

The public issue life cycle and corporate political actions in China's transitional environment: a case of real estate industry

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- *Based on the 'structured content analysis' of the longitudinal data from a journal of Chinese real estate industry during last 11 years, this paper studies the nature of public issue life cycle and corresponding corporate political actions (CPAs) in a transitional economy. This paper finds out that in a transitional economy like China: (1) a new stage called 'policy trial' and double steps of policy introduction were found in the public issue life cycle; (2) the possible outcomes of Chinese public issues are partially consistent with Tombari's arguments; (3) the evolution of CPAs takes a more complex and different path compared with that in the West. In general, this paper provides an available research perspective (the public issue life cycle model) for firms to manage and monitor their external political environment by effectively developing CPAs in a transitional economy. Copyright © 2008 John Wiley & Sons, Ltd.*

Introduction

The ebb and flow of regulation, deregulation and re-regulation in industries has caused fundamental changes in the environment in which organizations operate (Mahon and Waddock, 1992). Attention on corporate actions for dealing with political environments has grown from the 1950s. Firms not only comply with various regulations, but also actively attempt to influence the decision-making process of public policies (Keim, 1981;

Gale and Bucholz, 1987; Schuler, 1996) by corporate political actions (CPAs) (Getz, 1997; Hillman and Hitt, 1999; Shaffer, 1995). Such political actions are regarded equally important as market actions (Brown, 1981; Baron, 1997), and even regarded as more effective than market-based ones in obtaining competitive advantages (Ulmann, 1985). Despite the growing importance of processual strategy research (Pettigrew, 1997; Van de Ven, 1992), CPAs research has largely ignored these valuable perspectives. The majority of existing studies of CPAs are static and statistical rather than having a direct linkage with the dynamics of external environment. Thus, there is a need for more longitudinal perspective in CPAs research. This paper attempts to explain the dynamics of external political environment

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and the corresponding CPAs by utilizing the public issue life cycle model.

China's transformation from a planned economy to a market economy presents a typical case for this study. The pre-reform industrial structure in China was characterized by rigid central planning and extensive government control of businesses (Tian *et al.*, 2007). In contrast, since the deregulation during the process of marketization, government involvement has gradually reduced and/or laws have been passed taking away from the government the ability to act in an arbitrary fashion. However, government's influences on business have been considerable (Child and Tse, 2001) as the government plays an active role in developing economy in China's economic transition. Businesses have to exert enormous influence over government decision-making and resource allocation processes in China (Tian and Deng, 2007). Yet, little research has been conducted to document the dynamics of such an influence. Consequently, this research gap directly leads to two fundamental, yet unanswered, questions that motivate this paper: (1) what are the new characteristics of public issue life cycle in the transitional environment of China? (2) What is the nature of evolution of corresponding CPAs in such public issue life cycle?

The paper begins with a literature review. The research framework is proposed next. In Sections 3, 4 and 5 the research method and research results are introduced, analysed and discussed respectively. The paper closes with conclusions and implications for future research and practice.

Theoretical background and research framework

Corporate political actions

Scholarly consideration of CPAs, which has proliferated for some decades, emanates from many disciplines, including political science, economics and political economy and management (Getz, 1997). Generally, CPAs are defined as any deliberate firm actions intended to

influence governmental policy or process (Getz, 1997; Boddewyn and Brewer, 1994; Shaffer *et al.*, 2000). Moreover, the corporate political strategies have been defined as using the 'organization's resources to integrate objectives and to undertake coherent actions directed toward the political, social and legal environment in order to secure either permanent or temporary advantage over other actors in the process' (Mahon, 1989, pp. 51-52). These strategies consist of constituency building, political coalition building, lobbying, political action committees (PACs), information, financial incentive and advocacy advertising and so on (Getz, 1997; Yoffie, 1987; Hillman and Hitt, 1999).

With the development of transitional economy, some Chinese scholars (e.g. Tian and Gao, 2003; Tian and Wei, 2004; Zhang and Zhang, 2005; Gao and Tian, 2006; etc.) have studied CPAs in Chinese background. They have found many similarities with those in the West such as the importance of information reference and public exposure. However, due to the differences in cultural, political and economic systems, the CPAs in China had special features such as businessmen's direct participation in politics as Congressmen, Guanxi-based lobbying resulted from the Guanxi network in Chinese society. Furthermore, there is explicit lack of studies that could explain CPAs (especially the unique CPAs in China) as a sequence of events unfolding over time. Thus, in the research framework, we offer a public issue life cycle model to address this question.

Research framework: the public issue life cycle model

In general, issues are defined as developments that will have an impact on an organization's performance and the ability to meet its objectives (Ansoff, 1979; King, 1982). Public policy issues are those that involve multiple stakeholders with competing interests and their actions (Buchholz, 1988). The process of government regulation and their impact on

firms, as well as the ways in which firms can manage these political pressures, have been captured in the public issues life cycle (Post, 1978; Buchholz, 1988). The perspective of public issue life cycle is of considerable importance for CPAs because it characterizes the political process as one of crucial changes that require continuous monitoring (Bonardi and Keim, 2005; Windsor, 2002). Moreover, it stages that the current trend in regulatory reform (which is more significant in transitional environment) has injected turbulence and complexity into the external political environment of firms. Finally, it shows that, given the multitude of regulations, a firm must use its scarce resources in an optimal way in order to obtain the maximum benefit possible from CPAs (Ulmann, 1985). It is necessary, therefore, to understand the dynamics of a public issue in order to effectively monitor the environment and adopt the corresponding strategies.

Tombari (1984) proposed a public issue life cycle model which focuses on the various stakeholders such as firms and policy decision makers and identifies four stages of life cycle: awakened interest, massive attention, solution (policy) introduction and resolution (policy implementation). There are three possible outcomes for an issue in his model. One is that the policy is a failure, and concern for a solution intensifies and potentially emotional arguments may result. The stakeholders' new solution may indeed be the best for resolving the issue. The second is that since the confidence of decision makers still exists in the solutions, the stakeholders had to turn their attention to other issues. The third is that all arguments return to a state of apathy, neither confidence in solution nor failure with increased concerns. If issues are viewed in this manner, then the reality of issues, which first gaining prominence, then dying down, and then re-emerging at a later point in time can be addressed. The first 'solution' to the issue may not have been adequate. The time between the first 'solution' and attempts to further redress the issue can be quite long (Mahon and Waddock, 1992).

This process approach clearly calls researchers' attention to the dynamics of public issues and the various alternative CPAs available to firms. However, due to the distinct differences of economic and political environment between China and the West, it would be very interesting to find out new results that would be found when we apply those western studies into China's transition. Therefore, this study adopts Tombari's model as the processual research framework to explore its new nature in China's transition. We will test whether these stages and possible outcomes of issues in Tombari's (1984) model exist or not in China. If there are some differences, what are they and how do they affect the evolution of CPAs? Such test, thereby, will provide better explanations to the life cycle model and the dynamics of CPAs through Chinese data.

Research method

Institutional setting of the real estate industry under our study

In general, firms in Chinese transitional environment must scan, monitor and design strategies to address the four major characteristics: (1) continuous transition to a market economy, (2) opening to international market, (3) continuous development of regulations governing economic activities and (4) paramount roles that various levels of governments play in economic activities (Li and Zhou, 2005). All of these, therefore, provide an abundant institutional setting for the purpose of this study. Especially, the case of Chinese real estate industry is theoretically significant for this study in that it includes several 'punctuated' institutional changes. From 1996 to 2006, in particular, there are three noticeable public issues with typical life cycle and considerable CPAs, which present an interactive relationship between the regulatory reform and corporate responses in China's transition. Consequently, China's real estate industry is used not only because of its acknowledged wide controversy with a rich

source of public information, but also because it offers the identifiable characteristics of the public issue life cycle and corresponding CPAs.

Methodology

The methodology of this study is 'structured content analysis' (Jauch *et al.*, 1980). Using this method, researchers can avoid studying the error of accidental events by tracking the long-term news reports continually, and can explore the longitudinal relationship between issues and CPAs by analysing the specific words, sentences, objects, paragraphs or context (Cowton, 1998) of public information with objective criterion. Thus, it is suitable for this study. The primary source of data was drawn from the real estate industry journal Chinese Real Estate Business for two reasons. First, compared with other industrial journals, Chinese Real Estate Business appears to provide the most complete and detailed, as well as unbiased, corporate information which is suitable for the purposes of this study. Second, the journal covers almost all aspects of the industry such as industrial policies, governmental reforms, even the interviews with businessmen, scholars, analysts and officials. The collection period is from September 1996 to December 2006.

Data description

Before the data collection, this study firstly provided clear description and/or concepts of three public issues and four typical corporate political strategies in Chinese real estate industry as follows:

Three public issues

Land issue. It is related to the regulation on land purchases and the industrial competition for resources and lasted from 1996 to 2004. The solution of the issue was called 'the new revolution of land' in the industry.

Loan issue. It is related to the government policies tightening bank loans of real estate firms and lasted from 1998 to 2006. Two

controversial policies were introduced. The first one was replaced swiftly by the second. The issue also increased the interaction and communication between firms and governments, and the solution was called 'leaving Winter for Spring' in the industry.

Housing issue. It is related to the policies reinforcing the construction of affordable living units during 1998–2006. The solution of this issue was called 'the beginning of severe macro-economic control age' in the industry.

These three public issues are chosen for following reasons: (1) these issues involved various important industrial policies and corresponding CPAs, which provided numerous longitudinal data for this study; (2) the life cycles of these issues can clearly present the development of external political environment in real estate industry, which reflects the particularity of China's transition.

Corporate political strategies

Based on the previous studies of CPAs in China (Tian and Gao, 2003; Tian and Wei, 2004; Gao and Tian, 2006) and our pilot study of the Chinese real estate industry, we identified four typical corporate political strategies as follows:

Businessmen's direct participation in politics as congressmen strategy. China's Congressmen come from every stratum of society taking politics as a part-time job, and this institutional setting allows the leaders or CEOs of firms to participate in politics directly. Although their participation is nominally on behalf of the 'people', it is certain that they pursue their firms' self-interests too (Gao and Tian, 2006). Meanwhile, the industrial trade organizations (such as real estate trade association) which are semi-governmental institutions in China can also be used by firms to interact with government in the policy of decision-making.

Information reference strategy. Similar to the West, those using the information reference strategy seek to affect public policy by providing policy makers specific information about preferences for policy or policy positions and may involve providing information

on the costs and benefits of different issue outcomes (Aplin and Hegarty, 1980). The target of this strategy is the political decision maker, and the good provided is information. The tactics in real estate industry may include: (1) providing the ministries industrial reports of land purchase, the survey of environmental problems and so on; (2) forming industrial alliances with collective opinions and suggestions to the governments; (3) communicating political information with the government officials in regional real estate conferences.

Societal force mobilization strategy. Similar to the constituency building in West but more attention to the societal force by media advocacy in China, firms attempt to influence public policy by gaining support from societal forces like citizens, experts, critics, scholars and authorities, who, in turn, express their policy preferences to political decision makers (Gao and Tian, 2006). Thus, this strategy targets political decision makers indirectly by working through the societal forces via public exposure/appeal. The tactics involve: (1) advocating controversial opinions related to key policies through the main medium, in order to arouse public attention and affect their opinions; (2) building cooperative relationship with non-governmental organizations which have influence on policy decision makers in China; (3) mobilizing employees, customers, suppliers, retirees or other individuals linked to the firms to come to an agreement with the policy opinions.

Government association strategy. This strategy is to associate government with firms' achievement and to associate firms with government promoted projects. China has developed a series of indexes to measure the political performance of local government officials. The most important index is the local economic development. Many firms try to associate firms' achievements with government officials or to contribute to the local economic development to become firms of which government officials are proud (Gao and Tian, 2006), due to the favourable policies or political protection in local. The tactics include: (1) helping to settle the troubles of

local government (such as reconstruction of old buildings, improvement of the residential environment, hiring the laid off workers), developing the local economy by becoming a famous brand and attracting foreign capital and so on; (2) cooperating with the local governments for important projects such as suburban urbanization and construction of city landmark; (3) being the pride of local economy or prominent contributor to local fiscal revenue.

Data collection

When collecting data related to the three issues from the journal, we identified 'land purchases', 'land reserve', 'illegal rent of officials', 'agreement with local government', 'land auction', 'the Ministry of Land and Resources P.R.C' and 'land reform' for land issue; 'credit loan', 'financing risk', 'the mainstay of the national economy', 'the People Bank of China', 'large financial investment', 'real estate foam', 'the regulation of financial market' and 'limitation of large bank loan' for loan issue and 'housing area', '90 (or 70) square metre', 'marco-control', 'the Affordable Economical Housing System', 'the Ministry of Construction of P.R.C', 'high housing price' and 'the establishment of housing welfare system for low income people' for housing issue. We first focused on the title of news and then analysed the contents in details to select the news related to the three issues. In addition, if the news is related to more than one issue, we viewed the main one as the coding criterion. In total, 2097 news reports were identified to be related to these issues, with 708 for land issue, 739 for loan issue and 650 for housing issue, respectively.

In Tombari's (1984) model, the life cycle curve of public issue was drawn based on two variables: concern intensity and time. The concern intensity was identified as the total of news reports at each time span unit in this study. The time span unit was measured as the interval between the dates of events (which had significant influence on the evolution of each issue) was first reported in the journal

(shown in Appendix A). Next, we divided issues by each time span and used the concern intensity to portray the progression of issue life cycle over time. Finally, according to many key words (partly listed in **Table 1**)¹, we identified four corporate political strategies in each time span of issues from these 2097 new reports and counted the proportion of each strategy in every time span (shown in **Table 2**). In total, 589 CPAs over 11 years were captured.

Data examination

To confirm the reliability of information from the Chinese Real Estate Business used in our data set, we also conducted a structured content analysis of other print news sources that cover the Chinese real estate industry (e.g., Chinese Real Estate, Housing and Real Estate and The Real Estate World). Using the same method on a representative sample of months from our data set (May 2000–January 2001) we found a completely consistent set of CPAs and key events of typical issues, although the Chinese Real Estate Business data used in the analysis below were much more comprehensive. The coding for the data set was performed by one of the authors, who have significant training and experience in structured content analysis. In an effort to check the reliability of the coding of CPAs, three academics in strategic management separately recoded a sample of actions (a random subgroup of 65 CPAs, 11% of our CPAs database). The testing used Perreault and Leigh's (1989) reliability index, which yielded a value of 0.80, indicating a high degree of interrater reliability (Rust and Cooil, 1994).

Results

The evolution of public issue life cycle

The life cycle curve of each issue is illustrated in **Figure 1a–c**, respectively.

¹However, due to the limitation of paper length, we only listed a representative keyword for each corporate political strategy. A full list of keywords can be obtained from the authors via email.

Land issue

The land issue began with the criticism from the public relevant to the 'rent-seeking' behaviour of some local officials when selling land to real estate firms in late 1990s. In response, the central government first took a policy trial of land reform in a specific city and later extended the trial scope to other cities. According to this experience, the government modified the initial measure and gave a political signal of formal policy as a trial to survey the industrial responses. Next, the central government formulated the fundamental land policy, which brought the land issue into official legislation. Then, the local government formulated the detailed policy through the trial in some key cities for modification. Finally, after a trial of detailed policy in Beijing, the land issue was over with the respective implementation of detailed land policies in the whole country around 2004.

Loan issue

This issue began with the concern about real estate firms' major dependence on bank loans for their operation. In 1998, central government began to reform its housing policy by abolishing the houses providing system for employees of state-owned organizations. Instead, everybody had to get houses from the market. This reform greatly stimulated a mass of building projects. Many real estate firms had to mainly depend on bank loans to finance their projects. As a result, the potential risk associated with the over-rapid growth rate of bank loans brought this issue into the high attention status. Then, the central government first gave a signal of the loan policy reform as a trial with an intention to collect various suggestions from the industry, and a detailed policy tightening bank loans to real estate firms was issued. However, the issue of this policy without trials has motivated a wide controversy and collective objections from the industry. As a result, the central government had to give up the first policy and formulate a new loan policy with a more cautious attitude,

Table 1. Four typical corporate political strategies and their keywords according to each public issue

Strategies	Examples	Issues	Keywords	Total
Businessmen's direct participation in politics as congressmen strategy	Baosen, Hu, who is the CEO of Central China Real Estate Group, proposed the administration of the pre-sale of the forward delivery housing in the national congress as a Congressman.	Land	Land administration; the Ministry of Land and Resources P.R.C; the conference of land purchase and so on	21
		Loan	The State Department; the People Bank of China; the conference of loan policy; the China Banking Regulatory Commission and so on	32
Information reference strategy	Seventeen real estate firms set up an organization called 'The Commerce Alliance of Land and Financing' for communicating with policy information in 2004.	Housing	The Ministry of Construction of P.R.C; the National Development and Reform Commission; the conference of housing policy and so on	14
		Land Loan	The price of land; the land reserve and so on The financial report; the survey of loan proportion; 'Hundred Thousand-word Report' and so on	25 53
Societal force mobilization strategy	When the 121 file was introduced, the real estate firms announced wide criticisms and public appeals by main media immediately.	Housing	The working report of the Ministry of Construction of P.R.C; collective suggestion to the central and so on	49
		Land Loan	New residence movement; land revolution and so on The Winter into Spring of the industry; real estate foam; public game and so on	82 103
Government association strategy	Owing to the public recommendation and governmental recognition in local officials, Wanke Property Co., Ltd gained more business chances from the industrial trade conferences.	Housing	Harmonious real estate; modify the industrial structure and so on.	88
		Land Loan	Makeover for an old downtown area; building of landmark; preferential land policy and so on. Funds; relationship between firms and banks; loan credit and so on	36 34
		Housing	Construction of corporate social responsibility; political 'Gongguan'; harmonious residential environment and so on	52

Source: Based on the content analysis of the news reports by authors.

Table 2. The percentages of corporate political strategies on each stage of public issues life cycle

Issue	Strategies time span	Businessmen's direct participation in politics as Congressmen (%)	Information reference (%)	Societal force mobilization (%)	Government involvement (%)
Land	1 Sep 1996-2 Jul 1998	—	48	29	23
	3 Jul 1998-3 Feb 1999	7	37	39	17
	4 Feb 1999-15 Aug 1999	14	28	39	19
	16 Aug 1999-5 Jan 2000	13	25	41	21
	6 Jan 2000-8 May 2002	25	29	37	9
	9 May 2002-31 Mar 2003	26	31	34	9
	1 Apr 2003-30 Jan 2004	29	18	21	32
	31 Jan 2004-30 Apr 2004	26	22	18	34
	1 May 2004-1 Sep 2004	28	19	24	29
Loan	3 Jul 1998-29 Oct 1998	—	—	—	—
	30 Oct 1998-26 Jun 2001	—	24	40	36
	27 Jun 2001-8 May 2003	21	27	39	13
	9 May 2003-29 Jul 2003	22	30	48	—
	30 Jul 2003-30 Aug 2003	20	31	49	—
	31 Aug 2003-29 Apr 2004	19	13	41	27
	30 Apr 2004-24 Apr 2006	24	16	13	47
	25 Apr 2006-31 Dec 2006	18	—	13	69
	Housing	3 Jul 1998-16 Feb 2001	—	61	23
17 Feb 2001-12 Mar 2003		—	30	45	25
13 Mar 2003-17 Dec 2004		14	29	49	8
28 Dec 2004-25 Mar 2005		18	35	43	4
26 Mar 2005-12 May 2005		2	44	49	5
13 May 2005-16 May 2006		26	17	30	27
	17 May 2006-31 Aug 2006	16	15	22	47

Source: Based on the content analysis of the news reports by authors.

which started the second life cycle of the loan issue. After new policy trial in some key cities, the detailed policies were introduced and implemented locally.

Housing issue

Since 1998, government has paid attention to the development of the 'Affordable Economical Housing System' in order to resolve the housing problems of the low-income families. The housing issue was initiated. While the extensive controversy and massive attention on the high price and large spaces of available house units from public and interest groups made this issue widely public. Next, a central government official gave a policy warning in his political speech, which was viewed as a formal signal of the housing policy reform. Then, the central government formulated the

fundamental policy first and experimented in some cities with more detailed policies. Finally, a series of detailed policies were formulated and implemented one by one, with decisive confidence. As a result, this issue reached the end of its life cycle.

The frequency of the corporate political strategies in each public issue life cycle

The corporate political strategies related to each issue and used in each stage of public issue life cycle are shown in **Table 2**. From **Table 2**, we can find that: (1) the information reference was the most common strategy used in the awareness stage of land and housing issue life cycle (land: 48%; housing: 61%); (2) the societal force mobilization strategies in each issue were significant (land: 39%; loan:

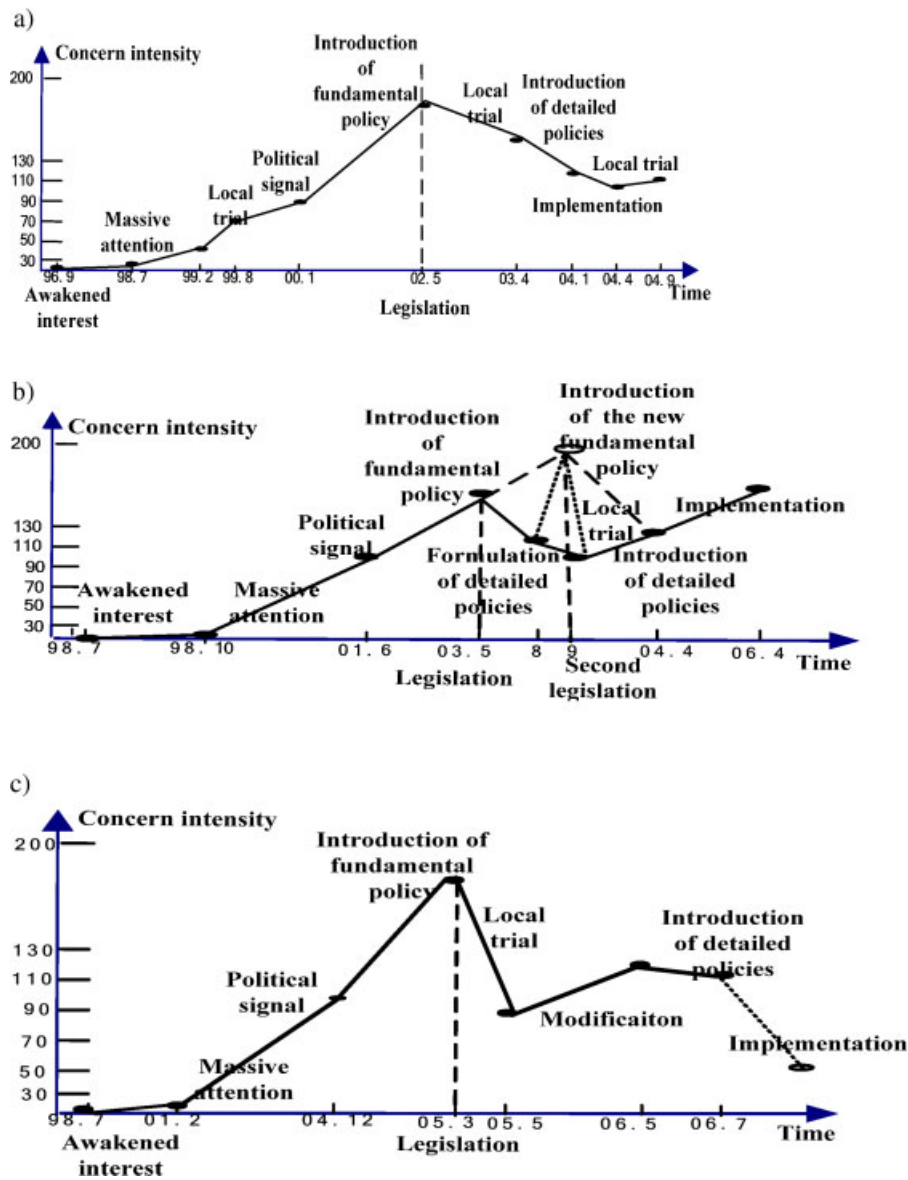


Figure 1. (a) The land issue life cycle curve. (b) The loan issue life cycle curve. (c) The housing issue life cycle curve. *Source:* Based on the content analysis of the news reports by authors.

40%; housing: 45%), when the issues evolved to the higher attention stage; (3) however, firms tended to incorporate the societal force mobilization (land: 37%; loan: 39%; housing: 49%) and information reference strategies (land: 29%; loan: 27%; housing: 29%) during the legislative discussion stage of issues (such as a political signal); (4) the societal force mobilization (land:31%; loan:30%; housing:44%) and information reference strategies

(land: 34%; loan: 48%; housing: 49%) were still popular, after the fundamental policy was introduced in three issues.; (5) finally, firms preferred the government association strategy (land:26%, 28%; loan:24%, 19%; housing:26%, 16%) in the stage of the modification and implementation of detailed policies. Furthermore, the business congressmen's direct participation in politics strategy (land: 34%, 29%; loan: 47%, 69%; housing: 27%, 47%) was

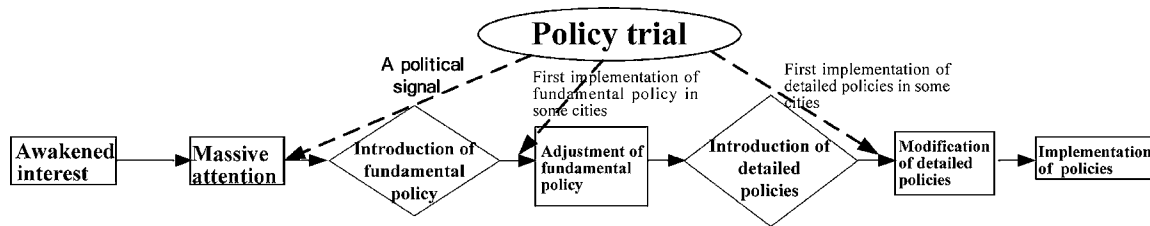


Figure 2. The evolution process of public issue life cycle in China's transitional environment. *Source:* Based on the content analysis of the news reports by authors.

predominant when the detailed policies were formulated and implemented locally.

Discussion

The particularities of public issue life cycle in China's transitional environment

Though the evolutionary pattern (from appearance, controversy, formulation, modification to implementation) is similar to that in the West (Post, 1978; Tombari, 1984), the process of public issue life cycle in China's transition is more complex. A new stage called 'policy trial' may exist in the life cycle. From our results, four policy trials in the land issue life cycle, two policy trials in the loan issue life cycle and two policy trials of housing issue in a short period were found respectively. The evolution of these public issues may be viewed as a sign of gradual maturity in government policy decision-making in China's transitional environment. In fact, the Chinese government has adopted an 'experimentation method' that is similar to the trial-and-error method of scientific development for its economic reform. The government, therefore, has gradually standardized the deregulation and regulation process with more mature measures and fewer exploring trials when experience is gained.

Meanwhile, double steps of policy introduction (the fundamental policy and detailed ones) in public issue life cycle were identified. This nature might also be resulted from the special 'experimentation method' in China's economic reform process. Consequently, the particularities of public issue life cycle in

China's transitional environment can be illustrated in a modified model based on Tombari's (1984), referring to the parts of ellipse and lozenge in **Figure 2**.

The possible outcomes of public issues in China's transitional environment

The possible outcomes of Chinese public issues are partially consistent with Tombari's (1984) arguments. From our results the concern of the loan issue was intensified with wide controversy, when the first fundamental policy failed. According to Tombari's suggestion, the loan issue would be finished by a new policy which was proposed by the stakeholders. However, the particularities of public issues in China are more important. In particular, after the introduction of the fundamental policy, land issue still obtained a durative public attention instead of returning to a state of apathy as Tombari (1984) noted, owing to some trials and modifications by the government. Furthermore, the life cycle of the housing issue was shortened with continuing high concern intensity rather than the attention shift that Tombari (1984) argued, due to the deepened regulation and decisive confidence of governments. Consequently, the particularities of the possible outcomes of public issue life cycle in China's transitional environment were shown as the parts of the ellipse in **Figure 3**. From **Figure 3**, the local governments are a buffer layer between the regulations of central government and the responses of firms in China. The CPAs and the development of government regulation

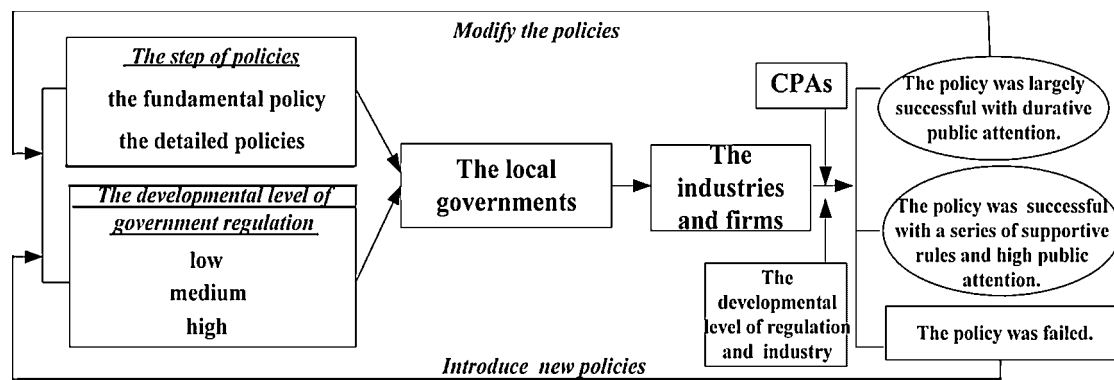


Figure 3. The possible outcomes of public issues in China's transitional environment. *Source:* Based on the content analysis of the news reports by authors.

and industry are two influential factors that may yield different outcomes of public issues.

The evolutionary path of CPAs in China's transitional environment

Scholars in the West noted that as the public issue develops through its various stages, appropriate CPAs shift accordingly (Mahon and Waddock, 1992). These responses range from reactive (Post, 1978) to proactive and back to reactive when the issues become institutionalized through the legislative and litigation processes (Buchholz *et al.*, 1985). However, with more complex life cycle of public issues in transitional environment, the dynamics of the corresponding CPAs is endowed with Chinese characteristics.

The bipartisan and multi-party systems are the main regimes in the West. Thus, due to the drastic competition of the parties and interest groups with completely opposite ideas for their political benefits respectively, the mutual restriction is a significant nature in the West. It is the main reason that the constituency building and PACs strategies are more popular in the West. In contrast, the salient nature of China's political party system is the multi-party cooperation under the leadership of the Communist Party of China (CPC). CPC will eventually determine the public policies by soliciting suggestions and cooperation from

various stakeholders. As a result, the government must allow the Congressmen from every stratum of society (especially the representatives of firms) to voice their opinions and take many policy trials to ensure the validity of policies.

From our results, therefore, the information reference strategy is prevalent at the beginning of the issue life cycle. The communication between firms and governments is essential for the development of issues. However, the societal force mobilization strategy is supposed to affect the tendency of the government's political attitude, with the increasing attention of issues. In the process of the fundamental policy introduction, not only the government proposed to gather more industrial responses in trial, but also firms attempted to anticipate the future policies. Thus, firms adopted information reference and societal force mobilization strategies to react. Furthermore, a few capable entrepreneurs might even take proactive actions like direct participation in politics strategy (which is infrequent in the West) or their network of 'guanxi' to participate in the process of policy decision-making (Gao and Tian, 2006).

Meanwhile, the vast areas in China exhibit obvious heterogeneities that are intertwined as different regions depending on each other for different resources, markets and support. Coupled with this geographical diversity is developmental disparity (Li and Zhou, 2005).

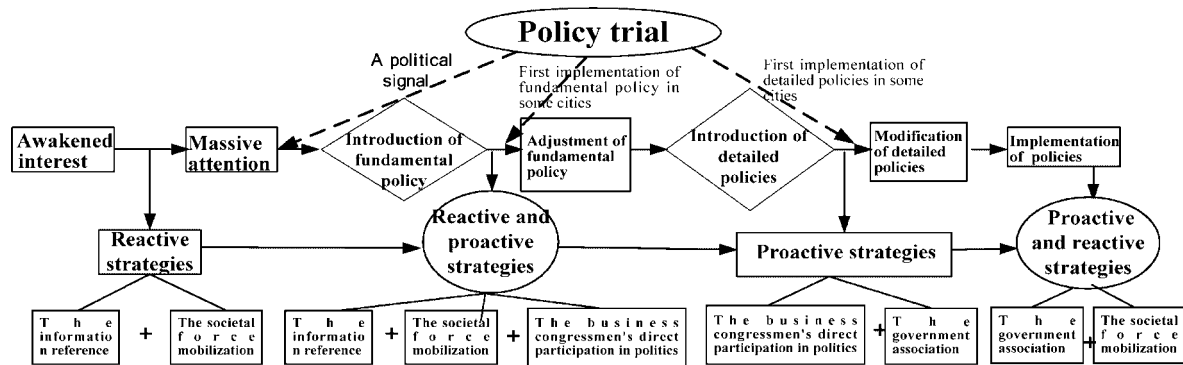


Figure 4. The evolution of corporate political strategies with the progression of public issues life cycle in China's transitional environment. *Source:* Based on the content analysis of the news reports by authors.

The central government has to take these heterogeneities into account in the policy agenda. Therefore, central government authorizes the local government and multilevel ministries to develop and implement the detailed policies based on the respective diversities. Furthermore, many trials and mutual adjustments of new policies and regulations, various intertwined governmental agencies, several specialized zones and local economic planning commissions or developmental and reform commissions, whether through macro control or direct intervention, may make the external environment even more complex and instable in China's transition. Thus, the local governments become more definitive for the detailed policies. During the stage of introduction of the detailed policies, the direct participation and the government association strategies were more predominant at local level. Firms could gain favourable treatment at local level through the advocacy of regional disparity. For instance, the journal reported in 23 April 2005 that: 'Huiping, Yu, the CEO of Fu Xing Hui Yu Real Estate Co., Ltd, as well as the Congressman of Wuhan Municipal People's Congress, suggested that the real estate firms in Wuhan might be allowed more land reserve in the suburbs in order to help government integrate Wuhan economic circle and implement the land policy effectively'. Finally, when favourable detailed policies were implemented, the

prominent firms would take the government association strategy and societal force mobilization strategy sometimes to maintain the stable relationship with the local governments. They purposed to secure government resource allocation and more political supports with local protection. Consequently, with the process of public issue life cycle, the evolutionary path of CPAs in Chinese transitional environment can be shown in **Figure 4** (the particularities were the parts of rotundity).

Conclusion

The purpose of this paper is to offer a processual perspective by the public issue life cycle model and explain the evolution of the CPAs in China's transition. The study not only complements the current static researches of CPAs, but also provides the particularity of transitional environment with Chinese data. In support of this objective, the primary value of this research is to improve our understanding of the dynamic interaction of external environment and firms' strategic practices. It is found that firms exhibited distinctive evolution of strategies despite a long tradition of planning. These strategies were significantly related to perceived environmental uncertainty. Moreover, this study attempts to capture the gradual development of business-government relations in transition over time by longitudinal data.

The findings of this paper indicate that: (1) complementing to Tombari's (1984) model and other West scholars, the public issue life cycle consists of a new stage—'policy trial' and two steps of introduction of policies (the fundamental and detailed ones) in China's transitional environment; (2) the possible outcomes of public issues are only partially consistent with those in Tombari's (1984) model, which reveals more special situation in China; (3) because of the one-party political system and the transition of economic system in China, the evolution of CPAs followed a more complex and different path compared with that in the West, especially after the issues entered into the formal legislative agenda. Thus, the perspective of public issue life cycle can be used to explain why and how some firms are intimately linked to government policy decision-making.

The findings of this paper also have practical implications. By viewing their external political environment as consisting of various public issues, firms can pay more attention to the environmental dynamics and adopt effective strategies to respond, even to affect the evolutionary process of the public issue, thus to gain more competitive advantage. A firm can use the evolutionary path of CPAs mapping to help allocate resources in proportion to the tension each regulation imposes, to monitor the life cycle of each public issue over time and to plan the strategic actions in advance. Moreover, the political implications of this study to government are also important. The government must pay more attention to the experimentation method and progressive steps during the process of deregulation and regulation reform. Various forms of policy trials not only enhance the confidence of the regulatory bodies, but also improve the effectiveness of policies.

However, as all research papers, ours contain several limitations: (1) the discussions developed here should be subjected to more empirical examination; (2) we only chose one single industrial sample. While this provides some insights about the nature of public issue life cycle and CPAs in the Chinese transitional

environment, additional research in the field may benefit by including more industries. Despite these limitations, we hope that our findings will stimulate further research including: (1) transverse comparison among several typical industries in China such as iron and steel, telecom, automobile and so on; (2) longitudinal analysis on different economic systems among typical countries in Asia such as Japan, India and so on.

Ultimately, our goal with this work and in suggesting future research areas is to provide an essentially integrated research of strategic management, public relation and political science from which managers can navigate the public issues life cycle and the interaction between evolutionary process and corporate activities in transitional environment.

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Appendix A. The evolution of typical real estate public issue life cycle in China's transitional environment

Issue	Key events of the public issue and their reported time	The influence on the evolution of issues
Land	<ol style="list-style-type: none"> 1. The establishment of the Land Reserve and Purchase System (1 Sep 1996) 2. The establishment of the Housing System Reform (3 Jul 1998) 3. The wide report of the phenomenon of 'rent-seeking' by some local governments (4 Feb 1999) 4. 'The suggestion of land auction' (16 Aug 1999) 5. 'The rule of building the tangible land market to standardize the business of land sales' (6 Jan 2000) 6. 'The law of bidding and auction of state land' (9 May 2002) 7. Various detailed rules to reform land sales were legislated in local (Mar 2003) 8. 'The supplementary rule of forbidding the consultative sale of state land' (31 Jan 2004) 9. 'The inform of deepening the nationwide work examination of bidding and auction of state land' (30 Mar 2004) 	<p>The local government's monopoly of land administration started the land issue</p> <p>Drastic land competition extended the attention</p> <p>Public controversy in whole country</p> <p>The initial land reform in some special cities.</p> <p>A formal signal of land reform brought the issue into the official agenda</p> <p>A foundational land policy was introduced</p> <p>The local governments formulated the detailed policies</p> <p>The detailed policies were implemented in Beijing firstly</p> <p>The land issue was finished with the implementation of the detailed land policies in whole country</p>
Loan	<ol style="list-style-type: none"> 1. The establishment of the Housing System Reform (3 Jul 1998) 2. The government decided to increase the financial investment in the housing construction to stimulate the consumption (30 Oct 1998) 3. 'The inform of regulating the housing financial market' (27 Jun 2001) 4. 'The rule of regulating the financial and credit market of real estate' (9 May 2003) 5. The Prime Minister held a policy-discussing meeting (30 Jul 2003). The State Department held an audiovisual meeting about strengthening the loan regulation in detail (1 Aug 2003). 6. 'The inform of advancing the healthy development of real estate market' (31 Aug 2003) 7. 'The inform of controlling the credit risk by strengthening the loan regulation' (30 Apr 2004) 8. 'The inform of strengthening the marco-control and standardizing the credit loan' (25 Apr 2006) 	<p>A mass of building projects started the loan issue</p> <p>The over-rapid growth rate of firm loan (99:35%; 2000:117%) brought the issue into the high attention phase</p> <p>A formal signal of loan reform brought the issue into the official agenda</p> <p>A foundational loan policy was introduced</p> <p>The discussing conference formulated the detailed policies</p> <p>The introduction of new fundamental policy yielded the second issue life cycle</p> <p>The introduction of second detailed policy</p> <p>The modification and implementation of policies finished the issue</p>

(Continues)

Appendix A. (Continued)

Issue	Key events of the public issue and their reported time	The influence on the evolution of issues
Housing	<ol style="list-style-type: none"> 1. The establishment of the Affordable Economical Housing System (3 Jul 1998) 2. The wide reports of the phenomenon of 'unaffordable' Affordable Economical Housing (17 Feb 2001) 3. The Ministry of Construction of P.R.C announced that the government would regulate and forbid the large housing area program (28 Dec 2004) 4. 'The inform of regulating the housing price' (26 Mar 2005) 5. 'Eight suggestions of regulating the housing price' (13 May 2005) 6. The State Department explained six guidelines of housing policy (17 May 2006) 7. 'The rule of regulating the housing structure and price' (24 May 2006), 'The inform of implementing the housing area rules in country' (13 Jul 2006) and 'The rule of regulating and managing the entrance of foreign capital into the Chinese real estate market' (24 Jul 2006) 	<p>The housing issue that settled the price and housing problem of the low-income families began</p> <p>Public controversy in whole country</p> <p>A formal signal of housing reform brought the issue on the official agenda</p> <p>A foundational land policy was introduced</p> <p>The detailed housing policies were introduced</p> <p>The modification and explanation of the detailed housing policies</p> <p>The central government legislated a series of detailed policies. The housing issue was finished quickly</p>

Source: Based on the content analysis of the news reports by authors.

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