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Impact of Non-public enterprise CPC Party Building on Enterprise Performances:  
Stakeholder Theory and Social Capital Theory Perspectives

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Doctor of Management

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March, 2021



BUSINESS  
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Marketing, Operations and General Management Department

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Building on Enterprise Performances:  
Stakeholder Theory and Social Capital Theory  
Perspectives**

Fang Kaiyan

## Declaration

I hereby declare that the submitted dissertation is the result of my independent research under the guidance of my tutor. Except for the acknowledgement, the dissertation submitted does not contain any materials that have been used by others or by the author herself to obtain a degree and certificate from any educational institution. And as far as I am concerned, except for the quotations marked in the text, this dissertation does not contain any published works written by others or collectives.

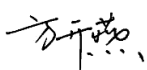
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## 作者申明

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## Abstract

Despite a growing presence of Communist Party of China in non-public enterprises in China, there is limited empirical research on the impact of Party building on performance of non-public enterprises. In addition, it is not clear on the mechanism and path analysis of how Party building affects the performance of non-public enterprises.

Guided by stakeholder theory and social capital theory, this research proposes a hypothesized model to explore Party building's impact on non-public enterprise's performance. Using a sample of 759 collected from private enterprises in Ningxia, structural equation model analysis revealed the following results. First, non-public enterprise Party building exerts a positive effect on enterprise performance, corporate social capital and organizational citizenship behavior. Second, non-public enterprise Party building has an indirect impact on enterprise performance through three paths, namely, corporate social capital and organizational citizenship behavior as mediator respectively, as well as a subsequent mediation via corporate social capital and then organizational citizenship behavior. Third, a harmonious relationship between corporate Party organizations and management accentuate the positive relationships between the non-public enterprise Party building and enterprise performance through social capital as well as organizational citizenship behavior.

This research contributes to the literature with a quantitative method design in exploring the mechanism and path of how Party building affects enterprise performance of non-public enterprises with sample from grassroots Party building in non-public enterprises. Policy recommendations are discussed from the research findings.

**Keywords:** Party building in non-public enterprises, enterprise performance, social capital, organisational citizenship behavior, Communist Party of China

**JEL:** M12; M54

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## Resumo

Apesar de uma presença crescente do Partido Comunista da China em empresas não públicas na China, existe uma investigação empírica limitada sobre o impacto do desenvolvimento do Partido no desempenho das empresas não-públicas. Além disso, não há clareza quanto ao mecanismo e aos meios pelos quais a ação do Partido afecta o desempenho das empresas não-públicas.

Orientada pelas teorias dos constituintes múltiplos e do capital social, esta investigação propõe um modelo hipotético para explorar o impacto do Partido no desempenho das empresas não-públicas. Utilizando uma amostra de 759 empregados em empresas privadas em Ningxia, as análises por modelos de equações estruturais revelou os seguintes resultados. Primeiro, a ação do Partido nas empresas não-públicas exerce um efeito positivo no desempenho das empresas, no capital social das empresas e nos comportamentos de cidadania organizacional. Segundo, a acção do Partido nas empresas não-públicas tem um impacto indirecto no desempenho empresarial através de três vias, nomeadamente, do capital social empresarial e dos comportamentos de cidadania organizacional enquanto mediadores respetivamente, bem como uma mediação sequencial através do capital social empresarial e, em seguida, dos comportamentos de cidadania organizacional. Terceiro, uma relação harmoniosa entre as organizações do Partido e a administração acentua as relações positivas entre a ação do Partido nas empresas não-públicas e o desempenho empresarial através do capital social, bem como dos comportamentos de cidadania organizacional.

Esta investigação contribui para a literatura com uma abordagem quantitativa na exploração dos mecanismos e do caminho de como a ação do Partido afecta o desempenho empresarial de empresas não-públicas com uma amostra de base em empresas não-públicas. As recomendações relativas à formulação de políticas são discutidas a partir dos resultados da investigação.

**Palavras-chave:** Ação partidária em empresas não-públicas, desempenho de empresas, capital social, comportamentos de cidadania organizacional, Partido Comunista da China

**JEL:** M12; M54

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## 摘要

尽管越来越多的中国非公企业开始注重党建，但少有实证研究探讨党建对非公企业绩效的影响。此外，党建影响非公企业绩效的机制和路径分析尚不清晰。

基于利益相关者理论和社会资本理论，本研究提出假设模型来探讨党建对非公企业绩效的影响。研究采用759个宁夏民营企业的样本，通过结构方程模型分析得出以下结论。

首先，非公企业党建会对企业绩效，企业社会资本和组织公民行为产生积极影响。其次，非公党建通过三个途径对企业绩效产生间接影响，分别是企业社会资本和组织公民行为作为中介变量，以及企业社会资本和组织公民行为的链式中介。第三，公司党组织与管理层之间的和谐关系通过社会资本和组织公民行为，强化了非公企业党建与企业绩效之间的正向关系。

本研究采用定量方法，以非公企业基层党建为样本，探索了党建对非公有制企业绩效的影响机制和路径，进一步丰富了研究文献。最后根据研究结论讨论了政策建议。

**关键词：**非公企业，企业党建，企业绩效

**JEL:** M12; M54

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## Acknowledgments

Every man is destined to live in a great era.

I am grateful for being born in such a great era, and I am grateful for the great practice produced by China in this era, and I am so lucky to be part of it and feel its vigorous pulse beating.

The Communist Manifesto came into being in Europe in 1848 and was introduced to China in 1920. A hundred years had passed by the year 2020 when I wrote this acknowledgment. Over the past century, the Communist Manifesto took root, sprouted, and grew on the soil of China, but the constantly changing China and the Communist Party of China are not truly understood by the world. Both in the current and the future, China more than ever needs to keep pace with the time and the world, and need real recognition and understanding by the outside world. My research offers me a chance to visit Europe, the birthplace of the Communist Party. So, special thanks to two great schools which later I will call them “Alma mater” to provide me with a platform with international vision and resources, and help me know how to think in a scientific manner and study in a rigorous attitude. Also, as a PhD student, I can select this thesis topic under professional guidance of my supervisor, and eventually reach objective conclusions in a standardized framework of international academic research, which aims to giving reference for the decision-making concerning China’s future development, and innovative development of enterprises in the world.

Therefore, I am very grateful to my two supervisors, Professor Ma Shaozhuang and Professor Li Yao. Without their support, there would be no presentation of this thesis. The topic I choose is unique, which makes me feel quite grateful for their affirmation and support. Whenever I was confused in writing, I was able to get timely guidance and encouragement from them, which inspired me so much. What they taught me had made my PhD academic career particularly meaningful. They set themselves as examples for me with their industriousness. Their humanistic sentiments on the whole world and the international vision enlightened my philosophical insights. Through them, I learned preciseness, standardization, open-mindedness, and studying of the nature of things.

I would like to extend my thanks to my parents and wife who are the source and motivation of my learning.

Thanks to the teachers, classmates and friends who helped me in the process of writing.

In the thesis writing, we encountered the worldwide human disaster-the Covid-19 epidemic,

which also made me more determined to complete this thesis and further my research. To change the global economic system requires the joint efforts of everyone on the earth!

Finally, I hope to quote a celebrity's remark to express my respect to everyone during the writing of this thesis: "I will have no self and will live up to the people!"

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每个人都有其命定的大时代。

感谢生逢在这个伟大的时代，感谢伟大的中国在这个伟大的时代产生的伟大实践，而我是这么幸运的身处其中并感受其蓬勃脉搏的跳动。

1848年《共产党宣言》诞生欧洲，并于1920年传入中国，到我写下这段致谢的2020年整整百年过去了。一个世纪，《共产党宣言》已经在中国土壤上生根、发芽、茁壮成长，一直以来变化的中国和中国共产党却并不被世界真实认知，当下与未来的中国比任何时候都更需要与时俱进、沟通世界，也更需要被世界真实的认知与了解。求学，给了我机会问道于共产党发源地的欧洲。所以，特别感谢以后我将称之为“母校”的两所伟大学校，提供了具有国际视野和资源的平台，让我更进一步学习到科学的思维和严谨的态度，并让我能够以一个博士学生的身份，在导师指导下以专业学术的角度来审视这篇论文选题，最终能在规范化的国际学术框架内研究并得出客观的结论，为未来中国的发展做出决策参考，为全球企业的创新发展抛砖引玉。

因此，非常感恩我的两位导师马绍壮副教授和李耀副教授，没有他们就没有这篇论文的呈现，由于选题的相对独特性，能得到他们的肯定和支持，我甚是感激。每每在写作困惑迷茫阶段，都能够得到他们及时的指导和鼓励，拨云见日，醍醐灌顶，这都给予我莫大的鼓舞。他们孜孜不倦的教诲让我博士阶段的学术生涯变得特别有意义，他们勤奋而刻苦的精神是我学习的榜样，胸怀天下的人文情怀和国际视野启迪我的哲学洞见，通过他们我学到了：严谨、规范、豁达、格物致知。

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在论文写作阶段，我们共同遭遇了全球人类的灾难——新冠疫情，这也让我坚定了写好本篇论文，并更加深入研究下去的决心。全球经济体系和政治格局的改变，需要每个地球人做出努力！

最后，引用名人的一句话来表达此篇论文对所有人的敬意：“我将无我，不负人民”！

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## **Chapter 1: Introduction**

This chapter first introduces the research background of this study, presents the key research questions the study attempts to address, and closes with the structure of the thesis.

### **1.1 Research background**

#### **1.1.1 Practical background**

China's basic economic system is that public ownership is dominant and multiple forms of ownership develop side by side. Non-public enterprises are an important driving force in the socialist market economy advocated by Communist Party of China (CPC), the ruling party in the country. After the Third Plenary Session of the Eleventh CPC Central Committee was held in 1978, China began to undertake reform and opening up and gradually loosened its control over the market economy. As a result, China witnessed its swift rise to the second largest economy in the world and achieved rapid economic and social development. More than 40 years has passed since the launching of the reform and opening up policy, the private economy in China's non-public sector has developed from small and weak to large and strong, and continues to grow. By the end of 2018, the amount of Chinese private businesses exceeded 27 million, with a registered capital of more than 165 trillion yuan, contributing more than 50% to the tax revenue of China. The proportions of GDP, fixed asset investment and foreign direct investment in private businesses all exceeded 60%. They provided more than 70% of technological innovation and new products, and over 80% of urban employment, and created over 90% of new jobs. China's private economy has become an indispensable element in boosting China's development. It has become the main field of entrepreneurship and employment, an important entity of technological innovation, and an important source of national taxation. It plays an important role in developing China's socialist market economy, transforming government functions, transferring surplus rural labor, and exploring the international market.

The central and local political powers of most countries in the world today are in the hands of political parties which make use of their ruling positions to influence all aspects of politics, economy, and society. Political parties have a significant bearing on politics, economy and life

of modern society (Wang, 2013). The CPC has always been at the core of leadership in China's economic development and national development, mainly by integrating Party organizations at all levels into the governance structure and governance mechanism of the economy. The Party organizations exert influence on the organizational resources, political resources, and human resources of the businesses, thereby affecting the decision-making and governance of the enterprises. The Opinions on Strengthening and Improving Party Building in Non-Public Enterprises (Trial) was issued by the General Office of the CPC Central Committee in 2012, and it is clearly stated that strengthening and improving Party building in non-public enterprises shall not only improve China's basic economic system and guide the healthy development of the non-public sector, but also help to develop harmonious labor relations. The Party organizations in private enterprises are the primary-level organizations of the CPC in companies, and they mainly play a part in publicizing and implementing the Party's line, principles and policies, uniting the masses of workers, safeguarding the legal rights and interests of all parties, building an advanced corporate culture, promoting the healthy development of the enterprises, and strengthening self-improvement. In recent years, great strides have been made in private enterprises' Party building in China. By December 31, 2018, 1.585 million non-public enterprise legal entities nationwide had established Party organizations. The amount and role of non-public enterprises determine that the Party building in non-public enterprises plays an increasingly important role in the Party building work as a whole.

In China, State-owned Enterprises (SOEs) are the backbone of national economy, and non-public enterprises are an important element in the market economy, but they have different role and status. Although SOEs are mainly expected to fulfill policy objectives such as expanding employment and maintaining stability (Lin, Liu, & Zhang, 2004), the development of non-public enterprises is related to the establishment of harmonious labor relations in the entire society (Chen, 2014). In SOEs, Party organizations function as a "ruling" form of corporate management, which directly work within the enterprises and act as a political core leadership (He, & Ma 2018). However, in non-public enterprises, the Party organization plays an indirect role through its guidance, supervision, protection of rights, united front, coordination, and cultivation of corporate culture (Li, 2008). Therefore, the Party organizations in non-public enterprises are different from those in SOEs. The essence lies in exploring the optimal combination of Party building and enterprise development, and integrating two systems of corporate Party building and corporate governance. However, due to differences in ownership, business methods, business objects, and enterprise scale, Party organizations in non-public enterprises cannot play a role as important as those in SOEs. In addition, non-public enterprises

have been successively established and have developed to new organizations and a group of entities from new social strata. The Party building of non-public enterprises in this context is still at an exploratory stage. The ruling Party does not require Party organization in private enterprises to play the role of “political core.” This means that the governing Party is aware of the political structural differences between non-public economic organizations such as private enterprises and public economic organizations, thus downplaying the political function of the primary-level Party organizations, while emphasizing their economic and social functions. In 2000, the Organization Department of the CPC Central Committee issued the Notice on Strengthening Party Building in Non-public Economic entities such as the Individually Owned Businesses and Private Enterprises (Trial). According to this Notice, if Party members are already private business owners, the Party organization shall care for them ideologically and politically, and help them improve their political integrity and strengthen their Party spirit. The Party organization shall require them to remain committed to their identity as a Party member, educate and guide them to not only abide by national policies and regulations, operate in accordance with the law, and pay taxes in accordance with regulations, but also strictly observe the Party constitution, foster correct ideals and beliefs, act upon the fundamental purpose of the Party, earnestly fulfill obligations as a Party member, consciously comply with Party discipline and accept the education, management and supervision of the Party organization. The Party organization shall also encourage them to invest corporate profits to expand reproduction and support social welfare undertakings. In 2002, the 16th National Congress of the CPC included the responsibilities and tasks of Party organizations of non-public enterprises in the Constitution of the Chinese Communist Party for the first time, and it gave a more instructional provision for the function and role of Party organizations in non-public enterprises. The primary-level Party organizations in non-public economic entities shall implement the Party’s policies and guidelines, guide and supervise enterprises to comply with national laws and regulations, lead trade unions, the Communist Youth League and other mass organizations, unite the masses of workers, safeguard the legitimate rights and interests of all parties, and promote the healthy development of enterprises. The new Company Law revised in October 2005 and implemented on January 1, 2006 revised the original Article 17 “The activities of the primary-level Party organizations in companies shall be handled in accordance with the Constitution of the CPC” to Article 19 “In companies, in accordance with the provisions of the Constitution of the CPC, the organization of the CPC shall be established to carry out Party activities. The company shall provide necessary conditions for Party activities.” It is the first time in the history of China’s law-based governance that the requirements to support Party building in corporate enterprises

are completely written into legal provisions.

Since China's economic and social system is developed amid constant trials, the development of the non-public economy and establishment of its status has experienced a relatively tortuous process compared with the public economy. As a result, the building and development of Party organizations in non-public enterprise lags behind that in public enterprises. The Party building and development of non-public enterprises has gone through four consecutive stages from the founding of PRC to the present (Lu & Nie, 2013): the exploratory stage from 1949 to 1977; the start-up stage from 1978 to 1983; the establishment stage from 1984 to 1991; the development stage from 1992 to present.

Although the Chinese government has continuously strengthened non-public enterprise Party building in recent years, the level of Party building in non-public enterprises still lags behind that of SOEs. As shown in Table 1.1, the amount of non-public enterprises that established Party organizations accounted for 58.4% of the total non-public enterprises in 2013, and 73.1% in 2017, with a rapid increase 14.7 percentage points during this period. However, public enterprises that established Party organizations accounted for 90.8% of the total public enterprises in 2013, and 90.9% in 2018, with no noticeable change during this period. This also means that in this period, the Chinese government ensured a high proportion of Party public-owned enterprises established Party organization, and worked hard to increase the proportion of Party non-public enterprises that had Party organizations, so that, the government paid more attention to the building and development of Party organizations in non-public enterprises.

Table 1.1 CPC organizations in primary-level enterprises from 2012 to 2021

Year	Amount of primary-level Party organizations (10,000)	Amount of non-public enterprises with Party organizations (10,000)	Proportion of non-public enterprises with Party organizations to the whole non-public enterprises	Amount of public enterprises with Party organizations (10,000)	Proportion of public enterprises with Party organizations to the whole public enterprises
2012	420.1	147.5	--	--	--
2013	430.4	162.7	58.4%	19.5	90.8%
2014	436.0	157.9	53.1%	19.4	91.0%
2015	441.3	160.2	51.8%	19.2	90.9%
2016	451.8	185.5	67.9%	18.9	91.3%
2017	456.2	187.7	73.1%	18.5	91.2%
2018	461.0	158.5	--	18.1	90.9%
2019	468.1	147.7	--	147.7	--
2020-2021.6.5	486.4	151.3	--	151.3	--

Note: "--" means data missing; the data come from CPC statistical bulletins between 2012 and 2021

Although the Chinese government has gradually strengthened Party building in non-public enterprises in recent years, there are still many realistic puzzles and institutional barriers which are mainly shown in the following five aspects.

(1) Logic misplacement. The purpose of the Party organizations (hereinafter referred to as Party organizations) participating in the business operation of non-public enterprises is to organically embed Party building activities in the entire process of corporate governance and make them a fundamental element of enterprise development. In this process, the Party organization must handle the relationship between enterprise development, employee's personal growth and Party building activities. However, in reality, economic and political logic are often misplaced. That is, either Party building activities are put in the first place with enterprise development and employee growth being ignored, or Party building activities are put in the last place, and the Party organization blindly caters to the needs of entrepreneurs and employees, attaching importance only to corporate development and employee's personal growth and ignoring the importance of Party building.

(2) Theoretical lag-behind. At present, research on Party building in non-public enterprises mostly focuses on summary of results and exchange of experience, with little systematic research from the academic and theoretical perspectives. Summary of experience is yet to be further developed to regularity understanding. There lacks systematic research on the theoretical system of non-public enterprise Party building. Academic research is wrongly equated with policy interpretation. As a result, theories are seriously lagging behind the practice and cannot offer guidance to practice.

(3) Systemic disconnection. The non-public enterprise Party building in China follows the pattern of Party building in SOEs. The Party building of SOEs are characterized with “centralized leadership,” “full-control management,” and “workplace-based operation”, while the Party building of non-public enterprises presents different characteristics such as “guidance-type” and “service-type”. This is mainly caused by the difference in the power and status of Party organizations in these two types of enterprises, as well as the differences in the property rights system, the operating law, and the market system they rely on. Therefore, there appears a disconnection between systematic norms and practical operation of non-public enterprise Party building.

(4) Dysfunction. It includes separation of the value of Party building from the market-oriented operations of private enterprises as well as the separation of Party building of private enterprises from their central tasks. The behavioral orientation of private enterprises presents obvious characteristics of economic orientation, market orientation and profit-seeking

orientation, and the value of Party building in private enterprises is to expand the CPC's influence on their employees, so as to win political identification of the employees and enhance the CPC's legitimacy in private enterprises. In the practice of Party building in private enterprises, it is often dissociated from the central task of private enterprises. Either the private enterprise Party overweighs the efforts to raise political awareness in the Party building and neglects its role Party in promoting economic development, unable to truly integrate Party building into enterprise operation and management, or private enterprises unduly consider production and operation, while neglecting Party building.

(5) Mechanism conflict. Corporate governance is an enterprise operating mechanism based on market economy. The internal mechanism of corporate governance is in a principal-agent chain where the property rights system belongs to different subjects. Through the “separation of powers and checks and balances,” it not only ensures that the operators can exercise their operation rights in full, but also that owners will not lose their ultimate control over the operator. Although there are legal and policy basis for Party organizations to enter enterprises, the current Party building in non-public enterprises follows and imitates the mode of Party building in SOEs, which belongs to exogenous Party building. The operating mechanism of enterprises is independent, closed, and profit-seeking, and its acceptability of Party building is very small.

After years of hard work, the Chinese government has not only included the establishment of Party organizations in non-public enterprises as an important part in many government documents, but also incorporated it into laws and regulations such as the Company Law and the Constitution of the CPC, which have provided institutional basis and legal status for the establishment and development of non-public enterprise Party organizations. However, the essence of Party building in non-public enterprises is to explore the optimal integration of the two completely different systems of enterprise Party building and corporate governance. In addition, this is an exploration under the condition that market economy mechanism in China is not perfect, and it is certain to face many practical difficulties and cognitive deficiencies, which has made the issue of non-public enterprise Party building a completely new field and topic in the world. Therefore, it is particularly urgent and necessary to study Party building and enterprise development of non-public enterprises at this stage.

### 1.1.2 Theoretical background

According to Stakeholder Theory (Freeman, 1984), the business managers carry out management activities to comprehensively balance the interests of various stakeholders. The enterprise pursues the overall interests of stakeholders, not just interests of certain subjects. These stakeholders include ownership stakeholders, economically dependent stakeholders and social stakeholders. Shareholders, board of directors and managers are the most important ownership stakeholders of an enterprise and are the core components of the corporate governance system. They exert a significant impact on the enterprise performance (Jensen & Meckling, 1976; Harris & Shimizu, 2004; Zhang, Chen, & Li, 2015; Yu & Chi, 2004; Yang, Gao, & Yurtoglu, 2009). Employees, trade unions, creditors, internal service agencies, local communities, consumers, suppliers, competitors and other subjects constitute the economically dependent stakeholders of the enterprise. They are an important part of corporate governance and also affect the enterprise performance (Iverson & Currivan, 2003; Clark, 1984; Monastiriotis, 2007). Government agencies, media, social organizations and special groups, as social stakeholders of enterprises, affect the enterprise performance from the outside (Xia, Lu, & Yu, 2011; Xu, Qian, & Li, 2013; Pan, Xia, & Yu, 2008). Therefore, these stakeholders can all affect the business and management decisions of enterprises, but different types of stakeholders have different influences on enterprise management decisions (Jia & Chen, 2002).

Chinese companies face three aspects of political interference, namely, state-owned controlling shareholders, government departments and Party organizations (Chang & Wong, 2004). As the primary-level organization of the Party committee in the enterprise, the Party organization plays a political core role and puts into practice the ruling Party's ideas on national governance and political pursuits (Jiang & Shen, 2006). As SOEs function as an important pillar and backbone of China's national economic development, the participation of Party organizations in corporate governance has become a major feature of the corporate governance in Chinese SOEs (Ma, Wang, & Shen, 2012). Therefore, most Chinese scholars discuss the influence of Party organizations on enterprise performance in the perspective of SOEs (Ma, Wang, & Shen, 2013; Chen & Lu, 2014; Huang, Zhang, & Huang, 2017). In particular, companies with political connections can gain advantages in financing convenience, property rights protection, tax incentives, government subsidies, industry access, and resource acquisition (Hu, 2006; Yu & Pan, 2008; Luo & Tang, 2009; Wu, Wu, & Rui, 2009; Zhou, 2013). However, due to differences in the status, role, and binding force of Party organizations between

SOEs and non-public enterprises, the influence of Party organizations on the two types of enterprises is also different. Therefore, in recent years, some scholars have studied the influencing mechanism and role of Party organizations from the perspective of non-public enterprises (Chen, Hong, & Wang, 2017; Long & Yang, 2014; He & Ma, 2018).

However, most Chinese scholars make theoretical elaboration and conduct qualitative research to discuss the influence of Party organizations on non-public enterprises. Especially in empirical research, the variable of enterprise Party organization is set as a dummy variable, that is, 0 or 1 is used to indicate whether there is a Party organization or not in the enterprise, which is a simple analysis of whether there are differences in the impact on enterprise performance for the enterprises with or without Party organizations. However, there are obvious differences in the intensity and functions of the activities carried out by Party organization among different enterprises. This approach cannot reflect the differences in Party building activities and functions, and it is also difficult to explain the depth of influence and acting path of Party building activities. Most of the existing research on non-public enterprise Party organizations still focuses on theoretical exposition and qualitative research. Kou (2017) positioned the function of Party organizations in non-public enterprises as interest's coordination, political communication and resource integration, and clarified the mechanism of fostering an identity on Party building in non-public businesses from these three aspects. Chen (2014) proposes the basic path for Party organizations in these enterprises to participate in the building of harmonious labor relations including promoting enterprise development in a scientific way, coordinating the relationship between all parties for the enterprise, and promoting cultivation of corporate culture. Chu and Jia (2012) believe that Party building in non-public enterprises should focus on both the internal governance mechanism of the enterprise (decision-making consultation, incentive and supervision, and ideological education of employees) and the external governance mechanism (institutional arrangement, public products), and Party building should be rationally integrated into the enterprise economic activities so that the Party's political and organizational resources can be transformed into capital to promote enterprise development. Dang (2017) contends that Party organizations of non-public enterprises must focus on guiding and promoting non-public enterprises to voluntarily assume responsibility for employees, consumers, society, and the environment. Although this kind of literature clarifies the mechanism and path of Party building in non-public enterprises, there still lacks quantitative research.

Due to the late start of research on non-public enterprise Party building, there are relatively few empirical studies in this regard, especially there lacks empirical literature on the impact of



Party building in non-public enterprises on their performance. He and Ma (2018) argue that Party building in private enterprises can significantly improve enterprise performance, which is because the Party organizations guide private enterprises to invest in more productive activities. Long and Yang (2014) propose that Party organizations of private enterprises have no significant impact on enterprise performance such as profit margins. This is because the establishment of Party organizations in private enterprises not only significantly increases the welfare (medical insurance and labor safety) other than salary, but also drives up the labor cost of the enterprise. (Chen, Hong, & Wang, 2017) argue that Party organizations have a significantly positive role in promoting enterprise performance (sales, tax payment). Although this kind of literature has empirically tested the influence of non-public enterprise Party organizations on enterprise performance, there still lacks a clear and complete context and paradigm analysis of the mechanism and path analysis of the impact of Party organizations in non-public enterprise on enterprise performance.

As mentioned by Ye (2017), Party organizations of private enterprises play a role similar to “trade union” in enterprise operation to fight for the benefits of employees. In addition, in China’s special institutional environment, trade unions are led by Party organizations (Long & Yang, 2014). Shan, Hu, and Huang (2014) divided previous research on the relationship between trade union practice and enterprise performance into two aspects of direct impact and intermediate mechanism of action. In terms of direct impact, scholars focused on analysis from the perspectives of trade union practice, corporate productivity and corporate innovation capabilities. Laroche and Wechtler (2011) believe that unions exercise collective negotiating power to increase employee wages, forcing enterprises to increase productivity to make up for the cost of high wages. Therefore, the trade union practice has a positive role in improving enterprise productivity. Walsworth (2010) proposes that the trade union practice stimulates enterprises to introduce innovative mechanisms to reduce operating costs by increasing employee wages. In terms of intermediary mechanism of action, scholars analyze the impact of trade unions on enterprise performance by introducing other intermediate variables. This is because the impact of trade union practices on enterprise performance is not always direct (Clark, 1984). First, the labor-management relationship can affect enterprise performance. When the labor-management relations are in a harmonious state, the enterprise, the trade union and the employees trust each other. The employees believe that the trade union can meet their own needs and are more willing to act in line with the interests of the enterprise, which in turn exerts a positive impact on enterprise performance (Mefford, 1986; Deery, Erwin, & Iverson, 1999). Second, communication of production experience and technology between employees

can affect enterprise performance. The trade union pays attention to vocational skills training and exchanges for employees, which helps to improve the quality of employees, facilitates the enterprises to introduce innovative mechanism, and improves enterprise performance (Walsworth, 2010). Third, the relevant regulations formulated by the trade union and the management activities can affect enterprise performance (Agrawal, 2012).

Although relevant research on the impact of trade union practice on enterprise performance can provide ideas for the research on the impact of non-public enterprise Party organizations on enterprise performance, western trade unions are not fully applicable to China's specific political and economic system. According to Ding, Goodall, and Warner (2002), the Chinese trade union is more like a branch of the human resources department, which mainly focuses on and supports the interests of managers, and does not play its due role.

## **1.2 Research questions**

The promotion of the status and role of non-public enterprises in the national economy makes Party building in non-public enterprises particularly urgent. Party building in SOEs has a long history along with China's economic development and has made important contributions to China's social and economic development. However, the history of Party building in non-public enterprises is relatively short, and Party organizations' assistance to non-public enterprises is far less to that to SOEs.

Based on the perspective of non-public enterprises, this thesis studies the impact of Party building in non-public enterprises on enterprise performance, attempting to answer the following two questions:

- (1) To what extent does Party building in non-public enterprises affect their performance?
- (2) What is the path of the influence of non-public enterprise Party building on enterprise performance? Specifically, how social capital, organizational citizenship behavior, and relationship between enterprise Party organization and the management affects the relationship between non-public enterprise Party building and enterprise performance?

At this stage, it is of great significance to study the impact of non-public enterprise Party building on enterprise performance. First of all, studying this topic helps to clarify the approaches and ways of non-public enterprise Party building affecting enterprise governance and to achieve the optimal integration of Party building and corporate governance. Second, the functions of non-public enterprise Party building often overlap with the functions of trade unions, and at the same time Party building also plays a role as a political link. This research

will help clarify the role of non-public enterprise Party building in business operation. Third, the research helps distinguish the differential impacts of enterprise Party building in non-public enterprises and SOEs.

### **1.3 Research innovations**

Based on China's unique political and economic system, this thesis studies the impact of non-public enterprise Party building on enterprise performance, and attempts to explore the path and mechanism of non-public enterprise Party building affecting enterprise performance. In contrast, the innovations of this thesis are mainly reflected in the following three aspects.

First, the existing literature mainly focuses on the impact of the internal organization of enterprises such as trade unions on enterprise performance, with little focus on the impact of the building of political organizations such as Party building on the performance of non-public enterprises. This thesis focuses the research perspective on the political organization at the primary level such as enterprises' CPC Party organization to empirically test the impact of non-public enterprise Party building on enterprise performance.

Second, the existing literature on enterprise Party organization mainly focuses on the impact of Party building in SOEs on enterprise performance and the influence path, with little literature on the impact of non-public enterprise Party building on enterprise performance and influence path. The research subjects of this thesis are non-public enterprises. A mechanism model of the impact of non-public enterprise Party building on enterprise performance is built, and the mechanism and path of non-public enterprise Party building affecting enterprise performance are explored from three aspects of corporate social capital, organizational citizenship behavior, and harmonious relationship between Party organizations and the management.

Third, the existing literature on non-public enterprise Party building mainly focuses on theoretical elaboration or qualitative research, that is, analysis of the dilemma of Party building in non-public enterprises or empirical research on whether there are differences in the impact on enterprise performance with or without Party organizations in non-public enterprises. This thesis conducts a quantitative study on the Party building of non-public enterprises, focusing on measuring on how the Party organizations are built and function in each non-public enterprise, that is, attaching importance to the difference of Party building in different non-public enterprises.

## **1.4 Thesis structure**

This thesis studies the impact of non-public enterprise Party building on enterprise performance. It is divided into five chapters, and the specific contents are as follows.

Chapter 1: Introduction. In this chapter, considering the current situation that the status and role of non-public enterprises in the national economy have been improved and Party building in these businesses is particularly urgent at this stage, I propose to adopt empirical research to study the impact of Party building in Chinese non-public enterprises on enterprise performance. The practical and theoretical significance of this research is elaborated and its ideas and contents are systematically explained, and at the same time, research methods and innovations are summarized.

Chapter 2: Literature Review. This chapter reviews existing literature on enterprise Party building, influence of enterprises' Party building and their political connections on enterprise performance, and influencing factors of enterprise performance, and identifies the research idea and research methods of impact of non-public enterprise Party building on enterprise performance under the unique political and market system in China.

Chapter 3: Research Methods. This chapter first puts forward the idea of research model based on relevant literature in Chapter 2. The research hypothesis is then proposed on the basis of the idea of the research model which gives rise to the idea of empirical research of this thesis. The research design is then formulated on the research hypothesis, including selection of the scale, design of the questionnaire, and collection of data. Finally, reliability and validity analysis of the data collected from the questionnaire are carried out and a descriptive statistical analysis is performed.

Chapter 4: Research Results. This chapter conducts an empirical test based on the data collected in the questionnaire in Chapter 3 to test the impact of non-public enterprise Party building on enterprise performance.

Chapter 5: Discussion and Conclusion. This chapter summarizes the whole thesis, proposes corresponding policy recommendations from the perspective of enterprise and government, and finally points out the deficiencies of this research and offers suggestions for further research.

## **1.5 Chapter summary**

Based on the practical and theoretical background, this chapter puts forward the research questions of the thesis, systematically introduces the research contents and research idea, and summarizes the major innovations.

This chapter systematically reviews relevant literature on non-public enterprise Party building and on factors that influence enterprise performance. First, the concept of non-public enterprises and Party building in non-public enterprise is explained, the status and role of Party organizations in SOEs and in non-public enterprises are respectively discussed, and, on this basis, the research reviews how Party building in SOEs and non-public enterprises impacts their performance. Second, literature on the impact of corporate social capital, organizational citizenship behavior, labor relations, and trade union organizations on enterprise performance is reviewed. Third, relevant literature on influencing factors of existing enterprise Party building and enterprise performance is briefly reviewed, and the model and research idea of this thesis is summed up. Finally, the hypothesis of the empirical research is put forward according to the constructed research model and research idea.

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## **Chapter 2: Literature Review**

This chapter focuses on enterprise Party building and enterprise performance. It systematically reviews existing relevant literature at home and abroad, and centers on the impact of Party building in SOEs and non-public enterprises on enterprise performance as well as impact of social capital, organizational citizenship behavior, labor relations and trade union organizations on enterprise performance in an effort to build the theoretical basis of this research and summarize the research model and hypothesis.

### **2.1 Concept definition**

#### **2.1.1 Non-public enterprises**

##### **2.1.1.1 Non-public enterprises**

Non-public economy refers to the economic sector except the public economy. The concept of non-public economy first appeared in the notice issued by the CPC Central Committee to approve the Request for Instructions on Several Issues Concerning the Federation of Industry and Commerce submitted by the United Front Work Department of CPC Central Committee (15th document issued by the CPC Central Committee in 1991). The system with public ownership playing a leading role and all forms of ownership developing side by side is the basic economic system at the primary stage of socialism in China. The non-public sector is relative to the public economy. According to China's current statistical standards, non-public sector refers to the economy except the state-owned economy, collective economy, and the mixed ownership economy with the state-owned and collective components. To be specific, it includes the non-state-owned part of limited liability companies and joint stock limited companies, private economy, individual economy, and foreign investment economy and is mainly divided into two parts of private economy and foreign (including Hong Kong, Macao, and Taiwan) economy (Liu, 2012). Therefore, non-public ownership enterprises (referred to as non-public enterprises) can be roughly divided into private enterprises and foreign-invested holding enterprises (Chu & Jia, 2012).

It is clearly pointed out in the Third Plenary Session of the Eighteenth CPC Central Committee that in the Chinese economy, the public ownership economy is the mainstay and

multiple ownership economies develop together. Public enterprises are the main body of the national economy, and non-public enterprises are an important part of China's socialist market economy. Public enterprises determine the lifeblood of the national economy, while non-public enterprises play an important role in maintaining the rapid development of the national economy, absorbing labor employment, optimizing industrial structure, driving the development of new industries, and promoting market competition.

Non-public economic organizations in China refer to various non-state collectively-owned economic organizations such as private enterprises, foreign-invested enterprises, Hong Kong, Macao and Taiwan-invested enterprises, joint-stock cooperative enterprises, private technology enterprises, individually owned businesses, and mixed-ownership economic organizations. Generally speaking, units or organizations other than government departments and state-owned enterprise or public institutions are all non-public economic organizations (Wang, 2014). Non-public economic organization is a more formal term and covers a larger scope. The scope of non-public sector includes individual economy, non-public economic organization includes individually owned businesses, and non-public economic organization does not include individually owned businesses. In the narrowest sense, it only refers to private enterprises. The research object of this thesis is the operating mechanism of Party building in non-public ownership economic organizations. The non-public economic organizations mainly refer to non-public ownership enterprises. Hereinafter, non-public enterprises are referred as non-public enterprises.

### **2.1.1.2 Evolution and status quo of non-public enterprises in China**

Since the founding of the People's Republic of China in 1949, the development of non-public enterprises in China has experienced a tortuous course of mainly four stages, namely, the exploratory stage, the tortuous development stage, the rapid development stage and the all-round development stage (Zhang, 2015).

#### **(1) Exploratory stage (1949-1977)**

The period from 1949 to 1977 is at the early stage of the founding of the People's Republic of China, and the socialist construction was at the initial stage of exploration. At this time, the country and the government paid undue attention to the form of ownership of the means of production, that is, excessively pursued a single socialist public ownership structure, which basically negated and excluded the existence of non-public ownership economy. This pursuit of public ownership is manifested in the efforts to develop and maintain a highly centralized



planning management system, and to utilize, restrict and transform national industry and commerce, and the eliminate private enterprises.

Therefore, non-public enterprises at this stage gradually disappeared in China and were completely replaced by public enterprises.

(2) Tortuous development stage (1978-1991)

In 1978, the Third Plenary Session of the CPC Eleventh Central Committee was held, and the Session decided to shift the focus of national work to socialist modernization. The Session emphasized the need for the development of multiple ownership economies when China is still in the primary stage of socialism. At the same time, the development of multiple ownership economies should be carried out under the premise that public ownership is the mainstay. Individual economy, private economy and foreign capital economy are necessary and beneficial supplements to public-owned ownership. The Session reaffirmed the status and role of individual economy, lifted many restrictions on non-public economy, and formulated a series of policies to restore and develop non-public economy, creating a favorable environment for the development of non-public enterprises. At this time, commodities began to circulate freely, urban and rural markets were gradually opened up, and non-public enterprises that had been extinct for many years were restored and developed. This Session recognized and allowed the development of private economy for the first time, and gave a position to the non-public economy. This policy has been continuously improved and continued in the subsequent economic development. However, as China's non-public economy was still at the recovery and initial stage, although the central government had recognized the reasonable status of the existence and development of non-public economy, governments at all levels still placed the focus of economic development on public enterprises. Therefore, non-public economy at this time had not received much attention in general. In April 1988, the First Session of the Seventh National People's Congress passed a constitutional amendment, which confirmed the legal and economic status of private economy. Article 11 of the Constitution added that "The state allows private economy to exist and develop within the scope prescribed by law. The private economy is a supplement to the socialist public economy. The state protects the legal rights and interests of private economy, and exercises guidance, supervision and management over private economy". In 1989, China launched a three-year campaign to improve the economic environment and rectify the economic order. During this period, China's individual and private economy had a restricted business scope, a higher threshold for market access, and thus the number of non-public enterprises dropped. In the same year, the circles of ideologists and theorists appeared criticism of the trend of bourgeois liberalization. How to correctly

understand the status and function of the non-public sector of economy became the focus of this debate. The development of the non-public sector was restricted by political factors to a certain extent, and it was trapped in a difficult situation.

Therefore, at this stage, China developed an alternated attitude toward the non-public economy between support and restriction, leading to tortuous development of non-public economy.

### (3) Rapid development stage (1992-2001)

In 1992, Comrade Deng Xiaoping delivered an important speech during his southern tour, emphasizing that the foreign-funded enterprises were a useful supplement to the socialist society. This speech was a strong support to remove ideological obstacles to the ownership reform and became an important turning point for the further development of non-public economy. In the same year, the 14th National Congress of the CPC established the socialist market economy system, and proposed to set the goal of economic system reform in which public ownership, including ownership by the whole people and collective ownership, is dominant, supplemented by individual economy, private economy, and foreign-funded economy, and long-term common development of multiple economic components. The pattern in which non-public economy and public economy exist together and develop in a long time was clarified. The established policy of long-term common development of multiple economic sectors made it clear that the development of non-public economy would not harm socialism, but would only benefit the development of socialism, which once again set off a climax in the development of non-public enterprises. In 1997, the 15th National Congress of the CPC established that “Public ownership is dominant and economic entities under diverse ownership forms develop side by side is the basic economic system in the primary stage of China’s socialism”. In 1999, the Second Session of the Ninth National People’s Congress passed the Amendment to the Constitution of the People’s Republic of China which clearly stipulated that “Individual economy, private economy and other non-public sectors within the scope of the law are an important part of the socialist market economy”. This is a full affirmation by the state’s fundamental law of the survival, development and contribution of the non-public sector over the past 20 years.

Therefore, at this stage, China paid more attention to the development of non-public economy, but it lacked norms and systems, so that the development of non-public economy still faced various problems yet to be solved urgently.

#### (4) All-round development stage (2002 till now)

In 2002, the report of the 16th National Congress of the CPC pointed out that “We must unswervingly encourage, support, and guide the development of non-public economy”. In 2003, the Chinese government pointed out in the Decision on Several Issues Concerning the Improvement of the Socialist Market Economic System that “In terms of land use, taxation, investment and financing, and foreign trade, non-public enterprises enjoy the same treatment as other enterprises”. It is the first time that the Chinese government recognizes the equal status of non-public enterprises and SOEs. In 2005, the State Council issued Several Opinions on Encouraging, Supporting and Guiding the Development of Individual and Private Enterprises and Other Non-public Ownership Economy, which is an important policy document for comprehensively promoting the development of non-public economy. In 2013, the Decision of the CPC Central Committee on Several Major Issues of Comprehensively Deepening Reform passed by the Third Plenary Session of the 18th CPC Central Committee clearly stated that “The basic economic system with public ownership as the mainstay and the common development of multiple ownership economies is an important pillar of the socialist system with Chinese characteristics and the foundation of the socialist market economy system”.

Therefore, at this stage, the Chinese government attached equal importance to the development of the public sector and non-public sector. The government has issued a standardized and institutionalized programmatic document for the development of non-public economy, which has promoted the overall development of non-public enterprises.

### **2.1.2 Non-public enterprise Party building**

#### **2.1.2.1 Concept of non-public enterprise Party building**

Party building in non-public enterprises is an integral part of the CPC's organizational development at the primary level. As early as 2000, the Organization Department of the CPC Central Committee issued the Opinions on Strengthening Party Building in Individual, Private, and Other Non-public Economic Organizations (Trial) which stipulated that non-public economic organizations are an important area of the Party building. The endeavor to establish Party organizations in non-public economic organizations, carry out Party work, strengthen Party building, and give full play to the Party's ideological and political advantages, organizational advantages, and the advantages of close contact with the public is necessary to uphold and improve the basic economic system in the primary stage of socialism, ensure and supervise the implementation of the guidelines, policies, laws and regulations of the Party and

the country, and guide the healthy development of the non-public economy. In 2003, the Organization Department of the CPC Central Committee held a national non-public economic organization Party building experience exchange meeting in Beijing. The meeting pointed out that “strengthening Party building of non-public economic organizations is an urgent need to continuously strengthen the Party’s class foundation and expand its mass foundation, improve its social influence, and consolidate its ruling position.” It is also proposed that “The Party must continue to strengthen its workforce, and expand the coverage of its organizations. The majority of enterprises with more than 50 employees shall have Party members, the majority of enterprise with more than 100 employees shall have Party organizations, and all companies that have the conditions to establish their own Party organizations shall establish Party organizations”. This is the first time in the history of the CPC to make clear and specific requirements for Party building in non-public economic organizations. The Decisions of the CPC Central Committee on Several Major Issues Concerning Strengthening and Improving Party Building under the New Situation approved by the Fourth Plenary Session of the 17th CPC Central Committee proposed a series of new thoughts and new measures. “Comprehensively promote the building of the Party’s primary-level organizations in various fields” is one of the highlights. According to the Decision, “We should promptly establish Party organizations in non-public economic organizations, and promote the building of other types of primary-level organizations through the building of the primary-level Party organizations, invigorate enthusiasm of the people, and lay a solid foundation”. This marks the full promotion of non-public enterprise Party building across the country.

According to the Constitution of the CPC, in enterprises, schools, social organizations and other primary-level units, where there are more than three formal Party members, a Party organization shall be established. The CPC has always been at the core of leadership in China’s economic development and national construction, and it mainly plays a role of gatekeeper. By integrating Party organizations at all levels into the governance structure and governance mechanism of the economy, a system network covering the entire society is formed, and it participates in the corporate governance process, so as to guide enterprises to a development path that conforms to the national guidelines and policies. Therefore, enterprise Party organization is not only the primary-level organization established by the Party in the enterprises, but also important organizational resources, political resources and human resources of the enterprises (Jiang & Shen, 2006). To be specific, organizational resources include resources of interpersonal connection, political resources, and market resources (Deng, 2011); political resources refer to the collection of various resource factors owned by enterprises

in the political activities to influence government decisions or obtain government commitment so as to achieve special political goals (Zardkoochi, 1985); human resources refer to the stringent selection process of talents in Party organizations, and the selected talents are with the best quality in China. In addition, the talents trained by the Party are all high-quality human resources needed for enterprise development (Liang, Li, & Li, 2004).

The Chinese government stipulates the establishment of corporate Party organizations in the form of law, that is, enterprises should provide necessary conditions for the activities of Party organizations. However, due to differences in ownership, property rights, operating methods, leadership system and operating mechanism between public enterprises and non-public enterprises (Qiu & Fu, 2016), the role of Party organizations in public enterprises is quite different from that in non-public enterprises. Party organizations of public enterprises revolve around the enterprises' production and operation and directly participate in the operation and decision-making process; while the Party organizations of non-public enterprises mainly play a political leading role and do not directly participate in the operation and decision-making of the enterprise (Chu & Jia, 2012). Therefore, in public-owned enterprises, the relationship between Party organizations and the enterprise is "leading and being led," while in non-public enterprises, Party organizations exercise oversight over the enterprises and offer guidance to them, and both of them also support each other in their development. This supervision and guidance is mainly manifested in the efforts to supervise the companies to comply with national laws and regulations, operate in accordance with the laws, and guide companies to consciously fulfill their social responsibilities (Long & Yang, 2014). In addition, the responsibilities and functions of Party organizations in public-owned enterprises are greater than those of non-public enterprise Party organizations, and the participation of public-owned enterprise Party organizations in business activities is than that of non-public enterprise Party organizations.

With the change in China's economic system, economic organizations have also experienced continuous change. Therefore, in the actual use of some treatises and documents, terms such as "private enterprise Party building", "privately-run enterprise Party building", "Party building in non-public ownership economic organizations" and "Party building in non-public economic organizations" are used in a rather arbitrary manner, including many documents issued by the CPC Central Committee. This thesis uniformly uses "Party building in non-public economic organizations" based on the following two reasons. First, the most basic reason is that it is adequately supported by the authentic legal and Party documents. "Non-public economy" is embodied in the Constitution, and "Party building in non-public economic organizations" is clearly stipulated in the Party Constitution and reports of the National Party

Congress. Other terms are not in the same case. Using the terminology of “Party building in non-public economic organization” is a manifestation of safeguarding and taking into effect the authority of the Constitution of People’s Republic of China and Constitution of the CPC as well as Party documents such as the Decision passed by the Fourth Plenary Session of the 17th CPC Central Committee. From the 16th to 19th National Congress of the CPC, that is from 2002 to 2017, the title and regulations of the building of primary-level Party organizations in non-public economic organizations were not altered in the Constitution of the CPC. Hereinafter, “non-public economic organization Party building” will be abbreviated as “non-public enterprise Party building”.

### **2.1.2.2 Development history and status quo of non-public enterprise Party building in China**

Party building is the generic concept of the Party work as well as the specific concept of Party affairs. It refers to a series of self-improvement activities undertaken by the Party to maintain its own nature, including Party affairs, but also Party ideological, political, organizational work, work style, and institutional building. The report of the 19th National Party Congress puts forth the general requirements for Party building in the new era. The Party’s political building is treated as the core to comprehensively promote the Party’s political building, ideological building, organizational building, style building, and discipline building, and the Party’s institutional building should be implemented throughout the whole process (Han & Niu, 2017). In other words, a comprehensive new layout of Party building with “one main line and six major buildings” is proposed for implementation.

Similar to the development of non-public enterprises, the development of non-public enterprise Party building in China has also experienced a zigzag development course. It mainly experiences four stages, namely, the start-up stage, the exploratory stage, the normative stage and the development stage (Lu & Nie, 2013).

#### (1) The start-up stage (1949-1977)

From the founding of the People’s Republic of China to the early stage of reform and opening up, enterprise Party organizations in China have gone through a long period of exploration. In 1954, the CPC Central Committee implemented a factory manager responsibility system for production and administrative management in SOEs across the country. In 1956, the CPC Central Committee formally decided to veto the “one-manager system” and replaced it with the “manager responsibility system under the leadership of Party committee”. The Party committee of the enterprise is the core of the business leadership, and

all work concerning production and administration of the enterprise is under the unified and collective leadership of the Party committee. The leadership system in which the CPC directly leads all major economic tasks has been implemented from the central government to the enterprises, and therefore a highly centralized, complete and full-coverage economic work system with the CPC at its core took shape.

(2) The exploratory stage (1978-1991)

In 1978, the Third Plenary Session of the 11th CPC Central Committee charted the direction of the Party-led economic work system reform. In 1980, the national leader Deng Xiaoping proposed that “the factory director (manager) responsibility system under the leadership of the Party committee shall be changed in a prepared and step-by-step manner, and the factory director (manager) responsibility system under the leadership of the factory management committee, the company board of directors, and the joint committee of the economic consortium shall be gradually implemented”. In 1981, the CPC Central Committee and the State Council issued the Several Decisions on Exploring New Possibilities, Invigorating the Economy, and Solving Urban Employment Issues, which clarifies that “among the personnel engaged in collective economy and individual economy, it is necessary to gradually establish Party organizations”. This also marked the beginning of Party organization building in non-public economy. In March 1983, the CPC Central Committee and the State Council issued the Instructions on the Development of Urban and Rural Retail Business and Service Industries, which proposed to “gradually establish and improve the Party and Youth League organizations in the community-level commerce and service industries, and give play to their supervisory role”. In 1984, the Third Plenary Session of the 12th CPC Central Committee passed the Decision of the Central Committee of the CPC on Economic System Reform, which clearly stated that “reform should be carried out in accordance with the principles of separating government responsibility from enterprise obligation and simplifying administration and delegating power” and emphasized to “strengthen Party leadership to ensure the smooth progress of the reform”.

Although all parts of China have begun to explore the Party organization building in the non-public sector of the economy, due to the influence of various factors such as ideological shackles, insufficient policy guidance, and restrictions on the status of non-public enterprises, the progress of Party building in the non-public economy is very slow.

(3) The normative stage (1992-2002)

In 1992, the 14th National Congress of the CPC established the goal of building a socialist market economic system, emphasizing that the market plays a fundamental role in the allocation

of resources under the macro-control of the socialist country, so that economic activities conforms to the law of value and adapt to the change of supply and demand. At the same time, “in other economic organizations, it is necessary to proceed from reality and promptly establish and improve Party organizations and work system”. In 1994, the Chinese government issued Several Opinions of the Organization Department of the CPC Central Committee on Strengthening Party Work in Joint-Stock Enterprises, which pointed out that when establishing a joint-stock enterprise, the establishment and adjustment of Party organizations should be considered and arranged simultaneously. In joint-stock enterprises, the Party’s primary-level organizations are in the political core position. They play a political core role, and carry out work around production and operation. In the same year, the Decision of the CPC Central Committee on Several Major Issues on Strengthening Party Building passed by the Fourth Plenary Session of the 14th CPC Central Committee once again emphasized that “in enterprises of various ownerships, the Party’s work must be strengthened. For those with no Party organizations, it is necessary to actively create conditions to establish Party organizations, adopt working methods and activities that suit their own characteristics, and carry out Party activities. In 1999, the Fourth Plenary Session of the 15th CPC Central Committee emphasized that “the persons in charge of the Party committee in wholly state-owned and state-owned holding companies can join the board of directors and the board of supervisors through statutory procedures, and the board of directors and the board of supervisors must have employee representatives to participate” and that “adhering to the leadership of the Party and giving play to the political core role of Party organizations in the SOEs is a major principle which must be implemented without hesitation at any time”.

In September 2000, the Organization Department of the Central Committee of the Communist Party of China issued the Notice on Strengthening Party Building in Non-public Economic Organizations Including Self-employed and Private Economic Organizations (Trial), expounding the importance and urgency of strengthening party building in non-public economic organizations. It stipulates the guiding ideology and principles to strengthen party building in non-public economic organizations, proposes organizational requirements for promptly establishing and perfecting party building in non-public economic organizations, and clarifies the status, roles, responsibilities and tasks of party organizations in non-public economic organizations. In September 2001, the Organization Department of the CPC Central Committee issued the Opinions on Strengthening Party Building in Individual and Private Economic Organizations (Trial), which makes systematic provisions on the establishment of party organizations in non-public economic organizations from the perspectives of the status,



roles, responsibilities and tasks of party organizations, strengthening of the self-construction of party organizations in non-public economic organizations, and strengthening of leadership over the party building of non-public economic organizations.

In 2002, in the Constitution of the Communist Party of China revised and approved by the 16th National Congress of the Communist Party of China stipulated the responsibilities of party organizations in the non-public sector and clarified that the grassroots party organizations should be established in non-public economic organizations.

(4) The development stage (2003-present)

In 2006, the new Company Law was implemented and it is stipulated in Article 19 that “in companies, in accordance with the provisions of the Constitution of the CPC, Party organizations shall be established to carry out Party activities, and the companies shall provide necessary conditions for Party activities”. According to the Opinions of the Central Committee of the CPC and the State Council on Creating a Better Development Environment to Support the Reform and Development of Private Enterprises issued in 2019, “we should establish and improve the working mechanism of Party building in private enterprises. We should uphold the Party’s leadership in supporting the reform and development of private enterprises, raise the awareness of maintaining political integrity, thinking in big-picture terms, following the leadership core, and keeping in alignment, strengthen our confidence in the path, theory, system, and culture of socialism with Chinese characteristics, resolutely uphold General Secretary Xi Jinping’s core position on the Party Central Committee and in the Party as a whole, and resolutely uphold the Party Central Committee’s authority and its centralized, unified leadership, educate and guide private enterprises and entrepreneurs to support Party leadership and enterprise Party building”, and “guide private enterprises to establish Party organizations and work hard to improve the quality of Party organization and work coverage in private enterprises.”

According to the data of the Statistical Bulletin of the CPC (2021), by June 5, 2021, the total number of the CPC members was 95.148 million, and the CPC had 4.864 million primary-level organizations. Among them, there were 273,000 primary-level Party committees, 314,000 general Party branches and 4.277 million Party branches. There were 1.513 million primary-level Party organizations in enterprises.

## **2.2 Theoretical basis**

### **2.2.1 Stakeholder theory**

#### **2.2.1.1 Connotation of stakeholder theory**

The traditional enterprise theory adheres to the view of “shareholders first”, and regards shareholders as the only objects that enterprises need to be responsible for. Enterprises should aim at maximizing the interests of shareholders, and all corporate actions must serve shareholders. However, modern enterprises are not only economic entities in the economic system but also complex entities in the social environment. Their survival and development need to rely on a variety of conditions (Li & Yuan, 2005). The stakeholder theory holds that the essence of an enterprise is a combination of a series of stakeholders (Jensen & Meckling, 1976). The survival and development of an enterprise must rely on the support of the series of stakeholders. In addition, the indispensable resources for the survival and development of enterprises are also jointly invested by all stakeholders (Pfeffer & Salancik, 2003), not only the equity capital invested by shareholders. Therefore, companies must take into account the interests of other stakeholders other than shareholders (Mitchell, Agle, & Wood, 1997).

Stakeholders of an enterprise refer to individuals or organizations that affect or are affected by corporate behavior (Freeman, 1984). Clarkson (1995) classifies stakeholders into two types, primary and secondary, according to the closeness of their relationship with the company. Primary stakeholders are very important to the survival and development of the company, and they include shareholders, creditors, employees, customers, suppliers, governments and communities, while secondary stakeholders only exert a relatively large influence on the production and operation of the enterprise and the interests of the enterprise, and they include social media and so on. Chen and Jia (2004) divided stakeholders into three types: internal, external and public stakeholders. Internal stakeholders include shareholders, management and employees, external stakeholders include creditors, suppliers, distributors and customers, and public stakeholders include governments, non-profit organizations and communities. Although enterprises are responsible to all stakeholders, there are big differences in the interest requirements, importance and realization of different stakeholders (Chen & Jia, 2003). Therefore, when meeting the needs of all stakeholders, enterprises should also coordinate the conflict of interests among stakeholders.

Scholars often use the quality of stakeholder relationships to measure whether the relationship between enterprises and stakeholders is good or not, which reflects not only the quality of communication, coordination, interaction and mutual trust between enterprises and stakeholders, but also the degree of satisfaction on the relationship to the needs and expectations of all parties, as well as the comprehensive perception and evaluation of this status by all parties in the relationship. Gummesson (1987) focuses on measuring relationship quality from three aspects of loyalty, interaction frequency, and relationship persistence. Crosby, Evans, and Cowles (1990) divide relationship quality into two dimensions of trust and satisfaction. Storbacka, Strandvik, and Gronroos (1994) focus on constructing relationship quality from the dimensions of relationship stability, sustainability, and reciprocity. Among them, the dimensions of trust, commitment, communication, satisfaction, adaptation, cooperation and coordination, participation in governance, fairness and mutual benefit are often adopted by scholars (Garbarino & Johnson, 1999; Fynes & Voss, 2002; Jia, Wu, & Wang, 2007).

An enterprise is a consortium composed of a series of stakeholders, so the enterprise and all its stakeholders are not only a simple dual relationship between the enterprise and a single stakeholder, but a complex multiple relationship between the enterprise and many stakeholders (Post, Preston, & Sachs, 2002), which also forms a stakeholder network. In this stakeholder network, enterprises and various stakeholders influence and restrict each other (Rowley, 1997). The stakeholder network helps enterprises realize information exchange and resource sharing, helps enterprises clarify social responsibility, optimize management strategies, resource acquisition, increase of R&D innovation, and promotes the realization of corporate economic performance.

### **2.2.1.2 Non-public enterprise Party building and stakeholder theory**

As mentioned above, non-public enterprise Party building in China refers to the building of Party organizations in the enterprises. The CPC occupies a core position in the state organs such as the government. The unification of the Party and government means that the CPC practices leadership over government activities. Chu and Jia (2012) argue that when the non-public enterprise Party organizations, as a stakeholder closely related to the development of the enterprise, take part in the corporate governance board of supervisors, a joint supervision mechanism for stakeholders will be formed, which is in line with the basic principles of corporate governance. On the one hand, the establishment of Party organizations in enterprises can provide enterprises with a channel to have political connections, and help enterprises gain advantages in easier access to financing, to some industries, and to resources, property rights

protection, tax incentives, and government subsidies (Hu, 2006; Yu & Pan, 2008; Luo & Tang, 2009; Wu, Wu, & Rui, 2009; Zhou, 2013). On the other hand, it contributes to the establishment of harmonious labor relations in enterprises, including restraining executives from grabbing excess salary to narrow the salary gap between executives and ordinary employees (Ma, Wang, & Shen, 2013), significantly improving the benefits other than the wages of employees, safeguarding the interests of employees, and raising labor productivity (Long & Yang, 2014). Therefore, the impact of Party building in non-public enterprises on corporate stakeholders is mainly manifested in its influence on the government, management and employees.

First, in terms of the government, it is an important stakeholder of enterprises, and its interests in the enterprise include the provision of employment, tax revenue, long-term enterprise development, and corporate social responsibility. The government is in a dominant position in the relationship with enterprises. This dominance is mainly reflected in the formulation of policies and the allocation of resources. Compared with enterprises that are alienated from the government, enterprises that are closely connected to the government are more likely to obtain these resources. A good relationship between government and enterprise helps enterprises obtain more resources and preferential policies, and win a more relaxed development environment (Wang & Chen, 2011). The enterprise Party organization is the primary-level organization of the CPC and the government, which enables enterprises to be politically connected with the government with no cost, and this political connection can bring many conveniences to enterprises, including easier access to market opportunities, to financing, and to financial subsidies (Deng, 2011; Allen et al., 2005; Yu, Hui, & Pan, 2010).

Second, the management and employees are the core stakeholders of the enterprise. Their interests in the enterprise include wages, benefits, job stability, promotion opportunities, working environment, human capital improvement, and corporate image. The management and employees provide human capital for the production of the enterprise and are the specific executors of the production and operation activities of the enterprise, which directly affects the survival and development of the enterprise (Ji et al., 2009). The establishment of enterprise Party organizations can effectively supervise and restrict the behavior of agents on behalf of the principals of SOEs, namely, the state and the whole people, supervise and manage the internal control of enterprises, restrain loss of state-owned assets (Chen & Lu, 2014), and inhibit major shareholders from stealing the enterprise interests (Chang & Wong, 2004). Moreover, enterprise Party organizations can surpass the limitations of pursuing short-term or single-subject interests in corporate operation, enabling state-owned enterprise executives to actively implement the policy which imposes a ceiling on their income. In order to have a political promotion, they

have to act as a political role model. It also reduces the salary gap between executives and the ordinary employees (Ma, Wang, & Shen, 2013), becoming an important force for the company to balance interests and relationships (Huang, Zhang, & Huang, 2017). The functions and roles of enterprise Party organizations and corporate labor unions in China overlap in many aspects. The Party organizations of some companies fully assume the functions and roles of labor unions. As a result, the existence of non-public enterprise Party building can safeguard the interests of employees, enhance their sense of belonging, stimulates their off-role behaviors and promote the occurrence of organizational citizenship behaviors.

## **2.2.2 Social capital theory**

### **2.2.2.1 Connotation of social capital theory**

As mentioned above, social capital refers to the sum of actual or potential resources embedded in the relationship network owned by individuals or social organizations, available through the relationship network, and derived from the relationship network (Nahapiet & Ghoshal, 1998). Social capital is not only a resource, but also a capability and a network (Coleman, 1988; Portes, 1998; Burt, 1992). All economic behaviors are embedded in various social relations (Bass, 1985), and enterprises are nodes on social networks that have various connections with all aspects of the economic field (Bian & Qiu, 2000). Corporate social capital is an important source of corporate competitive advantage (Li & Xu, 2012). The social capital owned by each enterprise is unique and difficult to be imitated and copied by competitors in the short term, which gives enterprises access to information and resources that are difficult to obtain by other competitors. In addition, enterprises can rely on their unique social capital to establish good cooperative relations with external stakeholders (Oh, Chung, & Labinaca, 2004).

According to different standards, corporate social capital can be divided into different types. First, in terms of organizational boundaries, corporate social capital can be divided into external social capital and internal social capital. Considering the fact that the limited resources, technology and capabilities that can be mastered by a single enterprise, it has to obtain resources, technologies and capabilities from the outside, and the existence of external social capital provides channels for enterprises to obtain scarce resources from the social network. Internal social capital can encourage corporate functional departments to increase communication and coordination, strengthen information sharing and cooperation, and encourage external social capital to be fully absorbed and utilized, which is conducive to reducing internal transaction costs. According to the essential attributes of corporate social capital, it can be divided into three

categories: structural social capital, relational social capital and cognitive social capital. Structural social capital refers to the breadth and density of corporate social networks, as well as the intensity of interaction and frequency of communication. Relational social capital refers to the level of trust and reciprocal behavior between actors in corporate social networks. Cognitive social capital refers to shared vision and behavioral norms among actors in corporate social networks (Nahapiet & Ghoshal, 1998). According to the connection objects, corporate social capital can be divided into three types: horizontal connection, vertical connection and social connection. Horizontal connection refers to the connection with other enterprises, including upstream suppliers, downstream distributors and other stakeholder companies. This type of connection is mainly business cooperation, holding, and lending. Vertical connection refers to the connection with government departments, including local governments, industrial and commercial bureaus, tax bureaus and other government agencies. This type of connection is mainly the relationship between superior and subordinate, and the management and the managed. Social connection refers to the social connection and contacts of business operators, and this type of connection is mainly communication and exchange (Bian & Qiu, 2000).

#### **2.2.2.2 Non-public enterprise Party building and social capital theory**

Social capital belongs to the informal system of an enterprise. It is not only a substitute for the formal system of an enterprise, but also the result of adapting to the current institutional environment. Social capital can make up for various resources that are necessary for the survival and development of enterprises. To be specific, good bank-enterprise relationship can help companies have an easier access to financing, good supplier relationship can enable enterprises to obtain better business credit and more business and investment opportunities, good customer relationship can help enterprises obtain a bigger market share, good relations with local communities can help enterprises to increase market influence and competitiveness, and good government-enterprise relationship can help enterprises enjoy preferential policies such as tax incentives, easier access to credit, financial subsidies, and certain industries, and relaxed administrative approval (Li, 2014). Affected by Chinese traditional culture, private enterprises generally tend to use interpersonal relations to obtain economic resources (Wu & Cheng, 2011). In regions with low marketization, poor financial development, and inadequate rule of law in China, private entrepreneurs often actively seek political participation and establish political connections (Wu & Yu, 2013) for the purpose of obtaining resources and convenience from government departments. In addition, compared with large SOEs, private enterprises often

regard the relationship with the government as a kind of corporate competitiveness (Chen et al., 2012).

Enterprise Party organization is one of the channels for enterprises to establish political relations. The CPC and private enterprises are a symbiotic relationship of mutual integration (He & Ma, 2016). On the one hand, as the ruling Party, the CPC seeks to gain the political recognition of more classes and give play to the other classes' resource advantages and their role in spurring the economic and social development. The Party organization often relies on its own political advantages and organizational resources, and uses methods such as political absorption and organizational embedding to integrate private enterprises into Party organizations and state institutions, making them become a "conspirator" within China's "Party-state" political system and easing the Party's relationship with private enterprises (Huang, 2014). The existence of Party organizations in enterprises can coordinate the relationship between society, government, employees and other parties, which contribute to the improvement of enterprise economic efficiency, and enhances employees' sense of identity with Party organizations (Li, 2008). On the other hand, private enterprises and business owners have long benefited from stability of China's economic system and politics, and they must have a strong desire to become part of the system, participate in politics, and establish Party branches (Pearson, 1997; Chen, Lu, & He, 2008; Cao, 2006), and they will become active defenders of the current political system (Chen & Dickson, 2010). The establishment of enterprise Party organizations and the status of Party member of private business owners have served as an alternative mechanism to the formal system (Zhou, 2013). It enhances the protection of corporate property rights, helps entrepreneurs to obtain political rents at a low cost, creates a favorable policy environment for private enterprises, and ultimately helps enterprises increase their investment in productive activities and long-term oriented activities. In addition, selection of Party members tends to favor the social elites who have relatively high human capital or social capital. As a result, the Party organizations of private enterprises play the role of absorbing outstanding talents and giving play to the advantages of human capital, which can provide backbone force to the production, business operation and innovation activities of the enterprises.

## **2.3 Enterprise Party building in China**

Enterprise Party organizations are the organizations of the CPC at the primary level, and their establishment is to guide the enterprises to a development path that conforms to the national guidelines and policies. State-owned enterprise Party organizations directly participate in and lead corporate operation and decision-making, while non-public enterprise Party organizations supervise and guide corporate operation and decision-making in an indirect form. The difference in the status and role of Party organizations in SOEs and non-public enterprises has led to differences in Party organizations' influence on enterprise performance in these two types of enterprises.

Therefore, reviewing literature on the status and role of enterprise Party organizations and the impact of enterprise Party building on enterprise performance simultaneously will help deepen the understanding of Party building in Chinese companies and clarify the status and role of non-public Party building, providing a new path for analysis of non-public Party building on enterprise performance.

### **2.3.1 Status and role of enterprise Party building**

#### **2.3.1.1 Status and role of state-owned enterprise Party building**

Internationally, SOEs only refer to enterprises invested or controlled by the central government or the federal government of a country. In China, SOEs include not only enterprises invested and controlled by the central government but also enterprises controlled by local governments (Zhao, 2017). The state-owned economy controls the lifeline of the national economy, and SOEs are owned by the whole people. The Notice of the Central Committee of the CPC on Further Strengthening and Improving Party Building in SOEs promulgated by the Chinese government in 1997 clearly stated that the modern enterprise system with public ownership as the mainstay is the foundation of the socialist market economic system and we must adhere to the CPC's political leadership over SOEs.

The CPC's political leadership over SOEs is embodied in five aspects. First, in terms of politics, the enterprise Party organization supervises the implementation of the policies formulated by the CPC and the central government in the enterprises; second, in terms of operation, the enterprise Party organizations must participate in the decision-making of major issues of the enterprise, and support the factory director (manager), the shareholders meeting,



the board of directors, and the board of supervisors to exercise their powers in accordance with the law; third, in terms of ideology and culture, the enterprise Party organizations organize the enterprise's ideological and political work and the work of cultural and ethical progress, and aim to build a workforce with ideal, ethics, education, and discipline; fourth, in terms of talents, the enterprise Party organizations must select and recommend state-owned assets and property rights representatives and business management personnel in accordance with the management authority, and educate, train, assess and supervise them; fifth, in terms of employees, the enterprise Party organizations must wholeheartedly rely on the masses of workers, support the workers' congress, and lead and support the labor unions, the Communist Youth League and other mass organizations to carry out their work independently in accordance with the law and their respective regulations. Through the above five aspects, the CPC emphasizes the CPC's political leadership in SOEs, but it is not acceptable to use the Party to replace the government or the enterprise or ignore the laws of business operations.

The CPC occupies a core position in state institutions, and due to the political structure of Party-government unity, the relationship between the Party and the government has a strong internal unity (Ma, Wang, & Shen, 2012). Participation of Party organizations in corporate governance is not only a manifestation of this unity, but also a major feature in the corporate governance of Chinese SOEs. Although the status and role of Party organizations in business operations and corporate governance have undergone several reforms and institutional adjustments along with the process of China's economic development and state-owned enterprise reforms, there still exists the dual system of Party-government management and Party organizations are still at the core position in SOEs. The Party organization's legal qualifications and its statutory institutions to participate in corporate governance in the SOEs have been determined in the form of law. Especially in the Constitution of the People's Republic of China, it is clearly stipulated that the CPC is core of leadership for the development of socialism with Chinese characteristics. The Decisions of the Central Committee of the CPC on Several Major Issues Concerning the Reform and Development of State-owned Enterprises passed by the CPC Central Committee in 1999 provides for the first time a clear definition of the leading position of the Party organizations in SOEs, and proposes "two-way entry and cross-position-holding," which clarifies the specific ways and methods for the Party committee to participate in the enterprise business decision-making, and provides a basis for the state-owned enterprise Party committee to intervene in the enterprise behavior.

The Party Committee includes the CPC Standing Committee which functions as a permanent institution. The Party committee of an enterprise is composed of several standing

members or members who are elected by the Party Congress. The state-owned enterprise Party committees participate in decision-making on major issues of SOEs and are also the core for Party organizations to participate in corporate governance. The participation of state-owned enterprise Party committees in corporate governance is to better support the scientific decision-making of the board of directors and avoid and reduce mistakes. Generally, the Party committee and the board of directors will communicate with each other before making a decision, so that the final decision made by the board of directors can reach a consensus with the Party committee. Therefore, the overlap and cross-position-holding of the Party committee and the board of directors can help improve the efficiency of decision-making and implementation, avoid cumbersome procedures and waste of time, and avert prevarication in the implementation process. There can be a streamlined and efficient way to coordinate national policies and the business decision-making of the enterprise (Ma, Wang, & Shen, 2012).

China is a socialist country, and the state exercises the property rights of state-owned assets on behalf of all the people. State-owned enterprise Party organizations have formed a principal-agent relationship between the state and SOEs. State-owned enterprise Party committees represent the interests of the state and government and participate in the decision-making of the enterprise production and operation. They can internalize social goals into business goals and safeguard the economic foundation for the national economic and social development. In addition, the state-owned enterprise Party organizations adhere to the principles of “the Party supervising officials and talents”, control the power of personnel appointment and removal in SOEs, and directly intervene and influence enterprises’ internal affairs. Therefore, the development of SOEs is inseparable from the Party organization. In state-owned enterprise, the Party organization can ensure that the enterprises assume political and social responsibilities in the process of pursuing profit maximization, providing strong and stable economic foundation for the development of China (Guo, 2014).

In summary, the enterprise Party organization of the CPC is at the core of political leadership among SOEs and can directly participate in the management of enterprises.

### **2.3.1.2 Status and role of non-public enterprise Party building**

The status and role of the CPC Party organizations in non-public enterprises is different from that in SOEs. In China, Party organizations in public enterprises directly participate in and play a leading role in the operation and decision-making of enterprises; while Party organizations in non-public enterprises supervise and guide the operation and decision-making of enterprises in an indirect manner. As there are a great number of non-public enterprises and they play an

important role in the socialist market, Party building in them has become increasingly more important in the Party work. The Opinions on Strengthening and Improving Party Building in Non-Public Enterprises (Trial) issued by the General Office of the CPC Central Committee in 2012 clearly stipulated that “non-public enterprises are an important force in the development of the socialist market economy. Non-public enterprise Party organizations play a key role in the enterprises and a political core role in the masses of enterprise employees, and play the political leadership role in enterprise development”.

The CPC enterprise Party organizations perform the following six responsibilities in non-public enterprises. First, publicize the Party’s policies and the resolutions of higher-level Party organizations and the organization itself, educate Party members and employees to abide by laws and regulations and relevant rules and regulations, supervise and ensure the legitimate business activities, and consciously take social responsibilities; second, develop a harmonious relationship with employees, and pay attention to humanistic care and psychological guidance; third, ensure a freer and wider channel for employees to voice their opinions, protect the legitimate rights and interests of the employees in accordance with the law, coordinate the interests of all parties, and build harmonious labor relations; fourth, create a positive entrepreneurial culture and promote business integrity; fifth, promote the healthy development of enterprises and promote production and operation; sixth, give play to the role of discipline inspection departments to improve the capability and integrity of Party workers. From the six functions, it can be known that the Party organizations of non-public enterprises use their own organizational resource advantages to participate in enterprise operation in an indirect form, and support and promote the development of the enterprises. This kind of participation is mainly embodied in the aspects of provision of information communication channels, talent absorption, and motivation of human capital. Its main purpose is to motivate enterprises to improve the willingness and ability of productive activities (He & Ma, 2018).

However, differences in the nature of ownership, property rights, operating methods, leadership systems, and operating mechanisms result in different Party building process in SOEs and private businesses. In addition, non-public enterprises face much more difficulties than those in SOEs in their work on establishing the Party organization and ensuring its smooth functioning. This is because enterprise Party building and corporate governance belong to two completely different institutional arrangements in China. The goal of non-public enterprise Party organizations is to pursue the building of a “service-oriented” Party organization, while the goal of corporate governance is to solve the survival and development of enterprises (Chu & Jia, 2012). The direction of the main activities of the two seem to be inconsistent, which also

leads to restriction of the status and role of the non-public enterprise Party organization. In addition, entrepreneurs often regard the non-public enterprise Party organizations as a kind of political connection, and the political connection of entrepreneurs and the organizational dependence of non-public Party organizations present a pluralistic symbiotic relationship.

Entrepreneurs' behaviors towards non-public enterprise Party organizations are often manifested in four types, namely, "wearing red hats", "joint stock partnership", "organizational inertia" and "multi-subject co-governance". The difference between these four types is prominently embodied in the level of entrepreneur's political connections and the level of organizational dependence. As for the first type of "wearing red hats", when entrepreneur political connections are weak and organizational dependence is weak, the enterprise is disguised as a collective enterprise by means of "operations of enterprises run by individuals but attached to public institutions"; as for the second type of "joint stock partnership", when entrepreneur's political connections are weak and organizational dependence is strong, the enterprise strength is enhanced through reorganization, alliance, active establishment of relationships with local officials, and recruitment of retired officials as corporate consultants or Party organization secretaries, so as to eliminate the restraints brought by legality mechanism to the enterprise; as for the third type of "organizational inertia", when entrepreneur political connections are close and organizational dependence is strong, they are more proactive to establish Party organizations. This is mainly because when the former state-owned enterprise executives establish non-public enterprises, they have inherited the original political resources and are more inclined to adopt the original methods to manage non-public enterprises; as for the fourth type of "multi-subject co-governance", under a loose institutional environment and a mature technological environment, entrepreneurs treat enterprise Party organizations with a rational attitude, and enterprise Party organizations also uphold the scientific, institutional, and democratic management ideas (Qiu & Fu, 2016). The four types of entrepreneur behaviors towards non-public Party organizations also mean that the attitude and role of entrepreneurs affect the role of non-public enterprise Party organizations. The ownership and management rights of non-public enterprises belong to private individuals, and it is difficult for Party organizations to obtain the full trust and full support of entrepreneurs. The functional positioning of Party organizations in non-public enterprises is relatively vague, and the ability to restrain and interfere with enterprises is limited. The non-public enterprises will try to streamline the enterprise Party organization structure and Party organization members based on consideration of enterprise performance.

At present, there are still many problems in the non-public enterprise Party building in China, including unsound Party organizations, “marginalization” of Party organization, unclear membership of Party members in Party organizations, irregular Party organization work systems, and insufficient funding for Party organizations (Liu, 2012). To establish and improve a sound work coordination mechanism and awareness of Party building for non-public enterprises is an effective way to solve the plight of non-public Party building. This is mainly because the primary task of the non-public enterprise Party organization is to properly handle and coordinate the relationship between the Party organization and the state, collectives, business managers, the mass of employees and other stakeholders. The Party organization acts as a lubricant, especially to coordinate the “labor-capital-management” relationship. In addition, non-public enterprise Party organizations emphasize “service-orientation”, with enterprise development in the first place and service and supervision in the second place.

Although the role of non-public enterprise Party organizations in assisting non-public enterprises is limited compared with their counterparts in SOEs, the Party organizations, as the grassroots enterprise organization of the CPC, have irreplaceable advantages to promote non-public enterprise development over any other political organization. The advantages are mainly manifested in three aspects (Chu & Jia, 2012). First, although the non-public economy is not the mainstay of the socialist market economy, it is a product of the practice of socialism with Chinese characteristics under the leadership of the CPC. Its growth and development are under the encouragement, support and guidance of the CPC. The Chinese government recognizes that non-public enterprises and public-owned enterprises have equal status in the market. Second, the organization and management experience accumulated by the CPC in the Party building process is helpful to the production and operation of enterprises, and its accumulated ideological and political education experience helps to coordinate various relationships among enterprises. Third, the members of the CPC are the top talents selected from all walks, industries, and all classes. The Party organizations have attracted the best talent resources in China. The establishment of Party organizations in non-public enterprises can provide a large number of high-quality talents for the production and management of enterprises and ensure the supply of talents for enterprises. Therefore, non-public enterprise Party organizations have an irreplaceable advantage that cannot be replaced by any other political organization in promoting the development of non-public enterprises.

For non-public enterprises, especially private enterprises, in the initial stage of their establishment, the scale is small, the resources are limited, the financing needs are scarce, and the management model is simple, as the family-run management style can support the operation

of the enterprise. However, with the expansion of the scale of the enterprise as well as the huge number of personnel and institutions, the irrational family-run management model is prone to meet with problems such as individualism, inbreeding, short-sighted strategic planning, and ambiguous strategic goals, which makes the enterprises unable to make optimal decisions in the process of operation and development (Ye, 2010). The non-public enterprise Party building can improve these problems in the corporate development, and contribute to the improvement of the soft power of the sustainable development (Xie & Fu, 2013). This soft power is mainly reflected in the three aspects of corporate culture, harmony and innovation. First, in terms of corporate culture, non-public enterprise Party organizations attach importance to the promotion of corporate development by corporate culture, and are good at building a corporate culture platform with all staff participation. They can popularize the construction of corporate culture to grassroots employees, and continuously adjust and update corporate culture in a timely manner to adapt to changes in the external market environment. Second, in terms of corporate harmony, promoting labor-management harmony is the main responsibility of non-public enterprise Party organizations. The non-public enterprise Party organizations can act as a bridge and link between the ruling Party and the masses of workers, mobilize the enthusiasm of all parties, create a good atmosphere that promotes the harmonious development of the enterprise, supervise and guide the legal employment of the enterprise, promote the implementation of a democratic management system in the enterprise, and guide the trade union to rationally safeguard the rights and interests of employees. Third, in terms of corporate innovation, non-public enterprise Party organizations can mainly promote the innovation of enterprise property rights system, organizational system, and management system. Non-public enterprise Party organizations do not represent the interests of a certain group of people or their own special interests but the interests of the whole staff. They can guide the transformation of the enterprise from family-run management to modern enterprise management system, coordinate the conflicts between professional managers and shareholders, promote the transformation of the enterprise management mechanism to the “human-oriented” model, promote enterprise democratic management and increase employee participation. The continuous improvement of the internal environment of non-public enterprises, that is, the improvement of organizational structures, the standardization of rules and regulations, and the formation of corporate governance structures, in turn, provides an endogenous institutional support for the comprehensive and orderly implementation of the work and activities of non-public enterprise Party organizations (Huang & Rong, 2011).

In summary, it can be seen that non-public enterprise Party organizations play a guiding and supervising role in non-public enterprises, and participate in the operation of enterprises in an indirect way. In addition, the objectives of non-public enterprise Party organizations are to supervise the enterprises to comply with the laws and regulations of the country, unite the employees, and build harmonious labor relations. Therefore, the starting point and objective of non-public enterprise Party building is to promote the rapid and healthy development of enterprises.

### **2.3.2 Impact of non-public enterprise Party building on enterprise performance**

Existing literature discusses the impact of non-public enterprise Party building on enterprise performance from different perspectives, and attempts to explain how non-public enterprise Party building affects enterprise performance from multiple perspectives.

First, from the perspective of different subjects. Stakeholder theory (Freeman, 1984) believes that the business managers carry out management activities in order to comprehensively balance the interests of various stakeholders. The enterprise pursues the overall interests of stakeholders, not just the interests of certain subjects. These stakeholders include ownership stakeholders, economic dependence stakeholders and social interest stakeholders. Shareholders, board of directors and managers are the most important ownership stakeholders of an enterprise, and are the core components of the corporate governance system, exerting a significant impact on the enterprise performance (Jensen & Meckling, 1976; Harris & Shimizu, 2004; Zhang, Chen, & Li, 2015; Yu & Chi, 2004; Yang, Gao, & Yurtoglu, 2009). Employees, trade unions, creditors, internal service agencies, local communities, consumers, suppliers, competitors and other subjects constitute the economic dependence stakeholders of the enterprise. They are an important part of corporate governance and also affect the enterprise performance (Iverson & Currivan, 2003; Clark, 1984; Monastiriotis, 2007). Government agencies, media, social organizations and special groups are social interest stakeholders of the enterprise and they affect enterprise performance from the outside (Xia, Lu, & Yu, 2011; Xu, Qian, & Li, 2013; Pan, Xia, & Yu, 2008). Therefore, these stakeholders can all affect the operation and management decisions of the enterprise, but different types of stakeholders exert different impacts on the enterprise management decisions (Jia & Chen, 2002).

Second, from the perspective of enterprises of different ownership. As the grassroots organization of the CPC in enterprises, the Party organizations specifically implement the ruling ideas and political pursuits of the CPC (Jiang & Shen, 2006). As SOEs are an important pillar and backbone of China's economic development, the participation of Party organizations in

corporate governance has become a major feature of corporate governance of SOEs in China (Ma, Wang, & Shen, 2012). Therefore, most domestic scholars start from the perspective of SOEs to discuss the influence of Party organizations on enterprise performance (Ma, Wang, & Shen, 2013; Chen & Lu, 2014; Huang, Zhang, & Huang, 2017). In particular, companies with political connections can gain advantages in financing convenience, property rights protection, tax incentives, government subsidies, industry access, and resource acquisition (Hu, 2006; Yu & Pan, 2008; Luo & Tang, 2009; Wu, Wu, & Rui, 2009; Zhou, 2013). However, due to the differences in the status, role, and binding force of Party organizations between SOEs and non-public enterprises, the impacts of Party organizations on SOEs and non-public enterprises are also different. In addition, with the increasing proportion and influence of non-public enterprises in the Chinese economy, the CPC has gradually increased its efforts in non-public enterprise Party building, making these non-public enterprises increasingly more urgent to understand the relationship between non-public enterprise Party building and business operation. Therefore, in recent years, more and more scholars have begun to pay attention to the impact of enterprise Party organizations on non-public enterprises (Liang, Li, & Li, 2004; Jiang & Shen, 2006; Liu, 2012; Chen, 2014; Kou, 2017). Most of these studies are qualitative and stay in theoretical elaboration, lacking quantitative research, that is, there are few empirical studies on the impact of non-public enterprise Party organizations on non-public enterprise performance. Even though there are a few empirical studies on the impact of non-public enterprise Party organizations on non-public enterprises, they all set the variable of enterprise Party organization as a dummy variable, that is, use 0 or 1 to indicate whether there is a Party organization in the enterprise or not, and simply analyze the differences in the impact of existence or absence of Party organizations on enterprise performance (Long & Yang, 2014; Chen, Hong, & Wang, 2017; He & Ma, 2018). Due to the obvious differences in the level and function of Party organization activities among different enterprises, this approach cannot reflect the differences in Party building activities and functions, and it is even more difficult to explain the degree of influence and path of action of different Party organization activities.

This thesis mainly focuses on the impact of non-public enterprise Party building on enterprise performance. Although the main functions and roles of Party organizations in non-public enterprises and SOEs are different, both have the same functions of supervising the legal operation of enterprises, building harmonious labor relations and promoting the healthy development of enterprises. Therefore, to explore the impact of non-public enterprise Party building on enterprise performance based on the existing research on the impact of state-owned enterprise Party building on enterprise performance can not only find out path and mechanism



suitable for exploring the impact of non-public enterprise Party building on enterprise performance based on the differences in the functions and roles of enterprise Party building in state-owned and non-public enterprises, but also draw on a large number of existing ideas and methods of empirical research on the impact of state-owned enterprise Party building on enterprise performance.

### **2.3.2.1 Impact of state-owned enterprise Party building on enterprise performance**

As mentioned above, state-owned enterprise Party organizations play a political core role in SOEs, making grassroots Party organizations the third channel for the government to intervene in SOEs other than government departments and government-controlled shareholders (Chang & Wong, 2004), that is, the government can influence the operation of SOEs through grassroots Party organizations. Therefore, grassroots Party organizations can also exert an impact on the performance of SOEs.

Existing studies mainly focus on two perspectives to examine the impact of state-owned enterprise Party building on enterprise performance. The first is to examine the impact of state-owned enterprise Party building on enterprise performance from the perspective of insider control, and the second is to examine the impact of state-owned enterprise Party building on enterprise performance from the perspective of state-owned assets maintenance.

#### **(1) Restrain insider control**

The participation of Party organizations in corporate governance is the biggest feature of corporate governance in China, and it is also an important balancing force to restrict insider control (Ma, Wang, & Shen, 2012). In the pursuit of the maximization of their own interests, insiders often harm the interests of shareholders, resulting in the distortion of resource allocation and leading to agency costs (Jensen & Meckling, 1976). It is ultimately detrimental to the enterprise performance and healthy development of the enterprise (Aoki, 1994; Zhang, 1995).

The board of directors, the board of supervisors, and the management can achieve a stable state of checks and balances in the corporate governance system. However, SOEs are an asset of the country and the entire people, their owners, the state and the entire people, are a relatively abstract concept. This phenomenon of “absence of owners” of state-owned property rights makes state-owned enterprise owners incapable to monitor and restrain the behavior of state-owned enterprise agents (Zhang, 1995). It also means that relying solely on the corporate governance system to govern SOEs cannot guarantee sufficient binding force among the board of directors, the board of supervisors and the management. As the fourth Party force of the

enterprise, the Party organizations can replace the clients of the SOEs, namely, the state and the entire people, to effectively supervise and manage the internal control of the enterprise. The Decision of the Central Committee of the CPC on Several Major Issues on the Reform and Development of SOEs proposes that the Party organization implements a “two-way entry and cross-position-holding” leadership system for SOEs, that is, the Party committee members enter the board of directors, board of supervisors and the management by means of “two-way entry and cross-position-holding”. To be specific, the Party committee (Party group) secretary and chairman of the board of directors is assumed by the same person, the Party committee members enter the board of directors, the board of supervisors and the management through legal procedures, and Party members in the board of directors, board of supervisors and the management enter the Party committee through relevant regulations. In addition, the Party organizations of SOEs adhere to the principles of “Party assuming the responsibility for officials’ affairs” and “Party exercising leadership over talents”, they have the power to appoint and dismiss personnel in SOEs, and can directly intervene and influence the internal affairs of the enterprise.

Wu and Wang (2018) divided the internal corporate control affected by state-owned enterprise Party organizations into five aspects: internal control environment, risk assessment, control activities, information and communication, and supervision. First, Party organizations can control the internal environment of SOEs by leading the construction of corporate culture; second, Party organizations can control the internal risks of SOEs by fulfilling the primary responsibility and assessing the risk of violations of regulations and disciplines; third, Party organizations can control the internal activities of SOEs through participation in major decision-making and major personnel decisions; fourth, Party organizations can control the internal information and communication of SOEs through the Party committee; fifth, Party organization can achieve internal supervision of the SOEs through strict enforcement of Party disciplines. Through these five aspects of internal control, the participation of enterprise Party organizations can comprehensively improve the effectiveness of internal control of SOEs. In addition, the participation of state-owned enterprise Party organizations in the governance of SOEs adheres to the principle of “limited participation” (Wang & Wu, 2017). This is because excessive government intervention will weaken the effectiveness of internal control of SOEs (Zhao, Wang, & Zhang, 2015). The Party organization and the board of directors, the board of supervisors and the management of SOEs assume different responsibilities. The Party organization bears political responsibility, the board of directors bears the decision-making responsibility, the board of supervisors bears the supervision responsibility, and the management bears the

implementation responsibility. The Party organization cannot fully assume all responsibilities. When the Party organization excessively participates in enterprise internal control, it will not only affect the coordination of the relationship between the Party organization and other internal control subjects, but also reduce the work efficiency of the board of directors, the board of supervisors and the management, and even cause the enterprise to bear excessive political and social burdens.

Ma, Wang, and Shen (2012) used data on the disclosure of Party organizations in China's A-share listed companies from 2008 to 2010 to empirically test that the leadership system of "two-way entry and cross-appointment" of the Party committee has an impact on the corporate governance of SOEs and efficiency of the board of directors. The research results show that the degree of "two-way entry" has an inverted U-shaped relationship with the level of corporate governance, and is positively correlated with the efficiency of the board of directors. "Cross appointment" can significantly affect the level of corporate governance, but it is not conducive to improvement of corporate governance for the chairman to assume the position of Party secretary. Later, Wang and Ma (2014) still used this data to empirically test whether the grassroots enterprise Party organizations effectively reduce the agency costs of SOEs based on the perspective of insider control. The research results show that the "two-way entry and cross-appointment" between the Party committee and the board of directors will increase the agency costs of SOEs, while the "two-way entry" in the board of supervisors and senior management can significantly reduce the agency costs. In addition, it is conducive to curbing the generation of state-owned enterprise agency costs for deputy Party secretary to hold a concurrent post of chairman of the board, chairman of the board of supervisors, or the general manager. Therefore, the Party organizations of SOEs can influence the value of enterprises by influencing the agency costs of SOEs. Wu and Wang (2018) used the data of Shanghai and Shenzhen A-share state-owned listed companies from 2012 to 2014 to empirically test the relationship between the degree of Party organization participation in governance and the effectiveness of internal control. The research results show that the degree of Party organization participation in governance is in an inverted U-shaped relationship with the effectiveness of internal control, and the Party organization participation in board governance is also in an inverted U-shaped relationship with the effectiveness of internal control. In addition, the high degree of capital mix and the nature of centrally-administered SOEs make this inverted U-shaped relationship even more significant.

Huang , Zhang, and Huang (2017) believe that state-owned enterprise Party organizations are one of the important participating forces in the corporate governance of SOEs. Due to the

political nature of the Party organizations, they can transcend the limitation of pursuing short-term or single-subject interests in business operation and become an important force to balance the corporate interests and relationships. The governance of Party organizations in SOEs can affect the equalization of informal hierarchies within SOEs, and this equalization will exert a positive and significant impact on the enterprise performance when faced with high environmental uncertainty.

(2) Inhibit loss of state assets

Participation of Party organizations in corporate governance can help restrain major shareholders from stealing corporate interests (Chang & Wong, 2004), and restrain the occurrence of “loss of state-owned assets” in mergers and acquisitions (Chen & Lu, 2014). In addition, the participation of state-owned enterprise Party committees in corporate governance will reduce the absolute compensation of company executives, inhibit the state-owned enterprise executives from obtaining excessive compensation, narrow the salary gap between executives and ordinary employees, and maintain harmony within the enterprise (Ma, Wang, & Shen, 2013).

Chen and Lu (2014) used the data of state-owned listed companies to empirically test the influence of the participation of state-owned enterprise Party organizations in corporate governance on the level of M&A premium demanded by SOEs when they sell state-owned assets or equity. The results show that the M&A premium for state-owned enterprise Party organizations participating in corporate governance is higher than those not participating in corporate governance. In addition, this high premium is more significant when Party members participate in governance of the board of directors or board of supervisors than when Party members participate in governance of the senior executive team. The positive impact of the Party organization participation in governance when the seller is a local state-owned enterprise is more significant than when the seller is a central state-owned enterprise. Ma, Wang, and Shen (2013) used the data of 344 A-share state-owned non-financial listed companies in Shanghai and Shenzhen from 2008 to 2010 to empirically confirm that the participation of state-owned Party organizations in corporate governance can motivate state-owned enterprise executives to actively cater to the “salary ceiling” for political promotion, proactively reduce their own salaries, and reduce the salary gap between executives and ordinary employees.

Whether the impact of state-owned enterprise Party building on enterprise performance is explored from the perspective of insider control or state-owned assets maintenance, it is based on the result that the impact of Party building on enterprise performance is affected by the opposite effects of political costs and agency costs. This also divides the existing research on

the impact of enterprise Party organization on enterprise performance into three categories: beneficial theory, harmful theory and irrelevant theory. On the one hand, political control increases the cost of the enterprise and is not conducive to enterprise performance, because the enterprise must complete some political and social tasks; on the other hand, political control restricts the self-interested behavior of managers to benefit the enterprise performance, because there exists the problem of agency by agreement in enterprise management. Since shareholders seek to maximize profits, while managers seek to maximize the possibility of sales, employee expenditures, management salaries and discretionary funds, the goals pursued by the two are different. As a result, the behaviors of Party organizations in the enterprise management exert different impacts, which, in turn, exerts different effects on enterprise performance.

### **2.3.2.2 Impact of non-public enterprise Party building on enterprise performance**

The role of Party organizations in non-public enterprises is different from their role in SOEs. Party organizations play a guiding and supervising role in non-public enterprises, and their work objectives are concentrated on supervising the enterprises to comply with the laws and regulations of the country, uniting employees and building harmonious labor relations.

There are a large number of empirical studies on the impact of state-owned enterprise Party building on enterprise performance, but there are few empirical studies on the impact of non-public enterprise Party building on enterprise performance. As the data of non-public enterprises are difficult to obtain, research on non-public enterprise Party building is mainly descriptive. There are a few existing studies using corporate data to directly carry out empirical tests on the impact of non-public enterprise Party building on enterprise performance.

Due to the late start of research on non-public enterprise Party building, there are relatively few empirical studies on non-public enterprise Party building and activities, especially there lacks empirical literature on the impact of non-public enterprise Party building and activities on enterprise performance. Although the literature has empirically tested the impact of non-public enterprise Party building on enterprise performance, it lacks a clear and complete overall context and paradigm analysis of the mechanism and path of the impact of non-public enterprise Party building on enterprise performance.

The descriptive research on non-public enterprise Party building mainly focuses on its significance, current situation, mechanism construction and institutional improvement (Liang, Li, & Li, 2004; Jiang & Shen, 2006; Liu, 2012; Chen, 2014; Kou, 2017). The empirical research on non-public enterprise Party building mainly uses enterprise-level data to empirically test the impact of non-public enterprise Party building on the enterprise performance. These empirical

studies try to explore the impact of non-public enterprise Party building on the enterprise performance, including coordination of labor relations, stimulation of enterprise investment, and acquisition of external resources.

Long and Yang (2014) investigated the impact of Party organizations in private enterprises on enterprise performance from the path of coordinating labor relations and safeguarding the interests of employees. Based on the data of the seventh national private enterprise sample survey in 2006, they empirically tested the impact of the private enterprise Party organizations on the welfare of employees and enterprise performance. Research results show that the establishment of Party organizations in private enterprises can significantly improve the welfare of employees other than wages, and affirms the role of Party organizations in private enterprises in building harmonious labor relations and safeguarding the interests of workers. However, although the private enterprise Party organizations are conducive to promoting labor productivity, there is no significant impact on the profit margin of the enterprise. The reason may be that the Party organization increases the labor cost of the enterprise while improving the welfare of workers.

From the path of encouraging and motivating the willingness and ability of private enterprises to invest more energy and resources in productive activities, He and Ma (2018) examined the impact of private enterprise Party organization on the level of enterprise performance. Based on the data of the 2,183 enterprises in the ninth national private enterprise sample survey, they empirically tested the impact of private enterprise Party building on the level of enterprise performance. Research results show that grassroots Party organizations encourage private enterprises to invest more in productive activities through their organizational resource advantages so that the performance of private enterprises that have established grassroots Party organizations is significantly higher than that of those having not established grassroots Party organizations. (Chen, Hong, & Wang, 2017) used the data of Jiangsu Province in the twelfth national private enterprise sample survey, and also empirically tested that the private enterprise Party organization can significantly promote private enterprises to increase investment. In particular, the facilitating role of private enterprise Party organization in promoting R&D investment is stronger than large-scale investment. In addition, Party organizations in private enterprises also have a significant role in improving the enterprise performance.

Ye (2017) used the data of listed private companies from 2008 to 2014 to empirically test the external and internal effects of Party organization in corporate governance of private enterprises, and the research results show that the participation of private enterprise Party

organizations in corporate governance can help enterprises obtain external resources, but cannot reduce the internal agency costs.

### **2.3.3 Impact of political connection on enterprise performance**

Although there are few empirical studies on the impact of non-public enterprise Party building on enterprise performance, there are a number of empirical studies on the impact of enterprise political background, political relations, and political connections on enterprise performance. Since the establishment of non-public enterprise Party organizations can provide enterprises with channels to establish political relations, reviewing literature on the impact of enterprise political background, political relations, and political connections on the performance of non-public enterprises will help this thesis focus on the impact of non-public enterprise Party building on enterprise performance.

It is a universal fact that enterprise political relationships affect corporate value (Johnson & Mitton, 2003; Faccio, 2006). Private entrepreneurs can establish political relationships with the government through formal or informal political participation. The informal way of political participation is a kind of non-institutional contact, which strives to establish a “symbiotic relationship” with government officials through the formation of informal interest relationships (Wang, 2006). Relations have the function of facilitating resource allocation and resource acquisition to both individuals and enterprises (Liu, 2004). The time that entrepreneurs spend on social activities has significantly improved the enterprise performance (He et al., 2013). Political connections can produce certain property rights protection effects for private enterprises in a poor institutional environment (Tian & Zhang, 2013), and political relations have significantly enhanced the survival prospects of enterprises (Du & Girma, 2010).

Non-public enterprise Party organizations are one of the channels for enterprises to establish political relations. Through non-public enterprise Party building, enterprises can establish political relations with the government at low or no cost. This political connection can bring many conveniences to non-public enterprises, including market access opportunities, financing facilities, and financial subsidies.

#### **(1) Acquisition of market access opportunities**

Due to the government’s strict control of industry access, some industries have high barriers to entry. Private enterprises suffer from policy “discrimination” in market access. In most cases, non-public enterprises cannot enter these industries which are monopolized by SOEs. The external “political entrepreneurial capabilities” of private enterprises can play a key role in breaking through government regulatory barriers to entry. In other words, the political

connections of private enterprises help them break through various administrative barriers to entry so as to perform diversified investment (Deng, 2011). As a result, the political resources owned by private enterprises can influence their development by influencing the motives of diversified investment and the choice of diversification strategies. Private enterprises with political resources are more likely to implement diversification strategies (Hu & Shi, 2008). Luo and Liu (2009) used the data of private listed enterprises from 2004 to 2006 to conduct empirical tests. It is verified that the political strategies adopted by private enterprises can effectively help them enter the government-regulated industry, thereby significantly improving enterprise performance. This also shows that the more political resources private enterprises have and the better their political relations with the government, the more likely they are to enter the high-barrier industry regulated by the government. Hu (2006) used the data of the top 100 private enterprises in Zhejiang Province in terms of total operating income in 2004 to empirically test that the political identity of private entrepreneurs reduces the barriers for private enterprises to enter the financial industry. This is because the political identity of private entrepreneurs has played a role of partially replacing the formal legal system during China's economic transition, sending out a quality signal for private enterprises, providing property rights protection for private enterprises, reducing barriers for private enterprises to enter regulated industries, and promoting the development of private enterprises. Therefore, the establishment of non-public enterprise Party organizations can provide enterprises with a channel to establish a good political relationship with the government, and this political relationship can affect enterprise performance through the path of breaking entry barriers.

## (2) Acquisition of financing facilities

The state-owned banking system often has prejudice against the loans of local private enterprises, and political relations can be used as an alternative informal mechanism under the imperfect market system in China (Luo & Tang, 2009) to alleviate the hindering effect of the backward system on the development of private enterprises as well as alleviate the problem of bank loan difficulties caused by institutional defects in private enterprises (Allen et al., 2005), which ultimately contributes to the development of private enterprises. Yu and Pan (2008) used the data of 118 non-financial private listed companies in Shanghai and Shenzhen A shares from 1993 to 2005, and empirically tested that political relations are beneficial for private enterprises to obtain bank loans. Enterprises with political relations can obtain more bank loans and longer loan terms than those without political relations. In addition, in areas with backward financial development, low level of the rule of law, and serious violations of property rights by the government, this kind of loan effect is more significant. Wu, Wu, and Liu (2008) found that



since most of the business activities of private enterprises are mainly under the jurisdiction of local governments, the positive impact of the local government background of private enterprise executives on company value is significantly greater than the central government background of private enterprises. Furthermore, the more serious the government intervention, the more likely it will be for the local government background of enterprise executives to increase the value of the enterprise. This is mainly because the local government background of non-public enterprise executives helps companies obtain short-term loan financing from local governments. Therefore, the political relations established by non-public enterprise Party organizations can influence the enterprise performance through the access to financing facilities.

### (3) Acquisition of financial subsidies

The establishment of political connections by private enterprises is conducive to the effective allocation of scarce resources in society (Li et al., 2008). The purpose of the government providing financial subsidies to enterprises is to encourage technological innovation of enterprises to achieve the goal of improving social benefits. Because of the information asymmetry in the market, the government cannot effectively identify the targets of financial subsidies, and the political connections established by private enterprises are a signal that the enterprises have good development prospects, social contributions and high efficiency (Cull & Xu, 2005; Wu, Wu, and Liu, 2008), which helps enterprises to obtain government subsidies. Yu, Hui, and Pan (2010) used the data of 230 non-financial listed companies in Shanghai and Shenzhen A-shares from 2002 to 2007, and empirically proved that the establishment of political connections between private enterprises and local governments can help enterprises to obtain more financial subsidies from local governments. In addition, the political connections in regions with worse institutional environment have a stronger positive effect on obtaining local financial subsidies. However, the empirical results prove that the financial subsidy obtained by the political connections of private enterprises is an unproductive rent-seeking behavior. This subsidy is not conducive to the improvement of enterprise performance, that is, the political connections of private enterprises are not conducive to improvement of enterprise performance. Therefore, the political relations established by non-public enterprise Party organizations can influence enterprise performance through the path of obtaining financial subsidies.

Therefore, for non-public enterprises, especially private enterprises, it has become a political participation strategy commonly used by entrepreneurs of enterprises at this stage to become Party members (Zhang & Zhang, 2005). This political participation strategy can consolidate and improve the political status of private entrepreneurs. It creates a good external

environment for the development of private enterprises, and also promotes the effective operation of private enterprises, which is conducive to the improvement of the performance of private enterprises. From the perspective of the external environment of business operations, the establishment of Party organizations in private enterprises provides a channel for them to participate in politics and to reflect their own interests, thereby increasing their political capital, restricting certain government departments from abusing power, and protecting the property of the enterprise and themselves from being violated. From the perspective of the internal operation of the enterprise, the establishment of Party organizations can make up for the shortcomings of excess rigid management and insufficient flexible management of private enterprises, and promote the construction of corporate culture and employee management and incentives (Liang, Chen, & Gai, 2010).

However, the above research mainly focuses on the impact of the political background, political relationship, and political connection of entrepreneurs or senior managers on the performance of non-public enterprises, and does not explore the impact of the political background of the grassroots employees and the organization on enterprise performance. This is mainly because in non-public enterprises, individual entrepreneurs have a very large influence on enterprises (Zhang & Li, 2007). The lack of channels for grassroots employees to exert their political relations makes their influence on enterprises relatively small. Furthermore, most of the above-mentioned studies regard the political relationship of the enterprise as an external variable that affects the external operating environment of the enterprise, and regard this political relationship as a channel for the enterprise to establish contact with external Party organizations and the government. There is no research on the impact of political relationship on the behavioral choice and the mechanism of action in the enterprise.

The establishment of Party organizations in non-public enterprises can bring into play not only the political relations possessed by shareholders and senior managers, but also the political relations possessed by grassroots employees and the organization. In addition, the establishment of Party organizations in non-public enterprises can embed the influence of political relations on the enterprise from the internal perspective of the enterprise organization. According to He and Ma (2018), the “endocentric organizational transformation type” characteristic of political connections at the organizational level is different from the “exocentric individual seeking type” characteristic shown by political connections at the individual level, and it does not have the rent-seeking, utilitarian and speculative features. The Party organization of private enterprises has built a bridge for interaction between private enterprises and the ruling Party, established a reciprocal and emotional “relationship” bond, enhanced the sense of identity and belonging of

the “community”, and formed a new type of government-enterprise interaction and mutual trust relationship. Party organization embedding is an organizational, institutionalized, and normalized interactive governance mechanism between the ruling Party and non-public enterprises.

#### **2.3.4 Impact of relationship between enterprise Party organization and the management on enterprise performance**

As mentioned above, on the one hand, entrepreneurs and managers use the political participation strategy of becoming Party members to consolidate and improve their political status, thereby improving the enterprise performance; on the other hand, whether it is a state-owned enterprise or a non-public enterprise, enterprise Party organizations focus on the construction of harmonious labor relations. Although these two aspects both examine the impact of Party organizations on enterprise performance from the impact of enterprise Party organizations on the management, they have not investigated whether a harmonious relationship between enterprise Party organizations and the management exerts impact on enterprise performance. Enterprise Party organization and corporate governance belong to two completely different systems. To integrate enterprise Party organization into the process of corporate governance, it is necessary to focus on the relationship between the enterprise management and the enterprise Party organization.

Existing research seldom directly discusses the impact of the relationship between the enterprise Party organization and the management on enterprise performance, and more often uses an indirect approach to discuss this issue. Due to the large differences in social and economic systems between China and other countries, international scholars seldom discuss the impact of the relationship between enterprise Party organizations and the management on enterprise performance. Western literature focuses more on discussing the impact of relationship between trade unions and the management on enterprise performance. Due to the needs of China’s actual economic and social development, Chinese scholars focus on the impact of enterprise Party organization on the management to explore the impact of enterprise Party organization on enterprise performance.

##### **(1) The relationship between trade union and the management**

The relationship between trade union and the management refers to the degree of harmony between the union and the management, reflecting the fairness of the interaction between the management and the union and the degree of harmony between the union and the management in solving common problems (Iverson, 1996). This degree of harmony is used to measure the

degree of mutual respect for each other's goals and joint problem solving between the union and the management (Deery, Erwin, & Iverson, 1999; Deery & Iverson, 2005). Therefore, this relationship can be used to directly reflect the quality of the enterprise's labor relations (Blyton, Dastmalchian, & Adamson, 1987).

The harmonious relationship between the trade union and the management has a positive impact on the enterprise and employees, thereby promoting the improvement of enterprise performance. For enterprises, the cooperative relationship between the trade union and the management is conducive to the creation of harmonious industrial relations and the formation of a fair and competitive business environment (Brissenden & Keating, 1948), which can reduce the employment costs and the absenteeism and turnover rate of employees (Harrison & Martocchio, 1998), improve the efficiency of enterprise management (Wu & Lee, 2001), and promote the decline of enterprise production costs and the increase of enterprise productivity (Katz, Kochan, & Gobeille, 1983; Nee, Kennedy, & Langham, 1999); for employees, the cooperative relationship between the union and the management helps them obtain a safe and healthy working environment, obtain more training and opportunities to participate in business management (Oxenbridge & Brown, 2004), improve the quality of work and life of employees, and improve the attitude and behavior of trade union members (Angle & Perry, 1986).

## (2) Impact of enterprise Party organizations on the management

According to existing research, the impact of enterprise Party organization on the management is mainly manifested in the constraints of the enterprise Party organization on the management, and this constraint is mainly manifested in reducing the principal-agent conflict between managers and shareholders to reduce agency costs (Yang, Wang, & Cao, 2010), so that the interests of the management are linked with shareholder wealth and enterprise performance (Jensen & Meckling, 1976; Aggarwal & Samwick, 1999), thereby inhibiting executives from obtaining excess salaries through informal channels, reducing the absolute salaries of executives, and narrowing the salary gap between executives and employees (Ma, Wang, & Shen, 2012). In addition, the participation of enterprise Party organizations in corporate governance can effectively restrain the power of managers and restrain the scale of excess employees. Therefore, enterprise Party organizations can balance fairness and efficiency in the distribution of corporate benefits (Chen, Hu, & Na, 2018) and restrain the self-interested behavior of managers. These studies affirm the role of enterprise Party organizations in promoting enterprise relationship, especially the management relationship (Han, 1999), but some studies have denied the positive role of enterprise Party organizations on the management. The cross-management of the enterprise by the Party organization and the board of directors

will bring the disadvantages of multiple leadership, and will bring biased guidance to the decision-making of the enterprise management (Liu & Wu, 2007). In addition, the decision-making model integrating the enterprise Party organization and the management has an essential difference in philosophy (Dong, 2009). The excessive intervention of enterprise Party organizations in corporate decision-making will affect the realization of strategic goals (Chang & Wong, 2004), weaken the executive power of the enterprise or even lower the value of the enterprise, and ultimately hinder the development of the enterprise.

The management plays a decisive role in the enterprise strategic decision-making (Bertrand & Schoar, 2003). On the one hand, the existing literature focuses on the impact of the management's own capabilities, skills, and styles on corporate value and enterprise performance (Chemmanur, Paeglis, & Simonyan, 2010 ; Bamber, Jiang, & Wang, 2010; Demerjian et al., 2013). On the other hand, it focuses on the impact of the relationship between the management and the trade union on enterprise performance (Brissenden & Keating, 1948; Harrison & Martocchio, 1998), with little literature focusing on the relationship between enterprise Party organizations and the management to study the impact on enterprise performance. Reviewing the relationship between enterprise Party organizations and the management will, on the one hand, help scholars clarify the impact of enterprise Party organizations on enterprise labor relations from the perspective of the management, and then understand the paths and mechanisms by which enterprise Party organizations affect enterprise performance; it will, on the one hand, help corporate management to achieve the best integration of the two completely different systems of enterprise Party organization and corporate governance in the daily operations.

## **2.4 Literature on influencing factor analysis of enterprise performance**

As mentioned above, the working functions and goals of Party organizations in non-public enterprises are concentrated in the three points of supervising enterprise compliance with national laws and regulations, uniting employees and building harmonious labor relations. Non-public enterprise Party organizations participate in enterprise operation in an indirect form. This participation is mainly reflected in the provision of information communication channels, talent absorption, and incentives for human capital. In particular, it is necessary to coordinate the three-Party relationship of "labor-capital-management". This is because, according to the stakeholder theory, business managers must comprehensively balance the interests of various stakeholders to carry out management activities. The enterprises pursue the overall interests of

stakeholders, not just the interests of certain subjects (Freeman, 1984). Workers, capitalists, and managers respectively represent the three most important types of stakeholders in an enterprise. These stakeholders can influence the corporate operation and management decisions, but the impact of different types of stakeholders on enterprise management decision-making is different (Jia & Chen, 2002). However, existing research does not study the impact of non-public enterprise Party organizations on enterprise performance based on the differences in the impact of these three types of stakeholders on corporate management decisions. In addition, existing literature has verified the influence of non-public enterprise Party organizations on the performance of non-public enterprises from the perspective of coordinating labor relations, stimulating enterprise investment, and obtaining external resources. However, there is no systematic research on how non-public enterprise Party organizations affect enterprise performance based on the role or function.

Therefore, this section systematically reviews the impact of corporate social capital, corporate labor relations and organizational citizenship behavior, and trade unions on enterprise performance. It helps this thesis to study the impact of non-public enterprise Party building on enterprise performance based on the path of the role played by Party organizations in non-public enterprises, and also helps the thesis to study the impact of non-public enterprise Party building on enterprise performance based on the path of the impact of non-public enterprise Party building on different behavioral agents within the enterprise.

First of all, the functions and roles of Party organizations and trade unions in most non-public enterprises in China overlap, or Party organizations fully assume the functions and roles of trade unions. Therefore, reviewing the related literature on the impact of trade unions on enterprise performance will help this thesis draw on the impact of the cross-function of trade unions and non-public enterprise Party organizations on enterprise performance, and focus the research perspective on the impact of non-public Party organizations on enterprise performance of non-public enterprises.

Secondly, non-public enterprise Party organizations play a leading and cohesive role in the masses of enterprise employees, not only affecting the behavior of non-public enterprise entrepreneurs, but also the behavior of corporate management, and even the behavior of grassroots employees. Therefore, discussing the impact on enterprise performance from the three aspects of corporate social capital, corporate labor relations, and organizational citizenship behavior helps this thesis to start from the role or function of non-public Party organizations in the enterprise, and, based on the different impacts of non-public enterprise

Party organizations on different subjects within the enterprise, systematically study the impact of non-public enterprise Party building on enterprise performance.

#### **2.4.1 Impact of corporate social capital on enterprise performance**

Social capital refers to the sum of actual or potential resources embedded in the relationship network owned by individuals or social organizations and available through the relationship network (Nahapiet & Ghoshal, 1998). Social capital is an abstract concept, it can be regarded as resources (Coleman, 1988; Chen & Wu, 2007), or capabilities (Portes, 1998; Ma, 2010), or a network (Burt, 1992; Bian & Qiu, 2000). From the perspective of resources, social capital refers to the collection of actual or potential resources acquired or mastered by individuals or organizations through strong connections with the outside world (Kreiser, Patel, & Fiet, 2013); from the perspective of capabilities, social capital refers to the capability of individuals or organizations to use their social relations to obtain resources and optimize their own resource allocation (Peng & Jiang, 2008); from the perspective of network, social capital refers to a kind of social relationship network embedded among different individuals, including the relationship within the organization and the relationship with other stakeholders outside the organization (Adler, 2000). These network relationships can enable the organization network to obtain a large number of useful resources.

All economic behaviors are embedded in various social relations (Granovetter, 1985; Bennis & Nanus, 1985), and enterprises are nodes on social networks that have various connections with all aspects of the economic field (Bian & Qiu, 2000). Early research only regarded social capital as a resource at the individual level, and then gradually expanded social capital to the level of enterprises and organizations. Social capital at the individual level regards the single individual as an actor for the construction and profit of social capital, while social capital at the organizational level regards an organization as a node and subject of action in a social network (Li, Dai, & Ding, 2018). Although there are differences between social capital at the individual level and the organizational level, in essence, the role of social capital at the two levels is played by individuals themselves or individuals in the organization (Geng & Zhang, 2010).

Corporate social capital is an important source of corporate competitive advantage (Li & Xu, 2012). The social capital owned by each enterprise is unique and difficult to be imitated or copied by competitors in the short term, which allows enterprises to obtain information and resources that are difficult to obtain by other competitors. In addition, enterprises can rely on their unique social capital to establish good cooperative relations with external stakeholders

(Oh, Chung, & Labinaca, 2004). Therefore, corporate social capital, as an important resource, capability, and relationship of an enterprise, can affect its performance. In addition, corporate social capital can affect enterprise performance through various channels. These channels include the financing constraints that affect enterprises (Wang & Chen, 2017; Zhao, 2016; Yu, Pu, & Song, 2017), corporate technological innovation performance (Zeng, Li, & Li, 2018; Hou & Zhang, 2013; Chen, Li, & Wang, 2018), corporate capital structure (Xin et al., 2017), corporate diversification strategy (Wu et al., 2008), corporate investment (Zhao, 2013), and corporate credit risk (Liu & Yan, 2016). These studies not only explore the impact of corporate social capital on enterprise performance, but also focus on the channels and paths through which corporate social capital affects enterprise performance. They try to explain the impact of corporate social capital on enterprise performance from all aspects of the enterprise.

Wang and Chen (2017) used the data of listed companies on the Shenzhen SME Board from 2009 to 2014 and empirically proved that corporate social capital can act as an intermediary between venture capital and corporate financing constraints, that is, venture capital can mitigate the financing constraints of enterprises by enhancing corporate social capital. Wu et al. (2008) used panel data of 210 listed companies on the Shanghai Stock Exchange of China from 2004 to 2006 to empirically test the impact of social capital owned by entrepreneurs on corporate diversification. The results show that the political network of corporate top managers has a positive role in promoting corporate business and geographic diversification. Zhao (2013) used the data of 3,862 Shanghai and Shenzhen A-share listed companies from 2007 to 2010 to empirically test the impact of corporate social capital on corporate investment opportunities and investment efficiency. The research results show that corporate social capital can promote corporate investment opportunities and investment efficiency. Liu and Yan (2016) used 2058 sample data of 686 listed companies in the Shenzhen Stock Exchange of China from 2010 to 2012 to empirically prove that the three levels of macro, meso, and micro social capital owned by the inside and outside of enterprises can significantly reduce the credit risk of the enterprise. Therefore, corporate social capital can affect enterprise performance by influencing corporate financing constraints, technological innovation performance, capital structure, diversification strategies, investment opportunities, investment efficiency, and credit risk.

The above-mentioned research attempts to explore the impact of corporate social capital on enterprise performance from different channels, while some studies are based on the division of corporate social capital to explore the impact of different types of social capital on enterprise performance. This type of research mainly divides corporate social capital according to different



standards and discusses the impact of different types of corporate social capital on enterprise performance.

(1) External social capital and internal social capital

According to organizational boundaries, corporate social capital can be divided into external social capital and internal social capital. External social capital can directly provide enterprises with market information, product ideas and resources (Ring & Van , 1992), or the relationship network of information needed by enterprises (Wang, Jiang, & Wu, 2008). Due to the limited resources, technology and capabilities that a single company can master, enterprises have to obtain the resources, technologies and capabilities they need from outside, and the existence of external social capital provides channels for enterprises to obtain scarce resources from the social network. External social capital helps enterprises reduce external transaction costs and promote knowledge exchange between organizations (Lee & Cavusgil, 2006). Internal social capital can encourage functional departments of the enterprise to increase communication and coordination, strengthen information sharing and cooperation, and promote the full absorption and utilization of external social capital, which will help enterprises reduce internal transaction costs. Xin et al. (2017) used 1974 sample data of A-share listed companies listed from 2012 to 2014 to conduct an empirical analysis. The research results show that corporate social capital has a negative impact on capital structure. In addition, internal society capital and external social capital have opposite effects on capital structure.

Sun, Peng, and Yang (2017) empirically tested the influence of internal and external social capital of the executive management team on the open innovation capability of the enterprise based on the survey data of 214 corporate executive teams. The research results show that the external social capital of the executive management team has a significant positive impact on the acquisition of external resources of the enterprise, the internal social capital of the executive management team has a significant positive impact on the integration of internal and external resources of the enterprise, and corporate social capital can affect the level of enterprise open innovation by affecting resource acquisition and resources integration. Therefore, the members of the corporate executive team should strengthen the relationship with government departments, banking and financial institutions, scientific research institutions, universities, and external partners. Based on the questionnaire survey data of 238 biopharmaceutical companies established over five years in the Pearl River Delta, Yangtze River Delta and the Middle Delta of China, Zhang, Li, and Zhou (2017) empirically tested the impact of the synergistic effects of internal and external social capital on corporate capabilities. Research results show that the synergy effect of internal and external social capital can promote the improvement of corporate

capabilities. Furthermore, the balance of internal and external social capital and corporate capabilities present an inverted U-shaped relationship. Enterprises should coordinate the balance between internal and external social capital through “repairing weaknesses” or “enhancing strengths” to achieve a positive cycle of synergy.

(2) Structural social capital, relational social capital, and cognitive social capital

According to the essential attributes, corporate social capital can be divided into three categories of structural social capital, relational social capital and cognitive social capital. Structural social capital refers to the breadth and density of corporate social networks as well as the intensity of interaction and frequency of communication. Relational social capital refers to the level of trust and reciprocal behavior between actors in corporate social networks. Cognitive social capital refers to the shared vision and behavioral norms among actors in social networks (Nahapiet & Ghoshal, 1998).

Li and Xu (2012) empirically tested the relationship between corporate social capital and operating performance based on the questionnaire survey data of 328 private enterprises in Beijing-Tianjin and Chengdu-Chongqing regions of China. The research results show that although structural, relational, and cognitive social capital can all promote the improvement of corporate market knowledge capabilities, only structural social capital can have a significant impact on corporate operating performance. Li, Wu, and Wang (2013) empirically tested the impact of corporate social capital on enterprise performance through technological innovation based on data of 176 questionnaires of middle and senior executives and business executives of high-tech companies. The research results show that structural, relational, and cognitive social capital all have a significant positive correlation with corporate technological innovation behavior. In addition, technological innovation behavior also has a significant impact on enterprise performance. It indicates that corporate social capital can indirectly improve the operating performance and innovation performance of high-tech enterprises through technological innovation behavior.

(3) Horizontal, vertical and social connections

According to the connection subjects, corporate social capital can be divided into three types of horizontal connection, vertical connection and social connection. Horizontal connection refers to the connection with other companies, including upstream suppliers, downstream distributors and other interested companies. This type of connection is mainly business cooperation, shareholding, and lending. Vertical connection refers to the connection with government departments, including local governments, industrial and commercial bureaus, tax bureaus and other government agencies. This type of connection is mainly the relationship

between the superior and the subordinate, and the management and the managed. Social connection refers to the social contacts and connections of business operators, and this type of connection is mainly communication and exchange (Bian & Qiu, 2000). As mentioned above, many scholars have focused on the impact of vertical corporate social capital on enterprise performance. This vertical social capital is mainly reflected in political connections of the enterprise (Tian & Zhang, 2013; Du & Girma, 2010).

Based on the data of 188 companies randomly selected in 1998 in Guangzhou regarding wages and operating conditions, Bian and Qiu (2000) empirically proved that vertical, horizontal and social connections are the important formation channels of corporate social capital. In addition, these three types of social capital have a direct role in improving the business capabilities and economic benefits of enterprises. The empirical research results of Hou and Zhang (2013) show that corporate social relational capital has a significant positive impact on technological innovation performance, vertical relational capital has a significant negative impact, while horizontal relational capital has no significant impact. Yu, Huang, and Cao (2015) distinguished between horizontal corporate connection and vertical corporate connection when discussing the impact of corporate social capital on the relationship between corporate social responsibility and enterprise performance. Although the research results confirmed that the horizontal corporate connection plays an inverted U-shaped moderating role in the relationship between corporate social responsibility and enterprise performance, no evidence has been found that corporate vertical connections play an inverted U-shaped moderating role in the relationship between corporate social responsibility and enterprise performance. Huang and Zhu (2018) used questionnaire data from 320 private technology companies in Guangdong and Jiangxi provinces to empirically prove that both horizontal and vertical social capital of private technology companies can promote the improvement of enterprise performance. Social capital is also an important transmission mechanism for the social responsibility of private technology companies to affect enterprise performance.

Li, Dai, and Ding (2018) put the social connections of (Bian & Qiu, 2000) into commercial social capital, and corporate social capital is only divided into commercial social capital and political social capital. Commercial social capital refers to the connections established with business partners, including intermediaries, suppliers and strategic partners; political social capital refers to the connections established with the government and industry authorities, including government management agencies such as industry and commerce, taxation, and industry associations. They used 192 sample data collected by questionnaires designed by themselves to empirically test the relationship between entrepreneurial social capital and

business performance based on the perspective of business model innovation. The empirical results show that commercial social capital positively affects efficiency and novel business model innovation, while political social capital only has a significant effect on novel business model innovation. In addition, efficiency business model innovation significantly drives market and financial performance, while novel business model only has a positive effect on financial performance. Shen and Fang (2018) divided entrepreneur social capital into three types of institutional social capital, market social capital, and technological social capital. Institutional social capital refers to the connection with government regulatory agencies, market social capital refers to the relationship with external commercial organizations of the enterprise, and technological social capital refers to the connection with technical experts or relevant technical personnel of institutions such as universities, research institutes, and industry associations. They used questionnaire survey data from 234 private enterprises to empirically test the impact of different types of entrepreneurial social capital on technological innovation. The research results show that different types of private entrepreneurial social capital have different effects on technological innovation. Market social capital and technological social capital have a significant positive influence on technological innovation performance, while the influence of institutional social capital on technological innovation performance presents an inverted U-shaped relationship. It indicates that the impact of social capital on enterprise performance is not a simple linear relationship, and the impacts of different types of corporate social capital on enterprise performance are different.

#### **2.4.2 Impact of organizational citizenship behavior on enterprise performance**

As mentioned above, the functions of non-public enterprise Party organizations in enterprises are mainly reflected in the supervision of enterprise compliance with national laws and regulations, unity and cohesion of employees, and establishment of harmonious labor relations. To coordinate the three-Party relationship of “labor-capital-management” is one of the most important functions. “Labor” refers to the employees of an enterprise. Employees are the most valuable asset of an enterprise and the key source of its competitive advantage (Flammer & Luo, 2017). Labor-management relations focus on the relationship between laborers and the capital, while organizational citizenship behavior focuses on laborers’ extra-role behavior in the organization. Therefore, labor-management relations and organizational citizenship behavior have different focuses.

Organizational citizenship behavior is a behavior that is spontaneously manifested by employees or workers and is conducive to the improvement of the organizational social

environment and working atmosphere as well as the organizational performance. This behavior is a social psychological behavior outside of the employee's role and does not belong to the scope of responsibility of the employees, and is not within the provisions of the employee incentive performance system (Organ, 1988). Therefore, organizational citizenship behavior presents the characteristics of spontaneity, voluntariness, altruism and gratuitousness (Podsakoof et al., 2014).

Organizational citizenship behavior is an important link between employees and the organization, and is the "lubricant" for the effective operation and healthy development of the organization (Podsakoff, Ahearne, & MacKenzie, 1997). The design of any organizational system cannot effectively achieve organizational goals when it only relies on the intra-role behaviors of employees. It must rely on the extra-role behaviors of employees to make up for the lack of intra-role behavior. As the extra-role employee behavior implemented by employees and benefited by the organization, organizational citizenship behavior can promote the effective operation of the organization, improve organizational competitiveness and organizational performance (Organ, 1988; Farh, Earley, & Lin, 1997). Organizational citizenship behavior mainly affects the organizational performance from seven aspects: first, improve the work efficiency of colleagues and managers; second, release resources for more production activities; third, reduce the scarce resources needed to maintain the normal operation of the organization; fourth, help coordinate activities within and between groups; fifth, enhance the organization's ability to attract and retain outstanding employees; sixth, enhance the stability of the organization; seventh, enable the organization to be more adaptable to environmental changes (Podsakoof et al., 2000).

Organizational citizenship behavior can affect organizational performance through the above-mentioned multiple channels, which is mainly caused by the division of organizational citizenship behavior by scholars. As organizational citizenship behavior is the sum of a series of employee extra-role behaviors, scholars have quite different classifications of this concept. Organ (1988) divides organizational citizenship behavior into five dimensions: altruistic behavior, prior notification, awareness of responsibility, athlete spirit and civic morality; Farh, Zhong, and Organ (2004) also divide organizational citizenship behavior into five dimensions: identification with the organization, assistance of colleagues, not striving for profit, protection of company resources and professional dedication. Podsakoof et al. (2000) expanded organizational citizenship behavior into seven dimensions: helping behavior, athlete spirit, civic morality, organizational loyalty, organizational compliance, personal initiative and self-development; Xiao (2005) expanded organizational citizenship behavior into nine dimensions:

self-development, information sharing, civic virtues, mutual help and mutual assistance, athlete spirit, maintenance of public relations, self-innovation, organizational loyalty and expression of opinions. Williams & Anderson (1991) summarized organizational citizenship behavior into two dimensions: interpersonally-friendly organizational citizenship behavior and organizationally-friendly citizenship behavior; Liu et al. (2014) also divided organizational citizenship behavior into two dimensions of interpersonal citizenship behavior and organizational citizenship behavior.

As organizational citizenship behavior is an extra-role behavior of employees that benefits the organization, its effect on improving organizational performance is obvious. Variable aspects of the organizational atmosphere is closely related to employee behavior (Schneider, 1990).

Organizational atmosphere refers to the perception of organizational policies, practices, procedures, and goals shared by members of the organization (Schneider, 1990), including trust atmosphere, fairness atmosphere, communication atmosphere, emotional atmosphere, and safety atmosphere.

Organizational trust is a very important social capital of an enterprise. It exerts a huge impact on the behavior of individuals in the organization and the entire organization. Organizational trust is one of the most direct, economical, and effective ways for leaders to improve organizational effectiveness. This is because it can improve organizational productivity without changing the organization's production process. In addition, trust can eliminate the internal friction of some conflicts within the organization and promote the organization to operate in a more effective manner (Kramer, 1999). When there is insufficient trust among the members of the organization, employees will devote more personal resources to the supervision of the behavior of others to avoid potential negative effects caused by others on their own interests; when the members of the organization have a certain degree of trust, employees will devote more personal resources to their work. Therefore, organizational trust can effectively reduce the cost of organizational supervision, promote collaborative behavior among organization members, and ultimately promote the occurrence of organizational citizenship behavior.

Employees are both the creators of corporate profits and the most important stakeholders of corporate social responsibility. The stronger the sense of fairness that employees feel from the organization, the better the interpersonal treatment of employees will receive (Colquitt, 2001), and the more support employees can feel from the organization, so that employees will show more organizational citizenship behavior (Eisenberger, Stinglhamber, & Vandenberghe,

2002). The sense of fairness of employees comes from the way the organization treats its employees, and it also comes from the way the organization treats other people, because employees will judge how the organization treats themselves based on the way the organization treats other people (Cropanzano et al., 2001). According to the theory of social exchange, in the process of social interaction between people, when someone is supported by tangible or intangible resources of others, the person will present emotional, attitude or behavioral feedback (Blau, 1964). This feedback will be expressed through knowledge sharing and increased loyalty to the organization. Yao and Tang (2016) used their own designed questionnaire to collect 596 sample data to empirically test the influence of organizational fairness on the willingness to share knowledge. The research results show that fairness of distribution and fairness of interaction can significantly affect willingness of knowledge sharing. Zhang, Pu, and Liu (2009) used 240 sample data collected from the questionnaire designed by themselves to empirically prove that the reciprocal motivation and reciprocal behavior of employers in private enterprises in China have significantly increased employee loyalty and dedication, which in turn improves the operational performance of the enterprise. Zheng and Guo (2016) used their self-designed questionnaire to collect 849 sample data from 56 companies in 10 provinces and cities, and empirically tested that organizational fairness has a significant impact on organizational citizenship behavior of employees.

A good communication atmosphere within the organization can promote the establishment of trust relationships between members and leaders, and between members and members, and contribute to information sharing and knowledge exchange within the organization (Samsup & Shim, 2005). Positive emotional performance and behavior will encourage employees to show more mutual assistance behavior and cooperation intentions, and make employees more willing to show organizational citizenship behavior (Ramachandran et al., 2011). An unsafe atmosphere at work is an important “stress atmosphere” in an organization. When employees feel a highly unsafe atmosphere at work, they will show a more obvious sense of helplessness and greater work pressure, which will cause employees to generate negative attitudes towards work and organization (Chirumbolo & Hellgren, 2003), which is not conducive to the generation of organizational citizenship behavior.

### **2.4.3 Impact of labor relations on enterprise performance**

Labor relations are literally translated from the English term of labor-capital relations. Wang and Jiao (2003) believe that labor-capital relations are labor relations, which are the rights and obligations between individual laborers or laborer organizations and employers or employer

organizations and management authorities in the labor process. However, Liu and Zhang (2013) believe that the concept of “labor-capital relations” is different from the concept of “labor relations” commonly used in China and cannot be simply compared. The labor-capital relations are the antagonism and confrontation between employed laborers and capitalists under the capitalist mode of production. It reflects the relationship of exploitation and being exploited between capitalists and wage laborers. As a socialist country, China does not have such exploitation and confrontation. The concept of labor relations in the Chinese context includes both macro and micro-level meanings. The macro-level labor-capital relationship refers to the contradiction between the labor and the capital in Western capitalist countries, and the micro-level labor-capital relationship refers to the collective negotiation between employers and labor representatives in Western countries, the collective dispute handling process, and related mechanisms. Therefore, the micro-level labor-capital relations are converted into labor relations in the Chinese context, which refer to social relations formed between labor owners and labor users in the process of using labor capabilities to achieve labor.

At present, there are narrow and broad definitions of labor-capital relations in academia. The narrow labor-capital relations refer to the collective relationship between the representative trade union and the employer or the employer alliance; the broad labor relations include not only the narrow labor-capital relations, but also the relationship between the enterprise and non-union members, as well as the various human resource management or personnel management policies and practices. Most scholars often define labor-capital relations in the narrow sense, that is, labor-capital relations are social and economic benefit relations formed by the labor owner (worker) and labor user (employer) during the signing and implementation of the employment contract (Xie, 2006). Therefore, the main body of the labor-capital relationship includes the labor and the capital. The labor refers to the joint organization of labor owner or the organization representing the interests of labor, and the capital refers to the employer or employer organization of labor users. The core of labor-capital relations is the rights and obligations of labor owners and labor users. The labor-capital relationship is the core and most extensive social relationship in the market society (Liu, 2004). It is a “rule network” covering the government, business and workers.

The labor-capital relations are a free and equal exchange of interests between the labor and the capital as a result of employment behavior. Laborers obtain remuneration by transferring labor use rights, and employers obtain profits by allocating labor resources. Both parties in the labor-capital relations have different goals and interests. The capital seeks to maximize profits, while the labor seeks to maximize wages and benefits. It is precisely because of the differences



in the goals and interests pursued by both parties in the labor-capital relations that the labor-capital relations present four consecutive different forms, namely, conflict, confrontation, coordination and cooperation (Harbison & Coleman, 1951). It indicates that the two parties have both private interests and common interests, and the interests of the labor and the capital are neither completely consistent nor completely opposed. In most cases, scholars mainly study the impact of two types of labor relations, namely, cooperation and conflict, on enterprise performance.

(1) Labor-capital cooperation

Harmonious labor-capital relations are the development trend of labor-capital relations, and labor-capital cooperation is also the highest form of labor-capital relations (Rainnie, 1984). Labor-capital cooperation requires both parties to respect each other, trust each other, make joint concessions, and resolve incongruity in labor relations through equal consultation, collective bargaining and cooperation. The quality of labor-capital relations is the most important force affecting enterprise performance (Gittell et al., 2008; Ichniowski et al., 1996). The harmony of labor-capital relations affects the efficiency of business operations and enterprise performance by directly affecting the harmony of enterprises. Equal consultation, collective bargaining, mutual trust, and mutual respect between the labor and the capital are the basis for establishing cooperative labor relations. Enterprises provide employees with good employment security and working conditions, promote employees' participation in management systems and measures, offer channels for employees to make their voices heard, and balance the long-term interests of employers and employees so as to promote the establishment of cooperative labor relations. It contributes to the improvement of the personal performance of employees, and ultimately helps improve the overall performance of the enterprise.

Stephen (2005) collected data from 305 branches of a large bank in Australia using a self-designed questionnaire to empirically test the impact of labor relations atmosphere on corporate productivity. The research results show that cooperative labor relations help increase the productivity of the enterprise and improve customer service. Li and Chen (2010) used 296 sample data collected by self-designed questionnaires to empirically test the impact of cooperative labor relations on enterprise performance. The research results show that the four measurement dimensions of cooperative labor relations, namely, employment security, working conditions, participation in management and internal harmony have a significant positive impact on enterprise performance. Hou and Zhang (2015) used a self-designed questionnaire to collect 202 sample data of employees of the new-generation employees born after 1980 to

empirically test the impact of labor relations harmony on the enterprise performance of the new-generation employees. The research results show that the three dimensions of labor relations harmony, namely, employee participation, employment security, and management satisfaction have a significant positive impact on the performance of the new-generation employees.

## (2) Labor-capital conflict

Labor-capital conflict refers to conflicts, antagonisms, and inconsistent behaviors or psychological states that result from the inability to coordinate rights, interests, goals, expectations, and emotions between the labor and the capital (Xi & Zhao, 2014). As a social and economic interest relationship, labor-capital relationship is a contractual relationship established by the labor owner and the capital owner through the labor market. In the state of labor-capital conflict, the interests of both parties will be harmed. The capital cannot obtain profits, and the labor cannot obtain wages. Since the labor-capital relationship is an unbalanced relationship, the capital is in a dominant position by virtue of the special power of being the user of the labor force (Hill, 1981). Therefore, the main cause of labor-capital conflict is the infringement of labor rights. To be specific, the infringement includes unequal distribution of benefits, unreasonable management of labor contracts, extended working hours, arrears of labor wages, excessive labor intensity, poor working environment, no rest on statutory holidays, lack of social security, and incomplete coordination mechanisms (Chang & Tao, 2006). Labor-capital conflict is contagious, and the antagonistic emotions or behaviors that a single employee produces towards the company are easy to invade and spread to other employees, causing the infected employees and the enterprise to present labor-capital conflict behavior.

Kleiner, Leonard, and Pilarski (2002) studied the impact of labor-capital relations on enterprise performance of a manufacturing company in the United States from 1974 to 1991. The research results show that labor-capital conflicts such as strikes will adversely affect enterprise performance in the early stages, but the duration of this negative impact will not be long. Wu and Huang (2005) believe that individual performance is the prerequisite and basis of overall performance. When the individual behavior of an employee tends to be consistent with the behavior required by organizational goals, the individual performance is correspondingly transformed into organizational performance. Therefore, they start from the three aspects of employee motivation, employee capabilities and organizational atmosphere to reveal the path through which labor relations management positively affects the overall enterprise performance by improving employee personal performance through these three aspects. Shen et al. (2016) used Shanghai Wangchunhua Industrial Co., Ltd. as a case to analyze the impact of work stoppages in labor-capital conflicts on the short-term and long-term value of Wangchunhua.

The results show that the shutdown reduced the company's future cash flow in the short term and exerted a negative impact on the corporate value, but it boosted the industrial upgrading and transformation of the company in the long term.

Both labor-capital cooperation and labor-capital conflict affect enterprise performance by changing the behavior of both parties and the capabilities of employees. The above-mentioned scholars directly studied the impact of labor-capital cooperation and conflict on enterprise performance. However, some scholars discuss the impact of labor-capital relations on enterprise performance from an indirect perspective, including the perspective of labor-capital financial equity and the perspective of employment relations.

#### (1) Labor-capital financial fairness

Existing research mainly studies the impact of labor-capital financial fairness on enterprise performance from two aspects: salary distribution and equity distribution:

First of all, in terms of salary distribution, on the one hand, the level of employee compensation affects enterprise performance. The salary level of employees is determined by their marginal output. The salary level reflects not only the company's compensation and incentives to the employees' labor force, but also the employees' ability and work efforts. To link employee benefits with enterprise performance is conducive to promoting the coordination of employees' own interests and the overall enterprise interests. Chen and Jiang (2002) empirically confirmed that high wages can improve employee work efficiency. Li and Li (2015) also empirically confirmed that wage increase can promote enterprise production efficiency by promoting enterprise technological innovation. Yang, Li, and Su (2018) contend that the positive correlation between employee wages in private enterprises and enterprise performance is not significant, while the positive correlation between employee wages in SOEs and enterprise performance is significant. On the other hand, the salary gap between employees will also affect enterprise performance. Excessive salary gap between employees will bring about not only benign jealousy to promote the employees to improve themselves, thereby promoting the improvement of enterprise performance, but also malignant jealousy that makes employees passively sabotage their work, which leads to the reduction of enterprise performance. Therefore, a reasonable salary difference is an important way to improve enterprise performance. Hu and Fu (2018) used the data of China's A-share listed companies from 2003 to 2015 to empirically test the impact of corporate internal compensation gap on enterprise performance. Research results show that the salary gap within the executive team and the salary gap between executives and employees present a positive U-shaped trend on enterprise performance. In other words, when the pay gap is small, it will exert a negative impact on

enterprise performance. When the pay gap exceeds the critical value, it will help improve enterprise performance. Yang and Lu (2018) used the data of China's A-share listed companies from 2008 to 2015 to empirically test that the effects of the salary gap within the company on the enterprise efficiency are different in companies of different nature of property rights (SOEs, non-SOEs), different scales (large-scale enterprises, small-scale enterprises), different employees (executives and executives, executives and employees) and different degrees of salary difference.

Second, from the perspective of equity distribution, the fundamental reason for the opposing position of the labor and the capital lies in the fact that although the laborers can obtain compensation from the labor they have paid, they do not have the ownership of the enterprise. However, employee stock ownership can enable the laborers to obtain ownership of the enterprise, improve their status in the enterprise, and promote the transformation of the labor-capital relation from confrontation to cooperation, which is conducive to the formation of harmonious labor-capital relations. However, large-scale employee shareholding will lead to a serious problem "hitchhiking", which cannot generate effective incentives for employees. In addition, employee shareholding will make employees too close to and blindly obey the management, thereby reducing the enterprise performance (Chang & Mayers, 1992). Huang and Zhang (2009) used cross-sectional data of 1,302 listed companies listed before 2005 to empirically test the impact of employee stock ownership on enterprise performance. The results show that employee stock ownership has a positive impact on the performance of SOEs, while the impact on non-SOEs is not significant; as the number of employee stock ownership increases, enterprise performance declines and even presents a negative impact; level of managerial share ownership and enterprise performance present an inverted U-shaped relationship.

## (2) Employment relationship

The employment relationship mainly promotes the establishment of a social and economic exchange relationship between the two parties through the incentives given to employees by the organization and the expected contributions of employees to the organization. For different employment relationship models, the investment and remuneration given to employees by the enterprises are also different. When the enterprise gives its employees relatively large investment and high remuneration, employees will have relatively high sense of belonging and satisfaction with the company, employees are willing to make more efforts outside the scope of work, and are willing to establish a long-term and stable contractual relationship with the enterprise. When the enterprise gives employees relatively little investment and low

remuneration, employees will have relatively low sense of belonging and satisfaction with the enterprise. Employees are only willing to complete tasks within the scope of their work and are only willing to establish short-term and unstable exchange relationships with the enterprise.

Ma, Xia, and Bai (2018) used a self-designed questionnaire to collect 1044 questionnaire data from 135 private enterprises in China to empirically test the impact of the employment relationship on corporate innovation performance. The mutual investment employment relationship model has a significant positive impact on innovation performance, while the quasi-transactional contract employment relationship model has a significant negative impact on innovation performance. (Barnett & Miner, 1992) argue that the employment of non-standard employees will affect the emotional communication of formal employees with the enterprise. Geary (1992) contends that non-standard employment relationships can lead to serious conflicts between formal employees and non-standard employees. Lin, Wang, and Wang (2012) randomly selected 100 listed companies in China's retail, automobile manufacturing, and logistics industries to empirically test the impact of informal, temporary or part-time non-standard employment methods on enterprise performance. The research results show that the wage level of employees under non-standard employment methods is positively correlated with enterprise performance, which also means that non-standard employment methods can improve enterprise performance. This is because the employment of non-standard employees is relatively flexible. On the one hand, enterprises can adjust the number of non-standard employees based on market changes and cost pressures (Thurman & Trah, 1990), and on the other hand, employees can flexibly choose working hours based on their needs (Konrad & Mangel, 2003).

#### **2.4.4 Impact of trade unions on enterprise performance**

The trade union is a self-protection group of workers established to maintain or improve the living conditions of labor workers (Webb & Webb, 1959). It first appeared in Western capitalist countries, with a purpose to ease the relationship of exploiting and being exploited, contradiction and opposition between the working class and the bourgeoisie in capitalist countries. Therefore, the functions of trade unions in Western capitalist countries are mainly reflected in ensuring that workers can strive for better working conditions and benefits during negotiations with the employers, and striving to ease labor-capital relations (Thacker & Fields, 1987). It indicates that in the process of negotiating on behalf of employees with the management, the trade union must not only promote cooperation between the two parties, but also guide the behavior and activities of employees in conflicts with the capital.

Due to the large differences in social systems, culture, and economic development stages between China especially the Chinese mainland and capitalist countries such as Europe and the United States, the functions of trade unions in the Chinese context are quite different from those in Western capitalist countries. The Trade Union Law promulgated by China in 1992 clearly stipulated the four functions of trade unions, namely, maintenance, construction, participation, and education. In contrast, trade unions in China must perform not only the function of safeguarding the rights and interests of employees, but also the functions of economic development, participation in national and social affairs, and employee quality education. The functions of trade unions are more diversified in the Chinese context (Hu, Zhang, & Shan, 2016). Therefore, the trade union in the Chinese context presents a dual role, that is, the trade union is not only a representative of the rights and interests of employees, but also an extension of the Party and government functions within the enterprise or an important channel for enterprises to connect government resources (Chan et al., 2006; Wei, Jin, & Sun, 2018). In addition, there are also differences between the methods of union formation in China and Western countries. Trade unions in Western capitalist countries are formed by workers in a spontaneous way during negotiations and rights protection between workers and employers, using a bottom-up approach, while trade unions in China are organized and established under the leadership of the CPC, using a top-down method of formation. Politically, it accepts the leadership of the Party, serves as a bridge between the Party and the masses, and often plays the dual role of “collective endorsement” and “Party and government endorsement”. It is precisely because of the above differences that the impact of trade unions in European and American capitalist countries on enterprise performance is not exactly the same as the impact of trade unions in China on enterprise performance.

First of all, international research on the impact of trade unions on enterprise performance is mainly divided into two aspects according to the effect of the impact, namely the “favorable theory” and the “non-favorable theory”.

(1) The “favorable theory” of the impact of trade unions on enterprise performance holds that trade unions and their practices are beneficial to the improvement of enterprise performance. Trade unions or trade union practices improve enterprise performance mainly through two channels. First, trade unions or trade union practices promote the improvement of enterprise performance by safeguarding the interests of employees. These methods include reducing employee turnover or absenteeism (Rees, 1991; Deery, Erwin, & Iverson, 1999; Iverson & Currivan, 2003), increasing employee wages (Walsworth, 2010; Laroche & Wechtler, 2011), increasing employee skills training (Green & Lemieux, 2007; Mcilroy, 2008), promoting

generation of employee organizational citizenship behavior (Skarlicki & Latham, 1996; Aryee & Chay, 2001), improving the atmosphere of labor relations (Batt & Welbourne, 2002; Jódar, Vidal, & Alós, 2010) and encouraging enterprise innovation. Second, trade unions or trade union practices promote the improvement of enterprise performance by motivating employee enthusiasm to participate in corporate management (Belman, 1992; Mishra & Shah, 2009).

(2) The “non-favorable theory” of the impact of trade unions on enterprise performance holds that trade unions and trade union practices will not be conducive to the improvement of enterprise performance, or that such improvement is conditional. Trade unions are usually regarded as “a branch of corporate management” which often exert pressure on corporate management and have a monopolistic nature. This feature may hinder the optimization of the efficiency of labor market resource allocation, and it will especially exert a negative impact on the initiative of enterprises in innovation and investment. Fang and Ge (2012) believe that the rent-seeking activities of trade unions hinder R&D investment, and collective bargaining rules between trade unions and the management will limit the flexibility of management, especially when trade unions use their strong positions to increase wages and demand “quasi rents”, which will inhibit newly-increased investment (physical investment) and innovation investment (R&D investment). Based on data from the United States, Canada, Britain, and Germany, Doucouliagos and Laroche (2013) found that trade unions inhibit innovation investment at the enterprise and industry level. However, this adverse impact continues to decline over time, but rise with the increase of flexibility of the labor market. Based on the data of Japan, (Brunello, 1992) found that the trade union’s restriction on employees’ working hours under the same work efficiency will lead to a decline in the total output of the enterprise, thereby reducing the productivity and profitability. Monastiriotis (2007) found based on British data that there is an inverted U-shaped nonlinear relationship between trade union practice and corporate productivity. Kmenta (1967) found based on US data that trade union practice has a negative impact on enterprise performance, and this negative impact increases with the enhancement of bargaining power of the trade union.

Second, the Chinese research on the impact of trade unions on enterprise performance is mainly based on the four functions of maintenance, construction, participation and education performed by trade unions in China. Based on the data of 717 questionnaire surveys of non-public enterprises in 21 prefecture-level cities in Guangdong Province, Wang and Zheng (2012) empirically prove that trade unions have performed their rights protection, construction, participation, and education functions through cross-border actions, so as to exert a positive impact on enterprise performance, employee affective commitment and job satisfaction.

According to the 433 data collected by the questionnaire designed based on mature scale and the Chinese context, Shan, Hu, and Huang (2014) empirically tested the impact of trade union practices on enterprise performance. The empirical results show that the functions of participation, education, and maintenance of trade union practices are positively related to enterprise performance, but the construction function has no significant correlation with enterprise performance. Based on the data of 1221 questionnaire surveys of 43 non-SOEs with trade unions in 13 prefecture-level cities in Jiangsu Province, Gu and Hu (2016) empirically test the impact of corporate union functions on employee job satisfaction and enterprise performance. The research results show that the four functions of the trade union have different degrees of positive impact on employee job satisfaction and enterprise performance. Among them, the education function has the greatest impact on employee job satisfaction, followed by maintenance, construction and participation. Wei, Jin, and Sun (2018) used data from a 2012 sample survey of Chinese private enterprises to empirically test the impact of enterprise grassroots trade unions on newly-increased investment. The research results show that trade unions have significantly promoted the expansion of the original product scale of the enterprise, new product development and process innovation. Therefore, the grassroots trade unions of enterprises can play a positive role in promoting the development of Chinese private enterprises under a suitable labor market system.

## **2.5 Summary**

The establishment of Party organizations in non-public enterprises is designed to guide enterprises on a development path that conforms to national guidelines and policies, which will inevitably have an impact on enterprises, especially their performance. First of all, non-public enterprise Party organizations are the grassroots organizations of the CPC in the non-public enterprises, and their influence on the enterprise performance is affected by the position and role of the Party organizations in the non-public enterprises. Second, the functions and roles of Chinese enterprise Party organizations and corporate labor unions are quite overlapping, which makes the impact of non-public enterprise Party organizations on enterprise performance similar to the impact of trade unions on enterprise performance. Third, the main purpose of the establishment of non-public enterprise Party organizations is to coordinate the “labor-capital-management” relationship. This enables non-public enterprise Party organizations to exert influence on enterprise performance through the three channels of workers, the management and entrepreneurs. Therefore, reviewing relevant literature on enterprise Party organizations, as well



as reviewing the relevant literature on corporate social capital, organizational citizenship behavior, labor relations and the impact of labor unions on enterprise performance will help this thesis analyze the impact of non-public enterprise Party organizations on enterprise performance.

(1) Literature related to enterprise Party building

Since the status and role of grassroots Party organizations in non-public enterprises are different from those of grassroots Party organizations in SOEs, existing studies have respectively explored the impact of state-owned enterprise Party building and non-public enterprise Party building on enterprise performance. Research on state-owned enterprise Party organization mainly focuses on the two perspectives of insider control and state-owned assets maintenance, and it empirically tests the impact of state-owned enterprise Party building on enterprise performance. Research on non-public enterprise Party building mainly focuses on the significance, status quo, system construction and system improvement of non-public enterprise Party building. However, due to the difficulty of obtaining non-public enterprise data, there are relatively few empirical studies on the impact of non-public enterprise Party organizations on enterprise performance. The existing empirical studies mainly focus on coordination of labor relations, stimulation of corporate investment, and acquisition of external resources to explore the impact of non-public enterprise Party building on enterprise performance. Although there are few empirical studies on the impact of non-public enterprise Party building on enterprise performance, there are relatively a large number of empirical studies on the impact of corporate political background, political relationships, and political connections on enterprise performance. Most scholars regard the Party organization as a channel for non-public enterprises to establish political relations, and empirically test the effect of this political connection on the performance of non-public enterprises from the aspects of obtaining market access opportunities, financing facilities, financial subsidies, and diversified investment. However, the above-mentioned research does not systematically study the impact of non-public enterprise Party building on enterprise performance based on the role or function of non-public enterprise Party building in the enterprises.

Therefore, reviewing relevant literature on enterprise Party building will help this research identify paths and mechanisms suitable to explore the impact of non-public enterprise Party building on enterprise performance based on a large number of empirical studies on the impact of state-owned enterprise Party building on enterprise performance as well as the differences of the status and role of grassroots Party organizations in state-owned and non-public enterprises, and empirically test the impact of non-public enterprise Party building on enterprise

performance. In addition, it also helps this research to draw on the empirical studies on the impact of corporate political background, political relations, and political connections on the performance of non-public enterprises, and focus the research perspective on the impact of political connections brought by non-public enterprise Party building on enterprise performance.

(2) Relevant literature on analysis of factors affecting enterprise performance

Enterprise performance is affected by a variety of factors. The existing literature explores the impact of corporate social capital, organizational citizenship behavior, labor relations, and trade unions on enterprise performance. These studies examine the impact of enterprise organizations or groups on enterprise performance as well as the impact of individuals in the enterprise on enterprise performance. In addition, the functions of organizations or groups in enterprises overlap with those of enterprise Party organizations. Individuals in enterprises include both entrepreneurs and the management as well as grassroots employees. However, these studies did not systematically study the three main bodies of entrepreneurs, the management and grassroots employees affected by non-public enterprise Party building based on its role or functions in the enterprise.

Therefore, reviewing the impact of corporate social capital, organizational citizenship behavior, labor relations, and trade unions on enterprise performance is helpful for this research to learn from the path of the cross-functional part of the labor union and the non-public enterprise Party organization. The following part of this research studies the impact of non-public enterprise Party building on non-public enterprise performance as well as the impact of non-public enterprise Party building on enterprise performance based on the path that non-public enterprise Party organizations influence the behavior of different entities of entrepreneurs, management, and grassroots employees.

## **2.6 Research hypothesis and hypothesized model**

### **2.6.1 Relationship between non-public enterprise Party building and enterprise performance**

Long and Yang (2014) empirically confirmed that the establishment of Party organizations in private enterprises can significantly improve the welfare of enterprise employees other than wages, which is conducive to the promotion of labor productivity. He and Ma (2018) found that through their organizational resource advantages, grassroots Party organizations encourage private enterprises to invest in more productive activities, making the performance of private

enterprises that have established grassroots Party organizations significantly higher than that of private enterprises that have not established grassroots Party organizations.

Chen, Hong, & Wang (2017) empirically confirm that the Party organizations of private enterprises can significantly promote private enterprises to increase investment, which is ultimately conducive to the improvement of private enterprise performance. Ye (2017) empirically proves that the participation of private enterprise Party organizations in corporate governance can help enterprises obtain external resources and contribute to the improvement of enterprise performance. Therefore, Hypothesis 1 is proposed.

***Hypothesis 1: Non-public enterprise Party building is positively related to enterprise performance.***

### **2.6.2 Relationship between non-public enterprise Party building, social capital and organizational citizenship behavior**

Enterprise Party organization is one of the channels for enterprises to establish political relations. Through non-public enterprise Party building, non-public enterprises can establish political relations with the government at no cost. Lv (2015) believes that the political connections brought by enterprise Party organizations can bring a lot of social capital to non-public enterprises. Chen (2014) believes that enterprise Party organizations play a leading role in politics and can create conditions for business owners to approach politics, participate in politics, and obtain various political resources. In addition, non-public enterprise Party organizations continue to help employees improve their labor quality, expand development room, unblock upward channels, allow employees to participate in the production and operation activities, and provide a stage for employees to realize their own value. Kou (2017) believes that Party organizations and Party members of non-public enterprises can reflect corporate interests, wishes and demands outside the enterprise, and can serve as a channel for non-public enterprises to interact with government departments, with higher positioning, fewer hierarchies, and easier communication. Wei, Dong, and Jin (2015) empirically prove that grassroots Party organizations in private enterprises can arouse the attention of higher-level Party committee and government, thereby affecting the employment period structure of employees and safeguarding the interests of employees. Therefore, Hypothesis 2 is proposed.

***Hypothesis 2a: Non-public enterprise Party building is positively related to corporate social capital.***

***Hypothesis 2b: Non-public enterprise Party building is positively related to organizational citizenship behavior.***

### **2.6.3 Relationship between social capital and organizational citizenship behavior and enterprise performance**

First of all, from the perspective of social capital, Bian and Qiu (2000) empirically prove that the three types of social capital including vertical connection, horizontal connection and social connection have a direct effect on the improvement of business capabilities and economic benefits. Sun, Peng, and Yang (2017) found that the external social capital of the executive team has a significant positive impact on the acquisition of external resources of the enterprise, and the internal social capital of the executive team has a significant positive impact on the integration of internal and external resources of the enterprise. Social capital can influence the open innovation level of enterprises by influencing resource acquisition and resource integration. Zhang, Li, and Zhou (2017) empirically proved that the synergistic effect of internal and external social capital of the enterprise can promote the improvement of corporate capabilities. In addition, from the perspective of organizational citizenship behavior, employees are the most valuable asset of the enterprise and the key source of corporate competitive advantage (Flammer & Luo, 2017). Organizational citizenship behavior is an extra-role social psychological behavior of the employees, which is conducive to the improvement of the organization's social environment and working atmosphere, and promotion of the organizational performance (Organ, 1988). Podsakoof et al. (2000) found that organizational citizenship behavior affects organizational performance mainly through improvement of work efficiency, release of productive resources, reduction of scarce resource consumption, coordination of work groups, attraction of outstanding employees, enhancement of organizational stability, and improvement of organizational environment adaptability. Therefore, Hypothesis 3 is proposed.

*Hypothesis 3a: Corporate social capital is positively related to enterprise performance.*

*Hypothesis 3b: Organizational citizenship behavior is positively related to enterprise performance.*

### **2.6.4 Mediating effect of social capital and organizational citizenship behavior**

Chen (2014) believes that enterprise Party organizations play a leading role in politics and create conditions for business owners to approach politics, participate in politics, and obtain various political resources. Luo and Liu (2009) found that political strategies adopted by private enterprises can effectively help enterprises obtain social capital to enter government-regulated

industries, thereby significantly improving enterprise performance. Wu et al. (2008) found that the local government background of private enterprise executives helps enterprises obtain social capital from local government short-term loan financing, which in turn is beneficial to the improvement of enterprise performance. Huang and Zhu (2018) found that corporate social capital is an important transmission mechanism for the social responsibility of private technology companies to affect enterprise performance, and empirically confirmed that the social capital of private technology companies can promote enterprise performance. Therefore, as stated in the empirical conclusion of (Ye, 2017), the participation of private enterprise Party organizations in corporate governance can help enterprises obtain external resources and contribute to the improvement of enterprise performance.

Non-public enterprise Party organizations continue to help employees improve their labor quality, broaden their development room, unblock their channels for growth, allow employees to participate in the productive and operative activities of the enterprise, and provide a stage for employees to realize their own value. Kou (2017) believes that Party organizations and Party members of non-public enterprises can reflect corporate interests, wishes and demands outside the enterprise, and can serve as channels for non-public enterprises to interact with government departments, with higher positioning, fewer hierarchies, and easier communication. Wei, Dong, and Jin (2015) empirically prove that grassroots Party organizations in private enterprises can arouse the attention of higher-level Party committee and government, thereby affecting the employment period structure of employees and safeguarding the interests of employees. Zhang, Pu, and Liu (2009) empirically prove that the reciprocal motivation and reciprocal behavior of employers in private enterprises in China significantly increase employee loyalty and engagement, which in turn improves the operational performance of the enterprise.

Therefore, Hypothesis 4 is proposed.

***Hypothesis 4a: Social capital mediates the positive relationship between non-public enterprise Party building and enterprise performance.***

***Hypothesis 4b: Organizational citizenship behavior mediates the positive relationship between non-public enterprise Party building and enterprise performance.***

***Hypothesis 4c: Organizational citizenship behavior mediates the positive relationship between social capital and enterprise performance.***

According to the Stakeholder Theory and Social Capital Theory, through the establishment of Hypothesis 4a, the possible influence of non-public Party building on corporate social capital was analyzed; through the establishment of Hypothesis 4c, the influence of corporate social capital on organizational citizenship behavior was analyzed; through the establishment of

Hypothesis 4b and Hypothesis 4c, the influencing relationship between organizational citizenship behavior and enterprise performance was established. Based on the possible relationships among the above variables, this research expect that non-public enterprise Party building may have an impact on enterprise performance through the sequential mediation of corporate social capital and organizational citizenship behavior. Therefore, the following hypothesis is proposed.

***Hypothesis 4d: Non-public enterprise Party building is positively related to enterprise performance through a sequential indirect effect via (a) corporate social capital and subsequent (b) organizational citizenship behavior.***

### **2.6.5 Moderating role of harmonious relationship between the enterprise Party organization and the management**

Li (2008) found that the grassroots Party organizations in enterprises can help improve the economic efficiency of non-public enterprises by coordinating the relationship between society, government, and employees. Since the functions and roles of most non-public enterprise Party organizations in China overlap with those of most non-public enterprise trade unions, the enterprise Party organizations assume part of the functions and roles of trade unions. A harmonious relationship between the trade union and the management can positively affect the enterprise and employees, thereby promoting the improvement of enterprise performance. Among them, the cooperative relationship between the trade union and the management can reduce the company's employment costs and the absenteeism and turnover rate of employees (Harrison & Martocchio, 1998), improve the efficiency of corporate management (Wu & Lee, 2001), promote the decline of corporate production costs and the increase of corporate productivity (Katz, Kochan, & Gobeille, 1983; Nee, Kennedy, & Langham, 1999). In addition, the cooperative relationship between the trade union and the management helps employees obtain a safe and healthy working environment, obtain more training and opportunities to participate in business management (Oxenbridge & Brown, 2004), improve the work and life quality of employees, and improve the attitudes and behaviors of trade union members (Angle & Perry, 1986). In addition, enterprise Party organizations can balance fairness and efficiency in the distribution of corporate interests (Chen, Hu, & Na, 2018), restrict the self-interested behavior of managers, reduce the principal-agent conflict between managers and shareholders of SOEs (Yang, Wang, & Cao, 2010), narrow the salary gap between executives and employees (Ma, Wang, & Shen, 2012), effectively restrict the power of managers and restrain the scale of excess employees. Therefore, Hypothesis 5 is proposed.

*Hypothesis 5a: Harmonious relationship between enterprise Party organization and the management accentuates the positive relationship between social capital and enterprise performance, such that when the quality of the relationship between the enterprise Party organization and the management is high, social capital is more positively related to enterprise performance.*

*Hypothesis 5b: Harmonious relationship between enterprise Party organization and the management accentuates the positive relationship between organizational citizenship behavior and enterprise performance such that when the quality of the relationship between the enterprise Party organization and the management is high, organizational citizenship behavior is more positively related to enterprise performance.*

### **2.6.6 Research model**

This research attempts to study the impact of non-public enterprise Party organizations on enterprise performance from the perspectives of corporate social capital and organizational citizenship behavior. Based on the above two perspectives, it is helpful to study the impact of Party building in non-public enterprises on enterprise performance through the path of the function of non-public enterprise Party building in non-public enterprises, and it is also helpful to study the impact of non-public enterprise Party building on enterprise performance based on the path of the impact of non-public enterprise Party building on behaviors of different subjects including entrepreneurs, the management and grassroots employees.

Based on the previous discussion of relevant literature, the model idea of this research is put forward, and corresponding research hypotheses are proposed accordingly as the ideas of the empirical research. Non-public enterprise Party building can affect enterprise performance by affecting corporate social capital and organizational citizenship behavior. In addition, the relationship between enterprise Party building and the management plays a mediating role in the process of social capital and organizational citizenship behavior affecting the performance of non-public enterprises. The model idea of this thesis is shown as per Figure 2.1.

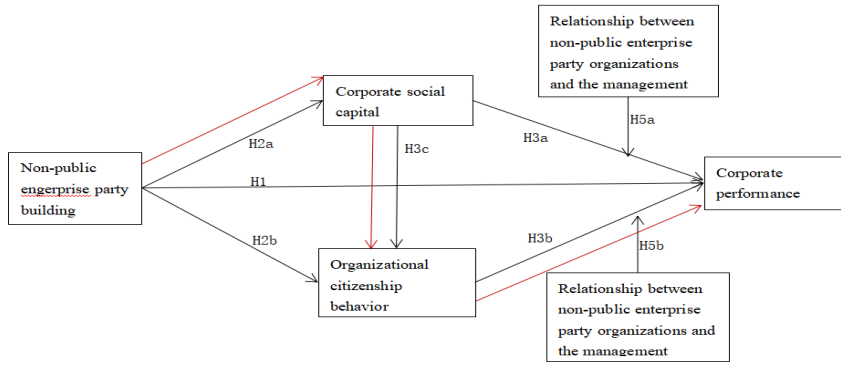


Figure 2.1 Research Model

Note:  $H4a=H2a+H3a$ ;  $H4b=H2b+H3b$ ;  $H4c=H3c+H3b$ ;  $H4d=H2a+H3c+H3b$ , is represented by three red arrows in the figure.

## 2.7 Chapter summary

This chapter systematically reviews relevant literature on non-public enterprise Party building and influencing factors of enterprise performance. First, the concept of non-public enterprises and non-public enterprise Party building are explained, the status and role of state-owned enterprise Party organizations and non-public enterprise Party building are respectively discussed, and, on this basis, the research on the impact of state-owned enterprise Party building and non-public enterprise Party building on enterprise performance are reviewed. Second, literature on the impact of corporate social capital, organizational citizenship behavior, labor relations, and trade union organizations on enterprise performance is reviewed. Third, relevant literature on influencing factors of existing enterprise Party building and enterprise performance is briefly reviewed, and the model idea of this research is summarized. Finally, the hypotheses of the empirical research are put forward according to the research model.



## **Chapter 3: Research Methods**

This chapter introduces the respondents and data collection process of this research. It presents the measurement scale from five aspects of enterprise Party building, corporate social capital, corporate citizenship behavior, enterprise performance, and harmonious relationship between enterprise Party organization and the management, and explains in detail the data quality control, statistical analysis methods and the validity test methods of variables.

### **3.1 Participants and data collection**

The investigation respondents were mainly the persons in charge or Party secretaries of the non-public enterprise Party organizations for three reasons. First, the Party secretary is a Party member in the first place and has the basic conditions for being a Party organization member; second, the Party secretary is an enterprise employee, and has the basic knowledge of the specific situation of the enterprise; third, the knowledge and activities of Party building are relatively professional, and it is difficult for non-Party workers to fully grasp.

Data collection consisted of two stages, pilot test and formal questionnaire survey. In the first stage, on January 3, 2020, a pilot test was conducted on the initially designed questionnaire, with a main purpose to identify whether the Party secretaries of the tested non-public enterprises could understand the questions correctly to make corresponding modifications. Organized by the Organization Department of Party Committee of Xixia District of Yinchuan, the participants were required to fill out the questionnaire in the meeting room of Xixia District Party Committee. A total of 17 questionnaires were issued, of which 16 were valid, and the other was invalidated because it was filled out by the Party secretary of a social organization rather than a non-public enterprise. On January 6, during a meeting participated by leaders of the grassroots Party organizations convened by Shizuishan high-tech industrial development zone, we resorted to the Shizuishan Municipal Party Committee Organization Department to issue questionnaires to the Party secretaries of non-public enterprises. A total of 18 questionnaires were distributed and 17 were valid, with one invalidated because of incompleteness. After the pilot tests, the expression of the questionnaire was modified and improved based on the opinions provided by the respondents. In addition, a preliminary statistical analysis of the 33

valid questionnaires was conducted, and the content of the questionnaire was adjusted and modified based on the statistical results to further improve the quality of the questionnaire.

In the second stage, the questionnaires were formally distributed to collect data. The Organization Department of the Ningxia Hui Autonomous Region Party Committee issued notification to the organization departments of each municipal Party Committee. The organization departments of municipal Party Committees carried out questionnaire tests on the enterprises belonging to the municipal working committee of non-public economic organizations and social organizations. The municipal organization departments then issued notification to the subordinate district and county organization departments to organize the local non-public enterprise to receive the questionnaire test, and a total of 775 questionnaires were distributed. From January 13 to 14, 2020, a total of 78 questionnaires were issued on-site for the leaders of non-public enterprise Party organizations in the one district and three counties of Guyuan, which is the most remote area of Ningxia, and all of the questionnaires were collected and valid. On January 16, 19, 20, and 21, we distributed questionnaires to the leaders of non-public enterprise Party organizations in the Economic Development Zone of Yinchuan, Helan County, Lingwu City, Xixia District, Jinfeng District, and Xingqing District respectively and collected them on the spot. A total of 296 questionnaire were collected and all of them were valid. Since the questionnaire were distributed and filled out on the spot, the response rate was 100%.

Later, on April 9, 2020, a total of 98 questionnaires were distributed to the heads of non-public enterprise Party organizations in Zhongning County, Zhongwei Industrial Park, Shapotou District, and Haiyuan County under the jurisdiction of Zhongwei City; from April 14 to 15, a total of 202 questionnaires were distributed to the heads of non-public enterprise Party organizations in Yanchi County, Taiyangshan Development Zone, Tongxin County, Hongsibao District, Jinji Industrial Park, Litong District, and Qingtongxia City under the jurisdiction of Wuzhong City; on April 16, a total of 101 questionnaires were distributed to the heads of non-public enterprise Party organizations in Dawukou District, Shizuishan High-tech Industrial Development Zone, Pingluo County, Huinong District, Shizuishan Economic and Technological Development Zone under the jurisdiction of Shizuishan City. Since the questionnaire were distributed and filled out on the spot, the response rate was 100%.

In the third stage, data entry was performed on the collected questionnaires and the unqualified questionnaires were screened at the same time. There were 16 unqualified questionnaires in total, 13 were because the participants were social organizations rather than non-public enterprises; the other three were because of missing information. There were 759

valid questionnaires, including 296 in Yinchuan, 78 in Guyuan, 96 in Zhongwei, 200 in Wuzhong, and 96 in Shizuishan, with an effective rate of 98%.

## **3.2 Measurement**

In addition to non-public enterprise Party organizations, this research also drew on the Chinese and international mature scales of corporate social capital, organizational citizenship behavior, enterprise performance, and harmonious relationship between non-public enterprise Party organizations and the management. According to the actual context of China and the focus of this research, we constructed a scale suitable for the purpose of this study. For the measurement of non-public enterprise Party organizations, we compiled a scale for this study through interview. Except for enterprise performance which was represented by five points from one to five indicating “absolutely worse, worse, no change, better, absolutely better” respectively, other variables adopted Likert 6-point scale to divide the answers to six options including “Strongly Agree = 6”, “Agree = 5”, “Basically Agree = 4”, “Basically Disagree = 3”, “Disagree = 2”, “Strongly Disagree = 1”.

### **3.2.1 Enterprise Party building**

Based on interviews with experts and the basic system and functions of non-public enterprise Party organizations, we developed a scale for measuring the practice of non-public enterprise Party organizations, which includes four aspects: organizational structure, organizational activities, team, and Party member management.

1. Organizational structure:

(1) The Party organization is established in a standardized manner and election at expiration of office terms is carried out on schedule;

(2) The enterprise Party organization is part of the corporate organizational structure;

2. Organizational activities:

(3) The enterprise Party organization effectively participates in business management activities;

(4) The enterprise has regular Party organization activities;

3. Team:

(5) The Party organization team is sound and fulfills responsibility normally;

4. Party member management:

(6) The Party member management records and documents are complete and sound, and Party members can pay Party membership dues in full and on time.

### **3.2.2 Social capital**

We referred to the research of Nahapiet and Ghoshal(1998) and measured structural social capital by social network so as to construct the corporate social capital scale.

1. Enterprises have very frequent contacts with customers, suppliers and other enterprises;
2. Enterprises have very frequent contacts with scientific research institutes, universities and technology intermediary organizations;
3. Enterprises have very frequent contacts with government departments such as the People's Congress, the Chinese People's Political Consultative Conference, and the competent departments of the industry;
4. Enterprises have very frequent contacts with financial institutions (banks, securities, insurance companies);
5. Enterprises have very frequent contacts with industry associations.

### **3.2.3 Organizational citizenship behavior**

We drew on the measurement scale of organizational citizenship behavior developed in the Chinese context by Farh, Earley, and Lin (1997) which measured organizational citizenship behavior from the five dimensions of organizational identification, altruism, sense of duty, interpersonal harmony, and protection of corporate resources, and formulated the scale to measure organizational citizenship behavior in this thesis.

1. Organizational identification:
  - (1) I am willing to stand up and protect the reputation of the company;
  - (2) I am eager to tell outsiders about the good news of the company and clarify others' misunderstandings about the company;
  - (3) I will take the initiative to put forward some constructive suggestions to improve the company's management level;
  - (4) I actively participate in company meetings;
2. Altruism:
  - (5) I am willing to help new colleagues to adapt to the working environment;
  - (6) I am willing to help my colleagues solve work-related issues;
  - (7) When necessary, I am willing to help colleagues to do extra work;

(8) I am willing to cooperate and communicate with colleagues;

3. Sense of duty:

(9) I will follow the rules and procedures of the organization, even if no one sees it and no evidence remains;

(10) I treat my work seriously and rarely make mistakes;

(11) I don't mind new jobs or challenges;

(12) I will work hard to learn by myself to improve work effectiveness;

(13) I often arrive at the company early and start working immediately;

4. Interpersonal harmony:

(14) In order to gain personal influence, I used some illegal methods to affect interpersonal harmony within the company;

(15) I often speak ill of my boss or colleagues behind their back;

(16) I will use my power to pursue personal gains;

(17) I value honor, evade negligence, and fight fiercely for personal gains;

5. Protection of corporate resources:

(18) I handle personal affairs during working hours (such as stock trading, shopping, going to a barber shop, etc.);

(19) I use company resources to do personal things (such as using company phone, photocopier, computer, and car);

(20) I regard sick leave as a benefit, and make excuses for sick leave.

### **3.2.4 Enterprise performance**

We mainly drew on the enterprise performance measurement developed by Shan, Hu, and Huang (2014) to measure enterprise performance from two perspectives of organizational performance and market performance. The subjective evaluation of enterprise performance by this scale can measure the level of objective enterprise performance in a relatively accurate manner.

1. Market performance:

(1) The company's profits since the establishment of the Party organization;

(2) The company's sales since the establishment of the Party organization;

(3) The company's market share since the establishment of the Party organization;

2. Organizational performance:

(4) The degree of harmonious relationship between the company's non-public enterprise Party organization and the management since the establishment of the Party organization;

(5) The company's participation rate of social insurance such as old-age care, medical treatment, work injury, and unemployment since the establishment of the Party organization;

(6) The company's labor dispute resolution since the establishment of the Party organization;

(7) Decrease of the company's voluntary turnover rate since the establishment of the Party organization;

(8) The company's employee participation in corporate decisions since the establishment of the Party organization;

(9) The company's investment in staff training since the establishment of the Party organization.

### **3.2.5 Relationship between non-public enterprise Party organization and the management**

To measure the harmonious relationship between non-public enterprise Party organizations and corporate management in the Chinese context, we drew on the scale developed by Shan, Hu, and Huang (2014) based on the research by Dastmalchian, Blyton, and Adamson (1989), which was a measurement scale designed to measure a measure of industrial relations climate.

1. The Party organization and the management work together to improve the working environment;

2. The Party organization and the management respect job objectives of each other;

3. The Party organization and the management attach great importance to views of each other;

4. In our company, the Party organization and the management keep their own promises;

5. In our company, the Party organization and the management work together to achieve practical results;

6. In our company, coordination and communication of existing problems are conducted in a harmonious atmosphere;

7. In our company, the Party organization and the management get along well;

8. In our company, the management generally believes that the Party organization is helpful to the company's operation and management.

### **3.2.6 Demographic variables**

This thesis focused on the impact of non-public enterprise Party organizations on enterprise performance, and the key measurement variables were non-public Party organizations,

corporate social capital, corporate citizenship behavior, enterprise performance, and harmonious relationship between non-public enterprise Party organizations and the management. In addition, in order to test the impact of demographic variables on other factors, this research took the factors of corporate characteristics and respondent characteristics as the main variables. Therefore, this research would also measure the characteristics of the enterprises and the respondents. The characteristics of the enterprises include the enterprise scale, the ownership, and the location; the characteristics of the respondents include gender, age, education, job title, length of working years, and monthly personal income.

### **3.3 Data quality control**

(1) The main variables in this research came from mature scales and pilot test was conducted before formal data collection.

(2) In order to ensure the accuracy of data entry, two people were assigned for data entry, one being principal and the other auxiliary. The printed questionnaires were numbered, and a third person was assigned to re-check the questionnaires according to the serial number after all the entries had been made to avoid data contamination for human reasons.

(3) In this research, an exploratory factor analysis was first performed to pre-test the scale in order to obtain the optimal factor structure of the scale and establish the construct validity of the questionnaire.

### **3.4 Statistical analysis method**

#### **3.4.1 Reliability analysis of the survey**

Reliability refers to the consistency of the results obtained when the same method is used repeatedly to measure the same object. The reliability analysis methods mainly include test-retest reliability, parallel-forms reliability, split-half reliability, and Cronbach's alpha reliability coefficient. This research adopted the Cronbach's alpha reliability coefficient method to represent the reliability of survey data, which is also the most used reliability coefficient. According to the standard, the reliability coefficient of the scale is preferably above 0.8. If the Cronbach's alpha coefficient is below 0.6, the questionnaire should be re-edited.

### **3.4.2 Validity analysis of the survey**

The validity of the questionnaire refers to the goodness of fit between the results of the variable measurement and the survey contents. Higher validity of survey means higher goodness of fit between survey data and the actual situation, and more accurate reflection of the actual situation. Validity analysis is mainly divided into content validity, construct validity, and criterion validity. As for the questionnaire survey data, the validity was mainly tested by construct validity. When conducting construct validity tests by means of exploratory factor analysis or confirmatory factor analysis, commonly used indicators include KMO values and Bartlett's test of sphericity. When  $KMO > 0.7$ , factor loading  $> 0.4$ , and cumulative variance ratio  $\geq 60\%$ , the variable measurement is considered to have good convergence validity; when the correlation coefficient of the items under the same variable is greater than the correlation coefficient with other variables, it is believed to have good discriminant validity (Wu, 2003; Zhou, 2017).

### **3.4.3 Descriptive statistical analysis of the survey**

Descriptive analysis mainly refers to statistical analysis of the frequency, mean, and standard deviation of variables. In this research, a descriptive statistical analysis was performed on the sixth part of the questionnaire, namely the basic information of non-public enterprises and Party organizations, so as to understand the basic situation and distribution of the samples.

### **3.4.4 Correlation analysis of variables**

Correlation analysis is one of the basic statistical analysis methods. This research analyzed the correlation between the five measured variables of the non-public Party organizations, corporate social capital, corporate citizenship behavior, enterprise performance and harmonious relationship between non-Party organizations and the management. When the p value is less than 0.05, there is a correlation between the variables. The Pearson correlation coefficient is one of the important indicators to measure correlation. The closer it is to 1, the higher the correlation between the variables will be.

### **3.4.5 Independent-sample T test and one-way ANOVA**

Independent-sample T test and one-way analysis of variance are both methods of mean comparison, and are often used to compare differences. In this research, the basic information and data in the sixth part of the questionnaire were used as factor variables. The measured



variables of non-public enterprise Party organizations, corporate social capital, corporate citizenship behavior, enterprise performance and harmonious relationship between non-public enterprise Party organizations and the management were used as the dependent variables, and the differences in the mean of the measured variables between different groups were compared.

### **3.4.6 Exploratory factor analysis and confirmatory factor analysis**

According to purpose, factor analysis can be divided into exploratory factor analysis (EFA) and confirmatory factor analysis (CFA). The difference between the two analysis methods lies in the role and timing of measurement theory framework in the analysis process. As far as EFA is concerned, the theoretical structure of the measured variables is the product of factor analysis. The factor structure is determined by the researcher from a set of independent measurement indicators or items and it is a structure with metrological rationality and theoretical applicableness. The structure is used to represent the measured conceptual content or constructive characteristics, that is, the emergence of the theoretical framework in EFA is an ex-post concept. EFA aims to establish the construct validity of the scale or questionnaire, while CFA is to test the applicableness and authenticity of this construct validity.

In this thesis, an exploratory factor analysis was first carried out to pre-test the scale so as to obtain the optimal factor structure and establish the construct validity of the questionnaire. At this time, the factors and items of the scale were already fixed. In order to explore whether the factor structure model of the scale was consistent with the actual data collected, and whether the indicator variables could be effectively used as the measurement variables of the latent variables, this research adopted confirmatory factor analysis test it, and the test was performed using structural equation model (SEM).

### **3.4.7 SEM analysis**

Structural equation model is also called latent variable model, covariance structure analysis, and confirmatory factor analysis, which integrates two statistical methods of factor analysis and path analysis. It simultaneously tests the relationship between the dominant variable, latent variable, disturbance variable or error variable contained in the model, and then obtains the direct, indirect or total effect of the independent variables on the dependent variables.

According to the research hypotheses in Section 2.6, this research took non-public enterprise Party building, corporate social capital, corporate citizenship behavior, enterprise performance, and harmonious relationship between non-public enterprise Party organizations

and the management as latent variables according to the research hypotheses and fit structural equations to explore the relationship between these latent variables.

### **3.5 Data reliability and validity analysis**

#### **3.5.1 Communalities analysis**

The communality of the variables also refers to the variance of the variables. It is the quadratic sum of the load of each original variable in each common factor, that is, the ratio of the original variable variance determined by the common factor. The variance of a variable consists of a common factor and a unique factor. The communality indicates the part of the original variable variance that can be explained by a common factor. The greater the communality, the higher the degree of variable explained by the factor. The significance of communality is to explain the extent to which the information of the original variable is retained if the original variable is replaced by a common factor.

In this research, observable variables with communality below 0.5 were deleted (Chen et al., 2016). A total of four variables were eliminated, including sc1 “close relationship between the company’s Party organization and Party and government organs at all levels”, sc4 “close relationship between the company’s Party organization and competent authorities of the industry (such as the development zone administration committee and non-public industry Party committee and industry association)”, ocb12 “employees do not mind new jobs or challenges”, and ocb13 “employees often arrive at the company early and start work immediately”. After factor analysis of the rest variables, the KMO of Party organization activities is 0.832; the KMO of corporate social capital is 0.862; the KMO of organizational citizenship behavior is 0.946; the KMO of enterprise performance is 0.924; the KMO of harmonious relationship between non-public Party organizations and the management is 0.939; all the KMO values were greater than 0.7; the Bartlett’s test of sphericity  $p < 0.000$ , which also reached the significant level ( $p < 0.01$ ); the communalities of all variables were above 0.5, indicating that it was suitable to carry out further analysis of the retained observable variables.

#### **3.5.2 Exploratory factor analysis**

After the communality test of the variables, the conditions of exploratory factor analysis were satisfied after the variables with low communality were deleted. First, exploratory factor analysis was performed on the sub-scale, and unqualified items were deleted or merged. After

analysis, in the four dimensions of Party building activities, corporate social capital, enterprise performance, and harmonious relationship between non-public Party organizations and the management, four principal components with eigenvalue greater than one were extracted through principal component extraction method, which was in line with the questionnaire design structure. The exploratory factor analysis results of each dimension were shown as per Table 3.1.

Table 3.1 Component matrix factor analysis

		Extraction Sums of Squared Loadings	Component  1
Non-public enterprise Party building	63.327	Change of term of office on schedule	0.860
		Part of the corporate organizational structure	0.817
		Regular Party organization activities	0.803
		Effective participation in corporate management activities	0.759
		Sound Party organization leadership team	0.734
		Industry and commerce department and tax authorities	0.719
Corporate social capital	71.669	Financial institutions	0.785
		Client, supplier, other enterprises	0.738
		Scientific research institutions, colleges and universities, technology agencies	0.697
		General situation	0.644
		Profit growth	0.669
		Sales growth	0.697
Enterprise performance	64.409	Market share	0.679
		Degree of harmonious relationship between non-public enterprise Party organizations and the management	0.647
		Participation rate of social insurances including old-age pension, medical care, occupational injury and unemployment	0.587
		Solution of labor dispute	0.629
		Decrease of employee voluntary turnover	0.626
		Employee participation in corporate decision-making	0.625
Relationship between non- public enterprise Party organizations and the management	75.317	Investment in employee training	0.638
		Work together to improve working environment	0.763
		Respect job objectives of each other	0.796
		Value views of each other	0.757
		Keep promises of each other	0.771
		Achieve actual results	0.751
		Harmonious coordination and communication	0.724
		Get along well	0.754
		The management generally believes that Party organization is helpful to the operation and management of the company.	0.709

In the questionnaire, some questions (item 14 to 20) of the organizational citizenship behavior used reverse descriptions, so the data for these items were processed in a reverse

manner. In the dimension of organizational citizenship behavior, were shown as per Table 3.2, there were up to 18 independent variables in the questionnaire, three principal components with eigenvalues greater than 1 were extracted, and the cumulative % of the three factors reached 72.834%. The principal component extraction effect was good.

Table 3.2 Total variance explained of the sub-scale(organizational citizenship) (unit: %)

Component	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	Variance	Cumulative	Total	Variance	Cumulative
1	9.485	52.694	52.694	7.151	39.728	39.728
2	2.776	15.422	68.116	3.715	20.639	60.367
3	0.849	4.718	72.834	2.244	12.467	72.834

According to the rotated factor component matrix (Table 3.3), the three extracted factors were named organizational identification, altruism, and pursuit of personal interests. Since these three factors still belonged to the category of organizational citizenship behavior, these three factors were not treated as observed variables, but still used as factors under the observed variable of organizational citizenship behavior, replacing the previous 18 factors. The data of these three factors were calculated from the results of factor analysis.

Table 3.3 Rotated component matrix

	Component		
	1	2	3
Protect company's reputation	0.917		
Clarify misunderstanding	0.795		
Propose constructive suggestions	0.827		
Attend corporate meeting	0.786		
Obey company rules and regulations	0.755		
Treat work seriously and rarely make mistakes	0.727		
Improve work effectiveness by self-learning	0.718		
Willing to help new colleagues to adapt to the working environment			0.789
Willing to help colleagues to solve problems			0.808
Willing to help colleagues to undertake extra work			0.768
Willing to communicate with colleagues			0.815
Use improper means to pursue individual influence and interests		0.691	
Use position power to pursue selfish personal interests		0.809	
Fight fiercely for personal interests		0.786	
Speak ill of superiors or colleagues behind their back		0.812	
Handle personal issues in working hours		0.828	
Do personal things using corporate resources		0.814	
Make excuses to take sick leaves		0.807	

Note: Extraction Method: Principal Component Analysis; Rotation Method: Varimax with Kaiser Normalization; a. Rotation converged in 3 iterations.

Then, exploratory factor analysis was performed on the scale (Table 3.4) to check whether the factor structure is consistent with the questionnaire structure. The principal component

extraction method was adopted to extract factors with eigenvalues greater than one. The KMO value of the scale was 0.960, greater than 0.7, and the Bartlett's test of sphericity also reached a significant level ( $p < 0.0001$ ), which means further analysis can be carried out on the remaining observed variables. It can be known from the table of Total Variance Explained that a total of five factors with eigenvalues greater than one were extracted. The cumulative variance explained % reached 70.759%, which indicates that the cumulative explanatory ability of the extracted factors had reached 70.253%, greater than the standard of 60%. Namely, the five factors had relatively good explanatory ability.

Table 3.4 Total variance explained of the general scale (Unit:%)

Component	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	Variance	Cumulative	Total	Variance	Cumulative
1	14.449	48.165	48.165	6.182	20.607	20.607
2	2.403	8.008	56.173	5.940	19.798	40.405
3	1.784	5.947	62.121	3.772	12.572	52.977
4	1.420	4.735	66.855	3.161	10.538	63.515
5	1.019	3.398	70.253	2.021	6.738	70.253

The method of varimax was used to rotate the factor matrix, and the factors achieved convergence after three iterations. Finally, the component matrix of the research variables after rotation was obtained as per Table 3.5. The factor loadings of each variable were greater than 0.5 and the attribution relationship was consistent with the questionnaire structure, meeting the criterion.

Table 3.5 Rotated component matrix of factors

	Component				
	1	2	3	4	5
Get along well	0.804				
Respect job objectives of each other	0.797				
Improvement of working environment	0.777				
Keep promises of each other	0.775				
Respect views of others	0.764				
Achieve actual results from collaboration	0.743				
Harmonious communication	0.740				
Cognition of the management	0.712				
Market share		0.795			
Sales growth		0.791			
Profit growth		0.774			
Resolution of labor disputes		0.723			
Decrease of turnover rate		0.703			

Degree of harmonious relationship between non-public enterprise Party organizations and the management	0.698	
Social insurance participation rate	0.675	
Investment in training	0.656	
Participation in corporate decision-making	0.655	
With financial institutions		0.840
With clients and suppliers		0.774
With industry and commerce departments and tax departments		0.767
With scientific research institutions		0.766
With the outside world		0.602
Standardized setting		0.747
Have Party organization activities		0.746
Complete Party organization team		0.724
Corporate organizational structure		0.614
Participation in business operation		0.566
Personal interests		0.712
Help colleagues		0.695
Uphold the company		0.644

After exploratory factor analysis of the sub-scale and overall scale, some of the items were integrated, each factor met the criterion, and the structure of the factor matrix and the questionnaire remained the same. The final five factors are: non-public enterprise Party organizations, corporate social capital, corporate citizenship behavior, enterprise performance and harmonious relationship between non-public enterprise Party organizations and the management.

### 3.5.3 Reliability analysis

The degree of internal consistency of the five factors obtained from the above analysis was the basis for further research. Therefore, Cronbach's alpha coefficient was used for analysis. When the coefficient was greater than 0.8, the scale was considered to have relatively high reliability. The reliability analysis of each variable was as per Table 3.6.

Table 3.6 Research reliability analysis

Variable	Number of Items	Cronbach's Alpha
Non-public enterprise Party organization	5	0.854
Social capital	5	0.899
Organizational citizenship behavior	3	0.877
Enterprise performance	9	0.930
Harmonious relationship between non-public enterprise Party organizations and the management	8	0.953

As can be seen from Table 3.6, the scale used in this study had high reliability and can support subsequent data analysis.

#### **3.5.4 Validity analysis**

After test of exploratory factor analysis, the factor consistency of the sub-scales and overall scale had met the requirement, and the relationship between different measured variables could be further verified through the structural equation model. During the model fitting process, factors with squared multiple correlations less than 0.5 were deleted. The deleted factors included: Pc1 Standardized Party organization setting, and timely change of term of office; Pc2 Management of documents; Pc3 Corporate organizational structure; Sc6 Close relationship between enterprise Party organizations and scientific research institutions, colleges and universities, and technical agencies. Due to the high correlation between the residuals of some factors and the poor model fitting effect, these factors were integrated. The items Ep1 Profit growth of the company since the establishment of the Party organization, Ep2 Sales growth of the company since the establishment of the Party organization and Ep3 Market share of the company since the establishment of the Party organization were integrated to EPP1 Market performance of the company.

Confirmatory factor analysis was performed on the remaining variables. The exploratory factor analysis results extracted five factors, however, whether these five factors had the strongest explanatory power in the structural equations needed further verification. In the verification process, the five factors were integrated into four, three, two, and one factors, and the saturated model in Figure 3.1 was used to test the structural equations with different degrees of integration.

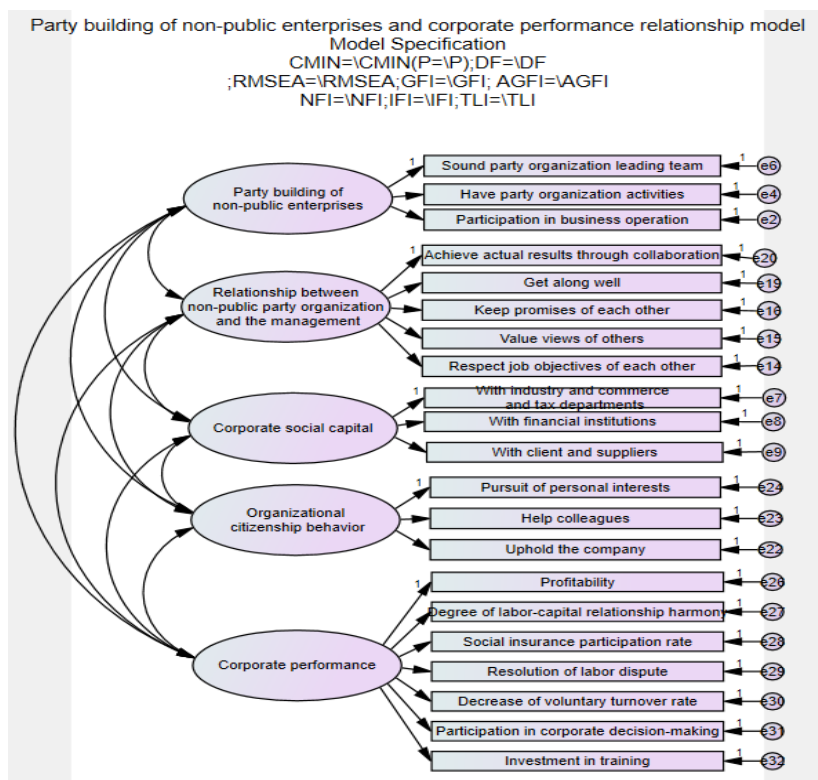


Figure 3.1 Confirmatory factor analysis

The specific integration process was as follows. The 4-factor model a integrated corporate social capital and organizational citizenship behavior; the 3-factor model b integrated corporate social capital, organizational citizenship behavior and harmonious relationship between non-public Party organizations and the management; the 2-factor model c integrated non-public Party organization, corporate social capital, organizational citizenship behavior, and harmonious relationship between non-public Party organizations and the management; the single-factor model d integrated the five factors to be a single factor. Finally, the five results were summarized as per Table 3.7.

Table 3.7 Indices of fit for confirmatory factor analysis

Evaluation index	X <sup>2</sup> /df	AGFI	GFI	RMSEA	NFI	IFI	CFI
Desired value	<3	>0.9	>0.9	<0.07	>0.9	>0.9	>0.9
5-factor model	3.293	0.907	0.928	0.055	0.949	0.964	0.964
4-factor model <sup>a</sup>	7.916	0.785	0.830	0.096	0.876	0.890	0.890
3-factor model <sup>b</sup>	11.334	0.717	0.772	0.117	0.819	0.833	0.832
2-factor model <sup>c</sup>	12.783	0.691	0.748	0.125	0.794	0.807	0.807
Single-factor model <sup>d</sup>	18.683	0.525	0.612	0.153	0.697	0.709	0.708

The five-factor model had good fitting effect. The X<sup>2</sup>/df was 3.293, AGFI was 0.907, GFI was 0.928, RMSEA was 0.055, NFI was 0.949, IFI was 0.964, and CFI was 0.964. Except that



$\chi^2/df$  was close to criterion index, others indicators all reached the fitting parameters criterion. Therefore, the five-factor model was used for structural equation fitting. In addition, reliability and validity tests were performed. Construct reliability (CR) reflected whether all items in each latent variable explained the variable consistently. When CR was higher than 0.70, the latent variable had a relatively good construct reliability. Average Variance Extracted (AVE) measured the convergence validity. When AVE was higher than 0.50, the latent variable had a good convergence validity. The calculation results of the model were as per Table 3.8.

Table 3.8 Convergence index of structural equation fitting

Latent Variable	Observed Items	Standardized Factor Loading	CR	AVE
Non-public enterprise Party building	Participation in business management	0.823	0.8314	0.6221
	Have Party organization activities	0.741		
	Sound Party organization leading team	0.800		
Social capital	With industry and commerce and tax departments	0.843	0.8809	0.7119
	With financial institutions	0.894		
	With clients and suppliers	0.791		
Organizational citizenship behavior	Organizational identification	0.523	0.8230	0.6209
	Altruism	0.877		
	Pursuit of personal interests	0.961		
Enterprise performance	Market performance	0.769	0.9154	0.6073
	Degree of harmonious relationship between non-public Party organizations and the management	0.792		
	Social insurance coverage rate	0.753		
	Resolution of labor dispute	0.782		
	Decrease of voluntary turnover rate	0.775		
	Participation in corporate decision-making	0.778		
Harmonious relationship between non-public enterprise	Investment in training	0.805	0.9317	0.7319
	Achieve actual results through collaboration	0.845		

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Party organizations and the management	Get along well	0.802
	Keep promises of each other	0.880
	Value views of others	0.873
	Respect job objectives of each other	0.875

As per Table 3.8, the CR of each variable were greater than 0.7 and the AVE were all higher than 0.5, indicating that the reliability and convergence validity of this structural equation had met the requirements.

In addition, a discriminant validity test was performed on the variables. When the correlation coefficient between paired variables was smaller than the square root of the average variance extraction (AVE) of individual variables, there was a significant discriminant validity between the variables. The discriminant validity of variables in this research was calculated as per Table 3.9.

Table 3.9 Calculation of discriminant validity between variables

	Non-public enterprise Party building	Corporate social capital	Organizational citizenship behavior	Enterprise performance	Harmonious relationship between non-public Party organizations and the management
Non-public enterprise Party building	<b>0.789</b>				
Social capital	0.553	<b>0.843</b>			
Organizational citizenship behavior	0.583	0.557	<b>0.788</b>		
Enterprise performance	0.646	0.584	0.688	<b>0.779</b>	
Harmonious relationship between non-public Party organizations and the management	0.756	0.566	0.698	0.657	<b>0.8556</b>

As per Table 3.9, the diagonal value of the variable correlation coefficient was the square root of AVE. The values were greater than the correlation coefficient between each variable and itself in the lower triangle, indicating that the model had discriminant validity.

### 3.6 Common method bias

Common method bias refers to the artificial co-variation between predictor and criterion variables caused by the same data source or rater, the same measurement environment, project context, and the characteristics of the project itself. Since the data of this research were self-

reported, there might be a possibility of common method bias. Although the procedures were controlled by anonymous evaluation and reduction of item ambiguity in data collection, the statistical examination and control of the questionnaire data were still needed to further reduce the impact of the common method bias on the research. The specific test method is Harman single factor test. The test results showed that the variance explained % of the first common factor is 20.607%, which was less than the commonly used critical standard of 40%. Therefore, this scale had no serious common method bias.

### **3.7 Chapter summary**

This chapter first introduces the respondents and data collection process, and measures the five core variables of non-public enterprise Party building, social capital, corporate citizenship, enterprise performance, and the relationship between non-public enterprise Party organizations and the management; secondly, it introduces the statistical analysis method used, the reliability and validity test of the data collected by the questionnaire, and the verification of the psychological measurement error of the respondents. The results show that the reliability and validity of the scale used in this research are high and there is no serious common method bias, so it can support the data analysis in the following part.

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## Chapter 4: Research Results

This chapter analyzes the data collected by the methods discussed in Chapter 3, constructs the research model based on the model idea and research hypotheses proposed in Chapter 2, measures the impact of non-public enterprise Party building on enterprise performance by constructing a structural equation model, and verifies the mediation pathway and moderating effect based on the hypotheses. This chapter adopts a hypothesis verification type quantitative research method, uses the measurement indicators of non-public enterprise Party building as the data source, and abstracts the law from the specific data to test the research hypotheses.

### 4.1 Data analysis

#### 4.1.1 Descriptive statistical analysis

This section uses questionnaire data to conduct statistical analysis on companies from the basic information of the categorical variables such as the industry of the company, number of Party members, and Party organization level. Outliers are treated as missing values, and missing values are not included in the table. The analysis results are shown as per Table 4.1.

Table 4.1 Statistics of basic information of categorical variables

Variable	Description	Frequency	Percentage (%)
Date of company establishment	Before 1989	52	6.9
	1990-1999	95	12.5
	2000-2009	328	43.2
	2010-2019	284	37.4
Number of employees	1-99	456	60.1
	100-199	121	15.9
	200-299	38	5.0
	300-399	35	4.6
	400-499	17	2.2
Date of establishment of enterprise Party organization	500 and above	92	12.1
	Before 1989	21	2.8
	1990-1999	37	4.9

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	2000-2009	160	21.1
	2010-2019	539	71.0
History of establishment of enterprise Party organization	Before 1989	283	37.3
	1990-1999	224	29.5
	2000-2009	252	33.2
	3-5	295	38.9
Number of Party members (N=759)	6-10	202	26.6
	11-50	204	26.9
	51-100	18	2.4
	101 and above	40	5.3
	Party committee	55	7.2
Level of Party organization (N=759)	General Party branch	30	4.0
	Party branch	674	88.8
	Below 10,000 yuan	321	42.3
Non-public enterprise Party building funds (N=759)	10,000-50,000 yuan	299	39.4
	50,000-100,000 yuan	72	9.5
	100,000-300,000 yuan	42	5.5
	Above 300,000 yuan	25	3.3
	High-level leader	234	30.8
Job position of respondents (N=759)	Mid-level leader	359	47.3
	Primary-level employee	163	21.5
	1-5 years	318	41.9
Length of service in the company (N=759)	6-10 years	193	25.4
	11-19 years	139	18.3
	21-29 years	48	6.3
	30 years and more	28	3.7
	Junior high school and below	21	2.8
Degree of education of business owners (N=759)	Senior high school/ vocational high school/ technical secondary school/ technical school/ junior college	378	49.8
	Bachelor	296	39.0
	Master	54	7.1
	Doctor	8	1.1
	Nationality of the business owners (N=759)	The Han nationality	622
The Hui nationality		130	17.1

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	Other nationalities	7	0.9
Whether the business owner is a CPC member (N=759)	Yes	522	68.8
	No	236	31.1
	No	378	49.8
Whether the middle-level or high-level managers have held the posts of NPC deputy or CPPCC member (N=759)	Yes, township level	23	3.0
	Yes, municipal or county level	274	36.1
	Yes, provincial or provincial capital level	78	10.3
	Yes, national level	3	0.4
	Low (zero) interest loans	115	15.2
Policy or support from Party and government departments (N=759)	Tax relief	308	40.6
	Financial subsidy	254	33.5
	Support fund	234	30.8
	Financing support	85	11.2
	No	246	32.4
Main source of non-public enterprise Party building funds - self-collected (%)	0-30	596	78.5
	30-60	114	15.0
	Over 60	49	6.5
Main source of non-public enterprise Party building funds - company support (%)	0-30	160	21.1
	30-60	269	35.4
	Over 60	330	43.5
Main source of non-public enterprise Party building funds - support from Party organizations at higher levels (%)	0-30	671	88.4
	30-60	61	8.0
	Over 60	27	3.6
Main source of non-public enterprise Party building funds - support from other sources (%)	0-30	747	98.4
	30-60	9	1.2
	Over 60	3	0.4
Star rating of enterprise Party organization (N=759)	One-star	118	15.5
	Two-star	259	34.1
	Three-star	203	26.7
	Four-star	49	6.5
	Five-star	3	0.4
	No star	126	16.6

To begin with, few of the companies surveyed were established before 2000, the companies established between 2000 and 2009 accounted for 43.2%, and the proportion of companies

established after 2009 was close, being 37.4%. The number of employees of the companies surveyed was mainly less than 99, accounting for 60.1%. The distribution of the respondents' job position and industry of the company were relatively even.

In addition, the Party organizations of the surveyed companies were mostly established after 2010, accounting for 71.0%. Among the Party organizations, 674 were Party branches, accounting for 88.8%, the others were general Party branches and Party committees (Party branches must have no less than 3 full Party members, general Party branches must have no less than 50 full Party members, and Party committees must have no less than 100 full Party members). Party branches with 3-5 members accounted for about 40% (295), and Party branches with 11-50 members and 6-10 members accounted for about a quarter each. 321 companies had Party organization activity funds lower than 10,000 yuan, accounting for about a quarter; 299 had Party organization activity funds between 10,000 yuan and 50,000 yuan, accounting for about a quarter; and the rest accounted for less than 10%.

Finally, as for the education level of the business owners, most graduated from senior high school/vocational high school/technical secondary school/technical schools/junior colleges, accounting for 49.8%. 296 were undergraduates, accounting for 39.0%; the remaining accounted for less than 10%. As for the nationality of the business owners, most were the Han Chinese, accounting for 81.9%; 130 were the Hui Chinese, accounting for 17.1%; and 7 were other ethnic groups, accounting for 0.9%. The number of business owners who were Party members was twice the number of business owners who were non-Party members.

#### **4.1.2 Independent-samples T test and one-way ANOVA**

##### **(1) Independent-samples T test**

Whether the company enjoys policy or support from the Party and government departments was a multiple-choice item, so after each option was treated as a dummy variable, an independent-samples t test was performed on the options and the five research variables. When the sig value of the homogeneity of variance test was greater than 0.05, the sig value of the t-test was in the first row, and when the sig value of the homogeneity of variance test was less than 0.05, the sig value of the t-test was in the second row. The p values of mean difference were all less than 0.05 as per Table 4.2, and there was no significant difference as for the mean of the remaining variables.



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Table 4.2 Independent-samples T test

Variable	Demographic Factors	Homogeneity of Variance Test		T-test			Mean Difference	Mean
		F	Sig.	t	Df	Sig.		
Non-public enterprise Party building	No tax relief	2.351	0.126	-2.790	756	0.005	-0.50333	20.8645
	Tax relief							21.3679
	With support	6.547	0.011	3.885	423.977	0.000	0.77055	21.3151
	Without support							20.5445
	No low (zero) interest loans	0.055	0.815	-2.457	756	0.014	-0.85015	16.7872
	Low (zero) interest loans							17.6374
Social capital	No tax relief	1.450	0.229	-3.291	756	0.001	-0.82907	16.5803
	Tax relief							17.4094
	No financing support	4.629	0.032	-2.173	563.085	0.030	-0.55119	16.7224
	Financing support							17.2736
	No support funds	0.347	0.556	-2.298	756	0.022	-0.61779	16.7187
	Support funds							17.3365
Organizational citizenship behavior	With support	8.213	0.004	4.262	427.306	0.000	1.17587	17.2938
	Without support							16.1180
	No support funds	0.229	0.632	-2.416	756	0.016	-0.45860	26.5053
	Support funds							26.9639
	No low (zero) interest loans	0.684	0.409	-3.517	756	0.000	-1.06439	23.6267
	Low (zero) interest loans							24.6911
Enterprise performance	No tax relief	0.010	0.920	-4.040	756	0.000	-0.89080	23.4271
	Tax relief							24.3179
	No financing support	0.054	0.816	-2.673	755	0.008	-0.61755	23.5785
	Financing support							24.1961
	No support funds	0.119	0.731	-4.238	756	0.000	-0.99071	23.4747
	Support funds							24.4655
	With support	0.195	0.659	4.516	757	0.000	1.04090	24.1248
	Without support							23.0839

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Harmonious relationships between enterprise Party organizations and the management	No tax relief	2.663	0.103	-2.926	756	0.004	-0.81695	31.8852
	Tax relief							32.7021
	No support funds	8.216	0.004	-2.937	526.485	0.003	-0.81683	31.9660
	Support funds							32.7828
	With support	6.142	0.013	3.907	435.893	0.000	1.18545	32.5986
Without support							31.4132	

It can be seen from Table 4.2 that companies enjoying low (zero) interest loans reported higher corporate social capital (mean = 17.6374, SD = 0.31,  $p < 0.05$ ) and enterprise performance (mean = 24.6911, SD = 0.25  $p < 0.001$ ) than those without low interest loans on social capital (mean = 16.7872, SD = 0.14) and enterprise performance (mean = 23.6267, SD = 0.12).

Companies enjoying tax relief reported higher level of non-public enterprise Party building (mean = 21.3679, SD = 0.13  $p < 0.01$ ), higher social capital (mean = 17.6374, SD = 0.19,  $p < 0.01$ ), more harmonious relationship between enterprise Party organizations and the management (mean = 32.7021, SD = 0.21,  $p < 0.001$ ) and higher enterprise performance (mean = 24.3179, SD = 0.17,  $p < 0.01$ ) than those not enjoying tax relief in non-public enterprise Party building (mean = 20.8645, SD = 0.12), social capital (mean = 16.5803, SD = 0.16), harmonious relationship between enterprise Party organizations and the management (mean = 31.8852, SD = 0.18) and enterprise performance (mean = 23.4271, SD = 0.14).

Companies enjoying support funds reported higher social capital (mean = 17.2736, SD = 0.20,  $p < 0.05$ ) and higher enterprise performance (mean = 24.1961, SD = 0.18,  $p < 0.01$ ) than those not enjoying support funds in social capital (mean = 16.7224, SD = 0.16) and enterprise performance (mean = 23.5785, SD = 0.14).

Companies with support funds reported higher social capital (mean = 17.3365, SD = 0.21,  $p < 0.05$ ), higher level of organizational citizenship behavior (mean = 26.9639, SD = 0.16,  $p < 0.05$ ), more harmonious relationship between enterprise Party organizations and the management (mean = 32.7828, SD = 0.22,  $p < 0.001$ ), and higher enterprise performance (mean = 38.87, SD = 0.50,  $p < 0.01$ ) than those without support funds in social capital (mean = 16.7187, SD = 0.15), organizational citizenship behavior (mean = 26.5053, SD = 0.11), harmonious relationship between enterprise Party organizations and the management (mean = 31.9660, SD = 0.17), and enterprise performance (mean = 23.4747, SD = 0.13).

In general, companies enjoying policy or support had advantages over those not enjoying policy or support in terms of non-public enterprise Party building (mean difference = 0.77,

$p < 0.0001$ ), social capital (mean difference=1.18,  $p < 0.0001$ ), enterprise performance (mean difference=1.04,  $p < 0.0001$ ), and harmonious relationship between enterprise Party organizations and the management (mean difference=1.18,  $p < 0.0001$ ). In addition, there were no significant differences in the mean of whether there is financial support or not among the five measured variables.

(2) One-way ANOVA of research variables

a) Homogeneity of variance test of research variables

To test whether the research variables differ in the background of Party organizations, this research will adopt the basic information of non-public enterprises and Party organizations (Part 6 of the questionnaire) as the factor, and the research variables as the dependent variables for one-way ANOVA. Since the research variables in this research were latent variables composed of several sub-items and cannot be directly calculated, the data of the latent variables were obtained by simply adding and summing all the sub-items of each latent variable. After processing, five continuous variables were obtained including non-public enterprise Party building, corporate social capital, organizational citizenship behavior, enterprise performance, and harmonious relationship between enterprise Party organizations and the management.

In the basic information column of the company and the Party organization, the date of company establishment, the current number of employees, and the date of Party organization establishment were all continuous variables and their mean difference could not be directly compared. Therefore, these three variables went through visual binning with one standard deviation as the unit to generate cut-points, and the data of each variable were classified into four groups. After processing, the date of company establishment, the current number of employees, and the date of Party organization establishment were used as factors, and the five research variables were used as the dependent variables for one-way ANOVA. The analysis showed no significant differences.

The rest of the basic information, including the industry of the company, the number of Party members in the company, the level of the corporate Party organization, the non-public enterprise Party organization activity funds invested throughout the year, the education level of the business owners, the nationality of the business owners, whether the business owners are Party members, whether the middle-level and high-level managers are deputies to the National People's Congress or members of the CPPCC, and the star rating of the corporate Party organization, were also used as factor variables, and the five research variables were used as dependent variables for one-way ANOVA. First, the homogeneity of variance test was performed. The variance was homogeneous when the  $p$  value was greater than 0.05 in the "one-

factor homogeneity test”, and in this case one-way ANOVA can be used, otherwise it is not feasible. After testing, all the research variables met the homogeneity of variance criterion, so the one-way ANOVA can be performed.

#### b) Results of one-way ANOVA

After the homogeneity of variance test, there were significant differences in the mean values as shown in Table 4.3, and there were no significant differences in the mean values among the remaining variable groups.

Table 4.3 One-way ANOVA

Demographic factors	Variable		Sum of Squares	Mean Square	F	Sig.
Current amount of employees	Enterprise performance	Between Groups	126.090	25.218	2.817	0.016
		Within Groups	6741.534	8.953		
Amount of CPC members	Non-public enterprise Party building	Between Groups	123.856	30.964	5.271	0.000
		Within Groups	4429.045	5.874		
	Enterprise performance	Between Groups	175.249	43.812	4.936	0.001
		Within Groups	6692.375	8.876		
Expenses invested by the company in enterprise Party organization	Non-public enterprise Party building	Between Groups	387.814	96.954	17.551	0.000
		Within Groups	4165.087	5.524		
	Social capital	Between Groups	502.175	125.544	11.261	0.000
		Within Groups	8405.718	11.148		
Expenses invested by the company in enterprise Party organization	Organizational citizenship behavior	Between Groups	221.407	55.352	9.866	0.000
		Within Groups	4230.221	5.610		
	Enterprise performance	Between Groups	584.983	146.246	17.551	0.000
		Within Groups	6282.642	8.332		
Educational level of business owners	Harmonious relationship between enterprises and the management	Between Groups	772.476	193.119	14.375	0.000
		Within Groups	10129.199	13.434		
	Non-public enterprise Party building	Between Groups	73.780	14.756	2.484	0.030
Within Groups		4466.881	5.940			
		Between Groups	64.862	12.972	2.224	0.050

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Whether there have been deputies to the NPC or CPPCC members in the middle-senior managers	Organizational citizenship behavior	Within Groups	4386.108	5.833		
	Non-public enterprise Party building	Between Groups	69.731	13.946	2.342	0.040
		Within Groups	4483.170	5.954		
	Enterprise performance	Between Groups	131.351	26.270	2.937	0.012
		Within Groups	6736.274	8.946		
	Non-public enterprise Party building	Between Groups	214.516	35.753	6.197	0.000
		Within Groups	4338.385	5.769		
	Social capital	Between Groups	154.140	25.690	2.207	0.041
		Within Groups	8753.753	11.641		
	Star-rating of the enterprise Party organization	Enterprise performance	Between Groups	243.421	40.570	4.606
		Within Groups	6624.203	8.809		
Harmonious relationship between enterprise Party organization and the management		Between Groups	298.041	49.673	3.523	0.002
		Within Groups	10603.634	14.101		

Further LSD analysis of the variables with significant differences in the mean values was performed and the results are as follows.

Differences in enterprise performance among companies with different number of employees: enterprise performance (mean=24.64, SD=0.28) of companies with over 500 employees was significantly higher ( $p<0.05$ ) than that (mean=23.52, SD=0.14) of companies with 1-100 employees.

Differences in non-public enterprise Party building among companies with different amount of CPC members: non-public enterprise Party building of companies with 6-10 Party members (mean=21.30, SD=0.16), 11-50 Party members (mean=21.26, SD=0.17), 51-100 Party members (mean=21.85, SD=0.58), and more than 101 (mean=21.93, SD=0.31) was significantly higher ( $p<0.001$ ) than that of companies with 3-5 Party members (mean=20.60, SD=0.15).

Differences exist in enterprise performance among companies with different number of CPC members: enterprise performance of companies with 11-50 Party members (mean=24.07, SD=0.21), 51 to 100 Party members (mean=25.07, SD=0.64), and more than 100 Party

members (mean=25.04, SD=0.47) was significantly higher ( $p<0.001$ ) than that of companies with 3-5 Party members (mean=23.32, SD=0.18); in addition, enterprise performance of companies with more than 100 Party members (mean=25.04, SD=0.47) was significantly higher ( $p<0.001$ ) than that of companies with 6-10 Party members (mean=23.82, SD=0.20) and companies with 11-50 Party members (mean=24.07, SD=0.21).

Differences exist in non-public enterprise Party building among companies with different investment of non-public enterprise Party organization funds: non-public enterprise Party building of companies investing 50,000 to 100,000 yuan (mean=22.21, SD=0.25), 100,000 to 300,000 yuan (mean=22.38, SD=0.28), and over 300,000 yuan (mean=22.27, SD=0.27) was higher ( $p<0.001$ ) than that of companies investing less than 10,000 yuan (mean=20.34, SD=0.15) and those investing 10,000 to 50,000 yuan (mean=21.29, SD=0.13).

Differences exist in social capital among companies with different investment of non-public enterprise Party organization funds: social capital of companies investing 50,000 to 100,000 yuan (mean=18.27, SD=0.36) and 100,000 to 300,000 yuan (mean=18.72, SD=0.44) was higher ( $p<0.001$ ) than that of companies investing less than 10,000 yuan (mean=16.11, SD=0.21) and 10,000 to 50,000 yuan (mean=17.13, SD=0.18); social capital of companies investing more than 300,000 yuan (mean=22.27, SD=0.27) was higher ( $p<0.001$ ) than that of companies investing less than 10,000 yuan (mean=16.11, SD=0.21).

Differences exist in organizational citizenship behavior among companies with different investment of non-public enterprise Party building funds: organizational citizenship behavior of companies investing 50,000 to 100,000 yuan (mean=27.62, SD=0.24) and 100,000 to 300,000 yuan (mean=27.87, SD=0.31) was higher ( $p<0.001$ ) than that of companies investing less than 10,000 yuan (mean=26.14, SD=0.14), and 10,000 to 50,000 yuan (mean=26.75, SD=0.13).

Differences exist in enterprise performance among companies with different investment of non-public enterprise Party building funds: enterprise performance of companies investing 50,000 to 100,000 yuan (mean=25.23, SD=0.33) and 100,000 to 300,000 yuan (mean=25.56, SD=0.43) was higher ( $p<0.001$ ) than that of companies investing less than 10,000 yuan (mean=22.91, SD=0.17) and 10,000 to 50,000 yuan (mean=24.03, SD=0.16); enterprise performance of companies investing more than 300,000 yuan (mean=25.02, SD=0.57) was higher ( $p<0.001$ ) than that of companies investing less than 10,000 yuan (mean=22.91, SD=0.17).

Differences exist in harmonious relationship between enterprise Party organizations and the management among companies with different investment of non-public enterprise Party

building funds: harmonious relationship between enterprise Party organizations and the management of companies investing 50,000 to 100,000 yuan (mean=33.93, SD=0.35) and 100,000 to 300,000 yuan (mean=34.51, SD=0.32) was higher ( $p<0.001$ ) than that of companies investing less than 10,000 yuan (mean=31.27, SD=0.23) and 10,000 to 50,000 yuan (mean=32.39, SD=0.20); harmonious relationship between enterprise Party organizations and the management of companies investing more than 300,000 yuan (mean=33.50, SD=0.67) was higher ( $p<0.001$ ) than that of companies investing less than 10,000 yuan (mean=31.27, SD=0.23).

Differences exist in non-public enterprise Party building among business owners with different educational levels: the non-public enterprise Party building of companies whose business owners were undergraduates (mean=21.28, SD=0.13) and postgraduates (mean=21.53, SD=0.27) was higher ( $p<0.05$ ) than that of companies whose business owners were middle school graduates or below (mean=19.90, SD=0.67) and high school/vocational high school/technical secondary school/vocational school/junior college graduates (mean=20.88, SD=0.13).

Differences exist in organizational citizenship behavior among business owners with different educational levels: the organizational citizenship behavior of companies whose business owners were undergraduates (mean=26.89, SD=0.13) and postgraduates (mean=27.12, SD=0.30) was higher ( $p<0.05$ ) than that of companies whose business owners were high school/vocational high school/technical secondary school/vocational school/junior college graduates (mean=26.37, SD=0.13).

Differences exist in non-public enterprise Party building among companies whose middle-senior managers had or had not been NPC deputies or CPPCC members: the non-public enterprise Party building of companies whose middle-senior managers had been municipal or county-level NPC deputies or CPPCC members (mean=21.31, SD=0.14) and companies whose middle-senior managers had been provincial or provincial capital-level NPC deputies or CPPCC members (mean=21.42, SD=0.30) was higher ( $p<0.05$ ) than that of companies whose middle-senior managers had not been NPC deputies or CPPCC members (mean=20.81, SD=0.13).

Differences exist in enterprise performance among companies whose middle-senior managers had or had not been NPC deputies or CPPCC members: the enterprise performance of companies whose middle-senior managers had been municipal or county-level NPC deputies or CPPCC members (mean=24.10, SD=0.18) and companies whose middle-senior managers had been provincial or provincial capital-level NPC deputies or CPPCC members (mean=24.40,

SD=0.37) was higher ( $p<0.05$ ) than that of companies whose middle-senior managers had not been NPC deputies or CPPCC members (mean=23.43, SD=0.15).

Differences exist in non-public enterprise Party building among companies with different star ratings of Party organization: non-public enterprise Party building of companies with three-star (mean=22.34, SD=0.26) and four-star and five-star (mean=22.34, SD=0.26) Party organizations was higher ( $p<0.001$ ) than that of companies with no-star (mean=20.48, SD=0.24), one-star (mean=20.62, SD=0.25) and two-star Party organizations (mean=20.91, SD=0.15); the enterprise performance of companies with four-star and five-star (mean=22.34, SD=0.26) Party organizations was higher ( $p<0.001$ ) than that of companies with three-star Party organizations (mean=22.34, SD=0.26).

Differences exist in social capital among companies with different star ratings of Party organization: social capital of companies with four-star and five-star (mean=18.40, SD=0.35) Party organizations was higher than that of companies with no-star (mean=16.44, SD=0.33), one-star (mean=16.87, SD=0.34), two-star (mean=16.86, SD=0.20), and three-star (mean=16.93, SD=0.24) Party organizations.

Differences exist in enterprise performance among companies with different star ratings of Party organization: enterprise performance of companies with four-star and five-star (mean=25.43, SD=0.40) Party organizations was higher ( $p<0.001$ ) than that of companies with no-star (mean=23.15, SD=0.27), one-star (mean=23.507, SD=0.30), two-star (mean=23.61, SD=0.18), and three-star (mean=24.15, SD=0.20) Party organizations.

Differences exist in harmonious relationship between enterprise Party organizations and the management among companies with different star ratings of Party organization: harmonious relationship between enterprise Party organizations and the management of companies with three-star (mean=32.79, SD=0.24) and four-star and five-star (mean=33.88, SD=0.38) Party organizations was higher ( $p<0.01$ ) than that of companies with no-star (mean=31.79, SD=0.37), one-star (mean=31.88, SD=0.37) and two-star (mean=31.79, SD=0.24) Party organizations.

#### 4.1.3 Correlation analysis

The non-public enterprise Party building, corporate social capital, organizational citizenship behavior, enterprise performance, and harmonious relationship between enterprise Party organizations and the management were tested for correlation, and the results were as per Table 4.4.

Pearson correlation refers to the correlation coefficient between variables, and the significance of the correlation is verified by two-tailed tests. When the value is less than 0.05,



it indicates that there is a significant correlation between variables. Table 4.4 showed that there were significant pairwise positive correlations among the five latent variables of non-public enterprise Party building, corporate social capital, organizational citizenship behavior, enterprise performance, and harmonious relationship between enterprise Party organizations and the management. Therefore, the next step of model construction can be performed.

Table 4.4 Variable correlation matrix

	Non-public enterprise Party building	Social capital	Organizat ional citizenshi p behavior	Enterprise performan ce	Harmonious relationship between enterprise Party organizations and the management	Mean	Stand ard deviati on
Non-public enterprise Party building	1					21.065	2.450
Social capital	0.528**	1				16.912	3.428
Organizational citizenship behavior	0.507**	0.527**	1			26.650	2.423
Enterprise performance	0.571**	0.589**	0.599**	1		23.787	3.010
Harmonious relationship between enterprise Party organizations and the management	0.673**	0.565**	0.659**	0.615**	1	32.214	3.792

Notes: \*\*\* p<0.001, \*\* p<0.01, \* p<0.05

## 4.2 Structure Equation Modeling

### 4.2.1 Models testing

In Chapter 2, the research hypothesis model was proposed based on literature review, and this model was also the primary reference for the construction of structural equations. The initial model was constructed in AMOS24.0 to form a model consistent with the research hypotheses. Then, according to the modification indices of the model, the model was further modified to form several optimized models. Finally, the optimal model was selected based on the comparison of the fitting parameters to verify the impact path of the non-public enterprise Party building on enterprise performance.

(1) Model 1: Without considering the moderating effect of the latent variable of harmonious relationship between enterprise Party organizations and the management, the resulting structural equation was Figure 4.1 model 1, and the significance of each path was less than 0.001.

The fitting indices were:  $CMIN/DF = 3.292 > 3$ ,  $RMSEA = 0.055 < 0.07$ ,  $GFI = 0.947 > 0.9$ ,  $AGFI = 0.927 > 0.9$ ,  $NFI = 0.958 > 0.9$ ,  $IFI = 0.971 > 0.9$ ,  $CFI = 0.971 > 0.9$ . From the perspective of the fitting indices, except that  $CMIN/DF$  was close to the standard indices, all the others met the standard requirements, so the overall model fitting degree was considered to be very good. As can be seen from the table, all paths had statistical significance ( $p < 0.05$ ).

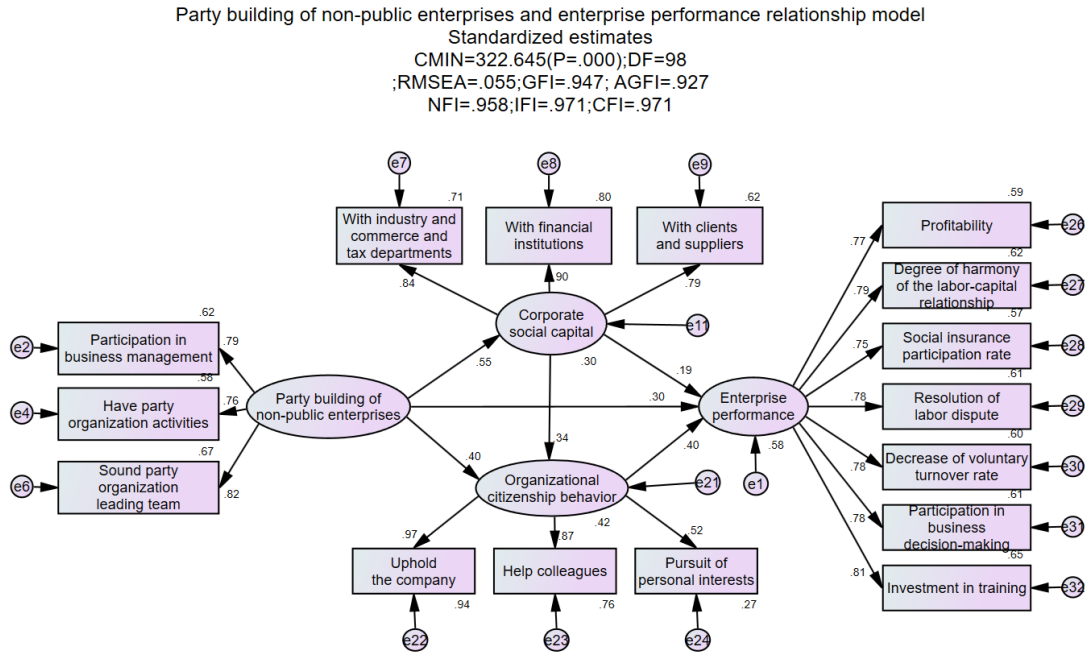


Figure 4.1 Model 1

(2) Model 2: After removing the relationship between non-public enterprise Party building (PC) and enterprise performance (CP) as well as (the relationship between) social relationship and organizational citizenship behavior, the resulting structural equation was Figure 4.2 model 2. Model 2 ignored the direct impact of non-public enterprise Party building on enterprise performance and only measured the indirect impact. The significance of each path was less than 0.001, and its fitting indices were:  $CMIN/DF = 4.337 > 3$ ,  $RMSEA = 0.066 < 0.07$ ,  $GFI = 0.930 > 0.9$ ,  $AGFI = 0.905 > 0.9$ ,  $NFI = 0.944 > 0.9$ ,  $IFI = 0.956 > 0.9$ ,  $CFI = 0.956 > 0.9$ . From the perspective of the fitting indices, except that  $CMIN/DF$  was close to the standard indices, all the others met the standard requirements. Therefore, the overall model fitting degree was very good. As can be seen from the table, all paths had statistical significance ( $p < 0.05$ ).

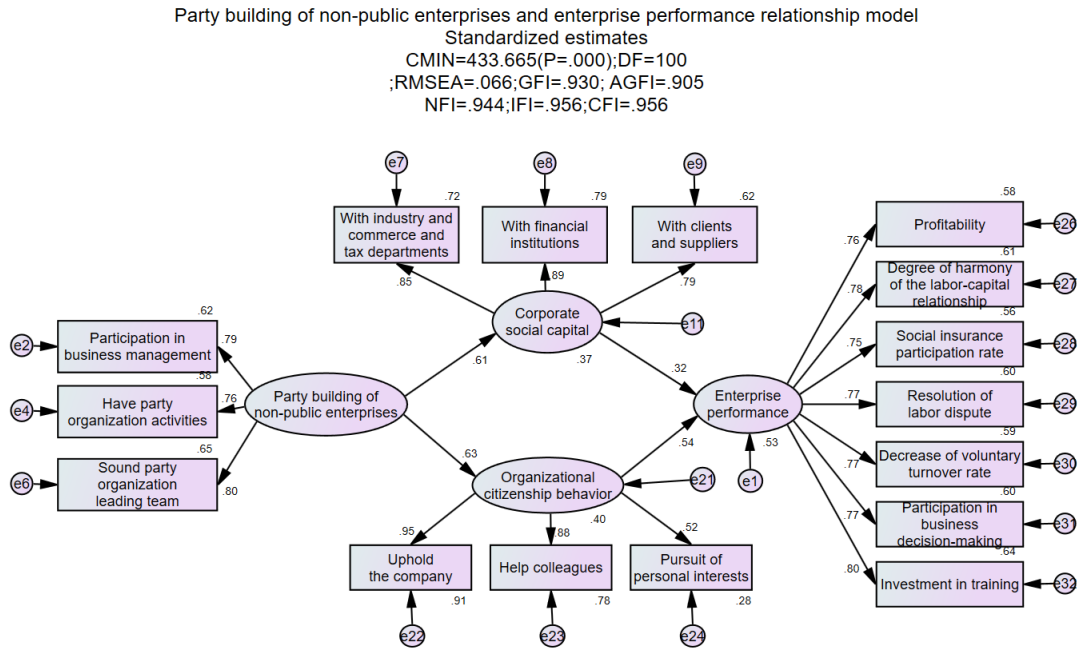


Figure 4.2 Model 2

(3) Model 3: After removing the relationship between corporate social capital (SC) and enterprise performance (CP) as well as the relationship between organizational citizenship behavior (OCB) and enterprise performance (EP), the resulting structural equation was Figure 4.3 Model 3. Model 3 ignored the indirect effect of non-public enterprise Party building on enterprise performance as well as and the mediating effect of corporate social capital and organizational citizenship behavior. Instead, it only measured the direct impact of non-public enterprise Party building. The significance of all paths was less than 0.001, and its fitting indices were: CMIN/DF = 5.062>3, RMSEA = 0.073>0.07, GFI = 0.916>0.9, AGFI = 0.887<0.9, NFI= 0.934>0.9, IFI = 0.946>0.9, CFI= 0.946>0.9. From the perspective of the fitting indices, the values of CMIN/DF, RMSEA, and AGFI all failed to meet the standard requirements, so the overall model fitting degree was poor. As can be seen from the table, all paths had statistical significance (p<0.05).

Party building of non-public enterprises and enterprise performance relationship model  
 Standardized estimates  
 CMIN=511.306(P=.000);DF=101  
 ;RMSEA=.073;GFI=.916; AGFI=.887  
 NFI=.934;IFI=.946;CFI=.946

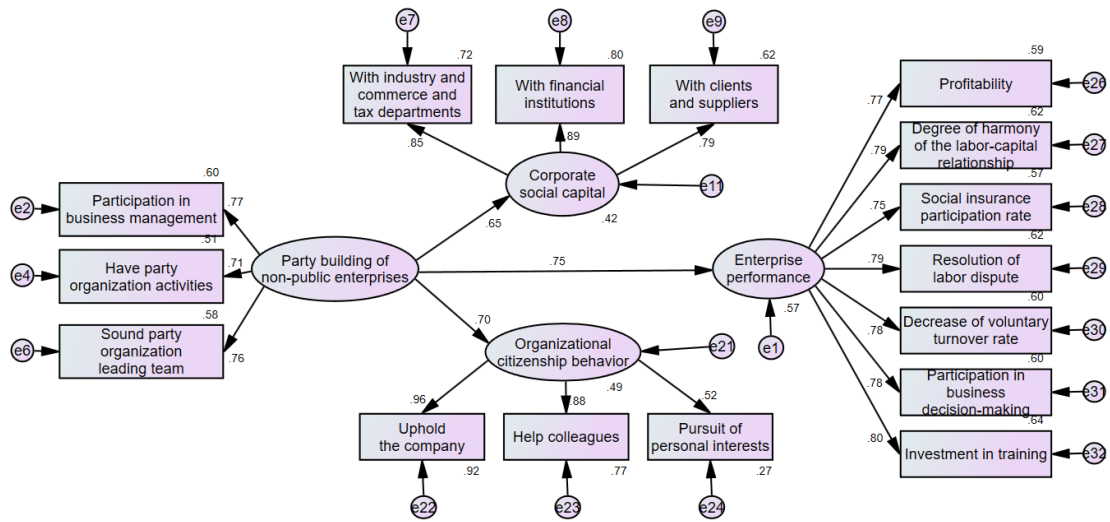


Figure 4.3 Model 3

(4) Model 4: This model analyzed the relationship between variables from the opposite thinking of Model 1, and removed the relationship between organizational citizenship behavior (OCB) and non-public enterprise Party building (PC) as well as the relationship between corporate social capital (SC) and organizational citizenship behavior (OCB) according to the actual situation. The resulting structural equation was Figure 4.4 Model 4. The significance of all paths was less than 0.001, and its fitting indices were: CMIN/DF = 3.774>3, RMSEA = 0.060<0.07, GFI = 0.939>0.9, AGFI = 0.916>0.9, NFI = 0.951>0.9, IFI = 0.964>0.9, CFI = 0.964>0.9. From the perspective of fitting indices, except that AGFI was close to the standard indices, all the others met the standard requirements, and the value of AGFI was also higher than that of other models. Therefore, the overall model fitting degree was very good. As can be seen from the table, all paths had statistical significance ( $p<0.05$ ).

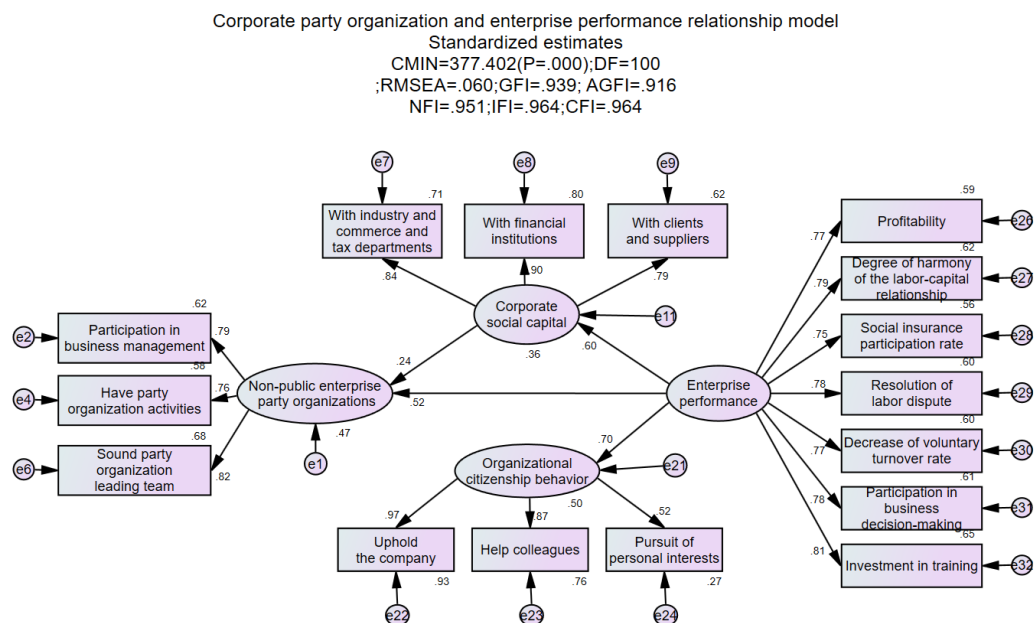


Figure 4.4 Model 4

### 4.2.2 Model comparison

Multi-group comparison was used to compare different models. With Model 1 as a reference, Model 2, Model 3, and Model 4 were compared with Model 1 respectively, and the p values were obtained by referring to the chi-square distribution critical value according to  $\Delta\chi^2$  and  $\Delta df$  (Mao, 2019). The fitting indices and comparative analysis of each model were shown in the Table 4.5. The results showed that there were significant differences between Model 2, Model 3, Model 4 and Model 1 ( $p < 0.001$ ,  $p < 0.001$ ,  $p < 0.01$ ).

Table 4.5 Comparison of model indices of fit

Model	$\chi^2$	df	$\chi^2/df$	CFI	TLI	RMSEA	AIC	$\Delta\chi^2$	$\Delta df$	p
Model 1	322.65	98	3.292	0.971	0.964	0.055	399	--	--	--
Model 2	433.67	100	4.337	0.956	0.947	0.066	505	111.02	2	***
Model 3	511.31	101	5.062	0.946	0.936	0.073	581	188.66	3	***
Model 4	377.403	100	3.774	0.964	0.956	0.060	449	54.753	2	***

\*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.05$

Through the comparison of the above four models, it was found that the CMIN/df value of Model 1 was 3.292, which was higher than the standard value three and was the lowest among the four models. GFI, NFI, IFI, CFI > 0.9, and were the highest among the four models. RMSEA < 0.07 and together with AIC was the lowest among the four models. In general, Model 1 was superior to other models, while Model 3 had the worst indices of fit.

The  $p$  values of the path coefficients between the latent variables in Model 1 were all less than 0.05, indicating that the influence paths between the latent variables in the model were significant. For every unit of increase in non-public enterprise Party building, social capital would increase by 0.55 units, organizational citizenship behavior would increase by 0.40 units, and enterprise performance would increase by 0.30 units. When social capital increased by 1 unit, enterprise performance would increase by 0.19 units. When organizational citizenship increased by 1 unit, enterprise performance would increase by 0.40 units.

### 4.3 Mediating effect analysis

#### 4.3.1 standardized mediating effect analysis

In order to verify the mediating effect, we refer to the introduction of testing mediating effect by (Baron & Kenny, 1986) and research practices of Cording, Christmann, and King (2008) and Newman et al. (2017) to analyze the mediating effect of the data. There were three mediating paths in the model 1: non-public enterprise Party building → organizational citizenship behavior → enterprise performance; non-public enterprise Party building → corporate social capital → organizational citizenship behavior; corporate social capital → organizational citizenship behavior → enterprise performance. To test the mediating effect in the paths, 5,000 times of Bootstrap analyses were taken, and the results were as follows Table 4.6:

Table 4.6 Analysis results of standardized mediating effect of the model

		Bias-Corrected 95% CI		Standardized Directs	$p$	Result
		Lower	Upper			
Mediating effect of corporate social capital in non-public enterprise Party building and enterprise performance	Total effects	0.588	0.699	0.410	0.000** *	Partial mediation
	Direct effects	0.217	0.392	0.304	0.000** *	
	Indirect effects	0.280	0.406	0.106	0.000** *	
Mediation effect of organizational citizenship behavior in non-public enterprise Party building	Total effects	0.588	0.699	0.463	0.000** *	Partial mediation
	Direct effects	0.217	0.392	0.304	0.000** *	Partial mediation
	Indirect effects	0.280	0.406	0.159	0.000** *	Partial mediation

and enterprise performance						
Mediation effect of organizational citizenship behavior in corporate social capital and enterprise performance	Total effects	0.244	0.414	0.329	0.000** *	Partial mediation
	Direct effects	0.107	0.277	0.193	0.000** *	
	Indirect effects	0.097	0.187	0.136	0.000** *	

As for the mediation effect of social capital in the relationship between non-public enterprise Party building and enterprise performance, the direct effect size was 0.304, the non-public enterprise Party building at the 95% confidence interval was 0.217 and 0.392, and the significance was less than 0.001; the indirect effect size was 0.106, the non-public enterprise Party building at the 95% confidence interval was 0.280 and 0.406, and the significance was less than 0.001. Therefore, social capital mediates non-public enterprise Party building and enterprise performance. Hypothesis 4a was supported.

As for the mediation effect of organizational citizenship behavior in the relationship between non-public enterprise building and enterprise performance, the direct effect size was 0.304, the non-public enterprise building at the 95% confidence interval was 0.217 and 0.392, and the significance was less than 0.001; the indirect effect size was 0.159, the non-public enterprise Party building at the 95% confidence interval was 0.280 and 0.406, and the significance was less than 0.001. Therefore, organizational citizenship behavior mediates non-public enterprise Party building and enterprise performance. Hypothesis 4b was supported.

As for the mediation effect of organizational citizenship behavior in the relationship between social capital and enterprise performance, the direct effect size was 0.193, the corporate social capital at the 95% confidence interval was 0.107 and 0.277, and the significance was less than 0.001; the indirect effect size was 0.136, the social capital at the 95% confidence interval was 0.097 and 0.187, and the significance was less than 0.001. Hypothesis 4c was supported.

#### 4.3.2 Analysis of multiple mediation effect and sequential mediation effect

##### 1. Analysis of multiple mediation effect

In the above analysis, although it was verified that social capital mediates the relationship between non-public enterprise Party building and enterprise performance (Hypothesis 4a), organizational citizenship behavior mediates the relationship between non-public enterprise Party building and enterprise performance (Hypothesis 4b), and organizational citizenship

behavior mediates the relationship between social capital and enterprise performance (Hypothesis 4c), it was still unknown whether social capital and organizational citizenship behavior were mediating variables subsequently affecting non-public enterprise Party building and enterprise performance. However, figuring out how mediating variables work is very important for studying the enterprise performance of non-public enterprise Party organizations. Therefore, specific mediation effects needed to be analyzed based on the previous mediation analysis. This study adopted the function of “Define new estimands” in AMOS for analysis.

The indirect effect of non-public enterprise Party building→ social capital→organizational citizenship behavior→enterprise performance was defined as ind, and the syntax was as follows:

ind=e.StandardizedDirectEffect (social capital, non-public enterprise Party building)\*e.StandardizedDirectEffect (corporate social capital, organizational citizenship behavior)\*e.StandardizedDirectEffect (enterprise performance, organizational citizenship behavior)

The computational results were shown as per Table 4.7.

Table 4.7 User-defined estimands

User-defined	Mediating Path	Mediating Effect	p	Proportion in Total Effect
	Non-public enterprise Party building→ social capital→organizational citizenship behavior→enterprise performance	0.075	**	22.06%
Ind				

The ind in the above Table 4.7 showed that social capital and organizational citizenship behavior successively affected the relationship between non-public enterprise Party building and enterprise performance, with an effect value of 0.075 ( $p < 0.001$ ), indicating that non-public enterprise Party building successively affects enterprise performance through social capital and organizational citizenship behavior. Hypothesis 4d was supported.

The mediating effect of corporate social capital in non-public enterprise Party building and enterprise performance was 0.106, and the mediation effect of organizational citizenship behavior in non-public enterprise Party building and enterprise performance was 0.159. The mediating effect of organizational citizenship behavior as the mediator was greater than that of corporate social capital. However, the mediation effect of corporate social capital and organizational citizenship behavior successively affecting non-public enterprise Party building and enterprise performance was 0.075, which was relatively weak. Therefore, the mediation effect between non-public enterprise Party building and enterprise performance was mainly manifested when social capital and organizational citizenship behavior were used as mediators.



## 2. Analysis of sequential mediation effect

Ind in the above Table 4.7 showed the sequential mediation analysis results of non-public enterprise Party building→ social capital→organizational citizenship behavior→enterprise performance. The effect value was 0.075 ( $p<0.001$ ), indicating that there was sequential mediation effect in non-public enterprise Party building→ social capital→organizational citizenship behavior→enterprise performance. Hypothesis 4d was supported.

## 4.4 Moderating effect analysis

### 4.4.1 Data processing

According to the research hypothesis, moderating effect analysis was required. We referred to description of moderating effect and operating procedures of Hayes (2013) and Tse, Ashkanasy, and Dasborough (2012) for data analysis. In order to test the moderating effect of the harmonious relationship between enterprise Party organization and the management, it is necessary to carry out Mean Centering on the independent variables and moderating variables (Tabachnick & Fidell, 2013), that is, subtract the respective means and multiply the decentralized independent variables by the moderating variables to obtain the cross-product item. These steps were all automatically completed in Process. This part mainly examines the moderating effect of the harmonious relationship between corporate party organizations and the management on the relationship between corporate social capital and corporate performance, as well as the relationship between organizational citizenship behavior and corporate performance.

### 4.4.2 Analysis of relationship between non-public enterprise Party organization and the management moderating social capital-enterprise performance

To test the moderating effect and moderating path of the harmonious relationship between enterprise Party organization and the management, according to Hypothesis 5a, the harmonious relationship between enterprise Party organization and the management moderates the relationship between social capital and enterprise performance. Therefore, Model 1 in Process was adopted.

The analysis results of the moderating model were as per Table 4.8.

Table 4.8 Analysis results of moderating effect model

Dependent variable	coeff	se	t	p	LLCI	ULCI	R <sup>2</sup>	F
constant	23.6052	0.0865	272.917	0.0000	23.4354	23.7749	0.4823	234.5019***
Corporate social capital Harmonious relationship between enterprise Party organizations and the management	0.3137	0.0279	11.2619	0.0000	0.2590	0.3684		
Corporate social capital*Harmonious relationship between enterprise Party organizations and the management	0.3771	0.0269	14.0323	0.0000	0.3243	0.4298		
Enterprise performance	0.0249	0.0049	5.1087	0.0000	0.0153	0.0344		

Notes: \*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.05$ .

As per Table 4.8, the interaction term between social capital\*relationship between non-public enterprise Party organization and the management was significant ( $p < 0.001$ ), indicating that the relationship between non-public enterprise Party building and the management had a significant moderating effect. With one standard deviation as the unit, the mean values minus one standard deviation were the low score group, and the mean values plus one standard deviation were the high score group, so four groups were generated (Hayes, 2013; Tse, Ashkanasy, & Dasborough, 2012). The simple slope of the moderation effect of relationship between non-public enterprise Party building and the management in the second half of corporate social capital-enterprise performance was shown as per Figure 4.5.

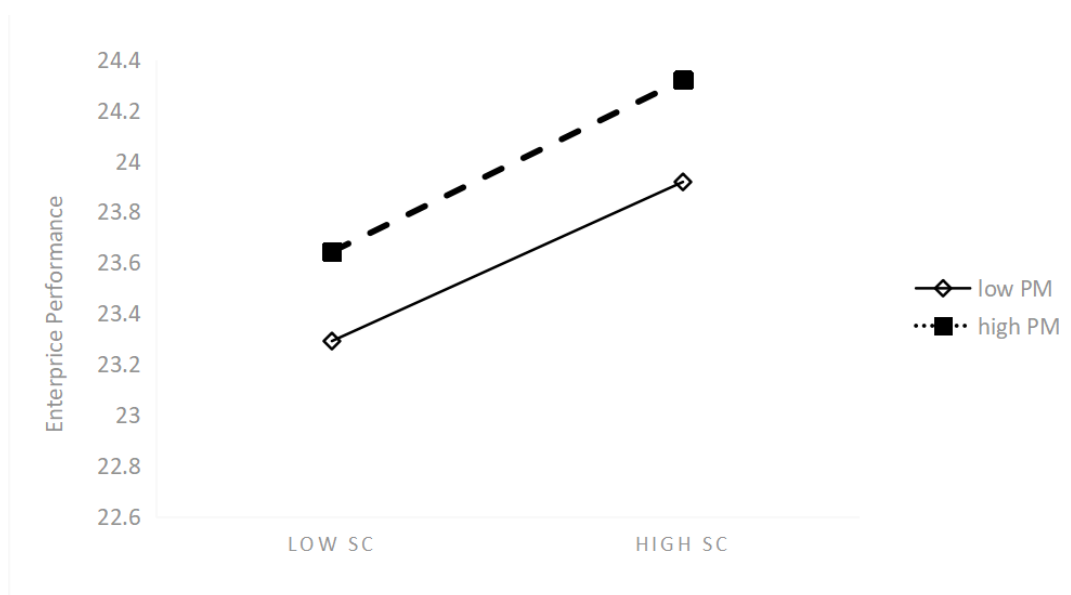


Figure 4.5 Moderating effect of PM on SC and CP

\*Note: PM refers to relationship between non-public enterprise Party organizations and the management, SC refers to corporate social capital

As shown in Figure 4.5, the moderation effect of the relationship between non-public enterprise Party organization and the management was: with high quality relationship between non-public enterprise Party organization and the management, social capital is more positively related to enterprise performance. The slope in the high quality relationship context is higher than that in the low quality relationship. Hypothesis 5a was supported.

**4.4.3 Analysis of relationship between non-public enterprise Party organizations and the management moderating organizational citizenship behavior-enterprise performance**

To test the moderating effect and moderating path of the harmonious relationship between enterprise Party organization and the management, according to Hypothesis 5b, model 1 in Process was adopted, namely, the harmonious relationship between enterprise Party organizations and the management moderated the relationship between organizational citizenship behavior and enterprise performance.

The analysis results of the moderating model were as per Table 4.9.

Table 4.9 Analysis results of moderating effect model

Dependent variable		coeff	se	t	p	LLCI	ULCI	R <sup>2</sup>	F
Enterprise performance	constant	23.5915			0.000	23.413		0.46	214.673
	Organizational citizenship behavior	0.4299	0.0442	9.7317	0.000	0.3432	0.5166	0.03	55**

Relationship between non-public enterprise Party organizations and the management	0.3507	0.0296	11.8442	0.000	0	0.2926	0.4089
Organizational citizenship behavior*Relationship between non-public enterprise Party organizations and the management	0.0324	0.0070	4.6541	0.000	0	0.0187	0.0460

Note: \*\*\* $p < 0.001$ , \*\* $p < 0.01$ , \* $p < 0.05$

Table 4.9 showed that the interaction term between organizational citizenship behavior\*relationship between non-public enterprise Party organizations and the management was significant ( $p < 0.001$ ), indicating that the relationship between non-public enterprise Party organizations and the management has a significant moderation effect. With one standard deviation as the unit, the mean values minus one standard deviation were the low score group, and the mean values plus one standard deviation were the high score group, so four groups were generated. The simple slope of the moderating effect of relationship between non-public enterprise Party organizations and the management in the second half of organizational citizenship behavior-enterprise performance was as per Figure 4.6.

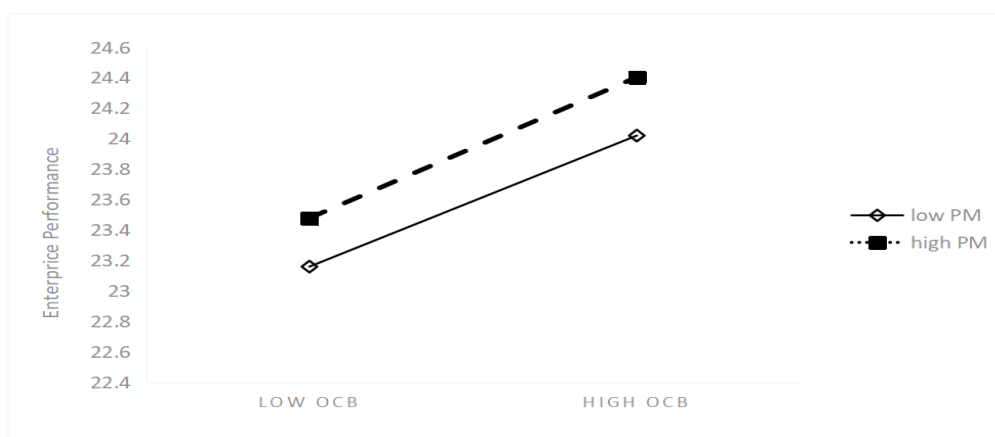


Figure 4.6 Moderating effect of PM on OCB and CP

\*Note: PM refers to relationship between non-public enterprise Party organizations and the management, OCB refers to organizational citizenship behavior

As shown in Figure 4.6, the moderation effect of the relationship between non-public enterprise Party organization and the management was: with high quality relationship between non-public enterprise Party organization and the management, organizational citizenship

behavior is more positively related to enterprise performance; the slope in the high quality relationship is higher than that in the low quality relationship. Hypothesis 5b was supported.

#### **4.5 Empirical analysis conclusions**

In summary, the fit indices, reliability between variables, convergence validity, and discriminant validity all met the requirements, so the model had a high degree of reliability. The main conclusions were as follows:

(1) Non-public enterprise Party building is positively related to enterprise performance. Hypothesis 1 was supported.

(2) Non-public enterprise Party building is positively related to corporate social capital. Hypothesis 2a was supported.

(3) Non-public enterprise Party building is positively related to organizational citizenship behavior. Hypothesis 2b was supported.

(4) Corporate social capital is positively related to enterprise performance. Hypothesis 3a was supported.

(5) Organizational citizenship behavior is positively related to enterprise performance. Hypothesis 3b was supported.

(6) Social capital mediates the positive relationship between non-public enterprise Party building and enterprise performance. Hypothesis 4a was supported.

(7) Organizational citizenship behavior mediates the positive relationship between non-public enterprise Party building and enterprise performance. Hypothesis 4b was supported.

(8) Organizational citizenship behavior mediates the positive relationship between social capital and enterprise performance. Hypothesis 4c was supported.

(9) Non-public enterprise Party building is positively related to enterprise performance through a sequential indirect effect via (a) corporate social capital and subsequent (b) organizational citizenship behavior. Hypothesis 4d was supported.

(10) Harmonious relationship between enterprise Party organization and the management accentuates the positive relationship between social capital and enterprise performance, such that when the quality of the relationship between the enterprise Party organization and the management is high, social capital is more positively related to enterprise performance. Hypothesis 5a was supported.

(11) Harmonious relationship between enterprise Party organization and the management accentuates the positive relationship between organizational citizenship behavior and enterprise

performance such that when the quality of the relationship between the enterprise Party organization and the management is high, organizational citizenship behavior is more positively related to enterprise performance. Hypothesis 5b was supported.

#### **4.6 Chapter summary**

This chapter measures the impact of non-public enterprise Party building on the performance of non-public enterprises by constructing a structural equation model, and verifies the mediating role played by corporate social capital and organizational citizenship behavior in the impact of non-public enterprise Party building on enterprise performance based on the hypotheses. It also verifies the moderating effect of harmonious relationship between enterprise Party organizations and the management on the relationship between non-public enterprise Party building and enterprise performance. The research results support the hypotheses, that is, non-public enterprise Party building has a significant positive impact on enterprise performance, corporate social capital, and organizational citizenship behavior. Corporate social capital and organizational citizenship behavior play a mediating role between non-public enterprise Party building and enterprise performance. There is sequential mediation effect in non-public enterprise Party building→social capital→organizational citizenship behavior→enterprise performance. In addition, the harmonious relationship between enterprise Party organizations and the management moderates corporate social capital and organizational citizenship behavior to affect enterprise performance.

## **Chapter 5: Discussions and Conclusions**

This is the last chapter of the thesis. First, it summarizes the main research conclusions of the full text based on the contents of the previous four chapters; second, it puts forward corresponding policy recommendations for the research conclusions; finally, it points out the research deficiencies and the direction for future research.

### **5.1 Key findings**

The central and local powers of most countries in the world today are controlled by political parties which play an important role in the political, economic and social life of modern society. The CPC has always been at the core of leadership in China's economic development and national construction, mainly by integrating Party organizations at all levels into the governance structure and governance mechanism of the economy, and influencing corporate decision-making and governance by influencing corporate resources. It is the basic economic system of China in which public ownership plays a leading role and all forms of ownership grow side by side. Non-public ownership enterprises are an important force in the development of the socialist market economy. Strengthening and improving non-public Party building will help explore the optimal integration of two completely different systems of enterprise Party building in China and corporate governance, providing assistance for the improvement of enterprise performance (Jiang & Shen, 2006).

As the process of non-public enterprise Party building lags behind the process of state-owned enterprise Party building, related research on non-public enterprise Party building started late. At present, there are relatively abundant studies on the influence of state-owned enterprise Party organizations on enterprise performance, but there are relatively few studies on the influence of non-public enterprise Party building on enterprise performance. In addition, the data of non-public enterprises are difficult to obtain, which makes the existing research on the impact of non-public enterprise Party building on enterprise performance mainly focus on descriptive and qualitative research, while empirical research is even more scarce. In addition, the existing research lacks clear and complete literature on the overall context and paradigm analysis of the mechanism and path analysis of the impact of non-public enterprise Party building on enterprise performance.

On this basis, this research draws on Chinese and international mature scales on social capital, organizational citizenship behavior, enterprise performance, and harmonious relationship between enterprise Party organizations and the management, and constructs a scale suitable for the research objectives of this thesis based on the Chinese situation and the research focus. In addition, for the measurement of Party building in non-public enterprises, we compiled a scale after interview. Data are collected by the questionnaire designed based on this scale to empirically study the impact of non-public enterprise Party building on enterprise performance and explore the path and mechanism of non-public enterprise Party building affecting enterprise performance. The main research conclusions of are as follows.

First, non-public enterprise Party building has a positive effect on the growth of enterprise performance, social capital and generation of organizational citizenship behavior. This research uses the structural equation model to empirically test the impact of non-public enterprise Party building on enterprise performance, and discusses the impact of social capital and organizational citizenship behavior on enterprise performance respectively. The research results show that: First, non-public enterprise Party building has a significant positive impact on enterprise performance, that is, non-public enterprise Party building can significantly improve enterprise performance ( $\beta=0.3$ ,  $p<0.001$ ). This conclusion supports the research conclusion of He and Ma (2018) that the Party building in private enterprises can significantly improve the enterprise performance. Second, non-public enterprise Party building has a significant positive impact on social capital and organizational citizenship behavior, that is, non-public enterprise Party building can significantly increase social capital ( $\beta=0.55$ ,  $p<0.001$ ) and promote the generation of organizational citizenship behavior ( $\beta=0.4$ ,  $p<0.001$ ). These conclusions support the research conclusions of Ye (2017) (that is, the participation of private enterprise Party organizations in corporate governance can help enterprises obtain external resources) and Long and Yang (2014) (that is, private enterprise Party organizations play an active role in building harmonious labor relations).

In China, the non-public enterprise Party organizations are the grassroots organizations of the ruling Party in non-public enterprises. They assume the responsibility of not only implementing the political ideas and political pursuits of the ruling Party, but also promoting the daily production, operation and development of the enterprise. This determines that non-public enterprise Party organizations must effectively match the goals and interests of cross-border institutions and organizations such as national systems, local development, enterprise performance, and corporate governance, and this organizational form with obvious functional cross-border characteristics is different from the singular form of corporate governance in



Western countries, which makes this research different from the existing literature on corporate governance and enterprise performance. The non-public enterprise Party organizations embed the grassroots organization of the Chinese ruling Party into non-public enterprises. The organization has not only become a bridge between non-public enterprises and the ruling Party, but also an effective and legal way for non-public enterprises to obtain political resources. It even becomes a way for the ruling Party to expand the mass base of the new social class (Hu & Shi, 2008; Zhang & Zhang, 2005). First of all, although non-public enterprise Party organizations do not directly interfere with the corporate operation, they must consider the operation and development of the enterprise. The positive or negative attitude of entrepreneurs towards the enterprise Party organization will affect the development and performance of the enterprise (Kou, 2017). Second, the non-public enterprise Party organizations provide non-public enterprises and business owners with a legal way to obtain political resources and political asylum without relying on private relationships and private social networks (He & Ma, 2018; Cao, 2006). Third, the employees in non-public enterprises belong to the working class, and are an important mass foundation of the CPC. The Party organizations of non-public enterprises take account of the legitimate interests of all stakeholders, including business owners, managers, and employees in the integration into corporate governance. In addition, safeguarding the rights and interests of employees is one of the core functions of non-public enterprise Party organizations (Chen, 2014). The activities of the non-public enterprise Party organizations in these three aspects can transform the advantages of the enterprise Party organizations in political resources, management resources, and organizational capabilities into resources of non-public enterprises, and ultimately benefit the improvement of enterprise performance. This is consistent with part of the main duties performed by Party organizations in non-public enterprises.

Second, non-public enterprise Party organizations can affect enterprise performance through two paths: the social capital and organizational citizenship behavior. That is, social capital and organizational citizenship behavior play a mediating role in the impact of non-public enterprise Party building on enterprise performance. The mediating role of organizational citizenship behavior is greater than that of social capital. This research adopts the mediating effect analysis method to construct the mechanism and path of the impact of non-public enterprise Party building on enterprise performance, and empirically examines the mediating role of social capital and organizational citizenship behavior in non-public enterprise Party building affecting enterprise performance. The research results show that: First, social capital and organizational citizenship behavior have a significant positive impact on enterprise

performance. Companies can increase social capital and promote organizational citizenship behavior to improve enterprise performance. The results of the empirical research support Hypothesis 3a, that is, social capital is positively related to enterprise performance ( $\beta=0.19$ ,  $p<0.001$ ). This conclusion supports the view of (Bian & Qiu, 2000) that social capital has a direct effect on improving the economic benefits of enterprises. The results of the empirical research support Hypothesis 3b, that is, organizational citizenship behavior is positively related to enterprise performance ( $\beta=0.4$ ,  $p<0.001$ ). This conclusion supports the view of Farh et al. (1997) that organizational citizenship behavior, as an off-role behavior of employees, can promote the effective operation of the organization and improve organizational competitiveness and organizational performance. Second, social capital and organizational citizenship behavior play a mediating role in non-public enterprise Party building and enterprise performance. Social capital and organizational citizenship behavior are effective ways for non-public enterprise Party building to affect enterprise performance. The empirical research results support Hypothesis 4a, that is, social capital plays a mediating role between non-public enterprise Party building and enterprise performance, and the mediating effect is 0.106,  $p<0.001$ . This conclusion supports the view of Ye (2017) that the participation of private enterprise Party organizations in corporate governance can help enterprises obtain external resources and improve enterprise performance. The empirical research results support Hypothesis 4b, that is, organizational citizenship behavior plays a mediating role between non-public enterprise Party building and enterprise performance. This conclusion supports the view of Long and Yang (2014) that the Party organizations of private enterprises can significantly improve the labor productivity of enterprises by coordinating labor relations and safeguarding the interests of employees. Third, the mediating effect of organizational citizenship behavior as a mediating variable is greater than the mediating effect of social capital, which indicates that the positive influence exerted of non-public enterprise Party organizations through organizational citizenship behavior within the organization may be greater than the influence exerted through the social capital outside the organization. Chu and Jia (2012) analyzed the contribution of Party building in non-public enterprises to corporate governance mechanisms from both internal and external aspects, but they did not compare the differences between the internal and external influences. Ye (2017) found that the participation of Party organizations in private enterprises in corporate governance can help enterprises obtain external resources but cannot reduce the internal agency costs. Although the external governance benefits and internal governance effects of Party organizations are compared, the internal governance effect is not based on labor relations, so it is impossible to compare the differences between the influence of non-public

enterprise Party organizations on internal organizational citizenship behavior and external social capital. The finding of this study supplements the existing literature and also provides a direction for future research.

As the grassroots organizations of the ruling Party, the non-public enterprise Party organizations can affect enterprise performance from the outside as well as from the inside. The external approach is mainly manifested in that non-public enterprise Party organizations can broaden social capital channels and optimize the external environment of non-public enterprises, including providing non-public enterprises with public goods, preferential policies, scarce resources, market access opportunities, signal transmission and property rights protection, and narrowing the gap between non-public enterprises and SOEs in terms of financing, market access, resources, opportunities, policies, communication, systems, and competition (Jiang & Shen, 2006; Yu & Pan, 2008; Liang, Li, & Li, 2004; Allen, Qian, & Qian, 2005; Cao, 2006). These are the social capital that non-public enterprise Party organizations can provide to non-public enterprises, which can reduce the investment of non-public enterprises in non-productive activities to maintain political connections, and at the same time save the investment in non-public enterprise production activities.

The internal approach is mainly manifested in the fact that the non-public enterprise Party organizations can compensate for the complex internal organization, the unscientific management model, the lack of human resources, the low quality of employees, and the tension between labor and capital of the non-public enterprises. This is because the non-public enterprise Party organizations are developed in the long-term economic construction of the ruling Party, and they have rich, complete and systematic organizational experience and management model (Chen, 2014; Long & Yang, 2014; Dang, 2017; Xie & Fu, 2013).. The embedding of Party organizations in non-public enterprises can help them get rid of the constraints of family operation and management mode on the sustainable development of the company, and convey to the company employees a positive atmosphere of fairness, trustworthiness, recognizability, communication, and promotion opportunities, which enhances the employees' sense of belonging to the company. In addition, the existence of Party organizations in non-public enterprises has effectively eased the labor relationship of "strong capital and weak labor" that is common between enterprises and employees (Chen, 2014). This offers a fair and effective channel for the mutual respect, mutual trust, and consultation on the basis of equality between employees and enterprises. It stimulates employees' off-role behaviors, that is, employees' organizational citizenship behavior, so that employees take the initiative to present spontaneous, voluntary, altruistic and unpaid behavior to the company.

Therefore, non-public enterprise Party organizations ultimately contribute to the improvement of enterprise performance through both external and internal aspects.

Third, harmonious relationship between enterprise Party organizations and the management plays a positive moderating role in the impact of social capital and organizational citizenship behavior on enterprise performance. This research adopts the method of moderating effect analysis to empirically test that the harmonious relationship between enterprise Party organizations and the management moderates the effect of social capital and organizational citizenship behavior on enterprise performance. The research results show that harmonious relationship between enterprise Party organizations and the management plays a moderating role in the impact of social capital and organizational citizenship behavior on enterprise performance. Enterprises should actively work to build a harmonious relationship between enterprise Party organizations and the management to increase the social capital and promote the generation of organizational citizenship behavior. The results of empirical research support Hypothesis 5a and 5b, that is, the harmonious relationship between enterprise Party organizations and the management strengthens the relationship between social capital, organizational citizenship behavior and enterprise performance. This conclusion supports the views of Wang and Ma (2014) and Long and Yang (2014).

The embedding of enterprise Party organizations in the daily operations of non-public enterprises will exert an impact on enterprise management. This impact involves the training of management talents, supervision of management's professional ethics, implementation of management's thinking and decision-making, management's selection of management style, and management's awareness of social responsibility (Ma, Wang, & Shen, 2012; Wu & Wang, 2018; Wang & Ma, 2014). The enterprise Party organizations can not only supervise the behavior of the management in the form of board of supervisors, but also communicate and coordinate with the management in the form of trade union. They can not only supervise the rights of the management on behalf of the business owner, so as to reduce the principal-agent conflicts between managers and shareholders to reduce agency costs, but also negotiate with management on behalf of workers to obtain a safe and healthy working environment, opportunities for training and participation in corporate management, and opportunities to improve the quality of work and life of employees (Long & Yang, 2014). A harmonious relationship between the enterprise Party organizations and the management can create a good business environment for the company. It facilitates the management and employees to help the company achieve strategic goals and corporate value, and ultimately contributes to the improvement of enterprise performance.

## 5.2 Policy recommendations

The establishment of grassroots Party organizations in non-public enterprises is a political and economic development model with Chinese characteristics. Its core purpose is to explore the best integration of two completely different systems of enterprise Party building and corporate governance, which is to give full play to the advantages of Party organizations in the modern corporate governance to promote the positive and rapid development of the enterprise. In this process, not only the continuous efforts of the enterprise Party organizations to improve themselves is needed, but also the support of the enterprise and the assistance of the government are required. Therefore, based on the main conclusions of this research, the policy recommendations are proposed from three aspects of enterprise Party organization, enterprise and the government to better play the positive role of enterprise Party organization on the performance of non-public enterprises.

To begin with, there are two policy recommendations for enterprise Party organizations. First, it is necessary to give full play to the role of enterprise Party organizations in coordinating labor relations within the enterprise, safeguarding the legitimate interests of business owners, employees and all parties, building harmonious labor relations, and promoting the generation of organizational citizenship behavior of corporate employees; second, it is necessary to give full play to the role of the enterprise Party organization in the external social capital of the enterprise. They can rely on either the individual-level social capital or the organizational-level social capital to establish a good cooperative relationship with external stakeholders. As shown in the conclusions, non-public enterprise Party organizations play a positive role in promoting the growth of enterprise performance, social capital and organizational citizenship behavior. In addition, non-public enterprise Party organizations can use the two paths of social capital and organizational citizenship behavior to affect enterprise performance.

Non-public enterprise Party building is a product of the long-term development of China's special political and economic system, with obvious socialist political and economic characteristics. Its purpose is to strengthen the mass base of the socialist country, broaden the political communication channel of non-public enterprises, establish harmonious labor relations of the entire society, and focus on construction of "service-oriented" enterprise Party organization. The Party organizations of non-public enterprises do not represent the special interests of a certain group of people, but the interests of the whole. Promoting labor-management harmony is the main responsibility of the non-public enterprise Party

organizations. The Party organizations of the non-public enterprises can act as a bridge between the ruling Party and the masses of workers, and they can mobilize the enthusiasm of all parties, create a good atmosphere for the harmonious development of enterprises, supervise and guide the legal employment of enterprises, promote the implementation of democratic management systems in enterprises, and guide trade unions to rationally safeguard the rights and interests of employees. In addition, enterprise Party organizations are one of the channels for enterprises to establish political relations. Through non-public enterprise Party building, non-public enterprises can establish political relations with the government at no cost through enterprise Party organizations, thus obtaining market access opportunities, financing conveniences, and financial subsidies, reducing the possibility of non-public enterprises suffering from policy “discrimination”, monopoly and access barriers, alleviating the financing difficulties of non-public enterprises due to system defects, and making government financial subsidies tilt towards non-public enterprises. Through the efforts in these two aspects, non-public enterprises and the government can establish reciprocal and emotional relations, enhance the sense of identity and belonging between the community, and contribute to the formation of “pro-people” and “clean” new government-enterprise interaction as well as mutual trust, so as to achieve the best integration of the two different systems of enterprise Party organization and enterprise management.

Second, there are three policy recommendations for enterprises. First, non-public enterprises should actively support the establishment of grassroots Party organizations in enterprises and participate in the activities of enterprise Party organizations, strengthen Party building and stimulate Party organization vitality, and pay due attention to the full play of the positive role of enterprise Party organizations in non-public enterprises. In addition, this study shows that the higher the investment in Party activity funds, the higher the performance of the enterprise, and the higher the rating of the Party organization, the higher the performance of the enterprise. This means that enterprises can increase their investment in Party building activities, which can lead to positive enterprise performance; when enterprises support Party building and improve the star-rating of Party organizations, the enterprise performance will also be improved. Second, enterprises should promptly report to the Party organizations the problems they face in their economic development, and actively seek preferential policies or other corresponding policy support and policy supplies from relevant government departments in financing and taxation, so as to provide a more complete institutional environment for the development of the enterprise. Third, enterprises should correctly handle the relationship between the enterprise Party organization and the management, respect each other, promote the formation of

harmonious labor relations, improve the corporate atmosphere, and give full play to the enthusiasm and resource advantages of the enterprise Party organization and the management. As the conclusion shows, the Party organizations of non-public enterprises have a significant positive impact on enterprise performance, that is, the non-public enterprise Party organization can significantly improve the performance of the enterprise. In addition, the harmonious relationship between the enterprise Party organizations and the management will help social capital and organizational citizenship behavior stimulate the improvement of enterprise performance.

The non-public enterprise Party organization, as an organized, systematic, and long-term interaction mechanism in non-public enterprises by the ruling Party, can effectively ease labor relations and provide social capital for enterprises. However, whether the establishment of a non-public enterprise Party organization can effectively help the production and operation of the enterprise also depends on the recognition of the enterprise Party organization by the enterprise and business owners. The establishment and activities of non-public enterprise Party organizations depend on the support of enterprises and cannot be separated from the interests, wishes and demands of enterprises and business owners. On the contrary, the survival and development of enterprises also depend on the support of the government and the ruling Party, and cannot be separated from the unique advantage of resources held by the government. Both parties can obtain the resources they need based on social exchange. The non-public enterprise Party organization has the policy publicity and organizational connection function lacked by the enterprises. Through the enterprise Party organization, the non-public enterprises can maintain close contact with the government, obtain timely information on various related policies and regulations, and offer support for the enterprise to formulate accurate development strategy based on current events. In addition, non-public enterprises can legitimately and legally use enterprise Party organizations to express their political aspirations and demands, reduce the inconvenience of communication with the government due to information asymmetry, and improve the competitiveness and enthusiasm of non-public enterprises in the market, especially eliminate the adverse effects of institutional barriers on non-public enterprises, and ensure that non-public enterprises can enjoy the same treatment as other enterprises in terms of market access, financing and taxation.

Finally, there are two policy recommendations for the government. First, the government should actively give full play to enterprise Party organizations, a formal organizational channel, to support enterprises, so as to reduce the support of informal government resources to enterprises, and improve the institutional construction of non-public enterprise Party

organizations; second, the government should deal with the relationship between enterprise Party organizations and non-public business owners and the relationship between enterprise Party organizations and enterprise management to create a harmonious environment for Party organizations to play a role in non-public businesses. As the conclusion shows, a harmonious relationship between enterprise Party organizations and the management plays a moderating role in impact of social capital and organizational citizenship behavior on enterprise performance.

There are many shortcomings and imperfections in China's current institutional environment. Relationship network, especially political connections, has often become a perfect substitute for the lack of formal rules and policy uncertainty. Political connections emphasize the political background of enterprises or business owners at the individual level, and this connection is an informal one. The enterprise Party organization emphasizes the political connections at the organizational level, and this connection is a formal one and has strict requirements for organizational norms and regulations. The enterprise Party organization denies the traditional power-money transaction and government-enterprise collusion connection. Instead, it pays more attention to the use of the Party's political resources to promote the orderly, legal and fair participation of non-public enterprises in politics. It seeks to create a good and stable atmosphere for the development of non-public enterprises, and it seeks long-term development of the enterprise instead of personal gains. The non-public enterprise Party organizations try to send a good image signal to the enterprise, and guide the enterprise to pursue its own interests on the basis of following the laws of the market and complying with the legal constraints of the country. In addition, the political connections at the organizational level integrate organizational resources into the internal organizational reform system of the enterprise, which can effectively restrain the management's power in business decision-making, employment, and compensation contracts, reduce management rent-seeking, corruption, utilitarianism, and speculative behaviors and activities, supervise the management to abide by professional ethics and overcome the disorder of human resource management. In contrast, the establishment of Party organizations in non-public enterprises is more conducive to the establishment of mutually beneficial and emotional relationships between the government and the enterprises, enhances the sense of identity and belonging between the two, and promotes the political mutual trust between the government and enterprise management.



### 5.3 Conclusions

The data in this research prove that by embedding Party organizations into corporate organizations and working on the goal of corporate economic performance growth, the logical unity of Party organizations and capital can be achieved. In the field of enterprise organization, the logic of the dual system integration of Party organization and the capital mixed organization form is achieved. Essentially the two respect the development of their respective logical laws and ensure their independence. By exerting the political advantages and role of the Party organization and Party members, they provide new institutional supply and interactive governance mechanisms for new organizational forms.

At present, from a micro level, the Party organization is embedded in the enterprise to establish a connection point between the Party organization and the capital to give full play to its own function and role. Compared with the organizational and planned characteristics of enterprise Party building activities, spontaneity and liquidity are the basic characteristics of capital logic. Therefore, the proactive characteristics of the Party organization determine that the Party should not only use the profit-seeking property of capital to promote economic growth, but also use the efficiency of capital flow to improve the efficiency of the Party organization, thereby consolidating and improving its ruling position and effect. However, the flow of capital has no restrictions or boundaries, while Party building activities are restricted by organizational boundaries. An important way for Party organizations to utilize capital is to use all levels of organizational intervention to make Party organizations present the possibility of rent-seeking, utilitarianism, and speculation.

The penetration of Party organizations means a change in organizational form. Party members are the micro-component of the logical operation of the Party organization and enterprise organization at the same time. Party members bring the characteristics of the ruling Party into the enterprise. The dual ability of Party members helps to find the optimal integration point of the two seemingly contradictory and conflicting system logics in the organization. In particular, the enterprise's Party organization managers should abandon the single logic dominance and turn to the dual logic symbiosis evolution system. Under the leadership of the Party's organizational logic, the main structure of the bureaucratic organization is based on a top-down transmission method that quickly realizes tasks; and under the leadership of market logic, to quickly respond to the dynamic and diversified demands of the external environment of the enterprise, various corresponding bar organization structures are formed. In the

organizational structure where Party organizations are embedded in the enterprise, the unification of dual system logic and dual organizational goals will restructure the organizational form of non-public enterprises and change the traditional single governance structure to a comprehensive common governance structure based on stakeholders.

The enterprise Party organizations are the grassroots Party organizations of the CPC, and an important carrier and means of governing the country. Enterprises are the matrix and organization of capital. One of the duties of a political Party is to maintain justice, and the attribute of capital is to pursue efficiency and achieve proliferation. Therefore, the operating logic of the ruling Party and capital is objectively contradictory. To overcome the logical contradiction between political parties and capital, it is necessary to organically link the two subjects in the micro-sphere, and build a coordinated and interactive coupling mechanism. Finally, the power of the Party and capital are combined to produce a new form of organization to achieve greater efficiency. The power of the Party comes from the organization, and the organization can double the power. To reshape the relationship between political Party and capital, to achieve the logical unity and mutual integration of political Party and capital, and to improve the ability of the ruling Party to control capital, the key is to find the point of convergence between the political Party and capital. This point of convergence is organization and embedding of organization, which changes the management structure to achieve the logical unity of political Party and capital (Guo,2016). As a result, the enterprise organization can become an efficient and fair profit organization, and at the same time it can achieve reasonable resource allocation.

#### **5.4 Limitations and future study**

This research constructs a model of the impact mechanism of non-public enterprise Party building on enterprise performance, starts from three aspects of social capital, organizational citizenship behavior, and a harmonious relationship between enterprise Party organizations and the management, emphasizes the differences in different non-public enterprise Party building and activities, and carries out a quantitative study on the Party organizations of non-public enterprises to explore the impact of non-public enterprise Party building on enterprise performance. However, due to various reasons and limitations of my research ability, this research still has some limitations and can be further improved in subsequent research.

First, the samples are only from the Ningxia Hui Autonomous Region, so the selection of questionnaire samples has certain geographical limitation. Therefore, follow-up research can

expand the sample source and collect more questionnaire data from other provinces in China. In addition, the respondents of this study are the persons in charge of the Party organizations, and we cannot rule out prejudice in their work. Future research can select corporate management as the research subjects.

Second, the research model only considers the mediating effects between social capital, organizational citizenship behavior, and a harmonious relationship between enterprise Party organizations and the management. Therefore, in the follow-up research, scholars can continue to deepen and expand other ways and mechanisms of the impact of non-public enterprise Party building on enterprise performance to improve the relationship model of the impact of non-public enterprise Party building on enterprise performance.

Finally, the enterprise performance measurement studied in this research is the subjective judgment of the research subjects. Therefore, follow-up research can select more objective data, including corporate profits, revenue and tax data.

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## **Annex A**

### **Academic Achievements Obtained in My Doctorate**

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## Annex B

### Chinese non-public enterprise Party organization and enterprise performance questionnaire survey

Dear lady/sir, thank you very much for filling out this questionnaire!

This questionnaire survey aims to study the situation of non-public enterprise Party organizations. The results of the questionnaire are for academic research only, and shall not be used as a basis for evaluation or rewards and punishments of any enterprise or individual. Please fill in truthfully according to your real situation. Thanks for your support!

#### Part One Party Building Activities

In the following descriptions, please tick the number that is most consistent with the actual situation. There are 6 levels from the number 1 = “totally disagree” to 6 = “totally agree”.

SN	Items	Totally Disagree	Disagree	Basically Disagree	Basically Agree	Agree	Totally Agree
1	The enterprise Party organization has full-time Party affairs personnel.	1	2	3	4	5	6
2	The enterprise Party organization is a part of corporate organizational structure.	1	2	3	4	5	6
3	The enterprise Party organization has specialized fund.	1	2	3	4	5	6
4	The enterprise has constant Party building activities.	1	2	3	4	5	6
5	The enterprise Party organization effectively participates in corporate operation and management activities.	1	2	3	4	5	6
6	At least one of the enterprise Party organization members is the leaders of the company.	1	2	3	4	5	6

**Part Two Social Connections**

In the following descriptions, please tick the number that is most consistent with the actual situation. There are 6 levels from the number 1 = “totally disagree” to 6 = “totally agree”.

SN	Items	Totally Disagree	Disagree	Basically Disagree	Basically Agree	Agree	Totally Agree
1	The enterprise Party organization is closely related to Party and government organizations at all levels.	1	2	3	4	5	6
2	The enterprise Party organization is closely related to management departments such as industry and commerce departments and taxation departments.	1	2	3	4	5	6
3	The enterprise Party organization is closely related to financial institutions.	1	2	3	4	5	6
4	The enterprise Party organization is closely related to industry competent departments (administration committee of the development zone and industrial association).	1	2	3	4	5	6
5	The enterprise Party organization is closely related to clients, suppliers and other enterprises.	1	2	3	4	5	6
6	The enterprise Party organization is closely related to scientific research institutions, universities and technical agencies.	1	2	3	4	5	6
7	The enterprise Party organization effectively expands and strengthens connection between the enterprise and government departments and the outside world.	1	2	3	4	5	6

**Part Three Relationship between Party Organizations and the Management**

In the following descriptions, please tick the number that is most consistent with the actual situation. There are 6 levels from the number 1 = “totally disagree” to 6 = “totally agree”.

SN	Items	Totally Disagree	Disagree	Basically Disagree	Basically Agree	Agree	Totally Agree
1	The Party organization and the management work together to improve working environment.	1	2	3	4	5	6
2	The Party organization and the management respect job objectives of each other.	1	2	3	4	5	6
3	The Party organization and the management attach great importance to views of each other.	1	2	3	4	5	6
4	In our company, the Party organization and the management keep their own promises.	1	2	3	4	5	6
5	In our company, the Party organization and the management work together to achieve practical results.	1	2	3	4	5	6
6	In our company, coordination and communication of existing problems are conducted in a harmonious atmosphere.	1	2	3	4	5	6
7	In our company, the Party organization and the management get along well.	1	2	3	4	5	6
8	In our company, the management generally believes that the Party organization is helpful to the company’s operation and management.	1	2	3	4	5	6

**Part Four Enterprise performance**

In the following descriptions, please tick the number that is most consistent with the actual situation. There are 6 levels in total, with 1 = “absolutely worse”, 2 = “obviously worse”, 3 = “worse”, 4 = “better”, 5 = “obviously better”, and 6 = “absolutely better”.

SN	Items	Absolute ly Worse	Obviously Worse	Worse	Better	Obviously Better	Absolute ly Better
1	Since the establishment of the Party organization, the company's profit growth	1	2	3	4	5	6
2	Since the establishment of the Party organization, the company's sales growth	1	2	3	4	5	6
3	Since the establishment of the Party organization, the company's market share	1	2	3	4	5	6
4	Since the establishment of the Party organization, the company's labor-capital relations	1	2	3	4	5	6
5	Since the establishment of the Party organization, the company's participation rate of social insurance such as old-age care, medical treatment, work injury, and unemployment	1	2	3	4	5	6
6	Since the establishment of the Party organization, the company's labor dispute resolution	1	2	3	4	5	6
7	Since the establishment of the Party organization, the company's turnover situation	1	2	3	4	5	6
8	Since the establishment of the Party organization, the company's employee participation in corporate decisions	1	2	3	4	5	6
9	Since the establishment of the Party organization, the company's investment in staff training	1	2	3	4	5	6



**Part Five Employee Performance**

In the following descriptions, please tick the number that is most consistent with the actual situation. There are 6 levels from the number 1 = “totally disagree” to 6 = “totally agree”.

SN	Items	Totally Disagree	Disagree	Basically Disagree	Basically Agree	Agree	Totally Agree
1	The employees are willing to stand up and protect the reputation of the company.	1	2	3	4	5	6
2	The employees are eager to tell outsiders about the good news of the company and clarify others' misunderstandings about the company.	1	2	3	4	5	6
3	The employees propose some constructive suggestions to improve the company's management level.	1	2	3	4	5	6
4	The employees actively participate in company meetings.	1	2	3	4	5	6
5	The employees are willing to help new colleagues to adapt to the working environment.	1	2	3	4	5	6
6	The employees are willing to help colleagues solve work-related issues.	1	2	3	4	5	6
7	When necessary, the employees are willing to help colleagues to do extra work.	1	2	3	4	5	6
8	The employees are willing to cooperate and communicate with colleagues.	1	2	3	4	5	6
9	The employees follow the rules and procedures of the organization, even if no one sees it and no evidence remains.	1	2	3	4	5	6
10	The employees treat the work seriously and rarely make mistakes.	1	2	3	4	5	6
11	The employees don't mind new jobs or challenges.	1	2	3	4	5	6

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12	The employees work hard to learn by themselves to improve work effectiveness.	1	2	3	4	5	6
13	The employees often arrive at the company early and start working immediately.	1	2	3	4	5	6
14	The employees use illegal means to pursue individual influence and interests to harm interpersonal harmony within the enterprise.	1	2	3	4	5	6
15	The employees use position power to pursue selfish individual interests.	1	2	3	4	5	6
16	The employees value honor, avoid mistake, and fight fiercely for individual interests.	1	2	3	4	5	6
17	The employees often speak ill of superiors or colleagues in the back.	1	2	3	4	5	6
18	The employees deal with their personal affairs in the working time (such as stock trading, shopping, going to a barber shop, etc).	1	2	3	4	5	6
19	The employees use company resources to do personal things (such as using company phone and car).	1	2	3	4	5	6
20	The employees regard sick leave as a benefit, and make excuses for sick leave.	1	2	3	4	5	6

### Part Six Basic Information

Please tick “√” on the numbers of corresponding items or fill in actual information or numbers.

1. When was your company established? \_\_\_\_\_
2. The current number of employees in your company: \_\_\_\_\_
3. The Party organization of your company was established in the year of \_\_\_\_\_
4. Which industry is your company in?
  - 1) Manufacturing
  - 2) Service
  - 3) Others
5. How many CPC Party members are there in your company?
  - 1) 3-5
  - 2) 6-10
  - 3) 11-50
  - 4) 51-100
  - 5) Over 101
6. What is the level of the Party organization of your company?
  - 1) Party committee
  - 2) General Party branch
  - 3) Party branch
7. What is the major source of funds for Party building activities?
  - 1) Self-funded by the Party organization
  - 2) Support from the company
  - 3) Support from Party organizations at higher levels
8. What is the volume of Party building activities fund invested by the company in 2019?
  - 1) Below 10,000 yuan
  - 2) 10,000-50,000 yuan
  - 3) 50,000-100,000 yuan
  - 4) 100,000-300,000 yuan
  - 5) Over 300,000 yuan
9. What is your position in the company?
  - 1) High-level leaders
  - 2) Middle-level leaders
  - 3) Primary-level employees
10. Your length of working years in the company: \_\_\_\_\_ year(s).
11. What is the educational background of the owner of your company?
  - 1) Middle school and below
  - 2) Senior high school/vocational school/technical secondary school/Polytechnics/junior college
  - 3) Undergraduate
  - 4) Master
  - 5) PhD
12. What is the nationality of the owner of your company?
  - 1) The Han nationality
  - 2) The Hui nationality
  - 3) Other nationalities
13. Is the owner of your company a Party member of CPC?
  - 1) Yes
  - 2) No
14. In your middle-level and high-level managers, have any of them been deputies to the NPC or CPPCC members? If yes, what is the highest level?
  - 1) No
  - 2) Yes, township level
  - 3) Yes, county or city level
  - 4) Yes, provincial or provincial capital level
  - 5) Yes, national level
15. Policy or support enjoyed by your company from Party and government departments over the past 3 years (multiple choice):

1) Low(zero)-interest loan    2) Tax relief    3) Fiscal subsidy

4) Support funds    5) Financing support    6) No

16.Name of company in industry and commerce registration:  
(optional)\_\_\_\_\_

This concludes the questionnaire, thank you again for your cooperation!