

The Effects of Compliance Timing on Multinational Enterprises' Corporate Performance in China: An Application of Institutional Perspectives*

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Abstract

Purpose – Multi-National Enterprises (MNEs) tend to face a high level of institutional pressures in regions with high institutional development level. When complying with institutional pressures, firms try to make decisions to maximize profit while minimizing the risks to them. The purpose of this study is to investigate the influence of the institutional development level on institutional compliance timing by MNEs and the relationship between compliance speed and corporate performance.

Design/methodology – The research focuses on three main variables, which are the institutional development level (as a determination of the institutional pressure level), the firm's compliance speed (as a determination of the compliance timing), and the firm's financial performance (as a determination of the corporate performance). We collected 19,869 firm-level data from CSMAR (the China Stock Market and Accounting Research), 6,922 CSR data from RKS (the Rankins CSR Ratings), and province and city-level data from the NERIM (National Economic Research Institute Index of Marketization) and NBSC (National Bureau of Statistics of China). The firms in China were chosen for analysis, and the analysis period was from 2008 to 2017. Random Effects GLS Regression was used to test the relationships among the variables.

Findings – This study examined the effect of the institutional development level on the firm's compliance speed, together with the effect of compliance speed on the firm's financial performance of the MNEs in China. We found that the institutional development level positively influenced firms' financial performances, which means the firms' financial performances are better in the region with a high institutional development level. The compliance speed of institutional practice by firms was faster in the higher level of institutional development. However, the firm's delayed compliance led to better financial performance.

Originality/value – Studies in the resource dependence view of Institutional Theory often fall short in understanding the theory by overlooking the firm's active decision-making. Thus, the findings do not present a full scope of corporate performance in this regard. This study not only found a way to test the role of a firm's independent decision-making (i.e., compliance timing) when facing the institutional pressure but also prove the significant role of the compliance timing on corporate performance. Also, we were able to test the effect of institutional development level, controlling location-specific variables because we used CSR performance data for MNEs operating in China. Lastly, by doing the above, the findings of this study suggest practical implications to the industry practitioners in MNEs.

Keywords: Avoidance, Compliance Speed, Institutional Development, Institutional Theory, Symbolic

JEL Classifications: F23, L25, M14

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1. Introduction

Foreign investments by Multi-National Enterprises (MNEs) in developed and developing countries have been on a steady increase because of the rise of emerging markets, the erosion of investment and trade barriers, the need to secure new markets, and the increased need for technology acquisition. In 2018, global flows of foreign direct investment reached \$1.30 trillion according to the “2019 World Investment Report” published by UNCTAD (UNCTAD, 2019). Firms expand into new markets to use cheap labor, natural resources, and R&D personnel. However, firms face different issues and barriers depending on the location of investment. Psychological, cultural, legal, and institutional differences present barriers in global and local management (Kostova, Roth and Dacin, 2008). Therefore, institutions can be perceived as an “iron cage” that limits the strategic choices and behavioral scope of practices by the firms (DiMaggio and Powell, 1983). Firms may avoid, ignore, or resist institutional expectations and pressures, or occasionally conform to them. North (1990) demonstrates that institutional constraints affect corporate performance by controlling the behavior of the organization and its members and increasing transaction costs; however, organizations also adapt to or actively create and change institutions for their own interest.

According to institutional theory, an institution lowers the uncertainties of the outcome by presenting behavioral norms to the members of society (North, 1990). Elements of an institution can be classified as regulative, normative, and cultural-cognitive, and each element exerts pressure on businesses and individuals to comply with the institution (Scott, 2013). Firms, in turn, respond explicitly or implicitly based on relative cost, efficiency, and risks (Delmas and Montes-sancho, 2010; Matten and Moon, 2008; Weick, 1979). Organizational behaviors are legitimized in institutional environments. Therefore, an organization will conform with the institutional norms even if it doesn't improve its efficiency because legitimacy in the institutional environment helps ensure organizational survival.

Research using the resource-dependence theory argues that firms gain legitimacy by conforming to the institutional environment and expectations of the target area of investment (Dacin, 1997; Suchman, 1995), thereby increasing access to resources for sustainable management (Pfeffer and Salancik, 2003; Scott, 2013). Alternatively, resistance against institutional norms or requirements leads to formal and informal sanctions, loss of resources, and withdrawal of social support, negatively affecting the long-term survival of a firm (Oliver, 1991). While resource dependence view is important in understanding organizational behaviors in institutional environments, most studies using the resource dependence theory assume that the environment has an “absolute” effect on organizations and drives firms to select passive responses (i.e., unconditional compliance) (DiMaggio and Powell, 1983; Scott and Meyer, 1991). In this view, researchers tend to overlook an important part of the Institutional Theory - the firm's ability to make strategic decisions that can also bring benefits to the firm.

Firms face uncertainties when operating in foreign countries (Pfeffer and Salancik, 2003). Thus, they need to make strategic choices between localization and standardization based on the relative costs of each option (Bartlett and Ghoshal, 1989; North, 1990; Rosenweig and Singh, 1991; Westney, 1993; Weick, 1979). A firm's choice based on efficiency facilitates successful and cost-effective operations and management under environmental and institutional pressures. Firms may delay implementation to maintain their confidence while reducing the negative impact on its efficiency. Some studies have used “speed” as a variable to determine the firm's behavior, such as substantial or symbolic behavior (Delmas and Montes-Sancho, 2010; Han Byoung-Sop and Yang Woo-Young, 2019a). However, these studies did not consider the implementation speed in a sense of timing that influences the

firm's performance. Thus, it is important to investigate the actions based on a firm's efficiency (i.e., costs, time, human resource, etc.) will have a positive impact on the firm's performance when done at the "right" time. However, previous studies often miss this important variable—compliance timing.

As mentioned above, most studies have examined corporate strategies to conform but not as a means of active decision-making. Such an approach oversimplifies corporate strategies and actions and fails to explain avoidance or resistance to institutions. Also, researchers have failed to include the timing, level, and methods of compliance by merely assuming that the firms have no choice but to comply with institutional pressure to gain legitimacy, which is vital for survival and success. Thus, it is reasonable to assume that firms will benefit when they respond to institutions strategically from the perspective of efficiency. Just as the level of conformity to institutional norms and expectations influences corporate legitimacy and increases access to business resources, compliance timing (e.g., speed) affects corporate performance.

Thus, the purpose of this study is to investigate the influence of the institutional development level on institutional compliance timing by MNEs and the relationship between compliance speed and corporate performance. First, the effect of the level of institutional development on the speed of business compliance was examined. Next, we tested whether or not the compliance speed affects corporate financial performance.

The structure of the remaining paper is as follows. First, we reviewed the theoretical background and relevant literature. Next, we explained hypotheses formulation along with the support for each hypothesis. Then, we described research methodology, including the definitions and measurements of variables, samples and data, and analysis methods. Finally, we discussed the results and the findings followed by the conclusions and implications of this study.

2. Theoretical Background and Review of Literature

2.1. Institutional Theory and International Business

Institutional theory originated by linking the behavior and structure of organizations to institutional debates; it is a theory of the in-depth study of social structures (Scott, 2013). Institutional theory mainly studies procedures by social structures, including schemes, rules, norms, and routines, and proposes guidelines on social behavior with an emphasis on resolving conflicts and problems in the organization (Scott, 2004).

The institution is defined as "the rule of the game in a society, and the formal and informal rules and norms that organize social, political and economic relations (North, 1990: p.3)," or "a social structure consisting of cultural-cognitive, normative, and regulatory elements (Scott, 2013)." According to North (1990), the institution is divided into formal rules, such as constitutions, laws, and property rights, and informal restraints, such as sanctions, taboos, customs, traditions, and patterns of conduct. Moreover, the institution is associated with the activities and resource allocation of members and provides social stability and a means of activity (Scott, 2013). It is manifested in various forms, including symbolic systems, relational systems, routines, and artifacts (Scott, 2013).

In international business, institutional theory has been widely applied to research on MNEs in terms of verification, theorization, and analysis of various important issues (Kostova, Roth and Dacin, 2008). The research on the institutional effect on MNEs is mainly conducted based on neo-institutional theory (Kostova, Roth and Dacin, 2008), such as MNEs' entry methods

and procedures (Child and Tsai, 2005; Dacin, Oliver and Roy, 2007; Kogut and Singh, 1988; Kogut, Walker and Anand, 2002); comparative institutional advantages of business systems across countries (Casper and Whitley, 2004; Hill, 1995; Morgan, 2003); similarities in organizational practices because of regulatory, normative, cognitive and isomorphic pressures in the international environment (Busenitz, Gomez and Spencer, 2000; Eden and Miller, 2004; Kostova and Roth, 2002; Kostova and Zaheer, 1999); and legitimacy and multinational relationships between companies and their environments (Kostova and Zaheer, 1999; Lawrence, Hardy and Phillips, 2002; Levy and Egan, 2003).

Until recently, mainstream studies on the institution in international business have focused on the level of institutional development or the effect of institutional distance on corporate behavior and performance. These include study topics like: the influence of cultural distance on the decision-making process and performance of MNEs in overseas markets (Clark, Li Dan and Shepherd, 2018); the study of the driving force of institutional change from the perspective of MNEs (Koning, Mertens and Roosenboom, 2018); the effect of the level of institutional development and institutional distance in the home country on firms' exports and innovation (Xie Zhen-Zhen and Li Jia-Tao, 2018); The effect of institutional stability and uncertainty on the start-up and innovation of MNEs (Young, Welter and Conger, 2018); the effect of regional institutional levels and their stability on firms' foreign direct investment (Nguyen, Kim and Papanastassiou, 2018; Shi Wei-Lei et al., 2017); the effect of institutional distance on the expansion of global export and corporate performance (Deng Zi-Liang and Sinkovics, 2017); the effects of regulatory and stakeholder pressures on foreigners' liability in MNEs (Wu Zhe-Ying and Salomon, 2017); the effect of institutional voids on corporate decision-making (Kim Hye-Jun and Song Jae-Yong, 2017; Pinkham and Peng, 2017); and the effect of regional government institutional levels on corporate performance (Choi Jong-Moo, Jiang Cao and Shenkar, 2015).

Compliance with the institution is achieved through internal and external pressures according to changes in the environment. And the level of compliance depends on the level of institutional demand in host countries where MNE's subsidiaries have entered (Ferner, Almond and Colling, 2005). Despite the comprehensive research in this field of academia, there has been a lack of studies considering the strategic timing of institutional compliance determined by MNEs under the institutional pressure (Han Byoung-Sop and Yang Woo-Young, 2019a). According to Scott (2001, 161), organizations respond in various ways to the given institutional environment. Therefore, it is important to pay attention to the various methods the firms consider when making strategic decisions. Compliance timing determined by a firm can be one of the various methods determined by a firm to maximize its profit while complying with the institutional pressure. This approach is sparsely used in a few studies yet not in a comprehensive way.

Since the CEO must decide how and when to implement the input of a firm's resources, we think that the timing of institutional compliance will affect a firm's performance. In this study, we use the timing of compliance (i.e. CSR reporting speed) to examine the effect of corporate strategic choices on the performance of a firm. And firms will achieve better financial performance by determining the appropriate timing of institutional compliance based on the resources and capabilities of the firms rather than passively complying with institutional pressure in an immediate manner.

2.2. Institutional Theory and Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a topic that has been steadily mentioned in politics, economy, media, and academics. With an increasing interest in Corporate Social

Responsibility (CSR), firms in developing countries such as China have been implementing CSR as their primary corporate strategy to gain legitimacy (Marquis and Qian, 2013; Xu Shang-Kun and Yang Ru-Dai, 2008). CSR is generally defined as "being the way through which a company achieves a balance of economic, environmental and social imperatives, while at the same time addressing the expectations of shareholders and stakeholders (United Nations Industrial Development Organization; UNIDO, 2020)." In CSR research, firms need to build good relationships with stakeholders to achieve external resources stably (Freeman, 1984).

In institutional theory, social beliefs and expectations work as pressures for the organization to act in a desirable direction (DiMaggio and Powell, 1983; Scott, 2013). Organizations conform to the rules and belief systems required by the institution to survive (DiMaggio and Powell, 1983; Meyer and Rowan, 1977); this is because the firms need to rely on external resources (Pfeffer and Salancik, 2003). As a result, firms have to respond to stakeholder pressure in order to supply resources stably and use CSR as a means to obtain legitimacy from various stakeholders (Lamin and Zaheer, 2012; Oliver, 1991; Rathert, 2016; Tian, Liu and Fan, 2015).

Early research on CSR shows that strategic CSR activities or decisions were undertaken by means of a justification approach instead of considering corporate efficiency (Van Oosterhout and Heugens, 2006). The justification approach entails decisions by the corporate on whether it should or should not, by listing the consequences, such as the negative effects of CSR on a firm's performance (Boyle, Higgins and Rhee, 1997; Kahn, Lekander and Leimkuhler, 1997; Wright and Ferris, 1997), and the positive effects of CSR on a firm's performance (Hull and Rothenberg, 2008; Margolis and Walsh, 2003; Orlitzky, Schmidt and Rynes, 2003; Waddock and Graves, 1997). It is difficult to claim that this justification approach completely explains the company's behavior in response to environmental changes because it simplifies the causality of the company's strategic behavior (Van Oosterhout and Heugens, 2006).

Recent research has started to study the decoupling of firms against institutional pressures. These are studies of the firm's ceremonial behavior, in which firms strategically decide on the level of compliance with institutional pressure. Thus, researching the speed of institutional implementation of each firm and resulting firm's financial performance will be a well-timed subject as it investigates the firm's behavior (i.e., determining an appropriate timing of CSR compliance) from an active perspective.

Many studies regarding CSR practices by MNEs operating in different countries. However, countries have vast cultural, social, psychological differences that make it hard to isolate the effect of the institutional development level in cross-cultural environments. Therefore, investigating corporate CSR performance by region in the same country may provide researchers with more accurate results than cross-national comparison given that there are still differences in regional institutional development levels, marketization degree, income level, and culture level even within the same country (Christmann and Taylor, 2012). However, not many studies have considered corporate CSR practices and the level of development of regional institutions or regional environmental factors within the same country. This study examines the effect of the institutional development level on the firm's compliance speed, together with the effect of compliance speed on the firm's financial performance of the MNEs in China. Hence, the findings of this study will help demonstrate the features of a country's sub-regional units in institutional theory and CSR studies.

3. Hypotheses

3.1. Institutional Development Level and Firm's Compliance Speed

Institutionalization, which refers to the process of development of institutions, is a continuous process that becomes habituated, objectified, and settled, and those beliefs, norms, and values are changed by means of innovation in organizations and social systems (Tolbert and Zucker, 1999). As the institution develops, the institutional constraints increase, hence the norms created by institutionalization put stronger pressure on firms (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Scott, 2013). Scott (2013) identified three dimensions of institutional pressure: regulative, normative, and cultural-cognitive. First, regulatory pressures, such as laws and regulations, are exercised by the government, and illegal actions involve high social costs because they entail political risks and legal constraints (Oliver, 1991; Scott, 2013). Second, normative pressures are created by professional organizations and social groups, which contribute to the creation of voluntary standards beyond the minimum regulatory demands and exert pressure on firms or social members to follow them (Oliver, 1991; Scott, 2013). Third, cultural-cognitive pressure is related to shared values that society members take for granted, such as tradition and cultural morality (Scott, 2013). Therefore, organizations and individuals gain legitimacy by means of the isomorphism of beliefs and value systems shared by other organizations and people about cultural-cognitive pressures.

Within this institutional framework, for continued survival, organizations become compliant with the rules and beliefs that prevail in their environment (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Scott, 2013), and compliance with the institution justifies the organization to achieve social acceptance and credit because legitimacy makes it easier to obtain the resources that an organization needs in an institutional environment (Scott, 2013; Suchman, 1995; Pfeffer and Salancik, 2003). As the institutional development level becomes high, so is the institutional pressure. Some firms may show avoidance behaviors, increasing the firm's costs as a result (Oliver, 1991). In addition, non-compliance with standards can also lead to sluggish sales of products from the firm because of consumer disregard. Thus, institutional development level is regarded as the level of institutional pressure on firms (Rathert, 2016), and firms rather choose compliance than defy to institutional pressure to gain legitimacy.

In previous studies, according to the stage of development of the market institution, firms in regions with high regional institutional development should obtain legitimacy through greater compliance (Raynard, 2016; Rathert, 2016; Tian Qing, Liu Yan and Fan Jian-Hong, 2015). Therefore, it is expected that firms will comply with the institutional pressure in a speedy manner in the region with a high institutional development level. We suggest that the higher the level of institutional development, the faster the institutional compliance. Thus, the following hypothesis is tested.

H1: The higher level of institutional development will lead to firms' speedy compliance.

3.2. Institutional Development Level and Corporate Financial Performance

Prior studies on the development of institutions have researched the effects of institutional development on a firm's behavior, policies, and strategies. For example, they have dealt with topics about the effect of institutional development on corporate behavior (Campbell, Eden and Miller, 2012; Reimann, Rauer and Kaufmann, 2015); the effect of institutional pressure by market development on corporate behavior (Rathert, 2016; Yin Jue-Lin, 2017); the effect

of different institutional levels on management policies for gaining legitimacy (Kogut and Singh, 1988; Kostova and Roth, 2002); and the level of a firm's compliance according to the level of institutional development by region in a single country (Zhu Qing-Hua and Sarkis, 2007).

According to North (1990), the institution provides a framework for social members to accommodate the balance of bargaining, contracting, and negotiation, enabling the realization of benefits by means of the settlement of disputes or exchange of opinions. Moreover, uncertainty is decreased in an efficient market with developed institutions, because social members can recognize the information and signals in the institution. As North (1990) mentioned, "in a well-developed society, social members pay much lower transaction costs, because they have broader information and can make the right choices. Conversely, in low levels of institutional development, because of the incomplete information and signals that can be perceived by institutions, society members must rely on choosing by means of procedural rationality to modify the incomplete information and signals. This increases transaction costs when trying to solve complex exchange problems (North, 1990: p.108)". Therefore, institutional development can be expected to lower the transaction cost and positively affect the performance of firms. In this regard, the greater institutional development of cities and provinces in China will decrease the uncertainty, which will have a positive effect on the financial performance of firms. Therefore, we attempt to verify the following hypothesis.

H2: The higher level of institutional development will have a positive effect on the financial performance of firms.

3.3. Firm's Compliance Speed and Corporate Financial Performance

Organizational compliance with institutional pressures is usually achieved through isomorphisms, such as imitation, or peer effect (Berrone et al., 2013; Kostova, Roth and Dacin, 2008; Oliver, 1991). However, organizational response to institutional pressures can also be strategic, maximizing the benefits while minimizing the risks (Goodrick and Salancik, 1996; Lotila, 2010; Oliver, 1991; Tan and Wang Liang, 2011). In particular, Oliver (1991) subdivided a firm's strategic responses to institutional procedures into acquiescence, compromise, avoidance, defiance, and manipulation. He also asserted that companies could proactively respond to social pressures by reflecting on the risks. Recent studies discuss the decoupling of firms, as well as their ceremonial and symbolic responses.

In institutional theory, substantive compliance occurs when a firm accepts social demands, even if the costs rise when the corporate goals and social demands collide (Delmas and Montes-Sancho, 2010). A firm's substantive compliance with social needs also has a positive effect on its corporate performance (Delmas and Montes-Sancho, 2010). However, corporate goals and social needs very often conflict, which makes it difficult for firms to attain legitimacy (Kostova and Zaheer, 1999). In this situation, firms acquire symbolic legitimacy through ceremonial compliance, which is defined as decoupling (Bowen, 2014; Endelman, 1992; Meyer and Rowan, 1977). And the decoupling can be performed through actions such as delay, avoidance, hypocrisy, and falsehood.

Studies have shown that the ceremonial or symbolic behavior of firms can have a positive effect on their performance. For example, Bansal and Kistruck (2006) assert that firms can maintain legitimacy through ceremonial behaviors, such as apology, explanation, correction, and criticism of other firm's actions. Bansal and Clelland (2004) and Westphal and Zajac (1998) have also demonstrated that corporate symbolic behavior is effective in the removal of

barriers to institutional legitimacy, which has a positive effect on their corporate performance. Delmas and Montes-Sancho (2010), however, have distinguished between the substantial and symbolic behavior of firms against institutional pressures, and have shown that corporate performance is positively affected when the firm's actions are substantive. Thus, the debate over the effect of corporate symbolic behavior on corporate performance continues to be discussed.

Therefore, we interpret the firm-determined timing of compliance as delayed compliance and examine its effect on corporate financial value. Although the theoretical and empirical research on the strategic response of firms has been continuously published in institutional theory (Lotila, 2009; Oliver, 1991; Tan and Wang Liang, 2011), there is not much research on the effect of avoidance on corporate performance when the strategic behavior of the firm is delayed. For reference, Delmas and Montes-Sancho (2010) used the concept of practice adoption speed to classify it into substantial and symbolic behavior. In our study, we define the compliance speed as the delayed compliance of the firm. We also try to identify whether the level of avoidance of firms, defined by delayed compliance with institutional pressure, has a positive or negative effect on corporate financial performance.

According to the resource-dependency theory, firms can gain the resources they need when they comply with institutional pressures. However, every firm's circumstances vary and the firms face different situations under the same institutional environment. Therefore, we can predict that firms will maximize their profits by determining the timing of compliance by strategic choice based on its unique circumstances rather than unconditionally complying with the institutional pressure. Firms may use strategic avoidance strategies that delay compliance in order to maximize performance. In our study, we suggest that firms will seek to maximize corporate profits by delaying compliance with the institutional pressure. Therefore, we try to test the following hypothesis:

H3-1: A firm's delayed compliance will lead to better financial performance.

Last, we examine the effects of institutional development and corporate avoidance together on corporate financial performance. In institutional theory, greater institutional development leads to clear and reliable social trust, which has a positive effect on corporate performance by reducing government intervention and transaction costs (Knack and Keefer, 1997; North, 1990). In terms of the resource-based view, firms' avoidance of institutional pressure has a negative effect on their performance because of failure to gain legitimacy (Eden and Miller, 2004; Oliver, 1991). Institutional developments also reinforce social monitoring and impose high social costs for violation of institutional norms (Waddock and Graves, 1997). However, as the institution develops, the firm's CSR activities improve its relationships with internal and external stakeholders, reducing costs and helping to generate profits by attaining a positive image. Therefore, it can be predicted that purposely delayed compliance by the firm, without resisting social demands, may help them to improve their performance.

Recently, research has been conducted on various interaction effects on corporate values, such as the interaction effect between stakeholder pressure and corporate morality, which can lead to a positive effect on CSR activities (Tian Qing, Liu Yan and Fan Jian-Hong, 2015); and the interaction effect on financial performance between CSR activities and financial crisis (Lins, Servaes and Tamayo, 2017). In our study, we assumed that the institutional development level and the delayed compliance of the firm would also affect corporate performance. Adjusting the timing of the release of CSR reports by means of strategic avoidance is in line with the firm's internal goals, and this may reduce the cost of compliance; so delayed compliance can have a positive effect on the firm's performance. Therefore, we expect that

the institutional development level and the firm's avoidance behavior will interact with each other and have a positive effect on corporate performance.

H3-2: The firm's compliance speed and the institutional development level will interact with each other and have a positive effect on the firm's financial performance.

4. Research Method

4.1. Sample and Data

Our study observes the institutional development level and the firm's avoidance tendency. The research subjects are listed companies in China's A market and 31 provinces and cities in China. The observation period is from 2008 to the end of 2017, and the industry was measured by classifying six sectors: finance, public service, real estate, integrated, industry, and commerce. We used 19,869 firm-level figures for 10 years of 3,079 companies listed in China's A market and 6,922 CSR details of 904 companies during the same period.

We collected and used firm-level data in China, including the CSR Index, the company name, industry, total sales, intangible assets, and company age. The CSR Index uses RKS (Rankins CSR Ratings), which is another authoritative CSR assessment agency in China, along with CASSCSR (Research Center for Corporate Social Responsibility Chinese Academy of Social Sciences), and it also has the largest amount of CSR evaluation data in China. The results of CSR valuations have been published since 2009, and they target the companies listed in the Chinese ark.

The firms in China use data from CSMAR (China Stock Market and Accounting Research), which adopts internationally renowned database know-how, including CRSP at the University of Chicago, Compustat at Standard & Poor's, and TAQ at the New York Exchange (CSMAR, 2019). It is China's largest statistics database that aggregates the comprehensive data of eight areas, including finance, economy, stocks, funds, bonds, derivatives, listed companies, and industries (CSMAR, 2019).

4.2. Research Context

The justification for choosing the Chinese A market for analysis are as follows. Since China's CSR institution is relatively new but well settled compared to that in other developed countries, the data set chosen for our study is suitable for testing the effect of institutional development level on firm-determined timing of compliance and corporate performance. Although it can be viewed that the current dataset has a limitation due to the fact that it only includes the listed companies in China's A market, a majority of MNEs around the world are listed in China's A-market, including Fortune 500 companies. Thus, observing the management activities of MNEs can provide insightful managerial implications.

Additionally, the CSR data from the firms in China are well-suited for the current study because China's CSR has all three pillars of the institution, which are regulatory, normative, and cultural-cognitive pillars (Scott, 2013). First, China's CSR has a regulatory character, because the Chinese government is encouraging firms to implement their corporate social responsibilities under the revised company law of 2006. Second, China's CSR also has normative characteristics, since Chinese companies have been preparing CSR reports since 2008 and publishing their results since 2009. The CSR report standard is prepared in accordance with the Chinese corporate social responsibility guidelines developed by the

Research Center for Corporate Social Responsibility of the Chinese Academy of Social Sciences (CASSCSR), which is the most authoritative CSR assessment agency in China. Third, China's CSR has cultural-cognitive characteristics, in that social and consumer awareness of CSR is increasing because of environmental pollution and corporate social irresponsibility caused by growth-focused economic development policies.

The institutional development level was observed for 31 provinces and cities in China. We used the NERIM (National Economic Research Institute Index of Marketization) data as the institutional development level. This index was designed by Fan Gang and Wang Xiao-Lu (2010) to measure the development level of the market institution in China's provinces and cities since 2000. The marketization index evaluates five areas in detail: the development level of the relationship between the government and the market; the development level of the non-government sector; the development level of the goods market; the development level of the factors market; and the development level of the expert groups within markets and legal-institutional environments. Therefore NERIM data is used as a surrogate indicator of the level of market institution development in the prior studies (Choi Jong-Moo, Jiang Cao and Shenkar, 2015). It has a score between 0 and 10 allocated for each province and city. China is a good sample of a transitional country. It observes the level of institutional development by region because there are differences in the development level, operation, and management of the institution. On the other hand, it is difficult to collect data in some countries with advanced systems, such as the United States and Europe, because the institutions have developed over a long period of time, and it is difficult to compare and analyze them, step-by-step, in accordance with the level of institutional development.

4.3. Variables and Measures

4.3.1. *Dependent Variables*

We measured the CSR reporting speed of firms listed in the Chinese A market as a dependent variable in hypothesis H1, together with financial performance as a dependent variable in hypotheses H2, H3, and H4. We used the CSR Index of RKS for measuring the CSR reporting speed. The reporting speed of CSR is frequently used as a surrogate variable to quantify the visibility as well as the substantive and symbolic behavior of firms in institutional research. For example, Delmas and Montes-Sancho (2010) computed substantive and symbolic compliance with institutional pressure using the CSR implementation speed. Han Byoung-Sop and Yang Woo-Young (2019b) tried evaluating how adoption ranges and levels of organizational practices affect the CSR reporting speed. In addition, Dhaliwal et al. (2011) and Marquis and Qian Cui-Li (2013) also suggested that the substantive adoption and compliance of institutional practice can be estimated by checking whether the CSR report was published or not.

Chinese firms used in our study began publishing CSR reports starting in 2009. The companies that issued reports had a value of 1, whereas others that did not publish had a value of 0. Beginning from the year when each firm published the report, the first year was assigned a value of 1, and the following year has a value of the common difference of 1 as an increased arithmetic sequence; for example {1, 2, 3, 4, 5, ...} is made by adding 1 each time. If the report is unpublished during the publication period, the speed value is 0. If the report is republished in the following year, the value of " $n + 1$ " is used for the speed (n) of the year before the report is unpublished. As a result, firms that start and publish a CSR report quickly in a particular year have a higher speed, whereas firms that start late or do not publish in the middle have lower values. So it is useful to compare the speed of firms by year in analyzing panel data.

Next, we measured Tobin's Q for financial performance. Tobin's Q is a surrogate for

measuring market value against the net asset value of a company. It measures the market value of a company assessed in the stock market divided by its replacement cost. Tobin's Q value is generally used as a measure for predicting future corporate value (Cho Yong-Dae, 2011), and in previous studies, it was often used as a surrogate variable to represent a company's financial performance (Hull and Rothenberg, 2008; Waddock and Graves, 1997; Wright and Ferris, 1997). In our study, the value is used to compare the financial performance of each company, and the data is from China CSMAR.

4.3.2. *Independent Variables*

The independent variables are the institutional development levels in the provinces and cities of China and the CSR reporting speed of firms listed in the Chinese A market. The level of institutional development was used as an independent variable in hypotheses H1 to H4, and the CSR reporting speed was used as an independent variable in hypotheses H3 and H4. First, the level of institutional development was measured by China's NERIM. In previous studies, NERIM data was used as a surrogate variable to indicate the level of development of the market institution (Choi Jong-Moo, Jiang Cao and Shenkar, 2015). NERIM consists of five detailed evaluation factors: the relationship between the government and the market; the development of the non-state economy; the growth of the product market; the development of the factor market; and the development of the expert group in the market and the legal-institutional environment. Scores between 0 and 10 are considered, reflecting the government's regulatory strength, customer needs, relationship with stakeholders, the supply of resources, and market transparency. Next, the CSR reporting speed was set to "t-1" value when used as an independent variable.

4.3.3. *Control Variables*

For the control variables, we measured China's GDP per capita, level of market openness, industry type of firms, total sales, intangible assets, and establishment age. First, GDP per capita and market openness data were collected from the Chinese Bureau of Statistics (NBSC). Second, firm-level data, such as industry type, total sales, and establishment age, were collected from CSMAR.

GDP per capita is a surrogate variable to examine the effect of regional income levels on the speed of institutional practice adoption and corporate financial performance (Kassinis and Vafeas, 2006). As Kassinis and Vafeas (2006) mentioned, a high level of income and education lead to higher social needs. High-income levels also increase the level of demand for companies, because they increase consumer understanding and expertise in products and services (Chan Mui-Ching, Watson and Woodliff, 2014). We expected that a high income level increases the practice adoption speed because of the greater intensity of institutional pressure.

The market openness of provinces and cities was used as a surrogate variable to measure the effect of regional foreign trade on the speed of practice adoption and corporate financial performance. We measured market openness as the ratio of regional imports and exports to total regional GDP. Therefore, the higher the share of total trade in GDP, the higher the openness in each region. China's CSR initiatives were begun in response to demands from MNEs in China (Lin Li-Wen, 2010). MNEs have adopted CSR as a way to overcome institutional voids in host countries at the request of their stakeholders in the home country (Wang Lei and Juslin, 2009), Therefore, local Chinese companies have and will start CSR activities to maintain their relationship with the MNEs (Lin Li-Wen, 2010; Zhou Wei-Dong, 2006). In our study, we expected that larger foreign trade leads to the fast adoption of institutional practices, which will also affect the financial performance of the firms.

Industry firms are a proxy for the degree of isomorphism. In general, industrial types are

often used as variables to measure the peer effect, which indicates the degree of isomorphism for peer firms (Thornton, 2002). CSR activities differ in their scope and method of operation, depending on the industry (Reimann, Rauer and Kaufmann, 2015). In our study, the industry types were divided into six categories: finance, public service, real estate, integrated, industry, and commerce. A dummy variable of 0 or 1 was assigned to each type. We expected that there would be a difference in the speed and performance of the institutional adoption by industry.

Total sales are a proxy for the size and visibility of a firm. We expected that if the firm is large, it has abundant resources that can be invested, which will result in better performance than that of smaller firms (Pfeffer and Salancik, 2003; Sherer and Lee Kyung-Mook, 2002). Besides, larger companies are more visible to stakeholders, so firms are striving to achieve better CSR performance (Reimann, Rauer and Kaufmann, 2015). In our study, therefore, we expected that the larger the company's total sales, the faster its adoption of the institutional practice.

The amount of intangible assets is a proxy for the comparative advantage of a firm. According to the Resource Dependency View (RDV), the comparative advantage of a firm derives from the abundant resources accumulated within the firm, such as intangible resources, which include a firm's skills, human resources, culture, and reputation (Barney, 1991; Dierickx and Cool, 1989; Surroca, Tribó and Waddock, 2010; Wernerfelt, 1984). Furthermore, it affects the firm's comparative advantage and financial performance (Gomez-Mejía and Balkin, 2002; Surroca, Tribó and Waddock, 2010). We expected that if the firms have many intangible assets, then the adoption speed of the practice will be faster, which will also be better for their financial performance.

The establishment age of a firm was used as a variable to indicate the ability to adapt to environmental changes in previous studies (Hannan and Freeman, 1984; Sherer and Lee Kyung-Mook, 2002; Thornton, 2002). Traditional, older firms are less adaptable to institutional change because of their strict internal disciplines, which make it difficult for them to adopt the new practice (Sherer and Lee Kyung-Mook, 2002). Therefore, we anticipate that older firms will slowly but also strictly react to institutional pressures, whereas younger firms will be more sensitive and active. Finally, the source of the data used in the analysis is shown in Table 1.

Table 1. Variable Names and Data Sources

Variable	Name	Data Sources
Dependent Variable	Reportspeed	RKS (Rankins CSR Ratings)
	TobinQ	CSMAR (The China Stock Market and Accounting Research)
Independent Variables	Reportspeed	RKS (Rankins CSR Ratings)
	MKT	NERIM (National Economic Research Institute Index of Marketization)
Control Variables	GDPcapita	NBSC (National Bureau of Statistics of China)
	Openess	NBSC (National Bureau of Statistics of China)
	D1~D5	CSMAR (The China Stock Market and Accounting Research)
	Tsales	CSMAR (The China Stock Market and Accounting Research)
	NetIntang	CSMAR (The China Stock Market and Accounting Research)
	Estage	CSMAR (The China Stock Market and Accounting Research)

4.4. Analysis Models

We used the Random Effects GLS Regression as a basic model to analyze the effects of China's institutional development on the speed of practice adoption, and the effect of institutional development on the speed of practice adoption and corporate financial performance. This regression method has been used to analyze panel data in many previous studies (Delmas and Montes-Sancho, 2010; Makino Shige, Isobe Takehiko and Chan, 2004; Tashman, Marano and Kostova, 2019). It is particularly useful for resolving the correlation problem with the error term when there is a variable with duplicate values in the panel data; such as CSR reporting speed (ReportSpeed) used in our study (Cameron and Trivedi, 2010; Tashman, Marano and Kostova, 2019).

The main variables are the level of institutional development by region, the speed of practice adoption, and the value of firms. The dependent variables are practice adoption speed (ReportSpeed) and corporate value (TobinQ), and the independent variables are regional institutional levels (MKT) and practice adoption speed (ReportSpeed). Other control variables include macroeconomic indicators such as GDP per capita (GDPcapita) and openness in the 31 provinces and cities (Openess), and the micro-indicators include the industry type of firms (D1~D5), total sales (Tsales), intangible capital (NetIntang), and the company age (Estage). The analysis model was set as follows:

$$\text{ReportSpeed}_{it} = \beta_0 + \beta_1 \text{MKT}_{i,t-1} + \sum \beta_2 \text{Control}_{i,t-1} + \varepsilon_{i,t-1} \quad (1)$$

Model 1 is for analyzing the effect of institutional development on the speed of practice adoption. The dependent variable, ReportSpeed_{it} , was assigned a value of 0 to 9 as the speed of practice adoption of firm i in year t . The independent variable $\text{MKT}_{i,t-1}$ represents the level of institutional development in the region of firm i and ranges from 0 to 10. The adjustment variables ($\text{Control}_{i,t-1}$) include GDP per capita (GDPcapita) and the openness (Openess) in the region to which the company belongs, the industry type (D1~D5), the total sales (Tsales), intangible assets (NetIntang), and the age of the firms (Estage). Except for the dependent variable, the independent and control variables use values of “ $t-1$ ” year; and the industry type is taken as a dummy variable. GDP per capita, total sales, and intangible capital are taken as a natural log.

$$\text{Tobin'sQ}_{it} = \beta_0 + \beta_1 \text{MKT}_{i,t-1} + \sum \beta_2 \text{Control}_{i,t-1} + \varepsilon_{i,t-1} \quad (2)$$

Model 2 is for analyzing the effect of institutional development on the firm's financial performance. The dependent variable, Tobin's $Q_{i,t}$, is the financial performance of firm i , and the independent and control variables used are the same as in Model 1.

$$\text{Tobin'sQ}_{it} = \beta_0 + \beta_1 \text{MKT}_{i,t-1} + \beta_2 \text{ReportSpeed}_{i,t-1} + \sum \beta_3 \text{Control}_{i,t-1} + \varepsilon_{i,t-1} \quad (3a)$$

$$\text{Tobin'sQ}_{it} = \beta_0 + \beta_1 \text{MKT}_{i,t-1} + \beta_2 \text{ReportSpeed}_{i,t-1} + \beta_3 \text{MKT}_{i,t-1} \times \text{ReportSpeed}_{i,t-1} + \sum \beta_4 \text{Control}_{i,t-1} + \varepsilon_{i,t-1} \quad (3b)$$

Models 3a and 3b are for analyzing the effect of practice adoption speed on corporate financial performance. As in Model 2, for Models 3a and 3b Tobin's $Q_{i,t}$ is firm i ' year t financial performance, and the independent variables are the levels of institutional development ($\text{MKT}_{i,t-1}$) and the speed of practice adoption ($\text{ReportSpeed}_{i,t-1}$). In Model 3b, to measure the level of an interaction effect between the independent variables in Model 3a, we added the

interaction effect of the institutional development level and the practice adoption speed ($MKT_{i,t-1} \times ReportSpeed_{i,t-1}$). For other control variables, the same variables were used as in Models 1 and 2.

In our study, the statistical program used for analysis was STATA, and we did the basic statistical analysis, correlation analysis, and panel regression analysis to analyze panel data. In the basic statistical analysis, we measured the mean, standard deviation, maximum, minimum, and sample observations for each variable. Correlation and VIF analysis were also used to measure multicollinearity between variables. Finally, the regression analysis used a random-effects GLS model.

5. Empirical Analysis

5.1. Basic Statistical and Correlation Analysis

The results of the basic statistical and correlation analysis are as follows. Table 2 shows the results of the basic statistical analysis for each variable. First, the main independent and dependent variables are as follows. TobinQ, which represents company-specific financial performance, ranges from a minimum of 0.007 to a maximum of 50939.53, with an average of 4.827. ReportSpeed, which represents the rate of adoption of the system, ranges from 0 to 9, with an average value of 3.143. This means that firms listed on the Chinese A market took 3.14 years on average to adopt CSR reporting. MKT, representing the level of institutional development, has a minimum value of -0.023 to 10, with an average of 7.545. GDPcapita, which represents the income level per capita in each province and city, ranges from 3.896 to 5.073, with an average of 4.688.

In terms of the control variables, the openness, which indicates the degree of market openness in China (Openess), ranges from 0.024 to 1.671, with an average value of 0.579. This means that China's average trade amount reaches 57.9% of GDP. The minimum was 2.4%, and the maximum was 167.1%; these indicate that there is a large gap among provinces and cities in China. The total sales (Tsales), representing the size of the firm, ranges from a minimum of 3.928 to a maximum of 12.459, with an average of 9.197. The intangible capital (NetIntang), representing the comparative advantage of firms, ranged from 2.523 to 11.171, with an average value of 7.894. Finally, the age of firms (Estage), indicating the firm's resilience to institutions, ranged from 0 to 36, with an average of 14.972 years.

Table 2. Basic Statistical Analysis

Variable	Mean	Std. Dev.	Min	Max	Observations
TobinQ	4.827	330.584	0.007	50939.53	23,815
ReportSpeed	3.154	2.786	0	9	7,340
MKT	7.545	1.799	-0.230	10	21,437
GDPcapita ^a	4.688	0.226	3.896	5.073	24,946
Openess	0.579	0.464	0.024	1.671	24,897
Tsales ^a	9.197	0.712	3.928	12.459	23,877
NetIntang ^a	7.894	0.866	2.523	11.171	23,148
Estage	14.972	5.641	0	37	24,555

Note: ^a Denotes Natural log of total amount.

Table 3 shows the result of correlation analysis and VIF testing for each variable. First, in the VIF test result, the VIF value to check the multicollinearity is a minimum of 1.16 to a

maximum of 3.78; all the variables are less than four. The average value was 2.21, which is also below the value of five known as the threshold for multicollinearity (Jacqueminet, 2020; Studenmund, 2001). As a result, we think that there was no multicollinearity problem among the variables.

Next, the result of the correlation analysis between variables is as follows. First, GDPcapita and Openness showed correlation coefficients of 0.816 and 0.672 with MKT, respectively. Openness showed a slightly higher value of 0.607 with GDPcapita, and NetIntang showed the value of 0.584 with Tsale. However, since the VIF values of these variables remained below 4, we judged that the multiple collinearity problem was not of concern among the variables.

Table 3. Correlation Analysis of the Variables

	1	2	3	4	5	6	V.I.F
1. TobinQ	1.000						
2. Reportspeed	-0.121*** (0.000)	1.000					1.50
3. MKT	-0.005 (0.457)	0.224*** (0.000)	1.000				3.22
4. GDPcapita	-0.011* (0.098)	0.321*** (0.000)	0.816*** (0.000)	1.000			3.78
5. Openess	-0.007 (0.314)	-0.006 (0.636)	0.671*** (0.000)	0.607*** (0.000)	1.000		2.28
6. Tsales	-0.055*** (0.000)	0.346** (0.000)	0.088*** (0.000)	0.138*** (0.000)	0.075*** (0.000)	1.000	1.81
7. NetIntang	-0.226*** (0.000)	0.306*** (0.000)	0.016** (0.029)	0.072*** (0.000)	0.041*** (0.000)	0.584*** (0.000)	1.72
8. Estage	-0.003 (0.615)	0.348*** (0.000)	0.042*** (0.000)	0.148*** (0.000)	-0.066*** (0.000)	0.079*** (0.000)	1.16
	7	8					
7. NetIntang	1.000						
8. Estage	0.057*** (0.000)	1.000					
Mean VIF							2.21

Note: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.001$.

5.2. Panel Regression

Table 4 shows the results of the panel regression analysis. First, model 1 is the result of the regression analysis of Hypothesis H1; it showed that the level of institutional development had a positive relationship with the speed of practice adoption. Hence high levels of institutional development led to swifter firm compliance, which shows that institutional pressure because of institutional development raises the speed of practice adoption and supports the findings of previous studies (Raynard, 2016; Rathert, 2016; Tian Qing, Liu Yan and Fan Jian-Hong, 2015). In addition, it also shows that the firm's response to institutional pressure can also be affected by institutional development. Therefore, Hypothesis H1 was adopted.

Model 2 is the result of the regression analysis of Hypothesis H2. We found that the level of institutional development was positively related to the financial performance of the firms. This supports North (1990)'s view that the development of an institution leads to lower uncertainty by providing a normative framework for behavior in society, thereby reducing the transaction costs and improving corporate performance. Therefore, Hypothesis H2 was adopted.

Table 4. Random-Effects GLS Regression

Variable	<u>Model 1</u>	<u>Model 2</u>	<u>Model 3a</u>	<u>Model 3b</u>
	(Speed)	Step 1 (Tobin's)	Step 2 (Tobin's)	Step 3 (Tobin's)
Constants	-36.671*** (1.159)	20.418*** (1.016)	14.547*** (1.768)	14.729*** (1.792)
GDPcapita	5.368*** (0.278)	-0.202 (0.245)	-0.331 (0.41)	-0.403 (0.428)
Openess	-1.338*** (0.107)	0.585*** (0.091)	0.346** (0.145)	0.344** (0.145)
Tsales	0.547*** (0.072)	-1.900*** (0.060)	-1.066*** (0.098)	-1.067*** (0.098)
NetIntang	0.266** (0.045)	-0.239*** (0.042)	-0.289*** (0.069)	-0.288*** (0.069)
Estage	0.324*** (0.011)	0.056*** (0.006)	0.007 (0.011)	0.006 (0.011)
MKT	0.341*** (0.034)	0.141*** (0.031)	0.135*** (0.050)	0.157** (0.062)
ReportSpeed			-0.032* (0.019)	0.008 (0.067)
ReportSpeed*MKT				-0.005 (0.008)
D1~D5		Industry valuable included		
sigma_u	1.808	1.583	1.488	1.480
sigma_e	1.090	2.662	2.537	2.537
rho	0.733	0.261	0.256	0.254
Prob>chi2	0.000	0.000	0.000	0.000
F(Wald Chi2)	11223.89	2057.03	426.23	428.32
Observation	6,225	19,869	6,922	6,922

Notes: 1. () denotes standard deviation.

2. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.001$.

Model 3a is the result of the regression analysis of Hypothesis H3-1. We found that the speed of compliance with institutional pressure had a negative effect on the firm's financial performance. This can be interpreted as meaning that firms are maximizing their profits by reducing the speed of compliance to institutional pressures. This is in support of Bansal and Clelland (2004), Bansal and Kistruck (2006) and Westphal and Zajac (1998)'s view that firms can maintain legitimacy by only symbolic compliance, not actual compliance. It is also a step forward from the concept of practical and symbolic isomorphism, demonstrating that firms actively control the speed of practice adoption and that they maximize their performance to achieve their goals. Therefore, Hypothesis H3-1 was adopted. In Model 3b, which is the result of the regression analysis of Hypothesis H3-2, there were also no significant regression results.

The regression results for the control variables are as follows. First, GDP per capita has a significant and positive relationship with the practice adoption speed in Model 1. It can be interpreted as meaning that a higher national income leads to a higher intensity of institutional pressure and faster adoption speed of the institution. The openness of provinces and cities has a significant and negative relationship in Model 1 and a positive relationship in Models 2 and 3 with the adoption speed of the institution. This means that the degree of openness has a positive effect on the firm's financial performance, but a negative effect on the adoption speed of the institution.

Total sales, representing the size of the firms, have a significant and positive relationship with the practice adoption speed in Model 1, and a negative relationship with corporate value in Models 2 and 3. This means that larger companies with high visibility receive stronger institutional pressure. The abundance of available resources can speed up the adoption of the institution. However, the rapid pace of institutional adoption does not indicate a positive effect on the financial performance of firms.

Intangible capital, which represents the firm's innovativeness and comparative advantage, has a positive relationship with the practice adoption speed in Model 1, and a negative relationship with corporate value in Models 2 and 3. It means that comparative advantage leads to faster adoption of the institution, but it has a negative effect on financial performance. Last, there was a significant and positive relationship between firm age and the practice adoption speed in Model 1, and with corporate value in Model 2. These are contrary to the expectation that old firms are stricter about the application of their rules, have lower adaptability, and a longer adoption period. Therefore, the old firms apply rules strictly; so with faster institutional adoption, the better the financial performance. The summary table of the hypotheses testing results are provided in Table 5.

Table 5. Summary of the Hypotheses Testing Results

Hypotheses	Model	Independent Variable	Dependent Variable	Result
H1	1	Institution Development Level	Compliance Speed	Support(+)
H2	2	Institution Development Level	Financial Performance	Support(+)
H3.1	3a	Compliance Speed	Financial Performance	Support(-)
H3.2	3b	Institution Development Level × Compliance Speed	Financial Performance	-

6. Conclusion

According to institutional theory, firms acquire the resources necessary for their operations by complying with social demands (Pfeffer and Salancik, 1978). However, there are often conflicts between social needs and corporate goals. In these cases, firms should make a strategic judgment to decide on response behavior (Kostova and Zaheer, 1999). The assumption of neo-institutionalism and resource dependence of passive conformity and isomorphism tends to overlook the role of conflict between organizational benefit and institutional pressures. These formal structures of legitimacy can reduce efficiency and hinder the organization's competitive position in their technical environment. To reduce this negative effect, organizations often will decouple their technical core from these legitimizing structures. Organizations will minimize or ceremonialize evaluation and neglect program implementation to maintain external (and internal) confidence.

Our study investigated the effect of the institutional development level on the firm's compliance speed, together with the effect of compliance speed on the firm's financial performance of the MNEs in China based on the concept of substantial vs. symbolic compliance from the perspective of institutional theory and resource dependency view. The result showed that a high level of institutional development led to the firms' speedy reaction to the institutional pressure. This is consistent with previous researches which showed that increased institutional pressures arising from institutional development raise the level of compliance for firms (Raynard, 2016; Rathert, 2016; Tian Qing, Liu Yan and Fan Jian-Hong, 2015). On the other hand, the speed of compliance of firms had a negative relationship with financial

performance. We deduce that when firms determine the right timing of the compliance, it can increase the benefit to the firm.

A high level of institutional development led to a better financial performance of the firms. This result supports North (1990)'s view that institutional development lowers uncertainty in social-transaction behavior and that lower uncertainty will have a positive effect on corporate performance by lowering transaction costs. We also confirmed that delayed compliance with institutional pressures could have a positive effect on the performance of firms, as it helps to gain legitimacy even when that behavior is symbolic. Therefore, we confirmed that firms try to derive results that meet the firm's purpose by deciding on the timing of compliance based on strategic judgment rather than unconditional and immediate compliance with institutional pressure.

The unique contributions of our study are as follows. First, it has academic implications in actively approaching firms' strategic choices concerning institutional pressure, such as the effect of institutional development level and the pressure on the behavior of firms. In addition, our study suggests that firms should voluntarily choose the timing of compliance with the institutions, thereby expanding the scope of the firm's strategic choice of compliance timing rather than unconditional compliance. Second, this research attempts to achieve more insightful results by analyzing the effects at provincial and city levels in the same country, which is different from the research done from the macroscopic perspective of the country level (cross-national) or the microscopic perspective of the firm level. Institutional research has been conducted in cross-national settings, limiting the ability to control location-specific variables, such as differences in geography, culture, and institutional environment. In our study, we measured the activities of firms by subdividing them at the regional level within the same country, China, and analyzed the effect of different levels of development on the firms' behavior within the same institutional environment. Third, this research has practical implications for companies seeking to enter the foreign markets, since it provides holistic views for the effect of firms' compliance behavior on the corporate performance that will help industry practitioners make strategic decisions.

A limitation of our study is that only external institutional pressure on the firm is considered. However, preliminary studies show that institutional pressure exists both inside and outside the firm (Kostova and Roth, 2002). Therefore, in the future, we plan to research the effect of institutional pressures generated in the internal and external environments on the behavior of firms, such as their level, speed, and scope. In recent years, there has been widespread discussion about the effect of institutional voids on firms, the effect of stakeholder pressure on management activities, and the effect of ceremonial behavior on legitimacy. Also, further research is required in the area of strategic actions of firms when internal institutions clash with social needs because a firm's responses to internal and external institutional conflicts affect work productivity and corporate performance within an organization. Therefore, the study of organizational compliance and resistance to institutional conflict is meaningful in that it distinguishes between symbolic and substantive compliance to obtain legitimacy in the process of institutionalization.

In future research, we will study the effects of the characteristics of the industry, the governance structure of the board of directors, and the ownership structure of stocks on the level of compliance and avoidance by firms. According to previous studies, the industry, the board of directors, and the ownership structure have a significant effect on corporate decision-making. Therefore, these factors are expected to have a significant influence on the firm's strategic choice of institutional pressure. Moreover, it is meaningful that the study of the effect of the characteristics of the organization and its members on institutional compliance expands the application scope of institutional theory in international management.

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