TOWARDS REGULATORY ACCEPTANCE FOR INNOVATIONS

A thesis presented

by

Yuni Wen

Said Business School

Green Templeton College

University of Oxford

DPhil Management Studies

Trinity Term 2018

Yuni Wen Green Templeton College DPhil Management Studies Trinity 2018

TOWARDS REGULATORY ACCEPTANCE FOR INNOVATIONS

ABSTRACT

This thesis is devoted to the study of innovations that are ambiguous to existing regulatory frameworks. The problem is how these ambiguous innovations achieve regulatory acceptance. I start by proposing an analogy between a social movement and the process of achieving regulatory acceptance for innovations. It enables me to introduce social movement theories to systematically explain the variation of regulatory outcomes of an innovation. I then turn to the discursive side of this problem, that is, how companies influence policymakers' interpretations of an innovation in their favor. Drawing on the framing perspective, I explore which aspect of the innovation a company chooses to promote would work for policymakers. Finally I consider how regulatory acceptance for an innovation is possible in a non-democratic setting, where companies are unable to influence policy making through democratic participation. I find that the substitute to democratic participation is to utilize the divisions within the state to push the frontier of what is permissible.

ACKNOWLEDGEMENT

I'm deeply grateful to my supervisor Eric Thun for his support and guidance throughout my graduate career. His style of teaching and doing research has greatly influenced my own. I am equally grateful to my secondary supervisors, Mari Sako and Hiram Samel. They are always there offering me invaluable advice and judgement. I would like to thank many people who have taught me in the school, Marc Ventresca, Tom Lawrence, Teppo Felin, Sue Dopson, Jan-Emmanuel De Neve and David Barron. I cannot describe how much I have learnt from them. I am also grateful to my fellow graduate students as well as many people I have met at conferences and workshops for the very beneficial discussions.

CONTENTS

Introduction **5**

A Survey of Literature **9**

Regulatory Acceptance for Ambiguous Innovations: The Enactment of the U.S. Ride-Hailing Laws **29**

Using Framing as a Political Tool: Evidence from the U.S. Ride-Hailing Firms **61**

Rightful Resistance and Regulatory Acceptance for Innovation in an Authoritarian Country **101**

Conclusion **146**

INTRODUCTION

My PhD research revolves around a special group of innovations, which are well received in the market but ambiguous to the regulatory categories defined by existing regulatory frameworks (Funk and Hirschman, 2014; Ozcan and Gurses, 2017; Gurses and Ozcan, 2015). There are many recent examples. For instance, ride-hailing services like Uber and Lyft do not fit into taxi regulations. Airbnb, a home-sharing online platform, is not accommodated either by hotel or rental regulations. Also, there is controversy over whether virtual currency, such as bitcoin and blockchain, should be governed as a commodity or securities. With regulatory ambiguity, these innovations can prevail in the market without regulatory scrutiny for a period of time, but are faced with resistance from the governments as they grow. Therefore, for long-term development, companies aim to achieve regulatory acceptance, that is, either creating a new regulatory framework in favor of these innovations, or repealing or exempting from an existing regulation that restricts these innovations. For example, ride-hailing companies are persuading the U.S. state governments to enact the new transportation network company law. Airbnb is pressing governments to introduce clear home-sharing rules. Companies engaging in virtual currency initiatives are pushing for exemption from the securities laws in the U.S. So my central research question is: How do these ambiguous innovations achieve regulatory acceptance?

My thesis consists of three papers, each devoted to addressing one aspect of this problem. The first paper tries to explain the variation in regulatory outcomes for an innovation, considering that the current literature focuses on the process. To do so, it

first establishes an analogy between social movements and the process of innovations achieving regulatory acceptance, because both involve collective actions and policy change. It further introduces the maturing social movement theories as the explanatory framework, including the characteristics of the movement and the characteristics of the movement's targets (e.g. Amenda and Caren, 2004). In particular, I identify the impacts of two pathways -- innovation demanders and innovation suppliers -- to influence policy makers. For the former, I highlight how companies take advantage of the network of users to initiate collective actions and turn them into active political supporters. My hypotheses are tested in the U.S. ride-hailing industry in which 48 state governments enacted the new ride-hailing laws between 2014 and 2018.

The second paper focuses on the discursive aspect of the problem. Complementary to the first paper that studies the hard side of the political battles, the second paper pays attention to the discursive side – how do companies justify their innovative products or services to policymakers? This is an important problem, because policymakers' interpretation of an innovation has a great influence on the policies they make relevant to the innovation. To analyze the problem, I adopt the framing lens, which refers to the attempts to shape people's understanding of an issue by selecting and emphasizing certain aspects of an issue (e.g. Snow and Benford, 1992). The empirical context is the U.S. ride-hailing industry and the data sources are ride-hailing companies' testimonies at public hearings and their public statements on the press. I use a mixed-method framing analysis, which starts from a qualitative content analysis of what frames companies employ to influence policymakers and follows with a computer-based content analysis to quantitatively capture the

frequency of use of each frame. In so doing, I am able to examine the effect of each frame on the policy outcomes for the innovations.

The third paper draws attention to the non-democratic settings, as opposed to the first two papers that assume a democratic system. Ambiguous innovations are a global phenomenon, faced with various institutional contexts. Among them, a special but important context is non-democratic countries, where innovative companies do not have democratic channels to influence policy making and policymakers are not subject to the logic of democratic accountability. How do innovations achieve regulatory acceptance in a non-democratic setting? I conduct an in-depth qualitative study of Didi, the biggest ride-hailing company in China. It is the first case in China that a private company has successfully persuaded the government to enact a new regulation for an innovation. Through constant iteration between my data and the literature on various forms of political contentions, I found that the concept of rightful resistance, which was originally developed to explain peasant rebellions in China, can best explain the outcome (O'Brien and Li, 2006). The core idea is that the state is fragmented, thus powerless people can search and exploit the divisions within the state to achieve their own end. I demonstrate how Chinese ride-hailing companies achieved regulatory acceptance through this form of resistance.

References

Amenta, E. and Caren N. 2004. The Legislative, Organizational, and Beneficiary Consequences of State Oriented Chanllegers. In D. A. Snow, S.A. Soule and H. Kriesi (Eds.),*The Blackwell Companion to Social Movements*: 461-88. Malden, MA: Blackwell Publishing.

Funk, R.J. and Hirschman, D., 2014. Derivatives and deregulation: Financial innovation and the demise of Glass–Steagall. *Administrative science quarterly*, *59*(4), pp.669-704.

Gurses, K. and Ozcan, P., 2015. Entrepreneurship in regulated markets: framing contests and collective action to introduce pay TV in the US. *Academy of Management Journal*, *58*(6), pp.1709-1739.

O'Brien, K.J. and L. Li. 2006. *Rightful Resistance in Rural China*. New York: Cambridge University.

Ozcan, P. and Gurses, K., 2017. Playing cat and mouse: Contests over regulatory categorization of dietary supplements in the US. *Academy of Management Journal*, pp.amj-2015.

Snow, D.A. and Benford, R.D., 1992. Master frames and cycles of protest. *Frontiers in social movement theory*, *133*, p.155.

A SURVEY OF LITERATURE

Innovation and Regulations

There is a constant interplay between regulations and companies' activities, including innovations: companies choose to operate within existing regulations or beyond, and legislators respond to changes in companies' activities by enforcing existing regulations or creating new ones (Kane, 1981). On the relationship between innovations and regulations, research has long been concentrated on one side of the relationship -- how regulations influence innovations. Some economists have examined the connections between regulations and RandD expenditure and patent output among firms (e.g. Jaffe and Palmer, 1997; Jaffe and Lerner, 2004). Some institutional theorists have shown how regulations affect entrepreneurial activities in nascent fields like new energy industries (e.g. Sine, Haveman, and Tolbert, 2005; Sine and Lee, 2009). Some organizational ecologists, by studying financial industries, have found that regulations had a great impact on the process through which new products enter the market (e.g. Haveman, 1993).

In addition to the innovations as the intended outcomes of existing regulations, there are some innovations created beyond the existing regulations. Funk and Hirschman (2014) are the first to point out the innovations that are well received by the market but ambiguous to regulators. They fall into multiple regulatory categories, and it is thus unclear which regulator is responsible for it. By pointing out this special group of innovations that challenge existing regulations, they have studied the problem of how innovations influence regulations. Based on an analysis of the rise of swaps and repeal of the Glass-Steagall Act, they demonstrated the process by which these ambiguous innovations lead to *interpretive* regulatory change. Specifically,

regulations are designed upon certain interpretation of the market being regulated, such as what actors should be in the market and what activities they should take. The creation and diffusion of innovative products in the market erode the previous interpretation of the market and therefore challenge the regulations established on that interpretation. They also mentioned that although ambiguous innovations caused problems for regulators and legislators, they represent opportunities for innovative companies because they prevail in market without strict regulatory scrutiny for a period of time.

Institutional Entrepreneurship for Innovations

Much literature attributes institutional change to an exogenous shock "smacking into stable institutional arrangements" (Clemens and Cook, 1999: 447). Specifically, exogenous shocks would lead to an increased awareness of alternative logics, which would interrupt the existing institutional arrangement; this enables the emergence of new actors, practices, organizational forms and rules, namely, the possibility of change (Lounsbury, 2002). This echoes with Funk and Hirschman's (2014) study that emphasizes how the creation and diffusion of an innovation can lead to a different interpretation of the existing regulations, and consequently it would cause regulatory change.

Institutional entrepreneurship literature emerged as a response to this idea by focusing on what actors can do to shape their broader institutional environment (DiMaggio, 1988). In particular, institutional entrepreneurs often appear in emerging fields, where there are no dominant reference organizations and no consensus on the appropriate way of doing things. This ambiguity provides opportunities for actors to strategically shape the emerging institutional environments to their own interests (e.g. Fligstein and Mara-Drita, 1996; Maguire, Hardy, and Lawrence, 2004).

Relatedly, radical innovative products create some new fields or services (Tushman and Anderson, 1986; Bower and Christensen, 1995) and they cause ambiguity in institutional environments. For example, they do not have clearly defined market architecture (Ozcan and Santos, 2015); they lack cognitive legitimacy among consumers (Aldrich and Fiol, 1994); they fall short of a clear definition of the product (Hargadon and Douglas, 2001); and there is no established institutional logic to guide actions (Kaplan and Tripsas, 2008). Ultimately, these innovations require a defined, favorable institutional space to govern its production, distribution, and consumption (Dosi, 1982; Rosenberg, 1982). Similarly, some innovations caused ambiguity in the existing regulatory frameworks, and ultimately they need a defined, favorable regulatory space for their long-term development.

Such institutional ambiguity that comes along with innovations drives companies to shape a defined institutional space in the favor of their innovations. So far, the literature has primarily focused on how they shape the cognitive and normative aspect of institutions. For example, Garud, Jain and Kumaraswamy (2002) have revealed how a company promoted its own new technology to be a new common standard in the industry; Munir and Phillips (2005) have analyzed the introduction of the roll-film camera by Kodak and how Kodak used discursive tactics to transform the meaning of the new technology.

Relatively less attention has been paid to the regulatory aspect of the process – how companies create a defined, favorable regulation to accommodate the innovations. Unlike Funk and Hirschman's (2014) focus on interpretive regulatory change, recent scholarly works began to study the *formal* regulatory change. Gurses and Ozcan (2015) have compared two pay TV attempts to obtain regulatory approval -- one is success and the other is failure -- in the U.S. history. They found that the

difference lies in that the successful attempt framed it in line with the interests of the regulators and incumbents, as well as various forms of collective actions with other companies and the general public. Similarly, Ozcan and Gurses (2017) have demonstrated how dietary supplement companies fight against resistance from FDA to create a new regulatory category of products. They found that they overpowered the resistant regulators by resorting to hard power from other state actors, like the Congress, as well as hooking and activating consumers to exert pressure through soft power. This emerging stream of research has provided insightful understanding of the process, yet has not comprehensively explained why there is often enormous *variation* in regulatory acceptance for an innovation.

The literature identifies two mechanisms by which institutional entrepreneurs transform institutions, which inform the theoretical perspectives of my first two papers. First, institutional entrepreneurs initiate changes through collective actions, including building a collective identity and bringing together the groups with different interests (Fligstein, 1997; Garud et al., 2002). Collective actions can take the form of collective lobbying to pressure policymakers to respond to their policy demand (Bonchek and Shepsle, 1996), and pubic campaigns that appeal to more people to support their cause (Frank, Hironaka and Scholfer, 2000). This stream of literature informs me to draw on social movement theories to systematically explain how innovations achieve regulatory acceptance. The second mechanism identified by the institutional entrepreneurship literature is framing efforts. With framing efforts, institutional entrepreneurs aim to attract more audience to endorse the new institutional arrangement. To do so, they try to align their framing with the values, interests and commonly accepted narratives held by the audience (e.g. Hargadon and

Douglas, 2001; Rao, 1998). Inspired by this stream of research, I introduce framing perspective to explain my focal problem.

Social Movements and the Creation of New Market

Fligstein (1996) has developed the idea of "market as politics" that market development is driven by different market actors contesting each other to install their own perception of the market. He points out that the stage of market emergence and transformation is similar to social movements, because of contentions between market participants. In particular, different players during market emergence try to install their own conception of control of the market. During market transformation, market challengers attempt to establish a new conception of control, while incumbents resist efforts to change market conditions as they benefit from current arrangements. In this process, state regulations of economic activities change the balance of power in a market by establishing one conception of control that may benefit some actors but damage others.

Work along this stream has examined how social movements facilitate the creation of a new market. But most empirical work looks at the movements external to the new market. For example, Sine and Lee (2009) have shown that environmental movements can facilitate the emergence of the wind industry. Schneiberg, King and Smith (2008) have found that more members in an anti-corporate social movement organization were associated with more dairy and grain elevator cooperatives in the 20th century. Lounsbury, Ventresca, and Hirsch (2003) have revealed how non-profit recyclers made a for-profit recycling industry possible. Hiatt, Sine and Tolbert (2010) have demonstrated that the American temperance movement had an impact on the growth and development of the soft-drink industry.

With these external movements, companies are merely side players or beneficiaries in the process of creating new industries. Yet companies in the new industries can act as the initiators of social movements. Informed by Fligstein's (1996) view, my focal innovative companies initiate a social movement, not as beneficiaries, in the creation of new markets. They use all kinds of political tactics to install a new conception of control of the market. Meanwhile, they are faced with resistance from incumbents who have vested interests in the existing industry regulations. These innovative companies expect the state to change the balance of power in the market. Based on the similarity with social movements, I introduce the theories on social movement outcomes to analyze how innovative companies achieve various regulatory outcomes.

Theories on Social Movement Outcomes

Social movements refer to "purposive and collective attempts of a number of people to change individuals or societal institutions and structure" (Zald and Ash, 1966: 329). Although most social movement studies focus on the emergence of social movements, some have examined the outcomes of social movements (Amenta, Dunleavy, and Bernstein 1994; Burstein and Linton 2002; Soule and Olzak 2004). Social movement studies have produced new insights to explain policy change, by combining the effects of contentious collective action studied in sociology and that of routine politics emphasized in political science (McAdam and Su 2002). They have developed several major theories to explain the outcomes of social movements (Amenta and Caren, 2004).

The first approach is resource mobilization theory (Gamson, 1990; Rajos, 2006). This approach focuses on how activists develop strategies and mobilize resources, such as financial, organizational and human resources, to push their ends (Jenkins, 1983). From this view, it is argued that certain movement strategies are more likely to

produce success than others (Rajos, 2006). For example, in his study of 53 randomly selected social movement organizations spanning American history before World War II, Gamson (1990) found that limited goals, the use of "constraints", selective incentives, and bureaucratic forms of organization were more likely to produce new advantages.

The second approach is political opportunity structure theory, which highlights the impacts of political contexts (Kitschelt, 1986; Kriesi, 1995). They argued that once a challenger is mobilized, the determining factor of social movement outcomes is the political context. They have identified several elements of political opportunity structure. For instance, Kitschelt (1986) noticed two dimensions of the political contexts -- state openness (how open the polity is to policy demand) and state capacity (the polity's capacity to carry out policies) -- to account for various results of the antinuclear power movements in four countries. Except for systematic elements, the political opportunity argument also focuses on alterations in political conditions that improve the effectiveness of collective action of challengers (Goldstone and Tilly, 2001). For example, Jenkins and Perrow (1977) found that the impact of farmers' collective actions is influenced by the rise to power of favorable political regimes and the support of liberal organizations like organized labour.

The third approach is political mediation theory that highlights the interaction between strategies and contexts (Amenta, Dunleavy and Burstein, 1994; Amenta Carruthers and Zylan 1992). The idea is that to produce greater movement outcomes, challengers must engage in collective actions that potentially facilitate the goals of relevant institutional political actors and thus mobilize and adopt strategies in ways that fit political circumstances (Amenta, Caren and Olasky, 2005). For instance, in their study of pension movements, Amenta et al. (2005) found that in a Democratic

regime, it was enough to bring about high pension spending by mobilizing social movement organizations; but in a non-democratic regime, the more aggressive referendum initiatives was needed in order to increase pension benefits.

Social Movement Framing

In the 1980s, there is a shift in the study of social movements, from a focus on power struggle and material resources in the political sphere to contests over meanings, symbols and identities in the cultural sphere (Cohen, 1985). In this cultural shift, framing theory emerged as a new approach to study social movements. Goffman (1974:10) broadly defined framing as "schema of interpretation". Social movement scholars take a more strategic view on framing. David Snow and his colleagues (1986) took the lead in adopting framing perspective in social movement research. They argued that framing is a strategic message delivered by social movement organizations to express the movement's symbolic position, to attract certain groups of people, and to guide their actions (Cornelissen and Werner, 2014). To attract more potential activists, Snow et al. (1986) emphasized frame alignment, that is, to establish a linkage between the goal of a social movement organization and the interests, values and beliefs of targeted audience.

In addition to resource mobilization theory and political opportunity structure theory mentioned above, a group of scholars have recognized framing efforts as a key explanatory variable for movement outcomes (Amenta and Caren, 2004). For example, McCammon et al. (2007) found that the U.S. women jury movement was characterized with the use of similarity frame (men and women are equal) and difference frame (men and women make different contributions). The findings suggested that frames only persuade when they resonate with the cultural contexts in which they are deployed. Cress and Snow's (2000) investigation of how

organizational, tactical, political, and framing variables interact and combine to account for differences in the outcomes of 15 homeless social movement organizations in the U.S.. Of the four sets of independent variables, robust diagnostic and/or prognostic frames were found to be the most persistently present condition across the six pathways leading to the attainment of one or more of four different types of outcomes.

Corporate Political Activities

Corporate political activities (CPAs) are corporate attempts to shape government policy in ways favorable to the firm (Hillman and Hitt, 1999). Most CPA studies have examined a broad range of insider strategies, including lobbying, information provision, campaign contributions, and testifying at government hearings, through which companies directly influence policy makers (e.g., Schuler, 1996; Hansen and Mitchell, 2000; De Figueiredo and Edwards, 2007). Relatively less has focused on outsider strategies through which companies influence policy making by mobilizing political outsiders, such as citizens (e.g. Shaffer and Ostas, 2001; Lord, 2000). The classification between insider and outsider strategy is important, as they represent different mechanisms of influencing policy making: The former is through information transmission and the latter through public pressure. It is necessary to measure and compare their impacts. For example, based on a survey of key congressional staff and corporate regulatory affair officer, Lord (2000) investigated perceived effectiveness of different forms of CPAs. He found that lobbying directly by companies and constituency building are more useful in influencing legislative outcomes than outsourcing lobbying and advocacy advertising.

Recently, CPA research has noticed various forms of collective actions mobilized by companies, targeting at different stakeholders. To press certain political goals, they organize their shareholders (Basinger, Keim and Zeithaml, 1985) and employees (Hertel-Fernandez, 2018); and companies hire elite political consultants to mobilize key public audience (Walker, 2014). My focal innovative companies have mobilized their users and turned them into active political supporters.

Current CPA studies have mainly looked at the material side, with three dominant approaches. One draws on the resource-based view. It indicates that firm resources, such as organizational resources, relational resources, public image and financial resources, can be integrated into the political environment and determines their political outcomes (e.g. Oliver and Holzinger, 2008). A second view has emphasized on how institutions shape the effectiveness of CPAs (e.g. Henisz and Delios, 2004; Henisz and Zelner, 2003). For instance, Choi, Jia and Lu (2015) find that the influence of firms' lobbying activities on public policies is weakened when there are greater political (partisan) competition and more subnational government tiers. A third view is provided by resource dependence theory. It argues that organizational survival and growth are dependent on firms' ability to obtain resources from external constituents, especially the government (e.g. Hillman, Zardkoohi and Bierman, 1999; Peng and Luo, 2000). Hillman, Zardkoohi, and Bierman (1999) find that abnormal shareholder returns accrue to firms whose top managers are elected or appointed to federal positions in the U.S. government, suggestive of the benefits of linkages between firms and political decision makers. However, in addition to the material aspects of CPAs, it needs to understand the cognitive process – How companies make arguments to justify their existence or actions to policymakers. This

is an important problem because policymakers' interpretation of a company would greatly influence what policies they make relevant to the company.

Repertoires of Contention and Rightful Resistance

Other than social movements, scholars have also observed various forms of contentious politics (Tarrow and Tilly, 2007). The notion of repertoires of contention was introduced to refer to all kinds of strategies used by collective actors to persuade or coerce authorities to support their claims (Tilly, 1978). They can include conventional strategies of political persuasion such as lobbying, public campaigns, and petitioning, and confrontational tactics such as boycotts, marches, and strikes. Social movements are one form of contention, which is distinct in its novel, radical and noninstitutionalized forms of political expression (Tarrow and Tilly, 2001).

Despite the predominant focus on the U.S. and Western Europe, there are calls to explore how popular contention plays out in non-democratic settings (Osa and Corduneanu-Huci, 2008). Some studies have noticed special contention tactics in repressive regimes, where the aggrieved groups have no access to conventional political participation, and radical social movements are highly risky. The most famous one is Scott's (1985) ethnographic study of Malaysian peasants. He found that for the peasants who are physically scattered and less politically organized, they tended not to resort to overt rebellions but took covert, everyday forms of resistance, such as "foot-dragging, evasion, false compliance, pilfering, feigned ignorance, slander and sabotage". Also, Field (1976) studied Russian peasant resistance in the 19th century. He showed that Russian peasant rebellions broke out because they natively believed in "legendary just Tsar", who would secure them and offer them freedom.

Rightful resistance is a form of contention by which the powerless people search and exploit the divisions within the state to challenge the powerful and achieve their own end. In the story, there is no neatly divided antagonists, with superordinate on one side and subordinates on the other. Rather, it emphasizes on a fragmented state where divisions, both in different systems and at different levels in the same system, pursue divergent interests. What is impermissible in one division may be tolerable or even supported by another division. So, to launch attacks on one division of authority, resisters either mobilize pressure from another division for direct intercession, or cite official rhetoric that even unresponsive authorities must recognize, lest being charged with disloyalty to the system. In addition, rightful resistance forgoes revolutionary demands and operates at the boundary of authorized channels instead of violence or other openly criminal behavior (O'Brien and Li, 2006).

This concept was derived from research on rural China to explain how poor and weak Chinese peasants were able to challenge misconducts of local officials. Chinese peasants are powerless given that they have no institutionalized channels of political participation to express their discontent. In contrast, their opponents usually have protectors among the local notables who matter most, and they can easily ignore or put down peasant resistance. In this case, a multilevel polity in China offers the powerless peasants an opportunity to make the authorities to work for them. The central policymakers and street-level officials have divergent interests – the former is unable to assure the policies being executed by the latter without distortion. To solve the problem, the distant central policymakers are happy to take Chinese peasants as their watchdog. Such divide between the central and local government creates an opening for rightful resistance (O'Brien and Li, 2006).

It is necessary to discern rightful resistance from other forms of contention. Rightful resistance is different from social movements in that the latter works outside the political institutions while the former works within (Tarrow and Tilly, 2001). Rightful resistors are similar to "rebels in the name of the tsar" – Russian peasants who employed the myth of the tsar to mobilize others, protect themselves and reject claims made by faithless officials – for their search for patrons (Field, 1976). Yet unlike 'rebels in the name of the tsar' that is based on imaginary protections, rightful resistance is actually nurtured by authoritative pronouncements and sympathetic advocates do exist. Rightful resistors are comparable to "everyday resistors", such as foot dragging, poaching and sabotage, given that their challenges are both opportunistic (Scott, 1989). However, rightful resistance is open and public, whereas everyday resistance is quite and disguised. Also, unlike the underlying assumption of everyday resistance -- "the state and its laws are typically inaccessible, arbitrary and alien", rightful resisters proactively take advantage of the materials made available by the structure of domination.

Guanxi

Some studies have noticed that CPAs revolve around building personal network in non-democratic countries (Frynas and Mellahi, 2003; Adly, 2009). It is called *guanxi* in the Chinese context. *Guanxi* can refer to ties based on family, relatives, hometown connections, schoolmates, or colleagues are all-important in Chinese society (Tsui and Farth, 1997), and it can also be build up through frequent social interactions, including giving gifts and holding banquets (Jacobs, 1982). The concept can be extended to the organizational level. Researchers perceive organizational *guanxi* with key stakeholders as social capital and strategic tools that companies can use for organizational purposes (Hoskisson et al., 2000; Park and Luo, 2001; Xin and Pearce,

1996). Among them, one important *guanxi* is with governments. It includes having the government as a shareholder, top managers' affiliations at political entities (Tian, Ellinger and Chen, 2010), or their personal connections with government officials (Li and Zhang, 2007). *Guanxi* with the governments is expected to benefit companies in several ways. First, since the government has considerable power in the market, the ties help companies to obtain more resources that are allocated by the government but not readily available in the market, such as licensing and government contracts (Luo, 2003). Second, due to weak rule of laws, many companies are subject to arbitrary extortion by officials and others. Guanxi with governments can protect companies from the threat of expropriation and extortion (Redding, 1990). Third, there are less transparent channels to obtain information due to institutional underdevelopment in China. As a result, information told by governments is believed to be trustworthier and more useful than other channels (Luo, 2003).

With these potential benefits, scholars have tried to empirically test the relationship between *guanxi* with governments and firm performance. For example, Peng and Luo (2000) showed that managerial ties with Chinese government officials are positively related to firms' return on assets and market share. Park and Luo (2001) found that *guanxi* leads to increased sales growth, and has little impact on profit growth. However, these studies mainly used surveys as the data sources that only cover companies in well-established industries. Also, in the surveys, they adopted relatively simplistic measure -- a seven-point scale, ranging from "very little" to "very extensive" to describe their ties with government officials (Oppo, Nee and Holm, 2017; Peng and Luo, 2000; Luo, 2003; Park and Luo, 2001). Therefore the results can only suggest that a straightforward use of *guanxi* with governments can help

companies to obtain more benefits in an established setting. But it is not applicable to my focal companies that are in new industries and that challenge existing regulations.

References

Adly, A.I., 2009. Politically-embedded cronyism: the case of post-liberalization Egypt. *Business and Politics*, *11*(4), pp.1-26.

Aldrich, H.E. and Fiol, C.M., 1994. Fools rush in? The institutional context of industry creation. *Academy of management review*, *19*(4), pp.645-670.

Amenta, E. and Caren N. 2004. The Legislative, Organizational, and Beneficiary Consequences of State Oriented Challengers. In D. A. Snow, S.A. Soule and H. Kriesi (Eds.),*The Blackwell Companion to Social Movements*: 461-88. Malden, MA: Blackwell Publishing.

Amenta, E., Caren, N. and S. J. Olasky. 2005. Age for leisure? Political mediation and the impact of the pension movement on U.S. old-age policy. *American Sociological Review*, 70: 516–538.

Amenta, E., Carruthers, B.G. and Zylan, Y., 1992. A hero for the aged? The Townsend Movement, the political mediation model, and US old-age policy, 1934-1950. *American Journal of Sociology*, *98*(2), pp.308-339.

Amenta, E., Dunleavy, K. and Bernstein, M., 1994. Stolen thunder? Huey Long's" Share our wealth," political mediation, and the second New Deal. *American Sociological Review*, pp.678-702.

Baysinger, B.D., Keim, G.D. and Zeithaml, C.P., 1985. An empirical evaluation of the potential for including shareholders in corporate constituency programs. *Academy of Management Journal*, *28*:180-200.

Bonchek, M.S. and Shepsle, K.A., 1996. Analyzing politics: Rationality, behavior and institutions.

Bower, J.L. and Christensen, C.M., 1995. Disruptive technologies: catching the wave.

Burstein, P. and Linton, A. 2002. The impact of political parties, interest groups, and social movement organizations on public policy: Some recent evidence and theoretical concerns. *Social Forces*, 81: 380–408

Chen, C.C., Chen, Y.R. and Xin, K., 2004. Guanxi practices and trust in management: A procedural justice perspective. *Organization Science*, *15*(2), pp.200-209.

Choi, S. J., Jia, N., and Lu, J. 2014. The structure of political institutions and effectiveness of corporate political lobbying. *Organization Science*, *26*(1), 158-179.

Clemens, E.S. and Cook, J.M., 1999. Politics and institutionalism: Explaining durability and change. *Annual review of sociology*, *25*(1), pp.441-466.

Cohen, J.L., 1985. Strategy or identity: New theoretical paradigms and contemporary social movements. *Social research*, pp.663-716.

Cornelissen, J.P. and Werner, M.D., 2014. Putting framing in perspective: A review of framing and frame analysis across the management and organizational literature. *The Academy of Management Annals*, *8*(1), pp.181-235.

Cress, D.M. and Snow, D.A., 2000. The outcomes of homeless mobilization: The influence of organization, disruption, political mediation, and framing. *American Journal of Sociology*, *105*:1063-1104.

De Figueiredo, R.J. and Edwards, G., 2007. Does private money buy public policy? Campaign contributions and regulatory outcomes in telecommunications. *Journal of Economics and Management Strategy*, *16*(3), pp.547-576.

DiMaggio, P. 1988. Interest and agency in institutional theory. In L.G. Zucker (Ed.),Institutional Patterns and Organizations: Culture and Environment: 3–21. Cambridge, MA: Ballinger

Dosi, G., 1982. Technological paradigms and technological trajectories: a suggested interpretation of the determinants and directions of technical change. *Research policy*, *11*:147-162.

Field, D. 1976. *Rebels in the Names of Tsar*. Boston : Houghton Mifflin

Fligstein, N. 1996. Markets as politics: A political cultural approach to market institutions. *American Sociological Review*, 61: 656–673.

Fligstein, N., and Mara- Drita, I. 1996. How to make a market: Reflections on the attempt to create a single

Frank, D.J., Hironaka, A. and Schofer, E., 2000. The nation-state and the natural environment over the twentieth century. *American Sociological Review*, pp.96-116.

Frynas, J. G, and Mellahi, K. 2003. Political Risks as Firm-Specific (Dis) Advantages: Evidence on Transnational Oil Firms in Nigeria. Thunderbird International Business Review,45: 541-565.

Funk, R.J. and Hirschman, D., 2014. Derivatives and deregulation: Financial innovation and the demise of Glass–Steagall. *Administrative science quarterly*, *59*: 669-704.

Gamson, W. 1990 *The Strategy of Social Protest*, 2d ed. Belmont, CA: Wadsworth.

Garud, R., Jain, S. and Kumaraswamy, A., 2002. Institutional entrepreneurship in the sponsorship of common technological standards: The case of Sun Microsystems and Java. *Academy of management journal*, *45*:196-214.

Goffman, E. 1974. Frame Analysis: An Essay on the Organization of Experience. Harper Colophon, New York.

Goldstone, J.A. and Tilly, C., 2001. Threat (and opportunity): Popular action and state response in the dynamics of contentious action. *Silence and voice in the study of contentious politics*, pp.179-94.

Gurses, K. and Ozcan, P., 2015. Entrepreneurship in regulated markets: framing contests and collective action to introduce pay TV in the US. *Academy of Management Journal*, *58*(6), pp.1709-1739.

Hansen, W.L. and Mitchell, N.J., 2000. Disaggregating and explaining corporate political activity: Domestic and foreign corporations in national politics. *American Political Science Review*, *94*(4), pp.891-903.

Hargadon, A.B. and Douglas, Y., 2001. When innovations meet institutions: Edison and the design of the electric light. *Administrative science quarterly*, *46*(3), pp.476-501.

Haveman, H.A., 1993. Follow the leader: Mimetic isomorphism and entry into new markets. *Administrative science quarterly*, pp.593-627.

Henisz, W. J., and Delios, A. 2004. Information or influence? The benefits of experience for managing political uncertainty. *Strategic Organization*, *2*(4), 389-421.

Henisz, W.J. and Zelner, B.A., 2003. The strategic organization of political risks and opportunities. *Strategic Organization*, *1*:451-460.

Hertel-Fernandez, A., 2018. *Politics at Work: How Companies Turn Their Workers Into Lobbyists*. Oxford University Press.

Hiatt, S.R., Sine, W.D. and Tolbert, P.S., 2009. From Pabst to Pepsi: The deinstitutionalization of social practices and the creation of entrepreneurial opportunities. *Administrative science quarterly*, *54*:635-667.

Hillman, A. J., and Hitt, M. A. 1999. Corporate political strategy formulation: A model of approach, participation, and strategy decisions. *Academy of management review*, *24*: 825-842.

Hillman, A.J., Zardkoohi, A. and Bierman, L., 1999. Corporate political strategies and firm performance: Indications of firm-specific benefits from personal service in the US government. *Strategic Management Journal*, :67-81.

Hoskisson, R.E., Eden, L., Lau, C.M. and Wright, M., 2000. Strategy in emerging economies. *Academy of management journal*, *43*(3), pp.249-267.

Jacobs, J.B., 1982. The concept of guanxi and local politics in a rural Chinese cultural setting. *Social interaction in Chinese society*, pp.209-236.

Jaffe, A.B. and Lerner, J., 2004. *Innovations and its discontents: how our broken patent system is endangering innovation and progress, and what to do about it*. Princeton University Press.

Jaffe, A.B. and Palmer, K., 1997. Environmental regulation and innovation: a panel data study. *Review of economics and statistics*, *79*: 610-619.

Jenkins, J.C. and Perrow, C., 1977. Insurgency of the powerless: Farm worker movements (1946-1972). *American sociological review*, pp.249-268.

Jenkins, J.C., 1983. Resource mobilization theory and the study of social movements. *Annual review of sociology*, *9*: 527-553.

Kaplan, S. and Tripsas, M., 2008. Thinking about technology: Applying a cognitive lens to technical change. *Research Policy*, *37*:790-805.

Kitschelt, H. 1986. Political Opportunity Structures and Political Protest: Anti-Nuclear Movements in Four Countries. *British Journal of Political Science* l6:57-85.

Kriesi,H., Koopmans. R., Duyvendak, J.W.and Giugni, M.G. 1995. *The Politics of New Social Movements in Western Europe: A Comparative Analysis*. University of Minnesota Press.

Li, H., and Zhang, Y. 2007. The role of managers' political networking and functional experience in new venture performance: Evidence from China's transition economy. *Strategic Management Journal*, 28(8): 791–804.

Lord, M. D. 2000. Constituency-based lobbying as corporate political strategy: Testing an agency theory perspective. *Business and Politics*, *2*(3), 289-308.

Lounsbury, M., 2002. Institutional transformation and status mobility: The professionalization of the field of finance. *Academy of Management Journal*, *45*(1), pp.255-266

Lounsbury, M., Ventresca, M. and Hirsch, P.M., 2003. Social movements, field frames and industry emergence: a cultural–political perspective on US recycling. *Socio-economic review*, *1*:71-104

Luo, Y. D. 2003. Industrial dynamics and managerial networking in an emerging market: The case of China. *Strategic Management Journal*, 24: 1315–1327.

Maguire, S., Hardy, C., and Lawrence, T. 2004. Institutional entrepreneurship in emerging fields: HIV/AIDS

McAdam, D. and Su, Y., 2002. The war at home: Antiwar protests and congressional voting, 1965 to 1973. *American Sociological Review*, :696-721.

McCammon, H.J., Campbell, K.E., Granberg, E.M. and Mowery, C.2001. How Movements Win: Gendered Opportunity Structures and U.S. Women's Suffrage Movements, 1866 to 1919. *American Sociological Review* 66: 49-70

Munir, K.A. and Phillips, N., 2005. The birth of the 'Kodak Moment': Institutional entrepreneurship and the adoption of new technologies. *Organization studies*, *26*:1665-1687.

O'Brien, K.J. and L. Li. 2006. *Rightful Resistance in Rural China*. New York: Cambridge University.

Oliver, C., and Holzinger, I. 2008. The effectiveness of strategic political management: A dynamic capabilities framework. *Academy of Management Review*, *33*:496-520

Opper, S., Nee, V. and Holm, H.J., 2017. Risk aversion and guanxi activities: A behavioral analysis of CEOs in China. *Academy of Management Journal*, *60*(4), pp.1504-1530.

Osa, M. and Corduneanu-Huci, C., 2008. Running uphill: political opportunity in non-democracies. In *New Frontiers in Comparative Sociology* (pp. 275-312). Brill.

Ozcan, P. and Gurses, K., 2017. Playing cat and mouse: Contests over regulatory categorization of dietary supplements in the US. *Academy of Management Journal*,

Ozcan, P. and Santos, F.M., 2015. The market that never was: Turf wars and failed alliances in mobile payments. *Strategic management journal*, *36*(10), pp.1486-1512.

Park, S.H. and Luo, Y., 2001. Guanxi and organizational dynamics: Organizational networking in Chinese firms. *Strategic management journal*, *22*(5), pp.455-477.

Peng, M. W., and Luo, Y. 2000. Managerial ties and firm performance in a transition economy: The nature of a micro-macro link. *Academy of management journal*, *43*(3), 486-501.

Rao, H., 1998. Caveat emptor: The construction of nonprofit consumer watchdog organizations. *American journal of sociology*, *103*(4), pp.912-961.

Redding, S. G. 1990. The spirit of Chinese capitalism. New York: de Gruyter.

Rojas, F. 2006. Social Movement Tactics, Organizational Change, and the Spread of African-American Studies. *Social Forces*, 84: 2147-2166.

Rosenberg, N. 1982.*Inside the black box: Technology and Economics*. New York, NY: Cambridge University Press.

Schneiberg, M., King, M. and Smith, T., 2008. Social movements and organizational form: Cooperative alternatives to corporations in the American insurance, dairy, and grain industries. *American Sociological Review*, *73*(4), pp.635-667.

Schuler, D.A., 1996. Corporate political strategy and foreign competition: The case of the steel industry. *Academy of Management Journal*, *39*(3), pp.720-737.

Scott, J.C., 1985. Weapons of the weak: everyday forms of peasant resistance. New Haven, CT: Yale University Press.

Shaffer, B. and Ostas, D.T., 2001. Exploring the political economy of consumer legislation: The development of automobile lemon laws. *Business and Politics*, *3*(1), pp.65-76.

Sine, W.D. and Lee, B.H., 2009. Tilting at windmills? The environmental movement and the emergence of the US wind energy sector. *Administrative Science Quarterly*, *54*(1),pp.123-155.

Sine, W.D., Haveman, H.A. and Tolbert, P.S., 2005. Risky business? Entrepreneurship in the new independent-power sector. *Administrative Science Quarterly*, *50*(2), pp.200-232

Snow, D.A. and Benford, R.D., 1992. Master frames and cycles of protest. *Frontiers in social movement theory*, *133*, p.155.

Snow, D. A., Rochford, Jr., B., Worden, S. K., and Benford, R. D. 1986. Frame Alignment Processes, Micromobilization, and Movement Participation. *American Sociological Review* (51) : 464–81.

Soule, S. A., and Olzak, S. 2004. When Do Movements Matter? The Politics of Contingency and the Equal Rights Amendment. *American Sociological Review*, 69: 473–497.

Tarrow, S.D. and Tilly, C., 2001. Dynamics of contention. *Port Chester, NY, USA*.

Tarrow, S. and Tilly, C., 2007. Contentious politics and social movements. In C. Boix and S. C. Stokes (Eds.) T*he Oxford handbook of comparative politics*. Oxford Handbooks of Political.

Tian, Y., Ellinger, A.E. and Chen, H., 2010. Third-party logistics provider customer orientation and customer firm logistics improvement in China. *International Journal of Physical Distribution and Logistics Management*, *40*(5), pp.356-376.

Tilly, C. 1978. *From Mobilization to Revolution*, Reading, MA: Addison-Wesley

treatment advocacy in Canada. Academy of Management Journal, 47(5): 657–79.

Tsui, A. S., and Farh, J. L. 1997. Where guanxi matters: Relational demography and guanxi in the Chinese context. *Work and Occupations*, 24: 56–79.

Tushman, M.L. and Anderson, P., 1986. Technological discontinuities and organizational environments. *Administrative science quarterly*, pp.439-465.

Walker, E. 2014. *Grassroots for Hire: Public Affairs Consultants in American Democracy*. New York, NY: Cambridge University Press

Xin, K.K. and Pearce, J.L., 1996. Guanxi: Connections as substitutes for formal institutional support. *Academy of management journal*, *39*(6), pp.1641-1658.

Zald, M.N., and Ash, R. 1966. Social Movement Organizations: Growth, Decay and Change. *Social Forces* 44: 327-341

Regulatory Acceptance for Ambiguous Innovations: The Enactment of the U.S. Ride-Hailing Laws

ABSTRACT

Some innovative products and services are ambiguous to existing regulations, and they try to achieve regulatory acceptance from governments. This paper explores why an ambiguous innovation is more accepted by some governments than others. Drawing on the theories of social movement outcomes, it first identifies the impacts of two distinct pathways to influence governments – *innovation demander*s and *innovation suppliers*; it also investigates what political environments are conducive to these innovations. Results from an event history analysis of ride-hailing law enactments by state governments in the U.S. between 2014 and 2018 show that legal status was achieved by innovation demanders in the early period and by innovation suppliers in the latter period. It also finds that a Republican government and a Conservative population, through taking effects at different stages, helped these innovations to achieve regulatory acceptance.

INTRODUCTION

Many companies offer innovative products or services that are ambiguous to the regulatory categories defined by existing regulatory frameworks (Funk and Hirschman, 2014; Ozcan and Gurses, 2017). For instance, ride-hailing services like Uber and Lyft do not fit into taxi regulations. Airbnb, a home-sharing online platform,

is not accommodated by hotel or rental regulations in many cities. Also, there is controversy over whether virtual currency, such as bitcoin and blockchain, should be governed as a commodity or securities. Due to the nature of regulatory ambiguity, these innovations can prevail in the market without regulatory scrutiny for a period of time, but are faced with resistance from the governments as they grow. Therefore, for long-term development, companies aim to achieve regulatory acceptance, that is, either creating a new regulatory framework in favor of these innovations, or repealing or exempting from an existing regulation that restricts these innovations. For example, ride-hailing companies are persuading the U.S. state governments to enact the new transportation network company (TNC) law. Airbnb is pressing municipal governments to introduce clear home-sharing rules. Companies engaging in virtual currency initiatives are seeking to be exempted from the securities laws in the U.S.

Although much progress has been made in understanding how regulations influence innovations (e.g. Jaffe and Lerner, 2004; Haveman, 1993; Russo, 2001), far less is known about how innovations influence regulations. Funk and Hirschman (2014) are the first to point out these ambiguous innovations, which are not intended products of existing regulations but undermine them. By analyzing the emergence of swaps and repeal of the Glass-Steagall Act in the U.S., they emphasized how the prevalence of an ambiguous innovation in the market leads to interpretive regulatory change. More recently, attention has been paid to the formal regulatory change for these innovations. Ozcan and Gurses (2017) have indicated the process through which dietary supplement companies disrupted a hostile regulation enforced by FDA. However, on the problem of how innovations influence regulations, this emerging stream of research has not dealt with the enormous variation in regulatory outcomes for an innovation -- Why is an ambiguous innovation more accepted by some

governments than others? This paper thus aims to explain the variation of regulation acceptance for an innovation.

To analyze the problem, I use the social movement lens. Social movement scholars have studied how activists initiate changes in the political arena (e.g. Giugni, 1999). This is similar to my focal problem of how companies initiate regulatory change for their innovations. Also, Fligstein (1996) has argued that the process by which market challengers aim to establish a new conception of control in the market is analogous to a social movement. In the process, state regulations of economic activities change the balance of power in a market away from one conception of control towards another. In particular, they have identified a number of factors to explain the different outcomes of social movements, mainly the characteristics of the movement and characteristics of the movement' targets (Amenta and Yong, 1999; Burstein and Linton, 2002; Soule and Olzak, 2004). This set of maturing social movement theories can be used to comprehensively explain the variation of regulatory acceptance for innovations.

The U.S. ride-hailing industry offers a good empirical setting. On the one hand, ride-hailing companies, mainly Uber and Lyft, have gained great popularity in the U.S. market, but do not fit neatly in the existing taxi regulations. They have been pressing the U.S. governments to make a new, favorable law to accommodate the new service. On the other hand, there is a consistent measure of regulatory acceptance -- between 2014 and 2018, 48 American states had enacted the Transportation Network Company (TNC) laws, and there is great variation on the time the state governments enacted the new laws, as well as the content of the new laws. It thus provides a natural experiment setting to explore what cause the variation of regulatory acceptance of an innovation.

INNOVATIONS AND INSTITUTIONS

Institutional environment consists of normative, cognitive and regulatory environments (Scott, 2008). On the connections between innovations and institutions, many people focus on how institutions influence innovations. For instance, there is much research on how regulations influence innovations. Some economists have examined the connections between regulations and RandD expenditure and patent output among firms (e.g. Jaffe and Lerner, 2004; Grabowski, Vernon and Thomas, 1978). Some institutional theorists have shown how regulations affect entrepreneurial activities in nascent fields like new energy industries (e.g. Sine, Haveman, and Tolbert, 2005; Sine and Lee, 2009). Some organizational ecologists have found that regulations have a great impact on the process through which new products enter the market (e.g. Haveman, 1993).

It has been shown that some innovations are so radical (Tushman and Anderson, 1986; Bower and Christensen, 1995) that they produce ambiguity in the institutional environment, for example, no legitimacy (Aldrich and Fiol, 1994), no clearly delineated product definitions and industry structure (Hargadon and Douglas, 2001), and no established logics guide actions (Kaplan and Tripsas, 2008). Ultimately, these innovations require a defined, favorable institutional space to govern its production, distribution, and consumption (Dosi, 1982; Rosenberg, 1982). Similarly, some innovations are ambiguous to the existing regulatory frameworks and lead to interpretive regulatory change (Funk and Hirschman, 2014), and ultimately they need a defined, favorable regulatory space for their long-term development (Ozcan and Gurses, 2015).

In the literature of institutional entrepreneurship, which focuses on the role of actors in shaping institutions (DiMaggio, 1988), some studies have focused on how

companies influence the cognitive and normative aspect of institutions for their innovations. For example, Garud, Jain and Kumaraswamy (2002) have revealed how a company promoted its own new technology to be a new common standard in the industry. Munir and Phillips (2005) have analyzed the introduction of the roll-film camera by Kodak and how Kodak used discursive tactics to transform the meaning of the new technology. This paper pays special attention to the regulatory aspect of the process – to turn regulatory ambiguity to regulatory acceptance for the innovations. In this field, Gurses and Ozcan (2015) have examined how pay TV used collective actions, such as collective lobbying and public campaigns, to gain regulatory support in the U.S. Similarly, Ozcan and Gurses (2017) have demonstrated how dietary supplement companies disrupted an unfavorable regulation enforced by the FDA by lobbying the U.S. Congress and mobilizing consumers. As elaborated earlier, this emerging stream of research has not comprehensively explained the variation in regulatory outcomes for an innovation. This paper thus aims to expand this stream of literature by explaining why some governments are more receptive to an innovation than others. To do so, it systematically introduces the social movement theories as the explanatory framework.

A SOCIAL MOVEMENT PERSPECTIVE

The social movement lens is suitable to approach the problem of how innovations achieve regulatory acceptance. Social movements refer to collective attempts of activists to initiate changes in the political arena (Zald and Alsh, 1966). Two key elements of the definition fit well with my focal phenomenon. First, innovative companies aim to promote new regulations to accommodate their new products or services. Second, innovative companies have accumulated a large number of users in

the market and they are connected with each other in a network for the use of the new service. The user network can be easily activated by innovative companies, for example, through in-app message and local gatherings, and therefore provide the companies with organized mass base for political mobilization. This is similar to the role of black church in the Civil Rights Movement in the U.S. (McAdam, 1982). Like the user network of an innovative product or service, the black church had existed as a religious network. But once it was activated, it can be soon turned into a base for political collective actions. Although these companies are not aggrieved populations that are typical to social movements, they are emerging forces in the market against incumbents who have maintained strong ties with political elites. It echoes with the idea of "market as politics" developed by Fligstein (1996). He points out that market transformation, with different market actors contesting each other to install their own perception of the market, is analogous to social movements. Specifically, market challengers produce innovations to establish a new conception of control, while incumbents resist it as they benefit from current arrangements. In the process, state regulations of economic activities change the balance of power in a market away from one conception of control towards another.

The maturing research on social movement outcomes is particularly indicative for the problem of this study. It has studied a similar question about how social movement organizations achieve policy change. They have identified a number of factors to explain a social movement's outcome (Amenta and Young, 1999; Burstein and Linton, 2002; Soule and Olzak, 2004), including resource mobilization theory, which is concerned about the feature of movements, and political opportunity structure theory, which focuses on the features of the movement's targets (Amenta and Caren, 2003: 469). This study develops hypotheses based on the two arguments.

Resource Mobilization

The resource mobilization approach to social movement outcomes emphasizes the availability of resources, such as human and organizational resources, for social movements, as well as coordination and strategic efforts made to utilize those resources in collective actions (e.g. Gamson, 1990; Rojas, 2006; Morris, 1993). In particular, movement activity flows from effective social organization among actors, typically drawing on pre-existing social structures. Thus, for example, the black civil rights movement was based on mobilization of people through an indigenous organizational network prominently featuring black churches in the South (McAdam, 1982).

The focal innovative companies are endowed with special social resources -- the mass of users -- to initiate collective actions. Unlike other unambiguous innovations in the regulated markets, which require the government's approval first in order to enter the markets, these innovative products or services can prevail in the market without regulatory scrutiny for a period of time due to their regulatory ambiguity. During this period, they can accumulate a large number of users and can easily mobilize the mass of users. For example, Uber sent in-app messages to its users appealing for their support, and by simply clicking the link in the message, users would be directed to Uber's online petition site and their support would be sent to legislators. Similarly, Airbnb established more than one hundred local "home-sharing clubs" around the country to gather hosts together and hired "community organizers" to galvanize the hosts to express their support to policymakers (Kessler, 2016). Although it is not uncommon for companies to resort to collective actions for certain political objectives, for example, by establishing industry associations with peer

companies (Rehbein and Lenway, 1994), organizing their shareholders (Basinger, Keim and Zeithaml, 1985), mobilizing their employees (Hertel-Fernandez, 2018), and hiring elite political consultants to target key public audience (Walker, 2014), these innovative companies have mobilized their users and turned them into active political supporters.

I label this mass of users as innovation demanders. Innovation demanders are expected to influence policy makers through public pressure. In a democratic system, legislators are supposed to be accountable to popular demands in their constituencies if they want to win their votes in the next election (Dahl, 1989; Erikson, Wright and McIver, 1993). So, the mass of users can be mobilized to deliver their support of the innovation to policymakers, and policymakers ought to respond to the popular demands by granting regulatory acceptance to the innovations. So the hypothesis is as follows:

Hypothesis 1: Innovations are more likely to achieve regulatory acceptance from a government that is influenced by innovation demanders.

In contrast to innovation demanders, innovation suppliers, i.e. the companies offering innovative products or services, can influence policymakers. They try to directly persuade policymakers to grant regulatory acceptance to their innovations. A similar distinction has been identified by some social movement scholars (McCammon et al., 2001; Nownes and Freeman, 1998). For example, McCammon et al. (2001) distinguish insider strategy, which refers to the strategy aimed at directly influencing policymakers. For instance, people can lobby lawmakers to pass favorable bills, or they can work to elect legislators who are sympathetic to their policy demand. Outsider strategy, in contrast, refers to strategy that mobilizes the mass to push policymakers to establish favorable regulations. Such examples include petitions,

protests, advertising and public speaking.

Direct lobbying from innovation suppliers represents a different mechanism of influencing policy making. Other than public pressure exerted by innovation demanders, it promotes the policy goals through close access and information transmission. Direct lobbying is based on strong ties with the legislature. Companies, such as innovation suppliers in this case, possess the technical and operational information, and through close contacts with policy makers, they can effectively transmit the information to them (Dur and Mateo, 2013). Also, direct lobbying often takes place in closed settings such as personal conversations, expert committees, agencies or advisory bodies that the technical pros and cons of policies are scrutinized in detail (Beyers, 2004). Therefore, the hypothesis is as follows:

Hypothesis 2: Innovations are more likely to achieve regulatory acceptance from a government that is influenced by innovation suppliers.

Political Opportunity Structure

The political opportunity structure approach to social movement outcomes highlights the impact of political environments (e.g. Kitschelt, 1986; Anderws, 2001; Kriesi et al., 1995). They argue that certain political elements of political environments enhance or inhibit the prospect of movements to affect mainstream institutional politics and policy (Meyer and Minkoff, 2004). For instance, Kitschelt's (1986) study of the anti-nuclear power movements in four democratic countries found that their varying impacts depended on different combinations of state openness (the openness of the state to popular demands) and state capacity (the ability of the state's bureaucratic infrastructure to carry out policies).

I identify two elements of political opportunity structure that are of particular significance to regulatory acceptance of innovations. The first element is the strength

of political parties in the government. In the social movement literature, political parties, as allies or opponents of a movement, have been shown to be an influential factor for movement outcomes. For example, Tarrow (1998) identified its influence in the civil rights movement. During the 1950s, many southern white voters aligned themselves with the Republican Party. In this situation, the Democratic Party was very eager to win the black votes, so that they took the initiative for civil rights.

Government partisanship should be important for this case. Members of the Republican Party in the government are expected to be allies of these innovative companies. The party platform consistently advocates free market, free enterprise, deregulation and restrictions on labor unions. In 2014, the Republican National Committee's website put up a petition blocking "taxi unions and liberal government bureaucrats" from "setting up roadblocks, issuing strangling regulations and implementing unnecessary red tape to block Uber from doing business in their cities" (Buss, 2014). Conversely, the Democratic Party is expected to have more reservations on these innovations because of their close relationship with unions. Incumbents like the taxi industry, after a long time of evolvement, are usually highly unionized. When incumbents are disrupted by innovative companies and union members get angry, the Democratic Party should take a less friendly approach to innovative companies. For instance, in 2015, the Democratic Party front-runner Hillary Clinton expressed her worry about protections for workers in companies like Uber and pledged to “crack down” on companies that classify workers as contractors rather than employees (Wood, 2015). So the hypothesis is as follows:

Hypothesis 3: Innovations are more likely to achieve regulatory acceptance from a government that has more Republican policymakers.

Public ideology is another element of political opportunity structure for these innovations. In the social movement literature, public opinion is recognized as a factor that directly influences policy outcomes (Burstein, 1999; Burstein and Linton, 2002). It is built on the assumption that officeholders respond to the electorate in order to win re-election (Dahl, 1989). Public opinion, in this literature, refers to opinions on a specific policy issue, such as the pension policy (Amenta, Caren and Olasky, 2005) and the Equal Rights Amendment (Soule and Olzak, 2004). But on these newly emerged innovations, there is no established public opinions. So, rather than issue-specific public opinions, I investigate the impact of the political ideology of the constituencies –"a set of beliefs about the proper order of society and how it can be achieved" (Erikson and Tedin, 2003: 64). This is a relatively consistent dimension of the political environment that is indicative of people's view of these innovative products or services.

Previous research has indicated that differences in public ideology can influence attitudes toward many social and public affairs issues (Graham, Haidt, and Nosek, 2009), and political scientists have examined the influence of political ideology of the public on a variety of policy outcomes (e.g. Shipan and Volden, 2006; Lax and Philips, 2012). Liberal orientation versus conservative orientation is the major political ideological division. In general, liberals advocate a bigger role of the government in the market to reduce inequalities and to solve economic and social problems (Sanders, 1986). It follows that these people tend to be less supportive of innovative companies that require fewer regulations and government interventions. In contrast, conservatives emphasize on individual liberty and free market with a small government (Sanders, 1986). It implies that they tend to stand by innovative companies that demand less regulatory restrictions. In a democratic system,

officeholders tend to vote with the majority of the constituencies because they usually want to win re-election (Dahl, 1989). More recently, Ozcan and Gurses (2017) have demonstrated how dietary supplement companies disrupted a hostile regulation proposed by FDA. They found that the companies did so by hooking and activating consumers and citizens to pressure the Congress with soft power, and the Congress further exerted hard power over FDA. For this reason, I expect that innovative companies are more likely to achieve regulatory acceptance in a constituency with more conservatives than liberals. This leads to another hypothesis:

Hypothesis 4: Innovations are more likely to achieve regulatory acceptance from a government that has more conservatives than liberals in the constituency.

METHODS

Empirical Background

The empirical setting is the U.S. ride-hailing industry, mainly Uber and Lyft. [1]Ride-hailing companies are legally called transportation network companies (TNCs), which are defined as companies that use an online-enabled platform to connect passengers with drivers using their personal, non-commercial vehicles (California Public Utilities Commission, 2012). This new service has challenged the traditional taxi industry and the regulations that have been placed on taxis. For instance, people can register to be a ride-hailing driver only with a driving license and a car. But taxi owners are required to hold a costly "medallion" and taxi drivers have to go through special training and strict background checks. Taxi companies and drivers are required to pay commercial insurance, whereas ride-hailing drivers are usually only

[1] The U.S. ride-hailing industry is highly concentrated in which Uber has nearly 70% market share and Lyft, as the second largest player, has about 20% market share. Except Uber and Lyft, other small ride-hailing companies are not active in the political battles. Therefore, this paper will focus on the two companies.

covered by their personal insurance. It also mandates high standards for vehicles used as taxis while cars for ride-hailing service are much less frequently examined (Thorton, 2015).

The U.S. governments reacted strongly to the spread of the new service, claiming that they did not comply with local taxi regulations. For example, in the early days, Uber and Lyft received cease-and-desist orders from the state government of California, Virginia and South Carolina. Ride-hailing companies fought back. Uber initiated the "save Uber" campaign, persuading people to sign petitions in support of Uber. Uber and Lyft also hired an army of lobbyists working on all levels of governments. Their efforts met a varying degree of success. Colorado and California created a regulatory framework for the ride-hailing service as early as 2014 and Alaska and Connecticut had not legalized it until June 2017. By January 2018, it still remained illegal in Oregon and Vermont (see Table1).

TABLE 1 Time and Sequence of Ridesharing Law Enactment

Jun 2014	Colorado
Sep 2014	California
Jan 2015	Illinois
Feb 2015	Virginia
Mar 2015	Idaho, Kentucky
Apr 2015	Arizona, Arkansas, Maryland, North Dakota, Utah
May 2015	Georgia, Minnesota, Montana, Indiana, Nebraska, Nevada, Oklahoma, Tennessee, Washington, Wisconsin, Kansas
Jun 2015	Texas, South Carolina, Maine, Louisiana
Sep 2015	North Carolina
Mar 2016	New Mexico, Ohio, South Dakota, West Virginia
Apr 2016	Mississippi
May 2016	Alabama, Iowa
Jun 2016	New Hampshire, Missouri
Jul 2016	Rhodes Island, Hawaii
Aug 2016	Massachusetts, Delaware
Nov 2016	Pennsylvania
Dec 2016	Michigan
Feb 2017	New Jersey
Mar 2017	Wyoming
Apr 2017	New York
May 2017	Florida
Jun 2017	Alaska, Connecticut

Sample

The sample for this study includes 50 American states. The observation period begins in May 2011, when Uber started expanding across the country, and ends in January 2018. This observation window is appropriate, given that this phenomenon happened rapidly – by January 2018, 48 states have legalized ride-hailing companies. I used month as the unit of time instead of year, because year is unable to capture the frequently changing events like the use of different political tactics, and highly concentrated events like ride-hailing law enactments, that are characteristic of this phenomenon. In the sample, state-month is the unit of observation. I selected state rather than city as the level of analysis for two reasons. First, ride-hailing companies have been increasingly engaged in pushing for state-wide laws, in the hope that state laws pre-empt local regulations. By January 2018, 28 states have pre-empted municipal governments from proposing extra regulations on ride-hailing services. Second, there is no consistent measure for regulatory acceptance on the city level. Many cities do not issue city regulations on ride-hailing even if they are supportive of the new industry. Third, the data on political contexts and companies' political activities, such as lobbying and petition, are more available at the state level than on the city level.

Dependent Variables

I disaggregated the dependent variable – regulatory acceptance -- into two parts: legal status and regulatory acceptance level. The first dependent variable is legal status, that is, enactment of a law governing ride-hailing companies by a state legislature. Most states have passed a comprehensive legal framework covering multiple aspects of ride-hailing services, such as insurance, safety, and driver classification. Other states, such as Missouri, Hawaii, and Michigan, have attempted to pass laws individually,

each addressing one issue. Later, I took the time of enacting the first single-issue ride-hailing law by the state, given that either a single-issue law or a comprehensive law signals a permanent legal status of ride-hailing companies.[2] Therefore, the dependent variable measure is as follows: the month when a state enacted the ride-hailing law was marked as one and the months before that as zero. Specifically, I chose the month when the governor signed the bill as the time of law enactment. Data was mainly obtained from LegiScan, a website tracking the status of state bills.

The second dependent variable captures the level of regulatory acceptance. It is complementary to the first dependent variable, given that although some states have enacted the ride-hailing laws, the laws are so restrictive that they threaten this new business model. After reading all the ride-hailing bills, I coded them into ten policy issues.[3] Then I read through Uber and Lyft's petitions and public announcements regarding regulations. By doing so, I selected five major policy issues from the list that the ride-hailing companies felt most vital to their survival. To capture the degree of acceptance, the second dependent variable was designed as an ordinal variable, counting how many of these policy issues are adopted. Hence the regulatory acceptance score ranges from zero to five. A state adopting none of the issues is seen as "no acceptance" and a state that has adopted all the five policy issues can be seen as "full acceptance". The five issues are:

(1) No additional licensing. Some states require individual ride-hailing drivers to apply for an additional license other than their driving license from the government.

[2] I have also included the New York State Legislature's decision to write ride-hailing services into the state's budget, which, though not a law, is widely interpreted as a move to legalize the new service. Meanwhile, I have excluded temporary regulations issued by regulators (e.g. California Public Utilities Commission issued a TNC regulation in 2013), instead of legislatures.

[3] The policy issues are: background check; drug and alcohol use; vehicle equipment; insurance; fares; privacy; accessibility; record maintenance; local pre-emption; ride-hailing company permit.

The ride-hailing companies think that it would greatly raise the entry barriers of drivers and hinder their business expansion. So when a state does not require additional licensing, it pluses 1; (2) No fingerprint background check. The government can choose between a name-based background check and fingerprint-based background check. Ride-hailing companies reacted strongly to this issue, because fingerprint check would slow down their recruiting of drivers. So, when a state only asks drivers to go through the non-fingerprint check, it pluses 1; (3) Compromised insurance model. This is an important issue as high insurance requirements would add the companies' financial burden. In March 2015, ride-hailing companies struck a compromised insurance model with auto insurance carriers and trade associations. This is an insurance threshold that ride-hailing companies think they can accept. So when a state requires the compromised model (or less than that), it pluses 1; (4) Drivers are contractors. If ride-hailing drivers are classified as independent contractors rather than employees, the business would be more flexible and the companies can offer less welfare to drivers. In this situation, it adds one point. (5) Local pre-emption. Ride-hailing companies hope that the state law pre-empts extra local regulations. Otherwise, the state's acceptance will be much less powerful if municipal governments can add rules in addition to the state law. So when a state passes a law that pre-empts local rules, it pluses one.

After deciding on the key policy issues, I re-read the bills and counted how many policy issues a state has adopted. Since some states enacted single-issue ride-hailing laws more than once, instead of a comprehensive law at a time, or they made amendments to previously enacted ride-hailing laws, the acceptance scores varied along time. So I constructed a panel data by assigning every state at every month a

regulatory acceptance score. Table 2 indicates the accumulated regulatory acceptance scores by January 2018.

TABLE 2 Regulatory Acceptance Scores (by January 2018)

Alabama	1	Hawaii	1	Massachusetts	4	New Mexico	4	South Dakota	3
Alaska	5	Idaho	3	Michigan	5	New York	0	Tennessee	4
Arizona	3	Illinois	3	Minnesota	1	North Carolina	5	Texas	1
Arkansas	5	Indiana	4	Mississippi	5	North Dakota	4	Utah	5
California	3	Iowa	4	Missouri	3	Ohio	5	Vermont	0
Colorado	3	Kansas	3	Montana	2	Oklahoma	4	Virginia	3
Connecticut	3	Kentucky	1	Nebraska	3	Oregon	0	Washington	3
Delaware	5	Louisiana	1	Nevada	3	Pennsylvania	3	West Virginia	5
Florida	5	Maine	4	New Hampshire	4	Rhodes Island	5	Wisconsin	4
Georgia	3	Maryland	2	New Jersey	4	South Carolina	3	Wyoming	5

Independent Variables

For the influence of *innovation suppliers*, I chose lobbying activities as the proxy. For a state, the months when Uber or Lyft hired lobbyists scored one and zero otherwise. Some states have built up lobbying databases in which I directly searched when Uber or Lyft hired lobbyists as the clients of lobbyists. Other states have merely compiled lobbyists' registration forms so that I collected data manually. Considering that the strategies would need some time to take effect, this variable was lagged by one month.

I selected petitions as the proxy of the influence of *innovation demanders*. In the dataset, the months when Uber or Lyft held online petitions scored one and zero otherwise. Basically, Uber would set up a website for online petitions. But I was unable to know the time of petition from this website. Instead, I got the petition time from social media (Twitter and Facebook), because Uber/Lyft promoted their petitions on social media. The time when they initiated the petitions and people signed can be easily identified on social media. This variable was also lagged by one month.

Regarding *Republican strength*, I measured it with the percentage of Republicans in a state legislature, who potentially served as elite allies of ride-hailing companies. Data on the partisanship of state legislators came from the National Conference of State Legislatures (NCSL). The percentage changed in the month when legislators assumed office after every election. This measure has been adopted by a number of studies (e.g. Soule and Olzak, 2004; Amenta, Caren, and Olasky, 2005) to capture the presence of political elites.

For *public ideology*, the public opinion poll company Gallup publishes conservative and liberal tendency of American people in every state every year. One indicator is "conservative advantage", which is the difference between the percentage of people who self-identified as conservatives and that of people who self-identified as liberals in a state. I used this indicator to measure people's conservative tendency in a state.

Control Variables

First, I controlled for the counter activities from taxi incumbents. Corresponding to ride-hailing companies' innovation supplier strategy, I included taxi companies' lobbying activities in the model as the measurement of *incumbents' lobbying*

activities. Yet, unlike ride-hailing companies, the taxi industry consists of many taxi companies, therefore I was unable to search for the names of specific taxi companies in a state's lobbying database. Instead, I searched for companies whose names contain any one of the following words – "taxi" "limo" "cab", to see if there were any taxi companies hiring lobbyists in a state. When taxi companies hired lobbyists in a given month in a given state, the measure was marked as one and otherwise zero. Similarly, I controlled for *incumbents' protests*. Unlike ride-hailing companies, taxi companies are less active in social media. Thus, to get data on their innovation demander strategy, I mainly used local newspapers. In the media database Factiva, I searched the keywords – "taxi" and "protest"/"petition" and focused the search on one certain state. By doing so, I was able to know if taxi companies adopted innovation demander strategy in a state in a month. When taxi companies are engaged in any one of the mass strategies, it is marked as one and otherwise zero.

I also considered the effects of state-level characteristics. I included a state's intrinsic tendency to make innovative policies –states that have been pioneers in adopting new policies tend to enact ride-hailing laws faster than those that have been falling behind in new policy adoption. To measure, Walker (1969) developed a continuous measure of the innovativeness of policy making of each state by analyzing 88 policies and programs in a wide range of areas that were enacted by states between the late 1800s and 1965. Boehmke and Skinner (2012) updated the scores to 2009, based on Walker's (1969) methodology. This research used the updated scores to capture policy innovativeness level. Additionally, the models controlled for median household *income* and *population* of a state. The data came from the U.S. Census Bureau.

Furthermore, I controlled for the diffusion effect. Through signalling or

imitating effect, a state is more likely to legalize ride-hailing service as their neighboring states have done so. Therefore, I included the control variable of *diffusion between* neighboring *states,* which counted the number of geographically neighboring states to a focal state that had already legalized ride-hailing services prior to each month (e.g. Boehmke and Witmer, 2004). It is also expected that the longer ride-hailing companies have operated in a state, the more likely the state is to grant regulatory acceptance to these companies. Thus I controlled for *launch time* measured by the number of months ride-hailing companies had operated in a state prior to each month. The data came from Uber and Lyft's websites where they announced their entries in a city and a state. I also included the variable of time to account for unmeasured temporal heterogeneity (It is not shown in the results below).

Statistical Analysis

I used discrete-time event history analysis for the first dependent variable, which is about whether a ride-hailing law is enacted or not in a particular state in a given month. Event history analysis is designed to explain the timing of occurrence of an event (Allison, 1995). This method allows me to examine what factors raise or lower the rate of ride-hailing law enactment. It is a discrete time model because in my case, many events are tied to others (some states enacted ride-hailing laws in the same month). Once a state enacted a law, the following months would be dropped out from the sample, because the state was no longer "at risk" of legalizing the companies. Consequently, there are 2723 observations.

For the second dependent variable, I chose an event count model, in particular, negative binomial regression. Event count models enable me to explain changes in the extent, which can be viewed as the counts of discrete events, for example, different ride-hailing policy components listed above. For the count model, I chose negative

binomial regression rather than the more common Poisson regression method. The latter method is based on the assumption that the variance is equal to the mean. If the assumption is not satisfied, it can lead to inconsistent standard errors and inefficient parameter estimates, which may underestimate the importance of an independent variable (King, 1989). In contrast, negative binomial regression approach allows the variance to be greater than the mean. For this model, I used the full sample, which consists of 3871 observations.

RESULTS

Descriptive statistics and a correlation matrix for the variables are presented in Table 3.

TABLE 3 Means, Standard Deviations, and Correlations

Variables	Mean	s.d.	1	2	3	4	5	6
1.Legal	0.02	0.13						
2.innovation supplier	0.31	0.46	0.18					
3.innovation demander	0.03	0.17	0.16	0.18				
4.Republican strength	0.53	0.18	0.03	-0.19	-0.06			
5.Public conservative advantage	15.96	11.14	0.00	-0.32	-0.11	0.75		
6.Incumbents' lobbying activities	0.33	0.47	0.03	0.30	0.15	-0.15	-0.34	
7. Incumbents' protests	0.01	0.12	-0.02	0.14	0.12	-0.06	-0.10	0.12
8. Policy innovativeness score	0.28	0.07	0.00	0.18	0.06	-0.40	-0.53	0.47
9. Population	6198772	6679804	0.01	0.21	0.11	-0.04	-0.15	0.52
10.Income	54197	9005.71	0.00	0.07	0.02	-0.41	-0.56	0.22
11.Diffusion among neighboring states	0.37	1.08	0.20	0.30	0.13	0.17	-0.01	0.00
12.Launch time	8.02	12.69	0.17	0.65	0.27	-0.27	-0.45	0.42

Variables	Mean	s.d.	7	8	9	10	11	
1.Legal	0.02	0.13						
2.innovation supplier	0.31	0.46						
3.innovation demander	0.03	0.17						
4.Republican strength	0.53	0.18						
5.Public conservative advantage	15.96	11.14						
6.Incumbents' lobbying activities	0.33	0.47						
7. Incumbents' protests	0.01	0.12					-	-

8. Policy innovativeness score	0.28	0.07	0.10				
9. Population	6198772	6679804	0.20	0.55			
10.Income	54197	9005.71	0.04	0.30	0.02		
11.Diffusion among neighboring states	0.37	1.08	-0.01	-0.10	-0.05	-0.11	
12.Launch time	8.02	12.69	0.25	0.31	0.42	0.25	0.35

Legal Status

Table 4 displays the results for event history models of ride-hailing companies achieving legal status, that is, state governments enacting ride-hailing laws. Model 1 tests the Hypothesis 1 - 4 for the full sample. As the resource mobilization model predicts, both innovation suppliers and demanders have positive and significant effects on achieving legal status. Since both are set as binary variables, it is convenient to compare the magnitude of their effects.[5]Overall, innovation suppliers raised the likelihood of achieving legal status nine-fold (exp (2.20) =9.03), while innovation demanders raised almost seven-fold (exp (1.93)=6.89). It suggests that the effect of innovation suppliers is 1.31 times larger than that of innovation demanders.

Political opportunity structure model shows mixed results. There is no evidence for Hypothesis 3. The estimated effect of Republican strength in enacting ride-hailing laws is positive, but falls short of statistical significance in all the three models. It indicates that the percentage of Republican lawmakers, who potentially serve as elite allies to innovative companies, have no independent impact on achieving legal status. However, Hypothesis 4 is supported. The conservative level of the constituency has a positive and significant impact on ride-hailing law enactment throughout the models. The magnitude of influence is very large. In Model 1, for instance, the coefficient of this measure is 0.11. The corresponding multiplier for a standard deviation increase in public conservative advantage (11.14) is 3.41. It means that an increase of a standard deviation in conservative advantage leads to more than three times the rate of

ride-hailing law enactment.

Regarding control variables, it finds that, although the coefficients for incumbents' elite and innovation demander strategy are negative as expected, neither shows significance in the models. So incumbents' activities do not have a significant impact on the legal status of ride-hailing companies. With regards to state-level characteristics, Walker's policy innovation score is positively associated with the rate of legalizing ride-hailing companies in all the models. In Model 1, the coefficient for this measure is 8.42. The corresponding multiplier for a standard deviation increase policy innovativeness (0.07) is 1.79, meaning that the rate of legal status granting is almost 1.8 times larger with an increase of 0.07 policy innovativeness score. It also finds that state population is negatively associated with the granting of legal status. There is no evidence for the diffusion effect between neighboring states in the models. Additionally, the evidence shows that when ride-hailing companies have operated longer in a state, they are more likely to obtain legal status.

TABLE 4 Event History Models Predicting Achieving Legal Status

Independent variable	**Model1 (full)**	**Model2 (early)**	**Model3 (late)**
Resource Mobilization			
Innovation suppliers	2.20*** (0.65)	-2.59 (2.01)	2.28 * (0.91)
Innovation demanders	1.93*** (0.39)	3.20 * (1.44)	0.86 (0.53)
Political Opportunity Structure			
Republican strength in state legislature	0.58 (1.69)	－14.14 (7.41)	5.99 * (2.57)
Conservative advantage (public ideology)	0.11** (0.04)	0.52 * (0.22)	0.06 (0.05)

Controls

Incumbents' lobbying	−0.40 (0.40)	−0.32 (1.83)	−0.14 (0.50)
Incumbents' protests	−15.34 (906.08)	−13.75 (1902.27)	−15.29 (1316.37)
Policy innovativeness score	8.42 * (3.39)	17.70 (11.82)	11.21* (4.41)
Population	−0.00* (0.00)	−0.00 (0.00)	−0.00*** (0.00)
Income	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Diffusion between neighboring states	−0.04 (0.10)	0.53 (0.99)	−0.24 (0.14)
Launch time	0.05* (0.02)	0.25 * (0.12)	0.08*** (0.03)
Constant	−13.66*** (2.17)	43.83 ** (15.10)	12.37** (4.24)
Log likelihood ratio	−114.94	19.82	-52.14

* $p \leq 0.05$; ** $p \leq 0.01$;*** $p \leq 0.001$ (two-tailed significance test)

Regulatory Acceptance Level

Table 5 displays results for a negative binomial regression model of regulatory acceptance level of ride-hailing services. As discussed earlier, it is measured by how many of the five key policy issues a state has adopted. Again, Model 1 tests Hypothesis 1-4 for the full sample. It shows that only innovation suppliers are able to independently increase the regulatory acceptance level, and it can increase the regulatory acceptance level by 49 percept (exp(0.40)=1.49). innovation demanders, contrary to its significant impact on achieving legal status, produces no influence in increasing regulatory acceptance level. The reason may be that through public

involvement, innovation demanders can only urge policymakers to grant legal status that can satisfy the public. However, the public has neither the interest nor the ability to scrutinize the content of the legislation.

In contrast to the result for legal status granting, elite allies shows up strongly for increasing acceptance level. Here higher percentages of Republican legislators can independently increase the level of regulatory acceptance. In other words, elite allies, though not independently influencing legal status granting, are likely to design and proffer more friendly new laws in the process. It shows that one standard deviation increase in Republican strength raises regulatory acceptance level by thirty percept (exp(1.48×0.18)=1.30). For regulatory acceptance level, public ideology remains a significant variable. It suggests that people's conservative level in a state can positively affect the regulatory acceptance level of ride-hailing services, and as the difference between conservatives and liberals in the constituency increases one standard deviation, the regulatory acceptance level increases by twelve percept(exp(0.01×11.14)=1.12).

Table 5 Negative Binomial Regression Models For Regulatory Acceptance Level

Independent variable	**Model1**
Resource Mobilization	
Innovation suppliers	0.40*** (0.07)
Innovation demanders	−0.00 (0.17)
Political Opportunity Structure	
Republican strength in state legislature	1.48*** (0.25)
Conservative advantage (public ideology)	0.01** (0.00)

Controls	
Incumbents' lobbying	−0.19** (0.06)
Incumbents' protests	0.03 (0.19)
Policy innovativeness score	3.49*** (0.52)
Population	−0.00*** (0.00)
Income	0.00 (0.00)
Diffusion between neighboring states	0.05 (0.02)
Launch time	0.01** (0.00)
Constant	−3.64*** (0.29)
Log likelihood ratio	−3439.28

* p≤0.05; ** p≤0.01;*** p≤0.001 (two-tailed significance test)

DISCUSSION AND CONCLUSION

This paper drew attention to a special group of innovations that are ambiguous to the categories defined by existing regulatory frameworks. Reported research has qualitatively delineated the mechanisms of these innovations leading to regulatory change, including interpretive policy change, collective actions, lobbying and framing tools. This study extended this emerging literature by quantitatively addressing the problem of variation -- why some governments are more receptive to these innovations than others? Drawing from the theories on social movement outcomes, it identifies two pathways -- innovation demanders and innovation suppliers -- towards regulatory acceptance for innovations, as well as the effects of political environment.

Based on the data of the enactment of ride-hailing laws by the U.S. state governments, it found that their impacts depend on the timing and what outcomes are measured. Specifically, only innovation demanders and a conservative population in the early period influenced legal status of an innovation, and only by innovation suppliers and Republican strength in the latter period; yet innovation demanders have no impact on the level of acceptance for an innovation, which was only affected by innovation suppliers.

First, it contributes to the literature on the connections between innovations and regulations with a social movement perspective. Kane (1981) has noted the constant interplay of the activities of regulators and regulated companies. But this stream of literature has primarily focused on how regulations influence innovations. This paper looks at the other way. It argued for the analogy between social movements and the process through which innovations shape regulations, because both involve regulatory change and collective actions. So I used social movement theories, including resource mobilization theory and political opportunity structure theory, to explain the various regulatory outcomes of an innovation. It implies that the maturing social movement theories could serve as a systematic explanatory framework to study the relationship between innovations and regulations.

Moreover, on how innovations influence regulations, the paper identified two distinct pathways -- innovation demanders and innovation suppliers. Funk and Hirschman (2014) emphasized that the creation and diffusion of innovations in the market can lead to change in how regulators interpret the existing regulations. This paper studied how innovations lead to formal regulatory change, which requires more than merely the creation of innovations but coupled with certain political dynamics. The classification between innovation demanders and suppliers is important, because

they represent two distinct mechanisms towards formal policy change: innovation demanders influence policymakers through public pressure and innovation suppliers through information transmission. It resonates with the insider and outsider strategy dichotomy recognized in some social movement research (McCammon et al., 2001).

The findings also add to the work on corporate political activities (CPAs). The literature has identified many ways that companies can mobilize collective actions, for example, by establishing industry associations with peer companies (Rehbein and Lenway, 1994), organizing their shareholders (Baysinger, Keim and Zeithaml, 1985), mobilizing their employees (Hertel-Fernandez, 2018), and hiring elite political consultants to target key public audience (Walker, 2014). This paper finds that a new way for companies to mobilize collective actions is through their network of users. Companies can reach out to their users, either by building up a network of users or utilizing the network that already existed among the users, and activate them into political supporters.

Furthermore, the findings suggest a more nuanced way of thinking CPAs, especially to consider the timing of different forms of CPA and multiple measures of CPA outcomes. The current CPA research emphasizes on which CPA would be effective, such as lobbying, public campaigns or protest (e.g. Hillman and Hitt, 1999), and what institutional environment they are faced with (e.g. Henisz and Delios, 2004; Choi, Jia and Lu, 2015). But this study implies when to use a certain CPA matter. For example, in this case, only lobbying from innovation suppliers is effective in the late period, while only collective actions from innovation demanders are effective in the early period. Similarly, it requires a fine-grained measure of political outcomes in order to understand the impact of a CPA. For example, in this case, lobbying from both the innovation suppliers and collective actions from innovation demanders is

helping to achieve legal status for an innovation, yet only the former can effectively increase the level of acceptance of the innovation.

REFERENCES

Allison, P.D. 1995. *Survival Analysis Using the SAS System: A Practical Guide*. Cary, NC: SAS Institute.

Aldrich, H.E. and Fiol, C.M., 1994. Fools rush in? The institutional context of industry creation. *Academy of management review*, *19* : 645-670.

Amenta, E. and Caren N. 2004. The Legislative, Organizational, and Beneficiary Consequences of State Oriented Chanllegers. In D. A. Snow, S.A. Soule and H. Kriesi (Eds.),*The Blackwell Companion to Social Movements*: 461-88. Malden, MA: Blackwell Publishing.

Amenta, E., Caren, N. and S. J. Olasky. 2005. Age for leisure? Political mediation and the impact of the pension movement on U.S. old-age policy. *American Sociological Review*, 70: 516–538.

Amenta, E. and Young, M.P. 1999. Making an impact: Conceptual and methodological implications of the collective good criterion. In M. Guigni, D. McAdam, and C. Tilly (eds) *How Movements Matter*: 22-41. Minneapolis: MN. University of Minnesota Press.

Andrews, K. T. 2001. Social Movements and Policy Implementation: The Mississippi Civil Rights Movement and the War on Poverty, 1965 to 1971. *American Sociological Review* 66: 71-95

Baysinger, B.D., Keim, G.D. and Zeithaml, C.P., 1985. An empirical evaluation of the potential for including shareholders in corporate constituency programs. *Academy of Management Journal*, *28*(1), pp.180-200.

Beyers, J., 2004. Voice and access: political practices of European interest associations. *European Union Politics*, *5*(2), pp.211-240.

Boehmke, F. J., and Skinner, P. 2012. State policy innovativeness revisited. *State Politics and Policy Quarterly*, *12*: 303-329.

Boehmke, F. J., and Witmer, R. 2004. Disentangling Diffusion: The Effects of Social Learning and Economic Competition on State Policy Innovation and Expansion. *Political Research Quarterly*, 57: 39-51.

Bower, J.L. and Christensen, C.M., 1995. Disruptive technologies: catching the wave.

Burstein, P. 1999. Social movements and public policy. In G. Marco, D. McAdam, and C. Tilly(Eds.) *How Social Movements Matter*: 3-21. Minneapolis. MIT: University of Minnesota Press

Burstein, P. andLinton, A. 2002. The impact of political parties, interest groups, and social movement organizations on public policy: Some recent evidence and theoretical concerns.*Social Forces*, 81: 380–408

Buss, D. 2014. Uber Republicans': Can GOP Tap Into Millennials' Frustrations?. *Forbes*. http://www.forbes.com/sites/dalebuss/2014/08/08/uber-republicans-thats-only-beginning-of-millennial-frustrations/#599ab4d66586. Accessed on Dec 04 2016

California Public Utilities Commission. 2012. Decision Adopting Rules and Regulations to Protect Public Safety While Allowing New Entrants to the Transportation Industry

"http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M077/K112/77112285.PDF accessed on July 5th, 2017

Choi, S. J., Jia, N., and Lu, J. 2014. The structure of political institutions and effectiveness of corporate political lobbying. *Organization Science*, *26*(1), 158-179.

DiMaggio, P., 1988. Interest and agency in institutional theory. *Institutional patterns and organizations culture and environment*, pp.3-21.

Dahl, R.A. 1989. *Democracy and Its Critics*. New Haven: Yale University Press.

Dosi, G., 1982. Technological paradigms and technological trajectories: a suggested interpretation of the determinants and directions of technical change. *Research policy*, *11*(3), pp.147-162.

Dür, A. and Mateo, G., 2013. Gaining access or going public? Interest group strategies in five European countries. *European Journal of Political Research*, *52*(5), pp.660-686.

Erikson, R.S and Tedin K.L. 2003. *American Public Opinion*. New York: Longman.

Erikson, R.S., G. Wright and J.P. Mclver. 1993. *Statehouse Democracy: Public Opinion and Policy in the American States*. Cambridge: Cambridge University Press.

Fligstein, N. 1996. Markets as politics: A political cultural approach to market institutions. *American Sociological Review*, 61: 656–673.

Funk, R.J. and Hirschman, D., 2014. Derivatives and deregulation: Financial innovation and the demise of Glass–Steagall. *Administrative science quarterly*, *59*(4), pp.669-704.

Gamson, W. 1990 *The Strategy of Social Protest*, 2d ed. Belmont, CA: Wadsworth.

Garud, R., Jain, S. and Kumaraswamy, A., 2002. Institutional entrepreneurship in the sponsorship of common technological standards: The case of Sun Microsystems and Java. *Academy of management journal*, *45*(1), pp.196-214.

Grabowski, H.G., Vernon, J.M. and Thomas, L.G., 1978. Estimating the effects of regulation on innovation: an international comparative analysis of the pharmaceutical industry. *The Journal of Law and Economics*, *21*(1), pp.133-163.

Graham, J., Haidt, J., and Nosek, B. A. (2009). Liberals and conservatives rely on different sets of moral foundations. *Journal of Personality and Social Psychology*, 96:1029–1046.

Gurses, K. and Ozcan, P., 2015. Entrepreneurship in regulated markets: framing contests and collective action to introduce pay TV in the US. *Academy of Management Journal*, *58*(6), pp.1709-1739.

Hargadon, A.B. and Douglas, Y., 2001. When innovations meet institutions: Edison and the design of the electric light. *Administrative science quarterly*, *46*(3), pp.476-501.

Haveman, H.A. 1993. Follow the leader: Mimetic isomorphism and entry into new markets. *Administrative Science Quarterly*, 38: 593-627.

Hertel-Fernandez, A., 2018. *Politics at Work: How Companies Turn Their Workers Into Lobbyists*. Oxford University Press.

Henisz, W. J., and Delios, A. 2004. Information or influence? The benefits of experience for managing political uncertainty. *Strategic Organization*, *2*(4), 389-421.

Hillman, A., and Hitt, M. 1999. Corporate political strategy formulation: A model of approach, participation and strategy decisions. Academy of Management Review, 24: 825–842

Jaffe, A.B. and Lerner, J., 2004. *Innovations and its discontents: how our broken*

patent system is endangering innovation and progress, and what to do about it. Princeton University Press.
Kane, E.J., 1981. Accelerating inflation, technological innovation, and the decreasing effectiveness of banking regulation. *The Journal of Finance*, *36*(2), pp.355-367.
Kaplan, S. and Tripsas, M., 2008. Thinking about technology: Applying a cognitive lens to technical change. *Research Policy*, *37*(5), pp.790-805.
King, G.1989. A Seemingly Unrelated Poisson Regression Model. *Sociological Methods and Research* 17:235–255.
Kitschelt, H. 1986. Political Opportunity Structures and Political Protest: Anti-Nuclear Movements in Four Countries. *British Journal of Political Science* l6:57-85.
Kriesi,H., Koopmans. R., Duyvendak, J.W.and Giugni, M.G. 1995. *The Politics of New Social Movements in Western Europe: A Comparative Analysis*. University of Minnesota Press.
Lax, J.R. and Phillips, J.H. 2012. The Democratic Deficit in the States. *American Journal of Political Science*, 56:148–166
McAdam, D., 1982. Political Process and the Politics of Black Insurgency, 1930-1970. *Chicago, Il*.
McCammon, H.J., Campbell, K.E., Granberg, E.M. and Mowery, C.2001. How Movements Win: Gendered Opportunity Structures and U.S. Women's Suffrage Movements, 1866 to 1919. *American Sociological Review* 66: 49-70
Meyer, D. S., and Minkoff, D.C. 2004. Conceptualizing Political Opportunity. *Social Forces*, 82: 1457–1492.
Morris, A.D. 1993. Birmingham Confrontation Reconsidered: An Analysis of the Dynamics and Tactics of Mobilization. *American Sociological Review*. 58: 621-36.
Munir, K.A. and Phillips, N., 2005. The birth of the'Kodak Moment': Institutional entrepreneurship and the adoption of new technologies. *Organization studies*, *26*(11), pp.1665-1687.
Nownes, A.J. and Freeman, P., 1998. Interest group activity in the states. *The Journal of Politics*, *60*(1), pp.86-112.
Ozcan, P. and Gurses, K., 2017. Playing cat and mouse: Contests over regulatory categorization of dietary supplements in the US. *Academy of Management Journal*, pp.amj-2015.
Rajwani, T., 2007. Developing lobbying process as a strategic capability: a study of European flag carrier airlines in contrasting policy contexts.
Rehbein, K., and Lenway, S. 1994. Determining an industry's political effectiveness with the US International Trade Commission. *Business and Society,* 33: 270–292.
Rojas, F. 2006. Social Movement Tactics, Organizational Change, and the Spread of African-American Studies. *Social Forces,* 84: 2147-2166.
Rosenberg, N. 1982.*Inside the black box: Technology and Economics*. New York, NY: Cambridge University Press.
Russo, M.V. 2001. Institutions, Exchange Relations, and the Emergence of New Fields: Regulatory Policies and Independent Power Production in America, 1978-1992. *Administrative Science Quarterly,* 46: 57-86
Sanders, A. 1986. The Meaning of Liberalism and Conservatism. *Polity*, *19*: 123-135.
Shipan, C.R. and Volden, C. 2006. Bottom-Up Federalism: The Diffusion of Antismoking Policies from Policies from U.S. cities to States. *American Journal of Political Science*.50: 825-843

Sine, W.D. and Lee, B.H., 2009. Tilting at windmills? The environmental movement and the emergence of the US wind energy sector. *Administrative Science Quarterly*, *54*: 123-155.

Sine, W.D., Haveman, H.A. and Tolbert, P.S., 2005. Risky business? Entrepreneurship in the new independent-power sector. *Administrative Science Quarterly*, *50*: 200-232

Soule, S. A., and Olzak, S. 2004. When Do Movements Matter? The Politics of Contingency and the Equal Rights Amendment. *American Sociological Review*, 69: 473–497.

Strang, D. 1990. From Dependency to Sovereignty: An Event History Analysis of Decolonization 1870-1987. *American Sociological Review*, 55:846-860.

Tarrow, S. 1998. *Power in Movement: Social Movements, Collective Action and Politics*. *2nd Edition*. Cambridge: Cambridge University Press.

Thornton, S. 2015. The Transportation Monopoly Game: Why Taxicabs Are Losing and Why Texas Should Let Transportation Network Company Tokens Play, *Texas Tech Law Review*. 47:893, 901-04

Tushman, M.L. and Anderson, P., 1986. Technological discontinuities and organizational environments. *Administrative science quarterly*, pp.439-465.

Walker, E.T. 2014. *Grassroots for hire: Public affairs consultants in American democracy*: Cambridge University Press.

Walker, J. L. 1969. The Diffusion of Innovations among the American States. *American Political Science Review* 63:880–99.

Wood, R. 2015. Hillary Clinton Disses Uber And On-Demand Economy. *Forbes*. http://www.forbes.com/sites/robertwood/2015/07/14/hillary-clinton-disses-uber-and-on-demand-economy/#11046d0757d1. Accessed on Dec 04 2016

Zald, M.N., and Ash, R. 1966. Social Movement Organizations: Growth, Decay and Change. *Social Forces* 44: 327-34

Using Framing as a Political Tool: Evidence from the U.S. Ride-Hailing Firms

ABSTRACT

This paper draws attention to the cognitive aspect of corporate political strategies, that is, how firms influence policymakers' interpretation of an issue in their favor. Drawing on the framing perspective from the social movement literature, it specifically explores what frames help market challengers obtain acceptance from policymakers. It identifies two dynamics of framing effectiveness – frame alignment, which is to link with the concerns of targeted people, and frame polarization, which is to identify and villainize a concrete enemy. The study is based on a mixed method content analysis of the U.S. ride-hailing companies' testimonies at public hearings and announcements at media. It finds that market challengers' use of exclusive frames and polarized frames would be effective only when there are enough protagonists, and non-polarized frames are useful only when there are no incumbents' counter activities.

INTRODUCTION

Firms engage in a variety of political strategies to influence government policies in their own favor (Hillman, Keim and Schuler, 2004). However, the existing literature has predominantly adopted an instrumental view of political strategies -- They treat public policies as the results of self-interested policymakers responding to incentives, such as money, votes, market information and job opportunities in the private sector (Bonardi, Hillman and Keim, 2005; Hillman and Hitt, 1999). By this view, prior research tends to focus on the material forms

of political strategies, such as lobbying efforts, campaign contributions, legal actions, and constituency building (e.g. Baron, 1995; Lord, 2000; Oliver and Holzinger, 2008). However, less understood is the cognitive aspect of political strategies, that is, how firms influence policymakers' interpretation of an issue, which determines what public policies being made that are relevant to the firms. This problem is especially critical for market challengers when there is great uncertainty over the meaning of their actions. Market challengers need to justify a new conception of the market to policymakers in contest with the existing arrangement backed up by incumbents (Fligstein, 1996).

To examine the problem, I draw on the perspective of framing from the social movement literature. This perspective suggests that social movement organizations can influence the interpretation of an event and the response of stakeholders, by emphasizing certain aspects of the event while hiding other aspects in their accounts (Benford and Snow, 2000). Social movement scholars have identified framing efforts as a key explanatory factor for movement outcomes and examined under what conditions certain frames would persuade lawmakers to change policies (e.g. Benford and Snow, 2000; McCammon, Muse, Newman andTerrell, 2007; Cress and Snow, 2000). Fligstein (1996) has argued that the process by which market challengers establish a new conception of control in the market is analogous to a social movement. Due to this similarity, it is expected that the framing perspective from social movement studies can be used to understand the cognitive political strategies of market challengers. This perspective suggests that, in addition to the material forms of political strategies, it is important to examine the content of the messages conveyed to policymakers, because policymakers' interpretation would be influenced by which aspects of

the issue firms choose to promote in the messages. Therefore, I examine the question: What frames would help market challengers to achieve acceptance from policymakers?

Empirically, the study is based on an event history analysis on the U.S. ride-hailing industry, including Uber and Lyft. First, the ride-hailing services are market challengers to the taxi industry and have been controversial in the political arena. Second, the companies have been very active in persuading lawmakers on their legitimacy. The large volume of public announcements and testimonies produced by ride-hailing companies enable to identify their framing efforts. Third, there is a consistent measure of ride-hailing companies' political success – the enactment of Transportation Network Company (TNC) laws by U.S. state governments. This is a clear sign that ride-hailing companies obtained acceptance from policymakers. Between 2014 and 2018, all the fifty U.S. states have enacted ride-hailing laws. This unique setting allows me to examine the relationship between market challengers' use of framing and their political outcomes.

This study makes several contributions to the literature. First, it contributes to the political strategy literature by moving beyond an instrumental conception and highlighting the cognitive process. It reveals firms' framing efforts would influence the interpretation of policymakers and the later policy outcomes. The paper also contributes to the political strategy research by methodologically embedding it with the larger discursive landscape. Specifically, I introduce a mixed-method, computerized content analysis to study the companies' accounts. Third, it makes implications to the literature on organizational impression management by demonstrating the fruitfulness of linking different stakeholder

groups together in understanding the outcomes of impression management.

EMPIRICAL CONTEXT

The U.S. ride-hailing industry, mainly Uber and Lyft, provides a particularly appropriate setting within which to study market challengers' framing efforts and their political outcomes.,[4] Ride-hailing companies are legally called transportation network companies (TNCs), which are defined as companies that use an online-enabled platform to connect passengers with drivers using their personal, non-commercial vehicles (California Public Utilities Commission, 2012). This new service is politically controversial because it has challenged the regulations being placed on taxis. For instance, ride-hailing services do not require special training for drivers, costly medallions and extra insurance that are required for taxis (Thornton, 2015). Both the taxi incumbents and the U.S. governments reacted strongly to the new service. In the early days, Uber and Lyft received many cease-and-desist orders, for example, from the state government of California, Virginia and South Carolina. In response, ride-hailing companies have been trying to justify the new service to lawmakers, through such channels like media and public hearings, and the aim is to obtain regulatory acceptance, i.e. the enactment of ride-hailing laws by state governments. Their efforts met varying degrees of success. Colorado and California passed the law as early as 2014 and New York and Vermont as late as 2018 (see TABLE 1). Due to the availability of framing data and measurable political outcomes, the U.S. ride-hailing industry offers a unique opportunity to study the framing strategies

[4] The U.S. ride-hailing industry is highly concentrated in which Uber has nearly 80% market share and Lyft, as the second largest player, has 10% market share. Except Uber and Lyft, other small ride-hailing companies are not active in the political battles. Therefore, this paper will focus on the two companies.

used by market challengers, as well as policymakers' reactions to such framing efforts.

Table 1 Time and Sequence of Ridesharing Law Enactment

Jun 2014	Colorado
Sep 2014	California
Jan 2015	Illinois
Feb 2015	Virginia
Mar 2015	Idaho, Kentucky
Apr 2015	Arizona, Arkansas, Maryland, North Dakota, Utah
May 2015	Georgia, Minnesota, Montana, Indiana, Nebraska, Nevada, Oklahoma, Tennessee, Washington, Wisconsin, Kansas
Jun 2015	Texas, South Carolina, Maine, Louisiana
Sep 2015	North Carolina
Mar 2016	New Mexico, Ohio, South Dakota, West Virginia
Apr 2016	Mississippi
May 2016	Alabama, Iowa
Jun 2016	New Hampshire, Missouri
Jul 2016	Rhodes Island, Hawaii
Aug 2016	Massachusetts, Delaware
Nov 2016	Pennsylvania
Dec 2016	Michigan
Feb 2017	New Jersey
Mar 2017	Wyoming
May 2017	Florida
Jun 2017	Alaska, Connecticut
Apr 2018	Oregon
May 2018	New York
Jun 2018	Vermont

By the framing perspective above, I tried to find out what frames ride-hailing companies used. To do so, I did qualitative content analysis of two data sources – ride-hailing companies' testimonies in public hearings and their quotes in local newspaper (I will discuss the data sources and data analysis later). I uncovered that ride-hailing companies employed four major frames to persuade lawmakers. The first frame is "job frame", by which they argued that governments should accept ride-hailing companies because they can create job opportunities for ordinary citizens. Another frame is "transportation frame", that

is, ride-hailing companies emphasized that they provide citizens with a safe, convenient and cheaper transportation alternative. The third frame is "innovative industry frame" which highlights that ride-hailing companies are innovative technology companies and if a state grants them legal status, it represents a support to innovative industries. In addition, ride-hailing companies persuade lawmakers by criticizing taxi industry as a monopolistic power and arguing that competition is needed to bring to the industry. This can be called as "anti-monopoly frame". TABLE 2 summarizes the four frames.

Table 2 Frames Used by Ride-hailing Companies

Frames	**Frame content**	**Examples**
Job frame	Ride-hailing platforms can create job opportunities and extra income for citizens.	"We offer job opportunities for thousands people with flexible hours -- parents whose kids are in school, people in between jobs, veterans" "Uber is now providing more than 3,000 jobs every month across the state and is projected to provide more than 150,000 Pennsylvanians with new economic opportunities driving by 2020" "In 2014 alone, Uber Maryland based partners have earned over 100 million dollars."
Transportation frame	Ride-hailing platform provides a more reliable, convenient and affordable transportation alternatives.	"Safety before, during and after every ride is what we work on every day, with increased transparency and accountability. GPS traceable location in real time. And constant feedback through our two way rating system" "Our price is 30% cheaper than Boston taxi. 26% of Uber trip begin or end in underserved neighbourhood" "It plays an important role in reducing drunk driving. Several studies have reported that DUI reduction is correlated with Uber's entry into the market"
Innovative industry frame	Ride-hailing represents innovation. Supporting it signals a forward-thinking state and its commitment to innovative industries.	"Uber is a technology company…the analogous situation is ebay and paypal" "make sure the state remains a leader in innovation" "We are a progressive state. The technological change brought by Uber and Lyft cannot be uninvented… The public sector has the duty to catch up with the technology"

Anti-monopoly frame	Taxi industry is monopolistic. Ride-hailing companies bring competition to the industry.	"Incumbent taxi operators exploited laws as a method to stifle competition and limit free enterprise" "What I heard over and over again is taxi industry is worried. What they are worried about is that they are going to loose their businesses. There is too much competition here because we are going to take too much of their business" "Monopoly operate above normal market price levels and that means demand goes unmet. That's exactly what's happening in Montana. There's demand that is not being met"

THEORETICAL BACKGROUND

Corporate Political Activities and Organizational Accounts

Firms engage in various forms of political strategies, such as lobbying efforts, petitions, legal actions and campaign donations, to obtain favorable public policies (e.g. Baron, 1995; Hillman and Hitt, 1999). However, they have predominantly adopted an instrumental view. A typical example of this view is the political market framework (Stigler, 1971). In a political market, companies as policy demanders provide a range of political resources, including votes, market information and financial contribution, to bid for favorable policies; policy suppliers (policymakers) in turn trade favorable policies to those who provide most political resources (Hillman and Keim, 1995). Therefore, they have regarded public policies as the results of policymakers responding to incentives and maximizing their utility (Krueger, 1974). By this view, the existing literature tends to focus on the material forms of political strategies, for example, what incentives are provided, how many people are involved and how frequently the strategies are applied (Hillman and Hitt, 1999). However, what is rarely studied is the cognitive aspect of political strategies, that is, how firms shape the

perception of policymakers on an issue, and their perceptions would determine what government policies being made.

It has been shown that organizational accounts are an important way for firms to influence the interpretation of their stakeholders, especially when their legitimacy is challenged (Elsbach, 1994). Account is defined as "a linguistic device employed whenever an action is subjected to evaluative inquiry" (Scott and Lyman, 1986:46). It is argued that organizational accounts can be seen as firms' attempts of "sensegivnig" (Rhee and Fiss, 2014: 1737) or promoting their own definition of the reality (Pfeffer, 1981). Therefore, organizational accounts can affect the sensemaking of the audience toward a certain definition of the reality (Gioia and Chittipeddi, 1991). Informed by this stream of literature, it is expected that organizational accounts would influence how policymakers, a key stakeholder, interpret a firm's actions, and consequently affect the government policies they make. It is therefore important to examine the content of the organizational accounts being delivered to policymakers.

Framing

An important way of sensegiving in organizational accounts is framing, which is a "schemata of interpretation" (Goffman, 1974) that shapes people's interpretation on an event by selecting and emphasizing on one aspect of an event while hiding other aspects (Entman, 1993: 53). Prior research suggests that the role of such framing becomes especially important when organizational actions are controversial, or the meaning of an action is still uncertain (e.g. Fiss, Kennedy and Davis, 2012; Gioia and Chittipeddi, 1991).

The study of framing has been prominent in the literature on social movements, which seeks to understand the cognitive bases for collective actions

(Benford and Snow, 2000; Snow and Benford, 1999; Polletta and Ho, 2006). They argue that framing is a strategic message designed and delivered by social movement organizations to direct the movement's symbolic position, so as to appeal to more adherents and attract more resources for a specific purpose (Cornelissen and Werner, 2016). Social movement scholars have recognized framing efforts as a key explanatory variable for movement outcomes (Amenta and Caren, 2004). For example, McCammon et al. (2007) found that the U.S. women's jury movement was characterized with similarity frame (men and women are equal) and difference frame (men and women make different contributions). Cress and Snow (2000) investigated how organizational, tactical, political, and framing variables interact and combine to account for differences in the outcomes of fifteen homeless social movement organizations in the U.S. Lounsbury, Ventresca and Hirsch (2003) showed that the recycling movement facilitated the for-profit recycling industry in the U.S., through deinstitutionalization of the dominant resource recovery field frame that had previously hindered the emergence of the industry.

Many management studies have adopted this sociologically informed framing perspective. It has been applied to analyze how companies justify their actions to different stakeholders, for example, strategic change justification to external investors (Fiss and Zajac, 2006) and threat account to potential market competitors (Kennedy and Fiss, 2009). Several studies have adopted the framing perspective in studying the policymaking process. Creed, Langstraat and Scully (2002) examined how the proponents and opponents of a policy to eliminate workplace discrimination on gay and lesbians generated frames, using the same cultural building blocks but with their own moral lenses, to shape their own

identities and legitimate their positions. Gurses and Ozcan (2015) compared two attempts to introduce pay TV in the U.S. and discovered that the successful attempt had adopted frames in alignment with the concerns of regulators and the interests of the incumbents while the failed one did not. More recently, Ozcan and Gurses (2017) demonstrated that dietary supplement companies used framing strategies like dramatization and urgency to hook and activate consumers to disrupt a hostile regulation proposed by the FDA. Bach and Blake (2016) explicitly pointed out that framing is a powerful strategic tool for companies to manage their political environment. They have further developed an (ia)3 framework that breaks down nonmarket issues into six dimensions -- asset, information, arena, interest, actor, issue, a framework that companies can use to design frames.

DEVELOPMENT OF HYPOTHESES

Framing Effectiveness and Frame Alignment

With the framing perspective, this study tries to explore what frames would be effective in helping market challengers to achieve acceptance from policymakers. Most prior research on framing effectiveness emphasizes "frame alignment". The key idea is that the effectiveness of a frame in legitimating and mobilizing actions depends on the fit between the content of the frame and the audience's expectations within the overall meaning system (Benford and Snow, 2000). In other words, to mobilize, organizations should make a link between their goal and the extant ideology of the targeted group. According to Hunt, Benford, and Snow (1994), there are three major actors around collective actions: (1) protagonists, who sympathize with the value of the movement or are the

beneficiaries of movement actions; (2) antagonists, who are opposed to the movement's goals; and (3) an audience of uncommitted but potentially mobilized supporters of a course of action. By the idea of frame alignment, to mobilize more participants, a successful frame must be in alignment with the concerns of either uncommitted audience or/and potential protagonists.

Public interest frames, which highlight the interests of the wide public, are expected to be effective in appealing to the largest number of audiences. Public interest frames draw on the widely accepted "metanarratives" in the society and so resonate with many audiences (Suddaby and Greenwood, 2005; Zilber, 2009). Its impact has been observed in social movement studies. For example, Pfaff (1996) found that East German challengers to the Honecker regime labeled themselves "the people", which had encouraged more participation than if they had used some other label. Noonan's (1995) study of the mobilization of women against the state in Chile illustrates a deliberate shift in inclusiveness of frames and their mobilization potential. They found that in the 1950s and 1960s, they used the leftist frame that focused only on working class issues and did not accommodate feminism. In the 1980s, as leftist frames were no longer robust, they turned to the more inclusive "return to democracy" frame. Similarly, firms used public interest frame to widen their appeal. For instance, in a study on the rise of pay TV in the U.S., Gurses and Ozcan (2015) showed that the incumbent public TV once influenced regulators to halt a pay TV attempt with a public interest frame that described itself as "free TV" serving the vast majority of citizens. Also, Ozcan and Gurses (2017) examined how dietary supplement companies fought against regulatory restriction from the FDA. They found that the companies emphasized their products in the interest of the public by helping

solve the the malnutrition epidemic among the citizens.

In the ride-hailing case, job frame highlights that ride-hailing platforms can create jobs and income almost for anyone with a car, and transportation frame emphasizes that the ride-hailing service provides citizens a cheap and convenient transportation alternative. They are public interest frames, because employment and transportations have been concerns of the public and can potentially arouse the interests of a wide audience. I would expect that public interest frames are generally useful in bringing political success for market challengers, because they are in align with the interests with the wide pubic and therefore have a wide mobilization potential. In the ride-hailing case, the hypothesis is as follows:

> *Hypothesis 1: Ride-hailing companies' use of public interest frames (i.e. transportation frame and job frame) would increase their likelihood of achieving acceptance from policymakers.*

However, public interest frames may also risk the overextension dilemma (Snow and Benford, 1999). It refers to a situation in which overextended frames may lose the protagonists who would have been most active in supporting the organization, because they no longer feel responsible and attached to the movement. To illustrate this, Snow and Benford (1999) cited the 1982 California referendum as an example. To expand the audience, movement organizers added welfare element to the original nuclear reduction issue frame by proposing to use money saved from arms control measures to "meet human need". Yet, polls showed that such act received negative reactions. As one commenter said, "If your goal was still to drop the missile, I'd help. But now you've muddied the

waters so much that it would be a waste of my time to contribute anything to your march". Also, Sewell (1980) found that for anti-bourgeois labor movements, labels such as the "working class" have promoted more pugnaciously than those like "citizen" or "the people," which encourage broader alliances.

Extending these arguments, I expect that to mobilize protagonists, who are potentially the beneficiaries of movement actions (Hunt et al, 1994), exclusive frames that speak exclusively to a special group of people would be more effective. McCammon et al. (2007), in their study of women's jury movements, found that the percentage of female lawmakers and female lawyers would moderate the effects of the women movement frames. So, the size of protagonists is expected to moderate the effect of exclusive frames. When there are more potential protagonists of a market challenger, more people would be receptive and attached to the exclusive frames that aim to resonate with their concerns, and therefore more people would be mobilized to support it. In the ride-hailing case, innovative industry frame is relatively exclusive. With typical quotes like ""Uber is a technology company…the analogous situation is ebay and paypal", it highlights ride-hailing companies as parts of innovative industries. The underlying message is that governments' decisions on ride-hailing issues represent their attitude to all innovative companies. It is less of a concern of the wide public but has exclusive mobilization potential to the group of people working in innovative industries. Thus, I present the hypothesis below:

> *Hypothesis 2: Exclusive frames (i.e. innovative industry frame) would be effective in helping ride-hailing companies in achieving acceptance from policymakers when there are enough people working in innovative industries.*

Framing Effectiveness and Frame Polarization

In addition to frame alignment that is aimed at building consensus with protagonists or audience (Hunt et al, 1994), another important mechanism of framing effectiveness is frame polarization, which aims to demobilize antagonists, who are opposed to the movement's goals and values (Klanderman, 1984; MaCaffrey and Key, 2016; Golant and Sillince, 2007). Polarized frames identify a concrete enemy – a specific group of people bringing harm and suffering. In other words, it sets a boundary between "we" and "they": "They" are responsible for the adverse condition and "we" have the right to change it by acting differently (Gamson, 1992; Snow et al., 1986; Taylor et al., 1992). With polarized frames, activists depict themselves as victims, suffering from injustice caused by villains, while the opponent is corrupt and hypocritical (Hunt and Benford, 1994). For instance, Klandermans (1997) conducted a comparative study on agrarian mobilizations in the Netherlands and Spain. They found that among Dutch farmers, there was a disparity between the cognitive and affective components of their polarized frames. They blamed their adversity on the European Union but directed their anger at the Dutch government or at politics in general. Similarly, companies use polarized frames in the political arena. Tesla, an electric automaker, tries to sell cars directly to consumers rather than through auto dealers. The CEO Elon Musk has publicly argued that auto dealers have a "mafia version of consumer protection" (Musk, 2014). Cisco's attempt to block Huawei's entry into the U.S. market involves polarized framing, in which Huawei was described as "Chinese espionage" that the U.S. government should be wary of (Bach and Blake, 2016).

Ride-hailing companies' frames can also be analyzed by frame polarization, i.e. if there is a concrete enemy identified. By this standard, anti-monopoly frame belongs to polarized frame, in which ride-hailing companies explicitly blamed taxi companies responsible for the inefficient, costly transportation service and described themselves as victims of the monopolistic power. Ride-hailing companies are compelled to fight against the power and bring change to the unpleasant status quo. Some anti-monopoly frame quotes can illustrate this polarized feature -- "Incumbent taxi operators exploited laws as a method to stifle competition and limit free enterprise". In comparison, the other three frames – job frame, transportation frame and innovative industry frame – merely emphasize their own features and contributions without a concrete target, so they are categorized as non-polarized frames.

First, I expect that polarized frames would be generally effective because it can arouse public emotion and attract more public attention. Polarized frames deliver a victim image against a powerful enemy, through which they tend to arouse stronger emotions among the audience, such as anger, cynicism and compassion (Hunt and Benford, 1994). Emotion plays an important role in mobilization processes (Aminzade and McAdam, 2001; Gould, 2009). Particularly, as Collin (1992) argues, display of emotions like anger plays a key role in getting public attention in the "attention space". Gamson (1995) also suggests that such polarized account is required by narrative forms. As a change appears in people's daily life, it is human agents that are identified as causal agents in a morality play about good and evil or honesty and corruption. Ozcan and Gurses (2017) showed that supplement makers, by rhetorically describing the FDA as tyranny that interferes people's freedom, were able to attract more citizens to disrupt the

hostile regulation exerted by the FDA. In the ride-hailing case, therefore, anti-monopoly frames are expected to be generally useful by soliciting the emotion of anger and sympathy from the wide audience. The hypothesis is as follows:

Hypothesis 3: Ride-hailing companies' use of polarized frames (i.e. anti-monopoly frame) would increase their likelihood of achieving acceptance from policymakers.

Furthermore, the effect of polarized frames can be moderated by the size of protagonists. By pointing out a common enemy and blaming them for the adverse situation, polarized frames reinforce a collective identity among protagonists and drives them to change the status quo collectively (Gamson, 1992; Snow et al., 1986; Taylor et al., 1992). For instance, Kellog (2009) tried to explain the different outcomes of reducing interns' working hours in two hospitals. She discovered the use of polarized frames, in which reformers constructed themselves as "not old school" and to name old school night chiefs as the opponent that needed to be challenged. In so doing, polarized frames facilitated collective actions from reformers against defenders in the hospital. It indicates that by targeting at a common enemy -- the monopolistic, outdated incumbents, polarized frames used by market challengers can effectively form a collective identity for their protagonists, such as people working in innovative industries, and this united front would galvanize them to support the market challengers. Thus, in the ride-hailing case, the hypothesis is as follows:

Hypothesis 4: Ride-hailing companies' use of polarized frames (i.e. anti-monopoly frame) would be more effective in achieving acceptance

from policymakers when there are more people working in innovative industries.

Third, it is expected that frame polarization can be moderated by antagonists' counter movements. There is an emergent literature on movement-countermovement that has examined tactics and strategies between the two sides (Meyer and Staggenborg, 1996). It has identified competition for symbolic dominance as a key element in the movement-countermovement dynamics (Buechler, 1990). As such, if social movement organizations are unable to defend against challenges from counter movements, it would lead to movement extinction (Warnick, 1977). Among the movement-countermovement tactics, the polarized frames have been discussed as a deliberate competitive framing strategy to detain a perceived countermovement threat. For example, McCaffrey and Key (2000) studied the pro-abortion movement in the U.S. They discovered that the non-polarized frames used by the social movement organization, which mainly highlighted women's misery caused by illegal abortion, turned out to be prominent and effective in the 1960s and early 1970s, when there were no organized counter forces. But the social movement organization's use of polarized frames that singled out the Catholic Church as the main opponent was useful in the late 1970s and 1980s, when there was the rise of the counter movement called the New Right. It suggests that polarized frame adopted by market challengers would be more effective with counter activities from market incumbents, because it directly defends against and undercut the negative influence caused by incumbents' attacks. In contrast, market challengers' use of non-polarized frames would be less useful when there are

counter activities from market incumbents, because they fail to directly respond to and detain the challenges. Thus, in the ride-hailing case, the hypotheses are as follows:

Hypothesis 5a: With taxi incumbents' counter activities, polarized frames (i.e. anti-monopoly frame) used by ride-hailing companies would be more effective in helping them achieve acceptance from policymakers.

Hypothesis 5b: With taxi incumbents' counter activities, non-polarized frames (i.e. transportation frame, job frame and innovative industry frame) used by ride-hailing companies would be less effective in helping them achieve acceptance from policymakers.

DATA AND METHODS

Sample

The sample for this study includes all the fifty American states. The observation period begins in May 2011, when Uber started expanding across the country, and ends in June 2018, when the last U.S. state government enacted the law governing ride-hailing companies. In the sample, state-month is the unit of observation. I used month as unit of time instead of year, because in this rapidly changing phenomenon, year is unable to capture the frequently changing events like the use of different political tactics, and highly concentrated events like ride-hailing law enactments, that are characteristic of this phenomenon. A state was dropped out of the analysis once the ride-hailing law is enacted because it is no longer "at risk" of granting legal status. There are 2844 observations in total.

Dependent Variables

The dependent variable is *acceptance from policymakers*. In this case, it is captured by enactment of the ride-hailing law by a state government, which they called "transportation network company laws". It is a signal that ride-hailing companies gained a legal status in the state. By June 2018, all the fifty U.S. states had enacted at least one law to govern ride-hailing services. I excluded temporary regulations issued by regulators (e.g. California Public Utilities Commission issued a ride-hailing regulation in 2013), because they were not permanently written into law. Therefore, the dependent variable measure is as follows: the month when a state enacted the ride-hailing law is marked as one and the months before that as zero. Data was obtained from LegiScan (legiscan.com), a website tracking the status of legislations.

Framing Variables

Sources of data

I captured ride-hailing companies' framing efforts to influence lawmakers through two data sources – public hearings and companies' statements on the press. First, testimonies at public hearings on the state level are one major channel through which ride-hailing companies convince state lawmakers to grant them legal status. I took the following steps to get the public hearing data. I first checked the history of all the ride-hailing bills on LegiScan, so I was able to know when and with which committee the public hearings took place. American state legislatures provide online archives of public hearings, where I obtained the recordings of public hearings on the ride-hailing issue. The recordings are either in the form of audio, video or transcripts. In the end, I got the recordings of 51 public hearings of ride-hailing companies in thirty states (some states did not hold public hearings on the ride-hailing issue and some states held more than

once). Since most testimony recordings are audios or videos, I then transcribed them into texts for later text analysis.

The second data source is ride-hailing companies' quotes in local newspapers. Ride-hailing companies made statements in newspaper, expecting to be heard by lawmakers and the public. They include the companies' responses to a recent regulatory event, official statements, and managers' interviews. I obtained their quotes from Factiva, a media database that has an extensive collection of local newspapers. Factiva allows for search by company (whether a news report mentions a specific company) and source of region. Because of this feature, I was able to search news reports on the company of Uber and Lyft, as well as confine the news report in a certain state. I then read through those news articles and identified ride-hailing companies' quotes. In so doing, I obtained their quotes in each state and in each month. The data contains 1261 quotes in total.

Framing analysis

I followed a procedure similar to that used by Porac, Wade, and Pollock (1999) and Mezias and Boyle (2005) that combines qualitative and quantitative framing analysis. These authors started out by inductively identifying the concepts from the texts. They chose word as the unit of analysis and, through an iterative process, they built a content-analysis dictionary -- a list of key words for each concept. With the dictionary, they used a computer program to count the occurrence of those words, which measured the prevalence of each concept in the text analyzed. I adopted a similar three-step mixed method in this research to ensure both dynamism and rigor of data analysis.

The starting point was to identify what frames ride-hailing companies used.

It involves qualitative content analysis. I first read all the texts and took notes of emerging concepts or ideas on the margin. Then I went through the notes to see if they can be categorized into several larger themes. After repeating the process several times, I identified that there are four distinct frames used by ride-hailing companies – job frame, transportation frame, innovative industry frame and anti-monopoly frame. The detailed information has been presented in Table 2 earlier.

With the four frames employed by ride-hailing companies, the next step was to measure the frequency of each frame. It involves quantitative content analysis. I chose word occurrence as indicator of frequency of frames, informed by Entman's (1993: 53) suggestion that "frames can be detected by searching for the presence or absence of certain keywords, which can function as an indicator of the conscious or unconscious judgment made by the communicator". Therefore, I re-read the texts and built a dictionary for each frame. Three criteria are made to build dictionary: (1) Representative. The words must be directly indicative of the frame, such as "income" for job frame and "monopoly" for anti-monopoly frame. (2) Comprehensive. The dictionary includes all the words that can represent the frame so that dictionary building must be based on the whole text. (3) Context-sensitive. Occasionally, there are words falling into more than one frame category. For example, the word "modern" was used for both innovative industry frame and transportation frame. For these words, I went back to the texts and determined which frame it represents according to the text context. By the three criteria, I built dictionaries for the four frames (see Table 3).

Table 3 Dictionaries for Ride-Hailing Frames

Job Frame	Transportation Frame	Innovative Industry Frame	Anti-Monopoly Frame
Job Economic opportunity(ies) Entrepreneurship Entrepreneur Unemployment Economic freedom Make a living Income Small business Earnings flexible./flexibility	Safe Affordable Reliable Transparent Transportation option Accountable(bility) Efficient Congestion Greenhouse emission/co2 DUI/dunking driving Sustainable Get around Accessible(bility) Modern	Innovation/innovative Technology company Progressive Forward-thinking Outdated Prehistory New technology Modern Cutting-edge	Special interests Taxi lobbyists Anti-consumer Competition Monopoly/monopolistic Free market Incumbent Free enterprises Oligopoly/oligopolistic Tyranny Entrenched interests protectionist

The final step is to measure the prevalence of each frame using the dictionary above. To do so, I imported the dictionary into a word counting software LIWC (Linguistic Inquiry and Word Count), which can automatically count occurrence of words that belong to one category.[5] Using this software, I can obtain how many times the words representing each frame occurred in the texts, so as to measure the prevalence of each frame. The word counts of each frame were recorded by state-month. Furthermore, I used cumulative counts of words by each month, because as Harrison (1977) and Zajonc (1968) showed, repeated exposure to a word increases familiarity and the perceived reliability of the information. All the framing measures were lagged by one month.

Moderator Variables

One moderator is *protagonists*. In the ride-hailing case, the protagonists are people working in innovative industries. This research employed the indicator of

[5] The result of LIWC only shows the percentage of words of a category in relation to the full text. Therefore, I need to calculate the absolute number of words occurrence of a frame by multiplying the percentage number with the word counts of the full text.

high-tech employment developed by the National Science Board. It refers to the employment of high science, engineering and technology industries as the percentage of total employment.

Another moderator is *opponents' political activities*. In this case, it refers to taxi companies' political activities, which mainly include lobbying and protests. For their lobbying activities, I resorted to each state's lobby database. I searched in the section of lobbyist employers (the companies hiring lobbyists) with the key words of "taxi" "limo" "cab", to see if any taxi companies hired lobbyists in a state. In addition, to get data on taxi companies' protests, I used local newspaper as the data source. In the media database Factiva, I searched the keywords – "taxi" and "protest" and focused the search on one certain state. By doing so, I was able to know if taxi companies used political activities in a state in a month. When taxi companies were engaged in either lobbying or protest activity, the measure was marked as one and otherwise zero. The variable was lagged by one month.

Control Variables

There are several control variables. I first controlled for the impact of *market challengers' political activities.* Ride-hailing companies mainly engaged in several political activities: lobbying, petitions, and campaigns. When ride-hailing companies are engaged in any one of these activities, the measure would be marked as one and otherwise zero. Lobbying data was also obtained from state governments' lobby databases, in which I searched by lobbyist employers by inputting the name of Uber and Lyft to see when they hired a lobbyist in a state. Petition and campaign data were obtained from social media (Twitter and Facebook), because Uber and Lyft mainly promoted their petitions and campaigns on the social media and the time they did that can be easily identified.

This variable was lagged by one month.

Second, I controlled for a set of state-level variables. First, members of the Republican Party in the government are expected to be allies of ride-hailing companies. The party platform consistently advocates free market, free enterprise, deregulation and restrictions on labor unions. In 2014, the Republican National Committee's website put up a petition blocking "taxi unions and liberal government bureaucrats" from "setting up roadblocks, issuing strangling regulations and implementing unnecessary red tape to block Uber from doing business in their cities" (Buss, 2014). I therefore controlled for *Republican strength* -- the percentage of Republicans in a state legislature. Data on the partisanship of state legislators came from the National Conference of State Legislatures (NCSL). The percentage changed in the month when legislators assumed office after every election. This measure has been adopted by a number of studies (e.g. Soule and Olzak, 2004; Amenta, Caren, and Olasky, 2005) to capture the presence of political elites. Second, the states that have been pioneers in making new policies are expected to enact ride-hailing laws faster than those that have been lagging behind in making new policies. Walker (1969) developed a policy innovation score to measure the innovativeness of policy making of each state by analyzing state commitments in a variety of programs. Boehmke and Skinner (2012) updated the scores to 2009. I used the updated *policy innovation scores* of each state. Another state-level variable is public ideology.

Furthermore, it considered the level of *urbanization* of a state. It is possible that there is greater need for ride-hailing services in urban areas, therefore a state with higher urbanization level is more likely to grant acceptance to it. The

indicator for this variable is the percentage of urban population in the total population provided by the U.S. Census Bureau. The models also controlled for median household *income* and *population* of a state, which both came from the U.S. Census Bureau.

Finally, I considered the diffusion effect (Soule and Zylan, 1997). It is possible that either through signaling or imitating effect, a state is more likely to legalize ride-hailing services as the peer states have done so. The most direct diffusion influence comes from geographically proximate states. I therefore controlled for *region* -- the four geographical divisions defined by the U.S. Census Bureau. Another diffusion may take place between culturally similar states. According to Walker's scores, I ranked all the states and created a five-category variable of policy innovativeness. In so doing, I was able to control for diffusion in the same *policy innovation group*.

Method of Analysis

I used discrete-time event history analysis for the dependent variable, which involves an event -- ride-hailing law enactment. Event history analysis is designed to explain the timing of occurrence of an event, allowing regression-like analyses of the conditions that raise or lower the occurrence rate (Tuman and Hannan, 1984). Particularly, a discrete-time event history model is appropriate because many events are tied with others (in some months, ride-hailing laws were enacted in multiple states).

RESULTS

Descriptive statistics and a correlation matrix for the variables are presented in Table4.

Table 4 Descriptive Statistics and Correlations

	Mean	s.d.	1	2	3	4	5	6	7
1. Acceptance from policymakers	0.02	0.13							
2. Transportation frame	5.47	16.51	0.11						
3. Job frame	1.54	4.96	0.13	0.89					
4.Innovative industry frame	1.37	4.30	0.11	0.86	0.74				
5.Anti-monopoly frame	0.59	1.91	0.13	0.75	0.68	0.85			
6.High tech employment	11.07	2.63	0.00	0.06	0.09	0.01	0.02		
7.Republican strength	0.53	0.18	0.02	-0.02	-0.05	0.02	0.08	-0.12	
8. Walker's policy innovativeness score	0.30	0.07	0.00	0.10	0.06	0.10	0.03	0.47	-0.40
9.Ride-hailing political activities	0.32	0.47	0.18	0.38	0.39	0.37	0.35	0.07	-0.19
10. Incumbents' counter activities	0.36	0.48	0.02	0.30	0.28	0.26	0.22	0.36	-0.11
11. Urbanization	0.04	0.44	0.00	0.17	0.15	0.16	0.10	0.40	-0.27
12. Population	6246665	6720789	0.00	0.25	0.21	0.30	0.39	0.27	-0.04
13. Income	54213.14	8974.32	-0.00	0.04	0.12	-0.02	-0.02	0.56	-0.41
14. Time	30.68	18.25	0.19	0.45	0.47	0.41	0.39	-0.03	-0.07

	8	9	10	11	12	13
1. Acceptance from policymakers						
2.Transportation frame						
3.Job frame						
4.Innovative industry frame						
5.Anti-monopoly frame						
6.High tech employment						
7.Republican strength						
8. Walker's policy innovativeness score						
9.Ride-hailing political activities	0.15					
10. Incumbents' counter activities	0.47	0.29				
11. Urbanization	0.58	0.18	0.40			
12. Population	0.30	0.20	0.51	0.43		
13. Income	0.54	0.07	0.19	0.48	0.02	
14. Time	-0.01	0.67	0.15	-0.01	-0.01	0.08

The framing variables are highly related because ride-hailing companies often used more than one frame at one time. Therefore, I will not include more than one frame variable in a model.

The categorical variables "region" and "policy innovation group" are not shown here.

Table 5 reports the results of an event history model that tests the mechanism of frame alignment on acceptance from policymakers on market challengers. The results are mixed. Model 1 and Model 2 test Hypothesis 1, which predicted that market challengers' use of public interest frames, which are in

align with the public interests, would be positively associated with acceptance from policymakers. However, the results of transportation frame and job frame indicate no support for this hypothesis. Model 3 and Model 4 test the effect of an exclusive frame. It indicates that while innovative industry frame has no independent impact on the political outcome, it is moderated by the size of protagonists, that is, people in high tech industries. The results support Hypothesis 2. It implies that market challengers' use of exclusive frames, which are in align with the dominant logic of protagonists, would be more effective when there are more protagonists. Figure 1 illustrates the interaction between exclusive frames and protagonists of market challengers.

Table 5 Frame Alignment and Acceptance from Policymakers on Market Challengers

	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**
Transportation frame (public interest frame)	0.00 (0.01)					
Job frame (public interest frame)		0.02 (0.02)			-0.07 (0.20)	
Innovative industry frame (exclusive frame)			0.02 (0.02)	0.00 (0.06)		-0.25 + (0.14)
Transportation frame (public interest frame) × high tech employment (protagonists of market challengers)				0.00 (0.00)		
Job frame (public interest frame) × high tech employment (protagonists of market challengers)					0.01 (0.02)	
Innovative industry frame (exclusive frame) × high tech employment (protagonists of market challengers)						0.03 * (0.01)
High tech employment	0.14 (0.10)	0.12 (0.11)	0.16 (0.10)	0.14 (0.12)	0.10 (0.12)	0.04 (0.12)
Taxi incumbents' counter activities	-0.72 + (0.39)	-0.74 + (0.38)	-0.74 + (0.38)	-0.72 + (0.39)	-0.72 + (0.38)	-0.78 * (0.38)
Ride-hailing companies' political activities	2.21*** (0.65)	2.23*** (0.66)	2.23*** (0.65)	2.20 ** (0.66)	2.20 ** (0.66)	2.12 ** (0.66)
Republican strength	3.25 ** (1.22)	3.33** (1.23)	3.19** (1.23)	3.25** (1.22)	3.23** (1.25)	3.65** (1.26)

Walker's policy innovation scores	10.43	12.34	10.81	10.40	11.16	9.56
	(7.88)	(8.13)	(7.97)	(7.91)	(8.45)	(7.80)
Urbanization	1.81	1.55	1.53	1.81	1.63	1.24
	(1.90)	(1.91)	(1.89)	(1.92)	(1.92)	(1.93)
Income	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Population	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Region(diffusion)	0.04	0.06	0.05	0.04	0.06	0.05
	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
Policy innovation group (diffusion)	-0.47	-0.51	-0.46	-0.47	-0.48	-0.28
	(0.36)	(0.36)	(0.36)	(0.36)	(0.37)	(0.37)
Time	0.07***	0.07***	0.07***	0.07***	0.07***	0.07***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Constant	-13.38***	-13.40***	-13.40***	-13.36***	-12.73***	-12.42***
	(2.35)	(2.35)	(2.37)	(2.42)	(2.72)	(2.40)
Log-likelihood ratio	-139.73	-139.25	-139.34	-136.73	-136.14	-134.16

† $p \leq 0.10$
* $p \leq 0.05$
** $p \leq 0.01$
*** $p \leq 0.001$ (two-tailed significance test)

Figure 1 Interaction between Exclusive Frame and Protagonists of Market Challengers

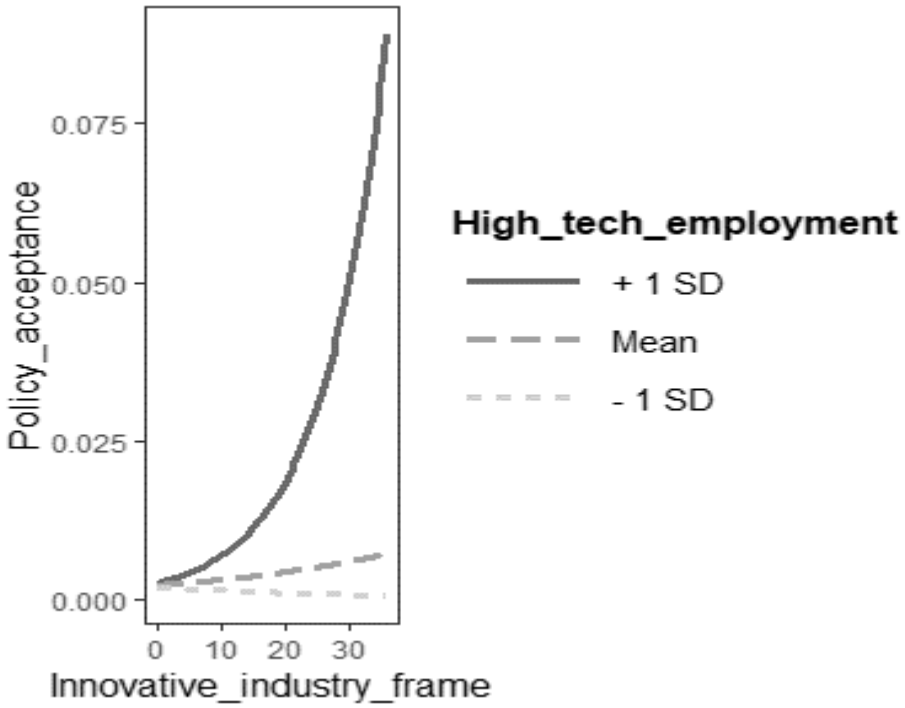


Table 6 reports the results of an event history model that tests the mechanism of frame polarization on acceptance from policymakers on market challengers. Model 1 tests Hypothesis 3, which suggested a general positive influence of polarized frames on the policy outcomes. But there is no evidence for this

hypothesis. Hypothesis 4 predicted that polarized frames would be more effective with more protagonist of market challengers. Consistent with this hypothesis, Model 2 shows that the coefficient of anti-monopoly frame is positive and significant. Figures 2 demonstrates the interaction between polarized frames and protagonists of market challengers. Model 3 tests the interaction effect between a polarized frame and counter activities of incumbents. The coefficient for the interactive term is positive but falls short of significance. So it shows no support for Hypothesis 5a. In contrast, there is strong support for the interaction between non-polarized frames and incumbents' counter activities in Model 4-6: There are negative and significant relationship between all non-polarized frames -- transportation frame, job frame and innovative industry frame -- and taxi incumbents' activities. This is consistent with Hypothesis 5b that counter activities from incumbent would significantly weaken the effect of non-polarized frames. Figure 3 shows the interaction between non-polarized frames and incumbents' counter activities.

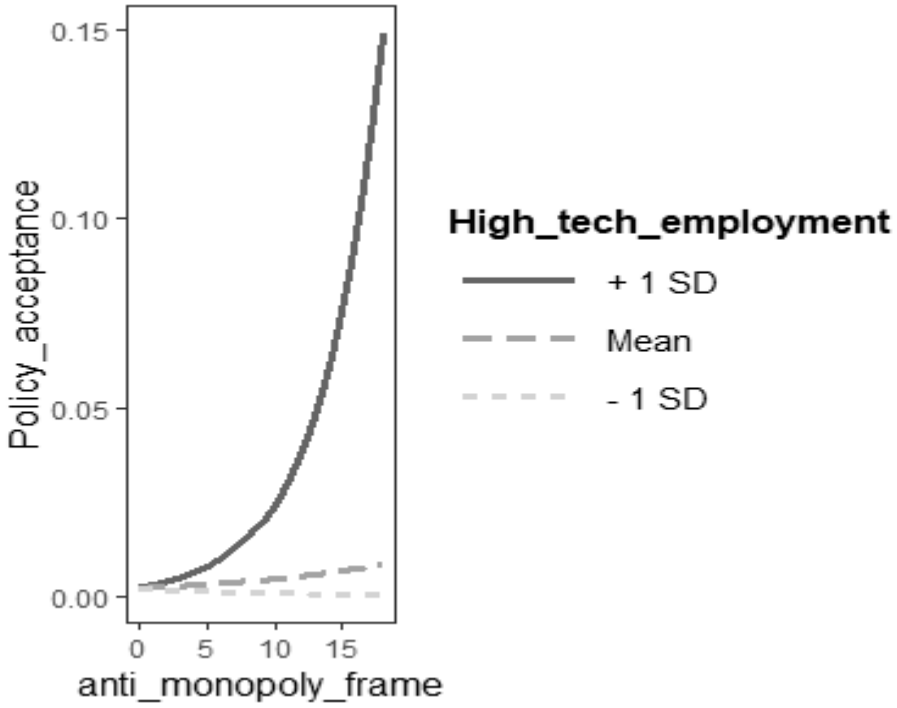
Regarding controls, on the state-level variables, it is shown that high tech employment only serves as a moderator but has no direct positive impact on the outcome. Also, republican strength among lawmakers is positively associated with policymakers' support for ride-hailing companies. On the activity level, market challengers' political activities, including lobbying and petitions, can greatly increase the likelihood of getting acceptance from policymakers. Counter activities from incumbents negatively affect policymakers' acceptance on market challengers, but this effect is only marginally significant. In terms of diffusion effect, it finds no evidence for the impact from the states in the same policy innovativeness group based on Walker's scores or the same geographical region.

Table 6 Frame Polarization and Acceptance from Policymakers on Market Challengers

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Anti-monopoly frame (polarized frame)	0.05	-0.59 +	0.18 +			
	(0.04)	(0.31)	(0.10)			
Transportation frame (non-polarized frame)				0.06***		
				(0.02)		
Job frame (non-polarized frame)					0.10 *	
					(0.04)	
Innovation industry frame (non-polarized frame)						0.20**
						(0.06)
Anti-monopoly frame (polarized frame) × high tech employment (protagonists of market challengers)		0.06 *				
		(0.03)				
Anti-monopoly frame (polarized frame) × taxi incumbents' counter activities			-0.16			
			(0.11)			
Transportation frame (non-polarized frame) × taxi incumbents' counter activities				-0.07***		
				(0.02)		
Job frame (non-polarized frame) × taxi incumbents' counter activities					-0.10 *	
					(0.04)	
Innovative industry frame (non-polarized frame) × taxi incumbents' counter activities						-0.21**
						(0.07)
High tech employment	0.14	0.04	0.05	-0.01	0.01	-0.00
	(0.10)	(0.12)	(0.12)	(0.11)	(0.11)	(0.11)
Taxi incumbents' counter activities	-0.71 +	-0.78 *	-0.38	0.36	-0.08	-0.02
	(0.37)	(0.37)	(0.44)	(0.50)	(0.48)	(0.44)
Ride-hailing companies' political activities	2.23***	2.11**	2.13**	2.25***	2.15**	2.10**
	(0.65)	(0.66)	(0.66)	(0.64)	(0.66)	(0.65)
Republican strength	3.14 *	3.48 **	3.80**	4.15***	3.47**	4.65***
	(1.23)	(1.25)	(1.34)	(1.23)	(1.23)	(1.36)
Walker's policy innovation scores	11.97	9.91	17.71*	10.91	15.58 +	16.35*
	(8.08)	(8.06)	(8.88)	(8.01)	(8.20)	(7.50)
Urbanization	1.74	1.67	1.92	0.22	1.43	1.03
	(1.84)	(1.86)	(1.82)	(1.89)	(1.91)	(1.87)
Income	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Population	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Region(diffusion)	0.05	0.05	0.03	0.01	0.05	0.02
	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
Policy innovation group(diffusion)	-0.52	-0.31	-0.71 +	-0.40	-0.65 +	-0.55
	(0.63)	(0.37)	(0.38)	(0.36)	(0.37)	(0.34)
Time	0.07***	0.07***	0.07***	0.07***	0.06***	0.07***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Constant	-13.54***	-12.40***	-14.95***	-13.80***	-13.22***	-15.68***
	(2.35)	(2.43)	(2.57)	(2.43)	(2.27)	(2.51)
Log-likelihood ratio	-139.71	-133.63	-135.22	-131.43	-134.03	-132.18

† p≤0.10; * p≤0.05; ** p≤0.01***; p≤0.001 (two-tailed significance test)

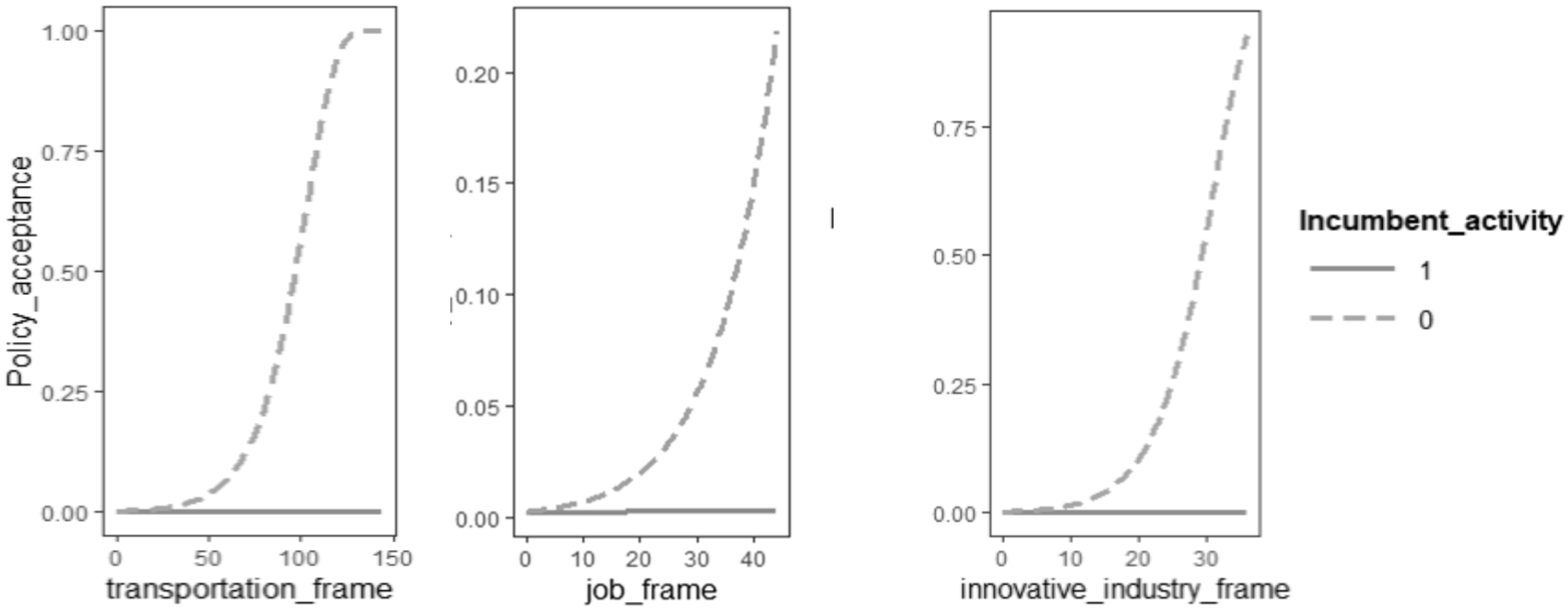
Figure 2 Interaction between Polarized frame and Protagonists of Market Challengers



DISCUSSION AND CONCLUSION

This paper addresses the problem of how market challengers justify their existence or actions to policymakers. Drawing on the concept of framing from the social movement literature, I proposed that market challenger' chance of obtaining policy acceptance can be shaped by how they frame the issues, i.e., to promote which aspects of the issue. Specifically, I used longitudinal data on the U.S. ride-hailing companies' framing efforts at public hearings and announcements on local newspaper, which aimed to obtain new regulatory frameworks from state governments. I used a mixed method to analyze their framing efforts – qualitative content analysis to discover what frames ride-hailing companies used and quantitative content analysis to measure the frequency of each frame. I developed hypotheses based on two mechanisms of

Figure 3 Interaction between Non-Polarized Frames and Incumbents' Counter Activity



framing effectiveness – frame alignment and frame polarization. The results show that for market challengers, exclusive frames that align with the interests of protagonists and polarized frames that identify a concrete enemy would be useful in bringing acceptance from policymakers only when there are enough protagonists; non-polarized frames are only effective when there are no counter activities from market incumbents.

This study first contributes to research on political strategy by paying attention to the cognitive process and how it influences the policy outcomes. The existing literature has predominantly taken an instrumental view on corporate political strategy and policy outcomes -- Firms offer incentives like votes and money to policymakers in exchange of favorable public policies (Bonardi, Hillman and Keim, 2005). A few recent studies have gone beyond the instrumental approach but recognized the influence of organizational framing conveyed to policymakers on the policy outcomes (Bach and Blake, 2016). Joining this line of thinking, this study focused on the cognitive aspect of corporate political strategy by systematically introducing the framing perspective from the social movement literature. The framing approach provides a mature theoretical foundation for the focal problem, because it tries to understand how organizations shape the interpretation of organizational actions by various audiences, including policymakers (Benford and Snow, 2000). In addition, this study took one step further by offering two determinants of framing effectiveness -- frame alignment and polarization. In so doing, this study has not only recognized the importance of framing in political strategy but provided explanations on why one framing is more effective than another.

This study has also methodologically embedded corporate political strategy

within a larger discursive research domain. There are two camps for discourse analysis: The qualitative camp detects themes through open, inductive interpretations of given texts in connection to the cultural context (e.g. Van Gorp and Vercruysse, 2012) and the quantitative camp relies on pre-existing categories and then measures the frequency of each category in the text (e.g. Matthes and Kohring, 2008). This research has combined the dynamic qualitative analysis and the systematic quantitative analysis. This design enables to explore many different framing dimensions, including alignment and polarization, as well as test their influence. In particular, in the quantitative analysis, I identified a list of key words as the proxy of a frame and used computer software to count word occurrences of each frame. This is an attempt to introduce the emerging computerized content analysis in a variety of disciplines into the study of political strategy.

Third, it makes implications to the work on organizational accounts and impression management (e.g. Elsbach, 1994), which has examined how firms aim to influence the perception of their actions by one particular stakeholder group, including employees, investors and customers (e.g. Creed et al., 2002; Kennedy and Fiss, 2009). It has been argued that different frames are effective for different stakeholders (Fiss and Zajac, 2006). Although this paper ultimately aims to discover what frames work for policymakers, it has taken into account of other groups, such as protagonists, opponents and uncommitted audiences of a company. It reveals that by offering frames either in align with protagonists of a company or the uncommitted public, it would affect the perception and behavior of each group; by offering frames targeting concrete opponents, it would have greater mobilization potential for protagonists of the company; and the impact of non-polarized frames would be weakened by the presence of counter activities from the opponents of a company.

This study therefore demonstrates the fruitfulness of linking different groups of stakeholders together in understanding the outcomes of organizational impression management.

Future research is needed to further explore the cognitive process of corporate political strategy. Along the direction of framing analysis, it is necessary to reveal the dynamics of framing contest (Benford and Snow, 2000). Frames are not unchallenged. There are many other actors trying to frame the issue in different ways, such as incumbents, media and civil society (Van Gorp, B. and Vercruysse, 2012). For instance, this paper has not captured the counter frames from incumbents and how the frames from the two opposing sides interacted with each other. Also, it needs to take into account the evolution of the new industry (Lounsbury et al., 2003). Although this paper focused on market challengers, it is worth asking if the different types of frames would have the same impact as the companies grow larger. For example, would it be possible that polarized frames that villainize the incumbent industry lose its effect as the companies in the emerging industry become more powerful?

In addition to framing analysis of companies' messages, future cognitive political strategy research can expand into the side of politicians. It can include the values, identities and interpretations of politicians. There are a few recent studies in this direction. Funk and Hirschman (2014, 2017) shifted the focus from formal regulatory change to interpretive regulatory change of policymakers and bureaucrats. They argued that with the emergence of innovations that are ambiguous to the existing regulatory framework, politicians' interpretations of existing regulations, such as who should be regulated and what actions can be permitted and prohibited, would change as well. Another recent example is Wang, Du and Marquis' (2018) research on how Chinese politicians' early exposure to the communist ideology,

which they labelled as ideological imprinting, impacted their receptivity to engage in political activities with private firms. These studies, which either focus on politicians' interpretation or their values and beliefs, represent other directions in the study of cognitive political strategy.

REFERENCES

Adminzade, R. and McAdam, D. 2001. Emotions and Contentious Politics. *Mobilization: An International Quarterly*, 7: 107-109.

Amenta, E., and Caren, N. 2004. The legislative, organizational, and beneficiary consequences of state-oriented challengers: 461-488. *The Blackwell Companion to Social Movements*.

Bach, D., and Blake, D. J. 2016. Frame or get framed: The critical role of issue framing in nonmarket management. *California Management Review*, *58*: 66-87.

Baron, D. P. 1995 Integrated strategy: Market and nonmarket components. *California Management Review*, 37: 47-65.

Bartley, T. 2010. Transnational private regulation in practice: The limits of forest and labor standards certification in Indonesia. *Business and Politics*, *12*: 1-34.

Benford, R.D. and Snow, D.A. 2000 Framing processes and social movements: An overview and assessment. *Annual Review of Sociology*, 26: 611-639.

Boehmke, F. J., and Witmer, R. 2004. Disentangling diffusion: The effects of social learning and economic competition on state policy innovation and expansion. *Political Research Quarterly*, *57*: 39-51.

Bonardi, J. P., Holburn, G. L., and Bergh, R. G. V. 2006. Nonmarket strategy performance: Evidence from US electric utilities. *Academy of Management Journal*, *49*:1209-1228.

Bonardi, J.P., Hillman, A.J. and Keim, G.D., 2005. The attractiveness of political markets: Implications for firm strategy. *Academy of Management Review*, *30*:397-413.

Buechler, S. 1990.*Women's Movements in the United States*. New Brunswick, NJ: Rutgers University Press.

Buss, D. 2014. Uber Republicans': Can GOP Tap Into Millennials' Frustrations?. *Forbes*. http://www.forbes.com/sites/dalebuss/2014/08/08/uber-republicans-thats-only-beginning-of-millennial-frustrations/#599ab4d66586. Accessed on Dec 04 2017

California Public Utilities Commission. 2012, December 20 Decision adopting rules and regulations to protect public safety while allowing new entrants to the transportation industry. from http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M077/K112/77112285.PDF Accessed on Oct 10 2017

Cornelissen, J. P., and Werner, M. D. 2014. Putting framing in perspective: A review of framing and frame analysis across the management and organizational literature. *The Academy of Management Annals*, *8*: 181-235.

Creed, D.W.E., Scully, M.A. andAustin, J.R. 2002. Clothes make the person? The tailoring of legitimating accounts and the social construction of identity. *Organization Science*, 13: 475 -496.

Cress, D. M., and Snow, D. A. 2000. The outcomes of homeless mobilization: The influence of organization, disruption, political mediation, and framing. *American Journal of Sociology, 105*:1063-1104.

De Figueiredo, J., and De Figueiredo, R. 2002. The allocation of resources by interest groups: Lobbying, litigation and administrative regulation. *Business and Politics*, 4: 161–181.

Elsbach, K.D. 1994. Managing organizational legitimacy in the California cattle industry: The construction an defectiveness of verbal accounts. *Administrative Science Quarterly*, 39: 57-88.

Entman, R. M. 1993. Framing: Towards clarification of a fractured paradigm. *Journal of Communication*, 43: 51–58.

Fiss, P. C., and Zajac, E. J. 2006. The symbolic management of strategic change: Sensegiving via framing and decoupling. *Academy of Management Journal*,49: 1173–1193.

Fiss, P.C., Kennedy, M.T., and Davis, G.F. 2012. How golden parachutes unfolded: Diffusion and variation of a controversial practice. *Organization Science*, 23: 301-325.

Fligstein, N. 1996. Markets as politics: A political cultural approach to market institutions. *American Sociological Review*, 61: 656–673.

Funk, R.J. and Hirschman, D., 2014. Derivatives and deregulation: Financial innovation and the demise of Glass–Steagall. *Administrative Science Quarterly, 59*: 669-704.

Funk, R.J.and Hirschman, D., 2017. Beyond nonmarket strategy: Market actions as corporate political activity. *Academy of Management Review, 42*: 32-52.

Gamson J. 1995 Must identity movements self-destruct? A queer dilemma. *Social Problems*.42:390–407

Gioia, D.A., and Chittipeddi, K. 1991. Sensemaking and sensegiving in strategic change initiation. *Strategic Management Journal*, 12: 433 – 448.

Goffman, E. 1974.*Frame Analysis: An Essay on the Organization of Experience*. Boston, MA: North Eastern University Press.

Golant, B. D., and Sillince, J. A. 2007. The constitution of organizational legitimacy: A narrative perspective. *Organization Studies*, 28:1149-1167

Gould, D. 2009. *Moving Politics: Emotion and ACT UP's Fight Against AIDS*. Chicago: University of Chicago Press.

Gurses, K. and Ozcan, P., 2015. Entrepreneurship in regulated markets: framing contests and collective action to introduce pay TV in the US. *Academy of Management Journal, 58*:1709-1739.

Harrison, A.1977. Mere exposure. In L. Berkovitz (Eds.). *Advances in Experimental Social Psychology:* 39-83. New York: Academic Press.

Hillman, A. and Keim, G., 1995. International variation in the business-government interface: Institutional and organizational considerations. *Academy of Management Review, 20*: 193-214.

Hillman, A. J., and Hitt, M. A. 1999. Corporate political strategy formulation: A model of approach, participation, and strategy decisions. *Academy of Management Review, 24*: 825-842.

Hillman, A. J., Keim, G. D., and Schuler, D. 2004. Corporate political activity:

A review and research agenda. *Journal of Management*, *30*: 837-857.
Hillman, A. J., Zardkoohi, A., and Bierman, L. 1999. Corporate political strategies and firm performance: Indications of firm-specific benefits from personal service in the US government. *Strategic Management Journal*, 67-81.
Hunt, S. A., and Benford, R. D. 1994. Identity talk in the peace and justice movement. *Journal of Contemporary Ethnography*, *22*: 488-517.
Hunt, S. A., Benford, R. D., and Snow., D.A. 1994. Identity fields: Framing processes and the social constmction of movement identities. E. Laraiia, H. Johnston, and J. R. Gusfield, eds. *New Social Movements: From Ideology to Identity*: 185-208. Temple University Press, Philadelphia, PA.
Kennedy, M. T. and Fiss, P. C. 2009. Institutionalization, framing, and diffusion: The logic of TQM adoption and implementation decisions among US hospitals. *Academy of Management Journal*, *52*: 897-918.
Klandermans B. 1997.*The Social Psychology of Protest*. Oxford, UK: Blackwell
Klandermans, B. 1984. Mobilization and participation: social psychological expansions of resource mobilization theory. *American Sociological Review* 49:583-600.
Krueger, A.O., 1974. The political economy of the rent-seeking society. *The American Economic Review*, *64*: 291-303.
Lord, M. 2000. Constituency-based lobbying as corporate political strategy: Testing an agency theory perspective. *Business and Politics*, 2: 289–308
Lounsbury, M., Ventresca, M. and Hirsch, P.M. 2003. Social movements, field frames and industry emergence: A culturalpolitical perspective on U.S. recycling. Socio-Economic Review, 1: 71-104
Matthes, J. and Kohring, M., 2008. The content analysis of media frames: Toward improving reliability and validity. *Journal of Communication*, *58*:258-279.
McCammon, H. J., Muse, C. S., Newman, H. D., and Terrell, T. M. 2007. Movement framing and discursive opportunity structures: The political successes of the US women's jury movements. *American Sociological Review*, *72*:725-749.
Meyer, D. S., and Staggenborg, S.1996. Movements, countermovements, and the structure of political opportunity. *American Journal of Sociology*. 101:1628- 1660
Mezias, S. J., and Boyle, E. 2005. Blind trust: Market control, legal environments, and the dynamics of competitive intensity in the early American film industry, 1893–1920. *Administrative Science Quarterly*, *50*:1-34.
Musk, E. 2014. To the People of New Jersey. https://www.tesla.com/blog/people-new-jersey. Accessed on September 16 2017
Noonan, R.K. 1995. Women against the state: political opportunities and collective actions in Chile's transition to democracy. *Sociological Forum.* 10:81-111.
Oliver, C., and Holzinger, I. 2008. The effectiveness of strategic political management: A dynamic capabilities framework. *Academy of Management Review*, *33*：496-520.
Pfaff, S. 1996. Collective identity and informal groups in revolutionary

mobilization: East Germany in 1989. *Social Forces*, *75*: 91-117.
Pfeffer, J. 1981 Management at symbolic action: The creation and maintenance of organizational paradigms. *Research in Organizational Behavior*, 3: 1-52.
Polletta, F. and Ho, M.K. 2006. Frames and their consequences. In R.E. Goodin and C. Tilly (Eds.) *Oxford Handbook of Contextual Political Studies:* 187-207. Oxford: Oxford University Press.
Porac, J. F., Wade, J. B., and Pollock, T. G. 1999. Industry categories and the politics of the comparable firm in CEO compensation. *Administrative Science Quarterly*, *44*: 112-144.
Rhee, E. Y., and Fiss, P. C. 2014. Framing controversial actions: Regulatory focus, source credibility, and stock market reaction to poison pill adoption. *Academy of Management Journal*, *57*: 1734-1758.
Schuler, D. 1996. Corporate political strategy and foreign competition: The case of the steel industry. *Academy of Management Journal*, 39: 720–737
Scott, M.B. and Lyman, S.M. 1968. Accounts. *American Sociological Review*, 33: 46-62.
Sewell, JR., W. 1980, Work and Revolution in France: The Language of Labor from the Old Regime to 1848. Nova York: Cambridge University Press.
Snow D.A and Benford, R.D. 1999. Alternative types of cross-national diffusion in the social movement arena. In Della Porta, Kriesi and Rucht (Eds.), *Social Movements in a Globalizing World:* 23-39. UK: Palgrave Macmillan
Snow, D. A., Rochford, E., Jr., Worden, S. K., and Benford, R. D. 1986. Frame alignment processes, micromobilization and movement participation. *American Sociological Review*, 51:464–481.
Soule, S. A., and Zylan, Y. 1997. Runaway train? The diffusion of state-level reform in ADC/AFDC eligibility requirements, 1950–1967. *American Journal of Sociology*, *103*: 733-762.
Stigler, G.J., 1971. The theory of economic regulation. *The Bell Journal of Economics and Management Science*. 3-21.
Suddaby, R., and Greenwood, R. 2005. Rhetorical strategies of legitimacy. *Administrative Science Quarterly*, 50：35-67
Taylor, V., Whittier, N., Morris, A. D., and Mueller, C. M. 1992. Collective identity in social movement communities: Lesbian feminist mobilization. In P.M. Nardi and B.E. Schneider (Eds.) *Social Perspectives in Lesbian and Gay Studies: A Reader*: 349-365.Routledge.
Thornton, S. 2015. The Transportation Monopoly Game: Why Taxicabs Are Losing and Why Texas Should Let Transportation Network Company Tokens Play, *Texas Tech Law Review*. 47:893, 901-04
Tuman, N.B. and Hannan, M.T. 1984. *Social Dynamics: Models and Methods*. New York, NY: Academic Press.
Van Gorp, B. and Vercruysse, T., 2012. Frames and counter-frames giving meaning to dementia: A framing analysis of media content. *Social Science and Medicine*, *74*:1274-1281.
Walker, J. L. 1969. The diffusion of innovations among the American states. *American Political Science Review*, *63*: 880-899.
Warnick, B. 1977. The rhetoric of conservative resistance. *Southern Speech Communication Journal* 42:256-273
Wolman, H., R. McManmon, M. B., and Brunori, D. 2008. “Comparing Local

Government Autonomy Across States" https://www.ntanet.org/wp-content/uploads/proceedings/2008/046-wolman-comparing-local-government-2008-nta-proceedings.pdf. Accessed on Oct 10 2017

Zajonc, R. B. 1968. Attitudinal effects of mere exposure. *Journal of Personality and Social Psychology*, *9*: 1-27.

Zilber, T. B. 2009. Institutional maintenance as narrative acts. *Institutional Work: Actors and Agency in Institutional Studies of Organizations*, 205-235.

Rightful Resistance and Regulatory Acceptance for Innovations in a Non-Democratic Country

ABSTRACT

In non-democratic regimes, companies have difficulty achieving regulatory acceptance for their innovations that challenge the existing regulatory frameworks, because they can neither resort to radical collective actions nor institutionalized democratic participation to influence policy making. My comparison of the Chinese ride-hailing industry in two periods with contrasting regulatory outcomes reveals that regulatory acceptance can be facilitated by rightful resistance, through which innovative companies take advantage of divisions within the state to push the frontiers of the permissible. Specifically, Chinese ride-hailing companies achieved regulatory acceptance by (1) seeking support from powerful third parties, (2) using the rhetoric and commitment of the central government, and (3) making non-revolutionary demands. I also show that rightful resistance is a two-way game -- by responding to rightful resistance of innovative companies, the state maintains the resilience of a non-democratic regime.

INTRODUCTION

In democracies, many companies offer innovative products or services that are

ambiguous to the regulatory categories defined by existing regulatory frameworks (Funk and Hirschman, 2014), and these companies can request regulatory acceptance -- either creating a new, favorable regulations or repealing an existing restrictive regulation -- for the innovations, through democratic channels, such as lobbying and mass mobilization (Gurses and Ozcan, 2015; Ozcan and Gurses, 2017). However, such innovations with regulatory ambiguity also emerge in non-democratic regimes, where innovative companies are unable to influence policy making through institutionalized democratic participation or radical collective movements and policymakers are not subject to the logic of democratic accountability. There are many such cases in China, a typical non-democratic country: Didi, a ride-hailing service, does not fit in existing taxi regulations; Alipay, an online payment platform, is not properly governed by traditional banking regulations; and Leshi, an Internet TV set, is not accommodated by traditional broadcasting regulations. Without regulatory acceptance from a non-democratic regime, these innovations cannot proliferate in the market for very long. So the problem is: How can companies achieve regulatory acceptance for their innovative products or services in a non-democratic setting?

To answer this question, I conduct a qualitative study of the political battle in the Chinese ride-hailing industry between 2014 and 2018. Ride-hailing companies have challenged the existing Chinese taxi regulations, and they fought against resistance from taxi incumbents and governments throughout the country. More importantly, it is the first case in China that private companies have pushed the government to enact a new, favorable regulation for their innovations. Furthermore, there is a comparative setting within the case: In October 2015, the Ministry of Transport (MOT) issued a hostile draft regulation to govern ride-hailing companies, whereas the final regulation, which was enacted in July 2016, is much friendlier. The contrasting outcomes in two

periods provide a unique setting to explore the causal factors behind the regulatory acceptance.

I approach this issue as one of political contentions. But unlike other forms of contentions that emphasize the state and challengers as two divided and antagonistic sides, I find that this is an instance of "rightful resistance", which highlights a fragmented state. The key idea is that what is considered illegitimate by one division of the state may be accepted or even supported by another, so powerless people can search and exploit the divisions within the state to achieve their own end (O'Brien and Li, 2006). In the case of Chinese ride-hailing companies, I find that they achieved regulatory acceptance by (1) seeking support from powerful third parties, (2) using the rhetoric and commitment of the central government, and (3) making non-revolutionary demands, which are characteristics of rightful resistance.

THEORETICAL BACKGROUND

Corporate Political Activities in Non-Democratic Countries

CPAs refer to companies' attempts to manage their political environment for their own favour (Hillman and Hitt, 1999). Most studies on CPAs focus on advanced democracies, mainly the U.S. and Western European countries (Baron, 1995; Bonardi, Holburn, and Vandenbergh, 2006; Oliver and Holzinger, 2008). They have investigated the antecedents and consequences of CPAs that are based on democratic channels, for example, lobbying (Lord, 2000), campaign contributions (Dean, Vryza and Fryxell, 1998), building constituencies (Shaffer and Ostas, 2001) and petitions (Rehbein and Lenway, 1994). A small group of scholars have studied less advanced democracies or non-democratic states (e.g. Kobrin, 1979; Delios and Henisz, 2003). They pointed out that CPAs in these settings revolve around building and maintaining

social network as substitutes to democratic means of political participation (Frynas and Mellahi, 2003; Adly, 2009).

A stream of research focuses on companies' use of personal ties in the Chinese context, which is called *guanxi* (Peng and Luo, 2000). *Guanxi* can be based on common backgrounds between two parties, such as kinship, alumni, birthplace, workplace and knowing a common friend (Tsui and Farth, 1997), or can be build up through frequent social interactions, including giving gifts and holding banquets (Jacobs, 1982). Among the various types of *guanxi*, some studies focus on companies' *guanxi* with the government, such as top managers' affiliations at political entities (Chen, Tian, and Ellinger, 2010) and their personal connections with government officials (Li and Zhang, 2007). *Guanxi* with the governments is expected to benefit companies in China in several ways. First, since the government has considerable power in the market, the ties help companies to obtain more resources that are allocated by the government but not readily available in the market (Luo, 2003). Second, due to weak rule of law, *Guanxi* with governments can protect companies from the threat of expropriation and extortion (Redding, 1990). Third, as there are less transparent channels to obtain market information in China, information told by governments is believed to be more trustworthy and useful than other channels (Luo, 2003).

However, this line of research cannot be directly applied to my focal problem. They have mainly used surveys as their data sources, which only covers well-recognized, well-established industries. Furthermore, in the surveys, they adopted relatively simplistic measure of *guanxi* with governments, usually with a seven-point scale to describe the width or strength of their ties with government officials (Oppo, Nee and Holm, 2017; Peng and Luo, 2000; Luo, 2003; Park and Luo,

2001). Yet my focal innovative companies are in emerging industries, which are striving for regulatory change, instead of maximizing benefits in the current setting. They are even in an marginal position as opposed to incumbents, which maintain stronger ties with the government. Therefore these companies face a different challenge to use *guanxi* to advance their interests, and demand a more nuanced form of *guanxi*, with the questions of what type of *guanxi* is needed, with whom to establish *guanxi*, how and when.

Innovations and Institutional Entrepreneurship

The literature of institutional entrepreneurship focuses on the role of actors in shaping institutional environment, despite pressure towards stasis (DiMaggio, 1988). It has been shown that some innovations are so radically different (Tushman and Anderson, 1986; Bower and Christensen, 1995), that they produce ambiguity in the institutional environment, for example, no legitimacy (Aldrich and Fiol, 1994), no clearly delineated product definitions and industry structure (Hargadon and Douglas, 2001), and no established logics to guide actions (Kaplan and Tripsas, 2008). However, this ambiguity provides considerable room for institutional entrepreneurs to act strategically, shape emerging institutional arrangements to their interests (e.g. Garud, Jain, and Kumaraswamy, 2002; Hargadon and Douglas, 2001; Maguire, Hardy, and Lawrence, 2004). Ultimately, they want to establish a defined, favorable institutional space to govern the innovative products or services (Dosi, 1982; Rosenberg, 1982).

Institutional environment consists of normative, cognitive and regulatory environment (Scott, 2008). Many studies in this stream have focused on how companies influence the cognitive and normative aspect of institutions for their innovations. For example, Garud et al. (2002) have revealed how a company

promoted its own new technology to be a new common standard in the industry; Munir and Phillips (2005) have analyzed the introduction of the roll-film camera by Kodak and how Kodak used discursive tactics to transform the meaning of the new technology. This paper pays special attention to the regulatory aspect of the process – Some innovative products provoke ambiguity in existing regulatory frameworks (Funk and Hirschman, 2014), and companies aim to create a defined, favorable regulation to accommodate the innovations. In this direction, works are done within democratic settings. Gurses and Ozcan (2015) have examined how pay TV used collective actions, such as collective lobbying and public campaigns, to gain regulatory support in the U.S.. Similarly, Ozcan and Gurses (2017) have demonstrated how dietary supplement companies disrupted a unfavorable regulation exerted by the FDA by lobbying the U.S. congress and mobilizing consumers. In parallel, this paper explores the mechanism of innovations achieving regulatory acceptance in non-democratic settings, where innovative companies can neither resort to collective actions, such as public campaigns and protests, nor institutionalized democratic participation, such as lobbying.

Rightful Resistance

Rightful resistance is a form of popular contention by which the powerless people search and exploit the divisions within the state to challenge the powerful and achieve their own end. It does not emphasize neatly divided antagonists, with superordinate on one side and subordinates on the other; rather, it highlighted a fragmented state where divisions, both in different systems and at different levels in the same system, pursue divergent interests. What is impermissible in one division may be tolerable or even supported by another division. So, to launch attacks on one division of authority, resisters either mobilize pressure from another division for

direct intercession, or cite official rhetoric that even unresponsive authorities must recognize, lest being charged with disloyalty to the system. In addition, rightful resistance forgoes revolutionary demands and operates at the boundary of authorized channels instead of violence or other openly criminal behavior (O'Brien and Li, 2006).

O'Brien and Li (2006) developed this concept to explain how poor and weak Chinese peasants were able to challenge misconducts of local officials. Chinese peasants are powerless given that they have no institutionalized channels of political participation to express their discontent. In contrast, their opponents usually have protectors among the local notables who matter most, and they can easily ignore or put down peasant resistance. In this case, a multilevel polity in China offers the powerless peasants an opportunity to make the authorities to work for them. To open up the clogged channels, discontented Chinese peasants claimed rights promised by the central policies, such as party documents and leadership speeches. They skilfully sought supporters in various bureaucracies who have a stake in helping their appeals addressed, for example, the Ministry of Civil Affairs. On the other side, the central leaders and street-level officials have divergent interests – the former is unable to assure the policies being executed by the latter without distortion. To solve the problem, the distant central policymakers are happy to take Chinese peasants as their watchdogs. Such divide between the central and local government creates an opening for rightful resistance.

Rightful resistance is distinct from other forms of popular contention. It is different from social movements in that social movements work outside the political institutions while rightful resistance works within (Tarrow, 1998). Rightful resistors are similar to "rebels in the name of the tsar" – Russian peasants employed the myth

of the tsar to mobilize others, protect themselves and reject claims made by faithless officials (Field, 1976). Yet unlike "rebels in the name of the tsar" that is based on imaginary protection, rightful resistance is actually nurtured by authoritative pronouncements and sympathetic advocates do exist. Rightful resistors are comparable to "everyday resistors", such as foot dragging, poaching and sabotage, given that their challenges are both opportunistic (Scott, 1989). However, rightful resistance is open and public, whereas everyday resistance is quite and disguised. Also, unlike the underlying assumption of everyday resistance -- "The state and its laws are typically inaccessible, arbitrary and alien", rightful resisters proactively take advantage of the materials made available by the structure of domination.

METHODS

Research Setting

This paper builds upon a longitudinal analysis of the political battles of ride-hailing companies in China. Ride-hailing companies provide an online platform to connect passengers and drivers with their own private cars. The new service is not accommodated by existing taxi regulations and has challenged the taxi incumbents. Faced with fierce government crackdown, ride-hailing companies were proactively engaged in political activities to achieve regulatory acceptance. In July 2016, they achieved a new, favorable national regulatory framework to govern the innovative service. By the definition, ride-hailing companies in China mainly include Didi, Uber (China) and Yidao.[6] I excluded the

[6] Although Didi, Uber (China) and Yidao are all based on private cars and attempt to change regulations, Didi is the absolute leading player to push for the new regulation. According to my interview, Uber (China), as a foreign company, was unable to be active in the political arena and Yidao had little financial and human resource to do so. The two companies are happy to be free-riders of Didi's political work. So the major focus of this study is Didi.

companies buying cars and hiring drivers to serve passengers, which do not break the existing regulations. The study period begins with the major ride-hailing companies moving from taxis to private cars in July 2014, when they started experiencing government resistance, and ends in January 2018 – at that time, a finalized national regulation had been issued and more than two hundred cities had released local regulations in the country.

This is an appealing setting to my study. It is a typical case of my focal problem – China is a typical non-democratic country where companies do not have democratic means of influencing policy making, and ride-hailing companies have challenged a heavily-regulated, state dominated industry. More importantly, it is the first case in China that a private company has pushed the government to enact a new, favorable regulation to accommodate their innovative products, which would be especially revelatory to similar cases. Furthermore, there is a comparative setting within the case. In October 2015, the MOT issued a hostile draft regulation to govern ride-hailing companies, whereas the final regulation, which was enacted in July 2016, is much friendlier. The contrasting outcomes in the two periods offer a comparative setting to identify the causal mechanism that led to regulatory acceptance with some measure of confidence.

Data Sources

My first source of data is interviews. I conducted several rounds of interviews between 2015 and 2018, closely tracking the development of events and regularly updating the data. I did 41 semi-structured interviews, ranging from thirty minutes to two hours. My informants were mainly drawn from the three parties involved in the political battles, including managers, staff and drivers from multiple ride-hailing companies, managers of taxi companies, and officials

from different levels and divisions of governments that are relevant to the ride-hailing issue. In addition, I have also interviewed industry experts to mitigate the potential biases of internal informants (Miller, Cardinal, and Glick, 1997) (Table 1 lists a summary of interviewees). They are chosen as informants, either because they are directly involved in ride-hailing companies' political activities or policy making, or they have a good knowledge of the case. Considering the small number of companies in the industry, the interviewees may be easily identifiable, so I kept their information vague to ensure anonymity. The interview protocol focused on key actors, activities, motivations, interactions between them and regulatory outcomes. The protocol was customized for each interviewee to best capture his or her organization's role in the process. All interviewees reported that they hoped no audio recordings would be made. So I instead took extensive notes during interviews, which conveyed trust and motivated accuracy. I recorded verbatim quotes and typed the notes up as soon as possible (Miller et al., 1997).

My second source of data is media reports and documents. As the ride-hailing services have caught a lot of public attention in China, there are many media reports on the issue. Since 2015 when I started this research, I subscribed to news alert from Baidu News (the biggest Chinese news database and search engine) with the Chinese keyword "*wangyueche*" (ride-hailing service). Therefore, between 2015 and 2018, I constantly gathered media reports on the ride-hailing issue, and in the meantime, I filtered these reports according to two criteria. First, the articles describe events either related to regulatory issues of the ride-hailing services or the important development of the industry; second, the articles come from widely-recognized media, such as

sina.com, chinanews.com and Xinhua News Agency. By February 2018, I gathered more than 300 news reports. I also drew on documents published by ride-hailing companies on their websites or social media, including CEO's speeches, interviews, public announcements and public letters. Furthermore, on the government side, I obtained leadership speech documents and regulatory documents from the websites of various government departments, including MOT, the State Council and the Legislative Affairs Office of the State Council (the main sources of media reports and documents are summarized in Table 1).

TABLE 1 Data Sources

Interview	***Type of actor/organization***	***Number of interviewees***
	Managers or staff at ride-hailing companies	18
	Government officials	
	Managers of taxi companies	9
	Academic	8
	Journalist	4
	Venture Capitalist	1
		1
Media reports	***Major Publications***	***Approximate number of articles***
	Xinhua News	33
	People's Daily	42
	China Daily	18
	China News	21
	Sina Tech	48
	Phoenix News	31
Documents	Ministry of Transport, http://zizhan.mot.gov.cn	
	The State Council, http://www.gov.cn/zhengce/	
	China Road and Transportation Association, http://www.crta.org.cn/	
	Didi Wechat Official Account	
	Yidao Wechat Official Account	
	China Taxi Industry Alliance (CTIA) Wechat Official Account	

Data Analysis

My data analysis is similar to the procedure proposed by Langley (1999). The

first stage is to write a condensed chronological account of the case. It started with a bulleted list of events along a timeline, with a brief description of the activities of the key actors and the results they had obtained. To ensure that I had not missed out any key events, I sent it to a well-knowledged informant for review. Then I highlighted these events on the timeline with different colors, each color representing one of the three major parties in the political battles – ride-hailing companies, government and taxi incumbents. At this point, two distinct periods began to be evident in terms of government responses. In general, between late 2014 and October 2015, transport authorities exerted repression on ride-hailing companies and proposed a very hostile draft regulation; yet, the period between November 2015 and January 2018 is characterized by less repression and a very friendly national regulation (Table 2 compares the draft and final regulation). I wanted to understand why this change had occurred.

Thus, in the second phase of data analysis, I divided all my raw data – interview notes, media reports and documents – into the two time periods, and coded my data following the guidelines suggested by Strauss and Corbin (1998). I first developed initial codes that stayed close to the language used in the raw data, which is primarily an inductive process. With the large amount of initial codes, I came to see that ride-hailing companies behaved differently toward the governments in Period 1 and Period 2. I explored the following questions: (1) What are the differences between ride-hailing companies' political activities in the two periods? (2) What led the governments to respond differently to ride-hailing companies' activities in the two periods? With the questions in mind, I began to combine them into second-order themes and aggregate theoretical

dimensions. This stage is an iterative process in which I worked back and forth between the data and theoretical frameworks that guided my analysis. I found that the concept of rightful resistance, which was developed by O'Brien and Li (2006), helped me to make sense of the data.

FIGURE 1 Some Significant Events on the Timeline

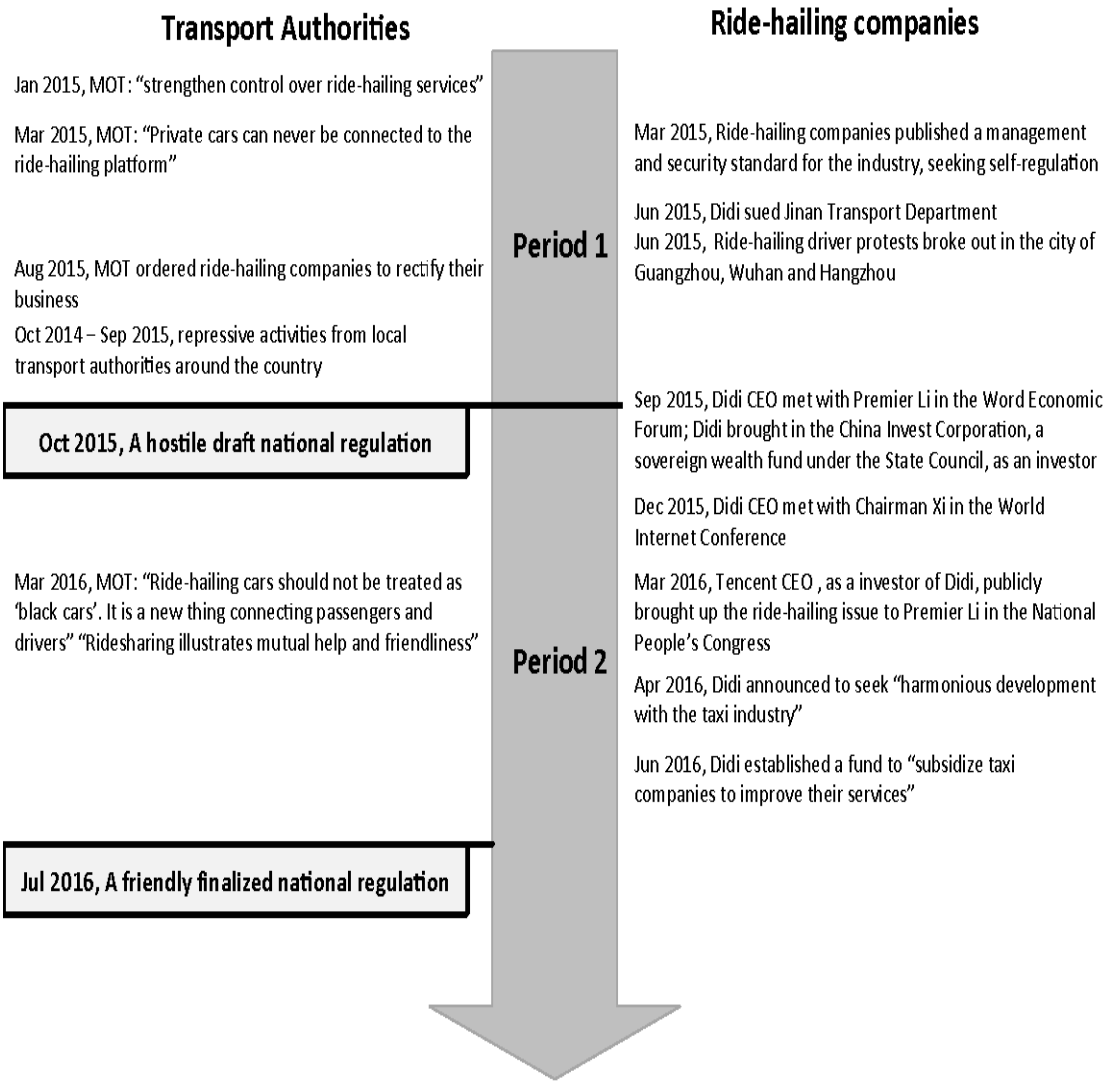


TABLE 2 Comparison of the regulatory outcomes on the ride-hailing services issued by MOT

	Period 1	**Period 2**

	Draft regulation (October 2015)	**Finalized regulation (July 2016)**
Industry definition	"The ride-hailing industry should not have the dominant status in the market (in comparison to taxis). It should not violate the fairness of competition"	" The development of the ride-hailing industry is guided by the principle of high quality and diversification (from the taxi industry)"
Price	Controlled by the government	Determined by the market (unless the municipal government thinks it necessary for them to control the price)
Vehicles	Registered as "taxis"; No private vehicles	Registered as "ride-hailing vehicles"
Number	Municipal governments can decide the number of ride-hailing cars	No requirement
License	Ride-hailing drivers should get the "transport business license" from municipal governments	Ride-hailing drivers should get the "ride-hailing driving license" from municipal governments
Driver	Ride-hailing drivers cannot work for more than one platform	No requirement

FINDINGS

Didi started off as a complement to taxi services. In 2012 and 2013, Didi aimed to build up an online platform to connect passengers and taxi drivers. For example, Didi hired an army of people in the train stations and airports to introduce their app individually to taxi drivers. In the meantime, the company offered high subsidies to taxi drivers and high rewards to riders. In so doing, Didi immediately attracted a large number of taxi drivers and users. The company told the government that they were "helping to increase the efficiency of taxi service" (Document 1). At that time, Didi was generally welcomed by transport authorities. In July 2014, MOT issued "A Notice on the Promotion of Taxi Calling Service (Including Ride-hailing App)" (Document 2). It means that at that time, the Chinese government treated ride-hailing services as a subtype of taxi services and generally supported it.

Period 1: Direct Confrontation

The political battle started when Didi decided to expand from taxis to private vehicles. In August 2014, Didi launched Didi Premier that provides high-end private car service for passengers. In mid-2015, Didi Express and Didi Hitch (ride-sharing) were put up online to offer low-end private cars services. This move was primarily driven by profit pressure, as Didi did not charge any fees from taxi drivers on the platform. They wanted to make profits from the private car services, from which they charged 20 percent commission. The decision was also prompted by Uber's entry to China in July 2014, initially with its premier service (similar to UberBLACK) and later a cheaper service People's Uber (similar to UberPOOL). Didi reacted to the aggressive new competitor by expanding to private car services (Interview). This is the time when Didi began to threaten the interests of taxi companies and be repressed by transport authorities.

Repression from Transport Authorities

In China, local transport departments have been historically tied up with taxi companies. Taxi companies are highly dependent upon the "taxi operating licenses" (equivalent to the taxi medallions in the U.S.) granted by local transport authorities. Many taxi companies in China are state-owned because they have the privilege to obtain operating licenses. For example, in Shanghai, the four biggest taxi companies, which account for more than 70 percent of the market share, are all state-owned companies (Interview). In return, local transport departments charge a large amount of money on taxi operating licenses. Furthermore, the personnel have been flowing between local transport departments and taxi companies. For instance, many managers and staff of taxi companies are

relatives of local transport officials and cadres of taxi industry associations are retired transport officials (Interview).

Since late 2014, when Didi expanded to private car services, it led to a dramatic revenue loss of taxi drivers and also hurt the interests of local transport authorities. In response, local transport authorities exerted fierce repression on ride-hailing companies. Transport authorities throughout the country immediately announced that the new services were illegal. For example, Shanghai Transport Committee made a public statement: "Didi is 'black cars'." (Document 3) Beijing Transport Committee made a similar announcement: "Ride-hailing without our approval is illegal." (Document 4) Many local transport departments held "invited talks" (*yuetan*) where ride-hailing companies were told to shut down. An informant of a ride-hailing company who attended "invited talks" recalled the local officials' harsh words, "What the hell is this? Do you know what you are doing? Shut down! Shut down immediately!" (Interview) Cities like Guangzhou, Jinan, Changsha, Shanghai, Nanjin and Beijing had detained thousands of ride-hailing drivers and imposed high fines on them (Document 5). In cities like Guangzhou, Luoyang and Chongqing, local authorities suddenly raided Didi and Uber's city offices and confiscated the companies' equipment (Document 6).

Compared to local transport authorities, MOT is less tied up with the taxi industry, because it does not depend on the benefits from granting taxi operating licenses and its personnel is not mixed with taxi companies. But there are formed bureaucratic channels within the transport system, such as the multi-level taxi supervision departments, in which taxi companies can push their demands to MOT (Interview). Therefore, MOT adopted a somewhat disapproving, but

sometimes contradictory, attitude to the new service in the period. In December 2014, MOT wrote in a guiding document: "strengthening control over the ride-hailing service", but in the meantime "encouraging diverse ways of booking cars" (Document 7). In March 2015, the Minister made an assertive statement: "Private cars can never be allowed in ride-hailing services" (Document 8).

Direct Confrontation by Didi

In response, ride-hailing companies employed a very confrontational approach to transport authorities. An internal informant summarized the rebellious mood in the company at that time: "They (the government) saw us as flood and monster. We saw them as an old authority against the tide of history. We were on the glorious side, a rebel" (Interview). In that period, Didi had great determination to fight against the government to the end. A motto was circulated in the company at the time – "We can sacrifice eight thousand soldiers on our side in order to kill ten thousand enemies" (Interview). In particular, the company resorted to confrontational activities and rhetoric, as well as a revolutionary goal directly against its opponents in Period 1.

First, the company was engaged in direct confrontational actions. As the company was told to shut down by local transport authorities, it ignored the order and continued operating in the city. The company promised to refund the drivers if they were fined by transport authorities and helped them continue providing services (Interview). In this period, Didi was seeking self-regulation for the new industry. In March 2015, several ride-hailing companies published "The Standards for the Ride-Hailing Service Management and Passenger Security" in attempt to enforce its own legal and safety standards. Yet the standards were immediately denied by MOT as illegal (Document 9). Didi also resorted to legal

tactics against the transport authorities. In March 2015, a Didi driver sued the Passenger Management Center in the city of Jinan, which fined him twenty thousand yuan for driving Didi (Document 10). This was widely interpreted as an open, radical move, given that the government is rarely sued by a citizen in China. There were a series of collective protests in this period. In June 2015, hundreds of ride-hailing drivers in Guangzhou gathered together, protesting against transportation officials' investigations and fines imposed on them (Document 11). In the same month, when transport officials confiscated a ride-hailing driver's car in Wuhan and Hangzhou respectively, hundreds of ride-hailing drivers came to the spot within minutes and fiercely fought against the officials (Document 12).

Second, Didi used very confrontational rhetoric towards transport authorities. In the "invited talks" with local transport officials, they made an implicit threat by referring to the potential of social instability, "We have hundreds of thousands of drivers registered on our platform. If they lose their rice bowls (work to earn a living), it may cause instability". This is interpreted as a daring expression considering that stability has been the red line of the Chinese governments (Interview). As a response to the strict draft regulation issued by MOT, the Public Relations manager of Didi publicly cited a poem – "The mountain can never block the river, the river would always flow towards the East" (Document 13). It is an open accusation that the transport departments are the "mountain" blocking an inevitable trend of innovation. In addition, Didi encouraged critical voices on the media (Interview). Many prominent national newspapers published their criticism with titles like "Don't put an 'illegal hat' to ride-hailing companies", "Can the taxi industry reform really start?" and "It is

time to change the privileged taxis" (Document 14).

Third, in Period 1, Didi set a relatively revolutionary objective – to crush the taxi industry. This was a purely business strategy: the company was unable to make money from its taxi services, so it was in its interest to direct the users they attracted from its taxi services to the more profitable private car services (Interview). At that time, in order to protect the interests of taxi companies, some local transport authorities demanded Didi to acquire local taxi companies, as a condition attached to their achieving operating license in the cities. Didi declined (Interview). Another example is Shouqi Taxi, which is the biggest taxi company in Beijing with a strong government background. Shouqi Taxi approached Didi in the hope that Shouqi could join Didi's platform. Didi declined, with the reason "taxi licenses do not meet the requirements of Didi platform" (Interview). The two examples illustrate Didi's determination and confidence in this period to beat the taxi industry.

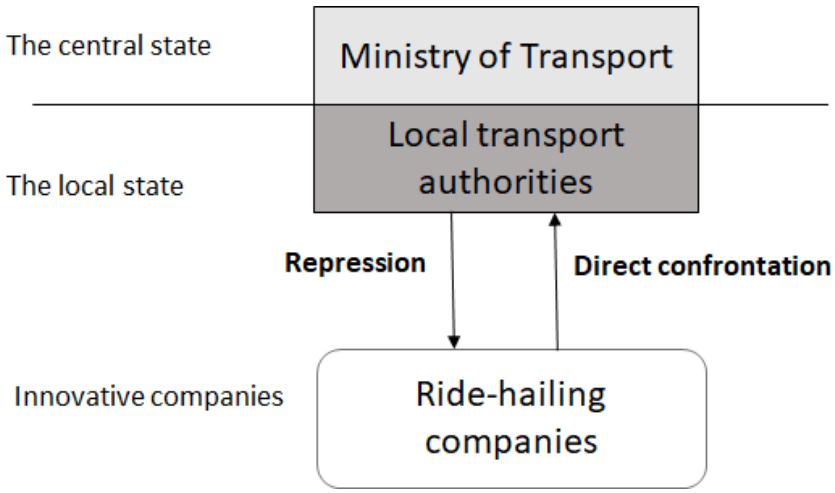
Outcome: Closed Policymaking and Hostile Regulation

In Period 1, ride-hailing companies were excluded from the policymaking process. Policy making took place entirely within the transport system in the government. For instance, in June 2015, MOT held a conference to discuss the ride-hailing issue; yet none of the ride-hailing companies, but transport officials and taxi company managers were invited to attend the conference. In the conference, they reached a consensus to categorize ride-hailing service as an online taxi service, so that they could govern the new service as they did to taxis (Interview). Before the release of the draft regulation, ride-hailing companies had tried many channels, including personal ties, to get information on the draft regulation. In September 2015, they had expected a strict draft regulation but

found no way to change the policy outcomes. In October 2015, transport officials merely informed ride-hailing companies about the policy results (Interview).

The draft regulation is very hostile to ride-hailing companies. It defines the ride-hailing industry as "an industry that is *not* dominated by the market"; it stipulates that the government can set the price for ride-hailing services; all ride-hailing vehicles should be registered at the government under the category of "taxi vehicles"; it also gives municipal governments the authority to determine the number of ride-hailing vehicles in the cities (Document 15). This draft regulation is interpreted as the government's attempt to turn ride-hailing services into traditional taxis. If it were finalized, it would be a death penalty for the business model of ride-hailing companies (Interview).

FIGURE 1 Direct Confrontation in Period 1



Period 2: Rightful Resistance

In China, a draft regulation would usually be finalized after one-month public

opinion collection and the final version would not greatly differ from the draft (Interview). Following the tradition, MOT issued a notice for one-month public consultation after the release of the draft regulation on ride-hailing companies (Document 16). However, what is unusual about this case is that the final regulation was delayed for eight months, and the final version was much friendlier than the draft (see Table 2). What happened during the time? What can account for the change? I find that the change is abrupt that cannot be explained by the increasing market demand for the new service; the change is facilitated by the shift in Didi's political strategies, which is characteristic of rightful resistance. Specifically, since September 2015, the company no longer directly compelled their adversaries to negotiate; instead, the company (1) sought support from powerful third parties to address their demands, (2) used the rhetoric of the central policies to elicit adversaries' response to consider their demands, and (3) set non-revolutionary objectives.

Seek Support from Powerful Third Parties

In Period 1, there were only two antagonistic sides involved – ride-hailing companies on the one side and transport authorities on the other side. Ride-hailing companies failed to make a way into the closed policymaking process and consequently received a heavy-handed regulation. However, after the debacle in October 2015, ride-hailing companies began to bring in third parties into the battle. In an authoritarian system, the powerful third parties are generated by political divisions within the state, which include politicians on the central level and officials on the same level other than the ones they are denouncing (O'Brien and Li, 2006). I find that in Period 2, Didi sought support from two powerful third parties – top leaders and other ministries – to curb the

repression from their opponents – transport authorities.

Reaching out to top political leaders. Unlike transport authorities which pay exclusive attention to the transportation industries, top political leaders prioritize overall economic growth for the country. Chinese top leaders have been searching for solutions for downward economic growth since 2014. One major solution proposed by Chinese leadership is to promote entrepreneurship and innovation. Premier Li Keqiang claimed them as the new twin engines – to replace the old engine with improved public goods and services – that can help the country to maintain high growth rates (Document 17). Relatedly, President Xi Jinping called for economic restructuring, i.e. moving from over-producing industries, including the coal and steel industry, to new industries. The strategic economic concerns, rather than a particular industry, lay the very foundation for the top leaders to respond to ride-hailing companies' demands (Document 18).

In Period 2, Didi managed to reach out to top political leaders and obtained their recognition. One important channel to reach top leaders is international conferences. In September 2015, Didi CEO Cheng Wei had successfully bid to become the co-chairman of the World Economic Forum where Premier Li Keqiang was invited. As the chairman, Cheng got a chance to meet and talk with Premier Li. In the conference, Li sent a clear message in support of ride-hailing services: "Sharing economy is rapidly developing across the globe and proven to be a new way of boosting economy. Entrepreneurship and innovations can be created in a sharing and cooperative way, with lower barriers, lower costs and higher speed. It will encourage us to explore new economic territories by getting more people in" (Document 19). A more prominent event was Cheng shaking hands with Xi Jinping in the World Internet Conference in December 2015. The

company had close ties with the Office of Internet and Information, which helped to arrange Xi to visit the company's stall in the conference. Cheng therefore got a chance to talk to him and shake hands with him (Interview). Xi confirmed the value of sharing economy in the conference, "speed up the development of sharing economy and encourage all kinds of innovations based on Internet" (Document 20). Since then, Didi circulated the picture of Cheng and Xi shaking hands around, showing that they had obtained the back-up of top leaders (Interview).

Furthermore, in Period 2, Didi began to regularly submit internal documents to top leaders for their direct intervention. This is jokingly called "*dizhezi*", a channel of communication in the ancient Chinese bureaucracy through which officials at lower ranks delivered their documents to the emperor for review. In fact, ride-hailing companies had always been trying to do so, yet the documents hardly reached top leaders in Period 1. Only since the two prominent meetings, top leaders received ride-hailing companies' documents more often (Interview). For a few times, Xi re-directed the documents he received from Didi to MOT, with the comment "please consider this". This is a semi-order that the Ministry should take it seriously (Interview). More direct orders came from Premier Li. When he was informed that some cities designed very difficult ride-hailing driver tests and only a small percent of applicants passed the tests, he questioned the local officials, "Why do you make it (the test) so hard?" He ordered them to redesign the tests. In a meeting with local officials, he alarmed, "Some local governments should pay attention. Do not push it (the ride-hailing issue) too hard" (Interview).

Another channel is through one of Didi's investors, Pony Ma, who is the

founder of Tencent. He was actively seeking help from top leaders for Didi since late 2015. He personally wrote letters to Premier Li explaining the ride-hailing business and the concept of sharing economy. Premier Li re-directed the letter to Ma Kai, Deputy Prime Minister, who further passed the letter to MOT for more consideration (Interview). In the National People's Congress (NPC) in March 2016, Pony Ma, as a deputy to NPC, personally talked to Premier Li, asking for more room for ride-hailing services (Document 21). In another event in October 2016, when many local governments made extra requirements on ride-hailing companies, Ma proposed to Premier Li that he hoped the government to be more cautious on policy making and to do more research on the new industry. Li responded: "The fundamental principles are clear, and we will ask those cities to carry out an in-depth analysis and listen to the views of all parties" (Document 22).

Seeking help from other ministries. In Period 1, policy making was kept within the transport system in the government. However, in Period 2, the company attempted to get other ministries actively involved in the policymaking process. Other ministries are not as concerned as transport authorities are about one particular transportation industry; and they have different interests that make them potential patrons of ride-hailing companies. For example, the National Development and Reform Commission (NDRC), a macroeconomic management agency under the State Council, is responsible for formulating policies for economic development. To seek its support, Didi built a specialized government relations team focusing on NDRC. The team delivered its demands by attending all major events held by the Ministry and frequently visiting and reporting to the Ministry (Interview). NDRC made both symbolic endorsement

and direct interventions as response. In March 2016, NDRC published an article that clearly stated their supportive attitude – "orderly develop the ride-hailing service" (Document 23). Before the final national regulation was released in July 2016, NDRC raised its opinions to MOT in the policymaking meeting that they wanted to remove some of the requirements in the previous draft regulations (Interview). The most direct intervention occurred in November 2017 when many municipal governments added extra requirements on ride-hailing companies. NDRC publicly accused these municipal governments as "being suspected to abuse administrative authority to limit market competition" and promised to investigate them (Document 24).

The company also began to work hard on the Ministry of Industry and Information Technology (MIIT), whose functions include regulating and supporting the development of Internet companies. For instance, in December 2015, Didi initiated the Sharing Economy Committee under the Internet Society of China (ISC). ISC is a quasi-governmental organization, sponsored by MIIT. This represents that Didi is under the umbrella of MIIT (Document 25). In February 2016, Minister of MIIT made a statement in a press conference, "Although emerging forces like Didi would disrupt traditional industry, we are overall in support of it" (Document 26). Similarly, the companies tried to obtain support from the Ministry of Human Resources and Social Security (MHRSS), which is in charge of labor force management and social insurance management. It is interested in increasing employment. As the central leaders planned to discourage overproducing heavy industries, such as the mining and steel industry, MHRSS was faced with the pressure to find jobs for the newly unemployed workers in these industries. In this situation, Didi offered MHRSS to

diverge some of these unemployed workers by training them to be Didi drivers. In response, MHRSS released an official notice as a public endorsement to the company, "(We) support Didi and other sharing economy companies to help unemployed worker from heavy industries to find jobs and increase income" (Document 27).

Draw on the Rhetoric of the Central Policies

In Period 1, the company negotiated with the government with radical rhetoric, as if they were equal to the government. But they learned that this is an imaginary position. A former government official described, "We have our own political careers to develop. Why must we sit down and listen to you (the company)?" (Interview) An informant from a ride-hailing company noted, "This is a bitter lesson. It is of no use to rebel. Don't try to teach them (government officials) lessons. Respect the authorities in the system and learn their way of thinking." (Interview) In Period 2, the company rhetorically shifted to something similar to rightful claims, that is, to employ the rhetoric and commitment of the powerful to curb the power (O'Brien and Li, 2006). The company raised the idea of "political pretentiousness" (*zhengzhi bige*) as a principle of communicating with the government. An informant explained the term, "You got to be sensitive to what they (officials) talked about and are concerned about these days. You got to lift your claims to the political high ground. The rhetoric of the center is so broad and diverse that you can always find the elements you find relevant, as long as you search diligently" (Interview). The rich soil of rightful claims is central policies. Central policies, in Chinese sense, refer to all authoritative pronouncements, ranging from Party documents, laws, State Council regulations, and leadership speeches (O'Brien and Li, 2006).

On the one hand, Didi made reference to some economic initiatives by the central state. In multiple public announcements in early 2016, Didi depicted itself as "being committed to the 'mass entrepreneurship and innovation' campaign promoted by Premier Li Keqiang" (Document 28, Document 29). Similarly, it promoted itself as "a devoted practitioner of the 'Internet Plus' action plan" issued by the State Council and Premier Li (Document 30). In another public announcement, Didi aligned itself with the "supply-demand reform" promoted by President Xi, which aims to change the inefficient and overproducing industries while promoting innovative, emerging industries. It says, "Didi, as the representative of ride-hailing platforms, is trying to optimize the city transport supply with the use of technology. We strive to become the pioneer of the 'supply-demand reform'" (Document 31). The company also wrote a public letter to complain against local ride-hailing regulations in late 2016, "Chairman Xi pointed out in the Third Plenary Session of the 18th Central Committee of the CPC: Market should play the decisive role in resource distribution…Didi hopes that local governments create a favorable environment for the new business." (Document 32)

Furthermore, the company made reference to political initiatives by the central government. One frequently mentioned concept is "simplifying administration and delegating power" raised by Premier Li, which aims to reduce administrative obstacles for enterprises. In 2016, when it was informed that local governments had authorities to make extra requirements, the company replied, "We sincerely hope that local governments, in implementing the central regulations, consider the principle of 'simplifying administration and delegating power', so as to protect the interests of the wide public" (Document 33). In

another public occasion with local government officials, Li Jianhua, Didi's Chief Operating Officer in charge of government relations issues, directly quoted President Xi's order, "(We) hope that relevant departments can implement the principle of 'letting people have a sense of ownership from the reform' brought up by Chairman Xi, firmly pushing the reform. (We hope that) the new local ride-hailing regulation can meet people's travel needs and make their life more convenient." (Document 34) Didi also connected its business model with the course of "co-governance and co-sharing" elaborated by President Xi. The idea is to create more public goods shared by all citizens with the purpose of increasing the happiness of people and dissolving resentment among people. Li Jianhua noted in a public speech, "We have accumulated a large amount of data that can be used by city governments to build a more convenient transportation system. We are willing to contribute to 'co-governance and co-sharing' with all levels of governments, citizens and industries." (Document 35)

According to O'Brien and Li (2006), rightful claims can open up the clogged communication channels with the governments by framing their demands in resonance with the concerns of government officials in the non-democratic country. As it is applied on the central government, it can appeal to the elites who recognize that the companies' demands are in line with their established principles and interests. When it is used for local governments, the language of the more powerful made it difficult for local officials to ignore their demands. A local official, when being asked why they started having a dialogue with ride-hailing companies, said, "They promoted themselves as someone closely following the steps of the center. It is hard to assign them with negative labels, even if we know they are the same thing. And, if we simply ignore it, we are at

the risk of being accused of ignoring or not implementing the central spirit. So we must deal with it, in one way or another." (Interview)

Set a Non-Revolutionary Objective

As rightful resistance is dependent upon the response of central political elites, a built-in limitation of this form of contention is that it must forgo revolutionary demands and embrace the values endorsed by the elites (O'Brien and Li, 2006). In addition to economic growth, another major concern of the central government is to maintain social stability. As President Xi put it, "Development and stability were absolute principles, so both should be dealt with by strong hands" (Document 36). In the ride-hailing case, although it is not under the direct pressure of the taxi industry, the central government cannot afford unrests by taxi drivers, who are highly organized and connected. Tens of thousands of taxi drivers protested against the ride-hailing service either by going on strike or blocking the roads. In 2015, such unrests occurred in more than twenty big cities, including Shenyang, Nanjing, Jinan, Hangzhou and Tianjin (Document 37). Later on, in July 2016, when the final ride-hailing regulation was released, the State Council made its position clear by issuing the "Guidelines to Deepen the Reform in the Taxi Industry" – "Ride-hailing services should act as a complement to taxis. The two businesses should operate differently". The guidelines explicitly encourage "integration between taxi companies and ride-hailing companies through merger, restructuring and absorbing shares" (Document 38). It suggests that a stable taxi industry is an attached condition to the central government's support of ride-hailing companies.

In Period 1, Didi aimed to beat the taxi industry. So it refused to cooperate with

taxi companies and intended to shut down its own taxi platform. But after the hostile regulation in late 2015, the company learnt that a complete victory over the taxi industry is not a possible scenario and a built-in condition to the central government's endorsement is that ride-hailing companies must keep the taxi industry alive. A ride-hailing company manager said, "The 'pain point' for the government is that they cannot afford the collapse of the taxi industry and the consequent instability. The message is clear: You must take care of them" (Interview). Therefore, in Period 2, the company turned to put forward a less revolutionary goal. In April 2016, CEO Cheng Wei publicly declared, "Didi is not seeking radical disruption but harmonious development with taxi companies" (Document 39).

To fulfil this objective, Didi offered a series of assistance to taxi companies and taxi drivers. The earliest sign of friendliness is in January 2016, when Didi set up a scholarship for taxi drivers' children. Five months later, Cheng Wei formerly promised to offer capital and technology to help upgrade the taxi industry. On capital, Didi established a fund that would be used to "subsidize taxi companies to improve their services, increase care for taxi drivers, and reward socially responsible taxi drivers" (Document 40). On technology, Didi offered some taxi companies their data and algorithm, which automatically designate rides to taxi drivers on the basis of distance, road conditions and drivers' ratings (Document 41). Didi also decided not to close its own taxi platform. The company not only charged no commission from taxi drivers on the platform but also heavily subsidized them. It even promised to diverge more rides to taxi drivers, by integrating its taxi platform and private car service platform so that taxi drivers have one more source to obtain rides (Interview).

Additionally, the company set up a cooperative business model with taxi companies. In April 2016, Didi announced partnership with Haibo Taxi Co., Ltd in Shanghai. In general, the former is in charge of the online part, such as ride arrangement, online payment and user management, with its big data analysis and machine learning technology; and the latter is in charge of the offline part, including providing cars, recruiting drivers and obtaining ride-hailing licenses from the government. The two parties establish a revenue-sharing model, which takes into consideration driver ratings, ride revenue and other service metrics (Document 42). This model was soon promoted across the country. In September, Didi signed similar deals with more than fifty taxi companies in over ten cities. In November, the company further expanded the cooperative models to 150 taxi companies throughout the country (Document 43).

Outcome: Participatory Policymaking and Circumscribed Acceptance

As a result of rightful resistance, ride-hailing companies opened up the previously closed policymaking process. Transport authorities started having conversations with ride-hailing companies. According to an informant, since early 2016, the government relations teams of every major ride-hailing companies were invited to attend many "opinion collection meetings" held by MOT and local transport authorities around the country. In those meetings, ride-hailing companies were given chances to express their demands for the new policies (Interview). In March 2016, Didi made a public comment, "We are grateful that the governments have listened and considered the voices of enterprises" (Document 44). In July 2016, as a public reply to the newly released national regulation, Didi noted, "(The regulation) has incorporated views of different communities in the society, including scholars and ride-hailing

companies" (Document 45).

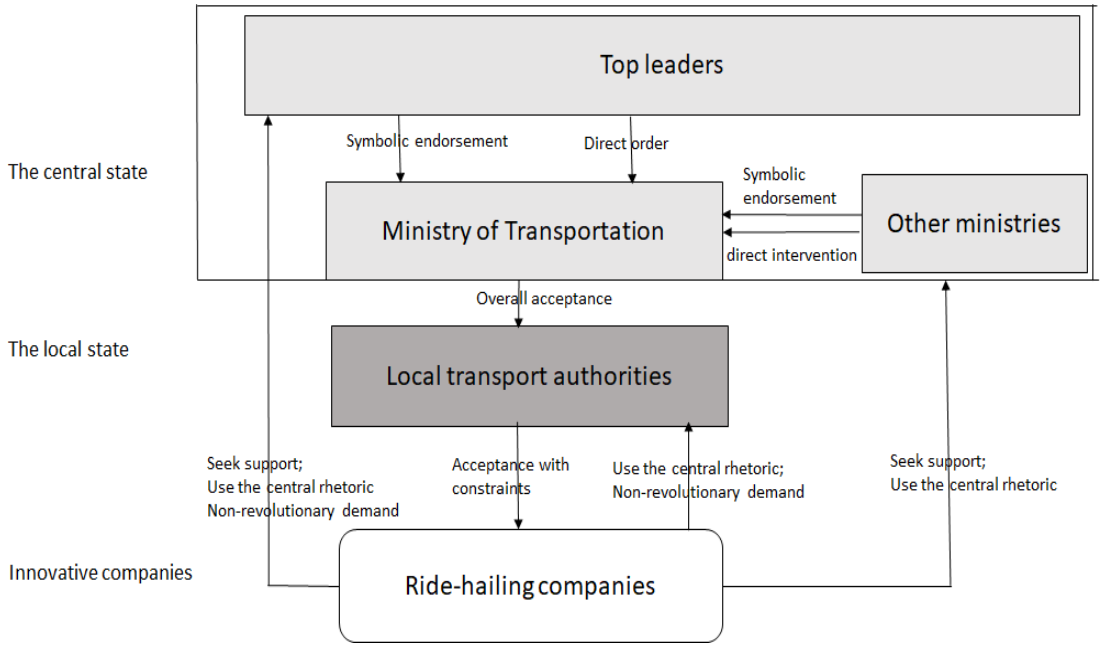
A realistic account of the regulatory outcome in Period 2 is circumscribed acceptance: The central state has granted ride-hailing companies overall acceptance while granting the local states certain authority to curb the new industry when needed. On the central level, the final regulation enacted by MOT in July 2016 is much friendlier to ride-hailing companies than the draft regulation released in October 2015. For example, private vehicles are allowed to be used for ride-hailing services; it stipulates that the price of ride-hailing services is determined by the market rather than the government in the previous version; ride-hailing services can be registered as a new category of "ride-hailing cars", which is distinct from the previous definition as "taxi" (Document 46).

Despite the overall acceptance, the national regulation granted local governments certain authority over the new service. At the end of the regulation, it writes, "local governments can establish their specific regulations on the basis of this regulation according to their own conditions" (Document 46). Local governments reserved the authority to decide what type of drivers and private cars to be used for ride-hailing services. Therefore, after the release of the final national regulations, local transport authorities issued their local versions, tightening up on the two issues. For instance, in big cities like Beijing and Shanghai, only people with the city *hukou* (permanent resident permits) can be ride-hailing drivers in the cities, and only vehicles with the city's license plates can be used for ride-hailing services (Document 47, Document 48). It is a very high barrier, given that it is difficult to obtain a resident permit and license plate in big cities in China (Interview).

Yet such burdensome local regulations are coupled with imperfect

implementation. It is estimated that if local regulations were fully implemented, ninety percent of current ride-hailing drivers and vehicles need to be removed (Interview). But the reality is that most of them are still operating, except occasional punishments on individual ride-hailing drivers. An official described that they were just unable to catch the hundreds of millions of ride-hailing cars out there (Interview). In addition to inability, local transport authorities choose not to fully implement it. A city manager of Didi noted, "local transport authorities always maintain the killing approach. They could have shut down the platform entirely, instead of catching drivers individually. But they did not do that so far, so in a way they leave certain room for us." (Interview) A ride-hailing driver in Beijing said, "I was afraid at the beginning because the wheelbase of my car does not meet the requirement. But later I find nobody is really monitoring us so I continue doing it" (Interview).

FIGURE 2 Rightful Resistance in Period 2



DISCUSSION

My aim with this paper was to understand how companies achieve regulatory acceptance for innovations in non-democratic settings, where companies lack democratic channels to influence policy making and policymakers are not subject to the logic of democratic accountability. By analyzing the process by which Chinese ride-hailing companies achieved a friendly national regulation, which are featured with two distinct periods, it discovered that the favorable outcome was facilitated by rightful resistance. It is a special form of CPAs based on a fragmented state where different division of the state have divergent interests; thus the relatively powerless firms can exploit the divergent interests to press their own end. Figure 3 summarizes the theory of how innovative companies use rightful resistance to achieve regulatory acceptance for their innovative products in a non-democratic country. Ther rightful resistance is made of three dimensions. First, they sought help from the central state to exert pressure on the local state. Second, they use the rhetoric of the central policies both to the central and local state. Third, they declare a non-revolutionary goal, which is to make room for the incumbent industry, to the central and local state.

How would the central and local state respond to innovative companies' rightful resistance? Rightful resistance in O'Brien and Li's (2006) description is primarily on how resisters mobilize the pressure from above, but this study extends the concept by arguing that rightful resistance is a two-way game, that is, the central state in a non-democratic system also empowers the powerless for their own purposes. Rightful resistance are different from "rebels in the name of the tsar" that are based on imaginary protection from Tsar. Rightful resistance is actually nurtured by an authoritarian system. According to Perry (2010), by responding to resistance "sympathetically yet shrewdly", the central state is strengthening rather than weakening the system. On the one hand, as discussed earlier, the central state

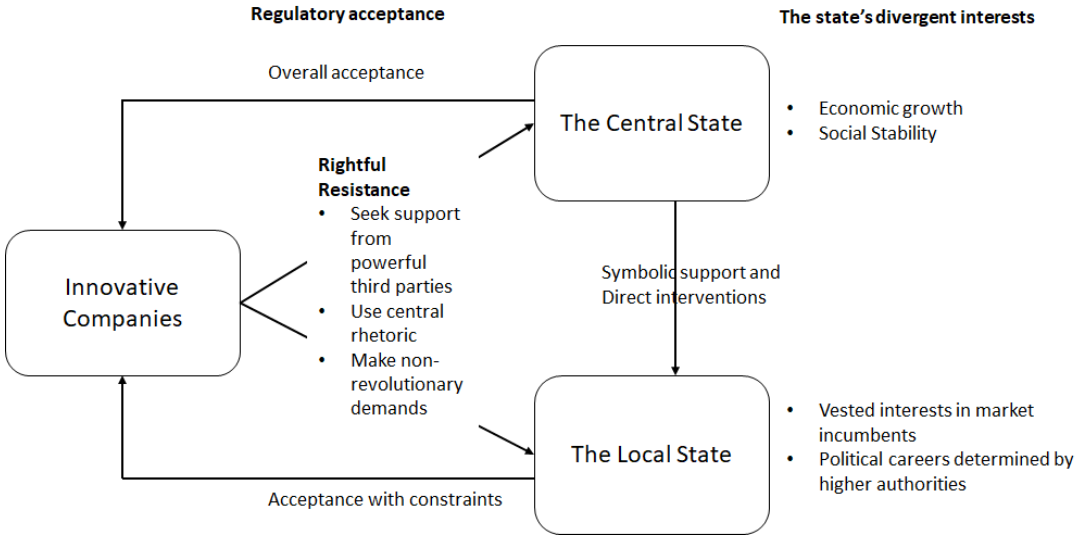
prioritizes the overall economic growth. They would respond to innovative companies, because they claim that they perfectly fit into the central initiative to seek new engines for economic growth.

On the other hand, the central state is concerned about social stability. Rightful resistance is in line with this concern. First, innovative companies, especially those with a mass of users like the ride-hailing service, would create critical public opinions. A positive response to these companies, rather than pure repression, helps to satisfy these people and maintain social stability. Second, it only tolerates the form of resistance that forgoes revolutionary objectives. If innovative companies can abandon the goal of crushing the incumbents, as what ride-hailing companies did in the latter period, it would pacify the people working in the incumbent industry. Third, as shown by the vaguely specified national regulations on the ride-hailing service, the central state, though making an overall friendly message, granted the local state certain room to control the new industry. In so doing, it can keep the new industry under control while shifting the responsibility and blame to the local state (Cai, 2008). It is as how O'Brien and Li (2006: 32) described it, "(The Center allows resisters) to sound fire alarms and permit them to flee a fire that is coming their way. But it still does not condone stomping out fire or preventing from starting in the first place".

The local state, in contrast, holds a different interest and therefore responds differently to rightful resistance. Officials at the local state are not elected, so they do not have the necessity to respond to popular demands. But they are subject to another logic -- their political careers are entirely determined by higher levels of authorities. Therefore, as the central state made symbolic endorsements or even direct orders on the innovative products, the local state must make concessions to innovative companies. Also, as innovative companies justify themselves with the rhetoric of

the central policies, they cannot simply ignore their demands, in order not to be accused of disloyalty to the center. In addition, compared to the central state, the local state has vested interests in the incumbent industry. Thus, if innovative companies would make room for the incumbents, that is, a non-revolutionary goal, the local state is more likely to make concession. But because they are tangled with the incumbent industry, the local state would exert extra constraints on the overall acceptance granted by the central state, to maintain some of their interests in the incumbents.

FIGURE 3 Rightful resistance and regulatory acceptance for innovations



This study is expected to make contributions to CPA research. First, current CPA literature has primarily examined advanced democracies, investigating democratic ways of influencing politics, such as lobbying, campaign contribution and petition (e.g. Lord, 2000; Dean, Vryza and Fryxell, 1998; Rehbein and Lenway, 1994). And the existing CPA research based on non-democratic countries has focused on established companies and industries, and the role of personal ties, such as *guanxi*, as a substitute to democratic participation (e.g. Frynas and Mellahi, 2003; Aldly, 2009).

This study highlighted that a group of innovative companies in non-democratic countries are faced with a unique challenge: They have neither democratic channels to express their demands, nor can they directly resort to *guanxi*, because they intend to make policy change and face incumbents who maintain stronger *guanxi* with the government. This paper has demonstrated a more nuanced form of CPAs in non-democratic countries, rather than straightforward *guanxi*, that can be used by companies in this special circumstance.

In addition, the existing literature on CPA has either assumed that the state is a unified entity, or it pays exclusive attention to a single part of the state. This study, drawing from the insights of rightful resistance, highlights that the state is a complex organizational system comprising heterogeneous agencies and agendas and the possibility of internal contention (Scott and Meyer, 1983; Skocpol, 1979). The divergent interests within the state offer opportunities for rightful resistance, because what is not tolerable in one division may be accepted or even supported in another division. Therefore, without specifying the formal structure of the state and the relations between them, it cannot fully capture this type of CPA and why it can produce certain outcomes.

The current literature also perceives the targets of CPAs, such as regulators and legislators, as passive receivers of CPAs, who are either influenced or not influenced by certain CPAs. However, this study demonstrated a two-way story, that is, high levels in a non-democratic system can proactively and selectively respond to companies for their own purposes. Top political leaders choose to endorse the companies that fit into their macroeconomic strategies. Meanwhile, due to their concern of stability, the central state's endorsement is conditional.

This study is also expected to contribute to the literature of innovations and institutional entrepreneurship. Current institutional entrepreneurship studies have assumed a democratic setting, which limits their focus on the effects of public campaigns and lobbying on the regulatory aspect of institutional change (e.g. Gurses and Ozcan, 2015; Ozcan and Gurses, 2017). However, in non-democratic settings, where companies can neither resort to institutionalized democratic participation nor disruptive collective actions, these findings are not applicable. Thus, this paper has pointed out an empirical blind spot of existing institutional entrepreneurship studies, by indicating the mechanism through which institutional entrepreneurs shape the regulatory institutions in the special non-democratic settings.

Furthermore, prior research on institutional entrepreneurship primarily focuses on how agency takes initiatives to change institutions. It was criticized that this focus is one-sided and has overlooked the embeddedness of agency (Garud et al., 2007, Lawrence, Suddaby and Leca, 2009). This paper has followed this call. It has demonstrated that the activities of institutional entrepreneurs are enabled and constrained by the institutions, i.e. the non-democratic regime. The latter, to maintain the dynamic of the regime, would only tolerate certain forms of resistance, which fit in the central commitments and forgoes revolutionary goals.

REFERENCES

Aldly, A. I. 2009. Politically-embedded cronyism: The case of post-liberalization Egypt. *Business and Politics*, 11, article 3.

Aldrich, H. E. 1995. Entrepreneurial strategies in new organizational populations. In I. Bull, H. Thomas, and G. Willard (Eds.), *Entrepreneurship: Perspectives on theory building*: 91-108. New York: Elsevier.

Aldrich, H. E., and Fiol, C. M. 1994. Fools rush in? The institutional context of industry creation. *Academy of Management Review*, 19: 645-670

Baron, DP. 1995. Integrated strategy: Market and nonmarket components. *California Management Review*. 37:47–65.

Bonardi J, Hillman A and Keim G. 2005 The attractiveness of political markets: Implications for firm strategy. *Academy Management Review*. 30:397–413

Bonardi, J.P., Holburn, G. and Vandenbergh, R. 2006. Nonmarket strategy performance: Evidence from U.S. electric utilities. *Academy of Management Journal*. 49: 1209– 1228.

Cai, Y., 2008. Power structure and regime resilience: contentious politics in China. *British Journal of Political Science, 38*: 411-432.

Chen, H., Tian, Y., Ellinger, A. E., and Daugherty, P. J. 2010. Managing logistics outsourcing relationships: An empirical investigation in China. *Journal of Business Logistics*, 31(2):279–299.

Dahl, R.A. 1989 *Democracy and Its Critics*. New Haven: Yale University Press.

Dean, T., Vryza, M., and Fryxell, G. 1998. Do corporate PACs restrict competition? An empirical examination of industry PAC contributions and entry. *Business and Society*, 37: 135–157

Delios, A and Henisz, W. J. 2003. Political hazards, experience and sequential entry strategies: the international expansion of Japanese Firms, 1980–1998. *Strategic Management Journal*, 24, 1153–64

Delmar, F., and Shane, S. 2004. Legitimating first: Organizing activities and the survival of new ventures. *Journal of Business Venturing*, *19*(3), 385-410.

Field, D. 1976. *Rebels in the name of tsar*. Boston: Houghton Mifflin.

Frynas, J. G, and Mellahi, K. 2003. Political Risks as Firm-Specific (Dis) Advantages: Evidence on Transnational Oil Firms in Nigeria. Thunderbird International Business Review,45, 541-565.

Hillman, A. and Hitt, M. 1999. Corporate political strategy formulation: A model of approach, participation and strategy decisions. *Academy of Management Review*, 24:825-842.

Hillman, A.J., Keim, G.D. and Schuler, D. 2004. Corporate Political Activities: A Review and Research Agenda. *Journal of Management*. 30:837-857.

Hunt, C. S., and Aldrich, H. E. 1996. Why even Rodney Dangerfield has a home page: Legitimizing the world wide web as a medium for commercial endeavors. Paper presented at the annual meeting of the Academy of Management, Cincinnati, OH.

Kobrin, S. 1979. Political risk: a review and reconsideration. *Journal of International Business Studies*, 10, 67–80.

Langley, A. 1999. Strategies for theorizing from process data. *Academy of Management review*, *24*(4), 691-710.

Li, H., and Zhang, Y. 2007. The role of managers' political networking and functional experience in new venture performance: Evidence from China's transition economy. *Strategic Management Journal*, 28(8): 791–804.

Li, J. J., Poppo, L., and Zhou, K. Z. 2008. Do managerial ties in China always produce value? Competition, uncertainty, and domestic vs. foreign Firms. *Strategic Management Journal*, 29: 383–400.

Lindblom, C.E. 1977. *Politics and markets: the world's political-economic systems.* New York: Basic Books.

Lipsky, M. 1968. Protest as a political resource. *American Political Science Review*, 62: 1144 -58.

Lord, M. 2000. Constituency-based lobbying as corporate political strategy: Testing an agency theory perspective. *Business and Politics*, 2: 289–308

Lorentzen, P.L. and S.E. Scoggins. 2012. Rising rights consciousness: undermining

or undergirding China's stability [online]. Working paper. Available from http://papers.ssrn.com/sol3/papers. cfm?abstract_id=1722352
Luo, Y. D. 2003. Industrial dynamics and managerial networking in an emerging market: The case of China. *Strategic Management Journal,* 24: 1315–1327.
Luo, Y. D., Huang, Y., and Wang, S. L. 2012. Guanxi and organizational performance: A meta-analysis. *Management and Organization Review*, 8: 139–172.
McAdam, D. 1996. The framing function of movement tactics: Strategic dramaturgy in the American civil rights movement. In D.McAdam, J.D. McCarthy and M.N. Zald (eds.) *Comparative perspectives on Social Movements: Political Opportunities, Mobilizing Structures and Cultural Framings*: 238-356. Cambridge: Cambridge University Press.
Miller, C.C., Cardinal, L.B. and Glick, W.H., 1997. Retrospective reports in organizational research: A reexamination of recent evidence. *Academy of management journal*, *40*: 189-204.
Miller, D., and Friesen, P. H. 1983. Strategy making and environment: The third link. *Strategic Management Journal*, 4: 221–235.
Mintzberg, H. 1973. A new look at the chief executive's job. *Organizational Dynamics*, 1: 21–30.
O'Brien, K.J. and L. Li. 2006. *Rightful Resistance in Rural China*. New York: Cambridge University.
Oliver, C. and Holzinger, I. 2008. The effectiveness of strategic political management: a dynamic capabilities framework. *Academy of Management Review*. 33: 496-520.
Opper, S., Nee, V., and Holm, H. J. 2017. Risk aversion and guanxi activities: A behavioral analysis of CEOs in China. *Academy of Management Journal*, *60*(4), 1504-1530.
Park, S. H., and Luo, Y. D. 2001. Guanxi and organizational dynamics: Organizational networking in Chinese firms. *Strategic Management Journal*, 22: 455–477.
Peng, M. W., and Luo, Y. D. 2000. Managerial ties and firm performance in a transition economy: The nature of a micro-macro link. *Academy of Management Journal*, 43: 486–501.
Perry, E.J. 2010. Popular protest in China: playing by the rules. In: J. Fewsmith, ed., *China today, China tomorrow: domestic politics, economics and society*. Lanham, MD: Rowman and Littlefield, pp. 11–28.

Morrill, C., Zald, M.N. and Rao, H., 2003. Covert political conflict in organizations: Challenges from below. *Annual review of sociology*, *29*: pp.391-415.
Redding, S. G. 1990. The spirit of Chinese capitalism. New York: de Gruyter.

Rehbein, K., and Lenway, S. 1994. Determining an industry's political effectiveness with the US International Trade Commission. *Business and Society*, 33: 270–292
Scott. J.C. 1989. Everyday forms of resistance. In Forrest D. Colburn (Ed.), *Everyday forms of peasant resistance* (pp.3-33). Armonk, NY: M.E. Sharpe.
Scott, W. 2008. *Institutions and organizations : Ideas and interests* (3rd ed.). Los Angeles ; London: Sage Publications.
Shaffer, B., and Ostas, D. 2001. Exploring the political economy of consumer legislation: The development of automobile lemon laws. *Business and Politics*, 3: 65–76

Skocpol, T. 1979. *States and Social Revolutions: A Comparative Analysis of France, Russia and China*. Cambridge University Press, New York.
Snow, D. A., and Benford, R. D. 1992. Master frames and cycles of protest. *Frontiers in social movement theory*, *133*:155.
Suchman, M.C. 1995. Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*. 20: 571-610.
Tarrow, S. 1998 *Power in Movement: Social Movements, Collective Action and Politics. 2nd Edition*. Cambridge: Cambridge University Press
Tsui, A. S., and Farh, J. L. 1997. Where guanxi matters: Relational demography and guanxi in the Chinese context. *Work and Occupations*, 24: 56–79.
Zimmerman, M. A., and Zeitz, G. J. 2002. Beyond survival: Achieving new venture growth by building legitimacy. *Academy of management review*, *27*(3), 414-431.

APPENDIX 1 DIRECTLY REFERENCED DOCUMENTARY DATA

Document 1: China Economics, “滴滴打车两年巨变 创业黑马的逆袭之路” (Didi in the Past Two Years: The Road of Counterattack), *China Economics*, September 10, 2014, http://finance.china.com.cn/consume/syal/20140910/2666446.shtml
Document 2: National Office of Transportation, “交通运输部办公厅关于促进手机软件召车等出租汽车电召服务有序发展的通知”(Notice of the General Office of the Ministry of Transport on Promoting the Orderly Development of Taxi Calling Services by Mobile Software) July 14, 2014, http://zizhan.mot.gov.cn/zfxxgk/bnssj/dlyss/201407/t20140717_1650627.html
Document 3: Yan Ying, 市交通委：滴滴专车是黑车，不合法 (The City Transport Committee: Didi is Illegal, Black Cars). December 25, 2014, *People’s Daily*, http://sh.people.com.cn/n/2014/1225/c134768-23336448.html
Document 4: Wang Xiaofei and Xie Jiale, “北京交通委：北京专车均为非法运营” (Beijing Transport Committee: Ride-Hailing Cars are Illigal), April 15, 2015, *Legal Evening Newspaper*, http://www.fawan.com.cn/html/2015-04/15/content_547422.htm
Document 5: He Chao. 北京“滴滴”已有 207 起非法运营被查 (207 Didi Drivers are Being Investigated in Beijing), June 3, 2015, *Huanqiu Finance* http://finance.huanqiu.com/ppgc/2015-06/6585883.html
Document 6: Liao Feng, “Uber 广州成都公司先后被查 武汉交通部门约谈滴滴” (Guangzhou and Wuhan Office of Uber were Investigated, Wuhan Transport Department Invited Didi to Talk with Them), May 7, 2015, *China Daily*, http://caijing.chinadaily.com.cn/2015-05/07/content_20645386.htm
Document 7 Ministry of Transport, “交通运输部关于全面深化交通运输改革的意见” (MOT’s Opinions on the Comprehensive Reform in Transportation), December 30, 2014, http://www.gov.cn/gongbao/content/2015/content_2843789.htm
Document 8: Peng Mei, Long Yuqin and Shangxi,”交通运输部部长:永远不许私家车进入专车” (The Minister of Transportation: Never Allow Private Cars into the Ride-Hailing Service), March 13, 2015, *Sina Finance*, http://finance.sina.com.cn/china/20150313/072421712921.shtml
Document 9: Guo Chao, “滴滴快的发布专车规范 交通部门:标准非官方版” (Didi and Kuaidi Published the Standard of Ride-Hailing Service; The Transport

Department: This is not an Official Version", March 18, 2015, *People's Daily*, http://finance.people.com.cn/n/2015/0318/c1004-26709010.html

Document 10: Xiang Xin, "全国"专车第一案"将于 4 月 15 日开庭" (The First Ride-Hailing Case will Court in 15 April), March 30, 2015, *Tecent Tech*, http://tech.qq.com/a/20150330/025899.htm

Document 11: He Guangwei, "广州滴滴专车被钓鱼执法致交通瘫痪" (Didi Drivers was being 'Fishing Law Enforcement), Causing Traffic Congestion), June 10, 2015, *Sina Tech*, http://finance.sina.com.cn/chanjing/cyxw/20150610/211922399991.shtml

Document 12: Zhu Shiqi, "武汉专车司机抗议钓鱼执法 警方：未鸣枪" (Ride-Hailing Drivers in Huhan Protested against Fishing Law Enforcement, The Police: No Shooting), June 16, 2015, *Phoenix News*, http://news.ifeng.com/a/20150616/43983526_0.shtml

Document 13: Zhang Xiaomei, "滴滴快的：继续沟通反馈，'青山遮不住，毕竟东流去' "(Didi Kuaidi: Continue to Communicate: "The mountain can never block the river, the river would always flow towards the East"), October 10, 2015, *Yicai*, http://www.yicai.com/news/4695202.html

Document 14: Wang Hongyan, "中央媒体力挺滴滴：几次力挽狂澜救"专车" (Support from the Central Media Rescued Ride-Hailing Cars Several Times), January 13, 2015, *CCTIMES*, http://www.cctime.com/html/2015-1-13/2015113181486409.htm

Document 15: Ministry of Transport, "网络预约出租汽车经营服务管理暂行办法(征求意见稿)" (The Regulation on the Operation of Ride-Hailing Service(Draft)), October 10, 2015, www.mot.gov.cn/zfxxgk/bnssj/.../P020151010584119164301.doc

Document 16: Ministry of Transport, "交通运输部关于深化出租汽车行业改革指导意见等有关文件公开征求意见的通知" (Notice of the Ministry of Transport on Public Consultation on Deepening the Guidance of the Taxi Industry Reform and Other Related Documents) , October 10, 2015, http://zizhan.mot.gov.cn/zfxxgk/bnssj/dlyss/201510/t20151010_1886298.html

Document 17: The State Council, "Mass entrepreneurship and innovation as new growth engine", March 03, 2016, http://english.gov.cn/premier/news/2016/03/03/content_281475300571752.htm

Document 18: China Daily, "Xi pledges firm focus on economic restructuring", May 26, *China Daily*, 2016,http://www.chinadaily.com.cn/china/2016-05/26/content_25468735.htm

Document 19: Chinese Government Website. "李克强：在第九届夏季达沃斯论坛上的特别致辞" (Li Keqiang: The Special Speech at the 9th World Economic Forum), September 10, 2015, http://www.gov.cn/guowuyuan/2015-09/10/content_2928840.htm

Document 20: Xinhua News. "习近平在世界互联网大会开幕式上发表主旨演讲" (Xi Jinping's Speech at the Opening Ceremony of the World Internet Conference), December 16, 2015, http://www.xinhuanet.com/world/2015-12/16/c_1117481089.htm

Document 21: Yang Jun, Li Hui and Zhou Hongshuang, "政协委员谈网络约车监管：收放需平衡" (National People's Congress Deputies Talked about Supervision over Ride-Hailing Cars: Balance between Control and Release), March 07, 2016, *People's Daily*, http://it.people.com.cn/n1/2016/0307/c1009-28178219.html

Document 22: China Broadcasting, 李克强出席 2016 大众创业万众创新活动周(Li Keqiang Attended the "Mass Entrepreneurship and Innovation" Week), October 14, 2016, *China Broadcasting* http://china.cnr.cn/news/20161014/t20161014_523196168.shtml

Document 23: Sina Tech, "发改委：将有序发展网络预约拼车" (NDRC: Orderly Development of Ride-Hailing Services), March 1, 2016, *Sina Tech*, http://finance.sina.com.cn/chanjing/cyxw/2016-03-01/doc-ifxpvysv5065996.shtml

Document 24: Wan Jing, "公平竞争审查制度架构全面确立 督导网约车地方政策" (A Comprehensive Framework is Established to Monitor Fair Competition, Supervise Local Policies on Ride-Hailing Services), January 12, 2018, *China News*, http://www.chinanews.com/gn/2018/01-02/8414182.shtml

Document 25: Sina Tech, "滴滴牵头组建分享经济工作委员会"(Didi Take Initiatives in Launching the Sharing Economy Committee), December 14, 2014, *Sina Tech*, http://tech.sina.com.cn/i/2015-12-14/doc-ifxmpxnx5123263.shtml

Document 26: Zhao Yue, "工信部部长苗圩：滴滴打车是分享经济的新产物" (The Minister of Industry and Information Technology: Didi is the New Product of Sharing Economy), February 25, 2016, *People's Daily*, http://it.people.com.cn/n1/2016/0225/c1009-28150524.html

Document 27: Huanqiu Tech, "人社部力挺滴滴帮助东北等去产能地区解决就业问题" (MHRSS Applauses Didi for Helping Employment Problem in the North-eastern Region) , November 09, 2016, *Huanqiu Tech*, http://w.huanqiu.com/r/MV8wXzk2NTYyMjVfNDhfMTQ3ODY3OTg0MA==

Document 28: Didi, "论滴滴的三个正确" (The Three Correctness on Didi), January 29, 2016, *Didi Wechat Official Account* http://mp.weixin.qq.com/s/yoUp7wll9NliG3XTElsUaQ

Document 29: People's Daily, "滴滴 '创业伙伴计划' 成 '大众创业'典型代表" (Didi's "Entrepreneur Partner Plan" is the Typical Example of "Mass Entrepreneurship"), April 19, 2016, *People's Daily*, http://it.people.com.cn/n1/2016/0419/c1009-28287686.html

Document 30: Didi, "交通部鼓励网约车发展 滴滴再获肯定" (MOT Encouraged the Development of Ride-hailing Cars, Didi Obtained Recognition Again), March 14, 2016, *Didi Wechat Official Account* http://mp.weixin.qq.com/s/4_3a3ZX9x_DT4F1bzHwdAg

Document 31: Didi, "滴滴政策研究院：2015 智慧出行年度热词盘点"(A Summary of Key Words in the Year of 2015 by Didi Policy Research Institute). January 21, 2016, *Didi Wechat Official Account* http://mp.weixin.qq.com/s/TgLu49BiQ--Mfe1BYapwUQ

Document 32: Didi, 关于网约车征求意见我们的一些看法(Our Opinions on Local Ride-hailing Draft Regulations). October 8, 2016, *Didi Wechat Official Account*, http://mp.weixin.qq.com/s/82gGz8RpK-50i92EoYwi4Q

Document 33: Wang Boxuan. "网约车平台呼吁地方简政放权"(Ride-hailing Platforms Call for Local Governments to Implement 'Simplifying Administration and Delegating Power'), July 28, 2016, *Hexun Tech*, http://tech.hexun.com/2016-07-28/185211001.html

Document 34: Zuo Shengdan “滴滴出行李建华：滴滴助力绿色发展 力推新能源车运营”(Li Jianhua from Didi: Didi Assists Green Development). September 14, 2016, *China News*. http://www.chinanews.com/auto/2016/09-14/8004008.shtml

Document 35: Li Jianhua and Zhang Xiaofeng. “滴滴出行首席发展官李建华：共享经济发展成果可以二次共享” (COO of Didi: The Development Products of Sharing Economy can be Shared Twice). January 12, 2018, *China News* http://news.china.com.cn/2018-01/12/content_50218696.htm

Document 36: China Daily, “Xi stresses prevention, control of major risks”, November 09,2016, *China Daily*, http://www.chinadaily.com.cn/china/2017-09/20/content_32234498.htm

Document 37: Sina News, “长春成都等多个省会城市出租车大规模罢运” (Large Scale Taxi Strikes Occurred in Many Capital Cities), January 13, 2015, *Sina News*, http://news.sina.com.cn/c/p/2015-01-13/193631394903.shtml

Document 38: The State Council,”国务院办公厅关于深化改革推进出租汽车行业健康发展的指导意”(The State Council’s Guiding Opinions on Deepening the Reform and Promoting the Healthy Development of the Taxi Industry), July 28, 2016,http://www.gov.cn/zhengce/content/2016-07/28/content_5095567.htm

Document 39: Zhai Jiru, “程维：滴滴不搞暴力颠覆 温和改革出租车市场” (Cheng Wei: Didi is Not Seeking Radical Disruption but Moderate Reform in the Taxi Market), April 08, 2016, *China Venture*, https://www.chinaventure.com.cn/cmsmodel/news/detail/294499.shtml

Document 40: Xu Rui, “滴滴出行成立 1 亿专项基金 支持出租车网约车融合发展” (Didi Chuxing Launched a Fund to Support the Harmonious Development between Ride-Hailing and Taxi Services), June 28, 2016, Xinhua News, http://www.xinhuanet.com/fortune/2016-06/28/c_1119129242.htm

Document 41: Sina Tech, “滴滴与出租车企业达成合作 后者改为智能派单并可拉专车” (Didi made cooperative deals with taxi companies, the latter would be offered with smart ride designation), August 31, 2016, *Sina Tech*, http://tech.sina.com.cn/i/2016-08-31/doc-ifxvixer7563786.shtml

Document 42: Ma Huayu, “上海海博出租与滴滴达成合作 首批’网约车’入驻平台” (Haibo Taxi and Didi made a cooperative deal in Shanghai, The first group of ride-hailing cars” entered into the platform), April 26, 2016, China News, http://www.chinanews.com/auto/2016/04-26/7848998.shtml

Document 43: Phoenix Tech. “滴滴加速出租车网约车融合 合作出租车企业超 150 家”(Didi Speeds up Its Cooperation with Taxi companies, Now Its Cooperative Taxi Companies have Exceeded 150), November 09, 2016, *Phoenix Tech*, http://tech.ifeng.com/a/20161109/44489740_0.shtml

Document 44: Sohu Tech, “滴滴回应交通部谈话：监管部门听到了企业声”(Didi Replied to the Talk of MOT: The Supervisory Department has listened to the Voice of Companies), March 14, 2016, Sohu Tech, http://www.sohu.com/a/63347378_115250

Document 45: Didi, “网约车合法是国家对发展分享经济的肯定和鼓励”(The Legalization of Ride-hailing Cars Represents the Country’s Encouragement of Sharing Economy), July 28, 2016, Didi Wechat Official Account, http://mp.weixin.qq.com/s/ett1UpSig5sbofdlGfVirw

Document 46: Ministry of Transport, “网络预约出租汽车经营服务管理暂行办法” (The Regulation on the Operation of Ride-Hailing Service), July 28,

2016,http://zizhan.mot.gov.cn/zfxxgk/bnssj/zcfgs/201607/t20160728_2068633.html

Document 47: Beijing Municipal Government Office**, "**关于深化改革推进出租汽车行业健康发展的实施意见"(Opinions on Deepening the Reform and Promoting the Healthy Development of the Taxi Industry), December 12, 2016, http://www.gov.cn/xinwen/2016-12/22/content_5151344.htm

Document 48: Shanghai Municipal Government, "上海市网络预约出租汽车经营服务管理若干规定" (Shanghai Internet Booking Taxi Business Service Management Regulations) , December 12, 2016, http://www.shanghai.gov.cn/nw2/nw2314/nw32419/nw41396/nw41397/u21aw1184787.html

CONCLUSION

SUMMARY OF FINDINGS

This thesis has drawn attention to the emergence of innovations with regulatory ambiguity -- a set of innovations that are well received by markets but ambiguous to existing regulatory frameworks. They are distinct from other innovations in that they fall into multiple regulatory categories that are under the jurisdictions of multiple government departments. Such regulatory ambiguity offers market opportunities to these innovations, because they can prevail in the market by claiming that they do not belong to any existing regulatory categories. However, regulatory ambiguity brings about political problems. As these innovations grow, multiple government departments would like to claim their authority over the innovations. Therefore, these innovations ultimately aim to achieve regulatory acceptance, which is either to establish a new regulation in favor of the innovations or repeal a restrictive existing regulation. So the thesis was devoted to understanding how companies achieve regulatory acceptance for innovations with regulatory ambiguity. The thesis has three core findings.

First, in the study of the political battles of the U.S. ride-hailing companies, I found that innovative companies engage in social movement-like activities by mobilizing their user networks. By comparing the effects of traditional lobbying and user mobilization on policy outcomes, I discovered that to achieve the legal status of an innovation, in the early period, only user mobilization was useful, which opened up the window for regulatory change; but in the later period, only direct lobbying is effective. However, in terms of increasing regulatory acceptance level, only direct

lobbying firms is useful to constantly argue for a more favorable deal, while the mass can be easily satisfied by a signal of legal status.

Second, as the first paper focuses on the hard political strategies, I turned to the problem of how firms influence policymakers' interpretation in their own favor. Drawing on the concept of framing from the social movement literature, I found that market challenger' chance of obtaining policy acceptance can be shaped by which aspects of the issue they choose to promote. The results show that polarized frames, which are to villainize a concrete enemy, always serve as a powerful mobilization tool. Surprisingly, public interest frames, which are in align with the interests of the wide public, are not useful, as it has an overextended target so that nobody feels obliged to devoting to the course; in contrast, exclusive frames that speaks to the specific interests of the group of protagonists are useful when there are enough protagonists.

Third, in contrast to the U.S. context, I studied the Chinese ride-hailing companies to understand how companies achieve regulatory acceptance for innovations when they lack democratic channels to influence policymaking. It reveals that direct confrontation with the state led to hostile regulatory outcomes, while the favourable outcome was facilitated by rightful resistance, which suggests that the powerless people can utilize a fragmented state to press their own ends. I found that rightful resistance is a three-way game nurtured by authoritarian regimes. Specifically, on the one side, innovative companies go around their direct opponents but seek help from powerful third parties; also, they use the rhetoric of the central policies both to the central and local state; moreover, they declare non-revolutionary goals, which make room for the incumbent industry. On the other side, the central state positively responds to innovative companies because they are seeking new engines for economic development; yet, due to their concern of possible instability of the incumbent

industry, they granted certain autonomy to the local state over the new industry. In response, the local state makes concessions to innovative companies prompted by the endorsement from the center; meanwhile, with the autonomy given by the center, they issued local ride-hailing regulations, which increase the barriers to enter the new industry

IMPLICATIONS TO THE LITERATURE

In the following section, I examine the implications of the thesis for three broader issues in the CPA literature (1) integrating market actions and political actions; (2) cognitive corporate political strategies; (3) CPAs and institutional contradiction.

Integrating Market Actions and Political Actions

CPA research tends to see political and market actions as two separate sets of choices – one takes place in the market arena while the other in the political arena. This binary view stems from the different dynamics of political and economic arena. Bornardi, Hillman and Keim (2005) compared economic market and political market. In the economic market, customers as demanders use money in exchange for products or service from firms as suppliers. However, in the political market, demanders are citizens and firms, and suppliers are policymakers; demanders use votes, information and financial support in exchange for favorable public policies from policy suppliers.

Baron (1995: 58) called for an integration of market and nonmarket strategy. He wrote, “Neither the market nor the nonmarket environments can be assumed to be static …… the actions and strategies of firms and other interested parties can all employ nonmarket strategies to influence the market environment”. Here he referred “integration” as using nonmarket strategy to shape the market environment. There is some empirical work following this call. For example, a study on the U.S. electric

utility industry found that firms increased their campaign contributions to affect merger approvals before they announced a merger (Holburn and Bergh, 2014). However, the central concern of this stream of works is how to combine the two sets of actions for optimal outcomes, that is, to choose one type of actions by taking account of the other (Shaffer, Quasney and Grimm, 2000).

In contrast to Baron (1995), several scholars have recently noted how the political environment is influenced by market actions, such as developing products, marketing, hiring employees and financing (Funk and Hirschman, 2017). For instance, Pacewicz (2013) demonstrated how financial accounting innovations drove municipal governments to adopt the practice of tax increment financing. Funk and Hirschman (2014) found that the rise of swaps altered policymakers' interpretation of the existing regulations and ultimately led to the repeal of the Glass-Steagall Act.

Despite these fruitful attempts to integrate market and political actions, they still treat them as separate choices. The study of the U.S. ride-hailing companies contributes to this line of research by highlighting the possibility of strategically converting market actions to political actions on digital platforms. Digital platforms enable both market transactions and political mobilization. In the market, digital platforms can expand very quickly due to the ease of downloading and ultimately one platform would dominate all the others. Consequently, a huge number of users are gathered on the platform to conduct economic transactions. Furthermore, users are connected with the company and other users on the platform, which creates certain devotion and attachment to the product or service. Such enormous economic force can be converted into organized political force on the platform. For instance, Uber sent in-app messages to the network of users to obtain their support for the regulatory change. Airbnb hired an army of "community organizers" to galvanize their local

Airbnb communities both online and offline. Therefore the emergence of digital platform blurs the line between the market and political actions, because of the ease of turning users from demanders in the economic market into demanders in the political market.

Cognitive Corporate Political Activities

Current CPA research is concentrated on the material forms of CPAs (see a review Hillman, Keim and Schuler, 2004), probably because of observable measures and availability of data. For example, research has documented how firms used lobbying to offer information and argue for particular positions (Choi, Jia and Lu, 2015). They have also examined firms' use of financial incentives to policymakers, like campaign contributions (Mizruchi, 1992). There are studies looking at how firms create grassroots movements to get access to the policymaking process (Walker, 2014). In contrast, there is little knowledge on how firms use cognitive tools to influence policymakers.

Meanwhile, the stakeholder management literature has shown that organizational accounts are an important way for firms to influence the perception of key stakeholders (e.g. Elsbach, 1994; Lamertz and Baum, 1998), because organizational accounts are a way of sensegiving, which affect the meaning construction and sensemaking of other people toward a certain definition of the reality (Gioia and Chittipeddi, 1991). In this direction, there are burgeoning attempts to bring the framing perspective into CPA research, by arguing that companies can shape policymakers' interpretation by strategically promoting certain aspects of an issue while hiding others. Bach and Blake (2016: 1) explicitly advocated, "framing is a powerful strategic tool that enables firms to shape the structure of the nonmarket environment in ways that benefit them". Relatedly, Gurses and Ozcan (2015) have

demonstrated that a pay TV attempt used the frames in alignment with the concerns of regulators to obtain regulatory approval for pay TVs.

Along this line of studies, the second paper of the thesis confirms that the regulatory outcomes are not only influenced by material forms of political activities, including lobbying and petitions, but also shaped by how they frame the issue to policymakers. It is especially crucial for the focal innovative products or services that do not fit in any existing regulatory categories. It further extends these early attempts by trying to explain why some framing languages are more effective than others in influencing policymakers. In so doing, it introduces the mechanism of frame alignment and polarization to predict the effectiveness of different types of frames.

Corporate Political Activities and Institutional Contradiction

Much CPA research has recognized that institutional environment has a great impact on the development, implementation and influence of CPAs (see a review Rajwani, Lawton and McGuire, 2013). They have either focused on one facet of institution or treated the different facets of institution independent from each other. For instance, Choi, Jia and Lu (2015) found that the influence of firms' lobbying activities on public policies is weakened when there are greater political (partisan) competition and more subnational government tiers. Peng and Luo (2000) documented that in emerging markets where the governments play a powerful role in the market, firms rely on personal connections with the governments to access critical political resources and to shield themselves from political extortions. However, less understood is on how CPAs are affected by the co-existence of contradictory institutional pressures, which is defined as institutional contradiction (Seo and Creed, 2002). It creates a context where a particular CPA is considered legitimate by one institutional logic but meanwhile illegitimate according to another logic (Mellahi et

all., 2016). To my knowledge, the only attempt in this direction is Dieleman and Boddewyn's (2012) research on how Indonesian business groups developed several interrelated CPAs to manage the contradictory and potentially predatory demands from socio-political stakeholders.

Rightful resistance, as evidenced in the case of Chinese ride-hailing companies, implies that firms not only use interrelated political strategies as a response to institutional contradiction; furthermore, they proactively take advantage of institutional contradiction to achieve their political objectives. First, the case study shows that firms' rightful resistance can affect regulatory change by utilizing the conflicting demands of the authoritarian regime (Marquis and Bird, 2018): On the one hand, the authoritarian government is more willing to solicit public opinion and tolerate change efforts to bolster legitimacy, rather than govern with pure coercion and control (Schatz, 2009); on the other hand, it also resists associated legitimacy threats that may raise doubts about its capacity to rule (Cai, 2004). Correspondingly, firms' rightful resistance raises the demand to change the existing regulations, but meanwhile it shapes their demands with established principles of the regime and abandons the revolutionary goal that may cause instability, so that they offer consent to rulers and make no challenge to the legitimacy of the regime.

Also, it implies that firms' rightful resistance can be built upon the contradictory demands between the central government and local governments. In the Chinese ride-hailing case, the local governments are hostile to the ride-hailing service due to their vested interest in the taxi industry, whereas the central government is more willing to support the new service because they are looking for new engines for economic growth. By resorting to endorsement from the central government, ride-hailing companies were able to circumscribe the local governments' repression

and consequently affect regulatory change.

FUTURE DIRECTIONS

The three broader issues in the literature suggest several future research directions. First, as digital economy increasingly dominates the global economy (Parker, Van Alstyne, and Choudary, 2016), there are more opportunities to study how the new platform changes CPAs, especially the way firms engage in grassroots movements. Digital platforms are special in that it enables both economic transaction and political mobilization. It enables to convert connected users into organized political mass. In a sense, it is similar to the role of the black church, a religious network connecting black people, on the American Civil Rights Movement (McAdam, 1982). Although the religious network is much stronger than the market network, both involve an activation process of a network of mass existing for another purpose to provide organized mass for the political movements.

Future research is thus needed to explore the dynamics of a market platform being used for political mobilization. Some following questions are: What are the conditions for effective political mobilization on digital platforms? What activation activities are available or essential to convert market resources to nonmarket actions on digital platforms? How to govern users differently as market force and political force? Particularly, it is important to consider the time effect. It has been shown in the first paper that user mobilization is only useful in the early period but not in the late period. This is probably because as these innovative firms grow, people's perceptions will change. In the ride-hailing case, for example, people may show sympathy to Uber as a start-up but have more scepticism when it becomes a giant company. Also, Uber drivers themselves are forming labor unions on the platform and this is a new political

force in contest with the company. Therefore, with these new factors, the way that the firm handles the development of the network will have to evolve.

Second, future research is needed to investigate the cognitive process of CPAs. Along the direction of framing analysis, it is necessary to reveal the dynamics of framing contest (Benford and Snow, 2000). Frames are not unchallenged. There are many other actors trying to frame the issue in different ways, such as incumbents, media and civil society. For instance, the second paper has not captured the counter frames from incumbents and how the frames from the two opposing sides interacted with each other. Relatedly, it needs to take into account how frames evolve over time (Lounsbury, Ventresca and Hirsch, 2003). Different frames are needed at different points in a company's evolution. For example, in the second paper, the anti-monopoly frame that villainizes a powerful taxi industry should be less effective, or even produce negative effects, as the ride-hailing companies grow bigger.

In addition to framing analysis, future cognitive CPA research can expand into the side of politicians, such as the values, identities and interpretations of politicians. It can go beyond the current instrumental approach of CPAs – politicians only respond to financial incentives and votes (Hillman and Hitt, 1999), but focus on how their interpretation changes and how their values and beliefs influence the use of different CPAs. There are a few recent studies in this direction. Funk and Hirschman (2014, 2017) shifted the focus from formal regulatory change to interpretive regulatory change, that is, policymakers have new interpretations of existing regulations, such as who should be regulated and what actions can be permitted and prohibited. Another recent example is Wang, Du and Marquis' (2018) research on how Chinese politicians' early exposure to the communist ideology, which they labelled as ideological imprinting, impacted their receptivity to engage in political

activities with private firms.

Third, there is still little empirical research on how CPAs respond to, or even proactively utilize, institutional contradiction. To examine how firms politically deal with institutional contradiction requires a holistic view of CPAs and political stakeholders. For example, what is the relationship between the stakeholders? What are their interests or demands? How does the firm handle them differently? Is the firms' action ceremonial or substantial? Are the contradictory demands a political opportunity or obstacle for the firm?

Fourth, we still have limited understanding on how the diverse contexts are relevant to the way firms instigate institutional change. Marquis and Raynard (2015) raised the concept of institutional strategies to refer to all firm actions, including CPAs, to strategically manage or alter socio-political and cultural institutions for its competitive advantage. Along this line, Marquis and Raynard (2015) and Uzunca, Rigstering and Ozcan (2018) have focused on how the strength of market institutions affects the choice and effects of institutional strategies. The third paper of the thesis has highlighted the authoritarian context, as opposed to democratic countries, and how it enables and constrains the use of institutional strategies. However, the impacts of institutional strategies can be contingent upon many other contextual factors. The next step is to identify and compare the different aspects of contexts, and examine how they influence institutional change. One possible direction is that the way firms affect institutional change is contingent upon the way firms coordinate with each other and other actors. For instance, Hall and Soskice (2001) have identified liberal market economies (LMEs), in which firms mainly rely on hierarchies and market mechanisms to coordinate their relationship with other actors, and coordinated market economies (CMEs), in which firms tend to use non-market forms of interaction with

other actors. It is worth exploring and comparing what institutional strategies are effective in LMEs and CMEs.

In conclusion, this thesis is only the first step in the three emerging research fields. It is expected that more fruitful studies can be done on how the emergence of digital platform changes the way firms engage in political actions, how firms persuade policymakers with cognitive tools and what influence policymakers' interpretation, as well as how firms use political actions to handle institutional contradiction in a particular context and instigate institutional change in diverse contexts in the global economy.

REFERENCES

Bach, D., and Blake, D. J. 2016. Frame or get framed: The critical role of issue framing in nonmarket management. *California Management Review, 58*: 66-87.

Baron, DP. 1995. Integrated strategy: Market and nonmarket components. *California Management Review*. 37:47–65.

Benford, R.D. and Snow, D.A. 2000 Framing processes and social movements: An overview and assessment. *Annual Review of Sociology*, 26: 611-639.

Bonardi J, Hillman A and Keim G. 2005 The attractiveness of political markets: Implications for firm strategy. *Academy Management Review*. 30:397–413

Cai, Y. 2004. Managed participation in China. *Political Science Quarterly*, 119: 425 – 451.

Choi, S.J., Jia, N.and Lu, J.Y. 2015. The Structure of Political Institutions and Effectiveness of Corporate Political Lobbying. *Organization Science* 26:158-179.

Dieleman, M., and Boddewyn, J. J. 2012. Using organization structure to buffer political ties in emerging markets: A case study. *Organization Studies*, 33: 71-95.

Elsbach, K.D. 1994. Managing organizational legitimacy in the California cattle industry: The construction an defectiveness of verbal accounts. *Administrative Science Quarterly*, 39: 57-88.

Funk, R.J. and Hirschman, D., 2014. Derivatives and deregulation: Financial innovation and the demise of Glass–Steagall. *Administrative science quarterly*, *59*: 669-704.

Funk, R.J. and Hirschman, D., 2017. Beyond nonmarket strategy: Market actions as corporate political activity. *Academy of Management Review*, *42*: 32-52.

Gioia, D.A., and Chittipeddi, K. 1991. Sensemaking and sensegiving in strategic change initiation.*Strategic Management Journal*, 12: 433 – 448.

Gurses, K. and Ozcan, P., 2015. Entrepreneurship in regulated markets: framing contests and collective action to introduce pay TV in the US. *Academy of Management Journal*, *58*: 1709-1739.

Hall, P.A. and Soskice, D.W. 2001. *Varieties of capitalism: The institutional foundations of comparative advantage*. Oxford: Oxford University Press.

Hillman, A. J., Keim, G. D., and Schuler, D. 2004. Corporate political activity: A review and research agenda. *Journal of Management*, *30*: 837-857.

Holburn, G. L. F., and Vanden Bergh, R. G. 2014. Integrated market and nonmarket strategies: Political campaign contributions around merger and acquisition events in the energy sector. Strategic Management Journal, 35:450-460.

Lamertz, K., and Baum, J. 1998. The legitimacy of organizational downsizing in Canada: An analysis of explanatory media accounts. *Canadian Journal of Administrative Sciences*, 15: 93 -107.

Lounsbury, M., Ventresca, M. and Hirsch, P.M., 2003. Social movements, field frames and industry emergence: a cultural–political perspective on US recycling. *Socio-economic review*, *1*:71-104

Marquis, C. and Bird, Y. 2018. The paradox of responsive authoritarianism: Civil society, local governments and environmental penalties in China. *Organization Science*. In advance: 1-21.

Marquis, C., and Raynard, M. 2015. Institutional strategies in emerging markets. *Academy of Management Annals*, 9: 291-335.

McAdam, D., 1982. Political Process and the Politics of Black Insurgency, 1930-1970. *Chicago, Il*.

Mellahi, K., Frynas, J.G., Sun, P. and Siegel, D. 2016. A review of the nonmarket strategy literature: Toward a multi-theoretical integration. *Journal of Management*, 42:143-173

Mizruchi, M.S., 1992. *The structure of corporate political action: Interfirm relations and their consequences*. Harvard University Press.

O'Brien, K.J. and L. Li. 2006. *Rightful Resistance in Rural China*. New York: Cambridge University.

Pacewicz, J., 2012. Tax increment financing, economic development professionals and the financialization of urban politics. *Socio-Economic Review*, *11*: 413-440.

Parker, G.G., Van Alstyne, M.W. and Choudary, S.P., 2016. *Platform Revolution: How Networked Markets Are Transforming the Economyand How to Make Them Work for You*. WW Norton and Company.

Peng, M. W., and Luo, Y. D. 2000. Managerial ties and firm performance in a transition economy: The nature of a micro-macro link. *Academy of Management Journal*, 43: 486–501.

Rajwani, T., Lawton, T. and McGuire, S. 2013. Corporate political activity: A literature review and research agenda. International Journal of Management Reviews, 15: 86-105.

Schatz, E. 2009. The soft authoritarian toll kit: Agenda-setting power in Kazakhstan and Kyrgyzstan. *Comparative Politics* 41: 203 -222.

Seo, M.-G., and Creed, W. E. D. 2002. Institutional contradictions, praxis, and institutional change: A dialectical perspective. *Academy of Management Review*, 27: 222–247.

Shaffer, B., Quasney, T., and Grimm, C. 2000. Firm level performance implications of nonmarket actions. Business and Society, 39: 126–143.

Uzunca, B., Rigstering, J.P. and Ozcan, P. 2018. Sharing and Shaping: A cross-country comparison of how sharing economy firms shape their institutional

environment to gain legitimacy. *Academy of Management Discoveries,* Special Issue on the Sharing Economy. In press.
Walker, E.T. 2014. *Grassroots for hire: Public affairs consultants in American democracy*: Cambridge University Press.
Wang, D, Du, F. and Marquis, C. 2018. Defeding Mao's dreams: How politicians' ideological imprinting affects firms' political appointment in China. *Academy of Management Journal*. In press.