A Dual-Agency Model of Firm CSR in Response to Institutional Pressure: Evidence from Chinese Publicly Listed Firms

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ABSTRACT

As corporate social responsibility (CSR) matters not only for firms' competitiveness, but also societies' sustainability, governments often encourage firms to engage in CSR. Yet, the relationship between government CSR initiatives and firms' CSR performance is quite mixed. To address this research gap, we developed a dual-agency model incorporating both public agents (government officials) and private agents (corporate CEOs) to investigate when firms respond to government initiatives by increasing their CSR. We tested our model in a sample of 746 Chinese listed firms during the period of 2009-2014 when a national CSR initiative, the 12th Five-year Plan, took place. Our results showed that firms responded positively to the Plan by increasing their CSR performance but their response varied by incentives of both public and private CSR agents. Firms were more likely to increase CSR when public agents were more motivated to seek promotion to the central government or when private agents had greater concerns for legitimacy. Our examination of the role of two different types of CSR agents within institutions contributes to the institutional view of CSR by highlighting the interplay of institutions and human agents in promoting firm CSR. It also advances public policy and managerial practices regarding the development and selection of CSR agents inside and outside firms in a given institutional environment.

Keywords: Corporate social responsibility, institution, agents, career concern, legitimacy concern

Corporate social responsibility (CSR), broadly recognized as a firm's initiatives to accomplish a range of economic, social, and environmental goals that create shared value for its stakeholders (Aguilera, Rupp, Williams, & Ganapathi, 2007; Campbell, 2007; Porter & Kramer, 2006), has gained momentum in theory and practice (Flammer, 2013; Hawn & Ioannou, 2016; Mackey, Mackey, & Barney, 2007; Waddock, Bodwell, & Graves, 2002). Recent studies have examined the determinants of CSR, with a focus on the influences of institutions, namely the norms, values, or mechanisms for governing and coordinating firm activities (North, 1991; Campbell, 2007). Institutions influence firm CSR because "firms are embedded in a broad set of political and economic institutions that affect their behavior." Campbell (2007: 948). Specifically, Aguilera et al. (2007) argued that social, economic, and environmental laws are powerful in shaping social norms about responsible firm behavior at a national level, and in turn, affect firms' CSR. More recently, Marquis and Qian (2014) and Luo, Wang, and Zhang (2017) applied institutional theory to understand variations in CSR performance and concluded that CSR is a strategic response to external institutional complexity.

While institutional theory is a powerful lens for understanding the relationship between institutions and CSR, that relationship remains ambiguous. On the one hand, studies have proposed that institutions may facilitate firms' CSR (Campbell, 2007), yet other research has reported a negative relationship between institutions and CSR (El Ghoul, Guedhami, & Kim, 2017; Ioannou & Serafeim, 2012). We argue that one reason for this unclear relationship is that institutional theory tends to overlook the role of individual agents in the relationship (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011). Indeed, DiMaggio (1988: 11) suggested that "without more explicit attention to interest and agency of the kind that institutional rhetoric has thus far obstructed, institutional theorists will be unable to develop predictive and persuasive accounts of the origins, reproduction, and erosion of the institutionalized practices." Reinforcing the significance of human agency, Battilana, Leca, and Boxenbaum (2009) indicated that a significant critique of early neo-institutional theory lies in its relative inattention to the role of interest and agency in affecting institutions and actions. George, Chattopadhyay, Sitkin, and Barden (2006) also suggested that a decision maker's perception of the opportunities and threats in the environment shapes the actions that will be taken within the organizations facing external institutional pressure. Most recently, Wang and Luo (2018) noted that incentives of government officials are a critical link between state goals and corporate behavior such as diversification.

Extending this line of research, this paper examines how political institutions and human agents jointly influence firms' CSR performance. We draw on the literature on institutional theory, particularly the role of agents in promoting desirable organizational outcomes (for a review, see Battilana, Leca, & Boxenbaum, 2009). We define CSR agents as individuals who are motivated to initiate and participate in the implementation of CSR initiatives from their external environments. We account for the possible collective dimension of agents (Lounsbury & Crumley, 2007) and develop a dual-agency model that includes both public CSR agents and private CSR agents to explain how firms' CSR performance may vary in the presence of exogenous institutional pressure in the political environment. In our model, public agents are government officials and private agents are corporate CEOs, both of which are embedded in respective environments. We propose that both institutional pressure and motivated agents must be present to engender change in a firm's CSR performance. Thus, firms' CSR is a collective phenomenon that involves different types of CSR agents in response to external institutional pressures.

We develop a theory regarding how a national political policy change in China, which stresses the importance of CSR, leads to greater CSR performance. In particular, we examine how the influence of the institutional pressure may generate differential impacts on firms' CSR performance, given the different attributes of public and private CSR agents. We argue that public agents are more likely to initiate CSR implementation in their jurisdictions when they have greater career concerns for their promotion to the central government. By contrast, private CSR agents are more likely to initiate CSR implementation when they have a greater need for legitimacy, which is "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995: 574).

We tested our hypotheses with a panel of 746 publicly listed firms in China between 2009 and 2014. We utilized an exogenous national policy change, the 12th Five-year Plan, which China's National People's Congress approved on March 14, 2011. The plan emphasized social performance, such as inclusive growth that benefit different social groupings in China, and environmental protection. This context enabled us to investigate the effect of national institutions on CSR. We found that Chinese firms indeed responded to the plan with an increase in their CSR performance. The effect was stronger in provinces where provincial government officials had greater career concerns for promotion to the central government, as related to their political contestability or career horizon. The effect was also stronger in firms whose CEOs had greater legitimacy concerns based on their political connections to the central government or their tenures. Our findings were robust to a battery of sensitivity tests and mechanism tests and were supported by illustrative examples.

As a contribution to the CSR literature, our findings offer an explicit examination of the interaction between human agents and their institutional context in shaping firm CSR performance. We highlight two different types of CSR agents and their distinctive incentives: career concerns and legitimacy concerns. By considering the dual agents, we provide a more realistic view of CSR implementation as dependent on the actions of multilevel actors (Delbridge & Edwards, 2008; Garud, Hardy, & Maguire, 2007; Reay & Hinings, 2005). Such an understanding helps reconcile a paradox in CSR practice: governments often attempt to encourage firms to engage in CSR, and yet, success and implementation of government initiatives are generally mixed. Our findings also have implications for public policy and managerial practice as they highlight the development and selection of proper CSR agents inside and outside organizations.

THEORETICAL BACKGROUND

Firms' social concerns have attracted scholarly attention for decades; however, "it is only recently that interest in corporate social responsibility (CSR) has become more widespread" (Aguinis & Glavas, 2012: 933). While a large body of literature focuses on the performance implications of CSR, "an important new line of inquiry within this field is no longer whether CSR works but, rather, what catalyzes organizations to engage in increasingly robust CSR initiatives" (Aguilera et al., 2007: 837).

Institutions, CSR, and the Missing Role of Dual Agents

Considerable research emphasizes the role of a firm's institutional environments in driving CSR (Aguinis & Glavas, 2012; Aguilera et al., 2007; Campbell, 2007; Doh & Guay, 2006; Ioannou & Serafeim, 2012). Institutions provide fundamental mechanisms for governing and coordinating firm activities, influencing stakeholders' expectations; in turn, firms implement

CSR strategies to meet those expectations (Fligstein & Feeland, 1995; Hall & Soskice, 2001). Institutions also provide firms with distinct resources that are critical for conducting CSR (Hall & Soskice, 2001). Moreover, institutions may create peer pressure, inducing firms to conform to prevailing CSR practices and standards (Marquis & Qian, 2014). Indeed, scholars have provided preliminary evidence showing the impacts of various institutions on CSR. For instance, Maignan and Ralston (2002) found that firms' tendencies toward CSR varied across countries characterized by distinct political, cultural, and economic institutions. Existing research also has acknowledged that political institutions such as governments are key drivers of CSR (Marquis & Qian, 2014; Wang & Luo, 2018; Wang, Wijen, & Heugens, 2018).

Although the link between institutions and CSR is established, the literature pays insufficient attention to the varying degrees to which institutions may affect firms' CSR. More research is needed to explicate how a homogenous institution may lead to heterogeneous responses in firms' CSR. Prior research on institutions focuses on the features of a political system with little notice to the role of agents embedded in the institutions (Wang & Luo, 2018). Agents such as politicians and corporate leaders may have distinctive incentives that lead to heterogeneous responses to institutional pressures.

We propose that the interplay between human agents and institutional pressures gives rise to variations in CSR implementation. Studies on institutions have traditionally incorporated human agency into the explanations of organizational outcomes. For example, DiMaggio (1991) described the participation of museum professionals in the diffusion of art museums. Zuckerman (2000) showed how stock analysts contributed to the deconglomeration of American corporations. We extend this line of research and attempt to understand how human agents can become motivated to take actions to implement CSR given external institutional pressures.

Studies have recognized the importance of distinguishing different types of agents in understanding organizational phenomenon (e.g., Chung & Luo, 2008). Therefore, we developed a dual-agency model to identify the mechanisms underlying the relationship between political institutions and CSR. In particular, public CSR agents are political bureaucrats embedded in the political system. Private CSR agents are corporate leaders embedded in the corporate world. These public and the private CSR agents have different priorities and can use CSR instrumentally to achieve their different objectives. For instance, public CSR agents are driven largely by the outcomes of their mandated tasks as they attempt to signal their superior capability to higher-level government officials (Alesina & Tabellini, 2007, 2008; Chen, Li, & Lu, 2018; Dewatripont, Jewitt, & Tirole, 1999; Holmstrom & Milgrom, 1991; Tirole, 1994). By contrast, private agents seek legitimacy as they adopt particular managerial practices (DiMaggio & Powell, 1983). Private CSR agents attain their legitimacy by adhering to socially constructed norms, values, and rules (Deephouse & Carter, 2005). Such legitimacy can help private agents secure resources and support from stakeholders, consequently mitigating their dependence on the external environments (DiMaggio, 1988).

Exogenous Institutional Pressure of China's 12th Five-year Plan and Chinese Firms' Increased CSR

We now assess the relationship between institutional pressure and firms' CSR in China. China's 12th Five-year Plan (*The Outline of the 12th Five-Year Plan for National Economic and Social Development of the People's Republic of China*) significantly increased the importance of social criteria in facilitating national development. It constitutes an exogenous institutional pressure for Chinese firms to engage in CSR. Since 1949, the Communist Party of China (CPC) has influenced China's economy through plenary sessions of the Central Committee and national congresses. In particular, the CPC leads in developing a series of roadmaps for economic and social development, setting growth targets and launching reforms. Under socialism, such plans are launched from top down rather than from bottom up. One established plan often contains detailed mandatory development guidelines for all provinces.

Launched on March 16, 2011, the 12th Five-year Plan consists of a series of social and economic development initiatives for growth. In particular, the key targets include rebalancing the economy, mitigating social inequity, and conserving the environment (APCO Worldwide, 2010). For instance, the Chinese government strongly emphasizes “inclusive growth” with beneficial economic growth taking effect in all social classes in China. In addition, the plan proposes the concept of “green development” for the first time in history. In particular, to accelerate the construction of a resource-saving, environmental-friendly society, the plan establishes 12 indicators, 7 of which are on resources and environment (Xinhua News Agency, 2011). For instance, the central government aims to reduce four major pollutants of air and water, including reducing chemical oxygen demand and sulfur dioxide emissions by 8 percent from 2010 levels, and reducing emissions of nitrogen oxides and ammonia nitrogen by 10 percent from 2010 (China Daily, 2015). The 12th Five-year Plan is applicable to all provinces. Indeed, to implement the central government’s emission reductions, Minister of Environmental Protection, Zhou Shengxian, entrusted by the State Council, signed the responsibility letter for the reduction of major pollutants with the local governments of 31 provinces at the 7th National Environmental Protection Conference in Beijing on December 20, 2011.

The increased importance of social indicators after the 12th Five-year Plan raised the salience of social issues for firms embedded in the institutions, creating a new norm for businesses to deliver social services. Indeed, following the 12th Five-year Plan, many Chinese firms have significantly increased their CSR activities. One example is the Midea Group, a well-known home appliance manufacturer headquartered in Guangdong Province. In its *2011 Corporate Social Responsibility Report*, the firm emphasized that it would focus on developing "low carbon, energy-saving, green, environmental-friendly, intelligent" products, and promised to achieve four targets. These included: (1) at the end of the 12th Five-year Plan period, Midea's home appliances would save energy and protect the environment at the advanced international level; (2) make major breakthroughs in products using new energy and clean energy; (3) achieve an average increase of 20 percent in energy efficiency of major home appliances; (4) reduce emission of harmful substances among home appliances to the level of developed countries. As a result, during the 12th Five-year Plan period, Midea saved 164,000 tons of standard coal—13,000 more tons than its target—with a completion rate of 108.3 percent (CIRN, 2016). Although a similar positive link between the plan and firms' engagement in CSR is observable, variations remain across firms. In our research context, the relevant question is the extent that provincial government officials and corporate CEOs have acted as agents to contribute to variations in firms' CSR in response to the institutional pressure of the 12th Five-year Plan.

China's Regionally Decentralized Authoritarian (RDA) Regime

In this section, we unpack the relationship between institutions, dual agents, and CSR in the context of China's Regionally Decentralized Authoritarian (RDA) regime (Xu, 2011). China's political system broadly consists of five layers of administration: the center, the provinces and autonomous regions, the municipality level prefectures, the counties, and the townships. China's RDA regime combines political centralization at the center and economic decentralization at subnational levels (Xu, 2011).

On the one hand, the central government has control over the selection, promotion, and demotion of subnational personnel such as provincial officials. This control is a powerful instrument to induce regional officials to follow the central government's policies (Tang, Yang, & Fu, 2018). As a result, provincial officials' political mobility depends on what criteria the center adopts to evaluate provincial personnel. Incumbent provincial officials are motivated to remain in power or to be promoted to the central government. Among several major guidelines on evaluations promoted since 1988, the Communist Party of China (CPC) has emphasized the need to evaluate provincial officials in several aspects, including diligence, capability, virtue, and performance (Su, Xi, & Li, 2012; Wang & Luo, 2018). In the 2000s, local authorities made systematic efforts to implement evaluation systems based mostly on economic performance. Recently, however, land preservation, social stability, population planning, and environmental protection have been identified as key performance targets (Su, Xi, & Li, 2012).

Governance of the national economy, on the other hand, is decentralized to subnational governments, in particular the provinces. Provincial economies are relatively self-contained, and provincial officials are responsible for providing public services and making and enforcing laws within their jurisdictions (Xu, 2011). Also, the governments themselves are held administratively and politically accountable for businesses' success within their jurisdictions (Shi, Markóczy, & Stan, 2014). In particular, the local government remains the claimant to the firms' after-tax earnings net of mandated spending, and can use these funds at its discretion (Gordon & Li, 2012). Provincial governments thus rely on local businesses success to fulfill both their financial and political goals. Local governments can exert effective institutional pressures on local firms because they possess critical powers, including allocating land and business opportunities, giving permits, imposing and interpreting rules, levying taxes, and bestowing legitimacy (Luo et al., 2017). To obtain government endorsement, legitimacy, and the associated resource benefits, firms may respond positively to such institutional pressures (Oliver & Holzinger, 2008).

Public CSR Agent in China's RDA Regime

Within China's RDA political system, we consider Chinese provincial officials as public CSR agents. According to Bo (1996: 135), "the provincial officials form the largest bloc in the central committee of the CPC, and they constitute a major link through which the central government implements its social, economic, and political policies." Despite their power, however, provincial leaders face grave prospects in their political career development. Among 19,627 cases of political mobility of provincial officials from 1949 to 1994, Bo (1996) identified only 3 percent promotion cases. This scarcity of promotion opportunities creates fierce competition among officials within China's RDA regime.

The central government evaluates and promotes China's provincial officials based on a combination of economic and sociopolitical targets (Anderlini, 2013). The economic targets usually involve GDP growth rate and tax revenue. While economic targets are an important factor in the economic and political rewards provincial officials receive, sociopolitical targets, such as "inclusive growth," "stability maintenance," "one-child policy," and "environment protection," also can be critical in promotion decisions (Edin, 2003). Violating social expectations may damage a provincial official's political career development. For instance, in 2014, China's central government launched a guideline explicitly preventing promotion of officials who had been held responsible for wrongdoings, despite their economic achievements (Li, Chen, Liu, & Peng, 2014).

Wang and Luo (2018) explicitly noted that due to information asymmetry in the Chinese context, constituents and superiors often do not have complete knowledge about regional officials' true abilities. As a result, officials must effectively signal their competence by acting in the state's interests. Thus, officials strategically pay attention and allocate resources to public policy goals that are closely tied with their promotion incentives. For example, provincial officials may foster improvements in CSR if it is linked to their career concerns. Therefore, understanding provincial officials' career concerns may help us understand the implementation and success of government CSR initiatives.

Private CSR Agent in China's RDA Regime

CEOs are prominent in determining their companies' CSR, and thus, can be considered private CSR agents. Upper echelon theory posits that CEOs play a critical role in the CSR process and demonstrates that CEOs' characteristics influences firms' CSR performance (e.g., Carpenter, Geletkanycz, & Sanders, 2004; Hambrick & Mason, 1984). In China, surveys also have identified CEOs as central figures in initiating firms' CSR (Marquis & Lee, 2013).

To survive in China's institutionally complex environment, private CSR agents must convince the public of their firms' legitimacy by conforming to prevailing institutions that define how things are done (Marquis & Qian, 2014). The weak formal institutions and centralized resource allocation controlled by various levels of governments (Li & Zhang, 2007; Peng & Luo, 2000), create strong pressure for Chinese firms to develop regulatory legitimacy. In particular, as a firm conforms to national CSR initiative it signals its ability to keep up with national policy and thereby gains legitimacy.

Obtaining legitimacy offers significant benefits in China because of the lack of market intermediaries (Wang & Luo, 2018). In particular, firms conforming to government initiatives may obtain the "license to operate" (Zhao, 2012). They also may access greater government resources and support (Marquis & Qian, 2014), including preferential access to external finance, reduction in taxes or fees, and so on. Moreover, the enhanced legitimacy may enable firms to reduce dependence on such stakeholders as suppliers, buyers, and other organizations, and to influence regulations and their enforcement (Zheng, Singh, & Mitchell, 2015).

HYPOTHESES

We propose that the variations in firms' CSR response to the 12th Five-year Plan may be driven by two distinctive mechanisms associated with the dual agents in China's RDA regime: provincial officials concerned with their promotion to the central government and corporate CEOs striving for legitimacy. In the following sections, we explore the contingent impacts of the 12th Five-year Plan on firms' CSR as we examine the different attributes of these dual agents: provincial officials' political contestability and career horizon which relate to their career concerns, and CEOs' political connections and tenure which influence their need for legitimacy. We consider these variables as boundary conditions that shape firms' heterogeneous responses to the 12th Five-year Plan through implementing CSR.

Hypothesis 1: Provincial Official's Political Contestability

Although there is a linkage between the 12th Five-year Plan and firms' CSR through public CSR agents, we argue that the effect may vary based on provincial officials' political contestability. Extending the discussion on contestability in the management literature (e.g., Ben-Nasr, Boubaker, & Rouatbi, 2015; Wade, Porac, & Pollock, 2006; Connelly, Tihanyi, Crook, & Gangloff, 2014), we define political contestability as provincial officials' credibility and capability of participating in the competition to the higher level government positions. In the context of China, political contestability is often reflected in the officials' past appointments in similar government positions prior to their current posts. For example, past appointment as provincial leaders is often a necessary (if not sufficient) political experience for promotion to the

Standing Committee of the Political Bureau of the Central Committee in China's RDA Regime. Being appointed as provincial leaders and having overall authority and responsibility for an entire province is one important step toward the next level, an "entrance ticket" or invitation to participate in the political tournament to the central bureau. Indeed, Bo (1996) showed that provincial leaders with greater lateral transfer experience across provinces were often associated with competence in the political system, and therefore, tended to be more competitive candidates. Therefore, we argue that the more prior provincial-level positions officials have held, the more contestable they are in China's RDA regime, and therefore, the stronger their motivation to participate in the political tournament for promotion to the central government (Xu, 2011).

We predict that the influence of the national 12th Five-year Plan on firms' CSR will be stronger when relevant provincial officials are more politically contestable. This prediction links to the well-established promotion tournament literature (Bognanno, 2001; Ehrenberg & Bognanno, 1990; Lazear & Rosen, 1981), which stresses that competition for promotions in organizations or similar contexts can serve as an effective incentive, motivating individuals to allocate their efforts in different tasks. While the original tournament theory pertains to wage increase as one form of incentive (Connelly, Tihanyi, Crook, & Gangloff, 2014; Lazear & Rosen, 1981), our theoretical framework places more emphasis on increase in power and status that comes with promotion for politicians because politicians' wage is largely regulated in China. We contend that there is a wide array of benefits from promotion which motivate politicians to participate in political tournament. We define political tournament as a process through which politicians are evaluated relative to one another in such a way that strong performers are identified and promoted to higher level offices. In China, extensive studies have found that political tournament occurs among governments at all levels (Chen, Li, & Zhou, 2005; Zhou, 2004, 2007). In particular, the central government creates competition as it assesses provincial officials and promotes those with higher scores. This political tournament motivates local officials to, for instance, speed up economic growth (e.g., Zhou, 2007). Yet, the literature is silent on the application of this concept to the context of CSR. We argue that more politically contestable government officials are more likely to engage in the tournament for promotion to the central government, including membership in the State Council, the vice-premiership, the premiership, and membership in the Party Standing Committee, and other equal-ranking positions in ministries or commissions of the central government.

We argue that political tournament creates incentives among politically contestable provincial officials in China to mobilize firms within their jurisdictions to achieve CSR targets. From the tournament perspective, the political evaluation system determines the direction and extent of local governments' efforts (Li & Zhou, 2005). The readiness of the Chinese central government to promote local officials is based on how well the officials meet the central government's expectations (Li & Zhou, 2005; Walder, 1995). When the political tournament relies on a combination of economic and social-political goals, CSR may be an effective indicator by which local government officials can increase their chances of promotion. As such, more politically contestable officials have a greater incentive to press local businesses to respond to the national CSR initiative through redefining the appropriateness of the practices, norms, and beliefs that govern business behaviors (Lounsbury, Ventresca, & Hirsch, 2003).

Historically, provincial GDP growth was used as the most critical criterion in gauging officials' political performance; however, the 12th Five-year Plan explicitly prioritized the sustainability of the society while seeking stable economic growth. For instance, in its December

6, 2013, "*Notice on Improving the Performance Assessment of Local Party and Government Cadres,*" the Organization Department of the CPC Central Committee noted that in addition to regional GDP and growth rate as main indicators, local assessments also should consider indicators on sustainability of development and should increase the weight of indicators on resource consumption, environmental protection, digestion of overcapacity, safe production, and so on (Xinhua News Agency, 2013). As the plan attenuated the long-running priority of GDP in China, provincial officials' performance has been increasingly assessed with a new set of standards aimed at more accurately measuring residents' living quality and the country's economic, social, and environmental progress (Tiezzi, 2013; Zhang & Zheng, 2011). For example, local officials must meet targets in poverty reduction, environmental protection, school enrollment, and social stability. Quantifiable targets for such social and political development measures have been used to correct "excessive GDP worship" in the regions (Su, Xi, & Li, 2012). After the 12th Five-year Plan, as social criteria become more important in promoting provincial officials to the central government, officials are more motivated to increase CSR.

Admittedly, provincial officials may simply leverage their autonomous policy and budget factors to achieve sustainable outcomes directly, rather than persuade firms to adopt CSR practices. However, such a possibility is low in China because in the decades following the country's market transition, GDP growth has been almost the sole relevant indicator for evaluating and promoting officials (Li & Zhou, 2005). In other words, local governments in China have not developed a tradition of creating social programs by themselves to meet the expectation of the central government; rather, the focus on GDP growth often has led to a neglect of social objectives and environmental protections, and local governments may even have regarded CSR as a cost or distraction (Luo et al., 2017). Therefore, under the 12th Five-year

Plan, local governments are more likely to pressure local businesses to take on CSR rather than conduct CSR on their own.

Hypothesis 1 (H1). Chinese firms are more likely to respond to the 12th Five-year Plan with increased CSR performance in provinces in which officials have greater political contestability.

Hypothesis 2: Provincial Official's Career Horizon

We also assess the moderating role of provincial officials' career horizon. By career horizon, we refer to the number of years until a provincial official's retirement. Provincial officials who are closer to retirement age have shorter career horizons, and those with more years left in their work have longer career horizons. This conceptualization is consistent with the broad literature on career concerns or career horizons of corporate and political leaders (Matta & Beamish, 2008; Walsh & Seward, 1990; Wang & Luo, 2018; Wiseman & Gomez-Mejia, 1998). In China, the mandatory retirement system, advocated by Deng Xiaoping and formally introduced in 1982, sets the maximum value on political life expectancy and rejuvenates political leadership within the system. In practice, provincial officials are expected to retire at age 68 (*qi shang ba xia*, literally meaning "seven up, eight down") (Hong, 2017; Wong, 2016).

We posit that government officials with moderate career horizons, in response to the 12th Five-year Plan, will more likely pressure firms under their jurisdictions to increase CSR, because these officials have stronger motivation and credibility to engage in political tournament for promotion to the central government compared to their younger or older counterparts. On the one hand, prior research has found that there is age norm or career timetable in age-graded organization where age groups are distinctively associated with each career level (Lawrence, 1988; Perry & Finkelstein, 1999). In organizations, such as government, younger officials have fewer chances to be promoted given the organizational age norms. Further, they suffer from age stereotype of junior (Truxillo, McCune, Bertolino & Fraccaroli, 2012) and will not qualify for political competition unless they accumulate substantial experiences. Therefore, compared to officials with relatively longer career horizon, the officials with moderate career horizon tend to have accumulated experiences and track record in the political system and thus have higher chances to be promoted, all things being equal.

On the other hand, there is an overall age-related decline in biological and cognitive resources (Baltes, 1997) and a subsequent shift in goal orientation from growth towards maintenance and loss prevention as one ages (Heckhausen, 1997; Heckhausen, Dixon, & Baltes, 1989; Ogilvie, Rose, & Heppen, 2001). Studies have reported a negative association between age and the desire for career advancement and leadership responsibility (e.g., Baltes, 1987; Bright, 2010). This negative association between government official's age and their desire for promotion is reinforced by lower prospects of promotion as one gets closer to retirement age (Cleveland, Shore, & Murphy, 1997; Siegel, 1993). In a study of 254 provincial leaders in 28 Chinese provinces from 1979 to 1995, Li and Zhou (2005) found that reaching the retirement age would reduce the probability of promotion by 73 percent and increase the probability of termination by 87 percent. Therefore, compared to government officials near retirement, provincial officials with moderate career horizon have both stronger desire and better prospects to climb up the political ladder. As a result, officials with moderate career horizon are more motivated for tournament and hence are more sensitive to the national institutional change.

As noted earlier, the readiness of the Chinese central government to promote local officials is based on how well those officials meet the central government's expectations, especially on CSR (Li & Zhou, 2005; Walder, 1995). Therefore, government officials with moderate career horizons have a greater incentive to pressure local businesses to respond positively to the 12th Five-year Plan. In contrast, other targets may occupy the attention of very young leaders or those approaching retirement (Wang & Luo, 2018). The absence of promotion prospects reduces their incentive for projects that may not immediately benefit career advancement (Xue et al., 2013; Wang & Luo, 2018).

Hypothesis 2 (H2). Chinese firms are more likely to respond to the 12th Five-year Plan with increased CSR performance in provinces in which officials have moderate career horizons.

As we have stated, private agents (corporate CEOs) also face various pressures and have various motivations for pursuing CSR, which tend to moderate the relationship between the 12th Five-year Plan and their firms' CSR. We argue that CEOs are more likely to respond to national CSR initiatives when CEOs have greater legitimacy concerns because of either their greater political connections, or their shorter tenures.

Hypothesis 3: CEO's Political Connections

Political connections are commonplace in China and have significant influence on firm behavior. Consistent with prior literature, we define political connections as the CEOs' current or previous formal appointments within the political party or to the central government (Zheng et al., 2015). The central government can maintain control over China's economy through corporate leaders selected into the national political system (Luo et al., 2017). CEOs connected to the central government are typically appointed from within the political hierarchy (Luo et al., 201). We contend that a CEO's political connections magnify the effect of the 12th Five-year Plan on his/her firm's CSR performance.

Although researchers have documented the benefits of political connections (e.g., Faccio, 2006; Fisman, 2001; Johnson & Mitton, 2003), studies have found costs (e.g., Boubakri Cosset, & Saffar, 2008; Chaney, Faccio, & Parsley, 2011; Siegel, 2007). In a recent study, Okhmatovskiy (2010) suggested that political connections should be considered as opportunities for mutual influence between the firm and the government. In particular, political connections may significantly increase the probability of government intervention, thus increasing costs associated with the connections. By distancing themselves from the government, firms may reduce their political dependence, and thus, enjoy increased levels of autonomy.

In the Chinese context, we argue that CEOs with greater political connections are more dependent on the government, and therefore, face greater pressure to demonstrate their legitimacy through responding to the government's initiatives on CSR. Firms with central government connections are more embedded in China's political system than those without them, and therefore, tend to be more responsive to national political policy changes. Indeed, based on evidence from Chinese firms, Marquis and Qian (2014) suggested that firms with more political connections may become more susceptible to legitimacy guidelines from the government. Unlike CEOs who are free to focus exclusively on economic goals, CEOs with political connections often must embrace both social and economic goals (Stan, Peng, & Bruton, 2014). As a result, these firms are likely to be more responsive to the government's signals on CSR (Marquis, Zhang, & Zhou, 2011) and to adapt strategies to conform to changes in the political agenda, even when not mandated to do so. CEOs embedded in such social contexts are under pressure to justify their strategic actions to a range of constituents in society, including the government (DiMaggio & Powell, 1983). The fear of losing political connections also may motivate firms' active response to governmental demands (Zhang, Marquis, & Qiao, 2016).

Indeed, firms with close relationships to the government are significantly constrained in their strategic actions. Zhu and Chung (2014) demonstrated that states in emerging economies often formulate policies to develop specific sectors with strategic importance to the national economy, and often politically affiliated firms are expected to take lead in such initiatives. Moreover, Zhang et al. (2016) argued that political connections tie firms to the government, because the connections lead to obligations and expectations. As a result, firms may feel obliged to engage in prosocial behaviors such as donations. Marquis and Qian (2014) also suggested that the government and the general public expect more from firms with political connections, and therefore, such firms face pressure to conduct more CSR to meet the expectations.

> *Hypothesis 3 (H3). Chinese firms are more likely to respond to 12th Five-year Plan with increased firm CSR performance when their CEOs have more political connections with the central government.*

Hypothesis 4: CEO Tenure

Finally, CEOs' tenure may also affect their need for external legitimacy and, in turn, affect their firms'CSR, given the external institutional pressure of the 12th Five-year Plan. Early on in their careers, CEOs face a higher threat of job terminations in their firms, a potential risk that can shape their decision making (Hoskisson, Castleton, & Withers, 2009; Walsh & Seward, 1990, Wiseman & Gomez-Mejia 1998). In particular, CEOs with short tenures are highly attuned to their external environments and more likely to adapt to them (Marquis & Lee, 2013). They are more likely to seek legitimacy by responding to policy makers' initiatives with increases in their firms' CSR. CEOs also may actively engage in CSR because doing so signals their ability (Lys, Naughton, & Wang, 2015), especially when CEOs have short tenures and need to establish credibility. As time goes on, CEOs with greater tenure have more job security, and therefore, less concern for legitimacy. As a result, despite external institutional pressure, discretionary activities such as CSR would tend to diminish as CEO tenure increases.

Consistent with our arguments, Arora and Dharwadkar (2011) found that long-tenured CEOs were less likely to invest in CSR, and suggested that the finding was worth further exploration. Similarly, Marquis and Lee (2013) showed that firms with shorter tenured CEOs tended to have higher philanthropic contributions because they were more sensitive to external stimuli. Moreover, Chen, Zhou, and Zhu (2019) suggested that there is a negative relationship between CEO tenure and CSR performance because short-tenured CEOs can more effectively reap the benefits of CSR activities at a later stage of their careers.

Hypothesis 4 (H4). Chinese firms are less likely to respond to 12th Five-year Plan with increased firm CSR performance when their CEOs have longer tenure.

DATA AND METHODS

We collected and merged data from five sources. First, following prior research (Lau, Lu, & Liang, 2016; Luo et al., 2017; Marquis & Qian, 2014), we obtained an evaluation of Chinese listed firms' CSR reports from an independent rating agency (RKS). Second, we accessed the China Stock Market and Accounting Research (CSMAR) database (http://www.gtarsc.com), which provides comprehensive historical information on the financial statements and corporate governance of firms on the Shanghai and Shenzhen Stock Exchanges, such as CEO tenure. Third, we obtained province-level data from the *China Statistical Yearbook*, a guide to economic, institutional, and geographic information for China's 31 provinces and autonomous regions. Fourth, we collected information on provincial officials, including age, gender, education, and past appointments, from http://cpc.people.com.cn/, a website operating under the supervision of *People's Daily* which provides the most updated news on political figures and events. We double-checked that information against Baidu Baike (http://baike.baidu.com/), a large data source for the curricula vitae of Chinese government officials. Finally, to collect data on CEOs' political ties, we manually matched the CEOs' names with those of officials we had collected from Chinese central governmental websites. We cross-checked the names to identify current or previous interlocking between firm CEOs and the central government officials or party leaders.

Our final sample included 746 firms publicly listed on the Shanghai and Shenzhen Stock Exchanges between 2009 and 2014 (inclusive), when data on firms' CSR initiatives became available. This sample period nicely corresponds to the periods before and after a nationwide exogenous policy change within China's political system, China's 12th Five-year Plan, allowing us to identify the causal link between the plan and firm CSR.

Dependent Variable

RKS rating of CSR. We measured Chinese listed firms' CSR performance using ratings published by RKS (Rankins CSR Ratings). Accounting for China's specific context, RKS adapted the KLD social index framework and the standards of the Global Reporting Initiative (GRI 3.0) to create a rating system of firms' CSR reports. All Chinese listed firms' reports are rated on more than 70 sub-dimensions that considered the range of CSR activities and the extent of the firms' engagement. Specifically, the 70 indicators fall into three major categories: social responsibility strategy and innovation (14 items), disclosure content (45 items), and technical sufficiency (11 items). Experts assess the firms along these indicators using an anchored scale of 0 to 4, with an interval of 0.5 point. The final RKS score is a weighted average of scores along the three categories, ranging from 0 to 100. Other researchers (e.g., Lau et al., 2016; Luo et al., 2017 Marquis & Qian, 2014) have used the same data source and measure for Chinese firms' CSR performance.

Independent Variable

The 12th Five-year Plan. We first compared firms' CSR performance before and after the 12th Five-year Plan which increased the emphasis on social criteria in evaluation and promotion of provincial officials. We created a dummy variable based on the plan's policy change in 2011: 1 for the post-policy period, 2011–2014, and 0 for the pre-policy period, 2009–2010.

Moderators

Provincial official's political contestability (H1). China employs a dual-leader system at the province level, with a chief executive (called a governor or mayor) and a party secretary. The party secretary acts as the policy maker while the governor is in charge of administrative affairs and implements the policies. Both the governor and the party secretary are influential on local businesses, and both have incentives for promotion to the central government. Therefore, we measured the provincial officials' political contestability as the governor and the party secretary's prior political appointments, calculating the total number of different provinces in which they had served as governor or party secretary prior to their current positions in the focal province. The more provincial positions that officials have held, the more contestable they are in China's RDA political regime, and therefore, the more motivated they are to compete for promotion to the central government.

Provincial official's career horizon (H2). We measured this variable as the average number of years before the governor and the party secretary would retire at age 68, under China's political system. The greater the number, the longer the officials' career horizon. To test the curvilinear moderating effect, as suggested in H2, we interacted the 12th Five-year Plan with the square term of this variable in our models, while controlling for the first order term.

CEO's political connections (H3). CEOs' positions in the following four key political organizations are particularly valuable in China: the government, the Communist Party, and one of the two legislative bodies (the National People's Congress and the Chinese People's Political Consultative Conference). Hence, we coded a CEO's political connection to the central government as the total number of senior appointment positions a CEO has currently or previously held in one of these bodies at the central level. This measure is consistent with previous studies on firms' political ties in China (Zheng et al., 2015).

CEO tenure (H4). Consistent with prior research on CEO tenure and firm CSR (Chen et al., 2019; Marquis & Lee, 2013), we measured CEO tenure as the total number of years since the CEO took the position.

Control Variables

We controlled for three variables that reflect a province's broad economic, institutional, and political environments, which may matter for firm CSR. First, we controlled for the *GDP per capita* in a province. More economically developed regions have more resources for CSR. Moreover, provinces with distinct levels of economic development tend to place different emphases on social progress (Luo et al., 2017), and thus, may respond differently to the 12th Five-year Plan. Second, we controlled for institutional development as proxied by China's *marketization index*. We predicted that in provinces with greater institutional development, firms would be more conscious of CSR, and thus, show increased engagement (Luo et al., 2017). Third, we controlled for the political environment in a province, as proxied by the *total number of incidents of corruption disclosed* in the province; we took a logarithm of the variable to adjust for skewness. Because these three variables reflect comprehensive aspects of firms' macro environments, they greatly helped alleviate potential omitted-variable bias in our analyses.

We also controlled for two personal characteristics that could confound provincial officials' incentive to pressure firms in decision making: the officials' education, and prior working experiences in the central government (Wang, Du, & Marquis, 2018). *official's education* was the average education level of the provincial governor and party secretary, which was a categorical variable ranging between 0 and 4, with 0 for a degree below college, 1 for a college education, 2 for a bachelor's degree, 3 for a master's degree, and 4 for a doctorate degree. *Officials' prior working experiences in the central government* was a dummy variable, with 1 indicating that the provincial governor or party secretary played an assisting role at the central ministries, such as being the former secretary in the Ministry of Commerce.

We also controlled for five attributes that may affect a firm's corporate social responsibility. *Firm size* was the logarithm of a firm's total assets (McWilliams & Siegel, 2001). *Prior financial performance* was a firm's return on assets (ROA) in the prior year, as measured by operating return divided by total assets, with operating return indicated by EBITDA (earnings before interest, taxes, depreciation and amortization) (e.g., Orlitzky, Schmidt, & Rynes, 2003; Waddock & Graves, 1997). To account for the incentive effect of corporate governance conditions on firm CSR (Aguilera, Williams, Conley, & Rupp, 2006; Lau et al., 2016), we controlled for the percentage of *independent board directors* (Lau et al., 2016). In addition, following Luo et al. (2017), to account for the potential impact of a firm's ownership structure on CSR, we included in our model the ownership percentages of government institutions (*state ownership*) and foreign individuals and institutions (*foreign ownership*).

Finally, following prior research on the linkage between CEO attributes and CSR (Petrenko, Aime, & Ridge, 2016), we controlled for two such attributes that could affect incentives for CSR: CEO age and CEO duality. *CEO age* is the number of years since the CEO was born; *CEO duality* occurs when the CEO is also chair of the board (Wade, O'Reilly, & Pollock, 2006). We coded firms in which the CEO was also the board chair as 1; otherwise as 0. CEO age and CEO duality affect a firm's strategy, such as CSR. For instance, CEO duality gives CEOs the power to make decisions at their will despite shareholders' expectations for immediate financial returns (Walsh & Seward, 1990). Therefore, we expected these factors to have positive main effects on firm CSR.

Estimation

To test H1, H3, and H4, we employed a firm fixed-effect Ordinary Least Squares (OLS) model with robust standard errors clustered by provinces, based on the following model specification: $RKS_{it} = \beta_0 + \beta_1 Policy_t + \beta_2 Policy_t * Agents_{it-1} + \beta X_{it-1} + \alpha_i + \varepsilon_{it}$. In this equation, i indexes firms, t indicates observation years, and ε_{it} is the error term. X_{it-1} represents the matrix of control variables in the last period, and α_i represents firm-specific fixed effects. $Agents_{it-1}$ concerns the provincial officials and CEOs' attributes including provincial officials' political contestability, CEOs' political connections, and CEOs' tenure. β_2 gives the estimates on the moderating impacts of the attributes of provincial officials and CEOs on the relationship between the 12th Five-year Plan and CSR, and therefore, is our focus.

To test H2, we employed a firm fixed-effect Ordinary Least Squares (OLS) model with robust standard errors clustered by provinces, based on the following model specification: $RKS_{it} = \beta_0 + \beta_1 Policy_t + \beta_2 Horizon_{it-1} + \beta_3 Horizon_{it-1}^2 + \beta_4 Policy_t * Horizon_{it-1}^2 + \beta X_{it-1} + \alpha_i + \varepsilon_{it}$. Our model specification has the assumption that the 12th Five-year Plan mainly affects the slope of the curvilinear relationship between officials' career horizon and firm CSR, consistent with our hypothesis. Hence, β_4 gives the estimates on the curvilinear moderating impact of career horizon, and therefore, is our focus.

RESULTS

Table 1 lists the descriptive statistics of firms in our final sample and shows that firms' CSR performance, as reflected in the RKS rating, ranged from 11.69 to 88.85, with a standard deviation of 12.96. Although provincial officials' political contestability (i.e., past appointments) had a relatively narrow range from 0 to 4, their career horizons (i.e. years remaining until retirement) had a relatively larger range from 1.5 to 18 years, averaging at 8.61 years. For CEO attributes, political connections ranged from 0 to 2, while tenure ranged from 0 to 18 years. The standard deviations of variables of interest were relatively significant, providing valuable firm-level variations for the test of our theory.

Table 2 reports the pair-wise correlations between the variables included in our final analyses. The average VIF score for our regression variables was 1.3. No individual item scored higher than 10, and the highest score was 2.24 (results are available upon request). Therefore, multi-collinearity among the variables was not a concern to this study.

**********Insert Tables 1 & 2 about here**********

Table 3 reports the results of the test on our four hypotheses regarding the contingent impacts of the 12th Five-year Plan on firm CSR. Model 1 in Table 3, which includes only the control variables, shows that GDP per capita had a significant positive impact on firm CSR, consistent with prior research. Moreover, firm size positively affected firm CSR. However, corporate governance variables were generally not significant in affecting firm CSR, suggesting the need to explore their contingent effects in future research. Model 2 tests the main effect of the 12th Five-year Plan, adding the dummy variable for the plan, while controlling for all other independent variables. Model 3 tests the moderating effect of provincial officials' political contestability, adding the interaction term between provincial officials' past appointments and the 12th Five-year Plan. Model 4 further tests the curvilinear moderating effect of provincial official's career horizons, adding the interaction term between the square term of provincial officials' remaining years until retirement and the 12th Five-year Plan. Model 5 assesses whether the impact of the plan was contingent on CEOs' political connections, adding the interaction term between the plan and CEOs' political connections. Finally, Model 6 adds the interaction term between the 12th Five-year Plan and CEOs' tenure and constitutes the full model. While we refer to Model 2 for interpreting the main effect of the 12th Five-year Plan, we refer to the full model, Model 6, for interpreting the results on the moderating effects as predicted in our four hypotheses.

**********Insert Table 3 about here**********

Model 2 in Table 3 reports the main effect of the 12th Five-year Plan and other main independent variables on firm CSR, using the OLS panel-level fixed effects estimation with clustering by province. As predicted, we found an increase in firms' CSR performance when the 12th Five-year Plan raised the importance of social indicators in the evaluation and promotion of local officials to the central government. In particular, the coefficient showed that the RKS rating of Chinese listed firms increased significantly by 2.11 points ($p<0.05$) after the 12th Five-year Plan. Considering that the mean RKS score in our sample firms was 36.49, the increase associated with the 12th Five-year Plan was 5.78 percent, demonstrating meaningful economic significance. Therefore, the positive and significant coefficient supported our prediction that the 12th Five-year Plan had a positive impact of firms' CSR. As far as the main effects of other independent variables are concerned, only the square term of provincial officials' career horizons had significant direct impact on firms' CSR performance.

Results from Model 6 were consistent with H1, predicting a stronger positive effect of the 12th Five-year Plan on firms' CSR in provinces with more politically contestable government officials. As the interaction between the plan and provincial officials' past appointments indicates, the plan had a positive (1.28) and significant effect on firm CSR ($p<0.1$). Figure 1 shows that the 12th Five-year Plan had a positive effect on CSR rating, evidenced by the difference in the initial RKS values in the figure when provincial officials' past appointments were 0. This positive effect becomes larger for government officials with more past appointments. The difference ranges from around 0.8 points to around 6 points. Considering that the mean RKS score in our sample firms was 36.49, the increase in CSR due to more provincial past appointments can be as large as 16.44 percent. Moreover, Figure 1 shows that prior to the 12th Five-Year plan the relationship between political contestability and firm CSR was strongly negative. However, it turned slightly positive after the 12th Five-year Plan. This interesting pattern seems to suggest that prior to the government's emphasis on CSR, the more contestable officials tended to give firms license and buffering to pursue a purely business-oriented strategy, which often compromised CSR. In contrast, when greater emphasis has been placed on CSR by the government after the 12th Five-year Plan, political contestable officials are more responsive to the national call as CSR becomes more relevant to their political career. Taken together, Figure 1 supports our theory on the positive moderating effect of provincial officials' political contestability on the relationship between the 12th Five-year Plan and firm CSR.

**********Insert Figure 1 about here**********

The interaction term between the 12th Five-year Plan and the square term of provincial officials' remaining years until retirement (Model 6, Table 3) tested H2, which predicted a stronger positive effect of plan on CSR when provincial officials had moderate career horizons. While the main effect of the square term of career horizon was negative, the interaction between the plan and the square term of career horizon had a positive (0.01) and significant effect on firms' CSR ($p<0.1$). The coefficients suggested an inverted-U relationship between provincial officials' career horizon and the CSR rating, as moderated by the 12th Five-year Plan. Figure 2 depicts the curvilinear moderating effect of provincial officials' remaining years before retirement at four key points: the minimum value of career horizon (1.5), the one standard deviation below mean (5.37), the one standard deviation above mean (11.85), and the maximum value of career horizon (18). It shows that before the 12th Five-year Plan, provincial officials' career horizon had an inverted-U relationship on CSR rating across the four values. After the plan, the inverted-U shape became more positive and steeper, mostly for provincial officials with moderate career horizons (between one standard deviation below mean and one standard deviation above mean). In particular, the slope turned from negative to positive for provincial officials with moderate career horizons after the plan began; however, the slopes did not change much for provincial officials with either short (between the minimum value and one standard deviation below mean) or long career horizons (between one standard deviation above mean and the maximum value). Therefore, these results support our theory on the moderating effect of government officials' moderate career horizon on the impact of the 12th Five-year Plan on firm CSR.

**********Insert Figure 2 about here**********

Model 6 in Table 3 also indicates that CEOs' political ties to the central government intensified the impact of the 12th Five-year Plan on firm CSR (H3). We assessed whether firms' greater CSR in response to the plan was stronger in firms with CEOs tied to the central governments. As shown in Model 6, the positive impact of the plan on firms' CSR performance was significant and stronger when CEOs had greater central ties (3.75; $p<0.05$). Figure 3 shows the moderating effect of these political connections on firms' response to CSR, indicated by the initial values of the two lines when the number of CEOs connections was zero. However, as the CEO connections to central government increased, the difference became larger. The magnitude ranged from around 1 point to 9 points in terms of RKS rating. Considering that the mean RKS score in our sample firms was 36.49, the increase in CSR with more CEOs' connections to the central government could be as large as 24.66 percent. Therefore, this result support H3, concerning the positive moderating effect of CEOs' political connections on the relationship between the 12th Five-year Plan and firms' CSR. It is also worth noting that prior to the 12th Five-year Plan, CEO connections have a negative impact on firm CSR. However, the effect becomes nearly zero after the Plan. This seems to suggest that with the government explicitly focusing on CSR, prior CEO actions that undermined CSR as protected by CEO political ties become less viable.

**********Insert Figure 3 about here**********

Finally, we assessed whether firms' CSR in response to the 12th Five-year Plan was weaker in firms with greater CEO tenure (H4). As shown in Model 6 of Table 3, the impact of the plan on firms' CSR performance was significant and weaker in firms that had longer CEO tenures (-0.57; $p<0.05$). The graph in Figure 4 shows the 12th Five-year Plan's positive impact on CSR, evidenced by the initial RKS ratings when CEO tenure was zero. However, the impact became negative when CEO tenure was above 8, and this negative effect strengthened as tenure increased. The magnitude of the effect ranged from 0 to 5 points. Considering that the mean RKS score in our sample firms was 36.49, the decrease in CSR with greater CEO tenure could be as large as 13.70 percent. Therefore, these results support H4, concerning the negative moderating effect of a CEO's tenure on the relationship between the 12th Five-year Plan and CSR.

********** Insert Figure 4 about here**********

Robustness Checks

We conducted two robustness checks to address two potential limitations of our study. First, firms in China are not mandated to report their CSR activities, which we acknowledge may create a self-selection bias in CSR reporting. Accordingly, we used a two-stage self-selection model for our analyses. The model first regressed the dummy variable of CSR reporting on a series of province and firm attributes based on the full sample of 2,545 publicly listed firms with data obtained from CSMAR. The covariates included *province's last period CSR, GDP per capita, state ownership, foreign ownership, firm size, ROA, CEO's connection to central government, CEO's tenure, CEO duality, and CEO age,* year dummies, and clustering by firms (the results are available upon request). We selected the variables mainly following Marquis and Qian (2014), which examined the antecedents of Chinese firms' CSR reporting behavior. For instance, firm size is controlled for because larger firms may have more staff and infrastructure to issue CSR reports. Firm ROA is controlled for because firms with more cash flow are more likely to issue CSR reports. Further, there is significant variation in the extent of CSR reporting across years. Therefore, year dummies are controlled. Finally, to address clustered firm-level heterogeneity, we applied clustering by firms. This first-stage procedures yielded a firm-level

Mills ratio that accounted for each firm's propensity of having CSR reporting (the first-stage result is available upon request).

In the second stage of our main analyses based on 749 firms with CSR reporting (RKS scores), the Mills ratio was included in all models for testing our four hypotheses. The Two-stage Least Squares (2SLS) regression results are shown in Table 4a. As both the independent model and the full model suggest, the moderating effects of H1, H3, and H4 are highly consistent with our baseline regression results in Table 3, which reinforces our confidence in most of our core findings. However, we did not find consistent results for H2.

********** Tables 4a about here**********

Second, although we tried to control for as many variables as possible at multiple levels to reduce omitted variable bias, we acknowledge that other uncontrolled variables may bias our core findings. To address this concern, we further controlled for *the last period CSR in the province* in our models. This variable should capture major unobservable provincial or firm variables (such as peer pressure) that may affect CSR. Table 4b shows the results with province-level lagged CSR included in the models. Again, the models show highly consistent and even stronger results compared with our core findings in Table 3, adding support to our results.

********** Insert Table 4b about here**********

Mechanism Tests

We conducted two additional tests to tease out the two mechanisms that we believe drive these findings: the provincial officials' career concerns and the CEOs' legitimacy concerns. First, we tested whether the moderating effects of the two attributes of provincial officials (their political contestability and their career horizons) would vary in provinces with different levels of corruptions. We compare provinces with higher than median disclosed corruption levels and those with lower than median disclosed corruption levels; medians are generated across all firms by each year. Corruption cases not only result in the punishment of officials who committed corruptions but also adversely affect the career prospects of their superiors who did not prevent or detect/stop the corruption. It is expected that the larger the number of corruption cases disclosed in a province, the worse the career prospects of the leading officials of the province, reducing their motivation to participate in the political tournament. Therefore, if the mechanism of career concern is relevant for provincial officials in their CSR decision-making, the impacts of officials' attributes should be more salient in provinces with greater promotion opportunities (i.e., lower corruption levels). As predicted, Models 1 and 2 in Table 5a show that the positive moderating effects of provincial officials' political contestability and career horizons exist in provinces with lower corruption levels but not in those with higher levels of corruptions. Therefore, these results help validate the mechanism of provincial officials' career concerns.

********** Insert Tables 5a about here**********

Second, we tested whether the moderating effects of the two CEO attributes would vary in firms having different levels of legitimacy. The logic is that if CEOs are concerned about legitimacy in their pursuit of CSR, then the moderating effects of their attributes on the 12th Five-year Plan and CSR should be stronger in firms with less legitimacy. Therefore, as a gauge of legitimacy, we distinguished firms with state ownership from firms without state ownership, the latter indicating a lack of firm legitimacy in the Chinese context (Marquis & Qian, 2014). As predicted, Models 1 and 2 in Table 5b show that the moderating effects of the CEO's connections with central government and tenure existed in firms with a lower legitimacy (firms without state ownership), but not in those with higher legitimacy (with state ownership). These results validate the mechanism of CEOs' legitimacy concerns.

********** Insert Tables 5b about here**********

Illustrative Examples for the Mechanisms

We also searched for illustrative examples on the two mechanisms underlying the relationship between the 12th Five-year Plan and firm CSR. One example for provincial officials' career concerns came from the Guangdong Province. In order to implement the energy conservation and emission reduction initiative and to complete tasks assigned by the central government during the 12th Five-year Plan, the provincial government issued two plans on September 22, 2011 and February 22, 2012 respectively (Guangdong Province Government, 2011). In addition, the provincial government made all officials accountable for environmental performance through its performance evaluation standards, in its *12th Five-year Plan for Environmental Protection and Ecological Construction in Guangdong Province*" issued July 28, 2011. This official document suggests that government officials at all levels use the means in their control to guide and encourage enterprises to participate in environmental protection.

This example of Guangdong Province also speaks to the mechanism of CEOs' legitimacy concerns. In the province, companies are encouraged to conduct business responsibly through green insurance, green credit, and green trade, which are conducive to environmental protection. For instance, under the corporate environmental credit system, environmental violations are incorporated into the bank credit management system and linked to corporate credit ratings, loans, and securities financing. Thus, firms making severe environmental pollution may face difficulties in getting loans (General Office of the People's Government of Guangdong Province, 2012). In addition, the province mandates that information to be made public regarding enterprises that emit toxic and hazardous substances (General Office of the People's Government of Guangdong Province, 2012). We found that such requirements affect legitimacy concerns and drive CSR activities among firms, such as the Midea Group.

DISCUSSION AND CONCLUSION

Understanding why and when firms engage in socially responsible activities is important not only for firm competitiveness, but also for societies' sustainability. Conventional research on the determinants of firms' CSR has revolved around economic factors. For instance, scholars often suggest that firms with stronger financial performance are more likely to engage in socially responsible corporate behavior than those with weaker financial performance (e.g., Orlitzky et al., 2003; Waddock & Graves, 1997). A firm's institutional contexts, including political institutions, also matter (Aguilera et al., 2007); however, the puzzle remains: How do homogenous political institutions lead to firms' heterogeneous responses in CSR?

To explore this question, we examined data from 746 publicly listed Chinese firms between 2009 and 2014, a period around the implementation of China's 12th Five-year Plan, which increased the emphasis on social indicators for national development. We found that national institutional pressure significantly increased firms' CSR, an effect that was stronger in provinces whose government officials were more concerned about promotion to the central government due to their high political contestability or moderate career horizon. Furthermore, we found that the effect of 12th Five-year Plan on CSR is stronger in firms whose CEOs were more concerned about obtaining legitimacy due to connections to central government and short tenure.

Our findings thus shed light on the interplay between the enabling contexts and potential dual agents that lead to CSR. In particular, our baseline analyses and mechanism tests reveal that whether government officials and CEOs become CSR agents depends on two conditions. First, public agents become CSR agents if they have the career incentive of promotion to the higher-level government, and second, firm CEOs become CSR agents if they are concerned about obtaining legitimacy. Although institutional theory recognizes the importance of agents, our study is the first to apply this concept to explain variations in firms' CSR performance, to the best of our knowledge.

Our dual-agency model of firm CSR extends the literature on institutional drivers of CSR and why homogenous institutions may lead to heterogeneous responses. The context of our study in a period in China characterized by an exogenous change in the political environment uncovered empirical evidence for the positive relationship between external institutional change and CSR. More importantly, our investigation of the boundary conditions for the relationship between the 12th Five-year Plan and CSR demonstrated the important modifying role of various agents embedded in institutions. Our findings show that firms have heterogeneous responses to the national CSR initiative, depending on the attributes of officials and firm CEOs. Particularly, our findings suggest that it takes explicit government policy and incentives around social values to get officials and corporate leaders to push firms to focus on a broader set of stakeholders.

Our results generate important policy and managerial implications. First, a central issue in China's economic transition and development is how to motivate government officials to foster sustainability development; however, designing incentive contracts for government officials that measure performance has been difficult (Tirole, 1994). As a result, officials may appear to have few incentives for CSR. In contrast, we found that Chinese local officials have devoted tremendous attention and effort to enhancing CSR, fueled partially by decentralization and high-powered fiscal incentives local governments have had during this period and by the officials' concerns for promotion (Li and Zhou, 2005). Therefore, based on this political economic perspective, a concrete, target-based performance evaluation system for environmental initiatives can be effective in ensuring that provincial officials promote CSR (Chen et al., 2005).

Second, we reinforce the idea that CEOs' legitimacy concerns may drive their implementation of CSR policies. Private agents often face the "paradox of embedded action," that is, how actors embedded in prevailing institutionalized practices can be motivated and enabled to implement change (Seo & Creed, 2002). We suggest that CEOs' legitimacy concerns affect their behavior as agents, and we propose two enabling conditions for CSR implementation at the firm level: the CEO's political connections and tenure. Therefore, firms that seek to increase their CSR performance should select leaders with the above attributes strategically to align CEOs' goals with those of firms.

Our findings are reasonably generalizable to political contexts outside China. Although China's political institutions are idiosyncratic as an authoritarian system, political dynamics are very prevalent and comparable to other political systems, such as federalism in the United States. Indeed, as Besley and Case (2003) demonstrated empirically, the re-election prospects of U.S. governors depend highly on their states' economic performance relative to neighboring states, which resembles China's political dynamics. That said, two settings may constrain the applicability of our findings. First, the findings may not apply to countries where political power is highly centralized or there is little transition of political power between different political regimes, such as Russia and Malaysia; officials' political mobility is significantly lower in such contexts (Kingsley, Vanden Bergh, & Bonardi, 2012). Second, our findings may not be relevant to contexts in which social criteria are not an important basis for promotion of local officials, such as in many underdeveloped economies.

The potential limitations of this study suggest three areas for future research. First, while our study tried to mitigate selection bias and deal with the heterogeneity across regions, the unobservable qualities of the politicians are not fully accounted for. In particular, both contestability and career horizons might be correlates of effectiveness. Thus, our results may simply reflect that effective politicians are just better than ineffective ones at getting people/firms to follow government policy. Future research may further explore how distinct individual talents of politicians may alter our findings. Second, consistent with the focus of prior studies on CSR in management journals (Flammer, 2013; Hawn & Ioannou, 2016), we chose to focus on firm-level CSR as our dependent variable to verify our dual-agency model. Future research could strengthen our theory by conducting research on dependent variables more directly related to dual agents at both firm and province levels. For instance, one could directly assess the frequency and the nature of officials' career movements following a national policy change. Moreover, future studies may assess the mediation effect of province-level environmental changes on the relationship between national policy and firm CSR. Third, while our theory and tests pertain to provincial officials' self-interest as a driver for their behaviors, we cannot fully exclude alternative mechanisms such as provincial officials implementing the national policies without self-interest. Future research may explore the conditions under which one mechanism may outweigh the other.

In summary, we examined how Chinese firms' CSR may vary in response to an exogenous institutional pressure, depending on different incentives of dual agents: political officials and CEOs. We tested two distinctive mechanisms associated with these dual agents (career concerns and legitimacy concerns) in a sample of 746 Chinese listed firms during 2009 to 2014. We showed that while firms improved their CSR performance in response to the exogenous national

CSR initiative, the effect was greater in provinces where provincial officials had greater career concerns and in firms whose CEOs had greater legitimacy concerns. Our study contributes to the CSR literature by highlighting the interplay between institutions and human agents as a driver of CSR.

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FIGURE 1
The Moderating Effect of Provincial Official's Political Contestability

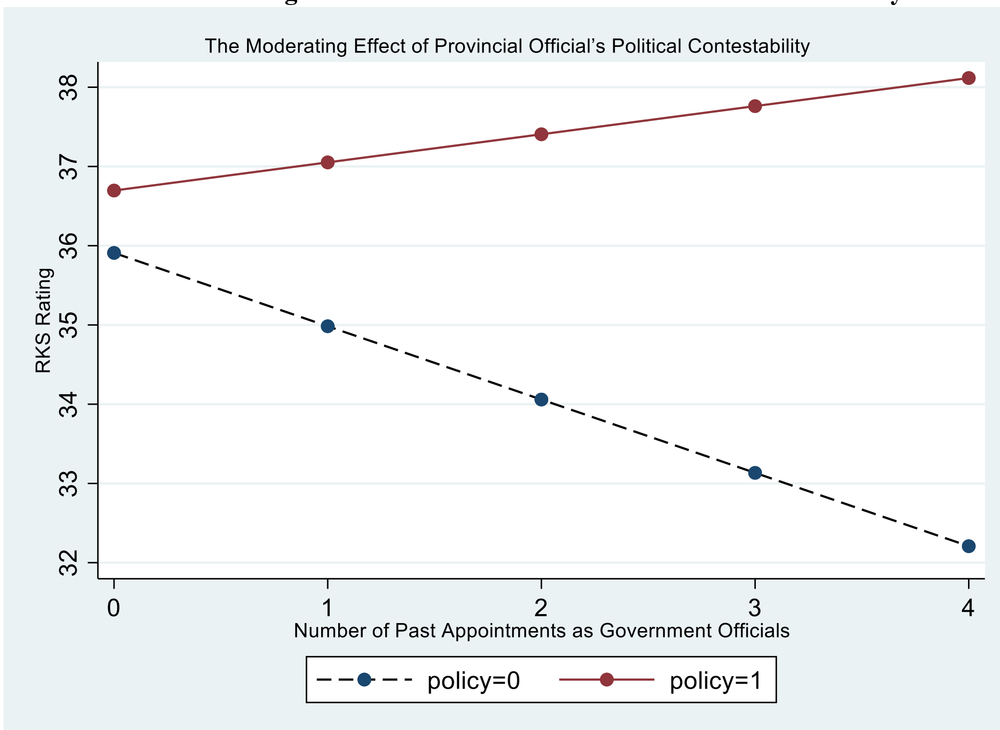

FIGURE 2
The Moderating Effect of Provincial Official's Career Horizon

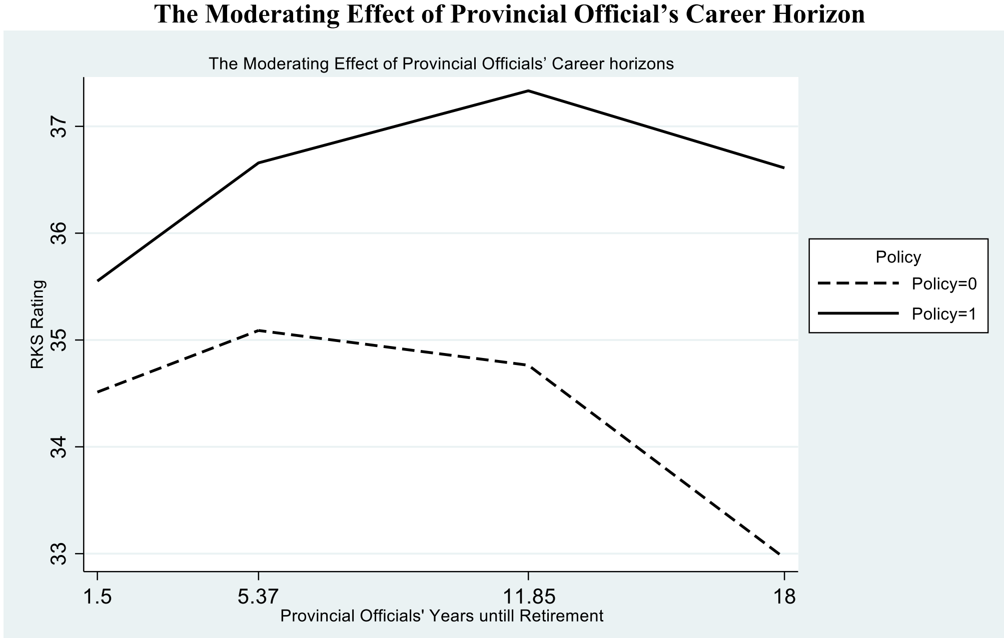

FIGURE 3
The Moderating Effect of CEO's Political Connections

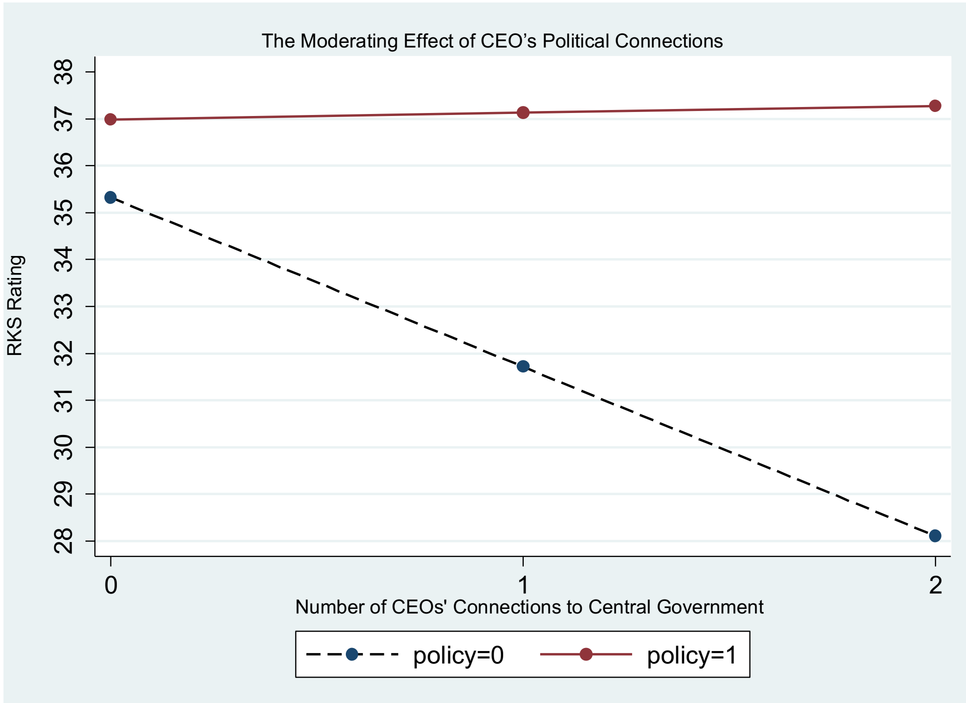

FIGURE 4
The Moderating Effect of CEO's Tenure

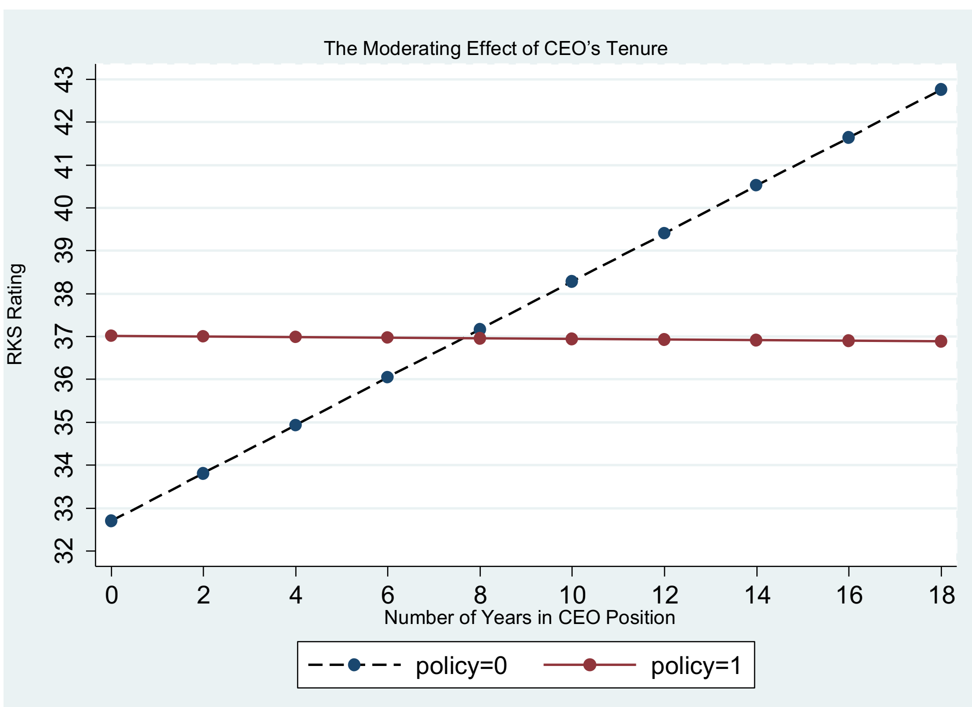

TABLE 1
Summary Statistics

Variables	Observations	Mean	S.D.	Min	Max
1. RKS rating	3,075	36.49	12.96	11.69	88.85
2. The 12th Five-year Plan	3,075	0.76	0.43	0.00	1.00
3. Provincial officials' past appointments	3,075	0.83	0.91	0.00	4.00
4. Provincial officials' years until retirement (square term)	3,075	84.56	57.47	2.25	324.00
5. CEO's connection to central government	3,075	0.05	0.23	0.00	2.00
6. CEO's tenure	3,075	4.38	2.15	0.00	18.00
7. Number of corruptions disclosed	3,075	6.92	0.71	3.56	8.00
8. GDP per capita	3,075	4.79	2.15	0.99	9.81
9. Marketization index	3,075	7.14	1.56	0.00	9.95
10. Provincial officials' years until retirement	3,075	8.61	3.24	1.50	18.00
11. Provincial officials' education	3,075	1.82	0.41	1.00	3.00
12. Provincial officials' past working experiences in the central government	3,075	0.37	0.28	0.00	1.00
13. State ownership	3,075	0.07	0.17	0.00	0.86
14. Foreign ownership	3,075	0.01	0.06	0.00	0.89
15. Percentage of independent directors on board	3,075	0.37	0.06	0.09	0.71
16. Firm size	3,075	22.96	1.73	18.27	30.50
17. Firm ROA	3,075	0.05	0.05	-0.59	0.64
18. CEO duality	3,075	0.14	0.34	0.00	1.00
19. CEO age	3,075	48.83	6.16	28.00	76.00

TABLE 2
Correlation Matrix

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1. RKS rating	1.00																		
2. The 12th Five-year Plan	0.22	1.00																	
3. Provincial officials' past appointments	0.18	0.07	1.00																
4. Provincial officials' years until retirement (square term)	-0.04	-0.05	-0.28	1.00															
5. CEO's connection to central government	0.15	-0.02	0.04	0.00	1.00														
6. CEO's tenure	0.08	0.13	0.00	0.03	0.05	1.00													
7. Number of corruptions disclosed	-0.06	0.06	-0.26	0.09	0.00	0.05	1.00												
8. GDP per capita	0.18	0.30	0.40	-0.40	0.02	0.09	-0.14	1.00											
9. Marketization index	0.16	0.15	0.13	-0.20	0.03	0.04	0.03	0.58	1.00										
10. Provincial officials' years until retirement	-0.05	-0.04	-0.38	0.97	0.00	0.04	0.18	-0.46	-0.22	1.00									
11. Provincial officials' education	0.02	0.13	-0.38	0.38	0.00	0.03	-0.02	-0.22	0.00	0.43	1.00								
12. Provincial officials' past working experiences in the central government	-0.08	-0.11	-0.06	-0.09	-0.01	-0.07	0.26	0.06	0.21	-0.09	-0.17	1.00							
13. State ownership	0.02	-0.19	0.06	-0.03	-0.03	-0.08	-0.06	-0.02	-0.07	-0.05	-0.10	0.03	1.00						
14. Foreign ownership	0.01	0.00	-0.04	0.06	-0.01	-0.05	0.00	-0.01	0.03	0.05	0.02	0.02	0.01	1.00					
15. Percentage of independent directors on board	0.04	0.07	0.04	0.00	0.03	0.00	-0.05	0.03	0.01	-0.01	-0.01	-0.02	-0.01	0.04	1.00				
16. Firm size	0.57	0.06	0.24	-0.08	0.16	0.02	-0.12	0.17	0.11	-0.11	-0.04	-0.09	0.11	-0.04	0.07	1.00			
17. Firm ROA	-0.04	-0.02	0.02	-0.01	0.03	0.03	0.05	0.03	0.04	-0.01	-0.05	0.06	-0.02	0.06	-0.02	-0.15	1.00		
18. CEO duality	-0.06	0.05	-0.03	0.00	0.22	0.05	0.09	0.04	0.10	0.01	0.01	0.09	-0.08	0.01	0.07	-0.16	0.11	1.00	
19. CEO age	0.17	0.11	0.10	-0.02	0.12	0.14	-0.07	0.09	0.08	-0.03	0.03	-0.03	-0.01	0.02	0.04	0.24	0.00	0.12	1.00

N=3,075; Correlations with absolute values greater than 0.04 are significant at 95% confidence intervals.

TABLE 3

The Contingent Effects of the 12th Five-year Plan on Firm CSR, based on OLS Firm-fixed Effects Model

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
1. The 12th Five-year Plan		2.11**	1.48*	-0.12	-0.23	1.96
		(0.87)	(0.80)	(0.97)	(0.94)	(1.48)
2. Provincial officials' past appointments		0.11	-0.74	-1.00	-0.92	-0.93
		(0.24)	(0.52)	(0.61)	(0.60)	(0.61)
3. Provincial officials' years until retirement (square term)		-0.03**	-0.03***	-0.03***	-0.03***	-0.03***
		(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
4. CEO's connections to central government		-1.23	-1.15	-1.22	-3.47**	-3.61**
		(1.04)	(1.07)	(1.07)	(1.58)	(1.61)
5. CEO's tenure		0.02	0.02	0.02	0.02	0.56*
		(0.06)	(0.06)	(0.06)	(0.06)	(0.32)
1*2 (H1)			0.96	1.36**	1.26*	1.28*
			(0.57)	(0.66)	(0.65)	(0.64)
1*3 (H2)				0.01*	0.01*	0.01*
				(0.01)	(0.01)	(0.01)
1*4 (H3)					3.52***	3.75***
					(1.26)	(1.30)
1*5 (H4)						-0.57*
						(0.32)
6. Number of corruptions disclosed	0.89	2.34*	2.26*	2.20*	2.15*	2.17*
	(1.43)	(1.32)	(1.28)	(1.15)	(1.18)	(1.15)
7. GDP per capita	2.95***	1.89***	1.86***	1.87***	1.92***	1.96***
	(0.33)	(0.36)	(0.37)	(0.39)	(0.37)	(0.39)
8. Marketization index	-0.00	0.58	0.48	0.60	0.58	0.52
	(0.79)	(0.73)	(0.66)	(0.65)	(0.63)	(0.65)
9. Provincial officials' years until retirement	-0.04	0.57**	0.67**	0.44**	0.43**	0.42**
	(0.06)	(0.25)	(0.25)	(0.20)	(0.19)	(0.20)
10. Provincial officials' education	-0.16	-0.15	0.21	0.58	0.60	0.60
	(0.66)	(0.61)	(0.56)	(0.47)	(0.47)	(0.47)
11. Provincial officials' past working experiences in the	-0.45	0.41	0.81	1.12	1.02	1.02
	(0.89)	(1.09)	(1.01)	(0.99)	(0.98)	(0.99)
12. State ownership	-1.07	-0.75	-0.75	-0.86	-0.95	-0.91
	(1.39)	(1.48)	(1.45)	(1.45)	(1.47)	(1.44)
13. Foreign ownership	-1.42	-1.31	-1.34	-0.77	-0.64	-0.89
	(4.26)	(3.84)	(3.85)	(3.89)	(3.82)	(4.02)
14. Percentage of independent directors on board	2.96	2.35	2.26	1.95	2.44	2.37
	(4.39)	(4.36)	(4.34)	(4.32)	(4.30)	(4.29)
15. Firm size	2.84***	2.51***	2.55***	2.44***	2.33***	2.35***
	(0.65)	(0.45)	(0.46)	(0.43)	(0.44)	(0.45)
16. Firm ROA	0.83	-0.60	-1.09	-1.02	-1.18	-1.21
	(2.74)	(2.44)	(2.41)	(2.58)	(2.57)	(2.57)
17. CEO duality	0.36	0.51	0.47	0.46	0.43	0.39
	(0.81)	(0.81)	(0.82)	(0.82)	(0.82)	(0.82)
18. CEO age	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01
	(0.04)	(0.03)	(0.03)	(0.04)	(0.04)	(0.04)
Constant	-48.72***	-54.98***	-55.16***	-51.68***	-48.92***	-51.47***
	(14.01)	(13.92)	(14.49)	(12.98)	(13.12)	(12.91)
Firm fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Clustering by provinces	Yes	Yes	Yes	Yes	Yes	Yes
Observations	3,075	3,075	3,075	3,075	3,075	3,075
R-squared	0.34	0.35	0.35	0.36	0.36	0.361
Number of firms	746	746	746	746	746	746

Note: 1. Robust standard errors in parentheses; 2. *** p<0.01, ** p<0.05, * p<0.1, two-tailed tests

TABLE 4a

The Contingent Effects of the 12th Five-year Plan on Firm CSR, based on Two-stage Self-selection Model

	Model 1	Model2	Model3	Model4	Model5	Model6
1. The 12th Five-year Plan		0.39	-0.08	-1.13	-1.12	1.90
		(0.49)	(0.58)	(0.96)	(0.92)	(1.51)
2. Provincial officials' past appointments		0.28	-0.45	-0.60	-0.49	-0.50
		(0.22)	(0.42)	(0.43)	(0.45)	(0.45)
3. Provincial officials' years until retirement (square term)		-0.02*	-0.03**	-0.03**	-0.03***	-0.03**
		(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
4. CEO's connections to central government		0.38	0.38	0.42	-2.44	-2.70
		(0.94)	(0.94)	(0.94)	(2.21)	(2.22)
5. CEO's tenure		-0.03	-0.03	-0.03	-0.03	0.74**
		(0.06)	(0.06)	(0.06)	(0.06)	(0.32)
1*2 (H1)			0.81*	1.03**	0.94**	0.95**
			(0.44)	(0.45)	(0.46)	(0.46)
1*3 (H2)				0.01	0.01	0.01
				(0.01)	(0.01)	(0.01)
1*4 (H3)					3.41*	3.72**
					(1.73)	(1.72)
1*5 (H4)						-0.79**
						(0.32)
6. Mills ratio	1.27***	1.15**	1.06**	1.16**	1.03*	0.99*
	(0.45)	(0.47)	(0.47)	(0.50)	(0.52)	(0.50)
7. Number of corruptions disclosed	0.81	1.31	1.49	1.35	1.39	1.30
	(1.12)	(1.17)	(1.08)	(1.11)	(1.04)	(1.06)
8. GDP per capita	2.95***	2.75***	2.70***	2.73***	2.75***	2.78***
	(0.30)	(0.26)	(0.27)	(0.27)	(0.27)	(0.27)
9. Marketization index	-0.28	-0.23	-0.30	-0.24	-0.28	-0.33
	(0.61)	(0.57)	(0.52)	(0.52)	(0.52)	(0.52)
10. Provincial officials' career horizon	0.08	0.53**	0.61**	0.47*	0.48**	0.47**
	(0.05)	(0.25)	(0.24)	(0.24)	(0.23)	(0.23)
11. Provincial officials' education	0.24	0.28	0.53	0.76	0.76	0.74
	(0.51)	(0.58)	(0.59)	(0.58)	(0.57)	(0.57)
12. Provincial officials' past working experiences in the central government	0.09	0.72	0.99	1.16	1.11	1.06
	(0.75)	(0.81)	(0.73)	(0.70)	(0.70)	(0.71)
13. State ownership	-1.67	-1.48	-1.43	-1.64	-1.56	-1.51
	(1.07)	(1.00)	(0.98)	(1.01)	(1.02)	(1.02)
14. Foreign ownership	1.62	1.84	1.83	2.23	2.33	1.78
	(2.28)	(2.04)	(2.06)	(2.10)	(1.97)	(2.37)
15. Percentage of independent directors on board	0.91	0.62	0.55	0.45	0.74	0.63
	(4.72)	(4.64)	(4.65)	(4.64)	(4.55)	(4.54)
16. Firm size	4.04***	3.78***	3.67***	3.80***	3.50***	3.49***
	(0.89)	(0.84)	(0.85)	(0.86)	(0.92)	(0.93)
17. Firm ROA	-1.23	-1.51	-1.70	-1.67	-1.66	-1.82
	(2.59)	(2.48)	(2.47)	(2.62)	(2.61)	(2.61)
18. CEO duality	0.16	0.17	0.16	0.14	0.15	0.17
	(0.85)	(0.84)	(0.84)	(0.85)	(0.87)	(0.87)
19. CEO age	-0.02	-0.01	-0.02	-0.02	-0.02	-0.02
	(0.04)	(0.03)	(0.04)	(0.04)	(0.04)	(0.04)
Constant	-78.18***	-77.28***	-75.25***	-77.35***	-70.17***	-71.76***
	(19.62)	(19.68)	(20.13)	(20.18)	(21.34)	(21.51)
Firm fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Clustering by provinces	Yes	Yes	Yes	Yes	Yes	Yes
Observations	2,779	2,779	2,779	2,779	2,779	2,779
R-squared	0.31	0.31	0.31	0.31	0.32	0.32
Number of firms	746	746	746	746	746	746

Note: 1. Robust standard errors in parentheses; 2. *** p<0.01, ** p<0.05, * p<0.1, two-tailed tests.

TABLE 4b
Addressing Omitted Variable Bias: The Contingent Effects of the 12th Five-year Plan on Firm CSR

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
1. The 12th Five-year Plan		0.94*	0.42	-0.48	-0.55	2.46
		(0.48)	(0.50)	(0.65)	(0.61)	(1.45)
2. Provincial officials' past appointments		0.21	-0.51	-0.65*	-0.54	-0.54
		(0.17)	(0.32)	(0.35)	(0.38)	(0.38)
3. Provincial officials' years until retirement (square term)		-0.03**	-0.03***	-0.03***	-0.03***	-0.03***
		(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
4. CEO's connections to central government		-0.18	-0.14	-0.16	-3.01	-3.25
		(1.00)	(0.99)	(0.99)	(2.10)	(2.11)
5. CEO's tenure		-0.03	-0.03	-0.03	-0.03	0.74**
		(0.05)	(0.06)	(0.06)	(0.06)	(0.33)
1*2 (H1)			0.80**	1.01**	0.91**	0.92**
			(0.37)	(0.38)	(0.40)	(0.40)
1*3 (H2)				0.01*	0.01*	0.01*
				(0.00)	(0.00)	(0.00)
1*4 (H3)					3.50**	3.80**
					(1.65)	(1.64)
1*5 (H4)						-0.79**
						(0.33)
6. Provincial CSR in last period	0.21***	0.20***	0.19***	0.19***	0.18***	0.18***
	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
7. Number of corruptions disclosed	0.59	1.45	1.62*	1.50*	1.54*	1.44*
	(0.95)	(0.86)	(0.80)	(0.80)	(0.76)	(0.78)
8. GDP per capita	2.36***	1.93***	1.92***	1.92***	1.99***	2.04***
	(0.29)	(0.33)	(0.35)	(0.35)	(0.36)	(0.37)
9. Marketization index	-0.47	-0.22	-0.30	-0.24	-0.28	-0.33
	(0.42)	(0.47)	(0.44)	(0.43)	(0.43)	(0.43)
10. Provincial officials' years until retirement	0.07	0.59***	0.66***	0.54***	0.55***	0.53***
	(0.05)	(0.20)	(0.18)	(0.17)	(0.17)	(0.17)
11. Provincial officials' education	0.07	0.10	0.35	0.55	0.57	0.56
	(0.45)	(0.46)	(0.48)	(0.45)	(0.45)	(0.46)
12. Provincial officials' past working experiences in the central government	-0.04	0.69	0.96	1.12*	1.07*	1.02
	(0.57)	(0.72)	(0.64)	(0.60)	(0.60)	(0.62)
13. State ownership	-0.20	-0.07	-0.12	-0.21	-0.28	-0.28
	(1.09)	(1.12)	(1.11)	(1.11)	(1.13)	(1.11)
14. Foreign ownership	0.70	0.89	0.94	1.24	1.44	0.93
	(2.22)	(1.87)	(1.90)	(1.90)	(1.76)	(2.18)
15. Percentage of independent directors on board	1.02	0.62	0.56	0.46	0.76	0.65
	(4.83)	(4.79)	(4.79)	(4.79)	(4.68)	(4.67)
16. Firm size	1.66***	1.57***	1.62***	1.58***	1.50***	1.57***
	(0.41)	(0.37)	(0.41)	(0.39)	(0.39)	(0.40)
17. Firm ROA	0.47	-0.41	-0.65	-0.60	-0.64	-0.82
	(2.76)	(2.55)	(2.56)	(2.67)	(2.66)	(2.65)
18. CEO duality	0.29	0.33	0.31	0.30	0.30	0.32
	(0.79)	(0.79)	(0.79)	(0.80)	(0.82)	(0.82)
19. CEO age	-0.03	-0.02	-0.03	-0.03	-0.03	-0.03
	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
Constant	-20.26**	-26.83***	-28.65***	-26.67***	-24.91***	-28.28***
	(9.22)	(8.33)	(8.30)	(8.39)	(7.89)	(8.05)
Firm fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Clustering by provinces	Yes	Yes	Yes	Yes	Yes	Yes
Observations	2,779	2,779	2,779	2,779	2,779	2,779
R-squared	0.31	0.31	0.31	0.31	0.32	0.32
Number of firms	746	746	746	746	746	746

Note: 1. Robust standard errors in parentheses; 2. *** p<0.01, ** p<0.05, * p<0.1, two-tailed tests.

TABLE 5a
Mechanism Test of Public Agents' Career Concerns

	Model 1	Model 2
	Provinces with higher-than-median corruptions	Provinces with lower-than-median corruptions
1. The 12th Five-year Plan	-0.13	-1.06
	(1.62)	(1.24)
2. Provincial officials' past appointments	-2.54	-0.97
	(2.00)	(0.58)
3. Provincial officials' years until retirement (square term)	-0.03	-0.03**
	(0.04)	(0.01)
1*2	2.98	1.35**
	(1.87)	(0.59)
1*3	0.02	0.01*
	(0.02)	(0.01)
4. Number of corruptions disclosed	4.48*	1.08
	(2.49)	(1.56)
5. GDP per capita	1.50**	2.36***
	(0.62)	(0.33)
6. Marketization index	0.89	0.25
	(0.94)	(0.64)
7. Provincial officials' years until retirement	0.30	0.47*
	(0.78)	(0.27)
8. Provincial officials' education	0.46	0.95
	(0.82)	(0.69)
9. Provincial officials' past working experiences in the central government	0.16	0.99
	(1.49)	(1.07)
10. State ownership	1.83	-3.21***
	(1.86)	(0.95)
11. Foreign ownership	4.99	-2.77
	(4.76)	(4.66)
12. Percentage of independent directors on board	10.69**	-2.13
	(4.54)	(5.16)
13. Firm size	2.15***	1.79***
	(0.51)	(0.48)
14. Firm ROA	2.72	-4.05
	(3.29)	(3.72)
15. CEO duality	-0.90	1.76
	(0.56)	(1.28)
16. CEO age	-0.01	-0.01
	(0.08)	(0.04)
Constant	-65.21***	-26.68***
	(18.17)	(8.65)
Firm fixed effects	Yes	Yes
Clustering by provinces	Yes	Yes
Observations	1,485	1,590
R-squared	0.36	0.37
Number of firms	426	462

Note: 1. Robust standard errors in parentheses; 2. *** $p<0.01$, ** $p<0.05$, * $p<0.1$, two-tailed tests.

TABLE 5B
Mechanism Test of Private Agents' Legitimacy Concern

	Model 1	Model 2
	Firms with state ownership	Firms without state ownership
1. The 12th Five-year Plan	4.22	4.85
	(4.08)	(2.93)
2. CEO's connections to central government	-3.25	-4.91***
	(3.37)	(1.49)
3. CEO's tenure	0.76	1.01*
	(1.00)	(0.55)
1*2	4.41	4.55***
	(3.09)	(1.40)
1*3	-0.64	-1.01*
	(0.99)	(0.58)
4. Number of corruptions disclosed	1.83	1.37
	(1.56)	(1.16)
5. GDP per capita	1.92**	2.34***
	(0.82)	(0.39)
6. Marketization index	0.68	0.43
	(0.94)	(0.82)
7. Provincial officials' years until retirement	-0.26**	0.11**
	(0.12)	(0.05)
8. Provincial officials' education	0.46	0.18
	(1.18)	(0.58)
9. Provincial officials' past working experiences in the central government	-1.19	0.59
	(1.10)	(1.03)
10. Foreign ownership	-6.58	-1.13
	(5.66)	(4.10)
11. Percentage of independent directors on board	7.30	5.50
	(4.66)	(5.42)
12. Firm size	2.28**	2.19***
	(0.92)	(0.71)
13. Firm ROA	-0.50	-0.22
	(6.42)	(3.47)
14. CEO duality	0.30	0.91
	(1.19)	(0.98)
15. CEO age	-0.12	-0.01
	(0.08)	(0.04)
Constant	-40.94	-45.76**
	(27.00)	(17.45)
Firm fixed effects	Yes	Yes
Clustering by provinces	Yes	Yes
Observations	1,066	2,009
R-squared	0.33	0.34
Number of firms	417	636

Note: 1. Robust standard errors in parentheses; 2. *** p<0.01, ** p<0.05, * p<0.1, two-tailed tests.