Leadership Reconfiguration in State-Acquired Privately Owned Enterprises: A Paradox between Institutional Control and Agency

Abstract: This study aims to explore the dynamics of leadership reconfiguration within emergent state-owned enterprises (SOEs), i.e., privately owned enterprises (POEs) that have been acquired by SOEs. From an institutional logic perspective, we argue that the emergence of these SOEs reflects a process in which POEs, previously dominated by market logic, incorporate state logic and transition to a hybrid form. However, this process presents a paradox for emergent SOEs: while a greater extent of reconfiguration of leadership helps them gain greater legitimacy in front of state-related institutional referents, it also results in greater conflicts between members adhering to different logics. To address this paradox, we theorize on the differences in the reconfigurations of the board and top management team (TMT) by respectively connecting their functions to institutional control and agency, two typical forms of institutional power. Our analysis reveals that emergent SOEs tend to experience reconfiguration more in the board while less in TMT. Furthermore, we find that these main effects are moderated by the industrial state-ownership density and acquirees' preacquisition political connections. Our study contributes to the SOE and M&A literature by highlighting the uniqueness of emergent SOEs arising from POE-to-SOE acquisitions. Additionally, we propose a strategy to reconcile legitimation and internal stabilizations during logic hybridizations, thereby contributing to the institutional logic literature.

Keywords: state-owned enterprise (SOE), institutional logic, institutional power, hybrid organization, leadership reconfiguration

INTRODUCTION

Although once considered inefficient and outdated (Ravasi and Zattoni, 2006), state-owned enterprises (SOEs) now account for nearly one-quarter of Fortune Global 500 corporations and play an increasingly important role in the Chinese economy (Fortune, 2021; Ravasi and Zattoni, 2006; Zhang, 2019). Among multiple theoretical lenses, institutional logic, by theorizing SOEs as hybrid organizations that combine state and market logics, successfully depicts the heterogeneities among SOEs (Bruton, Peng, Ahlstrom, Stan, & Xu, 2015). For instance, scholars can sort SOEs into wholly state-owned, mixed-owned, and wholly privatized types based on the relative forces of state and market logics (Wang and Tan, 2020; Wang, Chen, Liu, & Tang, 2020), or differentiate central and local SOEs according to the different ways they couple the dual logics (Genin, Tan, & Song, 2020).

While insightful, the above research implicitly narrows their scope to established SOEs that consistently and stably combine the dual logics. However, they neglect the fact that SOEs are not always "born" as a market-state hybrid; instead, some SOEs experience "being-made" processes and become hybridized later in their life cycles. This study refers to such being-made hybrid organizations as "emergent" SOEs. Emergent SOEs can be easily observed during state-owned enterprises' acquisitions of privately owned enterprises (POE-to-SOE acquisitions) (Greve and Zhang, 2017), through which previous POEs begin to incorporate elements corresponding with state logic and turn to hybrid organizing.

Theoretically, the focus on POE-to-SOE acquisitions or on emergent SOEs provides a unique opportunity to understand the following issue: *how hybrid organizations institutionalize additional logics into (previously) single-logic organizations and turn them*

into hybridity. Institutionalizing hybridized logics can be challenging since it discontinuously pushes (previously) single-logic organizations into conflicts among different logics (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011), along with significant friction and tensions in organizational goals, identity, priorities, and rules of behavior (Cappellaro, Tracey, & Greenwood, 2020; Kim, Kim, & Hoskisson, 2010). Here, considering that leaders are influential carriers of institutional logics (Almandoz, 2014; Greve and Zhang, 2017), we deem the reconfiguration of leadership as an effective way for acquirer SOEs to arrange different forms of power and institutionalize hybridized logics into acquiree POEs (i.e., the emergent SOEs). We further put forward a key paradox: greater reconfiguration in emergent SOEs' leadership accelerates the institutionalization of hybrid logics, thus helping them gain greater legitimacy in front of state-related institutional referents, but it will also result in greater conflicts among members adhering to different logics.

This study responds to the above paradox by comparing emergent SOEs' reconfiguration of different bodies of leadership – the appointments of board directors and top managers who are affiliated with acquirer SOEs, and the turnover of original directors and top managers from acquiree POEs (hereafter board and TMT reconfiguration). More specifically, we compare the nonexecutive part of the board with TMT to cancel the overlap between these two bodies. Considering the fact that boards serve in the monitoring and resource-providing role while TMTs engage in the implementation of strategy and day-to-day operations (Johnson, Daily, & Ellstrand, 1996; Norburn and Birley, 1988), the board and TMT reconfigurations could be respectively connected to firms' institutional control and agency – two major forms of institutional power (Lawrence and Buchanan, 2017). We

propose that acquirer SOEs can selectively initiate board reconfiguration while toning down TMT reconfiguration in emergent SOEs so as to reconcile the institutionalization of state logic and internal stabilization. Moreover, we propose that the above core mechanisms can be mitigated when emergent SOEs have already been exposed to state logic to some degree before an acquisition.

This study aims to make several contributions. First, explicitly or implicitly, prior studies employ an institutional logic lens to theorize established SOEs statically, and they believe SOE heterogeneity is a result of different combinations of market and state logics. In this way, for example, scholars find that SOEs controlled by central and local governments or on different pyramidal levels will make different decisions (Genin et al., 2020; Wang, Yin, Zhang, & Peng, 2022). In comparison, under a renewed evolutionary view, this research adds a temporal dimension to the existing theorization of SOE heterogeneities. That is, a POE can experience a discontinuous institutionalization of an additional state logic and transform into an emergent SOE. Thus, we theoretically differentiate emergent SOEs from established ones.

Second and related, given that we observe emergent SOEs from the phenomenon of POE-to-SOE acquisitions, this study also contributes to the understanding of SOEs' M&A through an institutional lens. Although several pioneer studies have explored how varied coalitions in SOEs, backed by competing logics, interactively decide on the POE-to-SOE or market-oriented acquisition (Greve and Zhang, 2017; Zhang and Greve, 2019), our study extends this idea from M&A decision-making to post-M&A integration, as well as from the acquirer to the acquirer-acquiree interface. Ultimately, we show a strategy by which acquirer SOEs can settle state-logic coalitions in acquiree POEs and penetrate the existing market-

logic coalitions without causing significant conflicts in POE-to-SOE acquisitions.

Third, based on the case of emergent SOEs, we contribute to a more generalized literature on hybrid organizations. Although hybrid organizations have long drawn academic attention, scholars prioritize the static states of hybridity over dynamic hybridization processes at the organizational level (Radoynovska and Ruttan, 2021). The few exceptions present a gloomy picture of such dynamic processes. For example, Cappellaro et al. (2020) propose that members who adhere to the new logic would gain positive feedback from multiple audiences in the initial stage after hybridization but would later induce internal tensions with severe destabilizing consequences. In contrast, our findings in this study indicate that enterprises can reconcile the incorporation of a new logic and internal stabilization via a well-designed exertion of institutional power. Specifically, emergent SOEs deliberately and temporally decouple the change of institutional control and agency in the initial stage after POE-to-SOE acquisitions, and then recouple them to fuse state logic in a smoother and more comprehensive way.

THEORETICAL BACKGROUND

Institutional Logics, Power, and Logic Hybridization

Institutional logics are socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality (Friedland, 1991; Thornton, Ocasio, & Lounsbury, 2012). As shown in Table 1, organizations and coalitions that adhere to market logic pursue profit maximization as faceless participants

in competition (Zajac and Westphal, 2004). Managers gain legitimacy through improving efficiency, governed by a set of pecuniary incentives and monitoring tools (Jia, Huang, & Zhang, 2019; Zhou, Gao, & Zhao, 2017). In contrast, organizations and coalitions that adhere to state logic are carriers of state policy and stewards of public resources (Pahnke, Katila, & Eisenhardt, 2015), whose leaders identify themselves as bureaucrats (Zhou et al., 2017), and gain legitimacy from state authorization (Greve and Zhang, 2017; Thomann, Lieberherr, & Ingold, 2016). Thus, hybridization of state and market logics essentially means fusing two divergent "modes of rationality" within the emergent SOEs (Clegg, 1989), which will inevitably cause conflicts in terms of organizational goals, identities, and routines. These logic-laden conflicts often trigger politics in which different logic carriers seek recourse to power to win the internal struggle (Clegg, 1989; Clegg, Courpasson, & Phillips, 2006). However, this complicates the hybridization task and impedes the realization of underlying aspirations (Battilana and Lee, 2014; Greenwood et al., 2011; Jay, 2013).

INSERT TABLE 1 HERE

Carriers of a certain logic use institutions to govern the relations of meaning and production within their organization, which are the double focus of organizations (Clegg, 1989). While the hybridization of an additional logic introduces fundamental changes to these two relations and inevitably arouses significant conflicts, carriers of different logics seek recourse to power to react to the conflicts and institutionalize the logic to which they adhere. Generally, there are two opposite directions of institutional power that actors can exert –

institutional control and institutional agency (Lawrence and Buchanan, 2017). Given that power essentially refers to the ability to get others to do what you want them to do, if necessary against their will (Hardy and Clegg, 2006; Weber, 1978), control and agency denote two different ways by which logic carriers interact with institutions to influence others' beliefs and practices by defining the relations of meaning and production. A more detailed comparison between control and agency is presented in Table 2. In general, they differ in their impact on institutions and actions and, most importantly, the conflict incurred.

Institutional control, focusing on the effects of institutions on actors' beliefs and behavior, functions through systemic power in the form of discipline and domination (Lawrence and Buchanan, 2017). Often resulting from a highly institutionalized environment (Meyer and Rowan, 1977), institutional control represents a power relay in a complex flow of authority, where the superordinate gains dispositional power from the institution's structure of dominancy[1] (Clegg, 1989). This can be well exemplified by coercive isomorphism (DiMaggio and Powell, 1983), which also implies that control may bear a limitation of reach to a rather visible set of organizational constructs (Andrews, 2009). Since the superordinate is just one relay in the authority flow (Clegg, 1989), the source of power is faceless and thus power usually appears indirectly in institutional control, observable primarily through the compliance of organizational actors such as disciplined decision makers (Lawrence and Buchanan, 2017). Such compliance can be symbolic, producing an impression of conformity without actual implementation (Durand, Hawn, & Ioannou, 2019). Moreover, these forms of power (domination and discipline) essentially prevent observable conflicts and resistance

[1] According to Weber (1978), a structure of dominancy is concerned with the different types of substantive rule that govern various institutional arenas, and thus make it probable that action within that arena is action that was authorized.

(Lawrence and Buchanan, 2017). We thus infer that institutional control evokes relatively less conflict.

In contrast, institutional agency describes the work of actors to create, transform, maintain, or disrupt institutions, which often mobilizes episodic individual power to alter the relations of meaning and production through influence and force (Heugens and Lander, 2009; Lawrence, Suddaby, & Leca, 2009). These forms of power often evoke active resistance and observable conflicts due to their visibility and highly personalized source of power (Lawrence and Buchanan, 2017). Specifically, institutional agency underpins the reproduction, creation, and judgment of institutions (Emirbayer and Mische, 1998; Smets and Jarzabkowski, 2013). They suggest a purposeful and intentional decision maker, and highlight the embeddedness of institutional agency in practices, which interferes with those invisible yet substantive social processes within the organization (Andrews, 2009; Chandler, 2014). We therefore propose that the conflict evoked in the case of institutional agency is comparatively high.

That control and agency are juxtaposed as two opposite ways of institutional power exertion does not mean that they are independent of each other. On the contrary, the achievement of agency essentially entails the exercise of discretion, and the acquisition and retention of discretion largely relies on delegation from the controlling authority (Clegg, 1989). In other words, the realization and empowerment of agency are dependent on certain standing conditions, which usually require the agency to be equipped with a certain capacity that is rooted in their resource control and will have consequential outcomes for the scope of their actions (Clegg, 1989; Hindess, 1982). On the other hand, once having gained discretion,

actors can wield agency power to interpret the "rules of game" dictated by the controlling authority, thereby organizing a sense-making process that helps construct the relations of meaning for their own good (Clegg, 1989; Lawrence et al., 2009). Thus, control and agency are highly interdependent, and both the delegation of authority and the discipline of discretion are important for arranging the structure of institutional power within an organization.

INSERT TABLE 2 HERE

Leadership Reconfiguration as an Adaptation to Institutional Logic Hybridization

Enterprise leadership, including the board of directors and top management team, is the apex of decision control and strategic management (Brunninge, Nordqvist, & Wiklund, 2007; Finkelstein, Hambrick, & Cannella, 2009). It is thus highly impactful on an enterprise's performance (Certo, Lester, Dalton, & Dalton, 2006; Hillman and Dalziel, 2003). Specifically, leaders play an essential part in institutionalization processes, especially in terms of governance, adaptation, and reform of organizational institutions (Kraatz, 2009). As institutional carriers, leaders' institutional representation largely influences their vision, interpretation of reality, and problem-solving framework, which is translated into organizational practices (Almandoz, 2014) and influences the adaptation and direction of organizations (Wiersema and Bantel, 1993). In this sense, through appointment and turnover, the reconfiguration of both the board and TMT is acknowledged to be an important way of organizational adaptation to institutional discontinuities (Hoppmann, Naegele, & Girod, 2019; Wiersema and Bantel, 1993). We therefore propose that an enterprise's leadership

reconfiguration can be an effective approach for adapting to the sudden exposure to conflicts between incompatible logics during hybridization.

While both are important, the board and TMT undertake different occupational tasks and thus differ in their institutional power. There is general consensus regarding the two major roles of the board – monitoring and resource provision (Boivie, Bednar, Aguilera, & Andrus, 2016; Hillman and Dalziel, 2003). First, shareholders entrust board directors to supervise the management teams (Johnson et al., 1996). Thus, board directors are entitled to exercise oversight over the strategic choices made by TMTs (Boivie et al., 2016) through evaluation and ratification of decisions and ex-post assessment of outcomes (Baysinger and Hoskisson, 1990; Judge and Talaulicar, 2017). Second, boards support strategy by providing counsel, legitimacy, channels for communicating, and access to other resources (Hillman and Dalziel, 2003). Furthermore, resource provision can be converted into a control mechanism such as monitoring since it allows directors to impose control in exchange for the benefits they provide (Frye and Iwasaki, 2011; Garg and Eisenhardt, 2017). Thus, organizational control constitutes a major role of boards, and as the carriers of institutional logics, they exercise institutional control as part of their work (Zattoni, Dedoulis, Leventis, & Van Ees, 2020). As the trustees of shareholders, board directors serve as a relay in the flow of the control power, and represent the institutional logic backed by the shareholders. Directors may also rely or fall back on accepted rules or norms in decision-making, resulting in isomorphic practices that internalize the control from the institutional environment in which the shareholders are embedded (Ruigrok, Peck, & Keller, 2006). Specifically, boards exert such systemic isomorphic control through domination (bolstered by the shareholders who entrust them) and

discipline (e.g., through Articles of Association) (Lawrence and Buchanan, 2017).

In contrast, as the strategic apex of an organization, the TMT is the central component in corporate strategic decision-making and post-decision implementation (Finkelstein et al., 2009). It leads the process of formulating and assessing strategic choices (Cannella and Holcomb, 2005; Kotter, 1982) and integrates people and resources to implement strategy and fulfill task demand (Finkelstein et al., 2009; Menz, 2012). Due to their managerial discretion, the TMT is deemed the main locus of institutional agency in firms (Butzbach, Fuller, Schnyder, & Svystunova, 2022; Williamson, 1963). The formulation and implementation process of an enterprise's strategy often forms "proto-institutions" that preexist formal institutions (Lawrence, Hardy, & Phillips, 2002; Markus, 2012). This can become the kernel of bottom-up institution building and change (Butzbach et al., 2022), especially given that the TMT has discretion over a large part of the work routines. These can be a constitutive sense-making process in which meaning is reinterpreted or constructed according to the logic managers carry (Clegg, 1989; Lawrence and Buchanan, 2017). Therefore, the TMT may exercise its episodic power of institutional agency in its daily work, specifically through influence activities (e.g., see Du, Tang and Young (2012)) or forces underpinned by their managerial power and discretion (e.g., firing employees) (Lawrence and Buchanan, 2017).

HYPOTHESES

Reconfiguration of Boards in Emergent SOEs

Acquirer SOEs can facilitate emergent SOEs in adapting to the coexistence of competing institutional logics via the appointment of a larger proportion of directors from the

acquirer side (Hoppmann et al., 2019). To begin with, the governance structure that state logic prescribes is highly institutionalized, making it difficult to "mask or distract attention from controversial core activities that may be unacceptable to some key constituencies" (Elsbach and Sutton, 1992). This suggests that the acquirer SOEs, representing the newly added state logic in emergent SOEs, can exercise institutional control through coercive isomorphic pressure (DiMaggio and Powell, 1983). Acquirer SOEs thus have few choices but to reconfigure the emergent SOEs' boards according to what state logic prescribes, and to comply with such control, thereby "carefully framing or blending structures" required by the dual logics (Greenwood et al., 2011). For instance, the requirement of party-building efforts (Lin, 2020) is institutionalized as a necessary element in SOE governance through boards' amendments to Articles of Association (Sappideen, 2017). Moreover, the "golden share," which means priority shares that benefit the government, also allows acquirer SOEs to retain special power in the appointment of board directors, and it is a control-enhancing mechanism widely adopted by governments to align corporate decisions with state interests (Antonaki, 2021; Boubakri, Cosset, & Guedhami, 2009). Accordingly, acquirer SOEs have to make more adjustments to the governance body of emergent SOEs to incorporate the party-governance structure and effectuate the state's golden-share privilege. They inevitably reconfigure the board by appointing more directors with state institutional backgrounds, typically from the acquirer SOEs themselves (Antonaki, 2021; Sappideen, 2017; Wang and Tan, 2020).

As an influential institutional carrier (Almandoz, 2014; Woldesenbet, 2018), the reconfigured board can also generate visible signals of compliance in the eyes of other key

institutional referents (stakeholders) who are also attached to state logic (Certo, Daily, & Dalton, 2001; Chandler, 2014). By exhibiting such signals to the state institutional environment in which they are embedded, the acquirer SOEs can provide emergent SOEs with extra benefits, such as legitimacy in accessing key resources (e.g., bank loans) at a lower cost (Greenwood et al., 2011).

Moreover, it is sometimes possible for acquirer SOEs to make changes in the nonexecutive part of the board as a merely symbolic strategy (Andrews, 2009), resulting in limited conflicts in daily operations. For example, besides direct control through state ownership and voting rights, the state acquirer can also exercise indirect control by diffusing board directors' psychological contracts with the state to employees (Liang, Ren, & Sun, 2015; Peng, 2003). Such psychological affiliation with the state can be achieved by merely enhancing the presence of state-oriented ideology, without changing any substantive provision in the employment contract that may factually redefine the employee's identity and incentives. Since symbolic changes have fewer substantive impacts on operations (Chandler, 2014), they incur lower costs, can be more easily reversed (Durand et al., 2019), and delay further scrutiny to win more discretion for the organization (Luo, Wang, & Zhang, 2017), which will curb the conflicts between different logics.

In summary, reconfiguration of the board in emergent SOEs is helpful in gaining legitimacy under the criteria of state logic, and it is insignificantly associated with resistance or conflicts between members who adhere to different logics. We therefore hypothesize:

Hypothesis 1a: POEs acquired by SOEs experience more post-acquisition board reconfigurations than those acquired by other POEs.

TMT Reconfiguration in Emergent SOEs

Faced with incompatible logics during hybridization, acquirer SOEs are also expected to reconfigure the acquirees' TMT and appoint a certain number of top executives to the emergent SOEs (Wiersema and Bantel, 1993). The entry of acquirer SOEs exposes emergent SOEs to certain conflicts between state and market logics in terms of strategic purpose, process, and practices (Leutert, 2016). These involve substantive work and strategic implementations within the organization (Andrews, 2009) and largely fall within the TMT's working sphere (Certo et al., 2006). Due to the limitation of reach (Andrews, 2009), state control over SOEs' specific business processes is less direct compared to that over their governance structure. This limitation of institutional pressure enhances acquirer SOEs' discretion to alleviate the tensions of logic conflicts in their own interests (Greenwood et al., 2011), which is essentially a favorable standing condition for the occurrence of delegation and the empowerment of agency. Also, TMT reconfiguration and the following transformation of strategic implementation practices focus on backstage work that involves multiple decentralized professional functions, which are largely invisible to the state (Andrews, 2009). This renders TMT reconfiguration unnecessary for gaining legitimacy from the state.

We also suggest that TMT reconfiguration, which alters the logics of institutional agency, can complicate the hybridization process in emergent SOEs. When acquirer SOEs impose state-related managerial changes via appointing top executives affiliated with themselves and turnover of original POE managers, these changes usually take the form of influence or force during interactions among TMT members (Eisenhardt, Kahwajy, &

Bourgeois III, 1997) and highlight the agentic will of identifiable actors rather than a faceless controlling power such as the state. TMT reconfiguration can thus evoke stronger affective conflicts (Buchholtz, Amason, & Rutherford, 2005) and direct resistance (Lawrence and Buchanan, 2017). For example, in contrast to the efficiency-driven and relatively decentralized routines in POEs, the procedures in SOEs feature a higher level of bureaucracy to ensure strategic reliability and protect state interests (Leutert, 2016). Note that the routine and procedure, which are largely under the command of TMT, can be a constitutive sense-making process for members of emergent SOEs to interpret the relations of meaning and judge the legitimacy of power (Clegg, 1989). In this sense, if the TMT is reconfigured to bring in such bureaucratic approval procedures underpinned by state logic, it is highly likely to result in a loss of the acquirer SOE's legitimacy to market institutional referents. In contrast, it is more helpful to mitigate the conflicts during hybridization should the acquirer SOE create a supportive and inclusive standing condition to preserve the agency of market-logic carriers in the TMT.

Admittedly, post-acquisition TMT reconfiguration generally causes conflicts and disruptions in any type of firm, and there is no optimal TMT reconfiguration rate as it depends on the balance between organizational integration and disruption minimization (Tang and Zhao, 2023; Zollo and Singh, 2004). However, it is noteworthy that the focus of our analysis is the idiosyncratic effect of institutional logic hybridization, which is reflected by the differences between emergent SOEs and POE-acquired SOEs. As hybridized organizations, emergent SOEs not only face the common post-acquisition conflicts (e.g., organizational routines and managerial attentions) (Ahuja and Katila, 2001), but are also

pressurized with the need to tackle unique institutional logic conflicts. As carriers of different institutional logics, managers who come from different institutional backgrounds tend to have more divergent attention and introduce more disruptions in management actions and organizational routines. This indicates that logic conflicts may deepen some of the abovementioned normal post-M&A disruptions. Moreover, as shown in Table 1, these logic-laden conflicts can touch upon much more fundamental aspects than normal post-M&A disruptions, making them thornier and more destabilizing. Thus, introducing more SOE-affiliated TMT from the acquirer side into SOE-acquired POEs will be more disturbing than introducing more POE-affiliated acquirer TMT into POE-acquired POEs.

In conclusion, TMT reconfiguration in emergent SOEs, which essentially reflects a change in institutional agency, not only appears relatively invisible to acquirer SOEs but also risks arousing more conflicts in strategy implementation and resistance from acquiree POEs. Accordingly, it is reasonable for acquirer SOEs to tone down the reconfiguration of TMTs in their acquirees in order to smooth the hybridization process. We therefore hypothesize:

Hypothesis 1b: POEs acquired by SOEs experience fewer post-acquisition TMT reconfigurations than those acquired by other POEs.

Moderation Effects

The impact of POE-to-SOE acquisitions may be heterogeneous because industry- and firm-level characteristics can condition the level of conflicts between different institutional logics from the very beginning of the hybridization process. Specifically, we examine the effect of industry-level state-ownership density and the pre-M&A political connectedness of the acquiree POE.

Industrial density of state ownership. Concerning the institutional environment that varies across industries, we propose the density of state ownership in an industry as a major source of influence. It is noted that the decisions and behavior of both board directors and top managers can be based on accepted rules or norms in the environment, which drives them to follow certain "shared scripts" when fulfilling their monitoring or execution role (Butzbach et al., 2022; Ruigrok et al., 2006). Therefore, the special institutional arrangements in industries with a higher level of state-ownership density may first open a window for peer POEs in the same industry to better observe the governance and operations of SOEs, and then form some isomorphic behavior within these POEs (DiMaggio and Powell, 1983). This makes the POEs more familiar and identified with state logic, thus reducing the perceived conflicts between different logics after the acquisition.

To be specific, industries with higher state-ownership density are usually of high strategic importance to the state, such as defense, petroleum, electricity, and communication (Leutert, 2016). In these industries, political goals often come before economic goals, which forms a more institutionalized environment that further influences a series of firm economic behaviors such as price setting, choices in innovation, and globalization (Alexius and Cisneros Örnberg, 2015; Leutert, 2016; Menozzi, Gutiérrez Urtiaga, & Vannoni, 2012). The POEs in these industries may thus engage in isomorphic behavior to align their structures, strategy, and practices with the prescription or implication of state logic so as to gain legitimacy (DiMaggio and Powell, 1983). During this process, the state logic penetrates into the POE and familiarizes internal actors with how this logic works. For example, the board and TMT of a POE, out of memetic reasons, may establish a "public service" ethos, just like

the leaders of SOEs who work in the same industries (Butzbach et al., 2022). Therefore, given prior familiarity with state logic, the conflicts produced during logic hybridization will be significantly lowered. This means that when reconfiguring the leadership of emergent SOEs, the acquirer SOEs do not need to greatly adjust the governance body to dominantly demonstrate the power of control or to hesitate to appoint too many top executives due to the risk of exacerbating conflicts. We thus hypothesize:

Hypothesis 2a: The higher the state ownership density in POEs' industries, the smaller the extent to which POEs acquired by SOEs experience more post-acquisition board reconfigurations than those acquired by other POEs.

Hypothesis 2b: The higher the state ownership density in POEs' industries, the smaller the extent to which POEs acquired by SOEs experience fewer post-acquisition TMT reconfigurations than those acquired by other POEs.

Pre-acquisition Political Connection. Regarding firm-level moderators, we propose that the pre-M&A political connection of POE acquirees can moderate the conflicts between different logics during organizational hybridization. Specifically, here we consider the political connection of POE board directors or top managers as a proxy for a firm's corporate political ties. First, previous research has found that the political ties of senior managers in POEs are positively correlated with the organization's attention to state-oriented logic (Woldesenbet, 2018). With better knowledge of the political factors in the environment, politically connected leaders often help an organization dominated by market logic to understand and absorb state logic (Frederick, 2011), such as to boost political stability by aligning the interests of their own organization with those of the state (Leutert and

Vortherms, 2021). Second, the political ties of board directors and top managers can also motivate them to engage their firms in political tasks as a demonstration of their loyalty to the ruling regime so as to gain personal (political) mobility (Leutert, 2018; Leutert and Vortherms, 2021). Moreover, firms with bureaucratic ties can have increased access to resources. However, these benefits are usually acquired at the expense of greater scrutiny, which urges firms to comply with state directives and regulations, and complete certain state tasks (Marquis and Qian, 2014). Indeed, it is found that actors intimately connected with the state are usually among the first to implement ideas and arrangements from the policy directions and governmental guidelines (Shi, Markóczy, & Stan, 2014; Yan, Zhu, Fan, & Kalfadellis, 2018). As a result, since leaders with political ties engage their firms more with state tasks and expose the organization more to the political environment, the firm becomes familiarized with state logic. This means that the conflicts produced during logic hybridization will be significantly lowered, indicating that less effort is required for deliberate organizational adaptation. We thus propose:

Hypothesis 3a: The extent of post-acquisition board reconfigurations is greater for POEs acquired by SOEs compared to those acquired by other POEs, particularly when the POEs had political connections prior to being acquired.

Hypothesis 3b: The extent of post-acquisition TMT reconfigurations is smaller for POEs acquired by SOEs compared to those acquired by other POEs, particularly when the POEs had political connections prior to being acquired.

DATA AND METHODS

Data and Sample

The sample of this study consists of acquisitions of publicly listed firms in China from 2001 to 2018 (for the purpose of ensuring at least one post-event firm-year observation, the ending of the observation-level time window is 2019). To identify the firms that experienced an acquisition during the sampling period, we started by screening any changes in the name of the actual controlling shareholder for all firms publicly listed on the Shanghai and Shenzhen stock exchanges. Specifically, we manually checked and excluded the following situations in which changes in the name of the controlling shareholder were not caused by an acquisition: (1) order changes of multiple natural-person shareholders (e.g., "Jack and Rose" in year t but "Rose and Jack" in year t-1) or pure name changes of the controller firm; (2) changes caused by intrafamily succession in a family firm, i.e., the controlling right still belongs to the same family; (3) changes caused by backdoor listing.

Next, we further identified POE-to-SOE acquisitions as the treatment group and POE-to-POE acquisitions as the control group, based on whether the controlling shareholder changed from a private to a state-owned one. Specifically, a controlling shareholder was coded as state-owned if it belonged to the following categories and as private otherwise: the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), state-owned enterprises, government departments, or public universities. The above sampling procedures generated 92 POE-to-SOE acquisitions and 287 POE-to-POE acquisitions. We then expanded these acquisition events into an unbalanced panel data structure (i.e., firm-year structure). We used a ten-year observation window for each acquisition event, with five years before and five years after the event, which generated a total of 3,061 observations (680 for

POE-to-SOE acquisitions and 2,381 for POE-to-POE acquisitions). The information on publicly listed firms' actual controlling shareholders was collected from the China Research Data Service (CNRDS) database and double-checked with the China Stock Market & Accounting Research (CSMAR) database.

Measurement

Dependent Variable. The China Securities Regulatory Commission (CSRC) requires listed firms to disclose a name list of corporate leaders and whether they simultaneously worked in a listed firm's parent firm in annual reports. Therefore, we can accurately identify whether a nonexecutive director (top manager) had positions in both acquired and acquirer firms. Theoretically, the above circumstance is possible both when an acquirer firm additionally posts its member to an acquired firm, and when a member from an acquired firm is promoted to an acquirer firm. We manually checked and excluded the second possibility so that we could identify the affiliated directors (top managers) as those appointed from the acquiring firm as nonexecutive directors (top managers) in an acquired firm.

We calculated the ***board reconfiguration (hereafter "affiliated director ratio" or "% affiliated director")*** as the number of these directors divided by the total number of directors on the board. Similarly, we calculated the ***TMT reconfiguration (hereafter "affiliated top manager ratio" or "% affiliated top manager")*** as the number of these top managers divided by the total number of top managers (Greve and Zhang, 2017). The calculation of this ratio not only standardizes our measurement, but also simultaneously considers the appointment of leaders affiliated with the acquirer and the turnover of original leaders in the acquiree, thus

reflecting the degree of logic hybridization in leadership bodies in a more comprehensive way.

Independent Variable. Following the common framework of the DID model, we generated a binary variable to indicate ***the emergent SOEs (i.e., POE-to-SOE acquisitions)***. To be specific, the independent variable equaled one if a firm-year observation belonged to a firm that had already undergone a POE-to-SOE acquisition, and otherwise equaled zero.

Moderation Variables. Acquired firms can be embedded in different fields characterized by different ***industry-level density of state ownership***. This density reflects the extent to which state logic penetrates the field and is deemed legitimate. We first categorized all listed firms into industries using the CSRC's industry code (2012 version) and then calculated this variable as the average percentage of state ownership held by all firms in certain industries. In addition, we used ***political connection before acquisition (hereafter pre-M&A connection)*** as another moderation variable. This variable equaled one if, in any year before acquisition, any of the board or TMT members in the acquired firm was a (1) government official, (2) member of the National People's Congress (NPC), or (3) member of the Chinese People's Political Consultative Conference (CPPCC), and equaled zero otherwise (Zhang, Marquis, & Qiao, 2016).

Control Variables. We first controlled for the firms' basic characteristics and ownership structure. ***Firm size*** was calculated as the logarithm of a firm's total assets. ***Firm leverage*** was measured by dividing the debt by the total assets of the firm. ***Firm IPO age*** was calculated as the difference between the current year and the firm's IPO year. ***State ownership*** referred to the percentage of total shares ultimately held by the Chinese

government. ***Institutional investor ownership*** refers to the percentage of total shares held by institutional investors. ***Insider ownership*** refers to the percentage of total shares held by insiders (i.e., executives at all levels and employees). ***Ownership separation*** equaled the difference between largest shareholders' control and cash-flow rights.

Second, we controlled for firm operations and strategies. ***Firm growth*** was calculated as the sales revenue in a year divided by the sales revenue in the previous year. ***Firm performance*** was calculated as the return on assets (ROA). ***Downside risk*** was included to control for management competence factors – regardless of absolute performance, managers may suffer from growing turnover pressure if their performance declines year after year. We therefore followed Miller and Chen (2004) and controlled for the three-year rolling downside trend of ROA. ***Firm R&D density*** was calculated as the R&D expenditure divided by the sales revenue. Lastly, ***Firm value***, measured as the Tobin Q, represented external forces that affect focal firms' operations.

Third, we controlled for ***industry-level density of political connection*** and the interactive fixed effect of year and industry (for industry categorization see CSRC 2012 version).

Methods

In our research setting the leadership reconfiguration in emergent SOEs can result from two factors: the general post-M&A leadership integration that is ubiquitous in all kinds of acquisitions (Graebner, Heimeriks, Huy, & Vaara, 2017), and the specific adaptation effort during logic hybridization in POE-to-SOE acquisitions. Thus, to discern the impact of institutional logic hybridization, we had to exclude the former factor, i.e., the general post-

M&A integration effect. Specifically, we referred to one research work on family firms' transition to professional management by Chang and Shim (2015), which shares a similar empirical concern as ours. To distinguish the professional transition effect from the general CEO succession effect in their context, Chang and Shim (2015) employed DID estimations, setting transitioning family firms as the treatment group and firms with continuous family CEO succession as the control group. In this way they managed to offset the commonly shared general succession effect through the comparison between the treatment group and the control group in DID, while reserving the specific effect of professional transitioning. In the same manner, we selected POE-to-POE acquisitions as the control group and our focal POE-to-SOE acquisitions as the treatment group and conducted a DID analysis, so as to exclude the general post M&A integration shared by both and examine the uniqueness of emergent SOEs formed through POE-to-SOE acquisitions.

Moreover, since the events, namely acquisitions, are non-exogenous, some unobservable firm-intrinsic factors may simultaneously correlate with the POE-to-SOE acquisition decision and reconfiguration in corporate leadership. We thus had to account for the endogeneity issue caused by potential self-selection bias and rule out reverse causality before we could estimate the effect of POE-to-SOE acquisitions on reconfiguration in enterprise leadership. We referred to prior research (Chang and Shim, 2015) to address this issue by using propensity score matching (PSM). Through PSM, we created a counterfactual control group that shares a similar ex-ante probability of being acquired by SOEs with firms in the treatment group. This makes the two groups more comparable, creating a quasi-experimental setting. The detailed procedure for our implementation of these methods is presented below.

Propensity score matching (PSM). To account for the self-selection issue, we used the PSM technique and generated a pair of matched subsamples to create two groups of firms: treatment group firms (i.e., firms that experienced POE-to-SOE acquisition events in the time window) and control group firms (i.e., firms that experienced POE-to-POE acquisition events in the time window). These two groups resemble each other before an acquisition, which constitutes a statistical equivalence between them (Rosenbaum and Rubin, 1985).

We performed the matching procedure using data from the previous year of acquisitions. We modeled firms' (binary) status of having a SOE or POE acquirer using logistic regressions. We obtained the propensity scores to (pair-)match the control group firms that resembled the treatment group firms on the basis of propensity score similarity, using the 1:1 nearest-neighbor matching technique (Rosenbaum and Rubin, 1985). As prior research has noted, this allowed us to avoid the bias that can occur when linking multiple, potentially dissimilar treatment and control group firms (Chang and Shim, 2015).

Difference-in-Difference (DID) model. After employing the PSM technique to create the two groups of firms, we used the DID modeling framework to examine the difference in appointing affiliated board and TMT member ratio between the treatment and control group firms before and after the acquisition. For each treatment firm we observed five years before and five years after the acquisition, and did the same for their matched firm, which generates an unbalanced panel with 1,496 firm-year observations. Finally, we used a two-way fixed effect model to conduct our DID analysis. The form of the basic DID model was as follows:

$$Board\ (TMT)\ Reconfiguration_{it} = \beta_0 + \beta_1 \text{Emergent SOE}_{it} + \lambda_{tn} + \alpha_i + \text{Controls}_{it} + \varepsilon_{it}$$

where ***emergent SOE*** equaled one in years after the firms in the treatment group were acquired by a state-owned enterprise, and zero otherwise, λ_{tn} was a set of interactions between year (***t***) and industry (***n***), α_i was a set of firm-fixed-effects, $Controls_{it}$ was a vector of controls for firm ***i*** in year ***t***, and ε_{it} was the error terms.

RESULTS

Propensity Score Matching (PSM) Process and Test

We conducted PSM with the following steps. First, we used the same variables from the control variable list that capture the characteristics of the publicly listed acquiree. Second, regarding deal-level factors, we added the ***percentage of transferred share*** (defined as the percentage of share transferred from acquiree to acquirer) – a greater percentage of share transfer is directly associated with greater director change – and ***cash pay*** (defined as one if the acquisition deal is paid by cash and zero if by equity swap). Third, considering acquirer-side managerial capabilities, we included ***acquirer's status as minority shareholder before M&A*** (hereafter minority shareholding) and their ***experience of investing into other listed-firm*** (hereafter previous investment). If an SOE acquirer was a minority shareholder of acquired firms or had experience in equity investments, they would have better specific and general knowledge, respectively, to run the newly bought firm and rely less on the previous TMT of the acquiree. Thus, matching on the acquirer side can help tease out the possible alternative explanation that acquirer SOEs refrain from TMT reconfiguration due to their dependence on the acquiree TMT's knowledge and experience.

After applying the STATA psmatch2 procedure, all firms in the treatment group were successfully matched. In general, the bias reduced from 13.1 (unmatched) to 7.8 (matched) and the R^2 was 0.30 (unmatched) and 0.12 (matched) respectively. We then checked whether the matching procedure was able to balance the distribution of the relevant variables in both the control and treatment groups, and employed a two-sample t-test to confirm whether there were significant differences in covariate in the matching year between groups (Rosenbaum and Rubin, 1985). Table 3 indicates significant differences between treatment and control groups before PSM (e.g., in firm size, IPO age, and performance), which were all eliminated after the PSM procedure.

INSERT TABLE 3 HERE

Descriptive Statistics and Correlation

Table 4 provides the descriptive statistics and correlations. It was found that the ratio of affiliated directors was far greater than that of affiliated top managers. This was in line with our intuition that boards of directors play supervisory roles in acquired firms as representatives of acquirer firms. We supplemented a variance inflation factor (VIF) test to address the potential multicollinearity problem. The maximum VIF value was 2.38, which is below the conventional threshold of 10.

INSERT TABLE 4 HERE

Regression results

Table 5 summarizes the regression results in which all continuous variables are standardized (with mean equaling zero and S.D. equaling one). Model 1 tested the first hypothesis of the main effect (H1a), which predicted that POE-to-SOE acquisition was positively related to the affiliated director ratio. The regression coefficient showed that these two variables were positively and significantly correlated ($\beta=0.46$, $p<0.01$), lending support to Hypothesis 1a. Model 2 tested the second hypothesis of the main effect (H1b), which predicted that POE-to-SOE acquisition was negatively related to the affiliated top manager ratio. The regression coefficient showed that these two variables were negatively and significantly correlated ($\beta=-0.23$, $p<0.05$), lending support to Hypothesis 1b. That is, compared to a POE-to-POE acquisition, a POE-to-SOE acquisition will lead to a higher level of board integration and a lower level of TMT integration between acquirer and acquiree firms. The coefficients from difference-in-difference estimation were practically significant (i.e., additional 0.46 and 0.23 S.D. in a five-year period, respectively).

Hypotheses 2a and 2b specified the moderation effects of industry-level density of state ownership. We argued that POE-to-SOE acquisition would have a weaker impact on both dependent variables when the industry-level density of state ownership was high rather than low. In Model 3, we added the interaction term between POE-to-SOE acquisition and industry-level density of state ownership, and found it was significantly and negatively related to the affiliated director ratio ($\beta=-0.33$, $p<0.01$). Similarly, in Model 4, we added the interaction term between POE-to-SOE acquisition and industry-level density of state

ownership and found it was significantly and positively related to the affiliated top manager ratio (β=0.39, $p<0.01$). These results support Hypotheses 2a and 2b.

Hypotheses 3a and 3b specified the moderation effects of preacquisition political connection. We theorized that POE-to-SOE acquisition would have a weaker impact on both dependent variables when an acquired firm had political connections before acquisition. In Model 5, we added the interaction term between POE-to-SOE acquisition and pre-M&A connection and found it to be significantly and negatively related to the affiliated director ratio (β=-0.49, $p<0.01$). Similarly, in Model 6, we added the interaction term between POE-to-SOE acquisition and pre-M&A connection and found it to be significantly and positively related to the affiliated top manager ratio (β=0.33, $p<0.1$). These results support Hypotheses 3a and 3b.

Lastly, in model 7 and 8, we further tested the full model respectively for each dependent variable, that is, simultaneously incorporating the interaction terms between independent variables and two moderators in one model. Three of the four interaction terms remained significant; the only exception is the coefficient of the interaction term between POE-to-SOE acquisition and pre-M&A political connection on the affiliated top manager ratio. While its sign remained positive, the p-value rose from 0.08 to 0.28. A reasonable explanation would be that the theoretical overlap between the two moderators undermine the explanatory power of each other – both of them were designed to capture the acquiree POE's familiarity with state logic. Therefore, when the two interaction terms were added into one regression, their coefficients would be smaller (correspondingly p-values would be larger)

than when they were added separately into different models. We will also provide more evidence about our explanation in the robustness check section.

INSERT TABLE 5 HERE

Robustness checks

Parallel trend tests. First, prior studies indicated that the parallel trend assumption was an important condition that affected the estimates we obtained from the DID method. We thus followed a previous example (Beck, Levine, & Levkov, 2010) and replaced the POE-to-SOE acquisition variable using a series of dummy variables (before5, before4, before3, before2, after1, after2, after3, after4 and after5) in our regressions. For instance, after1 equaled one if a firm-year observation belonged to the treatment group and the first year after acquisition; otherwise, it equaled zero. The results are shown in Figure 1. We found a nonsignificant relationship between before5-before2 and dependent variables, suggesting a parallel trend existed before acquisition. We also found a significant relation between after1-after5 and dependent variables, suggesting that after an acquisition event the treatment group systematically differed from the control group on the reconfiguration of the board and TMT.

INSERT FIGURE 1 HERE

Acquired firms' selection of SOE or POE buyer. We considered that some factors can simultaneously affect firms' M&A decisions and corporate leadership reconfiguration, leading to endogenous problems. A first factor is the (pre-acquisition) downside risk (Miller and Leiblein, 1996). Under high downside risk, corporate leadership members in acquired POEs can be illegitimate to the institutional referents of market logic, thus, they are more easily replaced by acquirer SOEs. We constructed a downside risk variable following Miller and Chen (2004), and added the interaction term between POE-to-SOE acquisition and downside risk to the regression. As shown in Table 6, we did not find the interaction terms to have a significant relationship with either of the dependent variables (β=2.42, $p>0.1$ in Model 9; β=1.51, $p>0.1$ in Model 10).

A second factor is the implicit relevance (similarity) between the acquirers and acquirees. We introduce the industrial/investment SOE dichotomy to depict this heterogeneity – a new industrial/investment SOE variable equaled 1 if a state-owned acquirer has its major business as investment, and 0 if its major business is in any of the industrial fields. In our context, an investment SOE usually holds a diversified portfolio and has limited knowledge specific to an industrial field (compared with industrial SOEs which operate in or are related to certain industries). Therefore, investment SOEs are more likely to experience greater conflicts in TMT reconfiguration when they appoint less experienced executives to their acquirees. However, our empirical test does not support a significant moderation effect of this industrial SOE/investment SOE dummy on the main effect on TMT reconfiguration (β=-0.01, $p>0.1$ in Model 11), which indicates that this alternative explanation is not likely to threaten our core argument.

A third factor is the relative size between acquirers and acquirees. Although many of the acquirers were not listed and thus exempted from the obligation to disclose firm assets, we managed to find that in about half of the deals, the publicly listed acquiree disclosed the acquirer's size in their public announcement – usually entitled as "the change in controlling shareholders". Using this subsample, we thus defined a relative size variable as the ratio of acquirer size to acquiree size and added the interactive item between POE-to-SOE acquisition and the relative size variable into regression. We find this interactive item to be insignificantly related with TMT reconfiguration (β=1.03, $p>0.1$ in Model 12), which indicates the effect of the relative size between acquirer and acquiree is not powerful enough to threaten our argument.

In addition, private owners may sell their firms because they cannot find appropriate successors within their family. In this case the acquiree owners sometimes prefer to find a state-owned buyer who can ensure the sustainability of the firm and result in a satisfactory selling price. Therefore, the level of post-acquisition conflicts in the TMT and board may appear different when acquiree owners have such a special preference and purpose for joining in a POE-to-SOE acquisition. We constructed a (pre-M&A) family control variable following Berrone, Cruz, Gomez-Mejia and Larraza-Kintana (2010) and added the interaction term between POE-to-SOE acquisition and family control to the regression. As shown in Table 6, we did not find a significant relation between this interaction term and either of the dependent variables (β=0.02, $p>0.1$ in Model 13; β=-0.05, $p>0.1$ in Model 14).

INSERT TABLE 6 HERE

Replacing the dependent variable from ratio- to number-based measurements. Given that the size of the board of directors and TMT is small, it is possible that the addition or deduction of one member can make a big difference in the control and agency dynamics of the post-acquisition period. We thus redefined the board and TMT reconfiguration as the absolute number of affiliated board directors and top managers added after M&A by employing the same regression settings (see Table 7). We found that five out of the six hypotheses were again supported. As for the examination of hypothesis 3b, the sign of the coefficient remains the expected way, but the p-value is over 0.1 (β=-0.32, $p<0.05$). Although not perfect, these statistical findings still strengthen our confidence in our core theories.

INSERT TABLE 7 HERE

Refined sampling for the full model testing. In this section, we will discuss the reasons why one of the interaction terms became statistically insignificant in the full model test (the interaction term between POE-to-SOE acquisition and pre-M&A political connection on the affiliated top manager ratio). We found the logic hybridization experience on the acquirer side to be a key point. To be specific, some SOEs have experienced the mixed-ownership reform in China, during which they incorporated more market logic into their original state-market hybridity, therefore they have some previous experience in handling logic hybridization. When these SOEs become the acquirers in the POE-to-SOE acquisitions, less

organizational adaptation efforts are needed from the acquiree side, which renders the acquiree-side familiarity with state logic less important. Therefore, we assumed that eliminating the mixed-ownership reform experience of some SOE acquirers would be helpful to explicate a "net effect" of acquiree-side familiarity with state logic.

Following the idea above, we identified and eliminated 18 POE-to-SOE acquisitions in which the SOEs acquirers have experienced the mixed-ownership reform, reducing the final sample to 1,223 firm-year observations. Following the same statistical procedures, we could found that all the models including the full models are supported with larger coefficients and smaller p-values than our main analysis findings (see Table 8).

INSERT TABLE 8 HERE

Re-estimation of main effects by CS-DID strategy. We noticed that recent development in staggered DID has pointed out that this strategy is appropriate in settings with a single treatment period or where homogeneous treatment effects can be assumed (Baker, Larcker, & Wang, 2022). In other cases, CS-DID is recommended, which relies on first estimating the individual cohort time-specific treatment effects, allowing for treatment effect heterogeneity, and aggregating them to produce measures of overall treatment effects (Callaway and Sant'Anna, 2021). We then conducted a robustness check by using the csdid code in STATA to re-estimate our main effects. For H1a, the result indicates an insignificant coefficient for the pretreatment period ($\beta=0.06$; $p>0.1$) as well as a significant and positive coefficient for the posttreatment period ($\beta=0.30$; $p<0.05$) for H1a. For H1b, the result indicates an

insignificant coefficient for the pretreatment period (β=0.03; $p>0.1$) as well as a significant and negative coefficient for the posttreatment period (β=-0.33; $p<0.05$) for H1b. In short, our hypotheses are also supported even under the assumption of heterogeneous treatment effects, which lends more confidence in the robustness of our identifications.

Further estimation of multicollinearity by the ITCV test. To further demonstrate that our results are unlikely to be biased by multicollinearity caused by unobservable common factors, we adopted the same method as used by Busenbark, Yoon, Gamache and Withers (2022) and conducted an Impact Threshold of a Confounding Variable (ITCV) test. The primary idea of the ITCV test is to provide the quantifiable threshold necessary to alter a causal inference of a regression coefficient due to an unobserved common factor. That is, if the threshold level is "strict," the possibility that an unobserved common factor can meet the threshold and be influential enough to bias the causal inference will be low, which adds confidence regarding the robustness.

For H1a, the ITCV test shows that an omitted variable would at least be correlated at 0.41 with the DV and at 0.41 with the IV to invalidate H1a. That is, the minimum impact level to invalidate an inference for a null hypothesis is $0.41\times0.41=0.1662$. This threshold can be compared with the highest impact level of the observed covariates, state ownership (impact level=$0.20\times0.18=0.0358$), which suggests that an unobservable common factor is not very likely to be impactful enough to alter H1a. For H1b, the ITCV test shows that an omitted variable would have to be correlated at 0.17 with the DV and at 0.17 with the IV to invalidate H1b. That is, the minimum impact to invalidate an inference for a null hypothesis is $0.17\times0.17=0.0287$. This can be compared with the highest impact level of the observed

covariate, institutional investor ownership (impact level=0.10×0.10=0.01), which suggests that the possibility that an unobservable common factor is impactful enough to alter H1b is not high.

The simultaneity of board and TMT reconfiguration. Although DID compares the average board change and average TMT change between matched samples, it remains an interesting question whether the enhanced board configuration and weakened TMT configuration occur simultaneously in single firms. Alternatively, one may be concerned that firms with more board changes also have more TMT changes, and vice versa.

In this regard, we divided the board and TMT reconfiguration variables in half by their mean values and defined a new ***high board-low TMT*** variable as one if a firm's board reconfiguration is above the mean while TMT reconfiguration is below the mean and otherwise equaled zero. For comparison, we also defined a ***low board-high TMT*** variable as one if a firm's board reconfiguration is below the mean while TMT reconfiguration is above the mean, and zero otherwise. We used these two dummy variables as dependent variables and reran xtlogit regressions. The results indicate that emergent SOEs are positively and significantly related to the high board-low TMT variable ($\beta=1.44$; $p<0.01$), while negatively and insignificantly related to the low board-high TMT variable ($\beta=-0.39$; $p>0.1$). The above findings illustrate a simultaneous pattern of increased board reconfiguration and refrained TMT reconfiguration within a certain emergent SOE, which supports our core idea about the decoupling between changes in institutional control and agency in emerging SOEs at the early stage of hybridization.

DISCUSSION AND CONCLUSION

While discussion of the hybrid organizing strategy that copes with hybridity in being-born hybrid organizations is relatively mature (Battilana and Lee, 2014), questions pertaining to organizational hybridization that forms being-made hybrid organizations remain underexplored. Based on the unique context of POE-to-SOE acquisitions in China, we integrated the emerging stream of literature on hybridization (Cappellaro et al., 2020; Radoynovska and Ruttan, 2021) with the classic discussion of institutional power so as to investigate leadership reconfiguration during institutional logic hybridization. Our findings indicated greater board reconfiguration but less TMT reconfiguration in emergent SOEs (formed through POE-to-SOE acquisitions) compared to that of counterpart enterprises (i.e., the acquirees in POE-to-POE acquisitions). Both main effects would be weakened if enterprises were already exposed to state logic before acquisition, that is, embedded in an industry in which the density of state ownership was high or had previous political connections.

Theoretical Contributions

Our research contributes to several streams of literature, including the discussion of heterogenous SOEs, coalition dynamics in SOEs' M&As, and institutional power and hybrid organizations.

The heterogeneity of SOEs. We take a renewed evolutionary perspective to theorize on the differences between emergent SOEs and established ones. Illustrating the nature of emergent SOEs as "being-made" hybrid organizations, we demonstrate that such organizations have to adapt to a sudden exposure to the co-existence of conflicting logics

with destabilizing threats, which is more complicated and dynamic than the typical hybridity between state and market logics in established SOEs. Moreover, as emergent SOEs tackle logic-laden conflicts in this adaptation process, they form a rather hybridized leadership, with the governance body exercising state-based control while the management body wields its market-oriented agency. This decoupled leadership differs from the case of established SOEs, in which board directors and top executives mainly identify themselves as bureaucrats (Grosman, Wright, & Okhmatovskiy, 2016) who simultaneously internalize the hybridization of state and market logics to cope with multiple stakeholders through their management of the SOE (Adebayo and Ackers, 2022; Denis, Ferlie, & Van Gestel, 2015).

Moreover, our focus on POE-to-SOE acquisitions, or emergent SOEs, provides a mirror-reversed perspective vis-a-vis the long-lasting discussion of SOEs' privatization, which focuses on the transition from state to private ownership (Radić, Ravasi, & Munir, 2021). Under a hybrid organization framework, privatization would be described as a "de-hybridization" process during which state coalitions, backed by state logic, exit from market-state hybridity. It would be interesting to compare these two scenarios and derive the differences between the shift from pure to hybrid identities and from hybrid to pure identities, as well as the management of internal tensions during the entry and exit of state logic.

Coalition dynamics in SOEs' M&As. Since this study observes emergent SOEs from the POE-to-SOE acquisition setting, we add knowledge to the literature of SOEs' mergers and acquisitions through an institutional lens. Although scholars have focused on the phenomenon of M&As for decades, they only recently realized that organizations backed by different institutional logics may act heterogeneously in M&A decisions and post-M&A

adaptations. Among these insights, an emerging stream of research emphasizes SOEs' acquisition of POEs; these studies theorize M&A decisions on the SOEs' side as the result of an internal power dynamic between state and market coalitions (Zhang and Greve, 2019), and find that investors, as typical representatives of stakeholders, generally devalue POE-to-SOE acquisitions (Greve and Zhang, 2017).

We expanded this stream of research in two ways. First, we extended the focus from pre-M&A decision-making to post-M&A integration, and second, from acquirer SOEs to the interface between acquirer SOEs and acquiree POEs. This added knowledge to understanding how acquirer firms build coalitions and exert powers in acquiree firms that used to be dominated by different institutional logics. Building on the view that directors and top managers are carriers of the institutional logics to which they are attached (Almandoz, 2014; Greve and Zhang, 2017), this study associated the reconfigurations of the board and TMT with SOEs' coalition-building strategies, and found that they adopt varied strategies in supervisory and executive groups, respectively representing institutional control and agency. By doing so, emergent SOEs gain greater legitimacy under the criteria of state logic and in the meantime reduce conflicts between coalitions adhering to different logics.

Institutional power and hybrid organizations. While hybrid organizations as well as hybrid organizing efforts have received great attention (Battilana and Lee, 2014), the discussion has focused on the hybridity of organizations that are born as the fruit of multiple competing logics. In contrast, attention to the hybridization process that turns a mature organization into a hybrid one is disproportionately rare. Prior research on hybridization has centered on the field level (e.g., York, Hargrave and Pacheco (2016)), and researchers have

just begun to explicitly explore organizational-level hybridization in recent years (Cappellaro et al., 2020; Radoynovska and Ruttan, 2021). Our research thus contributes to this emerging stream of discussion by investigating the POEs that are transformed into SOEs through institutional logic hybridization later in their life cycles, which differs from born-to-be hybrid organizations. This adds an evolutionary view to the discussion of hybrid organizations and demonstrates a more complicated and dynamic process of the formation of hybrid organizations. Taking a step forward from previous research that illustrates the process and certain external conditions (Cappellaro et al., 2020; Radoynovska and Ruttan, 2021), we reveal the conflicts between competing institutional logics that being-made hybrid organizations are suddenly exposed to, and propose ways of active organizational adaptation to them. Extant studies have raised potential adaptation methods such as compartmentalization of functions (Denis et al., 2015) or employment of personnel that previously carried neither kind of logic (Battilana and Dorado, 2010). These imply the incompatibility between different organizational functions or institutional logics and tend to ignore the possibility of deeper integration. Different from them, our study reveals a procedural adaptation process in which the carriers of both logics (state and market) and the actors of both leadership functions (supervision and execution) are acknowledged as important in institutionalizing the hybridized logics. As shown in Figure 1, our findings indicate a temporary decoupling between the reconfiguration of the board and TMT in the initial stage. The impact of POE-to-SOE acquisitions on TMT reconfiguration later disappears, which indicates a recoupling process in which state logic is also incorporated more into TMT and institutional agency.

Moreover, compared to prior research that made note of the post-M&A institutional complexity and the exercise of agency as ways of adaptation (Smets and Jarzabkowski, 2013), we study institutional power in a hybridization setting more comprehensively by investigating both agency and control. In this sense, we enrich the understanding of institutional power (in other words, the relationship between actors and institutions) as we illustrate a logic-based process of decoupling and recoupling between control and agency. This brings interaction and temporal transition into the dichotomic and static typology of power that Lawrence and Buchanan (2017) propose. Through a detailed depiction of a two-way political process in hybridization, this study also exemplifies the circuit of power presented in early organizational sociology works (Clegg, 1989). While the entry of a state coalition introduces a new "structure of dominancy" that alters the relation of meaning and production (Clegg, 1989), we observe that through selective reconfiguration of leadership bodies, the new structure of dominancy also produces certain conditions for the episodic agency power to be empowered. In this way, the conflicts between different logics are mitigated, and thus state logic is hybridized more smoothly into emergent SOEs. Moreover, we observe that the state coalition gradually retracts the conditions for the empowerment of market-logic agency to enhance the domination of state logic, which is an interesting strategic political process.

Managerial Implications

In terms of practical implications, this research may enlighten practitioners in several domains. First, following the official encouragement of "introducing state capital into non-

SOEs" in 2015[2], China witnessed a rapid growth in POE-to-SOE acquisitions, which can be seen as a positive response to this central policy on a new round of mixed-ownership reform. However, the post-M&A dilemmas faced by emergent SOEs, not to mention possible solutions, are underexplored. Theorizing POE-to-SOE acquisitions as institutional logic hybridization, this study reveals the logic conflicts that commonly burden many emergent SOEs. Moreover, respectively examining the effect of board and TMT reconfiguration, we propose an approach of power integration that can mitigate the conflicts between different institutional logics and reduce destabilizing risks. These insights derived from nearly two decades of emergent SOEs can be enlightening for managers in this round of burgeoning POE-to-SOE acquisitions, including those happened after our sample period. In addition, it can also bring more attention to the post-M&A hybridization process from external stakeholders (e.g., the state or the public), thereby deepening their understanding of the ongoing and deepening mixed-ownership reform. For example, our detailed anatomy of the varied hybridization in agency and control can lead the public to correct their stereotypical understanding of emergent SOEs as simply "state proceed and society retreat" (*guo jin min tui*). It can also help policymakers put forward finer-grained regulation and incentive measures in different industries, so as to better scrutinize decoupling in emergent SOEs, and to lend support to companies facing greater institutional complexity. Second, this study also explored the distinctions between two types of institutional power, control and agency, in the context of organizational hybridization. This provides a more vivid comparison between different ways of exerting institutional power, which may provide inspirations for managers

[2] Guiding Opinions of the CPC Central Committee and the State Council on Deepening the Reform of State-owned Enterprises, 2015.

who face complicated institutional politics within their organizations.

Limitations and Future Research Directions

This research opens several avenues for future research given the limitations of the sample, empirical setting, and method. First, while we reveal the differences between emergent and established SOEs, there remains much to be explored regarding the heterogeneity of the POE-to-SOE acquisitions. For example, as mentioned in the robustness check section, on the acquirer side, SOEs that have experienced the mixed-ownership reform have certain prior familiarity with state-market logic hybridization, which can help them better handle the logic conflicts after they acquire a POE and thus entails less leadership reconfiguration. Also, the acquirees in our sample are all publicly listed firms, which tend to have a more clear-cut governance system and more salient market orientation, thus the post-M&A logic-laden conflicts may be more intense for them (Deng and Dart, 1999; Li, Sun, & Liu, 2006). Therefore, future research may benefit from investigating the heterogeneity on the acquirer or acquiree side, such as their experiences, sizes, governance systems and strategic orientations. This would enrich our understanding of the nature of emergent SOEs, as well as their varied challenges and approaches of adaptation during the logic hybridization process.

Second, while we contribute to the hybridization literature by adding the discussion of institutional control and agency, we realize our findings are largely enabled by our empirical setting. In China the state holds very high authority (Guan, Gao, Tan, Sun, & Shi, 2021), and SOEs are exposed to strong top-down control by the party-state system (Wang, 2014; Wang and Tan, 2020). This situation allows us to observe a special kind of institutional logic

hybridization in which the entering logic obviously features institutional control, and the two logics can be clearly distinguished in terms of power types. However, in other countries with different political institutions and power distance where the state does not hold absolute control over SOEs and the governance system of SOEs sometimes emulates that of POEs (e.g., in OECD countries, see Frederick (2011)), it may be more difficult to distinguish the methods of power exertion for different institutional logics and their human carriers. Although we propose selective adjustment along the control and agency dimensions as a proper adaptation to logic-laden conflicts during hybridization, future research could extend it to different settings with varied power dynamics. For example, some extant studies have shown how carriers of each competing logic exert their agency (as opposed to control) to create a more compatible practice to overcome the organizational crisis incurred by conflicts between different logics (Smets and Jarzabkowski, 2013). In the same vein, future research could examine the varied power dynamics in more diverse settings, which will help reveal a more detailed political process of organizational hybridization (Lawrence and Buchanan, 2017).

Finally, by examining the varied institutional power and role of the board and TMT, this study proposes a new way of organizational adaptation to hybridization-induced institutional conflicts. However, our analysis is based on a large sample of faceless board directors or managers, which impedes a more-detailed exploration of each leadership group's practices in exerting their power and coping with contradictory institutional logics. We thus suggest that future research take a practice-based view, and probably an ethnographic approach (e.g., see Smets and Jarzabkowski (2013)) to further investigate the individual-level motives, actions,

and interactions of leaders in emergent SOEs, especially in terms of how they exert their institutional power and how the balance of power changes over time. We believe this will provide more discovery of and a deeper insight into institutional power and the dynamic process of institutional logic hybridization.

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Table 1 Competing Institutional Logics of the Market and the State

Key issues	Items	Market logic	State logic	Representative References
"What is the most important issue?"	Goal	Profit maximization	National development, social welfare, and stability	Greve & Zhang (2017); Zajac & Westphal (2004)
"Who are we?"	Organizational identity	Faceless participants in market competition	Carrier of state policy and steward of public resources	Jia et al. (2019); Pahnke et al. (2015); Zhou et al. (2017)
	Identity of managers	Agents of shareholders to further the firm's interests	Bureaucrats who implement national policies	
"Who/what do we most care about?"	Source of legitimacy	Value creation and sustainable growth	Authorization by the state	Greve & Zhang (2017); Wang (2014)
	Institutional referents and stakeholders	Prioritize shareholders and rank other stakeholders by their economic relevance	Prioritize citizens and rank other stakeholders by their relevance in social contracts	
"How do we achieve the goal?"	Mode of governance	Contractual governance based on management tools including incentives and monitoring	Bureaucratic governance based on laws, rules, and directives	Greve & Zhang (2017); Thomann et al. (2016)
	Mode of operation	Seek profits through exchange and competition in an open market	Exert state control and redistribute resources through a redistributive economy	

Table 2 Distinctions between Institutional Agency and Institutional Control

	Control	**Agency**
Mode of power	Systemic	Episodic
Forms of power exercised	Domination, discipline	Force, influence
Resistance	Passive	Active
Observability of conflict and contestation	Low	High
Visibility to the authority	High	Low
Status of decision makers	Disciplined	Purposeful
Degree of symbolism	Can be symbolic	Usually substantive
Conflicts evoked	Low	High

(Adapted from Lawrence and Buchanan (2017))

Table 3 Two-sample t test with equal variances

Variable	Unmatched			Matched		
	Treated	Control	p>|t|	Treated	Control	p>|t|
Firm size	21.22	20.95	0.04	21.22	21.07	0.37
Firm leverage	0.68	0.54	0.17	0.68	0.62	0.68
Firm IPO age	10.12	7.97	0.00	10.12	9.29	0.29
State ownership	0.05	0.03	0.21	0.05	0.04	0.41
Institutional investor ownership	0.40	0.37	0.28	0.40	0.38	0.47
Insider ownership	0.04	0.05	0.24	0.04	0.04	0.95
Share separation	0.07	0.05	0.24	0.07	0.05	0.33
Firm sale growth	0.10	0.05	0.41	0.10	0.10	0.99
Firm performance	-0.04	0.00	0.05	-0.04	-0.03	0.67
Firm downside risk	0.05	0.07	0.31	0.05	0.05	0.90
Firm R&D density	0.05	0.04	0.17	0.05	0.05	0.59
Firm value	2.53	2.58	0.87	2.53	2.49	0.91
% Industrial state ownership	0.17	0.13	0.04	0.17	0.15	0.39
% Industrial political connection	0.34	0.38	0.34	0.34	0.36	0.66
% Transferred share	19.03	21.86	0.07	19.03	18.79	0.89
Cash vs. equality pay	0.50	0.45	0.42	0.50	0.48	0.77
Acquirer as minority shareholder	0.36	0.17	0.00	0.36	0.33	0.64
Acquirer investment experience	1.23	0.43	0.01	1.23	0.66	0.20

Table 4 Descriptive statistics and correlation matrix

Variable	Mean	S.D.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) % Affiliated director	0.21	0.17	1.00							
(2) % Affiliated top managers	0.07	0.15	0.03	1.00						
(3) POE-to-SOE acquisition	0.23	0.42	0.26	-0.05	1.00					
(4) % Industrial state ownership	0.15	0.14	0.14	-0.04	-0.06	1.00				
(5) Previous political connection	0.76	0.43	0.13	0.01	-0.01	0.22	1.00			
(6) Firm size	21.18	1.27	-0.02	0.12	0.03	-0.17	0.00	1.00		
(7) Firm leverage	0.61	0.74	0.02	-0.06	0.05	0.09	-0.05	-0.33	1.00	
(8) Firm IPO age	10.24	5.62	0.16	-0.04	0.23	-0.28	-0.04	0.02	0.17	1.00
(9) State ownership	0.07	0.14	0.18	-0.07	0.20	0.42	0.11	-0.09	0.04	-0.08
(10) Institutional investor ownership	0.42	0.20	0.26	0.10	0.10	0.19	0.15	0.11	0.01	0.09
(11) Insider ownership	0.04	0.10	-0.31	-0.06	-0.11	-0.27	-0.16	0.08	-0.14	-0.37
(12) Share separation	0.06	0.07	0.14	0.09	-0.05	0.07	0.05	0.06	-0.03	0.03
(13) Firm sale growth	0.19	0.67	-0.02	0.00	-0.02	-0.05	-0.02	0.10	-0.02	0.04
(14) Firm performance	0.00	0.14	-0.01	0.04	-0.09	-0.06	0.00	0.20	-0.36	-0.08
(15) Firm downside risk	0.06	0.18	0.02	-0.05	0.03	-0.05	-0.01	-0.29	0.34	0.15
(16) Firm R&D density	0.05	0.04	-0.06	-0.02	-0.04	0.04	-0.08	-0.11	-0.03	-0.05
(17) Firm value	2.29	2.03	-0.05	-0.01	0.05	-0.20	-0.20	-0.42	0.34	0.27
(18) % Industrial political connection	0.39	0.30	-0.03	0.02	0.14	-0.68	-0.24	0.15	-0.03	0.28
Variable	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
(9) State ownership	1.00									
(10) Institutional investor ownership	0.20	1.00								
(11) Insider ownership	-0.15	-0.38	1.00							
(12) Share separation	-0.03	0.31	-0.20	1.00						
(13) Firm sale growth	-0.01	0.07	-0.02	-0.01	1.00					
(14) Firm performance	-0.02	0.06	0.09	-0.02	0.18	1.00				
(15) Firm downside risk	0.00	-0.03	-0.10	-0.01	0.02	-0.03	1.00			
(16) Firm R&D density	-0.01	-0.05	0.05	-0.01	-0.05	0.03	-0.03	1.00		
(17) Firm value	-0.12	-0.13	-0.02	-0.08	0.01	-0.07	0.11	0.26	1.00	
(18) % Industrial political connection	-0.25	-0.10	0.23	-0.06	0.03	0.09	0.08	-0.06	0.19	1.00

Note. Correlations with absolute values greater than 0.04 are significant at $p<0.05$, two-tailed test.

Table 5 Fixed-effects models predicting the impacts of POE-to-SOE acquisition on corporate leadership reconfiguration

DV:	Model 1 Board		Model 2 TMT		Model 3 Board		Model 4 TMT		Model 5 Board		Model 6 TMT		Model 7 Board		Model 8 TMT	
Firm size	0.10	(0.07)	0.22***	(0.08)	0.08	(0.07)	0.24***	(0.07)	0.07	(0.07)	0.24***	(0.08)	0.06	(0.07)	0.25***	(0.08)
Firm leverage	-0.08	(0.06)	0.03	(0.06)	-0.07	(0.06)	0.02	(0.06)	-0.08	(0.06)	0.03	(0.06)	-0.07	(0.06)	0.02	(0.06)
Firm IPO age	0.17	(0.77)	-0.12	(0.79)	0.29	(0.76)	-0.27	(0.79)	0.20	(0.76)	-0.15	(0.79)	0.30	(0.76)	-0.28	(0.79)
State ownership	0.02	(0.04)	-0.00	(0.04)	0.02	(0.04)	-0.01	(0.04)	0.01	(0.04)	-0.00	(0.04)	0.02	(0.04)	-0.01	(0.04)
Institutional investor ownership	0.07	(0.05)	0.14***	(0.05)	0.07	(0.05)	0.14**	(0.05)	0.07	(0.05)	0.14**	(0.05)	0.08	(0.05)	0.13**	(0.05)
Insider ownership	-0.18***	(0.05)	-0.11**	(0.05)	-0.18***	(0.05)	-0.11**	(0.05)	-0.18***	(0.05)	-0.11**	(0.05)	-0.18***	(0.05)	-0.11**	(0.05)
Share separation	0.02	(0.04)	0.01	(0.04)	0.01	(0.04)	0.02	(0.04)	0.00	(0.04)	0.02	(0.04)	-0.00	(0.04)	0.03	(0.04)
Firm sale growth	-0.02	(0.03)	-0.02	(0.03)	-0.02	(0.03)	-0.01	(0.03)	-0.02	(0.03)	-0.02	(0.03)	-0.02	(0.03)	-0.01	(0.03)
Firm performance	0.03	(0.03)	-0.02	(0.04)	0.03	(0.03)	-0.03	(0.04)	0.04	(0.03)	-0.03	(0.04)	0.04	(0.03)	-0.03	(0.04)
Firm downside risk	-0.03	(0.05)	0.06	(0.05)	-0.03	(0.05)	0.05	(0.05)	-0.02	(0.05)	0.05	(0.05)	-0.02	(0.05)	0.05	(0.05)
Firm R&D density	-0.01	(0.06)	-0.02	(0.06)	-0.02	(0.06)	-0.01	(0.06)	-0.02	(0.06)	-0.01	(0.06)	-0.02	(0.06)	-0.01	(0.06)
Firm value	0.04	(0.05)	-0.01	(0.05)	0.04	(0.05)	-0.01	(0.05)	0.03	(0.05)	-0.00	(0.05)	0.03	(0.05)	-0.00	(0.05)
Industrial state ownership	1.51	(3.78)	0.37	(3.91)	1.70	(3.75)	0.14	(3.87)	1.62	(3.76)	0.30	(3.90)	1.76	(3.74)	0.11	(3.87)
Industrial political connection	-6.86	(7.19)	-0.38	(7.44)	-6.76	(7.15)	-0.49	(7.38)	-7.05	(7.16)	-0.25	(7.43)	-6.93	(7.13)	-0.40	(7.38)
POE-to-SOE acquisition	0.46***	(0.11)	-0.24**	(0.12)	0.38***	(0.11)	-0.14	(0.12)	0.77***	(0.16)	-0.44***	(0.17)	0.64***	(0.17)	-0.27	(0.17)
POE-to-SOE acquisition×Industrial state ownership					-0.33***	(0.11)	0.39***	(0.11)					-0.28**	(0.11)	0.37***	(0.11)
POE-to-SOE acquisition×Previous political connection									-0.49***	(0.19)	0.33*	(0.19)	-0.40**	(0.19)	0.21	(0.20)
Constant	2.81	(5.06)	0.32	(5.24)	2.72	(5.03)	0.43	(5.19)	2.95	(5.04)	0.23	(5.23)	2.84	(5.02)	0.36	(5.19)
Observations	1,496		1,496		1,496		1,496		1,496		1,496		1,496		1,496	
R-squared	0.630		0.550		0.636		0.559		0.634		0.552		0.638		0.559	
Year×industry Dummy	YES		YES		YES		YES		YES		YES		YES		YES	

Note. Robust standard errors in parentheses; *** p<0.01, ** p<0.05, *p<0.1

Table 6 Robustness checks – theoretical alternatives

DV:	Model 9 Board		Model 10 TMT		Model 11 TMT		Model 12 TMT		Model 13 Board		Model 14 TMT	
Controls	YES		YES		YES		YES		YES		YES	
POE-to-SOE acquisition	0.37***	(0.13)	-0.30**	(0.14)	0.46***	(0.15)	-0.21	(0.15)	-0.23	(0.15)	-0.88	(0.70)
POE-to-SOE acquisition×Downside risk	2.42	(1.96)	1.51	(2.03)								
POE-to-SOE acquisition×Industrial SOE					-0.01	(0.19)						
POE-to-SOE acquisition×Relative size							1.03	(1.06)				
POE-to-SOE acquisition×Family control									0.02	(0.19)	-0.05	(0.20)
Constant	2.74	(5.06)	0.28	(5.24)	0.32	(5.25)	-11.12	(31.94)	2.80	(5.07)	0.33	(5.25)
Observations	1,496		1,496		1,496		1,496		1,496		703	
R-squared	0.631		0.550		0.550		0.550		0.630		0.550	
Year×industry Dummy	YES		YES		YES		YES		YES		YES	

Note. Robust standard errors in parentheses; *** p<0.01, ** p<0.05, *p<0.1

Table 7 Robustness checks – alternative DV measures

DV:	Model 15 Board		Model 16 TMT		Model 17 Board		Model 18 TMT		Model 19 Board		Model 20 TMT	
Controls	YES		YES		YES		YES		YES		YES	
POE-to-SOE acquisition	0.69***	(0.18)	-0.13	(0.09)	0.54***	(0.19)	-0.05	(0.10)	1.02***	(0.27)	-0.30**	(0.14)
POE-to-SOE acquisition×Industrial state ownership					-0.58***	(0.18)	0.32***	(0.09)				
POE-to-SOE acquisition×Previous political connection									-0.53*	(0.31)	0.27*	(0.16)
Constant	4.40	(8.34)	1.01	(4.28)	4.24	(8.28)	1.10	(4.25)	4.55	(8.33)	0.93	(4.28)
Observations	1,496		1,496		1,496		1,496		1,496		1,496	
R-squared	0.628		0.586		0.634		0.594		0.630		0.588	
Year×industry Dummy	YES		YES		YES		YES		YES		YES	

Note. Robust standard errors in parentheses; *** p<0.01, ** p<0.05, *p<0.1

Table 8 Robustness checks – refined sample

DV:	Model 21 Board		Model 22 TMT		Model 23 Board		Model 24 TMT		Model 25 Board		Model 26 TMT		Model 27 Board		Model 28 TMT	
Firm size	0.06	(0.08)	0.16**	(0.08)	0.03	(0.08)	0.19**	(0.08)	0.03	(0.08)	0.19**	(0.08)	0.01	(0.08)	0.20**	(0.08)
Firm leverage	-0.07	(0.07)	0.05	(0.06)	-0.05	(0.07)	0.04	(0.06)	-0.07	(0.07)	0.05	(0.06)	-0.05	(0.07)	0.03	(0.06)
Firm IPO age	-0.12	(1.13)	-0.57	(1.07)	-0.24	(1.11)	-0.47	(1.06)	-0.15	(1.12)	-0.54	(1.06)	-0.25	(1.11)	-0.46	(1.06)
State ownership	0.03	(0.05)	0.05	(0.05)	0.04	(0.05)	0.04	(0.05)	0.02	(0.05)	0.05	(0.05)	0.02	(0.05)	0.05	(0.05)
Institutional investor ownership	0.07	(0.06)	0.23***	(0.06)	0.08	(0.06)	0.22***	(0.06)	0.08	(0.06)	0.22***	(0.06)	0.09	(0.06)	0.22***	(0.06)
Insider ownership	-0.23***	(0.06)	-0.09*	(0.06)	-0.23***	(0.06)	-0.09	(0.06)	-0.23***	(0.06)	-0.09	(0.06)	-0.24***	(0.06)	-0.09	(0.06)
Share separation	0.04	(0.05)	0.03	(0.05)	0.02	(0.05)	0.04	(0.05)	0.01	(0.05)	0.04	(0.05)	0.00	(0.05)	0.05	(0.05)
Firm sale growth	-0.02	(0.03)	0.02	(0.03)	-0.02	(0.03)	0.02	(0.03)	-0.01	(0.03)	0.01	(0.03)	-0.02	(0.03)	0.02	(0.03)
Firm performance	0.05	(0.04)	-0.04	(0.04)	0.05	(0.04)	-0.04	(0.04)	0.06	(0.04)	-0.04	(0.04)	0.06	(0.04)	-0.04	(0.04)
Firm downside risk	-0.03	(0.05)	0.09*	(0.05)	-0.02	(0.05)	0.08*	(0.05)	-0.02	(0.05)	0.08*	(0.05)	-0.02	(0.05)	0.08*	(0.05)
Firm R&D density	0.01	(0.06)	-0.01	(0.06)	0.00	(0.06)	-0.01	(0.06)	0.00	(0.06)	-0.01	(0.06)	-0.00	(0.06)	-0.00	(0.06)
Firm value	1.99	(3.85)	0.25	(3.65)	2.25	(3.81)	0.04	(3.62)	2.16	(3.82)	0.13	(3.64)	2.37	(3.79)	-0.04	(3.62)
Industrial state ownership	-8.02	(7.39)	-0.59	(7.01)	-8.20	(7.32)	-0.45	(6.96)	-8.40	(7.34)	-0.33	(6.99)	-8.48	(7.28)	-0.26	(6.95)
Industrial political connection	0.01	(0.06)	-0.04	(0.05)	0.01	(0.06)	-0.03	(0.05)	0.01	(0.06)	-0.03	(0.05)	0.00	(0.06)	-0.03	(0.05)
POE-to-SOE acquisition	0.53***	(0.13)	-0.29**	(0.12)	0.40***	(0.13)	-0.19	(0.13)	0.88***	(0.18)	-0.54***	(0.17)	0.71***	(0.19)	-0.40**	(0.18)
POE-to-SOE acquisition×Industrial state ownership					-0.42***	(0.13)	0.33***	(0.12)					-0.37***	(0.13)	0.30**	(0.12)
POE-to-SOE acquisition×Previous political connection	-0.61***	(0.21)	0.42**	(0.20)	-0.50**	(0.21)	0.34*	(0.20)	-0.61***	(0.21)	0.42**	(0.20)	-0.50**	(0.21)	0.34*	(0.20)
Constant	3.64	(5.16)	0.96	(4.89)	3.98	(5.11)	0.69	(4.86)	3.96	(5.12)	0.74	(4.88)	4.21	(5.09)	0.54	(4.85)
Observations	1,223		1,223		1,223		1,223		1,223		1,223		1,223		1,223	
R-squared	0.660		0.613		0.667		0.619		0.666		0.617		0.671		0.622	
Year×industry Dummy	YES		YES		YES		YES		YES		YES		YES		YES	

Note. Robust standard errors in parentheses; *** p<0.01, ** p<0.05, *p<0.1

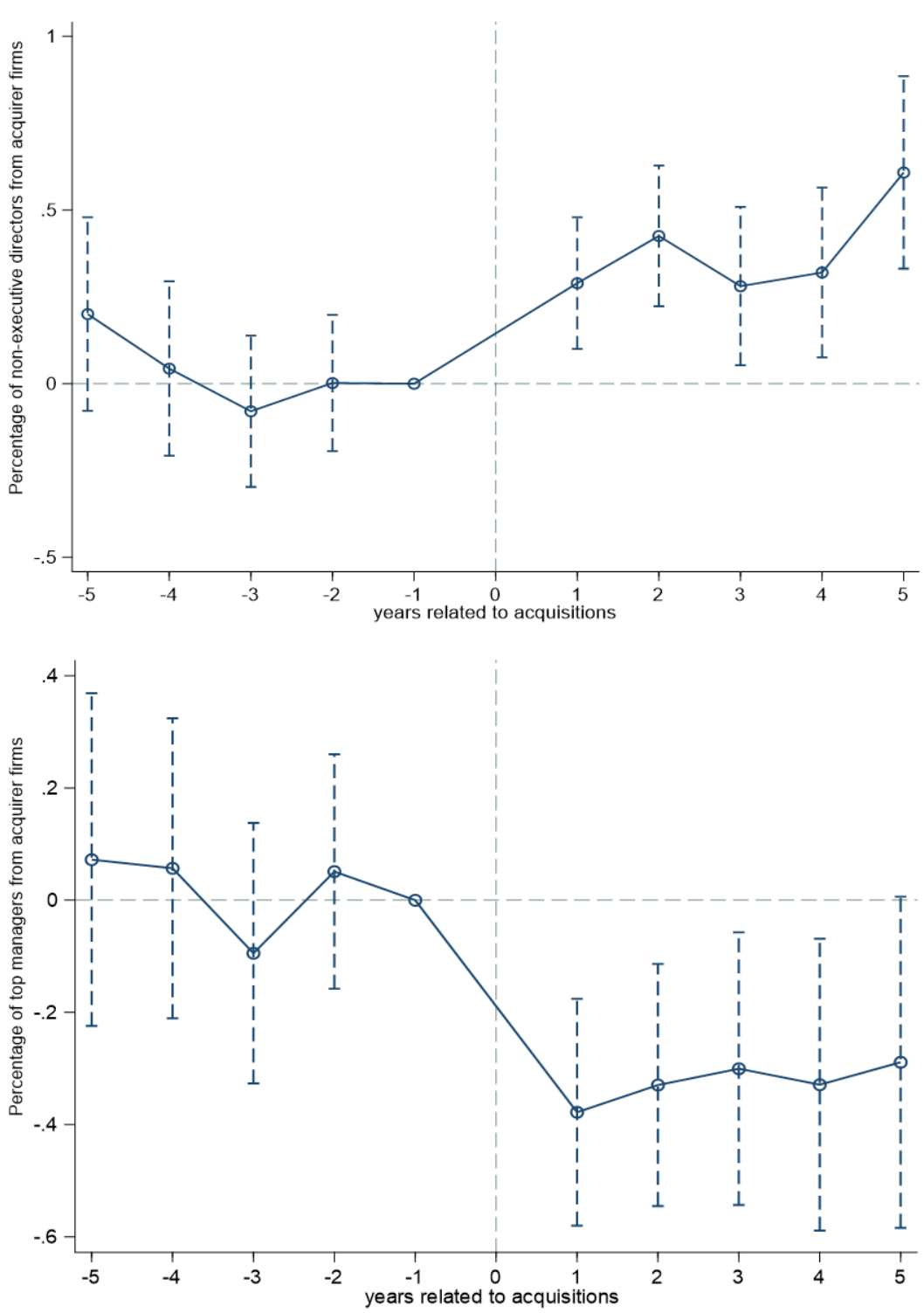

Figure 1 Tests of parallel trend assumption