8-2016

Contingent value of director identification: The role of government directors in monitoring and resource provision in an emerging economy

Hongjin ZHU
McMaster University

Toru YOSHIKAWA
Singapore Management University, toru@smu.edu.sg

Citation

ZHU, Hongjin and YOSHIKAWA, Toru. Contingent value of director identification: The role of government directors in monitoring and resource provision in an emerging economy. (2016). *Strategic Management Journal*. 37, (8), 1787-1807.

Available at: https://ink.library.smu.edu.sg/lkcsb_research/5054

CONTINGENT VALUE OF DIRECTOR IDENTIFICATION: THE ROLE OF GOVERNMENT DIRECTORS IN MONITORING AND RESOURCE PROVISION IN AN EMERGING ECONOMY

Hongjin Zhu
DeGroote School of Business
McMaster University
1280 Main Street West
Hamilton, Ontario, Canada L8S 4M4
Email: zhuhongjin@mcmaster.ca

Toru Yoshikawa
Lee Kong Chian School of Business
Singapore Management University
50 Stamford Road, Singapore 178899
Email: toru@smu.edu.sg

Published in Strategic Management Journal,
August 2016, Volume 37, Issue 8, Pages 1787–1807
http://doi.org/10.1002/smj.2408

CONTINGENT VALUE OF DIRECTOR IDENTIFICATION: THE ROLE OF GOVERNMENT DIRECTORS IN MONITORING AND RESOURCE PROVISION IN AN EMERGING ECONOMY

Research summary: Although previous studies have explored the value of government directors, less attention has been directed at the antecedents of government directors' engagement in value-adding activities, such as managerial monitoring and resource provision. Drawing on social identity theory, we offer a novel model that specifies how a government director's dual identifications with the focal firm and with the government individually and interactively affect his or her governance behavior. An investigation of government directors in China shows that their identification with the focal firm enhances monitoring and resource provision, while their identification with the government affects monitoring and resource provision differently depending on the dominance of state ownership. The synergistic/substitutable effects between the two types of identification are contingent on state ownership and governance roles.

Managerial summary: This study examines how a government director's dual identities—as a government official and as a board member of a focal firm affect his or her engagement in managerial monitoring and resource provision. Using data of Chinese listed firms, we find that government directors who strongly identify with the focal firm or with the government are highly motivated to fulfill their fiduciary obligations. However, the positive effects of their identification with the government differ between state-owned enterprises (SOEs) and non-SOEs. The combination of the two identifications offers a further boost to monitoring in non-SOEs, and to resource provision in both SOEs and non-SOEs, but it acts as a disincentive to monitoring in SOEs.

Key words: government director, identification, monitoring, resource provision, state-owned enterprise

To reduce the uncertainty that arises from their interdependency with the government (Hillman and Hitt, 1999; Shaffer, 1995), firms often have government officials sitting on their boards. For example, in 1988, 53 percent of large corporate boards in the U.S. included former government officials (Hillman, 2005), and in 2007, 16 percent of independent directors of Chinese listed firms were acting government officials (Heidrick and Struggles, 2007). Despite the prevalence of government directors, we know relatively little about how they serve the functions of monitoring and resource provision to affect firm performance. Former political actors on the board of U.S. firms have been found to enhance firm performance (Hillman, 2005), but they have limited effects on firm performance in emerging economies (Clarke, 2003; Rajagopalan and Zhang, 2008). The divergent findings of the effectiveness of government directors suggest the importance of understanding government directors' governance roles and their antecedents.

Recent research on board functions suggests that directors' human and social capital enable them to monitor management and provide resources to a focal firm (Hillman and Dalziel, 2003). However, whether they do so is influenced by their identification with the firm (Golden-Biddle and Rao, 1997) and with other context-relevant entities (Ashforth and Johnson, 2001; Hillman, Nicholson, and Shropshire, 2008). Directors are not equally motivated to fulfill fiduciary obligations (McNulty, Roberts, and Stiles, 2005), and their individual-level engagement depends on the strength of their identifications with pertinent identities. Government directors have dual identities—corporate director and government official—and thus are likely to identify both with the focal firm and with the government. We suggest that such dual identifications enable or constrain government directors to engage in monitoring and resource provision both individually and interactively. Their governance effects may depend on the firm's interests, the government's interests, and the convergence (or divergence) of these two entities' interests.

In developing this line of argument, we offer a model that specifies whether and how government directors' identifications both with the focal firm and with the government can influence their engagement in monitoring and resource provision in the context of China. China offers a particularly appropriate setting in which to examine our research questions. Like other emerging economies, China features a nascent corporate governance regime, underdeveloped market intermediaries, and extensive government involvement in the economy (Allen, Qian, and Qian, 2005; Young *et al*., 2008), making government directors critical for firms to manage interdependency with the government. However, they do not necessarily apply their boundary-spanning advantages to governance activities due to the nascent role of directors in China (Peng, 2004), suggesting the importance of director identifications in shaping governance behavior. Meanwhile, the state is often involved in the economy as the dominant shareholder (McFarlan, Xu, and Manty, 2009; Tenev and Zhang, 2002). It also affects the corporate governance process of state-owned enterprises (SOEs) by appointing representatives to boards and management positions (La Porta, Lopez-de-Silanes, and Shleifer, 1999). As a result, government directors confront distinct sets of opportunities and constraints on their governance roles in SOEs and non-SOEs. This characteristic of Chinese government directors thus allows us to investigate the potential interplay between two governance mechanisms—boards of directors and controlling shareholders such as the state owner, who have strong incentives and superior ability to monitor management (Morck, Wolfenzon, and Yeung, 2005). More importantly, as state ownership is also significant in many other emerging economies, such as Russia, India, Brazil, and Indonesia

(Kowalski *et al*., 2013), our findings may shed light on the governance roles of government directors in these economies.

Our empirical analysis uses a unique dataset that combines survey data and archival data on government officials serving on the boards of publicly listed firms in China. Our results show that government directors' identification with the focal firm enhances their engagement in monitoring and resource provision, while their identification with the government affects monitoring and resource provision differentially, depending on the dominance of state ownership. The interplay between the two types of identification further enhances or dampens directors' commitment to governance roles and such effects vary between SOEs and non-SOEs.

This study advances our understanding of government directors by highlighting the significance of their dual identifications in shaping governance behavior, and by identifying an important but understudied contingency of the effects of identifications—state ownership. It extends the research on how directors' multiple identifications influence their behavior (Golden-Biddle and Rao, 1997; Withers, Corley, and Hillman, 2012). It also enriches research on corporate governance in the emerging economies by explicitly considering the influence of salient institutional factors, such as concentrated state ownership and the nascent corporate governance system, on directors' behavior. Further, the differential governance effects of directors' identifications on SOEs and non-SOEs shed light on how the governance mechanisms, boards of directors and controlling shareholders, simultaneously affect monitoring and resource provision, which has been understudied in previous research. As government directors typically form boundary-spanning links between firms and government, our study also contributes to the political tie literature by showing that in addition to the prominence of political partners (i.e., resources and privileges at disposal), motivating political partners to serve the firm's interests is crucial to deriving benefits from political ties.

FUNCTIONS OF DIRECTORS

The corporate governance literature indicates that directors perform two important functions: monitoring managers on behalf of shareholders, and providing resources (Hillman and Dalziel, 2003; Sundaramurthy and Lewis, 2003). Directors monitor managers' actions (e.g., decision making, strategy implementation and CEO succession) to ensure that management operates in the interest of shareholders, thus helping to resolve the agency problem (Fama, 1980; Jensen and Meckling, 1976). Agency theory suggests that the independence of directors from management is critical to effective monitoring (Baysinger and Butler, 1985; Daily and Dalton, 1994). Directors also help firms to manage their dependence on external institutions by providing advice and counseling, access to external resources and information, and legitimacy (Pfeffer and Salancik, 1978). Resource dependence theory contends that directors' human capital and social capital are primary precursors of their resource provision activities. Human capital refers to an individual's expertise, experience, and skills (Becker, 1964), and social capital represents the resources that are embedded in the individual's social networks (Nahapiet and Ghoshal, 1998). Directors' human capital and social capital are conducive to their resource provision to firms (e.g., Carpenter and Westphal, 2001; Geletkanycz and Hambrick, 1997), so we refer to the composite of human and social capital as director capital, to capture directors' ability to serve the resource provision function (Haynes and Hillman, 2010).

In China, boards of directors are supposed to carry out the two functions, as stipulated in the *Code of Corporate Governance for Listed Companies in China* (CSRC, 2001). Board directors are accountable to shareholders and are expected to protect minority shareholders from infringement by the controlling shareholder. However, the governance rules and regulations are not necessarily enforced stringently (Clarke, 2003; Peng, 2004), and directors' governance behavior may be influenced by other factors, such as their social identities.[1]

SOCIAL IDENTITY AND IDENTIFICATION

Social identity theory focuses on an individual's self-definition in society, especially in intergroup relations and group processes, and treats individuals as members of social categories or groups (Tajfel, 1982; Tajfel and Turner, 1986). The tenet of the theory is that social categories or groups (e.g., nationality, ethnic group, and the organization/firm) affect how members of those categories or groups define themselves (Hogg, Terry, and White, 1995; Kramer, 1991). It is suggested that the group categorization process develops stereotypical and normative perceptions of other groups, and consequently a positive in-group bias develops on the basis of those perceptions. As a result, the social categories to which a person belongs help to define his or her identity and behavior in a given context (Hogg *et al*., 1995). The importance of a particular identity and the degree to which it shapes the person's behavior depend on how strongly he or she identifies with the identity (Ashforth and Johnson, 2001).

When social identity theory is applied to organizational settings, the concept of organizational identification is defined as the process of self-categorization with an organization (Ashforth and Mael, 1989). Researchers associate organizational identification of members with various forms of organizational behavior, especially commitment, cooperation, and reciprocity (Dukerich, Golden, and Shortell, 2002; Dutton, Dukerich and Harquai, 1994; Hekman *et al*., 2009). They contend that members who strongly identify with the organization experience an in-

[1] Research in the social psychology field differentiates between social identity and role identity, both of which apply to directors (Stets and Burke, 2000; Stryker and Serpe, 1982; Tajfel and Turner, 1986). In this study, we focus on directors' social identity because the notion of role identity as a director is not well established in emerging economies such as China, where corporate governance mechanisms are nascent.

group bias and greater group cohesion, which in turn motivates the members to engage in cooperative behavior (Dutton *et al*., 1994). Such behavior benefits not only the organization, but also its members, because they regard themselves as part of the organization. Thus, social identity theory asserts that members have varying degrees of identification with the organization(s) to which they belong (Dutton *et al*., 1994; Hekman *et al*., 2009), and that the strength of this organizational identification is related to members' behaving in ways that are beneficial to the organization. Golden-Biddle and Rao (1997) show that directors' stronger identification with the focal firm makes them more engaged in the boardroom, suggesting that organizational identification and commitment are positively related (Ashforth, Harrison, and Corley, 2008; Riketta, 2005).

Social identity research also indicates that people generally identify with multiple entities or groups, and these identifications interact with each other; the effect of such interplay largely depends on the intrinsic relations among the different identities (Ashforth and Johnson, 2001). When a person's identities are aligned with each other due to significant overlaps in the goals of the multiple sources of identity, there is complementarity between them. When the identities are not aligned, however, there may be conflicts due to competing demands between the different identities and conflicting goals between multiple sources of identity (Hillman *et al*., 2008). Additionally, the effects of identity alignment/non-alignment may vary depending on an individual's specific behavior or activities (Scott, 1997). These insights suggest that government directors' dual identifications with the government and with the focal firm may jointly affect their governance behavior, and that such interactive effects can differ between managerial monitoring and resource provision.

Government directors are likely to identify with the government and with the focal firm simultaneously to varying degrees. Given his or her affiliation with a government and/or its agencies, a government director tends to identify with the government to some extent[2], but the deep roots and features of such identification differ in distinct political systems. Government directors in democratic countries may identify with the government primarily because they endorse the policies made by the specific political party in power (Hetherington, 2009). Their identification with the government is volatile, however, because competition between political parties for political power often leads to changes in the regime and political agenda. For example, in the U.S. context, a Democratic director's identification with the government tends to become weaker when the Republican Party takes over power from the Democratic Party (McCarty, Poole, and Rosenthal, 2006; Poole and Rosenthal, 1984). Those who do not embrace any particular political party may identify with the government simply because of their nationalistic sentiment. Thus, government directors' identification with the government tends to be rather nebulous in democratic political systems.

In contrast, when one political party dominates political power and controls government institutions, government directors generally feature strong identification with the government due to the stability and consistency of the government's objectives and policy agenda. In China, for example, the Communist Party controls the government while other political parties have limited political power, despite their participation in policy making (Chen and Zhong, 1998). As a result of the enduring dominance of the Communist Party, only those who support its policy agenda are allowed to work for the government (Chen and Dickson, 2010). Compared to

[2] We regard government directors' identification with the government more as a social identification than role identification when examining its effects on directors' governance roles. This is because a government official's social identity is likely to play a significant role on the basis of government affiliation, whereas the effects of his/her role identity, which may differ among government institutions and levels of government, tend to be less obvious.

governments in democratic countries, the Chinese government's main objectives tend to be stable over time and consistent across levels of government and their agencies. This government stability and consistency may make it easier for government directors to understand and embrace the government's objectives and policies, to identify with the government, and thereby to pursue the objectives under the guidance of relevant government policies when sitting on corporate boards. Government directors' identification with the government is thus likely to affect their governance behavior in China and other countries with similar political systems.

At the same time, the strength of government directors' identification with the focal firm may exhibit substantial variations in China, because Chinese firms take different approaches to board appointments. Chinese private firms often invite government directors with rich human and social capital to sit on their boards, in the hope that they will better manage their dependence on the government (Peng, 2004). In the case of state-owned enterprises (SOEs), however, government officials are often appointed to corporate boards by the central government and government agencies such as "state assets management bureaus" that control the assets of SOEs (Tenev and Zhang, 2002; Xu and Wang, 1999). As state representatives, government directors have a fiduciary duty to uphold government policies (Su, Xu, and Phan, 2008). Moreover, they can be promoted to higher ranks of government institutions if government agencies deem their performance satisfactory (Li and Zhou, 2005). Such politically-based directorships may make the strength of government directors' identification with SOEs different from the strength of their identification with private firms. The prevalence of government directors and intense state involvement in the economy in China hence offer an ideal setting in which to investigate how directors' multiple identifications shape board functions and how such effects may be contingent on the dominance of state ownership.

HYPOTHESES

Effects of director identification with the focal firm

When government directors strongly identify with the focal firm, they are likely to act in ways that benefit it. As suggested by research on the behavioral implications of an individual's identification with his or her organization, the stronger the identification with the organization, the greater the cooperation, satisfaction, and motivation to be expected in his or her behavior (Ashforth and Mael, 1989; Shamir, 1990). Evidence also indicates that members who identify strongly with an organization are inclined to engage in organization citizenship behavior (Dutton *et al*., 1994). In the context of the boardroom, Golden-Biddle and Rao (1997) suggest a positive relationship between a director's identification with a firm and the likelihood of the director acting in the firm's interests. Hillman and her colleagues (2008) also contend that the strength of a director's identification with an organization has positive effects on monitoring and resource provision for the organization.

Building on these insights, we maintain that government directors tend to engage more in monitoring and resource provision as their identification with the focal firm increases because effective governance is in the interests of the firm (Hillman and Dalziel, 2003). Government directors' identification with the focal firm may impel them to leverage their expertise and knowledge of government procedures and regulations to evaluate the possible effects of strategic initiatives proposed by the CEO (Schuler, Rehbein, and Cramer, 2002). They may also provide advice and counsel to improve strategic plans, through using their insight to predict government actions (Agrawal and Knoeber, 2001). Moreover, government directors introduce external referrals, especially with the state sector, to aid resource acquisition, information sharing, and business planning (Hillman, 2005). Further, they make efforts to improve the firm's image and expand external communication channels by taking advantage of their networks in the state sector (Stern and Westphal, 2010).

Identification with the focal firm is likely to play an even more salient role in enhancing boardroom engagement in emerging economies where corporate governance mechanisms are nascent (Dharwadkar, George, and Brandes, 2000; Mitton, 2002). Firms in many emerging economies did not have boards of directors until the corporate governance reforms began in the late 1980s and early 1990s. In the case of China, the first firms listed on the newly established stock exchanges were required to have boards of directors in 1990, and independent directors were not mandatory until 2001 (CSRC, 2001). Given the short history of corporate governance reform, few individuals in China understood and internalized the need and means for effective board control. In fact, many directors still view their directorships either as sinecures or as an attempt to impose Western standards and values on people (Rajagopalan and Zhang, 2008). The presumed incentives to monitor management and provide resources on behalf of shareholders tend to be rather weak because directors are unfamiliar with or reluctant to accept governance practices adopted in developed economies (Peng, 2004), even though the governance rules require them to protect and advance the firm's interests.

In such a weak governance environment, government directors' identification with the focal firm is likely to be a critical driver for them to understand, accept, and fulfill their fiduciary duties. Regarding the firm's interests as equivalent to their own, government directors who strongly identify with the firm may not be willing to rubber-stamp the management's decisions, but rather, will closely monitor managerial decision making (Capezio *et al*., 2014). Instead of accepting compensation without making substantive contributions, government directors would rather aid firms to obtain financial credits (Khwaja and Mian, 2005), foreign technology (Siegel, 2007), preferential treatment (Cull and Xu, 2005; Faccio, 2010), and the opportunity to be bailed out during a crisis (Faccio, Masulis, and McConnell, 2006) by taking advantage of their connections with government. Our theory development suggests that the more strongly government directors identify with the focal firm, the more likely they are to engage in their governance functions. Thus, we hypothesize:

Hypothesis 1a: The strength of a government director's identification with the focal firm is positively related to managerial monitoring.

Hypothesis 1b: The strength of a government director's identification with the focal firm is positively related to resource provision.

Effects of director identification with the government

A government director's identification with the government is also likely to promote his or her monitoring of the focal firm and provision of resources to it because these are prescribed forms of behavior for directors in the corporate governance system of China. Driven by the market-oriented transition since 1978, the Chinese government has adopted legal frameworks of corporate governance similar to those established in developed economies, with the expectation that greater accountability and transparency of corporate governance will enhance the competitiveness of domestic firms (Heidrick and Struggles, 2007; Young *et al*., 2008). Moreover, the adoption of international corporate governance practices is viewed as conducive to attracting foreign direct investment to boost the economy (Rajagopalan and Zhang, 2008). The enhanced corporate governance standard is thus expected to facilitate not only the growth and proliferation of domestic firms, but also the pursuit of the government's key objectives such as economic growth, enhanced social welfare, and social stability. This suggests that the interests of the government coincide with the interests of firms in regard to improving corporate governance.

In fact, China has established systematic laws and regulations regarding corporate governance mechanisms. Protection of the firm's interests is the first priority of the board under the Chinese corporate governance regime, and directors are responsible for monitoring management and providing resources for the firm (Company Law, 2006; OECD, 2011). However, these laws and regulations are not enforced effectively, mainly because of the short history of corporate governance in China and the relationship-based culture of Chinese society (Peng, 2004; Young and McGuinness, 2001). Under such circumstances, identification with the government may impel government directors to vigorously engage in monitoring and resource provision because these are the overriding obligations for directors, and are formally required by government. Carrying out their fiduciary duties in the firm's interests allows government directors who strongly identify with the government to show their adherence to government policies, their commitment to the attainment of government objectives, and their belongingness to the government. Failure to do so may cause them to feel embarrassed and guilty because such failure would impair their self-definition as a member of government (Tajfel and Turner, 1986). In contrast, those who weakly identify with the government may be less concerned with these matters and thus serve as passive or irresponsible board members, paying limited attention to the government's laws and regulations.

With an intrinsic desire to fulfill their obligations, government directors who strongly identify with the government are likely to commit themselves to studying governance laws and regulations, enforcing them stringently, and finding optimal means to serve the firm's interests within the framework of government policies. Equipped with accumulative knowledge and experience of policy making and strategic planning from the state sector, they are able to assess the legitimacy, feasibility, and long-term influence of strategic initiatives proposed by the management, and provide advice in the firm's best interests. Indeed, government directors have been found to facilitate entry into newly opened-up sectors (Agrawal and Knoeber, 2001), preferential allocation of government procurement contracts (Goldman, Rocholl, and So, 2013), and management of uncertainty from the regulatory regime (Hillman, 2005). Identification with the government may also motivate government directors to leverage their social capital in the political field to provide the firm with access to proprietary resources (e.g., advanced technology and skills) and information that is unavailable or costly to obtain from other sources (Li and Zhang, 2007; Potter, 2002). Thus, we hypothesize:

Hypothesis 2a: The strength of a government director's identification with the government is positively related to managerial monitoring.

Hypothesis 2b: The strength of a government director's identification with the government is positively related to resource provision.

Effects of director identification with the government in SOEs versus non-SOEs

The predicted effects of identification with the government, however, may vary depending on the focal firm's ownership structure. Unlike widely held public firms in the U.S. and the U.K., firms in emerging economies are characterized by concentrated ownership (Claessens, Simeon, and Lang, 2000; Kowalski *et al*., 2013). In China, where the state controlled the entire economy before the transition to a market economy, state ownership has continued to play a dominant role since large-scale privatization (Sun and Tong, 2003). For example, the state directly or indirectly owned 54 percent of listed firms' shares (in the form of state shares and legal person shares) in 2010 and state-owned enterprises still comprise a significant portion of national industrial outputs (Allen *et al*., 2005).

The dominance of state ownership in SOEs is likely to compromise the effect that identification with the government has on monitoring for three major reasons. First, to exercise their control rights, controlling shareholders usually appoint directors who represent their interests to the board (Morck, *et al*., 2005). In Chinese SOEs, the state often places bureaucrats on the board as outside directors to comply with the regulations on corporate governance, even though the independence of the directors is questionable (Rajagopalan and Zhang, 2008). More than half of the directors of listed SOEs are appointed by the state (Bai *et al*., 2004). These government directors serve as the state's representatives and thus tend to interpret their fiduciary obligations in light of the state's interests and rubber-stamp decisions made by state owners (Clarke, 2003; Huyghebaert and Wang, 2012). Government directors of SOEs have indeed been found to be ineffective monitors (Chang and Wong, 2004). Although government directors who strongly identify with the government are motivated to monitor management on behalf of shareholders, their politically-based directorships may make them prioritize the state's interests and thereby dampen their incentive for monitoring. Second, the appointment of CEOs of SOEs is also a highly political process in which CEOs are often selected through government referral or directly by the state owner (Fan, Wong, and Zhang, 2007; Heidrick and Struggles, 2007). For example, the top management teams of the 50 largest Chinese SOEs, some of which are parents of multiple listed firms, are directly appointed by the Politburo. As a result, many government directors and politically selected CEOs are former colleagues in government sectors and tend to cooperate with each other to pursue their political careers (Holz, 2007). Enduring ties with CEOs and the consequent lack of independence from the management make government directors reluctant to monitor management (Jensen and Meckling, 1976). In addition, both government directors and politically connected CEOs serve the interests of the state and make efforts to achieve the state's political and social objectives in SOEs (Su *et al*., 2008; *The Economist*, 2013). Such congruent goals and shared values may render it less imperative for government directors to monitor management, even though the directors' identification with the government motivates them to do so.

In contrast, government directors of non-SOEs do not necessarily have strong ties with the firm's large shareholders and the selection of CEOs is generally on the basis of merit, hence government directors have substantial leeway to engage in managerial monitoring in non-SOEs. McFarlan *et al*. (2009) report that the CEOs of listed Chinese firms, including SOEs and non-SOEs, view the board of directors as the strongest internal constraint on management, although outside directors of SOEs tend not to challenge and criticize managerial decision making due to their lack of independence. Thus, we submit that government directors who identify with the government should be more vigilant monitors in non-SOEs than in SOEs because concentrated state ownership may induce disincentives for managerial monitoring.

With regard to resource provision, government directors who strongly identify with the government tend to be more devoted in SOEs than in non-SOEs for four reasons. First, they are typically appointed to SOEs by government to channel resources and information between the firm and the state, which enhances the SOEs' growth and ultimately the interests of the state owner (Okhmatovskiy, 2010). Their political connections and skills may be particularly useful and even indispensable in dealings with government agencies (Frederick, 2011), especially considering the strong political influence imposed on SOEs. Second, given their ties to the government and sometimes also to management, government directors are effectively dependent or quasi-inside directors (Peng, 2004), who are likely to be more motivated than independent directors to provide resources to the focal firm and its management (Hillman and Dalziel, 2003; Westphal, 1999). Furthermore, the common goal of government directors and politically selected CEOs to serve the interests of the government might lead to higher levels of mutual trust, better information disclosure, and the provision of more critical and valuable resources (Gaertner *et al*., 1990; Gulati and Westphal, 1999). In addition, government directors who have superior governance performance in SOEs will have a greater chance of promotion along the political hierarchy, but their counterparts in non-SOEs do not have such an option. Political promotion has been found to impel top executives of SOEs to enhance firm performance (Cao *et al*., 2014). The political promotion opportunity for government directors in SOEs thus creates an additional incentive for their resource provision. The above theory development leads to the following hypotheses:

Hypothesis 2c: The positive effect of a government director's identification with the government on managerial monitoring is weaker in SOEs than in non-SOEs.

Hypothesis 2d: The positive effect of a government director's identification with the government on resource provision is stronger in SOEs than in non-SOEs.

Interface between identification with the focal firm and identification with the government

A distinguishing feature of a government director is that he or she has dual identities—as a government official and as a board member of the focal firm—so we further consider how their identifications with these two identities jointly affect their governance behavior.

Effects on monitoring

A government director's strong identification with the focal firm and the government should provide additional incentives for him or her to monitor management because this fiduciary obligation is beneficial to both the firm and the government. However, the effect of such identity alignment on monitoring is likely to be contingent on the presence of controlling shareholders who can alter the nature of the corporate governance process (Dharwadkar *et al*., 2000; Young *et al*., 2008). In SOEs, the major concern of corporate governance is the principal-principal conflicts between the state owner and minority shareholders (Morck *et al*., 2005). Minority shareholders are subject to expropriation by the state owner, who can appoint representatives to the board and management positions and effectively control decisions made in the boardroom. Given the state's tight control over the firm and the management's political careers, government directors who identify with the government are likely to prioritize the interests of the state over the interests of other shareholders (Su *et al*., 2008). At the same time, their identification with the focal firm motivates them to protect the interests of shareholders, especially minority shareholders. The two identifications hence put competing demands on government directors when it comes to monitoring. As a result, as their identification with the government increases, government directors with dual identifications may acquiesce to the state's intervention and pursuit of imperative social and political objectives that are detrimental to minority shareholders (Shleifer and Vishny, 1994; 1997). Hence, government directors' strong identification with the government is likely to dampen their monitoring incentives originating from their identification with the firm.

On the contrary, there is likely to be an alignment between government directors' identifications with the two sources in non-SOEs with regard to monitoring. Without the constraints imposed by the state owner, government directors who identify with the government are motivated to ensure that the managerial decisions are in the firm's interests because this is explicitly required by the government. They are also better able to do so thanks to their greater discretion in monitoring. As such, government directors' identification with the government can provide a further boost to monitoring in addition to the effect of their identification with the firm. Thus, we hypothesize:

Hypothesis 3a: The effect of a government director's identification with the focal firm on managerial monitoring is negatively moderated by the director's identification with the government in SOEs.

Hypothesis 3b: The effect of a government director's identification with the focal firm on managerial monitoring is positively moderated by the director's identification with the government in non-SOEs.

Effects on resource provision

In the context of resource provision, there should be an alignment between the effects of identification with the focal firm and with the government in both SOEs and non-SOEs. On the one hand, government directors who strongly identify with the focal firm are motivated to provide resources to serve the firm's best interests (Hillman *et al*., 2008). On the other hand, their identification with the government means that they act as state representatives in SOEs and will benefit the state owner by providing resources to the firm to enhance its performance, growth, and competitiveness (Su *et al*., 2008; Walder, 1995). As resource provision may benefit all shareholders, not just the controlling shareholders, the interests of the state owner and other shareholders are congruent in resource acquisition, suggesting that identification with the government is likely to align with identification with the firm. Similarly, identification with the government is likely to motivate government directors in non-SOEs to engage in resource provision to fulfill their fiduciary obligations mandated by the government. The convergence of the interests of the firm and the government with regard to the provision of resources to SOEs and non-SOEs suggests complementarity between identification with the firm and with the government. Hence, we hypothesize:

Hypothesis 4a: The effect of a government director's identification with the focal firm on resource provision is positively moderated by the director's identification with the government in SOEs.

Hypothesis 4b: The effect of a government director's identification with the focal firm on resource provision is positively moderated by the director's identification with the government in non-SOEs.

METHODS

Data sources and sample

Our empirical analysis is based on a unique dataset consisting of survey and archival data of government officials acting as outside directors on the boards of Chinese listed firms. To construct our sample, we first selected all firms listed on the Shanghai and Shenzhen stock exchanges that had government directors on their boards. We then conducted a pretest of the questionnaire that included discussions with 10 interviewees about each survey question to maximize the response rate of our survey. Based on the feedback received, we improved the design and clarity of the questionnaire before conducting a follow-up large-scale survey. In total, we sent out 2,006 questionnaires and received 300 copies with complete information between March and September 2011, achieving a response rate of 15 percent. In addition to the survey data, we also obtained corporate ownership and governance data from the China Stock Market and Accounting Research (CSMAR) database (http://www.gtarsc.com), which provides comprehensive information on the Chinese stock market, financial statements, and corporate governance of Chinese listed firms. CSMAR is one of the most reliable sources of information about Chinese listed firms. Many prestigious universities and research institutions subscribe to it, and several previous studies rely on this source. We dropped 86 observations from the sample because information was missing or because the values for some variables appeared unrealistic. Our final sample thus included 214 observations of government directors who sat on the boards of 95 listed firms. These firms operated in the manufacturing (74.3%), service (24.3%), and agricultural (1.4%) sectors, with average assets of RMB561 million (about US$93million) in 2011. Kolmogorov-Smirnov (K-S) two-sample tests indicated that directors who responded to the survey were representatives of the larger population of outside directors on each of the archival variables used in this study, including age, educational background, and firm profitability. As 64 percent of sample firms had more than one respondent participating in the survey, we controlled for directors' firm affiliation in the regression analysis to capture the potential effect of firm-level factors on directors' behavior.

Dependent variables

The two functions of directors—managerial monitoring and resource provision—were measured using multiple survey measures (please refer to Part 1 of the questionnaire in the Appendix). The survey questions were developed with reference to previous research on director behavior (e.g., Hillman and Dalziel, 2003; Lester *et al*., 2008). We conducted a confirmatory factor analysis on the items for specific functions. The items for both managerial monitoring (Questions 1–4) and resource provision (Questions 5–6) loaded on the same factor and did not load on other factors in the measurement model. We used the regression method to estimate the factor scores for all of the survey measures and the results remained the same using the Bartlett method.

Independent variables

Identification with the focal firm. We measured director identification with the focal firm using eight identification items (please refer to Part 2 of the questionnaire in the Appendix). The survey items were adapted from previous research on measures of group identification and social identification (Bergami and Bagozzi, 2000; Mael and Ashforth, 1992), which have been widely used in corporate governance research (e.g., McDonald and Westphal, 2010). The confirmatory factor analysis showed that the survey items for identification with the focal firm all loaded on the same factor.

Identification with the government. We gauged director identification with the government using eight items that are similar to those measuring identification with the focal firm (please refer to Part 3 of the questionnaire in the Appendix). All of the items loaded on the same factor in the confirmatory factor analysis.

Control variables

We controlled for director attributes and firm characteristics that may affect directors' identification with the focal firm and with the government, and their engagement in managerial monitoring and resource provision. We used several indicators to capture *director capital*, including educational background, tenure in government service, the number of positions held in the government and its agencies, and managerial experience in state-owned enterprises. These indicators have been widely used in studies of the human and social capital of directors (Haynes and Hillman, 2010; Lester *et al*., 2008; Peng, 2004). We obtained the data on directors' educational backgrounds from CSMAR and the data on the other variables from the survey. These variables were standardized and summed to create an index of director capital. Cronbach's (1951) alpha between these measures was 0.68. Directors' *age* and the *number of board seats* they hold simultaneously may affect their incentive and ability to perform their governance roles. The *rewards* that directors receive from their focal firms may also affect the strength of their identification with those firms.

The dominance of state ownership was measured with a dummy variable to indicate whether the controlling shareholder of the firm is the state. *SOE dummy* was coded 1 if the state owns more than 51 percent of shareholding of the firm, and 0 otherwise. *Independent directorship* was measured as the percentage of independent directors on the board to reflect the degree of board independence. *Foreign ownership* refers to the shareholdings owned by foreign institutional investors, such as foreign banks, funds, and foreign governments. Foreign ownership often requires transparency and professional management practices that may be sensitive to government directors' governance behavior. *Government affiliation level* indicates the level of government with which a government director is affiliated. Following the classification of the Annual Report of Industrial Enterprise Statistics (ARIES), the most comprehensive dataset compiled by the Chinese statistical office, we assigned a value according to the level of government affiliation: 1 for governments lower than county level, 2 for county level, 3 for city level, 4 for provincial level, and 5 for state level. Business relations between the focal firm and government can influence government directors' dual identifications, so we created a dummy variable, *business relation*, which was coded 1 when the focal firm has business relations with the government, and 0 otherwise. We also controlled for *firm ROA* because it might affect the strength of director identification with the firm.

Analysis

We estimated the effects of director identification with the focal firm and with the government on monitoring and resource provision using multiple regression analysis. We tested two dependent variable models: one focusing on the effect on managerial monitoring and the other examining the effect on resource provision. As our sample contained responses from more than one government director sitting on the board of the same firm, we adjusted for the non-independence of observations involving directors from the same firm by clustering observations around the firm (Mizruchi and Stearns, 2001). The variance inflation factors and tolerance were all within acceptable limits for the variables, ranging from 1.1–1.8 and 1.2–2.3, respectively.

RESULTS

Descriptive statistics and regression results

Table 1 provides the descriptive statistics and correlation coefficients among the variables. Table 2 shows the results of the multiple regression analysis. Models 1 to 6 were used to test the hypotheses concerning managerial monitoring, while Models 7 to 12 were used to examine the hypotheses concerning resource provision. Models 1 and 7 included all of the control variables and served as baseline models, while the subsequent models included the variables for testing the hypotheses.

********Table 1 about here********

Hypotheses 1a and 1b suggest that higher levels of director identification with the focal firm are associated with greater managerial monitoring and resource provision, respectively. As indicated in Models 2 and 8 in Table 2, director identification with the focal firm has significant and positive relationships with both managerial monitoring ($p<0.01$) and resource provision ($p<0.01$), supporting Hypotheses 1a and 1b.

Hypotheses 2a and 2b predict that director identification with the government promotes managerial monitoring and resource provision, respectively. Consistent with our predictions, Models 3 and 9 show that director identification with the government is positively and significantly related to both managerial monitoring ($p<0.05$) and resource provision ($p<0.01$).

Hypothesis 2c predicts that the positive effect of identification with the government on monitoring is weaker in SOEs relative to non-SOEs, while Hypothesis 2d posits a stronger identification effect on resource provision in SOEs than non-SOEs. To test the two hypotheses, we added the interaction term between identification with the government and SOE dummy in Models 4 and 10. As predicted in H2c, the interaction term takes a negative sign and is statistically significant ($p<0.05$) in Model 4. Consistent with H2d, the coefficient of the interaction term is positive and statistically significant in Model 10 ($p<0.05$). Figure 1 shows how the effects of director identification with the government differ between SOEs and non-SOEs on monitoring and resource provision.

Hypotheses 3a and 3b predict a substitutable effect between identification with the focal firm and with the government on monitoring in SOEs, and a synergistic effect on monitoring in non-SOEs, respectively. To test H3a, we used the subsample consisting of SOEs and added the interaction term between identification with the focal firm and identification with the government in Model 5. The result shows that the interaction term is negative and statistically significant ($p<0.05$), supporting H3a. To test H3b, we used the cases of non-SOEs in Model 6 and found that the interaction term takes a positive sign and is statistically significant ($p<0.01$). Hence, H3b is corroborated. Figure 2 illustrates how the interactive effects between identification with the focal firm and identification with the government on managerial monitoring differ between SOEs and non-SOEs.

Finally, Hypotheses 4a and 4b propose that identification with the focal firm and with the government complement each other in resource provision in both SOEs and non-SOEs. In Models 11 and 12 we used the subsamples of SOEs and non-SOEs, respectively, to test the hypotheses. The interaction term takes a positive sign and is statistically significant in both Model 11 and Model 12 ($p<0.05$ and $p<0.05$ respectively), supporting H4a and H4b. Figure 3 shows the complementarity between identification with the focal firm and identification with the government with regards to resource provision in SOEs and non-SOEs.

The analysis of the control variables shows that director capital is positively associated with managerial monitoring and resource provision, providing supportive empirical evidence to the theoretical argument about the value of directors' human and social capital to their governance roles (Hillman and Dalziel, 2003). Government affiliation level is positively related to managerial monitoring, but has no statistically significant effect on resource provision. This empirical finding suggests that high-ranking government officials have superior managerial monitoring capabilities than their low-ranking peers, probably due to their exposure to a wider range of substantial economic dealings. Foreign ownership has a positive effect on resource provision, but does not influence managerial monitoring, probably because foreign investors view government directors as a key conduit for resource acquisition from government, which renders them committed to this role.

********Figures 1-3 and Table 2 about here********

Sensitivity analysis

As both the dependent and the independent variables were measured by self-report, common method variance could potentially have influenced the results. We adopted several strategies to detect the extent of common method variance in the data. First, we conducted Harman's single factor test and found that three factors were present, indicating that common method effects are unlikely to have contaminated the results observed in this study. We also controlled for the effects of common method variance by partialling out a general factor score (Podsakoff *et al*., 2003). The results in Table 2 still held. In addition, we tested a model with a single method factor and examined a null model (Podsakoff *et al*., 2003). The results of these analyses indicate that latent common method variance did not affect the significance of the parameters of the variables of interest. Moreover, our findings on the contingent effects of identifications are unlikely to have been affected by common method bias because the respondents could not have speculated the interactive relationships underlying the constructs. Hence, common method variance was not a pervasive problem in this study.

Second, we adopted alternative independent variables measured with archival data to test the proposed hypotheses. Specifically, we measured a government director's identification with a focal firm by his/her tenure in the current position, and identification with the government by his/her tenure in a government position. These archival data from CSMAR are free from any biases that may arise from respondents. The results remained qualitatively the same as those in Table 2, except that the differential effects of identification with the government on resource provision between SOEs and non-SOEs dissipated. A possible explanation is that a director's tenure in a government position reflects not only his/her identification with the government, but also his/her influence and power in the political arena because tenure is often used as a measure of power in corporate governance research (Hill and Phan, 1991; Westphal and Zajac, 1995). The great political power resulting from long tenure may make resource provision less critical to the political career development of long-serving directors, especially in SOEs.

Third, we measured managerial monitoring and resource provision using the archival data on attendance rates at board meetings and the breadth of participation in board discussions, respectively. The breadth of participation in board discussions is defined as the ratio of the types of issues commented on to the 12 types of issues categorized in CSMAR. Government directors' identification with the focal firm is positively related both to their board meeting attendance rate and the breadth of their participation in board discussions, consistent with the results in Table 2. However, identification with the government and its interaction with identification with the focal firm do not have any effect. This finding is probably because the two alternative measures of director functions do not reflect governance activities outside the boardroom (e.g., introducing external contacts and discussing managerial decisions at informal meetings), and thus the effects of director identifications are underestimated.

In addition, we considered alternative measures of SOEs using different cutoffs for state ownership. Our results remained qualitatively similar to those in Table 2 when we used the 40 percent and 60 percent cutoffs. Moreover, as the cutoff increased, the positive effect of identification with the government on monitoring weakened and its effect on resource provision strengthened in SOEs. Such empirical evidence suggests that identification with the government drives government directors of SOEs to play governance roles to varying degrees depending on the extent of state control.

DISCUSSION AND CONCLUSION

This study was motivated by the lack of understanding of government directors' governance behavior and their antecedents, especially in the weak governance environment in emerging economies. Drawing on social identity theory and corporate governance research, we developed a framework of the effects of government directors' dual identifications on their governance behavior. Using government officials on the boards of Chinese listed firms as the research setting, we investigated how the strength of directors' identification with the focal firm and with the government affects their monitoring and resource provision individually and interactively. We further examined whether and how such effects vary between SOEs and non-SOEs.

Our results show that directors' strong identifications with the focal firm and with the government promote their engagement in managerial monitoring and resource provision. This finding is consistent with the core argument of organizational identification research that the stronger a person's identification with an organization to which he or she belongs, the more he or she commits to activities that are beneficial to the organization (Dutton *et al*., 1994). Moreover, we find that strong ties between government directors and CEOs in SOEs, and their common goal of serving the state's interests, mitigate the positive effect that director identification with the government has on monitoring, but enhance the effect that it has on resource provision. We also find that the combination of the two identifications offers a further boost to monitoring in non-SOEs, and to resource provision in both SOEs and non-SOEs, because the firm's and the government's interests converge in these cases. However, the dual identifications act as a disincentive to monitoring in SOEs because they put competing demands on government directors.

This study offers implications for three streams of research, specifically, boards of directors, corporate governance mechanisms in emerging economies, and corporate political ties. First, we contribute to the literature on boards of directors by enhancing our understanding of the antecedents of the governance behavior of directors in general and government directors in particular. Much of the existing research on boards relies on demographic and structural factors (e.g., CEO duality, CEO ownership, outsider ratio, board diversity) to predict board functions, with less attention directed at how directors' psychological factors influence the execution of board functions. Although some conceptual works have considered the effects of directors' identities on their behavior (e.g., Hillman *et al*., 2008; Withers *et al*., 2012), few studies have empirically examined such effects (except Capezio *et al*., 2014). Our study enriches this stream of research by examining how directors' identifications with multiple identities shape governance behavior theoretically and empirically. In particular, we identify the specific mechanisms through which the strength of government directors' dual identifications with the focal firm and with the government shape directors' engagement in monitoring and resource provision, both individually and in combination. Moreover, we highlight that the governance effects of their dual identifications are contingent on the dominance of state ownership, shedding additional light on the conditions under which director identification promotes or inhibits governance activities.

Our study also advances research on corporate governance in the emerging economies by explicitly considering the influence of salient institutional factors, such as concentrated state ownership and nascent corporate governance systems, on directors' behavior. We find that government directors who strongly identify with the government engage in monitoring to a lesser extent in SOEs than in non-SOEs because the monitoring role of government directors becomes less important or relevant when the state owner exerts control over managerial decisions. In contrast, their strong identification with the government facilitates resource provision in SOEs more than in non-SOEs, suggesting that state intervention in corporate executive appointments and political promotions provides incentives for resource provision. The differences in the effects of identification with the government between SOEs and non-SOEs indicate that the governance mechanisms based on boards of directors and controlling shareholders substitute each other in managerial monitoring, but complement each other in resource provision. Our finding complements prior research that emphasizes the substitution among governance mechanisms in monitoring (Rediker and Seth, 1995; Sundaramurthy, 1996) and provides insights into their relationship in the context of resource provision. It also adds to the literature on corporate governance bundles that addresses the interdependencies between multi-level governance mechanisms (Aguilera, Desender, and Castro, 2011; Yoshikawa, Zhu, and Wang, 2014) by showing how the national governance environment, controlling shareholders, and individual engagement of directors interact with each other to collectively shape directors' governance behavior.

Further, this study contributes to research on corporate political ties by highlighting the importance of political partners' incentives in deriving benefits from their political ties. The political tie literature primarily focuses on political actors' ability to benefit connected firms (e.g., Faccio *et al*., 2006; Fisman, 2001) and posits that powerful political partners automatically leverage the resources and privileges at their disposal to enhance the interests of connected firms.

Yet we maintain and find that political actors are not equally motivated to engage in activities that benefit connected firms because they identify with the firms and other relevant entities to various degrees. As a result, strengthening political actors' identification with the firm and other complementary entities becomes critical for the firm to obtain boundary-spanning benefits from political institutions. Simply having powerful political partners does not necessarily lead to favorable firm outcomes. Thus, our results shed new light on the contingencies of the value of political ties (Li, Poppo, and Zhou, 2008; Siegel, 2007; Zhu and Chung, 2014).

This study has several limitations. First, our analysis relies mainly on cross-sectional survey data and thus we can only identify the associations, not the causal relationships, between the variables. Second, our main independent and dependent variables are based on self-report data, so we cannot completely rule out common method bias, although our robustness checks show that such bias is trivial in our case. Nevertheless, future research should attempt to obtain longitudinal data from multiple sources to address these issues. Third, our sample was drawn from government directors in listed Chinese firms, so caution should be taken when generalizing these findings to other economies where government directors may have different incentives and behavior according to different institutional norms. It would be interesting to examine our research questions in other contexts and compare the findings. Despite the foregoing limitations, we consider our study as advancing our understanding of the relationship between government directors' dual identifications and their governance behavior. By investigating the contingent governance effects of government directors' identifications, our research integrates and contributes to multiple streams of literature on boards of directors, corporate governance in emerging economies, and political ties. It hence offers new insights into the broader question of when and how boards of directors engage in corporate governance.

Acknowledgments

We thank Associate Editor Joseph T. Mahoney and two anonymous reviewers for their guidance and helpful comments. We are grateful to Ishtiaq Mahmood, Edward Zajac, and Michael Hitt for their thoughtful comments on earlier versions. We thank Yue Zhang for her excellent research assistance. Hongjin Zhu acknowledges financial assistance from the Social Science and Humanities Research Council of Canada and ARB research grant of McMaster University. Toru Yoshikawa acknowledges financial support from the SMU internal research grant.

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Table 1. Descriptive statistics

Independent variable	Mean	Std. dev.	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Managerial monitoring	0.00	0.94	1.00													
2. Resource provision	0.00	0.97	0.28	1.00												
3. Identification with the focal firm	0.00	0.99	0.54*	0.61*	1.00											
4. Identification with the government	0.00	1.00	0.40*	0.58*	0.37*	1.00										
5. SOE dummy	0.63	0.48	-0.02	0.02	-0.09	-0.07	1.00									
6. Director capital	0.15	2.35	0.10	-0.04	0.01	-0.17	-0.01	1.00								
7. Age	52.30	8.93	-0.05	0.10	0.04	0.08	-0.09	0.01	1.00							
8. Number of board seats	9.13	2.04	0.04	0.05	0.03	0.05	0.10	-0.15*	-0.02	1.00						
9. Rewards (logged)	11.06	0.49	-0.15*	-0.05	-0.13	-0.10	0.12	-0.07	0.02	0.28*	1.00					
10. Business relation	0.57	0.50	-0.05	-0.22*	-0.24*	-0.39*	0.12	0.21*	-0.04	0.11	0.20*	1.00				
11. Independent directorship	0.36	0.05	0.02	0.03	-0.02	0.10	-0.07	0.13	-0.03	0.32*	-0.16*	0.10	1.00			
12. Foreign ownership	0.02	0.07	0.03	0.09	0.03	0.04	-0.04	-0.03	-0.07	0.01	0.03	0.03	0.02	1.00		
13. Government affiliation level	3.80	1.52	0.31	-0.07	-0.06	0.32*	0.19	0.33*	-0.14	0.07	0.06	0.39*	-0.01	-0.01	1.00	
14. Firm ROA	0.30	0.28	0.09	0.13	0.16*	0.22*	0.09	-0.05	0.11	0.02	-0.03	-0.14	0.03	0.12	-0.07	1.00

* p<0.05

Table 2. Effects of government directors' dual identifications on managerial monitoring and resource provision: OLS

	Managerial monitoring						Resource provision					
	Model 1	**Model 2 (H1a)**	**Model 3 (H2a)**	**Model 4 (H2c)**	**Model 5 (H3a: SOE)**	**Model 6 (H3b: non-SOE)**	**Model 7**	**Model 8 (H1b)**	**Model 9 (H2b)**	**Model 10 (H2d)**	**Model 11 (H4a: SOE)**	**Model 12 (H4b: non-SOE)**
Independent variables												
Identification with the focal firm		0.562***	0.453***	0.445***	0.402***	0.393***		0.719***	0.635***	0.624***	0.550***	0.708***
		(0.027)	(0.052)	(0.049)	(0.045)	(0.127)		(0.084)	(0.079)	(0.076)	(0.082)	(0.169)
Identification with the government			0.168**	0.152***	0.225***	0.286**			0.226***	0.167**	0.337***	0.162**
			(0.069)	(0.048)	(0.061)	(0.143)			(0.081)	(0.084)	(0.096)	(0.080)
Identification with the government*SOE dummy				-0.086**						0.132**		
				(0.034)						(0.060)		
Identification with the focal firm*Identification with the government					-0.027**	0.098***					0.021**	0.018**
					(0.010)	(0.033)					(0.009)	(0.008)
Control variables												
SOE dummy	-0.059	-0.085	-0.016	-0.039			0.196**	0.208***	0.189**	0.154*		
	(0.087)	(0.071)	(0.050)	(0.055)			(0.085)	(0.078)	(0.078)	(0.083)		
Director capital	0.027***	0.024**	0.020*	0.019*	0.022**	0.040**	0.043*	0.057*	0.062**	0.058*	0.046**	0.063*
	(0.010)	(0.010)	(0.011)	(0.011)	(0.010)	(0.019)	(0.024)	(0.029)	(0.025)	(0.029)	(0.020)	(0.033)
Age	-0.003	-0.002	-0.006	-0.001	-0.001	-0.001	0.012	0.009*	0.009**	0.010**	0.009	0.011
	(0.005)	(0.003)	(0.004)	(0.002)	(0.003)	(0.004)	(0.009)	(0.005)	(0.004)	(0.004)	(0.006)	(0.007)
Number of board seats	-0.010	-0.024	-0.027	-0.024	-0.026	-0.029	-0.050	-0.059*	-0.063*	-0.056*	-0.054	-0.062
	(0.037)	(0.025)	(0.024)	(0.024)	(0.035)	(0.026)	(0.064)	(0.033)	(0.033)	(0.031)	(0.043)	(0.045)
Rewards (logged)	-0.281***	-0.066	-0.075	-0.076	0.081	-0.051	0.114	0.086	0.077	0.073	0.039	0.204
	(0.093)	(0.064)	(0.060)	(0.060)	(0.062)	(0.093)	(0.118)	(0.092)	(0.086)	(0.096)	(0.101)	(0.158)
Independent directorship	0.209	0.193	0.185	0.190	0.186	0.159	0.185	0.941	1.156*	1.036	1.025	1.179
	(0.892)	(0.758)	(0.867)	(0.804)	(0.917)	(0.728)	(1.215)	(0.682)	(0.646)	(0.671)	(0.682)	(0.735)
Foreign ownership	0.285	0.142	0.087	0.147	-1.222	0.167	1.637***	0.971***	0.894***	0.985***	1.290**	0.840***
	(0.533)	(0.174)	(0.181)	(0.177)	(1.198)	(0.274)	(0.302)	(0.192)	(0.221)	(0.213)	(0.596)	(0.318)
Government affiliation level	0.225***	0.245***	0.280***	0.288***	0.303***	0.338***	0.026	0.006	0.042	0.052	0.050	0.076
	(0.037)	(0.024)	(0.030)	(0.028)	(0.029)	(0.083)	(0.035)	(0.034)	(0.035)	(0.036)	(0.042)	(0.105)
Business relation	-0.233***	-0.073	-0.042	-0.041	-0.091	-0.081	-0.233*	-0.074	-0.036	-0.038	-0.078	0.060
	(0.088)	(0.055)	(0.055)	(0.055)	(0.071)	(0.097)	(0.128)	(0.086)	(0.078)	(0.080)	(0.101)	(0.115)
Firm ROA	0.239	0.150	0.055	0.042	0.027	-0.224	0.288	-0.085	-0.140	-0.124	-0.118	-0.252
	(0.153)	(0.092)	(0.086)	(0.086)	(0.109)	(0.146)	(0.236)	(0.124)	(0.122)	(0.139)	(0.146)	(0.194)
Constant	0.239	-0.198	-0.170	-0.140	-0.233	-1.291	0.669	-1.118	-1.427	-1.369	-2.104	-2.974
	(1.153)	(0.639)	(0.688)	(0.694)	(0.678)	(1.668)	(1.367)	(1.035)	(1.023)	(1.021)	(1.879)	(2.083)
R-square	36.53%	50.64%	57.78%	64.52%	61.86%	60.15%	55.98%	64.49%	68.87%	71.46%	68.27%	71.05%
Number of observations	214	214	214	214	135	79	214	214	214	214	135	79

Note: *** Significant at the 1% level; ** significant at the 5% level; *significant at the 10% level. Standard errors are in parentheses.

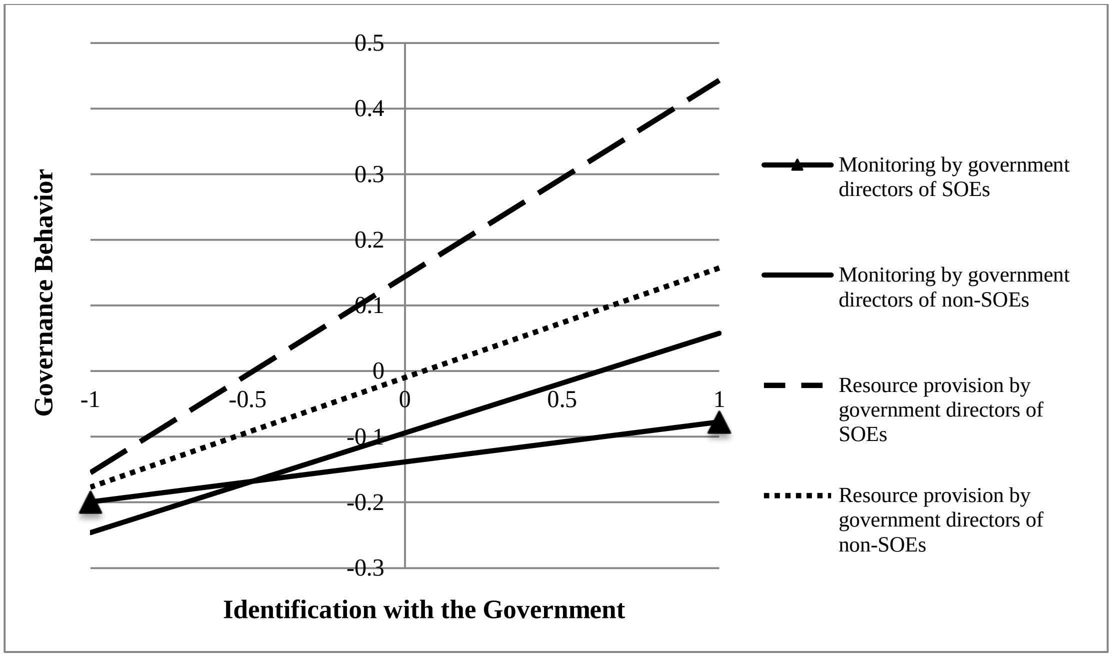


Figure 1. Effects identification with the government on managerial monitoring and resource provision in SOEs versus non-SOEs

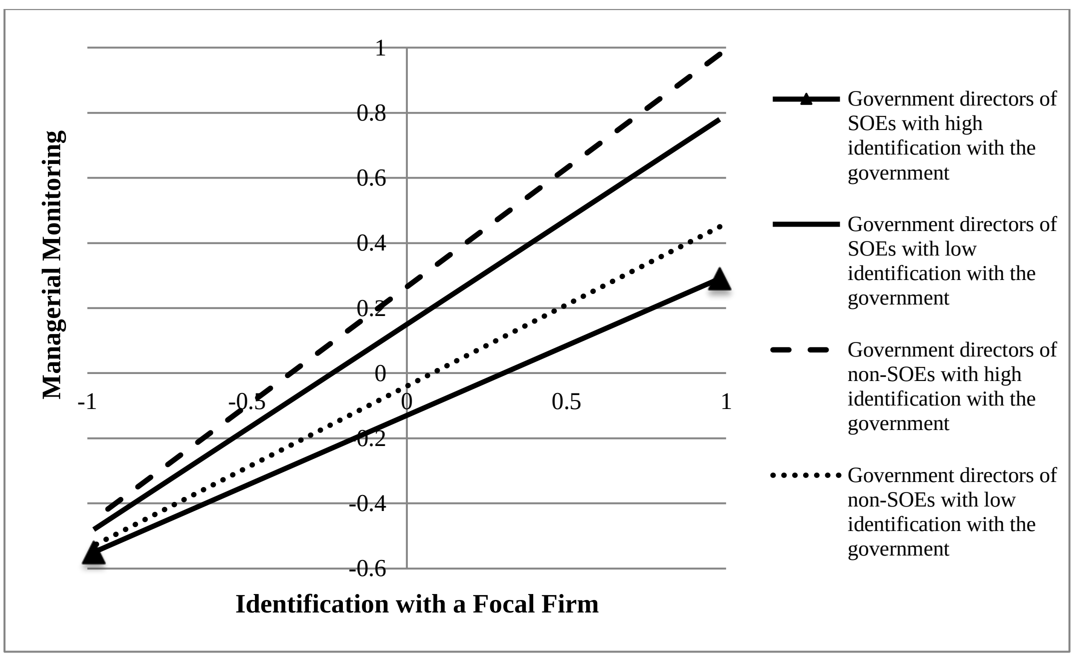


Figure 2. Interaction effect of dual identifications on managerial monitoring in SOEs and non-SOEs

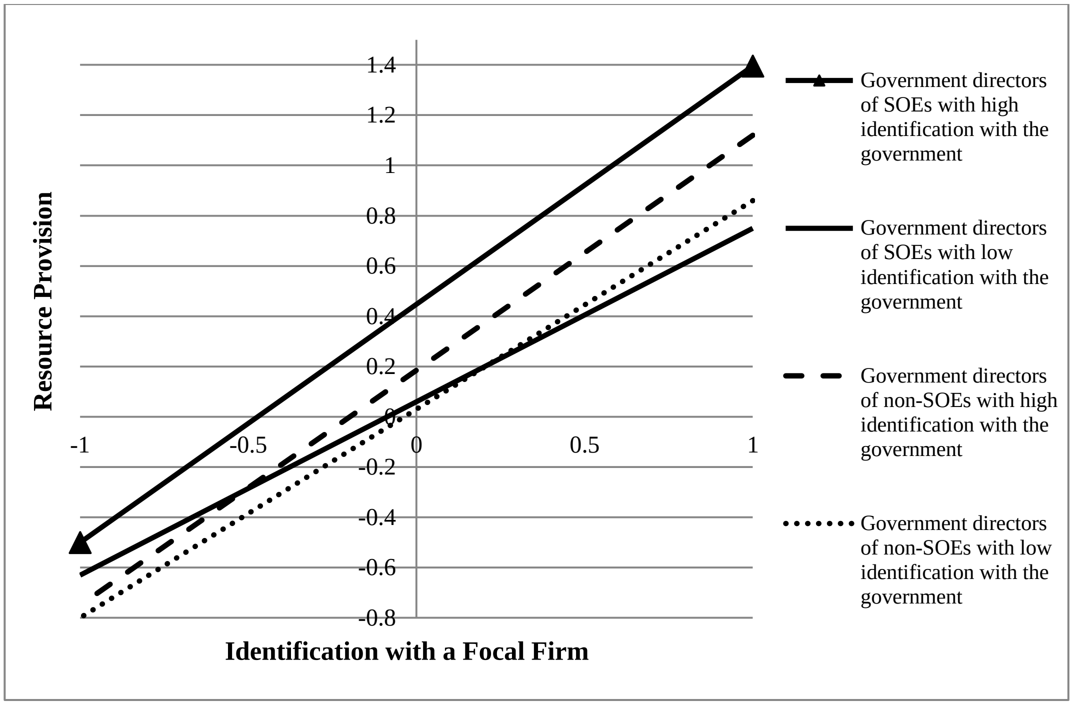


Figure 3. Interaction effect of dual identifications on resource provision in SOEs and non-SOEs

APPENDIX

Part 1. Behavior of directors

1. How often do you attend board meetings?

A. Never attend   B. Rarely   C. Often   D. Always attend

To what extent do you agree with the following? (7=strongly agree, 1=do not agree at all)

2. I monitor the strategic decision making by the CEO of the focal firm. (7, 6, 5, 4, 3, 2, 1)

3. I criticize and seek to influence the content of the strategic initiatives proposed by the CEO of the focal firm if the initiatives would be harmful to the firm. (7, 6, 5, 4, 3, 2, 1)

4. I provide comments on the design of incentive schemes for the CEO of the focal firm according to his/her performance. (7, 6, 5, 4, 3, 2, 1)

5. I provide advice and counsel on strategic issues, problems, and challenges faced by the focal firm. (7, 6, 5, 4, 3, 2, 1)

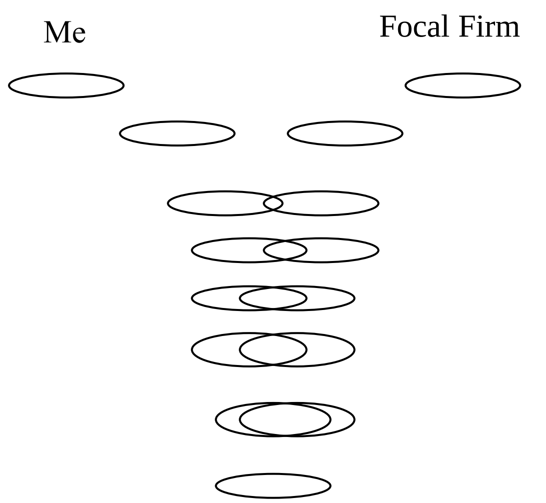
6. I provide personal referrals to third-party sources of strategic advice to the CEO of the focal firm whenever necessary. (7, 6, 5, 4, 3, 2, 1)

Part 2. Items measuring identification with the focal firm

To what extent do you agree with the following? (7=strongly agree, 1=do not agree at all)

1. When someone criticizes the firm, it feels like a personal insult. (7, 6, 5, 4, 3, 2, 1)
2. I am very interested in what people think about the firm. (7, 6, 5, 4, 3, 2, 1)
3. When I talk about the firm, I often say ‘we’ rather than ‘they’. (7, 6, 5, 4, 3, 2, 1)
4. When someone makes positive remarks about the firm, it feels like a personal compliment. (7, 6, 5, 4, 3, 2, 1)
5. This firm’s successes are my successes. (7, 6, 5, 4, 3, 2, 1)

6. Being a board member of the firm is a major part of who I am. (7, 6, 5, 4, 3, 2, 1)
7. Imagine that one of the circles on the left represents your self-definition or identity and the other circle on the right represents the firm. Please indicate which case (A, B, C, D, E, F, G, or H) best describes the level of overlap between your self-definition and the firm.



A	Far apart
B	Close together but separate
C	Very small overlap
D	Small overlap
E	Moderate overlap
F	Large overlap
G	Very large overlap
H	Complete overlap

8. Please indicate to what degree your self-image overlaps with the firm's. (7, 6, 5, 4, 3, 2, 1)

Part 3. Items measuring identification with the government

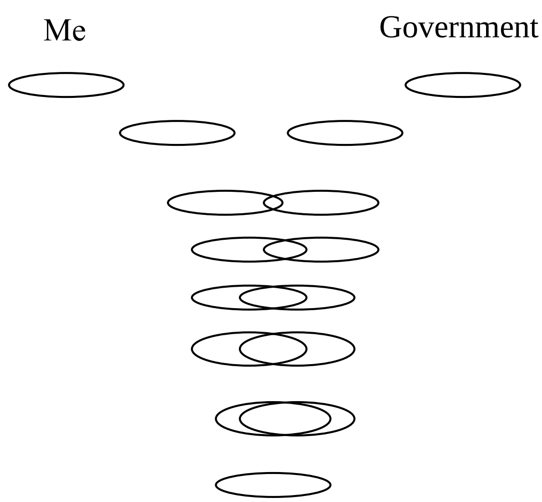
To what extent do you agree with the following? (7=strongly agree, 1=do not agree at all)

1. When someone criticizes the government or its agencies with which I am affiliated, it feels like a personal insult. (7, 6, 5, 4, 3, 2, 1)
2. I am very interested in what people think about the government. (7, 6, 5, 4, 3, 2, 1)
3. When I talk about the government, I often say 'we' rather than 'they'. (7, 6, 5, 4, 3, 2, 1)
4. When someone makes positive remarks about the government, it feels like a personal compliment. (7, 6, 5, 4, 3, 2, 1)

5. The government’s successes are my successes. (7, 6, 5, 4, 3, 2, 1)

6. Being a member of the government is a major part of who I am. (7, 6, 5, 4, 3, 2, 1)

7. Imagine that one of the circles on the left represents your self-definition or identity and the other circle on the right represents the government. Please indicate which case (A, B, C, D, E, F, G, or H) best describes the level of overlap between your self-definition and the government.



A	Far apart
B	Close together but separate
C	Very small overlap
D	Small overlap
E	Moderate overlap
F	Large overlap
G	Very large overlap
H	Complete overlap

8. Please indicate to what degree your self-image overlaps with the government’s. (7, 6, 5, 4, 3, 2, 1)