Management and Organization Review

Management and Organization Review 16:2, May 2020, 335–375
doi: 10.1017/mor.2019.59

The Strength of Two Hands: Conflicting Stakeholder Pressures and Corporate Philanthropic Giving

Liang Zhang,[1] **Zhe Zhang,**[1] **Ming Jia,**[2] **and Yeyao Ren**[1]
[1]*Xi'an Jiaotong University, China, and* [2]*Northwestern Polytechnical University, China*

ABSTRACT We develop a stakeholder framework that examines how firms respond to the conflicting demands that arise from governments and investors in the context of corporate philanthropic giving. We argue that firms that experience such conflict exhibit a decoupling response in philanthropic giving. Furthermore, we identify the boundary conditions of the relationship between the conflicting pressures and the decoupling response. Drawing on stakeholder salience literature, we argue that this relationship will be weakened when CEOs perceive government demands as more salient (such as those with a communist ideology) and when CEOs are less sensitive to investor claims (such as those with fewer career concerns). We find empirical support for our arguments using a sample of 8,857 Chinese listed firms from 2006 to 2015. Our study contributes to the literature on stakeholder theory, decoupling, and corporate philanthropy.

KEYWORDS boundary condition of decoupling, conflicting stakeholder pressures, corporate philanthropic giving, stakeholder management, stakeholder salience

ACCEPTED BY Senior Editor Till Talaulicar

INTRODUCTION

> *'How does an organization respond when influential stakeholders hold contradicting views about its appropriate course of action'?* (Pache & Santos, 2010: 455)

Corporate philanthropic giving[1] is an institutionalized practice that a firm uses to acquire legitimacy conferred by stakeholder groups and respond to stakeholder claims (Jeong & Kim, 2018). For example, firms engage in charitable donations to respond to government claims and gain sociopolitical legitimacy (Wang & Qian, 2011). This definition may not be used in the contexts of western environments, such as US, because corporate philanthropic giving is voluntary transfers of cash or other assets by firms (Gautier & Pache, 2015). Scholars largely deduce that firms can establish and maintain good relations with stakeholders through philanthropic giving under the assumption that all stakeholders form

Corresponding author: Liang Zhang (13772073171@163.com)

one uniform group (e.g., Cuypers, Koh, & Wang, 2015; Godfrey, 2005; Wang & Qian, 2011).

However, various stakeholders may have divergent and conflicting demands, which creates tension for firms on how to engage in charitable donations (Wang, Tong, Takeuchi, & George, 2016). Thus, managing multiple stakeholders is increasingly important for firms (Pache & Santos, 2010). As Wang et al. (2016: 540) suggested, future research should 'study the interaction of shareholders and other stakeholders and how firms resolve the conflict between them'.

Recent literature on decoupling suggests organizations can use a decoupling tactic to accommodate competing stakeholder pressures (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Heese, Krishnan, & Moers, 2016; Luo, Wang, & Zhang, 2017). Decoupling refers to the process through which organizations symbolically endorse or adopt policies, while separating these policies from actual implementation (Bromley & Powell, 2012; Meyer & Rowan, 1977; Oliver, 1991). Such research has focused mostly on organizational external environments (e.g., stakeholder pressures) and failed to consider organizational interpretation towards stakeholder pressures or demands from an internal perspective (Durand, Hawn, & Ioannou, 2019). The demands of stakeholders are not perceived or interpreted as equally salient across firms. Faced with the conflicting demands, firms may not take the decoupling response because of their different interpretations of stakeholder demands. However, prior decoupling research has focused limited attention to *when* and *why* firms are less likely to use decoupling to cope with the conflicting demands.

To address these research gaps and based on stakeholder theory (e.g., Carroll, 1989; Freeman, 1984), we propose a stakeholder framework in which firms respond to the conflicting pressures that arise from governments and investors in the context of corporate philanthropic giving. Specifically, we argue that firms that experience increased government pressures (i.e., the salience of governments increases) are likely to engage in philanthropic giving. However, this notion creates conflict with investors who prioritize economic returns. Firms that experience such conflict may take a decoupling response in philanthropic giving, which refers to these firms still engaging in charitable donations but donating to a lesser extent.

More importantly, we identify the boundary conditions that weaken the relationship between the conflicting demands and decoupling of corporate giving. Drawing on stakeholder salience literature (e.g., Durand et al., 2019; Mitchell, Agle, & Wood, 1997), we argue that different managers perceive the same stakeholder demands as more or less salient, and such perception of stakeholder salience influences their decoupling decisions. Hence, this relationship will be weaker when managers perceive government demands as more salient or when managers perceive investor claims as less salient. Specifically, we identify contingent factors that may affect managerial perceptions or interpretations of stakeholder demands. We argue that firms with CEOs who are more sensitive to government demands (such as those with a communist ideology) are less likely to take the decoupling response. In addition, we expect that firms with CEOs who have fewer career concerns are less sensitive to investor claims, and thus are less likely to take the decoupling response.

We test our theory by using Chinese firms listed on the Shanghai and Shenzhen Stock Exchanges from 2006 to 2015. The China context is ideal to test our theory for several reasons. First, Chinese listed firms are commonly trapped in a struggle between government demands for social performance and investor expectations on economic returns (Fligstein & Zhang, 2011; Tang & Tang, 2018). Second, we can easily observe the impact of government pressures on corporate giving. In China where provincial governments' need for public services is often unmet, they tend to transfer their fiscal pressures to local firms. Philanthropic giving is a common way for local firms to forge ties with the governments (e.g., Lin, Tan, Zhao, & Karim, 2015). Third, CEOs' communist ideology and varying degrees of career concerns in Chinese firms allow us to test the boundary conditions for corporate decoupling response. Communist ideology has been the dominant ideology in China since the CP took power in 1949 (Wang, Du, & Marquis, 2019). The CP often exerts impact on firms via injecting its communist ideology into the firms, for example, it appoints senior managers of state-owned enterprises and controls their job rotation, and it requires certain private firms to hire party members among their employees and establishes a party organization (Shi, Markóczy, & Stan, 2014). In addition, CEOs' career concerns vary with their age because of the stipulated retirement age set by the State Council (described in METHODS section). CEOs who are also the chairmen of the board have fewer worries about involuntary replacement in Chinese firms (Pi & Lowe, 2011).

We aim to make several contributions. First, our study adds novel insights into the stakeholder salience literature in terms of how the salience of a stakeholder changes.[2] Generally, the study contributes to stakeholder management literature by examining how managerial perceptions of stakeholder salience influence corporate responses to conflicting stakeholder pressures. Second, this study advances decoupling literature (e.g., Luo et al., 2017; Wang, Wijen, & Heugens, 2018) by identifying the boundary conditions of decoupling response to conflicting pressures. Hence, we can develop a more nuanced understanding of a firm's decision on when and how to respond to conflicting stakeholder demands. Third, this study contributes to the research on the antecedents of corporate philanthropy by examining the simultaneous influences of multiple stakeholders.

THEORETICAL BACKGROUND

Stakeholders can influence organizational practices by exerting expectations and pressures on their organizations. According to Freeman (1984: 25), a stakeholder is 'any group or individual who can affect or is affected by the achievement of the firm's objectives'. In turn, an organization is not 'self-contained or self-sufficient' and is dependent on its environment (i.e., stakeholders) for resources and legitimacy (Pfeffer & Salancik, 1978: 43; Suchman, 1995). Thus, firms should comply with stakeholder expectations and pressures.

Firms may not respond to all stakeholder claims but stakeholders with high salience would. Prior research suggests that firms can divide stakeholders into primary and secondary stakeholder groups (Clarkson, 1995). This division neglects stakeholder salience, which is defined as 'the degree to which managers give priority to competing stakeholder claims' (Mitchell et al., 1997: 854). The literature on stakeholder salience suggests that managers perceive a stakeholder as salient depending on the stakeholder's three attributes, namely, the *power* to influence firms, the *legitimacy* of its claim on firms, and the *urgency* of the claim (Mitchell et al., 1997). A stakeholder claim is urgent when it is important and calls for immediate attention. Stakeholder salience is thus positively related to the cumulative number of the three attributes (Agle, Mitchell, & Sonnenfeld, 1999).

Managerial perceptions of stakeholder salience largely determine whether and how firms respond to stakeholder claims or demands. The stakeholder attributes are not static but variable (Mitchell et al., 1997). Different managers may perceive the same claims from primary stakeholders as more or less salient and then take different responses (Durand et al., 2019). Based on stakeholder salience literature, we introduce managerial perceptions of stakeholder salience to examine how firms respond to conflicting stakeholder claims. Specifically, we focus on conflicting stakeholder pressures that emanate from government and investor stakeholders as two key stakeholders in the context of corporate giving.[3]

Conflicts from Government and Investor Stakeholders in Corporate Giving

As Zhang, Marquis, and Qiao (2016: 2) infer, 'the government is an important initiator, stakeholder, and audience of corporate charitable donations'. The government plays a dominant role in driving corporate giving, especially in China, because it can use guidelines or policies to 'regulate business in the public interest' (Freeman, 1984: 13) and 'create norms and standards of legitimacy for firms' (Jia & Zhang, 2013; Marquis & Qian, 2013: 127). Government bodies have the power to allocate resources (e.g., government subsidies), ratify public projects, determine taxation and market structures, and grant property protections (Li & Zhang, 2007; Shaffer, 1995; Shi et al., 2014). To maintain or gain political legitimacy, firms take actions that are consistent with government guidelines and policies, which are sources of uncertainty and risk for firms (Hillman, 2005).

As a highly visible practice, corporate giving can be easily observed and measured by governments (Zhang et al., 2016). Governments might immediately appreciate corporate giving because it helps reduce their fiscal burdens (Dickson, 2003; Lin et al., 2015). As Wang and Qian (2011: 1165) note, 'corporate philanthropy meets government needs for providing social services, it may substitute for other means of establishing links with a government'. In addition,

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

corporate donation helps firms obtain sociopolitical legitimacy (Sánchez, 2000; Wang & Qian, 2011), which enables them to gain political access (e.g., political resource).

Investors, who prioritize economic returns over social performance (Carroll, 1991, 2016; Hubbard, Christensen, & Graffin, 2017), will only evaluate corporate giving positively after firms satisfy their primary claims (Wang & Qian, 2011). As Jeong and Kim (2018) claim, 'tensions between economic efficiency and social legitimacy are often inevitable in corporate giving'. Therefore, conflicts regarding corporate giving between government and investor stakeholders may exist.

HYPOTHESES DEVELOPMENT

Philanthropic Giving in China

Philanthropic giving comprises gifts or monetary contributions that firms often use to seek political access in China (e.g., Jia & Zhang, 2013). Business operations are largely intertwined with politics. Through significant control over rules and policies, the Chinese government largely shapes the regulatory environment for firms and thus constitutes a major source of risk or uncertainty on firms' operation.

The Chinese government has issued a number of regulations and guidelines to alleviate poverty, such as 'Outline of China's Rural Poverty Alleviation (2011–2020)'. Given that economic development is largely uneven across regions, fiscal difficulties and public service gaps exist in many places, and firms are often called on to provide public services (Zhang et al., 2016). Corporate charitable donations are an important form of helping governments provide public services. For instance, the Mianyang government in Sichuan forced local firms to fund the region's educational programs. The government published the ranking lists of firms who made donations and called them 'caring corporations' in its official website.[4] Consequently, firms often make donations to cater to government claims and establish good firm – government relationships (Lin et al., 2015).

Public Budget Deficits and Corporate Giving

Many studies emphasize that a firm's location exposes it to its region's institutional environment. A region's government constitutes a pivotal source of the region's institutional pressure (Greenwood et al., 2010; Kassinis & Vafeas, 2006). Although firms' activities may refer to various regions, firms mainly respond to the pressure from the location of their headquarters. For example, Marquis and Qian (2013) demonstrate how regional government institutional development affects CSR substance of local firms, whose headquarters are in corresponding provinces.

The salience of governments to firms increases when local governments encounter public budget deficits. Government demands on corporate giving becomes urgent because governments' fiscal budgets may generate pressure on

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

local firms (Carroll, 1989). For instance, Kassinis and Vafeas (2006) use state environmental budgets to capture the state governments' pressures on firm environmental performance.

We expect that firms will use corporate giving to respond to local governments' public budget deficits. On the one hand, the governments' unmet needs for providing public services may generate pressures on local firms, particularly in countries with weak institutions (Hornstein & Zhao, 2018). For instance, a government may reach out to firms for charitable donations when it fails to fund public services (Friedman, Johnson, Kaufmann, & Zoido-Lobaton, 2000) (see a case below). Such pressures constitute a key external source of uncertainty and risk on firms' operations (Hillman, 2005). The governments may raise tax rates on local firms to eliminate such fiscal pressures. However, frequent changes in tax policy will be detrimental to the governments' authority and prestige and likely harm social order and stability (Friedman et al., 2000).

> Case Illustration. Chinese local governments with budget deficits generally launch several projects (e.g., anti-poverty programs, hope projects, and infrastructure construction), which informally require firms in their jurisdictions to engage in charitable activities (Jia & Zhang, 2013). For instance, the Yangzhou government in Jiangsu province printed an official document that pressured local firms to give charitable donations to anti-poverty programs.[5]

On the other hand, such deficits provide an important opportunity for local firms to establish good relationships with the governments. In this case, the governments should urgently provide social services to maintain their authority and social stability. Firms will lose this opportunity when delay in paying attention to the urgent demands.

Previous studies suggest that firms can take various political activities to manage the uncertainty and risk associated with government expectations and pressures, such as lobbying and donations (Lin et al., 2015; Sánchez, 2000; Shaffer, 1995). Particularly, corporate giving directly helps governments provide public services and reduce their fiscal burdens (Dickson, 2003). In return, governments are willing to provide key resources and confer sociopolitical legitimacy to firms with philanthropic activities. In this regard, firms may seize this opportunity to cater to the governments' needs via corporate giving, which is frequently used to establish firm – government relationships (Lin et al., 2015; Sánchez, 2000). Thus:

> *Hypothesis 1a: The greater the public budget deficit in a region, the more philanthropic giving firms in the region will provide.*

Earnings Pressure and Corporate Giving

In this part, we explain when and why investor claims on economic returns create conflict with government demands when firms engage in philanthropic giving.

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

Investors will value corporate giving when the firm acquires pragmatic legitimacy, which refers to 'the self-interested calculations of an organization's most immediate audiences' (Schuman, 1995: 578). The primary responsibility or objective of a firm is to generate economic profits for shareholders or investors (Carroll, 1991, 2016). This idea is the base of the pyramid where other corporate responsibilities (i.e., legal, moral, and philanthropic) rest on (see Carroll, 1991, 2016). In this regard, when a firm has met investor expectations (i.e., primary responsibility) through achieving high profitability, it is likely to gain pragmatic legitimacy. With pragmatic legitimacy established, investors may value corporate giving as a response to other stakeholder pressures, such as government expectations, which further help firms acquire sociopolitical or moral legitimacy (Schuman, 1995).

However, when firms encounter earnings pressure, they may lack the motivation or the ability to engage in philanthropic giving. We expect that the salience of investors to a firm increases when the firm faces earnings pressure, which is defined as the difference between analysts' earnings forecast and a firm's expected performance (Skinner & Sloan, 2002; Zhang & Gimeno, 2010). Investor claims on economic return becomes more urgent for firms under earnings pressure. Delay in paying attention to earnings pressure may lead to investor penalties, for example, stock price declines, employment risk increases and investors withdraw their capital (Pfarrer, Pollock, & Rindova, 2010; Skinner & Sloan, 2002; Zhang & Gimeno, 2010, 2016). In addition, as earnings pressure threatens a firm's pragmatic legitimacy, investors may devalue corporate giving, which directly diverts corporate current earnings, products, or human resources (Wang, Choi, & Li, 2008). Consequently, such firms are less likely to engage in philanthropic giving.

Hypothesis 1b: The greater earnings pressure firms encounter, the less likely these firms will engage in philanthropic giving.

Conflicting Stakeholder Pressures and the Decoupling of Corporate Giving

As argued above, in a region with large public budget deficits, firms are more likely to respond to government expectations of philanthropic giving (investor claims are likely latent to these firms). However, when these firms face earnings pressure (investors become salient), they may lack the motivation or ability to make charitable donations. How should firms that face such conflicting demands allocate resources to philanthropic giving? The literature on stakeholder salience suggests a stakeholder's claims or demands on corporate responses are largely determined by its salience (Mitchell et al., 1997).

However, firms are trapped in a dilemma when firms face competing claims from different stakeholders who are all assessed as salient. On the one hand, these firms should engage in philanthropic giving in response to public budget deficits to obtain sociopolitical legitimacy and establish good relationships with governments.

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

On the other hand, the primary responsibility of these firms from the investor perspective is generating current earnings and gaining pragmatic legitimacy. In such a dilemma, compliance with one salient stakeholder's demands may violate the other's claims. Therefore, firms should balance conflicting pressures from governments and investors without satisfying one at the expense of the other.

To resolve this dilemma, we argue that firms use a decoupling response in corporate giving that can balance the conflicting pressures. Although policy or practice adoption is a symbolic dimension of a firm's response to stakeholder demands (Luo et al., 2017), such practice can help firms maintain or obtain legitimacy in the eyes of stakeholders and deter further scrutiny from the stakeholders (Meyer & Rowan, 1977; Shipilov, Greve, & Rowley, 2010). Practice implementation is a substantive dimension of the firm's response (Westphal & Zajac, 1994). Policy adoption thus preserves and gives firms more discretion to decouple from actual implementation (e.g., Oliver, 1991).

In our context, decoupling of corporate giving refers to firms still making charitable donations but donating less to balance the conflicting pressures. As compliance with what one stakeholder claim may dissatisfy other stakeholders, firms may consider whether and to what extent to engage in philanthropic giving. Specifically, firms may still make donations in response to public budget deficits and donate monetary contributions to a lesser extent to meet earnings pressure. As mentioned, policy adoption helps the organization maintain legitimacy and delay further supervision (Luo et al., 2017). Thus, making donations implies that firms are compliant with government demands and are willing to help governments ease public budget deficits. This practice may restrain further government scrutiny and provide such firms more discretion (e.g., resources and attention) to meet earnings pressure. As a result, these firms may make fewer donations after deciding to donate.

Therefore, a decoupling response can reflect a firm's best effort to balance the competing demands (Luo et al., 2017). When the competing demands from governments and investors are all assessed as salient, the decoupling response in philanthropic giving may be the practical way for firms to find a balance. In turn:

Hypothesis 2: The greater public budget deficits of a region where the firms are headquartered and the greater earnings pressure the firms encounter, the more likely these firms will exhibit a decoupling response in philanthropic giving.

Perceived Salience of Stakeholder Claims and Boundary Conditions of Decoupling Response to Conflicting Pressures

As argued above, firms take a decoupling response in philanthropic giving when governments and investors raise competing demands. To extend literature on stakeholder salience and decoupling, we further identify the boundary conditions under which firms may not use decoupling in response to the conflicting demands. Studies have implicitly assumed that firm–stakeholder relationship is fixed or static

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

(e.g., Freeman, 1984). This assumption is likely problematic because different managers may perceive or interpret certain stakeholders as more or less salient (Bundy, Shropshire, & Buchholtz, 2013; Durand et al., 2019; Mitchell et al.,1997). Similar stakeholder demands are not interpreted as equally salient across firms (Durand et al., 2019). Accordingly, we argue that different managers perceive the same stakeholder demands as more or less salient, and such perception of stakeholder salience influences their decoupling decisions.

Consistent with this logic, firms are less likely to take the decoupling response to the conflicting demands when the CEOs perceive government demands as more salient or when the CEOs assess investor claims as less salient. Below, we expect that the relationship between the conflicting demands and the decoupling response is weaker for firms with CEOs who have a communist ideology and for firms with CEOs who have fewer career concerns.

CEO Communist Ideology and Perceived Salience of Government Claims

CEOs with a communist ideology are more sensitive to government demands.[6] Communist ideology presents the CP's beliefs and values that advocate a Marxist–Leninist doctrine. Individuals who joined the CP tend to have a communist ideology (e.g., Marquis & Qiao, 2019; Wang et al., 2019). People who attained CP membership must undergo a rigorous socialization process of learning the CP's beliefs, tenets, and values (Higgins, 2005; Li, Meng, Wang, & Zhou, 2008). Particularly in China, to promote communist ideology ('*dang xing*' or '*party spirit*'), the CP stipulates that becoming a CP member requires numerous training and selection processes, which take at least three years. For example, the candidates must regularly submit handwritten reports to show loyalty to the CP, pass a selection test that is mainly about the CP's communist doctrines, attend classes to foster communist beliefs, and engage in organized activities to extol communist principles (Bian, Shu, & Logan, 2001; Li et al., 2008; Marquis & Qiao, 2019). Finally, after the CP leaders evaluate and examine the candidates' loyalty to the CP and their communist beliefs, these candidates must take an oath to state they are ready to sacrifice everything for the CP and fight for the communist cause during their whole lives. To further improve the loyalty of party members, the CP stipulates that party organizations should regularly host collective training programs for their formal members. Consequently, CP members tend to have a communist ideology after the intensive socialization process mentioned above.

As an ideology advocates a specific set of assumptions, ideology functions as an important filter to shape how individuals process information and thus influence individuals' decisions and behaviors (Wang et al., 2019). An ideology can influence individuals to filter out information that is not consistent with what it justifies and to make choices that are consistent with its assumptions (Chin, Hambrick, & Treviño, 2013). For instance, US studies find that CEOs with liberal political ideology (e.g., Democrats) compared with the conservative political ideology (e.g., Republicans) can influence their firms to take strategies consistent with their liberal values, such as risk-taking strategy (Christensen, Dhaliwal, Boivie, & Graffin, 2015) and CSR initiatives (Chin et al., 2013).

Similarly, the communist ideology has a great influence on members' decision making. Studies show that individuals with a communist ideology likely make decisions consistent with the CP's interests and values. For example, Dickson (2007) find that entrepreneurs with a communist ideology tend to hire workers who are CP members. Chizema, Liu, Lu, and Gao, (2015) reveal that the board of directors who share the CP's values promote the CP's interests when making decisions on CEO pay. Recently, Marquis and Qiao (2019) find that entrepreneurs with a communist ideology imprint are less likely to influence their firms to take internationalization strategies, which are not consistent with CP's anti-capitalism stand.

We thus expect that CEOs with a communist ideology may perceive government demands as more salient (Mitchell et al., 1997), particularly in countries ruled by the CP, such as China, Vietnam, and Cuba. China is an authoritarian regime ruled by the CP, which has taken power since 1949 and entirely control the government's affairs and bureaucratic system. Hence, the claims from governments often mean the CP's claims. As mentioned, managers with a communist ideology tend to make decisions consistent with what the CP advocates. As a result, faced with the conflicting pressures from governments and investors, the more urgent task for CEOs with a communist ideology is to meet government demands through their firms' philanthropic giving to demonstrate their loyalty to the CP and the state. Therefore, CEOs with a communist ideology are less likely to influence their firms to decouple from government demands when dealing with the conflicting demands.

Hypothesis 3: The positive interaction effect between public budget deficit and earnings pressure on firms' decoupling of philanthropic giving will be weaker for firms with CEOs who have a communist ideology than firms with CEOs who do not have a communist ideology.

CEO Career Concern and Perceived Salience of Investor Claims

Previous studies suggest that CEOs who are close to retirement and who are also the chairmen of the board have fewer career concerns (Krause, Semadeni, & Cannella Jr, 2014; Yuan, Tian, Lu, & Yu, 2017).

CEOs who are close to retirement may perceive investor claims as less urgent for two reasons. First, such CEOs have less motivations to prove their high ability in the market because their current positions are likely to be the last positions (Yuan et al., 2017). Such CEOs are less likely to make major investments and pursue economic profits for firms (Ortiz-de-Mandojana, Bansal, & Aragón-Correa, 2019). Second, they are less likely to be fired than younger CEOs following poor firm performance (Jensen & Murphy, 1990; Parrino, 1997) given that they have an advantage from earlier performance and achievements (Lausten, 2002). Hence, they are less likely to be punished when they delay in paying attention to investor expectations.

As a result, the salience of investors likely decreases in the views of CEOs who are close to retirement (Mitchell et al., 1997). Subsequently, firms with such CEOs may experience the conflicts from governments and investors to a less extent. That is, such CEOs perceive less disapproval from investors when their firms engage in philanthropic giving in response to government demands. Faced with the conflicting pressures, they may influence their firms to pay less attention to investor claims (i.e., earnings pressure) and then are less necessary to decouple from government demands.

Hypothesis 4a: The positive interaction effect between public budget deficit and earnings pressure on firms' decoupling of philanthropic giving will be weaker for firms with CEOs who are close to retirement than firms with CEOs who are far from retirement.

Similarly, CEOs who also hold chair positions may perceive investor claims as less urgent. Board of directors is responsible for monitoring and evaluating CEOs (Fama & Jensen, 1983). CEOs are likely to be dismissed by the board following poor financial performance. CEOs who are also the chairmen of the board of directors are likely to hold strong power over the board (Finkelstein, 1992) and thus are better able to be insulated from replacement following poor performance (Krause et al., 2014). For example, Cannella and Lubatkin (1993) demonstrate that CEO duality prevents the selection of outside successors. Pi and Lowe (2011) show that CEO duality increases CEO power and protects CEOs from involuntary replacement in Chinese firms. Hence, such CEOs are less likely to be punished by the board when they delay in paying attention to investor claims.

We thus expect that such CEOs experience the conflicts that arise from governments and investors in a less extent because the salience of investors decreases. Faced with such conflicting pressures, they may influence their firms to pay less attention to investor expectations (i.e., earnings pressure) and then the firms are less necessary to decouple from government demands. Figure 1 summarizes the stakeholder framework that we develop. We summarized the literature review for the development of our key theoretical concepts in Appendix I and II.

Hypothesis 4b: The positive interaction effect between public budget deficit and earnings pressure on firms' decoupling of philanthropic giving will be weaker for firms with CEOs who are also the chairmen of the board than firms with CEOs who are not the chairmen.

METHODS

Data and Sample

This article covers all Chinese firms (A shares) listed on the Shanghai or Shenzhen Stock Exchanges from 2006 to 2015. Data sources include the China Stock Market

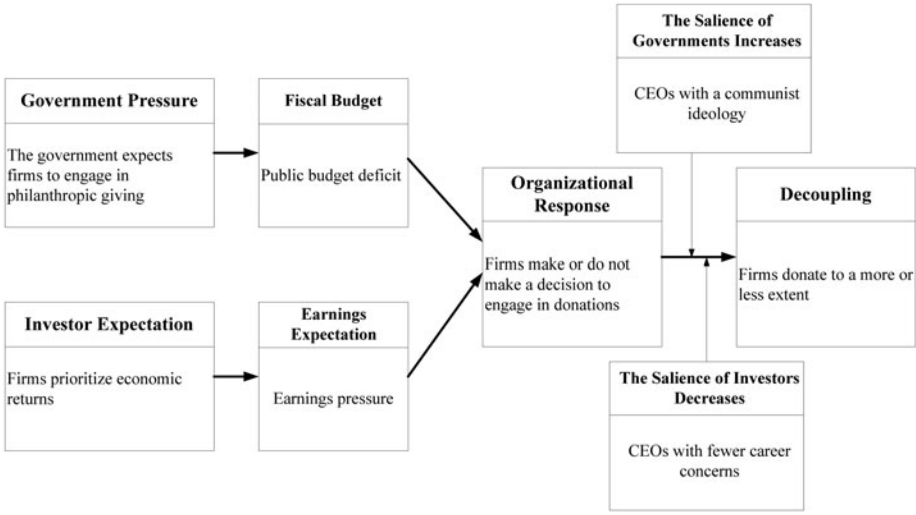

Figure 1. A stakeholder framework that examines how firms engage in philanthropic giving to respond to conflicting stakeholder pressures

and Accounting Research (CSMAR) database, company annual reports, official websites of the government Finance Bureau (OWGFB), and the Chinese Statistics Bureau (CSB). CSMAR is widely used to study Chinese stock markets and listed firms (e.g., Sun, Hu, & Hillman, 2016; Zhang et al., 2016). Thus, we collected information on firms' earnings pressure from CSMAR's Analyst Forecasts database and obtained information on the CEO's CP membership from CSMAR's Personal Characteristic database.

We manually collected the public budget on expenditure and revenue of all provinces from the OWGFB's government budget reports. A government's public budget expenditures include expenditure for public security and national defense, education, science, culture, health, sports, social security and employment, environmental protection, urban and rural communities, natural disasters, assistance to other regions, and other public programs. Public budget information dates back to 2006. At the beginning of every year (around February), all local governments in China disclose the financial budget reports of their provinces and cities through the Finance Bureau.

Similar to Zhang et al. (2016), we collected philanthropy information from the notes in financial reports (termed as 'corporate (charitable) donations'). The People's Republic of China Public Welfare Donation Law and Accounting Standards for Business Enterprises stipulate that corporate donations refer to public welfare and relief donations. Public welfare donations include donations for (a) poverty alleviation; (b) education, science, culture, health, and sports; (c) environmental protection and construction of social public facilities; and (d) other public programs that promote social development and progress. Relief donations include donations to natural disasters, vulnerable groups, and poor regions.[7]

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

Hence, corporate charitable donations assist provincial governments in providing public services or goods.

In addition, the provincial-level development information is obtained from the CSB. We manually collected information on firm celebrity from Fortune's official Chinese website by Baidu (Pfarrer et al., 2010). We obtained other firm-level information from the CSMAR. After merging these data and removing observations with unavailable data, we obtained a sample of 8,857 firm-year observations pertaining to 2,136 unique firms.[8] Among these firms, 1,812 unique firms engage in charitable donations pertaining to 6,371 firm-year observations.

Dependent variables. Given that our theoretical framework is to examine whether and at what level a firm makes donations, we constructed two dependent variables. Following previous research (e.g., Wang et al., 2008; Zhang et al., 2016), we first employed *likelihood of donation* to predict the likelihood of a firm makes donations. Specifically, the variable equals 1 if a firm donates in a given year and 0 otherwise. Second, we gauged *amount of donation* by the logarithm of a firm's total donation in a specific year (e.g., Wang & Qian, 2011).

In addition, we used a third dependent variable to directly test H2, H3, H4a, and H4b by constructing a decoupling response. The decoupling of a certain practice means the low extent of implementation (Westphal & Zajac, 2001: 207). Marquis and Qian (2013) show that decoupling occurs when a firm's extent of CSR implementation is lower than other firms that have issued CSR reports. Luo et al. (2017) coded decoupling as 1 if firms issue CSR reports early and the extent of CSR implementation is lower than the average of all firms in a given year and 0 otherwise. Following these studies, we measured *decoupling* as 1 if (i) a firm makes charitable donations and (ii) the amount of donation is below the mean of all firms in a given year; otherwise it is 0.

Independent variables. Because firms located in provinces with large public budget deficits are vulnerable to government demands for philanthropy, *public budget deficit* is a continuous variable that equals the public expenditure budget minus the public revenue budget.

Based on Zhang and Gimeno (2010), we measured *earnings pressure* as the difference between analysts' earnings forecasts for year t and firms' expectations from potential earnings for year t. Analysts' earnings forecasts equals the average of earnings per share (EPS) among all analysts multiplied by the total number of shares and then divided by total assets. Different from US investors who can rely on EPS to estimate firm financial performance (Skinner & Sloan, 2002; Zhang & Gimeno, 2010), China's managers have incentives to manipulate EPS and return on equity (Jiang & Wang, 2008). Return on assets (ROA) is widely used to help investors predict firm financial performance (e.g., Wang et al., 2008). Corporate performance expectations equal the average ROA from years t-1 to t-3. Specifically, *earnings pressure* is calculated using the following formula, where i refers to the firm, and t is time.

$$\text{Earnings pressure}_{\text{it}} = \frac{\text{EPS}_{\text{it}}{}^{*}\text{Total share}_{\text{it}}}{\text{Total assets}_{\text{it}}} - \frac{\text{ROA}_{\text{i,t}-1} + \text{ROA}_{\text{i,t}-2} + \text{ROA}_{\text{i,t}-3}}{3}$$

Moderating variables. Chinese listed firms are required to disclose their executives' biographical sketches (e.g., career history, education background, and CP membership) in their annual reports (Sun et al., 2016). To study the CEO's CP membership, we manually coded the membership of all the sample firms' CEOs based on their biographical sketches. Based on previous studies (e.g., Marquis & Qiao, 2019; Wang et al., 2019), we measured *communist ideology* as a dummy variable that equals 1 if the CEO is a CP member and 0 otherwise.

Following Ortiz-de-Mandojana et al. (2019), we measured *retirement* as the number of years between the CEO's age and the stipulated retirement age. The smaller the value of this variable, the closer to retirement the CEO is. The State Council stipulates that the retirement age for males and females is 60 and 55, respectively. The State Council first issued the rules on retirement age in 1978,[9] when private firms were completely banned (Wang et al., 2019). Employees in state-owned firms and state organizations should retire upon reaching the stipulated age. Since Chairman Deng Xiaoping's Southern Tour of 1992, private firms have been playing an increasingly important role in China's economic growth. Legislative institutions and the State Council re-stated that the stipulated retirement age was applied for employees in all types of firms and state organizations in 2002 and 2008, respectively.[10] *CEO duality* equals 1 if the CEO is also the chair of the board; otherwise, it equals 0.

Control variables. Considering firm attributes that may capture heightened scrutiny from the central government (Luo et al., 2017) and thus affect philanthropic giving, we controlled for several attributes. We first controlled for firms with political connections by CEOs' *political connection*. A CEO is deemed to have political connections if s/he has prior or current political experiences (Sun et al., 2016). We coded the variable according to the political rank (national, provincial, city, county, and below county) in China, reflected as 5, 4, 3, 2, and 1, respectively; 0 represents that the CEO has no political connections. Second, *private ownership* equals 1 if the ultimate owner of the firm is a private shareholder and 0 otherwise. Third, *firm size* is the logarithm of total revenue.

In addition, we considered the pressure resulting from a firm's activities (e.g., its subsidiary) operating outside the province where the firm is located. Lee, Walker, and Zeng (2017) indicate that firms receiving government subsidy may be exposed to the scrutiny of the governments that give subsidy to these firms and their subsidies. Thus, we controlled for *government subsidy*, measured as the total amount of government subsidy a firm receives divided by its total assets.

Moreover, we controlled for other firm-level characteristics that may influence a firm's decision to donate. *Sales growth* is defined as the ratio of annual increase in sales revenues. Because there is a complex relationship between corporate giving and firm financial performance (e.g., Wang et al., 2008), we controlled for a firm's *ROA* adjusted by industry. *Slack* is measured as firms' cash flow over firms' market capitalization. *Firm age* is the number of years since the firm was established. Certain research has argued that firms will use philanthropic giving to cover their previous wrongdoing (Godfrey, 2005). Thus, we coded *firm misconduct* as 1 if CSMAR discloses firm misconduct such as misleading statements, material omissions, or manipulating stock price; it equals 0 otherwise. Further, we controlled for *firm celebrity* because celebrity firms tend to attract a huge amount of public attention (Pfarrer et al., 2010). *Firm celebrity* equals 1 if a firm (including its subsidiaries) is in Fortune Global 500 ranking list in a specified year and 0 otherwise. *ST firm* equals 1 if a firm's net income is below 0 for two consecutive years, and 0 otherwise. *Control ownership* measures the percentage of stocks held by the largest shareholder. Blockholders may perceive large charitable donations as excessive and unnecessary (Bartkus, Morris, & Seifert, 2002). Internationally active firms are considered less dependent on local governments and are less likely to make donations to establish firm–government relationships. We measured a firm's *internationalization* as the ratio of the firm's overseas sales to its total sales (Du & Luo, 2016).

Several studies demonstrate that CEOs and boards play a significant role in determining corporate giving (e.g., Gautier & Pache, 2015; Werbel & Carter, 2002). A CEO affiliated with other corporate givers is likely to imitate other firms' giving activities (Werbel & Carter, 2002). Therefore, we controlled for *CEO network*, which equals 1 if the CEO is appointed to other firms and 0 otherwise. *CEO share* is calculated as the percentage of shares owned by the CEO. *Board independence* is calculated as the ratio of the number of independent directors to board size. Female directors have a stronger incentive to engage in corporate giving than male directors (Gautier & Pache, 2015); thus, we controlled for *female director*, which is defined as the ratio of the number of female directors to board size.

Moreover, we included *province development*, which reflects a province's institutional development (Marquis & Qian, 2013). It equals the logarithm of the provincial GDP divided by the total population size. Practice diffusion literature suggests that firms may imitate the social practice of other firms in the same industry (Byun & Kim, 2013). We thus added additional controls: *average likelihood of donation in industry (ALD)* and *average amount of donation in industry (AAD)*. Last, we included the year, industry, and province dummy variables.

Estimation Method

We first applied random-effects logit regression to predict the *likelihood of donation* because it is a binary variable. We adopted the random-effects regression

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

because our study focuses on between-firm variance (Greene, 1993). In addition, some variables may remain constant across time (e.g., *private ownership*).

Selection bias may exist because our second independent variable – *amount of donation* – is contingent on a firm's decision to donate (Zhang et al., 2016). Following Zhang et al. (2016), we employed the two-step Heckman model to estimate the amount of donation. The first stage of Heckman model is *likelihood of donation* as mentioned above. In the second stage, we adopted random-effects linear regression to estimate the *amount of donation* by using the sample of 6,371 firms that made donations and controlled for inverse Mill's ratio calculated from the first stage.

For the third dependent variable, we used *decoupling* to directly test H2, H3, H4a, and H4b. We also performed random-effects logit regression to predict decoupling.

We created the interaction term between *public budget deficit* and *earnings pressure* to test H2. According to our argument, the interaction effect should not be significantly negative when predicting the likelihood of donation, as firms facing government and investor pressures should still make donations to please governments. The interaction effect should be significantly negative when estimating the amount of donation. Moreover, the interaction effect should be significantly positive when conducting a direct decoupling test.

Consistent with previous research (e.g., Qian, Wang, Geng, & Yu, 2017), we employed a split-sample analysis to test H3, H4a, and H4b. Specifically, we divided the entire sample into two subsamples based on *communist ideology* (or *retirement* or *CEO duality*) and then assessed whether the coefficients of the interaction term on *decoupling* differed in the subsamples. We lagged all explanatory variables by one year to alleviate potential endogeneity, except for *public budget deficit*. We winsorized the top and bottom 1% of all continuous variables to avoid the undue effect of outliers.

RESULTS

Table 1a presents the descriptive statistics and a correlation matrix for analyzing the *likelihood of donation*. Table 1b presents those for the *amount of donation* and *decoupling*. The VIF in all regressions ranged from 1.02 to 1.77, which is below the rule-of-thumb cutoff of 10, suggesting that multicollinearity is not a concern.

In Table 2, Models 1 to 3 present the results of the random-effects logit regressions predicting the *likelihood of donation*, which are the first stage of the two-step Heckman model. Model 1 represents a baseline model which includes only control variables. We added *earnings pressure* and *public budget deficit* in Model 2. In Model 3, we added the interaction term between *earnings pressure* and *public budget deficit*. Models 4 to 6 present the results of the random-effects regressions of estimating the *amount of donation*, which are the second stage of the two stage Heckman model. Model 4 represents a baseline model. Model 5 presents the results of *earnings*

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

Table 1a. Descriptive statistics and correlations

Variables	*Mean*	*S.D.*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*
1. Political connection	0.57	1.3	1											
2. Firm size	21.5	1.4	0.02	1										
3. Private ownership	0.38	0.49	0.14*	−0.28*	1									
4. government subsidy	0.01	0.01	0.01	−0.07*	0.05*	1								
5. Sales growth	0.44	1.51	−0.03*	−0.08*	0.02*	−0.05*	1							
6. Industry adjusted ROA	0.002	0.05	0.05*	0.14*	0.05*	−0.05*	0.02	1						
7. Slack	0.12	0.12	0.004	0.35*	−0.15*	−0.06*	0.05*	−0.05*	1					
8. Firm age	14	4.75	−0.02	0.11*	−0.14*	−0.07*	0.09*	−0.06*	0.16*	1				
9. Firm misconduct	0.18	0.38	0.02	−0.1*	0.1*	0.02*	0.004	−0.12*	0.001	0.02*	1			
10. Firm celebrity	0.05	0.21	−0.04*	0.16*	−0.16*	−0.01	0.01	−0.01	0.08*	0.002	−0.03*	1		
11. ST firm	0.03	0.17	−0.02	−0.02*	−0.07*	−0.01	−0.02	−0.11*	−0.04*	−0.03*	0.05*	−0.004	1	
12. Control ownership	36.35	15.47	−0.05*	0.25*	−0.21*	−0.06*	0.04*	0.09*	0.03*	−0.16*	−0.1*	0.09*	0.01	1
13. Internationalization	3.93	13.85	0.02*	−0.03*	0.05*	0.05*	−0.04*	−0.003	−0.01	−0.12*	0.01	−0.01	0.01	−0.03*
14. CEO network	0.5	0.5	0.16*	0.05*	0.09*	−0.001	−0.05*	0.05*	−0.003	−0.11*	0.003	−0.02	0.01	0.06*
15. CEO share	0.02	0.08	0.12*	−0.16*	0.34*	0.07*	−0.02	0.04*	−0.09*	−0.18*	0.06*	−0.06*	−0.03*	−0.05*
16. Board independence	0.37	0.05	0.04*	0.01	0.06*	0.01	0.04*	−0.04*	0.04*	−0.002	0.02	−0.03*	0.01	0.04*
17. Female director	0.13	0.12	0.06*	−0.13*	0.16*	−0.01	0.02*	0.01	−0.02	0.07*	0.02	−0.07*	−0.03*	−0.07*
18. Province development	10.66	0.55	0.05*	0.09*	0.18*	0.07*	0.04*	−0.01	0.16*	0.17*	−0.01	0.03*	−0.07*	0.004
19. ALD	0.65	0.09	0.02	0.11*	0.07*	0.01	0.01	−0.05*	0.21*	0.09*	0.06*	0.03*	0.003	−0.01
20. Earnings pressure	0.03	0.05	0.04*	−0.27*	0.23*	0.1*	0.01	−0.01	−0.15*	−0.07*	0.09*	−0.06*	0.03*	−0.12*
21. Public budget deficit	0.75	0.57	0.01	0.01	0.1*	0.01	−0.02*	−0.03*	0.03*	0.15*	0.04*	−0.04*	−0.01	−0.07*
22. Likelihood of donation	0.72	0.45	0.09*	0.15*	0.07*	0.002	−0.02	0.13*	0.07*	−0.01	−0.01	−0.02	−0.06*	−0.04*
23. Communist ideology	0.3	0.46	0.04*	0.14*	−0.29*	−0.05*	−0.02	−0.04*	0.08*	0.07*	−0.01	0.05*	0.04*	0.11*
24. Retirement	11.08	6.26	−0.12*	−0.1*	0.1*	0.01	0.03*	0.004	−0.06*	−0.11*	0.02	−0.03*	0.02	−0.01
25. CEO duality	0.18	0.38	0.31*	−0.13*	0.26*	0.06*	−0.01	0.00	−0.07*	−0.06*	0.05*	−0.07*	−0.02	−0.08*
	13	**14**	**15**	**16**	**17**	**18**	**19**	**20**	**21**	**22**	**23**	**24**	**25**	
13. Internationalization	1													
14. CEO network	0.02*	1												

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

Table 1a. Continued

Variables	*Mean*	*S.D.*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*
15. CEO share	0.02*	0.09*	1											
16. Board independence	−0.02	0.03*	0.1*	1										
17. Female director	0.02	−0.01	0.1*	0.004	1									
18. Province development	−0.01	0.003	0.17*	0.06*	0.12*	1								
19. ALD	0.06*	0.01	0.03*	0.07*	0.04*	0.19*	1							
20. Earnings pressure	0.02	−0.01	0.15*	0.07*	0.06*	0.07*	0.09*	1						
21. Public budget deficit	−0.01	0.02*	0.04*	0.04*	0.06*	−0.09*	0.14*	0.03*	1					
22. Likelihood of donation	0.01	0.03*	0.02	−0.01	0.02	0.01	0.10*	−0.07*	0.06*	1				
23. Communist ideology	−0.04*	−0.01	−0.12*	−0.02*	−0.08*	−0.05*	0.02*	−0.06*	−0.04*	−0.01	1			
24. Retirement	−0.01	−0.03*	−0.02	−0.01	−0.06*	−0.14*	−0.07*	0.01	−0.03*	0.01	−0.02	1		
25. CEO duality	0.05*	0.18*	0.43*	0.08*	0.09*	0.13*	0.03*	0.1*	0.03*	0.01	−0.21*	−0.15*	1	

Notes: * denotes statistical significant at 5% level, N = 8,857

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

Table 1b. Descriptive statistics and correlations

Variables	*Mean*	*S.D.*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*
1. Political connection	0.63	1.4	1											
2. Firm size	21.63	1.33	0.001	1										
3. Private ownership	0.41	0.49	0.15*	−0.28*	1									
4. government subsidy	0.01	0.01	0.02	−0.06*	0.06*	1								
5. Sales growth	0.42	1.46	−0.03*	−0.06*	0.02	−0.07*	1							
6. Industry adjusted ROA	0.01	0.05	0.05*	0.10*	0.07*	−0.02	0.02	1						
7. Slack	0.13	0.13	−0.01	0.36*	−0.16*	−0.07*	0.07*	−0.11*	1					
8. Firm age	13.98	4.77	−0.03*	0.14*	−0.16*	−0.08*	0.09*	−0.08*	0.18*	1				
9. Firm misconduct	0.18	0.38	0.02	−0.07*	0.07*	0.02	−0.003	−0.1*	0.02	0.03*	1			
10. Firm celebrity	0.04	0.2	−0.04*	0.19*	−0.16*	−0.01	0.004	0.003	0.09*	0.011	−0.02	1		
11. ST firm	0.02	0.15	−0.01	−0.02	−0.06*	−0.02	−0.01	−0.08*	−0.02	−0.03*	0.06*	−0.03*	1	
12. Control ownership	35.95	15.31	−0.03*	0.22*	−0.18*	−0.06*	0.06*	0.09*	0.03*	−0.15*	−0.08*	0.11*	0.01	1
13. Internationalization	4	13.95	0.04*	−0.05*	0.06*	0.05*	−0.04*	−0.001	−0.03*	−0.11*	0.01	−0.02	0.02*	−0.04*
14. CEO network	0.51	0.5	0.18*	0.04*	0.09*	−0.01	−0.05*	0.05*	−0.02	−0.11*	−0.01	−0.01	0.02	0.06*
15. CEO share	0.02	0.08	0.14*	−0.16*	0.33*	0.06*	−0.02	0.03*	−0.1*	−0.17*	0.07*	−0.06*	−0.02	−0.04*
16. Board independence	0.37	0.05	0.05*	0.01	0.05*	−0.001	0.04*	−0.03*	0.03*	0.01	0.02	−0.03*	0.04*	0.03*
17. Female director	0.13	0.12	0.05*	−0.13*	0.15*	−0.01	0.03*	0.01	−0.02	0.07*	0.003	−0.06*	−0.03*	−0.05*
18. Province development	10.66	0.54	0.06*	0.11*	0.2*	0.06*	0.03*	−0.01	0.15*	0.15*	−0.003	0.04*	−0.06*	0.01
19. ALD	13.75	0.8	−0.03*	0.18*	−0.06*	−0.08*	0.06*	−0.05*	0.23*	0.12*	0.05*	0.08*	0.01	0.09*
20. Earnings pressure	0.03	0.05	0.05*	−0.25*	0.23*	0.1*	−0.001	0.07*	−0.15*	−0.1*	0.06*	−0.06*	0.01	−0.1*
21. Public budget deficit	0.77	0.6	−0.01	−0.001	0.1*	0.004	−0.01	−0.05*	0.04*	0.17*	0.03*	−0.04*	−0.01	−0.08*
22. Amount of donation	12.72	2.02	0.09*	0.38*	−0.02	−0.06*	0.02	0.13*	0.1*	0.03*	−0.06*	0.06*	−0.02	0.04*
23. decoupling	0.484	0.5	−0.08*	−0.31*	0.02	0.06*	−0.01	−0.12*	−0.1*	−0.03*	0.05*	−0.03*	0.02	−0.02
24. Communist ideology	0.3	0.46	0.05*	0.13*	−0.3*	−0.06*	−0.01	−0.06*	0.08*	0.08*	−0.003	0.05*	0.04*	0.09*
25. Retirement	11.14	6.31	−0.13*	−0.1*	0.1*	0.003	0.03*	0.01	−0.05*	−0.11*	0.02	−0.04*	0.02	−0.01
26. CEO duality	0.18	0.38	0.35*	−0.12*	0.24*	0.06*	−0.03*	0.01	−0.08*	−0.07*	0.05*	−0.06*	−0.009	−0.08*
	13	**14**	**15**	**16**	**17**	**18**	**19**	**20**	**21**	**22**	**23**	**24**	**25**	**26**
13. Internationalization	1													

Table 1b. Continued

Variables	*Mean*	*S.D.*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*
14. CEO network	0.01	1												
15. CEO share	0.03*	0.1*	1											
16. Board independence	−0.02	0.02	0.09*	1										
17. Female director	0.02	−0.01	0.08*	−0.01	1									
18. Province development	−0.01	−0.01	0.17*	0.04*	0.13*	1								
19. ALD	−0.02	−0.01	−0.03*	0.04*	−0.03*	0.11*	1							
20. Earnings pressure	0.02	0.001	0.16*	0.05*	0.07*	0.07*	0.01	1						
21. Public budget deficit	−0.02	0.02	0.05*	0.04*	0.06*	−0.09*	0.07*	0.05*	1					
22. Amount of donation	−0.03*	0.05*	−0.05*	0.001	−0.04*	−0.002	0.14*	−0.1*	0.003	1				
23. decoupling	0.02	−0.05*	0.03*	0.01	0.02*	−0.02	−0.1*	0.09*	−0.001	−0.79*	1			
24. Communist ideology	−0.05*	−0.03*	−0.12*	−0.04*	−0.07*	−0.06*	0.07*	−0.07*	−0.04*	0.03*	−0.02	1		
25. Retirement	−0.01	−0.03*	−0.02	−0.01	−0.05*	−0.13*	−0.07*	0.02	−0.03*	−0.002	−0.01	−0.02	1	
26. CEO duality	0.05*	0.19*	0.43*	0.08*	0.08*	0.13*	−0.05*	0.09*	0.02	−0.002	0.004	−0.21*	−0.16*	1

Notes: * denotes statistical significant at 5% level, N = 6,371

Table 2. The effects of the conflicting pressures on corporate giving (*H1a, H1b,* and *H2*)

DV	*Likelihood of Donation*			*Amount of Donation*			*Decoupling*	
Variables	*Model 1*	*Model 2*	*Model 3*	*Model 4*	*Model 5*	*Model 6*	*Model 7*	*Model 8*
Earnings pressure		−2.61**	−2.39**		−1.28**	−1.28**	2.01*	2.06*
		(0.81)	(0.82)		(0.46)	(0.46)	(0.87)	(0.88)
Public budget deficit		0.87***	0.89***		0.29**	0.27**	−0.24	−0.21
		(0.19)	(0.19)		(0.09)	(0.10)	(0.18)	(0.18)
Earnings pressure * Public budget deficit			3.69*			−2.79**		5.64**
			(1.66)			(0.85)		(1.79)
Political connection	0.13**	0.12**	0.12**	0.08***	0.08***	0.09***	−0.14***	−0.15***
	(0.05)	(0.05)	(0.05)	(0.02)	(0.02)	(0.02)	(0.04)	(0.04)
Firm size	0.61***	0.59***	0.59***	0.62***	0.61***	0.60***	−0.89***	−0.88***
	(0.05)	(0.05)	(0.05)	(0.03)	(0.03)	(0.03)	(0.06)	(0.06)
Private ownership	0.59***	0.63***	0.63***	0.44***	0.45***	0.45***	−0.46***	−0.46***
	(0.15)	(0.15)	(0.15)	(0.08)	(0.08)	(0.08)	(0.14)	(0.14)
Government subsidy	3.39	4.46	4.33	−3.89	−3.47	−3.39	5.65	5.53
	(5.75)	(5.77)	(5.77)	(3.24)	(3.24)	(3.23)	(6.06)	(6.06)
Sales growth	−0.06*	−0.06*	−0.06*	0.00	0.00	0.00	−0.03	−0.03
	(0.03)	(0.03)	(0.03)	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)
Industry adjusted ROA	4.36***	4.67***	4.68***	2.38***	2.58***	2.51***	−5.16***	−5.07***
	(0.84)	(0.84)	(0.85)	(0.51)	(0.51)	(0.51)	(0.97)	(0.98)
Slack	0.09	−0.07	−0.04	−0.45*	−0.52*	−0.52*	−0.01	−0.02
	(0.46)	(0.46)	(0.46)	(0.23)	(0.23)	(0.23)	(0.43)	(0.43)
Firm age	−0.03*	−0.03*	−0.03*	−0.01	−0.01	-0.01^{+}	0.01	0.02
	(0.02)	(0.02)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Firm misconduct	0.10	0.09	0.10	-0.11^{+}	-0.11^{+}	-0.11^{+}	0.21^{+}	0.22*
	(0.11)	(0.11)	(0.11)	(0.06)	(0.06)	(0.06)	(0.11)	(0.11)
Firm celebrity	−0.19	−0.15	−0.16	−0.22	−0.21	−0.21	0.57*	0.56^{+}
	(0.30)	(0.30)	(0.30)	(0.15)	(0.15)	(0.15)	(0.29)	(0.29)
ST firm	−0.88*	−0.84*	−0.83*	−0.38	−0.37	−0.36	0.65	0.62
	(0.40)	(0.40)	(0.40)	(0.24)	(0.24)	(0.24)	(0.40)	(0.40)

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

Table 2. Continued

DV	*Likelihood of Donation*			*Amount of Donation*			*Decoupling*	
Variables	*Model 1*	*Model 2*	*Model 3*	*Model 4*	*Model 5*	*Model 6*	*Model 7*	*Model 8*
Control ownership	−0.02***	−0.02***	−0.02***	−0.00+	−0.00+	−0.00+	0.01**	0.01**
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Internationalization	−0.00	−0.00	−0.00	−0.00**	−0.00**	−0.01**	0.00	0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
CEO network	0.07	0.06	0.06	−0.02	−0.02	−0.02	−0.06	−0.06
	(0.09)	(0.09)	(0.09)	(0.05)	(0.05)	(0.05)	(0.09)	(0.09)
CEO share	1.13	1.23	1.22	0.30	0.34	0.32	−0.84	−0.84
	(0.76)	(0.76)	(0.76)	(0.38)	(0.38)	(0.38)	(0.66)	(0.66)
Board independence	−1.94*	−1.85+	−1.92*	−0.02	0.02	0.02	1.39	1.38
	(0.97)	(0.97)	(0.97)	(0.50)	(0.50)	(0.50)	(0.92)	(0.92)
Female director	0.44	0.42	0.42	0.25	0.26	0.25	−0.41	−0.39
	(0.42)	(0.42)	(0.42)	(0.22)	(0.22)	(0.22)	(0.40)	(0.40)
Province development	1.23*	0.18	0.16	−0.21	−0.65+	−0.67*	0.84	0.92
	(0.60)	(0.64)	(0.64)	(0.31)	(0.34)	(0.34)	(0.65)	(0.65)
ALD	2.09*	2.06*	2.01*					
	(0.86)	(0.86)	(0.86)					
AAD				0.07	0.06	0.06	0.04	0.04
				(0.05)	(0.05)	(0.05)	(0.10)	(0.10)
Inverse Mill ratio				0.49***	0.49***	0.48**	−0.61*	−0.58*
				(0.15)	(0.15)	(0.15)	(0.29)	(0.29)
Constant	1.67***	1.66***	1.66***	0.19	4.83	5.22	1.06***	1.05***
	(0.08)	(0.08)	(0.08)	(3.27)	(3.55)	(3.55)	(0.09)	(0.09)
N	8857	8857	8857	6371	6371	6371	6371	6371
Chi^2	460.49	484.12	487.14	1026.54	1048.32	1061.04	444.77	451.90
Log likelihood	−3969.51	−3953.35	−3950.84				−3524.05	−3518.88
R^2				0.243	0.245	0.247		
ΔR^2					0.002***	0.002***		

Notes: Standard errors in parentheses. + $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Year, industry, and province dummies are included in all models.

pressure and *public budget deficit*. Model 6 shows the results of our interaction term. Models 7 and 8 present the results of the baseline model and our interaction term to predict decoupling, respectively.

H1a assumes that firms in a province with large public budget deficits will make large donations. *Public budget deficit* is positively and significantly associated with the *likelihood of donation* ($p < 0.001$) in Models 2 and 3 of Table 2. In Models 5 and 6 of Table 2, *public budget deficit* has a significant and positive effect on the *amount of donation*. Thus, H1a receives a strong support. In addition, we argue that firms under earnings pressure are less likely to make donations. In Table 2, Models 2 and 3 demonstrate that earnings pressure is negatively and significantly associated with the *likelihood of donation*. Hence, H1b is supported.

H2 argues that firms facing earnings pressure and government pressure exhibit a decoupling response in philanthropic giving. Consistent with our prediction, the coefficient on the interaction term between *public budget deficit* and *earnings pressure* on *likelihood of donation* is not significantly negative in Model 3 ($b = 3.69$, $p < 0.05$) of Table 2, and Model 6 reveals that the effect of the interaction term on the *amount of donation* is negative and significant ($b = -2.79$, $p < 0.01$). For a direct test of decoupling, the interaction term is positive and significant in Model 8 ($b = 5.64$, $p < 0.01$). Hence, H2 is supported.

To shed further light on the interaction effect, we plotted the results from Model 8 of Table 2 to depict the likelihood of decoupling when earnings pressure ranges from low to high. Figure 2 shows that firms in provinces with large public budget deficits are less likely to decouple than their counterparts when earnings pressure is low; however, these firms are more likely to decouple as earnings pressure gradually increases.

Table 3 presents models utilizing a split-sample analysis to test H3, H4a, and H4b. To test H3, we divided the entire sample into two subsamples based on *communist ideology*. The results are presented in Models 1 and 2 of Table 3 (one sample is *communist ideology* and the other is *non-communist ideology*). H3 posits that the interaction term between *public budget deficit* and *earnings pressure* on *decoupling* is weak for firms with CEOs who have a communist ideology. The coefficient of the interaction term on the *decoupling* is positive and significant in Model 2 ($b = 7.22$, $p < 0.001$), but is not significant in Model 1 ($b = 1.84$, $p > 0.1$). Hence, H3 receives support.

To test H4a, we divided the entire sample into two subsamples based on the median of *retirement*. The results are presented in Models 3 and 4 of Table 3 (one sample is *close to retirement* and the other is *far from retirement*). H4a posits that the interaction term between *public budget deficit* and *earnings pressure* on *decoupling* is weaker for CEOs near to retirement than their counterparts. The coefficient of the interaction term on the *decoupling* is positive and significant in Model 4 ($b = 7.74$, $p < 0.01$), but is not significant in Model 3 ($b = 3.04$, $p > 0.1$). Hence, H4a is supported.

Similarly, Models 5 and 6 present the results of two subsamples based on whether the CEO is also the chair of the board (one sample is *CEO duality* and

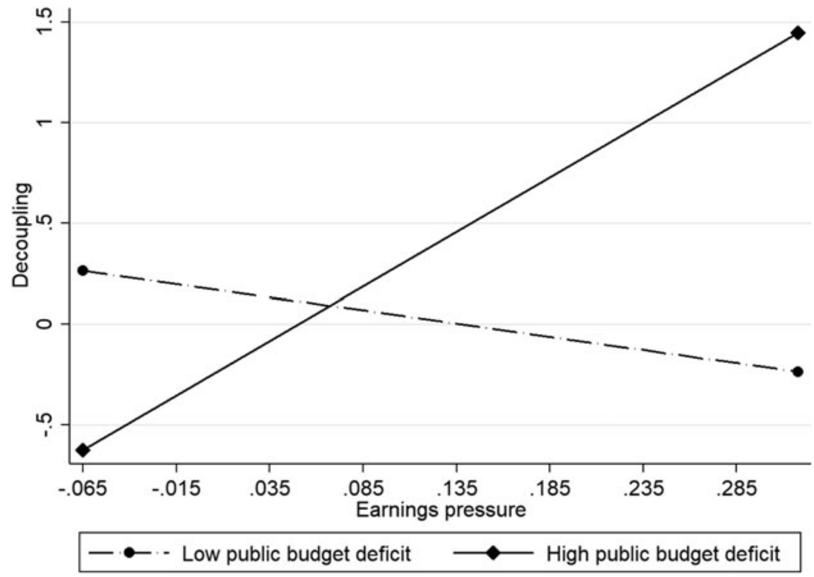

Figure 2. The interaction effect of public budget deficit and earnings pressure on the decoupling of corporate giving

the other is *non-CEO duality*). H4b posits that the interaction term between *public budget deficit* and *earnings pressure* on *decoupling* is weak for CEOs who are also the chairmen of the board. The effect of the interaction term on the *decoupling* is positive and significant in Model 6 ($b = 5.89$, $p < 0.01$), but is not significant in Model 5 ($b = 2.19$, $p > 0.1$). Thus, H4b is supported.

Robustness Checks

We also performed quantities of supplementary analyses to check the robustness of our results. All the relevant results are consistent with our main results (available from the authors). First, given that fiscally constrained provinces may be those which are economically underdeveloped and institutionally weak in China, local firms may have strong incentives to show their goodwill to governments in exchange for legitimacy and policy resources. Thus, this positive relationship may be driven by regional institutional development. As mentioned, we have controlled provincial institutional development. Further, we ruled out such an alternative explanation by excluding those underdeveloped provinces.[11]

Second, given that managers may manipulate earnings to avoid actual penalties from investors or the capital market when firm financial performance is low (Jiang & Wang, 2008), earnings-based measures may not be a reliable proxy for the extent to which Chinese firms meet investor objectives. To rule out this issue, we excluded samples with ROA below or within the 10th percentile.

Third, we excluded samples that may drive our results. First, we excluded observations in 2008 and 2010 because the Wenchuan and Yushu earthquakes

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

Table 3. The moderating effects on the relationship between the conflicting pressures and decoupling of corporate giving (*H3, H4a,* and *H4b*)

DV	*Decoupling*		*Decoupling*		*Decoupling*	
Sample	*Communist ideology*	*Non-communist ideology*	*Close to retirement*	*Far from retirement*	*CEO duality*	*Non-CEO duality*
Variables	*Model 1*	*Model 2*	*Model 3*	*Model 4*	*Model 5*	*Model 6*
Earnings pressure	2.38	1.89^{+}	1.13	3.34**	3.72	2.34*
	(1.65)	(1.08)	(1.34)	(1.26)	(2.35)	(0.98)
Public budget deficit	−0.67^{+}	−0.05	−0.29	−0.07	−0.08	−0.21
	(0.35)	(0.23)	(0.31)	(0.25)	(0.71)	(0.20)
Earnings pressure * Public budget deficit	**1.84**	**7.22*** **	**3.04**	**7.74*** *	**2.19**	**5.89*** *
	(3.40)	**(2.17)**	**(3.00)**	**(2.37)**	**(5.45)**	**(1.95)**
Political connection	−0.16*	−0.13**	−0.17**	−0.18**	−0.15^{+}	−0.16**
	(0.07)	(0.05)	(0.06)	(0.06)	(0.08)	(0.05)
Firm size	−1.06***	−0.90***	−1.04***	−0.90***	−0.90***	−0.90***
	(0.12)	(0.08)	(0.10)	(0.08)	(0.18)	(0.07)
Private ownership	−0.74*	−0.48**	−0.51*	−0.54**	0.39	−0.59***
	(0.29)	(0.16)	(0.22)	(0.17)	(0.39)	(0.15)
Government subsidy	10.44	6.80	8.85	2.47	−2.65	7.07
	(13.47)	(6.96)	(9.52)	(8.02)	(15.80)	(6.74)
Sales growth	0.05	−0.07^{+}	−0.06	−0.01	−0.19	−0.01
	(0.05)	(0.04)	(0.06)	(0.04)	(0.12)	(0.03)
Industry adjusted ROA	−6.78***	−4.56***	−3.92**	−6.70***	−3.78	−6.08***
	(1.79)	(1.20)	(1.46)	(1.40)	(2.54)	(1.10)
Slack	−0.37	0.34	0.18	−0.17	0.37	−0.04
	(0.74)	(0.54)	(0.67)	(0.60)	(1.37)	(0.46)
Firm age	0.01	0.01	0.02	0.02	0.01	0.02
	(0.03)	(0.02)	(0.02)	(0.02)	(0.03)	(0.01)
Firm misconduct	0.17	0.26*	0.32^{+}	0.14	0.03	0.30*
	(0.20)	(0.13)	(0.18)	(0.15)	(0.29)	(0.12)
Firm celebrity	0.77^{+}	0.24	0.65	0.43	1.54	0.47
	(0.40)	(0.39)	(0.42)	(0.38)	(1.15)	(0.30)

Table 3. Continued

DV	*Decoupling*		*Decoupling*		*Decoupling*	
Sample	*Communist ideology*	*Non-communist ideology*	*Close to retirement*	*Far from retirement*	*CEO duality*	*Non-CEO duality*
Variables	*Model 1*	*Model 2*	*Model 3*	*Model 4*	*Model 5*	*Model 6*
ST firm	−0.08	1.01*	0.53	0.49	2.12+	0.51
	(0.56)	(0.51)	(0.62)	(0.47)	(1.27)	(0.41)
Control ownership	0.00	0.01**	0.01+	0.01**	0.00	0.01**
	(0.01)	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)
Internationalization	0.01*	0.00	0.01	0.00	0.01	0.00
	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)
CEO network	0.19	−0.15	−0.12	−0.03	0.03	−0.09
	(0.17)	(0.11)	(0.15)	(0.12)	(0.29)	(0.10)
CEO share	−1.92	−0.75	−1.31	−0.10	−1.75	−1.16
	(1.72)	(0.73)	(1.02)	(0.87)	(1.11)	(1.49)
Board independence	0.28	2.03+	0.38	2.03	8.51**	0.16
	(1.65)	(1.13)	(1.42)	(1.25)	(2.65)	(1.02)
Female director	−1.82*	0.05	−0.11	−0.99+	0.70	−0.50
	(0.76)	(0.48)	(0.62)	(0.54)	(1.06)	(0.44)
Province development	2.53*	−0.46	−0.25	1.43	−3.16	1.19+
	(1.20)	(0.85)	(1.05)	(0.93)	(2.40)	(0.71)
AAD	−0.06	0.13	0.04	0.09	0.37	0.01
	(0.17)	(0.14)	(0.16)	(0.16)	(0.41)	(0.11)
Inverse Mill ratio	−1.08*	−0.48	−0.24	−1.00**	1.17	−0.81**
	(0.51)	(0.36)	(0.48)	(0.38)	(1.06)	(0.31)
Constant	0.84***	1.14***	1.37***	0.85***	1.45***	0.98***
	(0.20)	(0.11)	(0.14)	(0.14)	(0.26)	(0.10)
N	1899	4470	3115	3244	1109	5245
Chi^2	185.39	327.91	230.47	273.77	91.06	409.85
Log likelihood	−1037.20	−2459.14	−1683.38	−1830.02	−585.73	−2882.39

Notes: Standard errors in parentheses. + $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Year, industry, and province dummies are included in all models.

occurred during those years. Second, given that some CEOs may apply for re-employ after retirement, we dropped the sample wherein CEO age is over the stipulated retirement age.[12] Third, we excluded the sample that a CEO turnover occurs because the new CEO may exhibit different sensitivities to the competing demands.

Fourth, considering similar characteristics among firms within the same province, the firms may not be independent or identically distributed. We ran our analyses using robust standard errors clustered by province (Primo, Jacobsmeier, & Milyo, 2007). Furthermore, given our panel data, we conducted our regression with robust standard errors clustered by firm (Petersen, 2009).

Fifth, we conducted several tests by changing the proxy for our key variables. First, we recalculated decoupling that equals 1 if (i) a firm makes charitable donations and (ii) the *amount of donation* is below the mean of all firms in a given year and industry; it equals 0 otherwise. Second, we remeasured the extent of philanthropy implementation by the logarithm of *amount of donation* divided by total revenues. Third, we remeasured *communist ideology* as whether the CEO is a leader of the CP because the leader always has a stronger communist ideology than a common member.

Last, our results may be driven by a potential reverse causality concern that firms with large donations may increase earnings pressure. To mitigate this issue, we used the propensity score matching (PSM) method to generate a sample of treatment group (i.e., firms with earnings pressure) and control group (i.e., firms without earnings pressure). We performed a one-to-one matching based on the propensity score, resulting in 1,801 pairs of treatment and control group.

DISCUSSION

In this study, we proposed a stakeholder framework to examine the influence of conflicting stakeholder pressures on corporate giving. Our emerging market context provides evidence to support our framework. We found that firms in provinces with large public budget deficits are likely to engage in philanthropic giving, which creates tension among firms under earnings pressure. Firms that experience such conflict exhibit a decoupling response in philanthropic giving. Furthermore, we identified that this relationship is contingent upon CEOs' perceptions of the salience of stakeholders, which is weaker for firms with CEOs who have a communist ideology and for firms with CEOs who have fewer career concerns.

However, our findings do not indicate that government demands invariably conflict with investor expectations. Our findings suggest that government and investor stakeholders are in conflict only when firms face earnings pressure because firms under earnings pressure likely lack the ability to make donations. Such firms should focus on managing immediate economic challenges rather than investing in philanthropic giving. However, when earnings pressure is assessed as low or has eased, firms have the ability and the motivation to engage in philanthropic giving in response to government demands.

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

Theoretical Contributions

Our findings may offer contributions to research on stakeholder theory, decoupling, and corporate philanthropy. First, our study contributes to the stakeholder salience literature in terms of how stakeholder salience changes. This study first reveals that stakeholder attributes determine how a stakeholder moves from being latent to becoming more salient (Mitchell et al., 1997). Our findings suggest that a government becomes a more salient stakeholder for firms to accommodate when it encounters public budget deficits (H1a). Public budget deficit influences the governments' transformation from a latent stakeholder to a definitive stakeholder (Mitchell et al., 1997). Similarly, earnings pressure makes investors more salient (H1b). Instead of treating firm – stakeholder relationships as static (e.g., Freeman, 1984), our study further reveals that the salience of a certain stakeholder is contingent upon managerial perceptions (H3, H4a, and H4b).

By examining how managerial perceptions of stakeholder salience influence their firms' responses to competing stakeholder demands, our study further advances stakeholder management literature (e.g., Li et al., 2018; Wang et al., 2018). This literature strives to understand corporate responses to competing stakeholder demands and recognizes that firms are most responsive to stakeholders with high salience. However, this literature does not explain managerial perceptions or interpretations of the competing stakeholder claims. Our work advances the understanding of the micro-foundation of corporate responses based on stakeholder salience literature (Durand et al., 2019; Mitchell et al., 1997). Our findings show that firms exhibit a decoupling response when the competing demands are all assessed as salient (H2). Moreover, our findings suggest that different managers perceive a certain stakeholder demand as more or less salient, and such perceived salience influences the decoupling response (H3, H4a, and H4b).

Second, our study advances decoupling literature by identifying the boundary conditions of decoupling responses to conflicting pressures. Recently, certain scholars have begun to pay attention to the relationship between conflicting stakeholder pressures and corporate decoupling response (Luo et al., 2017; Wang et al., 2018). This literature has largely focused on organizational external environments (e.g., stakeholder pressures) (Greenwood et al., 2011) and failed to consider the organizational interpretation of stakeholder pressures from an internal perspective (Durand et al., 2019). As a result, the literature has ignored when and why firms are less likely to adopt the decoupling response to accommodate the conflicting pressures. To fill this gap, we identify the contingent factors that affect the managerial interpretations of stakeholder pressures and weaken this relationship (H3, H4a, and H4b). In so doing, this study develops a more nuanced understanding of a firm's decision on when and how to respond to conflicting stakeholder demands.

Third, this study contributes to the literature on the antecedents of corporate philanthropy. Most research has examined the influence of single stakeholders such

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

as governments (Lin et al., 2015; Zhang et al., 2016), media (Jeong & Kim, 2018), and communities (Marquis & Tilcsik, 2016). Although certain studies have referred to multiple stakeholders, they still 'consider stakeholders as a whole' (Tang & Tang, 2018: 645) and fail to recognize the potential conflicts among different stakeholder groups. Our study suggests that investor expectations on current earnings create tension with government demands for corporate giving (H1a and H1b).

Practical Implications

This study offers practical implications. First, our findings remind managers that stakeholder demands on corporate giving are not consistent. Although corporate giving improves relations with governments (H1a), managers should consider whether firms possess the 'ability' to be philanthropic (H1b), which can be determined by investor expectations.

Second, our study has implications for shareholders and corporate governance mechanisms by finding that some CEOs may not use the decoupling response to cope with the conflicting pressures. Corporate paralysis (Pache & Santos, 2010) or 'the failure of that corporate system' occurs (Clarkson, 1995: 110) if firms fail to resolve the conflicts among stakeholders. As for shareholders who normally value political connections (Li et al., 2008; Li & Zhang, 2007), they should give attention to CEOs with a communist ideology, who may attach more importance to government demands than investor claims when dealing with the conflicts between governments and investors (H3). In addition, corporate governance mechanisms (e.g., board of directors) should pay attention to the CEOs with fewer career concerns because they are less sensitive to the conflicts and may respond in a way that goes against firm expectations (H4a and H4b).

Generalizability, Limitations, and Future Research

This study has some limitations. First, our findings (H1a, H1b, and H2) may be informative for countries with powerful governments and weak institutions (e.g., India, Vietnam, Malaysia, and Thailand) because firms in these countries may see government deficit as an opportunity to seek firm – government relationships (Hornstein & Zhao, 2018). The findings of H3 can be valuable to countries in Asia (e.g., China, Vietnam, and North Korea) and Eastern Europe (e.g., Lithuania, Ukraine, and Russia) that is or was ruled by the CP (Wang et al., 2019).

However, the nature of our context (i.e., China) may limit the generalizability of the results to developed markets. We must exercise caution in generalizing our findings across national contexts. The wide range of regions in our sample partly overcomes this limitation. China's provinces vary significantly in market development (e.g., the development of Beijing and Shanghai are more market-oriented than Gansu and Ningxia), thus providing 'a pseudo–cross-country test' of how public budget deficits affect corporate giving (Chen, Li, Luo, & Zhang, 2017:

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

73). To extend our understanding, future research should examine our conclusions in developed markets.

Second, although we demonstrated the importance of governments and investors as stakeholders in China, we may have neglected the impact of other stakeholders. Future research should give attention to the influence of creditors, employees, consumers, local communities, and auditors on Chinese firms' social practices.

Third, we did not examine the internal heterogeneity of regional governments or investors. Future research should consider that different regional governments (investors) may hold various or competing demands on organizational practices. Thus, a comprehensive stakeholder model should be developed to examine complex demands and claims among and within stakeholder groups. For instance, market development and legal environments across regions may moderate the relationship between public budget deficit and corporate philanthropy. In addition, dedicated and transient investors may exhibit different sensitivities to earnings pressure (Zhang & Gimeno, 2016), thus affecting the relationship between earnings pressure and corporate philanthropy.

Fourth, additional research is needed to investigate the relationship between conflicting stakeholder demands and other corporate social practices (e.g., CSR reports). Last, given that our study focuses on managerial perceptions of stakeholder claims, future research should consider firm-level contingent factors that affect how they experience conflicting stakeholder pressures and moderate the relationship between the conflicting pressures and the decoupling responses.

CONCLUSION

This study develops a stakeholder framework that examines the effect of conflicting demands from governments and investors on corporate giving. The results reveal that firms donate to respond to public budget deficits. This creates conflict with firms under earnings pressure. Firms exhibit a decoupling response in philanthropic giving when such conflicting demands are all perceived as salient. Moreover, we identify the boundary conditions of the relationship between the conflicting pressures and the decoupling response, which is largely ignored in previous decoupling literature. The results further indicate that the relationship is weak for CEOs who perceive government demands as more salient or assess investor claims as less salient. Our study thus contributes to a more nuanced understanding of firms' responses to conflicting stakeholder pressures.

NOTES

We thank Professor Arie Y. Lewin, Professor Till Talaulicar, and two anonymous reviewers for their insightful comments and suggestions. We appreciate the support of National Natural Science Foundation of China (Grant No. 71672139) and (Grant No. 71932007), and Humanities and

Social Science Talent Plan of Shaanxi Province. Liang Zhang appreciates his supervisor during undergraduate period, Professor Jianzu Wu, Lanzhou University.

[1] Consistent with prior literature, we interchangeably use the following terms: corporate philanthropic giving, corporate giving, corporate charitable donation, corporate donation.

[2] We sincerely thank one of the reviewers for helping us articulate this contribution.

[3] This does not mean that other stakeholders such as customers are not important. In the context of corporate giving, the interests of government and investor stakeholders are often in conflict, but the customers are less likely to create tension with governments or investors. In addition, such conflicting pressures are particularly salient and easily observed in China.

[4] The case is available at http://www.sc.gov.cn/10462/10464/10465/10595/2013/9/9/10275839.shtml

[5] Although the local government deleted this official document from its official website, it is available at http://jiangsu.china.com.cn/html/2016/kuaixun_0202/3852775.html

[6] The Chinese government can influence firms via establishing political connections with their managers or injecting its communist ideology into their managers. Managers with political connections are always defined as those who have former or current political experiences, including government officials, members of the Chinese People's Congress (CPC) or the Chinese People's Political Consultative Conference (CPPCC) (Chizema et al., 2015; Sun et al., 2016). However, prior studies demonstrate that political connections may bind firms to or buffer firms from the government's influences (see Zhang et al., 2016). For instance, prior experiences as government officials can provide managers with unique knowledge about government operation and a channel of building networks with existing government leaders to buffer firms from the government (Hillman, 2005). Half members of CPC and CPPCC are not the CP. They do not experience the rigorous socialization process of learning the CP's beliefs and may not be sensitive to government demands. Given the CP's indoctrination to its member and its dominant position in China, some studies begin to capture the government's influences through managers' communist ideology (i.e., CP membership) (e.g., Marquis & Qiao, 2019; Wang et al., 2019). Hence, it is more suitable for us to employ managers' communist ideology to capture their perceptions of government demands than their political connections.

[7] A case of stipulation on corporate donations: http://data.p5w.net/t1204061427.html

[8] Initially, we got 20,308 firm-year observations. We examined our missing data and found that public budget deficit has 3,365 missing values, and earnings pressure has 8,912 missing values. This result is because calculating earnings pressure requires the firm to be listed for more than 3 years.

[9] The rule is available at http://www.npc.gov.cn/wxzl/wxzl/2000-12/07/content_9552.htm

[10] The rules are available at http://www.zjhz.hrss.gov.cn/html/zcfg/zcfgk/ylbx/34205.html and at http://101.mca.gov.cn/article/zcfg/flfg/200812/20081200023105.shtml

[11] According to GDP rank in China around latest ten years, we dropped underdeveloped provinces, including Shanxi, Gansu, Qinghai, Yunnan, Hainan, Guizhou, Xinjiang, Guangxi, Xizang, and Ningxia.

[12] Our data shows that 2.8% of male CEOs exceed the age of 60 and 0.7% of female CEOs exceed the age of 55, indicating that most CEOs retire at the stipulated age.

APPENDIX I

References for the Development of the Key Theoretical Concepts in Our Stakeholder Model

Author(s) and Year	*Key Concepts*	*Overview related to the key concepts (reasons of citations)*
Freeman, 1984	Stakeholder model	The book introduces the stakeholder model and initially summarizes the importance of managing relationships with various stakeholders (not just shareholders). As a result, stakeholder view of the firm initially forms.

Continued

Author(s) and Year	*Key Concepts*	*Overview related to the key concepts (reasons of citations)*
Clarkson, 1995	Primary stakeholders	The paper begins to discuss who are a corporation's stakeholders and divide stakeholder groups into primary and secondary stakeholder groups. The primary ones are comprised of shareholders and investors, governments, communities, employees, customers, and suppliers. Corporations should distinguish between social issues and stakeholder issues.
Mitchell et al., 1997	Stakeholder salience	The study establishes a theory of stakeholder identification and salience. This theory summarizes stakeholders' three attributes (power, legitimacy, and urgency) that determine the salience of stakeholders to an organization and are the principles for the organization to identify and categorize stakeholders. It predicts that organizations will respond to the demands of stakeholders with high salience.
Durand et al., 2019	Stakeholder salience	The study develops a theory of how and when organizations respond to normative pressures. This theory suggests that decision makers' perceptions or interpretations of the salience of stakeholder issue in conjunction with their perceptions of the costs and benefits of mobilizing resources to address the issue determine organizational heterogenous responses. The study encourages future research to investigate certain internal factors (e.g., attention biases and individuals' intrinsic motivations) that influence how decision makers interpret the same stakeholder issue differently, which leads to the different responses.
Cuypers et al., 2015; Wang & Qian, 2011	Conflicting pressures	These empirical papers suggest that stakeholder perceptions or assessments of corporate philanthropy affect its impact on firm performance. However, they implicitly treat all stakeholders as one uniform group. Thus, Cuypers et al. (2015: 13) suggest that future research should examine 'the variation across different stakeholder groups in their perceptions of corporate philanthropy'.
Wang et al., 2016	Conflicting pressures	The study summarizes that most studies of CSR including research on corporate philanthropy fail to recognize the potential conflicts among various stakeholder groups, and explicitly encourage scholars to examine the interaction among different stakeholders and how firms resolve the conflict among them.
Meyer & Rowan, 1977	Decoupling	Organizations can decouple their internal activities from formal structures to maintain their faith and legitimacy.
Oliver, 1991	Decoupling	The study is the first one to propose a typology of strategic responses to institutional pressures: acquiescence, compromise, avoidance, defiance, and manipulation. Avoidance tactics include concealing nonconformity through symbolic compliance and buffering institutional pressures by decoupling technical activities from external contact.
Westphal & Zajac, 1994, 2001	Decoupling	These findings reveal that decoupling tactics allow organizations to maintain legitimacy without essentially changing their business practices.

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

Continued

Author(s) and Year	*Key Concepts*	*Overview related to the key concepts (reasons of citations)*
Pache & Santos, 2010	Conflicting pressures and decoupling	Building upon the work of Oliver (1991), this paper proposes a more specific model that considers the nature of conflicting institutional demands (means versus goals) and the degree of internal representation (absence, single, or multiple) to shape when and how organizations respond to the conflicting pressures.
Greenwood et al., 2011	Conflicting pressures and decoupling	The field-level structural characteristics and organizational attributes shape the way organizations experience institutional complexity and influence the tactics organizations take to manage such complexity. The paper suggests that organizations can take compartmentalization (a form of decoupling) to adapt to multiple institutional logics and demands.
Bromley & Powell, 2012	Decoupling	The study describes two types of decoupling: policy–practice decoupling and means–end decoupling. In policy–practice decoupling (symbolic adoption), organizations symbolically adopt policies without actual implementation. Means–end decoupling (symbolic implementation) elucidates that an organization thoroughly implement policies that have a weak link to the core goals of the organization.
Carroll, 1989; Kassinis & Vafeas, 2006; Greenwood et al., 2010	Government pressures	These studies show that regional governments' fiscal budgets may generate pressure on local firms, which inspires us to capture the government's influences on corporate donation by a region's public budget deficit.
Carroll, 1991, 2016	Investor claims	Carroll establishes a model of a CSR pyramid and argues that the first responsibility of a firm is to be a properly functioning economic unit (i.e., to generate economic profits). This responsibility is the base of the pyramid where other corporate responsibilities (i.e., legal, moral, and philanthropic) rest on.
Wang & Qian, 2011	Corporate giving	Findings reveal that corporate giving help Chinese firms gain political access because it meets government needs for providing social services.
Jia & Zhang, 2013 Zhang et al., 2016	Corporate giving	The study demonstrates that the Chinese government plays a dominant role in shaping corporate giving.
Gautier & Pache, 2015	Corporate giving	The review article summarizes the essence of corporate giving, its antecedents, the way it is organized, and its outcomes. This helps us to understand the essence of corporate giving in different contexts and to control for the influence of CEO and board characteristics on corporate giving.
Lin et al., 2015	Corporate giving	Corporate donation helps local governments alleviate fiscal burden and establish good firm–government relationships.
Jeong & Kim, 2018	Corporate giving	Firms should strategically manage tensions between economic efficiency and social legitimacy when they engage in corporate giving.

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

Continued

Author(s) and Year	*Key Concepts*	*Overview related to the key concepts (reasons of citations)*
Bian et al., 2001 Chizema et al., 2015; Dickson, 2007; Li et al., 2008; Marquis & Qiao, 2019; Wang et al., 2019	Communist ideology	These empirical studies reveal that ideology can function as an important filter to shape how individuals process information and thus influence their decisions and behaviors. Individuals with a communist ideology likely make decisions consistent with the CP's interests and values.
Marquis & Qiao, 2019; Wang et al., 2019	Communist ideology	These studies suggest that people who joined the CP tend to establish a communist ideology because they must undergo a rigorous socialization process of learning the CP's beliefs, tenets, and values.
Krause et al., 2014	CEO career concerns	This review indicates that CEO duality increases a CEO's power that prevents the CEO from replacement following poor performance.
Yuan et al., 2017	CEO career concerns	The study suggests that CEOs have fewer career concerns when they are close to retirement and are also the chairmen of the board.
Ortiz-de-Mandojana et al., 2019	CEO career concerns	CEOs who are close to retirement have fewer motivations to pursue economic returns.

APPENDIX II

Empirical references for the Key Theoretical Concepts in Our Stakeholder Model

Author(s) and Year	*Key Concepts*	*Whether the paper reports R^2 for control variables and independent variable (IV)?*	*Whether the paper reportsΔR^2 for IV?*	*Findings related to the key concepts (reasons of citations)*
Agle et al., 1999	Stakeholder salience	Yes	Yes	The study provides an empirical evidence for the theory established by Mitchell et al. (1997). Findings show that stakeholder salience is positively related to the cumulative number of the three attributes (power, legitimacy, and urgency) and CEO values affect the perceptions of stakeholder salience and can act as a moderator to influence stakeholder salience. Variations in R^2 indicate that urgency better predicts shareholder salience than power or urgency.

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

Continued

Author(s) and Year	*Key Concepts*	*Whether the paper reports R^2 for control variables and independent variable (IV)?*	*Whether the paper reports ΔR^2 for IV?*	*Findings related to the key concepts (reasons of citations)*
Westphal & Zajac, 1994, 2001	Decoupling	No	No	In contexts where regulatory pressures for long-term incentive plans or stock repurchase are in conflict with managerial interests, powerful CEOs can influence their firms to symbolically adopt these policies without actual implementation.
Heese et al., 2016	Conflicting pressures and decoupling	No	No	In the pursuit of service and profit goals, beneficent hospitals tend to take a decoupling tactic that they provide social services to uninsured patients but misprice insured patients to get higher profits.
Luo et al., 2017	Conflicting pressures and decoupling	Yes	No	Faced with conflicting government demands (from central and local governments) on CSR reporting, firms exhibit a decoupling response that is a combination of early issuance and low-quality reports.
Marquis & Qian, 2013	Government pressures and decoupling	Yes	No	Firms engage in more substantive CSR reporting after adopting this policy when they experience heightened government pressures or monitoring (i.e., higher decoupling risk).
Wang et al., 2018	Government pressures and decoupling	No	No	Corporate environment actions follow an inverted U-shape as administrative hierarchical distance increases, indicating that government influence on corporate environment actions is subject to 'policy-policy decoupling'.
Kassinis & Vafeas, 2006	Government pressures	No	No	The paper uses the environmental budgets of a state to capture the state government's pressures on firm environmental performance.
Greenwood et al., 2010	Government pressures	No	No	Regional government budget spent in industrial development reflects the region's pressure on decreasing downsize.
Skinner & Sloan, 2002	Investor claims	No	No	Missing earnings forecasts can lead to negative investor reactions (i.e., stock price reduction).
Zhang & Gimeno, 2010, 2016	Investor claims	Yes	No	Findings suggest that firms under earnings pressure tend to give increased attention and resources to yield current earnings and perform more effectively in a short term.
Bartkus et al., 2002	Corporate giving	No	No	Blockholders and institutional owners tend to limit corporate giving.

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

Continued

Author(s) and Year	*Key Concepts*	*Whether the paper reports R^2 for control variables and independent variable (IV)?*	*Whether the paper reports ΔR^2 for IV?*	*Findings related to the key concepts (reasons of citations)*
Wang & Qian, 2011	Corporate giving	Yes	Yes	The study views corporate giving as an instrument to help firms gain sociopolitical legitimacy, which elicits positive stakeholder responses and gain political access, thus improving firm financial performance.
Byun & Kim, 2013	Corporate giving	No	No	A firm tends to adopt sustainability management that is frequently adopted by its industry members due to conformity pressure.
Jia & Zhang, 2013	Corporate giving	No	No	This study examines why firms respond to government demands for corporate giving differently. Findings show that political connected CEOs influence their firms to engage in more charitable donations.
Cuypers et al., 2015	Corporate giving	Yes	No	Stakeholder perceptions of corporate giving determine the effect of corporate giving on firm value, encouraging more work to discuss different stakeholders' attitudes toward corporate giving.
Lin et al., 2015	Corporate giving	Yes	No	Because corporate donation helps firms establish political networks, a firm's donations will increase after government official turnovers.
Marquis & Tilcsik, 2016	Corporate giving	No	No	Industry and community provide a reference category for a firm's decision on corporate giving.
Zhang et al., 2016	Corporate giving	No	No	The study clarifies the puzzle that whether political connections buffer firms from or bind firms to governmental influences by identifying and defining two types of political connections. Firms with ascribed bureaucratic connections (achieved political connections) may negatively (positively) respond to governmental donation pressures.
Jeong & Kim, 2018	Corporate giving	No	No	The study views corporate giving as a cost to seek legitimacy from external audiences and examines how firms strategically manage such cost. Findings show that positive (negative) media coverage on a firm positively (negatively) influence the firm's decision on the level of corporate giving, and such effects are greater (smaller) for high-performing firms.

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

Continued

Author(s) and Year	*Key Concepts*	*Whether the paper reports R^2 for control variables and independent variable (IV)?*	*Whether the paper reports ΔR^2 for IV?*	*Findings related to the key concepts (reasons of citations)*
Chizema et al., 2015	Communist ideology	Yes	No	A negative association between political connected boards and CEO pay because these boards determine CEO pay in a way that reflects China's political ideology emphasizing income equality.
Marquis & Qiao, 2019	Communist ideology	No	No	Entrepreneurs with communist ideologic imprint (measured as whether the entrepreneurs are the CP member before establishing their ventures) negatively influence the internationalization of their firms.
Wang et al., 2019	Communist ideology	Yes	No	Politicians imprinted with a communist ideology (measured as whether the politicians joined the CP before 1978) are less likely to appoint political councils to private firms.
Ortiz-de-Mandojana et al., 2019	CEO career concerns	Yes	Yes	Because of fewer career concerns, CEOs who are close to retirement are less likely to pursue economic profits but more likely to make investments for social goals.
Pi & Lowe, 2011	CEO career concerns	No	No	CEO duality protects CEOs from involuntary replacement in Chinese firms.
Yuan et al., 2017	CEO career concerns	Yes	No	The positive relationship between CEO ability and CSR performance is moderated by the career concerns of CEOs, who are close to retirement and are also the chairmen of the board.

REFERENCES

Agle, B. R., Mitchell, R. K., & Sonnenfeld, J. A. 1999. Who matters to CEOs? An investigation of stakeholder attributes and salience, corporate performance, and CEO values. ***Academy of Management Journal***, 42(5): 507–525.

Bartkus, B. R., Morris, S. A., & Seifert, B. 2002. Governance and corporate philanthropy restraining Robin Hood? ***Business & Society***, 41(3): 319–344.

Bian, Y., Shu, X., & Logan, J. R. 2001. Communist Party membership and regime dynamics in China. ***Social Forces***, 79(3): 805–841.

Bromley, P., & Powell, W. W. 2012. From smoke and mirrors to walking the talk: Decoupling in the contemporary world. ***Academy of Management Annals***, 6(1): 483–530.

Bundy, J., Shropshire, C., & Buchholtz, A. K. 2013. Strategic cognition and issue salience: Toward an explanation of firm responsiveness to stakeholder concerns. ***Academy of Management Review***, 38(3): 352–376.

Byun, H., & Kim, T. H. 2013. Identity claims and diffusion of sustainability report: Evidence from Korean listed companies, 2003–2010. ***Journal of Business Ethics***, 140(3): 551–565.

Cannella, A. A., Jr, & Lubatkin, M. 1993. Succession as a sociopolitical process: Internal impediments to outsider selection. ***Academy of Management Journal***, 36(4): 763–793.

Carroll, A. B. 1989. ***Business and society: Ethics and stakeholder management***. Cincinnati, OH: South-Western.

Carroll, A. B. 1991. The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. ***Business Horizons***, 34(4): 39–48.
Carroll, A. B. 2016. Carroll's pyramid of CSR: Taking another look. ***International Journal of Corporate Social Responsibility***, 1(1): 3.
Chen, C. R., Li, Y., Luo, D., & Zhang, T. 2017. Helping hands or grabbing hands? An analysis of political connections and firm value. ***Journal of Banking & Finance***, 80: 71–89.
Chin, M., Hambrick, D. C., & Treviño, L. K. 2013. Political ideologies of CEOs: The influence of executives' values on corporate social responsibility. ***Administrative Science Quarterly***, 58 (2): 197–232.
Chizema, A., Liu, X., Lu, J., & Gao, L. 2015. Politically connected boards and top executive pay in Chinese listed firms. ***Strategic Management Journal***, 36(6): 890–906.
Christensen, D. M., Dhaliwal, D. S., Boivie, S., & Graffin, S. D. 2015. Top management conservatism and corporate risk strategies: Evidence from managers' personal political orientation and corporate tax avoidance. ***Strategic Management Journal***, 36(12): 1918–1938.
Clarkson, M. E. 1995. A stakeholder framework for analyzing and evaluating corporate social performance. ***Academy of Management Review***, 20(1): 92–117.
Cuypers, I. R., Koh, P. S., & Wang, H. 2015. Sincerity in corporate philanthropy, stakeholder perceptions and firm value. ***Organization Science***, 27(1): 173–188.
Dickson, B. J. 2003. ***Red capitalists in China: The party, private entrepreneurs, and prospects for political change***. New York, NY: Cambridge University Press.
Dickson, B. J. 2007. Integrating wealth and power in China: The Communist Party's embrace of the private sector. ***The China Quarterly***, 192: 827–854.
Du, X., & Luo, J. H. 2016. Political connections, home formal institutions, and internationalization: Evidence from China. ***Management and Organization Review***, 12(1): 103–133.
Durand, R., Hawn, O., & Ioannou, I. 2019. Willing and able: A general model of organizational responses to normative pressures. ***Academy of Management Review***, 44(2): 299–320.
Fama, E. F., & Jensen, M. C. 1983. Separation of ownership and control. ***Journal of Law & Economics***, 26(2): 301–325.
Finkelstein, S. 1992. Power in top management teams: Dimensions, measurement, and validation. ***Academy of Management Journal***, 35(3): 505–538.
Fligstein, N, & Zhang, J. 2011. A new agenda for research on the trajectory of Chinese capitalism. ***Management and Organization Review***, 7(1): 39–62.
Freeman, R. E. 1984. Strategic management: A stakeholder approach. ***Advances in Strategic Management***, 1(1): 31–60.
Friedman, E., Johnson, S., Kaufmann, D., & Zoido-Lobaton, P. 2000. Dodging the grabbing hand: The determinants of unofficial activity in 69 countries. ***Journal of Public Economics***, 76(3): 459–493.
Gautier, A., & Pache, A. C. 2015. Research on corporate philanthropy: A review and assessment. ***Journal of Business Ethics***, 126(3): 343–369.
Godfrey, P. C. 2005. The relationship between corporate philanthropy and shareholder wealth: A risk management perspective. ***Academy of Management Review***, 30(4): 777–798.
Greene, W. H. 1993. The econometric approach to efficiency analysis in H. O. Fried & S.S. Schmidt (Eds.), ***The measurement of productive efficiency: Techniques and applications***: 68–119. Oxford, UK.
Greenwood, R., Díaz, A. M., Li, S. X., & Lorente, J. C. 2010. The multiplicity of institutional logics and the heterogeneity of organizational responses. ***Organization Science***, 21(2): 521–539.
Greenwood, R., Raynard, M., Kodeih, F., Micelotta, E. R., & Lounsbury, M. 2011. Institutional complexity and organizational responses. ***Academy of Management Annals***, 5(1): 317–371.
Heese, J., Krishnan, R., & Moers, F. 2016. Selective regulator decoupling and organizations' strategic responses. ***Academy of Management Journal***, 59(6): 2178–2204.
Higgins, M. C. 2005. ***Career imprints: Creating leaders across an industry***. San Francisco, CA: John Wiley & Sons.
Hillman, A. J. 2005. Politicians on the board of directors: Do connections affect the bottom line? ***Journal of Management***, 31(3): 464–481.
Hornstein, A., & Zhao, M. 2018. Reaching through the fog: Institutional environment and cross-border giving of corporate foundations. ***Strategic Management Journal***, 39(10): 2666–2690.

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

Hubbard, T. D., Christensen, D. M., & Graffin, S. D. 2017. Higher highs and lower lows: The role of corporate social responsibility in CEO dismissal. ***Strategic Management Journal***, 38(1): 2255–2265.

Jensen, M. C., & Murphy, K. J. 1990. Performance pay and top-management incentives. ***Journal of Political Economy***, 98(2): 225–264.

Jeong, Y. C., & Kim, T. Y. 2018. Between legitimacy and efficiency: An institutional theory of corporate giving. ***Academy of Management Journal***, forthcoming.

Jia, M., & Zhang, Z. 2013. The CEO's representation of demands and the corporation's response to external pressures: Do politically affiliated firms donate more? ***Management and Organization Review***, 9(1): 87–114.

Jiang, G., & Wang, H. 2008. Should earnings thresholds be used as delisting criteria in stock market? ***Journal of Accounting and Public Policy***, 27(5): 409–419.

Kassinis, G., & Vafeas, N. 2006. Stakeholder pressures and environmental performance. ***Academy of Management Journal***, 49(1): 145–159.

Krause, R., Semadeni, M., & Cannella, A. A., Jr (2014). CEO duality: A review and research agenda. ***Journal of Management***, 40(1): 256–286.

Lausten, M. 2002. CEO turnover, firm performance and corporate governance: Empirical evidence on Danish firms. ***International Journal of Industrial Organization***, 20(3): 391–414.

Lee, E., Walker, M., & Zeng, C. C. 2017. Do Chinese state subsidies affect voluntary corporate social responsibility disclosure? ***Journal of Accounting and Public Policy***, 36(3): 179–200.

Li, H., & Zhang, Y. 2007. The role of managers' political networking and functional experience in new venture performance: Evidence from China's transition economy. ***Strategic Management Journal***, 28(8): 791–804.

Li, H., Meng, L., Wang, Q., & Zhou, L. A. 2008. Political connections, financing and firm performance: Evidence from Chinese private firms. ***Journal of Development Economics***, 87(2): 283–299.

Li, J., Xia, J., & Zajac, E. J. 2018. On the duality of political and economic stakeholder influence on firm innovation performance: Theory and evidence from Chinese firms. ***Strategic Management Journal***, 39(1): 193–216.

Lin, K. J., Tan, J., Zhao, L., & Karim, K. 2015. In the name of charity: Political connections and strategic corporate social responsibility in a transition economy. ***Journal of Corporate Finance***, 32: 327–346.

Luo, X. R., Wang, D., & Zhang, J. 2017. Whose call to answer: Institutional complexity and firms' CSR reporting. ***Academy of Management Journal***, 60(1): 321–344.

Marquis, C., & Qian, C. 2013. Corporate social responsibility reporting in China: Symbol or substance? ***Organization Science***, 25(1): 127–148.

Marquis, C., & Qiao, K. 2019. Waking from Mao's dream: Communist ideological imprinting and the internationalization of entrepreneurial ventures in China. ***Administrative Science Quarterly***, forthcoming.

Marquis, C., & Tilcsik, A. 2016. Institutional equivalence: How industry and community peers influence corporate philanthropy. ***Organization Science***, 27(5): 1325–1341.

Meyer, J. W., & Rowan, B. 1977. Institutionalized organizations: Formal structure as myth and ceremony. ***American Journal of Sociology***, 83(2): 340–363.

Mitchell, R. K., Agle, B. R., & Wood, D. J. 1997. Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts. ***Academy of Management Review***, 22(4): 853–886.

Oliver, C. 1991. Strategic responses to institutional processes. ***Academy of Management Review***, 16(1): 145–179.

Ortiz-de-Mandojana, N., Bansal, P., & Aragón-Correa, J. A. 2019. Older and wiser: How CEOs' time perspective influences long-term investments in environmentally responsible technologies. ***British Journal of Management***, 30(1): 134–150

Pache, A. C., & Santos, F. 2010. When worlds collide: The internal dynamics of organizational responses to conflicting institutional demands. ***Academy of Management Review***, 35(3): 455–476.

Parrino, R. 1997. CEO turnover and outside succession a cross-sectional analysis. ***Journal of Financial Economics***, 46(2): 165–197.

Petersen, M. A. 2009. Estimating standard errors in finance panel data sets: Comparing approaches. ***The Review of Financial Studies***, 22(1): 435–480.

https://doi.org/10.1017/mor.2019.59 Published online by Cambridge University Press

Pfarrer, M. D., Pollock, T. G., & Rindova, V. P. 2010. A tale of two assets: The effects of firm reputation and celebrity on earnings surprises and investors' reactions. ***Academy of Management Journal***, 53(5): 1131–1152.
Pfeffer, J., & Salancik, G. R. 1978. ***The external control of organizations: A resource dependence perspective***. New York, NY: Harper & Row.
Pi, L., & Lowe, J. 2011. Can a powerful CEO avoid involuntary replacement? – An empirical study from China. ***Asia Pacific Journal of Management***, 28(4): 775–805.
Primo, D. M., Jacobsmeier, M. L., & Milyo, J. 2007. Estimating the impact of state policies and institutions with mixed-level data. ***State Politics & Policy Quarterly***, 7(4): 446–459.
Qian, C., Wang, H., Geng, X., & Yu, Y. 2017. Rent appropriation of knowledge-based assets and firm performance when institutions are weak: A study of Chinese publicly listed firms. ***Strategic Management Journal***, 38(4): 892–911.
Sánchez, C. M. 2000. Motives for corporate philanthropy in El Salvador: Altruism and political legitimacy. ***Journal of Business Ethics***, 27(4): 363–375.
Shaffer, B. 1995. Firm-level responses to government regulation: Theoretical and research approaches. ***Journal of Management***, 21(3): 495–514.
Shi, W. S., Markóczy, L., & Stan, C. V. 2014. The continuing importance of political ties in China. ***The Academy of Management Perspectives***, 28(1): 57–75.
Shipilov, A. V., Greve, H. R., & Rowley, T. J. 2010. When do interlocks matter? Institutional logics and the diffusion of multiple corporate governance practices. ***Academy of Management Journal***, 53(4): 846–864.
Skinner, D. J., & Sloan, R. G. 2002. Earnings surprises, growth expectations, and stock returns or don't let an earnings torpedo sink your portfolio. ***Review of Accounting Studies***, 7(2): 289–312.
Suchman, M. C. 1995. Managing legitimacy: Strategic and institutional approaches. ***Academy of Management Review***, 20(3): 571–610.
Sun, P., Hu, H. W., & Hillman, A. J. 2016. The dark side of board political capital: Enabling blockholder rent appropriation. ***Academy of Management Journal***, 59(5): 1801–1822.
Tang, Z., & Tang, J. 2018. Stakeholder corporate social responsibility orientation congruence, entrepreneurial orientation and environmental performance of Chinese small and medium-sized enterprises. ***British Journal of Management***, 29(4): 634–651.
Wang, D., Du, F., & Marquis, C. 2019. Defending Mao's dream: How politicians' ideological imprinting affects firms' political appointment in China. ***Academy of Management Journal***, 62(4): 1111–1136.
Wang, H., & Qian, C. 2011. Corporate philanthropy and corporate financial performance: The roles of stakeholder response and political access. ***Academy of Management Journal***, 54(6): 1159–1181.
Wang, H., Choi, J., & Li, J. 2008. Too little or too much? Untangling the relationship between corporate philanthropy and firm financial performance. ***Organization Science***, 19(1): 143–159.
Wang, H., Tong, L., Takeuchi, R., & George, G. 2016. Corporate social responsibility: An overview and new research directions thematic issue on corporate social responsibility. ***Academy of Management Journal***, 59(2): 534–544.
Wang, R., Wijen, F., & Heugens, P. P. 2018. Government's green grip: Multifaceted state influence on corporate environmental actions in China. ***Strategic Management Journal***, 39(2): 403–428.
Werbel, J. D., & Carter, S. M. 2002. The CEO's influence on corporate foundation giving. ***Journal of Business Ethics***, 40(1): 47–60.
Westphal, J. D., & Zajac, E. J. 1994. Substance and symbolism in CEOs' long-term incentive plans. ***Administrative Science Quarterly***, 39(3): 367–390.
Westphal, J. D., & Zajac, E. J. 2001. Decoupling policy from practice: The case of stock repurchase programs. ***Administrative Science Quarterly***, 46(2): 202–228.
Yuan, Y., Tian, G., Lu, L. Y., & Yu, Y. 2017. CEO ability and corporate social responsibility. ***Journal of Business Ethics***, 157(2): 391–411.
Zhang, Y., Gimeno, J. 2010. Earnings pressure and competitive behavior: Evidence from the US electricity industry. ***Academy of Management Journal***, 53(4): 743–768.
Zhang, Y., & Gimeno, J. 2016. Earnings pressure and long-term corporate governance: Can long-term-oriented investors and managers reduce the quarterly earnings obsession? ***Organization Science***, 27(2): 354–372.

Zhang, J., Marquis, C., & Qiao, K. 2016. Do political connections buffer firms from or bind firms to the government? A study of corporate charitable donations of Chinese firms. ***Organization Science***, 27(5): 1307–1324.

Liang Zhang (13772073171@163.com) is a PhD candidate at School of Management, Xi'an Jiaotong University. His research interests include topics related to corporate social responsibility, corporate governance, and stakeholder management.

Zhe Zhang (zhangzhe220@sina.com) is a professor at School of Management, Xi'an Jiaotong University. Her research interests include corporate social responsibility and human resource management. She has published in the *Human Relation*, *Human Resource Management*, *Management and Organization Review, and Journal of Business Ethics*.

Ming Jia (jiaming@nwpu.edu.cn) is a vice dean and Professor at School of Management, Northwestern Polytechnical University. His research interests include corporate social responsibility and corporate governance. He has published in the *Journal of Management Studies*, *Management and Organization Review*, and *Journal of Business Ethics*.

Yeyao Ren (18294413280@163.com) is a PhD candidate at School of Management, Xi'an Jiaotong University. Her interest includes topics related to innovation management, corporate governance and corporate social responsibility.

Manuscript received: May 24, 2018
Final version accepted: June 18, 2019 (number of revisions – 4)