Political connections and firm internationalisation

Political Connections and Firm Internationalisation

Xiaojing Lu

Birkbeck

Department of management

School of Business, Economics and Informatics

Birkbeck, University of London

University of London

This dissertation is submitted for the degree of

Doctor of Philosophy

March 2021

AUTHOR’S DECLARATION

I hereby declare that this thesis entitled “Political Connections and Firm Internationalisation” is the result of my own work. Where information has been derived from other sources or results have been obtained from collaboration, I confirm that they have been clearly indicated in the text. The thesis has not been previously submitted, in part or whole, to any university or institution for any degree, diploma, or other qualification. This thesis complies with Birkbeck, University of London guidelines, format and length (it does not exceed 100,000 words).

Signed: Xiaojing Lu

Date: March 22, 2021

DEDICATION

To my parents

Yonggang Lu and Guichun Li

You are the reason I have become who I am today. Thank you for your endless and unconditional love, care and support. I wish to make you proud, which I hope is the best gift I can give you.

To my siblings

Shiyu Lu, Xiaojie Lu

You are also my friends and confidants. Thank you for your encouragement and accompaniment when the going was tough.

To my supervisor

Xiaming Liu

Thank you for always leading me forwards intellectually and personally with kindness and wisdom on my journey as a junior scholar in the field of international business research. I appreciate all your guidance and encouragement!

This dissertation is dedicated out of love to you all!

ABSTRACT

Political connections (PCs) are firm senior managers' boundary spanning linkages with political officers in governments and their constituent political institutions. They are believed to influence firm strategy and behaviour. This thesis consists of three papers that discuss how political connections influence firm internationalisation and contribute to knowledge about the topic in the following ways.

Firstly, prior empirical studies provide incoherent arguments and indefinite conclusions about the PCs - internationalisation relationship and boundary conditions. To have a comprehensive understanding of this PCs - internationalisation relationship and be at the forefront of the research, the first paper of this thesis synthesises existing theoretical arguments about this relationship by drawing insights from internalisation theory. The author conducts a meta-analytic review of the relationship between PCs and firm internationalisation and the boundary conditions influencing their relationship. Based on a database encompassing 25,197 observations from 60 independent samples from 59 papers, the findings endorse the argument that generally, PCs have a positive impact on firm internationalisation. Specifically, PCs originated from the host countries have a greater impact on firm internationalisation than those from the home countries. Contextual and methodological contingencies like the institutional context (developed vs developing), data type (survey vs archival) and stage of foreign investment (pre vs post-investment) are tested.

Secondly, the heterogeneity and complexity of PCs are not well considered in the existing international business research literature. Therefore, the second paper investigates the PCs-export relationship in a Chinese context where unique political-

business relationships are essential in a market with heavy government intervention and a lack of formal institutions. Drawing on resource dependence theory, the author proposes that PCs alleviate firms' resource dependence on their government during the institutional transition and generate comparative advantage in the domestic market. Using a sample of 2,411 firm-year observations of 709 firms between 2008-2013 from the China Stock Market and Accounting Research Database and the Annual Report of Industrial Enterprise Statistics, this study finds that CEO's PCs negatively influence Chinese firms' engagement in export. After further exploration of the boundary condition of the PC-export relationship, the author identifies that this negative impact is mainly caused by executive PCs rather than legislative PCs. The author also finds that the higher the level of CEOs' PCs, the less likely Chinese private firms will engage in export.

Thirdly, there is a dearth of research in the extant literature regarding how the threat of institutional distance is buffered or amplified by top management team (TMT) international backgrounds or experience, such as their home political connections, their international experience and the presence of expatriates in the TMT. Drawing on upper echelon theory and using a sample of 46,803 TMT members observations of 6,150 multinational subsidiaries in 72 host economies based on the combined dataset of Orbis from Bureau van Dijk and World Governance Indicators from World Bank, the third paper shows that the negative relationship between institutional distance and multinational subsidiary performance will be strengthened by an increase in expatriates in the TMT, but the strength of this negative relationship will be mitigated in proportion to the TMT's international experience and political connections. Notably, the TMT's international experience in weak-institution-markets has a more salient mitigating effect on the negative relationship than that in strong-institution markets.

The author discusses the theoretical and managerial implications of these three studies and proposes directions for future research in the thesis.

ACKNOWLEDGEMENTS

The journey of completing the PhD programme is not easy. The training I received prepared me with basic skills and a research mindset to be ready for my academic career. Thanks to the supporting and cultivating academic environment at Birkbeck, University of London, I could soar freely in the sky of knowledge. Most importantly, I have been so lucky to meet and learn from various talented researchers, including the lecturers, professors, fellow PhD candidates and other scholars who I have met on my journey. Without their kind encouragement, continuous help and support, I could not imagine how I could have finished this doctoral dissertation.

Firstly, I would like to express my sincere gratitude to my supervisor, Professor Xiaming Liu, for his continuous support, encouragement of my PhD study, for his great patience, motivation to revise and improve my work, for his immense knowledge and wisdom and for inspiring me always to strive to be a better scholar. He gave me step-by-step guidance throughout the PhD programme and gradually showed me how to think with the mindset of a researcher. In addition, his positive influence on me has been beyond the realm of academia and his wisdom, kindness, courage, determination has influenced my personal development.

Secondly, I would like to express my sincere gratitude to the academic staff in the management department at Birkbeck, whose constructive criticisms and suggestions made me improve my work. My special appreciation goes to Dr Paz Estrella Tolentino, Dr Fredrick Guy, Dr Konstantinos Chalkias, Dr Qian Guo, Dr Grace Bo Peng, Dr Richard Tacon, Dr Bruno Schivinski, Dr Rebecca Bednarek, Dr

Luca Andriani. Their comments and encouragements, especially through lectures, conferences and annual review panels, helped me build the bricks of my work and boosted my confidence. Also, I would like to thank the conference panellists from the Annual Meeting of the Academy of Management, the Annual Meeting of the Academy of International Business, the British Academy of the Management Annual Conference, and the Academy of International Business UK & Ireland Chapter Conference. They have made constructive comments about my work. Among all the brilliant scholars I am lucky to encounter and work with, I would especially like to express my sincere gratitude to Dr Rong Zeng from Manitoba University in Canada. Dr Zeng is an expert on meta-analysis, and I would like to acknowledge that Dr Zeng contributed her expertise to the completion of the rigorous meta-analysis. Her kind guidance and support made the meta-analysis possible. Dr Zeng is not only a passionate and excellent researcher, a responsible and helpful co-author, but also a sincere and kind friend to me. Further, my sincere gratitude also goes to Professor Annie Wei from the University of Leeds. Professor Wei had kindly encouraged me to move forward with my PhD and consoled me when I was at a low ebb. Her gentle words and firm eyes became the perfect prescription of my self-doubt back then. Professor Wei, thank you so much for strengthening me with your compassionate care. Additionally, I would like to thank Dr Renfei Gao from Manchester University for his kind comments and suggestions. Dr Gao is an excellent self-disciplined researcher who has kept inspiring me since we first met at the Henley Business School International Business Masterclasses. I also want to thank Dr Gang Wu from Southwestern University of Finance and Economics, who had provided constructive suggestions on conducting a valid quantitative analysis. Of course, my lovely

colleagues and friends always played an essential role in my professional and personal development. My sincere thanks go to Dr Xiaohong Chen, Dr Wenhui Huang, Dr Linjie Li, Dr Yuanyuan Liu, Dr Na Yang, Dr Idika Awa Uduma, Jingjing Liang, Sebastian Boo, Somayeh Rahimi, Baraa Khuder, Ibrahim Haidar, Zhongyu Wang, Yin Li, Chong Zhong, Maya Dab, Ruocheng Zhao, Tahani Alharbi, Edison Chiang, Judith Symister, Xingyun Li, Yangyang He and Dinna M Mansour. There are many other people who I should mention, so please forgive me for leaving you out but know I am grateful to you for coming into my life, teach me something and make me a better researcher and a better person.

Thirdly, I also want to thank all my family members, my father, Mr Yonggang Lu, my mother, Ms Guichun Li, my sister Ms Xiaojie Lu, my brother Mr Shiyu Lu. Your unconditional love and support made me brave and strong enough to face the challenges. You have no idea how important you are to me. The achievements I could ever have today is a result of your love.

Last but not least, I appreciate all the financial support from the organisations that have supported me. Their kind help has made my dream come true, and I will deliver what I have learned here to the world later on. I would like to acknowledge the financial support from the China Scholarship Council, the Great Britain-China Educational Trust, the Management Department, Birkbeck College, and the Worshipful Company of World Traders. These fundings greatly alleviate my financial constraints and allow me to complete my PhD programme at the University of London.

Learning is infinite. I understand that my academic career has just started, and the war with myself will always be the most significant challenge on my way forward.

This is exactly like what Winston Churchill once said, “Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning”.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

1 CHAPTER 1 INTRODUCTION

1.1 Research background

Against a backdrop of an increasing number of firms with political connections (PCs) entering foreign markets, especially the rapid rise of multinational enterprises (MNEs) from emerging markets, PCs and politically connected firms have drawn increasing attention in the international business field (Albino-Pimentel, Anand, & Dussauge, 2018; Carney, Dieleman, & Taussig, 2016; Fernandez-Mendez, Garcia-Canal, & Guillen, 2018; Pan et al., 2014). PCs are broadly defined as firm senior managers' boundary spanning linkages with political officers in governments and their constituent political institutions (Chen, Li, & Fan, 2018; Faccio, 2006; Fan, Wong, & Zhang, 2007; Sun, Mellahi, & Wright, 2012). A firm is politically connected if its senior managers have PCs through their political background or networks in governments and their constituent political institutions (Faccio, 2006; Fan et al., 2007). The value of PCs is frequently highlighted as a nonmarket strategy because PCs help firms pursue strategic goals through political and social leverage (Chen et al., 2018; Doh, Lawton, & Rajwani, 2012).

Internationalisation is defined as "the process of adapting firms' operations (strategy, structure, resources, etc.) to international environments" (Calof & Beamish, 1995: 116). It is a cumulative and path-dependent process that involves different international activities and different geographical countries. The phenomenon of firm internationalisation is a fundamental topic of investigation in international business research (Kirca, Hult, Deligonul, Perryy, & Cavusgil, 2010). Traditional MNE theories suggest that firms need to develop un-common firm-specific advantages (FSAs) usually in their home countries, to offset the limitations of doing business in the host countries. These limitations are often described as the challenges of "liability of foreignness". Firms with FSAs can better manage liabilities of foreignness and achieve efficiency across borders (Dunning, 2001; Rugman & Verbeke, 2008; Rugman, Verbeke, & Nguyen, 2011). Despite the long tradition of exploring economic factors to explain firm internationalisation (Dunning, 2001; Rugman & Verbeke, 2008; Rugman et al., 2011), researchers argue that the role of political factors like MNEs' political action are downplayed and under-researched as factors in firm internationalisation even though political factors shape MNEs' nonmarket environments and consequently influence firms' competitive advantage (Boddewyn, 1988; Boddewyn & Brewer, 1994). In fact, political actors like governments force numerous policies and regulations on firms, control critical resources and shape firms' opportunities at home and abroad (Lester, Hillman, Zardkoohi, & Cannella, 2008; Pfeffer & Salancik, 2003). Given the importance of governments in international business, political activities like building PCs are attractive because they help to target the critical political actors in the nonmarket environment, which structure MNEs' interaction outside of the market and in conjunction with the market (Baron, 1995). Therefore, the author is motivated to study the essential role PCs play during firms' internationalisation process because there is a rising number of politically connected firms competing in international markets, but the critical role played by PCs in the firm internationalisation process is under-researched.

In recent decades, the underlying reasons for the international expansion of emerging economy firms draw a lot of attention. Specifically, despite the fact that emerging MNEs mostly fall short of competitive intangible assets such as brand or technology, emerging MNEs are still growing fast. Many studies found that political influence is a prominent factor behind (Bandeira-de-Mello, Arreola, & Marcon, 2012; Buckley et al., 2007; Deng, Yan, & van Essen, 2018b; Li, Meyer, Zhang, & Ding, 2018; Schweizer, Walker, & Zhang, 2019). This leads us to question, how do PCs influence emerging economy firms' internationalisation and do PCs play a distinct role in the emerging economy firm internationalisation? The emerging economy context is characterised by underdeveloped formal institutions and prevailing informal institutions (Hoskisson, Wright, Filatotchev, & Peng, 2013; Wright, Filatotchev, Hoskisson, & Peng, 2005). PCs are particularly emphasised in emerging economies because of their "institutional relatedness", which is defined as "informal embeddedness with the dominant institutions in the environment that confer resources and legitimacy on the focal organisation" (Peng, Lee, & Wang, 2005: 623). The research to date has shown the enabling role of formal home institutions for emerging firms' internationalisation (Du & Luo, 2016; Gaur, Kumar, & Singh, 2014; Ma, Ding, & Yuan, 2016). However, how internationalisation is affected by PCs needs further exploration, as PCs substitute formal institutions and provide alternative businesses guidance mechanisms for firms during the institutional transition and development (Du & Luo, 2016; Peng & Luo, 2000).

Among the emerging MNEs growth, Chinese firms' internationalisation has especially gained a lot of attention among international business scholars (Buckley et al., 2007; Buckley & Tian, 2017; Du & Luo, 2016; Gaur et al., 2014). According to the research, political influence manifested in PCs also has been recognised as a potential influencing factor of Chinese firms' internationalisation (Chen et al., 2018;

Cui, Hu, Li, & Meyer, 2018). China, as the largest emerging and transition economy in the world, has become “a legitimate and viable context for management and organisation research” (Tsui, Schoonhoven, Meyer, Lau, & Milkovich, 2004: 136). It is crucial to take the Chinese context seriously, disentangle the complexity of the institutional logic involving PCs in China (Child & David, 2001; Jackson & Deeg, 2008), and investigate how PCs make a difference for Chinese firms' internationalisation.

Furthermore, multinational subsidiaries face institutional distance, which causes liability of foreignness and decreases subsidiaries' performance (Aguilera-Caracuel, Hurtado-Torres, Aragon-Correa, & Rugman, 2013; Dong, Fang, & Straub, 2017; Liu, Tang, Yang, & Arthurs, 2019; Shirodkar & Konara, 2017; Teng, Huang, & Pan, 2017; Trapczynski & Gorynia, 2017). However, there is no doubt that the rapid expansion of international new ventures across institutional distance is taking place (Deng, Jean, & Sinkovics, 2018a). According to the World Investment Report 2019 from UNCTAD, the outflow of foreign direct investment from developing Asia to developed economies (European Union, the United States and Japan) grew from 54,209 to 56,891 million dollars with a corresponding annual growth rate of 4.9% from 2017 to 2018. In turn, the inflow of foreign direct investment from these developed economies to developing Asia grew from 112,195 to 200,540 million dollars with a corresponding annual growth rate of 78.7% from 2017 to 2018. The reality reflects frequent foreign investments between institutionally distant markets, which may suggest MNEs can manage institutional differences well and extract growth opportunities from an institutional distance under some circumstances. The role of institutional distance per se on firm internationalisation is irrelevant without also taking into account the role of managerial decision-making. It is, therefore, of interest to explore how top management teams (TMTs) respond and manage the institutional distance. Equally, there is a need to understand how the threat of institutional distance is buffered or amplified by TMT members' international backgrounds and experiences (expatriates, international experience, PCs).

1.2 Research gaps, questions and objectives

The author is interested in exploring how PCs influence firm internationalisation, how firms interact with governments through PCs during their internationalisation process, and how the configuration of PCs impacts firm internationalisation. The current literature has explored the different mechanisms and evidence of PCs as antecedents for firm internationalisation (e.g., Albino-Pimentel et al., 2018; Carney et al., 2016; Chen et al., 2018; Fernandez-Mendez et al., 2018; Hadjikhani, Lee, & Ghauri, 2008). However, the explanation about the mechanisms is fragmented and inconsistent because of the multiple theoretical lenses applied. In addition, the empirical results are inconclusive because of a myriad of empirical contexts and measures applied. Therefore, to have a comprehensive understanding of this relationship and to offer a novel contribution to this growing literature, the first paper of this thesis synthesises existing studies both theoretically and empirically by means of a meta-analytic review. The first group of research questions the author wants to address are:

Research question 1: How much do PCs matter for firm internationalisation? Specifically, *when* and *where* do PCs have a bigger or smaller impact on firm internationalisation?

While the meta-analysis gives a holistic synthesis of the PCs-internationalisation relationship from various contexts, the exploration of this relationship in a disaggregated and contextual research setting adds to the nuanced knowledge of the PCs-export relationship, particularly in the Chinses context. Recent studies recognise the role PCs play in firms' international activities in the Chinese context. The studies have covered mergers and acquisitions (Schweizer et al., 2019), outward foreign direct investment (Deng et al., 2018b), and firm internationalisation (Du & Luo, 2016; Ma et al., 2016; Zhang, Ma, Wang, Li, & Huo, 2016b). Despite the invaluable contributions of these studies, export, as the most common foreign entry strategy, has not been well studied in the Chinese context. Further, the complexity and heterogeneity of PCs have not been well considered in this relationship and need to be incorporated into international business studies (Albino-Pimentel et al., 2018; Fernandez-Mendez et al., 2018). Therefore, given the rising attention of emerging economy firms' internationalisation, the second paper of this thesis closely looks at how PCs influence Chinese private firms' export performance and aims to address the second group of research questions:

Research question 2: How do PCs influence Chinese private firms' export during the institutional transition? How do heterogeneous PCs with different functional governmental branches and different administrative levels affect Chinese private firms' export during the institutional transition?

Multinational subsidiaries face the "liability of foreignness", which is the cost arising from the unfamiliarity, relational and discriminatory hazards of doing business in a foreign market (Eden & Miller, 2004). Existing studies recognise that institutional distance is a salient factor causing liability of foreignness which decreases multinational subsidiary performance (Aguilera-Caracuel et al., 2013; Dong et al., 2017; Liu et al., 2019; Shirodkar & Konara, 2017; Teng et al., 2017; Trapczynski & Gorynia, 2017). It would be problematic if we ignored the role played by the TMT in the subsidiaries. How TMT members respond to and manage institutional distance matters for the transfer of strategic organisational practice from the parent to the subsidiaries and the legitimation and performance of its subsidiaries (Xu & Shenkar, 2002). The international backgrounds and experience of TMT members may significantly affect the firm decision-making processes pertaining to foreign market strategy and performance (Nielsen, 2010). A TMT's international attributes include international experiences of the managers, the presence of the expatriates in the team, and the PCs with home governmental experience. However, there is a dearth of research about the role of the TMT's international background and experience play in the institutional distance-subsidiary performance relationship. How will the threat of institutional distance be buffered or amplified by top TMT level factors? Therefore, the third paper of this thesis aims to address the third group of research questions:

Research question 3: How do the TMT's PCs international experience and expatriates moderate the relationship between institutional distance and multinational subsidiary performance?

In summary, given the critical role played by PCs in international business, this thesis intends to find out how PCs influence firm internationalisation. This thesis investigates the research question step by step. Firstly, a meta-analytic review in Chapter 2 gives the audience a comprehensive summary of the quantitative research into the PCs-internationalisation relationship. Secondly, Chapter 3 narrows down the investigation of the research question to specifically focus on the PCs-export relationship of Chinese private firms. Thirdly, Chapter 4 looks at the research question from the perspective of subsidiaries in the host market as opposed to MNEs in their home market. How the institutional distance - multinational subsidiary performance relationship is moderated by the TMT's PCs, and other international background is also investigated.

1.3 Potential contributions

This thesis offers both theoretical and empirical contributions. Chapter 2 draws insights from internalisation theory to summarise possible mechanism by which PCs influence firm internationalisation. Internalisation theory focuses on imperfections in intermediate product markets (Rugman, 1981). Intermediate products are assumed could be transacted in alternative modes and "ranges from arm's length (external) market exchanges to (internal) administrative fiat – and a whole set of cooperative 'in-between' relationships"(Dunning, 2003). There is no exception in the intermediate political products market. Boddewyn (1988) argued that firms face a market for intermediate political products such as "permission to invest, legitimacy, protection against sovereign risks, etc." The market imperfections generated by governments encourage internalisation by MNEs (Boddewyn, 1988; Rugman, 1981). MNEs can organise political activities internally so that they are able to develop and exploit intermediate political products (Rugman, 1981; Rugman & Verbeke, 1992, 2001, 2008). This meta-analysis recognises and summarises three intermediate political products through which PCs influence firm internationalisation. These are political capital, legitimacy and the political mindset of senior managers. Methodologically, a meta-analysis could synthesise the empirical results of multiple studies from different empirical contexts so that the author can investigate cross-country differences in this relationship (Kirca et al., 2010). The meta-analysis in Chapter 2 provides a quantitative assessment of existing research based on what is known and points out future research directions that will further our understanding of this increasingly important topic in the international business and nonmarket strategy literature.

Chapter 3 provides an in-context analysis of the relationship between Chinese private firms' PCs and their exports. Institutional transition and uncertainty are distinguishing characteristics in the Chinese context. As a result, Chinese private firms depend highly on the government to obtain resources and legitimacy. This leads to two questions. First, how do PCs affect a firm's strategic decisions, such as export? Second, how do PCs affect firms' resource-dependence on home government and change the firm's strategic choices such as export? A panel data from the China Stock Market and Accounting Research Database and the Annual Report of Industrial Enterprise Statistics allows the author to explore the PCs-export relationship drawing insights on resource dependence theory. Specifically, the disaggregate analysis of the strength and function of the government-business relationship based on the Chinese political regime enhances the understanding of the PCs-export relationship. This work contributes to the international business and emerging economy nonmarket strategy literature.

Chapter 4 provides an analysis of how the TMT's international background and experience influence their response and management of institutional distance and, consequently, subsidiary performance. The author reveals the role of TMT expatriates, international experience and PCs in buffering or worsening the threat of institutional distance. Theoretical analysis of Chapter 4 contributes to the TMT, international business literature and the empirical findings of the moderation effect of TMT characteristics have implications for MNE subsidiaries' staffing strategy.

1.4 Research philosophy

This research adopts a positivistic research philosophy, which offers the assurance of explicit and accurate knowledge in the world (Crotty, 1998). This research, therefore, is grounded in the ontology of realism, such that it is assumed the world exists independently of us and is apprehendable. Therefore, this research applies an epistemology of objectivism. The author discovers realities through valid conceptualisation and reliable measurement, which allow us to test knowledge against an objective world. The methodology of positivism is associated with a deductive approach, which uses experimental and manipulative types of research and data collection methods. In this thesis, the author adopts quantitative research methods that "relies on measuring variables in a numerical system and analysing these variables using a variety of statistical models and reporting relationships and associations" (Lucas-Alfieri, 2015: 284). Details of the methods, including the techniques and procedures of the data collection and data analysis, are elaborated in each chapter.

1.5 Structure of the thesis

This thesis adopts the three-paper format, which introduces a general topic and investigates the topic through three papers. This dissertation is structured as follows. Chapter 1 introduces the research topic, explains the research background, research questions and objectives, research philosophy, potential contributions the research makes and the organisation of the thesis. Chapter 2 conducts a meta-analytic review of the theoretical arguments and empirical results of the PCs-internationalisation relationship. This meta-analysis is based on a database encompassing 25,197 observations of 60 independent samples in 59 papers. It synthesises the empirical results of multiple studies in different contexts and presents the aggregated effect of PCs on internationalisation, as well as explores various moderating factors. Chapter 3 explores the PCs-export relationship by primarily focusing on private firms in the Chinese context. This study uses a combined panel data from the China Stock Market and Accounting Research Database and the Annual Report of Industrial Enterprise Statistics. The sample is composed of 709 firms with 2,411 firm-year observations from 2008-2013. The heterogeneity and complexity of PCs based on governmental functions and administrative levels are explored. Chapter 4 focuses on how the threat of institutional distance to multinational subsidiary performance is buffered or amplified by the TMT's PCs, international experience and the presence of expatriates. This chapter uses a sample of 46,803 TMT members observations of 6,150 foreign subsidiaries in 72 host economies. Chapter 4 uses a combined dataset consisting of Obis from Bureau van Dijk and the World Governance Indicators from the World Bank. Chapter 5 concludes the key findings and summarises the theoretical contributions and managerial implications. The author also discusses the main limitations of the thesis and possible future research directions.

2 CHAPTER 2 HOW MUCH DO POLITICAL CONNECTIONS MATTER FOR FIRM INTERNATIONALISATION? A META-ANALYTIC REVIEW

2.1 Introduction

Political connections (PCs) are firm senior managers' boundary spanning linkages with political officers in governments and their constituent political institutions (Chen et al., 2018; Faccio, 2006; Fan et al., 2007; Sun et al., 2012). Against a backdrop of an increasing number of firms with PCs entering foreign markets, especially the rapid rise of MNEs from emerging markets, PCs and politically connected firms have drawn increasing attention in the international business field (Carney et al., 2016; Chen, Tan, & Jean, 2016b; Liang, Ren, & Sun, 2015). Within the international business context, political actors' role is salient because MNEs operate in various evolving political regimes home and abroad (Boddewyn & Brewer, 1994; Pfeffer & Salancik, 1978). Governments at home and host countries force numerous policies and regulations on firms and shape firms' opportunities (Lester et al., 2008; Pfeffer & Salancik, 2003). However, political factors like MNEs' political actions such as lobbying and bribing are downplayed and under-researched (Boddewyn, 1988; Boddewyn & Brewer, 1994), despite the long tradition of research into the economic factors that are believed to account for firm internationalisation (Dunning, 2001; Rugman & Verbeke, 2008; Rugman et al., 2011). The monopoly of power exercised by governments leads to a political market for beneficial government decisions (Boddewyn, 1988). Managers' ability to exploit political markets is thus essential. The combination of mangers' abilities in exploiting the political market and the economic market helps firms generate higher-order FSAs and consequently enhance firms' performance (Rajwani & Liedong, 2015). Therefore, political action like building PCs with political officers are conducive for firms to extract social and political leverage during the process of internationalisation.

Recent literature has explored the different mechanisms and evidence of PCs as antecedents of firm internationalisation. However, the explanations about the mechanisms are fragmented and inconsistent because of the disparate theoretical lenses applied. The empirical findings are also inconclusive because of a myriad of contexts and measures adopted (e.g., Albino-Pimentel et al., 2018; Carney et al., 2016; Chen et al., 2018; Fernandez-Mendez et al., 2018; Hadjikhani et al., 2008).

Current research posits that PCs encourage firm internationalisation in three ways. Firstly, political capital manifested in political protection and special privileges, such as access to resources, facilitates firm internationalisation (e.g., Nam, Liu, Lioliou, & Jeong, 2018; Schweizer et al., 2019). Secondly, politically connected firms tend to have higher legitimacy due to the political credibility in the oversea markets (Boddewyn & Brewer, 1994; e.g., Pan et al., 2014). Thirdly, political influence manifested in senior managers' mindset enhances their international orientation because politically connected senior managers tend to have higher tolerance of uncertainty and are more willing to operate abroad (e.g., Albino-Pimentel et al. In contrast, other studies posit that PCs discourage firm internationalisation in three ways. Firstly, political capital, especially political contacts conferred from PCs, is mostly bound in domestic markets, and thus firms may not be able to leverage this political capital overseas. Therefore, firms prefer to invest their efforts in the home markets rather than attempt to expand into foreign markets (e.g., Du & Luo, 2016; Fernandez-Mendez et al., 2018). Secondly, politically connected firms may have lower legitimacy overseas due to national security concerns within the host country (e.g., Schweizer et al., 2019; Sun, Peng, & Tan, 2017). Thirdly, political influence manifested in the mindset of senior managers may diminish their international orientation. In some cases, this can be because political ideologies, such as communism, adopted by senior managers, in the home countries may contract with the prevailing political ideology, such as capitalism, in the foreign countries (Marquis & Qiao, 2018). Thus, the direct relationship between PCs and internationalisation is mixed.

In addition to theoretical inconsistency, the myriad of empirical contexts and various measures employed could also be a contributing factor to the inclusiveness of the empirical results in the literature. For instance, existing studies mainly focus on a specific country context with unique political and economic arrangements and development (Nachum, Sawant, & Panibratov, 2018; Pan et al., 2014). Furthermore, some studies focus on PC within the home country (Albino Pimentel, Dussauge, & Shaver, 2018), whilst other studies focus on PC in the host country (Li & Zhou, 2010). Some studies emphasise the political influence at a certain time, such as the pre-investment stage or the post-investment stage of internationalisation. Moreover, some researchers use a survey-based approach to explore the role of PCs in internationalisation (e.g., Liedong & Frynas, 2018; White, Boddewyn, & Galang, 2015), but this approach may lead to the common method bias (Chang, Van Witteloostuijn, & Eden, 2010). These multiple sources of heterogeneity in terms of how PCs are defined and measured serves to account for the inclusiveness of findings overall. This also means that the generalizability of the findings in the extant literature is limited (Kirca et al., 2010).

Given the incongruent explanations and inconclusive findings referring to PCs and firm internationalisation, a quantitative synthesis helps advance our understanding of this vital relationship in international business research. Theoretically, the author draws insights from internalisation theory, focusing on imperfections in intermediate product markets (Rugman, 1981). MNEs could organise political activities internally to develop and exploit the FSAs of intermediate political products (Rugman, 1981; Rugman & Verbeke, 1992, 2001, 2008). This systematic review recognises and summarises three intermediate political products. PCs influence firm internationalisation by exploiting these three intermediate political products, which are political capital, legitimacy, and senior managers' political mindset. The author extends the internalisation theory by explicitly including PCs' role when firms face the imperfect political intermediate products markets in international business (Boddewyn, 1988; Rugman, 1981). Methodologically, a meta-analysis could synthesize the empirical results of multiple studies from different empirical contexts so that the author can investigate cross-country differences in this relationship (Kirca et al., 2010). Furthermore, a meta-analytic technique also allows us to address statistical artefacts that are important sources of error in survey-based research in international business (Chang et al., 2010). Therefore, this study uses a meta-analysis to clarify the PCs-internationalisation relationship in addition to other valuable contributions of systematic reviews in relevant areas such as political activities (Lux, Crook, & Woehr, 2011; Rajwani & Liedong, 2015) and the role of *guanxi* (Luo, Huang & Wang, 2011).

This study contributes to a better theoretical and empirical synthesis of how much PCs influence firm internationalisation in four ways. First, this study contributes to the international business literature. To date, political factors have not been well-considered in firm internationalisation theories. By explicitly considering the role of PCs in firm internationalisation, this study extends and presents a novel development of internalisation theory. This study attempts to answer the following two sets of core research questions. The first set of questions is *whether* and *how much* PCs influence firm internationalisation. The second set of questions is *when* and *where* PCs will have more or less influence on firm internationalisation. By tackling the second set of questions, this study identifies various contingencies that moderate the magnitude of effect sizes in the first set of questions. The second significant contributions of this study are to develop the literature on firms' nonmarket strategies. The studies achieve this by looking into how PCs are leveraged to manage the nonmarket environment in international business in the by. The third contribution this study makes is to develop the PC literature by identifying heterogeneous PCs in the international business context, such as PCs originating from the home or host political actors. The fourth contribution this study makes is to consider the importance of the contexts (Jackson & Deeg, 2019). The author does this by emphasizing the importance of contextual factors such as the origin of PCs (whether they originate from the home versus the host countries), the level of economic development in the host country (developing versus developed), the stage of investment (pre-investment versus post-investment) and methods employed to measure PCs (survey-based versus archival based).

This meta-analysis provides a quantitative assessment of existing research based on what is known. It highlights future research directions that will further our understanding of this increasingly important topic in the international business and nonmarket strategy literature. Firstly, the author systematically reviews the concept of PCs and their role in firm internationalisation by drawing insights from the internalisation theory. Next, the author proposes corresponding hypotheses related to the relationship and its contingencies. Subsequently, the author describes the data collection and analysis methods, including how the relationship and its effect size can be tested. Finally, the author concludes by discussing the implications for business managers and policymakers and directions for future research.

2.2 Conceptual framework

2.2.1 Political connections

Broadly, firms can participate in the political process through two kinds of boundary-spanning linkages. These are institutional political linkages and personal political linkages. Institutional political linkages mostly manifest as state ownership, and personal political linkages mostly manifest as firm top officers' political backgrounds and their relationships with government officials (Sun et al., 2012; Sun, Mellahi, Wright, & Xu, 2015). Although numerous studies have found a significant influence between state ownership and firm internalisation, these studies are mainly focused on state-owned firms whose political linkages are naturally ascribed (Cui & Jiang, 2009; Wang, Hong, Kafouros, & Wright, 2012). This research focuses on personal PCs. It also includes a broader scope of firms such as private firms, which can acquire PCs through relational political strategies such as managing political relationships with government officials (e.g., Faccio, 2006; Fernandez-Mendez et al., 2018; Siegel, 2007; Yan, He, & Cheng, 2017).

PCs are created in a number of ways. Commonly, senior managers build these PCs with government officials by co-opting politicians into their firm's hierarchy, for example, by inviting the politician to become a member of their firm's board of directors (Goldman, Rocholl, & So, 2009; Hillman, 2005) or entering the politics and embedding themselves into the political networks (Adhikari, Derashid, & Zhang, 2006; Du & Girma, 2010) or building informal relationships with government officials through social reciprocity (Kotabe, Jiang, & Murray, 2011; Peng & Luo, 2000). Thus establishing PCs are perceived to be a complex and subjective political approach for firms to engage politically (Rajwani & Liedong, 2015).

Influential decision-makers such as the board of directors (e.g., Hillman, 2005), large shareholders (e.g., Sojli & Tham, 2017), mangers from top management team such as the chief executive officer (e.g., Klopf & Nell, 2018), president and vice-president (e.g., Faccio, Masulis, & McConnell, 2006), so on and so forth, exploit PCs from various ways to manage firm's nonmarket strategy and pursue strategic goals (Chen et al., 2018; Doh et al., 2012). PCs are defined differently by different researchers and in different contexts (Boubakri, Cosset, & Saffar, 2012; Deng et al., 2018b; Faccio et al., 2006; Sun et al., 2012). Despite the variation in definitions and multiple different context in which PC are invesitigated and reported in the literature, the importance of PCs is consistenly recognised (e.g., Bucheli & Salvaj, 2018; Deng et al., 2018b; Fernandez-Mendez et al., 2018).

Indubitably, the literature indicates that PCs are valuable resources for firms to alleviate uncertainty and generate business opportunities (Nam et al., 2018; Pfeffer & Salancik, 1978). The political influence of PCs manifests in various ways. These may include support and protection from the government following adverse shocks or crises, for instance, in the form of a government bailout (Boubakri et al., 2012; Faccio et al., 2006) and easier accessibility to valuable and often low-cost public financial resources such as government subsidies, bank loans and trade credit (Amanois, 2017; Claessens, Feijen, & Laeven, 2008; Faccio et al., 2006; Khwaja & Mian, 2005; Liu, Luo, & Tian, 2016a). Other ways in which the political influence of PC manifest include access to up-to-date information about public policies, obtaining privileged treatment such as facilitating market entry (Adhikari et al., 2006; Agrawal & Charles, 2001; Pfeffer & Salancik, 1978), and gaining legitimacy (Li et al., 2018; Nam et al., 2018). Conversely, the literature also contends that PCs could turn into liabilities for firms under some circumstances. Examples of these circumstances include the risk of appropriation by the government (Haveman, Jia, Shi, & Wang, 2017) and cost, or lost efficiency due to political mandates or interventions (Claessens et al., 2008; Fan et al., 2007; Shleifer & Vishny, 1994). In addition, sometimes political change can easily sever the current political relationships and lead to new uncertainty and a requirement to establish new political relationships (Bucheli & Salvaj, 2018; Li, Poppo, & Zhou, 2008b; Sun, Hu, & Hillman, 2016).

2.2.2 The PCs-Internationalisation Link

Internationalisation is defined as "the process of adapting firms' operations such as strategy, structure, and resources to international environments" (Calof & Beamish, 1995: 116). Internalisation theory offers an analytical framework to underline these international business activities. Internalisation theory explains firms' foreign entry, their existence, and the boundaries and strategies of the MNEs (Rugman, 1981). Internalisation theory assumes that profit maximization is the dominant objective for a firm in imperfect external markets (Rugman & Verbeke, 1992, 2001, 2008; Rugman et al., 2011). For firms, there is a market for intermediate political products such as "permission to invest, legitimacy, protection against sovereign risks, etc." (Boddewyn, 1988). However, this market is not perfect, and the market imperfections generated by governments encourage internalisation by MNEs (Boddewyn, 1988; Rugman, 1981). MNEs thus will pursue the internal transaction mechanism of intermediate political products. This mechanism provides a lower-cost governance structure. By organizing a set of activities internally such that firms can develop and exploit FSAs offered by the intermediate political products. This serves to offset the challenges of the "liability of foreignness" and achieve greater efficiency across borders (Rugman & Verbeke, 2008; Rugman et al., 2011). Under these circumstances, senior managers leverage PCs to internalize the essential political intermediate product market (Boddewyn, 1988).

Recent literature has identified the critical roles PCs played in firm internationalisation and mainly emphasised three intermediate political products, political capital, legitimacy and senior managers' political mindset (e.g., Albino-Pimentel et al., 2018; Carney et al., 2016; Chen et al., 2018; Du & Luo, 2016; Fernandez-Mendez et al., 2018; Hadjikhani et al., 2008). The first of these three intermediate political products, political capital, is critical for firms to develop and exploit FSAs and compete abroad (e.g., Blumentritt & Rehbein, 2008; Ma et al., 2016). Political capital has been conceptualized as the accumulation of resources and power built through relationships, trust, goodwill and influence between politicians and other stakeholders. For example, recruiting a government official as a senior manager provides firms with political capital, mainly including political knowledge, i.e., what firm know and political relationship, i.e., who firm know (Fernandez-Mendez et al., 2018; Nachum et al., 2018). Political knowledge is defined as:

> "Knowledge/expertise not only about foreign economic environments but also political, social and cultural nonmarket environments- that is relevant regulations, government decision structures and process, public opinion toward foreign products and suppliers, etc." (Boddewyn, 1988: 350).

Another type of political capital is political relationship, which is defined as a "Relationship with people who have political power that grants proprietary favours" (Nachum et al., 2018: 2).

Research demonstrates that political capital facilitates firms' access to critical public policy information and public resources (Amanois, 2017; Claessens et al., 2008; Faccio et al., 2006; Khwaja & Mian, 2005; Liu et al., 2016a). Previous studies show that politically connected firms are more likely to obtain favourable treatments in terms of access to bank loans, tax rebates for export and accelerated processing of government-related administrative processes such as customs clearance. In terms of foreign expansion, many politically connected firms are more aware of the public resources available to them and better able to access those public resources to support their foreign business. In many countries, governments create institutions and agencies that facilitate firms' international business. Examples of these include the Export-Import Bank in Korea (Nam et al., 2018) or science parks in China that provide firm oversea-development opportunities (Amanois, 2017). These government institutions or their agencies tend to allocate critical public resources to the firms they know or have connections with by signing contracts with them or providing debt financing to the firms. In turn, given the public resources supporting foreign expansion, politically connected firms may be encouraged to seek oversea business opportunities (Zhang et al., 2016b).

Further, political capital enhances firms' ability to learn of new regulations, policies and political risk that affects their business as well as giving them the ability to influence the government decision-making processes (Holburn & Zelner, 2010) that impacts on their operations. The public policy process is influenced by firms (Hillman, Zardkoohi, & Bierman, 1999). Usually, competing firms are asymmetrically affected by the same regulations or public policies (Shaffer, 1995). Therefore, firms need to manage the public decision-making process to benefit more from these public policies. Especially in an international business context, firms' capabilities to manage government decision-making process both at home and abroad helps firms gain comparative advantages across borders. By identifying and addressing the idiosyncrasies of policies and institutions home and abroad, firms' internationalisation is facilitated (Henisz, 2003).

However, political capital may negatively influence firm internationalisation in some cases. For instance, firm internationalisation can be discouraged if political capital is more closely related to the political relationship rather than political knowledge. This is because political relationships are less transferable and mobile across borders in comparison to political knowledge (e.g., Fernandez-Mendez et al., 2018; Nachum et al., 2018). Firms' political relationships with domestic political actors are mostly location-bound and are more effective in the domestic markets compared to the foreign markets (e.g., Du & Luo, 2016; Fernandez-Mendez et al., 2018). Therefore, it is conceivable that firms with local political relationships and contacts choose to stay in the domestic markets other than expanding abroad, given the local competitive advantages.

The second important intermediate political product is legitimacy. Legitimacy is the acceptance of the firm by others in its constituting environment. Legitimacy is especially critical for firms operating in different host environments and vital for their survival and success (Kostova & Zaheer, 1999). Legitimacy conferred from PCs by governments home and abroad helps firms develop FSAs to compete overseas (e.g., Bucheli & Salvaj, 2018; Fernandez-Mendez et al., 2018; Sun et al., 2017). Politically connected firms are more aware of the legitimacy requirements and tend to be more compliant with these legitimacy requirements, given the internalized political decision-making process (Boddewyn, 1988). They tend to have higher legitimacy and enjoy prestige, status and goodwill due to political credibility (Boddewyn & Brewer, 1994; Hillman et al., 1999). In addition to the political credit conferred by PCs which enables firms to be accepted by others, PCs also provide political protection that can help firms shield themselves against political or social change (Bucheli & Salvaj, 2018).

In contrast, in some cases, firms connected with home political institutions may face lower legitimacy in the host markets due to political concerns, such as national security concerns, especially in strategic industries involving sensitive technology in the host countries (e.g., Schweizer et al., 2019; Sun et al., 2017). Further, political changes and policy reforms may sever the current PCs and cause uncertainty (Bucheli & Salvaj, 2018; Sun et al., 2015).

Senior managers' political mindset is the third important political intermediate product identified to influence FSAs in firm internationalisation (e.g., Albino-Pimentel et al., 2018; Saeed & Ziaulhaq, 2018; Wang, 2017). Given senior managers' bounded rationalities, their political experience will influence their cognitive maps, and as a consequence, also their strategic decisions. Bounded rationality is an unavoidable problem in senior mangers' decision-making, reflecting the "scarcity of mind" and lack of information (Hambrick & Mason, 1984; Verbeke, 2013). Politically connected senior managers have different cognitive maps and sensitivities to the outside political environments and issues compared to their senior managers without

PCs (e.g., Albino-Pimentel et al., 2018; Child, Rodrigues, & Frynas, 2009). Senior managers with political experience evaluate their firm's willingness and capability to internationalise differently to manager without political experience.

Evidence shows that politically experienced senior managers might overstate PCs' effectiveness and underestimate the issues caused by the liability of foreignness (Albino-Pimentel et al., 2018). Therefore, politically connected senior managers are found to have higher risk tolerance because they believe there is a buffering effect of PCs in an uncertain environment (Boubakri, Mansi, & Saffar, 2013). Furthermore, politically connected senior managers perceive less psychic distance, including the differences of languages, cultures, and political systems between the home and host countries, than less politically connected senior managers (Child et al., 2009).

It is also essential to recognise that senior managers' political mindsets may also negatively influence firm internationalisation. For example, managers' international orientation may be discouraged because their political ideologies may be at odds with foreign countries' dominant political ideologies. For example, arguably, there is antagonism between the political ideologies of communism in Chian and capitalism in the western world (Marquis & Qiao, 2018).

To conclude, the author draws insights from internalisation theory and discusses the benefits and costs of leveraging PCs during firm internationalisation. The arguments for PCs influence firms' internationalisation is mainly based on the proposed importance of three intermediate political products: political capital, legitimacy and senior mangers' political mindsets. Although there is evidence that PCs can have a negative influence on firm internationalisation in some circumstances, in the majority of cases, PCs enable firms to internalise the imperfect political market and exploit FSAs. These FSAs positively influence firms' internationalisation. The internationalisation process will continue as long as the internal coordination cost is lower than the external market transaction cost. Therefore, the author hypothesises that:

Hypothesis 1: The impact of PCs on firm internationalisation is positive.

2.2.3 The PCs-Internationalisation contingencies

PCs' influence on firm internationalisation depends on various moderators. The author identifies studies that investigate this crucial relationship in different contexts. For example, some studies investigate PCs with the home country governments in firm internationalisation (Albino Pimentel et al., 2018). Other studies investigate PCs with host country governments in firm internationalisation (Li & Zhou, 2010). Some studies illustrate the role that PCs play in firm internationalisation in developing host markets (Du & Luo, 2016), whilst other studies focus on the developed host markets (Fernandez-Mendez et al., 2018). Some studies emphasise the political influence at a specific time, such as the pre-investment or post-investment stage of firm internationalisation. The exploration of these boundary conditions is conducive to the readers' better understanding of the PCs-internationalisation relationship.

2.2.3.1 Origin of PCs: Host vs home country

PCs bridge MNEs with political location advantages at home or in host countries and allow firms' access to valuable information, resources, communication channels and legitimacy from the connected governments (Pfeffer & Salancik, 1978). The existing literature has discussed MNEs' attempts to interact with political actors and manage the political processes in both the home country (Lu, Liu, Filatotchev, & Wright, 2014; Ma et al., 2016) and the host country (Klopf & Nell, 2018; Zhang, Zhao, & Ge, 2016c). However, there are no comparative studies that distinguish the strengths of PCs with home or host political institutions in firm internationalisation.

Recognizing the location differences between home and host PCs helps us better understand their effects on firm internationalisation. Firms exploit the imperfect market of intermediate political product to gain FSAs. Rugman and Verbeke introduce the concepts of non-location bound (NLB) FSAs and location bound (LB) FSAs in firm internationalisation (Rugman & Verbeke, 1992, 2001, 2003). Theoretically, firms having PCs with home political actors need to develop NLB FSAs to internationalise because NLB FSAs do not stop creating value across borders. Meanwhile, firms with PCs with host country political actors do not necessarily need to develop NLB FSAs to internationalise. This is because LB FSAs in the host country will already benefit firms' internationalisation. LB FSAs cannot be easily transferred, deployed and exploited in foreign markets. For example, relationship-based political capital, "who firms know", in the home country is less transferable across borders than the knowledge-based political capital, "what firms know" (Fernandez-Mendez et al., 2018; Nachum et al., 2018). Thus, it is also conceivable LB FSAs like political networks with home political institutions are more competitive in domestic rather than overseas markets and discourage firm internationalisation (e.g., Du & Luo, 2016; Fernandez-Mendez et al., 2018). In contrast, LB FSAs, like political networks with host political institutions, could be exploited in the host markets. Evidence shows that the host country's government-business relationships help MNEs gain the first-mover advantage because the early movers' political actions can be translated into entry barriers for late movers (Frynas, Mellahi, & Pigman, 2006).

Despite the importance of NLB FSAs, many FSAs are often restricted to the original countries where they are generated (Rugman & Verbeke, 2008). Thus FSAs, if developed in the home country, need to be applied across borders without reducing their effectiveness to facilitate firm internationalisation. However, FSAs, if developed in the host country, do not need to be transferred across borders to facilitate firm internationalisation. Host country PCs provide direct contacts that link MNEs and influential political stakeholders like governments in the host countries (Zhang et al., 2016c). These direct contacts offer firms more accurate information on legitimacy requirements, including legal standards, social norms, cultures, and policies. Host PCs will effectively help MNEs reduce the cost of doing business in a foreign market related to information asymmetry, institutional and cultural frictions (Bucheli & Salvaj, 2018; Sojli & Tham, 2017). Considering the political location advantage, the author posits that PCs originated from the host country are more beneficial in situations when MNEs need to operate in foreign markets. Based on the above arguments, the author hypothesises:

Hypothesis 2: The impact of PCs with host country political institutions on firm internationalisation is stronger than PCs with home country political institutions.

2.2.3.2 Host country market development: Developing vs developed

In both developed and developing host markets, MNEs use relational political strategies to facilitate their international business. One common strategy is establishing PCs with host country governments. Most research found that building

PCs with host country government are conducive to FSAs in international business (Rajwani & Liedong, 2015). This is because firms can leverage PCs in the host markets to mitigate the political and institutional uncertainties and hazards (White et al., 2015; White, Boddewyn, Rajwani, & Hemphill, 2018; White, Fainshmidt, & Rajwani, 2018). However, PCs' value differs from country to country, partly due to institutions' variations in the host countries (Boubakri et al., 2012).

Institutional development is a critical dimension that distinguishes different markets (Hoskisson et al., 2013). Developing and developed economies vary significantly in terms of institutional development (Acemoglu & Johnson, 2005; Acemoglu, Robinson, & Business, 2013). In developing markets, the high rate of political, economic and institutional changes (Wright et al., 2005) leave the markets short of necessary institutions to support basic business operations (Khanna & Palepu, 1997). Typically, firms in a developing market face less viable and reliable legal systems to protect property rights (Clarke, Murrell, Whiting, Brandt, & Rawski, 2008), face inconsistent and less effective legal enforcement (Sheng, Zhou, & Li, 2011). Thus, business activities are not well supported because of a lack of formal institutions in the developing markets.

Given the less deficient formal institutions in developing markets and higher uncertainty of government policies, PCs appear as compensation or substitutions to govern firm operation (Ge & Carney, 2016; Zhou, 2013). This is because internalizing the intermediate political product market by leveraging PCs is conducive to managing the government-decision making process and alleviating uncertainty. Evidence shows PCs will yield substantive gains in developing markets (Boubakri et al., 2012). In contrast, with well functioning formal institutions, PCs may not yield substantive gains because government officials face a higher legal and political cost to choose to promote the benefits of firms other than public merit (Goldman et al., 2009). Therefore, nonmarket strategies such as establishing informal political networks are more pronounced in developing markets rather than developed markets (Schweizer et al., 2019). Evidence shows that PCs matter to firms' survival and performance in developing markets (Zheng, Singh, & Mitchell, 2015). Establishing PCs become a viable strategy for MNEs seeking to enter emerging markets (Chen et al., 2018).

In summary, internalising intermediate political products in the developing markets keep firms better informed of the dynamics of the nonmarket environment related to regulations, policies, public opinions and government decision-making processes in the host markets. Thus, the author proposes that:

Hypothesis 3: The impact of PCs on internationalisation in developing host markets is stronger than that in developed host markets.

2.2.3.3 Stages of investment: pre-investment vs post-investment

Why does the value that PCs contribute to MNE performance vary according to the stage of investment? Firstly, firms have different strategic goals in the pre and post-investment stages. In the pre-investment stage, MNEs make critical decisions about whether, where, how and how much to invest, and in the post-investment stage, MNEs make decisions on how to integrate the foreign operation and manage the foreign subsidiary performance (Beugelsdijk, Kostova, Kunst, Spadafora, & van Essen, 2018b). Generally, the liability of foreignness from the institutional or cultural distance may be more tied to the pre-investment than the post-investment stage (Beugelsdijk et al., 2018b; Chen et al., 2018; Zaheer & Mosakowski, 1997). One way for firms to compensate for foreignness liability, particularly institutional and cultural distances, is to internalise intermediate political products to exploit FSAs. The author posits more gains will be translated into foreign performance in the post-investment stage when MNEs are better able to achieve national responsiveness. National responsiveness is the need to understand foreign market peculiarities and respond suitably. It is a critical factor for MNEs' competitiveness and closely related to the LB FSAs in the host countries (Rugman & Verbeke, 1992, 2001). These LB FSAs benefit firms only in particular host countries in particular locations. In the post-investment stage, MNEs become part of host markets, and they have better knowledge and ability to exploit the host country LB FSAs. MNEs will update the political networks with influential local elites accordingly (Boddewyn & Brewer, 1994). These locally connected MNEs are more capable of unscrambling ambiguous social, political and economic goals in the foreign market (Sun et al., 2017).

Secondly, as the scale and the scope of public policies changes over time, firms need constant adjustment and correspondence to the new uncertainty and dependence (Hillman et al., 1999). MNEs can not solely rely on the previous FSAs, but their engagement in "continuous recombination of the firm and country factors representing a higher-order FSA, i.e., a dynamic capability" (Rugman & Verbeke, 2008: 10). Therefore, the dynamic capability of MNEs to identify and analyse the political risk and change and effectively engage in the appropriate political activities, such as capitalizing on PCs, are critical in this context (Rajwani & Liedong, 2015). For example, political instability or change can easily break or disable the former PCs and force MNEs to face political risk and shock (Sun et al., 2016). For MNEs, the nonmarket environment before and after the foreign investment is different. Senior managers' political networks evolve overtime to supply more relevant and critical resources to solve local and specific challenges.

Thirdly, despite the changes in political institutions and policies, senior managers' human and social capital are also evolving (Luo, Huang, & Wang, 2012). PCs constitute part of the crony capital firms posses. It takes time for senior managers to consolidate the business-government relationships and enhance trust between each other through frequent reciprocity in the host markets. This crony capital manifest as part of *guanxi* culture in China and the *Jeongwan yeu* culture in Korea. In both cases, these examples of crony capital are long-term oriented and could only be understood and leveraged through a lot of experiential learning. Senior managers' relationships with government officials are no exception. Based on the above arguments, the author proposes:

Hypothesis 4: The impact of PCs on firm internationalisation in the post-investment stage is stronger than that in the pre-investment stage.

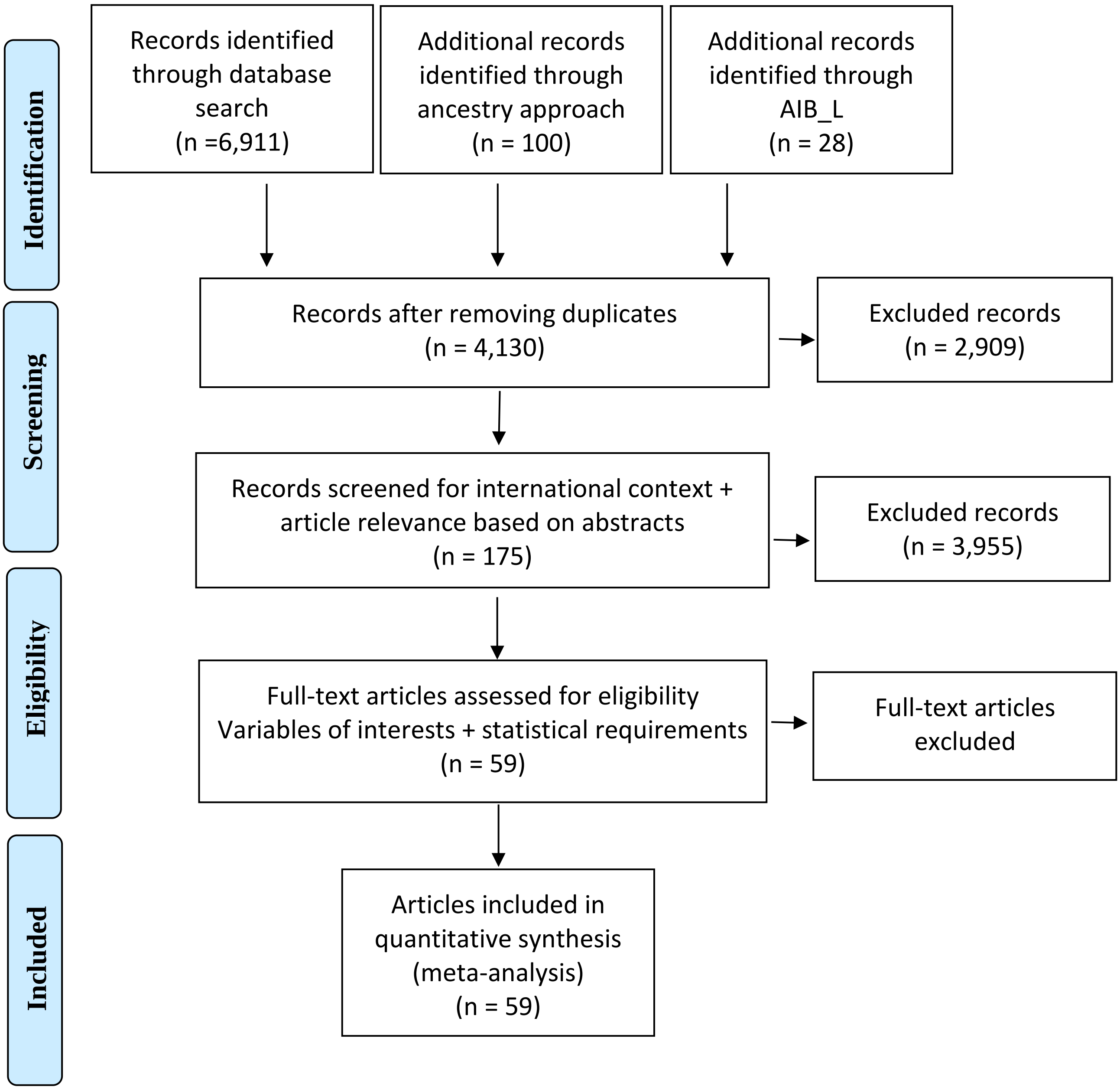
2.3 Methodology

2.3.1 Literature search and inclusion criteria

The author employed multiple search techniques to identify empirical studies that should be included in the final dataset for meta-analysis. First, the author conducted a systematic search of studies on PCs. The author began the search of the literature by using the following leading academic databases: Scopus, Web of Science, Elsevier Science Direct, ProQuest Business Collection, and Business Source Premier. The keywords employed in the literature search were commonly used words to describe PCs (Cui et al., 2018), such as *PCs, political ties, political networks, political* *capital, political resource, political embeddedness, legislative connections, bureaucratic connections, official connections, managerial ties, government connections, government ties,* and *government relations*. Second, the author conducted an ancestry approach to identify the articles cited in a recent narrative review article on PCs and global strategy (Cui et al., 2018). Third, the author sent emails through the official electronic mailing list of the Academy of International Business (AIB-L) to ask for unpublished papers closely related to PCs and internationalisation.

The author followed the PRISMA guidelines (Liberati et al., 2009), as shown in Figure 1. The following five criteria were used to screen the literature for inclusion in the final dataset for this meta-analysis. One, duplicate papers from the three identification methods were excluded from the dataset. After deleting duplicates from the dataset, there were 4,130 articles for further screening. Two, the author read through the abstracts. Only papers which focused on firms' international activities were included, such as export, OFDI, and cross-border strategic alliances. Papers using a cross-national sample but not necessarily addressing a cross-border problem were excluded (e.g., Brockman, Rui, & Zou, 2013). Three, only papers for which the full text was accessible were eligible for the meta-analysis. The author was able to access the full-text papers through the university library, Google Scholar and inter-library loans. Four, the author browsed the full text of the articles. Studies that did not include the variables of interests described in the conceptual framework were excluded. Five, studies that did not provide correlation results were excluded, such as case studies (e.g., Ciabuschi, Kong, & Su, 2017; Welch & Wilkinson, 2004) and theoretical papers (e.g., Bucheli & Salvaj, 2018; Frynas et al., 2006). After applying these five exclusion criteria, there remained 59 papers in the final meta-analysis dataset. The exact list of included articles in the dataset is available upon request.

Figure 2-1 The PRISMA statement of the search process



2.3.2 Coding procedures and measures

The author coded correlations as effect sizes since correlations are “first-best” meta-analytic inputs as they are not dependent on the inclusion of control variables in models (Schmidt & Hunter, 2014). Specifically, the author coded the zero-order correlation between any type of PCs and internationalisation indicators and examined characteristics for each study.

Political connection (PC) is the independent variable. The measure for overall PCs is composed of objective PCs (based on archival data) and subjective PCs (based on survey data). *Internationalisation* is the dependent variable. The measure of overall internationalisation is composed of various types of firm internationalisation, capturing different modes or scales of activities related to entering foreign markets such as export, OFDI, the performance of different international activities, and international diversification, and so on and so forth.

The author included several moderators of the relationship between PCs and firm internationalisation: the origin of PCs (home or host countries), the level of host country market development (developing or developed), and the stage of firm internationalisation (pre-investment or post-investment). Based on the sample characteristics of primary studies, the author uses a dummy variable to code the host and home country (*PC-Origin*). When PCs are formed with political actors in the host country, *PC-Origin*=1. When PCs are formed with the political actors in the home country, *PC-Origin*=0. Similarly, the author used a dummy variable to code stages of internationalisation (*Stage*). If a firm is considering whether, where, how, and how much to invest, it is treated as being in the pre-investment stage of the internationalisation process, *Stage*=1. If, on the other hand, a firm is considering how to control and manage the foreign-invested organizations, it is treated as being in the post-investment stage of the internationalisation process, *Stage*=0. In addition, the author used a dummy variable to code the level of market development of the host country (*Mar-Dev*). If the host country in the preliminary study is a developed country, *Mar-Dev*=1; otherwise, *Mar-Dev*=0.

The author summarised the major variables in this meta-analysis and described how these major variables are measured. The author follows the previous meta-analysis methods to form the composite measure of the major variables (e.g., Luo et al., 2012; Zeng, Grøgaard, & Steel, 2018). This method is Hunter and Schmidt's (2004) method to obtain the composite measure. When a primary study uses different measures for a variable, the author collapsed all the relevant measures into a composite measure. The composite measure is calculated based on inter-correlations between the different measures of the focal variable in the primary study. The details are shown in Table 1.

Table 2-1 Key Constructs and Example Measures

Constructs	*Measures*	*Example Studies*
PCs	Survey-based measures included but were not limited to the following: Do firms' top officers have relationships with political officers in the constituent part of public authorities? (Likert scale)	Adhikari et al. (2006); Klopf and Nell (2018); Liedong and Frynas (2018)
	Database-based measures included but were not limited to the following: Whether top officers (e.g., the board of directors, TMTs) are politically connected (Dummy) Number of politically connected top officers The ratio of politically connected top officers (%) The rank of politically connected top officers	Fernandez-Mendez et al. (2018); Pan et al. (2014); Pinto, Ferreira, Falaster, Fleury, and Fleury (2017)
Internationalisation	Whether the firm enter a foreign market through any of the following modes (export, strategic alliance, and OFDI) or not (Dummy) Counted number of foreign entries, acquisitions, OFDI projects, cross-border deals Foreign-invested subsidiaries' economic performance like ROA, ROE, ROI, market share, sales growth, profit Foreign Sales as a percentage of total sales (%) Foreign employees to total employees (%) Foreign subsidiaries as a percentage of total subsidiaries (%) Count-based number of operating countries	Albino-Pimentel et al. (2018); Chung (2012); Nam et al. (2018); Siegel (2007); Liang et al. (2015); Pan et al. (2014); Yan et al. (2017); Zhang et al. (2016b)
Moderators	PC-Origin Host country PC-Origin=1, if PCs originated from the host country	Klopf and Nell (2018)
	Home country PC-Origin=0, if PCs originated from the home country	Deng et al. (2018b)
	Mar-Dev Developed Mar-Dev=1, if the host market is a developed market	Roy and Oliver (2009)
	Developing Mar-Dev=0, if the host market is a developing market	Zhang et al. (2016b)
	Stage Stage=1, if a firm is dealing with whether, where, how and how much to invest Stage=0, if a firm is dealing with how to control and manage the foreign-invested organizations.	Blumentritt and Rehbein (2008)

2.3.3 Meta-analytic procedures

The author used the meta-analytic software developed by Steel (2007), which follows the meta-analytic method in Schmidt and Hunter (2014), to conduct this meta-analytic analyses. The mean correlations were weighted by sample sizes. The author also corrected for the measurement errors if the reliability coefficients were reported. In cases where the reliability coefficients were not available, only the sampling error was controlled (Schmidt & Hunter, 2014).

The author used Steel (2007) to calculate the number of independent studies (k), sample size (N), effect size (r) and standard deviation (SD_r) when reliability is not corrected, and effect size (ρ) and standard deviation (SD_ρ) when reliability is corrected. The author calculated Q statistics to suggest whether there was sufficient variance from artificial variance unaccounted for or true variance resulting from unexplained moderators (Lux et al., 2011). The author calculated confidence intervals when p is at 0.01, 0.05 and 0.10 following random-effects procedures (Hunter & Schmidt, 2004). The author also calculated 90% credibility intervals to describe variability in the correlations. The author followed Steel (2007) by incorporating some latest insights into the meta-analysis, such as the Bayesian estimation technique, to arrive at the effect sizes (Steel, Kammeyer-Mueller, & Paterson, 2015).

The author calculated the average effect size of the PCs-internationalisation linkage and conducted a series of subgroup meta-analyses within each PCs domain and internationalisation indicator and for each dummy coded moderator, as a practice consistent with prior meta-analysis (e.g., Luo et al., 2012; Zeng et al., 2018). The author used the weighted least square (WLS) regression to run moderator analysis, comparing whether the effect sizes between different subgroups were significantly different. The WLS approach, where the weight used in the regression analysis is based on the inverse of sampling error, is believed to be robust under conditions of multicollinearity and heteroscedasticity (Steel & Kammeyer-Mueller, 2002). In the WLS regression models, the correlations between PCs and internationalisation were treated as the dependent variable, and the proposed moderators were treated as independent variables.

2.4 Results

Tables 2, 3 and 4 present the summary of the results from the meta-analytic techniques described above. The author only reported the 95% confidence intervals to indicate whether the weighted mean corrected effects were statistically significant, which is a practice consistent with prior meta-analyses (e.g., Taras, Steel, & Kirkman, 2012; Zeng et al., 2018). The number of studies and sample sizes varied across the investigated relationships as different studies examined different relationships involving PCs. Altogether, the author analysed 368 effect sizes out of 59 papers with 25,197 observations.

Table 2-2 Meta-analytic Results for Political Connections and Internationalisation

Relationships	*k*	*N*	*r*	*ρ*	SD_r	$SD_ρ$	*Q*	90% Cr. I	95% CI	Hypotheses Tested
PCs – Internationalisation	57	23,310	0.05	0.06***	0.12	0.14	352.82***	[-0.16, 0.27]	[0.02, 0.10]	H1
PCs – Export	10	4,150	0.10	0.12***	0.10	0.12	46.50***	[-0.06, 0.29]	[0.04, 0.19]	
PCs – Foreign strategic alliance	6	1,144	0.13	0.15***	0.10	0.13	12.64**	[0.00, 0.31]	[0.05, 0.26]	
PCs – OFDI	19	6,163	0.10	0.12***	0.15	0.17	136.83***	[-0.14, 0.37]	[0.04, 0.19]	

*** if p < 0.01, ** if p < 0.05, * if p < 0.10.

k: number of studies; *N:* sample size; *r:* weighted correlation; *ρ:* weighted and reliability corrected correlation; SD_r: standard deviation of sample weighted correlation; $SD_ρ$: standard deviation of sample weighted and reliability corrected correlation

Hypothesis 1, which proposes that PCs have a positive impact on firm internationalisation, is supported ($k=57$, N=23,310, ρ=0.06, $p < 0.01$). The significance of the Q statistic and wide credibility interval suggests the existence of moderators. Different modes of international commitment, namely export, strategic alliance, and OFDI, all exhibit significant positive associations with PCs at $p < 0.01$. The results strongly support that PCs facilitate firms' commitment to various types of international activities. Among all the pairwise relationships between PCs and internationalisation, all the 90% credibility intervals, except the PCs-strategic alliance relationship, include zero. This suggests the necessity of moderators to explain the heterogeneity of these relationships.

Table 2-3 Meta-analytic Results for Moderators and Subgroups

Relationships	F	R^2	k	N	R	ρ	SD_r	SD_ρ	Q	90% Cr. I	95% CI	Hypotheses Tested
PC Origin as the moderator	7.07***	0.149	57	23,310								H2
PCs with home countries – internationalisation			42	20,358	0.04	0.04***	0.10	0.12	194.78***	[-0.13, 0.21]	[0.01, 0.08]	
PCs with host countries – internationalisation			15	2,952	0.15	0.17***	0.20	0.24	128.33***	[-0.19, 0.54]	[0.06, 0.29]	
Host country market development as the moderator	0.82	0.073	11	1,964								H3
PCs– internationalisation in developed countries			5	659	0.08	0.09*	0.11	0.12	7.62	[-0.03, 0.20]	[-0.01, 0.19]	
PCs– internationalisation in developing countries			6	1,305	0.15	0.17**	0.17	0.19	38.92***	[-0.12, 0.46]	[0.02, 0.32]	
Host country market development as the moderator (PCs with host countries)	1.09	0.087	9	1,750								H3
PCs with host countries – internationalisation in developed countries			3	445	0.06	0.06	0.10	0.11	4.55	[-0.04, 0.17]	[-0.06, 0.19]	
PCs with host countries – internationalisation in developing countries			6	1,305	0.15	0.17**	0.17	0.19	38.92***	[-0.12, 0.46]	[0.02, 0.32]	
Internationalisation stages as the moderator	3.20*	0.179	36	12,081								H4
PCs – post-investment stage			20	5,907	0.13	0.15***	0.16	0.18	154.85***	[-0.13, 0.43]	[0.07, 0.23]	
PCs – pre-investment stage			16	6,174	0.07	0.07***	0.08	0.08	36.68***	[-0.02, 0.17]	[0.03, 0.11]	

*** if $p < 0.01$, ** if $p < 0.05$, * if $p < 0.10$.
k: number of studies; *N:* sample size; *r:* weighted correlation; *ρ:* weighted and reliability corrected correlation; SD_r*:* standard deviation of sample weighted correlation; SD_ρ*:* standard deviation of sample weighted and reliability corrected correlation

In terms of PCs' origins, the author has found strong support for Hypothesis 2, which proposes that PCs in host countries have a stronger impact on internationalisation than PCs in home countries. PCs with host countries have a significantly moderate positive impact on internationalisation ($k=15$, N=2,952, ρ=0.17, $p < 0.01$), while the positive impact of PCs with home countries is small ($k=42$, N=20,358, ρ=0.04, $p < 0.01$). The difference in effect sizes between the different sources of PCs is significant at $p < 0.01$. Therefore, Hypothesis 2 is strongly supported.

In terms of the differential impact of PCs in developed versus developing host countries, the author did not find significant differences. However, a closer look into the subgroup analyses shows that PCs have a significantly moderate impact on internationalisation in developing host countries ($k=6$, N=1,305, ρ=0.17, $p < 0.01$), but only have a marginally low impact in developed host countries ($k=5$, N=659, ρ=0.09, $p < 0.10$). Similar findings were observed when only PCs in host countries were used to investigate PCs' differential impact in host markets that vary in market development. The number of studies may influence the findings here. However, based on the results, Hypothesis 3 is not supported.

In terms of the internationalisation stages, WLS regression results in Table 3 indicate that PCs have significantly larger impacts on firm internationalisation performance in the post-investment stage of firm internationalisation. The subgroup meta-analysis results also show that PCs have a significantly positive impact on internationalisation performance ($k=20$, N=5,907, ρ=0.15, $p < 0.01$), while the positive impact on internationalisation in the pre-investment stage is small ($k=16$, *N*=6,174, *ρ*=0.07, *p* < 0.01). The difference in effect sizes between the different stages of internationalisation is significant at *p* < 0.10, marginally supporting Hypothesis 4.

As the first meta-analysis on the impact of PCs on firm internationalisation, this study also attempted to investigate the moderating effects of characteristics associated with the methods used in primary studies. Concerning how PCs are measured, PCs based on survey data exert a much larger effect size than PCs based on archival data. For PCs based on survey data, the effect size of PCs on internationalisation is highly significant at 0.23 (*k=15, N*=2,597, *p* < 0.01). For PCs based on archival data, the effect size of PCs on internationalisation is much lower (*k=42, N*=20,713, *ρ*=0.04, *p* < 0.05). Primary studies using survey data to study PCs always use cross-sectional data (e.g., Klopf & Nell, 2018), while those using archival data always use longitudinal data (e.g., Liang et al., 2015). This implies that the nature of empirical data partially explains the heterogeneity of the impact of PCs on firm internationalisation.

Table 2-4 Meta-analytic Results for Methodological Moderators and Subgroups

Relationships	F	R^2	k	N	r	ρ	SD_r	SD_ρ	Q	90% Cr. I	95% CI
Data sources to measure PCs as the moderator	13.14***	0.212	57	23,310							
PCs measured by archival data - internationalisation			42	20,713	0.03	0.04**	0.10	0.11	199.18***	[-0.13, 0.20]	[0.00, 0.07]
PCs measured by survey data - internationalisation			15	2,597	0.20	0.23***	0.18	0.21	93.89***	[-0.09, 0.55]	[0.13, 0.34]

*** if $p < 0.01$, ** if $p < 0.05$, * if $p < 0.10$.

k: number of studies; *N:* sample size; *r:* weighted correlation; ρ*:* weighted and reliability corrected correlation; SD_r*:* standard deviation of sample weighted correlation; SD_ρ*:* standard deviation of sample weighted and reliability corrected correlation

2.4.1 Additional analyses

Meta-analyses results can be distorted by outliers which represent a significant discontinuity from the rest of the studies. However, using a reduced dataset deleting outliers may not always be the best choice. The author followed the recommendation by Geyskens, Krishnan, Steenkamp, and Cunha (2009) and ran all the analyses using both the full dataset and the reduced dataset. Overall, the sensitivity analysis shows that the findings from this meta-analysis are robust. The analysis results using the full dataset are available upon request.

The author also tested the possible publication bias using funnel plots (Rothstein, Sutton, & Borenstein, 2006). The funnel plots suggest that no significant publication bias exists. The author also aggregated the relationships between PCs and several antecedents such as firm size and firm age. This analysis showed no significant results for them, implying that they work similarly in predicting PCs. The results for these additional analyses are available from the author upon request.

2.5 Discussion

Despite the increasing importance of PCs in the international business research field (Chen et al., 2018; Cui et al., 2018), no attempt has been made to synthesize all the inconsistent theoretical explanations and empirical results. This meta-analysis adds clarity to the critical relationship between PCs and firm internationalisation in international business. The government-business relationship is especially important in international business (Boddewyn & Brewer, 1994; Pfeffer & Salancik, 1978). Governments' monopoly control of power leads to a political market for beneficial government decisions

(Boddewyn, 1988). This study emphasises how and how much PCs influence firm internationalisation through firms’ internalisation of the imperfect political markets.

A key advantage of a meta-analysis is that the author can analyse differences across multiple primary studies. These primary studies usually focus on a single-country context or on one type of internationalisation activity. In this study, the author tested the main and conditional effects of this relationship using a sample of 25,197 observations from 60 independent samples in 60 papers. This is the first attempt to use a meta-analysis to clarify the relationship between PCs and firm internalisation and explore possible contingencies. This study responds to the following important research questions: *whether* and *how much* do PCs enable firm internationalisation, and *when* and *where* will PCs have more or less influence on firm internationalisation.

Specifically, this study contributes to the international business literature in the following ways. Empirical findings of this meta-analysis consolidate the finding of previous scholars that PCs facilitate firm internationalisation at an aggregate level. This is based on the result of a sample containing different firms from across the world. This finding is congruent with the theoretical arguments from internalisation theory. MNEs pursue benefit maximization in imperfect intermediate political markets. The author justifies the existence of intermediate political product markets and market perfection following the work of Boddewyn (1988). The market imperfection drives internalisation, and critical political intermediate products, therefore, will be internalised. The review identifies three essential political intermediate products through which PCs positively impact firm internationalisation theoretically. The three crucial political intermediate products are political capital, legitimacy and senior managers' political mindset. Previous studies have explained how firms configure PCs in international business by considering political influence. This political influence derives from three sources. Firstly, political capital, which includes political knowledge and political relationships (e.g., Fernandez-Mendez et al., 2018; Nachum et al., 2018). Secondly, firms' acknowledgement of legitimacy requirements and legitimation (e.g., Bucheli & Salvaj, 2018) and, thirdly, values and cognitive maps of senior managers who make critical decisions during the internalisation process (e.g., Albino-Pimentel et al., 2018; Marquis & Qiao, 2018). The author goes beyond the extant studies and distinguishes this meta-analysis by applying an internalisation theoretical lense to scrutinise and synthesise the arguments from various disparate studies systematically. The author thus provides a more comprehensive understanding of why PCs matter in international business and how PCs generate uncommon FSAs to overcome liability of foreignness. The study's extends internalisation theory by incorporating the role PCs play in firm internalisation.

In addition, our findings show PCs originating from host country political actors exhibit a more salient positive impact on firm internationalisation than PCs originating from home country political actors. It is conceivable that PCs are more relevant and can be more effectively exploited in the same context in which they originate. FSAs developed through exploitation of the intermediate political products by firms should be NLB if developed in home markets but not necessary if developed in host markets. Further, this finding also adds knowledge to the PC literature pertaining to their heterogeneity in an international business context. PC heterogeneity in international business is not well identified before, despite Deng et al. (2018b)'s recognition of ascribed PCs and acquired PCs. According to the definition of PCs in their paper, ascribed PCs are the ownership control of SOEs, while acquired PCs are the personal PCs the author is interested in. This work further breaks down senior managers' personal PCs into those with home political institutions and host political institutions.

Furthermore, this study has unexpected but interesting findings pertaining to whether the host countries' market development matters to the PCs-firm internationalisation relationship. The author hypothesised that PCs' political influence would yield more substantive gains in developing markets with deficient formal institutions compared to in developed markets with comparatively well-established formal institutions. The author conducted this estimation because it is believed that market failure resulting from a lack of formal institutions is more salient in developing compared to developed markets. PCs enable firms to engage politically through their "informal embeddedness" with the dominant institutions. Thus, the government decision-making process could be internalized, which will alleviate the business's political uncertainty. However, unexpectedly, the results do not support the belief that PCs have differential enabling influence on firm internationalisation in countries with different levels of market development.

The results suggest that PCs' importance is not exclusive to developing countries because of their role in compensating for the institutional voids (Ge & Carney, 2016). The significance of PCs are also be pronounced and emphasised in developed countries, such as the USA and Europe (e.g., Rivas, 2012; Saeed & Ziaulhaq, 2018; Yarbrough, Abebe,

& Dadanlar, 2017). This is because PCs facilitate the co-option of the external political environment (Hillman et al., 1999). Besides, literature records that PCs are explicitly included in managerial ties (Chung, 2012; Peng & Luo, 2000). Managerial ties, including business ties and political ties, are influential in developing markets such as China and a developed market such as New Zealand (Chung, 2012; Chung & Kuo, 2018).

Moreover, the evidence also implies that the role of PCs varies from pre-investment to post-investment stages. National responsiveness is closely related to LB FSAs. MNEs could benefit from national responsiveness in the host countries if the subsidiaries created the capability in recombing specific advantages from both firm and country factors (Rugman, Nguyen, & Wei, 2016). Due to a greater degree of experiential learning, MNEs are more capable of understanding the political process, policies in the post-investment stage and manage the government-decision making process. Therefore MNEs can develop new capabilities to recombine FSAs and CSAs within host markets and bring national responsiveness benefits. The managerial implications are that firms' relational political strategy is even more critical after the foreign investment. At this stage, MNEs have an opportunity to generate higher-order FSAs by combing LB FSAs and CSAs in the local context.

Finally, the results also indicate that subjectively measured PCs have a more significant impact on firm internationalisation than objectively measured PCs. This may suggest that top officers with PCs tend to attribute firm internationalisation to their political resources conferred through their PCs with dominant political actors. Their perception of the effect of PCs may have gaps with the realized impacts (Birkinshaw, Holm, Thilenius, & Arvidsson, 2000). In this meta-analysis sample, 25 primary articles measured PCs based on survey data, but not all of them (at least seven papers) rigorously dealt with common method bias problems. This could be a potential source of systematic measurement error when both "the dependent and the independent variables are perceptual and from the same source" (Chang et al., 2010). Future research needs to pay attention to common method bias when survey data is used as opposed to archival data.

In addition to contributing to the international business literature, this study also contributes to the nonmarket strategy literature. The literature on firm nonmarket strategy especially corporate political activities, analyses how firm political engagement influences firm performance through its financial strategies like campaign contributions, informational strategies such as lobby, and particularly relational strategies like PCs or government -business relations (Rajwani & Liedong, 2015). PCs as top officers' boundary spanning linkages are the most complex and subjective political strategies. This is because PCs can be formed through almost all different kinds of political activities, and PCs are embedded in various social contexts. In international business in particular, political actors are recognized to be continually interacting and coevolving together with MNEs (Boddewyn & Brewer, 1994). Political actors like the governments are significant forces that shape the institutional environment of MNEs, while in turn, MNEs can shape the political agenda at the national or super-national level (Doh & Lucea, 2013).

In addition, this study contributes to PC literature. This work adds to the PC literature by identifying the heterogeneity of PCs, such as PCs originated from home or host political institutions in the international business context.

2.5.1 Limitations and Future Research Implications

Despite the above-mentioned contributions, the results from this study need to be interpreted with some caveats as a result of some limitations of the meta-analytic approach. First, most Q statistics are highly significant, and most credibility intervals cross zero, suggesting a generalizability issue even for significant results.

Second, a sufficient number of primary studies for some important concepts are a precondition for the meta-analysis. For instance, it is believed that PCs are more valuable in developing countries (Schweizer et al., 2019). However, the findings do not support this belief. Only five studies investigate the PCs' impact in developing host countries, and six studies investigate host developed countries. Therefore, the findings may not be generalizable to the population.

Third, there may be an issue with regards to the validity of the measurements of PCs because of the variations in countries. Take China and France for comparison. PCs of senior managers in China may be represented in the People's Congress, or the People's Political Consultative Congress (Fan, Rui, & Zhao, 2008) or being a member of the Communist Party of China (Li, Meng, Wang, & Zhou, 2008a). In contrast, PCs of senior managers in France are measured from the alumni of the prestigious Ecole Nationale d'Administration (ENA) government school (Albino-Pimentel et al., 2018).

Fourth, significant Q statics and wide credibility intervals suggest the existence of heterogeneity and moderators. However, moderator research is constrained by the characteristics and scope of primary studies (Hunter & Schmidt, 2004). To test the moderating effects of important theoretical contingencies of the PCs-internationalisation link, the author needs to make sure there is appropriate data. Because of the limitations in the empirical designs of primary studies, the author cannot test other essential moderators at the industry or firm-level other than the country-level. As a result, the author proposes the following directions for future studies that could help us further understand the boundary conditions in the PCs-internationalisation link.

(1) State-owned enterprises (SOEs) have easier access and more intense critical resources than non-state-owned enterprises (Pan et al., 2014). Former research finds PCs have a more substantial impact on SOEs' organisational performance than non-SOEs (Luo et al., 2012). However, the author could not include state ownership as a moderator in this meta-analysis. This is because the author could only clearly identify one study whose sample contains only SOE firms and four studies whose samples contain only private firms. The author suggests that future studies need to revisit the PC-internationalisation relationship by including SOEs and non-SOEs in different sub-samples.

(2) Industry is also a critical moderator that may influence the PCs-internationalisation relationship. One example of this may be that heavily regulated industries are more critically influenced by public policies. Hence, PCs are more prominent in these industries as they serve to alleviate firms' heavy dependence on government and have a greater degree of influence on firm performance compared to less regulated industries (Hillman, 2005). A second example may be that well-resourced industries attract more supported by the government to venture abroad (Chen et al., 2018). Third, certain industries are more likely to be exposed to political risk than others (Makhija, 1993). Forth, some industries are more encouraged by policies to invest abroad.

In China, for instance, specifically encouraged industries are listed in *Catalogue for the Guidance of Foreign Investment Industries* released by the National Development and Reform Commission and the Ministry of Commerce in China. However, the author's ability to conduct the moderator exploitation in this meta-analysis is constrained by the dataset's sample characteristics. The author could only identify 16 studies with a clear description of industry out of 59 studies in this meta-analysis. Out of the 16 studies with a description, 12 studies focused on manufacturing industries. As different industries are mixed, the author was unable to classify them into subgroups such as heavily or less regulated industries or well-resourced or not,. Therefore, the author was unable to conduct the moderator exploitation at a meaningful industry level. As a result, the author encourages more studies to consider whether these industry characteristics influence the PC-internationalisation relationship.

(3) Political regimes can be another essential cross-national contingency that needs to be investigated because they have a crucial influence on how PCs are formed and used. For instance, authoritarian and democratic regimes are different political regimes. Instead of transparent and impartial enforcement of laws under the democratic regimes, governance under an authoritarian regime is often ambiguous and opaque (Clarke et al., 2008). Additionally, in a country transforming from an authoritarian regime to a market-oriented regime such as is the case in China, political actors and MNEs co-evolve in the rapidly changing environment. However, the author could not identify any primary comparative study about the role of political systems. Further studies may also draw more

insights from political science to investigate how MNEs engage in political activities and establish PCs over time under different political systems.

(4) Despite the finding of different PCs with host political institutions and home political institutions in this meta-analysis, types of PCs still need to be explored and clarified because they may have different impacts on firm internationalisation. Compared to personal PCs, institutional political linkages through government ownership arrangements are frequently mentioned in firm internationalisation (Cui & Jiang, 2009; Wang et al., 2012). Depending on the characteristics of PCs, researchers have customized PCs as ascribed or acquired (Deng et al., 2018b), central or local (Zheng et al., 2015), a manager's or a board's (Liang et al., 2015), an official or a quasi-official (Lee & Wang, 2017), legislative or executive (Naunghathai, 2018) and so on and so forth. The heterogeneity of PCs has become a popular research topic because researchers believe unpacking heterogeneous PCs enables a better understanding of PCs' nature and functions (Deng et al., 2018b; Jia & Zhang, 2016; Sun et al., 2015). However, it is still premature to conduct a meta-analysis focussed on the heterogeneity of PCs because there is no consensus regarding the classification of PCs yet in the literature. Furthermore, the number of papers in each classification is not sufficient. Therefore, a clear typology of PCs and more primary studies will be very helpful in the future.

2.6 Conclusion

The author has synthesized 59 studies in this meta-analysis, and the results indicate that PCs are positively related to firm internationalisation. PCs with the host or home country government, in early or late stages in the internationalisation process, and in developing or developed host markets are identified as essential contingencies for the PCs - internationalisation relationship in this study. The author proposes future directions to fine-tune understanding of this relationship at the firm, industry and country levels. Methodologically, common method bias, measurement validity and generalizability issues need to be taken into account. This study offers practical insights for multiple stakeholders.

3 CHAPTER 3 POLITICAL CONNECTIONS AND FIRM EXPORT DURING INSTITUTIONAL TRANSITION: EVIDENCE FROM CHINESE PRIVATE FIRMS

3.1 Introduction

Political connections (PCs) are senior managers' boundary spanning linkages with political officers in governments and their constituent political institutions, and they are critical and prevailing in Chinese business (Chen et al., 2018; Faccio, 2006; Sun et al., 2012; Yang & Tang, 2020). PCs play a role in a variety of firm outcomes such as firm performance (Haveman et al., 2017; Xu, Yuan, Jiang, & Chan, 2015; Zheng et al., 2015), firm value (Liu, Lin, & Wu, 2018; Sun et al., 2015), firm investment (Zhou, 2013), and firm financing activities (Piotroski & Zhang, 2014). Recent studies also recognize the role PCs play in international business, such as mergers and acquisitions (Schweizer et al., 2019), outward foreign direct investment (Deng et al., 2018b), and firm internationalisation (Du & Luo, 2016; Ma et al., 2016; Zhang et al., 2016b). Despite these studies' invaluable contribution, export, as the most common foreign entry strategy, hasn't been well studied in the Chinese context.

Current empirical results of the PCs-export relationship in the Chinese context are limited and inconclusive (e.g., Sharma, Cheng, & Leung, 2020; Zhang, Liu, & Wang, 2020). Export performance is associated with internal and external resources that enable firms to conquer the export barriers and resource constraints to export (Chen, Sousa, & He, 2016a; Sousa, Martínez-López, & Coelho, 2008). Some studies suggest that PCs positively affect exports because political connections confer political privileges and protection (Zhang et al., 2020). These privileges provide firms with easier access to resources like export and import licences, bank loans and government contracts (Du & Girma, 2010; Haveman et al., 2017). Others indicate PCs have an adverse impact on firm exports because such political privileges and protection are mostly bound in the domestic markets and negatively affect firms' decision to do business abroad (Deng et al., 2018b; Du & Luo, 2016; Sharma et al., 2020). Besides, managerial inefficiency caused by PCs could also inhibit export (Ding, Fan, & Lin, 2018). Given the inconclusiveness, the author revisits the PCs-export relationship drawing insights from resource dependence theory (RDT).

RDT suggests that "To understand the behaviour of an organization, you must understand the context of that behaviour-that is, the ecology of the organization" (Pfeffer & Salancik, 1978: 1). Drawing on RDT, the author proposes that PCs alleviate Chinese private firms' resource dependence on the government during the institutional transition and generates comparative advantages in the domestic market. The Chinese market is transitioning from a centrally planned market to a market-oriented market through liberalization, restructuring and privatisation, and legal and institutional reforms. Consequently, the market transition features new business opportunities home and abroad (Wright et al., 2005; Xu & Meyer, 2013). However, the opportunities are accompanied by challenges mainly manifested in deficient institutions, heavy government intervention, inefficient markets and high uncertainty (Child & David, 2001; Hoskisson et al., 2013; Khanna, Palepu, & Sinha, 2005).

Governments are not only regulators but also strategic resource controllers. Given that governments dominate the institutional transition by implementing policies and permitting licenses, private firms depend highly on the governments to get resources and legitimacies (Fan et al., 2007; Li & Zhang, 2007; Zheng, Singh, & Chung, 2017). To cope with the dependence constraints, firms could respond by either avoidance or adaptation strategy, according to RDT (Pfeffer & Salancik, 1978). On the one hand, firms could seek foreign markets to avoid home institutional constraints (Du & Luo, 2016; Luo & Tung, 2007). On the other hand, firms may seek ways to absorb government dependence by co-opting business elites with a political background (Hillman, 2005; Lester et al., 2008). RDT suggests that senior managers' PCs serve as a common form of co-optation for firms to manage the resource dependence on governments in emerging economies (Chen et al., 2018; Rajwani & Liedong, 2015; Zheng et al., 2017; Zheng et al., 2015). How PCs influence the firm's export decision thus is mainly dependent on how much the PCs could alleviate the dependence and constraints imposed by the home governments and therefore reduce the cost of doing business at home compared (Du & Luo, 2016; Lee, Yin, Lee, Weng, & Peng, 2015).

Another limitation in the current international business literature is that PCs' heterogeneity and complexity have not been well studied (Albino-Pimentel et al., 2018; Fernandez-Mendez et al., 2018). Former research has explored the boundary conditions about the PCs-export relationship in the Chinese context, such as the ownership types (Sharma et al., 2020), modes of export (Zhang et al., 2020), and industrial sectors (Ding et al., 2018). The author adds to the knowledge of the PCs-export relationship by exploring the heterogeneity of PCs. This was done by investigating CEOs' PCs in executive and legislative governmental branches. In China, executive branches like the State Council and the Ministry of Commerce have the function of implementing various economic policies. Meanwhile, legislative branches like the National People's Congress have the function of enacting laws and regulations. Executive and legislative branches vary significantly on their positional power and status in the political process so that they may provide different political influence and resources (De Figueiredo, 2009). Thus executive and legislative governmental branches vary significantly as the targets of firm political activities to obtain strategic resources and legitimacy (Sun et al., 2012; Zheng et al., 2017). Besides, CEOs' PCs at different administrative levels, such as the higher level of a state or a province and the lower level of a county or a town, have varying capabilities of political influence and resource provision (Ma et al., 2016; Wu, Li, & Li, 2013; Zheng et al., 2015). Given the different abilities to alleviate the institutional constraints and confer resources and legitimacy, the author proposes PCs of various administrative levels exert different influences on a firm's decision to export. However, the varying impacts different PCs may have on exports is still under-investigated.

This research will contribute to the international business literature of the PCs-export relationship by closely incorporating the context of institutional transition in China. Drawing on RDT, the author argues that PCs serve as a form of co-optation for firms to manage resource dependencies so that firms could access strategic resources and legitimacy. Co-optation is achieved because PCs provide firms with a channel through which firms could influence the enactment, interpretation, and implementation of policies and regulations (Pfeffer & Salancik, 1978; Zheng et al., 2017). With a favourable political environment generated by conferring PCs, firms' dependence on government at home is alleviated. Thus, politically connected firms are less likely to export to a foreign market to avoid dependence. Indeed, operating at home is more cost-effective for politically connected firms. The cost of whether domestic firms should engage in export activities in a transition economy is tied to the relative cost of doing business at home (Lee et al., 2015). Further, the author goes beyond the former investigation of the PCs-export relationship by looking at the various roles of heterogeneous PCs. This includes the different functional governmental branches and administrative levels.

Second, this study will also contribute to the emerging economy nonmarket strategy literature by analysing the relationship between PCs and export performance in China. The author takes context seriously and disentangles the complexity of China's institutional logic (Jackson & Deeg, 2008). PCs are significant in the current institutional context as they exhibit institutional relatedness under China's institutional transition (Sun et al., 2017). Institutional relatedness is defined as "informal embeddedness with the dominant institutions in the environment that confer resources and legitimacy on the focal organization" (Peng et al., 2005: 623). PCs, therefore, can substitute formal institutions and guide businesses during the institutional transition (Du & Luo, 2016; Peng & Luo, 2000). Notably, PCs with various institutions may represent different types of institutional relatedness and thus impact firms' strategic decisions.

The remainder of this study is structured as follows. The author first reviews the literature about the relationship between Chinese firms' PCs and their export performance during the institutional transition. Next, the author explains the complexity of the PCs-export relationship from RDT by investigating PCs of legislative and executive functions and different administrative levels. The hypotheses are then developed. The author also describes the data and conducts the empirical examination based on a sample of 709 Chinese publicly-listed private firms from 2008 to 2013 with 2411 firm-year observations. The author reports and interprets the findings. Finally, the author discusses the managerial implications, limitations and future research directions.

3.2 Theoretical framework

3.2.1 Private firms' political connections and China's institutional transition

Unlike Eastern Europe and the former Soviet Union that initiated a rapid grand state-guided reform to a market economy, China takes step-by-step changes, trials, and corrections, even reversal policies to reform to a market-oriented economy since 1979 (McMillan & Naughton, 1992). Thus, institutions from the planned economy developed into the institutional system, where two institutional logics -state control and market liberalization- often coexist in China (McMillan & Naughton, 1992; Sun et al., 2017). Because of embedded institutions in the country's long administrative tradition during the stage of economic transition, Chinese governments still have a heavy influence and constant intervention in the Chinese economy (Child & David, 2001; Lin, Tan, Zhao, & Karim, 2015; Yang & Tang, 2020; Zheng et al., 2017). Against this background, market-oriented institutional change becomes highly complex and uncertain. There is a shortage of necessary market institutions to support basic business operations (Child & David, 2001; Schweizer et al., 2019; Sharma et al., 2020).

Therefore, Chinese firms face tremendous obstacles in doing business due to the lingering legacy of the planned economy and the slow development of market-supporting institutions (Li et al., 2008a). Private firms suffer more because of their inferior political status. There is a lack of a viable and reliable legal system and effective and consistent legal enforcement to protect property rights (Sheng et al., 2011). Thus, given the missing property rights protection mechanisms, private firms often face the risk of profit appropriation by government officials (Marquis & Qiao, 2018). Further, private firms also face severe difficulties in financing, such as access to bank loans, government subsidies and tax breaks because such financial resources may be largely reserved for state-owned firms (Li et al., 2008a; Piotroski & Zhang, 2014; Song, Ai, & Li, 2015; Zheng et al., 2017). Given these obstacles, PCs are attractive for private firms to overcome political discrimination and alleviate the high uncertainty they face in the business environment (Schweizer et al., 2019). Indeed, there is a significant number of private firms pursuing PCs. Private firms' senior managers like CEOs will try to adopt the "red hat" by seeking political affiliations in governments, and they are recognized as "red capitalists" (Du & Girma, 2010; Yang & Tang, 2020). PCs go beyond social relationships by serving as informal institutions during the institutional change in China. The institutional environment is characterized as follows: "In this formerly closed, state-dominated system, institutions have developed into a massive inter-dependent, a multilevel network whose logic of operation depends much on political influence and personal relationship as on concern for efficiency" (Child & David, 2001: 6).

On the one hand, private firms build PCs to "unbind" themselves from adverse government intervention. For example, PCs are conducive for private firms to circumvent government appropriation and reciprocate government support and political protection (Dickson, 2003; Du & Girma, 2010; Yang & Tang, 2020). Through PCs, strategic political management enables firms to shape the government decision-making process and intentionally create a favourable public policy environment (Hillman, Withers, & Collins, 2009). On the other hand, firms build PCs to "bind" themselves to favourable government policies as the governments still have monopolistic control of essential resources and legitimacy (Liu et al., 2018; Zhang, Marquis, & Qiao, 2016a). For example, the Chinese government remains controlling scarce resources like land, bank loans, subsidies, tax breaks so on and so forth (Sheng et al., 2011). There is a sizeable literature about the facilitating role of PCs in accessing bank loans (Kung & Ma, 2018), obtaining fiscal subsidies (Minggui, Yafu, & Hongbo, 2010), getting tax breaks (Sheng et al., 2011) and thus influencing firm performance and value. Politically connected firms are more likely to access funding and opportunities from science parks and business incubators established by governments in China (Amanois, 2017). In contrast, evidence also shows firm value could be jeopardized if there is political pressure. This political pressure is from political officials who want to engage in rent-seeking behaviour (Chen, Li, Luo, & Zhang, 2017).

Whether firms could circumvent the adverse interventions and bind themselves to favourable policies depends on the political influence they are able to access. One of the most common ways to obtain political influence during the institutional transition in China is to develop personal relationships with government officials who have power (Child & David, 2001). This is because firms recognize in the context of institutional transition, “Who you are” and “Who you know” matter for business operation efficiency. This resonates with the *guanxi* culture from Confucianism that people build trust through social reciprocity and expect the exchange of benefits in the longer term. Indeed, as a result of the *guanxi culture*, managerial connections like PCs or business connections become the lifeblood in China's business communities (Chung, 2012; Li et al., 2008b; Peng & Luo, 2000). Generally, the author argues that a firm is politically connected if the CEO has a political background. Given the lack of study on PCs' complexity and heterogeneity, the author proposes that a more in-depth exploration of PCs is essential. PC heterogeneity constitutes an important origin of distinct political influence in firms. This study helps to disentangle the heterogeneity of CEOs' PCs with governmental executive and legislative branches and various political positions belonging to different administrative levels.

3.2.2 Political connections and export in China-A resource dependence perspective

Exports play a key role in the first step in firm internationalisation. It requires a minimal amount of resource commitment compared to other foreign entry modes and represents the most popular mode of foreign market involvement (Yan et al., 2017). Export performance is influenced by both internal factors such as firm characteristics and capabilities, management characteristics, and external factors, including industry-level and country-level characteristics (Chen et al., 2016a; Sousa, Ruzo, & Losada, 2010; Sousa et al., 2008). Compared to domestic sales, export incurs extra cost such as transportation and communication and is associated with higher uncertainty originating from unfamiliarity with the foreign market. For instance, the foreign exchange risk (Lu, Xu, & Liu, 2009). An export firm will be exposed to a distant business landscape of institutions, cultures, customers and competition (Yan et al., 2017). Thus, there are higher resource requirements, especially financial resources, for firms to export in comparison to selling domestically. Emerging firms face salient resource constraints to internationalise because of the institutional voids of poorly developed capital and labour markets and heavy government intervention (Khanna et al., 2005; Wright et al., 2005).

Because institutions fail to provide firms with efficient governance mechanisms and access to critical resources, firms depend highly on governments to access critical resources (Child & David, 2001; Zheng et al., 2017). The criticality and availability of the resources determine the degree of dependence (Casciaro & Piskorski, 2005; Pfeffer & Salancik, 1978). RDT indicate firms take either avoidance or adaptation strategies to alleviate firms' external dependence on governments (Hillman et al., 2009; Pfeffer & Salancik, 1978). PCs serve as a form of co-optation for firms to manage the resource dependencies so that firms can influence the enactment, interpretation, and implementation of policies and regulations (Pfeffer & Salancik, 1978; Zheng et al., 2017). Thus, firms, by using PCs, can create a more favourable environment for themselves through the coordination achieved by communications and consensus between firms and reduce the uncertainty and dependence in doing business in the home market. (Hillman et al., 2009; Pfeffer & Salancik, 2003). Potential benefits from PCs to the firm include legitimacy, access to private information, special communication channels with the government, and possible government support to resolve problems (Pfeffer & Salancik, 1978). Therefore, with the dependence reduced by the adaptation strategy, there will be less need for firms to take the avoidance strategy of going to a foreign market (Deng et al., 2018b; Du & Luo, 2016). This is because the objective for the firms is primarily to avoid having to operate in an environment with weak institutions and therefore be at the mercy of discriminative competition associated with their inferior political status at home.

Therefore, PCs will reduce the firms' willingness to export because the cost and constraints of doing business at home are alleviated (Lee et al., 2015). First, politically connected private firms are more likely to improve their political status in the home market because of favourable political support and protection. This is because, given the inferior political status and poor property right protection (Chen, Li, Su, & Sun, 2011), private firms are more exposed to political risks such as the "grabbing hand" of local government officials and discriminatory taxes or fees (Kung & Ma, 2018). Political protection helps private firms shield the "grabbing" hand from the governments. Secondly, politically connected private firms are less likely to be denied accessing critical financial resources such as bank loans. A potential reason is that the most critical resources in a strategic industry, such as the banking system, are still strictly controlled by the state (Chen et al., 2011). According to the China Banking Regulatory Commission 2010[1], State-owned banks administer approximately 75 per cent of the domestic bank loans. Connections with governments make private firms more legitimate and credible to state-owned banks. Thus, politically connected private firms are more likely to access loans from state-owned banks, government subsidies and other discretionary government policies such as tax breaks or waivers for "extra-legal" fees (Li et al., 2008a). Such privileges of accessing critic public resources also manifest in resources in China's institutional intermediaries like science parks and business incubators. Well-connected private firms can enjoy the institutional intermediaries' support even if they are not qualified for the certification and capability requirements. In contrast, if less connected private firms want to benefit from these institutional intermediaries' support, they have to be either locally known or possess adequate skills (Amanois, 2017). Third, PCs can empower private firms to create a favourable business environment at home by influencing the enactment, interpretation and implementation of the policies and regulations, given the significant political,

[1] http://www.cbrc.gov.cn/

economic, and institutional uncertainty during the transition (Hoskisson et al., 2013; Wright et al., 2005). Against this background, PCs enhance private firms' probability of shaping the government decision-making process by facilitating firms’ access to policymakers and enhancing firms’ bargaining power (Boddewyn & Brewer, 1994).

Furthermore, politically connected private firms face legitimacy problems when they operate abroad because their appearance may raise political concerns in the host market. Indeed, political influence is identified as a salient factor behind emerging firms’ foreign expansion, even though these firms often fall short of traditional competitive advantage with respect to branding and technology (Nam et al., 2018; Yan et al., 2017). National security concerns and unfair comparative advantage are common concerns from the host market actors. For example, Huawei has been banned from the 5G network building in the UK because of UKs’ growing security concerns about China. This liability for Huawei to get legitimacy in the UK directly points to the funder and the former leader Zhengfei Ren’s political background in the military.

In summary, senior managers in Chinese private firms exploit PCs at home to manage the dependence and resource constraints imposed by the governments. Therefore, private firms can obtain a firm comparative advantage to compete in domestic markets rather than in foreign markets (Du & Luo, 2016; Sharma et al., 2020). Considering the above arguments, the author predicts senior mangers’ PCs of private firms has a negative effect on firms’ decision to sell products across borders.

Hypothesis 1: CEO’s political connections negatively impact Chinese firms’ export.

3.2.3 Heterogeneity in political connections and their relationship with export

3.2.3.1 Government functions: Legislative and executive

The extent to which PCs alleviate firms' dependence on government depends on different government branches. CEOs who have a political background in the governmental executive branches and legislative branches may have a distinct ability to alleviate firms' dependence on governments. This difference originates from the functions of executive and legislative governmental branches. Legislative governmental branches have the function of enacting laws and regulations to govern economic activities, while executive governmental branches have the administrative function to make public policies and regulations and execute them (De Figueiredo, 2009; Zheng et al., 2017). In terms of reducing dependence and cost, governments' executives may have the ability to provide greater benefit than government legislators.

Legislative PCs are established by CEOs who are represented in the government's legislative branch, i.e., the National People's Congress and the National People's Congress Standing Committee in China (Pan et al., 2014). Senior managers with a political background in governmental legislative branches focused more on improving citizens' welfare by enacting and amending laws (Li & Liang, 2015). Successful senior managers in private firms tend to hold positions in legislative branches to raise their concerns about social and economic issues. The NPC has the ultimate right to legislate. However, despite the influential role in enacting laws and regulations, legislative branches do not concern themselves with details of implementing and monitoring the public policies and regulations (De Figueiredo, 2009). Thus, government officials in the legislative branches have a weaker influence on state administration and less control of resources. Evidence shows that legislative PCs do not necessarily provide access to critical resources (Fralich & Fan, 2018).

Executive PCs are established by CEOs who have a background in the State Council, Ministry of Commerce, People's Bank of China, and local people's governments at different levels. Due to the control of resources and budgets and the right to issue licenses and give permits, executive branches often become the targets of political strategies from firms in China (Zheng et al., 2017). Thus, government officials in the executive branches have greater latitude in interpreting and implementing the policies for the daily business operation by allocating resources and issuing permits and licenses compared to those in the legislative branches (De Figueiredo, 2009). Therefore, the implementation of market-oriented reform policies is reliant on various executive branches, such as the State Council, Ministry of Commerce, People's Bank of China, and local people's governments at different levels. Without established guidelines, government officials in the executive branches have been innovative in experiments with different regulatory measures and have the discretion to allocate resources and implement policies (Du, Lu, & Tao, 2015; Thun, 2006).

Thus, senior managers who have close contact with the executive branches are more likely to help firms reduce their dependence on governments by accessing critical resources. Consequently, firms with executive PCs are more likely to create a favourable business environment of reducing constraints, cost and risk in doing business at home. So that firms with executive PCs would be less likely to choose an avoidance strategy to sell abroad to reduce their dependence on the home governments. Based on the former arguments, the author proposes:

Hypothesis 2: executive PCs increase the negative relationship between PCs and export in China to a greater degree than Legislative PCs.

3.2.3.2 Level of political connections

China’s political structure is similar to other transition economies, with the central government as a chief administrator and local governments as policy implementers (Lin et al., 2015). There is a clear hierarchy in the government structure that government branches affiliated with different administrative levels must be subject to varying degrees of central control (Xiao, Jeong, Moon, Chung, & Chung, 2013a). In China, the political system comprises one central government, 34 provincial governments, and many municipal and county governments (Wu et al., 2013). Given the government branches' political hierarchy, CEOs may have a different political background at various administrative levels, such as high-levels like the state, province or the low-levels like county or town (e.g., Ma et al., 2016; Zheng et al., 2015). Access to critical resources depends on the power embedded in the political hierarchy. Researchers have identified that senior mangers’ PCs with different administrative levels are associated with varying degrees of government support levels and thus confer resources of various degrees and types (Ma et al., 2016; Wang et al., 2012; Zheng et al., 2015). Therefore, it is necessary to analyse how the CEO’s PCs at various levels make a difference in firms’ strategic decisions like export through alleviating firms’ dependence on government to different degrees.

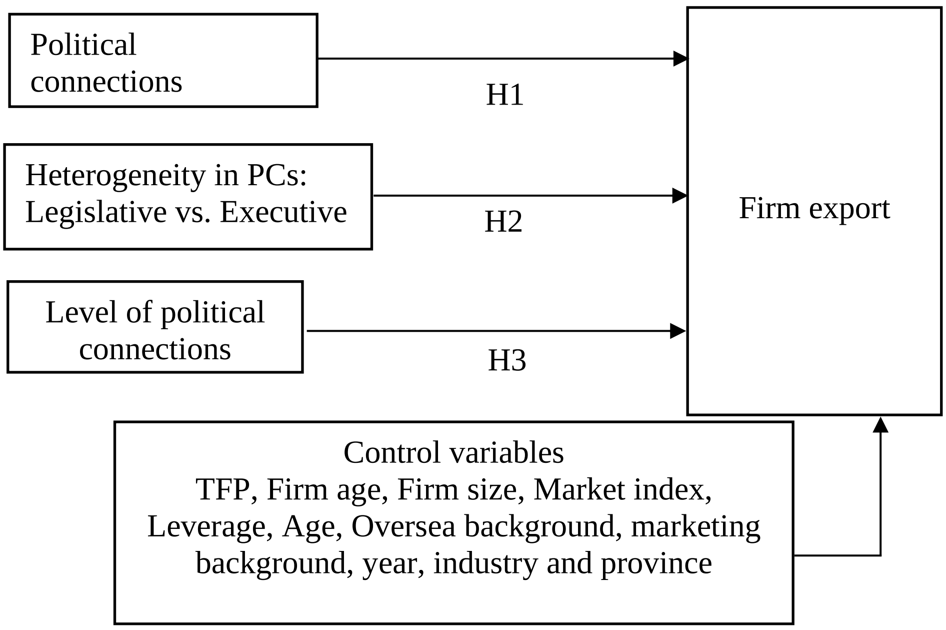
Firms connected with high-level government branches tend to have a greater comparative advantage compared to non-connected firms and firms connected with low-level government branches. The higher the administrative level of the PCs, the higher the power to implement the policies. Higher power is associated with more resources (Casciaro & Piskorski, 2005). In China, power is devolved from the national level to the subnational levels. Therefore, CEOs who have high-level PCs may access more critical resources and administrative privileges than those with low-level PCs and without PCs. Second, CEOs who have high-level PCs are more exposed to China's national policies, which provide access to privileged information and resources which is not available to firms with low-level PCs and without PCs (Xiao et al., 2013a). This is because higher-level governments such as the central government have the national-wide authority while lower-level governments are responsible for specific regions. Lower-levels of governments tend to have greater discretion and are more likely to focus on local issues (Nee, 1992; Zheng et al., 2015). Third, the economic transition pace is guided and dominated by the central government in China (Nee, 1992). Hence, senior managers with a political background in higher positions are more exposed to the national strategic projects and are more likely to benefit from the market-oriented reform, given the increasing liberalization, privatisation and restructuring.

Overall, senior managers who have higher levels of PCs may be more capable of offering firms capabilities in shielding against political and economic risks, providing access to critical resources compared to non-connected firms and firms with lower levels of PCs. Given the strong political influence in reducing uncertainty and alleviating the dependence on home governments, private firms with a high level of PCs are more likely to sell at home than export. Based on the above arguments, the author proposes:

Hypothesis 3: The higher the level of the CEOs' PCs, the less likely the Chinese firm will engage in export.

The theoretical framework displays in Figure 1.

Figure 3-1 Political connections and export in China



3.3 Methodology

3.3.1 Sample and data

Because of the size and level of international business engagement, China is very representative of emerging economies characterized by institutional change and is the most singular of the transition economies (Child & David, 2001). China has a unique combination of political and economic systems. On the one hand, under the authoritarian regime, governments are crucial sources of resources and legitimacy in China (Zhang et al., 2016a). On the other hand, economic reform and opening-up policy encourage market economy mechanisms in China. Deficient institutions and internationalisation promotion exist at the same time. Understanding the role political actors play in influencing firm behaviours is very important in China.

The author empirically tests the hypotheses using a combined panel data from 2008-2013 using the China Stock Market and Accounting Research Database (CSMAR) and Annual Report of Industrial Enterprise Statistics (ARIES) of China. CSMAR and ARIES are informative and reliable databases for academic research (e.g., Liang et al., 2015; Schweizer et al., 2019; Zhou, Gao, & Zhao, 2016) in China. CSMAR adopts the standards of the world-renowned database like Compustat and covers detailed information of China Stock Markets, China Listed Firms, Funds, Industry and Economic Data. In-depth information of "managerial persons' basic characteristics, background characteristics (containing political background, financial background, academic background, overseas background and occupational background), kinships, alumni relations and concurrent positions during their terms of office, etc." [2] is provided by CSMAR. The author can identify CEOs' political background types, levels, PCs status, and control for other important demographic characteristics like overseas working experience or occupational background when examining the PCs-export relationship. The individual-level data is aggregated and transformed into the firm-level to merge with the firm-level dataset AIRES.

ARIES is conducted by China's National Bureau of Statistics and contains detailed annual reports of manufacturing firms whose annual turnover exceed RMB 5 million and account for 90% of total output in most industries. This dataset provides rich information[3], including basic details like firm ID, firm name, founding year, ownership, etc., and financial information like the balance sheet, cash flow statement and income statement. Important variables such as total employees, total assets, total

[2] http://us.gtadata.com/
[3] There are more than one hundred and thirty variables in each year.

liability, total annual sales, total annual export are covered. This enables us to focus on the senior managers' political influence on firm export by calculating and controlling the firm's total factor productivity, which is the key driving force of firm export (Melitz, 2003).

The author first matches the relevant sub-datasets in CSMAR, including China Listed Firms Research Series and Figure Characteristics Series, by the unique stock code and eventually get the firm-level panel data for 2008-2013. Then the author made the annual census data in ARIES a panel for 2008-2013 as well. After merging the two datasets by using the firm names and years, the author further trims the data by the following standards. First, the author excludes observations with missing values on the primary variable export. Second, firms with fewer than eight employees are excluded because they are under a different legal regime (Brandt, Van Biesebroeck, & Zhang, 2012). Third, the author excludes observations without necessary variables to calculate the important control variable total TFP, such as total asset, total employee, and the gross industrial output value (Feenstra, Li, & Yu, 2014). Forth, the author only includes privately-owned enterprises in this study by following (Ding, Guedhami, Ni, & Pittman, 2019) if state ownership is zero. Therefore, the ultimate controller of firms is guaranteed not a government authority (Deng et al., 2018b). The final sample consists of approximately 709 firms from 2008 to 2013 with 2,411 firm-year observations.

The author specifically selected a sample of privately-owned firms to analyse the PCs-export relationship in the Chinese institutional context for the following reasons. Firstly, in the Chinese institutional context, private firms face more obstacles in doing business than state-owned firms due to their inferior political status. The inferior political status results from the lingering legacy of the planned economy and the slow development of market-supporting institutions (Li et al., 2008a). Given the historically centrally planned economy, a sizable state-owned sector is active in China despite the ongoing partial privatisation in the current transition economy (Peng, Bruton, Stan, & Huang, 2016). State-owned firms and private firms both contribute significantly to China's economy, but they have different characteristics and should be analysed separately. Stated owned firms by virtue of belonging to the state benefit from *de facto* PCs. These *de facto* PCs are predominantly institutional PCs. Private firms, however, need to acquire personal PCs by actively using relational strategies. Therefore private firms' CEOs' boundary-spanning connections with government officials are critical as they serve to enhance a private firm's political status. Secondly, previous research indicates the necessity to distinguish PCs that are formed through personal and institutional PCs. This is because personal and institutional PC have different influence on firm outcomes (Deng et al., 2018b; Sun et al., 2015). This thesis focused on personal PCs rather than institutional PCs, and therefore, this is the justification for this thesis research focusing exclusively on private firms. Thirdly, firm managers in a state-owned firm are usually appointed by the government, and therefore, these senior managers usually have a political background. Given state-owned firms whose senior managers also have personal PCs, it's hard to distinguish the political influence exerted on the firms is from the personal PCs or from institutional PCs. Therefore, to have a clear understanding of the role of personal PCs, especially CEO' PCs, play in firm export in the Chinese context, the author only includes private firms in the sample.

3.3.2 Dependent variables

The export sale value is the dependent variable because it indicates the level of exports (Czinkota & Johnston, 1983). Consistent with the literature, the author uses the natural logarithm of export value to reduce its scale (Nam et al., 2018). The 0 values are all replaced by 1 so that the author can still get 0 after the natural logarithm.

3.3.3 Independent variables

Political connections (PCs) are the independent variable. The author defines a firm as politically connected if its COE has a political background in various governments and their constituent political institutions in China (Faccio et al., 2006; Fan et al., 2007). A CEO's PCs equal to 1 if he or she has a political background in Chinese governments or relevant agencies, 0 otherwise. Respectively, the author calculates CEOs' PCs with both governmental legislative branches *(Legislative PCs)* and governmental executive branches (*Executive PCs).* In China, the National People's Congress (NPC) and the National People's Congress Standing Committee (NPCSC) perform the function of legislation. Senior managers are deemed to have legislative PCs if they were/are representing the NPC. Notably, the Chinese People's Political Consultative Conference (CPPCC) and National Congress of the Communist Party of China (NCCPC) are important organs of state power, but they cannot be necessarily deemed governmental legislative branches (Pan et al., 2014). Thus, *legislative PCs* equal to 1 if the CEO has connections with the NPC, 0 otherwise. In comparison, the State Council of the People's Republic of China (SCPR) is the chief executive authority leading a large scale of executive branches in China such as various cabinet-level executive departments, government institutions and local people's governments at different levels. Thus, *executive PCs* equal to 1 if CEOs have connections with governmental executive branches and 0 otherwise. Notably, a CEO could have both legislative PCs and executive PCs at the same time. For example, according to the record in the CSMAR, current CEO Mr Wenbo Xiang of Sany Heavy Industry Co., Ltd has represented in the 11th NPC (indicating legislative PC) and plays a role in China Construction Machinery Industry Association (CCMA)[4] (indicating executive PC). Among our sample, we identified that 494 out of 2,411 observations have PCs, 382 observations have executive PCs, and 242 observations have legislative PCs. The evidence suggests that 130 firms have both executive and legislative PCs. *Levels of political connections* measures different hierarchical levels of CEOs' PCs in administration. The ARISE lists five levels of government affiliations ranging from the state level, the provincial and ministerial level, the department and bureau level, the county and section level and the township and sub-division level. The author denotes numbers 5-1 to the levels ranging from high to low following Wang et al. (2012). If the CEO in a firm has multiple PCs at different administrative levels, the author chooses the highest level to denote the level of the CEO's PCs in a firm.

3.3.4 Control variables

The author includes mainly three sets of control variables based on the relevant literature. The first set of control variables concerns firm characteristics. The second concerns CEOs' characteristics, and the third concerns higher-level factors. First, total factor productivity (*TFP*) indicates how productive the firm is and if it can enter the export market. According to Melitz (2003), only productive firms can enter the export market, less productive firms keep producing for the local market and the least

[4] http://info.cncma.org/list/list_introduction.shtml

productive firms are forced to exist. Besides, firms encompass heterogeneous capabilities to coordinate with political actors (Wang et al., 2012). The author captures firm heterogeneity by calculating TFP, i.e. the Solow residual in the Cobb-Douglas production as Equation 1:

$$LnY_{it} = \alpha_0 + \alpha_1 LnK_{it} + \alpha_2 LnL_{it} + \alpha_3 LnM_{it} + \sum_{k=1}^{m} \alpha_k I\{Industry_i = k\} + \sum_{g=1}^{n} \alpha_g I\{province_i = g\} + \sum_{t=1}^{s} \alpha_t I\{year_i = t\} + \varepsilon_{it}$$

Equation 3-1

Here, LnY_{it}, LnK_{it}, LnL_{it}, LnM_{it} denote the total industrial output, total assets, total employee, total intermediate input of firm *i* at time *t*, respectively. $I\{Industry_i = k\}$, $I\{province_i = g\}$, $I\{year_i = t\}$ denote the sets of dummy variables of industries, provinces and years, respectively. ε_{ij} denotes the idiosyncratic error term. Second, the author controls for *firm age* by calculating the number of years passed since the firm was founded so that the author can capture the impact of firm-specific resources accumulated through time on export. Third, the author captures the scale of the firm by using the total employee as a proxy of *firm size*. Forth, a firm's financing status is captured by *leverage* using total assets divided by total liability.

The second set of control variables is related to CEOs' characteristics. This is because firms' strategic decisions and performance levels reflect senior managers' background characteristics like CEOs (Hambrick & Mason, 1984). Specifically, the author controls for the *age* of the CEOs because CEOs of different ages have different responses to new changes (Tihanyi, Ellstrand, Daily, & Dalton, 2000). In addition, *oversea* captures senior mangers' oversea work experience. This is because senior mangers' international exposure are conducive to firms' international market performance (Agnihotri & Bhattacharya, 2015). *oversea* equals one if the CEO has the oversea study or working experience, and 0 otherwise. *Marketing* captures the functional backgrounds of CEOs in marketing. This is because marketing knowledge and capabilities are essential to firms' export decision and performance (Zou, Fang, & Zhao, 2003). *Marketing* equals one if the CEO has marketing working experience and 0 otherwise.

The third set of control variables belongs to higher levels. First, the author controls for the *market index* from the "China marketization index report," which is produced by the National Economic Research Institute (NERI) (Fan, Wang, & Zhu, 2011). A series of comprehensive indexes[5] are created to capture multiple dimensions of China's economic reform and marketization across provinces and years. The author controls market development because "the level of resource dependence of firms on the government is contingent upon the institutional environment" (Zhang et al., 2016a: 1312). Thus, PCs' effect on export will vary across institutional settings following the argument that institutional environment shapes firm political strategy. Second, the author introduces the dummies of industries based on the Industry Classification 2012, which is used by the China Securities Regulatory Commission (CSRC). Finally, as institutions vary significantly across China's subnational regions, the author also introduces 30 provinces[6] dummies in the model. Finally, year dummies from 2008 to 2013 are included.

[5] There are five dimensions with the marketization index: (1) government-business relationship, private firm development, product market development, intermediary organization and legal system development. This index covers 4 municipalities, 23 provinces, 5 autonomous region, 2 special administrative regions in China.
[6] These provinces include Tianjin, Hebei, Shanxi, Neimeng, Liaoning, Jilin, Heilongjiang, Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong, Henan, Hubei, Hunan, Guangdong, Guangxi, Hainan, Chongqing, Sichuan, Guizhou, Yunnan, Shanxi, Gansu, Qinghai, Ningxia, Xinjiang.

3.3.5 Empirical Analysis

Table 1 reports the definitions and descriptive statistics, including the number of observations, mean, standard deviations, the maximum and minimum values of all the variables in this study.

Table 3-1 Definition of variables and descriptive statistics

Dependent variables	Definition	No.	Mean	SD	Max	Min
Ln export	Natural logarithm of export value	2,411	8.627	5.277	17.80	0
Independent variables						
PCs	Equal to 1 if the CEO has a political background, 0 otherwise	2,411	0.205	0.404	1	0
Legislative PCs	Equal to 1 if the CEO has a political background in the governmental legislative branches of the National People's Congress (NPC) and National People's Congress (NPC) Standing Committee, 0 otherwise	2,411	0.100	0.301	1	0
Executive PCs	Equal to 1 if the CEO has a political background in the governmental executive branches. For example, the State Council of the People's Republic of China (CPRC), local people's governments at different levels, so on and so forth, 0 otherwise	2,411	0.158	0.365	1	0
Level of PCs	The administrative level of the political position of the CEO (Equal to 5 if PC is in the state level, 4 if in the provincial and ministerial level, 3 if in the department and bureau level, 2 if in the county and section level, 1 if the township and sub-division level and 0 if CEO doesn't have a political connection)	2,411	0.633	1.346	5	0
Control variables						
TFP	Total factor productivity of the firm	2,411	2.432	0.483	5.079	-2.667
Firm age	Number of years since the firm established	2,411	17.70	12.92	100	0
Firm size	Natural logarithm of the number of total employees	2,411	7.027	1.358	11.90	2.197
Market index	A comprehensive index of the multiple dimensions of China's economic reform indicating the extent of marketization	2,411	7.566	1.542	9.950	2.530
Leverage	Total assets/total liabilities	2,411	4.780	7.572	188.9	0.0734
Age	The age of the CEO	2,411	47.75	6.474	76	26
Oversea	Equal to 1 if the CEO has an oversea study or working background, 0 otherwise	2,411	0.0709	0.257	1	0
Marketing	Equal to 1 if the CEO has working experience in marketing, 0 otherwise	2,411	0.204	0.403	1	0
Industry control	Industry code from the database of database ARIES					
Province control	30 different provinces in China					
Year control	Different years from 2008 to 2013					

Table 2 reports the correlation matrix for all the variables in this study. The four independent variables, PCs, legislative and executive PCs, and the administrative level of PCs highly correlate with one another. The correlation coefficient between PCs and the components legislative PCs and executive PCs, different administrative levels of PCs are high. However, the different kind of PCs will be used in different regression models separately to check their direct effects on firm export so that the high correlation among the main independent variables should not be a problem. Except for the correlated independent variables, the other correlation coefficients are low. This is confirmed by the variance of inflation factors that range from 1.03 to 1.16, which are far below the threshold 10 (Baum, Christopher, & Baum, 2006). This indicates the collinearity is not a severe issue.

Table 3-2 Correlation matrix of the variables

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Ln export	1.000						
	[2411]						
2. PCs	0.035*	1.000					
	(0.088)						
	[2411]	[2411]					
3. Legislative PCs	0.061***	0.658***	1.000				
	(0.003)	(0.000)					
	[2411]	[2411]	[2411]				
4. Executive PCs	-0.014	0.673***	-0.114***	1.000			
	(0.478)	(0.000)	(0.000)				
	[2411]	[2411]	[2411]	[2411]			
5. Level of PCs	0.032	0.927***	0.750***	0.486***	1.000		
	(0.111)	(0.000)	(0.000)	(0.000)			
	[2411]	[2411]	[2411]	[2411]	[2411]		
6. TFP	0.030	-0.019	0.044**	-0.068***	0.012	1.000	
	(0.136)	(0.357)	(0.030)	(0.001)	(0.545)		
	[2411]	[2411]	[2411]	[2411]	[2411]	[2411]	
7. Firm age	0.102***	-0.052**	-0.015	-0.054***	-0.035*	0.048**	1.000
	(0.000)	(0.011)	(0.466)	(0.008)	(0.088)	(0.019)	
	[2411]	[2411]	[2411]	[2411]	[2411]	[2411]	[2411]
8. Firm size	0.304***	-0.046**	0.006	-0.066***	-0.019	0.136***	0.233***
	(0.000)	(0.025)	(0.781)	(0.001)	(0.359)	(0.000)	(0.000)
	[2411]	[2411]	[2411]	[2411]	[2411]	[2411]	[2411]
9. Market index	0.078***	0.061***	0.055***	0.026	0.041**	-0.067***	-0.065***
	(0.000)	(0.003)	(0.007)	(0.199)	(0.046)	(0.001)	(0.001)
	[2411]	[2411]	[2411]	[2411]	[2411]	[2411]	[2411]
10. Leverage	-0.023	-0.024	-0.026	-0.006	-0.026	0.037*	-0.099***
	(0.255)	(0.240)	(0.198)	(0.774)	(0.194)	(0.072)	(0.000)

	[2411]	[2411]	[2411]	[2411]	[2411]	[2411]	[2411]
11. Age	0.004	0.077***	0.099***	0.005	0.091***	0.013	0.113***
	(0.858)	(0.000)	(0.000)	(0.818)	(0.000)	(0.518)	(0.000)
	[2411]	[2411]	[2411]	[2411]	[2411]	[2411]	[2411]
12. Oversea	0.026	0.096***	0.042**	0.085***	0.090***	0.058***	-0.008
	(0.207)	(0.000)	(0.039)	(0.000)	(0.000)	(0.005)	(0.697)
	[2411]	[2411]	[2411]	[2411]	[2411]	[2411]	[2411]
13. Marketing	0.029	-0.079***	-0.049**	-0.055***	-0.085***	0.044**	-0.015
	(0.154)	(0.000)	(0.016)	(0.007)	(0.000)	(0.031)	(0.456)
	[2411]	[2411]	[2411]	[2411]	[2411]	[2411]	[2411]
	(8)	**(9)**	**(10)**	**(11)**	**(12)**	**(13)**	
8. Firm size	1.000						
	[2411]						
9. Market index	-0.211***	1.000					
	(0.000)						
	[2411]	[2411]					
10. Leverage	-0.191***	0.117***	1.000				
	(0.000)	(0.000)					
	[2411]	[2411]	[2411]				
11. Age	0.063***	-0.001	0.006	1.000			
	(0.002)	(0.942)	(0.758)				
	[2411]	[2411]	[2411]	[2411]			
12. Oversea	-0.055***	0.059***	0.012	-0.098***	1.000		
	(0.007)	(0.004)	(0.557)	(0.000)			
	[2411]	[2411]	[2411]	[2411]	[2411]		
13. Marketing	-0.042**	0.019	0.034*	-0.160***	-0.016	1.000	
	(0.041)	(0.344)	(0.100)	(0.000)	(0.443)		
	[2411]	[2411]	[2411]	[2411]	[2411]	[2411]	

Note: *** p<0.01, ** p<0.05, * p<0.1, the level of statistical significance is reported in the parentheses. Numbers of the pairwise correlation coefficients are reported in the square brackets.

The panel data ranging from 2008 to 2013 is unbalanced panel data because, for at least one of the firms, there are no observations for one or more of the years between 2008 and 2013. However, according to Wooldridge (2010), the fixed-effects method is still valid for analysing the unbalanced panel data as long as the reasons for missing observations are not systematically related to the idiosyncratic errors.

The fixed-effect model was chosen based on the following considerations. The author checked the characteristic of the sample. The panel dataset included the same sample of firms each year from 2008 to 2013. According to Wooldridge (2010), pooled OLS is employed when a different sample for each year is adopted in the panel data. Therefore, a pooled OLS was not suitable due to the characteristic of the sample. The author also conducted three tests to find out which econometric model was the most appropriate for the panel data. The purpose of the test is to choose between the pooled OLS, the fixed-effects model and the random-effects model. First, the author ran the fixed-effects model and obtained the result of the F test. The F test is significant, suggesting that the fixed-effects model is more suitable than the Pooled OLS Model. Second, the author conducts the Breusch-Pagan Lagrangian multiplier (BP-LM) test. The likelihood-ratio (LR) test is significant, suggesting that the random-effects model is more suitable than Pooled OLS Model. Finally, the author conducts the Hausman test. The Hausman test is significant, suggesting a fixed-effect model is more suitable than a random-effects model. Therefore, the fixed-effects model, as shown in Equation 2 is finally chosen for the empirical analysis. The fixed-effects models are shown in Table 3.

$$Lnexp_{it} = \alpha_0 + \alpha_1 PCs_{it} + \alpha_2 TFP_{it} + \alpha_3 Firmage_{it} + \alpha_4 Firmsize_{it} + \alpha_5 Marketindex_{it}$$
$$+\alpha_6 Leverage_{it} + \alpha_7 Age_{it} + \alpha_8 Oversea_{it} + \alpha_9 Marketing_{it} + \sum_{k=1}^{m} \alpha_k I\left\{Industry_i = k\right\}$$
$$+\sum_{g=1}^{n} \alpha_g I\left\{province_i = g\right\} + \sum_{t=1}^{s} \alpha_t I\left\{year_i = t\right\} + \varepsilon_{it}$$

Equation 3-2

Here, $Lnexp_{it}$ denotes the natural logarithm of export value in firm *i* at time *t*. PCs_{it} stands for the CEOs' PCs, legislative PCs, executive PCs and the level of PCs in firm *i* at time *t*. The control variables like *TFP, Firm age, Firm size, Market index, Leverage, CEO age, CEO oversea experience,* and *CEO marketing experience* are included. $I\left\{Industry_i = k\right\}$, $I\left\{province_i = g\right\}$, $I\left\{year_i = t\right\}$ denote the sets of dummy variables of industries, provinces and years, respectively. ε_{it} denotes the idiosyncratic error.

3.4 Results

Tables 3 presents a summary of the results from the fixed-effects model described above.

Table 3-3 Fixed-effects models of Political Connections and Export

	(0)	(1)	(2)	(3)	(4)
	M1	M2	M3	M4	M5
VARIABLES	Ln export	Ln export	Ln export	Ln export	Ln export
TFP	0.390**	0.406**	0.382**	-0.231	0.397**
	(0.189)	(0.190)	(0.189)	(0.679)	(0.189)
Firm age	0.00510	0.00574	0.00534	-0.0506	0.00506
	(0.0143)	(0.0143)	(0.0143)	(0.235)	(0.0143)
Firm size	0.117	0.116	0.120	-0.208	0.118
	(0.0840)	(0.0843)	(0.0840)	(0.232)	(0.0841)
Market index	-0.487**	-0.477**	-0.491**	0.446	-0.479**
	(0.200)	(0.201)	(0.200)	(0.806)	(0.200)
Leverage	0.00573	0.00506	0.00588	0.000856	0.00553
	(0.00993)	(0.00996)	(0.00994)	(0.0629)	(0.00994)
Age	0.0127	0.00714	0.0127	-0.0157	0.0128
	(0.0179)	(0.0179)	(0.0179)	(0.134)	(0.0180)
Oversea	1.069**	1.008**	0.997**	0	1.070**
	(0.497)	(0.498)	(0.496)	0	(0.497)
Marketing	0.0645	0.163	0.0849	-0.164	0.0867
	(0.283)	(0.281)	(0.282)	(1.929)	(0.282)
H1：PCs	-0.996***				
	(0.334)				
Legislative PCs		-0.576			
		(0.382)			
Executive PCs			-1.037***		
			(0.347)		
H2: PCs*Executive				0.593	
				(1.339)	
H3: Level of PCs					-0.274***
					(0.0941)
Constant	9.929***	9.920***	9.915***	8.563	9.812***
	(1.850)	(1.854)	(1.850)	(9.531)	(1.851)
Firm individual fixed-effects	Yes	Yes	Yes	Yes	Yes
Year fixed-effects	Yes	Yes	Yes	Yes	Yes
Province fixed-effects	Yes	Yes	Yes	Yes	Yes
Industry fixed-effects	Yes	Yes	Yes	Yes	Yes
Observations	2,411	2,411	2,411	290	2,411
Number of firms	709	709	709	98	709
R-squared	0.904	0.904	0.904	0.890	0.904

Note: The numbers in parentheses are standard errors. Significance levels are denoted as * *p*<0.1, ** *p*<0.05, *** *p*<0.01

First, as shown in Table 3, Model 1 serves as the baseline, contains the CEO's characteristics, firm characteristics and higher-level control variables. Generally, the CEOs' PCs have a significant negative relationship with export (M1, β=-0.996, $p < 0.01$). Thus Hypothesis 1 is supported.

Second, as shown in Table 3 Model 3, the results of the fixed-effects model show a significant negative effect of *Executive PCs* on export (M3, β=-1.037, $p < 0.01$). This suggests that firms with Executive PCs experience a negative effect on firm export compared to firms without Executive PCs. The results in Table 3 Model 4 also showed that there is no effect of *Legislative PCs* on firm export (M2, $p > 0.1$). This suggests that firms with Legislative PCs experience no effect on firm export compared to firms without Legislative PCs. The author interprets the results in the following way: Executive PCs have a significant impact on providing firms with resources in the domestic market which gives them a comparative advantage in their domestic market. Thus firms with Executive PCs are advantaged by staying in their home markets and are less likely to export. In contrast, *Legislative PCs* do not have a significant impact on providing firms with resources in the domestic market. Therefore, firms' legislative PCs do not significantly influence firms' comparative advantage in terms of their business either in the domestic or foreign markets.

To clearly compare the different effects of *Executive PCs* versus *Legislative PCs* on firm export, the author analysed a subset of the original sample in which firms without any PCs and firm with both types of PCs were removed. This meant that firms with either exclusively *Legislative PC* or firms with exclusively

Executive PCs remained in the subset. The author conducted a Chow test (Chow, 1960) by introducing an interaction term *PCs* Executive* in the fixed effect regression model. Finally, 98 firms with 290 firm-year observations with either exclusively *Executive PCs* or exclusively *Legislative PCs* were included in the subset. In this subset, *Executive* equals to 1 if firms have *Executive PCs* and 0 if firms have *Legislative PCs*. The result showed in Table 3-3 that the interaction term *PCs* Executive* is insignificant ($p > 0.1$). This indicates that statistically, there is no significant difference between the effects of *Legislative PCs* and *Executive PCs* on firm export. Therefore, Hypothesis 2, which states that executive PCs increase the negative relationship between PCs and export in China to a greater degree than Legislative PCs, is not supported.

Notably, the author wanted to be cautious about concluding and generalising these results as the subset of the original sample used for the Chow test is relatively small. A small sample may result in Type II error, that is, a false negative result (Columb & Atkinson, 2016), that the initially significant results will be identified as insignificant. Evidence in Table 3, Model 4 shows that the interaction term *PCs* Executive* is not significant. However, this insignificance may be caused by the small sample: 98 firms with 290 firm-year observations. This is evidenced by other variables such as the *TFP* and the *Market index*. They are previously significant in the original sample results but became insignificant in the subset of the original sample results. The author wants to replicate this test with a larger sample if available in the future.

Third, the level of PCs shows a negative and significant effect on export (M3, β=-0.274, $p < 0.01$), which suggests that the higher the level of the CEOs' PCs, the less likely the Chinese firm will engage in export. Thus, Hypothesis 3 is supported.

3.4.1 Robustness check

3.4.1.1 Heckman two-step model

In this study, some firms export, while others don't, based on firms' export strategy. Thus this may incur a sample-induced self-selection issue (Certo, Busenbark, Woo, & Semadeni, 2016). The author adopts the Heckman two-step approach to tackle the potential self-selection bias. The two-step estimator is consistent and provides the correct standard errors in the second-step regression (Heckman, 1979). Notably, including variables that appear in the first stage but not the second stage is argued very important (Certo et al., 2016). This is known as exclusion restriction". In this study, such variables refer to variables that explain the export propensity (decision to self-select) but are not related to export performance (the outcome of interest). However, it is very hard to find a variable that influences export propensity but not export performance. Theoretically, according to Bascle (2008: 293), "if the candidate variables of the selection equation are as comprehensive as possible, the exclusion restriction variables are not necessary". Therefore, given the difficulty to find an appropriate "exclusion restriction" variable, the author includes many candidates variables in the selection equation to reach comprehensiveness. These candidate variables include the firm-level variables of export propensity like total factor productivity, firm age, firm size, leverage, the individual-level variables like CEO age, oversea experience, marketing experience and the higher-level variables like regional marketization, industries that are important influencers of export propensity. Finally, the author utilizes the same vector of explanatory variables in the first and second stages in the Heckman two-stage model following Nam et al. (2018).

In the first stage, the binary dependent variable reflects whether firms export or not. Thus, the author runs a probit model. The author calculates the Inverse Mills Ratio (IMR) based on the estimation results in the selection model and incorporates them into the model in the second stage. At the second stage, the author estimates the fixed-effects model of export using the independent variables, control variables and the corresponding IMR with firms.

Table 3-4 Heckman two-step of bivariate selection model

	(1) M1	(2) M2	(3) M3	(4) M4	(5) M5
	Panel A: First-stage results of Heckman (Probit Model)				
VARIABLES	Export dummy	Export dummy	Export dummy	Export dummy	Export dummy
TFP	0.337*	0.341*	0.325*	0.106	0.338*
	(0.176)	(0.175)	(0.178)	(0.525)	(0.177)
Firm age	0.0112	0.0116	0.0110	-0.0218	0.0111
	(0.00843)	(0.00839)	(0.00845)	(0.0269)	(0.00843)
Firm size	0.389***	0.390***	0.387***	0.350*	0.389***
	(0.0746)	(0.0746)	(0.0747)	(0.199)	(0.0746)
Market index	0.230***	0.230***	0.229***	0.738***	0.229***
	(0.0752)	(0.0751)	(0.0754)	(0.238)	(0.0751)
Leverage	0.0191	0.0190	0.0195	0.0297	0.0188
	(0.0140)	(0.0140)	(0.0140)	(0.0516)	(0.0140)
Age	0.0161	0.0144	0.0171	-0.0735*	0.0170
	(0.0143)	(0.0143)	(0.0143)	(0.0417)	(0.0144)
Oversea	0.639*	0.612	0.656*	-1.305	0.648*
	(0.383)	(0.381)	(0.383)	(0.970)	(0.383)
Marketing	0.332	0.350	0.307	-1.348	0.326
	(0.243)	(0.242)	(0.244)	(0.949)	(0.243)

PCs	-0.142				
	(0.263)				
Legislative PCs		0.0478			
		(0.339)			
Executive PCs			-0.391		
			(0.287)		
H3: Level of PCs					-0.0593
					(0.0781)
Constant	-3.213***	-3.211***	-3.144***	-1.676	-3.227***
	(1.128)	(1.127)	(1.134)	(3.168)	(1.129)
	Panel B: Second-stage results of Heckman (fixed-effects)				
VARIABLES	Ln export	Ln export	Ln export	Ln export	Ln export
IMR	2.767***	2.790***	2.742***	3.423***	2.758***
	(0.0359)	(0.0361)	(0.0356)	(0.126)	(0.0359)
TFP	0.307***	0.311***	0.295***	0.182	0.313***
	(0.0852)	(0.0851)	(0.0853)	(0.291)	(0.0853)
Firm age	0.00475	0.00562	0.00503	-0.0549	0.00441
	(0.00643)	(0.00643)	(0.00643)	(0.100)	(0.00645)
Firm size	0.247***	0.249***	0.238***	0.174*	0.247***
	(0.0378)	(0.0378)	(0.0379)	(0.100)	(0.0379)
Market index	0.0687	0.0684	0.0726	0.497	0.0732
	(0.0903)	(0.0902)	(0.0904)	(0.345)	(0.0905)
Leverage	0.0113**	0.0102**	0.0118**	0.0110	0.0113**
	(0.00479)	(0.00447)	(0.00479)	(0.0269)	(0.00480)
Age	0.0101	0.00736	0.0108	-0.150***	0.00998
	(0.00807)	(0.00801)	(0.00807)	(0.0574)	(0.00810)
Oversea	0.391*	0.384*	0.351	-	0.372*
	(0.224)	(0.223)	(0.224)	-	(0.224)
Marketing	0.173	0.205	0.145	-0.159	0.194
	(0.127)	(0.126)	(0.127)	(0.825)	(0.127)
H1：PCs	-0.448***				
	(0.151)				
Legislative PCs		-0.199			
		(0.171)			
Executive PCs			-0.672***		
			(0.156)		
H2:PCs*Executive				-0.994*	
				(0.576)	
H3: Level of PCs					-0.123***
					(0.0425)
Firm fixed-effects	Yes	Yes	Yes	Yes	Yes
Year fixed-effects	Yes	Yes	Yes	Yes	Yes
Province fixed-effects	Yes	Yes	Yes	Yes	Yes
Industry fixed-	Yes	Yes	Yes	Yes	Yes

effects					
Constant	7.235***	7.259***	7.284***	13.12***	7.178***
	(0.833)	(0.832)	(0.833)	(4.080)	(0.835)
Observations	2410	2411	2410	290	2410
Number of firms	709	709	709	98	709
R-squared	0.981	0.981	0.981	0.980	0.981
Adj. R-squared	0.969	0.969	0.969	0.965	0.969

Note: The numbers in parenthesis are standard errors. Significance levels are denoted as * p<0.1, ** p<0.05, *** p<0.01

Table 4 shows the empirical results of the Heckman two-stage model. Panel A reports that *PCs* (*PCs*, *legislative PCs*, *executive PCs*, *different levels of PCs*) has a nonsignificant influence on whether firms export or not (Panel A M1 M2 M3 M5, $p > 0.1$). Panel B reports that CEOs' PCs has a significant negative effect on firm export (Panel B M1, β=-0.448, $p < 0.001$). Notably, the IMRs in all five models are significant. However, the author can not conclude if there is a self-selection bias in this model based on IMR. This is because, according to Certo et al. (2016), who demonstrated that it is only appropriate to use the statistical significance of inverse mills ratio as a proxy for sample selection bias if the independent variables of interest (*PCs*, *legislative PCs*, *executive PCs*, *different levels of PCs*) are significant predictors in the first stage. This is because if the independent variables of interest (*PCs*, *legislative PCs*, *executive PCs*, *different levels of PCs*) are not significant in the first stage, though, sample selection will not emerge, regardless of a correlation between the error terms of the first stage and second stage equations (Certo et al., 2016). They prove that the nonzero correlation between the error terms in the first and second stage equations' error terms is the necessary condition for sample selection bias. Therefore, given the insignificant influence of *PCs*, *legislative PCs*, *executive PCs*, and *different levels* *of PCs* in the first stage, the author concludes that there is no correlation between the first and second stage error terms, and Heckman two-stage model is not the optimal choice.

3.4.2 Contributions and implications

PCs are prevailing in China against the backdrop of economic transition. This study investigates PCs' impact on Chinses private firms' export performance based on a combined panel data of the CSMAR and ARIES from 2008-2013. This study contributes to the critical relationship between PCs and export in the international business literature. The empirical result confirms and adds to the literature that CEOs' PCs have a negative impact on a firm's foreign expansion like export (e.g., Deng et al., 2018b; Du & Luo, 2016; Sharma et al., 2020). The author goes beyond the former study by incorporating an investigation of the heterogeneity of PCs into this relationship in the Chinese context. The heterogeneity and complexity of PCs haven't been well explored in the former international business research (Albino-Pimentel et al., 2018; Fernandez-Mendez et al., 2018). In this study, the author distinguished different PCs based on governmental branches' functions (Zheng et al., 2017) and administrative levels (Ma et al., 2016). By doing so, the auhor also adds knowledge to the PCs literature (Faccio et al., 2006; Hillman, 2005; Sun et al., 2015). This is different from the former typology of PCs. Examples of heterogeneous PCs in former studies include ascribed PCs and acquired PCs (Deng et al., 2018b), official PCs and quasi-official PCs (Lee & Wang, 2017), and manager PCs and board PCs (Liang et al., 2015).

The distinction between the legislative and executive government branches is an important investigation of the boundary-condition of the PCs-export relationship in international business literature. This helps us better understand which kind of PCs is more salient in influencing the export decision. Therefore, firms have clearer targets to establish political strategies and engage politically. The results show that executive PCs are more likely to negatively influence Chinese private firms' export than firms with legislative PCs. The mechanism of the negative relationships can be explained from a resource dependence theory, as we discussed. The PCs, especially executive PCs, alleviate private firms' high resource dependence on the Chinese government, so firms have the comparative advantage to sell at home other than export. This implies that private firms in the Chinese domestic market depend more on the executive governmental branches to obtain resources and legitimacy than legislative branches (Zheng et al., 2017).

Further, the distinction between the different levels of PCs also adds to knowledge about how the power embed in the political hierarchy influences the degree to which resources are conferred and thus influences firms' efficiency of doing business at home. Firms' relationship with governments varies depending on the level of PCs (Wu et al., 2013). The distinction between the different levels of PCs is especially necessary and salient in emerging economies. During the institutional transition, the central government dominates the market-orientated economic reform and governments at various administrative levels carry out the reform (Nee, 1992). This means regional governments are also empowered to have the discretion in coordinating economic development, allocating economic resources, such as issuing business licences, allocating fiscal subsidies, and awarding tax benefits (Chen et al., 2011). However, in the authoritarian regime in China, power is devolved from the high-level governments to the low-level governments. It's rare and difficult for private firms to connect with high-level political actors, and thus a comparative advantage is generated for firms with high-level PCs. Firms obtain greater political influence and more critical resources through higher-level PCs than lower-level PCs. With reduced dependence on home governments, doing business at home becomes more efficient than taking the risky decision to export. The empirical result supports the hypothesis that the higher the level of CEOs' PCs, the less likely the Chinese firm will engage in export.

This study also contributes to firm nonmarket strategy literature. RDT suggests understanding the context of organizational behaviour is the premise to understand organizational behaviour (Pfeffer & Salancik, 1978). This study elaborates the ecology of Chinese private firms where institutions are deficient and government intervention is heavy (Hoskisson et al., 2013). The findings of this study coincide with the external institutional environment. The cost and uncertainty of doing business at home are high without the "institutional relatedness" of PCs, which bridges government and firms together efficiently and provides an alternative governance mechanism for firms (Sun et al., 2017). This research shows that nonmarket strategy via PCs could change firms' comparative cost of doing business at home or abroad.

Indeed, the nonmarket strategy is emphasised and valuable, especially when there is no efficient business market (Rajwani & Liedong, 2015). The relational, political strategy like PCs is more common in transitional markets like China compared to developed markets because social capital underlies the economic exchange in emerging and transitional markets (Rajwani & Liedong, 2015). Former research asserts that political contacts or relationship-based PCs are most bound at the local market while political knowledge or knowledge-based PC is mobile and could be transferred across borders (Fernandez-Mendez et al., 2018; Nachum et al., 2018). The finding in this research implies that political knowledge conferred by PCs in an uncertain transition economy is highly contexed specific as "the underdeveloped institutions and complexity of economic transactions make the existence of clear and comprehensive guidelines unlikely" (Zheng et al., 2017: 2012). Furthermore, growing in a business community where *guanxi* culture is the lifeblood, PCs are more effective when all the parties participating in a business transaction understand the assumptions of *guanxi* (Xin & Pearce, 1996). Therefore, it is conceivable that PCs' facilitation role is bound to the domestic market context and sphere in which PCs could be applied and have an influence (Sharma et al., 2020).

Notably, although PCs are effective when institutions are deficient, their effectiveness may go down along with the development of market-oriented institutions. This is because network-based growth strategies may not be viable when institutional constraints are reduced (Luo et al., 2012). Chinese firms need to be prepared for competition in a developed institutional environment, as networks like PCs are necessary but not sufficient for better performance (Peng & Luo, 2000). Considering internationalisation like export, private firms need to strategically develop core competence like technological capability and managerial capabilities to conquer the latecomer disadvantage and become competitive internationally (Xiao, Tylecote, & Liu, 2013b).

3.4.3 Limitations and future research directions

While the results contribute to the understanding of the PCs-export relationship in the Chinese context based on private firms, the results may be limited in generalizability. Yet, the study could be further investigated by identifying the nuances of different institutional contexts (Jack et al., 2013). For instance, it will be interesting to reinvestigate the PCs-export relationship by incorporating a political system's characteristics in another specific context. Also, it will be interesting to do a comparative study of this relationship in developed economies. This is because PCs' effect may be different in different economies with various institutions (Boubakri et al., 2012). A qualitative comparative study between a transition economy like China and a developed economy like the UK could be conducive to distinguishing the mechanisms of how PCs affect firm domestic and international performance. Second, future research can extend this study to explore how the other characteristics of CEOs interact with their political characteristics and jointly impact firm strategic decisions like exporting from a theoretical lens of the upper echelon perspective. This is because senior managers' experience, values and personalities influence their interpretation of a situation and choice in turn (Hambrick, 2007). There is a number of top officers' characteristics to be explored, such as functional backgrounds, international experience, age, educational level, etc. (Agnihotri & Bhattacharya, 2015; Herrmann & Datta, 2005; Tihanyi et al., 2000). The exploration of the possible moderation effect will help to build a more comprehensive understanding of when CEOs' political characteristics have a bigger or smaller impact on firms' strategic choices like export. Third, a longitudinal study may be conducted to better capture the dynamic value of TMT members' international background in the institutional distance-subsidiary performance relationship.

4 CHAPTER 4 HOW DOES TOP MANAGEMENT TEAM MODERATE THE RELATIONSHIP BETWEEN INSTITUTIONAL DISTANCE AND MULTINATIONAL SUBSIDIARY PERFORMANCE?

4.1 Introduction

Institutional distance is defined as the difference between the institutional profiles of the host and home country (Kostova, 1999). It is critical in international business (Beugelsdijk, Ambos, & Nell, 2018a; Hutzschenreuter, Kleindienst, & Lange, 2016) because institutional distance provides explanations for MNEs' behaviours. The mechanism through which institutional difference influences the activities of MNEs is through the transfer of strategic orientation and practices from parent companies to their subsidiaries as well as the establishment of the legitimacy of foreign subsidiaries in host countries (Xu & Shenkar, 2002). There is a range of other factors that have been shown to influence subsidiary performance. These factors include intangible assets (Delios & Beamish, 2001; Nguyen, 2011), financing (Nguyen & Rugman, 2015), entry modes (Zhao, Ma, & Yang, 2017), host country market environments (Gaur, Delios, & Singh, 2007), host country experience (Mata & Alves, 2018), and market learning (Liu, Gao, Lu, & Lioliou, 2016b). Among these diverse factors, it is the institutional distance that is receiving ever greater attention from scholars (Chao & Kumar, 2010; Gaur & Lu, 2007; Shirodkar & Konara, 2017; Trąpczyński & Banalieva, 2016).

Despite some studies indicating that institutional distance might have a positive influence on subsidiary performance as a result of institutional arbitrage (Gaur & Lu, 2007), the dominant view in the literature is that greater institutional distance decreases multinational subsidiary performance due to the liability of foreignness in a different institutional environment (Aguilera-Caracuel et al., 2013; Dong et al., 2017; Liu et al., 2019; Shirodkar & Konara, 2017; Teng et al., 2017; Trapczynski & Gorynia, 2017). Furthermore, the various boundary conditions of the institutional distance-multinational subsidiary performance relationship have also been studied. These boundary conditions include firm ownership (Gaur & Lu, 2007; Trapczynski & Gorynia, 2017) and firm host country experience (Carlsson, Nordegren, & Sjöholm, 2005; Shirodkar & Konara, 2017). However, the existing studies mostly fail to comment on how decision-makers in the TMT interpret and manage the institutional distance. Thus, the research question arises as to why TMT level-factors are important in the institutional distance-multinational subsidiary performance relationship and how TMT-level-factors moderate this relationship.

Managing institutional distance is critical if subsidiaries are to conquer the liability of foreignness (Rickley & Karim, 2018). On the one hand, transfer of strategic organisational practices primarily relies on individual employees in the subsidiary. TMT members in the subsidiary dominate how they interpret and implement strategic organisational practices from the parent company until they are internalised and institutionalised (Kostova, 1999). Given bounded rationality, TMT members perceive and interpret the institutional distance which the MNE faces through their personal lenses, cognitive bases and personal values (Hambrick & Mason, 1984). On the other hand, although the legitimation occurs at the organisational level, senior managers need to form, mobilise, and manage the corporate social capital to establish organisational legitimacy in the social system to which the subsidiary belongs. TMT's international backgrounds and experience influences their ability to deal with challenges during firm internationalisation and influence firm decision-making processes pertaining to their foreign market strategy and performance (Gao, Pan, Lu, & Tao, 2009; Nielsen, 2010; Yaping, 2006).

This study intends to unveil how TMT's international background manifests in TMT expatriates, TMT international experience, and TMT international political background and how this impacts the institutional distance-subsidiary performance relationship. Firstly, expatriates who master the organizational practice at the parent firm but operate at the subsidiary are influential in facilitating knowledge transfer from the parent company (Chang, Gong, & Peng, 2012; Fang, Jiang, Makino, & Beamish, 2010; Kawai & Chung, 2019). However, at the same time, high expatriation represents high control from the parent firm and reduce the local responsiveness, which makes it harder to acquire legitimacy (Salomon & Wu, 2012). Furthermore, expatriation failure, such as the inability to adapt to the new environment and a lack of willingness to learn (Hung-Wen, 2007), will jeopardize expatriates' facilitation of knowledge transfer. Thus, it is still uncertain as to how expatriates will influence TMT's management of institutional distance and, consequently, subsidiary performance. Secondly, former studies suggest that TMT's international experience is influential in various aspects of internationalisation such as diversification and entry mode (Lee & Park, 2008; Mohr & Batsakis, 2019; Tihanyi et al., 2000). However, how TMT's international experience influences TMT's interpretation and management of institutional distance, and consequently, the subsidiary performance, is yet to be researched. Thirdly, TMT's PCs indicate TMT members' governmental experience at home but operate at the host markets. Former research has identified that home PCs are influential in the firm internationalisation process, such as foreign location choice (Li et al., 2018) and the degree of internationalisation (Du & Luo, 2016; Ma et al., 2016). However, TMT's PCs influence TMT's interpretation and management of institutional distance, and consequently, the subsidiary performance has not been studied. Indeed, TMT members with governmental experience may have higher awareness and sensitivity of firms' non-market environment. They have a better knowledge of how to approach and bargain with the critical decision-makers from the host government (Albino-Pimentel et al., 2018; Boddewyn & Brewer, 1994). Thus, this study considers these three TMT international backgrounds to analyse how they influence TMT members' interpretation and management of the institutional distance and influence the subsidiary performance.

This study focuses on 46,803 TMT member observations of 6,150 foreign subsidiaries in 72 host economies based on the Orbis from Bureau van Dijk and World Bank World Governance Indicators (Kaufmann, Kraay, & Mastruzzi, 2011). There are three main contributions to international business and TMT literature. Firstly, the author extends the former theoretical framework explaining the institutional distance-subsidiary performance relationship based on institutional theory (Shirodkar & Konara, 2017; Trapczynski & Gorynia, 2017) by applying an upper-echelon perspective. Second, this study reveals TMT expatriates' role, international experience, and governmental experience in buffering or increasing the negative effect of institutional distance. The findings of the moderation effect of TMT characteristics have implications for MNE subsidiaries' staffing strategy. Third, this study extends the TMT literature in international business by going beyond the current focus on general TMT international experience (Georgakakis, Dauth, & Ruigrok, 2016; Mohr & Batsakis, 2019) and distinguishing different kinds of international experience obtained from different institutional environments, such as strong versus weak institutional environments.

4.1.1 Institutional distance and multinational subsidiary performance

Institutional distance is a crucial concept in international business because of its essential explanatory power of MNE behaviours (Bae & Salomon, 2010; Xu & Shenkar, 2002). It captures the extent of the difference or similarity of institutional environments between two countries (Kostova & Zaheer, 1999). Institutional distance has been regarded as a salient factor influencing subsidiary performance among researchers in international business (Bai, Du, & Solarino, 2018; Nguyen, 2011; Shirodkar & Konara, 2017; Trąpczyński, Halaszovich, & Piaskowska, 2019). This is because the institutional distance is a key driver behind the liability of foreignness (Eden & Miller, 2004). As institutional distance increases, the liability of foreignness increase (Eden & Miller, 2004; Zaheer, 1995). The liability of foreignness is the social cost of doing business abroad associated with the unfamiliarity, relational and discriminatory hazards (Eden & Miller, 2004). MNEs that face the high liability of foreignness will have poor financial performance because of the increasing cost of coordination, transaction, knowledge transfer (Salomon & Martin, 2008; Zaheer, 1995).

Institutional distance influences the multinational subsidiary's legitimation and the transfer of strategic organisational practices from the parent to the subsidiary firm (Xu & Shenkar, 2002). Firstly, institutional arrangements define the social contexts of MNEs and shape MNE behaviours (Kostova, Roth, & Dacin, 2008). The precondition for MNEs to survive and thrive in an institutional field is to obtain legitimacy, i.e., to be accepted and approved by the external constituents in the social system (Dowling & Pfeffer, 1975). Local isomorphism strategy is one way for MNEs to obtain legitimacy by imitating domestic firms' elements (DiMaggio & Powell, 1983). MNEs need to adopt a higher level of local isomorphism strategy, especially when subsidiaries face more significant institutional distance because they have to conquer a higher level of information asymmetry and business model incompatibility in the host country (Salomon & Wu, 2012). In addition, an alternative way for MNEs to be legitimated is to negotiate with the constituting actors in the social system. In terms of negotiation, a political process of interaction, communication or exchange with the constituting actors is involved (Kostova et al., 2008). The bigger the institutional distance, the more efforts necessary for firms to reach the coordination between the MNEs and the constituting actors. Trade-offs between the external legitimacy in the host country, i.e., local responsiveness and the internal legitimacy of the MNEs, i.e., global integration is always a concern of MNEs. A broader institutional distance makes this concern more salient because it triggers the conflicting demands for external legitimacy and internal legitimacy within the MNE system (Kostova & Zaheer, 1999). Therefore, it is harder for MNEs to obtain legitimacy in countries with distant institutions, and institutional distance will negatively affect multinational subsidiary performance.

Except for the legitimation of MNEs, institutional distance also influences the transfer of strategic organisational practices from the parent company in the home country to the subsidiary in the host country (Xu & Shenkar, 2002). “Strategic organisational practices are those practices considered to be dominant, critical or crucial for achieving the strategic mission of the firm” (Kostova, 1999: 308). Organisational practices vary across countries because of the different socio-cultural environment (Kostova & Zaheer, 1999). The bigger the institutional distance, the higher difference between the home and host country institutional profiles. The profiles cover all three pillars of regulative, normative and cognitive institutions. Thus, institutional distance is an obstructive factor in transferring organisational practices. This is because organisational practices that reflect the home country's institutional characteristics may not fit with the host country's institutions (Kostova & Zaheer, 1999). Besides, the success of transfer also depends on the influence of the parent company on subsidiary employees. Whether subsidiary employees have correctly understood, interpreted the strategic practices, and they are motivated to engage in the transfer matter. Therefore, the success transfer is somehow influenced by employees' cognitive and psychological perspective (Kostova & Zaheer, 1999). If the practice is perceived to be conflicting with the regulatory institutions such as laws, normative institutions such as values and norms, cognitive institutions such as the shared conceptions or the frames through which meaning is made, the employees will feel reluctant to implement the practices (Kostova, 1999).

In summary, institutional distance hinders the legitimation of multinational subsidiaries and the transfer of strategic organisational practices to multinational subsidiaries. Consequently, high institutional distance is associated with low subsidiary financial performance. Therefore, the author proposes:

Hypothesis 1: There is a negative relationship between institutional distance and multinational subsidiary performance.

4.1.2 The moderating role of TMT characteristics-an upper echelon perspective

Institutional distance is the key driver of the liability of foreignness (Eden & Miller, 2004) and exerts significant challenges for the senior management of MNEs. As an important but largely neglected contingency in the existing literature, the TMT moderates the institutional distance-multinational subsidiary performance relationship in various ways. The upper echelon perspective gives us a suitable lens to open the black box of the interaction between institutional distance and senior management.

The upper echelon perspective links individuals and organisations together and indicate that organisational outcomes, like subsidiary performance, are partially predicted by decision-makers managerial background characteristics (Hambrick & Mason, 1984). This is because decision-makers strategic choices have the behavioural components that reflect their idiosyncrasies to some extent (Hambrick & Mason, 1984). Each decision marker's unique set of givens influence their cognitive base: "their knowledge or assumptions about future events, knowledge of alternatives and knowledge of consequences attached to alternatives"; and their personal values: "principles for ordering consequences or alternatives according to preference" (Hambrick & Mason, 1984). Given the cognitive bases and personal values, the decision-makers strategic choices are made under conditions of bounded rationality. Firstly, decision-makers have a limited field of vision and selective perception of the situation of operating the multinational subsidiary in a different institutional environment. Secondly, the situation is interpreted through mangers' personal lenses of cognitive base and values (Hambrick & Mason, 1984). Thus, other things being equal, different decision-makers with different idiosyncrasies such as past international experience may perceive and interpret the situation of operating a multinational subsidiary in a host country with distant institutions in different ways. Consequently, they will manage the situation in different ways based on their cognitive maps shaped by the experience, which will finally result in different subsidiary performances. This study captures the central tendencies of the characteristics of TMT members that matter for MNEs to manage subsidiary performance in the host country with distant institutions, which will raise the confidence in prediction (Hambrick & Mason, 1984).

Why does TMT's international background matter in the institutional distance- multinational subsidiary performance relationship? TMT members' cognitive maps stem from their stored knowledge and base on their different life learning experience and career (Denzau & North, 2000). On the one hand, successful transfer depends on TMT's belief in how they do things and implement the practices well until institutionalised (Kostova, 1999). As the competitive advantage of a multinational subsidiary, strategic practice is less imitable and critical, more complex and broader in scope, and more "people" rather than "technology" focused" (Kostova, 1999: 310). Therefore, TMT's values will manifest in the process of strategic practices transfer. On the other hand, senior managers need to form, mobile and manage the company's social capital to facilitate legitimation (Xu & Shenkar, 2002). This is because it's hard to establish the subsidiarie legitimacy without considering local isomorphism and local negotiation with the constituting actors in the social system.

4.1.2.1 The moderating role of TMT expatriates

MNEs face multiple stakeholders such as the parent company, the home and host country institutions such as the government. MNEs need to balance local responsiveness and global integration for their international business strategy (Devinney, Midgley, & Venaik, 2000). Thus, subsidiaries always have a dilemma to customise their products and business methods in the host country. This is because subsidies need to use local resources and knowledge while still controlling the subsidiaries and using the same products and business methods.

One way to guarantee the control of a multinational subsidiary by the MNE is to dispatch expatriates to take part in the subsidiary supervision and management to make sure the subsidiary is in alignment with the strategic orientation of the parent company (Devinney et al., 2000; Gaur et al., 2007). However, the control of multinational subsidiary comes at the expense of local responsiveness, i.e., achieving local legitimacy by operating in line with the host country regulatory institutions, social norms and cultures (Lazarova, Peretz, & Fried, 2017). Legitimacy is the precondition for the subsidiary to operate and thrive. Local isomorphism strategy is the most important way to achieve legitimacy by imitating domestic firms' behaviours (Salomon & Wu, 2012). However, as an extended form of parent supervision, expatriates have the inertia of using the same thinking model as they do in the parent company (Tao, Liu, Gao, & Xia, 2018) and tend to have less commitment to local adaption (Fang et al., 2010). With a substantial presence of expatriates from home, there is a challenge for the multinational subsidiary to establish legitimacy efficiently in the host country. Considering another mechanism to legitimate the multinational subsidiary: negotiating with the important legitimating actors (Kostova et al., 2008), it is still the locals other than the expatriates who know better about the political process of approaching, interacting and bargaining with the important legitimating actors in the host country environment. An increase in expatriates in the subsidiary TMT raises the coordination and political cost for negotiation.

In addition to exerting challenges in building legitimacy, expatriates will also influence the process of the transfer of strategic practices. MNEs use expatriates to facilitate knowledge transfer from parent companies to subsidiaries (Chang et al., 2012; Dahms, 2019; Fang et al., 2010). However, the assumption of the facilitating role of expatriates in practice transfer is that there is no expatriate failure. Unfortunately, in reality, expatriate failure is a common problem (Harzing, 1995; Hung-Wen, 2007). With the higher institutional distance, expatriates and their family members may find it hard to deal with the uncertainty accompanied in the oversea expatriation process and end up with expatriate failures such as the inability to adapt to the new environment, failure to achieve acceptance from the family, and lack of willingness to learn (Hung-Wen, 2007). As Kostova (1999) indicated, the success of strategic practice transfer is embodied in the degree of implementation and institutionalisation of the strategic practices in the recipient unit. However, expatriate failure will hinder the implementation of the strategic organisational practices in the subsidiary. Besides, expatriates are less helpful in strategic practice transfer when the localised function is necessary (Gaur et al., 2007).

Therefore, in summary, integrating the roles expatriates play in subsidiary legitimation and strategic practices transfer, the author proposes that an increase in expatriates in the TMT strengthens the negative relationship between institutional distance and multinational subsidiary performance.

Hypothesis 2: The negative relationship between institutional distance and multinational subsidiary performance will be strengthened by expatriates in TMT.

4.1.2.2 The moderating role of TMT international experience

The international experience moderates the institutional distance-subsidiary performance relationship through the legitimation process and the transfer process of the strategic organisational practices.

On the one hand, MNEs with international experience are more capable of learning about new markets (Carlsson et al., 2005) and make sense of the MNE environment and respond appropriately and timely to the legitimacy requirements (Kostova & Zaheer, 1999). Decision-makers with international experience know who the essential legitimating factors are. They include not only those that directly affect subsidiary legitimacy like regulatory actors but also those that have an indirect impact on subsidiary legitimacy. For instance, decision-makers previous embeddedness in social networks in the host country institutional environment help them better makes sense of the social obligation, taken-for-grandness and shared understanding in the host country. Furthermore, decision-makers with international experience know what kind of political process is involved and how to approach, interact and negotiate with these constituting actors to legitimate (Kostova et al., 2008; Kostova & Zaheer, 1999). Therefore, the subsidiary could obtain legitimacy more efficiently in the host countries when the TMT has international experience.

On the other hand, decision-makers with international experience know institutional idiosyncrasies between the home and host markets. They know how to transfer the strategic practices to subsidiaries more efficiently without raising conflicts. Besides, TMT members with international experience perceive a lower level of uncertainty in international operations (Lu, Liu, Wright, & Filatotchev, 2014). The decision-makers perception of lower uncertainty makes them feel less hesitant to facilitate the transfer of strategic organisational practices to the host market with distant institutions.

Notably, managers perceive different levels of uncertainty in different institutional environments. The author groups them into the markets with strong institutions and weak institutions. The author posits that senior managers' international experience in countries with weak institutions helps them better obtain the ability to deal with institutional uncertainty other than senior managers' international experience in countries with strong institutions. Institutional voids and weak institutions prevail in developing markets because of the rapid changes in politics, economy and institution (Hoskisson et al., 2013; Wright et al., 2005). Companies operating in this kind of institutional environment have an urge to engage, negotiate and solve problems with the other actors in the social system (Carney et al., 2016). Under this situation, companies gradually accumulate the institutional capabilities through experiential learning, i.e., the heuristics, skills and routines that enable companies to navigate under institutional voids or weak institutions (Carney et al., 2016). Getting back to the focus of international experience, senior managers' experiential learning about how to engage, negotiate and solve problems under high institutional uncertainty helps when they face the new market with distant institutions. Indeed, this kind of experiential learning develops their cognitive assumptions about the commitment to a specific context such as an uncertain and unfamiliar institutional environment. Therefore, MNEs with internationally experienced TMT in weak institutional environment show the attributes of institutional entrepreneurial ability in managing the institutional uncertainty (Guillén & García-Canal, 2009).

Therefore, the author posits that decision-makers with international experience in weak-institution markets have a higher ability to mitigate the negative relationship between institutional distance and subsidiary performance. Institutional distance brings uncertainty in many aspects like social, cultural, and political uncertainty. Institutional distance adds uncertainty and unfamiliarity for subsidiaries to operate in a different institutional environment even though the new institutional environment is well developed. Decision-makers with the developed institutional entrepreneurial ability through their prior experiential learning in markets with institutional uncertainty are better equipped to deal with uncertainty, penetrate the local networks through a particular political process and overcome the liability of “outsider-ship” (Carney et al., 2016). The higher the ability to approach, negotiate with and achieve coordination among the important constituting actors, the more efficiently the multinational subsidiary will obtain legitimacy. At the same time, decision-makers who have experience in a market where the game of rules are in flux will be more flexible on how they transfer and implement the strategic practices. With an open mind of dealing with uncertainty, these decision-makers may be more innovative in modifying the business model to fit the local social-economic conditions (Carney et al., 2016).

In summary, although the institutional distance is the critical driver of liability of foreignness, which brings much uncertainty, decision-makers international experience enables the subsidiary to reduce the cost of doing business in the host country by facilitating legitimation and transfer of strategic organisational practices. Specifically, the TMT members with experiential learning about how to respond to institutional uncertainty will have a higher ability to reduce the uncertainty and mitigate the negative relationship between institutional distance and multinational subsidiary performance. Therefore, the author proposes:

Hypothesis 3a: The negative relationship between institutional distance and multinational subsidiary performance will be weakened in proportion to the subsidiary TMT's international experience.

Hypothesis 3b：The negative relationship between institutional distance and multinational subsidiary performance will be weakened especially by the subsidiary TMT's international experience in markets with weak institutions other than strong institutions.

4.1.2.3 The moderating role of TMT's political connections with home country political actors

Subsidiaries are politically connected if the TMT members have governmental experience at home (Chen et al., 2018; Faccio, 2006; Sun et al., 2012). This study will explain the moderation effects of political connections on the institutional distance - subsidiary performance relationship through two mechanisms: the legitimation and the transfer of strategic organisational practice. The author argues that TMT members with governmental experience at home could better transfer the meaning and value of the strategic organisational practice to the subsidiaries as the practice is shaped by the institutional and social context at home (Kostova & Zaheer, 1999). Also, TMT members with governmental experience may be more sensitive to the host country's nonmarket environment. This could be helpful for firms to legitimate their firms.

Strategic organisational practices are shaped by the social context in the home country, and they are sophisticated, “people” focused and hard to imitate (Kostova & Zaheer, 1999). Thus, it is essential for the key people who convey the critical elements of strategic practices to diffuse the strategic practices to the subsidiary. The transfer of practices will be unsuccessful until these practices are taken for granted by the employees and institutionalised in the subsidiary. Besides, to transfer knowledge, these people need to transfer the meaning and value of the strategic organisational practices to the subsidiary (Kostova & Zaheer, 1999). The author posits that people who have a political background at home have a deeper understanding of how country institutions shape parent company practices. Their political connections are one kind of social capital. Subsidiary TMT members’ governmental work experience helps them better understand the home country's socio-political context and obtain more timely updates of the home country political information and policies. TMT members who have political background could be more skilled in exerting influence on external actors, especially the recipient subsidiary employees, to let them have a higher level of acceptance and implementation of these strategic practices from home. The successful transfer of these practices could only happen when the recipient employees understand both explicit and implicit components of these practices. They accept and are motivated to apply these practices in the subsidiary.

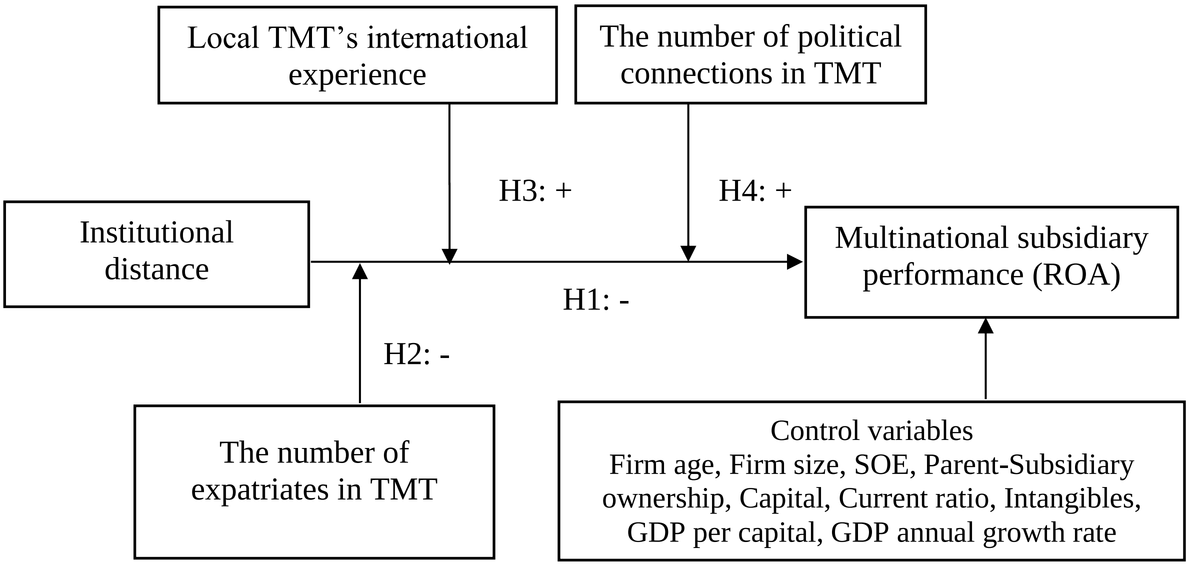
Multinational subsidiary's legitimation is constrained by their limited knowledge of the host country regulatory institutions, political system, culture and taken for granted understandings (Kostova & Zaheer, 1999). Approaching host country elites in the business network is an alternative way for a multinational subsidiary to establish legitimacy (Bucheli & Salvaj, 2018). The author argues that decision-makers in the TMT who have political experience in the home country are more familiar with problem-solving in an interactive political process. Political connections with the home country political actors allow these decision-makers access to not only political contacts (whom they know) but also political knowledge (what they know) at home (Fernandez-Mendez et al., 2018). Political knowledge contributes to decision-makers better cognitive maps about the non-market environment and how to access, negotiate and bargain with the local elites in the host country (Boddewyn & Brewer, 1994). TMT members thus will also be more sensitive and willing to learn the non-market environment at the host market and thus help subsidiaries establish legitimacy.

In summary, political connections implicate the decision-makers governmental background, sensitivity to the nonmarket environment and even political knowledge and intelligence to facilitate the subsidiary legitimation and transfer of strategic organisational practices. Therefore, the author proposes that

Hypothesis 4: The negative relationship between institutional distance and multinational subsidiary performance will be weakened in proportion to the political connections held by the TMT members with home political actors.

The theoretical framework of this study is shown in Figure 1.

Figure 4-1 The moderating role of TMT on institutional distance-subsidiary performance relationship



4.2 Methodology

4.2.1 Data

The author empirically tests the hypotheses using the data on Chinese foreign subsidiaries from the Orbis database. According to the World Bank, China has secured the second rank globally on outward foreign direct investment with the value of foreign direct investment 97,703.44 million US dollars. Orbis is a comprehensive and comparable data resource with 360 million private and public companies globally and complied by Bureau van Dijk. Orbis provides detailed information about companies' financial information, TMT's characteristics, ownership structures etc. and is widely used in international business research (Limaj & Bernroider, 2019; Trąpczyński & Banalieva, 2016). The software of Orbis allows full manipulation and analysis of the data. Thanks to the indicator of ownership in Orbis, the author can locate foreign subsidiaries belonging to Chinese MNEs. The author used the following selection criteria to receive the final sample: 1) subsidiaries whose more than 50% ownership is controlled by the ultimate owner; 2) Subsidiaries whose ultimate owners operate in China; 3) subsidiaries that are located in foreign countries other than China; 4) subsidiaries that have complete information on key variables of return on assets, TMT background information, date of incorporation, total assets; 5) subsidiaries located in oversea territories like Bermuda or Cayman Islands are omitted. This is because there is a lack of the measurement of governance indicator in these host areas.

The sample includes 6,150 foreign subsidiaries with a corresponding 46,803 TMT member observations from 72 host economies. First, the author calculated the variables of the number of expatriates, international experience and political connections of the TMT. Then the author trimmed the individual-level data to the firm-level. Second, the author combined the sample from Orbis with the World Governance Indicators (WGI) developed by the World Bank (Kaufmann et al., 2011). Third, the author further combined some indicators from the World Development database developed by the World Bank. Forth, the author incorporated the primary database with the Index of Economic Freedom (IEF) developed by the Heritage Foundation and the Wall Street Journal (HF-WSJ) for further robustness check.

4.2.1.1 Dependent variables

The return on asset (ROA) is the dependent variable in this study. ROA is calculated as the net income to the total value of assets. It is widely used as an indicator for organisations' economic performance and often adopted in international business research (Borda, Geleilate, Newburry, & Kundu, 2017; Kotabe, Srinivasan, & Aulakh, 2002).

4.2.1.2 Independent variables

Despite the differences in the intrinsic characteristics used to proxy and construct institutional distance, this study used World bank Governance Indicators following the previous research (Dikova, 2009; Gallego & Casillas, 2014; Malhotra, Sivakumar, & Zhu, 2009). Also, The author carefully followed Beugelsdijk et al. (2018a)'s guidelines on how to construct and operationalise the concept to achieve validity. *Institutional distance* is the key independent variable. The author took Kogut and Singh (1988) approach shown in Equation 1 to calculate institutional distance.

$$KSIndex_j = \sum_{i=1}^{n} \left\{ \left(G_{ij} - G_{iHOME} \right)^2 / V_i \right\} / N$$

Equation 4-1

The $KSIndex_j$ is a Euclidean distance with variance connection. Equation 1, G_{ij} refers to the host country j's score on WGI's i th dimension, G_{iHOME} to the home country's score on WGI's i th dimension, V_i to the variance of the WGI's i th dimension and N to the number of dimensions. However, "World Bank calculates standardised country scores for these six dimensions, hence re-scaling the dimensions by correcting for variance differences is not required" (Beugelsdijk et al., 2018a: 1119). Thus, the author finally operationalised the measurement of institutional distance based on WGI indicators following Equation 2. Also, to check the model's robustness, the author also used IEF as an alternative measurement of institutional distance following the previous study (De Beule, Elia, & Piscitello, 2014). Equation 1 is used when the author constructs the institutional distance variable base on the IEF. The author used all the 12 dimensions of IEF (IEFKS) and the overall score of IEF (IEFOV) alternatively to construct the institutional distance indicator to do the robustness check. The 12 dimensions of IEF include property rights, government integrity, judicial effectiveness, government spending, tax burden, fiscal health, business freedom, labour freedom, monetary freedom, trade freedom, investment freedom, financial freedom.

$$EuclidenDist_j = \sqrt{\sum_{i=1}^{n}\left(G_{ij} - G_{iHOME}\right)^2}$$

Equation 4-2

4.2.2 Moderating variables

The TMT characteristics are the essential moderators in the institutional distance and firm performance relationship in this study.

TMT members who are expatriates from the home country. Parent companies could influence the strategic decisions of subsidiaries by sending a number of expatriates. The author calculated the number of expatriates among the subsidiary TMT which helps capture the parent level influence on the relationship between institutional distance and subsidiary performance. Expatriates are those who have Chinese nationality but reside in host countries.

TMT's level of international experience. The author captured the TMT's capability of dealing with the liability of foreignness by measuring the international experience of the TMT. This indicator is measured by the number of countries in which the TMT members have worked within their tenure. The author records the nonredundant number of countries from all the TMT members, which also captures the diversity of the TMT's international experience. In addition, the author distinguished the international experience of TMT members in terms of their work experience in countries with different levels of institutional developments because former studies have argued that there are profound differences in institutional development between developing and developed markets (Cuervo-Cazurra & Genc, 2008; Peng, Wang, & Jiang, 2008; Xiao et al., 2013a). Following the United Nation's country classification guide, the author categorised TMT's international experience into two groups, international experience in developing and developed markets.

TMT's political connections with home political actors. Consistent with the previous studies (e.g., Zhang et al., 2016a), the author browsed the biographical description of TMT members and manually code whether they formerly or currently work in a political institution in China. The subsidiary-level political connections with the home country are calculated by summing the number of TMT members with political connections. Corresponding to the structure of political institutions in China, the author reported TMT members' political connections when they have a background at the National People's Congress (NPC), State Council of the People's Republic of China (CPRC), local people's governments at different levels.

4.2.2.1 Control variables

Subsidiary firm-specific characteristics. The author controlled firm age to measure the accumulated influence of subsidiaries' specific resources on performance, using the operation duration since a subsidiary's incorporation. The author controlled firm size using the natural logarithm of the subsidiary's total assets. The author controlled state ownership of the focal subsidiary. This is because state-owned enterprises and non-state-owned enterprises are exposed to different political pressures to implement government policies and have different capabilities to access political resources. The author controlled capital using the total capital in the subsidiary in the given year to capture the influence of financial assets on subsidiary performance. The author controlled the current ratio to capture liquidity performance, which is the current assets divided by the current liabilities. Intangible assets are employed as a proxy for FSAs which determine the subsidiary performance (Nguyen, 2011). The author controlled the intangible fixed assets in the focal subsidiary measured by billions of US dollars. The author controlled the total equity ownership of the parent company over its subsidiary as ownership matters in subsidiary performance (Gaur & Lu, 2007).

Host country-specific characteristics. Market attractiveness of the host country has generally been considered a driver of the subsidiary performance. The author uses the annual percentage growth rate of GDP at the market price based on constant local currency to control for the market potential and GDP per capita to control the market size in the host country. Both indicators are extracted from the WDI database developed by the World Bank.

4.2.3 Empirical Analysis and Results

Table 1 reports the variable names, measurements and sources.

Table 4-1 Measurement of variables and descriptive statistics

Variables	**Measurement**	**Source**
Subsidiary's performance	The total return on assets using net income in the focal subsidiary	Orbis
Institutional distance-WGI	The Euclidean distance of institutions between host and home country based on World Governance Indicators (Equation 2)	WGI
Institutional distance-IEFOV	The Euclidean distance of institutions constructed based on the overall score of the Index of Economic Freedom (Equation 1)	HF-WSJ
Institutional distance-IEFKS	The Euclidean distance of institutions constructed based on all the 12 dimensions of the Index of Economic Freedom (Equation 1)	HF-WSJ
TMT expatriates	The number of expatriates among TMT in the focal subsidiary	Orbis
TMT political connections	TMT members (number) who have a political background at the State Council of the People's Republic of China, local people's governments at different levels, etc.	Orbis
TMT international experience	The nonredundant number of countries TMT members have worked at within their tenure	Orbis
Firm age	Number of years after the company's incorporation	Orbis
Firm size	Natural logarithm of the firm's total assets (US Dollars)	Orbis
Capital	Capital used in the focal subsidiary in the focal year (US Dollars)	Orbis
Current ratio	Current assets divided by the current liabilities	Orbis
Intangible assets	Intangible fixed assets in the focal subsidiary (Billion US dollars)	Orbis
Host country GDP per capital	Host country GDP per capita (US Dollars)	WDI
Host county GDP annual growth rate	The annual percentage growth rate of GDP at the market price based on constant local currency	WDI
Sate-ownership	Equals to 1 if the focal subsidiary is state-owned, 0 otherwise	Orbis
Parent-subsidiary ownership	Total equity ownership of the parent company over its subsidiary	Orbis

Table 2 reports all the variables covering mean, standard deviations and the correlation matrix. The correlation coefficients among the independent variables suggest a potential multicollinearity issue. The author then calculates the variance of inflation factor (VIF) in Table 3 Model 0. VIFs in Model 0 ranges from 1.01 to 5.36, which are far below the threshold 10 (Baum et al., 2006). To further reduce the potential multicollinearity in testing moderation effects, the author mean-centred the variables of institutional distance and TMT characteristics, including the number of expatriates, the TMT's international experience, and the TMT's political connections with home political actors to generate the interaction terms (Aiken, West, & Reno, 1991).

Table 4-2 Descriptive Statistics and Correlation Matrix

Variables	**Mean**	**SD.**	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**
1. ROA	-0.581	20.32	1				
2. INDIS-WGI	3.444	1.169	-0.0245	1			
3. INDIS-IEFKS	26.04	13.85	-0.0364**	0.872***	1		
4. INDIS-IEFOV	26.50	32.68	-0.0271*	0.711***	0.691***	1	
5. Firm age	11.50	13.42	0.0462***	0.148***	0.146***	-0.0130	1
6. Firm size	7.525	3.289	0.0947***	0.437***	0.399***	0.344***	0.244***
7. Capital	0.0355	0.778	0.00652	0.0286*	0.0303*	0.0594***	0.0290*
8. Intangible assets	0.0149	0.199	0.00900	0.0577***	0.0534***	0.0829***	0.0873***
9. Current ratio	3.882	10.04	0.0786***	0.0340*	0.0241	0.0412**	-0.0174
10. TMT Expatriates	0.818	2.110	-0.00240	0.0537***	0.0102	0.116***	0.0392**
11. TMT PCs	0.455	2.516	0.00741	0.126***	0.103***	0.137***	0.142***
12. TMT Int Exp	1.778	1.451	0.0245	0.351***	0.275***	0.177***	0.321***
13. GDP PC	0.0339	0.0205	-0.0249	0.892***	0.775***	0.690***	0.0452***
14. GDP AG	2.999	1.784	0.0101	-0.147***	-0.229***	0.231***	-0.155***
15. SOE	0.135	0.342	0.0321*	0.218***	0.201***	0.237***	0.0920***
16. P-S Ownership	98.12	8.045	0.0150	-0.0504***	-0.110***	-0.185***	0.00238

	(6)	(7)	(8)	(9)	(10)	(11)	(12)
6. Firm size	1						
7. Capital	0.0999***	1					
8. Intangible assets	0.184***	0.567***	1				
9. Current ratio	-0.0547***	-0.00654	-0.0180	1			
10. TMT Expatriates	0.130***	0.338***	0.275***	-0.0129	1		
11. TMT PCs	0.241***	0.283***	0.506***	-0.0105	0.422***	1	
12. TMT Int Exp	0.492***	0.0532***	0.146***	0.00691	0.191***	0.364***	1

13. GDP PC	0.446***	0.0234	0.0492***	0.0313*	0.00702	0.116***	0.313***
14. GDP AG	0.0404**	-0.00136	-0.0170	0.0623***	0.0279*	-0.0324*	0.00847
15. SOE	0.370***	0.0620***	0.0970***	-0.0198	0.111***	0.109***	0.215***
16. P-S Ownership	-0.0576***	-0.0655***	-0.105***	0.0174	-0.0739***	-0.129***	-0.0224
	(13)	(14)	(15)	(16)			
13. GDP PC	1						
14. GDP AG	-0.0525***	1					
15. SOE	0.240***	0.0838***	1				
16. P-S Ownership	-0.0607***	-0.0557***	-0.0107	1			

Note: Significance level is noted as * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

The data is cross-sectional based on the latest year of the information available of a certain company in Orbis. Therefore, the author employs the Ordinary Least Squares (OLS) regression as the estimation method, and the main results are presented in Table 3. Model 0 serves as the baseline, which contains the subsidiary, parent firm-level and host country-level control variables and the independent variable. Hypothesis 1 predicted that institutional distance would exert a negative effect on multinational subsidiary performance. Consistent with the hypothesis, the coefficient of institutional distance is negative and significant (M0, β=-1.525, $p < 0.01$; M1, β=-1.669, $p < 0.01$; M2, β=-1.375, $p < 0.01$; M3, β=-1.301, $p < 0.05$; M4, β=-1.372, $p < 0.01$). Therefore, Hypothesis 1 is supported. Model 1 to Model 4 exhibit the moderating effects of TMT characteristics in the institutional distance-subsidiary performance relationship. Hypothesis 2 suggests that the negative relationship between institutional distance and multinational subsidiary performance will be strengthened when an increasing number of TMT members are expatriates from the home country. The findings confirm this assertation. The negative relationship is strengthened because the interaction term *INDIS-WGI*TMT Expatriates* is negative and significant (M1, β=-0.334, $p < 0.1$). Thus, Hypothesis 2 is supported. Hypothesis 3 suggests the negative relationship between institutional distance and multinational subsidiary performance will be weakened in proportion to the subsidiary TMT's international experience. The result shows that the interaction term *INDIS-WGI*TMT Int Exp* is positive and significant (M2, β=0.553, $p < 0.05$). Therefore, Hypothesis 3 is supported. Hypothesis 4 suggests that the negative relationship between institutional distance and multinational subsidiary performance will be weakened in proportion to the number of TMT members who have political connections with home political actors. The findings confirm this assertation. The interaction term *INDIS-WGI*TMT PCs* is positive and significant (M3, β=0.719, $p < 0.05$). Therefore, Hypothesis 4 is supported. To further show the moderation effects in a visionary way, the author plotted marginal moderating effects based on M1, M2 and M3 in Table 3. Figure 2 to Figure 4 show the moderation effects of TMT expatriates, TMT international experience, TMT PCs, respectively. The author captures their moderation effect from lower to higher according to different percentiles where the data exhibits conspicuous variations (i.e., 50^{th} percentile, 75^{th} percentile, 90^{th} percentile, 95^{th} percentile, 99^{th} percentile).

Table 4-3 Regression models of the moderating role of TMT on the institutional distance-subsidiary performance relationship

VARIABLES	(1) M0 ROA	(2) M1 ROA	(3) M2 ROA	(4) M3 ROA	(5) M4 ROA
INDIS-WGI	-1.525***	-1.669***	-1.375***	-1.301**	-1.372***
	(0.498)	(0.504)	(0.502)	(0.507)	(0.513)
Firm age	0.0495**	0.0467**	0.0482**	0.0528**	0.0482**
	(0.0225)	(0.0225)	(0.0225)	(0.0225)	(0.0226)
Firm size	1.056***	1.072***	1.091***	1.083***	1.123***
	(0.108)	(0.109)	(0.109)	(0.109)	(0.110)
Capital	0.0738	0.116	0.123	0.282	0.331
	(0.414)	(0.415)	(0.415)	(0.424)	(0.424)
Intangible assets	-1.053	-1.299	-1.167	-1.750	-1.986
	(2.354)	(2.357)	(2.353)	(2.372)	(2.375)
Current ratio	0.180***	0.180***	0.181***	0.182***	0.182***
	(0.0259)	(0.0259)	(0.0259)	(0.0259)	(0.0259)
TMT Expatriates	-0.0149	0.256	-0.0419	0.0160	0.280
	(0.166)	(0.220)	(0.167)	(0.167)	(0.221)
TMT PCs	-0.104	-0.0552	-0.163	-1.118**	-0.933**
	(0.169)	(0.171)	(0.171)	(0.466)	(0.475)
TMT Int Exp	-0.298	-0.287	-0.686**	-0.243	-0.560*
	(0.249)	(0.249)	(0.293)	(0.250)	(0.301)
GDP PC	-13.02	-10.05	-14.25	-12.56	-10.44
	(27.77)	(27.81)	(27.76)	(27.76)	(27.80)
GDP AG	-0.124	-0.178	-0.132	-0.145	-0.205
	(0.155)	(0.158)	(0.155)	(0.156)	(0.158)
SOE	0.235	0.324	0.299	0.307	0.444
	(0.802)	(0.803)	(0.802)	(0.803)	(0.804)
P-S Ownership	0.0392	0.0360	0.0390	0.0314	0.0292
	(0.0324)	(0.0325)	(0.0324)	(0.0326)	(0.0327)
INDIS-WGI*TMT Expatriates		-0.334*			-0.360**
		(0.177)			(0.177)
INDIS-WGI*TMT Int Exp			0.553**		0.455**
			(0.222)		(0.230)
INDIS-WGI*TMT PCs				0.719**	0.591*
				(0.308)	(0.319)
Constant	-6.763*	-6.170*	-7.055**	-7.014**	-6.569*
	(3.473)	(3.487)	(3.474)	(3.474)	(3.487)
Observations	6,150	6,150	6,150	6,150	6,150
R-squared	0.028	0.028	0.029	0.028	0.030

Note: The numbers in parenthesis are standard errors. Significance levels are denoted as * p<0.1, ** p<0.05, *** p<0.01

Figure 4-2 Moderation Effects of TMT Expatriates

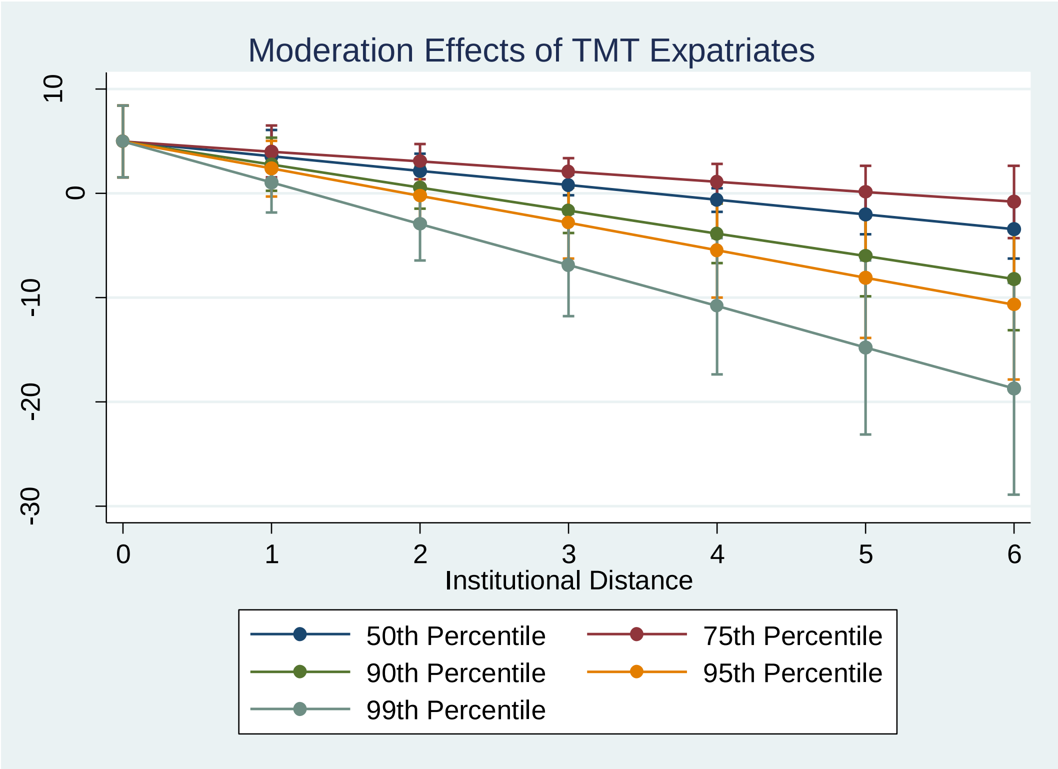


Figure 4-3 Moderation Effect of TMT International Experience

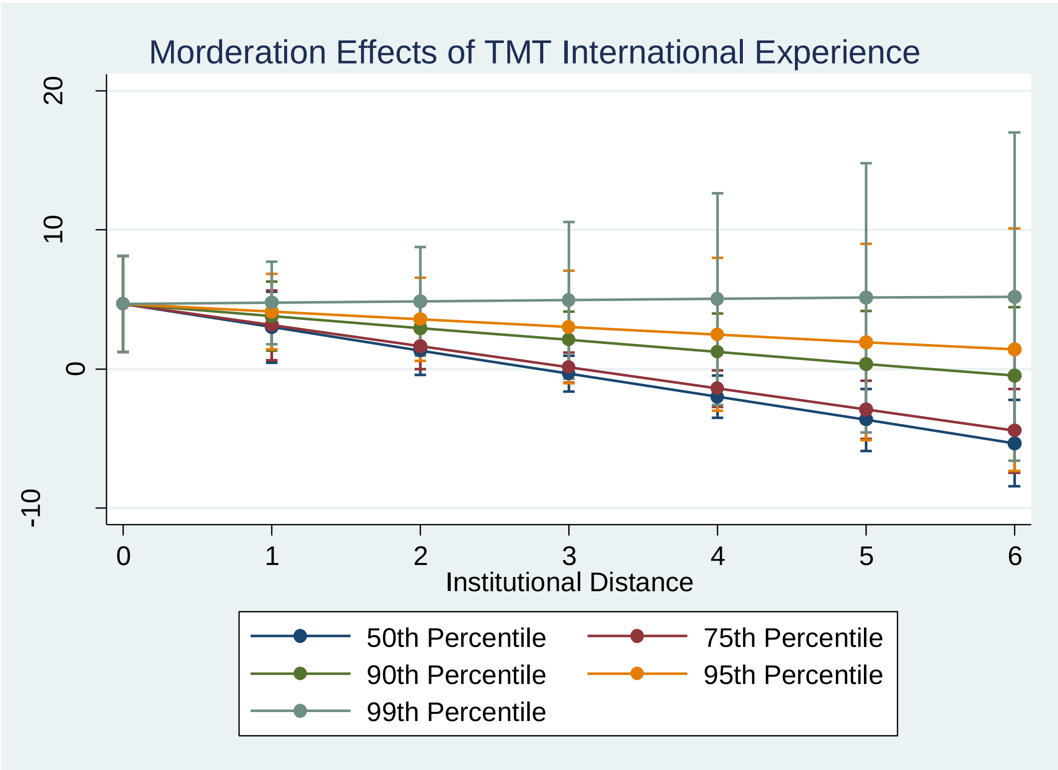
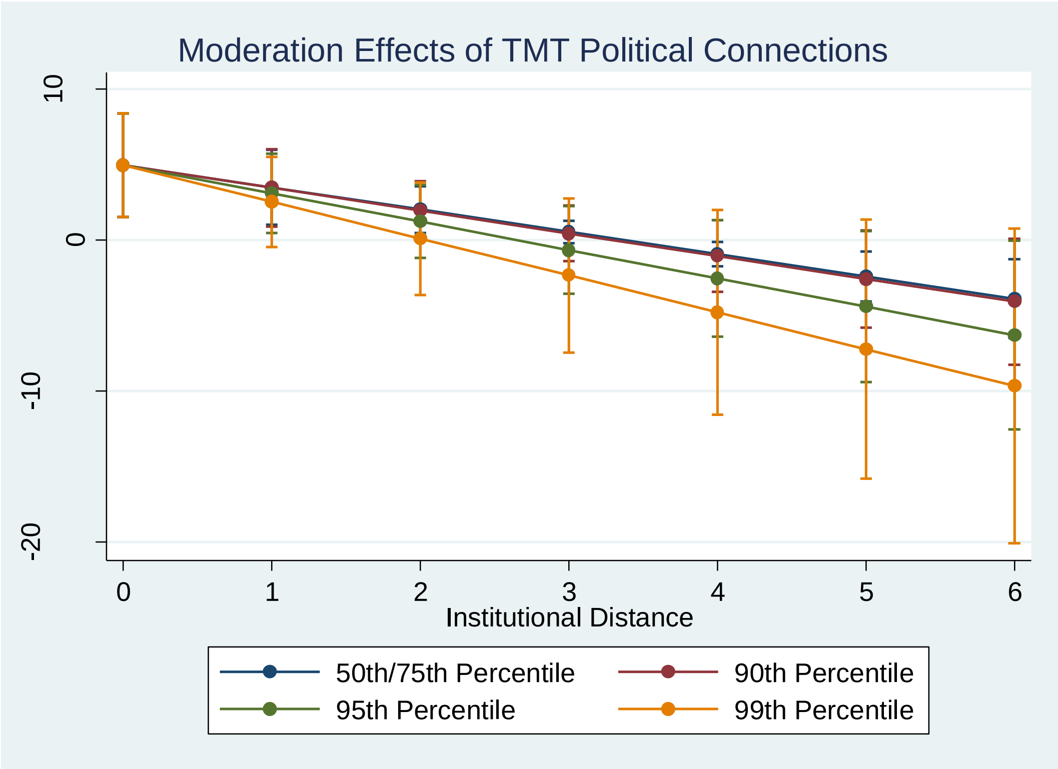


Figure 4-4 Moderation Effect of TMT Political Connections



4.2.4 Additional analyses

The author further distinguished subsidiary TMT's international experience in markers with strong and weak institutions, respectively. The author hypothesised that the negative relationship between institutional distance and multinational subsidiary performance would be weakened especially by the subsidiary TMT's international experience in weak-institution markets rather than strong-institution markets. The findings in Table 4 support this assertion. The interaction term *INDIS-WGI*TMT Int Exp Weak* between institutional distance and TMT's international experience in weak-institution markets is positive and significant (M3, β=0.684, $p < 0.01$). The interaction term *INDIS-WGI*TMT Int Exp Strong* between institutional distance and TMT's international experience in strong-institution markets is not significant (M2, $p > 0.1$). Therefore, the author confirmed that the TMT's international experience in weak-institution markets are more helpful for TMT members to deal with the institutional distance between the home and host country and enhance the subsidiary performance.

Table 4-4 Subgroup analysis of TMT international experience in the institutional distance-multinational subsidiary performance

VARIABLES	(1) M1 ROA	(2) M2 ROA	(3) M3 ROA
INDIS-WGI	-1.375***	-1.434***	-1.442***
	(0.502)	(0.504)	(0.498)
Firm age	0.0482**	0.0412*	0.0445**
	(0.0225)	(0.0226)	(0.0226)
Firm size	1.091***	1.121***	1.159***
	(0.109)	(0.109)	(0.110)
Capital	0.123	-0.0183	0.0508
	(0.415)	(0.414)	(0.415)
Intangible assets	-1.167	-0.639	-0.872
	(2.353)	(2.352)	(2.352)
Current ratio	0.181***	0.179***	0.180***
	(0.0259)	(0.0259)	(0.0258)
TMT Expatriates	-0.0419	0.118	0.0275
	(0.167)	(0.170)	(0.173)
TMT PCs	-0.163	-0.0608	-0.101
	(0.171)	(0.171)	(0.171)
GDP PC	-14.25	-14.64	-17.89
	(27.76)	(27.73)	(27.74)
GDP AG	-0.132	-0.0471	-0.0466
	(0.155)	(0.156)	(0.156)
SOE	0.299	0.673	0.677
	(0.802)	(0.807)	(0.806)
P-S Ownership	0.0390	0.00691	0.00511
	(0.0324)	(0.0331)	(0.0331)
TMT Int Exp	-0.686**		
	(0.293)		
TMT Int Exp Strong		0.210	0.138
		(0.317)	(0.264)
TMT Int Exp Weak		-1.364***	-1.661***
		(0.341)	(0.353)
INDIS-WGI*TMT Int Exp	0.553**		
	(0.222)		
INDIS-WGI*TMT Int Exp Strong		-0.117	
		(0.227)	
INDIS-WGI*TMT Int Exp Weak			0.684***
			(0.248)
Constant	-7.055**	-4.455	-4.376
	(3.474)	(3.507)	(3.497)
Observations	6,150	6,150	6,150
R-squared	0.029	0.031	0.032

Note: The numbers in parenthesis are standard errors. Significance levels are denoted as * $p<0.1$, ** $p<0.05$, *** $p<0.01$

4.2.5 Robustness check

The author tested the robustness of the model by using an alternative measurement of institutional distance. The author adopted the Index of Economic Freedom to rerun the regression. The author used the overall economic freedom score to calculate the institutional distance indicator, and the corresponding results are presented in Table 5. Meanwhile, the author used the 12 dimensions of the economic freedom score as the foundation of calculating the institutional distance indicator, and the corresponding results are presented in Table 6. Both the robustness checks confirm Hypothesis 1 that institutional distance has a negative impact on subsidiary performance (Table 5, M0-M4, $p < 0.01$; Table 6, M0-M4, $p < 0.01$). Both robustness checks support Hypothesis 3, that the more international experience the TMT has, the weaker the negative relationship between institutional distance and subsidiary performance (Table 5, M3, $\beta=0.016$, $p < 0.05$; Table 6, M3, $\beta=0.0628$, $p < 0.01$). Additionally, Hypothesis 4 is confirmed by the evidence in Table 5 that the TMT's political connections with the home government weaken the negative relationship between institutional distance and subsidiary performance (Table 5, M4, $\beta=0.0118$, $p < 0.05$). The author did not find consistent support for H2 in the robustness check, which means the assertation that the number of expatriates in the TMT strengthens the negative relationship of institutional distance and subsidiary performance is not very stable.

Table 4-5 Robustness check of the main models

VARIABLES	(1) ROA	(2) ROA	(3) ROA	(4) ROA	(5) ROA
INDIS-IEFOV	-0.0377***	-0.0377***	-0.0358***	-0.0348***	-0.0358***
	(0.0108)	(0.0109)	(0.0108)	(0.0109)	(0.0109)
Firm age	0.0390*	0.0390*	0.0391*	0.0375*	0.0370*
	(0.0222)	(0.0222)	(0.0222)	(0.0222)	(0.0222)
Firm size	1.057***	1.057***	1.067***	1.060***	1.080***
	(0.108)	(0.109)	(0.108)	(0.108)	(0.109)
Capital	0.0780	0.0787	0.108	-0.0835	0.140
	(0.414)	(0.433)	(0.414)	(0.420)	(0.436)
Intangible assets	-1.041	-1.041	-1.218	-1.524	-1.977
	(2.353)	(2.357)	(2.354)	(2.362)	(2.379)
Current ratio	0.179***	0.179***	0.179***	0.180***	0.180***
	(0.0259)	(0.0259)	(0.0259)	(0.0259)	(0.0259)
TMT Expatriates	-0.000225	0.000509	-0.0506	-0.106	0.0544
	(0.167)	(0.207)	(0.168)	(0.173)	(0.208)
TMT PCs	-0.0538	-0.0536	-0.135	-0.512*	-0.583**
	(0.169)	(0.174)	(0.174)	(0.266)	(0.277)
TMT Int Exp	-0.478*	-0.478*	-0.565**	-0.387	-0.474*
	(0.250)	(0.251)	(0.253)	(0.253)	(0.259)
GDP PC	-42.37**	-42.37**	-41.66**	-42.68**	-40.79**
	(18.79)	(18.81)	(18.79)	(18.79)	(18.81)
GDP AG	0.145	0.145	0.142	0.136	0.114
	(0.162)	(0.162)	(0.162)	(0.162)	(0.162)
SOE	0.389	0.389	0.323	0.380	0.398
	(0.802)	(0.803)	(0.803)	(0.802)	(0.804)
P-S Ownership	0.0196	0.0196	0.0226	0.0238	0.0235
	(0.0330)	(0.0330)	(0.0330)	(0.0330)	(0.0330)
INDIS-IEFOV*TMT Expatriates		-2.43e-05			-0.00727
		(0.00409)			(0.00480)
INDIS-IEFOV*TMT Int Exp			0.0160**		0.0131
			(0.00762)		(0.00806)
INDIS-IEFOV*TMT PCs				0.0118**	0.0138**
				(0.00529)	(0.00635)
Constant	-8.420**	-8.419**	-8.770***	-8.938***	-9.022***
	(3.369)	(3.373)	(3.372)	(3.376)	(3.377)
Observations	6,150	6,150	6,150	6,150	6,150
R-squared	0.028	0.028	0.029	0.029	0.030

Note: The numbers in parenthesis are standard errors. Significance levels are denoted as * p<0.1, ** p<0.05, *** p<0.01. The indicator of institutional distance is constructed based on the overall score of the Index of Economic Freedom.

Table 4-6 Robustness check of the main models

VARIABLES	(1) M1 ROA	(2) M2 ROA	(3) M3 ROA	(4) M4 ROA	(5) M5 ROA
INDIS-IEFKS	-0.113***	-0.111***	-0.113***	-0.111***	-0.112***
	(0.0336)	(0.0336)	(0.0336)	(0.0337)	(0.0337)
Firm age	0.0474**	0.0448*	0.0434*	0.0470**	0.0409*
	(0.0228)	(0.0229)	(0.0228)	(0.0228)	(0.0229)
Firm size	0.982***	0.993***	1.028***	0.982***	1.037***
	(0.112)	(0.113)	(0.113)	(0.112)	(0.114)
Capital	0.155	0.205	0.157	0.116	0.207
	(0.415)	(0.417)	(0.415)	(0.420)	(0.421)
Intangible assets	-1.145	-1.317	-0.837	-0.918	-1.020
	(2.422)	(2.426)	(2.422)	(2.451)	(2.450)
Current ratio	0.185***	0.184***	0.188***	0.185***	0.187***
	(0.0271)	(0.0271)	(0.0271)	(0.0271)	(0.0271)
TMT Expatriates	-0.159	0.0255	-0.237	-0.190	-0.0607
	(0.171)	(0.222)	(0.172)	(0.178)	(0.224)
TMT PCs	-0.0317	-0.00324	-0.0562	-0.0971	-0.0235
	(0.170)	(0.172)	(0.170)	(0.202)	(0.203)
TMT Int Experience	-0.397	-0.391	-0.817***	-0.401	-0.809***
	(0.253)	(0.253)	(0.287)	(0.253)	(0.289)
GDP PC	-29.70	-31.70	-18.71	-28.74	-20.71
	(21.32)	(21.37)	(21.59)	(21.38)	(21.65)
GDP AG	-0.184	-0.215	-0.189	-0.186	-0.218
	(0.168)	(0.169)	(0.168)	(0.168)	(0.169)
SOE	0.399	0.456	0.495	0.410	0.547
	(0.817)	(0.818)	(0.817)	(0.817)	(0.818)
P-S Ownership	0.0219	0.0205	0.0227	0.0230	0.0212
	(0.0348)	(0.0348)	(0.0348)	(0.0348)	(0.0348)
INDIS-IEFKS*TMT Expatriates		-0.0202			-0.0189
		(0.0156)			(0.0160)
INDIS-IEFKS*TMT Int Exp			0.0628***		0.0626***
			(0.0201)		(0.0212)
INDIS-IEFKS*TMT PCs				0.00986	-0.000886
				(0.0162)	(0.0175)
Constant	-5.407	-5.339	-5.691	-5.556	-5.613
	(3.666)	(3.666)	(3.664)	(3.674)	(3.672)
Observations	5,564	5,564	5,564	5,564	5,564
R-squared	0.026	0.026	0.028	0.026	0.028

Note: The numbers in parenthesis are standard errors. Significance levels are denoted as * $p<0.1$, ** $p<0.05$, *** $p<0.01$. The indicator of institutional distance is constructed based on all the 12 dimensions of the Index of Economic Freedom.

4.3 Discussion and conclusion

4.3.1 Contributions

Foreign direct investment is prevailing in markets with distant institutions. This study goes beyond the pre-investment choice of whether to enter a market with significantly different institutions by focusing on post-investment management of the institutional distance in the market. The author intends to contribute to the international business, TMT and political connections literature in the following ways.

First, the author contributes to the international business literature by examining how TMT characteristics moderate the institutional distance-subsidiary performance relationship. Theoretically, the author extends the former theoretical framework explaining the institutional distance-subsidiary performance relationship based on institutional theory (Shirodkar & Konara, 2017; Trapczynski & Gorynia, 2017) from an upper-echelon perspective. It would be problematic if the author ignored the contingent role of TMT characteristics that influence institutional distance management. The past managerial experience shapes the managers' cognitive bases of perceiving and interpreting institutional distance. The management style of the TMT could be predicted from the observable TMT characteristics partially. These TMT characteristics could be expatriate composition, international experience, and political background. The author explained the moderation effect of TMT theoretically form two critical mechanisms that are subsidiary legitimation and strategic organisational practices transfer.

Empirically, the results confirm that an increase in expatriates in the subsidiary TMT strengthens the negative relationship between institutional distance and subsidiary performance. This result is negative but not significant in the robustness check when the author substitutes the WGI index with the IEF index. Theoretically, a possible explanation could be as follows. The author assumed that expatriates with the strategic orientation from the parent company could be deemed parent firms’ power extension. Expatriates are reluctant to adopt strategies requiring higher local responsiveness and reluctant to learn new things or enhance local adaption. However, MNEs could minimise expatriates' failure by providing cross-culture training or a comprehensive oversea expatriate support system (Tung, 1987). If the expatriates could harmoniously adapt to the new physical and social environment, they will feel more confident and motivated to work overseas. Somehow, there will be less hindrance from expatriates for MNEs to establish legitimacy and transfer strategic practices. Thus, the expatriate failure will no longer significantly negatively influence the relationship between institutional distance and subsidiary performance anymore.

Second, the author extends the TMT literature in international business by illustrating different kinds of TMT international experience obtained from different institutional environments, i.e., Strong vs weak and going beyond the current focus on general TMT international experience (Georgakakis et al., 2016; Mohr & Batsakis, 2019). Dealing with an uncertain and changing institutional environment all the time helps MNEs in emerging economies develop institutional capabilities that MNEs can leverage across-borders (Carney et al., 2016). Empirically, the author found TMT members’ international experience, especially that in the weak-institution market, mitigate the negative relationship. The author identified MNEs with TMT with more experience in markets with weak institutions having better capabilities to navigate in the weak institutions and deal with the adverse situation with institutional uncertainty and unreliable power (Ramamurti, 2009). These MNEs are forced to be innovative in circumventing the institutional voids. Still, they also have to adapt to the incomplete and uncertain institution and respond to the need to participate in making and shaping the rules of games as an endogenous factor in the local market. Experiential learning generates adversity advantage in senior management of the MNE, which will be very helpful when the MNE enters and operates in an institutionally distant market with high uncertainty and a lack of reliable power.

Third, the findings also provide novel insights into TMT and political connection literature in the following ways. Political connections are important in international business research (Cui et al., 2018). There are heterogeneous political connections based on different sources of origins (home vs host) or various functional political agencies (legislative vs executive). The author extended the TMT literature in international business by identifying the role the TMT's home-country political connections play in the subsidiary governance for the first time. Notably, political knowledge embedded in the TMT political connections could be transferred across borders (Fernandez-Mendez et al., 2018) and play a role in subsidiary management. Senior managers who have political experience of complex interactions with their political counterparts over time have a better understanding of how a political process works and how to approach and bargain with the legitimating counterparts (Fernandez-Mendez et al., 2018; Lester et al., 2008). Therefore, non-market strategies such as establishing informal political networks with important power actors deserve more attention to international business research.

4.3.2 Limitations and future research

The research on MNEs and institutional distance tend to inspire the dialectical thinking of the role institutional distance plays in multinational subsidiary performance as a threat or opportunity other than as a barrier to avoid or overcome. The approach allows a big-scale cross-national empirical test of the institutional distance-subsidiary performance relationship. However, the author failed to capture the complexity of institutions and distinguish different institutional contexts (Jackson & Deeg, 2008). The abstract construct of institutional distance is criticised for lost dimensionality and assumes symmetric (Zaheer, Schomaker, & Nachum, 2012). Thus, there is potential to revisit this relationship in the following ways.

Theoretically, a thicker view of institutional contexts is called for in international business, and comparative capitalism offers the opportunity to look at how particular kinds of institutional configurations influence particular kinds of MNE activities (Jackson & Deeg, 2019). This study can be extended from a comparative capitalism perspective to breakdown the institutional distance in a more context-specific manner. For example, Fortwengel (2017) argues the particular combination of different dimensions of institutional distance, including coordination, strength, thickness and resources, will actually translate into behaviours involving MNEs overcoming institutional distance and implicate when MNEs can overcome institutional distance. Besides, political connections are believed to complement even substitute the formal institutions in some markets, especially those with weak institutions (Schweizer et al., 2019). This is because "institutions exist in complementary configurations ": formal vs informal, market vs non-market and "rules and taken-for-granted assumptions are intertwined in non-random ways" (Ahmadjian, 2016). Political connections with crucial government officers could be an informal complementary configuration of institutions and could be leveraged as a company's nonmarket strategy in legitimacy building, resource configuration, and network construction.

Methodologically, multiple case studies and qualitative comparative analysis are high potential approaches to study the institutional distance and subsidiary performance relationship. These approaches enable the author to contextualise insights into the conditions when MNEs can overcome institutional distance (Fortwengel, 2017). Identifying the interaction effects between these context-specific conditions and TMT characteristics the author tested in this study will lead to fruitful theoretical and empirical results. Besides, longitudinal data would be conducive to reveal more information about how the institutional distance between two countries would change over time and how the TMT's international background influence their management of institutional distance over time and consequently influence the multinational subsidiary performance.

5 CHAPTER 5 CONCLUSION

5.1 Introduction

This chapter summarises this thesis's main research findings, discusses their theoretical contributions and managerial implications, acknowledges the research limitations, and provides recommendations for future research.

The government-business relationship is significant in international business because MNEs operate in various evolving political regimes home and abroad (Boddewyn & Brewer, 1994; Pfeffer & Salancik, 1978). There is a political market for beneficial government decisions resulting from governments' monopoly control of power (Boddewyn, 1988). However, political factors influencing firm internationalisation and MNE performance are under-researched despite the long-traditioned study of economic factors' determinants (Boddewyn, 1988; Boddewyn & Brewer, 1994). PCs are capitalised in many countries to influence government decisions and behaviours in favour of firms (Shaffer & Hillman, 2000). Given the critical role of PCs in international business, the overarching purpose of the present thesis is to explore how much PCs influence firm internationalisation. Thus, three research questions have been investigated in this study: first, how much do PCs matter for firm internationalisation? Second, how do PCs influence Chinese private firms' export during the institutional transition? And third, how do the TMT's PCs, international experience and expatriates moderate the relationship between institutional distance and multinational subsidiary performance?

This thesis narrows down the research question into three sub research questions. Table 1 summarises the research questions this thesis has addressed and their corresponding theory, sample, methods used and main research findings. Table 2 summarised the research objects, theoretical contributions and empirical implications for each research questions.

Notably, the author uses different datasets in the second study corresponding to Chapter 3 and the third study corresponding to Chapter 4 in the thesis. This is because these two individual studies focus on different firms. Chapter 3 focuses on multinational enterprises in their home market in China. Chapter 4 focuses on Chinese multinational subsidiaries in their host markets in 72 different countries. Therefore, the author extracted different data from different datasets, given their relevance and availability. Data of Chinese multinational enterprises at home are obtained from the China Stock Market and Accounting Research Database (CSMAR) and the Annual Report of Industrial Enterprise Statistics (ARIES). Specifically, CSMAR contains records of senior managers' political background. ARIES has records of firm export and other financial indicators. Data of Chinese multinational subsidiaries in host counties are obtained from Orbis of Bureau van Dijk. Orbis contains records of subsidiaries' financial information, TMT's characteristics, ownership structures and so on and so forth.

Table 5-1 Summary of research findings

Research Question	Research Object	Methodology	Findings
Research question 1: How much do PCs matter for firm internationalisation? (Chapter 2)	MNEs across the world	***Sample***: 25,197 observations from 60 independent samples from 59 papers based on Scopus, Web of Science, Elsevier Science Direct, ProQuest Business Collection, and Business Source Premier ***Methods***: Meta-analytic procedures in Hunter and Schmidt (2004) and use Mate-analytic structural equation modelling, weighted least square regression.	1. Generally, the impact of PCs on firm internationalisation is positive. 2. The impact of PCs with host country political institutions on firm internationalisation is stronger than PCs with home country political institutions. 3. The impact of PCs on internationalisation does not have a significant difference in developing host markets or developed host markets. 4. The impact of PCs on firm internationalisation in the post-investment stage is stronger than that in the pre-investment stage.
Research question 2: How do PCs influence Chinese private firms' export during the institutional transition? (Chapter 3)	Chinese public-listed private multinational enterprises	***Sample***: 2670 firm-year observations of 990 firms from 2008-2013 based on the China Stock Market and Accounting Research Database and Annual Report of Industrial Enterprise Statistics ***Methods***: Fixed-effects panel model, Heckman two-stage selection model.	1. CEOs' PCs negatively impact Chinese firms' export. 2. Executive PCs are more negatively impact on Chinese private firms' export. Legislative PCs have no impact on Chinese private firms' export. 3. The higher the level of the CEOs' PCs, the less likely the Chinese firm will engage in export.
Research question 3: How do the TMT's PCs, international experience and expatriates moderate the relationship between institutional distance and multinational subsidiary performance? (Chapter 4)	Chinese multinational subsidiaries	***Sample***: 46803 TMT member observations of 6150 foreign subsidiaries in 72 host economies based on Orbis and World Bank World Governance Indicators, World Development Indicators. ***Methods***: Ordinary Least Square Regression, Interaction regression.	1. There is a negative relationship between institutional distance and multinational subsidiary performance. 2. The negative relationship between institutional distance and multinational subsidiary performance will be strengthened by expatriate members in the TMT. 3. The negative relationship between institutional distance and multinational subsidiary performance will be weakened in proportion to the subsidiary TMT's international experience. 4. The negative relationship between institutional distance and multinational subsidiary performance will be weakened especially by the subsidiary TMT's international experience in markets with weak institutions other than strong institutions.5. The negative relationship between institutional distance and multinational subsidiary performance will be weakened in proportion to the political connections g held by the TMT members with home political actors.

5.2 Summary of research findings

Firstly, a meta-analytic review gives the audience a comprehensive view of what has been investigated of the PC-internationalisation relationship. Chapter 2, the meta-analysis, tested the main and conditional effects of this relationship using a sample encompassing 25,197 observations from 60 independent samples in 59 papers. (1) The findings reveal that PCs facilitate firm internationalisation at an aggregate level supported by a sample that contains different geographies worldwide. Explained by an internalisation perspective, the benefits are a result of firms' exploration of the impact of external political intermediate markets. Three intermediate political products are relevant: political capital, legitimacy and senior managers' political mindsets. (2) Supported by the evidence, PCs with the host country government have a stronger impact on firm internationalisation than those with the home country government. The results indicate that not only the transferable (e.g., political knowledge) but also the non-transferable political resources (e.g., political contact) contribute to the alleviation of liability of foreignness which mainly associates with institutional distance. FSAs developed in the home market need to be NLB to be transferred across borders, but FSAs developed in the host market are not constrained by the borders. (3) Surprisingly, the results do not support the belief that PCs have differential enabling influence on internationalisation in countries at different markets of developed and developing markets. This suggests that PCs' importance is not exclusive to developing countries because of their role in compensating for the institutional voids (Ge & Carney, 2016). PCs are capitalised in many countries, including developing and developed markets. For example, the relational perspective not only helpful in developing markets like China but also worked in developed countries like New Zealand (Chung, 2012; Chung & Kuo, 2018). (4) The evidence also implies that the role of PCs varies from pre-investment to post-investment stages. Political activities are dynamic. With more experiential learning, MNEs are more capable of understanding the political process, policies in the post-investment stage, and managing the government-decision making process. It is more likely that MNEs could have an opportunity to generate higher-order FSAs by combing the LB FSAs and CSAs in the host country. (5) Evidence also shows that subjectively measured PCs have a more significant impact on firm internationalisation compared to PCs measured objectively. This may suggest that top officers with PCs tend to attribute firm internationalisation to their political resources conferred through their PCs with dominant political actors like governments.

Secondly, an in-context explanation of the relationship between PCs and Chinese private firm export adds to the nuanced knowledge of the PC-internationalisation relationship. Chapter 3 tested the heterogenous PCs in influencing export by a sample containing 2,411 firm-year observations of 709 firms from 2008-2013 based on the CSMAR and ARIES. (1) The evidence reveals that CEOs' PCs have a negative impact on a firm's foreign expansion like export. The finding in this research implies that PCs with home governments in China are conducive to facilitating domestic business but reducing foreign business. This means that CEO's political knowledge through experiential learning in this uncertain institutional environment is highly context-specific as "the underdeveloped institutions and complexity of economic transactions make the existence of clear and comprehensive guidelines unlikely" (Zheng et al., 2017: 2012). Thus, context-specific political knowledge is more relevant for firms' operating at home other than abroad. (2) The results show that the negative relationship between CEOs' heterogeneous PCs and private firm export in China. Executive PCs have a significant negative impact on Chinese private firms' export. Legislative PCs have no impact on Chinese private firms' export. This implies that private firms in China depend more on the executive governmental branches with authority to enforce laws and implement policies in order to obtain resources and legitimacy, rather than legislative branches with indirect authority to enact laws and regulations (Zheng et al., 2017). (3) The empirical result shows the higher the level of CEOs' PCs, the less likely the Chinese firms will engage in export. This is conceivable because, in China's authoritarian regime, power is devolved from the high-level governments to the low-level governments. It's rare and difficult for private firms to connect with high-level political actors, and thus a comparative advantage at home is generated for firms with high-level PCs.

An interesting result in this thesis is that PCs have an aggregate positive effect on firm internationalisation concerning the research object of firms across the world, but a negative effect on firm export concerning the research object of Chinese private firms. This discrepancy could be attributed to the following reasons. First, the meta-analysis in Chapter 2 reveals an aggregated effect of the PCs-internationalisation relationship across different research contexts. Chapter 3 reveals the context-specific relationship between PCs and export in China during the institutional transition. Second, PCs are conducive for firms to exploit political capital, legitimacy and senior managers' political mindsets, as summarised in the meta-analysis. PCs in the Chinese context are no exception. However, the difference is that these benefits from PCs are more conducive to facilitating domestic business in China as the high resource dependence on home governments is alleviated, and there is less need for Chinese firms to avoid the dependence. Third, political experience in China influences the TMT member international orientation through their political mindsets. Managers' personal political experiences vary across the different political regimes and administrative arrangements, social-political ideologies. That's why PCs are perceived to be one of the most complex and subjective political approaches for firms to be engaged politically (Rajwani & Liedong, 2015). Growing in a business community where *guanxi* culture is the lifeblood, PCs are more effective when all the parties participating in a business transaction understand the assumptions of *guanxi* (Xin & Pearce, 1996). Besides, evidence also shows that the political ideology senior managers adopted of communism in China may oppose to the political ideology of foreign capitalism despite its diminishing effect (Marquis & Qiao, 2018). Third, Chapter 3 only focuses on Chinese private firms to test the PCs-export relationship. Even though most emerging economy governments encourage local firms to globalise to enhance economic growth (Luo & Tung, 2007), the most immediate beneficiaries are still state-owned firms other than private firms in China. This is because competing firms are asymmetrically affected by the same regulations or public policies (Shaffer, 1995). State-owned firms are naturally ascribed with formal institutions and benefit more from the incentive policies. China's "catch-up" and "go global" strategies generate many national champions, but most of them are state-owned or sponsored by the state capital (Liang et al., 2015; Lin & Milhaupt, 2013). For example, among *Fortune* Global 500 2020, most of the Chinses firms are state-owned and supervised by the government[7].

[7] https://fortune.com/global500/

Thirdly, Chapter 4 looks at the research question from the perspective of subsidiaries at the host market other than MNEs from the home market. How could the threat of institutional distance to the multinational subsidiary performance be moderated by the TMT's PCs, international experience and expatriates? Chapter 4 tested the above research question by a sample containing 46,803 TMT member observations of 6,150 foreign subsidiaries in 72 host economies based on the Orbis and World Bank World Governance Indicators. (1) The evidence reveals that expatriates in the TMT may worsen the threat of institutional distance. The result implicates that expatriate failures are common, which hinders the transfer of knowledge from the parent firm to the subsidiaries. Besides, increasing expatriates strengthen parent control and decrease their local responsiveness, hence adding difficulty to subsidiary legitimation. (2) The results also show that international experience positively moderates the institutional distance-subsidiary performance relationship. This implicates that the TMT's international experience helps to mitigate the liability of foreignness the subsidiary faces in the institutionally distant host country as TMTs with international experience are more capable of learning about new markets (Carlsson et al., 2005). Specifically, the negative relationship between institutional distance and subsidiary performance is weakened by the TMT's international experience in weak institutions. The result implicates that MNEs with the TMT that has more experience in markets with weak institutions have better capabilities to navigate weak institutions and deal with the adverse situation of institutional uncertainty and unreliable power (Ramamurti, 2009). (3) The result reveals that PCs positively moderate the institutional distance-subsidiary performance relationship. This result implicates that TMT members with governmental experience at home could better transfer the meaning and value of the strategic organisational practice to the subsidiaries as the practice is shaped by the institutional and social context at home. Also, TMT members with governmental experience may be more sensitive to the host country's nonmarket environment. This could be helpful for firms to legitimate their firms.

Table 5-2 Summary of theoretical contributions and managerial implications

Research Question	Theory	Theoretical contributions	Managerial implications
Research question 1: How much do PCs matter for firm internationalisation? (Chapter 2)	Internalisation theory	Chapter 2 extends the internalisation theory by explicitly including the role played by PCs when firms face the imperfect political intermediate products markets in international business. This systematic review recognises and summarises three intermediate political products: political capital, legitimacy and senior managers' political mindset. The theoretical explanation of this study contributes to international business, nonmarket strategic management and PC literature.	Chapter 2 provides implications for firm nonmarket strategy pertaining to the effects of PCs in the firm internationalisation process. Managers need to be sensitive and willing to learn the nonmarket environment home and abroad and understand which type of, in which context and when PCs are more effective in firm internationalisation.
Research question 2: How do PCs influence Chinese private firms' export during the institutional transition? (Chapter 3)	Resource dependence theory	Chapter 3 shows how resource dependence theory enables us to understand better Chinese private firms' resource dependence, considering the power of political influence from different governmental branches and administrative levels. The close look at disaggregate analysis of the strength and function of the government-business relationship based on the Chinese political regime enhances the understanding of the PCs-export relationship and contributes to the international business and emerging economy nonmarket strategy literature.	Chapter 3 provides implications for emerging economy firms' nonmarket strategy pertaining to sales at home or export. Managers need to be aware: (1) PCs are not a facilitator to internationalise the firm under the current situation of institutional transition in China. (2) It is more effective for business managers to seek PCs with executive governmental branches and higher-level governmental branches.
Research question 3: How do TMT's PCs, international experience and expatriates moderate the relationship between institutional distance and multinational subsidiary performance? (Chapter 4)	Upper echelon theory	Chapter 4 provides an analysis of how the TMT's international background influence their response and management of the institutional distance and consequently influence the subsidiary performance. The theoretical contributions are that upper echelon theory underpins the role the TMT plays in the institutional distance-subsidiary performance relationship that has yet to be adequately understood and explained theoretically. Theoretical analysis of this study contributes to the TMT, international business literature.	Chapter 4 provides implications for MNE subsidiaries' staffing strategy. (1) Firm managers need to take precaution and actions for expatriate failures, such as providing cross-culture training or a comprehensive oversea expatriate support system. (2) Recruit those who have international business experience (especially in developing economies) and home country governmental experience.

5.3 Theoretical contributions

The theories used, theoretical contributions and managerial implications of this thesis are listed in Table 5-2. Specifically, Chapter 2 synthesises and summarises the mechanisms of how PCs influence firm internationalisation, drawing insights from the internalisation theory. Internalisation theory originated from economics and is used to explain international business behaviour. The assumption of internalisation theory is that profit maximisation is the sole objective of firms operating in imperfect external markets (Kirca et al., 2011). Despite the long-traditioned exploration of economic factors in explaining firm internationalisation (Dunning, 2001; Rugman & Verbeke, 2008; Rugman et al., 2011), researchers argue that the role of political factors like MNEs' political action is downplayed and under-researched in firm internationalisation even though political factors shape MNEs' nonmarket environment and consequently influence firms' competitive advantage (Boddewyn, 1988; Boddewyn & Brewer, 1994). Internalisation theory focuses on imperfections in intermediate product markets (Rugman, 1981). Chapter 2 extends the internalisation theory by explicitly including PCs' role when firms face the imperfect political intermediate products markets in international business (Boddewyn, 1988; Rugman, 1981). Previous studies applying internalisation theory mainly focus on intermediate products like knowledge flow (Buckley & Casson, 2009). The systematic review in Chapter 2 recognises and summarises three intermediate political products through the exploitation of which PCs influence firm internationalisation: political capital, legitimacy and the senior managers' political mindsets. Besides, the identification of the importance of PCs in both developing and developed markets and the disparate effects of the origins of PCs, internationalisation stage, data type (survey vs archival) and their theoretical explanation of this study contribute to international business, nonmarket strategic management and PC literature.

Second, Chapter 3 provides an in-context explanation of the relationship between PCs and Chinese private firm export. In developing the theoretical arguments, the author draws from the resource dependence theory to explain China's PCs-export scenario (Hillman et al., 2009; Pfeffer & Salancik, 1978). The author applies the resource dependence theory on the Chinese firms' operation during the institutional transition and explains how the change of dependency situation changes firms' strategic decision to do business home or abroad. A theoretical contribution shows how resource dependence theory enables us to better understand and explain Chinese private firms' resource dependence, considering the power of political influence from different governmental branches and administrative levels. This is because power is the main theoretical mechanism to explain external constraints and dependency and the concentration of power above all is the concentration of resources (Nienhuser, 2008). Therefore, the author could examine the level of resource dependence by unveiling the Chinese political regime's power distribution. The disaggregated analysis of the government-business relationship's strength and function based on the Chinese political regime enhances the understanding of the PCs-export relationship and contributes to the international business and emerging economy nonmarket strategy literature.

Third, Chapter 4 draws from the upper echelon theory to explain how the TMT's international background influence their response and management of the institutional distance and consequently influence the subsidiary performance. The theoretical contributions are that upper echelon theory underpins the role the TMT plays in the institutional distance-subsidiary performance relationship that has yet to be adequately understood and explained theoretically. Given bounded rationality, TMT members perceive and interpret the institutional distance the MNE faces through their personal lenses with their cognitive bases and personal values (Hambrick & Mason, 1984). The author reveals that TMT expatriates, international experience and PCs influence senior managers' personal values and thus influence their management of the institutional distance, consequently buffer or worsen the threat of institutional distance. Theoretical analysis of this study contributes to the TMT, international business literature.

5.4 Managerial implications

Based on the above summary of findings, firm managers should consider the following points. First, Chapter 2 provides implications for firm nonmarket strategy pertaining to the effects of PCs during firm internationalisation process. It's helpful for managers to understand which type of, in which context and when PCs are more effective in firm internationalisation. According to the results, senior managers could leverage PCs as a nonmarket strategy across different markets despite their institutional developments. Specifically, senior managers should not only pay attention to the nonmarket environment in the home country but also be sensitive to the nonmarket environment in the host country. During the process of internationalisation, mangers need to be willing to learn the nonmarket environment home and broad and develop their capability to recombine the resources home and abroad, which is conducive for MNEs to develop higher-order FSAs.

Chapter 3 provides implications for emerging economy firms' nonmarket strategy pertaining to sales at home or export. Senior managers should understand that PCs are not facilitators to internationalise the firm under the current institutional transition situation in China. However, PCs are conducive to develop business domestically as political influences manifested in PCs change the firm's inferior political status and confer resources and legitimacy. The distinguishing effect of heterogeneous PCs suggests that PCs with executive governmental branches compared to legislative governmental branches, PCs at high administrative levels compared to low administrative levels are more influential in reducing firms' resource dependence on governments. This result suggests that it's more effective for business managers to seek PCs with the executive governmental branches and higher-level governmental branches.

Chapter 4 provides implications for MNE subsidiaries' staffing strategy pertaining to the findings of the moderation effect of TMT's international background (expatriates, international experience, home PCs). Specifically, expatriate failure could worsen the threat of institutional distance. This is because expatriate failure could cause problems such as the inability to adapt to the new environment and a lack of willingness to learn (Hung-Wen, 2007). Firm managers need to take precaution and actions for expatriate failures, such as providing cross-culture training or comprehensive oversea expatriate support systems (Tung, 1987). In addition, recruiting senior managers who have international business experience (especially in developing economies) and home country governmental experience is generally helpful to buffer the threat of institutional distance.

5.5 Limitations and future research directions

This research clearly illustrates the relationship between PCs and firm internationalisation and raises the following questions, which suggests a future research agenda. First, considering the meta-analysis in Chapter 2, because of the limitations in the empirical designs of primary studies, it's impossible to test other important moderators. As a result, the author proposes future studies to further our understanding of the boundary conditions in the PCs-internationalisation link. (1) The exploration of ownership structure like state ownership and private ownership is meaningful because firms with different ownership structure may expose to different competitive interdependence on government due to power imbalance (Deng et al., 2018b). (2) The industry is also an important moderator. Some industries are more heavily regulated and are more critically influenced by public policies, some industries belong to well-resourced industries or strategic industries and are especially supported by the government to compete internationally, and some industries are more sensitive to political risk than others. (3) Political regimes can be another essential cross-national contingency that needs to be investigated because they have a crucial influence on how PCs are formed and used. (4) The heterogeneity of PCs is always interesting to explore as PCs with different characteristics conferring disparate political influence. The heterogeneity of PCs becomes a popular research topic because researchers believe unpacking heterogeneous PCs can better understand the nature and functions of PCs (Deng et al., 2018b; Jia & Zhang, 2016; Sun et al., 2015).

Second, Chapter 3 contributes to understanding the PCs-export relationship in the Chinese context based on private firms, but the results may be limited in generalizability. (1) There is a call to deepen our understanding by identifying the nuances of organisational behaviour in a specific context (Jack et al., 2013). It will be interesting to reinvestigate this relationship by incorporating a political system's characteristics in another particular context. (2) It will be interesting to conduct a comparative study of this relationship in developed economies. (3) Chapter 3 has tested three direct effects of the PCs-export relationship, considering the heterogeneity of PCs. Future research could extend this study to explore how CEOs' other characteristics interact with their political characteristics and jointly impact firm strategic decisions from an upper-echelon perspective. (4) The exploration of the possible moderation effect with higher-level influencing factors like institutional development will also be helpful to build a more comprehensive understanding of when CEOs' political characteristics have a bigger or smaller effect on firms' strategic choices like export.

Third, Chapter 4 adopts an approach that allows a big-scale cross-national empirical test of the institutional distance-subsidiary performance relationship. However, it fails to capture the complexity of institutions that distinguish different national systems drawing from comparative capitalism literature (Jackson & Deeg, 2008). Actually, the abstract entity of institutional distance is criticised for lost dimensionality and symmetry assumption (Zaheer et al., 2012). (1) There is potential to revisit this relationship with a specific focus on one institution's dimension and give the institutional distance a direction. For example, Fortwengel (2017) argues that the particular combination of different dimensions of institutional distance, including coordination, strength, thickness, and resources, will translate into behaviours involving MNEs overcoming institutional distance and implicate when MNEs can overcome institutional distance. (2) There are alternative approaches like multiple case studies and qualitative comparative analysis that have a high potential for advancing our understanding of the institutional distance and subsidiary performance relationship. (3) A longitudinal data would be conducive to reveal more information about how the institutional distance between two countries would change over time and how the TMT’s international background influence their management of institutional distance over time, and consequently influence the multinational subsidiary performance.

6 LIST OF REFERENCES

Acemoglu, D., & Johnson, S. 2005. Unbundling institutions. ***Journal of political Economy***, 113(5): 949-995.

Acemoglu, D., Robinson, J. A., & Business, C. 2013. Why Nations fail-the origins of power, prosperity and poverty. ***World Economic Review***, 2(2): 118-121.

Adhikari, A., Derashid, C., & Zhang, H. 2006. Public policy, political connections, and effective tax rates: Longitudinal evidence from Malaysia. ***Journal of Accounting and Public policy***, 25(5): 574-595.

Agnihotri, A., & Bhattacharya, S. 2015. Determinants of export intensity in emerging markets: An upper echelon perspective. ***Journal of World Business***, 50(4): 687.

Agrawal, A., & Charles, K. R. 2001. Do some outside directors play a political role? ***The Journal of Law and Economics***, 44(1): 179-198.

Aguilera-Caracuel, J., Hurtado-Torres, N. E., Aragon-Correa, J. A., & Rugman, A. M. 2013. Differentiated effects of formal and informal institutional distance between countries on the environmental performance of multinational enterprises. ***Journal of Business Research***, 66(12): 2657-2665.

Ahmadjian, C. L. 2016. Comparative institutional analysis and institutional complexity. ***Journal of Management Studies***, 53(1): 12-27.

Aiken, L. S., West, S. G., & Reno, R. R. 1991. ***Multiple regression: Testing and interpreting interactions***: Sage.

Albino-Pimentel, J., Anand, R., & Dussauge, P. 2018. How do firm political connections impact foreign acquisitions? The effects of decision makers' political and firm embeddedness. ***Global Strategy Journal***, 8(3): 421-446.

Albino Pimentel, J., Dussauge, P., & Shaver, J. M. 2018. Firm nonmarket capabilities and the effect of supranational institutional safeguards on the location choice of international investments. ***Strategic Management Journal***, 39(10): 2270-2793.

Amanois. 2017. How entrepreneurs leverage institutional intermediaries in emerging economies to acquire public resource. ***Strategic Management Journal***, 38(7): 1373-1390.

Bae, J. H., & Salomon, R. 2010. Institutional Distance in International Business Research. In D. Timothy, P. Torben, & T. Laszlo (Eds.), ***Past, Present and Future of International Business and Management***, Vol. 23: 327-349.

Bai, T., Du, J., & Solarino, A. M. 2018. Performance of foreign subsidiaries 'in' and 'from' Asia: A review, synthesis and research agenda. ***Asia Pacific Journal of Management***, 35(3): 607-638.

Bandeira-de-Mello, R., Arreola, M. F., & Marcon, R. 2012. The importance of nurturing political connections for emerging multinationals: Evidence from Brazil, ***International Business and Management***, Vol. 28: 155-171.

Baron, D. P. 1995. Integrated strategy: Market and nonmarket components. ***California management review***, 37(2): 47-65.

Bascle, G. 2008. Controlling for endogeneity with instrumental variables in strategic management research. ***Strategic organization***, 6(3): 285-327.

Baum, C. F., Christopher, F., & Baum, C. F. 2006. ***An introduction to modern econometrics using Stata***: Stata press.

Beugelsdijk, S., Ambos, B., & Nell, P. C. 2018a. Conceptualizing and measuring distance in international business research: Recurring questions and best practice guidelines. ***Journal of International Business Studies***, 49(9): 1113-1137.

Beugelsdijk, S., Kostova, T., Kunst, V. E., Spadafora, E., & van Essen, M. 2018b. Cultural distance and firm internationalization: A meta-analytical review and theoretical implications. ***Journal of Management***, 44(1): 89-130.

Birkinshaw, J., Holm, U., Thilenius, P., & Arvidsson, N. 2000. Consequences of perception gaps in the headquarters–subsidiary relationship. ***International Business Review***, 9(3): 321-344.

Blumentritt, T., & Rehbein, K. 2008. The political capital of foreign subsidiaries an exploratory model. ***Business & Society***, 47(2): 242-263.

Boddewyn, J. J. 1988. Political aspects of MNE theory. ***Journal of International Business Studies***, 19(3): 341-363.

Boddewyn, J. J., & Brewer, T. L. 1994. International-business political behavior: new theoretical directions. ***Academy of Management Review***, 19(1): 119-143.

Borda, A., Geleilate, J. M. G., Newburry, W., & Kundu, S. K. 2017. Firm internationalization, business group diversification and firm performance: The case of Latin American firms. ***Journal of Business Research***, 72: 104-113.

Boubakri, N., Cosset, J. C., & Saffar, W. 2012. The impact of political connections on firms' operating performance and financing decision. ***Journal of Financial Research***, 35(3): 397-423.

Boubakri, N., Mansi, S. A., & Saffar, W. 2013. Political institutions, connectedness, and corporate risk-taking. ***Journal of International Business Studies***, 44(3): 195-215.

Brandt, L., Van Biesebroeck, J., & Zhang, Y. 2012. Creative accounting or creative destruction? Firm-level productivity growth in Chinese manufacturing. ***Journal of development economics***, 97(2): 339-351.

Brockman, P., Rui, O. M., & Zou, H. 2013. Institutions and the performance of politically connected M&As. ***Journal of International Business Studies***, 44(8): 833-852.

Bucheli, M., & Salvaj, E. 2018. Political connections, the liability of foreignness, and legitimacy: A business historical analysis of multinationals' strategies in Chile. ***Global Strategy Journal***, 8(3): 399-420.

Buckley, P. J., & Casson, M. C. 2009. The internalisation theory of the multinational enterprise: A review of the progress of a research agenda after 30 years. ***Journal of international business studies***, 40(9): 1563-1580.

Buckley, P. J., Clegg, L. J., Cross, A. R., Liu, X., Voss, H., & Zheng, P. 2007. the determinants of Chinese outward foreign direct investment. ***Journal of International Business Studies***, 38(4): 499-518.

Buckley, P. J., & Tian, X. 2017. Internalization theory and the performance of emerging-market multinational enterprises. ***International Business Review***, 26(5): 976-990.

Calof, J. L., & Beamish, P. W. 1995. Adapting to foreign markets: Explaining internationalization. ***International Business Review***, 4(2): 115-131.

Carlsson, J., Nordegren, A., & Sjöholm, F. 2005. International experience and the performance of Scandinavian firms in China. ***International Business Review***, 14(1): 21-40.

Carney, M., Dieleman, M., & Taussig, M. 2016. How are institutional capabilities transferred across borders? ***Journal of World Business***, 51(6): 882-894.

Casciaro, T., & Piskorski, M. J. 2005. Power imbalance, mutual dependence, and constraint absorption: A closer look at resource dependence theory. ***Administrative science quarterly***, 50(2): 167-199.

Certo, S. T., Busenbark, J. R., Woo, H. s., & Semadeni, M. 2016. Sample selection bias and Heckman models in strategic management research. ***Strategic Management Journal***, 37(13): 2639-2657.

Chang, S.-J., Van Witteloostuijn, A., & Eden, L. 2010. From the editors: Common method variance in international business research. ***Journal of International Business Studies***, 41(2): 178-184.

Chang, Y.-Y., Gong, Y., & Peng, M. W. 2012. Expatriate Knowledge Transfer, Subsidiary Absorptive Capacity, and Subsidiary Performance. ***Academy of Management Journal***, 55(4): 927-948.

Chao, M. C.-H., & Kumar, V. 2010. The impact of institutional distance on the international diversity–performance relationship. ***Journal of World Business***, 45(1): 93-103.

Chen, C. J. P., Li, Z., Su, X., & Sun, Z. 2011. Rent-seeking incentives, corporate political connections, and the control structure of private firms: Chinese evidence. ***Journal of Corporate Finance***, 17(2): 229.

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.

Chen, J., Sousa, C. M. P., & He, X. 2016a. The determinants of export performance: a review of the literature 2006-2014. ***International Marketing Review***, 33(5): 626-670.

Chen, L., Li, Y., & Fan, D. 2018. How do emerging multinationals configure political connections across institutional contexts? ***Global Strategy Journal***, 8(3): 447-470.

Chen, P.-L., Tan, D., & Jean, R.-J. B. 2016b. Foreign knowledge acquisition through inter-firm collaboration and recruitment: Implications for domestic growth of emerging market firms. ***International Business Review***, 25(1): 221-232.

Child, J., & David, K. T. 2001. China's transition and its implications for international business. ***Journal of international business studies***, 32(1): 5-21.

Child, J., Rodrigues, S. B., & Frynas, J. G. 2009. Psychic distance, its impact and coping modes. ***Management International Review***, 49(2): 199-224.

Chow, G. C. 1960. Tests of equality between sets of coefficients in two linear regressions. ***Econometrica: Journal of the Econometric Society***: 591-605.

Chung, H. F. L. 2012. Export market orientation, managerial ties, and performance. ***International Marketing Review***, 29(4): 403-423.

Chung, H. F. L., & Kuo, T. 2018. When and how managerial ties matter in international competitive strategy, export financial and strategic performance framework. ***European Journal of Marketing***, 52(1/2): 260-278.

Ciabuschi, F., Kong, L. S., & Su, C. 2017. Knowledge sourcing from advanced markets subsidiaries: political embeddedness and reverse knowledge transfer barriers in emerging-market multinationals. ***Industrial and Corporate Change***, 26(2): 311-332.

Claessens, S., Feijen, E., & Laeven, L. 2008. Political connections and preferential access to finance: The role of campaign contributions. ***Journal of financial economics***, 88(3): 554-580.

Clarke, D., Murrell, P., Whiting, S., Brandt, L., & Rawski, T. G. 2008. The Role of Law in China's Economic Development. 375-428.

Columb, M., & Atkinson, M. 2016. Statistical analysis: sample size and power estimations. ***Bja Education***, 16(5): 159-161.

Crotty, M. 1998. ***The foundations of social research: Meaning and perspective in the research process***: Sage.

Cuervo-Cazurra, A., & Genc, M. 2008. Transforming disadvantages into advantages: Developing-country MNEs in the least developed countries. ***Journal of international business studies***, 39(6): 957-979.

Cui, L., Hu, H. W., Li, S., & Meyer, K. E. 2018. Corporate political connections in global strategy. ***Global Strategy Journal***, 8(3): 379-398.

Cui, L., & Jiang, F. 2009. Behind ownership decision of Chinese outward FDI: Resources and institutions. ***Asia Pacific Journal of Management***, 27(4): 751-774.

Czinkota, M. R., & Johnston, W. J. 1983. Exporting: does sales volume make a difference? ***Journal of International Business Studies***, 14(1): 147-153.

Dahms, S. 2019. Foreign-owned subsidiary knowledge sourcing: The role of location and expatriates. ***Journal of Business Research***, 105: 178-188.

De Beule, F., Elia, S., & Piscitello, L. 2014. Entry and access to competencies abroad: Emerging market firms versus advanced market firms. ***Journal of International Management***, 20(2): 137-152.

De Figueiredo, J. M. 2009. Integrated political strategy. ***Advances in strategic management***, 26(1): 459-486.

Delios, A., & Beamish, P. W. 2001. Survival and profitability: The roles of experience and intangible assets in foreign subsidiary performance. ***Academy of Management journal***, 44(5): 1028-1038.

Deng, Z., Jean, R.-J. B., & Sinkovics, R. R. 2018a. Rapid expansion of international new ventures across institutional distance. ***Journal of International Business Studies***, 49(8): 1010-1032.

Deng, Z. L., Yan, J. Y., & van Essen, M. 2018b. Heterogeneity of political connections and outward foreign direct investment. ***International Business Review***, 27(4): 893-903.

Denzau, A. T., & North, D. C. 2000. Shared mental models: ideologies and institutions. ***Elements of reason: Cognition, choice, and the bounds of rationality***: 23-46.

Devinney, T. M., Midgley, D. F., & Venaik, S. 2000. The optimal performance of the global firm: Formalizing and extending the integration-responsiveness framework. ***Organization Science***, 11(6): 674-695.

Dickson, B. J. 2003. ***Red capitalists in China: The party, private entrepreneurs, and prospects for political change***: Cambridge University Press.

Dikova, D. 2009. Performance of foreign subsidiaries: Does psychic distance matter? ***International business review***, 18(1): 38-49.

DiMaggio, P. J., & Powell, W. W. 1983. The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. ***American sociological review***: 147-160.

Ding, H., Fan, H., & Lin, S. 2018. Connect to trade. ***Journal of International Economics***, 110: 50-62.

Ding, X. S., Guedhami, O., Ni, Y., & Pittman, J. 2019. Where do local and foreign investors lose their edge? The mediating role of state ownership in shaping their relative informational advantage. ***Where do Local and Foreign Investors Lose Their Edge***.

Doh, J. P., Lawton, T. C., & Rajwani, T. 2012. Advancing nonmarket strategy research: institutional perspectives in a changing world. ***Academy of Management Perspectives***, 26(3): 22-39.

Doh, J. P., & Lucea, R. 2013. So close yet so far: integrating global strategy and nonmarket research ***Global Strategy Journal***, 3(2): 171-194.

Dong, M. C., Fang, Y., & Straub, D. W. 2017. The Impact of Institutional Distance on the Joint Performance of Collaborating Firms: The Role of Adaptive Interorganizational Systems. ***Information Systems Research***, 28(2): 309-331.

Dowling, J., & Pfeffer, J. 1975. Organizational legitimacy: Social values and organizational behavior. ***Pacific sociological review***, 18(1): 122-136.

Du, J., & Girma, S. 2010. Red capitalists: political connections and firm performance in China. ***Kyklos***, 63(4): 530-545.

Du, J., Lu, Y., & Tao, Z. 2015. Government expropriation and Chinese-style firm diversification. ***Journal of Comparative Economics***, 43(1): 155-169.

Du, X. Q., & Luo, J. H. 2016. Political connections, home formal institutions, and internationalization: Evidence from China. ***Management and Organization Review***, 12(1): 103-133.

Dunning, J. H. 2001. The eclectic (OLI) paradigm of international production: past, present and future. ***International journal of the economics of business***, 8(2): 173-190.

Dunning, J. H. 2003. Some antecedents of internalization theory. ***Journal of International Business Studies***, 34(2): 108-115.

Eden, L., & Miller, S. R. 2004. Distance matters: Liability of foreignness, institutional distance and ownership strategy. ***Advances in international management***, 16(4): 187-221.

Faccio, M. 2006. Politically connected firms. ***American economic review***, 96(1): 369-386.

Faccio, M., Masulis, R., & McConnell, J. 2006. Government bailouts and political connections. ***Journal of Finance***, 61(6): 2597-2635.

Fan, G., Wang, X., & Zhu, H. 2011. NERI index of marketization of China's provinces report: Beijing: Economic Science Publishing House.

Fan, J., Wong, T., & Zhang, T. 2007. Politically connected CEOs, corporate governance, and Post-IPO performance of China's newly partially privatized firms. ***Journal of Financial Economics***, 84(2): 330-357.

Fan, J. P. H., Rui, O. M., & Zhao, M. 2008. Public governance and corporate finance: Evidence from corruption cases. ***Journal of Comparative Economics***, 36(3): 343-364.

Fang, Y., Jiang, G. L. F., Makino, S., & Beamish, P. W. 2010. Multinational firm knowledge, use of expatriates, and foreign subsidiary performance. ***Journal of Management Studies***, 47(1): 27-54.

Feenstra, R. C., Li, Z., & Yu, M. 2014. Exports and credit constraints under incomplete information: Theory and evidence from China. ***Review of Economics and Statistics***, 96(4): 729-744.

Fernandez-Mendez, L., Garcia-Canal, E., & Guillen, M. F. 2018. Domestic political connections and international expansion: It's not only 'who you know' that matters. ***Journal of World Business***, 53(5): 695-711.

Fortwengel, J. 2017. Understanding when MNCs can overcome institutional distance: A research agenda. ***Management International Review***, 57(6): 793-814.

Fralich, R., & Fan, H. 2018. Legislative political connections and CEO compensation in China. ***Asian Business & Management***, 17(2): 112-139.

Frynas, J. G., Mellahi, K., & Pigman, G. A. 2006. First mover advantages in international business and firm-specific political resources. ***Strategic Management Journal***, 27(4): 321-345.

Gallego, A., & Casillas, J. C. 2014. Choice of markets for initial export activities: Differences between early and late exporters. ***International Business Review***, 23(5): 1021-1033.

Gao, G. Y., Pan, Y., Lu, J., & Tao, Z. 2009. Performance of Multinational Firms' Subsidiaries: Influences of Cumulative Experience. ***Management international review***, 48(6): 749-768.

Gaur, A. S., Delios, A., & Singh, K. 2007. Institutional Environments, Staffing Strategies, and Subsidiary Performance. ***Journal of Management***, 33(4): 611-636.

Gaur, A. S., Kumar, V., & Singh, D. 2014. Institutions, resources, and internationalization of emerging economy firms. ***Journal of World Business***, 49(1): 12-20.

Gaur, A. S., & Lu, J. W. 2007. Ownership strategies and survival of foreign subsidiaries: Impacts of institutional distance and experiencet. ***Journal of Management***, 33(1): 84-110.

Ge, J., & Carney, M. 2016. Who fills the institutional voids? The utilization of political and family ties in emerging markets. ***Academy of Management Annual Meeting Proceedings***, 2016(1): 1730-1735.

Georgakakis, D., Dauth, T., & Ruigrok, W. 2016. Too much of a good thing: Does international experience variety accelerate or delay executives' career advancement? ***Journal of World Business***, 51(3): 425-437.

Geyskens, I., Krishnan, R., Steenkamp, J.-B. E., & Cunha, P. V. 2009. A review and evaluation of meta-analysis practices in management research. ***Journal of Management***, 35(2): 393-419.

Goldman, E., Rocholl, J., & So, J. 2009. Do politically connected boards affect firm value? ***The Review of Financial Studies***, 22(6): 2331-2360.

Guillén, M. F., & García-Canal, E. 2009. The American model of the multinational firm and the “new” multinationals from emerging economies. ***Academy of Management Perspectives***, 23(2): 23-35.

Hadjikhani, A., Lee, J. W., & Ghauri, P. N. 2008. Network view of MNCs' socio-political behavior. ***Journal of Business Research***, 61(9): 912-924.

Hambrick, D. C. 2007. UPPER ECHELONS THEORY: AN UPDATE. ***Academy of Management. The Academy of Management Review***, 32(2): 334-343.

Hambrick, D. C., & Mason, P. A. 1984. Upper echelons: The organization as a reflection of its top managers. ***Academy of Management Review***, 9(2): 193-206.

Harzing, A.-W. K. 1995. The persistent myth of high expatriate failure rates. ***International Journal of Human Resource Management***, 6(2): 457-474.

Haveman, H., Jia, N., Shi, J., & Wang, Y. 2017. the dynamics of political embeddedness in China. ***Administrative Science Quarterly***, 62(1): 67-104.

Heckman, J. J. 1979. Sample selection bias as a specification error. ***Econometrica: Journal of the econometric society***: 153-161.

Henisz, W. J. 2003. The power of the Buckley and Casson thesis: the ability to manage institutional idiosyncrasies. ***Journal of international business studies***, 34(2): 173-184.

Herrmann, P., & Datta, D. K. 2005. Relationships between top management team characteristics and international diversification: An empirical investigation. ***British Journal of Management***, 16(1): 69-78.

Hillman, A. J. 2005. Politicians on the board of directors: do connections affect the bottom line? ***Journal of Management***, 31(3): 464-481.

Hillman, A. J., Withers, M. C., & Collins, B. J. 2009. Resource dependence theory: a review. ***Journal of Management***, 35(6): 1404-1427.

Hillman, A. J., Zardkoohi, A., & Bierman, L. 1999. Corporate political strategies and firm performance: indications of firm-specific benefits from personal service in the US government. ***Strategic Management Journal***, 20(1): 67-81.

Holburn, G. L., & Zelner, B. A. 2010. Political capabilities, policy risk, and international investment strategy: Evidence from the global electric power generation industry. ***Strategic Management Journal***, 31(12): 1290-1315.

Hoskisson, R. E., Wright, M., Filatotchev, I., & Peng, M. W. 2013. Emerging multinationals from mid-Range Economies: The Influence of institutions and factor markets. ***Journal of Management Studies***, 50(7): 1295-1231.

Hung-Wen, L. 2007. Factors that influence expatriate failure: An interview study. ***International Journal of Management***, 24(3): 403.

Hunter, J. E., & Schmidt, F. L. 2004. ***Methods of meta-analysis: Correcting error and bias in research findings***. US: Sage Publishing.

Hutzschenreuter, T., Kleindienst, I., & Lange, S. 2016. The Concept of Distance in International Business Research: A Review and Research Agenda. ***International Journal of Management Reviews***, 18(2): 160-179.

Jack, G., Zhu, Y., Barney, J., Brannen, M. Y., Prichard, C., Singh, K., & Whetten, D. 2013. Refining, reinforcing and reimagining universal and indigenous theory development in international management. ***Journal of Management Inquiry***, 22(2): 148-164.

Jackson, G., & Deeg, R. 2008. Comparing capitalisms: understanding institutional diversity and its implications for international business. ***Journal of International Business Studies***, 39(4): 540-561.

Jackson, G., & Deeg, R. 2019. Comparing capitalisms and taking institutional context seriously. ***Journal of International Business Studies***, 50(1): 4-19.

Jia, M., & Zhang, Z. 2016. What influences the duration of negative impacts from organizational deviance on other innocent firms? ***Journal of Business Research***, 69(7): 2517-2530.

Kaufmann, D., Kraay, A., & Mastruzzi, M. 2011. The Worldwide Governance Indicators: Methodology and Analytical Issues. ***Hague Journal on the Rule of Law***, 3(2): 220-246.

Kawai, N., & Chung, C. 2019. Expatriate utilization, subsidiary knowledge creation and performance: The moderating role of subsidiary strategic context. ***Journal of World Business***, 54(1): 24-36.

Khanna, T., & Palepu, K. G. 1997. Why focused strategies may be wrong for emerging markets. ***Harvard Business Review***, 75(4): 41-51.

Khanna, T., Palepu, K. G., & Sinha, J. 2005. Strategies that fit emerging markets. ***Harvard business review***, 83(6): 4-19.

Khwaja, A. I., & Mian, A. 2005. Do lenders favor politically connected firms? Rent provision in an emerging financial market. ***The Quarterly Journal of Economics***, 120(4): 1371-1411.

Kirca, A. H., Hult, G. T. M., Deligonul, S., Perryy, M. Z., & Cavusgil, S. T. 2010. A multilevel examination of the drivers of firm multinationality. ***Journal of Management***, 38(2): 502-530.

Kirca, A. H., Hult, G. T. M., Roth, K., Cavusgil, S. T., Perryy, M. Z., Akdeniz, M. B., Deligonul, S. Z., Mena, J. A., Pollitte, W. A., & Hoppner, J. J. 2011. Firm-specific assets, multinationality, and financial performance: A meta-analytic review and theoretical integration. ***Academy of management journal***, 54(1): 47-72.

Klopf, P., & Nell, P. C. 2018. How "space" and "place" influence subsidiary host country political embeddedness. ***International Business Review***, 27(1): 186-197.

Kogut, B., & Singh, H. 1988. The effect of national culture on the choice of entry mode. ***Journal of international business studies***, 19(3): 411-432.

Kostova, T. 1999. Transnational transfer of strategic organizational practices: A contextual perspective. ***Academy of management review***, 24(2): 308-324.

Kostova, T., Roth, K., & Dacin, M. T. 2008. Institutional theory in the study of multinational corporations: A critique and new directions. ***Academy of management review***, 33(4): 994-1006.

Kostova, T., & Zaheer, S. 1999. Organizational legitimacy under conditions of complexity: The case of the multinational enterprise. ***Academy of Management review***, 24(1): 64-81.

Kotabe, M., Jiang, C. X., & Murray, J. Y. 2011. Managerial ties, knowledge acquisition, realized absorptive capacity and new product market performance of emerging multinational companies: A case of China. ***Journal of World Business***, 46(2): 166-176.

Kotabe, M., Srinivasan, S. S., & Aulakh, P. S. 2002. Multinationality and firm performance: The moderating role of r and d and marketing capabilities. ***Journal of International Business Studies***, 33(1): 79-97.

Kung, J. K.-s., & Ma, C. 2018. Friends with Benefits: How Political Connections Help to Sustain Private Enterprise Growth in China. ***Economica***, 85(337): 41-74.

Lazarova, M., Peretz, H., & Fried, Y. 2017. Locals know best? Subsidiary HR autonomy and subsidiary performance. ***Journal of World Business***, 52(1): 1-14.

Lee, H. U., & Park, J. H. 2008. The influence of top management team international exposure on international alliance formation. ***Journal of Management Studies***, 45(5): 961-981.

Lee, M., Yin, X., Lee, S., Weng, D. H., & Peng, M. 2015. The impact of home country institutions on new venture export: examining new ventures in transition economies. ***International Entrepreneurship and Management Journal***, 11(4): 823-848.

Lee, W., & Wang, L. 2017. Do political connections affect stock price crash risk? Firm-level evidence from China. ***Review of Quantitative Finance & Accounting***, 48(3): 643-676.

Lester, R. H., Hillman, A., Zardkoohi, A., & Cannella, A. A., Jr. 2008. Former government officials as outside directors: The role of human and social capital. ***Academy of Management Journal***, 51(5): 999-1013.

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

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, J., Meyer, K. E., Zhang, H., & Ding, Y. 2018. Diplomatic and corporate networks: Bridges to foreign locations. ***Journal of International Business Studies***, 49(6): 659-683.

Li, J. J., Poppo, L., & Zhou, K. Z. 2008b. Do managerial ties in China always produce value? Competition, uncertainty, and domestic vs. foreign firms. ***Strategic Management Journal***, 29(4): 383-400.

Li, J. J., & Zhou, K. Z. 2010. How foreign firms achieve competitive advantage in the Chinese emerging economy: Managerial ties and market orientation. ***Journal of Business Research***, 63(8): 856-862.

Li, X.-H., & Liang, X. 2015. A Confucian social model of political appointments among Chinese private-firm entrepreneurs. ***Academy of Management Journal***, 58(2): 592-617.

Liang, H., Ren, B., & Sun, S. L. 2015. An anatomy of state control in the globalization of state-owned enterprises. ***Journal of International Business Studies***, 46(2): 223-240.

Liberati, A., Altman, D. G., Tetzlaff, J., Mulrow, C., Gøtzsche, P. C., Ioannidis, J. P., Clarke, M., Devereaux, P. J., Kleijnen, J., & Moher, D. 2009. The PRISMA statement for reporting systematic reviews and meta-analyses of studies that evaluate health care interventions: explanation and elaboration. ***PLoS Medicine***, 6(7): e1000100.

Liedong, T. A., & Frynas, J. G. 2018. Investment climate constraints as determinants of political tie intensity in emerging countries: evidence from foreign firms in Ghana. ***Management International Review***, 58(5): 675-703.

Limaj, E., & Bernroider, E. W. N. 2019. The roles of absorptive capacity and cultural balance for exploratory and exploitative innovation in SMEs. ***Journal of Business Research***, 94: 137-153.

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.

Lin, L.-W., & Milhaupt, C. J. 2013. We are the (national) champions: Understanding the mechanisms of state capitalism in China. ***Revista Chilena de Derecho***, 40: 801.

Liu, F., Lin, H., & Wu, H. 2018. Political Connections and Firm Value in China: An Event Study: JBE JBE. ***Journal of Business Ethics***, 152(2): 551-571.

Liu, K., Tang, J. T., Yang, K., & Arthurs, J. 2019. Foreign IPOs in the US: When entrepreneurial orientation meets institutional distance. ***Journal of Business Research***, 101: 144-151.

Liu, Q. G., Luo, J. B., & Tian, G. G. 2016a. Managerial professional connections versus political connections: Evidence from firms' access to informal financing resources. ***Journal of Corporate Finance***, 41: 179-200.

Liu, X., Gao, L., Lu, J., & Lioliou, E. 2016b. Does learning at home and from abroad boost the foreign subsidiary performance of emerging economy multinational enterprises? ***International business review***, 25(1): 141-151.

Lu, J., Liu, X., Wright, M., & Filatotchev, I. 2014. International experience and FDI location choices of Chinese firms: The moderating effects of home country government support and host country institutions. ***Journal of International Business Studies***, 45(4): 428-449.

Lu, J., Xu, B., & Liu, X. 2009. The effects of corporate governance and institutional environments on export behaviour in emerging economies. ***Management International Review***, 49(4): 455-478.

Lu, J. Y., Liu, X. H., Filatotchev, I., & Wright, M. 2014. The impact of domestic diversification and top management teams on the international diversification of Chinese firms. ***International Business Review***, 23(2): 455-467.

Lucas-Alfieri, D. 2015. ***Marketing the 21st century library: the time is now***: Chandos Publishing.

Luo, Y., Huang, Y., & Wang, S. L. 2012. Guanxi and organizational performance: A meta-analysis. ***Management and Organization Review***, 8(1): 139-172.

Luo, Y., & Tung, R. L. 2007. International expansion of emerging market enterprises: A springboard perspective: Springer.

Lux, S., Crook, T. R., & Woehr, D. J. 2011. Mixing business with politics: A Meta-analysis of the antecedents and outcomes of corporate political activity. ***Journal of Management***, 37(1): 223-247.

Ma, X. F., Ding, Z. J., & Yuan, L. 2016. Subnational institutions, political capital, and the internationalization of entrepreneurial firms in emerging economies. ***Journal of World Business***, 51(5): 843-854.

Makhija, M. V. 1993. Government intervention in the Venezuelan petroleum industry: An empirical investigation of political risk. ***Journal of International Business Studies***, 24(3): 531-555.

Malhotra, S., Sivakumar, K., & Zhu, P. 2009. Distance factors and target market selection: The moderating effect of market potential. ***International Marketing Review***, 26(6): 651-673.

Marquis, C., & Qiao, K. 2018. Waking from Mao’s Dream: Communist Ideological Imprinting and the Internationalization of Entrepreneurial Ventures in China. ***Administrative Science Quarterly***: 0001839218792837.

Mata, J., & Alves, C. 2018. The survival of firms founded by immigrants: Institutional distance between home and host country, and experience in the host country. ***Strategic Management Journal***, 39(11): 2965-2991.

McMillan, J., & Naughton, B. 1992. How to reform a planned economy: lessons from China. ***Oxford review of economic policy***, 8(1): 130-143.

Melitz, M. J. 2003. The impact of trade on intra-industry reallocations and aggregate industry productivity. ***econometrica***, 71(6): 1695-1725.

Minggui, Y., Yafu, H., & Hongbo, P. 2010. Political Connections, Rent Seeking, and the Fiscal Subsidy Efficiency of Local Governments [J]. ***Economic Research Journal***, 3: 65-77.

Mohr, A., & Batsakis, G. 2019. The Contingent Effect of TMT International Experience on Firms' Internationalization Speed. ***British Journal of Management***, 30(4): 869-887.

Nachum, L., Sawant, R. J., & Panibratov, A. 2018. Political capital as a spatially-bounded asset location-specificity, mobility and firms' international strategies. ***Baruch College Zicklin School of Business Research Paper***(2018-10): 01.

Nam, J., Liu, X., Lioliou, E., & Jeong, M. 2018. Do board directors affect the export propensity and export performance of Korean firms? A resource dependence perspective. ***International Business Review***, 27(1): 269-280.

Naunghathai, I. 2018. The role of home-country political connections in enhancing the effect of a firm's OFDI on its performance. ***AIB UK&I Conference 2018***.

Nee, V. 1992. Organizational dynamics of market transition: Hybrid forms, property rights, and mixed economy in China. ***Administrative science quarterly***: 1-27.

Nguyen, Q. T., & Rugman, A. M. 2015. Internal equity financing and the performance of multinational subsidiaries in emerging economies. ***Journal of International Business Studies***, 46(4): 468-490.

Nguyen, Q. T. K. 2011. The empirical literature on multinational enterprises, subsidiaries and performance. ***Multinational Business Review***, 19(1): 47-64.

Nielsen, S. 2010. Top management team internationalization and firm performance. ***Management International Review***, 50(2): 185-206.

Nienhuser, W. 2008. <resource dependence theory how well does it explain behavior of organizations.pdf>. ***Management Reveu***: 9-32.

Pan, Y. G., Teng, L. F., Supapol, A. B., Lu, X. W., Huang, D., & Wang, Z. N. 2014. Firms' FDI ownership: The influence of government ownership and legislative connections. ***Journal of International Business Studies***, 45(8): 1029-1043.

Peng, M. W., Bruton, G. D., Stan, C. V., & Huang, Y. 2016. Theories of the (state-owned) firm. ***Asia Pacific Journal of Management***, 33(2): 293-317.

Peng, M. W., Lee, S.-H., & Wang, D. Y. 2005. What determines the scope of the firm over time? A focus on institutional relatedness. ***Academy of Management Review***, 30(3): 622-633.

Peng, M. W., & Luo, Y. 2000. Managerial ties and firm performance in a transition economy: The nature of a micro-macro link. ***Academy of Management Journal***, 43(3): 486-501.

Peng, M. W., Wang, D. Y., & Jiang, Y. 2008. An institution-based view of international business strategy: A focus on emerging economies. ***Journal of international business studies***, 39(5): 920-936.

Pfeffer, J., & Salancik, G. R. 1978. The external control of organizations: A resource dependence approach. ***NY: Harper and Row Publishers***.

Pfeffer, J., & Salancik, G. R. 2003. ***The external control of organizations: A resource dependence perspective***: Stanford University Press.

Pinto, C. F., Ferreira, M. P., Falaster, C., Fleury, M. T. L., & Fleury, A. 2017. Ownership in cross-border acquisitions and the role of government support. ***Journal of World Business***, 52(4): 533-545.

Piotroski, J. D., & Zhang, T. 2014. Politicians and the IPO decision: The impact of impending political promotions on IPO activity in China. ***Journal of Financial Economics***, 111(1): 111.

Rajwani, T., & Liedong, T. A. 2015. Political activity and firm performance within nonmarket research: A review and international comparative assessment. ***Journal of World Business***, 50(2): 273-283.

Ramamurti, R. 2009. ***Emerging Multinationals in Emerging Markets***. Cambridge: Cambridge University Press.

Rickley, M., & Karim, S. 2018. Managing institutional distance: Examining how firm-specific advantages impact foreign subsidiary CEO staffing. ***Journal of World Business***, 53(5): 740-751.

Rivas, J. L. 2012. Coopting the environment: an empirical test of resource-dependence theory. ***The International Journal of Human Resource Management***, 23(2): 294-311.

Rothstein, H. R., Sutton, A. J., & Borenstein, M. 2006. ***Publication bias in meta-analysis: Prevention, assessment and adjustments***: John Wiley & Sons.

Roy, J.-P., & Oliver, C. 2009. International joint venture partner selection: The role of the host-country legal environment. ***Journal of International Business Studies***, 40(5): 779-801.

Rugman, A. M. 1981. Inside the multinationals: The economics of internal markets (Croom Helm, London).

Rugman, A. M., Nguyen, Q. T. K., & Wei, Z. 2016. Rethinking the Literature on the Performance of Chinese Multinational Enterprises. ***Management and Organization Review***, 12(2): 269-302.

Rugman, A. M., & Verbeke, A. 1992. A note on the transnational solution and the transaction cost theory of multinational strategic management. ***Journal of international business studies***, 23(4): 761-771.

Rugman, A. M., & Verbeke, A. 2001. Subsidiary-specific advantages in multinational enterprises. ***Strategic Management Journal***, 22(3): 237-250.

Rugman, A. M., & Verbeke, A. 2003. Extending the theory of the multinational enterprise: Internalization and strategic management perspectives. ***Journal of International Business Studies***, 34(2): 125-137.

Rugman, A. M., & Verbeke, A. 2008. Internalization theory and its impact on the field of international business, ***International business scholarship: AIB fellows on the first 50 years and beyond***: Emerald Group Publishing Limited.

Rugman, A. M., Verbeke, A., & Nguyen, Q. T. 2011. Fifty years of international business theory and beyond. ***Management International Review***, 51(6): 755-786.

Saeed, A., & Ziaulhaq, H. M. 2018. The Impact of CEO Characteristics on the Internationalization of SMEs: Evidence from the UK. ***Canadian Journal of Administrative Sciences***, 36(3): 332-335.

Salomon, R., & Martin, X. 2008. Learning, knowledge transfer, and technology implementation performance: A study of time-to-build in the global semiconductor industry. ***Management Science***, 54(7): 1266-1280.

Salomon, R., & Wu, Z. 2012. Institutional distance and local isomorphism strategy. ***Journal of International Business Studies***, 43(4): 343-367.

Schmidt, F. L., & Hunter, J. E. 2014. ***Methods of meta-analysis: Correcting error and bias in research findings***: Sage publications.

Schweizer, D., Walker, T., & Zhang, A. 2019. Cross-border acquisitions by Chinese enterprises: The benefits and disadvantages of political connections. ***Journal of Corporate Finance***, 57: 63-85.

Shaffer, B. 1995. Firm-level responses to government regulation: Theoretical and research approaches. ***Journal of Management***, 21(3): 495-514.

Shaffer, B., & Hillman, A. J. 2000. The development of business–government strategies by diversified firms. ***Strategic Management Journal***, 21(2): 175-190.

Sharma, P., Cheng, L. T. W., & Leung, T. Y. 2020. Impact of political connections on Chinese export firms' performance – Lessons for other emerging markets. ***Journal of Business Research***, 106: 24-34.

Sheng, S., Zhou, K. Z., & Li, J. J. 2011. The effects of business and political ties on firm performance: Evidence from China. ***Journal of Marketing***, 75(1): 1-15.

Shirodkar, V., & Konara, P. 2017. Institutional Distance and Foreign Subsidiary Performance in Emerging Markets: Moderating Effects of Ownership Strategy and Host-Country Experience. ***Management International Review***, 57(2): 179-207.

Shleifer, A., & Vishny, R. W. 1994. Politicians and firms. ***The Quarterly Journal of Economics***, 109(4): 995-1025.

Siegel, J. 2007. Contingent political capital and international alliances: Evidence from South Korea. ***Administrative Science Quarterly***, 52(4): 621-666.

Sojli, E., & Tham, W. W. 2017. Foreign political connections. ***Journal of International Business Studies***, 48(2): 244-266.

Song, M., Ai, H., & Li, X. 2015. Political connections, financing constraints, and the optimization of innovation efficiency among China's private enterprises. ***Technological Forecasting and Social Change***, 92: 290.

Sousa, C. M., Ruzo, E., & Losada, F. 2010. The key role of managers' values in exporting: Influence on customer responsiveness and export performance. ***Journal of International Marketing***, 18(2): 1-19.

Sousa, C. M. P., Martínez-López, F. J., & Coelho, F. 2008. The determinants of export performance: A review of the research in the literature between 1998 and 2005. ***International Journal of Management Reviews***, 10(4): 343-374.

Steel, P. 2007. MetaExcel 11.0 ed. Retrieved from http://people.ucalgary.ca/~steel/procrastinus/meta/meta.old.

Steel, P., Kammeyer-Mueller, J., & Paterson, T. A. 2015. Improving the meta-analytic assessment of effect size variance with an informed Bayesian prior. ***Journal of Management***, 41(2): 718-743.

Steel, P., & Kammeyer-Mueller, J. D. 2002. Comparing meta-analytic moderator estimation techniques under realistic conditions. ***Journal of Applied Psychology***, 87(1): 96-111.

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.

Sun, P., Mellahi, K., & Wright, M. 2012. The contingent value of corporate political ties. ***Academy of Management Perspectives***, 26(3): 68-82.

Sun, P., Mellahi, K., Wright, M., & Xu, H. 2015. Political tie heterogeneity and the impact of adverse shocks on firm value. ***Journal of Management Studies***, 52(8): 1036-1063.

Sun, S. L., Peng, M. W., & Tan, W. Q. 2017. Institutional relatedness behind product diversification and international diversification. ***Asia Pacific Journal of Management***, 34(2): 339-366.

Tao, F., Liu, X., Gao, L., & Xia, E. 2018. Expatriates, subsidiary autonomy and the overseas subsidiary performance of MNEs from an emerging economy. ***International Journal of Human Resource Management***, 29(11): 1799-1826.

Taras, V., Steel, P., & Kirkman, B. L. 2012. Improving national cultural indices using a longitudinal meta-analysis of Hofstede's dimensions. ***Journal of World Business***, 47(3): 329-341.

Teng, L., Huang, D., & Pan, Y. 2017. The performance of MNE subsidiaries in China: does it matter to be close to the political or business hub? ***Journal of International Management***, 23(3): 292-305.

Thun, E. 2006. ***Changing lanes in China: Foreign direct investment, local governments, and auto sector development***: Cambridge University Press.

Tihanyi, L., Ellstrand, A. E., Daily, C. M., & Dalton, D. R. 2000. Composition of the top management team and firm international diversification. ***Journal of Management***, 26(6): 1157-1177.

Trąpczyński, P., & Banalieva, E. R. 2016. Institutional difference, organizational experience, and foreign affiliate performance: Evidence from Polish firms. ***Journal of World Business***, 51(5): 826-842.

Trapczynski, P., & Gorynia, M. 2017. A double-edged sword? The moderating effects of control on firm capabilities and institutional distance in explaining foreign affiliate performance. ***International Business Review***, 26(4): 697-709.

Trąpczyński, P., Halaszovich, T. F., & Piaskowska, D. 2019. The role of perceived institutional distance in foreign ownership level decisions of new MNEs. ***Journal of Business Research***, 108: 435-449.

Tsui, A. S., Schoonhoven, C. B., Meyer, M. W., Lau, C.-M., & Milkovich, G. T. 2004. Organization and management in the midst of societal transformation: The People's Republic of China. ***Organization Science***, 15(2): 133-144.

Tung, R. L. 1987. Expatriate assignments: Enhancing success and minimizing failure. ***Academy of Management Perspectives***, 1(2): 117-125.

Verbeke, A. 2013. ***International business strategy***: Cambridge University Press.

Wang, C., Hong, J., Kafouros, M., & Wright, M. 2012. Exploring the role of government involvement in outward FDI from emerging economies. ***Journal of International Business Studies***, 43(7): 655-676.

Wang, Z. 2017. Top management team's political connections, corporate governance and internationalization. ***2017 Annual Meeting of the Academy of Management, AOM 2017***, 2017-August.

Welch, C., & Wilkinson, I. 2004. The political embeddedness of international business networks. ***International Marketing Review***, 21(2): 216-231.

White, G. O., Boddewyn, J. J., & Galang, R. M. N. 2015. Legal system contingencies as determinants of political tie intensity by wholly owned foreign subsidiaries: Insights from the Philippines. ***Journal of World Business***, 50(2): 342-356.

White, G. O., Boddewyn, J. J., Rajwani, T., & Hemphill, T. A. 2018. Regulator vulnerabilities to political pressures and political tie Intensity: the moderating effects of regulatory and political distance. ***Management International Review***, 58(5): 743-769.

White, G. O., Fainshmidt, S., & Rajwani, T. 2018. Antecedents and outcomes of political tie Intensity: Institutional and strategic fit perspectives. ***Journal of International Management***, 24(1): 1-15.

Wooldridge, J. M. 2010. ***Econometric analysis of cross section and panel data***: MIT press.

Wright, Filatotchev, Hoskisson, & Peng. 2005. Strategy research in emerging economies challenging the conventional wisdom. ***Journal of Management Studies***, 42(1): 1-33.

Wu, J., Li, S., & Li, Z. 2013. The contingent value of CEO political connections: A study on IPO performance in China: APJM APJM. ***Asia Pacific Journal of Management***, 30(4): 1087-1114.

Xiao, S. S., Jeong, I., Moon, J. J., Chung, C. C., & Chung, J. 2013a. Internationalization and Performance of Firms in China: Moderating Effects of Governance Structure and the Degree of Centralized Control. ***Journal of International Management***, 19(2): 118-137.

Xiao, Y., Tylecote, A., & Liu, J. 2013b. Why not greater catch-up by Chinese firms? The impact of IPR, corporate governance and technology intensity on late-comer strategies. ***Research Policy***, 42(3): 749-764.

Xin, K. K., & Pearce, J. L. 1996. Guanxi: Connections as Substitutes for Formal Institutional Support. ***Academy of Management Journal***, 39(6): 1641-1658.

Xu, D., & Meyer, K. E. 2013. Linking theory and context:'Strategy research in emerging economies' after Wright et al.(2005). ***Journal of management studies***, 50(7): 1322-1346.

Xu, D., & Shenkar, O. 2002. Institutional distance and the multinational enterprise. ***Academy of Management Review***, 27(4): 608-618.

Xu, N., Yuan, Q., Jiang, X., & Chan, K. C. 2015. Founder's political connections, second generation involvement, and family firm performance: Evidence from China. ***Journal of Corporate Finance***, 33: 243-259.

Yan, H., He, X., & Cheng, B. 2017. Managerial ties, market orientation, and export performance: Chinese firms experience. ***Management and Organization Review***, 13(3): 611-638.

Yang, Y., & Tang, M. 2020. Finding the Ethics of "Red Capitalists": Political Connection and Philanthropy of Chinese Private Entrepreneurs. ***Journal of Business Ethics***, 161(1): 133-147.

Yaping, G. 2006. The Impact of Subsidiary Top Management Team National Diversity on Subsidiary Performance: Knowledge and Legitimacy Perspectives. ***Management international review***, 46(6): 771-789.

Yarbrough, E., Abebe, M., & Dadanlar, H. 2017. Board political experience and firm internationalization strategy A resource dependence perspective. ***Journal of Strategy and Management***, 10(4): 401-416.

Zaheer, S. 1995. Overcoming the liability of foreignness. ***Academy of Management journal***, 38(2): 341-363.

Zaheer, S., & Mosakowski, E. 1997. The dynamics of the liability of foreignness: A global study of survival in financial services. ***Strategic management journal***, 18(6): 439-463.

Zaheer, S., Schomaker, M. S., & Nachum, L. 2012. Distance without direction: Restoring credibility to a much-loved construct. ***Journal of International Business Studies***, 43(1): 18-27.

Zeng, R., Grøgaard, B., & Steel, P. 2018. Complements or substitutes? A meta-analysis of the role of integration mechanisms for knowledge transfer in the MNE network. ***Journal of World Business***, 53(4): 415-432.

Zhang, J., Marquis, C., & Qiao, K. 2016a. 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.

Zhang, X., Ma, X. F., Wang, Y., Li, X., & Huo, D. 2016b. What drives the internationalization of Chinese SMEs? The joint effects of international entrepreneurship characteristics, network ties, and firm ownership. ***International Business Review***, 25(2): 522-534.

Zhang, Y., Liu, C., & Wang, T. 2020. Direct or indirect? The impact of political connections on export mode of Chinese private enterprises. ***China Economic Review***: 101434.

Zhang, Y., Zhao, W., & Ge, J. 2016c. Institutional duality and political strategies of foreign-invested firms in an emerging economy. ***Journal of World Business***, 51(3): 451-462.

Zhao, H. X., Ma, J. Q., & Yang, J. 2017. 30 Years of Research on Entry Mode and Performance Relationship: A Meta-Analytical Review. ***Management International Review***, 57(5): 653-682.

Zheng, W., Singh, K., & Chung, C.-N. 2017. Ties to unbind: Political ties and firm sell-offs during institutional transition. ***Journal of Management***, 43(7): 2005-2036.

Zheng, W., Singh, K., & Mitchell, W. 2015. Buffering and enabling: The impact of interlocking political ties on firm survival and sales growth. ***Strategic Management Journal***, 36(11): 1615-1636.

Zhou, K. Z., Gao, G. Y., & Zhao, H. 2016. State Ownership and Firm Innovation in China: An Integrated View of Institutional and Efficiency Logics. ***Administrative Science Quarterly***, 62(2): 375-404.

Zhou, W. 2013. Political connections and entrepreneurial investment: Evidence from China's transition economy. ***Journal of Business Venturing***, 28(2): 299-315.

Zou, S., Fang, E., & Zhao, S. 2003. The effect of export marketing capabilities on export performance: an investigation of Chinese exporters. ***Journal of International marketing***, 11(4): 32-55.

7 APPENDIX META-ANALYSED PAPERS

The following articles are included in our meta-analysed dataset.

Albino-Pimentel, J., Anand, R., & Dussauge, P. 2018. How do firm political connections impact foreign acquisitions? The effects of decision makers' political and firm embeddedness. ***Global Strategy Journal***, 8(3): 421-446.

Albino Pimentel, J., Dussauge, P., & Shaver, J. M. 2018. Firm nonmarket capabilities and the effect of supranational institutional safeguards on the location choice of international investments. ***Strategic Management Journal***, 39(10): 2270-2793.

Bai, X., Tsang, E. W., & Xia, W. 2018. Domestic versus foreign listing: Does a CEO's educational experience matter? ***Journal of Business Venturing***. https://doi.org/10.1016/j.jbusvent.2018.10.004

Bandeira-de-Mello, R., Arreola, M. F., & Marcon, R. 2012. The importance of nurturing political connections for emerging multinationals: Evidence from Brazil, ***International Business and Management***, Vol. 28: 155-171.

Blumentritt, T., & Rehbein, K. 2008. The political capital of foreign subsidiaries an exploratory model. ***Business & Society***, 47(2): 242-263.

Chen, P.-L., Tan, D., & Jean, R.-J. B. 2016. Foreign knowledge acquisition through inter-firm collaboration and recruitment: Implications for domestic growth of emerging market firms. ***International Business Review***, 25(1): 221-232.

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.

Chung, H. F. L. 2012. Export market orientation, managerial ties, and performance. ***International Marketing Review***, 29(4): 403-423.

Chung, H. F. L., & Kuo, T. 2018. When and how managerial ties matter in international competitive strategy, export financial and strategic performance framework. ***European Journal of Marketing***, 52(1/2): 260-278.

Deng, Z. L., Yan, J. Y., & van Essen, M. 2018. Heterogeneity of political connections and outward foreign direct investment. ***International Business Review***, 27(4): 893-903.

Dong, M. C., Li, C. B., & Tse, D. K. 2013. Do business and political ties differ in cultivating marketing channels for foreign and local firms in China? ***Journal of International Marketing***, 21(1): 39-56.

Dong, Z. Q., Wei, X. H., & Zhang, Y. J. 2016. The allocation of entrepreneurial efforts in a rent-seeking society: Evidence from China. ***Journal of Comparative Economics***, 44(2): 353-371.

Du, X. Q., & Luo, J. H. 2016. Political connections, home formal institutions, and internationalization: Evidence from China. ***Management and Organization Review***, 12(1): 103-133.

Du, X. Q., Zeng, Q., & Chang, Y. Y. 2018. To be philanthropic when being international: Evidence from Chinese family firms. ***Journal of Management & Organization***, 24(3): 424-449.

Fernandez-Mendez, L., Garcia-Canal, E., & Guillen, M. F. 2018. Domestic political connections and international expansion: It's not only 'who you know' that matters. ***Journal of World Business***, 53(5): 695-711.

Goyer, M., & Jung, D. K. 2011. Diversity of institutional investors and foreign blockholdings in France: The Eevolution of an institutionally hybrid economy. ***Corporate Governance-an International Review***, 19(6): 562-584.

Jia, M., & Zhang, Z. 2016. What influences the duration of negative impacts from organizational deviance on other innocent firms? ***Journal of Business Research***, 69(7): 2517-2530.

Julie Juan, L. 2005. The formation of managerial networks of foreign firms in China: The effects of strategic orientations. ***Asia Pacific Journal of Management***, 22(4): 423-443.

Klopf, P., & Nell, P. C. 2018. How "space" and "place" influence subsidiary host country political embeddedness. ***International Business Review***, 27(1): 186-197.

Kotabe, M., Jiang, C. X., & Murray, J. Y. 2011. Managerial ties, knowledge acquisition, realized absorptive capacity and new product market performance of emerging multinational companies: A case of China. ***Journal of World Business***, 46(2): 166-176.

Li, F., & Ding, D. 2017. The dual effects of home country institutions on the internationalization of private firms in emerging markets. ***Multinational Business Review***, 25(2): 128-149.

Li, J., Lee, R. P., & Zhang, L. 2018. Managerial ties and knowledge transfer in business ecosystems: Evidence from Korean subsidiaries in China. ***Asian Business & Management***, 17(3): 183-207.

Li, J., Meyer, K. E., Zhang, H., & Ding, Y. 2018. Diplomatic and corporate networks: Bridges to foreign locations. ***Journal of International Business Studies***, 49(6): 659-683.

Li, J. J., & Zhou, K. Z. 2010. How foreign firms achieve competitive advantage in the Chinese emerging economy: Managerial ties and market orientation. ***Journal of Business Research***, 63(8): 856-862.

Li, J. J., Zhou, K. Z., & Shao, A. T. 2009. Competitive position, managerial ties, and profitability of foreign firms in China: an interactive perspective. ***Journal of International Business Studies***, 40(2): 339-352.

Liang, H., Ren, B., & Sun, S. L. 2015. An anatomy of state control in the globalization of state-owned enterprises. ***Journal of International Business Studies***, 46(2): 223-240.

Liedong, T. A., & Frynas, J. G. 2018. Investment climate constraints as determinants of political tie intensity in emerging countries: evidence from foreign firms in Ghana. ***Management International Review***, 58(5): 675-703.

Lin, Y. H., Chen, C. J., & Lin, B. W. 2014. The roles of political and business ties in new ventures: Evidence from China. ***Asian Business & Management***, 13(5): 411-440.

Lu, J. Y., Liu, X. H., Filatotchev, I., & Wright, M. 2014. The impact of domestic diversification and top management teams on the international diversification of Chinese firms. ***International Business Review***, 23(2): 455-467.

Lu, Y., Zhou, L. X., Bruton, G., & Li, W. W. 2010. Capabilities as a mediator linking resources and the international performance of entrepreneurial firms in an emerging economy. ***Journal of International Business Studies***, 41(3): 419-436.

Ma, X. F., Ding, Z. J., & Yuan, L. 2016. Subnational institutions, political capital, and the internationalization of entrepreneurial firms in emerging economies. ***Journal of World Business***, 51(5): 843-854.

Mai, Y. Y., Xiong, C., & He, X. B. 2015. The effects of entrepreneurs' socioeconomic status and political characteristics on new ventures' establishment of formal political ties in China. ***Chinese Management Studies***, 9(2): 130-149.

Nachum, L., Sawant, R. J., & Panibratov, A. 2018. Political capital as a spatially-bounded asset location-specificity, mobility and firms' international strategies. ***Baruch College Zicklin School of Business Research Paper***(2018-10): 01.

Nam, J., Liu, X., Lioliou, E., & Jeong, M. 2018. Do board directors affect the export propensity and export performance of Korean firms? A resource dependence perspective. ***International Business Review***, 27(1): 269-280.

Naunghathai, I. 2018. The role of home-country political connections in enhancing the effect of a firm's OFDI on its performance. ***AIB UK&I Conference 2018***.

Noh, G., & Shin, D. 2018. The different influences of the government and politicians on the international expansion of Chinese firms. ***Asian Business & Management***, 17(5): 366-396.

Okhmatovskiy, I. 2010. Performance implications of ties to the government and SOEs: A political embeddedness perspective. ***Journal of Management Studies***, 47(6): 1020-1047.

Pan, Y. G., Teng, L. F., Supapol, A. B., Lu, X. W., Huang, D., & Wang, Z. N. 2014. Firms' FDI ownership: The influence of government ownership and legislative connections. ***Journal of International Business Studies***, 45(8): 1029-1043.

Pinto, C. F., Ferreira, M. P., Falaster, C., Fleury, M. T. L., & Fleury, A. 2017. Ownership in cross-border acquisitions and the role of government support. ***Journal of World Business***, 52(4): 533-545.

Rivas, J. L. 2012. Coopting the environment: an empirical test of resource-dependence theory. ***The International Journal of Human Resource Management***, 23(2): 294-311.

Roy, J.-P., & Oliver, C. 2009. International joint venture partner selection: The role of the host-country legal environment. ***Journal of International Business Studies***, 40(5): 779-801.

Jean, R., Sinkovics, R. R., & Zagelmeyer, S. 2018. Antecedents and innovation performance implications of MNC political ties in the Chinese automotive supply chain. ***Management International Review***, 58(6): 995-1026. https://doi.org/10.1007/s11575-018-0370-2

Saeed, A., & Ziaulhaq, H. M. 2018. The Impact of CEO Characteristics on the Internationalization of SMEs: Evidence from the UK. ***Canadian Journal of Administrative Sciences***. https://doi.org/10.1002/cjas.1497

Schweizer, D., Walker, T., & Zhang, A. 2018. Cross-border acquisitions by Chinese enterprises: The benefits and disadvantages of political connections. ***Journal of Corporate Finance***. https://doi.org/10.1016/j.jcorpfin.2017.12.023

Shi, W., Sun, S. L., Pinkham, B. C., & Peng, M. W. 2014. Domestic alliance network to attract foreign partners: Evidence from international joint ventures in China. ***Journal of International Business Studies***, 45(3): 338-362.

Shirodkar, V., & Mohr, A. T. 2015. Explaining foreign firms' approaches to corporate political activity in emerging economies: The effects of resource criticality, product diversification, inter-subsidiary integration, and business ties. ***International Business Review***, 24(4): 567-579.

Siegel, J. 2007. Contingent political capital and international alliances: Evidence from South Korea. ***Administrative Science Quarterly***, 52(4): 621-666.

Sun, S. L., Peng, M. W., & Tan, W. Q. 2017. Institutional relatedness behind product diversification and international diversification. ***Asia Pacific Journal of Management***, 34(2): 339-366.

Wang, L., Sheng, S., Wu, S., & Zhou, K. Z. 2017. Government role, governance mechanisms, and foreign partner opportunism in IJVs. ***Journal of Business Research***, 76: 98-107.

Wang, Z. 2017. Top management team's political connections, corporate governance and internationalization. ***2017 Annual Meeting of the Academy of Management, AOM 2017***, 2017-August.

White, G. O., Boddewyn, J. J., & Galang, R. M. N. 2015. Legal system contingencies as determinants of political tie intensity by wholly owned foreign subsidiaries: Insights from the Philippines. ***Journal of World Business***, 50(2): 342-356.

White, G. O., Fainshmidt, S., & Rajwani, T. 2018. Antecedents and outcomes of political tie Intensity: Institutional and strategic fit perspectives. ***Journal of International Management***, 24(1): 1-15.

Yan, H., He, X., & Cheng, B. 2017. Managerial ties, market orientation, and export performance: Chinese firms experience. ***Management and Organization Review***, 13(3): 611-638.

Yarbrough, E., Abebe, M., & Dadanlar, H. 2017. Board political experience and firm internationalization strategy A resource dependence perspective. ***Journal of Strategy and Management***, 10(4): 401-416.

Zhang, X., Ma, X. F., Wang, Y., Li, X., & Huo, D. 2016. What drives the internationalization of Chinese SMEs? The joint effects of international entrepreneurship characteristics, network ties, and firm ownership. ***International Business Review***, 25(2): 522-534.

Zhang, Y. L., Zhao, W., & Ge, J. H. 2016. Institutional duality and political strategies of foreign-invested firms in an emerging economy. ***Journal of World Business***, 51(3): 451-462.

Zheng, W., Ni, N., & Crilly, D. 2018. Non-profit organizations as a nexus between government and business: Evidence from Chinese charities. ***Strategic Management Journal***. https://doi.org/10.1002/smj.2958

Zheng, W., Singh, K., & Chung, C.-N. 2017. Ties to unbind: Political ties and firm sell-offs during institutional transition. ***Journal of Management***, 43(7): 2005-2036.

Zheng, W., Singh, K., & Mitchell, W. 2015. Buffering and enabling: The impact of interlocking political ties on firm survival and sales growth. ***Strategic Management Journal***, 36(11): 1615-1636.