

The “Close” and “Unsullied” New Government-Business Relationship and Entrepreneurial Orientation: Empirical Research from Listed Firms in China

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Abstract

Establishing a new government-business relationship with “close” and “unsullied” as the core characteristics aimed to provide a good institutional environment for enterprise economic activities, but there were few researches which focused on the impact of the new government-business relationship on the entrepreneurial orientation of enterprises. This paper took A-share listed companies in Shanghai and Shenzhen from 2016 to 2019 as the research object, and empirically analyzed the impact of the new government-business relationship with “close” and “unsullied” as the core characteristics on the entrepreneurial orientation (EO) of enterprises based on institutional theory. The results showed that the new government-business relationship can stimulate the EO of enterprises by providing them with abundant innovation resources and accurate and timely market information. After refining the new government-business relationship, it was found that both “close” and “unsullied” of the new government-business relationship can effectively promote the EO strategy of enterprises. Further research showed that compared with state-owned enterprises, the new government-business relationship had a more significant impact on the EO of private enterprises. The new government-business relationship can promote the EO of enterprises through government subsidies and tax incentives. This study helped to understand the boundary between enterprises and government, and provided empirical evidence for promoting the development of new government-business relations and promoting the EO strategy of enterprises more effectively.

Keywords

The New Government-Business Relationship, Entrepreneurial Orientation, Institutional Theory

1. Introduction

From the proposal of “mass entrepreneurship and innovation”, the report of the 19th CPC National Congress pointed out in “stimulating and protecting entrepreneurship and encouraging more social entities to engage in innovation and entrepreneurship”. Innovation and entrepreneurship have always been the focus of academic and industrial circles and a necessary driving force to promote the reform of the supply-side structure and achieve high-quality economic development. As an essential driving force for entrepreneurial behavior (Lumpkin & Dess, 1996; Miller, 1983), entrepreneurial orientation (EO) is a strategic model adopted by enterprises to pursue innovation and development to build a dominant position in the market (Wang & Hu, 2021). It is characterized by innovation, initiative, and risk-taking (Miller, 1983). Although the literature on EO has been abundant in recent years, relevant researches mainly reveal the economic consequences of entrepreneurship orientation, such as enterprise innovation, enterprise performance, enterprise resource acquisition, etc. (Stam & Elfring, 2008; Dai et al., 2014; Han & Gao, 2018; Ge & Zhao, 2022). However, there are relatively few studies on the antecedents of entrepreneurial orientation. The influences on entrepreneurial orientation are mainly discussed from the level of organization and management, such as organizational culture, organizational improvisation, CEO self-efficacy, entrepreneur new deal perception, etc. (Engelen et al., 2014; Wales et al., 2013; Li & Jiao, 2014; Dai & Zhao, 2020). The research on the macro level is relatively insufficient. In the context of China’s transition economy, the macro-leading factor that enterprises should pay special attention to in implementing entrepreneurial orientation strategy is the relationship between government and business. Despite the continuous improvement of China’s market-oriented reform, the government still holds the power of resource allocation to a large extent (Zhou et al., 2016). As a strategic model with high resource consumption, entrepreneurial orientation needs a large amount of resource support, so that the government can influence the implementation of entrepreneurial orientation through administrative means.

In the early stage of Chinese reform and opening up, due to the imperfect market system, the boundary between enterprises and the government is relatively vague, and many enterprises have got the support of resources by establishing a good relationship with the government. Although this behavior creates short-term economic benefits (Song et al., 2020), it also breeds space for corruption and has hurts impact on enterprise innovation (Yuan et al., 2015). To re-

store a healthy government-business relationship, The report of the 19th CPC National Congress pointed out that the “close” and “unsullied” new government-business relationship should be built to reduce the excessive intervention of the government in the microeconomy, to change the way enterprises obtain innovative resources from the distributor of resources to the supplier of public goods and the improver of the market system.

The institutional theory holds that the strategic behavior of enterprises will be affected by institutional change (Peng, 2003), and institutional change may have a heterogeneous effect on the strategic choice of enterprises of different ownership types (Peng, 2003; Su et al., 2016). As an active strategy adopted by enterprises to seek innovative development (Wang & Hu, 2021), EO is inevitably influenced by the particular institutional environment, which is the government-business relationship (Zhou et al., 2017). Based on this, this paper takes the A-share listed companies in Shanghai and Shenzhen from 2016 to 2019 as analysis samples to empirically test the influence of the “close” and “unsullied” new government-business relationship on the EO of enterprises, and also analyzes the impact of the nature of enterprise ownership on the above relationship. Finally, from the perspective of economic consequences such as bank loans, government subsidies, and tax incentives, the paper discusses the value significance of the new government-business relationship.

2. Theoretical Analysis and Research Hypothesis

2.1. The Connotation of the New Government-Business Relationship

The government-business relationship refers to the general interaction between enterprises and government in a country or region, which is the core part of social and political structure and a variable at the macro institutional level. It is different from “political ties” in the previous literature. Political ties refer to the actions taken by enterprise executives to build and develop relations with government officials to obtain needed resources. It reflects variables at the individual level of the firm. For a long period of time since the founding of New China, based on Marxist criticism of capital, China implemented a socialist planned economy system in which the state planned production, resource allocation and product consumption in advance. The type and quantity of enterprise production were completely determined by the state plan. Capital and power were in opposition. The relationship between government and business is in a state of “unsullied but not close”. With the completion of the task of our initial socialist construction in China, the continuous expansion of economic scale and the increasing number of economic connections, the planned economy system limits the vitality and initiative of enterprises. In order to change the restraint on the productive forces, China has established a socialist market economy system that makes the market play a decisive role in the allocation of resources under the macro-control of the socialist state. However, because the government still

maintains a strong influence on the economy and the power restraint mechanism is not perfect, it leaves no small space for rent-seeking for the collusion between government and business and power-money transactions. During this period, the corruption problem is relatively serious, and the relationship between government and business is in a state of “close but not unsullied”. Since the 18th CPC, the Central Committee has intensified anti-corruption efforts, investigated and punished several corrupt elements and illegal business people. The phenomenon of collaboration between government and business has been restrained. However, some party and government cadres dare not take responsibility and do not want to contact entrepreneurs. To straighten out the government-business relationship, the report of the 19th CPC National Congress pointed out that the “close” and “unsullied” new government-business relationship should be built. “Close” means closeness, emphasizing sincere communication between the two sides. “Unsullied” is clean, requires each other aboveboard. Leading officials should be more “friendly” to entrepreneurs, enhance their sense of responsibility, and actively act and serve at the front. They should not only have direct and sincere contact and exchanges with entrepreneurs, help solve practical difficulties and support the development of enterprises with sincerity, but also maintain a clean and pure relationship with entrepreneurs. They should not engage in dealings with greed, selfishness, use power for personal gain, or engage in power money trading. Finally, realize the organic unity of “close” and “unsullied”. Establishing the new government-business relationship is of great significance to optimize the business environment, clarifying the boundary between the government and enterprises, and promoting the healthy and stable development of enterprises. The implication of the new government-business relationship is shown in **Figure 1**.

2.2. The New Government-Business Relationship and Entrepreneurial Orientation

The relationship between government and business has an important impact on the performance of the government and the development of the economy, and is a very important relationship in the operation of the society. However, sometimes too close between the two will lead to the breeding of corruption, resulting in adverse economic consequences and social impacts. Therefore, the ideal form of the relationship between government and business is neither “unsullied but

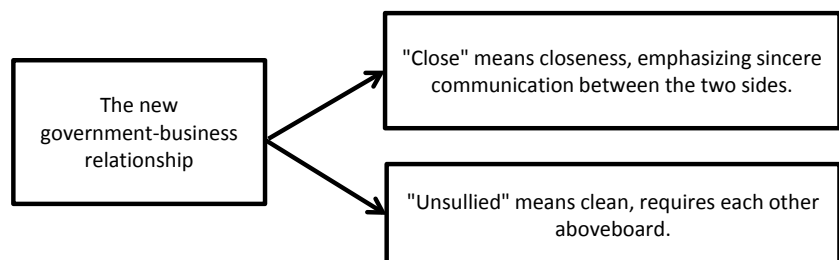


Figure 1. The implication of the new government-business relationship.

not close” nor “close but not unsullied”. The establishment of “close” and “unsullied” new government-business relationship is conducive to the formation of a fair business environment, a clear political ecology, and a healthy and civilized social atmosphere. According to the description of “close” and “unsullied” new government-business relationship, “close” means that government officials should actively interact with entrepreneurs and provide services to help them solve practical difficulties in production and operation, so as to effectively make up for the lack of system and better play the role of the government. Entrepreneurs should also strengthen communication with the government to improve the quality of accounting information of enterprises, actively participating in the discussion and administration of state affairs to help local economic construction. “Unsullied” refers to ensuring the integrity of government officials in the process of law enforcement, reducing the space for enterprises to seek rent, reducing excessive government intervention in the market, giving play to the decisive role of the market in the allocation of resources. Entrepreneurs should also abide by the law and refrain from seeking private gains from the government through bribery.

As a hot topic in academia and practice, entrepreneurial orientation has long been an important research topic in strategic management, innovation, and entrepreneurship (Bernoster et al., 2020). Miller (1983) divided enterprise strategy types into entrepreneurial and conservative for the first time. Covin and Slevin (1991) defined the concept of enterprise strategic posture and divided it into three dimensions: innovation, initiative and risk-taking. On this basis, Lumpkin and Dess (1996) formally proposed the concept of entrepreneurial orientation and added two dimensions of competitive enthusiasm and autonomy. Anderson, et al. (2015) summarized entrepreneurial orientation into two dimensions entrepreneurial behavior and attitude toward risk management. Echoing the discussions of international scholars, domestic scholars, based on the characteristics of the Chinese context, divide entrepreneurial orientation into two dimensions: innovation, advanced action, and risk-taking (Zhang & Li, 2009). With the deepening of research, although scholars have different definitions and dimensions of entrepreneurship orientation, they have reached a consensus on the three characteristics of entrepreneurship orientation: innovation, initiative, and risk-taking. Innovation refers to the tendency of the enterprise to pursue technological innovation and product innovation in the development process. Initiative means that an enterprise takes the lead to analyze and forecast the market ahead of its competitors, perceives potential development opportunities, identifies and utilizes them, and thus occupies the first-mover advantage. Risk-taking refers to the tendency of enterprises to invest resources in projects with high risk, high cost, and high uncertainty, which reflects the risk-taking behavior of enterprises in the face of an uncertain environment.

Institutions refer to “regulatory, normative and cognitive structures and activities that provide stability and meaning for social behaviors”, including formal

institutions and informal institutions, which are intertwined and integrated and jointly affect People's Daily life and enterprises' behavioral decisions (Peng et al., 2008). Institutional theory mainly focuses on the interaction between organizations and institutions. According to this theory, institutional environment affects the strategic choice of enterprises, and the strategic choice of enterprises should be adjusted with the change of institutions (Peng, 2003). As an active strategy of enterprises (Wang & Hu, 2021), entrepreneurial orientation will naturally be influenced by the institutional environment. In countries with economies in transition, the government is an essential institutional subject, which controls the power of resource allocation and profoundly affects the competitive environment of enterprises (Peng et al., 2008). Therefore, the government-business relationship is an integral part of the institutional environment. With the change in the government-business relationship, the tendency of enterprises to implement entrepreneurial orientation strategy will also change. Under the former government-business relationship, enterprises tend to obtain the support of government policies and resources through rent-seeking, and enterprises lack the incentive to adopt an entrepreneurial orientation strategy. However, the establishment of the new government-business relationship will help stimulate the entrepreneurial orientation of enterprises. First of all, entrepreneurial orientation, as a highly resource-consuming strategy, requires sufficient resources for support (Rui et al., 2020). With the cultivation of the new government-business relationship, enterprises can obtain high-quality and diversified innovative resources such as capital, technology, and knowledge from the market, thus relieving the pressure on enterprises in terms of technology and capital. It provides resource support for enterprises to carry out innovative activities such as new products, new services, new processes, and also enables enterprises to have more robust risk-bearing capacity (Hu & Zhang, 2012). Secondly, the construction of the new government-business relationship can provide enterprises with a variety of market and customer information, and can help enterprises accurately predict the changes in consumer demand and future market trends, so that enterprises can avoid part of the risks in project investment and improve their risk-taking ability. At the same time, it also satisfies the information support required for enterprises to adopt initiative behaviors (Rhee et al., 2010), thus stimulating the entrepreneurial orientation of enterprises. Finally, the new government-business relationship can create an excellent entrepreneurial environment and atmosphere, which is helpful to boost the entrepreneurial vitality and innovation enthusiasm of enterprises (Peng et al., 2010), relieve the pressure of innovation, and improve the innovation ability to facilitate the implementation of the entrepreneurial orientation of enterprises. Based on the above analysis, we propose the following hypothesis:

Hypothesis 1: The new government-business relationship can promote the implementation of entrepreneurial orientation strategy of enterprises.

The new government-business relationship is characterized by "close" and

“unsullied”. The closer the government-business relationship is, the more smooth the communication channels between the government and enterprises, and the more targeted services can be provided for enterprises to help them solve practical difficulties. At this time, the entrepreneurial orientation can be influenced by two aspects: Firstly, a sound market system. Market institutions include the legal system, market economy system, intellectual property system, credit investigation system, etc. The perfection and improvement of these systems can help enterprises obtain external institutional support required for entrepreneurial orientation strategy at a lower cost (Zhou et al., 2020). Secondly, a sound public goods service system. Public goods include public economic goods such as communication, transportation, water supply and power supply, and non-economic public interests such as social security, health care, primary education, and environmental protection. A sound public goods service system can help a region attract capital, talent, technology, and other elements to provide resource support for the entrepreneurial orientation of enterprises. When the government-business relationship is more unsullied, the government will have higher honesty and transparency, and will follow the principle of openness and transparency in resource allocation. In this case, the entrepreneurial orientation of enterprises will also be affected in two aspects: Firstly, it changes the way enterprises win competitive advantages from “looking for mayor” to “looking for the market”. It creates a suitable environment for innovation, and entrepreneurship, stimulates the entrepreneurial vitality of enterprises, and thus strengthens the entrepreneurial orientation of enterprises. Secondly, the unsullied government-business relationships have compressed the rent-seeking space of enterprises and saved a lot of resources initially used to build the relationship with the government, thus providing more resource support for the EO behavior of enterprises. Based on the above analysis, we propose the following hypothesis:

Hypothesis1a: The close of the government-business relationship can promote the implementation of EO strategy of enterprises.

Hypothesis1b: The unsullied of the government-business relationship can promote the implementation of EO strategy of enterprises.

3. Research Design

3.1. Sample Selection and Data Sources

In this paper, the A-share listed companies in Shanghai and Shenzhen from 2016 to 2019 are selected as the research object, and the registration place of the enterprises is matched with the government-business relationship data of various Chinese cities, so the panel data of 2016 to 2019 is constructed. Since the data on government-business relationships in 2017 has not been collected, the research sample of this paper does not include the data from 2017. In order to ensure the reliability and scientificity of the data, after eliminating the samples of financial listed companies, the samples of listed companies with an asset-liability ratio

greater than one and the samples of listed companies with missing variables, 10,139 practical observed values were finally obtained in this paper. To avoid the influence of outliers, the main continuous variables are reduced by 1%. In terms of data sources, the data of the “close” and “unsullied” new government-business relationship come from China’s Political-Business Relationship Ranking published by the National Academy of Development and Strategy of the Renmin University of China, and other corporate governance data and corporate financial data come from CSMAR database and Wind database.

3.2. Model Building and Variable Design

To analyze the impact of the new government-business relationship on entrepreneurial orientation, the following model is constructed:

$$EO_{i,t} = \alpha_0 + \alpha_1 XXZSGX_{i,t} + \alpha_2 Control_{i,t} + \sum Industry + \sum Year + \varepsilon_{i,t} \quad (1)$$

where subscript i is enterprise and t is time. EO is entrepreneurial orientation, XXZSGX is the “close” and “unsullied” new government-business relationship. Control is a series of control variables, $\sum Industry$ and $\sum Year$ respectively industry dummy variable and time dummy variable, respectively control industry effect and annual effect, ε is a random error term. Since the enterprise does not have R&D input and investment activities every year, the entrepreneurial orientation data show the characteristics of tail break. Therefore, we estimated based on the Tobit model and modified the heteroscedasticity.

1) Dependent Variable: Entrepreneurial orientation (EO). According to the studies of Yang (2014), Li et al. (2019), and Williams and Lee (2009), the proportion of net cash flow generated by annual investment activities in sales revenue of enterprises is as follows:

$$X_{i,t} = Invest_{i,t} / Sales_{i,t} \quad (2)$$

The proportion of annual R&D investment to sales revenue:

$$Y_{i,t} = R\&D_{i,t} / Sales_{i,t} \quad (3)$$

Construct a comprehensive index reflecting entrepreneurial orientation intensity. The specific formula is as follows:

$$EO_{i,t} = \sqrt{X_{i,t}^2 + Y_{i,t}^2} \quad (4)$$

2) Independent Variables: The “close” and “unsullied” new government-business relationship (XXZSGX). Referring the Health Index of China’s political-Business Relations published by the National Academy of Development and Strategy of Renmin University of China (Nie et al., 2018), the index includes the “close” indicator and the “unsullied” indicator of the relationship between politics and business, which have a weighting of 60 percent and 40 percent respectively. The “close” index is weighted by the government’s concern for enterprises, the services provided by the government, and the reduction of the tax burden of enterprises, while the “unsullied” index is weighted by the two secondary indexes of government integrity and government transparency.

3) Control Variables: According to the practices of Wang and Hu (2021) and Li et al. (2019), in addition to controlling industry effect and annual effect, the following variables are also controlled in this paper: enterprise size (Asset), asset-liability ratio (Lev), return on assets (Roa), operating cash flow (CF), growth (Growth), dual (Dual), the shareholding ratio of the largest shareholder (First), and proportion of independent directors (Indep). The variable definitions are shown in Table 1.

3.3. Descriptive Statistics of Variables

Table 2 gives descriptive statistics on variables. It can be seen from the results that the mean value of entrepreneurship orientation is 0.191, the standard deviation is 0.221, and the minimum and maximum values are 0 and 1.654, respectively, indicating that the entrepreneurial orientation level of enterprises has specific changes, showing good statistical characteristics. At the same time, the mean value of the new government-business relationship was 23.034, the minimum and maximum values were 0 and 100 respectively, the mean value of the closeness index and the clean index were 48.055 and 69.658, the minimum and maximum values were 0 and 100 respectively. It shows that the different level of economic development among different cities causes a big difference in the relationship between government and business between different cities.

Table 1. Variable definition.

Variable Type	Variable Symbol	Variable Measure
Dependent Variable	<i>EO</i>	See text formula(4)
	<i>XXZSGX</i>	Health index of the government-business relationship at city level
Dependent Variable	<i>Close</i>	Close index of the government-business relationship at the city level
	<i>Un sullied</i>	Un sullied index of the government-business relationship at the city level
Control Variables	<i>Asset</i>	The natural log of a firm's total assets
	<i>Lev</i>	Total liabilities divided by total assets
	<i>Roa</i>	Net profit divided by total assets
	<i>CF</i>	Divide operating cash flow by total assets
	<i>Growth</i>	Growth rate of total assets of enterprises
	<i>Dual</i>	If the general manager and chairman are the same, the value is 1; otherwise, it is 0
	<i>First</i>	The proportion of the number of shares held by the largest shareholder to the total share capital
	<i>Indep</i>	The proportion of independent directors in the board of directors of an enterprise

4. Empirical Analysis

4.1. Correlation Analysis

Table 3 carries out a correlation analysis of the variables, and the results show a significant positive correlation between entrepreneurial orientation and the new government-business relationship, as well as between the close index and the unsullied index. Therefore, hypothesis 1, hypothesis 1a, and hypothesis 1b can be preliminarily confirmed, indicating that the establishment of the new government-business relationship can effectively promote the implementation of the entrepreneurial orientation strategy of enterprises. In addition, the correlation coefficient between other variables is not greater than 0.55, indicating that the multicollinearity problem has little influence on this study.

Table 2. Descriptive statistics of variables.

Variables	Total	Mean	Standard Deviation	Min	Max
<i>EO</i>	9543	0.191	0.221	0	1.654
<i>XXZSGX</i>	9995	58.035	23.034	0	100
<i>Close</i>	9995	48.055	23.626	0	100
<i>Unsullied</i>	9995	69.658	17.278	0	100
<i>Asset</i>	9822	22.298	1.325	19.753	26.331
<i>Lev</i>	9830	0.425	0.206	0.059	0.916
<i>Roa</i>	9825	0.034	0.080	-0.361	0.217
<i>CF</i>	9822	0.049	0.070	-0.190	0.240
<i>Growth</i>	9829	0.179	0.429	-0.406	2.989
<i>Dual</i>	9825	0.298	0.457	0	1
<i>First</i>	9825	33.463	14.523	8.77	73.19
<i>Indep</i>	9825	0.378	0.054	0.333	0.571

Table 3. Correlation analysis.

Variables	1	2	3	4	5	6	7	8	9	10	11	12
<i>EO</i>	1											
<i>XXZSGX</i>	0.065*	1										
<i>Close</i>	0.055*	0.962*	1									
<i>Unsullied</i>	0.042*	0.743*	0.552*	1								
<i>Asset</i>	-0.070*	0.003	0.004	0.001	1							
<i>Lev</i>	-0.158*	-0.015	-0.003	-0.038*	0.505*	1						
<i>Roa</i>	0.029*	0.029*	0.022*	0.025*	0.009	-0.346*	1					
<i>CF</i>	-0.007	-0.028*	-0.023*	-0.017	0.051*	-0.169*	0.374*	1				
<i>Growth</i>	0.246*	0.054*	0.044**	0.028*	0.046*	-0.035*	0.297*	-0.012	1			
<i>Dual</i>	0.066*	0.075*	0.078*	0.055*	-0.190*	-0.118*	0.025*	-0.009	0.053*	1		
<i>First</i>	-0.037*	0.020*	0.021*	0.005	0.184*	0.019	0.181*	0.132*	0.039*	-0.033*	1	
<i>Indep</i>	0.027*	0.056*	0.060*	0.033*	-0.020	0.001	-0.036*	-0.020	-0.013	0.112*	-0.047*	1

Note: * indicates significance at the 5% level.

4.2. Regression Analysis

Table 4 shows the regression analysis results on the new government-business relationship and entrepreneurial orientation. Column (1) is the regression result

Table 4. The new government-business relationship and entrepreneurial orientation.

Variables	EO			
	(1)	(2)	(3)	(4)
<i>XXZSGX</i>		0.0003*** (0.0001)		
<i>Close</i>			0.0003*** (0.0001)	
<i>Unsullied</i>				0.0002** (0.0001)
<i>Asset</i>	0.0049** (0.0020)	0.0045** (0.0021)	0.0045** (0.0021)	0.0045** (0.0021)
<i>Lev</i>	-0.2191*** (0.0151)	-0.2148*** (0.0152)	-0.2154*** (0.0152)	-0.2149*** (0.0152)
<i>Roa</i>	-0.3496*** (0.0392)	-0.3439*** (0.0395)	-0.3440*** (0.0395)	-0.3429*** (0.0395)
<i>CF</i>	0.0425 (0.0355)	0.0389 (0.0358)	0.0387 (0.0358)	0.0365 (0.0359)
<i>Growth</i>	0.1425*** (0.0108)	0.1426*** (0.0110)	0.1426*** (0.0110)	0.1429*** (0.0110)
<i>Dual</i>	0.0209*** (0.0048)	0.0205*** (0.0048)	0.0204*** (0.0048)	0.0212*** (0.0048)
<i>First</i>	-0.0006*** (0.0002)	-0.0005*** (0.0001)	-0.0005*** (0.0001)	-0.0005*** (0.0001)
<i>Indep</i>	0.0933** (0.0376)	0.0906** (0.0381)	0.0907** (0.0381)	0.0949** (0.0381)
<i>_cons</i>	0.1467*** (0.0449)	0.1380*** (0.0456)	0.1399*** (0.0455)	0.1413*** (0.0464)
<i>Year</i>	Control	Control	Control	Control
<i>Ind</i>	Control	Control	Control	Control
<i>N</i>	9540	9397	9397	9397
<i>Log lik.</i>	1430.481	1440.1797	1440.1118	1436.9617
<i>Prob > F</i>	0	0	0	0

Note: *, ** and *** represent significant at the level of 10%, 5% and 1%, respectively. The standard error corrected for heteroscedasticity is shown in brackets.

after all control variables are put in, and column (2), (3), and (4) is the regression result after explanatory variables are put in based on column (1). The results show that the coefficient of the new government-business relationship (XXZSGX) in column (2) is 0.0003, which is significant at the 1% level, indicating that the new government-business relationship has a promoting effect on the implementation of the entrepreneurial orientation strategy of enterprises, and hypothesis 1 is confirmed. In columns (3) and (4), the coefficients of the Close and Unsullied index are respectively 0.0003 and 0.0002, both of which are significant at the 1% level, indicating that the “close” and “unsullied” of the government-business relationship have a promoting effect on the implementation of the entrepreneurial orientation strategy of enterprises. Hypothesis 1a, and 1b have also been confirmed. In terms of control variables, enterprise size (Asset), growth (Growth), dual (Dual) independent director ratio (Indep), and enterprise entrepreneurship orientation are positively correlated. However, asset-liability ratio (Lev), return on assets (Roa), and the shareholding ratio of the largest shareholder (First) are negatively correlated with the entrepreneurial orientation of enterprises, which is basically the same as the conclusions of existing literatures (Wang & Hu, 2021; Li et al., 2019).

4.3. Robustness Test

1) Change how the regression model is measured. We chose the OLS method to perform regression on model (1) again to test the robustness of the research conclusions in this paper. **Table 5** shows the results of our regression analysis with OLS model. The results show that the size, symbol, and significance level of the regression coefficients of the new government-business relationship (XXZSGX), close index, and unsullied index are completely consistent with **Table 4**, which indicates that the research conclusions of this paper have strong robustness.

2) Change the measurement of explanatory variables. The healthy index and the close and unsullied index of the government-business relationship come from China’s Political-Business Relationship Ranking may not be meaningful, but reflect the relative quality of the political and business environment among Chinese cities. Therefore, by referring to the studies of Guan (2019) and Zhuang and Zhang (2021), we divided the above index scores into ten groups from low to high, assigned scores of 1 to 10 in turn, and then brought them back into the model (1) for regression. The results are shown in **Table 6**, which indicates that there is no significant difference from the previous study, so the main conclusions of this paper remain unchanged.

3) Comparison of industrial and non-industrial enterprises. Most of the samples in this study are industrial enterprises, which may be more dependent on innovation activities than non-industrial enterprises (Zhou et al., 2020). Therefore, this paper conducts grouping regression for samples of industrial enterprises, and non-industrial enterprises, and the regression results are shown in **Table 7**. It can be found that the regression coefficients of the new govern-

ment-business relationship, close index, and unsullied index in industrial enterprises are significantly positive. In contrast the regression coefficients of these three variables in non-industrial enterprises are not statistically significant. The above comparative analysis shows that compared with non-industrial enterprises, the new government-business relationship has a more significant impact on the entrepreneurial orientation of industrial enterprises.

Table 5. Verification of the selected OLS model.

Variables	EO			
	(1)	(2)	(3)	(4)
<i>XXZSGX</i>		0.0003*** (0.0001)		
<i>Close</i>			0.0003*** (0.0001)	
<i>Unsullied</i>				0.0002** (0.0001)
<i>Asset</i>	0.0046** (0.0021)	0.0042** (0.0021)	0.0042** (0.0021)	0.0041** (0.0021)
<i>Lev</i>	-0.2173*** (0.0151)	-0.2132*** (0.0151)	-0.2137*** (0.0152)	-0.2132*** (0.0151)
<i>Roa</i>	-0.3483*** (0.0392)	-0.3429*** (0.0395)	-0.3430*** (0.0394)	-0.3419*** (0.0395)
<i>CF</i>	0.0396 (0.0354)	0.0360 (0.0357)	0.0358 (0.0357)	0.0336 (0.0358)
<i>Growth</i>	0.1422*** (0.0108)	0.1423*** (0.0110)	0.1423*** (0.0110)	0.1426*** (0.0110)
<i>Dual</i>	0.0207*** (0.0048)	0.0203*** (0.0048)	0.0203*** (0.0048)	0.0210*** (0.0048)
<i>First</i>	-0.0006*** (0.0002)	-0.0005*** (0.0001)	-0.0005*** (0.0001)	-0.0005*** (0.0001)
<i>Indep</i>	0.0938** (0.0375)	0.0912** (0.0380)	0.0912** (0.0380)	0.0954** (0.0380)
<i>_cons</i>	0.1546*** (0.0447)	0.1454*** (0.0454)	0.1473*** (0.0452)	0.1485*** (0.0462)
<i>Year</i>	Control	Control	Control	Control
<i>Ind</i>	Control	Control	Control	Control
<i>N</i>	9540	9397	9397	9397
<i>R²</i>	0.12	0.12	0.12	0.12
<i>Prob > F</i>	0	0	0	0

Note: *, ** and *** represent significant at the level of 10%, 5% and 1%, respectively. Standard error corrected for heteroscedasticity is shown in brackets.

Table 6. Test to replace the measurement of the new government-business relationship.

Variables	<i>EO</i>		
	(1)	(2)	(3)
<i>XXZSGX</i>	0.0030*** (0.0010)		
<i>Close</i>		0.0026*** (0.0009)	
<i>Unstilled</i>			0.0013** (0.0006)
<i>Asset</i>	0.0045** (0.0021)	0.0045** (0.0021)	0.0045** (0.0021)
<i>Lev</i>	-0.2149*** (0.0152)	-0.2152*** (0.0152)	-0.2151*** (0.0152)
<i>Roa</i>	-0.3439*** (0.0395)	-0.3438*** (0.0395)	-0.3429*** (0.0395)
<i>CF</i>	0.0390 (0.0358)	0.0387 (0.0358)	0.0361 (0.0359)
<i>Growth</i>	0.1426*** (0.0109)	0.1426*** (0.0110)	0.1429*** (0.0110)
<i>Dual</i>	0.0204*** (0.0048)	0.0205*** (0.0048)	0.0213*** (0.0048)
<i>First</i>	-0.0005*** (0.0001)	-0.0005*** (0.0001)	-0.0005*** (0.0001)
<i>Indep</i>	0.0907** (0.0381)	0.0908** (0.0381)	0.0954** (0.0381)
<i>_cons</i>	0.1352*** (0.0458)	0.1393*** (0.0455)	0.1433*** (0.0464)
<i>Year</i>	Control	Control	Control
<i>Ind</i>	Control	Control	Control
<i>N</i>	9397	9397	9397
<i>Log lik.</i>	1440.6587	1439.8774	1436.5605
<i>Prob > F</i>	0	0	0

Note: *, **, and *** represent significance at the level of 10%, 5% and 1%, respectively. The standard error corrected for heteroscedasticity is shown in brackets.

Table 7. Comparative examination of industrial and non-industrial enterprises.

Variables	Industrial enterprises			Non-industrial enterprises		
	(1)	(2)	(3)	(4)	(5)	(6)
<i>XXZSGX</i>	0.0004*** (0.0001)			-0.0004 (0.0003)		
<i>Close</i>		0.0004*** (0.0001)			-0.0003 (0.0003)	
<i>Unsullied</i>			0.0003*** (0.0001)			-0.0006 (0.0004)
<i>Asset</i>	0.0012 (0.0022)	0.0013 (0.0022)	0.0011 (0.0022)	0.0145*** (0.0047)	0.0144*** (0.0047)	0.0146*** (0.0047)
<i>Lev</i>	-0.2153*** (0.0170)	-0.2164*** (0.0170)	-0.2151*** (0.0170)	-0.2028*** (0.0335)	-0.2026*** (0.0335)	-0.2031*** (0.0335)
<i>Roa</i>	-0.3466*** (0.0441)	-0.3469*** (0.0441)	-0.3455*** (0.0441)	-0.3493*** (0.0892)	-0.3504*** (0.0891)	-0.3493*** (0.0894)
<i>CF</i>	0.0521 (0.0395)	0.0512 (0.0395)	0.0492 (0.0395)	0.0104 (0.0801)	0.0097 (0.0801)	0.0150 (0.0805)
<i>Growth</i>	0.1453*** (0.0124)	0.1454*** (0.0124)	0.1458*** (0.0125)	0.1313*** (0.0228)	0.1313*** (0.0227)	0.1313*** (0.0228)
<i>Dual</i>	0.0222*** (0.0052)	0.0222*** (0.0052)	0.0235*** (0.0052)	0.0062 (0.0126)	0.0061 (0.0126)	0.0063 (0.0126)
<i>First</i>	-0.0005*** (0.0001)	-0.0005*** (0.0001)	-0.0005*** (0.0001)	-0.0007* (0.0004)	-0.0007* (0.0004)	-0.0007* (0.0004)
<i>Indep</i>	0.1109*** (0.0410)	0.1109*** (0.0410)	0.1175** (0.0410)	-0.0030 (0.0954)	-0.0043 (0.0953)	-0.0038 (0.0952)
<i>_cons</i>	0.1650*** (0.0491)	0.1685*** (0.0490)	0.1472*** (0.0500)	-0.0094 (0.1019)	-0.0127 (0.1016)	-0.0046 (0.1044)
<i>Year</i>	Control	Control	Control	Control	Control	Control
<i>Ind</i>	Control	Control	Control	Control	Control	Control
<i>N</i>	7438	7438	7348	1959	1959	1959
<i>Log lik.</i>	1536.0358	1535.6013	1530.1727	-8.2937	-8.5369	-8.2168
<i>Prob > F</i>	0	0	0	0	0	0

Note: *, **, and *** represent significance at the level of 10%, 5% and 1%, respectively. The standard error corrected for heteroscedasticity is shown in brackets.

4) Endogeneity test. Due to the endogeneity problem caused by the possibility of missing variables, GDP and Institution are controlled in this paper. Because

the higher the marketization degree and economic development level of a region, the more it can help to attract capital, talent, technology, and other elements, to provide effective resource help for the entrepreneurial orientation of enterprises in the region. Moreover, the higher the degree of marketization and the level of economic development in a region, the more capable the regional government will be to provide more public goods and improve local infrastructure, thus making the government-business relationship in the region more “close” and “unsullied” (Zhou et al., 2020). **Table 8** shows the results of the endogeneity tests. The results show that after controlling the two variables of GDP (GDP) and marketization degree (Institution), the three variables of the new government-business relationship, close index, and unsullied index are still significantly positive, indicating that the conclusion of this paper is strong.

4.4. Heterogeneity Test

The status of corporate resources will restrict the influence of the institutional environment on corporate strategic choice (Su et al., 2016). With the change in institutional environment, enterprises with different resource statuses may make different strategic adjustments. Even in the context of the previous government-business relationship, compared with private enterprises, state-owned enterprises have a greater advantage in terms of access to information and financial capital. In terms of access to financial funds, due to the “natural blood” connection with the government, state-owned enterprises are more accessible to obtain financial subsidies, financial help, and policy support than private enterprises, and their difficulty in obtaining financial funds is less than that of private enterprises. Therefore, the establishment of a new government-business relationship alleviates the lack of financial funds for private enterprises to a greater extent and has less impact on state-owned enterprises. In terms of information acquisition, state-owned enterprises can timely obtain market and customer information by their relationship with the government. Therefore, the information benefits of the new government-business relationship may be greater for private enterprises than for state-owned enterprises. To sum up, the improvement of the new government-business relationship makes private enterprises gain more benefits in terms of information and financial capital than state-owned enterprises. Therefore, the increase of resources invested in the entrepreneurial orientation strategy of enterprises is also greater than that of state-owned enterprises. Therefore, compared with state-owned enterprises, the new government-business relationship has a greater impact on the entrepreneurial orientation of private enterprises. Based on this, we take Equity as the moderating variable, 1 when the enterprise is state-owned and 0 when it is private. The regression results in **Table 9** show that the coefficients of the interaction terms $XXZSGX*Equity$, $Close*Equity$, and $Unsullied*Equity$ in columns (1), (2), and (3) are all negative and statistically significant, so the above hypothesis is supported.

Table 8. Endogeneity test.

Variables	EO			
	(1)	(2)	(3)	(4)
<i>XXZSGX</i>		0.0006*** (0.0002)		
<i>Close</i>			0.0005*** (0.0001)	
<i>Unstilled</i>				0.0002** (0.0001)
<i>Asset</i>	0.0044** (0.0021)	0.0045** (0.0021)	0.0045** (0.0021)	0.0044** (0.0021)
<i>Lev</i>	-0.2155*** (0.0152)	-0.2156*** (0.0152)	-0.2167*** (0.0152)	-0.2149*** (0.0152)
<i>Roa</i>	-0.3431*** (0.0395)	-0.3422*** (0.0394)	-0.3426*** (0.0394)	-0.3426*** (0.0395)
<i>CF</i>	0.0373 (0.0359)	0.0381 (0.0359)	0.0382 (0.0359)	0.0371 (0.0359)
<i>Growth</i>	0.1429*** (0.0110)	0.1429*** (0.0110)	0.1429*** (0.0110)	0.1429*** (0.0110)
<i>Dual</i>	0.0214*** (0.0048)	0.0208*** (0.0048)	0.0208*** (0.0048)	0.0214*** (0.0048)
<i>First</i>	-0.0005*** (0.0001)	-0.0005*** (0.0001)	-0.0005*** (0.0001)	-0.0005*** (0.0001)
<i>Indep</i>	0.0958** (0.0381)	0.0890** (0.0380)	0.0893** (0.0380)	0.0951** (0.0381)
<i>Institution</i>	-0.0015 (0.0047)	-0.0059 (0.0048)	-0.0060 (0.0048)	-0.0019 (0.0047)
<i>GDP</i>	0.0018 (0.0022)	0.0074** (0.0034)	0.0061* (0.0033)	0.0001 (0.0027)
<i>_cons</i>	0.1467*** (0.0449)	0.1895*** (0.0508)	0.1855*** (0.0510)	0.1423*** (0.0490)
<i>Year</i>	Control	Control	Control	Control
<i>Ind</i>	Control	Control	Control	Control
<i>N</i>	9397	9397	9397	9397
<i>Log lik.</i>	1436.3577	1443.6237	1442.9628	1437.0476
<i>Prob > F</i>	0	0	0	0

Note: *, **, and *** represent significance at the level of 10%, 5% and 1%, respectively. The standard error corrected for heteroscedasticity is shown in brackets.

Table 9. Heterogeneity test.

Variables	<i>EO</i>		
	(1)	(2)	(3)
<i>XXZSGX</i>	0.0002** (0.0001)		
<i>Close</i>		0.0002** (0.0001)	
<i>Unsullied</i>			0.0001 (0.0002)
<i>Equity</i>	-0.0327*** (0.0114)	-0.0359*** (0.0096)	-0.0464*** (0.0171)
<i>XXZSGX*Equity</i>	-0.0459** (0.0183)		
<i>Close*Equity</i>		-0.0234** (0.0096)	
<i>Unsullied*Equity</i>			-0.0189* (0.0098)
<i>Asset</i>	0.0079*** (0.0022)	0.0079*** (0.0022)	0.0078*** (0.0022)
<i>Lev</i>	-0.2103*** (0.0152)	-0.2106*** (0.0153)	-0.2099*** (0.0152)
<i>Roa</i>	-0.3430*** (0.0395)	-0.3430*** (0.0395)	-0.3420*** (0.0395)
<i>CF</i>	0.0297 (0.0360)	0.0296 (0.0360)	0.0276 (0.0360)
<i>Growth</i>	0.1386*** (0.0109)	0.1386*** (0.0109)	0.1389*** (0.0109)
<i>Dual</i>	0.0127** (0.0050)	0.0127** (0.0050)	0.0134*** (0.0050)
<i>First</i>	-0.0003*** (0.0001)	-0.0004** (0.0002)	-0.0004** (0.0002)
<i>Indep</i>	0.0816** (0.0379)	0.0817** (0.0379)	0.0857** (0.0379)
<i>_cons</i>	0.0745 (0.0476)	0.0778* (0.0470)	0.0853* (0.0495)
<i>Year</i>	Control	Control	Control
<i>Ind</i>	Control	Control	Control
<i>N</i>	9397	9397	9397
<i>Log lik.</i>	1464.0654	1464.0794	1461.5083
<i>Prob > F</i>	0	0	0

Note: *, **, and *** represent significance at the level of 10%, 5% and 1%, respectively. The standard error corrected for heteroscedasticity is shown in brackets.

4.5. Test of Action Mechanism

According to the above analysis, the establishment of the “close” and “unsullied” new government-business relationship reduces the excessive intervention of the government in microeconomy. It changes the way enterprises obtain innovative resources from the distributor of resources to the supplier of public goods and the improver of the market system. In other words, the new government-business relationship can enable the government to formulate more scientific and effective tax incentives and government subsidy policies based on the public interest. It can also enable enterprises to actively communicate and coordinate when applying for loans from commercial banks, to help enterprises obtain the resources needed to implement entrepreneurial orientation strategies. Based on this, this paper analyzes the mechanism of the new government-business relationship’s influence on entrepreneurial orientation from three aspects: bank loans, government subsidy, and tax preference. Therefore, the following model is constructed in this paper:

$$\text{LnLoan}_{i,t}/\text{Sub}/\text{ETR}_{i,t} = \alpha_0 + \alpha_1 \text{XXZSGX}_{i,t} + \alpha_2 \text{Control}_{i,t} + \Sigma \text{Industry} + \Sigma \text{Year} + \varepsilon_{i,t} \quad (5)$$

where subscript i is enterprise and t is time. XXZSGX is the “close” and “unsullied” new government-business relationship. The specific measurement method is shown in Model (1), LnLoan is the bank loan, and the natural logarithm is taken after adding 1 to the total bank loan of the enterprise in the current year. Sub is the government subsidy, which is measured by adding 1 to the total financial subsidy received by the enterprise in the current year and multiplying the ratio of natural logarithm and government subsidy amount to total assets by 100. ETR is a tax incentive, which is measured by the ratio of actual income tax expense to total profit before tax. Control is a series of control variables. According to the practice of Zou (2018), Including enterprise size (Asset), asset-liability ratio (Lev), return on assets (Roa), proportion of independent directors (Indep), growth (Growth), fixed assets ratio (PPE), and the shareholding ratio of the largest shareholder (First); $\Sigma \text{Industry}$ and ΣYear are respectively industry dummy variables and time dummy variables to control industry effect and year effect, and ε is a random error term.

Table 10 shows the regression results of the effect mechanism of the new government-business relationship on enterprise entrepreneurship orientation. It can be seen that the new government-business relationship (XXZSGX) has a significant positive correlation with government subsidies (Sub), a significant negative correlation with tax incentives (ETR), and a positive but not significant correlation with bank loans (Loan). The above results indicate that the mechanism of the influence of the new government-business relationship on enterprise entrepreneurship orientation is as follows: the establishment of the new government-business relationship helps enterprises to obtain more government subsidies and enjoy better tax incentives, thus meeting the resource requirements for enterprises to implement the entrepreneurship orientation strategy.

Table 10. Test of action mechanism.

Variables	<i>LnSub</i>	<i>Subrate</i>	<i>ETR</i>	<i>LnLoan</i>
	(1)	(2)	(3)	(4)
<i>XXZSGX</i>	0.0154** (0.070)	0.0016*** (0.0003)	-0.0003*** (0.0001)	0.0005 (0.0035)
<i>Asset</i>	1.1623*** (0.1389)	-0.0276*** (0.0070)	0.0046*** (0.0013)	1.9075*** (0.0727)
<i>Lev</i>	0.4078 (0.9325)	-0.0145 (0.0464)	0.0569*** (0.0108)	16.5634*** (0.5359)
<i>Roa</i>	4.0697* (2.1190)	0.3645*** (0.1098)	-0.8055*** (0.0381)	-7.1044*** (1.1806)
<i>Indep</i>	-2.0751 (2.7794)	-0.0775 (0.1437)	0.0233 (0.0246)	2.3417* (1.3928)
<i>Growth</i>	0.3690 (0.4076)	0.0322 (0.0496)	-0.0127*** (0.0031)	0.5505*** (0.1931)
<i>PPE</i>	0.5572 (1.0414)	-0.0124 (1.0414)	-0.0104 (0.0098)	6.5824*** (0.4856)
<i>First</i>	-0.0203* (0.0108)	-0.0008 (0.0006)	0.0002** (0.0001)	-0.0477*** (0.0055)
<i>_cons</i>	-18.4725*** (3.1816)	0.6072*** (0.1592)	0.1273*** (0.0294)	-34.3012*** (1.6253)
<i>Year</i>	Control	Control	Control	Control
<i>Ind</i>	Control	Control	Control	Control
<i>N</i>	9676	9677	8164	9676
<i>Pseudo R²</i>	0.047	0.140	0.136	0.065

Note: *, **, and *** represent significance at the level of 10%, 5% and 1%, respectively. The standard error corrected for heteroscedasticity is shown in brackets.

5. Contributions and Significance

The theoretical implications of this paper are mainly in the following three aspects: Firstly, it expands the research on the antecedents of entrepreneurial orientation. Previous studies on the influencing factors of enterprise entrepreneurship orientation mainly focus on the organizational and management level (such as corporate culture, organizational improvisation, CEO self-efficacy, entrepreneur new deal perception, etc.), lack of macro perspective, especially the analysis of the institutional environment, and fail to directly and quantitatively evaluate the effect of the government-business relationships at the macro level on entrepreneurial orientation. Considering the high situational dependence of

enterprise entrepreneurship (Kreiser et al., 2010), the influence is more prominent for the transition economy like China (Zhu et al., 2016). Therefore, based on the government-business relationship index published by the National Academy of Development and Strategy of the Renmin University of China, this paper explores the effect of government-business relationship on entrepreneurial orientation at the macro level. Secondly, it enriched the theoretical boundary between the government-business relationship and entrepreneurial orientation. Enterprises with different ownership properties may have different degrees of entrepreneurial orientation in the same macro-institutional environment. Therefore, this paper carefully studies the differentiated influence of the “close” and “unsullied” new government-business relationship on the entrepreneurial orientation investment degree of enterprises with different ownership properties. It is of great theoretical value to understand the boundary between government and enterprise and the mechanism of enterprise ownership on entrepreneurial orientation. Thirdly, it directly analyzes the influence of macro-institutional environment variables on entrepreneurial orientation. Most of the previous literature takes the macro-institutional environment as the research background. This paper now evaluates its impact on entrepreneurial orientation. This practice is in line with the research direction advocated by institutional theory (Peng, 2003). That is the influence of macro institutional environment variables on enterprise behavior should be directly analyzed instead of just taking the macro institutional environment as the research background.

Based on the above research conclusions, this paper puts forward the practical implications: Firstly, local governments should change their governance ideas and government functions, optimize the institutional environment of enterprise operation by building the new government-business relationship, reduce excessive government intervention in micro-economic activities, give full play to the decisive role of the market in resource allocation, serve enterprises wholeheartedly, and improve the stability and sustainability of enterprise operating environment. At the same time, we will further enhance the integrity of the government and the transparency of law enforcement activities. Secondly, in the context of innovation-driven development, the government has changed from the distributor of resources to the improvement of the market system. Enterprises should fully realize the changes in the government-business relationship, change the way to obtain high-quality resources, and improve their ability to cope with the complex environments through the implementation of entrepreneurial orientation strategy, to enhance their competitive advantages. Thirdly, strengthen the construction of the rule of law, so that the rule of law becomes an important criterion for the government-business relationship, and the basic guarantee for enterprise innovation, so that enterprises and the government form a symbiotic relationship of equality and mutual benefit in the process of innovation and entrepreneurship, enterprises provide financial support to the government through innovation and entrepreneurship, and the government escorts

enterprise innovation and entrepreneurship through a sound legal system.

6. Summary of Findings and Conclusion

Based on institutional theory, this paper empirically tests the impact of the new government-business relationship on entrepreneurial orientation based on the data of China government-business relationship health index released by the National Academy of Development and Strategy of Renmin University of China and the data of Shanghai and Shenzhen A-share listed companies from 2016 to 2019. It is found that the new government-business relationship can promote the implementation of entrepreneurial orientation of enterprises. After refining the new government-business relationship, it is found that the new government-business relationship with “close” and “unsullied” as the core characteristics can effectively promote the entrepreneurial orientation strategy of enterprises. Further research shows that the influence of new government-business relationships on the entrepreneurial orientation of private enterprises is greater than that of state-owned enterprises. The new government-business relationship can affect the EO of enterprises through government subsidies and tax incentives.

Future research can be expanded in the following areas. First, the sample scope of this study is narrow, including only the data of A-share listed companies in Shanghai and Shenzhen, which may lead to the low external validity. In the future, more extensive sample data can be included, such as the data in the database of Chinese industrial enterprises. Second, the period of the research samples in this paper is small, including only three years of data, which will be reverified after the period is expanded. Third, this paper only found that the new government-business relationship affects the entrepreneurial orientation of enterprises through two mechanisms: government subsidies and tax incentives, and more internal mechanisms can be explored in the future. Fourthly, the heterogeneity analysis of this paper verifies the moderating effect of the nature of enterprise ownership on the new government-business relationship and entrepreneurial orientation. Still, other factors, such as enterprise scale and cultural customs, may also affect the relationship between the two, so we can try to analyze the moderating effect of other factors in the future.

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Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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