] that does limited justice to the complexity of the problems partnerships aim to address” (van Tulder & Keen, 2018: 315). We answer the call of Gray, Purdy, and Ansari (2022: in print) by “considering power dynamics in the institutional field that shapes the context in which partnerships unfold”, with a focus on the context of global supply chains.

By incorporating social movement and resource dependence theories into the study of MNE-NGO collaborations, our perspective on opportunity structures spotlights resource-dependencies NGOs face in autocratic countries and studies how these NGOs make power relations work for them by collaborating with MNEs along global supply chains. We demonstrate that cross-sector collaborations present an opportunity structure that can be exploited by NGOs that cannot otherwise gain influence over local firms. Such NGOs can collaborate with MNEs as an information intermediary, enabling them to promote the diffusion of desired practices to their supply-chain partners. NGOs thus do not have to pressure local firms themselves, and can avoid the risk of a conflict with governments which may not approve of them exerting direct pressure. Furthermore, we find that the government’s own commitment to the targeted field crowds out private governance arrangements involving NGOs and MNEs, as MNE-NGO collaborations are constrained by the NGO’s ability and the MNE’s motivation to go beyond public governance. Our research thus offers a framework detailing how the political

landscape shapes the opportunity structure for collaboration, and how public governance affects the effectiveness of this opportunity structure.

Additionally, our subgroup analyses show that the effect of MNE-NGO collaborations varies with MNE characteristics, suggesting that the effectiveness of opportunity structures depends not only on interorganizational ties that link an MNE to its partners but also on the characteristics of the MNE. First, collaborating with U.S. MNEs may be less effectual than with non-U.S. MNEs, most of which in our sample are based in the EU. Possibly, there are structural political factors that make EU firms more conducive to sustainability pressures. For example, the Greens/European Free Alliance represents more than 10 percent of the members of the European Parliament, such that it can put environmental policy issues on the agenda, which is more difficult in the U.S. Second, the effect lessens when partnering with manufacturing MNEs. Firms in the manufacturing sector might be less susceptible to consumer pressures than those in the services sector. Third, there is a more pronounced improvement in sustainability performance when collaborations involve larger and older MNEs. These MNEs are more visible, attract more media and stakeholder scrutiny, and face a greater challenge to maintain legitimacy. Financial indicators like profitability and leverage may also have an impact, though further tests are needed here.

Our research thus contributes to a better understanding of NGOs' role in MNE-NGO collaborations. As Buckley and colleagues (2017: 1051) noted, "scholars are almost exclusively focused on understanding the MNE's resources, strategies, tactics, and responses, and rarely consider those same characteristics for its organizational counterpart (NGOs/SMOs), even when that counterpart is directly relevant to the constraints and opportunities facing the MNE." A more NGO-centric perspective could explain the latter's involvement in global governance (Buckley et al., 2017; Doh, Husted, & Yang, 2016; Kolk, 2016; Sun et al., 2021). An additional complicating factor is that our current understanding of NGOs' role in global

governance cannot accommodate non-Western contexts (Kolk & Lenfant, 2015). Much of our thinking is influenced by the Western mindset that civil society is inherently the third sector of society, and citizens can freely form and participate in voluntary associations (Doh & Guay, 2006; Doh & Teegen, 2003; Teegen et al., 2004). But in autocratic countries, activism is viewed as a source of chaos and anomie (Teets, 2013, 2014). Our research extends the study of MNE-NGO collaborations to autocratic contexts, spotlighting how NGOs can gain leverage over local firms and increase private-sector sustainability performance by collaborating with foreign MNEs.

**Sustainability in global supply chains.** Our research expands our understanding of how local NGOs facilitate the diffusion of sustainable practices from MNEs to their local supply-chain partners. There is a rapidly growing scholarly interest in how sustainable practices diffuse globally (Asmussen & Fosfuri, 2019; Gutierrez-Huerter O, Moon, Gold, & Chapple, 2020; Marano, Tashman, & Kostova, 2017; Tashman, Marano, & Kostova, 2019). Work on sustainability issues in global supply chains privileges private, voluntary governance initiatives promoted by MNEs, including codes of conduct (Bartley, 2005; Bondy et al., 2008; Locke et al., 2013), product certifications (Berliner & Prakash, 2013; Mayer & Gereffi, 2010), social auditors (Lund-Thomsen & Coe, 2015; Short et al., 2016), and sourcing agents (Nadvi, 2008; Soundararajan, Khan, & Tarba, 2018). But scholars have noted that these initiatives have done little to improve environmental standards (Aragon-Correa et al., 2020; Narula, 2019; Wettstein et al., 2019). Most MNEs are not able to effectively monitor the environmental impact of their local supply-chain partners (Kim & Davis, 2016), especially lower-tier suppliers (Villena & Gioia, 2018). Our work suggests that local NGOs can act as an external monitor that reduces information asymmetry, thereby putting the MNE in a better position to pressure upstream partners to improve their environmental performance.

Despite all this synergistic potential, MNE-NGO collaboration is not a

panacea for addressing all sustainability concerns in global supply chains. Such collaborations have less of an effect when governments prioritize environmental protection, as more stringent enforcement of environmental protection laws can crowd out local NGOs' efforts to eliminate poor environmental practices of local firms and erode the value of environmental outperformance as a differentiator for foreign MNEs. Prior work on interactions between public and private governance has suggested the "displacement" hypothesis, arguing that private standards based on self-regulation are essentially a substitute for formal regulation, though more fine-grained examinations show that they can also interact in different ways (Bartley, 2005; Bartley & Egels-Zandén, 2015; Locke et al., 2013; Mayer & Gereffi, 2010). The displacement hypothesis is premised on the idea that private governance has emerged to fill a regulatory void created by the decline of the state during the 1990s. But the state has again become an important regulator of environmental issues in the past decade (Li & Lu, 2020; Luo et al., 2017; Marquis & Qian, 2014; Wang et al., 2018; Yan, Almandoz, & Ferraro, 2021). Our findings suggest that in the context of global supply chains, even though the underlying premise has changed, the displacement hypothesis still holds.

Our research thus represents a theoretical shift in the burgeoning IB literature on corporate sustainability (Kolk, 2016; Pisani et al., 2017), most of which has taken an institutional perspective to explain the degree, pattern, and cross-country variation in the adoption of sustainable practices based on firm embeddedness in home and host country institutions (Campbell, Eden, & Miller, 2012; Ioannou & Serafeim, 2012; Surroca et al., 2013; Tashman et al., 2019). There is a paucity of research, however, exploring the role of (secondary) stakeholders. Odziemkowska and Henisz (2021) began exploring the link between the actions of secondary stakeholders and variation in corporate social performance across countries, but their work does not consider the global diffusion of sustainable practices. We show that local NGOs can help address the structural information

asymmetry between MNEs and local supply-chain partners. They do not merely act as isomorphic forces influencing the salience of the issues (Eesley & Lenox, 2006; Mitchell, Agle, & Wood, 1997; Vasi & King, 2012), but also as strategic partners who have competencies to develop symbiotic relationships with central actors. By incorporating social movement theory into the study of corporate sustainability in IB, our work extends this line of research to engage more sociological perspectives than neo-institutional theory, and contributes to a better understanding of the sophisticated and contextually embedded nature of sustainability in global supply chains.

**Grand societal challenges.** An important aspect of our work is that it offers actionable insights into how to tackle the grand societal challenges besieging our global community. A fast-growing group of researchers recognize that solving global problems requires a coordinated and collaborative effort (Bode et al., 2019; Buckley et al., 2017; Doh et al., 2019; Ferraro, Etzion, & Gehman, 2015; George, Howard-Grenville, Joshi, & Tihanyi, 2016; Howard-Grenville, Davis, Dyllick, Miller, Thau, & Tsui, 2019; Montiel et al., 2021; Oh & Oetzel, 2022). Yet, our understanding of collaborations across countries, sectors and levels is still too limited. Our study shows that even in settings where the use of disruptive tactics is not allowed, NGOs can still promote sustainable business using collaborative tactics, specifically by collaborating with MNEs. These MNEs can rely on local NGOs to become their “eyes and ears” on the ground, whereas NGOs in turn can rely on MNEs to lend weight and influence to their claims. Our findings hence contribute to a better understanding of the UN’s SDGs—Goal 13 Climate Action and Goal 17 Partnerships for the Goals—by demonstrating that when such symbiotic relationships develop, the sustainability performance of MNEs’ local supply-chain partners improves.

### **3.5.2 Limitations and Future Research**

Our study has limitations that simultaneously suggest additional research avenues.



First, future research is needed to determine whether our findings also hold outside China. We expect our findings to hold most readily in institutional environments that are unfavorable for NGOs, as is the case in countries subject to non-democratic political institutions of various types (56 percent; Economist Intelligence Unit, 2022). In autocratic (e.g., Laos, Myanmar, Russia, Turkey, Vietnam) and semi-autocratic (e.g., Bangladesh, India, Indonesia, Malaysia, Mexico) countries, NGOs often cannot directly enforce their claims vis-à-vis target organizations, which makes collaborating with foreign stakeholders a viable solution. In contrast, when NGOs are allowed to freely employ conflictual tactics, collaborating with MNEs may not be as useful. Future research should examine disparities in the extent to which and when NGOs based in varying institutional contexts resort to collaborative governance arrangements to elicit a response from targets to which they have no direct access, but that are in MNEs' global supply-chain networks. A key contextual element to take into account is governments' policy priorities in social and environmental issues, which likely influence the areas in which MNE-NGO collaborations can be legitimate and effective. A possible scenario is that collaborations in the areas of low policy priority may delegitimize involved actors, yet the high policy priority given to an area may render collaborations redundant.

Second, our measure of MNE-NGO collaborations is inevitably an imprecise gauge of a complex, process-based construct. While we believe that our measure constitutes a meaningful indicator of the degree of MNE-NGO collaborations, future work might improve on our measure. One possible way could be to differentiate between various kinds of collaborations, to further explore the roles of various collaborative goals and tactics in promoting sustainable practice diffusion. Another way is to unpack the extent to which an MNE is embedded in global supply chains and to consider the size, type, and location of NGOs, which are not available in our database. Future studies could also examine the effects of MNE-NGO collaborations on the diffusion of organizational practices beyond

environmentally sustainable practices. For instance, as the UN's SDGs consist of 17 sub-goals, it is vitally important to link types of collaborative governance arrangements to the interventions needed to end poverty, protect the planet, ensure prosperity, et cetera. In addition, it is important to establish a more comprehensive framework of the antecedents driving the formation of cross-sector, cross-border collaborations.

Third, because of its archival research design, our study does not allow for empirical testing of the processes by which MNE-NGO collaborations contribute to supply-chain sustainability performance. We build on social movement and resource dependence theories to argue that the opportunity structure associated with MNEs' global supply-chain networks is at work, and we endeavor to complement our quantitative study with qualitative evidence to ecologically validate our conceptualization of an opportunity structure and the associated two-step leverage mechanism. However, we have not fully unpacked the processes by which an opportunity structure is identified, effectuated, or redirected, as suggested by our qualitative evidence. Future research might employ different methods, such as in-depth interviews or participant observation, to tease out the distinct mechanisms involved. It would also be interesting to extend the application of these novel mechanisms to more complex organizational contexts than those involving two collaborating parties only, exploring how the notion of opportunity structure enriches our understanding of multi-stakeholder governance arrangements.

Finally, it is important for future research to further explore the boundary conditions of the relationship between MNE-NGO collaborations and supply-chain sustainability performance. Researchers studying cross-sector collaborations and partner selection may be particularly interested in our sub-group analyses on MNE characteristics, which show interesting and perhaps counterintuitive patterns and beg the question of when and why certain MNEs can become better partners to channel the influence. Another key question revolves around the dynamics of this

two-step influence model. How do societal crises such as the COVID-19 pandemic affect the robustness of MNE-NGO collaborations? How do the players involved respond to turbulent social environments including the rise of nationalism and political polarization? Further, future research may fruitfully compare the respective effects of interorganizational and organizational opportunity structures on movement objectives and their interactive effects. Which is more helpful (or harmful) to sustainability performance, contentious targeting of MNEs by international NGOs, collaborations between these MNEs and local NGOs, or more complex governance arrangements? In short, a host of questions about the opportunity-structure-based framework remain to be explored.

### **3.6 Conclusion**

As successful adaptation to grand challenges entails innovative governance structures, there is a compelling need to better understand the role of MNE-NGO collaborations in promoting corporate sustainability globally. By linking this emerging phenomenon to ongoing conversations in sociology and organization theory, this study develops an integrated framework for understanding the opportunity-structure-channelled effects on sustainable practice diffusion, including the way in which local NGOs deploy the opportunity structure produced by cross-border, cross-sector collaborations to encourage the diffusion of sustainable practices from MNEs to local firms in those networks and how the involvement of the government can make this opportunity structure more fragile. It is our hope that this opportunity-structure-based framework will inform and inspire future work on cross-sector collaborations, global value chain governance, and corporate sustainability.

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## Summary

The sustained economic expansion of the Chinese economy has led to significant welfare increases of most Chinese citizens. At the same time, this extraordinary achievement has brought about significant environmental and social challenges. Natural resources are rapidly becoming depleted, which forces China to become an ever-greater importer of energy, ores, and other resources. Furthermore, the pollution of land, water, and air continues to increase, threatening the livability of many major Chinese cities and industrial zones. It becomes increasingly clear that the current high rate of economic growth may become unsustainable unless public and private governance arrangements are put in place which both enable business activities and constrain their impact on the natural and social environment and duly consider their social consequences. The key question then is what types of institutional arrangements are effective in addressing the pressing environmental and social challenges that China presently faces, taking into account and respecting the unique features of the Chinese model.

By approaching this question through an indigenous perspective, this dissertation builds endemically Chinese theoretical explanations on how institutions shape business' ability to simultaneously contribute to economic expansion, environmental protection, and social equity. Specifically, the dissertation consists of three empirical studies that reveal some important insights. The first study, based on a new multivariate application of meta-analysis ensuring the comparability of effects and of causal identification of the estimates, explicates the applicability of classic Western management theories in China and provides insights into how to fit these theories with Chinese institutional contexts more tightly. Inspired by meta-analytic results for resource dependence theory, the second study theorizes and tests how Chinese NGOs, which have limited room to maneuver and which are under close surveillance by the Chinese state, can still put sufficient pressure on local supply chains to bring them to more sustainable practices. This study shows that

creating collaborative ties with foreign MNEs, which present an opportunity structure to these NGOs, is a crucial element predicting their effectiveness. Yet local governments' own level of commitment to the natural environment substitutes for the main effect. Finally, the third study, which is inspired by meta-analytic results for neo-institutional theory, highlights a soft corporate control mechanism at the disposal of the Chinese government: control by means of exposure of the corporate elite to the prevailing state political ideology. This study finds that state political ideology can be used to impose clan-like control on corporations, but its effectiveness depends on the central state's ability to intervene local governments.

Together these findings contribute to an integrated framework for understanding institutional arrangements that drive sustainable business in China, based on how politically constrained NGOs increase supply-chain sustainability performance via cross-country, cross-sector collaborations and how a one-party state spurs corporate social activities through the prevailing political ideology. I hope that my dissertation research will inspire scholars, both from the West and from the East, to revisit their current views on the contributions of indigenous research to global management knowledge and will encourage them to embrace an indigenous perspective in studying some endemic research questions. I am also hopeful that my dissertation research offers actionable insights into tackling the environmental and societal grand challenges our global community currently faces.

## Samenvatting

De aanhoudende economische expansie van de Chinese economie heeft tot een aanzienlijke toename van de welvaart geleid voor de meeste Chinezen. Maar tegelijkertijd heeft deze verbluffende prestatie ook heel wat ecologische en sociale uitdagingen met zich meegebracht. Natuurlijke hulpbronnen raken almaar sneller uitgeput, waardoor China steeds meer energie, ertsen en andere hulpbronnen moet importeren. Verder blijft de vervuiling van land, water en lucht toenemen, waardoor de leefbaarheid van veel grote Chinese steden en industriegebieden wordt bedreigd. Het wordt steeds duidelijker dat het huidige hoge tempo van de economische groei waarschijnlijk onhoudbaar wordt. Tenzij er bestuursregelingen vanuit de publieke en particuliere sector worden getroffen die bedrijfsactiviteiten mogelijk maken en tegelijkertijd de impact ervan op de natuur en maatschappij beperken en naar behoren rekening houden met de sociale gevolgen ervan. De kernvraag is dan welke soorten institutionele regelingen doeltreffend zijn om de nijpende ecologische en sociale uitdagingen waarmee China te maken heeft, aan te pakken en hierbij rekening te houden met de unieke kenmerken van het Chinese model.

Chinese theoretische verklaringen over de sturende manier waarop instituties bedrijven in staat stellen om tegelijkertijd bij te dragen aan economische expansie, milieubescherming en sociale gelijkheid, worden in dit proefschrift endemisch onderbouwd door deze vraag vanuit een inlands perspectief te benaderen. Het proefschrift bestaat meer bepaald uit drie empirische onderzoeken die enkele belangrijke inzichten bieden. Het eerste onderzoek is gebaseerd op een nieuwe multivariate toepassing van meta-analyse die instaat voor de vergelijkbaarheid van effecten en van causale identificatie van de schattingen. In dit gedeelte wordt dieper ingegaan op de toepasbaarheid van klassieke westerse managementtheorieën in China en wordt inzicht gegeven in hoe deze theorieën beter kunnen worden afgestemd op de Chinese institutionele context. Het tweede onderzoek is geïnspireerd op meta-analytische resultaten voor de bronafhankelijkheidstheorie. In

dit onderzoek wordt getest hoe Chinese ngo's, die beperkte beweegruimte hebben en onder streng toezicht van de Chinese staat staan, toch voldoende druk kunnen uitoefenen op lokale toeleveringsketens om deze aan te zetten duurzamer te werk te gaan. Dit onderzoek toont aan dat het creëren van samenwerkingsverbanden met buitenlandse multinationale ondernemingen, die deze ngo's een gelegenheidsstructuur bieden, een cruciaal element is dat hun doeltreffendheid voorspelt. Het eigen engagement van lokale overheden voor het natuurlijke milieu zorgt echter voor het belangrijkste effect. Ten slotte hebben we het derde onderzoek, dat is geïnspireerd op meta-analytische resultaten voor de neo-institutionele theorie. Hierin wordt dieper ingegaan op een zacht controlemechanisme voor bedrijven waarover de Chinese regering beschikt: controle door middel van blootstelling van de bedrijfselite aan de heersende politieke ideologie van de staat. Uit dit onderzoek blijkt dat de politieke ideologie van de staat kan worden gebruikt om bedrijven een clan-achtige controle op te leggen, maar dat de doeltreffendheid ervan afhangt van het vermogen van de centrale staat om in te grijpen bij lokale overheden.

Samen dragen deze bevindingen bij aan een geïntegreerd kader voor het begrijpen van institutionele regelingen die duurzaam ondernemen in China stimuleren. Dit is gebaseerd op de manier waarop politiek beperkte ngo's de duurzaamheidsprestaties van de toeleveringsketen vergroten via grens- en sectoroverschrijdende samenwerking en hoe een eenpartijstaat sociale activiteiten van bedrijven stimuleert via de heersende politieke ideologie. Ik hoop dat mijn proefschriftonderzoek wetenschappers, zowel uit het Westen als uit het Oosten, zal inspireren om hun huidige opvattingen over de bijdragen van inlands onderzoek aan algemene managementkennis te herzien en hen zal aanmoedigen om een inlands perspectief te omarmen bij het bestuderen van sommige endemische onderzoeksvragen. Ik heb ook goede hoop dat mijn proefschriftonderzoek toepasbare inzichten biedt in de aanpak van de grote ecologische en maatschappelijke uitdagingen waar iedereen ter wereld op dit moment voor staat.



## About the Author



Wenjie Liu is a doctoral candidate in Strategic Management at Rotterdam School of Management, Erasmus University. During his doctoral studies, he has held a visiting position as a Research Fellow at Columbia Business School. In August 2023, he will join the College of Business of City University of Hong Kong, as an Assistant Professor.

His research focuses on organizational responses to global sustainability challenges. He uses quantitative methods to study how different stakeholders (multinational corporations, non-governmental organizations, governments) shape the sustainability of companies and their actions toward these stakeholders. His research builds on organizational and sociological theories and seeks to expand our understanding of implementing the United Nations' Sustainable Development Goals in emerging economies. In addition, he is developing matched-samples meta-analysis as a new way of conducting cross-country comparative studies.

His work has been accepted for publication in the *Journal of International Business Studies* and the *Journal of Management*. He regularly presents at international conferences and has received finalist positions for 2021 OMT Best International Paper Award at the Academy of Management and 2022 Best PhD Paper Award at the Group for Research on Organizations and the Natural Environment. He is the winner of 2022 Kwok Leung Memorial Dissertation Fund Grant from the International Association for Chinese Management Research.

Prior to joining Rotterdam School of Management in 2018, he earned an M.S. in Economics & Management of Technology from South China University of Technology (2018) and a B.S. in Financial Management from Zhejiang University of Finance & Economics (2015).

## Portfolio

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### REFEREED JOURNAL PUBLICATION

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Liu, W., Heugens, P.P.M.A.R. 2023. Cross-sector collaborations in global supply chains as an opportunity structure: How NGOs promote corporate sustainability in China. *Journal of International Business Studies*, conditional accept.

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Using matched-samples meta-analysis to advance strategy research: Guidelines and an empirical illustration.

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Chinese management studies: A matched-samples meta-analysis and focused review of indigenous theories

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Wenjie Liu is a Ph.D. Candidate in Strategic Management at Rotterdam School of Management, Erasmus University. He uses quantitative methods to study organizational responses to global sustainability challenges. His research builds on different theoretical traditions and seeks to expand our understanding of implementing the United Nations' Sustainable Development Goals in emerging economies.

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In his dissertation, Wenjie evaluates what types of institutional arrangements are effective in addressing the pressing environmental and social challenges that China presently faces. He analyses those topics through an indigenous perspective. In Study 1, he assesses the applicability of classic Western management theories in China and probes the need for endemic ideas to explain environmental and social institutions in China. In Study 2, he theorizes and tests how politically constrained environmental organizations shape the sustainability of local supply chains through cross-border, cross-sector collaborations. In Study 3, he investigates how exposure of the corporate elite to the prevailing state political ideology affects firms' conformity with the state's socio-environmental policies. Overall, in his dissertation, Wenjie contributes to an integrated framework for understanding institutional arrangements that drive sustainable business in China.

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