STATE-OWNED ENTERPRISES AS ACTORS: AN INSTITUTIONAL WORK FRAMEWORK

ABSTRACT

Although state-owned enterprises (SOEs) are recognized as important economic actors, the literature to date has assumed close State control over SOEs and therefore their passive stance towards institutions. Drawing on the institutional work literature, we challenge this view. We develop a multilevel framework of SOEs' embedded agency, spanning the national macro-institutional level, the meso-level of regimes of state-SOE relations, and sector-specific institutions. We then derive propositions regarding the factors across these multiple levels that shape SOEs' motivation, resources, and scope for institutional work. This framework allows us to explain the likelihood of SOE engagement in Institutional Work across institutional contexts. [100 words]

Keywords: *state-owned enterprises, agency, institutions, institutional work, comparative capitalism*

Acknowledgements: *We are grateful to the organizers and participants of the SMS Workshop on State Capitalism for their helpful comments.*

Managerial relevance: Our paper has a number of practical implications. Specifically, we outline ways in which managers of state-owned enterprises can leverage different types of resources to pursue strategic objectives independently of, and in response to, demands and actions of the state.

Work in progress – do not cite without authors' permission.

1. INTRODUCTION

Recent years have seen a renewed scholarly interest in state-owned enterprises (SOEs). While recurring rounds of privatisation since the 1980s seemed to sound the death knell of SOEs at least in Western economies, the 21st century has witnessed their importance increase once again. This is notably due to the success of emerging market economies like China where SOEs are the norm rather than the exception. In parallel, scholars focusing on Western economies observe a return of SOEs partly due to partial re-nationalisations during the Global Financial Crisis of 2007 (Bremmer, 2008), partly due to the fact that the privatisations of the previous decades were often only partial, leaving the state with substantive stakes in many companies (Musacchio, Lazzarini, & Aguilera, 2015). The cross-country variation of SOE control and organization has thus become the object of a growing literature (see Musacchio and Lazzarini, 2012; Musacchio et al., 2015; Cuervo-Cazurra et al., 2014; Bruton et al., 2015).

SOEs are considered a key tool of state control over the economy and therefore a pillar of the "return of state capitalism" (Bremmer, 2008; Kurlantzick, 2016). Consequently, much has been written about their strategies, performance and internationalisation patterns (Child and Rodrigues, 2005; Rodrigues and Dieleman, 2018; Clegg, Voss and Tardios, 2018; Megginson and Netter, 2001). Musacchio et al. (2015) review various theories explaining SOE under-performance compared to private firms, including the idea of "soft-budgetary constraints" (Kornai 1980), agency theory (e.g. La Porta and Lopez-de-Silanes, 1999), the so-called "social view" (Bai and Xu, 2005) and the "political view" (cf. Dinç, 2005; Musacchio et al., 2015).[1] What all theoretical perspectives have in common, besides the prediction of SOE under-performance compared to private firms, is that they postulate an instrumental use of SOEs by the

[1] For instance, politicians may push SOE banks to lend to politically-favoured companies or use company resources in other ways in order to satisfy a certain part of a political clientele.

state. This in turn suggests that the state and politicians have nearly complete control over SOE strategies and behaviour (cf. Grosman et al., 2016; Duanmu, 2014). While this assumption may be warranted concerning SOEs that are wholly state-owned, it is less convincing in the case of partially state-owned companies. Yet, there are now increasing numbers of SOEs that are not fully state-owned, including SOEs with a majority (but not full) stake held by the government, SOEs with only a minority state-investment, and companies where the state influences private companies through means other than ownership e.g. through heavily subsidised loans to achieve certain political goals (Fuller, 2016; Musacchio et al., 2015). Furthermore, states differ in terms of the vehicles they use to manage their shareholdings in SOEs. In some countries, state ownership is directly exercised through ministries. In others, the state sets up an investment fund, or uses a public pension fund to do so.

One important implication of these more nuanced views is that state control over SOEs may not be complete. Indeed, the state is often not the only stakeholder in SOEs (Rodrigues and Dieleman, 2018). When SOEs are only partly state owned and listed on a stock exchange, minority shareholders may have considerable rights that gives them some influence over SOE decisions (Musacchio et al., 2015). More generally, the instruments that the state uses to control SOEs may be far from guaranteeing complete control. This may be the case even in fully-owned SOEs – where agency problems may occur – but certainly in situations where the state uses more indirect means of control. Thus, Situ and colleagues (2018) show that the Chinese government increasingly uses regulatory tools and market incentives alongside share ownership to influence SOEs' (and private firms') behaviour in the area of environmental reporting. They find that the state has some influence over behaviour by encouraging some firms to publish environmental reports, but this influence is far from complete. In other words, SOE

managers have leeway to make their own decisions even in settings that have been characterized as "authoritarian capitalism" (Hofman, Moon, & Wu, 2017; Witt and Redding, 2014).

This insight raises the important, yet largely overlooked question of SOE agency, namely *what factors determine SOEs leeway to pursue institutional strategies that diverge from the governments' goals?* In this paper we argue that SOEs are not just "agents of the state" but have their own agency and follow their own logics. Therefore, they are important actors in their own right rather than just an extension of the state. Due to their inherent political nature, we argue that their role may be particularly important regarding their influence over the country's institutional environment. The vast majority of international business and strategy studies of SOEs take institutions as the independent variable (Li et al., 2014; Peng et al., 2016). Yet, this perspective assumes that state and SOE interests are always aligned, whilst Peng et al. (2016) caution that some SOEs may pursue their own goals, which "deviate from the goals of state owners" (p.306). The opposite relationship, namely how SOEs themselves influence the state and its institutions and policies has largely been overlooked in the literature.

We seek to fill this gap by developing a theoretical framework that allows us to conceive of SOEs not just as agents of the state, but institutional actors positioned in a multi-layered institutional environment that serves as a source of strategic resources and constraints for agency. To develop our framework, we first draw on the institutional work (IW) (Lawrence, Suddaby and Leca, 2011) literature, which we discuss in the section that follows. We then consider how institutional factors shape motivation, scope and resources for SOE agency, formulating testable propositions. Our framework

explains under what institutional conditions make SOEs more likely to engage in IW.[2] We conclude with a discussion of theoretical implications and opportunities for future research.

2. THEORETICAL BACKGROUND: A MULTI-LEVEL INSTITUTIONAL WORK PERSPECTIVE ON SOE AGENCY

The extant literature does not provide us with adequate theoretical tools to understand the increasing variety of SOEs and their relationships with the state and consequently the wider institutional order. To fill this gap we deploy the concept of institutional work (IW) (Lawrence and Suddaby, 2006; Lawrence et al., 2009; McGaughey, Kumaraswamy and Liesch, 2016). IW encompasses the purposeful actions of individuals and organizations aimed at maintaining, creating, and/or disrupting institutions, the "(more or less) enduring elements of social life that affect the behavior and beliefs of individuals and collective actors by providing templates for action, cognition, and emotion, nonconformity with which is associated with some kind of costs*"* (Lawrence et al., 2011, p. 53). Within the IW literature, considerable attention has been paid to the interactions with authorities and particularly the state apparatus. For instance, Micelotta and Washington (2013) examined how Italian legal professionals curbed government attempts to introduce a reform that would have disrupted the profession. Yan and colleagues (2018) theorized IW in the context of internationalizing Chinese firms and how their interactions with the state co-produce the policy environment for outward foreign direct investment (OFDI).

[2] As such, we do not seek to explain the success or effectiveness of SOE IW in specific cases, but rather what makes them likely to engage in IW. Some of the factors in our framework that increase the likelihood of SOE engagement in IW will also increase – *ceteris paribus* – the chance of success of SOE IW – most importantly resources. Yet, in order to explain success or effectiveness of SOE IW, additional institutional factors would need to be taken into account, such as the shape of the political system (e.g. number of veto points), party strength etc. This is beyond the scope of this paper.

Crucial to the concept of IW is the notion of intentionality (Battilana and D'Aunno, 2009). Although intentionality is seemingly at odds with the tenets of institutional theory such as stability and embeddedness, IW sees agency as "an ongoing activity whereby actors reflect on and strategically operate within the institutional context where they are embedded" (Lawrence et al., 2011: 55). Hence, intentionality can take the form of habitual enactment of taken-for-granted schemas, or a more conscious and strategic future-oriented reshaping of extant institutions, but equally a pragmatic response to the environmental forces (Emirbayer and Mische, 1998; Battilana and D'Aunno, 2009). In other words, institutions are not always the intended object of agency, but there is an objective that actors seek to accomplish and doing so may result in consequences for institutions (Smets and Jarzabkowski, 2013).

SOEs are considered to be highly institutionalized; as such, they may benefit from heightened political legitimacy (Li and Zhang, 2007; Marquis and Qian, 2013). Therefore, their actions are likely to have political consequences and may be expected to be supportive of government policies and ideology (Hofman, Moon and Wu, 2017). Yet, in periods of "institutional transition" and "liberalization" (Peng, 2003), the SOEs' clout and legitimacy may be challenged, which may lead them to oppose policies of pro-reform governments. As such, SOEs would tend to be a conservative force and pursue conservative strategies of institutional order maintenance (Micelotta and Washington, 2013). In either case, SOEs may be driven to use their close ties to the state apparatus as political leverage to reach their objectives related to their institutional environment.[3]

On the other hand, SOEs can deploy agency to counterbalance the weight of political ties. This has been particularly evident in the research on SOE

[3] This differentiates the IW perspective from corporate political activity, implicit to which is a narrower focus on improving the individual corporate position.

internationalization which traditionally started with the assumption of SOEs as "captives of the state" (Rudy, Miller and Wang, 2016: 76). This logic dictates that SOEs internationalize to benefit their home country and are largely guided by political, rather than managerial objectives. However, an emergent "power escape" perspective (Cuervo-Cazurra et al., 2014; Rodrigues and Dieleman, 2018) challenges these assumptions and shows that internationalization can be a means to escape the confines of state ownership by reducing resource dependence on the government. Choudhury and Khanna (2014), for example, showed that Indian state-owned laboratories increased their "global footprint" by licensing patents to major multinational firms, thus generating a cash flow independent of the state. Alternatively, internationalization can serve as a precursor to recognizing the need for power escape in the first place. Rodrigues and Dieleman (2018: 40) cite the example of Malaysia's Petronas whose "top management was quoted as saying they regretted being the government's number one 'piggy bank' as they would rather invest in continued globalization."

To understand SOEs' engagement in IW and requires considering both macro-institutional and organizational institutional context. SOEs vary in various respects, including the governance arrangements they are embedded in and the extent of direct state control over their decisions (Musacchio et al., 2015; Aguilera and Jackson, 2010; Finchelstein, 2017; Li et al., 2014; Teng et al., 2018), and thus the degree to which they are exposed to business and state institutional logics (Rodrigues and Dieleman, 2018; Thornton, Ocasio and Lounsbury, 2012). Some SOEs may hence have more motivation and scope to pursue strategies that go against the government's own policy goals. This variation, we suggest, manifests itself both within and across countries. Our focus, here, is primarily comparative: we explain cross-national variation in SOEs' institutional agency. However, we do need to take into account institutional determinants of within

country variation in SOEs' IW, namely the state-SOE governance system and sectoral institutional arrangements. Thus, our effort is necessarily a multi-level enterprise – involving the investigation of the interaction between firms' characteristics, strategic behavior, and institutional environment at various levels.

The notion, implied by the expression "institutional environment", of institutions as external to the firm may be debatable in the case of SOEs (even more than in the case of private firms; see Battilana and D'aunno, 2009), given that institutions are often constitutive of SOEs themselves. Accordingly, the literature has increasingly treated SOEs as hybrid organizations (Bruton et al., 2015; Peng et al., 2016), characterized by their multiple bottom lines, i.e. the fact that they contemporaneously pursue financial or business goals and social, political, or environmental goals (Musacchio et al., 2015). The hybridity of SOEs implies the porousness of the boundaries of the State. The latter is also, more broadly implied by the variety of governance arrangements characterizing state-firm relations, explored *inter alia* by Musacchio et al. (2015), suggesting, rather than a sharp dichotomy between the state and private firms, a more nuanced continuum.

For these reasons, more than privately-owned firms, SOEs face the "paradox of embedded agency" (Seo and Creed, 2002): SOEs are simultaneously constrained by their institutional environment while actively involved in trying to affect that environment. There are different ways to address this paradox. The IW literature deals with it upfront (Lawrence et al., 2011) by acknowledging the various dimensions along which IW may take place and the various levels where institutions may influence agency. Battilana and D'Aunno (2009), for example, distinguish between field-level, organization-level and individual-level conditions for IW. Our framework builds on these foundations, but supplements it with a more macro-level focus (Hwang &

Colyvas, 2011), by unpacking the multi-layered institutional environment in which SOEs operate and differentiating the degrees of agency associated with each layer or component. We identify three layers of SOEs' institutional environment: (i) the national institutional level faced by SOEs; (ii) the regime of state-SOEs relations; (iii) sector or market-level institutions. The degree and nature of IW may vary across these different layers. For instance, sector-specific rules and regulations are typically the target of corporate political strategies (see Lawton, Rajwani and Doh, 2013), such as lobbying to maintain existing entry barriers that favor the firm (Oliver and Holzinger, 2008), influencing public agencies to obtain favorable regulation, or adhering to government signals to obtain political legitimacy and avoid radical regulatory change (Marquis and Qian, 2013). By contrast, higher-level institutions are less amenable to such direct nonmarket strategies. Here, individual SOEs may be encouraged to seek to build broader coalitions. The level of the state-SOE governance system, on the other hand, may exercise mainly a moderating effect on the extent to which SOEs are able to exercise IW.

Each one of these three levels of SOEs' institutional embedding can become the target of SOE IW, but at the same time also correspond to particular sets of resources and constraints that determine SOE IW. The next section analyzes in detail the determinants of SOE IW at these three different levels.

3. Understanding the determinants of SOEs' IW: Towards a framework

3.1. Motivation, resources and scope of IW

Our conceptual framework is premised on the notion that in order for an SOE to be able to engage it IW, it requires three necessary elements, namely: means, motive, and opportunity. Each one of these are shaped by determinants situated at one of the three

levels of SOEs' institutional environment described above. More specifically, the three elements can be defined as 1) SOEs' capacity to perform IW by mobilizing to required **resources** (means);[4] 2) SOEs' reasons and willingness to take action to change or maintain their institutional environment (**motivation** for IW); 3) the nature and extent of constraints on SOEs' IW stemming from its embedding in a state-SOE governance system, which may increase or reduce the opportunities for SOEs to perform IW (**scope** for IW). We will briefly discuss these three feature before moving on to identify their main determinants, and formulate theoretical propositions.

Firstly, SOEs' ability to perform IW will be determined by the nature and the amount of **resources** they will be able to draw on (Battilana, Leca and Boxenbaum, 2009). We identify three crucial resources for SOEs' IW: size, strategic value, and political resources (see Schnyder and Sallai, 2017 for different types of political resources and capabilities). Size matters for SOEs' ability to perform IW for at least two reasons: first because, simply put, bigger SOEs have a greater political clout; they are affecting a larger number of people and, consequently, a larger number of politicians' constituents (see Salamon and Siegfried, 1977). Secondly, size matters because of the financial resources associated with it, and thus the financial capacity to perform costly non-market activities such as lobbying.[5]

Strategic value captures how much importance the state places on these sectors for regime/national survival and economic development/wealth generation (cf. Hsueh, 2016). Commonly, states at a minimum regard defense and energy sectors as having

[4] The management literature generally distinguishes – although not always consistently – 'resources' from 'capabilities,' with the latter referring to the firm's routines and skills that allow it to effectively use, leverage, or mobilise resources (cf. Sallai & Schnyder, 2018). Some authors explicitly talk about 'institutional capabilities' to designate organization-level routines that allow firms to mobilise resourced in order to adapt to new environments (Carney et al., 2017). Here, we use the term 'resources,' which refer to more tangible and often less firm-specific assets than the inherently firm-specific, non-tangible notion of 'capabilities.' We do consider, however, that our arguments may apply to capabilities too.

[5] A sizeable literature exists that investigates the role of firm-level variables, especially size, in determining the extent of lobbying activities. There seems to be empirical support positively linking size to lobbying capacity. See Drope and Hansen (2006), for a review and recent study on the U.S. case.

strategic value. Strategic value is complementary to, and sometimes a substitute for, size: SOEs that operate in strategic industries such as defense, energy, or telecommunications, regardless of their size, will have more political clout as well. Finally, SOEs may draw on various types of political resources (Boddewyn, 1994; Bonardi, 2011), including their ties with policy-makers at various levels (regulatory agency, law-making body, state shareholding managing body).[6] It is important to acknowledge the fact that these three resources are not completely separate from each other. For instance, large firms with strategic value often have significant political resources as well. By distinguishing them, we attempt to isolate potentially separate causal chains between SOEs' institutional environment and each one of these resources. Secondly, SOEs' **motivation** to perform IW mostly derive from the likely effects of institutional change on SOEs' position, interests, or values - in other words, motivation depends on whether SOEs consider to gain or lose from institutional change or whether SOE top managers promote/oppose institutional change for reasons not directly related to SOEs' narrowly defined material interests. We focus on institutional change because we assume here that IW is essentially geared to either spur institutional change, when SOEs (believe to) gain from changing the rules of the game - for instance, by supporting a government's proposed reform; or to favor institutional maintenance, when, on the contrary, SOEs stand to lose from changes in the rules of the game or consider them inappropriate.

The third key element to explain when SOEs are able to engage in IW is whether the governance embedding of the SOE provides the opportunity to perform such work. This is what we call **scope** for IW, which relates both to the extent to which the state-SOE

[6] Bonardi (2011) mentions other types of political resources beyond political ties, such as the ability of firms to threaten lay-offs - political resources based on economic assets. However, in the context of our framework, such broadly defined political resources might fall under the "size" or "strategic value" category.

governance system provides channels for IW and to the nature of these channels. While motivation and resources are firm-level features (though determined by factors at all three institutional levels, see below), scope reflects state-SOE governance system more broadly. Regardless of the amount of political clout SOEs can muster drawing on the resources mentioned above, SOEs can be constrained in the capacity to perform IW by the range of actions made available by the configuration (i.e. the nature and extent) of the state-SOE governance system. For instance, as we will elaborate below, SOEs with minority government shareholding and prevalence of contractual relations with the state will – *ceteris paribus* – have a narrow scope for IW.

Figure 1 summarizes our basic causal model to explain the possibility of the occurrence of SOE IW.

[INSERT FIGURE 1 ABOUT HERE]

Next, we identify the key factors that determine the motivation, resources, and scope of IW by SOEs.

3.2. The determinants of SOEs' IW

We identify eight factors, situated at the three different levels, affecting SOEs IW: at the macro level, financial repression and industrial policy are key elements of a national institutional environment that influence SOE IW. At the level of the State-SOE governance system, the key determinants are the nature and structure of state-SOEs relations in terms of the number (fragmentation) of formal lines of authority, the degree of state ownership, the embedding of SOE top managers in the political system or the nomenklatura, and the autonomy of the state shareholding authority from the government. At the industry level, the extent to which a sector is characterized by

vertical integration and the place of technical change are key determinants. We discuss these determinants in turn and formulate propositions.

3.2.1 Macro-level Institutions

3.2.1.1 Financial repression

Financial repression consists of policies that "keep nominal interest rates lower than would otherwise prevail" (Reinhart, 2012).[7] Thus financial repression typically features controls over interest rates on both bank deposits and loans with spreads substantial enough to keep the banks viable while the interest rates are set below market value (Park and Patrick, 2013; Pettis, 2013). Governments have historically used financial repression to encourage investment in those sectors they prioritize. Several emerging and industrializing economies have undertaken financial repression to foster economic and industrial development: from Nazi Germany (Tooze, 2006) to the Northeast Asian industrializers of Japan, Korea and Taiwan during their 20th century boom (Patrick and Park, 1994) to China today (Park and Patrick, 2013; Pettis, 2013).

Where it exists, financial repression can be a key feature of SOEs' macro institutional environment, determining both the motivation for SOEs' IW and the nature and amount of resources SOEs may draw upon to engage in IW. For instance, China has not only had some of the strongest financial repression (measured in terms of the transfer of wealth from household savers to industrial investors as a percentage of GDP) in history (Pettis, 2013), but in contrast to countries, such as Korea and Japan, China due to its Leninist party-state has prioritized SOEs as the targets of cheap loans for industrial investment. Top managers at SOEs have been able to utilize financial

[7] We thus adopt a definition in line with the classic formulations of financial repression (McKinnon 1973; Shaw 1973). This is a narrower definition than the one used by some scholars, who include all sorts of regulation and interference in financial intermediation (Roubini and Sala-i-Martin 1995).

repression to entrench themselves in the Chinese economy. Financial repression has provided China's SOE top managers with the financial wherewithal to empire build. The key is to become large enough to achieve too-big-to-fail status in the eyes of the state leadership and the cheap capital provided by financial repression helps SOEs do just that (Fuller, 2016; Huang, 2003, 2008; McMahon, 2018; Pettis, 2013).

Moreover, financial repression combined with the use of state-owned commercial banks whose lending is guided towards state-privileged SOEs, often at very advantageous conditions such as the absence of a requirement for collaterals (O'Connor, 2000), provides SOEs with a further lever over government, namely Non-Performing Loans (NPLs). Indeed, in countries like China and Viet Nam, the loans taken-out by SOEs can acquire a systemic proportion which locks the government into a mutual-hostage situation that makes it difficult to reform SOEs, securing thus the latter's privileged position in the financial system (cf. O'Connor, 2000).

In this context, Chinese SOEs strategically strive to enhance mutual dependence between themselves and the state (Peng et al., 2016: 309-310).[8] This behavior can be interpreted as a case of IW by SOEs, which has resulted in institutional maintenance (in this case, the maintenance of the system of SOE-oriented financial repression) promoted by the SOEs themselves. Since the announcement of major reforms to end the system of financial repression and concomitant lending bias towards SOEs at the Third Plenum of the 18th CPC Central Committee in November 2013, top leaders, such as Premier Li Keqiang, have often alluded to interest groups including SOEs as blocking these economic reforms (Fuller, 2016; Minzer, 2018; McMahon, 2018).

[8] Peng et al. (2016: 309-310) actually comes to close to recognizing the dilemma whereby SOEs strategically strive to enhance mutual dependence between themselves and the state and how that could block change. However, Peng and his co-authors concentrate on firm-level predictions and thus shy away from considering how the SOEs in pursuing this mutual dependence could substantially "freeze" the transition and maintain institutional arrangements that the authors themselves recognize will lead to sub-optimal outcomes for firm-level performance (assuming market competition) and efficiency.

Indeed, one of the major optimists who earlier interpreted Chinese financial data as heralding the burgeoning of its private economy in place of the SOEs, Nicholas Lardy (2014), has recently admitted that the financial system continues to be heavily biased towards supporting SOEs and points out that loans to private firms have collapsed since 2012 whereas the share of loans going to SOEs has tripled.[9]

In juxtaposition to the maximalist Chinese case of high financial repression with the cheap credit of that repression being directed to SOEs, the Taiwanese minimalist case of financial repression allows us to understand under what conditions financial repression increases resources and motivations for SOEs to engage in IW. Taiwan pursued financial repression from the 1950s into the 1980s (Patrick and Park, 1994). However, its financial repression was much lighter (less credit shifted from households to firms and at less generous interest rates) than what occurred in Korea, Japan and China (Park and Patrick, 2011; Pettis, 2013) and less directed to SOEs in preference other firms (Fields, 1995; Patrick and Park, 1994).

Yet, the prominence of state ownership in Taiwan's economy was quite pronounced. State-owned firms comprised almost half (49%) of manufacturing value-added in 1951. Even as private enterprise boomed and the public share of manufacturing value-added slipped below twenty percent by 1976, the state in the 1970s was still investing in large SOEs in shipbuilding, steel, petrochemicals, autos and semiconductors (Hsueh et al., 2001; Chu, 2017).

Despite their former prominence, by the late 1980s, the state had managed to remove SOEs from a leading role in most of these sectors. Even the most ambitious and successful of the SOEs to emerge from the heavy industrialization push of the 1970s,

[9] See Lardy (2018), available at https://www.caixinglobal.com/2018-07-30/opinion-chinas-economic-growth-falls-short-of-potential-101309877.html
.

China Steel, was unable to prevent the liberalization of the steel trade and failed in its bid to consolidate Taiwan's private minimills under its ownership. Instead, the firm faced new private competitors (Noble, 1998). Similarly, in the mid-1980s, private mid-stream petrochemical producers were allowed to invest in their own upstream, naphtha cracker plant in competition with state monopoly producer, China Petroleum Corporation (Hsueh et al. 2001).

The main reason the Taiwanese SOEs were not able to engage in effective IW to block privatization even though many of them tried to do so (Hsueh et al. 2001; Noble 1998) was the nature of the financial repression in Taiwan. With less generous terms of credit and less credit directed towards SOEs per se, Taiwanese SOEs never had quite the opportunity to amass the resources to become too big to fail.Furthermore, the financial system did not give them such lavish treatment in terms of the interest rates that they could rely on being embedded within the current system alone to survive i.e. these firms were always more market-facing with fewer resources than China's big SOEs. Thus, their motivations to engage in IW to maintain the current system of financial repression were weaker.

Thus we formulate the following propositions:

Proposition 1a: The greater the financial repression in a country, the greater the motivation of this country's SOEs for undertaking IW.

Proposition 1b: The greater the financial repression in a country, the more SOEs are encouraged to grow in size, thus accumulating valuable resources for IW.

3.2.1.2 Industrial policy

Industrial policy refers to a heterogeneous and evolving set of policy goals and instruments targeting the structure of an economy to enhance its productivity (see e.g. Rodrik, 2004, 2007). Following Warwick (2013), one could define industrial policy as

"any type of intervention or government policy that attempts to improve the business environment or to alter the structure of economic activity towards sectors technologies or tasks that are expected to offer better prospects for economic growth or societal welfare than would occur in the absence of such intervention." (Warwick, 2013, p. 16). Historically, state ownership has long been an instrument of industrial policy - especially in the immediate post-World War II period, when state ownership, associated with economic planning often constituted the core of industrial policy strategies in advanced economies (Nude, 2010). Subsequent decades starting in the 1970s and 1980s saw a reduction in the role of SOEs (Toninelli and Toninelli, 2000). However, the state capitalism literature draws attention to the renewed emphasis put on state-owned enterprises throughout the world. The rise of economic regulation, originally thought of as an alternative to industrial policy, has not put an end to the state's role in the economy nor to state ownership (Vogel, 1996; Thatcher, 2014). Quite the opposite: partial privatization and sale of shares has enabled SOEs to internationalize, expand into new markets and establish alliances with private firms, becoming truly "national champions" (Thatcher, 2014).

Industrial policy to the extent that it utilizes SOEs as the targeted firms enhances the resource endowments and motivations for institutional work. For example, Datang Telecommunications in China has taken advantage of SOE-centric policies in the telecommunications and semiconductor industries to accumulate resources and motivation for IW. Embracing China's 3G TD-SCDMA technology strategy allowed Datang to survive in a period where its market share had fallen precipitously low. These SOE-friendly industrial policies also incentivized Datang to push for further industrial policies. The firm then used these resources to play an active role in investing in the

semiconductor industry and concomitantly to push the state to create even more ambitious, SOE-friendly industrial policies (Fuller, 2016).

This leads us to formulate the following propositions:

Proposition 2a: The more active an industrial policy incorporating SOEs, the more SOEs' have a stake in the industrial policy, heightening SOEs' motivation to engage in institutional work.

Proposition 2b: The more active an industrial policy incorporating SOEs, the higher the strategic value of SOEs and, therefore, the more resources may a SOE draw on for IW.

Proposition 2c: The more active an industrial policy incorporating SOEs, the more numerous and the wider the channels of state-SOE relations - and, consequently, the greater the scope for IW.

Proposition 2d: The more active an industrial policy incorporating SOEs, the more state resources an SOE can access, leading to increase in size and therefore more resources to draw on for IW.

3.2.2 State-SOE governance system

3.2.2.1 Fragmentation of Lines of Command and Shareholding Authority

State-SOEs relations do not take place in a vacuum. Individual SOEs interact with state agencies and officials within a certain state-SOE governance system. In particular, regimes of state-SOE relations are characterized by particular structures of the lines of command or authority. These might be more or less centralized within the state apparatus; more or less fragmented across state agencies (see e.g. Marquis, Zhang and Zhou, 2011 on China). International financial institutions' usually distinguish three types of SOE governance structures. Firstly, the traditionally wide-spread decentralized model where various 'line ministries' direct control and manage their ownership rights

over their own portfolio of SOEs. Secondly, a so-called "dual model" where line ministries exercise their ownership rights over SOEs, with the Ministry of Finance exercising some overarching oversight over financial performance (OECD, 2005b, 2015a; WorldBank, 2006, 2014). Thirdly, a centralized model where the management and control over state-owned assets is unified in a single entity – such as a state-assets management fund – that manages these assets based on financial and commercial rather than political criteria. Recent reform guidelines by OECD and WB are encouraging a move away from the decentralized model towards the fully centralized one, with the "dual model" constituting an acceptable "second best" solution. The international organizations preference for the centralized model stems from the belief that such a structure will isolate SOEs from undue direct political interference from politicians. This has implications for the question of SOE IW as well: we would expect that SOEs that are embedded in a structure that isolates them from direct control by ministries have more leeway to pursue strategies that diverge from the government's interests. This is in spite of the fact that such a structure may at the same time imply a heightened financial and commercial accountability towards the asset managing entity. Politically, however, SOEs will be more autonomous and harder for politicians to control directly in such a structure (World Bank, 2014: 79).

In France, for instance, all state shareholdings are managed by a specialized entity, the *Agence des Participations de l'État* (APE), created in 2004[10], which is autonomous from the Treasury. Of course, although an autonomous entity, APE has very close ties to the Treasury, both in terms of its governance and of its staffing: as pointed out by the *Cour des Comptes* (France's supreme public accounting body) in a 2017 report, the 4 most senior positions at APE are held by members of the Treasury corps.The objectives

[10] By Decree n°2004-963 of September 9, 2004.

of APE are very different from the very traditional hierarchical relationships characterizing Treasury-SOE relationships in the postwar era. The goal is to use equity ties to sustain "national champions" or companies representing the "national interest" – which is, as per APE's official mission statement to "embody the shareholder State" by investing into companies "deemed strategic by the state", "to stabilize their equity or accompany them in their development or transformation."[11]

Developing countries too have started reforming their SOE-governance structures, with potential implications for SOE scope for IW. Thus, Paraguay implemented a reform in 2008 – under the maverick President Fernando Lugo – that centralized the SOE control and removed control from ministries to transfer it to an inter-ministerial SOE Council supported by a SOE Monitoring Unit (World Bank, 2014: 268-9). While political influence in this system is still potentially strong, because ministries remain represented on the Council, SOEs are more isolated from political interference by individual ministries and may benefit from more political leeway due to the multiplication of potentially divergent political interests represented on the SOE Council. Taken together, these developments in SOE governance are likely to favor both market and nonmarket strategic autonomy by SOEs, thus enlarging the scope for IW.

Thus, we make the following propositions:

Proposition 3a: The more centralized and financially-orientated the SOE governance structure in a country, the greater the autonomy of SOEs from direct political interference and hence the greater the scope for IW.

Proposition 3b: The more autonomous from the government the state agencies overseeing shareholdings in SOEs, the greater the scope for SOEs' IW.

---

[11] APE mission statement, spelled out on the agency's official website: https://www.economie.gouv.fr/agence-participations-etat/notre-mission-statement (Accessed July 2018)

3.2.2.2 Degrees of state ownership

Closely related to the factor mentioned above is the extent of state shareholdings in SOEs. We know from the existing literature on state capitalism the significant variation in the degrees of state ownership, which led Musacchio and Lazzarini (2014) to contrast "Leviathan as a minority investor" with "Leviathan as a majority investor". They further observe that different degrees of state share ownership produce consequences in terms of firm-level performance. Further, as demonstrated by Cui and Jiang (2012), different levels of state ownership are also associated with varied degrees and types of institutional pressures experienced by SOEs. We argue here that the degree of state ownership is likely to affect SOEs' willingness and capacity to perform IW. Indeed, SOEs with the State as a minority investor may have more leeway to act in a manner not completely consistent with the government's objectives. This, in Musacchio and Lazzarini's (2014) view, is conducive to higher performance - barring the possibility of non-equity state "residual" influence. Similarly, in Cui and Jiang's (2012) study of Chinese SOEs, firms with lower share of equity held by the state were found to be less restricted by home-country institutions in choosing their international expansion strategies. This implies greater motivation and greater scope to perform IW. A good illustration of this is, again, Engie, which is much more proactive with respect to regulatory reform than GDF, its fully-owned predecessor.

On the other hand, however, SOEs with very little state ownership may feel not sufficiently "covered" politically to engage in aggressive IW. For example, SMIC, China's largest integrated circuit manufacturer, had minority stakes from the central government and Shanghai government, and as a consequence, despites its large size, was not prioritized by the central government or Shanghai government and had little influence over China's IC industry policies (Fuller, 2016). Thus, we argue, there is a

non-linear relationship between the degrees of state ownership and SOEs' capacity and willingness to perform IW.

Hence the following propositions:

Proposition 4a: There is an inverted u-shape relationship between the degrees of state ownership and SOEs' motivation to perform IW: as the stake of state ownership in an SOEs increases, the SOE's motivation to engage in activities aimed at changing their institutional environment will increase due to the perceived increased political clout. After a certain point however, increasing state ownership implies closer state control over the SOE, which leads to decreasing motivation of the SOE to engage in IW.

Proposition 4b: There is an inverted u-shape relationship between the degrees of state ownership and SOEs' scope for IW: as the share held by the State increases, initially the scope for SOE IW increases; yet after a certain point, state ownership has a negative effect on SOE scope for IW, because the state's interest in controlling the SOE outweighs the latter's influence

3.2.2.3 Top Management Embedding in Political System: Political and nomenklatura ties

State-SOEs relations do not start and end with equity ties. Other, non-equity relationship tie SOEs to the state apparatus, and also affect the nature and scope of SOEs' IW. In particular, we argue that SOEs' political ties are a crucial determinant of the latter. This argument is parallel to that made by Schneider when analyzing the role of personal networks in determining the political strategies of business in South America (Schneider, 1992).

The economic literature – in particular agency theory – has often treated political ties as constraints negatively affecting SOEs' operations and bottom lines. In this perspective, state control carries with it a political logic, alien to the business

objectives of the firm, thereby hampering these objectives and damaging its performance (Shleifer and Vishny, 1998; Shirley and Walsh, 2000). The management literature qualifies this picture, underscoring the benefits that companies can draw from ties with the state. Indeed, such ties can increase performance by permitting access to resources, information and preferential treatment (Xin and Pearce, 1996; Johnson and Mitton, 2003; Lester et al., 2008). Okhmatovskiy (2010) argues that ties with the government may be important for firms to influence policies, although they may not help in accessing resources. However, Sun and colleagues (2010) find that the value of political ties can change dramatically as a country's institutional system moves towards a more market-based system. In short, political embeddedness does have important, if complex, implications for firms.

For SOEs, ties to the government are a key channel of influence. The recent literature on SOEs shows that the ties that bind SOEs to state agencies and bureaucrats are multiple and heterogeneous (see Cuervo-Cazurra et al., 2014): equity ties (minority and majority shareholdings), debt (subsidized credit), board seats, regulation, and other, softer forms of control, such as staffing and contracts.

There is also a great variation in the legal status and degree of state embeddedness of SOE staff: from SOEs employees as civil servants to a complete separation between careers of state employees and SOE employees (see e.g. Liang, Ren and Sun, 2015; Grindle, 2010). The political ties can take several forms, from interchangeable career paths (revolving doors) to common educational backgrounds. Various studies have pointed to the links between political and managerial careers as a key component of state capitalism in China (see, in particular, Boisot and Child, 1988; Groves et al., 1995; Fan et al., 2007; Lin et al., 2013).

The close ties with the State apparatus forged through SOE managers' career and training patterns can, in certain contexts, associated with the term "nomenklatura", which derives from the Russian term for the list of important posts in government and industry to be filled by Communist Party members in the Soviet Union. The same term is used in other Leninist political systems. For example, in China it refers to lists of positions directly appointed by the CCP's Central Organization Department (Leutert, 2018). When this nomenklatura system functions in terms of its Leninist intent, the party-state exerts strong control over the appointment and monitoring of the top management team in SOEs. In such situations, one would expect the SOEs would have little space in which to pursue IW. However, if the SOEs can somehow buck the control of the nomenklatura system through playing the party-state organ in charge of nomenklatura against other party-state organizations in control and monitoring of the SOE, then the SOE can have more space to pursue IW. For example, among China's central government SOEs, some are formally under SASAC's control,[12] but the Organization Department and the SOE top managers' own accumulated rank and power can be used to thwart control by SASAC or any other authority (McGregor, 2012; Walter and Howie, 2011).

It is important to draw a clear distinction between the functioning of the nomenklatura system and the level of integration of SOE management into the wider political elite. A functioning nomenklatura system means that the party-state maintains effective control over the SOE management it appoints. However, integration of the SOE managers into the political elite has often led to the breakdown of nomenklatura control as SOE managers either outrank their nominal supervisory agencies or their connections to top leaders thwart such control.

[12] 53 of these central government SOEs are fully under the Central Organization Department and not SASAC.

Thus we argue

Proposition 5a: *The stronger the control of the nomenklatura system, the lower the motivations and scope the SOE has to engage in IW.*

Proposition 5b: There is a negative relationship between the degree of integration of SOE top management into the state bureaucracy and SOEs' motivation for IW, because of the alignment between SOEs top management's and state officials' interests.

Proposition 5c: The higher the integration of SOEs top management into the political system, the higher the political resources SOEs may draw on to engage in IW.

Proposition 5d: The higher the integration of SOEs top management into the political system, the greater the scope for IW.

3.2.3 Industry characteristics

Industry characteristics shape the resources SOEs have for IW. The latter are likely to be particularly influenced by vertical integration and technical change within a given industry and time period.

Drawing on the industrial organization-inspired works of the classic external approach to strategy (cf. Porter, 2008), vertically integrated firms can lower competition in their industry (i.e. increase their market power) by threatening suppliers and even buyers with backward or forward integration, and this threat is more credible when a firm already is quite vertically integrated. As a parallel to this firm-level strategy view, firms have greater clout in their respective economy the more market power they exercise. Furthermore, this clout is also enhanced in vertically integrated industries because the firms tend to be bigger. Industrial policy interacts with this tendency for vertical integration in that under these conditions conducive to vertical integration the state will favor a select few national champions in sectors that favor vertical integration

(Gerschenkron, 1962; Nolan, 2001) and thus provide the targets of such industrial policies with even more resources.

Conversely, the global value chains and other industry studies literature recognize that there are often sectoral pressures for segmentation/de-verticalization/disaggregation of the value chain (Arndt and Kierzkowski, 2001; Berger, 2005; Fuller *et al*. 2003; Gereffi *et al.,* 2005; Langlois, 2003; Thun, 2007). With the fragmentation/disaggregation of value chains, small firms engage a multitude of external suppliers while concentrating/specializing on a narrow band/segment of activity (Fuller, 2013; Thun, 2007). Thus, vertically disintegrated value chains tend give rise to vertically specialized firms that have less strategic value and smaller size so the SOEs in such industries will be hard pressed to leverage their limited value and size as vertical specialists to enact IW.

While much of the work on vertical specialization assumes that it depends on the sector or sub-sector (Berger, 2005; Fuller *et al*. 2003; Gereffi *et al.,* 2005; Thun, 2007), there are arguments that different periods of time favor more vertical integration or vertical specialization. Many have talked about distinct periods of Fordist production favoring vertical integration and post-Fordism favoring greater vertical specialization (Langlois, 2003; Piore and Sabel, 1984). While there is some debate (cf. Newman and Zysman, 2006) as to how strong these wider, cross-sectoral trends are, to the extent that they exist, periods of vertical integration should be ones where SOEs enjoy relatively greater capacities to pursue greater IW compared to periods of vertical specialization. Tellingly, French, Italian and Taiwanese models of Fordist production predicated in large part on SOEs in the 1950s and 1960s began to face pressures during the 1970s (Zysman, 1977; Piore and Sabel, 1984; Hsueh et al., 2001).

We therefore propose:

Proposition 6a: To the extent that a certain period/sector favors vertically integrated, scale economy-based competition, SOEs will tend to have greater strategic value and larger size, thus enhancing their resources for IW.

The faster the pace of technical change (incorporating both fast product life cycles or fast clockspeeds[13]) in a given industry is, the more likely it is for newcomers to disrupt incumbent firms' competitive advantages (Christensen 1997; Utterback and Suarez 1993; Fine 1998, 2000). Therefore, incumbent SOEs in industries with a fast pace of technical change will be more likely to become less strategically valuable (in the eyes of state bureaucrats or politicians) and/or have diminished resources. Therefore, SOEs in those industries will have fewer resources to pursue IW.

It must be conceded that fast clockspeeds sometimes will work via mechanisms covered in other propositions. For example, fast clockspeeds often accelerate vertical specialization (Steil et al., 2002; Fine 1998). However, this is dependent on the extent of standardization with non-standardized activities difficult to de-verticalize (Christensen, 1997). In a similar fashion, in those sectors with a fast pace of technical change, state industrial targeting is probably less effective as state policy has difficulty keeping pace with changing requirements within the industry (Schmitz, 2007). Thus, we could imagine that industrial policy in these sectors would be less effective in building up the resources SOEs draw upon to engage in IW.

We therefore formulate the following proposition:

[13]The industrial clockspeed is the pace of technical change controlling for product complexity (Fine, 1998, 2000). It is important to note that clockspeed is ***not*** a measure of the technological intensity of the industry as some industries with slow clockspeeds, such as commercial aircraft with its product technology generations of ten to twenty years, are technologically intensive (Fine, 1998).

Proposition 6b: To the extent that fast pace of technical change is prevalent in a given industry, SOEs will have lower strategic value and thus lesser ability to enact IW.

4. DISCUSSION AND CONCLUSION

The return of SOEs as major players in the world economy has sparked a new interest in their diversity and the institutional determinants of their strategy and performance (Musacchio et al., 2015). Most theories, however, agree that SOEs are merely agents of the state that are closely controlled through personal and ownership ties amongst others. As a result, the question of SOE agency has received only very limited attention. The study of the internationalization of SOEs, has at times hinted at a certain divergence of SOE and state preferences (Rodrigues and Dieleman, 2018). Thus, internationalization may provide SOE top managers with a means of emancipating themselves somewhat from too close governmental control. These findings suggest that SOEs do have considerable leeway even though they are integrated to some extent into the state structure of the country. The purpose of our paper was to suggest that these findings from the case of SOE internationalization may apply much more broadly to SOEs' ability to shape their institutional environment through institutional work. Focusing on situations where SOEs may attempt to either promote or oppose institutional change in their home country, we attempted to develop a systematic model that explains what factors determine the extent of leeway that SOEs have to exercise institutional work.

Our multilevel model consists of eight factors at three different institutional levels that shape SOEs motivation, resources, and scope to perform institutional work. Figure 2 summarizes the full model.

[INSERT FIGURE 2 ABOUT HERE]

The propositions that we formulated regarding these eight determinants of SOE work, should be seen as cumulative and complementary. The logic of the framework in Figure 2 is that an SOE embedded in a context (macro institutional, meso governance system, and industry) characterized by determinants that favor SOE IW, will be more likely to engage in such activity than an SOE embedded in an institutional framework where elements are present that constitute barriers to SOE IW by either reducing their motivation, resources, or scope to perform IW. Thus, an SOE embedded in an institutional system with financial repression, active industrial policy towards SOEs, fragmented lines of authority, autonomous state shareholdings agency, sizeable minority shareholdings by the state, medium degree of integration with the nomenklatura, vertically integrated production, and slow product life cycles will be very likely to engage in IW to either support or resist institutional change. An SOE in an institutional system where these factors are absent or point in the opposite direction will be likely to be pure agents of the state.

Our theoretical contribution is twofold. Firstly, we contribute to the SOE literature by extending existing studies of the institutional embedding of SOEs (Musacchio et al, 2015; Cui and Jiang, 2012). Our paper builds on these studies but adds to them by providing a framework that can explain when and why SOEs may break free from the control of the state and pursue their own (institutional) strategic interests. Given the increasing importance of SOEs in the world economy – both domestically and internationally – the alignment or divergence of interests, preferences, and motivations between SOEs and the governments who control them seems like a tremendously important issue not just for management scholarship, but also for policy makers interested in questions of national security.

Secondly, we leverage the insights from the institutionalist literature to contribute to theorizing on IW, particularly linking the "positions, endowments and capacities of societal actors" with their capacity to perform institutional work (Hotho and Saka-Helmhout, 2017: 10). Responding to the calls by Hwang and Colyvas (2011) to engage more critically with the context of IW, and extending the work of Battilana and colleagues (2009), we problematize SOEs as a unique type of institutional actors (cf. Yan et al., 2018) and identify a series of institutional determinants across multiple levels of analysis that explain in what settings IW is more or less likely to occur.

Our study has got two main limitations. Firstly, we purposely focused on the determinants of IW by SOEs. Our framework therefore does not allow us to understand under what circumstances such activity – when it does take place – is likely to be successful or to fail. That is an important question that further studies should address.

Secondly, our study drew on empirical illustrations from a limited number of countries, mainly China, Taiwan, France, and Italy. This was a conscious choice in the sense that we were interested in SOEs that had been exposed to considerable, long-lasting, and systemic pressures for institutional change. This was the case in all four countries, while they still offer contrasting cases in many other respects. As such, we expected the choice of these countries to allow us to control for certain factors, but still provide some evidence for the breadth of the applicability of our framework. Nevertheless, our framework can and should be tested against evidence from a much larger number of countries and geographical regions.

REFERENCES

Aguilera, R. V. & Jackson, G. (2010). Comparative and international corporate governance. *The Academy of Management Annals*, *4*(1), 485-556.

Arndt, S. W. & Kierzkowski, H. (Eds.). (2001). *Fragmentation: New production patterns in the world economy*. OUP Oxford.

Battilana, J., & D'Aunno, T. (2009). Institutional work and the paradox of embedded agency. In T. B. Lawrence, R. Suddaby, & B. Leca (Eds.), *Institutional work: Actors and agency in institutional studies of organization* (pp. 31-58). Cambridge, UK: University of Cambridge Press.

Battilana, J., Leca, B., & Boxenbaum, E. (2009). How actors change institutions: towards a theory of institutional entrepreneurship. *Academy of Management Annals*, 3(1), 65-107.

Berger, S. (2005). *How We Compete*, New York: Currency/Doubleday.

Boddewyn, J. (1994) 'Political Resources and Markets in International Business: Beyond Porter's Generic Strategies', Research in Global Strategic Management 4: 83–99.

Boisot, M., & Child, J. (1988). The iron law of fiefs: Bureaucratic failure and the problem of governance in the Chinese economic reforms. *Administrative Science Quarterly*, 507-527.

Bonardi, J. P. (2011). Corporate political resources and the resource-based view of the firm. *Strategic Organization*, *9*(3), 247-255.

Bremmer, I. (2008). The Return of State Capitalism. *Survival: Global Politics and Strategy*, *50*(3), 55–64.

Bruton, G. D., Peng, M. W., Ahlstrom, D., Stan, C., & Xu, K. (2015). State-owned enterprises around the world as hybrid organizations. *Academy of Management*

Perspectives, *29*(1), 92-114.

Christensen, C. M. (1997). *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail*, Boston: Harvard Business School Press.

Cuervo-Cazurra, A., Inkpen, A., Musacchio, A., & Ramaswamy, K. (2014). Governments as owners: State-owned multinational companies. *Journal of International Business Studies*, *45*(8), 919-942.

Cui, L. & Jiang, F. (2012). State ownership effect on firms' FDI ownership decisions under institutional pressure: A study of Chinese outward-investing firms. *Journal of International Business Studies*, *43*(3), 264-284.

Dinç, I. S. (2005). Politicians and banks: Political influences on government-owned banks in emerging markets. *Journal of Financial Economics*, *77*(2), 453–479.

Drope, J. M., & Hansen, W. L. (2006). Does firm size matter? Analyzing business lobbying in the United States. *Business and Politics*, *8*(2), 1-17.

Duanmu, J. L. (2014). State-owned MNCs and host country expropriation risk: The role of home state soft power and economic gunboat diplomacy. *Journal of International Business Studies*, *45*(8), 1044–1060.

Dudouet, F. X., & Joly, H. (2010). Les dirigeants français du CAC 40: entre élitisme scolaire et passage par l'État. *Sociologies pratiques*, (2), 35-47.

Emirbayer, M., & Mische, A. (1998). What is agency? *American Journal of Sociology*, 103, 962-1023.

Fan, J. P., Wong, T. J., & Zhang, T. (2007). Politically connected CEOs, corporate governance, and Post-IPO performance of China's newly partially privatized firms. *Journal of Financial Economics*, *84*(2), 330-357.

Fields, K. (1995). *Enterprise and the State in Korea and Taiwan*, Ithaca, NY: Cornell University Press.

Finchelstein, D. (2017). The role of the State in the internationalization of Latin American firms. *Journal of World Business*, *52*(4), 578-590.

Fine, C. H. (1998). *Clockspeed: winning industry control in the age of temporary advantage.* Massachusetts: Perseus Books Reading.

Fine, C. H. (2000). Clockspeed-based strategies for supply chain design. *Production and operations management*, *9*(3), 213-221.

Fuller, D., Akinwande, A., & Sodini, C. (2003). Leading, following or cooked goose? Innovation successes and failures in Taiwan's electronics industry. *Industry and Innovation*, *10*(2), 179-196.

Fuller, D. B. (2013). Building Ladders out of Chains: China's Hybrid-led Technological Development in Disaggregated Value Chains. *The Journal of Development Studies*, *49*(4), 547-563.

Fuller, D. B. (2016). *Paper tigers, hidden dragons: Firms and the political economy of China's technological development*. Oxford University Press.

Gereffi, G., Humphrey, J., & Sturgeon, T. (2005). The governance of global value chains. *Review of International Political Economy*, *12*(1), 78-104.

Gerschenkron, A. (1962). *Economic backwardness in historical perspective: a book of essays*. Cambridge, MA: Belknap Press of Harvard University Press.

Grindle, M. S. (2010). Constructing, Deconstructing, and Reconstructing Career Civil Service Systems in Latin America. HKS Faculty Research Working Paper Series, RWP10-025, John F. Kennedy School of Government, Harvard University.

Grosman, A., Okhmatovskiy, I., & Wright, M. (2016). State Control and Corporate Governance in Transition Economies: 25 Years on from 1989. *Corporate Governance: An International Review*, *24*(3), 200–221.

Groves, T., Hong, Y., McMillan, J., & Naughton, B. (1995). China's evolving

managerial labor market. *Journal of Political Economy*, *103*(4), 873-892.

Hofman, P. S., Moon, J., & Wu, B. (2017). Corporate Social Responsibility Under Authoritarian Capitalism: Dynamics and Prospects of State-Led and Society-Driven CSR. *Business and Society*, *56*(5), 651–671. https://doi.org/10.1177/0007650315623014

Hotho, J., & Saka-Helmhout, A. (2017). In and between societies: Reconnecting comparative institutionalism and organization theory. *Organization Studies*, *38*(5), 647-666.

Hsueh, L.M., Hsu, C.K. & Perkins, D.H. (Eds.) (2001). *Industrialization and the State: The Changing Role of Government in Taiwan's Economy, 1945-1998.* Cambridge: Harvard Institute for International Development.

Hsueh, R. (2016). State Capitalism, Chinese-Style: Strategic Value of Sectors, Sectoral Characteristics, and Globalization. *Governance*, *29*(1), 85-102.

Huang Y. (2003). *Selling China.* Harvard University Press: Cambridge, MA.

Huang Y. (2008). *Capitalism with Chinese Characteristics*. Cambridge University Press: New York.

Hwang, H., & Colyvas, J. A. (2011). Problematizing actors and institutions in institutional work. *Journal of Management Inquiry*, 20, 62–66.

Jackson, G. (2010). Actors and Institutions. In G. Morgan, J. Campbell, C. Crouch, O. Pedersen, P. H. Christensen, & R. Whitley (Eds.), *Oxford Handbook of Comparative Institutional Analysis*, Oxford: Oxford University Press, pp. 1-25.

Johnson, C. (1982). *MITI and the Japanese miracle: the growth of industrial policy: 1925-1975*. Stanford: Stanford University Press.

Johnson, S., & Mitton, T. (2003). Cronyism and capital controls: evidence from Malaysia. *Journal of Financial Economics*, *67*(2), 351-382.

Kornai, J. (1980). *Economics of shortage*. Amsterdam: North Holland.

La Porta, R. & Lopez-de-Silanes, F. (1999). The Benefits of Privatization : Evidence from Mexico. *Quarterly Journal of Economics*, *114*(4), 1193–1242.

Langlois, R. N. (2003). The vanishing hand: the changing dynamics of industrial capitalism. *Industrial and Corporate Change*, *12*(2), 351-385.

Lardy, N. R. (2014). *Markets over Mao: The rise of private business in China*. Columbia University Press.

Lawrence, T.B. & Suddaby, R. (2006). Institutions and institutional work In S. Clegg, C. Hardy, T.B. Lawrence, W.R. Nord (Eds.), *Handbook of organizational studies* (2nd. ed.), London: SAGE, pp. 215-254

Lawrence, T. B., Suddaby, R., & Leca, B. (Eds.). (2009). *Institutional work: Actors and agency in institutional studies of organizations*. Cambridge: Cambridge University Press.

Lawrence, T., Suddaby, R., & Leca, B. (2011). Institutional work: Refocusing institutional studies of organization. *Journal of Management Inquiry*, *20*(1), 52-58.

Lawrence, T. B., Leca, B., & Zilber, T. B. (2013). Institutional work: Current research, new directions and overlooked issues. *Organization Studies*, *34*(8), 1023-1033.

Lester, R. H., Hillman, A., Zardkoohi, A., & Cannella Jr, A. A. (2008). Former government officials as outside directors: The role of human and social capital. *Academy of Management Journal*, *51*(5), 999-1013.

Liang, H., Ren, B., & Sun, S. L. (2015). An anatomy of state control in the globalization of state-owned enterprises. *Journal of International Business Studies*, *46*(2), 223-240.

Leutert, W. (2018). Firm control: Governing the state-owned economy under Xi

Jinping. *China Perspectives*, (1/2), 27.

Li, M. H., Cui, L., & Lu, J. (2014). Varieties in state capitalism: Outward FDI strategies of central and local state-owned enterprises from emerging economy countries. *Journal of International Business Studies*, *45*(8), 980-1004.

Li, H., & 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.

Liang, H., Ren, B., & Sun, S. L. (2015). An anatomy of state control in the globalization of state-owned enterprises. *Journal of International Business Studies*, *46*(2), 223-240.

Lin, L. W., & Milhaupt, C. J. (2013). We Are the (National) Champions: Understanding the Mechanisms of State Capitalism in China'(2013). *Stanford Law Review*, *65*, 697.

Marquis, C., & Qian, C. (2013). Corporate social responsibility reporting in China: Symbol or substance?. *Organization Science*, *25*(1), 127-148.

Marquis, C., Zhang, J., & Zhou, Y. (2011). Regulatory uncertainty and corporate responses to environmental protection in China. *California Management Review*, *54*(1), 39-63.

McGaughey, S. L., Kumaraswamy, A., & Liesch, P. W. (2016). Institutions, entrepreneurship and co-evolution in international business. *Journal of World Business*, *6*(51), 871-881.

McGregor, J. (2012). *No ancient wisdom, no followers: The challenges of Chinese authoritarian capitalism*. Easton Studio Press.

McMahon, D. (2018). *China's Great Wall of Debt: Shadow Banks, Ghost Cities, Massive Loans, and the End of the Chinese Miracle*. Houghton Mifflin Harcourt.

Megginson, W. L., & Netter, J. M. (2001). From State to Market : A Survey of

Empirical Studies on Privatization. *Journal of Economic Literature*, *39*(2), 321–389.

Micelotta, E. R., & Washington, M. (2013). Institutions and maintenance: The repair work of Italian professions. *Organization Studies*, *34*(8), 1137-1170.

Musacchio, A., Lazzarini, S. G., & Aguilera, R. V. (2015). New Varieties of State Capitalism: Strategic and Governance Implications. *Academy of Management Perspectives*, *29*(1), 115–131.

Nude, W. (2010). Industrial policy: Old and new issues, United Nations WIDER Working Paper, No. 2010/106.

Newman, A. & Zysman, J., 2006. Transforming politics in the digital era. In: Zysman, A., Newman, A. (Eds.), *How Revolutionary was the Digital Revolution?* Stanford University Press, Stanford, CA, pp. 391–414.

Peng, M. W. (2003). Institutional transitions and strategic choices. *Academy of Management Review*, *28*(2), 275–296.

Noble, G. W. (1998). *Collective Action in East Asia: how ruling parties shape industrial policy*. Cornell University Press.

Nolan, P. (2001). *China and the Global Business Revolution*. Basingstoke: Palgrave.

Okhmatovskiy, I. (2010). Performance implications of ties to the government and SOEs: A political embeddedness perspective. *Journal of Management Studies*, *47*(6), 1020-1047.

Oliver, C., & Holzinger, I. (2008). The effectiveness of strategic political management: A dynamic capabilities framework. *Academy of Management Review*, *33*(2), 496-520.

Patrick,H. T. & Park,Y.-C. (1994). *Financial development in Japan, Korea, and Taiwan*. New York: Oxford University Press.

Park, Y. C., & Patrick, H. (Eds.). (2013). *How finance is shaping the economies of China, Japan, and Korea*. New York, NY: Columbia University Press.

Pettis, M. (2013). Great Rebalancing: Trade, Conflict, and Perilous Road Ahead for the World Economy, Princeton University Press.

Piore, M. & Sabel, C. F. (1984) *The Second Industrial Divide.* Basic Books, New York.

Porter, M. (2008). The Five Competitive Forces that Shape Strategy. *Harvard Business Review* (January 2008).

Lawton, T., Rajwani, T., & Doh, J. (2013). The antecedents of political capabilities: A study of ownership, cross-border activity and organization at legacy airlines in a deregulatory context. *International Business Review*, *22*(1), 228-242.

Porter, M. (2008). The Five Competitive Forces that Shape Strategy. *Harvard Business Review* (January 2008).

Reinhart, C. (2012). "The Return of Financial Repression," CEPR Discussion Papers 8947, C.E.P.R. Discussion Papers, London.

Rodrigues, S. B. & Dieleman, M. (2018). The internationalization paradox: Untangling dependence in multinational state hybrids. *Journal of World Business*, *53*(1), 39-51.

Rodrik, D. (2004). "Industrial Policy for the Twenty-First Century", KSG Working Paper No. RWP04-047, Cambridge MA: Harvard University.

Rodrik, D. (2007). *One Economics, Many Recipes: Globalization, Institutions and Economic Growth*. Princeton, NJ: Princeton University Press.

Rudy, B. C., Miller, S. R., & Wang, D. (2016). Revisiting FDI strategies and the flow of firm-specific advantages: A focus on state-owned enterprises. *Global Strategy Journal*, *6*(1), 69-78.

Salamon, L. M., & Siegfried, J. J. (1977). Economic power and political influence:

The impact of industry structure on public policy. *American Political Science Review*, *71*(3), 1026-1043.

Sallai, D., & Schnyder, G. (2017). Coping with Autocracy: Corporate political activity, institutional duality, and MNE – local firm rivalry during "institutional backsliding." *Greenwich Papers in Political Economy*, *53*, 1–45. https://doi.org/10.4103/0970-0358.81459

Schneider, B. R. (1992). *Politics within the state: elite bureaucrats and industrial policy in authoritarian Brazil*. Pittsburgh: University of Pittsburgh Press.

Schmitz, H. 2007. Reducing complexity in the industrial policy debate. *Development Policy Review*, 25(4): 417–428.

Seo, M. G., & Creed, W. D. (2002). Institutional contradictions, praxis, and institutional change: A dialectical perspective. *Academy of management review*, *27*(2), 222-247.

Shleifer, A., & Vishny, R. W. (1998). *The Grabbing Hand. Government Pathologies and Their Cures*. Cambridge, MA: Harvard University Press.

Shirley, M., & Walsh, P. (2000). *Public versus private ownership: The current state of the debate*. The World Bank.

Situ, H., Tilt, C. A., & Seet, P.-S. (2018). The influence of the government on corporate environmental reporting in China: An authoritarian capitalism perspective. *Business and Society*, *In Press*, 1–41. https://doi.org/10.1177/0007650318789694

Smets, M., & Jarzabkowski, P. (2013). Reconstructing institutional complexity in practice: A relational model of institutional work and complexity. *Human Relations*, *66*(10), 1279-1309.

Steil, B, Victor, D. G. & Nelson, R. N. 2002. *Technological Innovation and Economic Performance*, Princeton, NJ: Princeton University Press.

Sun, P., Mellahi, K., & Thun, E. (2010). The dynamic value of MNE political embeddedness: The case of the Chinese automobile industry. *Journal of International Business Studies*, *41*(7), 1161-1182.

Teng, D., Fuller, D. B., & Li, C. (2018). Institutional change and corporate governance diversity in China's SOEs. *Asia Pacific Business Review*, *24*(3), 273-293.

Thatcher, M. (2014). From old to new industrial policy via economic regulation. *Rivista della Regolazione dei Mercati*, 2, 6-22.

Thun, E. (2007). "The Globalization of Production". In *Global Political Economy*, 2nd edition, Edited by: Ravenhill, J. 346–371. Oxford: Oxford University Press.

Thornton, P. H., Ocasio, W., & Lounsbury, M. (2012). *The institutional logics perspective: A new approach to culture, structure, and process*. Oxford University Press.

Toninelli, P. A., & Toninelli, P. M. (Eds.). (2000). *The rise and fall of state-owned enterprise in the western world* (Vol. 1). Cambridge, UK: Cambridge University Press.

Tooze, A. (2006). *The Wages of Destruction: The Making and Breaking of the Nazi Economy*. London: Penguin.

Utterback, J. M. & Suarez, F. F. (1993). Innovation, competition, and industry structure. *Research Policy*, 22(1): 1–21.

Witt, M. A., & Redding, G. (2014). China : Authoritarian Capitalism. In M. A. Witt & G. Redding (Eds.), *The Oxford Handbook of Asian Business Systems* (pp. 11–32). Oxford: Oxford University Press.

Yan, Z. J., Zhu, J. C., Fan, D., & Kalfadellis, P. (2018). An institutional work view

toward the internationalization of emerging market firms. *Journal of World Business*, in press.

Vogel, S.K. (1996). *Freer Markest, More Rules: Regulatory Reform in Advanced Industrial Countries*. Ithaca, NY: Cornerll University Press.

Walter, C. E., & Howie, F. J. (2011). *Red Capitalism: The Fragile Foundation of China's Extraordinary Rise*. Singapore: Wiley.

Warwick, K. (2013). Beyond Industrial Policy: Emerging Issues and New Trends. OECD Science, Technology and Industry Policy Papers, No. 2, OECD Publishing.

Witt, M. A., & Redding, G. (2014). China : Authoritarian Capitalism. In M. A. Witt & G. Redding (Eds.), *The Oxford Handbook of Asian Business Systems* (pp. 11–32). Oxford: Oxford University Press.

Xin, K. K., & Pearce, J. L. (1996). Guanxi: Connections as substitutes for formal institutional support. *Academy of Management Journal*, *39*(6), 1641-1658.

Zysman, J. (1977). *Political Strategies for Industrial Order: State, Market, and Industry in France*. University of California Press.

Figures

Figure 1. Basic causal model

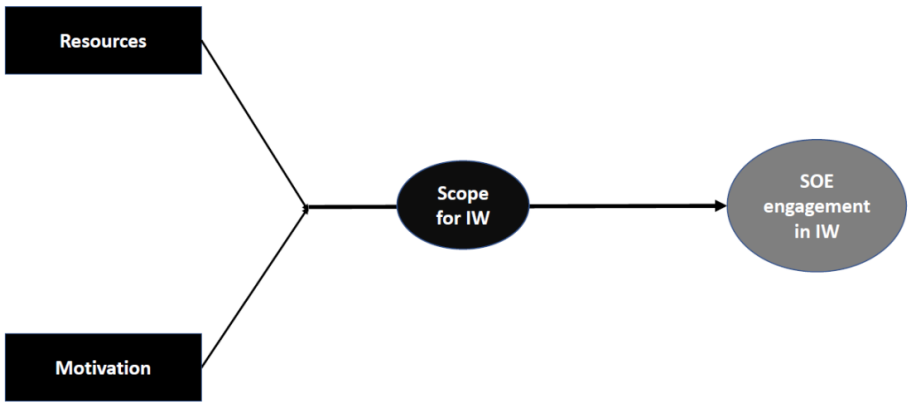

Figure 2. Full multi-level model of institutional determinants of SOE engagement in Institutional Work