

The Government Subsidies effect on the Company Strategic Change-Theory and Empirical

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Abstract: Government environmental regulation is an important policy to promote industrial development. In view of the fact that the implementation of the enterprise's production strategy is not motivated enough, the government will directly subsidize the enterprise, healthy and stable development of the enterprise. Based on dynamic managerial capabilities theory and top management team theory, this paper takes Chinese A-share listed companies from 2012 to 2020 as research samples to theoretically analyze and empirically test the impact of government subsidies on strategic change. This paper also demonstrates the moderating effect of property right nature, tenure of top management team and career background of top management team on the above mentioned two relationships. The results in the research show as follows. Firstly, government subsidies are significantly positively correlated with the degree of strategic change. Secondly, in state-owned enterprises, government subsidies are positively correlated with strategic change, while in non-state-owned enterprises, they are not significantly correlated. Thirdly, tenure of the executive team weakens the positive correlation between government subsidies and the degree of strategic change. Fourthly, the "productive style" career background of the top management can enhance the positive correlation between government subsidies and strategic change. This paper not only enriches the research results of dynamic management ability and strategic decision-making, but also provides beneficial enlightenment for enterprises to implement strategic reform, which can response to the changing external environment and absorbing external social resources.

Keywords: Government subsidies; Strategic reform; Tenure of CEO; Characteristics of the top management team.

1. Introduction

The adaptation of organization and environment depends on appropriate strategy of the enterprise. From the research [1], dynamic managerial capabilities has an effect on the strategic reform in the company. The social capital is composed of social network resources of managers, and social ties that are outside the organization can provide access to resources to obtain resources needed for investment[2].

Hofer et al(2021) found that when top managers have more and closer connections with external directors and greater network centrality, the company makes more acquisitions and generates strategic changes. Buccieri et al(2021)found that the existing social relationships in transnational corporations promote geographical diversification. In addition, Collins and Clark (2003) found that the scope of the external network of the top management team (TMT) (diversity of contacts), the strength of the external network, and the size of the internal network (number of contacts) were generally positively correlated with sales growth. However, the size of the external network, the scope of the internal network, and the strength of the internal connections are not important.Jorge et al(2019) also found that the social capital of the top management of small-medium companies was developed through the relationship with other companies, government officials and top management, which was positively and significantly correlated with sales growth.

From the perspective of the dynamic managerial capabilities of managers' recognition in terms of the dynamic managerial capabilities, previous research focuses on the strategic decision makers contained in the demographic characteristics of the cognitive basis, the values, beliefs structure. These differences will affect the direction of the organization, for example, whether to change strategy in response to the environment, the early stage of the performance or future goals[3] .This kind of

research focuses on the tenure of CEO has an effect on strategic change [3-5]. For example, Sawssanet al(2021) found that with the extension of tenure, the CEO would take a more conservative and prudent attitude towards strategic change; shan(2020) also found that the longer tenure of CEO, he inclined to become a strategic inertia, and therefore he was unwilling to initiate strategic change.

The government is an essential designer for the national innovation system, and China's capital market is in a state of strict government-control. Therefore, the government's incentive policies will certainly have an important impact on the strategic change of enterprises. For the government subsidy from external social capital, previous studies focused on government subsidy and enterprise innovation performance. However,[6], no scholars have yet studied the impact of government subsidies as external resources of enterprises on the strategic change of companies. In addition, in terms of the actual decision-making, except the CEO, the complex decision-making within the organization often involves other members of the top management team[7]. However, there are few studies on the effect of the characteristics of the top management team on the relationship with strategic change. In fact, CEO and top management team together have an impact on the strategies of enterprises[8]. Among them, the CEO, the main decision-maker of strategies, bears the main responsibility for the consequences of strategies[9], but the judgment and personal preference of the CEO are also restricted by the top management team [8]. Finally, for China, the difference between state-owned enterprises and non-state-owned enterprises is worth discussing on basis of the relationship between government subsidies and strategic change. Then, this study intends to explore the impact of government subsidies on strategic change, and further investigate the moderating effect of enterprise's property right nature, tenure of top management team, and career background of top management team on the above mentioned relationship.

The great contribution of this study is shown as follows. Firstly, the study on the impact of government subsidies on the strategic change of enterprises in China makes up for the deficiency of the existing literature that only investigates the impact of executive group on the strategic change. Besides, it can be conducive to understand more comprehensive causes affecting the strategic change. Secondly, by incorporating the CEO and the top management team into the research framework, this study clarified the role of the characteristics of the top management team among the relationship between government subsidies and strategic change.

2. Theory Analysis and Hypothesis Deduction

2.1 Government subsidies and strategic change

For a long time, the government has played an important role in the construction of market economy, the allocation of resources and the mitigation of market failures. To adapt to the external market environment and pursue the maximization of their own profits, enterprises often need to implement strategic changes (Attari et al,2022). In the process of strategic change, enterprises often face the double dilemma of insufficient internal blood supply and lack of external funds. On the one hand, as an important source of corporate social capital, government subsidies can help enterprises inject and supplement R&D funds. According to previous studies, social capital is positively correlated with enterprise performance by influencing the strategic changes of enterprises (Tarighi et al,2022). On the other hand, based on the information asymmetry theory, information asymmetry between enterprises and investors will lead to external financing constraints. The appearance of government subsidies has improved the reputation of enterprises in the market to some extent, and played a role in signal transmission (Zuo&Lin,2022). Due to the credibility of the government, when external investors receive the signal of government subsidies, it will help enterprises to carry out debt financing and equity financing, ease the financing constraints of enterprises, and thus help enterprises to obtain more funds from the capital market. The expansion of funds will often further lead to the strategic change of enterprises, thus improving enterprise performance. In addition, government subsidies can also effectively reduce the cost of enterprise reform, improve the expected profitability

of enterprises, and mitigate the cost and profit risks brought by strategic reform (Czarnitzki&Hussinger,2018).

H1: government subsidies are positively related to the strategic change of enterprises.

2.2 The Regulatory Role of Property Rights Nature

In terms of the nature of property rights, China's state-owned enterprises are large in scale and in a leading position in industries of strategic importance. Therefore, they received more subsidies from the government. Due to the administrative strength of the Chinese government, when the country implements a major industrial innovation strategy, government subsidy resources will be more inclined to state-owned enterprises, hoping to rely on these state-owned enterprises to create new value. This approach has brought capital injection to state-owned enterprises, eased the pressure on cash flow of enterprises to a certain extent, and accelerated the pace of strategic evolution (Lee et al, 2014). At the same time, due to the unclear property right subject of state-owned enterprises and the more prominent "principal-agent" problem, the strategic change of enterprises often needs external factors to promote, such as government subsidies. By contrast, non-state-owned enterprises are relatively small in scale, more flexible in company composition, and more uncertain in business operation, often receiving less government subsidies. At the same time, non-state-owned enterprises often have a clear ownership of property rights. Enterprises aim to maximize profits, have a perfect market-oriented operation mechanism, and the strategic reform of enterprises is mainly driven by spontaneity. Government subsidies have little impact on the strategic reform capacity of enterprises (Gonz&Paz ó, 2008). Therefore, compared with non-state-owned enterprises, government subsidies are more capable of achieving the strategic reform of state-owned enterprises.

H2: In state-owned enterprises, government subsidies are positively correlated with strategic change. While in non-state-owned enterprises, they are not significantly correlated.

2.3 The Regulatory Role of Top Management Team

According to the top echelon theory (Hambrick&Mason,1984), the unmeasurable psychological cognitive basis and measurable background characteristics (age, tenure, occupation, education background, etc.) of the top management team are related to the direction of corporate governance and investment decision-making, and different backgrounds of the top management team will have an impact on corporate strategic choices. The tenure of the senior management team reflects the experience of senior management team members working together as managers, which has an important impact on team output. The length of tenure of the senior management team affects the relationship between government subsidies and the degree of corporate strategic reform from two paths: "signaling" and "willingness to engage in risk". First, when top team members work together, they will develop common language, shared value norms and defined roles, which will make the interaction process within the team more effective and harmonious (Jiang et al,2022). However, as the knowledge exchange within the team is increasingly involved in collective bargaining and consensus seeking, the senior management team with a longer tenure will continue to narrow the scope of denial discussion (Finkelstein&Hambrick, 1990). In this case, the senior management team with a longer tenure is more likely to seek consensus behavior to maintain group cohesion and common cognition, and refuse or even intentionally conceal abnormal explanations and information in the decision-making process. Therefore, long-term TMT reduces the introduction and sharing of new information or ideas that may challenge existing understanding, and ultimately leads to their unwillingness to change the status quo (Bouchat et al,2022), including organizational structure and enterprise strategy. Relatively speaking, senior management teams with shorter tenure are more inclusive of different information and ideas, more flexible in scanning the environment and processing information, and less psychologically committed to status. Therefore, they are more likely to push the company to initiate strategic changes to respond to changes in the external environment. Second, tenure also affects the willingness of the senior management team to engage in risk behaviors. As members of the senior management team with short tenure may still lack legitimacy in the eyes

of some stakeholders, they may actively promote the enterprise to carry out risk taking activities to prove their ability. For example, promote enterprises to increase R&D investment (Feng et al,2021). Relatively speaking, long-term TMT needs to prove its ability to stakeholders, that is, the pressure is relatively small. They tend to be effective in the process of enterprise operation, which has been confirmed by the inherent paradigm or strategy (Heyden et al, 2017). In the long run, TMT focuses on stability, and they will deliberately avoid risks in strategic actions. To sum up, it can be inferred that the senior management team with a shorter tenure is more sensitive to the external environment and easier to find problems in the current strategy, which will, to a certain extent, promote the CEO's understanding of the problems in the current strategy, and thus promote the CEO to implement relatively thorough changes in the current strategy in the form of government subsidies, thereby improving work performance.

H3: the tenure of the TMT weakens the positive correlation between the government subsidies and the degree of the strategic reform

2.4 The Regulatory Role of TMT's Background

The functional background of the senior management team refers to the functional departments where senior executives worked before, and this important work experience has become the main source of senior executives' cognition and their relevant expertise and skills (Hambrick&Mason, 1984). According to previous research, the functional background will affect how executives define problems (Hambrick&Finkelstein, 1987), process information (Perrigino & Raveendhran,2021), and make strategic choices (Walsh, 1995). According to Hambrick and Mason's "high-level theory" (1984), the functional backgrounds of the senior management team that have a significant impact on strategic decisions are divided into two categories: "Out put Functions" and "Through put Functions". Senior executives with productive functional backgrounds, such as finance and production operations, focus on the internal direction of the enterprise, and pay more attention to cost control and existing technology improvement. It usually focuses on the development and commercialization of existing capabilities, and has endogenous factors to avoid risks and maintain stability (JMuhammad et al,2020; Miles&Snow, 1978). Therefore, the "productive" senior management team tends to follow the early strategic decisions, and easily does not launch strategic reforms; TMT with an "output" functional background engages in R&D, marketing and other activities, and interacts with external stakeholders in its activities. Therefore, they can obtain rich external information. They have the most sensitive sense of market development and can get inspiration from new elements. In addition, the top management team with an "output" functional background has more external social capital. This reflects that the expansion of R&D means high risk and uncertainty, as well as deviation from previous practices and rules (Miguel et al,2020). TMT with the background of "output type" function is more inclined to identify and grasp the rapidly changing market opportunities, so it has the advantage of coping with the rapidly changing and uncertain environment (Tuggle et al., 2010). As an external social capital, government subsidies need executives and government officials to establish a relationship in order to obtain more benefits. Through government subsidies, TMT with an "export oriented" background is conducive to improving the efficiency of government assistance, expanding the scale of external networks, improving the quality of connected objects, promoting the strategic change of enterprises, and promoting high-quality development of enterprises. Therefore:

H4: TMT with an "output type" background can enhance the positive correlation between government subsidies and strategic change.

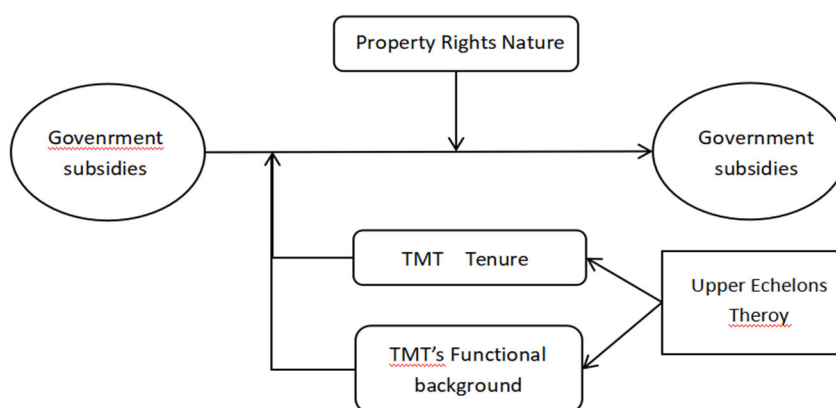


Fig. 1 Theoretical Analysis Model

3. Research Design

3.1 Model Settings

In order to study the impact of government subsidies on strategic change, considering the problem of data endogeneity, this paper adopts the following model:

$$Y_{it} = \alpha_0 + \alpha_1 X_{it} + \alpha_2 \text{control}_{it} + \mu_i + \lambda_t + \varepsilon_{it} \quad (1)$$

Where, i is the province, t is the year, Y is the dependent variable, X is the independent variable, control is the control variable, and μ is the individual effect, λ Represents time effect, ε Is a random perturbation term

At the same time, in order to study the moderating effect of property rights, tenure of senior management team and professional background of senior management team on government subsidies on strategic change, use formula (2) to verify, where Z represents the moderating variable:

$$Y_{it} = \alpha_0 + \alpha_1 X_{it} + X_{it} Z_{it} + \alpha_2 \text{control}_{it} + \mu_i + \lambda_t + \varepsilon_{it} \quad (2)$$

3.2 Sample selection and data sources

This paper takes Chinese a-share listed companies from 2009 to 2017 as research samples, and the following samples are deleted. (1) Financial-sector listed companies during the sample period. (2) ST, SST, *ST listed companies during the sample period. (3) The listed companies are lacking in data during the sample period.

After the above selection, 10,417 sample data involving 2,153 listed companies were finally obtained in this study during the sample period. The data came from China's CSMAR database and WIND database. For the samples missing of TMT data, this paper manually collected and supplemented them, processed the data with STATA15, and indented 1% and 99% of the sample variables.

3.3 Index selection

3.3.1 Explained variable

There are six key strategic dimension on measuring degree of enterprise strategic change: advertising and publicity input (cost of sales/revenue), R&D (R&D expense/revenue), the degree of fixed assets to update (net value of fixed assets/total value of fixed assets), payment for the management (management cost/revenue), inventory levels, inventory/revenue), financial leverage (debt/total owners' equity). The specific algorithm is as follows: calculation the variance of each index in the last three years ($t-2$, t). For example, if the base period is 2009, calculate the variance of each index in 2007-2009, and then standardize the obtained three-year variance based on the industry, and sum up the variance of the standardized six indicators to get the degree of strategic change (sc).

3.3.2 Explanatory variable

government subsidies (GOV), the natural logarithm of the amount of government subsidy plus one.

3.3.3 Moderating variables

A: Tenure of TMT. Tenure of TMT in this paper adopts a broad definition, which mainly includes directors, supervisors, general managers and main technical personnel. Tenure of TMT, namely $\ln_tenure_ave$, is the natural logarithm of the company's average Tenure of TMT plus one per year (the unit is month).

B: The background of TMT, namely $Funback_ratio$. The importance of the first job of entering the workplace is very important. It can develop one's education of career development, which will shape individuals and develop into the functions of the general thinking and behavior patterns[10]. Therefore, according to the annual report of the disclosure on listed company executive's resume to classify executive functions of the original background, calculate the number of executives with the functional background that is the proportion of the total number of TMT. In this paper, executives with production, R&D and design backgrounds are defined as output-oriented executives. The proportion of executives with output-oriented professional background in the number of TMT in that year is used to measure the professional background of TMT. The higher the ratio, the higher the proportion of productive executives;

C: OWN. The value of the state-owned enterprise is 1. Otherwise, it is 0.

3.3.4 Control variables

This paper is based on the studies [11, 12]. Table 1 is selected as the control variables.

Table 1. Control Variables

Return on Assets	ROA	The ratio of a company's net profit to its average total assets
Price-to-Book	PB	The ratio of the share price to the net assets of the company
Ownership Concentration	PFIR	The company's largest shareholder shareholding ratio
Equity Checks and Balances	Z	The sum ratio of the second to the tenth largest shareholder and the largest shareholder of the company
The Size of the Board	Board	Number of directors
Board Independence	Ind	The proportion of independent directors in the total number of directors
The Number of Meetings	Meeting	The number of board meetings

4. Analysis of empirical results

4.1 Descriptive statistics and correlation coefficients

In Table 2, it lists the descriptive statistics of the main variables. The results of descriptive statistical show that the mean value of strategic change is -0.260 and the standard deviation is 0.574, which indicates that there is a certain difference in the degree of strategic change of each sample. The mean value of government subsidies is about 16.27 and the standard deviation is 1.465, which indicates that there is a big difference among each sample. The mean of CEO tenure is about 45.02 months and the standard deviation is 16.86, which indicates that the CEO tenure of each sample is quite different.

Table 2. The Descriptive Statistics of Variables

Variable	Obs	Mean	Std.Dev.	Min	Max
sc	13248	-0.352	0.668	-1.425	5.126
gov	13248	17.36	1.025	11.62	21.83
OWN	13248	0.254	0.525	0	1
Tenure ave	13248	43.18	17.68	5.628	94.26
funback ratio	13248	0.334	0.126	0	0.735
ovesea ratio	13248	0.058	0.071	0	0.452
Size	13248	23.19	1.038	19.42	27.62
ROA A	13248	0.028	0.058	-0.328	0.284
PB	13248	2.628	2.158	0.584	17.654
LEV	13248	0.521	0.087	0.0324	0.985
PFIR	13248	38.24	13.17	7.524	76.52
Z	13248	0.624	0.841	0.026	4.573
Board	13248	7.155	1.842	5	15
Ind	13248	0.342	0.0624	0.384	0.668
Meeting	13248	10.384	4.845	4	22

Table 3. The Correlation Analysis of Variables

	SC	GOV	Size	ROA	PB	LEV	PFIR	Z	Board	Ind	Meeting
SC	1										
GOV	0.034***	1									
Size	0.076***	0.542*	1								
ROA	-0.189***	0.038**	-0.048**	1							
PB	0.223***	0.263**	0.426**	0.146***	1						
LEV	0.268***	0.321**	0.628**	-0.284***	0.089**	1					
PFIR	0.008	0.156**	0.384**	0.064***	0.082**	0.108**	1				
Z	-0.004	0.068**	0.184**	0.084***	0.178**	0.182**	0.884**	1			
Board	-0.013	0.084**	0.187**	-0.082	0.054**	0.048**	0.037**	0.032*	1		
Ind	0.011	0.012	0.018*	-0.037**	0.064**	-0.023*	0.065**	0.073*	0.562**	1	
Meeting	0.065**	0.186**	0.184**	0.038**	0.026**	0.185**	0.097**	0.064**	0.032**	0.077**	1

As shown in Table 3, the correlation research results of all variables show that the correlation coefficient between the explanatory variable SC (degree of strategic change) and the explanatory variable GOV (government subsidy) is 0.038, which is significantly positive at the level of 1%; In addition, the explained variable SC and the control variable size (enterprise scale), PB (The ratio of the share price to the net assets of the company)The correlation coefficient of LEV (Asset reliability ratio), Ind (The promotion of independent directors in the total number of directors), Meeting (The number of board meetings) is significantly positive correlation at 1% level, and the correlation coefficient of the control variable ROA (The ratio of a company's net profit to its average total assets) is significantly negative correlation at 1% level; The explanatory variable GOV (government subsidy)

is significantly positively correlated with the control variables Size, ROA, LEV, PFIR (The company's largest shareholder sharing ratio), Board and Meeting at 1% level, and is significantly negatively correlated with PB and Z (The sum ratio of the second to the last largest shareholder and the largest shareholder of the company) at 1% level.

4.2 Regression Analysis

In Table 4, it shows the regression test results of the relationship between government subsidies and the degree of strategic change. Where column (1) and column (2) are common regression results, and column (3) and column (4) adopt enterprise-level of clustering robust standard error to overestimate the significance of samples. According to the results, the coefficients of government subsidies are significantly positive at 1% level regardless of whether control variables are added ($\beta=3.117$, $p<0.01$), indicating that the positive correlation between government subsidies and strategic change is valid. Strategy and environment is a dynamic matching process. The change of environment requires enterprises to update the strategic resource allocation and enhance their adaptability to the environment and their own coordination ability. However, government subsidies further enhance the complexity and dynamics of the environment. The stronger the uncertainty of the environment, the more enterprises need to maintain a high level of their own resources and organizational system management capabilities and adaptability, enhance their own initiative and coordination with the environment, so as to effectively respond to changes in the technological environment and market demand, and win greater sustainable competitive advantages for enterprises. Therefore, this resilience will require enterprises to adjust their strategic direction in a timely manner according to the changes in the environment, so that government subsidies and strategic changes show a positive correlation.

Table 4. Regression test results of the relationship between government subsidies and the degree of strategic change

VARIABLES	(1) sc	(2) sc	(3) sc	(4) sc
gov	0.062*** (3.625)	0.043*** (6.018)	0.038** (1.562)	0.018*** (5.421)
ROA_A		-2.562*** (-20.624)		-2.628*** (-11.268)
PB		0.158*** (16.538)		0.142*** (8.265)
PFIR		0.013*** (2.326)		0.018* (1.628)
Z		0.084** (1.264)		0.064** (1.625)
Board		0.152* (1.628)		0.039 (0.628)
Ind		-0.924* (-0.68)		-0.098 (-0.426)
Meeting		0.068*** (5.426)		0.038*** (5.316)
Constant	-0.462*** (-3.625)	-0.854*** (-7.625)	-0.452*** (-3.628)	-0.884*** (-0.624)
Observations	13248	13248	13248	13248
R-squared	0.068	0.084	0.064	0.082
F	17.62	35.62	.	.

t-statistics in parentheses

*** $p<0.01$, ** $p<0.05$, * $p<0.1$

In Table 5, it lists the regulatory effect of property right nature. In the regression results, in order to overestimate the significance of samples, the cluster robust standard error at the enterprise level

was adopted. Column (1) and column (2) are regression results of samples of state-owned enterprises, while column (3) and column (4) are regression results of samples of non-state-owned enterprises. According to the results, among the samples of state-owned enterprises, the coefficient of government subsidies is significantly positive at the level of 1% ($\beta=2.946$, $p<0.01$). In the samples of non-state-owned enterprises, there is no significant correlation between government subsidies and strategic change. The existence of state-owned enterprises, private enterprises and foreign-funded enterprises in transition economies is a potential sign of institutional arrangements. Compared with non-state-owned enterprises, state-owned enterprises can obtain more subsidy resources from the government. This natural bond with the government will enable them to acquire natural resources. Based on this, state-owned enterprises can be calm and efficient when dealing with complex changes in the environment. Therefore, in state-owned enterprises, the government subsidy coefficient remains at the level of 1%, and the government subsidy is positively related to the strategic change. Compared with state-owned enterprises, non-state-owned enterprises are characterized by less government subsidies and weak ability to withstand market risks. In this case, the strength and depth of government subsidies on the strategic change of non-state-owned enterprises are obviously small, which will make non-state-owned enterprises lose the sensitivity to government subsidies to a certain extent and reduce the stimulation of government subsidies on non-state-owned enterprises; On the other hand, due to the lack of ability to withstand risks, non-state-owned enterprises are reluctant to change their strategic direction rashly to ensure stable operation and decision-making, which ultimately makes the correlation between government subsidies and strategic changes not significant.

Table 5. The Regulatory Effect of OWN and TMT's Tenure

VARIABLES	(1) sc	(2) sc	(3) sc	(4) sc
gov	0.016 (0.628)	0.126*** (3.116)	-0.026 (-0.882)	0.018 (0.154)
ROA_A		-3.126*** (-8.264)		-1.628*** (-5.623)
PB		0.318*** (6.628)		0.163*** (4.682)
PFIR		0.004** (2.524)		0.002 (1.430)
Z		0.528** (3.128)		0.008 (0.526)
Board		-0.038 (-1.624)		0.018 (0.883)
Ind		0.003 (0.016)		-0.668 (-1.623)
Meeting		0.082** (3.125)		0.018*** (6.328)
Constant	-0.426** (-2.168)	-2.162*** (-4.777)	-0.168 (-0.624)	-0.653** (-3.116)
Observations	4162	4162	7268	7268
R-squared	0.018	0.268	0.068	0.116
F	.	.	18.62	23.26

Robust t-statistics in parentheses

*** $p<0.01$, ** $p<0.05$, * $p<0.1$

In Table 6, it shows the moderating effect of TMT tenure. Column (1) and column (2) are common regression results. Column (3) and column (4) adopt cluster robust standard error at the enterprise level to overestimate the significance of samples. According to the results, whether control variables are added or not, the coefficient of government subsidies and TMT tenure is significantly negative at least at the level of 10%, indicating that TMT tenure can alleviate the positive correlation between government subsidies and strategic change. From this table, it is obvious that the biggest impact on

the tenure of the senior management team is the government subsidy coefficient, which indicates that there is a natural confrontation between the senior management team and the government. This shows that the tenure of senior executives of these enterprises does not depend on policies, which is different from the public's intuition. Sometimes, government support is not an important factor to maintain the stability of the senior management team, but the more subsidies, the more the phenomenon of leaving. For the senior management team, a stable team has a lot of motivation. There are two main factors that affect the retention of employees: career development and salary, that is, future and money path. The resignation of senior managers is basically due to these two reasons. The more the government compensates an enterprise or an industry, it does not mean that it attaches importance to and develops, but that the original system has caused too much regret to the compensated. These regrets have reached the point where they must be remedied. Compensation itself cannot fill the vacancy created by regret, nor can it bring about fundamental changes to the original industry. These are external means. The real change must depend on the internal qualitative change. In a word, the introduction of compensation often means that there has been a long history of emotion; Subsidies themselves are not great efforts to turn things around, but rather deplorable expediciencies. The expediency of limited investment also means that the relevant momentum will continue to develop helplessly.

Table 6. The Regulatory Effect of TMT's Tenure and Background

VARIABLES	(1) sc	(2) sc	(3) sc	(4) sc
gov	0.162*** (2.168)	0.138*** (5.162)	0.162** (3.158)	0.185** (3.618)
ln_tenure_ave	0.188* (1.828)	0.168 (2.681)	0.357 (1.689)	0.617 (0.885)
tenure_gov	-0.082*** (-3.187)	-0.147** (-3.112)	-0.824** (-2.167)	-0.131* (-0.562)
ROA_A		-1.358*** (-17.261)		-1.628*** (-8.261)
PB		0.033*** (16.315)		0.163*** (6.825)
PFIR		0.203*** (4.628)		0.015** (3.336)
Z		0.126 (0.268)		0.076 (0.846)
Board		0.008*** (1.662)		0.008* (2.218)
Ind		-0.113 (-0.186)		-0.077 (-0.623)
Meeting		0.018*** (6.254)		0.018*** (4.628)
Constant	-1.625*** (-3.162)	-1.216*** (-4.628)	-1.698* (-2.116)	-2.161** (-1.263)
Observations	13248	13248	13248	13248
R-squared	0.036	0.138	0.068	0.162
F	23.62	38.56	.	.

t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

In Table 7, it shows the moderating effect of TMT background. Where column (1) and column (2) are common regression results, and column (3) and column (4) adopt enterprise-level of clustering robust standard error to overestimate the significance of samples. From the results, regardless of whether control variables are added, the coefficient of the government subsidies and TMT background is significantly positive at least at the level of 5%, indicating that the TMT background

can strengthen the positive correlation between government subsidies and strategic change. It can be seen that the biggest impact on the tenure of the senior management team is the government subsidy. The government, obviously as a leading industry structure, can guide the development of the industry. Therefore, the government's guidance on this part has a comprehensive nature of leadership, which naturally drives the expectations of senior management's career development. Therefore, for the senior management team, the two main factors, career development and salary, namely, future and money, have great prospects. Moreover, as a forerunner who has occupied a good hole, it is natural to get the largest cake faster when staying in the existing team. Therefore, the coefficient of government subsidies and TMT background is significantly positive correlated at least at the level of 5%. Based on this, we can infer that the more subsidies the government provides, the more the entire industry or company gets stuck, and the more market vitality will be lacking. This is not conducive to the development of the industry, but rather more rigid. Therefore, if we want to promote the circulation of talents or the development of the industry, the government should guide in an orderly manner, instead of simply providing ordinary subsidies, we should cultivate in an all-round way, and provide all-round training from the top to the bottom.

Table 7. The Regulatory Effect of TMT's Background and robustness test

VARIABLES	t-statistics in parentheses			
	(1) sc	(2) sc	(3) sc	(4) sc
gov	-0.026* (-1.889)	0.014 (0.264)	-0.038 (-1.526)	0.004 (0.265)
funback_ratio	-1.762*** (-5.622)	-1.845*** (-4.123)	-1.786*** (-3.628)	-1.862** (-3.163)
funback_gov	0.086*** (4.826)	0.172*** (1.325)	0.082*** (1.362)	0.096* (3.624)
ROA_A		-1.362*** (-18.264)		-1.324** (-9.638)
PB		0.0362*** (17.523)		0.082*** (5.326)
PFIR		0.038*** (5.326)		0.026** (3.158)
Z		0.036** (3.265)		0.017* (1.36)
Board		0.092** (2.116)		0.016** (1.624)
Ind		-0.062 (-0.826)		-0.098 (-0.432)
Meeting		0.008*** (3.152)		0.132*** (5.162)
Constant	0.038 (0.265)	-0.432*** (-4.682)	0.037 (0.169)	-0.763*** (-6.329)
Observations	13248	13248	13248	13248
R-squared	0.034	0.082	0.063	0.162
F	17.62	36.28	.	.

*** p<0.01, ** p<0.05, * p<0.1

In order to ensure the reliability of the research conclusion, the following robustness tests were conducted.

This paper calculates the variance of each index in the last four years in terms of variance (t-2, T, T+1). For example, if the base period is 2009, this paper calculates the variance of each index from 2007 to 2010. Then standardize the obtained four-year variance based on the industry, and sum up the variance of the six standardized indicators to obtain the degree of strategic change (SC). From table 8, the coefficient of the government subsidy is significantly positive and the result is stable.

Table 8. Variance Robustness Test in Last Four Years

VARIABLES	(1) sc	(2) sc	(3) sc	(4) sc
gov	0.039** (1.628)	0.031*** (5.162)	0.068** (1.825)	0.069* (4.623)
ROA_A		-3.625*** (-18.362)		-3.631*** (-8.336)
PB		0.068*** (18.113)		0.019*** (5.553)
PFIR		0.095*** (5.132)		0.016** (3.162)
Z		0.077** (1.362)		0.119 (1.226)
Board		0.036*** (4.533)		0.083** (1.882)
Ind		-0.098 (-0.326)		-0.068 (-0.231)
Meeting		0.062*** (7.628)		0.128*** (5.821)
Constant	-0.558*** (-3.112)	-1.826*** (-9.326)	-0.632** (-1.628)	-1.958*** (-4.328)
Observations	9126	9126	9126	9126
R-squared	0.019	0.119	0.826	0.168
F	14.62	31.68	.	.

t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 9. Variance Robustness Test in Last Five Years

VARIABLES	(1) sc	(2) sc	(3) sc	(4) sc
gov	0.068* (2.216)	0.086*** (4.639)	0.032 (1.628)	0.065*** (3.621)
ROA_A		-4.625*** (-16.328)		-4.362*** (-8.692)
PB		0.128*** (15.629)		0.136*** (6.326)
PFIR		0.005*** (6.231)		0.005** (3.621)
Z		0.062** (3.119)		0.066 (1.628)
Board		0.068*** (1.623)		0.032** (6.239)
Ind		0.069 (0.162)		0.030 (0.083)
Meeting		0.016*** (5.694)		0.066*** (3.629)
Constant	-0.683*** (-4.628)	-1.623*** (-7.625)	-0.532** (-3.264)	-1.682*** (-5.261)
Observations	7826	7826	7826	7826
R-squared	0.036	0.116	0.082	0.163
F	8.669	25.64	.	.

t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

This paper calculates the variance of each index in the last five years (t-2, T, T+2). For example, if the base period is 2009, calculate the variance of each index from 2007 to 2011. Then standardize the obtained five-year variance based on the industry, and sum up the variance of the six standardized

indicators to obtain the degree of strategic change (SC). From table 9, the government subsidy coefficient is significantly positive and the result is stable.

5. Conclusion and Discussion

In this study, dynamic management capability theory and TMT theory were applied to explore the logical relationship between government subsidies and strategic change, and further analyzed the moderating effect of own, tenure of TMT and background of TMT on the relationship between them. Based on the empirical data of 10,417 samples of Chinese A-share listed companies from 2010 to 2018, this study finds results as follows. Firstly, government subsidies are significantly positively correlated with the degree of strategic change. Secondly, in state-owned enterprises, government subsidies are positively correlated with strategic change. While in non-state-owned enterprises, they are not significantly correlated. Thirdly, the tenure of TMT weakens the positive correlation between government subsidies and the degree of strategic change. Fourthly, the TMT “output-type” background can enhance the positive correlation between government subsidies and strategic change.

Firstly, enterprises should attach importance to the positive effects brought by government subsidies, and TMT should build good relationships with local government officials and strive for more government subsidies. On the one hand, it can enhance the social capital of enterprises and enhance their reputation. On the other hand, more government subsidies can provide enterprises with more financial support, better carry out technological innovation, and promote the strategic change of enterprises to produce higher corporate performance. Secondly, China's state-owned enterprises should make full use of government subsidies, improve the efficiency of utilization, and make contributions to the strategic change of enterprises. However, non-state-owned enterprises should broaden their own social network, expand social resources and establish relationships with government officials. It is better to obtain government subsidy resources, better promote the strategic change of enterprises and improve their performance.

There is no doubt that the tenure of TMT and TMT's background on government subsidies will adjust the relationship between the government subsidies and strategic change. Therefore, the enterprise can through optimizing the structure of the TMT to make CEO timely launch a strategic change. For example, they can hire the executives with the professional background of marketing, sales, R&D and other functions of the “output-type” background, which can be often associated with external main bodies. This way will expand their relationship network and have positive effects on government subsidies that are particularly worth trying to reform the current strategy to pursue enterprise's attention. At the same time, we can strengthen the formulation and improvement of relevant supporting policies to promote industrial development. For example, tax relief and financial subsidies are implemented for enterprises, financial support is provided for key technology research, and enterprises are encouraged to actively invest in technology research and development. In addition, an incentive mechanism of directly subsidizing consumers can be adopted.

Of course, there are deficiencies and limitations of this research as follow. Firstly, this study is based on the theory of dynamic managerial capabilities to explore the government subsidies in social capital, the external social resources, how to influence strategic change in the company. This paper can research the other variables in a dynamic managerial capabilities having an effect on strategic change, such as cognition, using questionnaire survey analysis of TMT's cognition, and how to affect the strategic change in the company. Secondly, this study only discusses the moderating effect of the OWN, tenure of TMT and career background of TMT. In fact, previous studies have shown that other characteristics of the TMT also have an important impact on strategic change, such as the international experience of the TMT[13]. Therefore, studies can further examine the contextual effect of other characteristics of the TMT in terms of government subsidies and strategic change.

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