



Coming Back and Giving Back: Transposition, Institutional Actors, and the Paradox of Peripheral Influence*

Administrative Science Quarterly
1–44

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DOI: 10.1177/0001839220929736

journals.sagepub.com/home/asq



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Abstract

We explore transposition—bringing ideas from one context to a distant other context—as a mechanism for institutional change, and we study the conditions under which institutional actors successfully undertake it. Prior work on transposition has emphasized the paradox of embedded agency: actors embedded in a context may struggle to effect change because they lack exposure to fresh ideas. We complement this work by arguing that transposition is also subject to a paradox of peripheral influence: actors *not* embedded in a context, who may be a source of fresh ideas, can struggle to effect change because of their peripheral or outsider status. We suggest that these dual paradoxes can be overcome by actors who simultaneously have exposure to alternative institutional environments and are sufficiently embedded in the focal field to gain trust and buy-in from other decision makers. Such actors can both see the potential of new ideas and navigate their implementation successfully. We identify returnees from abroad, who have studied or worked elsewhere and then emigrated back to their home country, as one such type of actor. Using data on publicly listed Chinese companies from 2000 to 2012, we show that the presence on firms’ boards of directors of returnees with relevant exposure abroad significantly raises firms’ participation in corporate social responsibility, specifically in the form of making corporate donations. Supporting our theorizing about the two paradoxes, the effect of returnees is stronger when they or their board allies have greater exposure to foreign experience and greater embeddedness in the local context. The effect is also stronger when field conditions, such as insufficient economic development, present greater need for change.

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Keywords: institutional change, embedded agency, transposition, institutional actors, corporate charitable donation, return migration, emerging markets

How institutional change takes place is a key question in the institutional analysis literature (Clemens and Cook, 1999; Scott, 2003; Smets, Morris, and Greenwood, 2012; Micelotta, Lounsbury, and Greenwood, 2017). At the heart of the issue is the paradox of embedded agency (for a review, see Battilana, Leca, and Boxenbaum, 2009): if organizations and actors are already embedded in the current institution, how can they change the way things work? One solution to this paradox comes from the social movement literature, which sees change as being driven from outside the institution by peripheral or excluded actors who serve as extra-institutional entrepreneurs (e.g., Rao, Morrill, and Zald, 2000; King and Soule, 2007; Hiatt, Sine, and Tolbert, 2009; McDonnell and King, 2013). A second solution is transposition—the idea that inspiration for new institutions is brought in from distant contexts (e.g., Boxenbaum and Battilana, 2005; Padgett and Powell, 2012; Powell and Sandholtz, 2012).¹ Relying on the premise that institutional actors vary in the extent to which they are constrained by the current institution, transposition suggests that peripheral insiders are less constrained by the way things are done and have more freedom to look outward. Such actors may be able to initiate institutional change from within (Leblebici et al., 1991), drawing on and adapting solutions from outside.

The idea of transposition, however, gives rise to a second and less explored question, which is how those who are peripheral to the current institution are able to implement change. In parallel with the paradox of embedded agency, we term this second paradox *the paradox of peripheral influence*. These paradoxes deal with distinct issues, both of which are essential to transposition as a mechanism for institutional change. The former deals with vision, i.e., where ideas come from; the latter deals with implementation, i.e., what it takes to implement change. Without dealing with the former, actors are limited in their ability and motivation to conceive of new ideas that lead to change. Without dealing with the latter, actors may be limited in their ability to enact change even if they have the necessary vision. Combining the two paradoxes, a double-edged problem for institutional change emerges: on the one hand, actors who are deeply embedded in the current institution may have more in-depth knowledge of the focal domain but are often too close to it to introduce new ideas; on the other hand, actors who are peripheral to the institution are likely to envision new ideas but may not be sufficiently embedded to implement them.

We attempt to address this dilemma in two main ways. First, we unpack the mechanisms of transposition by dividing it into two stages, *immersion* and *transfer*. During the immersion stage, actors acquire knowledge of an alternative environment, internalize some of these ideas, and thus gain exposure to

¹ We define transposition as the movement of ideas and practices from one context into another, often with substantial modification. This definition is consistent with prior work, such as Padgett and Powell (2012: 12–15, 438–440). Our use of the term is also consistent with Marquis, Yin, and Yang (2017: 169), who characterize transposition as “the process by which an adopter strives to create a fit between an external practice and its particular needs during implementation” and recognize that “the adoption of global practices frequently involves combining locally available principles and practices with the new global ones . . . [and] may involve renovating existing organizational structures and inventing new practices.”

vision. In this stage, mere exposure to new ideas, either through primary or secondary socialization, may change individuals' taken-for-granted beliefs and expand the set of possibilities considered (Berger and Luckmann, 1966). During the subsequent transfer stage, actors enter a focal environment carrying institutional ideas internalized from the alternative environment. When the established routines for conducting everyday affairs in the focal environment prove limiting, actors repurpose (elements of) the institutional ideas from the alternative environment for new use (Padgett and Powell, 2012; Marquis, Yin, and Yang, 2017). In this stage, embeddedness in the focal environment allows actors access to information, knowledge, and resources necessary to overcome resistance and implement newly envisioned practices (Granovetter, 1985; Uzzi, 1997; Luo and Chung, 2005, 2013).

Second, we recognize that the stages of immersion and transfer pose distinct challenges, and we identify a set of actors who are well poised to deal with both paradoxes simultaneously and enable successful institutional transposition. These actors, who we call *institutional carriers*, move between institutional contexts. They are adequately exposed to other institutions to be able to conceive of alternative visions, and they are sufficiently embedded in the focal institution they are trying to change to bring these visions to fruition. We expect to see differences between institutional carriers and other actors in facilitating institutional change. We also expect that among institutional carriers, those with high levels of exposure to alternative institutions and high levels of embeddedness in the focal institution are more likely to facilitate change.

In looking for institutional carriers, we turn to the phenomenon of reverse migration to China. This context is well-suited to our theoretical purpose for two reasons. First, work on institutional emergence has argued that migration is a source of institutional transposition, with people moving from one country to another carrying ideas across borders (Guillén, 2001; Scott, 2003: 889; Campbell, 2004; Padgett and Powell, 2012). This is especially important at a time when we see increasing migration and a growing number of individuals spanning institutional contexts (e.g., Saxenian, 2006; Hernandez, 2014; Kulchina, 2016), as well as a growing political debate about the benefits and costs of migration. Reverse migration, in particular, has been widely documented in many countries (Wang, 2015; Choudhury, 2016). For instance, it is estimated that about 30 percent of the foreign-born persons in the U.S. leave the country within a decade or two after their arrival (Warren and Peck, 1980; Ahmed and Robinson, 1994). As we argue in detail below, reverse migrants—people who return home having studied or worked abroad—differ from other institutional actors in that they are well positioned to deal with both paradoxes.

Second, work on institutional change has highlighted the importance of field-level conditions in making change possible (Maguire, Hardy, and Lawrence, 2004; Battilana, Leca, and Boxenbaum, 2009). For the last decade, China has been ripe for change because it has opened up to external influences and is engaging with Western countries, as well as experiencing a period of institutional transition from a planned, state-owned economy to a market-based economy with vibrant private enterprise (Nee and Opper, 2012). By using a setting where the field conditions are ripe for institutional change, we can focus on differences in actor-level factors (cf. Johnson and Powell, 2015). At the same time, China's size and diversity allow us to examine the need for institutional

solutions by exploring interprovince variance in economic development (Nee, 1996; Marquis and Qian, 2014; Kaul and Wu, 2016), as well as variance in the institutionalization of said practices and the corresponding role of these actors (DiMaggio, 1988; Fligstein, 1997; Dorado, 2005).

We examine the role that returnee directors—actors who are well positioned to be institutional carriers—play in the adoption of corporate donation practices by publicly listed Chinese corporations between 2000 and 2012. The notion of corporate donation, and more broadly private provision of public goods, used to be foreign to China, where the government was the sole provider of public goods and social services for the past half-century. Prior studies have looked at how a deadly earthquake in Sichuan, China in May 2008 triggered internet activism that demanded corporate charitable donations from the multinationals in China as well as domestic firms (Zhang and Luo, 2013; Luo, Zhang, and Marquis, 2016). Consistent with this literature, we view the substantial increase of corporate philanthropy in China as a notable institutional change (Zhang, Marquis, and Qiao, 2016; Luo, Wang, and Zhang, 2017), one with significant cognitive and social “distance that the ideas and practices travel” (Powell and Sandholtz, 2012: 96), and we examine the complementary role of institutional carriers in transposing this idea. We think the term “transposition” is appropriate for this context: given the institutional differences between China and alternative institutions from which the idea of corporate donation was originally sourced, an arm’s-length transfer of practice from one country to another is less likely to be effective. Instead, individuals need to move from one context to another, drawing on the repertoires acquired in the first context and adapting them to fit with the second context.

We collect fine-grained data on the corporate boards of directors of Chinese publicly listed firms, looking for a causal relationship between directors’ previous institutional experience and the firms’ subsequent donation practices, and exploring the mechanisms of this relationship in greater detail. We expect that returnee directors with experiences in host countries whose practices and values are conducive to corporate donations will have an advantage over local directors and returnee directors without such experiences in their capacity to resolve the paradox of embedded agency, and over foreign directors with comparable experiences in their capacity to resolve the paradox of peripheral influence. These returnee directors thus should be uniquely well-poised to overcome the dual paradoxes simultaneously. We also expect that the effect of returnee directors with relevant exposure may be moderated by the levels of exposure and embeddedness at the actor and partner level, as well as the need for exposure and embeddedness at the field level.

INSTITUTIONAL CARRIERS AND TRANSPOSITION

Transposition and the Paradox of Peripheral Influence

The literature on institutional change has long been puzzled by the paradox of embedded agency (for a review, see Battilana, Leca, and Boxenbaum, 2009), i.e., how individuals who are deeply embedded in the existing institutions are able to conceive of new institutional arrangements. One set of solutions comes from the social movement literature, which highlights how change may take place from outside of the existing institution and how peripheral actors may

come together to transform the institution collectively (e.g., Rao, Morrill, and Zald, 2000; King and Soule, 2007; Hiatt, Sine, and Tolbert, 2009; McDonnell and King, 2013). We focus on another solution for institutional change: transposition (Boxenbaum and Battilana, 2005; Padgett and Powell, 2012; Powell and Sandholtz, 2012), whereby actors take an idea from the outside to make change happen from within. Powell and Sandholtz (2012) documented how scientists carried organizing ideas of the scientific life-sciences lab from the university to VC-funded start-ups, thereby giving rise to dedicated biotechnology firms. Boxenbaum and Battilana (2005) documented how individuals transposed the U.S. practice of diversity management to Denmark. Several other studies have also shown how institutional practices and logics can be transferred from one context to another (e.g., Zilber, 2002; Battilana, Leca, and Boxenbaum, 2009; Tilcsik, 2010; Almandoz, 2014).

In this study, we zoom in on the transposition process and break it into two stages, each with distinct challenges. The first stage is *immersion*, whereby actors gain exposure to institutional ideas by acquiring knowledge of an alternative environment; they internalize some of these ideas by developing an understanding of other members in that environment and making sense of their behaviors (Berger and Luckmann, 1966). Immersion helps solve the problem of embedded agency (Sewell 1992; Holm, 1995; Emirbayer and Mische, 1998; Seo and Creed, 2002) by allowing actors at the intersection of multiple institutions to encounter new ideas. The argument is that actors' predispositions do not appear from nowhere; they are learned by exposure, habit, or socialization in specific settings and occupations, and they likely remain when the person enters a new environment (Berger and Luckmann, 1966). Thus the idea of immersion preserves to some extent the "structuralism" tradition of institutional theory (Scott, 2014), while allowing for new elements to be introduced into the otherwise stable environment (Powell and DiMaggio, 1991; Clemens and Cook, 1999). At the immersion stage, exposure to new institutional ideas is key.

The second stage of transposition is *transfer*, which is about implementing outside ideas in the focal environment with appropriate translation or modification (Padgett and Powell, 2012; Marquis, Yin, and Yang, 2017). Here, an actor enters a focal environment, carrying knowledge and ideas internalized from the alternative environment. As the established routines for conducting everyday affairs in the focal environment prove limiting, she searches for and experiments with new ideas. In so doing, she draws on her stock of existing knowledge, looks around her social world for cues about appropriate actions, and sometimes forges new tools to cope with unprecedented situations. Often, transfer is just about being pragmatic and problem-driven (Tilcsik, 2010; Powell and Sandholtz, 2012): the actor does not set out to transfer new ideas but may merely draw on what she knows from the outside to forge solutions when triggered by conditions in the focal environment. Of course, it could also be that actors are trying to change existing practices. Even in the latter case, actors would still need new ideas from the outside and are likely to be more successful if those ideas solve problems with the focal institution.

Our study's critical point of departure from the literature is to recognize that the challenges of immersion are distinct from those of transfer and to identify the latter as the paradox of peripheral influence: how does someone who is peripheral to the institution still manage to drive change? The transfer

stage requires actors to conceive of legitimate concepts for institutional change that are compatible with the institution yet apart from what already exists (Hargadon and Douglas, 2001), to frame issues in ways acceptable to gatekeepers, to know the best way of influencing key actors and resisters, and to be seen as insiders who advocate changes legitimately and credibly (Luo and Chung, 2013). Having ideas from the outside does not automatically solve the challenges of bringing those ideas to life; in fact, the peripheral positions that may help actors overcome the challenges of immersion may leave them ill-equipped to deal with the challenges of transfer. For example, actors who occupy advantageous positions regarding exposure to visions for change may not have the affective ties necessary to put these changes into effect (Battilana and Casciaro, 2012, 2013).

The key in the transfer stage is embeddedness in the focal institution. The embeddedness literature emphasizes the importance of prior social relationships in economic transactions (Granovetter, 1985; Uzzi, 1997). It holds that individuals and organizations embedded in strong social networks operate in unique ways to search for information and mobilize resources, and these networks provide advantages in terms of quality real-time information, joint problem solving, and learning, as well as risk sharing and mutual assistance (e.g., Ingram and Roberts, 2000; Rider, 2012; Bermis and Greenbaum, 2016). Therefore, embeddedness in the focal institution may help equip actors with familiarity, trust from colleagues, and power (Chung and Luo, 2008; Luo and Chung, 2005, 2013) and help them overcome the transfer challenge in becoming an agent for institutional transposition.

The two stages of transposition (immersion and transfer) and the two characteristics critical to success in them (exposure and embeddedness) lead us to search for a new type of actor—the institutional carrier—who may be structurally well positioned to handle challenges in both stages and to deliver successful transposition. We do so in the context of the practice of corporate donation among Chinese firms, focusing on the roles that returnee migrants to China play in popularizing this practice.

Corporate Donation as an Institutional Practice

An institutional perspective on corporate donation as a type of corporate social responsibility (CSR) practice suggests that such practices need to be considered in their national, cultural, and institutional contexts.² This is because the concept of CSR exists in an area where three sectors of the economy—the government, firms, and civil society—operate in mutual responsiveness to provide public goods (Moon and Vogel, 2008; Ballesteros, Useem, and Wry, 2017). In societies in which the government provides most public goods or requires private actors to do so, firms are not expected to carry out CSR activities voluntarily, i.e., outside of what is stipulated by law. In other societies where government provision for public goods is insufficient and regulations leave room for corporate discretion, firms' CSR activities may be driven by their own strategic

² Recent research in strategy argues that firms proactively share value with key stakeholders through philanthropy or other means (e.g., Porter and Kramer, 2006; Lev, Petrovits, and Radhakrishnan, 2010; Wang and Qian, 2011; Madsen and Rodgers, 2015; Kaul and Luo, 2018). In this study, we remain agnostic about whether corporate donation is beneficial to the firm or to society.

motives, as well as by normative pressures exerted by various stakeholders, such as activists (McDonnell and King, 2013) and peers in the industry and community (Galaskiewicz, 1985; Marquis, Glynn, and Davis, 2007; Marquis, Davis, and Glynn, 2013; Marquis and Tilcsik, 2016).

Such institutional understanding of CSR is best illustrated by comparing Europe with the United States. European corporations are less inclined to philanthropy than their North American counterparts (Palazzo, 2002), partly because of the relatively high levels of corporate taxation and more developed welfare states in Europe. As a result, the funding of public goods, such as education or the arts, is generally thought of as a government responsibility. Similar patterns exist for a number of CSR issues, such as consumer protection, product stewardship, and employee representation and participation.

Research has further shown that the institutional differences behind such triadic structural arrangements and the concept of CSR have historical and cultural origins (Aguilera et al., 2007; Campbell, 2007; Matten and Moon, 2008). For example, Pasquero (2004) argued that U.S.-style CSR is embedded in a culture of individualism, democratic pluralism, moralism, and utilitarianism. Going beyond the U.S., cross-country studies have shown that informal institutions such as national cultures are correlated with CSR activities of firms in the country (Ioannou and Serafeim, 2012; Liang et al., 2018). Ultimately, the “right” level of social responsibility of businesses is determined by the local cultural values and norms.

Corporate Donation in China

Corporate donation as a practice is still in its infancy in China: on average, Chinese firms in our sample spent 715.06 thousand Chinese yuan in donation expenses during our sample period of 2000–2012, which is 0.0311 percent of sales, and this percentage lags significantly behind that of U.S. firms (*The Economist*, 2016). This low level of corporate charitable donation may be partly because, until recently, the corporate donation was seen as a foreign practice. In an authoritarian state, the institutional arrangements between different sectors of the society that facilitate corporate donation are absent. The government was the sole provider of public goods and social services for the past half-century in China, while the development of firms and civil society was severely suppressed. Pre-1978, the dominant (Marxist–Leninist) communist ideology saw social problems as an issue for the state to handle and saw private firms as inherently exploitative and harmful to public welfare (Marquis and Qiao, 2018; Wang, Du, and Marquis, 2018).

Recent studies have noted that corporate donations—and CSR practices in general—are fast changing in China (Wang and Qian, 2011; Luo, Zhang, and Marquis, 2016). Behind this rapid change is a field-level context that is ripe for institutional change (Padgett and Powell, 2012). The country has opened up to external influences and is engaging with Western countries, and it is also experiencing a period of institutional transition from a planned, state-owned economy to a market-based economy with a vibrant private sector (Nee and Opper, 2012). Meanwhile, over the past two decades, there has been a rapid growth in civil society, consisting of both corporatist NGOs and unofficial, “bottom-up” grassroots NGOs, which are negotiating with the state for social spaces (Spires, 2011; Marquis and Bird, 2018). Moreover, regional disparity continues to be recognized as an acute problem, as social needs are unmet in

some localities (Ravallion and Jalan, 1999; World Bank, 2000). Underlining the importance of these favorable field-level conditions, studies point to leadership by the government (Marquis and Qian, 2014; Zhang, Marquis, and Qiao, 2016), as well as the influence of social movement activists (Zhang and Luo, 2013; Luo, Zhang, and Marquis, 2016), on the trend toward corporate donation.

Despite the government's and activists' growing support for CSR, the practice continues to face substantial resistance from firms' board members. After all, in a context where it is relatively uncommon to engage in corporate donation, it is unclear that firms doing so would be rewarded by their stakeholders. Given the uncertainty about the rewards, directors may perceive corporate donation as coming at a cost to shareholder profits and may therefore appropriately resist such actions. This is not so different from the case of the U.S. in the 1950s, when "the mandate to serve exclusively the shareholders' interests came first, and only later were institutional constraints loosened to allow for more expansive, broader corporate philanthropy and notion of charity" (Galaskiewicz, 1985: 37). Essentially, in the absence of an institutional environment that supports corporate philanthropy, rewards to firms for their charitable activities are less certain, and local directors are more likely to be indifferent to, or even to resist, such an idea. Thus some managers and board members continue to see corporate donation as an alien concept not well-suited to the Chinese context. Their attitude is that "CSR is an advanced concept, yet it is hard to implement it in the present stage of China's development. The society needs to move a step further to embrace this foreign concept" (Yin and Zhang, 2012: 306). How does such a foreign concept overcome resistance from the board and start to be internalized in some firms' practices? We argue that institutional carriers—returnee directors with relevant exposure in our context—play an essential role in driving this change from within.

Which Actors Matter as Institutional Carriers?

Stage of immersion. The immersion stage helps solve the problem of embedded agency (Sewell 1992; Holm, 1995; Emirbayer and Mische, 1998; Seo and Creed, 2002) by allowing actors at the intersection of multiple institutions to envision new ideas. In our context, we expect two types of actors to be immersed in alternative ideas: foreign directors and returnee directors with relevant exposure. Immersion takes place for foreign directors through primary socialization, i.e., a phase individuals undergo in childhood as they become social beings (Berger and Luckmann, 1966). It takes place for returnee directors through secondary socialization, i.e., "subsequent process[es] that induct an already socialized individual into new sectors of the objective world of his society" (Berger and Luckmann, 1966: 150). Either way, immersion is about actors gaining exposure to the alternative environment and then internalizing some of these ideas to form taken-for-granted beliefs. The only difference is that in the case of secondary socialization, actors need to cope with an environment different from the one in which they received primary socialization.

The idea of secondary socialization is reinforced by the immigration literature that probes how immigrants immerse in the values of host countries (Portes and Zhou, 1993; Alba and Nee, 2003). The literature differentiates between levels of immersion (Gordon, 1964): acculturation, i.e., immigrants' mere exposure to the

values and practices of the host country; and assimilation, i.e., immigrants' internalization of these institutional ideas. It argues that while complete assimilation or internalization may not be a universal outcome for all immigrants (Portes and Rumbault, 1990; Portes and Zhou, 1993), some levels of assimilation based on mere exposure inevitably take place (Gordon, 1964; Alba and Nee, 2003; Nee and Alba, 2013). In particular, immersion is shown to be rapid for professional immigrants (Portes and Rumbault, 1990) due to "their occupational success and the absence of strong ethnic networks to reinforce the culture of origin countries" (Portes and Rumbault, 1990: 26). These immigrants often settle in mixed ethnic neighborhoods. They not only establish ongoing social relationships with members of their own ethnic group but also engage in frequent social and economic transactions with individuals outside of the ethnic group, and this reinforcing social environment provides rewards for acculturation and some degree of assimilation (Berger and Luckmann, 1966; Nee and Alba, 2013). To the extent that some of these professional immigrants maintain ongoing social connections with their countries of origin, they keep ideas from both sides activated (Guarnizo, Portes, and Haller, 2003).

Chinese-born returnee directors, as immigrant professionals in the contemporary era (Portes and Rumbaut, 1990; Alba and Nee, 2003), on average have a high probability of having internalized their host countries' values. Immersion may have taken place through returnee directors being directly involved with corporate donation via study or work during their time abroad, or through merely living in environments where the value and practice of corporate donation are prevalent. For example, they may go to local museums and see plaques honoring firms that are major donors, or they may watch ads that promote firms' philanthropic activities. No matter what the channel, once immersion takes place, institutionalized ideas such as corporate philanthropy become part of their cultural repertoire.

Of course, not all returnee directors and foreign directors have been exposed to this institutional idea. This is because they return or come from different countries, only some of which have widespread giving practices. Ioannou and Serafeim (2012) showed that in countries with higher levels of power distance, corporations score lower on CSR activities, and in countries with higher levels of individualism, corporations score higher on CSR activities. For our current purpose, we think that returnee directors and foreign directors with experience in countries where the practices and values are more conducive to corporate donation—*high-donation countries*—have likely received more exposure to the institutional idea of corporate donation and are therefore more likely to employ it when they return.

Drawing from the literature on socialization (Berger and Luckmann, 1966) and immigration (Gordon, 1964; Portes and Rumbaut, 1990; Portes and Zhou, 1993; Alba and Nee, 2003), we expect both the foreign directors and returnee directors from high-donation countries to be immersed in alternate ideas, the former through primary socialization and the latter through secondary socialization. When the foreign directors and returnee directors with relevant exposure come to China, they carry these ideas with them. Once in China, they continue to be influenced by these ideas and the experiences they had abroad as they make strategic decisions (Hambrick and Mason, 1984; Chin, Hambrick, and Treviño, 2013; Tang et al., 2015; Gupta, Briscoe, and Hambrick, 2017). Local directors, as well as returnee directors from low-donation countries, in contrast, are not exposed to these ideas in the same way and do not have the same cultural repertoire.

Stage of transfer. While both the foreign directors and the returnee directors from high-donation countries may have exposure to alternative institutional practices in the stage of immersion, a necessary condition for transposition in the stage of transfer is the level of embeddedness in the focal institution. This is because institutional change involves overcoming profound resistance in the face of dominant norms and assumptions.

In our context, we argue that compared with foreign directors with comparable exposure, returnee directors are more likely to be embedded in the social relationships of the focal environment and may therefore have better access to the information, knowledge, and resources needed to implement institutional change. The returnee directors understand the history, culture, language, and other factors that would be difficult for foreign directors to assess. And returnee directors, especially those heavily involved in the corporate network (Galaskiewicz, 1985; Davis, 1991; Mizruchi, 1996; Tilcsik and Marquis, 2013), are more likely to have local information and connections, as well as enjoy collaborative and trusting relationships.

Such social ties and network resources are less likely to be available to foreign directors, a canonical finding in the literature on liability of foreignness (e.g., Zaheer, 1995). Foreign directors may thus find it difficult to convince others on the board of the need for corporate donations. Consistent with the corporate governance literature on demographic conformity (Westphal and Zajac, 2013) and the social psychology literature on group dynamics (Kant, 1977; Lau and Murnighan, 2005), the demographic differences of foreign directors may create out-group bias and limit their influence on decision making (Westphal and Zajac, 1995; Westphal and Milton, 2000). Such directors may also lack the understanding of the local culture and context to make arguments in support of their ideas that other directors find persuasive. In fact, foreign directors' support for corporate donation may reinforce the perception that corporate donation is a foreign concept (Yin and Zhang, 2012), thereby lowering the chances of the firm adopting the practice.

Hence, although foreign directors from high-donation countries may have had as much exposure to alternative institutional practices as returnee directors, on average they are not embedded enough in the focal institution to implement these practices. Returnee directors with relevant exposure, who are more embedded in the focal institution than foreign directors, will have an advantage in implementing change.³ At the same time, local directors and returnee directors without relevant exposure who are sufficiently embedded will not have the immersion necessary to conceive of alternative visions.

Putting these arguments together, we posit that returnee directors with relevant exposure will on average be more likely to act as carriers of institutional ideas of corporate philanthropy than foreign directors with comparable exposure, returnee directors without relevant exposure, and local directors. We summarize these predictions in Table 1, panel A, and propose:⁴

³ While returnee directors may not be quite as strongly embedded as local directors, the point here is that they will be sufficiently embedded to be able to implement change.

⁴ For brevity, we state all these other directors as one category in H1. Empirically, however, we test each type of directors separately.

Hypothesis 1 (H1): In the board of a corporation, an increase of returnee directors from high-donation host countries will be associated with an increased level of corporate donations.

Enabling Effects of Exposure and Embeddedness

Having examined the average effects, we now turn to the idea that certain institutional carriers may have a higher propensity to become agents for transposition under more favorable conditions. In what follows, and consistent with our twin mechanisms, we explore factors linked to exposure and embeddedness at the actor, partner, and field level that moderate the effect of returnee directors from high-donation host countries on corporate donation. We expect the effect to be greater for returnee directors with greater exposure, who have access to partners with relevant exposure, and in contexts in which the need for exposure to new ideas is greatest. In parallel, we also expect the effect to be greater for returnee directors with greater embeddedness, who have access to partners with high embeddedness, and in contexts in which such practices are less institutionalized, presenting a higher need for embeddedness. We summarize these predictions in Table 1, panel B, and briefly lay out the arguments for each consideration below.

Exposure: Facilitating director characteristics. We argue that in the immersion stage, returnee directors form taken-for-granted beliefs about corporate donation through exposure to institutional ideas abroad. This argument is probabilistic, in that not all Chinese immigrants are exposed to cultures conducive to corporate donations; instead, they are likely to get the exposure and internalize the host countries' values on average. We further argue that the

Table 1. Summary of Theoretical Predictions

Panel A. Types of Institutional Actors		
Embeddedness in the focal institution	Exposure to alternative institutions	
	High	Low
High	Returnee directors from high-donation countries (H1)	Local directors & returnee directors from low-donation countries
Low	Foreign directors from high-donation countries	Foreign directors from low-donation countries

Panel B. Enabling Effects of Exposure and Embeddedness		
	Exposure to alternative institutions	Embeddedness in the focal institution
Facilitating director characteristics	Long duration of staying abroad (H2a)	Sitting on multiple corporate boards (H3a)
Alliance partner characteristics	Foreign directors from high-donation countries (H2b)	Politically connected local directors (H3b)
Facilitating field conditions	Field need for exposure (H2c)	Field need for embeddedness—lack of institutionalization (H3c)

longer the duration of staying abroad, the more likely returnee directors are to get exposed to relevant sources of institutional ideas. Thus we propose:

Hypothesis 2a (H2a): The positive effect of returnee directors from high-donation host countries on corporate donations is stronger when returnee directors have stayed longer in the host countries.

Exposure: Alliance partner characteristics. Scholars have argued that institutional entrepreneurs may not change institutions alone but may instead develop allies (Rao, 1998; Fligstein, 2001; Lawrence, Hardy, and Phillips, 2002) and mobilize through these allies (e.g., Fligstein, 1997; Greenwood, Suddaby, and Hinings, 2002; Boxenbaum and Battilana, 2005). In addition, institutional entrepreneurs may benefit from association with legitimate actors, much as organizations gain legitimacy from ties with exemplary actors (Baum and Oliver, 1991; McDonnell and Werner, 2016). Therefore we believe returnee directors may not act alone.

One set of potential allies are foreign directors from high-donation countries. While on average these foreign directors may not have enough embeddedness to implement changes on their own, through primary socialization they do have access to the same cultural repertoire as the returnee directors. Foreign directors may be naturally inclined to support ideas and practices familiar to them from their home countries when proposed by returnees, and returnee directors may be motivated to draw on their support and input when implementing change. In turn, foreign directors may benefit from returnees' superior embeddedness and understanding, and they may build coalitions with returnee directors on the same board. Thus the presence on the board of foreign directors with comparable experience may amplify the exposure and enhance the impact of returnee directors:

Hypothesis 2b (H2b): The positive effect of returnee directors from high-donation host countries on corporate donations is stronger when the firm has a greater proportion of foreign directors from high-donation countries.

Exposure: Facilitating field conditions. By itself, returnee directors' exposure to the institutional idea of corporate donation does not mean they set out to engage in corporate donation. When actors encounter problems in the focal environment, their exposure to alternate environments is likely to prove most impactful and to be most needed. In the case of China, poverty at the local level is a field condition (Battilana, Leca, and Boxenbaum, 2009; Padgett and Powell, 2012) that may enhance the need for institutional transposition of returnee directors. Although economic development in China has been rapid, poverty continues to be recognized as an acute problem (Ravallion and Jalan, 1999), and there is a marked difference between rural and urban areas and between prosperous coastal areas and less-developed and more poverty-prone inland areas (World Bank, 2000). The problem of regional disparity threatens not only the livelihood of people in the more impoverished regions but also the stability of the overall system, and both considerations make it urgent that a solution be found.

Of course, by itself local need based on levels of local economic development does not mean corporate donations are recognized as a solution; there may be many other solutions to the issue (Moon and Vogel, 2008; Ballesteros, Useem, and Wry, 2017). Corporate donations are more likely to be seen as a solution by someone who is familiar with the practice and can bring it to bear successfully in this context. This is why corporate donation is more likely to be a response when returnee directors with relevant exposure are involved. Consistent with the notion of transposition being problem-driven (Tilcsik, 2010; Powell and Sandholtz, 2012), we argue that in the presence of local needs, returnee directors with relevant exposure may be triggered to draw on their repertoires for corporate donations as a solution:

Hypothesis 2c (H2c): The positive effect of returnee directors from high-donation host countries on corporate donations is stronger when the field-level conditions present a stronger need for solving the problem of low levels of economic development.

Embeddedness: Facilitating director characteristics. Returnee directors must be embedded enough to contribute to or enact changes from the inside (Chung and Luo, 2008). While we have argued that returnee directors will have sufficient embeddedness to enact change in the home institution, the extent and source of their embeddedness may vary. Recent evidence shows that while they are equipped with technical knowledge, some returnee entrepreneurs and managers may be marginalized compared with homegrown ones (Li et al., 2012; Obukhova, 2012; Wang, 2015), and the same thing may happen with some returnee directors.

We posit that returnee directors achieve a higher level of embeddedness through interorganizational connections; they may derive informational and relational advantages from being structurally interlocked in the interorganizational network (Mizruchi, 1996). The board interlock literature suggests that board members who serve on multiple corporate boards often serve as information circuits for new practices and maintain higher levels of cohesion with other corporate elites (e.g., Davis, 1991). As a result, they may bring in informational and relational assets that add value to the focal firm (e.g., Pfeffer and Salancik, 1978; Haunschild, 1993; Westphal, Seidel, and Stewart, 2001) and leverage some of these advantages to legitimize their favored practices in the focal organization and overcome resistance encountered in changing existing institutions (Galaskiewicz, 1985; Tilcsik and Marquis, 2013). Thus,

Hypothesis 3a (H3a): The positive effect of returnee directors from high-donation host countries on corporate donations is stronger when returnee directors have stronger interorganizational embeddedness in the form of local board interlocks.

Embeddedness: Alliance partner characteristics. Just as returnee directors may form alliances with those who share the same exposure to outside practices, they may form alliances with politically connected local directors. Politically connected directors have strong embeddedness in the home institution (Marquis and Raynard, 2015; Haveman et al., 2017), giving

them both a better understanding of the local context and the ability to drive change in it.

Several scholars have shown that state bureaucrats tend to care about social welfare outcomes to minimize social unrest (Wang and Luo, 2019). It follows that politically linked directors may also care about social issues, both because of the political positions they themselves occupy and because they may benefit from their connections to state bureaucrats, who will be concerned about such problems (e.g., Leuz and Oberholzer-Gee, 2006; Siegel, 2007; Zhang, Marquis, and Qiao, 2016).

Therefore, in contrast to other local directors whose priority is to maximize shareholder returns and who may thus consider corporate donations wasteful, politically connected local directors may be more willing to adopt such practices when they are brought in from outside. Being local and being part of the prevailing institutional regime means that politically connected local directors are unlikely to conceive of the new institutional ideas on their own. In fact, politically connected directors may be naturally inclined to conceive of solutions to social problems as involving a role for the state, consistent with the paradox of embedded agency (Battilana, Leca, and Boxenbaum, 2009). Presented with the idea of corporate donation from outside, however, they may recognize that this solution has pragmatic benefit and serves their own interest (Marquis and Qiao, 2018; Wang, Du, and Marquis, 2018), and they may be willing to help navigate the implementation challenges.

We thus explore whether returnee directors with relevant exposure are especially effective in transposing the idea of donation if a greater proportion of local directors on the board are politically connected. While the mere presence of politically connected local directors does not prove that they are allying with returnee directors, a higher proportion of them on the same board means greater potential for the returnee directors to ally with more embedded actors. Thus,

Hypothesis 3b (H3b): The positive effect of returnee directors from high-donation host countries on corporate donations is stronger when the firm has a greater proportion of local directors who are politically connected.

Embeddedness: Facilitating field conditions. Another field-level condition we consider is the need for embeddedness, which decreases as new practices become increasingly institutionalized (DiMaggio, 1988; Fligstein, 1997; Dorado, 2005). In the Chinese context, the year 2008 is an important year for corporate donation—and for CSR in general—for two main reasons. First, a noticeable jump in the number of firms issuing CSR reports in 2008 (Luo, Wang, and Zhang, 2017) was attributable to increasing regulatory pressure from the Chinese government for corporate social actions (Marquis and Qian, 2014; Zhang, Marquis, and Qiao, 2016). Second, the 2008 earthquake triggered massive internet activism that demanded corporate charitable donations from the multinationals in China and from domestic firms (Zhang and Luo, 2013; Luo, Zhang, and Marquis, 2016). Given both factors, the level of institutionalization of corporate donation is higher after 2008, and the need for embedded actors such as returnee directors to implement it may become less evident. As overall resistance to the practice declines, the unique benefits of returnee directors

with relevant exposure as institutional entrepreneurs implementing these practices will also weaken:

Hypothesis 3c (H3c): The positive effect of returnee directors from high-donation host countries on corporate donations is weaker when the practice of corporate donations becomes institutionalized.

METHODS

Empirical Setting and Sample

We used China as a research context to test our theories. Studies of international migration suggest there are vast and growing numbers of returnees in many countries, and China is no exception. About 2.6 million Chinese went abroad to study from 1978 to 2012, with the number increasing in recent years to about 400,000 a year. Although the majority of migrants have stayed overseas after studying abroad, about 1.1 million have returned (Statistics China, 2013). To study the influence of these returnees on Chinese corporations, we examined firms in mainland China that were traded publicly in the A-share market at any point between 2000 and 2012. We manually collected information on foreign education, work experience, and other demographic characteristics from the biographies of 51,915 executive and non-executive directors of 2,461 publicly listed companies for this period. After excluding firms with missing financial information, we had a final sample of 19,802 unique firm-year observations.

Our focus on the role of directors in making decisions in the domain of corporate social action is consistent with prior work (e.g., Marquis and Lee, 2013; McDonnell and Cobb, 2019). The role of directors may be even more salient in the Chinese context (Zhang, Marquis, and Qiao, 2016), where the board is often not independent from the top management in Chinese companies and is ultimately responsible for the firm's operations and involved in internal decisions (Kato and Long, 2006: 14–15; see also Firth, Fung, and Rui, 2006: 1295; Liao et al., 2009: 20). In a robustness analysis reported later, we also examined the role of executives, jointly with the board, in making such decisions (Marquis and Lee, 2013).

Variables

Our primary dependent variable is *donations-to-sales*, which is the firm's donation expenses divided by its total sales.⁵ Chinese public companies are required to disclose donation expenses according to China's accounting standards. Moreover, firms that engage in philanthropy are motivated to report their donation expenses accurately to benefit from tax breaks (Wang and Qian, 2011). To obtain data on firms' donations, we combined three databases—the China Stock Market and Accounting Research Database (CSMAR), the RESSET

⁵ To deal with industry-specific trends, this measure is adjusted for the median level of the ratio of donations to sales in a firm's industry for a given year. We used the two-digit industry code of the official industry classification of the China Securities Regulatory Commission (CSRC) to define industries and subtracted from a firm's *donations-to-sales* the median *donations-to-sales* of the firm's industry in the given year. Our results are robust to using three-digit industry code, or no adjustment for industry-specific trends, as reported in Table 8, panel B, columns 6 and 7.

database, and the iFind database—all of which collect data from the disclosure documents that Chinese firms send to regulators.⁶

We started by constructing a measure of *returnee directors*, which is defined as the number of a firm's Chinese directors who have foreign experience divided by the total number of directors.⁷ A Chinese director has foreign experience if he or she has studied or worked outside mainland China. To obtain information about the directors' foreign experience, we manually coded their biographies in CSMAR following the method used in prior work (Giannetti, Liao, and Yu, 2015). We had a total of 51,915 unique directors, 9.07 percent of whom were returnee directors.

For H1, we explored the institutional exposure of returnee directors during their time abroad by splitting *returnee directors* into two ratio variables, *returnee directors from high-donation countries* and *returnee directors from low-donation countries*, and including both variables in the regression. Returnee directors in our sample returned from 46 different countries, with varying practices and values related to corporate donation. We collected data on the country-level practices of charitable giving using the World Giving Index (WGI) and defined high-donation countries as those foreign countries with WGI scores above the median of all sample countries, and low-donation countries as countries with WGI scores equal to or below the median.⁸ We then associated returnee directors with the foreign countries from which they returned and calculated the fraction of returnees coming back from high- vs. low-donation countries on the board at the firm-year level.⁹ Online Appendix Table A2 lists the WGI scores for these 46 countries. Similarly, we constructed a measure of *foreign directors* as the fraction of directors who are foreign nationals, and we split this measure into two ratio variables, *foreign directors from high-donation countries* and *foreign directors from low-donation countries*. The use of these measures means that the omitted category in our analysis is local directors, and the coefficients of these variables are thus interpreted as measuring the effects relative to local directors.

For H2a, we collected data on the duration of the returnees' stay abroad to measure returnee directors' exposure to foreign institutions, and we constructed a measure of *average overseas duration of returnee directors from high-donation countries*. This measure takes the average length abroad for

⁶ Table A1 in Online Appendix A (<http://journals.sagepub.com/doi/suppl/10.1177/0001839220929736>) summarizes the data coverage by database and year. We examined the correlation and mean difference of donation measures across databases and found a high level of consistency, detailed in the same table.

⁷ The construction of *returnee directors* is a simple aggregation of binary individual measures at the board level. The assumption is that boards with a higher proportion of returnee directors are likely to be more influenced by foreign assumptions, priorities, and norms than are boards with a lower proportion of such directors. To deal with the concern that this aggregation might drive our results, we ran a robustness check restricting the sample to observations with no more than one returnee director and found consistent results.

⁸ The WGI offers insight into the scope and nature of giving cultures around the world, and the 2012 version we used (www.cafonline.org/docs/default-source/about-us-publications/worldgivingindex2012web.pdf) is based on a survey of more than 155,000 people in 146 countries.

⁹ In cases where a returnee director had experiences in multiple foreign countries, we associated the director with the average WGI scores of all foreign countries in which he or she had stayed. In the very few cases where a returnee director had experiences in a country whose WGI score was missing, we assigned him or her into *returnee directors from low-donation countries*. Our results for H1 are robust to omitting these returnees entirely.

returnee directors from high-donation countries for firms with such directors and is coded 0 for firms without such directors. To test H2b, we interacted the measure for *foreign directors from high-donation countries* with *returnee directors from high-donation countries*. For H2c, we measured provincial-level economic development using *per capita GDP* of each province from the CSMAR database and interacted it with *returnee directors from high-donation countries*.

For H3a, and to measure returnee directors' embeddedness in the focal institution, we collected data on board interlocks for the listed firms in our sample and categorized returnee directors from high-donation countries into those who serve on multiple boards in a given year and those who serve on a single board, with the former more embedded in the business network of the home institution. We then calculated *returnee directors from high-donation countries and on multiple boards*, which is the number of interlocked returnee directors from high-donation countries divided by the total number of board members. We interacted this measure with *returnee directors from high-donation countries* to test H3a. To test H3b, we manually collected information on political access from directors' biographies.¹⁰ We created a variable called *politically connected local directors*, which is the number of local directors who have political titles divided by the total number of directors, and interacted it with *returnee directors from high-donation countries*. To test H3c, we constructed an indicator variable, *after 2008*, which is coded one after 2008 and zero otherwise. This variable accounts for the institutionalization of CSR practices in China after 2008 (Luo, Wang, and Zhang, 2017), and we interacted it with *returnee directors from high-donation countries*.

We controlled for a number of board characteristics that may influence donation decisions. Specifically, *female directors* is the number of female directors divided by the total number of directors. We used this variable to control for the possibility that female directors may be more likely to take up philanthropic activities (Marquis and Lee, 2013). In addition, we controlled for a number of other board and firm characteristics.

Among the board-level controls, *director age* is the average age of board directors. *Director tenure* is the average difference between the year of observation and the year during which the director joined the board. *Insider directors* is the number of directors who receive a salary as employees of the firm divided by the total number of directors. Among the firm-level controls, to account for the firm's ownership structure, we included measures of *foreign ownership* (the number of shares owned by all foreign legal persons divided by the firm's total shares), *block* (the size of the largest shareholder's share divided by the firm's total shares), and *state owned* (a dummy variable coded one if the largest ultimate shareholders are marked in the CSMAR database as "state-owned" or "state-controlled" and zero otherwise). To account for the possibility that the firm's size, age, profitability, and valuation are associated

¹⁰ We looked for clues such as whether a director is a member of the National People's Congress (NPC), the only legislative body in China; a member of the Chinese People's Political Consultative Conference (CPPCC), an advisory board for the Chinese government; or a Government Counselor, appointed by the local government (Zhang, Marquis, and Qiao, 2016). These three positions are the most sought after by business leaders wishing to gain political capital. We found that 3.17 percent of directors in our sample have political connections, most of whom have positions in the NPC or the CPPCC.

with its donations or the presence of returnee directors, we included controls for *firm size* (the natural logarithm of the firm's total assets), *firm age* (the natural logarithm of the number of days since the firm was founded), *ROA* (the firm's operating income divided by its total assets), and *MB* (the market value of equity plus book value of total liabilities divided by book value of total assets). Finally, because a firm's donations may depend on the availability of its liquid funds, we constructed measures for *leverage* (total liabilities divided by total assets) and *free cash flow* (the sum of cash flow from operating, financing, and investing activities divided by total assets). We winsorized all variables, except discrete indicator variables, at the 1st and 99th percentiles.

Table 2 shows summary statistics for the above variables at the firm-year level.¹¹ The raw statistics suggest that the practice of corporate donation is still in its infancy in China. As noted above, on average, Chinese firms spent 715.06 thousand Chinese yuan in *donation expenses*, which is equivalent to 0.0311 percent of sales. The distribution of donations is right-skewed, with the median *donation expenses* being 21.63 thousand Chinese yuan. *Returnee directors* has a mean of 11.04 percent and a median of 9.09 percent, which means that in an average firm, one out of ten directors is a returnee director. Among these, *returnee directors from high-donation countries* has a mean of 9.35 percent and a median of 6.67 percent.

Identification Strategy

In an ideal experiment, one would randomly assign returnee directors to a group of firms and observe how those firms' donation practices change compared with those of firms that are not assigned such directors. But the decision to hire returnee directors is an endogenous one that may be influenced by unobserved firm-specific factors that are correlated with changes in donation behavior. In particular, firms that experience certain challenges or opportunities might react by selecting or attracting returnee directors, and the same (unobserved) challenges and opportunities might also cause firms to donate more or less. Alternatively, firms that hope to donate might prefer or prefer not to hire returnee directors, leading to reverse causality concerns. For these reasons, ordinary least squares estimates are insufficient to establish the causal impact of returnee directors on donations.

We dealt with these concerns using two methods. First, we used firm fixed effects in all analyses to control for unobserved firm-level factors that are time invariant. Second, to address the concerns of other omitted variables or reverse causality, we followed Giannetti, Liao, and Yu (2015) in adopting an instrumental variables (IV) approach for the proportion of returnee directors by using the introduction of provincial policies to attract returnees in China. Starting in the late 1990s, mainland China's provincial governments adopted policies to attract the return of highly skilled emigrants (Zweig and Wang, 2013). The main purpose of these policies was to improve the quality of academic and industrial research and to foster entrepreneurial activity. Provinces tried to attract the most distinguished Chinese expatriates by offering them preferential and generous benefits, including tax incentives, opportunities for start-up business loans, new laboratories and research grants, subsidized housing, tax-free

¹¹ Online Appendix Table A3 contains the definitions and data sources of these variables.

Table 2. Summary Statistics*

	Mean	Median	S.D.	# of observations
Donation expenses (thousand Chinese yuan)	715.0580	21.6295	2986.3843	19802
Donations-to-sales (%)	.0311	.0020	.0814	19750
Donations-to-profits (%)	.3703	.0098	1.2306	19802
Returnee directors	.1104	.0909	.1343	19802
Returnee directors from high-donation countries	.0935	.0667	.1232	19802
Returnee directors from low-donation countries	.0169	.0000	.0478	19802
Foreign directors	.0046	.0000	.0262	19802
Foreign directors from high-donation countries	.0029	.0000	.0191	19802
Foreign directors from low-donation countries	.0018	.0000	.0148	19802
Foreign ownership	.0123	.0000	.0559	19802
Block	.3860	.3654	.1623	19802
State owned	.4632	.0000	.4987	19802
Firm size	21.4146	21.2703	1.1789	19799
Firm age	8.1976	8.2983	.5342	19802
ROA	.0329	.0386	.0829	19799
MB	2.5060	1.9194	2.0095	19245
Leverage	.4926	.4779	.3036	19799
Free cash flow	.0279	.0070	.1311	19730
Female directors	.1066	.1000	.1066	19802
Director age	48.8642	48.9000	3.9959	19793
Director tenure	2.9712	3.0000	.7133	19802
Insider directors	.3858	.3750	.2049	19784
Average overseas duration of returnee directors from high-donation countries	1.8477	.0000	3.9868	19802
Returnee directors from high-donation countries and on multiple boards	.0231	.0000	.0503	19802
Politically connected local directors	.0269	.0000	.0611	19802
Per capita GDP	33.0612	28.3320	21.9009	19802
After 2008	.4225	.0000	.4940	19802
Long-term foreign directors from high-donation countries	.0147	.0000	.1190	19802
Effective tax rate	.1409	.1266	.2330	18462
Returnee directors from low power distance countries	.0727	.0000	.1019	19802
Returnee directors from high power distance countries	.0377	.0000	.0758	19802
Returnee directors from high individualism countries	.0586	.0000	.0892	19802
Returnee directors from low individualism countries	.0518	.0000	.0881	19802

* This table reports the summary statistics of firm-year level observations between 2000 and 2012.

imports of automobiles and computers, schooling for their children, medical benefits, jobs for their spouses, and long-term residence permits.¹²

Importantly, these policies were adopted by different provinces at different times.

The returnees lured back by these policies were mostly those who had been trained abroad and were established there. Once back in China, they became available to join corporate boards as dependent or independent directors. Because the labor market for board directors is local in both the U.S. (Knyazeva, Knyazeva, and Masulis, 2013) and China (Giannetti, Liao, and Yu,

¹² Given the focus on attracting distinguished expatriates, these policies had the *de facto* effect of disproportionately attracting returnees from high-donation countries, as discussed in the next section and shown in Online Appendix Table B2.

2015), a provincial policy change makes it more likely that local firms will be able to fill board positions with returnees. Thus these policies arguably led to exogenous increases in the supply of potential returnee directors in different provinces at different times.

Accordingly, we constructed *provincial policy*, a dummy variable that takes a value of one in the years following the implementation of the policy for each province, and used this as an instrumental variable for the proportion of returnee directors. In addition, we considered as instrumental variables the interaction between the policy dummy and ex-ante ownership characteristics (*state owned*, *foreign ownership*, and *block* measured at the beginning of the sample period) that may influence firms' demand for returnee directors, as the effect of provincial policy on returnee directors may depend on these ex-ante ownership characteristics. In combining the policy dummy and interaction terms to construct the instrument, we leveraged both time and cross-sectional variations to increase the precision of the first-stage estimation, and we expected them to be strong predictors of whether firms are able to attract returnee directors (inclusion restriction). A similar approach was suggested in Angrist and Pischke (2008: 121–127) and implemented in Giannetti, Liao, and Yu (2015).

We considered these instruments as unlikely to be systematically related to companies' donation decisions through channels other than returnee directors for two main reasons (exclusion restriction). First, the provincial policies of attracting returnees were aimed at attracting returnees in general, not returnees specifically to serve on corporate boards, and were certainly not targeted specifically at the listed companies and their boards; thus we deem it unlikely that the policies were related to expected corporate philanthropy. Scholars have found that Chinese provincial leaders who implement provincial policies often act to further their own careers (Chen, Li, and Zhou, 2005; Li and Zhou, 2005; see also Maskin, Qian, and Xu, 2000; Wu et al., 2014; Wang and Luo, 2019). Thus the policy they apply may or may not be relevant to the economic development of the province they govern (or the performance of firms located in that province). Online Appendix Table A4 shows detailed information about when the policies were adopted. It shows provinces that are economically more developed (such as Beijing and Shanghai) and provinces that are economically less developed (such as Inner Mongolia and Guangxi) among both early and late adopters. We also correlated the provincial policy adoption year with provincial GDP per capita and found insignificant correlation between the two; the Pearson correlation coefficient between year of adoption and GDP per capita is .10 with a *p*-value of .6. We therefore saw no reason to be concerned that the adoption of such policies was related to economic development and the actual need for corporate donation.

Second, as long as the ex-ante ownership characteristics (*state owned*, *foreign ownership*, and *block*) do not predict future changes in a firm's donation practices after we controlled in the second-stage estimation for the contemporaneous firm ownership characteristics (along with firm fixed effects and other time-varying firm characteristics), the identifying assumption is satisfied. We describe additional tests of the validity of the instrumental variable approach in the robustness section. Online Appendix Table B1 reports the correlations between variables.

RESULTS

Main Results: Returnee Directors and Firm Donations

Table 3 shows the results of regressing industry-median-adjusted *donations-to-sales* on *returnee directors*. Column 1 shows a simple OLS regression with firm fixed effects and no control variables, and column 2 shows the same regression with control variables.¹³ We found a strong positive relation between *returnee directors* and *donations-to-sales*, consistent with our baseline expectations.¹⁴ We moved to 2SLS regressions with firm fixed effects, using the instrumental variables discussed above, and show the results in Table 3, column 3. The relation between *returnee directors* and *donations-to-sales* is positive and statistically significant, and again consistent with our baseline expectations.

We then explored the hypothesized effect of returnee directors' exposure to foreign practices and values related to philanthropic giving. Table 3, column 4 reports the result of a 2SLS regression of *donations-to-sales* on *returnee directors from high-donation countries*, finding a significant and positive effect.¹⁵ Overall, the result suggests that it is returnee directors who come back from countries with high levels of charitable practices that drive up corporate donation. These results are consistent with H1.¹⁶ The result is economically significant as well: in column 4, a one-standard-deviation increase in *returnee directors from high-donation countries* is associated with a .16-standard-deviation increase in *donations-to-sales*. This effect means that for the average firm, adding one additional returnee director from high-donation countries can lead to an increase of donation expenses of about 2.28 million Chinese yuan annually (.36 million U.S. dollars at the 2012 exchange rate). In comparison, *returnee directors from low-donation countries* have a positive but statistically insignificant coefficient on *donations-to-sales*, and the Wald statistic for a test of difference between the coefficients of *returnee directors from high-donation countries* and *returnee directors from low-donation countries* is 7.39, indicating a significant difference between coefficients.

¹³ Angrist and Pischke (2008) pointed out in Section 3.4.2 that it is valid to use an OLS regression approach to obtain the estimation of causal effects, even when the dependent variable is bounded in value. Non-linear models (e.g., fractional logit model) do not substantially improve the estimation of marginal effects, although they may fit data more closely. The estimation of non-linear models also needs more assumptions than the estimation of linear models. These additional assumptions can be especially complicated when considering instrumental variable and panel data. That said, in unreported analysis and as a robustness check, we estimated a fractional logit model (Papke and Wooldridge, 2008) using specifications similar to that of Table 3, column 2, and found consistent results.

¹⁴ Following Marquis and Lee (2013), we also considered the role of both senior management and the board of directors on corporate donation in an unreported analysis. Specifically, we regressed *donations-to-sales* on a dummy variable of *returnee CEOs* as well as a ratio measure of the proportion of non-CEO returnee directors on the board. We found that returnee CEOs have a positive and significant association with corporate donation, and this is in addition to non-CEO returnee directors also driving up corporate donation.

¹⁵ We used the same identification strategy as in Table 3, column 3. We were able to do so because our instrument significantly explains *returnee directors from high-donation countries* but not *returnee directors from low-donation countries*, as shown in Online Appendix Table B2.

¹⁶ The Cragg-Donald Wald F statistic is 22.058, suggesting that the policy change dummy and the interactions of policy change with *foreign ownership*, *block*, and *state owned* are strong instrumental variables.

Table 3. Returnee Directors and Corporate Donation (H1)*

	Dependent variable: Donations-to-sales adjusted by industry-year median			
	OLS		2SLS	
	(1)	(2)	(3)	(4)
Returnee directors	.0219** (.0073)	.0155+ (.0081)	.3723** (.1330)	
Foreign directors		-.0036 (.0521)	-.2885* (.1185)	
Returnee directors from high-donation countries				.4358** (.1517)
Returnee directors from low-donation countries				.0366 (.0268)
Foreign directors from high-donation countries				-.3502** (.1358)
Foreign directors from low-donation countries				-.2062+ (.1080)
Foreign ownership		.0090 (.0147)	-.0451 (.0291)	-.0494 (.0302)
Block		-.0005 (.0100)	.0069 (.0112)	.0048 (.0115)
State owned		.0018 (.0021)	.0006 (.0025)	.0013 (.0025)
Firm size		.0045** (.0015)	.0041* (.0018)	.0039* (.0018)
Firm age		.0051* (.0025)	-.0094 (.0058)	-.0103+ (.0060)
ROA		.0212+ (.0117)	.0089 (.0133)	.0095 (.0132)
MB		.0012* (.0005)	.0018** (.0006)	.0018** (.0006)
Leverage		-.0049 (.0053)	-.0089 (.0061)	-.0084 (.0062)
Free cash flow		-.0018 (.0047)	-.0042 (.0049)	-.0052 (.0049)
Female directors		.0158 (.0096)	.0189+ (.0113)	.0178 (.0115)
Director age		-.0001 (.0003)	.0004 (.0004)	.0005 (.0004)
Director tenure		-.0014+ (.0008)	-.0005 (.0009)	-.0007 (.0009)
Insider directors		.0025 (.0041)	.0159* (.0068)	.0163* (.0068)
Partial R-squared			.006	.005
Cragg-Donald Wald F statistic			26.210	22.058
5% maximal IV relative bias			16.85	16.85
10% maximal IV relative bias			10.27	10.27
# of observations	19,750	19,110	18,860	18,860
# of firms	2,461	2,397	2,240	2,240
R-squared†	0.360	0.357	N/A	N/A
Firm fixed effects	Yes	Yes	Yes	Yes

+ $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$.

* Dependent variables are measured at the firm-year level, and standard errors clustered at the firm level are shown in parentheses. All models include a constant, the coefficients of which are not reported.

† Wooldridge (2006) wrote, "Unlike in the case of OLS, the R-squared from IV estimation can be negative because SSR for IV can actually be larger than SST. Although it does not really hurt to report the R-squared for IV estimation, it is not very useful, either." So the negative R-squared values in IV regressions thereafter are meaningless. We use N/A to replace the negative R-squared values in the second stage.

Overall, these results support H1 in that firms increase corporate donations when there is an increase of returnee directors with relevant exposure. Furthermore, the effect of *returnee directors from high-donation countries* is stronger than that of *foreign directors from high-donation countries*, with the Wald test statistic between the coefficients of 8.20, indicating a significant difference. In fact, the effect of *foreign directors from high-donation countries* on *donations-to-sales* is significantly negative in column 4, which is opposite to the effect of *returnee directors from high-donation countries*. While our theory only predicted that foreign directors would have insufficient embeddedness to drive corporate donations on their own, this finding suggests that the presence of a foreign director from a high-donation country may prove counterproductive and lower the chances for corporate donation. As noted above, attempts by foreign directors from high-donation countries to promote corporate donations on their own may reinforce the perception that corporate donation is a foreign concept (Yin and Zhang, 2012). It may also be that in some cases, having a foreign director and corporate philanthropy are both symbolic measures of strong corporate governance. In such cases, the two types of actors may offset one another, with firms that have foreign directors experiencing less institutional pressure to engage in corporate donation. In any case, the negative effect of foreign directors from high-donation countries compared with the positive effect of returnee directors from similar countries strongly supports the idea that only the latter serve as institutional carriers, again consistent with H1. Among the control variables, we found that firms with a higher proportion of female directors donate more, confirming the results of Marquis and Lee (2013). Also, firms donate more as they become larger in size and more valuable.

Effects of Exposure to Alternative Institutions

Next, we explored the moderating role of exposure to alternative institutions (H2a, H2b, H2c). Table 4, column 1 reports the result of a regression on *average overseas duration of returnee directors from high-donation countries*, finding an insignificant result. In column 2, we included the square term of *average overseas duration of returnee directors from high-donation countries*, and we instrumented for both the main term as well as the square term. We found a positive and marginally significant main effect, consistent with H2a, as well as a negative and marginally significant square term, indicating that the length of staying abroad increases the chances of returnee directors getting the right exposure, but the effect is nonlinear and tapers off after the initial years. This nonlinear result is consistent with the idea that short periods of transition are where individuals are most sensitive (Marquis and Tilcsik, 2013) and that mere exposure is sufficient to change individuals' taken-for-granted beliefs (Berger and Luckmann, 1966).

Besides relying on their own exposure and embeddedness to enact change, returnee directors may be able to gather ideas or gain influence from being paired with other directors in alliances. One such alliance may be with foreign directors with relevant exposure, as hypothesized in H2b. Column 3 of Table 4 estimates a 2SLS regression of *donations-to-sales* on *returnee directors from high-donation countries*, as well as the interaction between *returnee directors from high-donation countries* and *foreign directors from high-donation*

Table 4. Effects of Exposure to Alternative Institutions (H2a, H2b, H2c)*

	Dependent variable: Donations-to-sales adjusted by industry-year median			
	(1) Length of staying abroad	(2) Length of staying abroad	(3) Alliance with foreign directors	(4) Per capita GDP
Average overseas duration of returnee directors from high- donation countries	.0004 (.0070)	.0120 ⁺ (.0062)		
Square of average overseas duration of returnee directors from high-donation countries		-.0009 ⁺ (.0005)		
Returnee directors from high- donation countries			.3730 ^{**} (.1304)	.4733 ^{**} (.1779)
Returnee directors from high- donation countries × Foreign directors from high-donation countries			-.2505 (3.0643)	1.6119 [*] (.7344)
Returnee directors from high- donation countries × Per capita GDP				-.0039 [*] (.0018)
Per capita GDP				.0003 (.0002)
Returnee directors from low- donation countries	.0212 (.0188)	.0056 (.0201)	.0342 (.0241)	.0302 (.0236)
Foreign directors from high- donation countries	-.0193 (.1212)	-.0387 (.0675)	-.2483 (.6304)	-.2237 ⁺ (.1195)
Foreign directors from low-donation countries	.0280 (.1032)	.0257 (.0542)	-.1698 ⁺ (.0879)	-.1278 (.0935)
Partial R-squared	.002	.020	.006	.016
Cragg-Donald Wald F statistic	8.490	31.972	12.495	13.927
5% maximal IV relative bias	16.85	17.70	17.70	17.70
10% maximal IV relative bias	10.27	10.22	10.22	10.22
# of observations	18,860	18,860	18,860	18,860
# of firms	2,240	2,240	2,240	2,240
Controls	Yes	Yes	Yes	Yes
Firm fixed effects	Yes	Yes	Yes	Yes

⁺ $p < .10$; ^{*} $p < .05$; ^{**} $p < .01$; ^{***} $p < .001$.

* Dependent variables are measured at the firm-year level. 2SLS estimates. Standard errors clustered at the firm level are reported in parentheses. All models include a constant, the coefficients of which are not reported.

countries. We found no significant coefficient on the interaction term, and therefore H2b is not supported. We then tested H2c that facilitating field-level conditions moderate transposition. Column 4 estimates a regression in which we interacted *returnee directors from high-donation countries* with conditions of provincial-level development, measured by local per capita GDP.¹⁷ We found a negative and significant coefficient for the interaction term, implying that firms with returnee directors from high-donation countries donate more in provinces that are poorer and less economically developed. This result is in

¹⁷ We also replicated this analysis using per capita income as the indicator for provincial-level development. The results are robust.

support of H2c, suggesting that returnee directors are most likely to transpose the institutional practice of corporate donation when the local conditions they return to are in need of solutions.

Effects of Embeddedness in the Focal Institution

We further explored the moderating role of embeddedness in the focal institution (H3a, H3b, H3c). Table 5, column 1 reports the results of a regression on the measures of interorganizational embeddedness, finding a positive and significant interaction between *returnee directors from high-donation countries* and *returnee directors from high-donation countries and on multiple boards*.¹⁸ These results suggest that returnee directors are more likely to drive up corporate donations when they are relatively familiar with the local environment, consistent with the logic of H3a. Returnee directors may also ally with embedded local directors. Column 2 estimates a regression in which we interacted *returnee directors from high-donation countries* with *politically connected local directors*. We found a positive and marginally significant coefficient on the interaction variable, suggesting that firms donate more when returnees are coupled with politically connected local directors, consistent with and partially supporting H3b.¹⁹

In column 3, we interacted *returnee directors* with the indicator variable *after 2008* and found a negative and marginally significant coefficient of the interaction term, implying that the role of returnee directors in increasing corporate philanthropic donations may be less significant after 2008. This result provides partial support for H3c, suggesting that the effect of returnee directors as institutional carriers grows weaker as the practice of corporate donation becomes institutionalized. We explored this result in post-hoc analysis explained in the next section. Together the results in Table 5 provide strong support for the importance of embeddedness, showing that returnee directors are better able to drive institutional change when they are themselves embedded in the focal context, when they can partner with strongly embedded actors, and in contexts where embeddedness is more needed.

Supplementary Analyses

The moderating effect of foreign directors. Thus far, we have not found support for the idea that *foreign directors from high-donation countries* are

¹⁸ In an unreported robustness analysis, we ran an OLS regression on separate measures of interorganizational embeddedness, finding that *donations-to-sales* is positively and significantly associated with *returnee directors from high-donation countries and on multiple boards* but not *returnee directors from high-donation countries on a single board*, with the difference between these two coefficients being statistically different, providing additional support for H3a. We were unable to use a 2SLS analysis for this regression because we could not instrument separately and simultaneously for *returnee directors from high-donation countries and on multiple boards* and *returnee directors from high-donation countries and on a single board*.

¹⁹ We also examined female directors as another population of potential allies on the board, given the marginally significant main effect of female directors and the documented evidence from the literature that female directors may be more likely to take up philanthropic activities (Marquis and Lee, 2013) and are more strongly punished for behaving unethically (Kennedy, McDonnell, and Stephens, 2016). Empirically, we did not find support for the role of female directors or female returnee directors as potential allies in corporate donation. The results are reported in Online Appendix Table B3.

Table 5. Effects of Embeddedness in the Focal Institution (H3a, H3b, H3c)*

	Dependent variable: Donations-to-sales adjusted by industry-year median		
	(1) Multi-board returnee directors	(2) Alliance with politically connected local directors	(3) After 2008
Returnee directors from high-donation countries	.4733** (.1779)	.3560** (.1114)	.3270** (.1256)
Returnee directors from high-donation countries × Returnee directors from high-donation countries and on multiple boards	1.6119* (.7344)		
Returnee directors from high-donation countries and on multiple boards	-.7385** (.2697)		
Returnee directors from high-donation countries × Politically connected local directors		.9286+ (.5481)	
Politically connected local directors		-.0262 (.0487)	
Returnee directors from high-donation countries × After 2008			-.1535+ (.0827)
After 2008			.0056 (.0084)
Returnee directors from low-donation countries	.0440 (.0291)	.0370+ (.0192)	.0333 (.0218)
Foreign directors from high-donation countries	-.4109** (.1575)	-.3139** (.1012)	-.1654 (.1240)
Foreign directors from low-donation countries	-.2313+ (.1201)	-.1881* (.0839)	-.1054 (.0894)
Partial R-squared	.005	.006	.008
Cragg-Donald Wald F statistic	9.080	11.013	13.387
5% maximal IV relative bias	15.18	17.70	17.70
10% maximal IV relative bias	9.01	10.22	10.22
# of observations	18,860	18,860	18,860
# of firms	2,240	2,240	2,240
Controls	Yes	Yes	Yes
Firm fixed effects	Yes	Yes	Yes

+ $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$.

* Dependent variables are measured at the firm-year level. 2SLS estimates. Standard errors clustered at the firm level are reported in parentheses. All models include a constant, the coefficients of which are not reported.

effective partners of returnee directors in pursuing corporate donation (Table 4, column 3, reproduced as column 1 in Table 6). It may be that the out-group bias against foreign directors (Westphal and Zajac, 1995; Westphal and Milton, 2000) is so strong that they are not useful to returnees as partners. It may also be that foreign directors may fail to recognize the need to build coalitions with returnees in order to overcome their lack of embeddedness, and they may even resent returnees for promoting ideas that foreign directors see as coming from their home institutions.

To explore this possibility, we considered heterogeneity among foreign directors in terms of their relative experience in the Chinese environment as

Table 6. Supplementary Analyses on the Moderating Effect of Foreign Directors*

	Dependent variable: Donations-to-sales adjusted by industry-year median		
	(1)	(2)	(3)
Returnee directors from high-donation countries	.3730** (.1304)	.4363** (.1517)	.4305** (.1445)
Foreign directors from high-donation countries	-.2483 (.6304)	-.3277* (.1337)	-.3195* (.1253)
Returnee directors from high-donation countries × Foreign directors from high-donation countries	-.2505 (3.0643)		
Long-term foreign directors from high-donation countries		.0052 (.0079)	-.0346 (.0216)
Returnee directors from high-donation countries × Long-term foreign directors from high-donation countries			.1529* (.0725)
Returnee directors from low-donation countries	.0342 (.0241)	.0365 (.0267)	.0360 (.0260)
Foreign directors from low-donation countries	-.1698 ⁺ (.0879)	-.2055 ⁺ (.1076)	-.1903* (.0970)
Partial R-squared	.006	.005	.006
Cragg-Donald Wald F statistic	12.495	22.039	12.011
5% maximal IV relative bias	17.70	16.85	17.70
10% maximal IV relative bias	10.22	10.27	10.22
# of observations	18,860	18,860	18,860
# of firms	2,240	2,240	2,240
Controls	Yes	Yes	Yes
Firm fixed effects	Yes	Yes	Yes

⁺ $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$.

* Dependent variables are measured at the firm-year level. 2SLS estimates. Standard errors clustered at the firm level are reported in parentheses. All models include a constant, the coefficients of which are not reported.

shown in Table 6. We distinguished between foreign directors from high-donation countries who have served as directors of a Chinese firm for some time (and may therefore have gained enough experience to understand the context well) and other foreign directors from similar countries. We considered that such long-term foreign directors may have sufficiently overcome bias against outsiders in their organizations to serve as effective partners for returnee directors. Long-term foreign directors may also have a better understanding of the challenges of operating in a foreign context and therefore see greater value in building coalitions with returnees. We tested for the first possibility in Table 6, columns 2 and 3, where we defined long-term foreign directors from high-donation countries as the number of foreign directors who have been on the board of a listed Chinese firm for more than a year, divided by the number of foreign directors from high-donation countries.²⁰

²⁰ The majority of foreign directors from high-donation countries in our sample have been in that position for no more than two years. We therefore chose one year as the logical cut-off point.

Column 3 in Table 6 shows a positive and significant coefficient on the interaction term between returnee directors from high-donation countries and the fraction of foreign directors that came from high-donation countries and have been on the board of a Chinese firm for more than a year, suggesting that this select set of foreign directors, while unable to enact change on their own, may be well-positioned to work with returnee directors to implement change. This finding thus offers partial support for H2b, showing that some of these actors are effective enablers of institutional carriers.

At the same time, we saw no evidence of long-term foreign directors from high-donation countries driving up corporate donations on their own (Table 6, column 2). This supports the idea that foreign directors, even those with higher levels of experience in China, may not be sufficiently embedded to enact institutional change on their own. This result suggests that embeddedness may require more than experience in the context; it may be that some actors are fundamentally seen as outsiders in the institutional context, and only some actors who have the potential to be seen as insiders (such as returnees) can successfully act as institutional carriers. This finding further supports the idea of the paradox of peripheral influence.

Lack of institutionalization. Thus far, we have used the dummy variable *after 2008* as our measure of the lack of institutionalization of the practice of corporate philanthropy in China, which presents the need for embeddedness of institutional carriers. A concern with this measure is that anything that systematically changes in the latter period could drive this effect, so that we may not be measuring institutionalization. To address this concern, we delved deeper into two different and equally plausible drivers of institutionalization in our theory—government pressure and normative pressure for donations—and constructed more-granular measures of institutionalization to test our theory further.

We first examined government pressure, using the prevalence of CSR reports within the province as an indicator (e.g., Marquis and Qian, 2014; Luo, Wang, and Zhang, 2017). We collected data on CSR reports from the Material and Quantitative Indicator Database and split the provinces into those with higher-than-median CSR reports and lower-than-median CSR reports. Table 7 columns 1 and 2 show a significant effect of returnee directors from high-donation countries on donations for the provinces with lower-than-median CSR reports, with the difference in coefficients between the split samples being statistically significant (one-tail p -value: .048). Besides inter-province variation, we also explored inter-industry variation in institutionalization using the amount of donations within the firm's industry (Marquis and Tilcsik, 2016). In Table 7, columns 3 and 4, we split the industries into those with higher-than-median donations and those with lower-than-median donations, finding a significant effect of returnee directors from high-donation countries on donations for the low-donation industry subsample, with the difference in coefficients between the split samples being statistically significant (one-tail p -value: .040), providing additional support for H3c.

Robustness

We checked the robustness of the baseline analysis conducted in Table 3 in several ways. Table 8, panel A reports the robustness to alternative data

Table 7. Lack of Institutionalization Refined*

	Dependent variable: Donations-to-sales adjusted by industry-year median			
	(1) Subsample for province with high CSR reports	(2) Subsample for province with low CSR reports	(3) Subsample for industry with high donation	(4) Subsample for industry with low donation
Returnee directors from high-donation countries	.1237 (.2828)	.5334** (.1789)	.2442 (.2067)	.6439* (.2518)
Returnee directors from low-donation countries	.0247 (.0552)	.0310 (.0385)	.0407 (.0345)	-.0038 (.0363)
Foreign directors from high-donation countries	-.1452 (.1470)	-.4528* (.2259)	-.0437 (.2250)	-.5945** (.2143)
Foreign directors from low-donation countries	-.0438 (.1331)	-.2701 (.1650)	-.0381 (.1415)	-.4537* (.2062)
Partial R-squared	.003	.007	.005	.006
Cragg-Donald Wald F statistic	3.749	18.896	10.798	9.151
5% maximal IV relative bias	16.85	16.85	16.85	16.85
10% maximal IV relative bias	10.27	10.27	10.27	10.27
# of observations	6,121	12,385	10,101	8,410
# of firms	1,153	1,594	1,595	1,789
Controls	Yes	Yes	Yes	Yes
Firm fixed effects	Yes	Yes	Yes	Yes

+ $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$.

* Dependent variables are measured at the firm-year level. 2SLS estimates. Standard errors clustered at the firm level are reported in parentheses. All models include a constant, the coefficients of which are not reported.

samples. First, we excluded firms that have never hired a returnee to deal with the concern that firms in the control group might be unable or unwilling to hire such directors. We restricted the sample to firms that eventually hire at least one returnee director during the sample period and re-estimated our baseline regressions using the same IV approach. The results, which are shown in Table 8, panel A, column 1, are similar to those in Table 3. Next, we excluded firms from provinces that adopted policies to attract returnees prior to 2000 and re-estimated our statistical model in column 2, which showed that *returnee directors from high-donation countries* is still positively related to *donations-to-sales*. Third, to control for the possibility that firms are dropping in and out of the sample, we used a balanced panel that contains the firms that were publicly traded for the full period of 2000 to 2012 and found consistent results in column 3.

Table 8, panel B reports the robustness to alternative variable definition or model specification. We constructed province- and industry-median-adjusted *donations-to-sales* to deal with the possibility of unobserved province-level shocks driving up both returnee directors and donations. The results of this analysis, which are shown in column 1 of panel B, are consistent with the primary results. Column 2 shows the result of a regression with an alternative measure of donation, i.e., donations-to-profits ratio, and confirms the primary finding. Next, to deal with the concern that corporate philanthropy often shows

a high persistence, we controlled for lagged donation (e.g., Tang et al., 2015) in column 3 and arrived at similar results. In addition, as there may be a concern that new board members are unlikely to have an immediate influence, we estimated a model in which one-year lagged *returnee directors from high-donation countries* is the independent variable in column 4 and showed a consistent result. To deal with the possibility that returnee directors may be donating purely in pursuit of tax benefits for the firm (Clotfelter, 1985), we calculated tax rates at the firm-year level and then estimated a model that includes the interaction between *effective tax rate* and *returnee directors from high-donation countries* in column 5. We found no evidence that the relation between returnee directors and donation varies with tax burden. As mentioned before, we used the two-digit CSRC industry code to define industries. Our results are robust to using three-digit CSRC industry code, which contains 79 industry categories, or no adjustment for industry-specific trends, as reported in Table 8, panel B, columns 6 and 7. Our results are also robust to using alternative measures for high-donation countries—specifically using country power distance and individualism measures (Ioannou and Serafeim, 2012)—as reported in Table 8, panel B, columns 8 and 9.

A potential alternative explanation is that the policy change has attracted returnee directors of a particular kind, for example, scientific or academic returnee directors, and such professional background is what drives our results. To deal with this concern, we considered returnee directors who have doctoral degrees or post-doctoral experience as a proxy for scientific or academic backgrounds, and we examined the effect of these directors on corporate donations. We found no significant difference between the effects of scientific

Table 8. Robustness of Main Results

Panel A: Robustness to Alternative Data Samples*

	Dependent variable: Donations-to-sales adjusted by industry-year median		
	(1) Exclude never-hire- returnee-director firms	(2) Exclude observations if policy year < 2000	(3) Balanced panel
Returnee directors from high-donation countries	.3533**	.4334***	.3831*
	(.1186)	(.1147)	(.1660)
Returnee directors from low-donation countries	.0351	-.0053	-.0043
	(.0241)	(.0238)	(.0287)
Partial R-squared	.007	.011	.009
Cragg-Donald Wald F statistic	23.873	35.715	19.351
5% maximal IV relative bias	16.85	16.85	16.85
10% maximal IV relative bias	10.27	10.27	10.27
# of observations	15,406	14,406	16,322
# of firms	1,782	1,674	1,962
Controls	Yes	Yes	Yes
Firm fixed effects	Yes	Yes	Yes

(continued)

Table 8. (continued)

Panel B. Robustness to Alternative Variable Definition or Model Specification*

	Dependent variable: Donations-to-sales adjusted by industry-year median								
	(1) Within- province test	(2) Donations- to-profits	(3) Lagging donations- to-sales	(4) Lagging independent variable	(5) Tax break	(6) Three-digit CSRC industries	(7) Without industry adjustment	(8) Power distance	(9) Individualism
Returnee directors from high- donation countries	.3347* (.1399)	.0720** (.0243)	.3791* (.1795)		.4489** (.1584)	.4453** (.1523)	.6328*** (.1807)		
Returnee directors from low- donation countries	.0316 (.0238)	.0037 (.0045)	.0455 (.0288)	.0306 (.0259)	.0428 (.0300)	.0382 (.0275)	.0434 (.0338)		
Lagging donations- to-sales			.0194 (.0201)						
Lagging returnee directors from high-donation countries				.3869* (.1920)					
Returnee directors from high- donation countries × Effective tax rate					.0016 (.0926)				
Effective tax rate					-.0046 (.0078)				
Returnee directors from low power distance countries								.4327** (.1639)	
Returnee directors from high power distance countries								.0191 (.0190)	
Returnee directors from high individualism countries									.5417** (.1899)
Returnee directors from low individualism countries									.0104 (.0154)
Partial R-squared	.005	.005	.004	.003	.006	.005	.005	.006	.005
Cragg-Donald Wald F statistic	22.058	21.943	15.305	11.891	10.565	22.058	22.058	23.360	19.906
5% maximal IV relative bias	16.85	16.85	16.85	16.85	17.70	16.85	16.85	16.85	16.85
10% maximal IV relative bias	10.27	10.27	10.27	10.27	10.22	10.27	10.27	10.27	10.27
# of observations	18,860	18,900	16,322	16,349	17,606	18,860	18,860	18,860	18,860
# of firms	2,240	2,240	1,962	1,962	2,239	2,240	2,240	2,240	2,240
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

+ $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$.

* Dependent variables are measured at the firm-year level. 2SLS estimates. Standard errors clustered at the firm level are shown in parentheses. All models include a constant, the coefficients of which are not reported.

or academic directors (who account for only 12 percent of all returnee directors in our sample) and that of other directors in driving corporate donations.

DISCUSSION

We explore agents' characteristics that enable them to successfully employ transposition as a mechanism of institutional change. To examine this question empirically, we exploited a natural experiment from China. At various times from 2000 to 2012, China introduced provincial policies to attract returnees, which served as an exogenous shock to the supply of returnee directors. Using these policy changes as an instrument, we show that returnee corporate directors with relevant exposure drive up corporate donation. The effect of returnee directors with relevant exposure is stronger than that of local directors, returnee directors with no such exposure, and foreign-born directors with comparable exposure. The result is robust to a wide variety of alternative measures, specifications, and subsamples.

Further exploration of the mechanisms shows this main effect is moderated by the level of exposure at the actor, partner, and field level. The effect is significantly stronger for directors with longer exposure to high-donation contexts (although this effect is nonlinear), and it is stronger in the presence of foreign directors who share the returnee' exposure to high-donation contexts, provided these foreign directors have sufficient exposure to China to be useful. It is also stronger in less economically developed provinces, where the returnee directors' exposure to alternate ideas is more likely to be needed. In parallel, this main effect is also moderated by the level of embeddedness, also at the actor, partner, and field level. The effect is significantly stronger for returnee directors with local board interlocks who are highly embedded in the local context, and it is marginally stronger in the presence of politically connected directors who have an incentive to collaborate with returnees in solving social issues and who are strongly embedded and able to implement change. Finally, the main effect is also stronger in contexts with limited institutionalization of corporate philanthropy practices, where returnee directors' local embeddedness may be more critical. Overall, these results paint a coherent and compelling picture of the role of returning corporate elites in driving institutional change through transposition—and of the twin mechanisms of exposure and embeddedness that make successful transposition possible.

Our research makes several contributions. First, we shed new light on transposition as a mechanism of institutional change, highlighting the characteristics of actors that enable them to undertake transposition successfully. Answering the call for "more empirical studies . . . to consolidate or improve our account of transposition as innovation" (Boxenbaum and Battilana, 2005: 378), we delve more deeply into the factors that enable some actors to transpose ideas across institutions. To transpose institutional ideas successfully, actors need not only sufficient exposure to other institutions to be able to conceive of alternative visions, but also sufficient embeddedness in the focal institution to put that vision into practice. Whereas prior work on institutional entrepreneurship has focused on institutional entrepreneurs' ability to conceive of alternative arrangements from those in which they are embedded, we show that there is a second ability that matters: the capacity to put change into effect. In doing so, we also introduce the idea of a paradox of peripheral influence to

complement the paradox of embedded agency. Realizing that successful institutional change requires that both paradoxes be resolved is important not only for understanding institutional transpositions but also for studying the various other ways in which institutional change may occur (Padgett and Powell, 2012).

Second, we explore the mechanisms underlying these two distinct challenges for successful transposition by examining the heterogeneity of actors' exposure to alternative institutions and embeddedness in the focal institution, as well as the field conditions that moderate transposition. We are able to do so precisely because our study is a large-sample empirical analysis of variance (Van de Ven, 2007) and thus complements prior work on institutional transposition that used case-based analysis to study the process of transposition (e.g., Zilber, 2002; Boxenbaum and Battilana, 2005; Tilcsik, 2010). We do so, moreover, using an exogenous policy change that allows us to better identify the effect of these actor-level factors.

A third contribution is that our work links research on upper echelons and executive traits that are associated with CSR with research on institutional drivers of CSR. Although the upper echelons literature has found that individuals play critical roles in spearheading corporate involvement in the social space (e.g., Chin, Hambrick, and Treviño, 2013; Tang et al., 2015; Gupta, Briscoe, and Hambrick, 2017), the question of how those individuals arrive at a stronger preference for CSR in the first place remains. We offer an institutional explanation for individuals' varying propensities to become CSR agents. Echoing a larger theme in the imprinting literature (e.g., Stinchcombe, 1965; Marquis, 2003; Burton and Beckman, 2007; Marquis and Tilcsik, 2013), we argue that early experience studying or working in countries with a strong culture of CSR may leave a subtle imprint on Chinese top managers that could have an enduring impact, especially under facilitating conditions. We thus advance research on the antecedents of CSR, as well as on corporate governance more generally, by further explaining the mechanisms through which external institutional factors influence board decisions.

Fourth, we shed light on the important phenomenon of migration, highlighting in particular the role of reverse migrants. Even though the study is set in the context of China, reverse migration is a common phenomenon in many countries, and our study suggests that reverse migrants may have a unique advantage when acting as institutional entrepreneurs. Thus we supplement a prolific literature that argues that cross-country openness helps institutional change (Guillén, 2001), including through intergovernmental organizations (e.g., Rangan and Sengul, 2009; Torfason and Ingram, 2010; Guillén and Capron, 2016), the effect of trade treaties (e.g., Meyer et al., 1997; Henisz, Zelner, and Guillén, 2005; Dobbin, Simmons, and Garrett, 2007), and the role of multinational firms (e.g., Guler, Guillén, and Macpherson, 2002; Davis, Whitman, and Zald, 2006; Jeong and Weiner, 2012). We add to these extensive studies of external influences that may drive institutional change at the superstate, state, and organizational levels by showing that individual actors who move from place to place may create alternative links through which one institutional environment influences another.

In doing so, we add to the recent study of returnees and their influence on firms in the era of globalization (Li et al., 2012; Obukhova, 2012; Wang, 2015; Choudhury, 2016). By showing theoretically and empirically that returnees act as institutional carriers, and by highlighting their ability to facilitate the

development of corporate social actions at home, we enhance our understanding of the effects of return migrants. Though we focused on the context of corporate donation in China, the idea that returnees serve as agents of institutional change can likely be generalized to other emerging markets and other ideas. Further work could continue to explore actor-, partner-, field-, and practice-level variations that make return migrants more or less effective carriers of institutional ideas. Future work could also further explore the moderating role of political connections, distinguishing between different types of political connections (Zhang, Marquis, and Qiao, 2016) and focusing on the imprinting of the politically connected actors themselves (Marquis and Qiao, 2018; Wang, Du, and Marquis, 2018).

Given the large sample and the nature of our work, we could not study with precision important micro-processes of influence, such as the social and psychological aspects of the intra-group dynamics of boards (Battilana and Dorado, 2010; Tilcsik, 2010; Westphal and Zajac, 2013; Almandoz, 2014). We do not know how returnee directors adapt the practices in question (Marquis, Yin, and Yang, 2017), how they win support on the board, and what arguments they make to influencers and resisters. We were also unable to examine the collective action of these individual actors (Galaskiewicz, 1985; King and Soule, 2007; Fligstein and McAdam, 2012), though our results on the alliance between returnee directors and other directors are suggestive of the collective nature of this change. Relatedly, while we make arguments for embeddedness, we cannot empirically observe who returnees are allied with and what specific connections they have. Another limitation is that while we were able to account for the endogeneity of the presence of returnee directors, we could not fully rule out the possibility that individuals who are more positively inclined toward philanthropy may have self-selected into going abroad, thus becoming returnees. We think this is unlikely, however, because the choice of destination countries is mainly driven by economic and educational opportunities rather than cultural factors, because the policy's goal was to foster entrepreneurial activity, not to attract returnees to deal with social problems, and because we found no consistent patterns of people choosing one country over another due to cultural concerns.²¹ Further explorations of the micro-processes of influence through which donation practices are contested, adapted, mobilized, or diffused, as well as of the nature of returnees' pre-existing values and embeddedness, will be necessary and invaluable.

Acknowledgments

We thank Associate Editor Chris Marquis and three anonymous reviewers for their thoughtful guidance and extraordinary dedication throughout the review process. We are grateful to Mary Benner, Guoli Chen, Caroline Flammer, Dan Forbes, Martin Ganco, Derek Harmon, Vit Henisz, Bryan Hong, Stephan Hwang, Nan Jia, Aseem Kaul, Brayden King, Matthew Lee, Xueming Luo, Elena Obukhova, Vontrese Pamphile, Chris Rider, András Tilcsik, Jose Uribe, Dan Wang, Aks Zaheer, Shaker Zahra, Zhixue Zhang, and audiences at the Academy of Management Annual Conference, Junior Organization Theory Conference, Strategy and Business Environment Conference, Wharton Conference on Migration, Organizations and Management, Georgetown University,

²¹ Specifically, we found no evidence that returnees' last locations before going abroad are significantly related to the WGI scores of their destination countries.


Northwestern University, Peking University, Temple University, University of Michigan, University of Minnesota, University of Western Ontario, and University of Wisconsin for helpful comments and feedback. All errors are our own.


Supplemental Material

Supplemental material for this article can be found in the Online Appendix at <http://journals.sagepub.com/doi/suppl/10.1177/0001839220929736>.

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ONLINE APPENDIX
Appendix A: Variables

Table A1. Database Coverage of Donations

Panel A. Database Time Coverage*

Database	Years covered
CSMAR	2003–2011
RESSET	2000–2006
iFind	2008–2012

Panel B. Correction of Donation Expenses between Databases

Database	CSMAR	RESSET	iFind
CSMAR	1		
RESSET	0.9912***	1	
iFind	0.9984***	N/A	1

Panel C. Differences in Averages of Donation (in Chinese Yuan) between Databases

Database	Obs.	Difference	T-test
CSMAR and RESSET	5,240	–2,848.447	–0.2839
CSMAR and iFind	5,210	328.9381	1.1738

*** $p < .001$.

* We obtain donation expenses data from three databases (CSMAR, RESSET, and iFind). Each database covers different periods for firms' donation expenses. The RESSET database is developed by Beijing Gildata RESSET Data Technology and is one of the major databases for listed Chinese firms. The iFind database started in 2010 and is managed by Zhengjiang RoyalFlush Network, which is one of the largest providers of securities analysis software in China.

Table A2. Geographic Distribution and Culture Index*

Nation	Number of unique directors	WGI score	PD index	IM index	Nation	Number of unique directors	WGI score	PD index	IM index
Algeria	4	18	N/A	N/A	South Korea	54	36	60	18
Argentina	3	24	49	46	Macau	123	N/A	N/A	N/A
Australia	232	60	36	90	Malaysia	30	28	100	26
Austria	13	41	N/A	N/A	Mauritius	4	43	N/A	N/A
Belarus	1	25	N/A	N/A	Mexico	6	28	81	30
Belgium	24	34	65	75	Netherlands	68	53	38	80
Brazil	10	27	69	38	New Zealand	43	57	22	79
Bulgaria	1	15	70	30	Norway	9	42	31	69
Canada	301	58	39	80	Philippines	15	45	94	32
China	N/A	13	80	20	Poland	7	24	68	60
Chile	1	38	63	23	Portugal	1	19	63	27
Cuba	1	N/A	N/A	N/A	Romania	1	19	90	30
Czech	5	24	57	58	Russia	27	18	93	39
Denmark	10	49	18	74	Singapore	217	20	74	20
Finland	9	45	33	63	South Africa	11	30	49	65
France	136	34	68	71	Spain	12	29	57	51
Germany	179	38	35	67	Sweden	27	38	31	71
Hong Kong	1819	44	68	25	Switzerland	53	44	34	68
Hungary	2	24	46	80	Thailand	53	42	64	20
India	20	16	77	48	UAE	6	38	90	25
Ireland	3	60	28	70	UK	525	51	35	89
Italy	24	33	50	76	Ukraine	5	21	N/A	N/A
Japan	410	26	54	46	USA	1481	57	40	91
Jordan	2	21	70	30					

* WGI score refers to World Giving Index, PD index refers to Hofstede's power distance index, and IM index refers to Hofstede's individualism index.

Table A3. Definitions and Sources of Variables

Variable	Definition
After 2008	Dummy variable that equals one for the years after 2008 and 0 otherwise.
Average overseas duration of returnee directors from high-donation countries	Average length of staying abroad for returnee directors from high-donation countries for firms with such directors; it is coded 0 for firms without such directors. This variable is winsorized at the 1st and 99th percentiles. Data are from CSMAR database and manual collection.
Block	Proportion of shares held by the largest shareholder. This variable is winsorized at the 1st and 99th percentiles. Data are from CSMAR database.
Director age	Average age of directors for each firm-year, where age is measured by the difference between the year of observation and the year of birth for a director. This variable is winsorized at the 1st and 99th percentiles. Data are from CSMAR database.
Director tenure	Average tenure of directors for each firm-year, where tenure is measured as the difference between the year of observation and the year during which a director joins the board of a given firm. This variable is winsorized at the 1st and 99th percentiles. Data are from CSMAR database.
Donations-to-profits (%)	Donation expenses divided by total profits and then multiplied by 100. This variable is measured at the firm-year level. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR, RESSET, and iFind databases.
Donations-to-sales (%)	Donation expenses divided by sales and then multiplied by 100. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR, RESSET and iFind databases.
Effective tax rate	Ratio of income tax expenses to adjusted total profits. Adjusted total profits is the actual total profits minus the deferred profits, which are the deferred tax divided by the statutory tax rate (Stickney and McGee, 1982). This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database.
Female directors	Number of female directors divided by number of all directors for each firm-year. It is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database.
Firm age	Natural logarithm of total days that firm had operated. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database.
Firm size	Natural logarithm of total assets. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database.
Foreign directors	Number of directors with foreign nationality divided by total number of directors for each firm-year. This variable is winsorized at the 1st and 99th levels. Data are from the CSMAR database and manual collection.
Foreign directors from high-donation countries	Number of directors with foreign nationality of high-donation countries divided by the total number of directors for each firm-year. High-donation countries are those foreign countries with WGI scores above the median score of all sample countries. This ratio is set to zero if there are no such directors in the firm. This variable is winsorized at the 1st and 99th percentiles. The WGI database is accessed at www.cafonline.org/docs/default-source/about-us-publications/worldgivingindex2012web.pdf .
Foreign directors from low-donation countries	Number of directors with foreign nationality of low-donation countries divided by the total number of directors for each firm-year. Low-donation countries are those foreign countries with WGI scores equal to or below the median score of all sample countries. This ratio is set to zero if there are no such directors in the firm. This variable is winsorized at the 1st and

	99th percentiles. The WGI database is accessed at www.cafonline.org/docs/default-source/about-us-publications/worldgivingindex2012web.pdf .
Foreign ownership	Proportion of shares held by all foreign legal persons. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database.
Free cash flow	Sum of cash flow from operating, financing, and investing activities divided by total assets. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database.
Insider directors	Number of directors who receive salary as an employee of the firm divided by total number of directors for each firm-year. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database.
Leverage	Number of total liabilities divided by total assets. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database.
Long-term foreign directors from high-donation countries	Number of long-term foreign directors from high-donation countries divided by the number of foreign directors from high-donation countries, where a foreign director is defined as long-term if she has been on the board of any listed Chinese firms for more than a year. This ratio is set to zero if there are no such foreign directors in the firm. This variable is winsorized at the 1st and 99th percentiles.
MB	Market-to-book ratio. It is the sum of the market value of equity and book value of total liabilities, divided by the book value of total assets. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database.
Per capita GDP	Provincial gross domestic product (GDP) divided by population for each province-year. This variable is denominated in thousand Chinese yuan. Data are from the CSMAR database.
Politically connected local directors	Number of local directors (i.e., Chinese directors with no foreign experience) and politically connected directors divided by the total number of directors on the board for each firm-year. Political connectedness is defined as being current or former members of the People's Congress or the Chinese People's Political Consultative Conference or Government Counselors for each firm-year. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database and manual collection.
Provincial policy	Dummy variable that equals one for firms in the province after it starts policies attracting returnees; otherwise, it equals zero.
Returnee directors	Number of returnee directors on the board divided by the total number of directors for each firm-year. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database and manual collection.
Returnee directors from high-donation countries	Number of returnee directors coming back from high-donation countries divided by the total number of directors for each firm-year. High-donation countries are those foreign countries with WGI scores above the median score of all sample countries. This ratio is set to zero if there are no returnee directors in the firm. If a returnee director has stayed in multiple foreign countries, her WGI score is the average score across all those foreign countries. This variable is winsorized at the 1st and 99th percentiles. The WGI database is accessed at www.cafonline.org/docs/default-source/about-us-publications/worldgivingindex2012web.pdf .
Returnee directors from high-donation countries and on multiple boards	Number of interlocked returnee directors from high-donation countries divided by the total number of board members, where a returnee director is defined as interlocked if she serves on multiple boards in a given year. This variable is winsorized at the 1st and 99th percentiles.

Returnee directors from low-donation countries	Number of returnee directors coming back from low-donation countries divided by the total number of directors for each firm-year. Low-donation countries are those foreign countries with WGI scores equal to or below the median score of all sample countries. This ratio is set to zero if there are no returnee directors in the firm. If a returnee director has stayed in multiple foreign countries, her WGI score is the average score across all those foreign countries. This variable is winsorized at the 1st and 99th percentiles. The WGI database is accessed at www.cafonline.org/docs/default-source/about-us-publications/worldgivingindex2012web.pdf .
Returnee directors from high power distance countries	Number of returnee directors coming back from high power distance countries divided by the total number of directors for each firm-year. High power distance countries are those foreign countries whose power distance scores are higher than the median score of all sample countries. If a returnee director has stayed in multiple foreign countries, her power distance score is the average power distance score across all those foreign countries. Data are from Geert Hofstede's official website, https://geerthofstede.com/research-and-vsm/dimension-data-matrix/ .
Returnee directors from low power distance countries	Number of returnee directors coming back from low power distance countries divided by the total number of directors for each firm-year. Low power distance countries are those foreign countries whose power distance scores equal to or are lower than the median score of all sample countries. If a returnee director has stayed in multiple foreign countries, her power distance score is the average power distance score across all those foreign countries. Data are from Geert Hofstede's official website, https://geerthofstede.com/research-and-vsm/dimension-data-matrix/ .
Returnee directors from high individualism countries	Number of returnee directors coming back from high individualism countries divided by the total number of directors for each firm-year. High individualism countries are those foreign countries whose individualism scores are higher than the median score of all sample countries. If a returnee director has stayed in multiple foreign countries, her individualism score is the average power distance score across all those foreign countries. Data are from Geert Hofstede's official website, https://geerthofstede.com/research-and-vsm/dimension-data-matrix/ .
Returnee directors from low individualism countries	Number of returnee directors coming back from low individualism countries divided by the total number of directors for each firm-year. Low individualism countries are those foreign countries whose individualism scores equal to or are lower than the median score of all sample countries. If a returnee director has stayed in multiple foreign countries, her individualism score is the average power distance score across all those foreign countries. Data are from Geert Hofstede's official website, https://geerthofstede.com/research-and-vsm/dimension-data-matrix/ .
ROA	Firm's operating income divided by total assets. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database.
State owned	Dummy variable that equals one if the largest ultimate shareholder of the firm is marked in the database as "State-owned" or "State-controlled." Data are from the CSMAR database.

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Table A4. Policies for Attracting Highly Skilled Returnees, 2000–2012*

Province	Year policy adopted	# of unique firms	# of firm-year observations			% of firms with returnee directors	
			Total	Before	After	Before	After
Anhui	1994	77	638	0	638	N/A	50.78
Beijing	2000	210	1483	61	1422	34.43	66.67
Chongqing	2005	36	340	139	201	38.85	67.66
Fujian	2000	85	652	30	622	26.67	62.70
Gansu	2003	25	241	57	184	10.53	32.61
Guangdong	1999	361	2468	0	2468	N/A	77.23
Guangxi	2005	29	290	113	177	40.71	58.19
Guizhou	2003	21	214	46	168	17.39	33.93
Hainan	2001	26	270	37	233	51.35	47.64
Hebei	2001	50	435	43	392	6.98	43.62
Heilongjiang	2002	31	330	65	265	30.77	48.68
Henan	1992	67	502	0	502	N/A	51.39
Hubei	2002	80	787	149	638	30.87	57.37
Hunan	2001	72	579	57	522	14.04	59.96
Inner Mongolia	2001	25	241	30	211	10.00	37.91
Jiangsu	2004	231	1479	350	1129	42.00	58.46
Jiangxi	2003	34	322	71	251	36.62	51.00
Jilin	2001	40	408	52	356	11.54	45.79
Liaoning	1999	68	628	0	628	N/A	39.33
Ningxia	2003	12	142	40	102	37.50	35.29
Qinghai	1999	11	121	0	121	N/A	46.28
Shaanxi	1995	37	343	0	343	N/A	72.30
Shandong	2005	154	1167	393	774	40.71	56.72
Shanghai	2005	196	1855	751	1104	53.66	70.02
Shanxi	2007	33	346	192	154	43.75	49.35
Sichuan	2005	91	814	314	500	33.76	54.20
Tianjin	2001	38	363	39	324	30.77	68.52
Tibet	N/A	10	103	N/A	N/A	N/A	N/A
Xinjiang	2003	38	367	85	282	24.71	26.24
Yunnan	2001	28	287	32	255	21.88	51.37
Zhejiang	2001	245	1587	115	1472	24.35	64.27
Total		2461	19802	3261	16438	38.55	59.75

* This table reports the year of the policy adoption, the number of unique sample firms, and the proportion of returnee directors for each province that implemented a policy to attract highly talented emigrants. “Issuing year” is the year when the policy was adopted. “After” refers to the number of observations after the issuing year. “Before” refers to observations before and during the issuing year. “% of firms with returnee directors” refers to the fraction of firms with at least one returnee director in the corresponding firm-year observations.

Appendix B: Results

Table B1. Correlation of Variables

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
(2) Donations-to-profits (%) (adjusted by industry-year median)	.48														
(3) Returnee directors from high-donation countries	.02	.01													
(4) Returnee directors from low-donation countries	-.01	-.00	.04												
(5) Foreign directors from high-donation countries	.00	-.01	.24	.03											
(6) Foreign directors from low-donation countries	-.00	.01	.12	.25	.18										
(7) Foreign ownership	-.01	.00	.20	.12	.24	.19									
(8) Block	-.05	-.05	-.04	-.01	-.02	-.03	.01								
(9) State owned	-.07	-.01	-.14	-.04	-.10	-.07	-.10	.28							
(10) Firm size	-.02	.02	.10	.03	-.00	.01	-.01	.21	.10						
(11) Firm age	-.01	.02	.02	-.02	-.02	-.02	-.10	-.32	-.16	.14					
(12) ROA	.08	.00	.06	.03	.05	.02	.04	.16	-.01	.19	-.15				
(13) MB	.05	-.06	.00	-.02	.02	-.01	.01	-.07	-.11	-.43	-.04	-.03			
(14) Leverage	-.08	-.01	-.04	-.03	-.08	-.03	-.08	-.08	.03	.10	.25	-.51	.09		
(15) Free cash flow	.03	-.02	.04	.01	.06	.00	.05	-.00	-.06	-.05	-.12	.16	.15	-.14	
(16) Female directors	.03	.01	-.01	-.02	.02	.00	.03	-.07	-.13	-.11	.05	-.01	.03	-.02	.03
(17) Director age	-.03	.01	.03	.05	.06	.07	.05	.10	.04	.31	.13	.07	-.10	-.02	-.04
(18) Director tenure	.01	.00	.02	-.01	.00	-.01	-.02	-.01	-.09	.09	.06	.04	-.05	-.04	-.01
(19) Insider directors	.08	.02	-.04	-.04	.02	.01	-.02	-.06	-.12	-.07	-.11	.06	.01	-.09	.04
(20) Average overseas duration of returnee directors from high-donation countries	-.01	.01	.37	.03	.11	.07	.09	-.02	-.04	.10	.05	.03	-.02	-.01	.00
(21) Returnee directors from high-donation countries and on multiple boards	.02	.01	.50	.03	.04	.02	.04	.01	-.03	.12	.04	.05	-.04	-.02	-.00
(22) Politically connected local directors	.10	.06	.03	-.01	.03	.02	.00	-.04	-.15	.05	.02	.06	-.01	-.02	.03
(23) Per capita GDP	.02	.00	.20	.07	.10	.04	.06	-.06	-.31	.18	.24	.07	.00	-.09	.04
(24) After 2008	.04	-.01	.11	.03	.11	.04	.01	-.12	-.44	.17	.29	.06	.09	-.09	.09
(25) Long-term foreign directors from high-donation countries	.00	.00	.19	.01	.74	.16	.16	-.02	-.08	.01	.00	.04	.00	-.05	-.03
(26) Effective tax rate	.00	.01	-.00	-.00	-.01	-.00	-.01	.05	.04	.04	-.03	.15	-.06	-.04	.01
(27) Returnee directors from low power distance countries	.02	.02	.77	.34	.20	.18	.17	-.05	-.13	.09	.01	.07	-.01	-.05	.04
(28) Returnee directors from high power distance countries	-.00	-.02	.61	.25	.15	.11	.18	.00	-.07	.06	.01	.03	-.00	-.02	.02
(29) Returnee directors from high individualism countries	.03	.02	.78	.15	.19	.10	.14	-.04	-.11	.10	.01	.06	.00	-.04	.03
(30) Returnee directors from low individualism countries	.00	-.01	.63	.46	.16	.21	.21	-.02	-.10	.05	.00	.04	-.01	-.03	.02
Variable	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
(17) Director age	-.08														
(18) Director tenure	.04	.13													
(19) Insider directors	.07	-.12	.02												
(20) Average overseas duration of returnee directors from high-donation countries	-.05	.07	.01	-.04											
(21) Returnee directors from high-donation countries and on multiple boards	-.05	.04	.03	-.06	.23										
(22) Politically connected local directors	.04	.09	.04	.06	.03	-.01									
(23) Per capita GDP	.11	.27	.16	-.08	.10	.14	.09								
(24) After 2008	.11	.24	.20	.03	.04	.07	.15	.55							
(25) Long-term foreign directors from high-donation countries	.01	.06	.00	.03	.09	.04	.02	.07	.07						
(26) Effective tax rate	.01	-.01	-.02	.02	-.00	-.00	.00	-.05	-.06	-.01					
(27) Returnee directors from low power distance countries	-.02	.03	.01	-.03	.35	.43	.04	.17	.11	.15	.00				
(28) Returnee directors from high power distance countries	-.00	.03	.00	-.04	.15	.24	-.02	.14	.05	.11	-.01	.11			
(29) Returnee directors from high individualism countries	-.02	.03	.02	-.03	.37	.45	.04	.16	.10	.14	.00	.88	.17		
(30) Returnee directors from low individualism countries	-.01	.03	-.00	-.05	.16	.25	-.01	.16	.07	.13	-.01	.36	.83	.14	

Table B2. IV First Stage

	(1) Returnee directors from high-donation countries	(2) Returnee directors from low-donation countries	(3) All returnee directors
Provincial policy	.0242** (.0086)	.0028 (.0035)	.0270** (.0095)
Provincial policy × Foreign ownership	.0442 (.0857)	.0343 (.0330)	.0785 (.1023)
Provincial policy × Block	-.0165 (.0152)	-.0013 (.0071)	-.0179 (.0167)
Provincial policy × State owned	-.0012 (.0064)	.0003 (.0026)	-.0008 (.0070)
Foreign ownership	.1402*** (.0348)	.0160 (.0175)	.1562*** (.0400)
Block	-.0082 (.0148)	-.0075 (.0063)	-.0157 (.0158)
State owned	.0006 (.0032)	.0023+ (.0013)	.0029 (.0033)
Firm size	.0020 (.0024)	-.0002 (.0010)	.0018 (.0027)
Firm age	.0277*** (.0043)	.0025 (.0020)	.0302*** (.0049)
ROA	.0314* (.0126)	.0074 (.0056)	.0388** (.0140)
MB	-.0012* (.0006)	-.0004* (.0002)	-.0017** (.0006)
Leverage	.0078 (.0065)	.0030+ (.0018)	.0108 (.0068)
Free cash flow	.0053 (.0034)	-.0019 (.0016)	.0034 (.0038)
Female directors	-.0138 (.0143)	-.0054 (.0066)	-.0191 (.0153)
Director age	-.0014** (.0005)	-.0001 (.0002)	-.0027** (.0009)
Director tenure	-.0019* (.0009)	-.0008* (.0004)	-.0015** (.0005)
Insider directors	-.0287*** (.0062)	-.0041 (.0026)	-.0328*** (.0068)
Foreign directors from high-donation countries	.7593*** (.0996)	.0137 (.0367)	.7730*** (.1096)
Foreign directors from low-donation countries	.5309*** (.1062)	.2677** (.0672)	.7987*** (.1286)
Intercept	-.1113* (.0472)	.0084 (.0223)	-.1029* (.0515)
Joint F test of excluded instruments	6.45***	1.18	7.45***
# of observations	19,047	19,047	19,047
# of firms	2,387	2,387	2,387
R-squared	.743	.657	.743
Controls	Yes	Yes	Yes
Firm fixed effects	Yes	Yes	Yes

+ $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$.

Table B3. Female Directors/Female Returnee Directors as Alliance Partners*

	(1) Female directors	(2) Female returnee directors
Returnee director from high-donation countries	.3668 [*] (.1458)	.3863 ^{**} (.1361)
Returnee director from high-donation countries × Female director	.2036 (.3495)	
Female director	.0007 (.0284)	.0442 ^{**} (.0167)
Returnee director from high-donation countries × Female returnee directors		-.3193 (1.0657)
Female returnee directors		-.2575 (.2519)
Returnee director from low-donation countries	.0346 (.0251)	.0626 ⁺ (.0323)
Foreign director from high-donation countries	-.3171 [*] (.1283)	-.2843 [*] (.1169)
Foreign director from low-donation countries	-.1788 ⁺ (.1003)	-.1619 ⁺ (.0937)
Partial R-squared	.008	.006
Cragg-Donald Wald F statistic	13.042	12.277
5% maximal IV relative bias	17.70	15.18
10% maximal IV relative bias	10.22	9.01
# of observations	18,860	18,860
# of firms	2,240	2,240
Controls	Yes	Yes
Firm fixed effects	Yes	Yes

+ $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$.

* Dependent variables are measured at the firm-year level. 2SLS estimates. Standard errors clustered at the firm level are shown in parentheses. All models include a constant, the coefficients of which are not reported.