LUISS

Master's Degree in Strategic Management

Chair of *International Business and Management*

Market Entry and Expansion: The Role of State – Owned Enterprises in Global Trade

Prof. Antonio Majocchi

SUPERVISOR

Prof. Matteo Giuliano Caroli

CO – SUPERVISOR

Maria Luigia Marotta 773091

CANDIDATE

Academic Year 2024/2025

Table of Contents

List of figures

List of tables

ABSTRACT

This dissertation focuses on the internationalization strategies of State–Owned enterprises (SOEs), putting special emphasis on their operations in greenfield foreign direct investments (FDIs). Internationalization has been extensively examined in international business, but the very dynamics that guide SOEs are poorly studied in comparison to POEs. SOEs, guided by both commercial and governmental interests, are caught in a complex predicament of motivation and constraints abroad. This research tries to fill that gap by looking at a dataset comprising 861 FDI cases from Orbis and Orbis Cross–Border Investment databases, out of which 66 cases are considered as SOEs based on their explicit ownership data. A mixed–method approach was applied by combining quantitative analysis with qualitative interviews to provide a more granular explanation of SOE behaviour. This study will apply an extended version of Dunning's eclectic paradigm, encompassing the categorization of the reasons for internationalization into market–seeking, efficiency–seeking, strategic asset–seeking, and resource–seeking motivations as well as sustainability concerns and geopolitical consideration.

The empirical findings show a clear difference between SOEs and POEs concerning strategic direction. SOEs mainly pursue long–term strategic asset–seeking investments to align with national interests, whereas POEs are mostly driven by market expansion, and profitability. While both business entities have secondary motives, like efficiency and sustainability, SOEs are more attuned to geopolitical considerations due to their state affiliation. The variation with the degree of state ownership affects these motives further: firms with higher government stake are hybrids of commercial and policy–driven objectives, those with low state ownership tend to behave akin to any private firm. Equally, how primary and secondary motives interact shows the layered rationales of SOEs, wherein political and developmental considerations often overshadow any commercial consideration, unlike the flexible, multi–dimensional decision logic of POEs.

INTRODUCTION

State–owned enterprises (SOEs) are unique institutions at the intersection of market dynamics and state influence. Historically, these enterprises were the backbone of national economies, especially in strategically important sectors such as energy, telecommunications, transportation, defense, and finance. Traditionally, they were also inward–looking and domestically focused; however, in the last two decades, an increasing number of SOEs are venturing beyond their national borders and establishing themselves in foreign markets, changing the global competitive landscape.

The process of internationalization—defined as the strategic expansion of business operations across national boundaries—has long been a focus point of research in international business and management. For Privately Owned Enterprises (or MNEs), the reasons for going international are typically driven by market–seeking motives, cutting costs, and gaining competitive advantages. In this context, SOEs add an additional layer of complexity, as these institutions are influenced by noncommercial dynamics and are influenced by the states in which they operate, are separate from market considerations, have political mandates, and can vary greatly in terms of state control. These characteristics condition the SOEs' strategic decisions, as well as their legitimacy and governance structures in relation to host countries. International expansion of SOEs must be analysed differently from general expansion processes. Their commercial viability must be analysed together with national strategic interests, raising different issues on how they compete, adapt, and are treated by global markets. Such studies also become important for a growing number of emergent economies promoting the worldwide activities of their national champions, such as China, India, or Brazil, in addition to deeper and developing academic, practitioner, and policy interest in SOE internationalization.

While multinational enterprises (MNEs) have been subject to extensive research on internationalization, global expansion by state–owned enterprises (SOEs) is less researched. Much of the literature has focused on privately owned firms while ignoring the distinct strategic, political, and economic dynamics that come to bear on the behavior of SOEs. As entities closely affiliated with government objectives, SOEs are said to harbour a set of advantages in accessing resources, financing, and diplomatic support that will afford them an initial competitive advantage in the foreign market. This raises concerns among policymakers and international competitors who argue that these advantages are distortive of competition in the market and merit regulatory intervention to create a level playing field. Conversely, SOEs encounter challenges such as foreign political scrutiny, legitimacy issues, and conflicting mandates of commercial performance against national interest. These intricacies necessitate further examination of how and why SOEs internationalize and what implications are posed for global trade and governance.

Thus, this study focuses on exploring the strategies and underlying drivers that characterize the international expansion of SOEs, particularly how these firms maneuver within the global landscape in terms of market selection and strategic decision–making. The objectives guiding this research include establishing the core motivations for SOE internationalization, separated into Dunning's four categories of internationalization: market–seeking, efficiency–seeking, strategic asset–seeking, and resource–seeking behavior, with the addition of sustainability motives concerns such as environmental responsibility, green innovation, and social impact; and geopolitical factors such as state–to–state relations, trade policies, and diplomatic leverage affecting the international expansion routes of SOEs.

This study focuses on the internationalization strategies of State–owned enterprises (SOEs), specifically through the lens of greenfield foreign direct investments (FDIs). Rather than concentrating on a single country or industry, a worldwide and cross–sectoral view was adopted. This wide lens provides access to those patterns and behaviors shared by SOEs across various geopolitical and institutional contexts, thus providing for a deeper understanding of the impact of different levels of state ownership on decisions of international expansion. The research dataset comprises 861 FDI cases until 2023 obtained from the Orbis and Orbis Cross– Border Investment (M&A) Database. Among these cases, 66 firms were identified as SOEs based on explicit ownership data, and their behavior was contrasted with privately owned multinational enterprises (MNEs).

This dissertation is organized into five chapters that contribute progressively to the understanding of how SOEs approach foreign direct greenfield investment as a means of international expansion.

The first chapter lays out the historical and conceptual foundations of SOEs. It reports the core features that characterize them, considers the nature of their funding sources, and places them within a historical trajectory from the earlier economic systems through industrialization, the waves of privatization, and the present resurgence of SOEs. The nature of SOEs within different political settings is also discussed, and global data to contextualize their presence in the contemporary economy is presented.

The second chapter deals with a full literature review on the internationalization of SOEs. This chapter presents the main debates in academia and empirical findings with regard to government support, political risk, network–based advantages, and institutional influences on SOE strategy. It also prompts a theoretical gap as regards the need to comprehend better how SOEs deviate from private firms in motives, constraints, and modes of international expansion.

The research methodology and the data organization are set out in chapter three. It finds justification in the adoption of a qualitative, cross–sectional design and qualifies Dunning's OLI framework as the coding that distinguishes the motives of FDI. This chapter will also discuss the construction of the dataset, which has a global scope with respect to the greenfield entry strategies undertaken by SOEs and POEs, and it will highlight possible methodological limitations due to data availability, classification subjectivity, and reliance on secondary sources. In addition to the quantitative analysis, a set of semi–structured interviews were conducted to integrate this body of work.

The fourth chapter is the core analysis and discussion of results. It offers the comparative analysis of SOEs' and POEs' strategic motivations in making FDI decisions, including modes of motives across different levels of ownership. Some of the core and submotives—such as market–seeking, resource–seeking, sustainability, and geopolitical concerns—are given particular attention for exploration as they differ between state and private firms. These predispositions are interpreted in light of existing theories and current business dynamics.

The fifth and final chapter is the closure of the dissertation, summarizing the results, reflecting on their theoretical and practical implications for international business, and indicating future avenues for research.

CHAPTER 1

1.1 Overview on the definition on State – Owned Enterprises (SOEs)

SOEs participate right into the heart and uniqueness of today's global economy. No single definition of SOEs holds universally accepted consensus in various jurisdictions; however, such entities share certain common characteristics that make them different from Privately Owned Enterprises (POEs). According to OECD guidelines on Corporate Governance of SOEs, SOEs are any legal entities recognized as such by national laws in which the state has significant ownership and/or control, usually by means of a majority share or ability to influence strategic decisions and their implementation.

SOEs are created by the government to act on the profit and non– profit activities of government. Their objectives and functions may vary widely, but in general, they include:

- SOEs can prevent monopoly market conditions through the establishment and maintenance of basic– and– essential infrastructures such as railways and powerhouses;
- They provide public ownership for the production of basic goods and services, particularly those essential for national security;
- SOEs can promote economic growth in backward areas or sectors deemed to be of strategic importance;
- They are important in creating jobs and maintaining levels of employment;
- SOEs can consolidate resources and capabilities and improve a country's bargaining position in international markets;
- They foster the growth of national industries to achieve overall economic growth;
- SOEs steer investments in strategic national sectors to fulfill their broader economic goals.

Business activities carried out by the state and other public entities can take various forms. The state and public entities may establish companies to perform certain business activities, usually joint– stock and limited– liability companies. The state may have a stake in such enterprises, whether wholly owned or majority or minority– owned using statutory provisions like the Golden Share or poison pill to maintain control. However, they may also operate in a fashion not so overtly controlled by the politics, as the managers of such companies employ at least some discretion in making their decisions and choices in resource allocation.

Table 1. Examples of state– owned holding companies and their legal form

JURISDICTION	STATE– OWNED HOLDING COMPANY	SHAREHOLDING MINISTRY	LEGAL STATUS
Austria	Österreichische Beteiligungs AG (ÖBAG)	Ministry of Finance	Joint Stock Company
Azerbabaijan	Azerbaijan Investment Holding (AIH)	NA	Public Legal Entity
Bulgaria	Bulgarian Energy Holding EAD (BEH) Holding BDZ EAD (the Railway Holding Company) Terem – holding EAD State consolidation company EAD Bulgarian W&S holding EAD National company Industrial zones EAD	NA	Holding BDZ EAD (Under a special law, not formally considered a company)
Colombia	Grupo Bicentenario S.A.S.	Ministry of Finance	Public Stock Company
Finland	Solidium	Ownership steering department of the Prime Minister's office	Limited Liability Company
Greece	Hellenic Corporation of Assets and Participations SA	Ministry of Finance	Public Limited Company
Kazakhstan	Samruk Kazyna	Ministry of Finance	Joint Stock Company
Malaysia	Khazanah Nasional	Ministry of Finance	Public Limited Company
Peru	Fondo Nacional de Financiamiento de la actividad Empresarial del Estado (FONAFE)	Ministry of Finance	Statutory corporation
Portugal	PARPÚBLICA, Participações Públicas, SGPS, SA	Ministry of Finance	Holding company

Singapore	Temasek Holdings	Ministry of Finance	Commercial investment company
Slovenia	Slovenian Sovereign Holding	Ministry of Finance	Public Limited Company
Spain	Sociedad Estatal de Participaciones Industriales (State Industrial Holding Company)	Ministry of Finance and Administration	Public Law Entity
Viet Nam	State Capital Investment Corporation	Ministry of Finance	Joint Stock Company

Source: *OECD (2022), State– Owned Holding Companies*. [1]

In the end, all SOEs are owned by the State publically. State control does not necessarily mean direct management or governance. The government can control SOE by either being the last beneficial owner of the majority of voting shares or exercising a similarly equivalent authority by other means.

Motives behind establishment of SOEs are diverse across various countries as well as industrial sectors. For the most part, it is essential to understand that SOEs do not exist purely for generating profits, because they need to operate on economically viable conditions but are set up to generate sustained public value (like improved health, sound economy, environmentally sustainable, and equal society). Creation of public values entails the delivery of goods and services through means of price– control mechanism as well as government policies in service provision. In such fashion, SOEs could be used by the government to create value outside the immediate business segment in broader societal and economic objectives. In some economies, the very reason for their existence is the need to create "natural monopolies" in areas where competition is not possible (OECD, 2024), curing market failures, or creating a public good that has a public performance in the market that some private entities find unpromising enough to offer an investment. In other instances, the government used these enterprises as tools to improve the national development of the country. A country may have even acquired shares in

[1] Note: Information updated in 2024. The AIH (Azerbabaijan) is technically a coordination entity.

struggling companies during crises such as that of Covid– 19, which was both economic and financial.
In the past SOEs have also served as instruments for the maximization of government assets, particularly in times when it was paramount to reduce fiscal deficits and public debt. In a sense, state ownership is a response to crisis: think examples like the bailing out of banks by governments during financial crises, and mostly events that threaten the viability of companies deemed “too big” or “strategic” to fail. These bodies can also be used by governments to build a porfolio of businesses, which will be belying their strategic value, and will be in trouble later on.
But it is to be noted that many privatized them and placed barriers around them so that long– term control did not ensue. Privatization of a SOE is generally based on the ownership of the company no longer falling into the arms of the state itself. This usually happens when government intervention is no longer necessary for the sustainability of the company; to increase revenues with a view to reduction of the national debt or enhancement of national expenditure; improvement in performance at the sectoral level, by allowing private investment; improving the development of capital markets; diversification of ownership with attraction of additional investment sources; and attraction of foreign investment.

The peculiar mix of interests that drive an SOE inevitably leads to challenges calling for a specific corporate governance mechanism. Their closeness to the government renders them particularly vulnerable to undue political interference, poor accountability, and self–serving behavior of around corporate insiders, among many others (OECD, 2024). SOEs are not strangers to agency problems where civil servants supervise their management, and the ultimate beneficiaries are the general public that cannot back out from the investment as a typical shareholder would do.
It is very critical to address these policies in order to offer the public and the market a certain understanding of the objectives and priorities in state ownership.
OECD Guidelines provide that ownership policies should define the overall rationales and goals. The classification of those is threefold: explicit, implicit, or not stated. The difference between the first two is given by the fact that in the first one rationales are directly put forward by the state’s interest in owning specific SOEs or portfolios of SOEs.

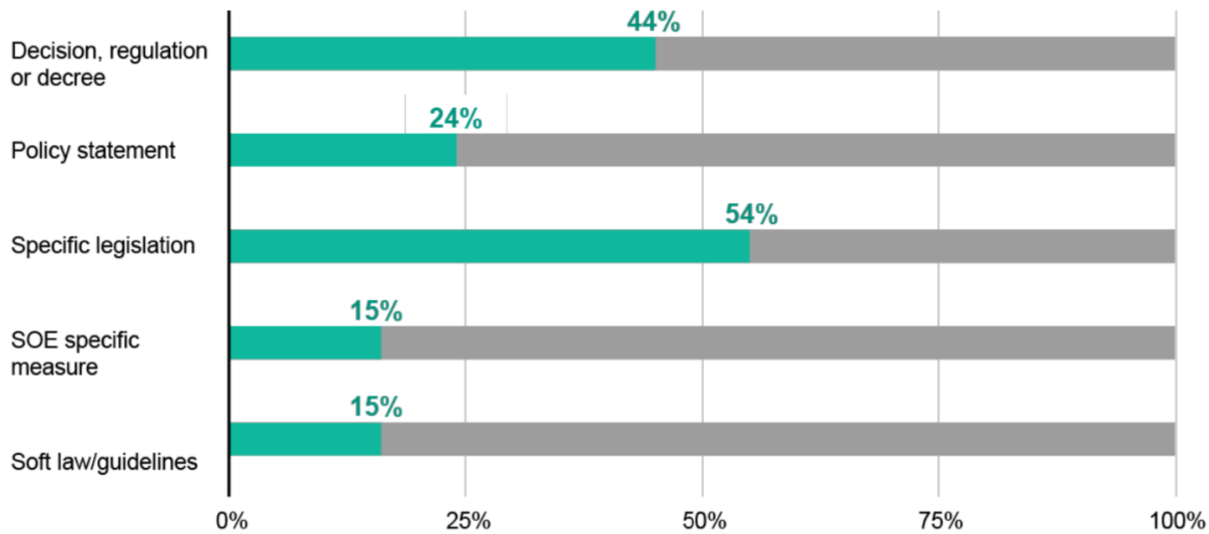
Explicit rationales are mirrored in legislation, government decisions, decrees, or a combination of those. Implicit rationale can be derived from policy frameworks including company and public administration.

Table 2. Rationales for state ownership

STATUS	JURISDICTIONS	TOTAL: 58
Explicit	Austria, Bulgaria, Canada, China, Costa Rica, Croatia, Czechia, Denmark, Estonia, Finland, France, Germany, Hungary, Iceland, Indonesia, Israel, Korea, Latvia, Lithuania, Netherlands, New Zealand, Norway, Philippines, Poland, Portugal, Romania, Slovenia, Sweden, Switzerland, Thailand.	30
Implicit	Argentina, Australia, Azerbaijan, Belgium, Brazil, Chile, Colombia, Greece, India, Ireland, Italy, Japan, Kazakhstan, Malaysia, Mexico, Morocco, Peru, Saudi Arabia, Slovak Republic, Tunisia, Ukraine, Viet Nam.	23
No rationale stated	Luxembourg, South Africa, Spain, Türkiye, United Kingdom.	5

Source: OECD Working Party on State Ownership and Privatisation Practices and OECD PMR database 2023.

Figure 1. Sources of ownership rationales



Source: OECD Working Party on State Ownership and Privatisation Practices.

There are various institutional arrangements for SOEs to enable the state to fulfil its responsibility in the broadest possible sense. These include the most centralized– and the least centralized– structured arrangements determined by historical legacies, institutional developments, and politics. Typically, an ownership entity is the part of the state responsible for ownership or co– ordination of, or exercising ownership rights over, or control over, SOEs. Ownership entities may be formed as a single state agency, co– ordination agency, ministry, or other public entity. Generally, these ownership entities are independent from the governing, policy– making or regulatory bodies.

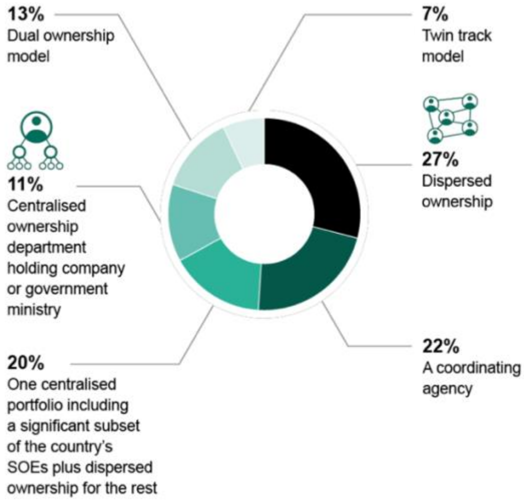
The guidelines indicate that “the state should act as an informed and active owner, ensuring that governance of SOEs has a transparent and accountable manner of transaction with a high degree of professionalism and effectiveness”. SOE Guidelines make particular mention that ownership rights should be clearly identified in the state administration and centralised in a single ownership entity, or, if this is not possible, relevant ownership functions should be carried under the oversight of a co– ordinating body with a clear mandate to act on a whole– of– government basis’ (OECD, 2024).

Indiscriminately, none can be fitted into any one form, for unlike structures do not have the same form, nor does any single jurisdiction barely attempt to impose a single model. Broadly, the existing models could fall within the following categories:

- Centralised model;
- Coordinating agency model;
- Dual ownership model;
- Twin track model;
- Dispersed model.

The centralised model encompasses one central decision– making body that takes on full control, financial goals, operational issues, and monitoring. Most generally, the central body single– handedly appoints its board members. The second model operates in an advisory capacity to other shareholding ministries. This model spans that department with non– trivial powers over SOEs, ownership rights being exercised formally by other ministries or departments. The dual ownership model encompasses two ministries or a high– level public department share ownership in every single SOE: one ministry establishes the financial goals, while the other formulates the policy’s priorities. In the Twin track model two or several governmental institutions exercise exclusive ownership on their respective portfolios of SOEs. Two units are operating simultaneously for separate sets of SOEs based on their scope. Under Dispersed model, no single institution is responsible for the ownership function. Each SOE is controlled by one line– ministry or government institution.

Figure 2. Ownership models



Source: OECD Working Party on State Ownership and Privatisation Practices.

An OECD survey reported that there was a drift towards the state centralisation of ownership arrangements in the recent past in line with the SOE Guidelines. However, the second most popular model after the centralised remains decentralised.

The above figure shows the breakdown of adopted models. Jurisdictions have chosen a centralised or coordinated model in 53% of cases, up from 41% in 2021 (OECD, 2021). Six of the 55 jurisdictions analysed (11%) have a centralised model, 20% maintain a centralised portfolio with responsibilities over a significant subset, and 22% have a coordinating entity. Dispersed models increased from 17% in 2021 to 27% in 2024, owing to the inclusion of new jurisdictions and some stepping back from good practices.
Another growing trend is state– holding companies (SOHCs), which, albeit another form of centralisation, allow more distance, hence shielding SOE activities from undue political or otherwise day– to– day interference. Their role would be to act as owners and manage the state's holdings to increase shareholders' value. Nevertheless, this form may not be suitable in most contexts.

Table 3. Ownership models

	MODEL	JURISDICTIONS	TOTAL:55
Centralised or coordinanated model	One centralised ownership department holding company or government ministry, exclusively performing the role of ownership.	Israel, Italy, Korea, Peru, Slovenia, Sweden.	6
	One centralised portfolio including a significant subset of the jurisdiction's SOEs plus dispersed ownership for the rest.	Austria, Azerbaijan, Chile, Colombia, Finland, France, Iceland, Netherlands, Norway, Portugal, South Africa.	11
	A co– ordinating department with non– trivial powers over SOEs formally held by other ministries (and institutions).	Bulgaria, Costa Rica, Estonia, India, New Zealand, Philippines, Romania, United Kingdom, Viet Nam, Morocco, Latvia, Lithiania.	12
Dual ownership	Two ministries or other high– level public institutions jointly exercise the ownership.	Australia, Brazil, Czechia, Greece, Indonesia, Switzerland, Thailand.	7
Twin track model		Belgium, China, Malaysia Türkiye.	4
Dispersed model	a large number of government ministries or other high– level public institutions.	Argentina, Canada, Croatia, Denmark, Germany, Hungary, Ireland, Japan, Kazakhstan, Luxembourg, Mexico, Poland, Slovak Republic, Ukraine, United States.	15

Source: OECD Working Party on State Ownership and Privatisation Practices and OECD PMR database 2023.

Even though SOEs are moved by different drivers there are a number of similarities they share with their private counterparts:

- Both types of entities aim to generate revenue;
- Both can have similar organisational structures, including management and operational processes;

- Both produce goods and services, competing in their sector to meet the consumer demand;
- Both can seek investment and financing options through debt or equity financing, or government funding;
- Both are required to produce financial records and report their performance as prescribed by the law.

1.2 Funding and financing of SOEs

According to the OECD Guidelines, state– owned enterprises should avoid any direct or indirect financial support that would give them an unwarranted advantage over competing private companies. They should avoid any inappropriate debt– equity financing, especially when it is inconsistent with market conditions. For instance, any SOE financing granted at below– market rates would be inappropriate. Situations allowing the opposite will be rare and will have to be considered in light of the principle of competitive neutrality (OECD, 2024). However, SOEs are often given undue privilege regarding equity and debt financing, even below– market loans that their private competitors cannot obtain. Furthermore, the government, at times, may aid SOEs whenever they fail to make sufficient returns on their investment or even more so in the

The preferential essence on commercial debt for SOEs is provided by only 40% of the states under study, and only 14% of those have developed safeguards against such treatment. The OECD Trade Policy Paper of 2023 discusses this support in industrial sectors with regard to the government. The support by the states includes below– market government grants, debt, and equity tax concessions financing provided on subsidized energy inputs. Data indicate that firms have received two– or three– times greater support compared with their competitors' lesser government ownership at least 25%.

In many jurisdictions, specific forms of state support such as subsidies or guarantees are to be disclosed by SOEs. Some jurisdictions may permit only partial disclosure; for instance, they may require disclosure of either subsidies or guarantees but allow the exemption of certain disclosures for some SOEs. The financing of SOEs is multifaceted like both market realities and government priorities. While many of these enterprises can get commercial funding, the states' support extras remain the foremost sources.

In many cases akin to those of private companies, SOEs raise capital in the commercial debt markets, which may include bank loans, corporate bonds, and a variety of other financial instruments. Large and more stable SOEs have been known to issue tradable bonds, sometimes via very private placements, to attract little private investment. However, this mechanism means that SOEs can lower the interest they pay on their bonds, due to the presumption of implicit government guarantee.

Secondly, SOEs may have direct access for funding coming from government sources in the form of loans from the treasury or specialized public financial institutions. Here, the financing may be more favourable than the alternatives in the private sector as it is perceived that the government has a strategic interest in keeping the SOE healthy. This is a major issue for market neutrality.

Next, there are transfers in the form of subsidies or budgetary allocations that SOEs might receive. These would be capital grants, operating subsidies, and direct budgetary allocations. By contrast, the difference is that this money is not required to be paid back i.e. it is free money coming in for them to remain economically viable in fulfilling their public obligations. In this circumstance, the SOEs are not incurring liability as it is no loan.

In addition, government capital might be injected into SOEs when equity is required. Recapitalization can be achieved through direct transfers, new share issuance, or debt–to– equity conversions. As a result, governments might increase their ownership as a response to maintaining these enterprises' financial health.

Lastly are debt guarantors– specifically or not– by the aforementioned SOEs, this makes borrowing at lower rate possible. Assured cases are explicit, whereas in implicit cases market are viewing these enterprises as being less risky, due to being owned by the states.

Evidently, the problem arises in the absence of debt neutrality mechanism in many nations. Some countries have put in place a framework for achieving fairness (i.e., Australia), but others are few and far between.

1.3 Origins: The Evolution and Nature of State– Owned Enterprises

The very origins of SOEs can be traced back to some of the earliest economic systems in which governments intervened in key industries for national security and stability of the economy and for the welfare of society. This chapter outlines these aspects, namely their historical perspectives and the factors that led to their emergence. The creation of such entities has occurred over time, often dependent on the political landscape and economic philosophies adopted at a particular moment.

1.3.1 Early Origins: medieval and early modern periods

The roots of state involvement in economic activities can be traced back to medieval times, when monarchies were tied to certain industries, such as minting coins, salt production, and armaments.

1.3.2 Early Foundations: Mercantilism

In the pre– industrial era, mercantilism was the dominant practice in Europe from the 16th to the 18th century. This era was defined by a *command economy* where the state controlled production, distribution, and consumption. More specifically it is a system of political and economic policy, evolving with the modern national state and seeking to secure a nation's political and economic supremacy in its rivalry with other states. It encouraged the role of the state in managing economies to increase power and affluence as it was believed that the world's wealth was static, but through accumulation of raw materials, primarily gold and silver, some nations were able to emerge more than others. The trade balance was achieved by exporting more than importing to ensure an inflow of wealth, thus establishing a favourable trade balance and a high level of self– sufficiency.

The goal was to boost domestic production, in order to maintain a favourable balance of trade, by imposing market regulations. Mainly, driven by protectionism which discouraged imports as they were threatening domestic industries. However, command economies not only heavily limited foreign competition but domestic competition as well in key industries deemed to be descriptive to the team spirit of mercantilism. So, the state also decided who produced what and in which quantity.

European states established high control/monopolies in key industries, such as shipping and natural resources, to enhance economic self– sufficiency. Notable an early example includes the British East India Company, which was a private company with a royal charter but operated with significant state backing.

In order to keep this system running, the governments adopted a hand– on approach, which orbited around three pillars:

1. Monopolies, the state granted exclusive rights to certain companies to control specific industries (e.g. luxury goods, shipping and armaments) or trade routes;
2. Protectionism, high tariffs and restrictions on imports to protect domestic industries and consequently discourage trade with other nations and their colonies;
3. Colonial exploitation, to get resources from colonies, contributing to the wealth of the mother country. Colonies were expected to trade exclusively with the mother country.

Firstly, it allowed the state to consolidate authority and control over the economy as well as reduce the influence of feudal lords and barons. It was mainly driven by protectionism, which discouraged imports that threatened domestic industries. Secondly, it provided an efficient way to create a favourable balance of trade by controlling key industries and trade routes. This allowed the government to regulate trade, protect domestic industries, maximise profits from colonial exploitation, managing resources and ensuring the success of national economic policies.

Merchants worked towards increasing their own wealth and consequently that of their State, while the latter has also the duty to guarantee stability, public order, and market/political expansion through colonial conquest policies.

It is evident that the economy is aimed at the interest of the State, which in turn makes the means necessary available. These political motivations were intertwined with economic goals, making the ancestors of SOEs a powerful tool for the States during the mercantilism era.

1.3.3 19th Century: Industrialisation era

The involvement of the state in the economy became less and less relevant during the Industrial Revolution. Mercantilism practices slowly died in favour to a new economic system that better fit the realities of an Industrial Revolution, which was no longer state–driven, but market driven. A turning point is marked by the publication of the 'Wealth of Nations' in 1776 by Adam Smith, who advocated for free markets and minimal government intervention, which contrasted sharply with mercantilist policies, as deemed coercive and only benefitted the elite. Adam Smith portrayed this transition through the metaphor of the 'invisible hand', as individuals and businesses follow the laws of supply and demand of a free market, they can make decisions that lead eventually to the most efficient resource allocation and economic growth. The metaphor captures the idea that there is an invisible force that free markets can self– regulate and achieve the best conditions through decentralised actions of businesses and individuals. During the industrialisation era as many countries reduced states control over the economy, private companies emerged driven by the possibility of making positive profit.

This fundamentally changed the paradigm of economic policies, mercantilism was based on the assumption that there was a fixed amount of wealth in the world, made primarily by silver and gold, that was supposed to be administered by the state, while the paradigm of the free market posits that there is no real limit on the amount of wealth that can be created which ultimately if they follow the laws of supply and demand without an external force guiding them it would benefit society economically.

This shift was gradual and resulted in the rise of private corporations and the stock market. However, as time went by, this ideology moved far away from what Adam Smith originally conceived.

1.3.4 20th Century

Economics has a cyclical nature, state– driven economics (mercantilism) were dismantled during the industrialisation era as they were no longer viable models for the needs of the modern era, only to see a revival in the interwar period.

After World War I, European economies were in disarray. Governments took over to stabilise economies and address social unrest, largely in response to the devastation of World War I, the Great Depression (1929), and rising political instability. Many countries faced economic crises and high unemployment. This situation created a need for a greater state intervention to rebuilt society. The nature of this intervention varied between countries, reflecting different political approaches.

Britain initially followed *laissez– faire* policies, which implied minimal governmental interference in economic affairs, in compliance with the ideologies of the Industrial Revolution, but later increased state intervention under Keynesian influence. The economic downturn forced Britain to change approach. The Great Depression led to massive unemployment, financial instability and a lower industrial output. In 1931, Britain abandoned the Gold Standard devaluing the pound and imposed protectionist tariffs to shield the country form foreign competition (Import Duties Act, 1932). It is evident the shift towards Keynesian economic policies especially in government– sponsored social and labour policies, to increase jobs (the Special Areas Act, 1934). Particularly, Britain nationalised the following industries: coal, electric supply and transport. It is important to note that Britain expanded state involvement but did not fully nationalise industries until after World War II.

France as well faced similar challenges, so the government was compelled to intervene directly. Labour reforms were introduced, like the 40– hour work week and paid vacations. Moreover, some industries (particularly those related to arms productions), were nationalised to secure control. France nationalised armament industry, aviation and banking.

Germany was the most striking example, taking a more radical approach to state intervention particularly during the rise to power of the Nazi Party in 1933. Hitler's government implemented large– scale public works programs (e.g. construction of the *Autobahn*) and rearmament, which successfully and significantly reduced unemployment and stimulated economic growth. Germany had a complex mix of state control, regulation and forced cooperation rather than outright nationalisation. However, under the Nazi rule, state control was expanded in the steel and heavy industry, railways and banking. The German approach was more focused on forcing private companies to heavily align with state's goals.

In Italy part of Mussolini's broader vision of creating a self– sufficient, autarkic economy and consolidating state control over all aspects of society. Mussolini's government promoted the idea of a 'corporate state', expressed in the *Carta del Lavoro* issued by '*Gran Consiglio del fascismo*' in 1927. In that document is expressed the doctrine of the 'corporate state', which posits that the interest of the employers and employees are subordinated to interest of the State. The economic vision of the corporate state, a third alternative to capitalism and communism, merges the individual interests with the ones of the state in order to maximise individuals' utility to reach the ultimate State's goal. This solution leverages the pillars of the capitalist system, however, suggests that capitalist and workers are to be controlled directly by the State to reach social stability. In the corporate state regime, the point is not that the state is to be opposite to the people subjected to its authority, but rather to expand its boundaries until it covers all its social reality.

Another important milestone was the birth of IRI, Istituto *per la Ricostruzione Industriale,* in 1933, under Mussolini's Fascist regime. However, after World War II progressively expanded its boundaries until it became the epicentre of State's intervention and the Italian economy. Originally it was conceived as a temporary public entity to rescue failing private banks and companies which were linked to those, but it was made a permanent institution to help the economy after the war. The reason behind the foundation of IRI was the collapse of three major private banks, Banco *di Roma*, *Banca Commerciale Italiana* and *Credito Italiano*, which had large industrial holdings. Not rescuing them meant a systematic crisis in strategic sectors. The State intervened to stabilise the economy and prevent unemployment. After WWII, IRI became a powerful tool for rebuilding the country's industrial base under the new democratic government. It managed and expanded SOEs particularly in steel, shipbuilding and transportation sectors; it boosted the industrial production especially between 1950s– 1960s. During this period IRI was one of the largest conglomerates in the world.

IRI played a role in development of the telecommunication sector (*SIP* later *Telecom Italia*); in shipbuilding and transportation (*Fincantieri*, *Alitalia*) and public services and infrastructures for energy, highways and railways (ENI, *ANAS* and *Ferrovie dello Stato*). In the 1960s, the Italian economy was growing at a high rate as the IRI was among the protagonists of the Italian 'miracle'. It served as an example to other European countries, particularly the British Labor governments, which looked at the "IRI formula" as a positive example of state intervention in the economy, better than simple "nationalisation" because it allowed for cooperation between public and private capital. In many companies within the group, the capital was mixed, partly public and partly private. Many companies in the IRI group remained listed on the stock exchange, and the bonds issued by the Institute to finance its enterprises were massively subscribed by savers.

However, this came at a high cost. IRI was heavily reliant on government funding and subsidies, which became a major issue during the Global Oil Crisis leading to financial imbalances.

1.3.5 Post– World War II (1945–1970s)

The end of the Second World War provided a huge task of economic and industrial reconstruction to be carried out in many European countries. In the process, governments assumed a prominent role in the nationalisation of a number of industries, such as: after 1945 the Labour Party in the UK nationalised industries such as coal, steel, and railways and a massive wave of nationalisations took place in France under de Gaulle and later Mitterrand.

Other continents also needed such measures. Developing economies in Latin America (e.g. Brazil, Mexico, and Argentina) and in Asia (e.g. India) made use of SOEs to spur economic development, primarily to reduce their dependence upon colonial powers.

The second post– war period is mostly remembered as `the great age of public enterprises' (Toninelli, 2000), during which State– Owned Enterprises accounted for roughly 7% of GDP in developed countries and 11% in middle– income states (Musacchio and Lazzarini, 2014).

From an industrial viewpoint, SOEs help to remedy market failures such as under– investment, filling the gaps left by private market actors who are unwilling or unable to provide for market demand. Their reluctance derives from certain risk aversion factors: e.g., long time to recoup the initial investment, and unavailability of capital.

From a social point of view, SOEs respond to policy and political objectives by providing employment opportunities and selling goods and services below market prices to meet social needs and foster stabilization.

From the political standpoint, SOEs also reveal inherent inefficiencies otherwise referred to as government failure. Hence, funds obtained by SOEs are often misconducted by political actors for personal and/or partisan ends such as politically motivated patronage, keeping large numbers of employment unnecessarily, and interference in procurement, product offering, pricing, or geographical asset location. This means that SOEs are driven more by political considerations than by economic or clear public benefit. Political factors will therefore supersede economic and financial factors and lead to resource allocation less than optimal.

Lastly, it will be noted that historical factors and political culture, as well as public opinion on ownership, influence SOE decisions. For example, fostering social and political national cohesion, promoting national defence, and stimulating economic development were the primary objectives of SOEs in the Western world. To these objectives, regulatory failures and socialist– inspired employment aims were often given lesser consideration. This perspective highlights how SOEs and their political environments are based on their geographical location and historical journey, thus any analysis must account for these particular factors.

1.3.6 The privatization wave (1980s– 1990s)

This now classical take on state– owned enterprises (SOEs) lasted only for a short duration, in fact, the short duration up until the 1980s with the collapse of the postwar economic boom. The paradigm shifted towards the neoliberal economic policies which stressed deregulation, privatization, and free markets. This change was caused by an array of economic, political, and ideological variables which in their ultimate analytical dimensions gravitated towards convincing conclusions that private enterprises were far more efficient than state enterprises. Primarily, these arguments put forth regarding stagflation, high unemployment, and fiscal deficit were responsible for this ideological shift.

Backward in time, during this epochal era, privatization was a gadget to enhance efficiency and productivity of poorly performing industries. In addition, because of the tremendous fiscal pressures and budget deficits on governments, they stood to gain revenue and thus lower public debt by selling SOEs, therefore SOEs were essentially seen as elements that can release money for productive uses.

This was one of the most striking examples, leading the process of privatizing SOEs under Prime Minister Margaret Thatcher, who sold major industries including telecommunications, gas, and electricity to private investors. Examples include the sale of British Telecom (1984), British Gas (1986), and British Airways (1987). Though the U.S. had fewer SOEs, it followed a general course of promoting and enacting deregulation and privatization in much the same manner to influence global economic policies in what came to be known as the Reagan administration. The rationale was to curb state intervention and initiate markets. Simultaneously, considerable efforts were undergone also in big privatizations from France, Germany, and Italy where private sector initiatives were encouraged.

In many cases, this new paradigm shift led to productive outcomes in terms of efficient performance. In private management, compared to SOE management, not only were newer management practices allowed to surface but also private managers focused their investments on technology on short– term financial returns and operational distraction."

by highly reducing public debt, thereby allowing the government to have access to cash for rehabilitating the health of its present balance sheet.

"Market competition" was one more area improved and entrenched by privatization; this is healthiest, most vibrant market structure– "perfect competition." Under perfect competition, firms have no choice but to compete with one another to ensure that no one firm gains the upper hand and starts dictating prices. Further, deficient companies are kicked out of the business in natural situations. This prohibits allocative inefficiency in the distribution of resources that maximizes social welfare and product, which provides goods at the lowest cost. Finally, the welfare of consumers is improved with respect to price and quality under perfect competition, Richard World.

The ideological wave of privatization influenced the globe. In Latin America, countries such as Argentina, Brazil, and Mexico undertook large– scale privatization programs for the express purposes of reducing their fiscal deficits and attracting foreign investment. And then, with the demise of the Soviet Union, all these East European countries hurriedly slipped from various forms of centrally planned economy to either free market economies or the shaky "ordered freedom" market economy having millions of SOEs in privatization.

1.3.7 Resurgence of SOEs (2000s– Present)

After the turn of the millennium, SOEs started to gain attraction again, especially in the developing world. SOEs have been accepted as moats against economic instability and support for strategic sectors. Their performance has greatly enhanced China's economic face; it has modernised them to compete in the global market, thus challenging the Washington Consensus. The same model has been used in Brazil and India by retaining substantial SOEs for example in energy or transportation, having them as engines of economic growth and development.

Many countries have adopted hybrid models, combining state ownership with private investment. This approach aims to leverage the efficiency of private enterprises while maintaining state's control over strategic sectors. SOEs have played a crucial role in infrastructure development, particularly in emerging economies, with public– private partnerships being used to finance and manage large– scale projects. Notably, many SOEs underwent significant reforms both organisational and on governance, which focused mainly on reducing political interference as deemed ineffective and limiting most of the time and focusing on commercialisation.

1.4 The role of SOEs in different political landscapes

The extent of influence exercised by an SOE can depend in large part on the state vision and the type of government that exists, politically or economically.

In socialist economies, SOEs became the very backbone of such economic systems. These enterprises exist mainly as instruments of state control over major sectors of the economy to ensure the alignment of their activities with national goals and not with market forces. Besides such control in key sectors, these companies provide employment for a major segment of the population and also implement worker allocation (for example, in the USSR) on the basis of centrally planned economic and political objectives that give precedence to certain industries for development. SOEs have virtually always been confined to the straitjacket of central planning.

In capitalist economic environments, SOEs are definitively much reduced in scope, but still of great importance. Instead of being widely spread across the industries, SOEs do chiefly, if not exclusively, confine themselves to strategic sectors for purposes that are vastly different compared to the communist countries. The overwhelming reason for that is the need for pushing investment there where there is a lack or in connection with national security concerns. They could also intervene in the market to correct the market failures by rendering services which are otherwise not attractive enough to pull in the intervention of the private sector on their own merits. While these enterprises may earnestly provide market competition to their counterparts from socialist economies, they always receive such positive subsidization and funding from the government keeping their SOEs government owned is the best choice to serve their interests.

The decreasing phenomenon of SOEs in the capitalist system since the middle of the 20th century reflected in many ways the recent changes toward a more democratic economic space toward fostering more competition and efficiency, but it is also an exit by the source of government against great public debt that jars states into reassessing the financial viability of sustaining large SOEs. One besides, the Article 107 of the Treaty on the Functioning of the European Union (TFEU), which has been basically one with the Treaty of Rome of 1957 and later named by the Treaty of Lisbon of 2009, allows state aid only when such is explicitly backed; otherwise, it cannot be granted clearly fearing that public interventions might skew competition. Whenever state intervention is considered necessary, however, exceptions are made, as for the duration of the COVID– 19 crisis.

1.5 Data on SOEs

According to an OECD report, 126 of the world's 500 largest enterprises by revenue (25.2%) are State– Owned Enterprises (SOEs). This figure has grown steadily from 34 in 2000 to 102 in 2017. Collectively, these enterprises employ over 21.2 million people, own $53.5 trillion in assets, generate $12 trillion in revenue, and yield $730 billion in annual profits**.**

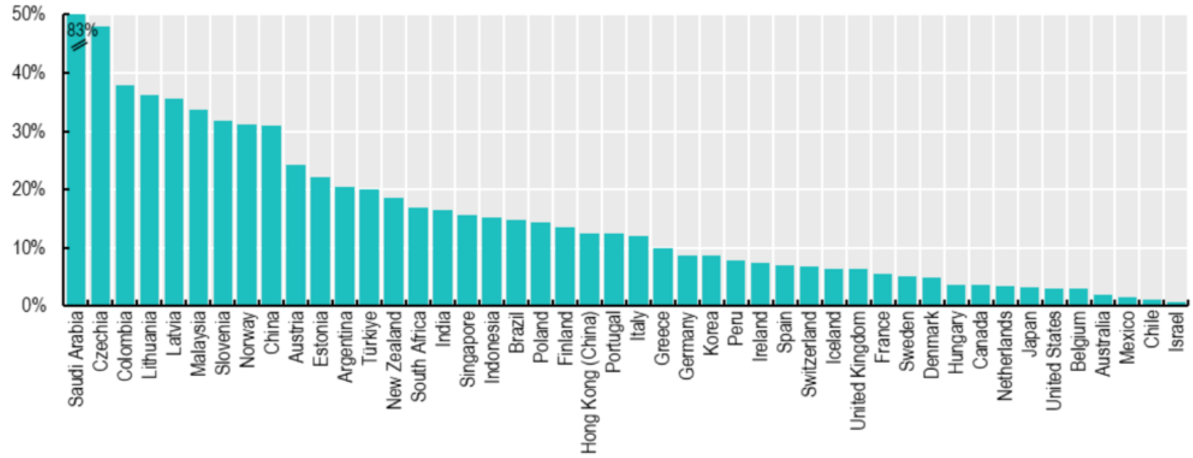
Table 4. SOEs in the Fortune 500 list

INDICATOR	TOTAL FORTUNE 500	TOTAL SOEs	SOEs as % of total
Number of firms	500	126	25%
Assets (USD bn)	151 986	53 545	35%
Revenues (USD bn)	40 957	12 303	30%
Profits (USD bn)	2 898	730	25%
Employees	70 119 405	21 202 854	30%

Source: Fortune, Global 500

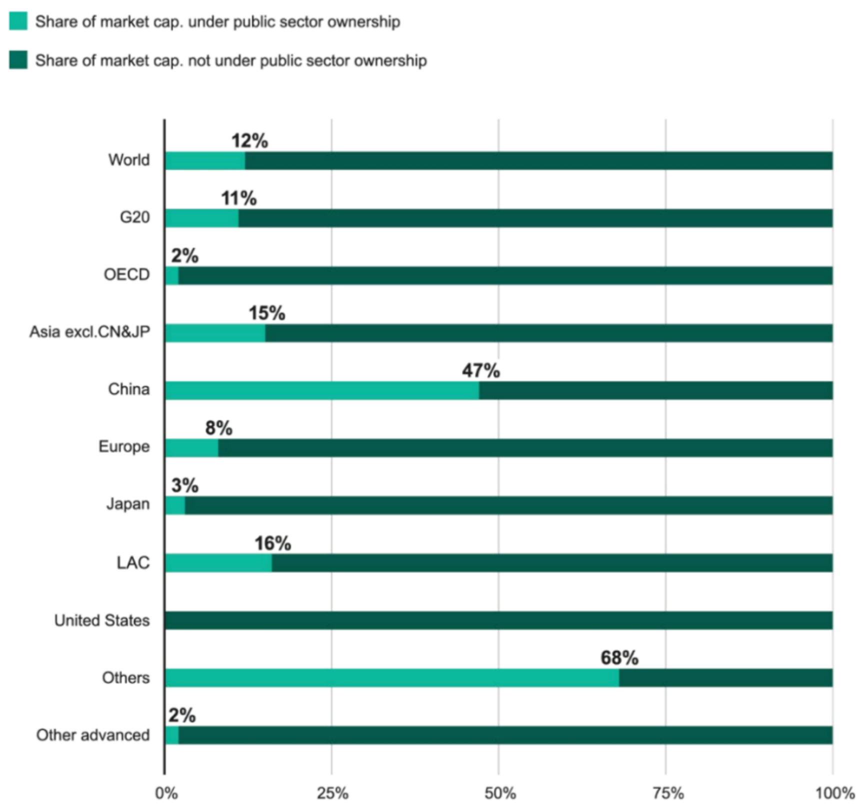
State– owned enterprises have become big players in the public equity markets. For the past two decades, alternative solutions to privatization have been to float minority stakes of SOEs through stock markets, representing an 11.7 trillion USD global market capitalization. By 2024, it was reported that, on average, public sector ownership was above 25% of shares in these companies, which accounted for 12% of total global market capitalization. However, the power to influence equity markets greatly differs within regions. The OECD indicates that only 2% of capitalizations come from firms with state ownership of more than 25%. In Latin America and Asia (excluding China and Japan), however, this percentage adds to 16%. In China, 47% of market capitalization is constituted by companies with over 25% state ownership. The number may go as high as 68% in other regions.

Figure 3. Public sector ownership by market



Source: OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg.

Figure 4. Public sector ownership in listed companies



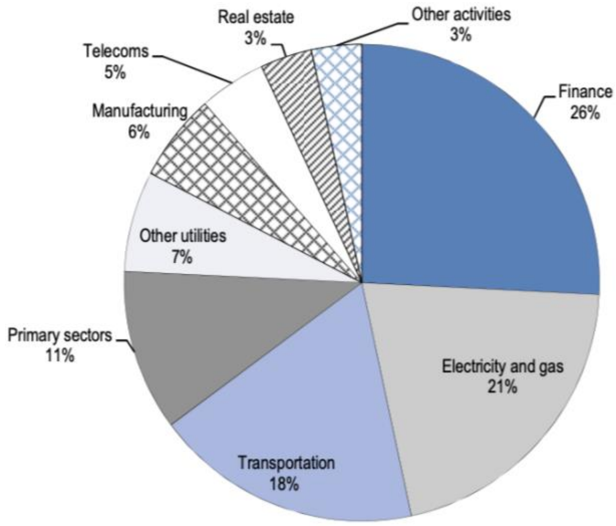
Source: OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg.

By definition listed companies have mixed ownership, where the state is one beside many others. This fact, however, has different implications for strategic decision– making while balancing the interests of the state.

As mentioned in the figures above, China exhibits the greatest level of state ownership among other countries. It reflects the political picture in China wherein it retains a significant part of its economic system by giving much control to its government. Unlike the US, which has little state ownership aligned with its market– based policies for economic growth that favour private sector and less government engagement. The two are the most extreme because they capture the extremes of state participation at the national economy level.

Other countries, however, apply a less direct approach to state ownership. For instance, state ownership comprises 16% of market capitalization in Latin America and Asia without China and Japan. This percentage is even lower in OECD countries and Europe, with only 2% and 8%, respectively.

Figure 5. Sectoral distribution of SOEs, by equity value



Source: OECD, The Size and Sectoral Distribution of State– Owned Enterprises, (2017)2

OECD conducts a study which concerns the sectoral distribution of SOEs worldwide, although sufficed to say, the economic arguments for their existence are quite numerous. Importantly, however, there remains a major risk that they could introduce inefficiencies potentially presenting spillovers to the entire economy. In particular, SOEs are found in sectors of natural monopoly, where competition becomes difficult or impossible to realize due to high entry barriers, heavy capital requirements, substantial sunk costs, etc., providing for the capture of economies of scale while at the same time according to some public purpose. They also promote industries that need to be viewed as "economically desirable and would not otherwise be developed through private investors". In fact, in

[2] OECD Secretariat calculations based on questionnaire responses submitted by national authorities or other contributing institutions from a sample of 40 countries, excluding China. The figure includes Argentina, Australia, Austria, Brazil, Canada, Chile, Colombia, Costa Rica, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, India, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Mexico, the Netherlands, New Zealand, Norway, Poland, Saudi Arabia, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. Sample area excludes China.

most transitional economies, SOEs were found to contribute up to about 30% of GDP. While SOEs are important market players in both high and low– income countries, their effective presence is most markedly felt in economies in transition, where such entities were found to add value of as much as 30% of GDP. SOEs are also present in contested sectors, domestically or internationally: manufacturing, banking, and finance.

The OECD conducted research to survey the sectoral distribution of state– owned enterprises (SOEs) worldwide. The reasons for the existence of these enterprises are many. But they are highly susceptible to creating inefficiencies that would ultimately spill over into the rest of the economy. More specifically, SOEs usually exist in natural monopolies where competition is either not realizable or not practical (for example, high entry barriers, large capital needs, high costs, etc.), can reap the benefits of economies of scale, and serve a public purpose at the same time. They promote industries that should be viewed as economically desirable and would not otherwise be developed through private investors. In transition economies, interestingly enough, SOEs are covering a considerable area, and possible enhanced value from the SOE activities could amount to 30% of GDP. In general, it is network sectors like electricity, telecommunications, transport, and water where SOEs are found to exist. SOEs might also take part in competition in areas where it has reason to do so, nationally or internationally, in manufacturing, banking, and finance. Interestingly, SOE data show that in terms of being in network sectors, this could allow SOEs to generate massive spillovers outside the sector to the wider economy, for instance, by way of productivity enhancement, acting as catalysts for investment, fostering technological advancement, and dampening economic fluctuations.

SOEs are most active in the supply chain, providing direction, and setting expectations downstream to those sectors that depend upon them. Although positive spillovers are expected, the downside is that SOEs could use their power to create inefficiencies. For example, the purchasing of inputs by SOEs could affect market prices, creating distortions or shortages. In addition, vertically integrating SOEs along the value chain could limit competition and opportunity for participation by the private sector. SOEs may act in these segments under certain conditions, even though their presence downstream is rather limited. As privatization has progressed, an increasing number of private interests have been included in downstream activities.

1.6 SOEs in a global economy

Technological changes have, over the years, been instrumental in connecting economies across the globe. The traditional dividing lines that once maintained separation among markets are now blurred through the movement of goods, services, and capital. Globalization is an intricate process that involves not only trade and investment, but also the movement of people, knowledge, culture, and environmental issues.

The larger the global marketplace, however, the more it nudges toward efficiency by establishing competition and allowing for the division of labour on a grander scale. These, in turn, have offered opportunities to people and economies to thrive, exercising access to more diversified markets, capital, and technology. Added to which, globalization gave free rein to the exchange of information and knowledge to realize best practices, state– of– the– art research, and newfound opportunities.

SOEs in this globalized world find themselves at an intersection like no other between international business and political economics. Governments orchestrate backing for SOEs to pursue ventures beyond their domestic confines, not merely to vie in the global marketplace, but also to serve national interests and diplomatic ends, particularly with resource– rich nations.

Privatization of state– run industry was a major trend of the 1980s and 1990s, yet SOEs still hold weight in the global economy. For most of the last few decades, there has actually been a growth in state ownership, especially in emerging economies, where governments have intermittently intervened in support of growth. On the whole, while OECD countries see diminishing importance in SOEs, they remain relevant and increasingly bound to elaborate regulations and standards.

Traditionally, the research focus of international business has ironically the SOEs, on grounds that they are perceived as an unequal partner with globalization. Central to this issue is that SOEs are at times used by their governments to limit the functioning of markets and pursue national interest over and above fair competition. But with the

emergence of globalization, SOEs could no longer operate like they had in their cloisters away from the global economic markets. Their development there substantially underwent an internationally oriented perspective, into international markets became important.
Twofold henceforth, the integration of global markets has nudged SOEs toward greater dealings abroad with private enterprises. This newfound attraction became stronger during crises, when governments rallied around SOEs instead of sidelining them.

Good reasons exist for maintaining an active role in the economy and meaningless not to: protecting national interest, public services, or supporting strategic industries. Concerns arise, however, when resources are pooled together, giving an unfair advantage over private competitors. In some jurisdictions, SOEs are treated just like private enterprises; in many others, however, these are unfairly pampered. Some examples include preferences extended in the case of subsidies, government– backed loans, or some other favours that have given an undue edge to SOEs against private competitors.
Adverse economic impacts linked to foreign SOEs and other complex forms of non–economic ramifications for the affected trade partners may arise from control mechanisms set in place by home countries against foreign competitors.

Presently, SOEs and POEs compete anywhere and on all fronts – both domestic and international. This competition can take various forms:

- Foreign trade (export or import)
- Entry by SOEs into the domestic markets of other countries' POEs
- Cross– entry of foreign POEs into the domestic markets of SOEs
- Competition in third countries via trade or investment

SOEs, having gained access and emerged as some of the giants in global markets, hold the chance to distort trade and policies of governments with their ever– growing powers and trade distorting powers at that. As SOEs grow larger and more influential, these distortions become even more detrimental, particularly in worldwide open markets. Assuming that internationally competitive firms are more technologically advanced and less distortive, these distortions exert increasingly immense economic repercussions. Just

like an oil spill contaminates more than just the soil where it was poured, so too do SOEs firming in action yield an effect not only on the country they are operating in but against their own trade partners, thus giving more importance to the civil obligation that compels sovereigns to focus on their harmonious co– existence.
SOEs are propelled toward internationalization by a number of other internal and external factors:

- SOEs assist governments obtain resources and technology for future use back at home. When SOEs advantage themselves with government– backed advantages, they may also be able to indeed beat other foreign players in global markets;
- By going international, SOEs can sometimes overcome problems domestically– including increasing market share or improving productivity; however, these may have some disadvantages too, for example, less foreign investment in the domestic market if SOEs are considered as unfair competitors;
- Some SOEs are compensated for providing essential public services that aren't commercially viable for private companies, such as mailing rural areas. Often in compensation, the larger the SOE grows, the more benefits it receives, thus encouraging it to grow further—sometimes on an international level;
- Going international is likely to assist SOEs in achieving economies of scale, especially where their domestic market is too small or stagnant.

Each of these factors provides SOEs backing over either home or gradual spaces for unfair competition against internal or global private competitors.

CHAPTER 2

2.1 Literature review

2.1.1 Introduction

This literature review attempts to intertwine some threads from recent studies dealing with state– owned enterprises (SOEs) and their behavior in a globalized economy, with an aim to delineate not only the main findings but also the gaps in knowledge and the possible future directions for research. The internationalization of State– Owned Enterprises (SOEs) has long received attention from international business (IB) research, because of their dual role as both commercial entities and instruments of state policy.

2.1.2 Government support and SOE internazionalization

A considerable part of the literature concerns itself with how government support fosters SOEs' internationalization. Pinto et al. (2017) identify three mechanisms: financial support, state equity participation, and political ties. Financial support, such as concessional funding and subsidies, is helpful to keep down investment risks; state equity participation in terms of granting partial or full ownership, particularly by the government, is a considerable influence on the strategic decisions made by these firms; and political ties help overcome regulatory barriers and entry into markets by leveraging connections with the government. SOEs and government– supported firms use these mechanisms to address barriers stemming from institutional distance, allowing for larger stakes in foreign ventures. Pinto et al. (2017) also comment that state ownership may have a moderating effect on the appetite for risk, which makes the SOEs prefer partial acquisitions in institutionally distant markets.

2.1.3 Political risk and SOE expansion

SOEs' political risk– mitigating ability is a prominent factor influencing their internationalization. Rygh and Knutsen (2024) analyzed whether SOEs could protect their foreign subsidiaries against political instability. Their results suggest that SOEs probably enter politically risky markets more than private MNEs, drawing on state support to cushion their economic volatility. Their research discusses two opposing views: the "good side,” where state ownership is said to strengthen the resistance of firms to political risks, and the “bad side,” where SOEs are considered to take on excessive risk because of poor corporate governance and soft budget constraints. The results of the study indicate that the sectorial impact of political risk is differentiated, granting the highest favors to infrastructure industries.

2.1.4 Network – based advantages in SOE internazionalization

Network– based advantages come in handy, allowing SOEs to expand globally. Wu et al. (2021) consider the role of TMT networks as facilitators of the internationalization process, particularly for Chinese SOEs. Strong formal network linkages empower the SOE to penetrate developed markets, whereas political connections allow the SOE to thrive in emerging markets where regulatory barriers are still high. The entry advantage from state support is a double– edged sword, engendering strategic rigidity and constraining SOEs’ performance in foreign markets.

2.1.5 SOE and International Joint Ventures (IJVs)

SOEs’ participation in international joint ventures (IJVs) is another major concern. Wang et al. (2023) examine the effects of state ownership on joint venture survival, finding that moderate levels of state ownership improve IJV longevity by granting access to state resources. Nonetheless, high levels of state ownership may generate negative consequences for governance, leading to inefficiencies and conflicts among private partners. The state support shows a U– shaped impact where both very low and very high levels of government participation are undesirable. For maximally benefiting from international partnerships, SOEs should find a balance between state support and strategic flexibility.

2.1.6 Institutional distance and SOE strategies

The relationship between home and host countries is pivotal in shaping the foreign expansion strategies of SOEs. Pinto et al. (2017) indicate that government support moderates the ill effects of institutional distance, giving SOEs more leeway for larger acquisition stakes by providing them support in their ongoing acquisitions abroad. On the flip side, the wider institutional distance could deter SOEs from being operationally effective unless they put in place mitigation strategies such as partnerships with local firms, knowledge transfers, and state diplomacy.

Pan et al. (2014) talk about how government ownership and legislative connections affect ownership levels in foreign subsidiaries, with both factors standing internationally to moderate the relationship between foreign institutional environments and firms' subsidiary ownership. According to transaction cost theory, firms prefer more ownership in subsidiaries located in favorable institutional environments because of low transaction costs. Pan et al. (2014) indicate that government ownership and legislative connections can have a significant impact on these costs. Firms with government ownership have easy access to resources and aim at more than just profit maximization, while those with legislative connections receive access to crucial information and political clout. Their findings support the argument that government ownership and legislative connections negatively moderate the relationship of foreign institutional environment with subsidiary ownership.

2.1.7 Institutional pressures and legitimacy concerns

Meyer et al. (2014) argued that SOEs experience more complex institutional pressures than private firms in host countries. In such pressures, one can see the interference of conflicts of ideology, perceived threats to national security, and claims of unfair competitive advantages. The authors then argue that SOEs adjust their foreign entry strategies in order to diminish such conflicts and increase their legitimacy. The institutional constraints SOEs experience were said to be greater than those for private firms, these being mainly operationalized through technological and institutional development in the perspective host country. Meyer et al. (2014) relate that SOEs exhibit a higher preference to acquire as a mode of entry into foreign countries compared with private firms, but the acquisition preference drops in instances where host countries have strong technological or institutional development. In each acquired venture, SOEs prefer to hold a lower equity stake to cement their legitimacy.

Mariotti and Marzano (2019) analyze the long– term evolution of the internationalization degree of SOEs compared to privately owned enterprises (POEs). The focus is on state ownership and home– country institutions and how these affect the firm internationalization process. The authors attempt to merge international business literature into the varieties of capitalism (VoC) debate by arguing that state– dominated enterprises (SDEs) internationalize more in coordinated market economies (CMEs) and less in liberal market economies (LMEs), being somewhat random in state– influenced market economies (SMEs). They claim the effect of state ownership on internationalization is affected by the variety of capitalism in the home country.

Liang et al. (2015) offer a state– control perspective to discuss mechanisms of government control for the globalization of SOEs. They establish two types of state control: control based on ownership and control through executives' political connections; both dependent on the gradually changing institutional environments of the home country. Focusing on Chinese– listed companies, the study analyzes how these two control mechanisms impact SOEs' globalization decisions. The authors propose that these two represent the major ways in which the government exercises control over SOEs' globalization. The functioning of these control mechanisms is dependent on institutions that vary over time.

Li et al. (2017), in their study, explored the legitimacy concerns brought about by the cross– border acquisitions of state– owned foreign firms and how those concerns impact the outcome of acquisitions. The authors argue that theorization by local regulatory agencies is a major mechanism linking legitimacy concerns with acquisition outcomes. They further postulate that state– owned foreign firms are less likely to have acquisition completed and thus concomitantly take longer to complete due to legitimacy concerns. The study then introduces firm characteristics as contingency factors that may modify the relationship proposed.

Hennart et al. (2017) look into the rise of Multilatinas, especially Brazilian multinational enterprises (MNEs), arguing that state ownership and government policies influence the internationalization of these firms. The text describes the transition from import– substituting industrialization (ISI) to more open economies and the privatization of state–

owned enterprises (SOEs) in Latin America. Driving the internationalization of Multilatinas is said to be a pragmatic adaptation to state intervention policies.

Estrin et al. (2016) study the effect of home country institutions on the internationalization of SOEs by comparing them with wholly privately– owned enterprises (POEs). The investigation reveals how divergent institutional frameworks shape strategies of SOEs, particularly with regard to their international investments. The authors state that SOEs differ from POEs in terms of governance, risk attitude, and access to resources. They suggest that the internationalization process of SOEs is motivated by home country institutions' efficacy to regulate their decision– makers.

Duanmu (2014) investigates the means through which state– owned MNCs can leverage their home government to counteract expropriation risks imposed by host countries. The study focuses on Chinese state– owned enterprises (SOEs) that critically assess how political relations and economic dependency mitigate expropriation risks. The author defines expropriation risk to mean the shortfall of a country in the protection of private property rights, particularly against government expropriation.

In assessing Russian cross– border M&A activity through the OLI (Ownership– Location– Internalization) framework, Dikova et al. (2019) investigate the ownership preferences of Russian multinationals abroad. The study aims at comprehending what attracts or deters Russian acquirers, considering how state ownership influences their ownership choices in foreign markets. To account for both motivation and deterrents for Russian investors, the authors enhance the OLI framework by means of institutional distance.

Cui and Jiang (2012) assess the effects of state ownership on FDI ownership decisions by Chinese firms. The paradigm of state ownership is perhaps even more salient, extending institutional theory from an international business perspective into the influence of home and host country institutional pressures on such firm behavior. State ownership is said to create a political link between a firm and its home– country government, thereby affecting the host– country institutions' view of the firm's image.

Clegg et al. (2018) examine the home country autocracy as a principal factor influencing the internationalization of state– owned multinational enterprises (SOMNCs). The research draws on theories from international business and international political economy to argue that autocratic states can more effectively co– opt SOEs in pursuit of international nationalist objectives than democratic governments. Autocratic home countries are represented as pursuing a mercantilist agenda through SOMNCs to exert power globally.

Chen et al. (2021) discussed state ownership's function in trade credit supply– that is, mostly how SOEs furnish liquidity to the supplier. It builds on the financing advantage theory, which asserts that, owing to direct government assistance, SOEs have a greater financing advantage and are thus able to furnish greater trade credit. The authors argue that the government's role through guarantees, tax discounts, and other assistance to SOEs facilitates trade credit provision through finance access.

Chen et al. (2019) offer a private– government principles– principals (PP) conflict view for the understanding of the corporate governance of state– owned multinationals. It studies how conflicts among large government and private blockholders influence managerial decision– making with regard to cross– border acquisitions' completion probability and their monetary value. The authors further argue that the conflict among different blockholders makes it much more difficult to pursue large– scale cross– border deals since they are characterized by a less coherent objective function and rejection of deals which do not satisfy conflicting objectives.

Benito et al. (2016) explore the relationship between internationalization and performance in listed SOEs compared to POEs. SOEs have more to gain from internationalization, given their previous domestic focus and governmental firm– specific advantages, suggests the study. The authors consider potential positive aspects of internationalization, which include exploitation of economies of scale and scope, risk diversification, cost reduction, and knowledge access.

2.1.8 Challenges and performance of SOEs in internationalization

Li and Meyer (2023) focus on the argument of "liability of stateness", whereby the SOEs face intensified regulatory scrutiny in the foreign market due to their presumed political connection. Their study finds that the likelihood of SOEs being placed under additional regulatory scrutiny in cross– border acquisition as compared to privately owned enterprises (POEs) is great.

De Mello et al. (2024) examine political elections in the emerging economies and their effect on the internationalization strategy of SOE with indirect state ownership. Their view, informed by resource dependence theory and the literature on investment irreversibility, states that uncertainty and opportunistic policies generated by electoral politics decrease the likelihood of SOEs expanding internationally.

Bass and Chakrabarty (2014) propose the concept of "resource security theory," describing how SOEs source strategic resources abroad for the purpose of enhancing their home country economic and geopolitical status. They argue that explorative activities receive high priority from SOEs, meaning that investments are pursued for reasons of long– term national security and resource independence rather than short– term profit maximization.

Albino– Pimentel et al. (2018) examine political connections in relation to international acquisition strategies. The research showed that politically connected decision– makers are more inclined to engage in foreign acquisitions; however, such connections considerably impede further internationalization if they exist at any executive– level position rather than among non– executive board members. The study examines the influence of relational ownership on hybrid SOEs' internationalization, with the consideration that foreign MNEs are co– owners. The integration of the "liability of stateness" and the "government as strategist" perspectives with an approach focusing on institutional context is also considered.

Li et al. (2019) emphasize the meaning of "liability of opaqueness" with respect to overseas acquisitions by SOEs and the hurdles presented by the lack of transparency in

SOEs. They find that SOEs will be apprehensive to cross borders to make acquisitions more than non– SOEs, owing to partitioned characteristics and agency problems.

Kalasin et al. (2020) accepts the S– curve relationship of international expansion with state ownership. Their findings state that firms with low state ownership do limited international expansion, those with medium state– owned firms increase expansion because of the resource advantages, and those with high– state ownership decline with increasing internationalization because of overstates control. It synthesizes comprehensive studies on SOEs and their behavior globally recently and the major findings, gaps, and possible future research directions. Raising definitions between SOEs and foreign multinational corporations is no longer very distinct at least concerning the internationalization strategic choice. SOEs under a CME would typically pursue agenda– driven proactive internationalization that aligns with national strategies and political objectives, often heavily biased toward acquisitions. Compared to the LME's private sector, they are less aggressive abroad. Hence, strategic inflexibility can be a major hindrance of state priorities, although in principle SOEs may have privileged access to institutional resources. Private enterprises, being almost entirely economically driven, are however more risk– averse, and their operations tend to cover vast geographical territory with a highly varied product portfolio.

Differential motivations and resource configurations trigger alternative behaviour. For example, Chinese SOEs may have directives from the home country to conduct business in natural– resource sectors, while private enterprises may underscore large markets and strategic assets. Sub– national SOEs (SSOEs) will favour a gradual market– oriented view compared with central state– owned enterprises (CSOEs), which pursue politically motivated strategies. For outward foreign direct investment (OFDI), SOEs encouraged to set up markets may fail more often than private enterprises, yet they might succeed more under favorable conditions.

Estrin et al. (2020) mention the home– country institutional instruments that determine strategies by SOEs for internationalization, stating that stringent institutional control can bound much of SOEs strategy like that of privately affected enterprises. Like Finchelstein et al. (2021), they distinguish between SSOEs and CSOEs – SSOEs pursuing gradual, market– driven strategies while CSOEs adopt non– gradual, specialized, non– market– driven strategies. As Mariotti and Marzano (2020) note, in poorly coordinated institutional settings, international joint ownership facilitates the peculiar advantages in hybrid SOEs' internationalization efforts.

Amighini et al. (2012) confirm that Chinese SOEs are mostly pushed to internationalize by home country strategic objectives, often with an industry– specific focus on natural resources, disregarding host country conditions. In fact, private firms tend to be more interested in large markets and strategic assets and are more risk averse. Further corroborating Cuervo– Cazurra and Li (2021), strategic interests drive national priorities enormously above all those comprising the motivation of SOEs and sometimes lead to cross SOEs are politically motivated; non– SOEs follow purely economic calculations.

On internationalization benefits, state ownership per se does not inhibit gains derived from internationalization according to Benito et al. (2016). Under the right conditions, SOEs, rather than behaving in accord with state expectations, may gain similar advantages from internationalization as privately– owned companies– that is, through differentiation on their strategic paths, Ren et al. (2019) differentiate types of resources– state– based considered to benefit SOEs, and performance– based aid NSOEs. While the SOEs have easier access to institutional resources, state considerations often constrain them in terms of strategy. The NSOEs, on the other hand, might not have this resource advantage but enjoy the flexibility to apply it during internationalization, usually in technology acquisition and efficiency enhancement. Cuervo– Cazurra and Li (2021) state that SOEs take the route of acquisitions as a short– cut, on the one hand placing much heavier reliance on them as a means to assimilate resources and capabilities rapidly into the global markets.

Performance is an area where SOEs face challenges. According to Ren et al. (2019), SOEs fail more with outward FDI compared to NSOEs, which learn from international exposure and are more strategic. Conversely, there is no evidence in Benito et al. (2016) suggesting that state ownership engenders any erosion of internationalization advantages. When the parameters are right, SOEs may, however, perform equally well with internationalization. Performance in international markets by Mariotti and Marzano (2019) is heavily influenced by institutional contexts, with better performance in coordinated than in liberal markets.

Lazzarini and Musacchio (2018) vigorously contest the idea that state ownership usually brings about inefficiencies in the global market, and present evidence that SOEs could enhance their international performance through their connections with the government. Specifically, Benito et al. (2016) contend that state ownership allows SOEs– in fact, any market power and resource advantages– unattainable by private enterprises by going international and aligning their strategic goals with national interest. Amighini et al. (2013) added that, unlike private firms, Chinese SOEs usually converge to profit maximization instead of national policy goals.

Li et al. (2014) go on to show how FDI strategies differ for central SOEs and local SOEs in emerging economies. Their analysis shows that local SOEs generally fit their behavior along a market– seeking regime, whereas central SOEs focus upon resource acquisition, forming a typology of internationalization differing by the ownership structure. Luo et al. (2011) and Guo et al. (2017) cite the importance of human capital for the internationalization of SOEs, in particular, the political navigating of middle managers.

2.1.9 Future directions

This phenomenon of internationalization in state– owned enterprises (SOEs) is a touchy area compared to privately owned multinational corporations (MNC). It has been documented in the academic literature that SOE internationalization has a number of drivers such as government support, political risk management, network– based advantages, and institutional distance among others. Although SOEs have access to resources backed by the government, they also have to face challenges, for instance, regulatory scrutiny, governance inefficiencies, and legitimacy problems in foreign markets.

There is a two– edged nature of state ownership: strategic advantages in access to capital and markets, and constraints that limit strategic flexibility. Most importantly, home– country institutions shape SOE strategies. In strong institutional frameworks SOEs tend to behave like private firms in their international expansion, while weak institutions would often additionally reinforce the state– driven priorities. It is also described the diversity in SOE internationalization with regard to political and economic contexts, highlighting the relevance of national strategic objectives, ownership structures, and institutional coordination.

Though a good amount of literature exists, many gaps remain. Comparative studies beyond China and emerging economies across diverse institutional settings are needed to know more about SOE internationalization. Research is still lacking regarding the impact of digital transformation and technological innovations on SOE strategies. Last but not the least, there is a need to carry out more quantitative analyses regarding long– term performance outcomes of SOEs compared to private MNCs, especially regarding measuring the sustainability of their competitive advantages in global markets.

As globalization continues to evolve and economic interdependence deepens, SOEs will remain prime players in international business. Future research would best be focused on improving theoretical frameworks so that they would provide fuller accounts of the dynamic, multifaceted nature of SOE internationalization, gaining a broader understanding of their role in the global economy.

CHAPTER 3

3.1 Methodology and data organization

3.1.1 Secondary data: Dataset structure

This study investigates the question: “Why do State–Owned Enterprises (SOEs) pursue internationalization, and what strategies do they prefer in global markets?”. To explore this, a qualitative research design was adopted, utilizing a broad global sample of firms that had engaged in greenfield foreign direct investment (FDI) as a means of international expansion.

The data relevant to this research contain only greenfield foreign direct investments (FDIs), which is an especially meaningful choice for SOEs. A greenfield foreign direct investment (FDI) refers to a type of investment where a parent company establishes a new business operation in a foreign country from the ground up. Greenfield investment offers the most control for the investing corporation, allowing it to create the infrastructure and operations that perfectly match its strategic goals.. For SOEs, this level of control is crucial as it enables them to implement policies and practices that reflect governmental priorities and national interests. This flexibility ensures that the infrastructure and operations function optimally and efficiently, fully aligned with strategic goals.

Greenfield investment can also serve to boost SOEs’ reputational profile and brand equity. The very act of investing is often seen as a commitment to the local economy, which is considered goodwill for local stakeholders and ultimately beneficial for the brand in the new market. This goodwill is critical for SOEs, as they are often seen to represent the economic and political interests of their country of origin abroad. Next to that, a clear advantage for SOEs lies in the fact that there are no legacy problems. Greenfields do not require what would have been considered problems or liabilities from prior ownership positions which would have cost addition expenditures for SOE industry to remediate, thus allowing SOEs to kick start operations without being encumbered by the shackles of history. This clean slate arrangement is benefitting SOEs even further, given that they face more scrutiny and higher expectations in terms of their performance on the one hand and adherence to regulatory standards on the other.

But, greenfield investments also pose some challenges for SOEs. Building up new operations completely takes time, such that the entire undertaking involves planning, construction, and commissioning. Business activities and revenues would be considerably delayed as a result. There exist quite a number of uncertainties in such matters as culture shock, market turbulence, and competitive pressure when entering a new market. For SOEs, added threats are posed by the insistence on rendering international operations synchronous with domestic policy and aspirations. Further, a huge financial, managerial, and time commitment is required, as greenfield investments have high costs in land acquisition, construction, and working capital for initial establishment. Nonetheless, SOEs often benefit from preferential access to financing, which can mitigate these challenges.. The various land regulations, permits, and other approvals necessary for the beginning of such local construction are very complex and time– consuming, and the SOE must comply with diverse and varying local laws and regulations. This regulatory background poses a major headache for SOEs as they have to reconcile the competing interests of international regulations with domestic governmental dictates.

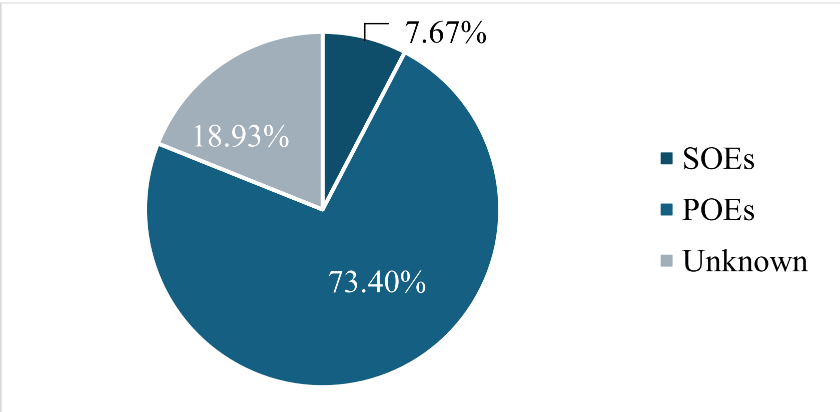
Offering an in– depth analysis of how SOEs utilize greenfield FDIs to satisfy their resource– seeking, market– seeking, efficiency– seeking, and strategic asset– seeking objectives, while at the same time factoring in issues related to sustainability and geopolitical considerations, provides great relevance. Such an approach provides a detailed insight into the strategic rationale of greenfield investments and their implications on international business operations– relevant especially to SOEs, which under different constraints and opportunities exist compared to privately– owned enterprises.

The dataset was sourced from the Orbis and Orbis Cross– Border Investment (M&A) Database, which provided a comprehensive record of greenfield FDI projects until 2023. From this collection, a sample of 861 mixed investment cases consisted of State– Owned Enterprises (SOEs) and Multinational Enterprises (MNEs). Although this research fundamentally addresses SOEs, the inclusion of MNEs allows for comparison and situates SOE behavior within the broader context of international business phenomena. This approach provides a benchmark against which SOE internationalization strategies can be analyzed, enabling the assessment of observed behaviors against broader strategic investment trends on the international stage.

The dataset was initially organized by project number and the latest status update. It was then divided into subcategories based on global ownership, Investing BDV ID number, and state ownership percentage. Projects were categorized according to the project rationale, derived from comments made by C–level employees of the respective companies. This categorization was further refined by applying a primary criteria, which involved choosing between Dunning's paradigm. Additionally, a subsequent level of analysis was incorporated, taking into account not only Dunning's paradigm but also geopolitical considerations and sustainability motives.

The dataset comprising a total of 861 companies, was categorized based on their ownership structure. In all, 7.67% (66 out of 861) are State– Owned Enterprises (SOEs), defined here with a state ownership percentage strictly exceeding 0%. Within this study, only 632 privately owned companies, which translates to 73.40%, can be accounted for in this study; the remaining 18.93% (163 out of 861) of businesses have an unknown condition for ownership.

Figure 6. Distribution of ownership structures among sampled firms.



Source: Author's own elaboration based on Orbis and Orbis Cross– Border Investment Database (2023).

Within these SOEs, state ownership varies greatly, from 0.7– 69.58%, indicating a widespread range of state involvement in the management of these enterprises– from anything between minimal and substantial control.

Importantly, in the practices of international business, categorization of SOEs in this database does not usually take into consideration the countries of origin. Thus, without solely restricting the dataset to particular countries, the research analyzes more broadly applicable trends and patterns vis– a– vis state ownership across various geopolitical contexts. Consequently, this allows for the study of how state control exercised to varying degrees actually impacts business decisions, efficiency, and strategic objectives.

Additionally, the dataset includes a multitude of companies without sector restrictions, enabling the analysis of different dynamics and strategies across industries[3]. Such a wide–ranging framework helps in ascertaining cross– sector trends and insights while factoring in the peculiar challenges and opportunities confronting these firms in various contexts. For instance, in the energy sector, SOEs would behave differently in their investment choices as compared to the SOEs in technology or manufacturing, influenced by the regulatory environment, demand scenario, and technology evolution.

The inclusion of MNEs alongside SOEs allows for a comparative analysis of international business strategies. Such comparisons will give indications of how strategic decisions differ under public ownership when contrasted with private ownership, giving additional insight into the feasibility of different business models in achieving resource– , market– , efficiency– , and strategic asset– seeking objectives. The accessibility of a global and cross– sectoral database will facilitate the examination of sustainability practices as well as the geopolitical influences impacting investment decisions. Different sectors may prioritize sustainability differently, and geopolitical factors can have varying impacts depending on the industry.

In the first instance of analysis, each FDI case was classified according to Dunning's (1993) market selection criterion indicating the primary internationalization motive: resource– seeking, market– seeking, efficiency– seeking, or strategic asset– seeking. Acknowledging that probably an oversimplification could not capture the complexity of firm behavior, a second layer of classification was added to show secondary aims including strategic considerations, such as environmental sustainability targets or reactions to geopolitical dynamics, perhaps even more relevant in current international business decision making. This dual framework, through the eclectic paradigm of Dunning viewed from present global context, enables deeper understanding of the motivations and strategic choices behind SOE internationalization– and how, if at all,

[3] Energy (traditional and renewables), automotive and E– mobility, logistics and transportation, manufacturing, hospitality and tourism, retail, technologies, healthcare, pharmaceuticals, food and beverages, real estate and construction, aerospace and defence, banking and finance, electronics, cloud/ data centres, strategic hubs, insurance, chemicals and industrial equipment, semiconductors, mining, consulting and professional services.

state ownership might shape or distinguish these choices from those private multinational counterparts.

Furthermore, the relationship between the primary and secondary strategic motives of state– owned enterprises (SOEs) and privately owned enterprises (POEs) was examined. This analysis specifically excluded firms where the percentage of state ownership was unknown to ensure the findings were accurate and reliable. An analysis of primary motives against secondary motives was rationalized for each category concurrently to provide a clear picture of the strategic behavior and priorities of these entities. In doing so, that interrelationship between different strategic choices could be highlighted, showing the peculiar tendencies and patterns associated with SOEs and POEs when making foreign investment decisions.

3.1.2 Semi–Structured Interviews for contextual insight and triangulation

In this research work, interviews have been employed as a complementary method to add to the principal qualitative analysis of foreign direct investment (FDI) cases of state–owned enterprises (SOEs). Their inclusion is twofold: first, to elicit contextually sensitive insights that will enrich the understanding strategies beyond what might be revealed from quantitative data alone; and secondly, to validate and triangulate empirical evidence through providing an interpretive aspect grounding statistical patterns within lived perceptions and experience. Interviews, and notably their semi–structured variety, are well–known as a sound qualitative method for eliciting subjective aspects within organizational behavior (Kvale & Brinkmann, 2009; Patton, 2002). A semi–structured interview is characterized by flexible but thematically guided protocol using both open–ended questions that are pre–determined but can be spontaneously followed up. Such a design allows comparison over interviews while still permitting participants to record themselves in their own words, thus facilitating more profound investigation into complicated occurrences (Patton, 2002). In contrast to structured surveys that strive for breadth and comparability, semi–structured interviews favor depth and context and provide researchers with the ability to reveal unexplored themes and lived experience (Charmaz, 2014).

This epistemological focus makes interviews well–suited for analyzing how institutional actors—e.g., SOEs—reflect and articulate their internationalization approaches in politically, economically, and culturally situated contexts. Instead of pursuing statistical generalizability, the method focuses on co–constructing meaning among participant and interviewer (Mishler, 1986), and is well–suited to identifying latent motives and perceived constraints and organizational logics that are hard to discern from quantitative data alone. Including interview data in the wider research design also invokes the principle of triangulation—the methodological practice of using diverse sources or approaches to study the same phenomenon so as to enhance credibility and rigour in findings (Lincoln & Guba, 1985; Denzin, 1978). In this case, triangulation serves to enhance internal validity through cross–validation with statistical outcomes and qualitative stories so that patterns emerging in the dataset have substantiation from lived experiences and managerial interpretations.

In addition, interview use overcomes possible blind spots in numerical interpretation through context–providing first–hand accounts that clarify institutional reasons, pressures from stakeholders, and policy fit. This hybrid approach is an answer to various critiques of quantitative reductionism in organizational studies through an emphasis on human actors' meaning–making and interpretive capacities (Silverman, 2013). Although interview data is not statistically representative in nature, its power resides in transferability—the capacity of in–depth understanding to be meaningfully transferable to similar contexts informed by thick descriptive context and salience (Lincoln & Guba, 1985). To guarantee methodological rigor, specific attention was directed towards concerns about issues of reflexivity, thematic saturation, and mitigating bias. The semi–structured nature allowed for a coherent yet flexible framework for interviewing and the iterative coding and interpretation procedure attempted to avoid distortions from researcher subjectivity (Malterud, 2001).

The use of interviews is more than anecdotal complements but as a critical explanatory tool, corroborating numerical trends as well as making explicit the interlayered motives, operational trade–offs and strategic tensions that underlie SOE international behavior—facets that in their study through numerical data alone remain a mystery.

3.2 Theoretical Framework: Dunning's OLI Paradigm and Its Application to SOEs

3.2.1 Dunning's OLI Paradigm

John H. Dunning, a British economist, made outstanding contributions in international business and economics; he is credited with formulating the Eclectic Paradigm, known as the OLI framework (Ownership, Location, Internalization), which underlines why firms seek foreign direct investment (FDI) and how they adopt their entry strategies. His theories also provide a fairly robust theoretical framework upon which to define the motivations and strategies of multinational enterprises and are widely used in academic as well as practical applications of global business strategy. By having a hypothesis of eclectic paradigm, Dunning is suggesting a more comprehensive reason for the emergence and growth of FDI. A MNE will enter OFDI upon obtaining all three types of advantages, whose name is generally OLI advantages:

1. *Ownership advantages (O)* refer to the singular resources or capabilities possessed by a firm, that gives them a competitive edge in the international arena. These advantages may be tangible or intangible and include:
    a. Privately– owned technology, a company that has advanced technology might harness it to gain entry into new markets. For instance, a technology– driven company in a state– of– the– art manufacturing facility could manufacture goods more efficiently compared to local manufacturers.
    b. Brand equity, this strong and recognized globally helps any company attract customers in another region. For example, a well– known consumer goods company can now leverage its brand loyalty to enter the foreign markets.
    c. Managerial expertise, superior management and organization skills can put a company ahead of foreign competition. This may be the turning element for a company to survive in a conducive complex international environment.
    d. Intellectual property such as patents, trademarks, and copyrights provides legal protection for organizations over their innovations so

that they can benefit from these assets in a foreign market without the risk of imitation.

2. *Location advntages (L)* refer to the benefits a firm derives from being operational in a given geographic area. These advantages could be connected with the economic, political, and social environment of the host country and include the following:
    a. Market size and growth firms are drawn to large and growing markets so they can achieve economies of scale by attracting more customers. For instance, entering a rapidly developing economy could bring a lot of growth.
    b. Resource availability or access to natural resources, skilled labor, and infrastructure can determine the location of a company. For instance, a mining company may invest in a country endowed with mineral resources.
    c. Economic stability, firms like to operate in markets under stable economic conditions so that they can minimize their risks. A stable economy provides a predictable environment for conducting business.
    d. Regulatory environment, favorable laws and policies like tax incentives and investment protections can increase the attractiveness of a market. Governments might offer incentives to attract foreign investments.
3. *Internazionalization advantages (I)* concers the firm's decision about internalizing or outsourcing or licensing the complete operation of any particular portion of activity to an external party, this component deals with all the advantages pertaining to the control of overseas operations. It consists of the following:
    a. Control over operations by undertaking internalized operations, companies can maintain control over their proprietary processes or technologies necessary for maintaining quality and consistency, especially in those industries that highly consider these attributes.
    b. Cost efficiency by internalizing operations, firms would save on the costs of negotiation and enforcement with external partners.

These costs include the risks associated with opportunistic behavior by third parties.

c. Intellectual property protection, internalization protects it from misuse or imitation by external partners. This protection is particularly critical in high– tech industries.
d. Quality assurance through internalization of activities, companies will ensure uniform quality standards across all operations. This is necessary for the company's brand reputation, as well as customers' trust.

In practice, the OLI perspective seeks to provide firms with the means to optimally evaluate their strategies for international expansion. First, Ownership advantages are examined through the identification of unique assets and capabilities that may confer a competitive advantage in foreign markets. Location advantages are assessed by moving into potential markets to see which locations offer the most advantageous conditions for their operations. Lastly, it will be decided whether to internalize their operations or cooperate with external partners, depending on the costs and benefits of exercising control over the internalization versus those that will come from third– party cooperation.

Integrating these three components, the OLI framework embodies a holistic understanding and representation of the internationalization strategies of firms. With that, it also helps in making clear decisions regarding whether to invest abroad, in where to invest, and how to invest overseas.

It is as much applied into many industries by which such firms can enunciate their internationalization strategy.

On one side, the technology company might have ownership advantage in its proprietary software that the firm uses in exploiting a market where demand for digital solutions is particularly high, the location advantage. The company may then wholly own its subsidiary so as to maintain control over the technology and quality standards of its products, hence maximizing the internalization advantages.

For instance, a manufacturing firm might plan to minimize production costs through establishing operations in a lower labor cost country and, thus, benefit from location advantages. The firm would enter into a joint venture with the local distributing partner, drawing on the ownership advantages of its state– of– the– art manufacturing techniques. The company would, therefore, deal with regulatory environments more easily and leverage the internalization advantages that address the risks inherent in foreign operations.

Thus, entering such a market, by setting up a financial services company in a country with a developing middle class, is beneficial for location advantages. Usually, by virtue of ownership advantages, the strong reputation of the brand and trust it has built among customers, the firm can set up strategic alliances with local partners and, as such, share risk, resources, and optimize internalization advantage for successful entrance to and progress in the market.

Dunning put forth the view that the above three conditions are divided into two groups: push factors (namely O and I advantages) and pull factors (namely L advantages). These advantages undergo changes across time and space, depending on the stage of development of any particular country. Among the triad, L advantages are considered as the most important for a host country to attract FDI since this is something that the host government exerts control over. In the OLI Paradigm, internal motivators are push factors and drive outward foreign direct investment (OFDI) by the firm or country in which the firm operates for example: rising costs in the home market , domestic market saturation, access to strategic assets, risk diversification and government support for intenazionalization. Pull factors, on the other hand, are the external (i.e., large and growing customer base, resource availability, favorable investment policies, strategic geographic position, political stability and trade agreements) location– specific characteristics of host countries making them attractive to foreign investment.

These factors are dynamic in nature, since some of the pull factors, such as ‘cheap labor’, may cease to be a factor through time with rising wages or emergence of political risks rendering FDI flows volatile and interchangeable.

3.2.2 OLI Paradigm for SOEs

Dunning’s OLI paradigm certainly offers a general framework for understanding FDI, but the application to SOEs recognizes certain key distinctions. The drivers and ownership, location, and internalization advantages can have unique characteristics for SOEs as opposed to normal multinational enterprises.

Before the first and foremost thing, traditional advantages of locations and ownership which FDI theories have great importance within the traditional terminology used to define above– mentioned concepts now take a new meaning with respect to SOEs going global in a 'different way'. Most location advantages for SOEs are likely to be more political and related to what the government wants to achieve strategically, rather than simple market– based factors that include ideas on optimal allocation of resources and consumer demand. Selection of host countries might use various criteria such as foreign relationship gains, strategic ties, large amounts of politically sensitive resources, or seeking political consideration from the international community to explain some investments. For instance, an SOE might invest in a specific country with intensive bilateral relations or in a region considered very strategically important by its own government, even though there might be better places for immediate economic results. This is in complete contrast to private multinational enterprises, which are often swayed in location decisions "mostly on market size, growth potential, and efficient costs associated with place".

Similarly, SOEs might be in control of advantages and gain strong state backing which would include aspects of cheaper financing, government guarantees, or political leverage, rather than from proprietary technology, unique managerial expertise, or superior innovation all common private sector sources of ownership advantages. Such support, given either implicitly or explicitly by the state, can help SOEs obtain a competitive edge in international markets; thus, they can carry out huge projects, ease through complicated regulatory frameworks, and perhaps survive market fluctuations more than an entity would purely oriented to commercial goals. Some SOEs may indeed possess technological or managerial strength, but their fundamental 'O' advantages are typically connected with 'state' which meant bank financing or political interference' something that greatly influences their internationalization strategies and competitiveness patterns in host countries.

State– Owned Enterprises their very characteristic being public organizations have their own little peculiar shade of 'internalization' (i) advantages as opposed to their private counter parts. Internalization still applies toward the SOE principle of governance preferences in favor of hierarchy over market for firm– specific advantages or reduced transaction costs pertaining to ‘wholly owned subsidiary status’ as opposed to licensing or exporting. However, the sources and motivations for variation in preferences might be quite different from those for SOEs.

For private enterprises, the advantages of internalization mostly arise from the necessity to safeguard intangible assets like proprietary technology, brand reputation, or unique know– how, where market transactions may precipitate leakage or loss of control. But in the case of SOEs, the impetus to internalize may be strongly conditioned by the need for greater control over strategically significant assets or operations, align their international activity with national policy objectives, and ensure a secure supply of critical resources. The state’s interest in maintaining control over key sectors may induce SOEs to prefer wholly owned subsidiaries or majority joint ventures, where they would have sufficient say.

Besides, the ‘I’ advantage for SOEs could also derive from the need for managing political risks and maneuvering through complex regulatory regimes in host countries. Direct control through internalized modes could then be seen as a possible means of liaising with host governments on potential political interference and aligning international operations with broader strategic goals set by the home government. That is contrary to private firms, where the internalization decision is predominantly made for the reasons of economic efficiency and safeguarding of the commercial advantages.

Finally, SOEs’ internalization decisions may also be influenced by the aims of creating and utilizing the international networks for both commercial and political activities. Through direct investment, stronger and more direct relationships with foreign parties can be formed, allowing for securing long– term access to resources, establishing diplomatic relationships, and extending the national cloak. Thus, while internalization remains a valid concept, its underlying motivations and manifestations for SOEs are often intertwined with their peculiar ownership structure and the larger political and strategic imperatives they serve.

3.2.3 Dunning’s Market selection classification

In broad terms, J. H. Dunning (1993) identifies four major types of motivations: market seeking, resource seeking, efficiency seeking and strategic asset seeking. Different from the original scope of examination concerning private MNEs, this typology can also be used to analyse the internationalization patterns of SOEs, with qualification due to the differing institutional logics governing SOEs (Cuervo– Cazurra et al., 2014).

Market seeking

Market– seeking FDI refers to investments aimed at serving new or existing consumer markets through local production and distribution, rather than through exports. This strategy often arises from protectionist measures (tariffs or import quotas), high transportation costs, or simply the strategic need to adjust to local consumer preferences and institutional environments (Dunning, 1993). These market– seeking behaviors may also serve a larger purpose for SOEs in fulfillment of political or diplomatic goals aimed at cementing bilateral relations or enhancing geopolitical influence in developing economies. Furthermore, SOEs make market– seeking investments not only in order to maximize profits but also to carry out government mandates aimed at securing access to necessary goods or services within strategic areas.

Resource seeking

Resource– seeking foreign direct investment (FDI) is motivated by the strategic need to procure inputs for the production process– such as natural resources, raw materials, or particular components– that are not available either at all or only much more expensive in the home country. Such investment is justified by Dunning, himself, as being particularly appropriate "when the resource(s) are spatially immovable, expensive as a commodity to transport, or absolutely required to support the productive processes of the core industries". The 'rationale' of this thrust is that where resources cannot be exchanged efficiently in global markets because of transaction or transportation costs, then establishing foreign operations becomes a more feasible alternative to importing.

Cost minimization, when possible, and then access to inputs on a long– term basis that are procurable, make up the core tenets of the economically rational drivers of resource– seeking FDI. The most pure example of this type of investment is found in the resource– attenuated industries, such as mining and oil and gas, forestry, and agriculture, where the extraction process is location– bound and logistics– intensive.

Resource– seeking in such SOEs, particularly those in strategic sectors like energy, minerals, and agriculture, is usually closely knit with the wider national policy objectives. SOEs generally invest abroad not only to secure supply chains and procurement but also to contribute toward state– led goals regarding energy security, industrial policy, or geopolitical strategy (Kowalski et al., 2013). In such cases, resource– seeking FDI by SOEs may be seen as a tradeoff between business logic and sovereign priorities, thus smudging the clearer boundaries between market– based investment decisions and state intervention.

But often, these investments tie into such long– term strategies of development in countries, especially in the developing economies where governments deploy SOEs as mechanisms to establish international partnerships, source strategic reserves, and ensure government resilience to domestic production systems within the country. Thus, resource– seeking behavior for SOEs takes on a dual character: on one hand, responding to tradition of cost and supply dynamics, and on the other, executing national economic planning and global strategic positioning mandates.

Efficiency seeking

Efficiency– seeking foreign direct investment (FDI) involves spreading value– adding activities across different countries in a strategic manner so as to achieve optimized production. Investments formed upon differences across nations in the availability and relative costs of different production factors: labor, capital, infrastructure, technology, etc. As Dunning (1993) suggests, efficiency– seeking FDI becomes economically worthy where associated gains for international specializations and economies of scale outweigh their respective costs in transactions, coordinations, and communications needed to operate across dispersed geographies.

The decision to allocate production geographically, therefore, is contingent upon a fairly delicate balance between the gains reasonably perceived to be expected from potential efficiency and those complexities that arise in managing operational activities across borders– those being transportation costs across cultural and regulatory differences, and in coordination within supply chains that ensures both reliability and responsiveness in meeting global market demands.

Thus, in relation to state– owned enterprises, efficiency– seeking FDI has been given varying connotations. For the SOEs that have attained varying levels of commercialization or privatization, this could be an FDI responding to increased global competitive pressure and increased heightened pressure to improve efficiency along their operations. Such SOEs may scan the international market for cost advantage and enhanced competitive posts, especially in markets or industries witnessing liberalization or competition from foreign players.

However, the extent to which SOEs strive for efficiency– seeking objects is, more than often, moderated by political and institutional compulsions. In contrast to private multinational enterprises, SOEs may have competing demands put upon them, such as to protect domestic jobs, fulfill social– political mandates, and maintain strategic national enterprises. These tensions may constrain the extent to which cost– efficiency factors enter into investment decisions, depending on the level of government involvement, the reform path of the SOE, and how politically salient these sectors are.

So, although efficiency– seeking FDI appears to conform to classical economic framework, its usage with the domain of SOEs presents some subtlety rooted in a hybrid world of market and non– market forces that represent both commercial objectives and public accountability.

Strategic assets seeking

In his original work, Dunning (1993) describes strategic asset– seeking as "to create or gain access to resources and capabilities that complement their existing core competencies". This category of foreign direct investments (FDI) is motivated by the firm's search for assets that would be useful in attaining its long– term strategic objectives rather than merely exploiting existing resources or markets. These assets would not be simply additive; they are in fact complementary, that is, assets that fill certain gaps in the firm's capabilities, strengthen some of its existing capabilities, or enable new combination with existing capabilities to create greater value.

Complementarity often results in synergy, wherein the integration of internal and external resources produces a whole greater than the sum of its parts. The emphasis is not on reproduction or substitution but rather on assembling interdependent assets that create new opportunities through strategic fit, rather than through operational overlap. For instance, a firm with hardware strengths might invest in a software startup to jointly develop an integrated solution or acquire a local brand that adds to its global distribution strategy.

This complementarity can take many forms, including alignment in technology, access to specialized talents, or knowledge domains that leverage the firm's core competencies. This feature also sustains dynamic learning processes, where firms are in a better position to absorb and utilize new knowledge when that knowledge connects with their existing expertise.

Thus, strategic asset– seeking foreign direct investment is used to improve competitive position, broaden capabilities, and obtain access to new markets and innovation ecosystems. The type of assets sought may include cutting– edge technologies, brand equity, innovative capabilities, or high– value human capital. For example, a technology company could invest in a foreign– origin startup to gain access to novel innovations and expertise, thereby reinforcing its competitive position while enabling knowledge transfer and co– creation of new capabilities..

Sustainability motives and geopolitical factors

Even if geopolitical factors and sustainability have not found their places directly into Dunning's research, these two factors have become increasingly important as drivers of internationalization of state– owned enterprises (SOEs) and strategic choices made by their governments. These motives are, in fact, very useful in understanding the internationalization patterns of state– owned firms in the present day, where economic interdependence and environmental considerations are gaining importance.

Governments tend to use SOEs, apart from economic actors, to further their international interests, including geopolitical influence, energy security, and sustainable development. These interests are often congruent with international frameworks and manifest in SOE investments in renewable energy, infrastructure, and global public goods. Moreover, the rising importance of ESG further compels SOEs to internationalize in ways aligned with sustainability and responsible business conduct.

With these factors gaining greater importance, this research shall integrate globalization and sustainability as complementary analytical dimensions to the OLI paradigm. While the Dunning framework remains crucial in accounting for the traditional economic rationale for FDI, the expanded view recognizes that SOEs may be driven by a unique juxtaposition of commercial and political and normative objectives. Thus, the study's methodological framework integrates both Dunning's model and the emerging factors in order to render a fuller understanding of the internationalization behavior of SOEs.

3.3 Methodological constraints

While this study adopts a robust quantitative and qualitative approach and draws on a comprehensive dataset of greenfield FDI cases; several limitations must be acknowledged at the methodological level. The coverage of the study is determined by the Orbis Cross–Border Investment Database alone. Although this source is widely recognized for its depth and accuracy, it may not encompass all investments, especially those that are unreported, confidential, or found in weak-disclosure jurisdictions. Furthermore, the dataset also turns out to be restricted only to FDI established during the year 2023, thereby potentially limiting the longitudinal scope and thus trends and strategic shifts over time.

Classification of FDI according to motivations following Dunning (1993) is fairly standardized but still open to interpretation. Assignments of primary versus secondary motives to investment cases, especially when the strategic motivation overlaps, may invite subjectivity no matter how much effort into establishing a standard coding criterion. Also, widening the categorizations to include such contextual aspects as sustainability and geopolitical motives further nuances the analysis of SOE internationalization, thus complicating the evaluation of their strategic behavior purely on economic grounds.

Categorization of firms into state-owned enterprises and multinational enterprises largely depends on the available ownership data, which is often opaque or inconsistent across countries. More often than not, partial ownership or indirect state influence or hybrid modes of governance categories blurr the lines between SOEs and MNEs, , thus affecting clarity in comparative analysis.

In order to test the robustness of the results, interviews, were used to perform the triangulation of the data, since they increase the levels of depth and contextual understanding. However, it should be noted that no research tool is free from limitations, for interviews, although effective, possess their own methodological constraints that are worth critical consideration to maintain analytical discipline.

Inevitably, interviews are subject to degrees of interpretative nature and possible bias arising from the two parties—the interviewer and the interviewee. Individuals, either consciously or unconsciously, may represent their opinions in a good light—especially in politically sensitive topics or state-affiliated activities—which is the reason for social-desirability bias. Additionally, the phrasing of the questions may unconsciously shape the responses, introducing another layer of subjectivity that must be taken into consideration. Furthermore, limited time access and resources usually restrict the number of interviews carried out, and this limitation adversely affects the generalization of the findings. They are so especially pronounced in research associated with SOEs that vary in different institutional arrangements defining their operation in different national settings. The issue becomes even more pronounced when only a narrow slice of firms or decision-makers is either available or willing to be reached.

Access and disclosure stand out to be other constraints. People involved in SOEs may be reluctant and/or restricted to divulge sensitive information. This may lead to uneven or selective accounts reflecting certain fragments of organizational behaviors only.

Moreover, data provided by interviews needs interpretive judgment to code them. Qualitative insights require a systematic yet flexible framework, as opposed to quantitative data, which follow more standardized procedures.

Finally, interviews are both time- and labor-intensive exercises. Such requirements will inevitably limit the number of cases that can be included within any single study, thus narrowing the empirical breadth and possibly reducing the scope of conclusions that may be drawn from the data.

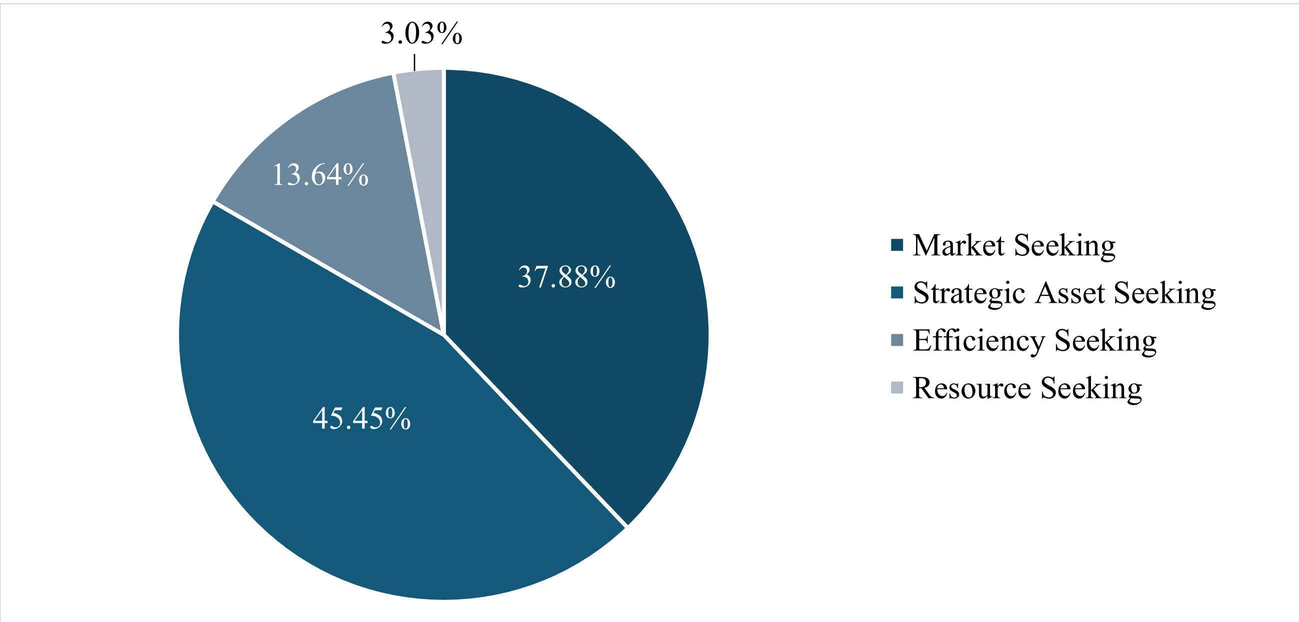
CHAPTER 4

4.1 Analysis of results

4.1.1 Comparative analysis of strategic motives in State – Owned and Privately – Owned Enterprises

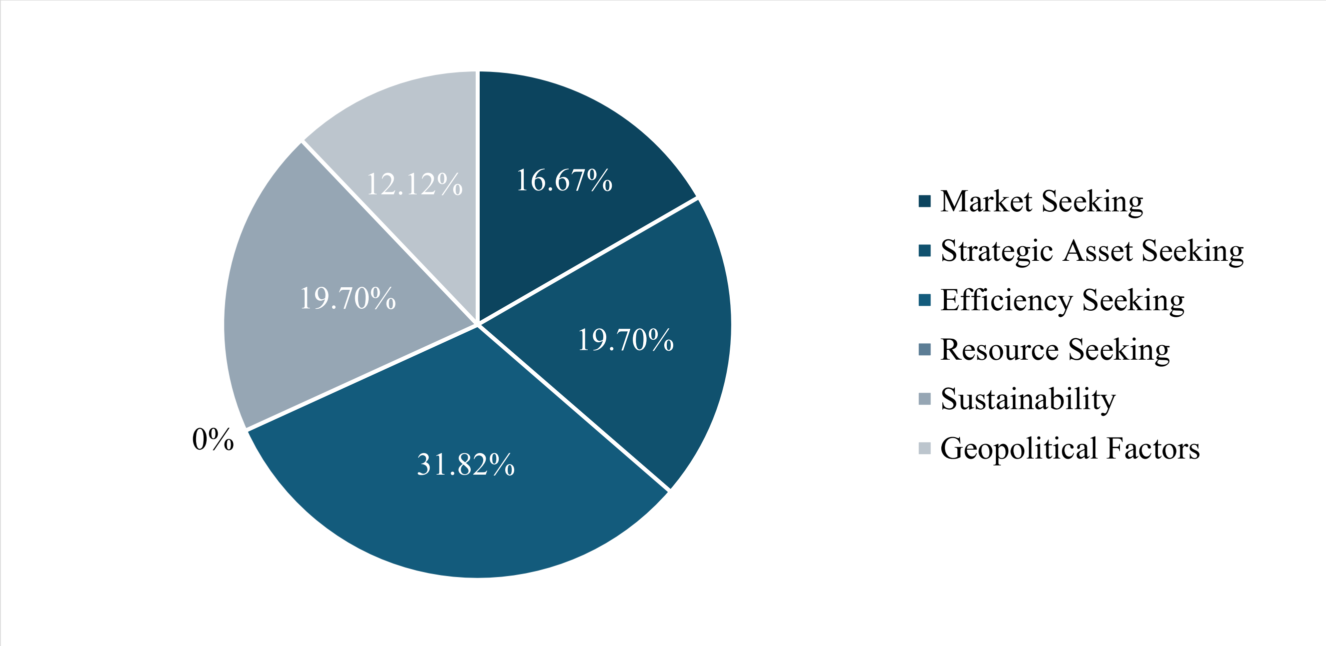
SOEs in the sample seem to make strategic decisions with differing motivation. First and foremost, 45.45% of motives of SOEs are asset– seeking in strategic terms, which suggests that these enterprises are strongly focused on acquiring valuable assets to position themselves strategically. The second target is market– seeking, as 37.88% of SOEs are aiming at gaining market presence. Although not preferred, efficiency– seeking considerations play an important role with 13.64% as a primary motive. Resource seeking barely makes it, with only 3.03% of SOEs giving this priority. The other secondary motivation is efficiency seeking, which stands out as an important factor for 31.82 % of SOEs, trading their operational efficiency. This is followed by market seeking and strategic asset seeking at 16.67% and 19.70%, respectively. Evidence of growing emphasis on sustainable practices is reflected through secondary motives such as sustainability (19.7%) and geopolitical considerations (12.12%).

Figure 7. SOEs primary motivation for internationalization



Source: Author's own elaboration based on Orbis and Orbis Cross– Border Investment Database (2023).

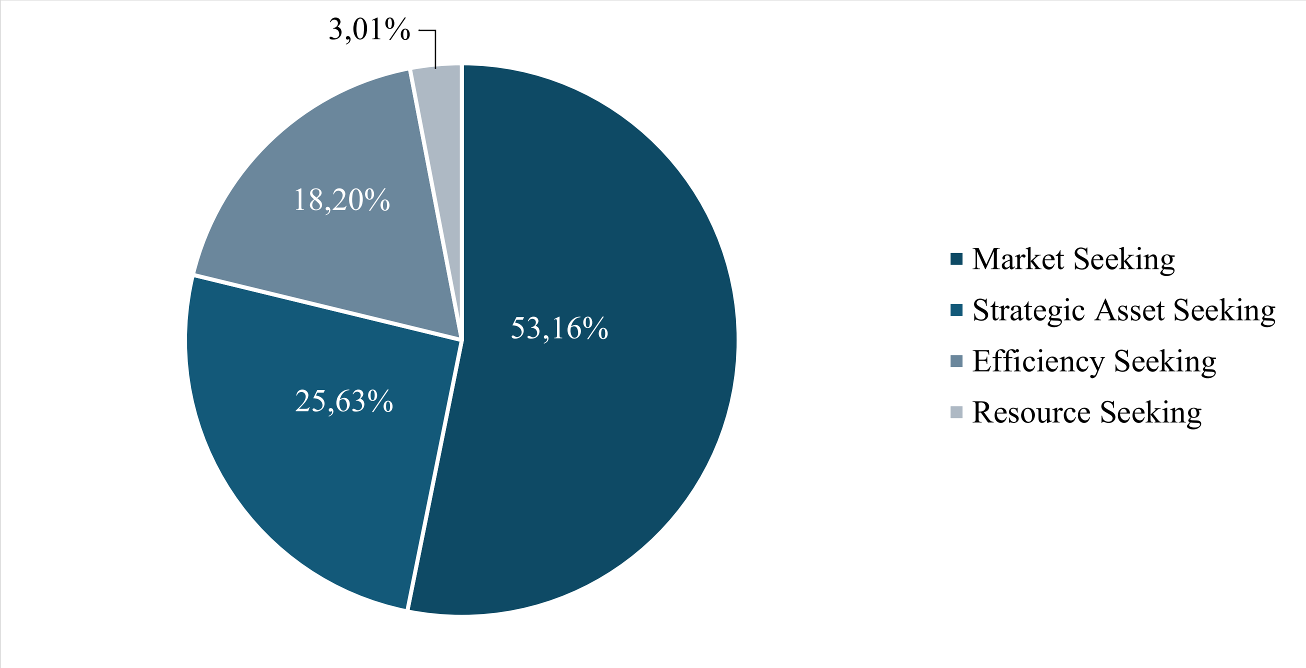
Figure 8. SOEs secondary motivation for internationalization



Source: Author's own elaboration based on Orbis and Orbis Cross– Border Investment Database (2023).

Privately– Owned Enterprises (POEs), on the other hand, show a different set of priorities. Market seeking is the dominant primary motive for POEs, with 53.16% of them focused on expanding their market presence. Strategic asset seeking is also significant, accounting for 25.63% of primary motives, indicating a focus on acquiring strategic assets. Efficiency seeking represents 18.20% of primary motives, highlighting the focus on operational efficiency. In fact, as were SOEs, resource seeking is barely approached by 3.01% of POEs.

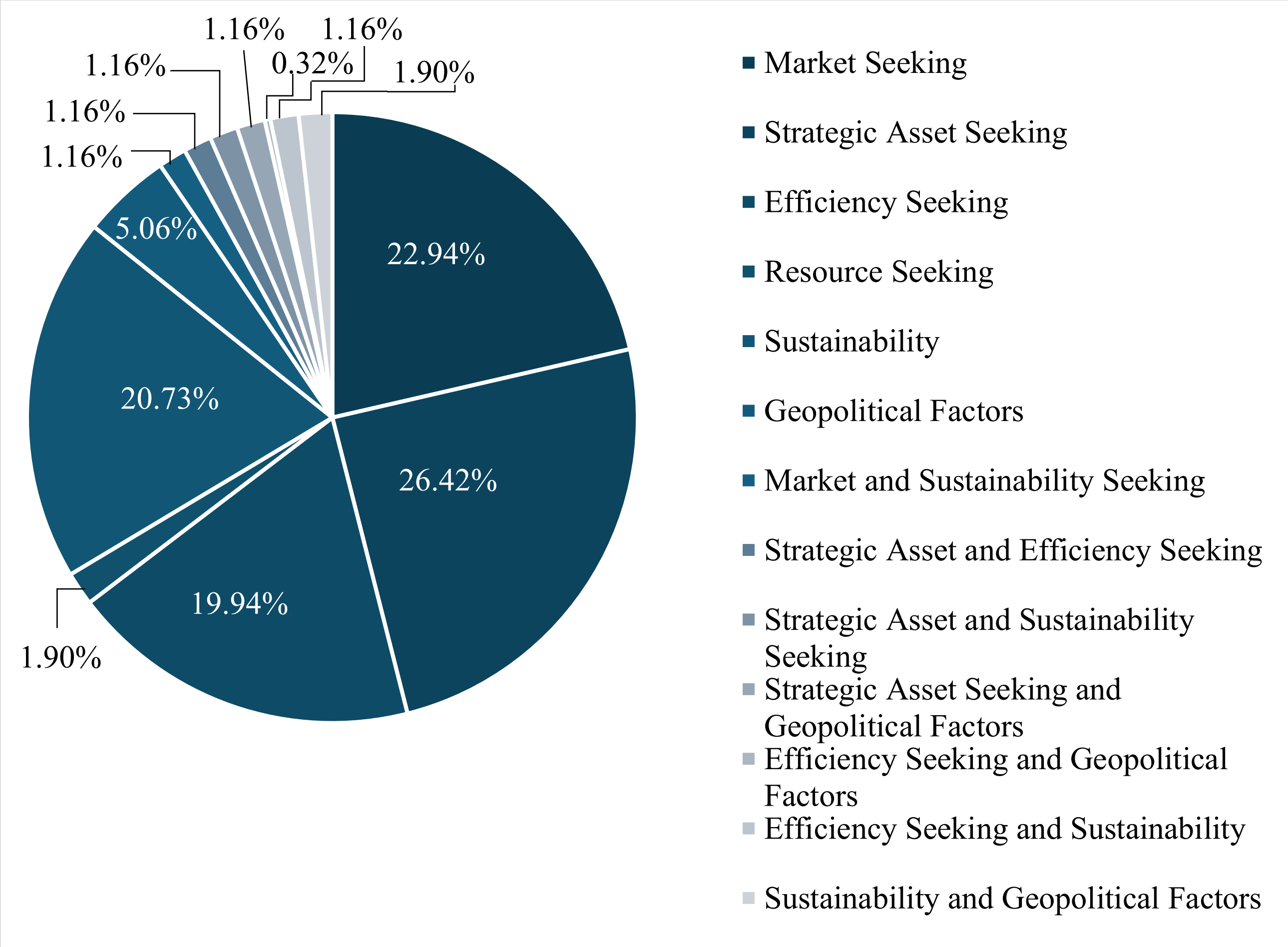
Figure 9. POEs primary motivation for internationalization



Source: Author's own elaboration based on Orbis and Orbis Cross– Border Investment Database (2023).

In terms of secondary motivations, sustainability emerges as a major factor, with 20.57% of POEs committed to sustainable practices. Market seeking and strategic asset seeking continue to be important, at 22.94% and 26.42% respectively. Efficiency seeking is also an important secondary motive at 19.94%. To a lesser extent, geopolitical factors account for 5.06% of secondary motives, while several various combinations of motives otherwise exist but in negligible amounts. Nonetheless, POEs exhibit a more intricate *modus operandi*, often driven by a blend of secondary motives. For example, 1.90% of POEs concurrently prioritize sustainability and geopolitical considerations. Other mixed motives include combinations such as efficiency and sustainability (0.32%), efficiency and geopolitical factors (1.16%), market and sustainability (1.16%), strategic asset seeking and sustainability (1.16%), and strategic asset seeking and geopolitical factors (1.16%).

Figure 10. POEs secondary motivation for internationalization



Source: Author's own elaboration based on Orbis and Orbis Cross– Border Investment Database (2023).

POEs reflect a more commercial driven logic, rooted in the competitive dynamics of the free market. These entities resort to market seeking more often than not, with growth and revenue expansion through customer acquisition and increased market share forming the central focus. Unlike SOEs, POEs walk a tightrope without state support, giving the access to new markets a very important impact on survival and profitability. This is more evident in industries where saturation in the domestic markets will push them into international expansion for sustaining growth trajectories. Strategic asset seeking ranks within the second priority order compared with market presence. POEs seek to enhance the competitive edge by striving actively for technological capabilities, intellectual property, or brand asset gain. Efficiency seeking, both as a primary and secondary motive, ranks higher for POEs than SOEs, reflecting the necessity for private companies to remain lean in order to compete. The limited emphasis on resource seeking behaviour by POEs in contrast to their heavy emphasis on efficiency is with the prevalent market view that resource–based investments are characteristically capital–intensive and high–risk and are often better suited to entities having a greater risk appetite like SOEs.

Sustainability emerges as a notable secondary motive due to the growing consumer–and investor–based pressures. While POEs are not bound to serve national or supernational interest, many nowadays focus on sustainability for brand positioning, regulatory compliance, and long–term risk management, mainly when ESG factors are increasingly priced into valuations. They do not, however, implement this concept in line with policy alignment, as do SOEs.

Geopolitical considerations remain marginal in POEs as they rarely engage internationally for state purposes. When present, these motives remain low in frequency and can be traced toward mitigating political risks in unfriendly locations and in compliance with regulations of the host nation.

Moreover, the presence of mixed motives among POEs – though statistically minor – represents a straightforward decision–making process. These "hybrid" strategies suggest that even private firms may pursue complex investment rationales when navigating global markets.

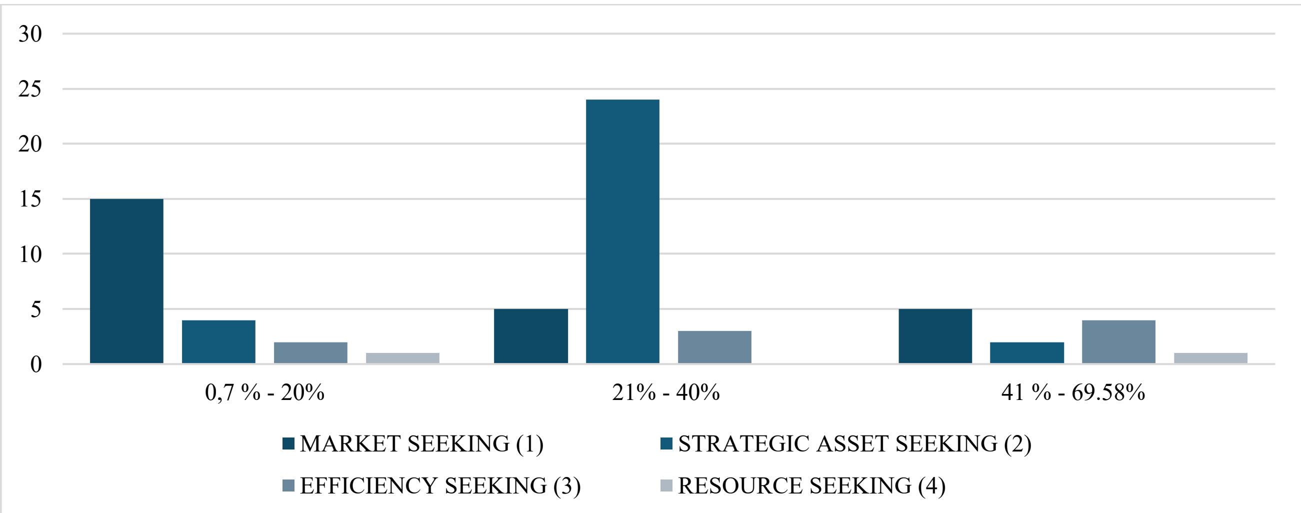
To summarize, an analysis of SOEs and POEs shows the discriminations and similarities presented in the two types of enterprises to develop strategies. Generally, SOEs are more oriented toward strategic asset– seeking as the prime motive while POEs favour market–seeking instead. Whereas efficiency– seeking has a significance for both kinds of enterprise as a secondary motive, it is more evident on the part of SOEs. Sustainability–related motives should be considered accordingly, and POEs show more concern for this. Their lesser concern is directed to geopolitical factors, which, as secondary motives, appear quite pronounced in SOEs, denoting their sensitivity to geopolitical dynamics. While both SOEs and POEs may be motivated by the goal of enhancing their respective strategic positions and operational efficiencies, it is the primary motives that are in contrast: SOEs focus more on acquisitions of strategic assets, while POEs centre attention toward expansion of market shares.

4.1.2 Variation of strategic motives across ownership levels

This analysis classifies with observed motivations by state ownership degrees in order to understand variations of strategic motives. State ownership levels have been segmented into three ranges: low (0.7%–20%), moderate (21%–40%), and high (41%–69.58%) to facilitate a clearer classification of ownership influence.

Market seeking is the most prevalent among firms having low state ownership (0.7% to 20%), with 15 observed cases. Given this, firms with a rather smaller government involvement are more likely to push towards enterprise expansion for new markets and customers. On the other hand, moderate state ownership firms (21% to 40%) are more inclined towards strategic asset seeking, with 24 such recorded cases. Such firms are apparently more keen on acquiring valuable assets to strengthen their position as these are likely to support their long– term strategic positioning. Efficiency seeking, though not concentrated in one category, is relatively spread on ownership levels and tends to peak a bit in the 41%– 69.58% range (4 instances), suggesting that operational improvements are uniform objectives for all forms of ownership. Resource seeking is small across all ownership levels, indicating its low priority in strategy.

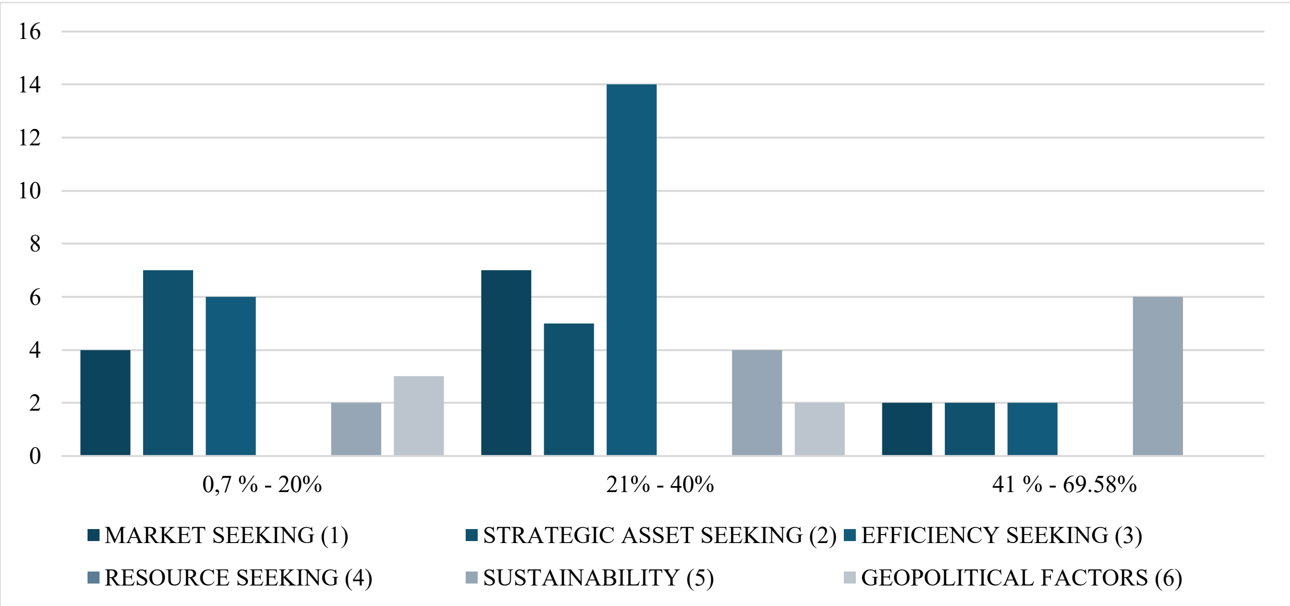
Figure 11. Variation of strategic motives across state– ownership level for primary motivations



Source: Author's own elaboration based on Orbis and Orbis Cross– Border Investment Database (2023).

Secondary motives confirm these trends. Seeking efficiency remains the core area with respect to firms where ownership is at a moderate level (21% to 40%), indicating a continuing concern over improving internal operations because of its 14 cases observed. Sustainability motives are highest in firms with high degrees of state ownership (41% to 69.58%) because higher government presence may indicate a stronger commitment to environmental and social responsibility. Finally, geopolitical imperatives emerge more readily in firms having low state ownership (0.7– 20%), which most probably means that companies with less state control might actually be more direct in their responses to international political dynamics.

Figure 12. Variation of strategic motives across state– ownership level for secondary motivations



Source: Author's own elaboration based on Orbis and Orbis Cross– Border Investment Database (2023).

4.2 Interdependence between primary and secondary FDI Motives: A comparative analysis of SOEs and POEs

Based on the dataset, an additional analysis was performed to identyfy discernible patterns between primary and secondary strategic objectives. This analysis was conducted separetly for SOEs and POEs.

4.2.1 SOEs

When market– seeking is the primary motive for SOE– driven FDI, strategic asset seeking represents most common secondary motive in 40% cases. Efficiency seeking and sustainability constitute 28% of the secondary motive each, while geopolitical considerations are just 4%.

Table 5. Secondary motives associated with market seeking as primary motive (SOEs)

Primary Motive: MARKET SEEKING	Likelyhood of the secondary motives
Strategic asset seeking	40.0%
Efficiency seeking	28.0%
Sustainability	28.0%
Geopolitical factors	4.0%

Source: Author's own elaboration based on Orbis and Orbis Cross– Border Investment Database (2023).

In the instances when strategic asset seeking is the primary motive, efficiency seeking is the most common secondary motive, present in 43.33% of instances. Market seeking follows an average of 33.33%, sustainability an average of 13.33%, while geopolitical factors account for 10%.

Table 6. Secondary motives associated with strategic asset seeking as primary motive (SOEs)

Primary Motive: STRATEGIC ASSET SEEKING	Likelyhood of the secondary motives
Market seeking	33.33%
Efficiency seeking	43.33%
Sustainability	13.33%
Geopolitical factors	10.0%

Source: Author's own elaboration based on Orbis and Orbis Cross– Border Investment Database (2023).

For SOEs where efficiency seeking represents the primary motive, considerations of geopolitical factors officials are the most common secondary motives appearing in

44.44% of the cases. The strategic asset seeking and sustainability both represent 22.22% and market following the least at 11.11%.

Table 7. Secondary motives associated with efficiency seeking as primary motive (SOEs)

Primary Motive: EFFICIENCY SEEKING	Likelyhood of the secondary motives
Market seeking	11.11%
Strategic assets seeking	22.22%
Sustainability	22.22%
Geopolitical factors	44.44%

Source: Author's own elaboration based on Orbis and Orbis Cross– Border Investment Database (2023).

Wherever resource seeking represents the primary motive, the secondary motives are evenly split between strategic asset seeking and efficiency seeking, each representing 50% of the cases; in this case, there are no instances recorded in the sample of sustainability, market seeking, or geopolitical concerns as secondary motives.

Table 8. Secondary motives associated with resource seeking as primary motive (SOEs)

Primary Motive: RESOURCE SEEKING	Likelyhood of the secondary motives
Strategic assets seeking	50.0%
Efficiency seeking	50.0%

Source: Author's own elaboration based on Orbis and Orbis Cross– Border Investment Database (2023).

4.2.2 POEs

For Privately– Owned Enterprises (POEs) where market seeking serves as the primary motive for foreign direct investment, several types and more complicated of the second–order patterns can be observed. Most prevalent are strategic asset seeking, noted in 40.48% of the total cases. Efficiency seeking follows at 31.85% and sustainability at 19.94%. Geopolitical considerations come in at less than 5.06%, while configurations like strategic asset and efficiency seeking, strategic asset and geopolitical concerns, efficiency and sustainability seeking, efficiency and geopolitical factors, and sustainability with geopolitical factors are all rare but notable.

Table 9. Secondary motives associated with market seeking as primary motive (POEs)

Primary Motive: MARKET SEEKING	Likelyhood of the secondary motives
Strategic asset seeking	40.48%
Efficiency seeking	31.85%
Resource seeking	0.89%
Sustainability	19.94%
Geopolitical factors	5.06%
Strategic assets and efficiency seeking	0.30%
Strategic assets seeking and geopolitical factors	0.30%
Efficiency and sustainability seeking	0.30%
Efficiency seeking and geopolitical factors	0.30%
Sustainability and geopolitical factors	0.60%

Source: Author's own elaboration based on Orbis and Orbis Cross– Border Investment Database (2023).

When strategic asset seeking is primary, market seeking is the dominant secondary motive in 58.02% of the cases. Sustainability ranks second at 22.84%, and efficiency seeking comes third with 8.64%. Geopolitical issues make an appearance in 6.17% of cases, while resource seeking is rare at 1.85%. Fairly infrequent combinations of secondary motives include efficiency and sustainability as well as efficiency and geopolitical issues.

Table 10. Secondary motives associated with strategic asset seeking as primary motive (POEs)

Primary Motive: STRATEGIC ASSETS SEEKING	Likelyhood of the secondary motives
Market seeking	58.02%
Efficiency seeking	8.64%
Resource seeking	1.85%

Sustainability	22.84%
Geopolitical factors	6.17%
Efficiency and sustainability seeking	0.62%
Efficiency seeking and geopolitical factors	1.85%

Source: Author's own elaboration based on Orbis and Orbis Cross– Border Investment Database (2023).

In cases where efficiency seeking has been the primary motive for POE, then market seeking stands out as the most prevalent, attending in 39.13% of cases. Following closely is strategic asset seeking, present in 24.35% of cases, and then sustainability at 20%. Resource seeking and the influence of geopolitical factors have been listed with rareness at 5.22 and 3.48%, respectively. A small share of firms report compound motives, including market and sustainability seeking (0.87%), strategic assets and sustainability seeking (0.87%), and sustainability combined with geopolitical factors (6.09%). These combinations reflect a nuanced strategic orientation, indicating that efficiency– driven POEs often pursue a multifaceted approach to maximize investment outcomes.

Table 11. Secondary motives associated with efficiency seeking as primary motive (POEs)

Primary Motive: EFFICIENCY SEEKING	Likelyhood of the secondary motives
Market seeking	39.13%
Strategic asset seeking	24.35%
Resource seeking	5.22%
Sustainability	20.0%
Geopolitical factors	3.48%
Market and sustainability seeking	0.87%
Strategic assets and sustainability seeking	0.87%
Sustainability and geopolitical factors	6.09%

Source: Author's own elaboration based on Orbis and Orbis Cross– Border Investment Database (2023).

For resource seeking, when identified as a primary motive, market seeking is the most commonly cited secondary motive, and this accounts for 31.58% of all cases. Efficiency seeking is secondary, at 26.32%, and sustainability is another 21.05%. Strategic asset seeking accounted for 15.79% of all cases, while geopolitical factors accounted for 5.26%.

Table 12. Secondary motives associated with resource seeking as primary motive (POEs)

Primary Motive: RESOURCE SEEKING	Likelyhood of the secondary motives
Market seeking	31.58%
Strategic asset seeking	15.79%
Efficiency seeking	26.32%
Sustainability	21.05%
Geopolitical factors	5.26%

Source: Author's own elaboration based on Orbis and Orbis Cross– Border Investment Database (2023).

4.3 Discussion of key findings

4.3.1 Comparative analysis of FDIs motives in SOEs and POEs

The divergence in the FDI motives between SOEs and POEs is consistent with Dunning's framework, especially regarding institutional embeddedness and governance logic. The fact that SOEs have a more significant weighting towards strategic asset– seeking behavior (45.45%) of an internationalization strategy that is long– term in orientation and driven by capability has a bearing on these motives being influenced by non–commercial objectives given state ownership—acquiring advanced technologies or know– how to enhance national competitiveness. The asset– seeking activities in this regard would be generally state– backed with alignment to policy objectives such as industrial upgrading and economic sovereignty.

On the contrary, POEs mainly pursue market– seeking FDI (53.16%), which reflects commercial pragmatism and growth orientation. The owners alone influence their decisions, focused on increasing profits and market share. Therefore, their actions fit well with the classical market– seeking type in Dunning's OLI paradigm. The considerably lower share of strategic asset– seeking (25.63%) motivations once more bears testimony to the idea that POEs might give priority to short– term flow expansion and revenue generation over long– term accumulation of capabilities.

The secondary motives further reinforce these distinctions. POEs seem to show a greater orientation towards strategic assets seeking (26.42%), possibly as a response driven by consumer and investor pressure in competitive international markets. SOEs also acknowledge sustainability (19.70%), but greater weight is attributed to geopolitical factors (12.12%), consistent with state alignment and their role as geopolitical instruments. This is further confirmed by the multifaceted nature of the secondary motivations at play within POEs, suggesting strategic flexibility and opportunism, while the SOEs show more programmatic internationalization patterns.

Lastly, POEs exhibit a much more complicated investment pattern when it comes to justifying their choices. This complexity could be seen more in the variety of secondary reasons they mention for their motivations including their combinations, such as sustainability, efficiency, and geopolitical issues, among many others. Unlike SOEs, which tend to follow more centralized and politically aligned strategies – often driven by strategic national interests –POEs demonstrate a more multifaceted and market– responsive approach. Such investment decisions can stem from short– term market opportunities and longer– term strategic alignment to emerging global trends, such as environmental sustainability or operational resilience. This suggests that POEs are increasingly engaging holistic investment rationales, combining financial return considerations with reputational, regulatory, and ethical ones.

In contrast, SOEs typically follow more straightforwardly defined decision– making processes, in most cases headlined by asset– seeking motivations. The internationalization patterns of SOEs provide a clear indication that an emphasis is placed on strengthening strategic positioning through asset acquisition. This emphasis may be subject to wider state– driven economic or geopolitical considerations on acquisition. Although this may hinder their flexibility, it also strengthens them in pursuing long– term, large– scale projects that are aligned with the national development strategy. Therefore, POEs reflect market dynamics and adaptability, SOEs tend to follow a more top–down, mission–oriented investment philosophy, shaped by public interest and national strategy.

SOEs have long depended on the backing of government, whereby the latter provides lower risks in terms of investment and hence a more secure form of financing. And such institutional support allows the SOEs to pursue strategic goals in the longer term as opposed to short–term profit–making. Hence, they look for key assets—advanced technology, intellectual property, and organizational capacity—that enhance their strategic positioning and national competitiveness. This practice is especially evident in sectors where innovation, technology, and infrastructure are key to sustaining or enhancing competitive advantage.

In pursuing new markets, SOEs are also motivated to some degree in their search for economies of scale, revenue diversification, and global footprint development, thus going into or strengthening positions in foreign markets. However, market–seeking behavior for internationalization is not the primary reason for looking abroad. Doing so enables SOEs to optimize local advantages such as closeness to end consumers, ease of logistics, or access to regional supply chains so as to maximize performance and pursue both commercial and political goals.

While they must maintain operational viability, their existence is often justified by strategic national interests, making them "too strategic to fail". Hence, SOEs tend to enjoy a more guaranteed access to resources through any of the following: favorable financing; policy support; or contracts guaranteed by the state. In this sense, they are not pressured to target these goals with the same urgency as a private firm might. Their use of resources is not primarily to maximize profits but often to advance wider policy objectives–regional development, technological sovereignty, or national security–thus reinforcing their role as one of state strategy rather than just a commercial undertaker. Efficiency–seeking and resource–seeking purposes, in fact, tend to not be very engaging as the primary motives of any SOE. This is mainly because the behavior of SOEs is very much averse to the private sector in terms of its imperative.

Secondary motivations closely mirror primary goals except in one area–with efficiency gains importance at that point. This might indicate a tendency for the SOEs to justify their operations as sustainable and justifiable in the years ahead, even if cost–efficiency is not a primary concern. Additionally, SOEs must be compliant with national policy more than any other entities, for this reason they are increasingly emphasizing sustainability: environmental and social. This is in line with the other internal governmental agendas and with broader supranational frameworks, like the European Union's Green Deal or the ESG directives–more importantly, for SOEs that operate within the EU.

Geopolitical considerations also emerge more clearly as a secondary motive. SOEs often serve a diplomatic, strategic and international purpose. Therefore, their foreign investments serve to strengthen alliances, secure supply chains, or maintain presence in the regions of geopolitical interest. Here, the SOEs remain instruments in soft power through economic engagement under broader foreign policy objectives. This stratified mix of motivations exposes the interesting duality that SOEs have: they are, on the surface commercial players, but their activities are deeply entrenched in the political and strategic apparatus of the state.

POEs reflect a more commercial driven logic, rooted in the competitive dynamics of the free market. These entities resort to market seeking more often than not, with growth and revenue expansion through customer acquisition and increased market share forming the central focus. Unlike SOEs, POEs walk a tightrope without state support, giving the access to new markets a very important impact on survival and profitability. This is more evident in industries where saturation in the domestic markets will push them into international expansion for sustaining growth trajectories. Strategic asset seeking ranks within the second priority order compared with market presence. POEs seek to enhance the competitive edge by striving actively for technological capabilities, intellectual property, or brand asset gain. Efficiency seeking, both as a primary and secondary motive, ranks higher for POEs than SOEs, reflecting the necessity for private companies to remain lean in order to compete. The limited emphasis on resource seeking behaviour by POEs in contrast to their heavy emphasis on efficiency is with the prevalent market view that resource–based investments are characteristically capital–intensive and high–risk and are often better suited to entities having a greater risk appetite like SOEs.

Sustainability emerges as a notable secondary motive due to the growing consumer–and investor–based pressures. While POEs are not bound to serve national or supernational interest, many nowadays focus on sustainability for brand positioning, regulatory compliance, and long–term risk management, mainly when ESG factors are increasingly

priced into valuations. They do not, however, implement this concept in line with policy alignment, as do SOEs.
Geopolitical considerations remain marginal in POEs as they rarely engage internationally for state purposes. When present, these motives remain low in frequency and can be traced toward mitigating political risks in unfriendly locations and in compliance with regulations of the host nation.
Moreover, the presence of mixed motives among POEs – though statistically minor – represents a straightforward decision–making process. These "hybrid" strategies suggest that even private firms may pursue complex investment rationales when navigating global markets.

4.3.2 Variation of FDIs motivations across ownership levels

Ownership share analysis for variability exposes a finer pattern. Low state ownership amounts from 0.7% – 20% have been associated primarily with market– seeking behavior, recommending quasi– private tendencies, where little state involvement allows for autonomy in business expansion. This trend echoes the behavior of POEs.
Moderate (21 – 40%) ownership is characterized predominantly by strategic asset seeking. This implies managing some trade– off: sufficient state control to align with national strategic objectives, yet still retaining managerial discretion to pursue value– accretive foreign assets. Such category may be best described as hybrid, neither fully commercial nor purely political in orientation.
At the high end of the ownership spectrum (41– 69.58%), sustainability appears to be more pronounced as a secondary motive as well. This may reflect the alignment between the company and state– level commitments to international environmental frameworks or domestic ESG standards. For instance, efficiency– seeking is something that tends to be relatively constant across the ownership levels, but modestly peaks in the high state– ownership grouping. This would suggest that operational rationalization is a general concern but perhaps more bureaucratically driven in SOEs.
The unexpected prominence of geopolitical considerations in firms with low state ownership (12.12%) might be linked to firms in sensitive sectors where state influence, although numerically low, remains functionally significant. Alternatively, these firms

may be more reactive to global political dynamics due to their relatively higher international exposure and risk sensitivity.

These findings highlight that the influence of state ownership on FDI motives cannot be reduced to shareholdings alone, but must also consider the embeddedness within institutions, sectoral importance, and external exposure. Firms with moderate state ownership, in particular, the ones that do fall under a hybrid logic –strategically positioned between public and private spheres. The analysis suggests that understanding internationalization strategies must go beyond considerations of legal ownership and must observe what role the state plays in the country, especially in sectors where business motives are closely intertwined with, if not wholly driven by, geopolitical or environmental purposes.

These findings emphasize that companies with a state interest of at least 20% tend to exhibit distinct foreign direct investment (FDI) motivations compared to minority–state–owned or privately owned enterprises. The differences can be explained through various interrelated aspects. Most importantly, while a state ownership of at least 20% is not a majority holding, it nevertheless ensures that the state has a meaningful degree of influence. In many jurisdictions, such a stake may confer soft control via board representation, veto rights, or preferential financing, allowing the state to have meaningful strategic influence. If nothing else, this control (even when indirect) embeds the firm more deeply within national industrial or geopolitical agendas, shaping its FDI patterns accordingly.

The second line of reasoning is that firms falling under this category of ownership often have a dual mandate, which is to pursue commercial performance and implement policy. These "hybrid" entities tend to pursue foreign investment that is in keeping with long–term considerations of the state regarding strategic asset accumulation, technological upgrading, or more mundane considerations of promoting actual performance of state–sponsored initiatives like international development corridors. Thus, efficiency–seeking may emerge from business optimization or, alternatively, political rationalization efforts initiated by the state or performance targets imposed via formal or informal governance mechanisms over these firms.

Thirdly, SOEs find themselves exposed to risk–mitigation mechanisms that are, by their very nature, inaccessible to private firms. State–backed financing, lesser market discipline, and government guarantees permit such firms to undertake FDI at greater distances with a comfort level for greater risk. In conjunction, sustainability covers secondary motivation for working along environmental, social, and governance (ESG) frameworks of national interest or sustainability commitments of an international nature prioritized politically.

In contrast, these firms are on average more institutionally embedded, maintaining proximity to state structures and regulatory bodies as well as diplomatic channels. Hence, their internationalization strategies generally tend to be correlated or are beholden to overarching national interests, especially in areas of strategic importance such as energy, infrastructure, and technology. The embeddedness helps in explaining why firms controlled at the level of ≥ 20% are mostly driven by strategic and sustainability considerations. Moreover, increased levels of state ownership are often matched with enhanced access to preferential financing and lower–cost capital, as well as implicit guarantees from the state. Such financial cushions not only lower investment risk but also minimize the strategic necessity of seeking entry into foreign markets for revenue or market share enhancement. In that case, SOEs where the state holds more than a 20% stake are propelled less by market–seeking behavior than might SOEs with low ownership or those in private hands. Instead, they may focus their internationalization strategy on strategic asset acquisition, sustainability compliance, or political–economic objectives that are in line with national development goals. This indicates that financial insulation and state backing could alter the risk–reward calculus of FDI considerably by shifting the trade–off away from commercially motivated expansion to wider institutional or geopolitical considerations. These SOEs are often accountable not solely to the commercial performance metrics but to wider state objectives such as strategic autonomy, technological upgrading, regional diplomacy, or ESG commitments. This means that their FDI behavior may be diverted from short–term market–oriented incentives toward long–term strategic positioning, oftentimes in alignment with the state's own developmental, environmental, or geopolitical priorities. The other reason why SOEs may be discouraged from pursuing market–driven strategies is based on their intrinsic mandate to address market failures. SOEs are established to create "natural monopolies" in cases where competition is impractical or inefficient (OECD, 2024). Under these circumstances, an SOE would supply public goods or services that the private sector would consider either unprofitable or carrying too big a risk—yet too strategic or essential to remain unserved. Moreover, while SOEs are found in a wide range of sectors, their scope of activities is still narrower than the ones in the private sector, where enterprises can enter and leave markets purely according to commercial opportunity. This structural constraint makes SOEs much less likely to engage in market–seeking FDIs than their private counterparts.

On the other hand, firms that have little state ownership (ones below the 20% threshold)—although technically classified as state–influenced—tend to behave more like POEs. In this sense, limited state involvement generally translates into greater managerial autonomy and commercially driven strategies. The POEs, by using the FDI patterns as determined by market–seeking being the prime motive, had a strategic asset–seeking frequency appearing less frequently as a secondary pointer. This means they have been based on a perspective proving profit, competitiveness, and expansion rather than behavioral allegiance to the state's policy agendas. Evidence from such firms' modeled behavior exhibiting POEs suggests that a little degree of state ownership will not result in much strategic influence, especially when control of such a state is weak or dormant.

In addition, SOEs—and especially those belonging to the European Union—not only have to conform their operations to the national strategic priorities of their respective countries but also to supranational regulatory frameworks that include EU sustainability targets and state aid rules. Therefore, SOEs' motivations for undertaking FDI are on average marked by a higher degree of sustainability–seeking and geopolitical considerations than the motivations found among POEs. These motives are also consistent with the defining features of SOEs: focusing on national interest and public value prioritized over short–term profit maximization. Thus, it is POEs that operate within a free market setting and are not bound by the same institutional regulation or obligations. Their strategies for internationalization are mainly conditional on market logic with flexibility such that their focus is on finding lucrative market opportunities and profitability as well as on maximizing shareholders' wealth—without necessarily accounting for wider policy objectives such as sustainability or geopolitical positioning.

In summary, the discrepancies found in FDI motivations across ownership categories should not be merely traced back to shareholding size but should be interpreted as the functioning of broader institutional, strategic, and organizational logics guiding the international behaviors of state–influenced firms. Indeed, it appears 20% ownership is the most pertinent point at which state influence becomes semi–directive, diverting firms' goals from nearly purely commercial to more state–consistent long–term objectives.

4.3.3 Interdependence between primary and secondary FDI motives: a comparative analysis

In SOEs, when market– seeking is the primary goal, strategic asset– seeking emerges frequently as a secondary motive (40%). This joint consideration gives rise to a dual acting front: the entrance into new markets alongside the acquisition of complementary capabilities. Such layering of objective results to a long– term view congruent with the state developmental ones. Efficiency and sustainability, in such cases as secondary motives, point towards some sort of awareness of operational and environmental imperatives, but still subordinated to broader strategic aims. This ordering mirrors the institutional rationality of SOEs, in which commercial imperatives of optimization of costs and ESG considerations fall behind national strategic objectives. These businesses might incorporate green or lean practices inso–far as such moves support larger policy objectives–such as energy security, industrial leadership, or geopolitical stance–rather than for strictly economic reasons. An example of this interdependence can be mentioned that CNOOC (China National Offshore Oil Corporation) has expanded globally, acquiring foreign oil and gas companies and expanding its technological capabilities and resource bases. This case highlights the fact that it's not unsual for SOEs to use market entry as a means to an end rather than to be an end itself. In fact when CNOOC purchased stakes in oil firms overseas, it was not for the sole purpose of exporting goods abroad but also to intenalise knowledge, secure reserves and increase China's energy independence. This is evidence of a state–capital hybrid logic where a firm acts as both a commercial entity and a geopolitical instrument. Even if SOEs directly pursue expansion in new markets they always do so to acquire a strategic edge without forgetting their fundamental compass remains domestic– foreing activities are merely tools to strengthen that domestic capability. Consequently, SOEs' would hardly even be in competition for global market share as such in a neoliberal sense; rather, they would project national development strategies outward – an "outward–inward" feedback loop – with the intention of developing capabilities abroad, for redeployment domestically. SOEs are not neutral market actors as their FDI behaviors from the sample can carry embedded state interest.

For SOEs with strategic asset– seeking as primary, efficiency seeking (43.33%) is often secondary. This could suggest some kind of rationalization drive accompanying capability acquisition, perhaps performance mandates or budgetary pressures from the state. This demonstrates that SOEs are not merely on a quest for capabilities for their own sake but also suggests that they need to face some pressure to yield tangible performance returns. So there is a form of rationalization prompted by both internal accountability structures and external oversight from the state. Profit maximization may not necessarily be the main objective; however, such entities are still expected to demonstrate investment viability and productivity, especially when public funds or state backing are involved. This overlay efficiency may speak to performance mandates, cost control, or merely to justify capital allocation within broader state objectives. Efficiency, in this sense, is not pursued as a stand–alone objective but rather as a complement for the successful execution of strategic missions. It ensures that assets are acquired towards national goals such as innovation and technological sovereignty but also into operational sustainability over time.

Besides, SOEs must hold the responsibility of managing state resources–in this case, balancing political imperatives with practical execution in globalized economies. More often than not, this would require them to adopt more deeply market–driven logic, particularly when they have limited options to source the technological capabilities or strategic inputs needed in achieving domestic objectives. Pursuing strategic assets, therefore, becomes tied to that efficiency mandate not only for functional viability but also justifying foreign investment in the national interest and under sound governance.

The second–most used secondary motive market–seeking (33.33%) is further proof that SOEs try to embed their strategic capabilities in commercially viable environments. Such an interplay allows them to prove, test, or upscale acquired assets in relevant markets, adding a pragmatic base to their strategic ambitions. Low as they appear, the figures for sustainability (13.33%) and geopolitical considerations (10%) do not diminish their importance but rather suggest that under the authority of capability–driven investments, such motives are often peripheral. Sustainability can probably be managed through compliance or reputational management rather than as a force, while geopolitics may argue a higher strategic rationale without affecting direct operational targets.

All put together, this pattern presents the developing logic of SOE internationalization: while holding within the confines of state priorities, it increasingly admits business–like imperatives. Strategic asset seeking, therefore, is not static or ideologically driven but increasingly conditioned within a dynamic efficiency, adaptability, and performance accountability framework in a competitive global environment.

Furthermore, SOEs primarily driven by efficiency seeking show notable secondary attention to geopolitical factors (44.44%), a striking finding that may be reflective of politically driven operational restructuring, especially in instances where strategic sectors are exposed to the pressures of international tensions or sanctions. This interaction demonstrates that even if SOEs are in pursuit of seemingly technical or cost–based reforms, these activities are rarely divorced from the larger issues of geopolitical considerations. Essentially, in sectors such as energy, infrastructure, or telecommunications–national security and international diplomacy tend to merge–efficiency improvements can become a means to strengthen resilience to external pressures or to reposition concerning shifting global alliances. Furthermore, as SOEs steward public resources, their efficiency drive is usually much more than just internal cost–saving. It corruptly becomes a mechanism to justify continued state ownership under international scrutiny, particularly in markets subject to state interventionism criticism or questioning. Hence, efficiency–driven FDI may also be viewed as an adaptive strategy, preparing the firm to operate competitively in politically sensitive settings without compromising its support for national strategic objectives. An example of this is Gazprom, the Russian energy giant. With geopolitics at play, Gazprom's efficiency measures to modernize its infrastructure and enhance operations bear considerable interconnectivity with such considerations. This would decrease costs and improve performance but will also greatly increase Russia’s energy security and geopolitical clout, particularly in the light of the international sanctions and changing global alliances.

In SOEs, once resource– seeking is set as the primary motive, the secondary motives can equally be at 50% strategic asset and efficiency seeking. This configuration suggests that even when SOEs pursue raw materials or natural resources, they do not so often with larger economic goals in mind, such as securing access to foreign markets or building industrial capabilities along value chains. Such bundling reflects a deliberate, policy–informed strategy that transcends resource acquisition per se, in line with Dunning’s notion of compound motives influenced by institutional imperatives. However, it must be noted that a mere 3.03% of the SOEs included in the sample indulge in such type of FDI, thus underlining that it holds an exceptional rather than an otherwise routine nature. This low incidence implies that SOEs practice resource–seeking FDI only under very peculiar strategic conditions—most often, when access to resources is critical to national objectives in development or strategic autonomy. In these narrow contexts, resource acquisition coupled with strategic asset or efficiency motives suggest that the investment is not merely a commercial act but part of a larger, policy–guided agenda. This also points to a tendency to reduce the high risk associated with such projects, mostly in politically unstable environments, by linking them to human capital development or performance improvement goals, thereby enhancing their political and economic legitimacy. A representative case of the bundling rationale can be seen in Avalon’s collaboration with Metso . Mr. Zeeshan Syed, President of Avalon, announced that the deal was to “construct a processing facility which will be not only a regional destination for Avalon’s joint venture lithium deposit but also for other lithium projects in northwestern Ontario—unlocking the province’s lithium resources for deployment in the growing EV battery manufacturing base in Southern Ontario.” This is not only a resource–seeking endeavor but one initiated by long–term strategic asset building and efficiency–oriented supply chain optimization. In the same vein, Mr. Mikko Rantaharju of Metso pointed out the project’s sustainable, technology–led, and research–oriented features as ensuring its fit with industrial and innovation objectives at large.

POEs present a more commercially nuanced interdependence between motives. In market– seeking FDI, secondary allegations are widely spread throughout strategic assets

(40.48%), efficiency (31.85%), and sustainability (19.94%). This mix implies that POEs often interconnect market advancement with operational enhancement and ESG adaptation. The layered approach demonstrates the multiple business imperatives POEs can respond to–adjustments in standards for growth, competitiveness, and responsible investment. The pursuit of efficiency and sustainability along with market expansion may be understood as a strategic response to shareholder expectations, integration into global value chains, and the reputation of a firm–areas that become salient when businesses operate in highly regulated or consumer–sensitive industries. Their less emphasis on geopolitical factors (5.06%) corresponds to their rather apolitical stand together with the almost negligible part the state plays in administering them. This reinforces the idea of POEs focusing on commercial pragmatism rather than on state immutables—preferably responding to market signals than in conformity with foreign policy dictates or geopolitical positioning. For instance, both Unilever and Danone have multi–national operating companies that have been working to align their market–seeking endeavors with strong ESG commitments and supply chain optimizations—evidence of the ability for POEs to consummate commercial objectives with larger sustainability and performance considerations in markets of Southeast Asia or Latin America. Such moves seek not only to increase market share, but also to mitigate operational risks, while addressing the increasingly strong concerns of consumers and regulations regarding sustainability.

When purely looked from the perspective of POEs, strategic asset– seekers are primary, and market– seeking is by far dominant secondary motive (58.02%), suggesting revenue growth synergy with capability enhancement to performance– oriented competitive strategy among apolitical POEs. This prevalent mix is indicative of a deliberate strategy where the purchase of technology, brands, and know–how in foreign countries is systematically tied to gaining new customer bases or trading networks. It highlights a two–pronged growth strategy where the development of new markets not only rationalizes the asset purchase but also boosts its worth. Interestingly, sustainability also peeks itself, at a level of prominence that can only be taken as reputational– or green– strategies concerned (22.84%). Such shares significantly suggest that, with profit and innovation primarily driving internationalization, many POEs already realize that environmental and social credentials are becoming ever more relevant strategic considerations in most engulfing sectors, in particular ones under ESG scrutiny (e.g EU Green Deal) or consumer activism. A further feature to emerge is that long–term–oriented risk management and brand–driven sustainability positioning converge increasingly.

However, the relatively low frequencies with which efficiency (8.64%) and geopolitical (6.17%) concerns appear as secondary motives strengthen the interpretation that strategic asset–seeking POEs prioritize growth and visibility over short–term cost–cutting or politically guided motivations. The rare incidence of resource–seeking (1.85%) and unusual combinations, such as efficiency–sustainability or efficiency–geopolitics, further highlight how focused and commercially coherent this FDI configuration is. Together, these patterns represent a targeted internationalization logic: expand capabilities, access new markets, and build reputational capital—leaving more politically sensitive or cost–centric moves to more context–dependent scenarios.

POEs whose primary motive is efficiency– seeking often combine this with market (39.13%) and strategic asset motives (24.35%). This suggests these firms are leveraging foreign markets not only to cut costs but also to grow revenues and accumulate capabilities by strengthening their position both in the short and long run. Such combinations suggest performance logics extending beyond simple cost arbitrage. Market–seeking as a second motive suggests these companies seek to link cost–saving operations to more general commercial strategies—revenue uplift through new customer reach or demand–side scale. Similarly, integration with strategic asset–seeking suggests we see an interest in elevating competencies, typically through foreign partnerships, technologies, or talent bases for competitive resilience. The appearance of multi–objective combinations, including sustainability and geopolitical factors, reveals the complex trade– offs in POEs' decision– making, shaped by both external pressures and internal optimization. The fact that sustainability as a secondary motivation is present in 20% of them indicates growing global stakeholders' expectations and the possibility of reducing costs via energy efficiency or green innovation. Furthermore, despite being less prevalent, the presence of geopolitical concerns (3.48%)—particularly in combination with sustainability (6.09%)—indicates that companies are becoming more conscious of regulatory and reputation exposures in unstable global environments. Resource– seeking is not the dominating primary motive for either SOEs or POEs, but rather the comparisons that arise when juxtaposed against secondary motives show marked differences that elucidate deeper organizational logics. For POEs, the fact that resource–seeking as a second motive (5.22%) is much less frequent in efficiency–driven FDI verifies that attention is squarely on operational and strategic fine–tunings. It illustrates the fact that where POEs do go international in order to enhance efficiency, it is typically placed within larger contexts of strategic anticipation and long–term flexibility.

The resource– seeking FDIs carried out by POEs do exhibit relatively inconsistent secondary motives: The blurring of secondary motives could be a reflection of the infrequent nature of resource– driven FDIs for this sample. In fact, as a main motive, resource–seeking seems to be uncommon among POEs and has an attenuated secondary profile in situation where it does exist—market seeking (31.58%), efficiency (26.32%), sustainability (21.05%), strategic assets (15.79%), and geopolitical considerations (5.26%). The scattered nature of the distribution indicates the lack of a strong secondary rationale in accompanying resource procurement in POEs, thereby supporting the view that these moves are context–specific, opportunistic, and short–term operationally motivated. Given that these investments are often pursued in politically unstable regions and given the magnitude of risks and capital intensity, it is reasonable to think that POEs are exceptionally cautious in executing these projects and only for those when resource access supports core business operations. In contrast to SOEs' frequent pursuit of resource–based foreign direct investment as part of an overall policy–led approach, POEs seem to pursue them only where moves of such a nature are well integrated with core input requirements or short–term profitability. The larger share of secondary motives including the likes of market and efficiency indicates POEs often bring resources in from foreign countries in conjunction with short–term commercial considerations or process streamlining. The shifts in their secondary motives illustrate an opportunistic strategy, firm– specific and lacking the coherent strategic framing that characterizes SOEs. This divergence supports the assertion that, while SOEs systematize resource– seeking within a larger developmental framework, POEs embrace it as an enterprise with narrowly defined commercial severity geared towards risk– and– return cognitions. The risk–conscious opportunism indicates that for POEs, resource–seeking FDI is less of a long–term national and strategic rationale and more of an issue of calculating viability in constrained and volatile circumstances where being flexible takes precedence over long–horizon planning.

This comparison of FDI motivations in relation to SOEs and POEs highlights the different approaches both enterprise forms adopt towards internationalization and investment. SOEs align with a broader set of priorities that are state– directed and more systematic and long– term as far as FDI is concerned between the primary and secondary motives. This reflects a broader commitment to state– driven objectives, such as the enhancement of national competitiveness and having access to strategic assets that also involve geopolitical, operational, and sustainability considerations under a larger policy framework.

On the other hand, POEs demonstrate greater flexibility and commercial pragmatism; they are more concerned about market expansion and the profitability that accrue therefrom. Its wider secondary motives include broad features that draw not only the efficiency and strategic asset– seeking but also environmental and reputational ones. Thus, POEs could manage ever– changing global markets with varying conditions modified from factors in the economic environment or those set by stakeholders.

The key distinction lies in the organizational logic that underpins each type of firm's FDI strategy. SOEs make decisions predominantly on institutional goals and policy framework, while POEs whose pool of investment is never divorced from profit or market position, yet adopts a pragmatic understanding of risk and competitive advantage. In analyzing motives for FDI, then, institutional context and organization structure become crucial since they materially influence the interplay between a primary and secondary motive. These differences lead to the idea that both SOEs and POEs may be interested in growing their global footprint, but the reality is that behind this lie very different underlying motivational and strategic priorities involving different forms of imperatives—state– driven development goals for SOEs, and market– driven objectives for POEs.

Although State–Owned Enterprises (SOEs), on the one hand, and Private–Owned Enterprises (POEs), on the other hand, have fundamentally differing Foreign Direct Investment (FDI) motive bases—state mandates for the former and commercial pragmatism for the latter—they now operate in shared markets to some extent, investing in the same types of industries and geographies. This makes them competitors both directly and indirectly. For instance, while one POE enters to gain cost savings or extended customer outreach, another SOE enters to gain long–term geopolitical foothold or supply chains. However, both are vying for the same resources, customers, or infrastructure access.

These findings, therefore, reinforce the view that while SOEs and POEs operate according to very distinct logics. SOEs conduct business intertwined with national development goals, institutional mandates, and geopolitical considerations. In contrast, POEs follow a market–driven logic emphasizing competitiveness, profitability, and adaptation to external pressures.

The rivalry of these institutional indicates that the existence of differing logic does not inhibit competition; it only shapes how this competition is played out. On the one hand, POEs usually respond quickly to market signals and investor demands, resulting in short–term agility and a competitive advantage in terms of price. On the other hand, SOEs, with state backing, usually have more capital available and are usually willing to maintain a long–term strategic patience to compete in high–risk or capital investments sectors.

The co–presence of these two logics in the same market field introduces asymmetries: POEs need to operate efficiently and meet quarterly financial targets, while SOEs can afford to prioritize strategic objectives over immediate payoffs. Nonetheless, both types of enterprises compete vigorously for talent, technological innovation, and market share. The conjunction of developmental and commercial logics boosts global investment activity and sometimes creates friction, mainly in strategic sectors such as energy, telecommunications, or critical minerals.

4.3.4 Institutional logics and strategic intent: findings from interviews with SOEs' managers

4.3.4.1 Preliminary remarks

The comprehensive and integrated perspective on SOE internationalization that this body of work offers combines the strong analytical data set with three semi-structured interviews of qualitative evidence with key managers and executives within several State Owned Enterprises and a consultancy firm. Interviews so strategically held to supplement and articulate the evidence drawn from the quantitative data. While the broad empirical foundation was encompassed by data, it was through these interviews that stated, nuanced, real-world implications became evident and could thus delve into such aspects as overlapping of investement rationals. The interviews made it clear that geopolitics is "*absolutely central*" to SOE and shows that hybridization is a normalized feature of SOE investment-based rationality-integration of commercial viability, geopolitical alignment, and public value. Secondly, the interviews also indicated that SOEs operate within a framework of bounded rationality imposed by their public mandate, which has both enabling and constraining effects filtering market and strategic considerations. Thirdly, The interviews immediately detailed how ownership structures influence strategy. The applicability of state strategy becomes so much more when ownership goes "*over 20% and especially beyond 30%*" due to the emphasis placed on that level of holding in shareholder agreements. The last emerging difference was that between listed SOEs and unlisted SOEs: listed entities operate under governance norms that protect minority shareholders, which can weaken the immediacy of intervention by the state, whereas unlisted ones face fewer external constraints, allowing public priorities to shape them more directly. The comments made during these interviews highlight the new direction in which the global public arena is moving and the fact that the role of the public sector is increasingly visible within it. One major lesson learned was that it was moving away from liberal market logic toward a fragmented-global order deeply informed by geopolitical considerations, with the interviewee´s words stating "*Globalization is basically over*". "*Geopolitical bilateralism*" heralds the new phase in which public sector intervention grows much more influential causing SOEs to carry strategic importance as instruments for national economic diplomacy, far from being market–neutral actors. Finally, The interviews revealed how institutional mechanisms run a wide risk and ease public-private alignment. This instrument enables Italian firms to internationalize through a "*temporary partnership*" without bearing full business risk, aligning with strategic objectives and demonstrating a logic of strategic patience not feasible for private firms. Ultimately, this highlights that public-private synergy increasingly evolves into a condition of possibility for global expansion, especially where political and economic dimensions overlap.

These individuals were deliberately sought out with direct, hands-on experience in the internationalization processes of SOEs. The interviewees include managers and executives from special commission of banks, SIMEST and *Cassa Depositi e Prestiti*. Such professionals were considered for their practical experience and strategic oversight to provide possible context and depth that might not be addressed by pure quantitative data. Each interview lasted roughly '30–60 minutes' and followed a semi-structured format with focused discussion on pre-defined themes and emergence opportunities.

The knowledge gleaned through such discussions proved to be quite invaluable. Indeed, it indicated the identified causal mechanisms behind the observed trend, gave preliminary verification of dataset findings, and generated new hypotheses for future research. Incorporating rich qualitative narratives will move beyond statistical correlations to understanding the rationale and lived experience of SOE internationalization. This has greatly enhanced novelty and robustness within findings.While theoretical classifications such as Dunning's OLI framework– seeking, market seeking, strategic asset seeking, efficiency seeking, and resource seeking– are valid as far as broad analytical frameworks go, on the ground empirical realities seem to be considerably more constrained by the institutional and political structures, especially the public mandate under which SOEs operate.

4.3.4.2 Analytical contribution of the interviews

More specifically, a theme that persisted in the discussion was the predilection for geopolitical considerations in SOE investment decisions. As stated in the interview, "*Geopolitics is absolutely central and really relevant right now*," especially for collaboration type of investment, "*transfer technology and create an opportunity—not just for business reasons, but political ones too*." It strengthens the argument according to which, SOEs undertake less for economic reasons than for diplomatic or strategic imperatives. In this situation, ESG (i.e. environmental, social, governance) considerations also come into play, but mostly as criteria used to evaluate the investment rather than driving it. According to the respondent, ESG may be better characterized as a "*cross–cutting*" theme, rather than a driver per se.

Even though the data analysis showed that about 45% of SOE FDIs are motivated by strategic asset acquisition, the respondent advised against approaching those motivations in isolation "*Classifying an investment under just one motivation feels a bit limiting*". Thus, initiatives like the Italian Mattei Plan are made of overlapping logics: "*It's also about creating commercial exchanges and opportunities. So I invest in something, maybe start a joint venture, share technology and infrastructure, because that opens the market to private companies from my country. I think geopolitical context is really shifting the way public–sector investments are being approached by state–controlled enterprises*." The latter shows how quite often strategic, political, and commercial motives overlap in practice. Using instances such as the Italian Mattei Plan, he described how a strategic investment is often performative in many respects–enhancing political outreach, commercial partnerships, and industrial cooperation all at once. Because of this multi–functionality, investments become quite complicated to categorize rigidly as investments for different reasons overlapping as clients go about real–world practices.

An important contribution of the interview is the reiteration of the effect of ownership structure. In the view of the expert, "*Under 20%, it's hard for the state to really shape strategy. But once it goes over 20%, and especially beyond 30%, that influence becomes very real—especially because shareholder agreements often give that 30% a lot of weight*." This view adds to the range of components in which legal shareholding constitutes only one part of control: functional influence often accrues from context–dependent governance arrangements.

Of utmost importance is the insight into the changing global context. According to the respondent, a clear shift has taken place: moving away from globalization and liberal market logic and toward a fragmented–global order deeply informed by geopolitical considerations. In fact, on how to define evolution in global settings, the interviewee emphasized that "*Globalization is basically over, and public–sector intervention is becoming much more influential in this new phase of geopolitical bilateralism*". The interviewee noted that there was indeed a turn of event into "*a new phase of geopolitical* *bilateralism,"* wherein "*public sector logic is playing a much bigger and powerful role.*" In this case, the public enterprise becomes more a tool for national economic diplomacy–corded at this particular junction, the growing stringency of publicly owned capital's activism. Within this framework, state intervention will increase tremendously with SOEs: far from being market–neutral actors, they are expected to gain strategic relevance in the service of national interest. He notes that this transformation is already emerging in the manner in which state investments, like Italy's *Cassa Depositi e Prestiti*, behave and invest internationally.

Importantly, the interview emphasized that SOEs acted within bounded rationality, dictated by their public mandate: "*These companies prioritize the national interest—whatever form that takes—and everything else follows from there.*". This mandate operates as both an enabling and constraining factor. Even the instances where one would think market or strategic considerations were paramount are actually filtered through the lens of national interest. This limitation manifests even more in the differentiated operational logic between listed and unlisted SOEs. Listed companies have to operate with governance norms protecting minority shareholders, which weaken the immediacy of intervention by the state. In contrast, unlisted ones have lesser constraints from the outside, although public priorities still shape them. Differentiation was made even between listed and unlisted SOEs. "*listed state–owned companies have different logic compared to unlisted ones—even with the same level of state ownership. A listed company has to follow rules that protect minority shareholders, so the governance is different. In an unlisted state–owned company, those checks aren't as strict, even if the public stake is the same*."

In terms of interdependence of motives, the interviewee affirmed that motive falls seldom isolated: "*There's no clear–cut separation—it's all interconnected.*" This also lends support to the larger research outcome that hybridization stands as typical forms in which investment–based rationality arises–as indeed influenced by a dynamic interplay of commercial opportunity, strategic positioning, and institutional obligation.

These findings from the first interview suggest that while SOE investments are theoretically analyzable along the lines Dunning proposes, in practice, the decision contexts are thoroughly molded within the logic of state ownership. Their motivation is not just hybrid and interdependent but is addedly constrained by structural mandates that place strategic national objectives above unadulterated commercial considerations. This understanding is critical in approaching not just the why of SOEs investing overseas but also the how–within an intermeshing framework of economics, politics, and institutions.

The results of the second interview reconfirm several patterns that have been documented during the analysis of the data and have thrown interpretative lights into some very rich dimensions beyond Dunning's original OLI framework. Still, perhaps the most dominant prevailing rationale has been strategic asset–seeking, which, however, was not itself necessarily intended for the purpose of advantage–accrual at the firm level. As the respondent explained, SOEs often invest *"to get strategic assets that complement their business,"* but this objective is embedded in broader national priorities. In this view, strategic asset–seeking in the SOE context refers not only to capability enhancement but also to economic sovereignty and long–term legitimization of industry position. Thus, in combination, this leads to the realization that Dunning's model, despite being analytically useful, has to broaden when applied to state–linked actors whose rationale includes system–level resilience.

Moreover, the interview made it very clear that public mandates are both constraining and legitimizing mechanisms. The observation that SOEs *"can't really [exit a market] because they have a public mandate"* clearly shows how institutional logic constrains long–term commitments even when the markets are volatile. While private firms can usually pivot quickly, according to profitability pressures, SOEs are expected to maintain presence and continuity along with national development goals. This is parallel to institutional theories emphasizing the bounded rationality of state actors and helping to explain a high presence of SOEs in sectors sensitive from the point of view of politics.

The interview reveals how institutional mechanisms, like SIMEST's equity loan model, act both as a buffer for risk and facilitator for public–private alignment. This instrument, which is described as a "*temporary partnership*" where "*SIMEST doesn't take on the full business risk*"– enables Italian firms to internationalize without putting all the risk on their shoulders. This aligns with their strategic objectives. It represents a logic of strategic patience, which may not be feasible for private firms to sustain by themselves. This model endorses the role of state–backed financial infrastructure in letting SOEs (and hybrid actors) engage in capital–intensive or geopolitically sensitive investments.

Most probably, this is the most significant theoretical finding from the interview. In today's logic of SOE internationalization, hybrid motives have now been normalized, "*everything's interconnected. These companies don't work purely based on profit,*" the respondent said. Here, the practice goes against the long–held norm that says motivation must be separated and categorized. Rather, it subscribes to a different take: hybridization is not a deviation but a feature of the structure; it comes into being out of the need to integrate commercial viability, geopolitical alignment, and public value. This observation suggests the need for a reframing of the theory on FDI vis–a–vis public actors, suggesting in this case a layered rather than discrete model of motivation.

Lastly, the second respondent's said that *"we'll be seeing more of [public–private partnerships] going forward"* , which it indeed further confirms the hypothesis that hybrid investment structures endorse permanent modalities of access to markets. In an environment of regulatory ambiguity or of competition for strategic advantage between states in the geopolitical context, the very presence of the state does not only act as a guarantor but it is also deployed as a tool of political and operational legitimacy. Clearly, public–private synergy is evolving into a condition of possibility for global expansion when it is more relevant to political and economic dimensions overlapping.

From this third expert interview, a senior representative from *Cassa Depositi e Prestiti* enriched the empirical basis for some of the emerging patterns already discussed, besides adding new dimensions to the understanding of SOE internationalizatio. The main point that the respondent noted was sustainability as a long-term reason for international investment decisions, especially when interpreted as a requirement for market diversification and resilience in business models: "*to be sustainable in the medium to long term, [a firm] requires market diversification*." This point marks strategic decisions made by SOEs today increasingly becoming informed by broader systemic considerations, where diversification is not merely an economic imperative but rather a structural necessity to maintain institutional viability and long-term industrial continuity.

Echoing previous interviews, the respondent broke further not just to the commercial dimension of SOEs as commercial actors and instruments of national diplomacy. For example, he revealed the fact that specific state-owned firms, particularly in Africa, will seek the way forward in being able "*to strengthen relations with local governments, with local businesses, or even just because this way it is believed they can contribute to the progress of that country, particularly in still underdeveloped countries*." This is further evidence that SOEs serve not just economic purposes but also geopolitical influenceand soft power projection. The other area mentioned is the involvement in foreign business operations by home-country companies, with the understanding that these companie "*need financial, insurance, or logistical support,*" thus drawing attention to the breadth and institutional nature of assistance available. This points to more than a facilitative function but a structural mechanism to project national competitiveness through public-private alignment.

Moreover, it gives additional evidence to prove that SOEs have a tendency of working with a long-term investment logic, which in turn often supports strategic asset-seeking over immediate returns. According to the respondent, such investments could be for the purpose of eventually repositioning and growth through acquisitions abroad: "*All of this leads to repositioning and could give you more strength at a certain moment in the market, because often through international acquisitions you grow*." As seems obvious, the situation gets much clearer against the backdrop of the internal structurally weak domestic economy: "*The country has a number of problems because the population is aging, the industrial fabric is weak, so GDP goes down, incomes go down, savings go down, and so many companies look for markets that are potentially wealthier in the future. Italy is a rich market now, but maybe in twenty years, it won't be so anymore.*" This long-term horizon becomes a crucial lens through which SOE internationalization must be understood.

A further point of relevance relates to cooperative structures SOEs could adopt in new foreign ventures. This was made quite clear by the respondent: "*it depends on the territorial contexts,*" pointing out that there are certain regulatory environments that will require establishment of partnerships with local actors, as is the case in most Arab countries or Brazil: "*you necessarily need to establish a partnership with locals.*" He commented that partnerships can take many forms, from contractual arrangements to equity-based joint ventures. This differentiation heightens SOEs' need for structural flexibility and capacity to fit different legal and institutional terrains, adapting their governance structures accordingly.

The interview also reasserted the weightiness of the ownership structure in shaping strategic freedom and priorities. The rationale of the respondent suggested that with increasing public shareholding, firms are more probable to be driven by broader policy objectives: "*the higher the percentage of public capital, the more the company can also pursue other goals that are not just profit generation*." These goals may be anything from international development cooperation to enhancing the image of Italy as a whole to the world's globe. Thus, there is the functional nature of ownership, in which capital structure becomes a vector of public value creation, while SOEs set further apart from POEs in tighter state control. Inversely, the lower the state ownership, the more the company was found to behave like a private sector firm, basing its actions on more profit-maximizing rationale.

While the questions on the evolution of investment strategies and the interdependence of motivations largely reconfirmed earlier findings, the interview added a contextualized perspective on internal constraints. The respondent observed: "*There are some companies I mentioned that typically do this—they operate abroad by supporting Italian companies expanding abroad. I'm thinking of SACE, Simest, and CDP itself, and in that case, it's clear that there can be no resistance—the very corporate structure is built for that*." It is also learned that this is not the same in all cases. On Enel, he elaborated that while there was extensive foreign investment by the firm in the past, recently, the new leadership has reversed this trend: "*Then those investments didn't go very well, and now, the new CEO has instead launched a debt reduction plan by divesting foreign holdings*." Thus, internal resistance can appear depending on leadership priorities and market outcomes; hence, SOEs are not monolithic but contextually contingent.

Additionally, the interview, therefore, allows for debate around the assumption that internationalization is universally beneficial. The respondent shared with among the lines an internal recent case at CDP: "*maybe we prefer to finance a business that operates in*

Italy rather than one that's abroad" suggesting that even indirect administrative preferences will constrain outward investment. What it indicates is the tension within policy versus investment interfaces where public logic conveys a demotivating effect over foreign expansion despite strategic reasoning for it. "*Internationalization, which is often seen as a great advantage for companies, isn't always so. Think about what's happening again in the United States—you base your business on internationalization, then geopolitical relations change, wars break out, you can't ship products anymore, interest rates go up, your business model collapses*." It closes with a practical tie-in: "*Having a solid reference market in your own country, if you're a company with good relations with public institutions and the domestic market, in my opinion, is always a good starting point*." This brings into focus the dual logic of SOEs—where the benefits brought about by global reach constantly weigh against the security of domestic embeddedness.

In conclusion, these interviews are consistent with one another and strongly reconfirm the patterns identified by the dataset. In validating the empirical trends—the prevalence of strategic asset-seeking and influences from public mandates—these interviews proceed to further have an important qualitative dimension to the overall analysis. The perspective of respondents gives a wider opportunity to understand SOE behavioral rationale and provides a deeper and more pragmatic understanding of how these firms function in real-world international contexts. In merging quantitative and qualitative insights, one adds richness to the overall interpretation where SOE internationalization is seen to arise in tandem with structural changes and contextual enactment.

CHAPTER 5

Conclusions

5.1 Summary of the research

This dissertation investigates the internationalization strategies of State–Owned Enterprises (SOEs), a business category unique in the world where public mandates intersect with commercial logic. Most of the scholarly literature on the international expansion of multinational enterprises has concentrated on privately owned firms. Very little is known about the peculiar dynamics that underpin SOEs–in particular hybrid governance structures, exposure to political mandates, and alignment with national strategic interests. The research thus seeks to fill in this gap by exploring the questions: why do SOEs pursue internationalization, and what strategies do they prefer in global markets?

To this end, the study adopted a quantitative and qualitative cross–section research design based on a mixed–methods approach. The empirical basis was set from a dataset comprising 861 greenfield foreign direct investment (FDI) cases from Orbis and Orbis Cross Border Investment databases. Of these, 66 firms were classified as SOEs based on any degree of state ownership strictly above 0%, thereby capturing a wide spectrum of public sector influence from marginal participation to substantial control. Greenfield FDI was selected as the focal point because it is the most strategically relevant to SOEs, offering total operational independence, opportunities for brand building, and meeting long–term, often state–driven policy goals.

This dataset was categorized using Dunning's classification on the motives of internationalization: market–seeking, resource–seeking, and efficiency–seeking and strategic asset–seeking. This last category recognizes the changes of which motives evolve because of the pressures that are now imposed globally on investment behavior. Thus, in the extended framework were added both sustainability motives and geopolitical considerations, as these are becoming more and more relevant in the strategic decision–making of state–owned enterprises. To improve the findings and interpretation of findings, semi–structured interviews were included as part of the complementary method. The aforementioned served two purposes: eliciting contextually–grounded thinking behind international investments, while also providing a mechanism of combining information to reinforce credibility of trends observed in quantitative data. Semi–structured interviews, by design, allowed both thematic consistency and narrative depth, uncovering latent motives, institutional constraints, and strategic considerations unlikely to be obvious within numerical data. The inclusion of POEs allowed for much comparison with SOEs among the dataset and situating their behavior in the international business strategy landscape, allowing systematic differences in strategic orientation and investment logic to emerge, especially how decision–making is informed by public mandates and ownership structures and their alignment with particular policy processes.

The study will be even more relevant because it elaborates on the unique institutional role SOEs occupy in the global economy; an SOE, according to OECD definitions, is a legal entity with significant ownership or strategic influence by the state for pursuing public interest objectives. These entities have been put forth for the cause of national control on important infrastructure, industrialization, employment, and economic stability, especially in periods of crisis or reconstruction, as in the following scenarios: from the post–World War I recovery efforts and interwar state building to Italy's IRI and nationalization waves in Europe, to today's resurgence of SOEs in emerging economies like China, Brazil, and India, state–owned firms have adapted continuously into different global and domestic imperatives.

The results of this research, therefore, offer not only a contribution to the international business literature, but more to a wider debate about state power and the global economy's integration at large.

The research also incorporates theoretical framing, empirical breadth, and methodological pluralism, structured data analysis, and interpretive interview insights. In so doing, SOE internationalization is painted as multidimensional, giving a more nuanced perspective into the drivers, constraints, and institutional logics shaping how state–linked enterprises expand beyond national borders, thus responding to a critical gap within the literature on how commercial strategy and public interest converge within the global economy.

5.2 Key findings and contributions

5.2.1 Comparative analysis of SOEs and POEs

The comparative study of State–Owned Enterprise (SOE) and Privately–Owned Enterprise (POE) motives for foreign direct investment (FDI) discloses fundamental strategic orientation differences that are shaped by distinct institutional logics and governance systems. SOEs exhibit a strong orientation toward strategic asset–seeking, which constitutes 45.45% of SOEs' main reasons for internationalization. This is commensurate with SOEs' overall role as means of state policy, where internationalization is hardly seen as merely a commercial strategy but as a means to gain capabilities that serve long–term national aims such as technological upgradation, industrial growth, and geopolitical power.

In contrast, POEs reveal an entirely different contour, where market–seeking is the leading motivation at 53.16%. This prioritization is emblematic of commercially pragmatic and growth–oriented logic, as is to be expected in traditional international business theories where companies go international to maximize profitability, customer base, and sources of revenues. Strategic asset–seeking, although still important at 25.63%, remains secondary to market extension for POEs, indicating relatively more focus on short–term competitive positioning than long–term capability building.

The secondary motives reinforce these divisions. SOEs assign significant weight to efficiency–seeking (31.82%) and sustainability (19.7%), while geopolitical considerations also feature strongly (12.12%). Such trends indicate a multilevel logic to SOE internationalization, where non–market motives and alignment with public policy feature strongly. The inclusion of geopolitical motives in particular underscores SOEs' twofold commercial and diplomatic role as agents of internationalization, while POEs demonstrate more differentiated secondary motives, whereby sustainability (20.57%), strategic asset–seeking (26.42%), and efficiency–seeking (19.94%) figure strongly. The occurrence of hybrid configurations of secondary motives among POEs also points to increased multilevel reasoning within their decision–making, where companies increasingly cross–apply conventional business concerns with higher–order concerns related to reputation, regulation, and ethics.

These divergences confirm the main theoretical hypothesis of this research: that SOEs, based on their public ownership status and policy missions, exhibit an internationalization pattern that can only be partly explained by using models elaborated for private companies. Their predominant orientation towards asset–seeking behavior and relatively weaker involvement in resource–seeking FDI mirror an investment strategy guided by mission, which is formed by necessities to support strategic industries, safeguard national interests, and build sovereignty capabilities. Though not commonly a lead motivation for SOEs, its development as an important second motivation confirms increased attention to operational legitimacy and sustainability, especially in environments shaped by supranational regimes like ESG standards or the European Green Deal.

For POEs, these results reinforce their reliance on market mechanisms and commercial imperatives. Their preoccupation with market enlargement, cost effectiveness, and strategic capability acquisition aims at staying competitive and adaptable within increasingly dynamic global markets. The secondary role of geopolitical considerations among POEs is also evidence that international strategies of POEs are determined by commercial as opposed to political interests.

In conclusion, this analysis enriches international business theory by showing that SOE internationalization is based on a distinctly different rationale than that of POEs. It affirms that it is crucial to adjust prevailing theory, like Dunning's eclectic paradigm, to recognize that state–owned firms represent hybrid commercial–political entities that require an updated framework to be understood. The research also offers evidence–based insights for policymarkers, namely that international activities by SOEs ought to be understood not exclusively based on economic competitiveness, but also as part of national development strategies and geopolitical interests. The comparative analysis based on a global data set, enriched by qualitative triangulation, presents a rich picture of how ownership constructs inform strategic choice in international markets. Yet, supranational institutions increasingly complain about potential competitive distortion as State–Owned Enterprises (SOEs) join Private–Owned Enterprises (POEs) within identical market spaces. On one level, SOEs' participation can be justified by their contributions to market correction of imperfections or, alternatively, to sectors that are unattractive to private investors owing to high capital intensity, lengthy return horizons, or slim profitability margins. Such entities pursue undertakings in line with public interest, like development of infrastructure, energy security, or technological independence, which may not be in the near horizon of private sector dynamics. Yet, this public mandate is often accompanied by structural advantages—above all, financial support—which do not figure for private companies. SOEs may draw advantage from preferential lending, lowered cost of capital, implicit state backing, or immunity from short–term market pressures. Consequently, SOEs might venture international markets from financial advantage, creating competitive asymmetry and market neutrality concerns.

In an EU context, these issues are dealt with under the competitive neutrality doctrine, which is central to EU internal market regulation. Competitive neutrality is meant to guarantee that SOEs and POEs face competitive conditions of fair play, keeping any state ownership or favoring regulation advantage in check. The European Commission is actively engaged in enforcing a range of regulation mechanisms intent on upholding this equilibrium. Firstly, state aid provisions largely regulated by Article 107 of the Treaty on the Functioning of the European Union (TFEU[4]) limit the government from extending preferable financial incentives to SOEs that can skew Single Market competition. Secondly, Articles 101 and 102 TFEU antitrust provisions prohibit anti–competitive contracts and abusive exploitation of dominant market position, irrespective of ownership structure, which helps to reinforce an equally applicable standard of market conduct. Thirdly, EU merger control provisions, especially under Council Regulation (EC)[5] No 139/2004, are used to consider whether an accumulation of economic strength, including one involving SOEs, could impede effective market rivalry.

Together, these instruments demonstrate that the European Union is committed to ensuring that public as well as private enterprises face the same competitive disciplines on a level playing field. Although SOEs remain an instrument of national and supranational policy, integrating them into competitive markets has to be subject to careful regulation to avoid distortive consequences. This twin goal of reconciling public

[4] European Union (2012)
[5] Council of the European Union (2004)

interest and market integrity is still at the heart of the developing governance of international investment and economic coordination within the EU context.

5.2.2 Strategic motive variations across ownership levels

The analysis in this chapter elucidates the interdependence of the primary and secondary motives for foreign direct investment (FDI) of State–Owned Enterprises (SOEs) and Privately–Owned Enterprises (POEs) with consideration of the divergent strategic logics characterizing the internationalization behavior of the two. Evidence from the Orbis and Orbis Cross–Border Investment Database of 2023 shows clear patterns distinguishing the ways in which these two types of enterprises expand internationally.

SOEs appear to layer the motives of FDI in a fashion consistently tied to state–driven developmental objectives. When characterized primarily in light of market–seeking, strategic asset–seeking very often appears, not just as a secondary motive, but quite prominently at 40%. SOEs have therefore adopted what may be termed a “dual front” approach whereby market entry is combined with acquiring capabilities; in other words, a long–term, state–aligned strategy whereby commercial expansion serves as a conduit for technological upgrading and economic sovereignty. Relative infrequency of efficiency and sustainability as secondary motives would suggest that these are instrumental considerations to be employed, rather, for some other broader national considerations. One exemple is the overseas expansion of CNOOC, which, in that case, was claimed to have been motivated mainly by market considerations but in actuality had one fundamental aim: to internalize technological capabilities and secure strategic reserves, thus reinforcing domestic energy security—an example of the “outward–inward” feedback loop characteristic of SOE’ logic.

When capability acquisition is the primary rationale, states generally pursue efficiency–seeking as the highest indicated secondary motive (43.33%). This pairing suggests that capability acquisition hangs over performance expectations imposed by state oversight organizations for accountability and operational soundness. Likewise, SOEs’ primary efficiency–seeking motives seem to hinge on political considerations (44.44%), reflecting in all likelihood the very political dimensions of their cost–oriented reforms, especially in energy and infrastructure sectors defined by intertwined national security and foreign policy. For example, it was not only cost–reduction efficiency by Gazprom that strengthened Russia's geopolitical leverage in the energy sector. For resource–seeking SOEs, adumbrating an essentially policy–informed rationale weighing up equally strategic asset seeking and efficiency seeking as secondary moves 50% apiece is the acquisition of raw materials integrated into national development and value chain strategies.

In other hand, the FDI motives of POEs were more commercially adaptive and diversified. When market seeking is the primary motive, strategic asset seeking (40.48%), and to a lesser extent efficiency seeking (31.85%) and sustainability (19.94%), usually follow in consideration. This blend points to the POEs actively integrating growth objectives with operational refinement and reputational alignment, often, in reaction to the integration of global value chains and stakeholder expectations. The little mention of geopolitical considerations (5.06%) attests to their apolitical perspective in which competitive positioning outweighs establishing foreign policy positioning. Cases like Unilever and Danone tell how POEs simultaneously follow ESG goals in their international strategies along with supply chain optimization.

Where asset seeking is the principal commissioning agent for POEs, market seeking holds sway as the secondary consideration (58.02%), suggesting a conscious plan to match innovation acquisition with market entry. Sustainability is mentioned 22.84% of the time, often under green branding or compliance with various regulatory requirements. The efficiency–oriented POEs nominate market seeking (39.13%) and strategic asset seeking (24.35%) as common secondary rationales, which would suggest that their cost–cutting initiatives are closely partnered with revenue generation and capacity enhancement. The existence of sophisticated blends—which include issues like sustainability and geopolitical considerations—is an indication of the complex investment logic informed by regulation contexts, reputation risks, and long–term value creation. Unlike SOEs, POEs that pursue resource seeking FDI show a scattered character in deciding secondary motives; thus, they have undertaken investments that are opportunistic and context–specific and prioritize short–term operational goals over coherent strategic trajectories.

To summarize, a comparison exposes SOEs and POEs as pursuing FDI from different and, one might argue, fundamentally opposing strategic perspectives. SOEs enter into a market with state frameworks and internationalization is, for them, an outward step to bring homeward policy objectives, decisively emphasizing patience and mission–centric investments. The multi–layered motives drive, in many instances, a sort of conscious and long–range reasoning tied down to national interest. Conversely, POEs operate within flexible and highly market–responsive configurations, contouring profit generation, risk management, and ESG compliance against their FDI ambitions. It is the very underlying logics that create the organizational differentiation: SOEs are steered by institutional mandates and developmental priorities, and POEs are moved by market opportunity and competitive imperatives. The divergent journey is what shapes the competitive approaches for both forms of enterprises in the global market–while SOEs leverage state–backed advantages to make strategic presence, POEs are nimble, innovative, and profit driven.

5.2.3 Interdependence between primary and secondary motives

The third analysis concerned detecting recurring similarities in primary and secondary FDI motives of SOEs and POEs. This uncovered characteristic interdependence in strategic rationale. SOEs exemplify an overriding predisposition to strategic asset–seeking behavior, which accounts for 45.45% of their main internationalization motives. This strategic orientation is an indication of their entrenchment within larger policy frameworks, where internationalization is not just to pursue commercial ends but also to pursue long–term national interests in terms of technological upgrading, economic sovereignty, and geopolitical positioning.

In contrast, POEs have a commercially pragmatist and growth–oriented orientation, whereby 53.16% of their underlying motives relate to market–seeking behavior. This is in line with conventional international business theories, whereby companies expand to gain entry to new customers, generate higher revenues, and become more competitive. There is another secondary portion (25.63%) accounted for by strategic asset–seeking, while efficiency–seeking (18.20%) is also considerable, reflecting that private companies are motivated by profit maximization, efficiency, and flexibility in competitive markets. Resource–seeking is relatively insignificant to both groups

The secondary motives add further layers of meaning. Among SOEs, efficiency–seeking is most prevalent as a secondary motivation (31.82%), supplemented by strategic asset–seeking (19.70%) and market–seeking (16.67%). Strikingly, sustainability (19.70%) and geopolitical considerations (12.12%) feature as significant complementarities. They suggest the hybrid character of SOEs, whose strategic decisions depend as much upon commercial rationale as upon public policy imperatives. POEs, by contrast, have a more extensive and more complex combination of secondary motives. Sustainability (20.57%) is widely mentioned, inasmuch as consumers, investors, and regulatory regimes increasingly impose pressures on it. Strategic asset–seeking (26.42%) and efficiency–seeking (19.94%) also figure strongly, while geopolitical considerations remain negligible (5.06%), suggesting that political motivation is absent from private sector decision–making to an even further degree than is observed in SOEs.

The interdependence of primary and secondary motives further differentiates SOE and POE behavior. For SOEs, market–seeking as a primary motivation is commonly paired with strategic asset acquisition as a second motivation (40%), showing co–alignment of market entry and capability building within state development objectives. Where strategic asset–seeking is of primary motivation, efficiency seeking is most frequently seen as a secondary motivation (43.33%), indicating an imbedded performance logic that enables national strategic positioning within operational accountability. Efficiency–motivated SOEs also list geopolitical interests as secondary motivations (44.44%), showing that even cost–driven strategies are pursued within diplomacy or strategic rather than commercial objectives. In more exceptional instances of resource–seeking SOEs, strategic asset and efficiency seeking both remain as secondary motivations (50% each), highlighting that these forms of investment are driven by policy imperatives and not by commercial returns alone.

POEs, on the other hand, demonstrate more commercially sophisticated interdependence of motives. Where market–seeking is the lead motive, secondary motives find distribution among strategic asset seeking (40.48%), efficiency (31.85%), and sustainability

(19.94%), showing multiple–tiered responses to demands in global value chains, stakeholder expectations, and reputational issues. Strategic asset–seeking POEs tend to complement their lead motive with market–seeking second–order objectives (58.02%), showing an overt strategy to pair innovation and market growth together. Efficiency–seeking POEs integrate cost–cutting alongside second–order objectives like market growth (39.13%) and strategic asset purchasing (24.35%), sometimes adding sustainability (20%) and even geopolitics, but to lesser degrees. Resource–seeking POEs, though occasional, demonstrate an array of second–order motives, comprising market, efficiency, sustainability, and strategic asset considerations, showing context–dependent and risk–sensitivity in investment action rather than an integrated strategic plan.

These observations uncover clear sets of strategic rationale: SOEs pursue a programmatic, objectives–based internationalization mode grounded in national priorities, while POEs employ a responsive, multidimensional commercial logic shaped by market imperatives, stakeholder pressures, and cross–border risks.

The structural variation of SOEs and POEs is therefore not simply motive, but rather in the coherence and presentation of investment rationale—SOEs correlate international investments to development mandates, while POEs respond to commercial opportunity with strategic calculations of multiple layers.

5.2.4 Findings from Semi-Structured interviews

The theoretical lens provided by Dunning's framework has proved to be a rich starting point from which to analyze purposes of foreign direct investment (FDI). However, to fill the gap between theory and reality, interviews have proven to be quite good tools to understand their logic. The reality of how SOEs behave is shaped by their public mandate; these firms' investments cannot be defined primarily in commercial terms but must also be understood within complex geopolitical and diplomatic strategies. Indeed, more often than not, geopolitical imperatives override commercial opportunities by state interests and international positioning. These enterprises are frequently used as strategic tools to open new markets for the home country, pulling entire industrial value chains with them, while simultaneously mitigating risk and advancing diplomatic relations.

Many scholars argue that SOEs distort the international competitive landscape since they get privileged access to state support. On the other hand, it is equally valid to view them as market pioneers—agents that create entry paths and accumulate value in previously inaccessible or unstable regions. Such a conflicting situation also points out their hybrid character: being both a commercial organization and an extension of the government policy. Thus, hybridization of investment motives is not incidental but structural: strategic, commercial, and political goals overlap continuously, making it difficult to isolate SOE motivations within traditional FDI categories. This is in line with their function as instruments to correct the market, which are generally assigned responsibilities that extend far beyond profit maximization.

SOEs operate under a logic of bounded rationality defined by public mandates, which both constrains and legitimizes their actions. Such mandates generally tie SOEs to sectors of great national importance, which necessitate long-term commitments despite current (or short-term) volatility in markets. This dynamic is even further sharpened by their respective ownership structures. State influence has a rather significant material impact as ownership crosses beyond 20 to 30 percent, mainly due to the special governance arrangements attributed to such proportions. Within this, a distinction must be made between listed and unlisted SOEs: while listed firms are bound to governance laws that provide protection for minority shareholders and directly limit the state's intervention, among the unlisted firms, public policy objectives are more direct and flexible guidance.

In these interviews, participants also witness a widely documented shift that is taking place on a global, systematic, and economic basis—from liberal market orthodoxy to a more fragmented international stage, infused with ever-increasing geopolitical tensions. This dynamism is re-instrumentalizing SOEs as tools of national economic diplomacy. This transformation is not merely ideological, but it speaks to quite real changes in the balances of power around the globe over the last decade. For example, in response to the Trump administration[6]'s trade tariffs on the United States, through which multinational holding companies will fail to maintain market access and provide protection from supply

[6] During Donald Trump's second term as President of the United States (2025-2029), his administration implemented significant trade tariffs aimed at protecting American industries and advancing foreign policy goals.

chains downstream, a SOE-led joint ventures has the potential to become more distinctive, if not essential, to keep a market presence.

Moreover, mechanisms—such as equity loan models—have functioned much further in the direction of allowing SOEs to undertake high-risk, international, long-horizon strategies. That provides global market access to firms without traditionally having to allow for the entire commercial burden associated with these products, thus reinforcing a logic of strategic patience that is generally unavailable to private actors. In this context, public-private partnerships are emerging as not just temporary alliances but structural enablers of global market access, particularly in politically sensitive or contested regions.

While strategic asset-seeking is the dominant rationale for investment, in the SOE context, it seeks to build capabilities not only for firm improvement but also for achieving industrial sovereignty and positioning within each nation. While POEs distinguish themselves through the achievement of new markets for which the firm could grow revenues, SOEs place this internationalization under an entirely different lens, perhaps as a vehicle through which commercial contact is sustained with politically sensitive partners or as a bridge to emerging markets brought forth as representatives of state policy. Actions oftentimes relate to broader national interests, especially in contexts where changes in host-country politics could lead to discussions, or worse, disruptions to agreements in force between countries. In such cases, SOEs can occupy the space of accessibility security, possibly protecting crucial value chains while anchoring continuity in the midst of volatile geopolitical climates.

One particularly valuable contribution from the final interview lies in an experience-based caution on the risk involved in putting too much faith in internationalization as a universality magical wand. The interviewee cautioned that "*internationalization, which is often seen as a great advantage for companies, isn't always so*," especially in light of the currents of international politics, increasing protectionism, as well as macroeconomic instability. The point cuts across a very important consideration that is cannot be neglected: a strong domestic base and embeddedness within the national institutional frameworks may well be an anchor-not only a constraint-for SOEs. As such, SOE internationalization must be construed beyond just an expansion but also as a calibrated balancing act between national anchoring and international projection.

These interviews have therefore contributed not only to clarifying conflicts in the theoretical framework but highlight how the SOEs exist and operate during the international market context. They reinforce the idea that SOEs as structurally hybrid actors, at once economic, political and institutional, and that purposive actions have to be interpreted under the larger logic of statehood instead of isolated market behaviors.

In this light, the triangulation of qualitative interviews with quantitative data has proven highly effective, offering not only validations of core attributes of the findings, but extends richer analytical terrain. This methodological integration gives a clearer view of how these enterprises operate under national interest, industrial policy, and global capital flows.

5.3 Theoretical and practical implications

The internationalization of State–Owned Enterprises (SOEs) is an intricate mix of conceptual paradigms and real–world implications, differing substantially from that of Privately–Owned Enterprise (POE) internationalization processes. The root of this difference lies in the double commercial and public mandate that is inherent to SOEs, necessitating analytical methods beyond conventional firm–level paradigms.

Classical international business theories, most notably Dunning's Eclectic Paradigm (OLI), serve as an underlying framework to grasp firm internationalization, yet remain inadequate in terms of explaining SOE behavior, which is inherently multilevel and politically rooted. Although the OLI framework outlines motives like market–seeking, efficiency–seeking, strategic asset–seeking, and resource–seeking, it is not capable of fully capturing the developmental, geopolitical, and institutional imperatives that underpin SOE decision–making. This study affirms that SOEs are mostly motivated by strategic asset–seeking for long–term national objectives such as technological upgrading and economic resilience, while POEs pursue market development and profitability.

International business theory needs to absorb principles from institutional theory, political economy, and public governance to properly describe SOE internationalization. SOEs face a doubled institutional logic, reconciling commercial necessities as well as state–led mandates. Such strategies of SOE FDI frequently mirror national development strategies or geopolitical interests, not only economic ones. This demands theoretical change: abandoning firms as mere profit–maximizing agents to seeing them as means to further state agendas. The results therefore encourage differentiated internationalization models determined by ownership structure, strengthening analytical distinction between state–led and market–led enterprise activity.

Moreover, the routine combination of primary and secondary motives observed in SOEs, as in market entry and strategic asset acquisition, or efficiency considerations and geopolitical interests, suggests that there exists a compounded rationale to underlie their investments. In contrast to that of POEs, whose strategic logic is traditionally lagging and market–stimulus– and stakeholder–reactive, that of SOEs is more programmatic and state–driven in type. SOEs can also be subject to higher levels of regulatory scrutiny outside of their home countries as a result of “liability of stateness” and “liability of opaqueness,” which describe, respectively, the risks to a firm’s reputation from seeming political association and operational challenges arising from a lack of disclosure and governance openness.

The real implications of SOE internationalization become apparent in the imbalances it brings to international market competition. The presence of SOEs and POEs in international markets creates issues of competitive neutrality, especially when SOEs receive implicit or explicit government support in the form of preferential financing, lowered cost of capital, or access to diplomatic channels. Such structural advantages, while allowing SOEs to undertake long–term or capital–intensive businesses, can violate the doctrine of level playing fields, most notably of strategic sectors such as infrastructure, energy, and technology.

In the European Union, these issues are dealt with by an effective regulatory framework. Competitive neutrality is upheld by mechanisms like state aid rules (Article 107 TFEU), antitrust rules (Articles 101 and 102 TFEU) and merger control (Council Regulation (EC) No 139/2004). All these legal mechanisms work to ensure SOEs do not distort competitive outcomes by using non–market advantages. A level playing field needs to be ensured by SOE vigilance and openness to maintain market efficiency as well as public accountability.

SOEs also favor strategic asset acquisition as one of the main targets of FDI, matching investments to national policy objectives like economic sovereignty or industrial upgrading. In addition, SOEs' choice is also often determined by geopolitical considerations, for which FDI is used as an instrument to deepen bilateral ties, secure supply chains, or build diplomatic leverage. Such trends differ starkly from POEs, which tend to react toward market needs, competitive pressure, and shareholder value creation.

Ownership levels also add sophistication to SOE behavior. Companies that have moderate–to–large government holdings demonstrate hybrid motives—in balancing commercial success and policy compliance—while companies that have small state holdings act like POEs. This diversity emphasizes that SOEs not only need to be evaluated in terms of shareholding but also in terms of sectoral role and institutional embeddeness. However, SOEs also confront particular issues overseas that include political scrutiny, legitimacy issues, as well as measurement tensions involving commercial metrics and national mandates. Electoral cycles in emerging markets, for instance, can generate uncertainty that stifles outward SOE investment.

In spite of these tensions, SOEs are an important force in national development. They are traditionally charged not just to correct market failures, deliver basic goods and services, create employment, and assist domestic industry, but also to serve as instruments of economic, or even political, strategy in international markets. Their structural strengths, though, also engender inefficiency and calls for balancing regulation, particularly where subsidies or state backing confer disproportionate market power upon them. For POEs, internationalization calls for strategic adjustment—especially in adopting ESG discipline, managing risks, and differentiating in markets where state–backed players exert significant influence. Policymakers and trade institutions need to ensure that SOEs abroad observe market norms while executing their public missions. Last but not least, this research provides evidence–based guidance for governments, international organizations, and development institutions to enhance their screening procedures, partnership approaches, and trade negotiations. Recognizing the institutionally rooted logic of SOE growth is key to navigating the shifting dynamics of international economic governance.

5.4 Avenues for future research

Research for the future should delve into the interaction of state–owned enterprise activities as well as privately owned enterprises within the global open markets. The present trend is for a rigorous examination of competitive patterns emanating from such interactions. Scholars could investigate if the presence of SOEs in an industry impacts the strategic behavior of POEs and vice versa, especially in high state involvement or regulatory complexity sectors. Additional research can go into the diplomatic and geopolitical implications of cross–border collaborations among SOEs from other countries, both if they are acting alone or with other SOEs and if there are discernible differences between developed and emergining economies. Such research could analyze whether international partnerships among SOEs further promote or lessened fair competition and how such partnerships reshape market access, the nature of trade relations, and global regulatory standards.

From a methodological viewpoint, longitudinal designs will, in the end, benefit future research because FDI strategies transform over time, especially given foreign service constraints or changes in the geopolitical landscape. Cross–sectional studies will show general parameters but miss the very essential temporal dynamics of how SOEs and POEs change their internationalization behaviors. Multi–level or comparative case study approaches reveal the interaction between macroinstitution, sectoral governance, and firm–level decisions in framing foreign investment motives. The researchers may consider covering the geospatial mapping or network analysis in the study to provide a visual of how a SOE or POE positions itself within global investment ecosystems, especially in strategic corridors, or state–led infrastructure initiatives. Such methodological advancement would certainly bring an enriching but dynamic understanding of how these enterprises walk their diverse but intersecting paths on the global level.

BIBLIOGRAPHY

Albino-Pimentel, J., Anand, R., & Dussauge, P. (2018). How do firm political connections impact foreign acquisitions? The effects of decision makers' political and firm embeddedness. *Global Strategy Journal*, *8*(3), 421– 446.

Alon, I., Wang, H., Shen, J., & Zhang, W. (2014). Chinese state– owned enterprises go global.

Amighini, A., Rabellotti, R., & Sanfilippo, M. (2013). Do Chinese state– owned and private enterprises differ in their internationalization strategies? China Economic Review, 27, 312–325. https://doi.org/10.1016/J.CHIECO.2013.02.003

Amighini, A., Sanfilippo, M., & Rabellotti, R. (2012). Do Chinese SOEs and private companies differ in their foreign location strategies? World Development, 40(7), 1400–1415. https://doi.org/10.1016/j.worlddev.2012.03.001

Barucci, P., Bini, P., & Conigliello, L. (Eds.). (2018). *Il corporativismo nell'Italia di Mussolini: Dal declino delle istituzioni liberali alla Costituzione repubblicana*. Firenze University Press

Bass, A. E., & Chakrabarty, S. (2014). Resource security: Competition for global resources, strategic intent, and governments as owners. *Journal of International Business Studies*, *45*, 961– 979.

Benito, G. R., Rygh, A., & Lunnan, R. (2016). The benefits of internationalization for state-owned enterprises. *Global Strategy Journal*, *6*(4), 269– 288.

Bernier, L., Florio, M., & Bance, P. (Eds.). (2020). *The Routledge Handbook of State–Owned Enterprises*. Routledge.

Bognetti, G. (2020). History of western state– owned enterprises: From the industrial revolution to the age of globalization. In *The Routledge handbook of state– owned enterprises* (pp. 25– 44). Routledge.

Buckley, P. J., & Casson, M. C. (2009). The internalisation theory of the multinational enterprise: A review of the progress of a research agenda after 30 years. *Journal of international business studies*, *40*, 1563– 1580.

Cahen, F. (2014). Internationalization of state– owned enterprises through foreign direct investment.

Charmaz, K. (2014). Constructing grounded theory (2nd ed.). SAGE Publications.

Chen, R., El Ghoul, S., Guedhami, O., Kwok, C. C., & Nash, R. (2021). International evidence on state ownership and trade credit: Opportunities and motivations. *Journal of International Business Studies*, *52*(6), 1121.

Chen, V. Z., Musacchio, A., & Li, S. (2019). A principals– principals perspective of hybrid leviathans: Cross– border acquisitions by state– owned MNEs. *Journal of Management*, *45*(7), 2751– 2778.

Cheung, Z., Aalto, E., & Nevalainen, P. (2020). Institutional logics and the internationalization of a state– owned enterprise: Evaluation of international venture opportunities by Telecom Finland 1987–1998.

Clegg, L. J., Voss, H., & Tardios, J. A. (2018). The autocratic advantage: Internationalization of state– owned multinationals. *Journal of World Business*, *53*(5), 668– 681

Council of the European Union. (2004). *Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the EC Merger*

Regulation). Official Journal of the European Union, L 24, 1–22. Retrieved from https://eur–lex.europa.eu/legal–content/EN/TXT/?uri=CELEX%3A32004R0139

Cuervo– Cazurra, A., Inkpen, A., Musacchio, A., & Ramaswamy, K. (2014). Governments as owners: State– owned multinational companies. *Journal of international business studies*, *45*, 919– 942.

Cuervo– Cazurra, A., & Li, C. (2021). State ownership and internationalization: The advantage and disadvantage of stateness.

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*, 264– 284.

De Beule, F., & Zhang, H. (2022). The impact of government policy on Chinese investment locations: An analysis of the Belt and Road policy announcement, host–country agreement, and sentiment. *Journal of International Business Policy*, *5*(2), 194–217.

DeMello, R. B., Gama, M., Bertrand, O., & Betschinger, M. A. (2024). The effect of political elections at home on the internationalization of state-owned multinationals from emerging countries. *Global Strategy Journal*, *14*(2), 252– 278.

Denzin, N. K., & Lincoln, Y. S. (2018). The SAGE Handbook of Qualitative Research (5th ed.). SAGE Publications.

Dikova, D., Panibratov, A., & Veselova, A. (2019). Investment motives, ownership advantages and institutional distance: An examination of Russian cross– border acquisitions. *International Business Review*, *28*(4), 625– 637.

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*, 1044– 1060.

Dunning, J. H. (1980). Toward an eclectic theory of international production: Some empirical tests. In *The Eclectic Paradigm: A Framework for Synthesizing and Comparing Theories of International Business from Different Disciplines or Perspectives* (pp. 23–49). London: Palgrave Macmillan UK.

Dunning, J. H. (1988). The Eclectic Paradigm of International Production: A Restatement and Some Possible Extensions. *Journal of International Business Studies*, *19*(1), 1–31. http://www.jstor.org/stable/154984

Dunning, J.H. (1993) Multinational Enterprises and the Global Economy. Addison Wesley, New York.

Dunning, J.H. (1998). Location and the Multinational Enterprise: A Neglected Factor?. *J Int Bus Stud* **29**, 45–66. https://doi.org/10.1057/palgrave.jibs.8490024

Estrin, S., Meyer, K., Nielsen, B., & Nielsen, S. (2020). Home country institutions and the internationalization of state– owned enterprise: A cross– country analysis. Multinational Enterprises and Emerging Economies, 47(8), 1154– 1173. https://doi.org/10.1016/j.jwb.2020.101160

European Commission: Directorate– General for Economic and Financial Affairs. (2016). *State– owned enterprises in the EU : lessons learnt and ways forward in a post–crisis context*. Publications Office. https://data.europa.eu/doi/10.2765/99224

European Union. (n.d.). *Promoting fair competition – EU action*. Retrieved May 19, 2025, from https://european–union.europa.eu/priorities–and–actions/actions–topic/competition_en

European Union. (2012). *Consolidated version of the Treaty on the Functioning of the European Union*. Official Journal of the European Union, C 326, 47–390. Retrieved from https://eur–lex.europa.eu/legal–content/EN/TXT/?uri=CELEX%3A12012E%2FTX

Finchelstein, D., González– Pérez, M., & Salvaj, E. (2021). A comparative analysis of the internationalization of sub– national and central state– owned enterprises: Shreds of evidence from Latin America. Multinational Business Review, 29(3), 261– 277. https://doi.org/10.1108/MBR– 05– 2020– 0155

Finchelstein, D., Gonzalez-Perez, M., & Salvaj, E. (2020). Subnational state– owned enterprises in Latin America: International expansion and financial autonomy.

Finchelstein, D., Gonzalez-Perez, M., & Salvaj, E. (2021). A comparative analysis of the internationalization of sub– national and central state– owned enterprises: Shreds of evidence from Latin America. *Multinational Business Review.*

Geng, Z., & Pan, J. (2024). The SOE Premium and Government Support in China's Credit Market. *The Journal of Finance*.

Grøgaard, B., Rygh, A., & Benito, G. R. G. (2019). Bringing corporate governance into internalization theory: State ownership and foreign entry strategies. *Journal of International Business Studies.*

Guo, Y., Huy, Q., & Xiao, Z. (2017). How middle managers manage the political environment to achieve market goals: Insights from China's state-owned enterprises. Southern Medical Journal, 38, 676–696. https://doi.org/10.1002/SMJ.2515

Hennart, J. F., Sheng, H. H., & Carrera Jr, J. M. (2017). Openness, international champions, and the internationalization of Multilatinas. *Journal of World Business*, *52*(4), 518– 532.

Kalasin, K., Cuervo-Cazurra, A., & Ramamurti, R. (2020). State ownership and international expansion: The S-curve relationship. *Global Strategy Journal*, *10*(2), 386–418.

Kowalski, P. et al. (2013), "State– Owned Enterprises: Trade Effects and Policy Implications", *OECD Trade Policy Papers*, No. 147, OECD Publishing, Paris, https://doi.org/10.1787/5k4869ckqk7l– en.

Kvale, S., & Brinkmann, S. (2009). InterViews: Learning the craft of qualitative research interviewing (2nd ed.). Thousand Oaks, CA: SAGE Publications

Kwiatkowski, G., & Augustynowicz, P. (2015, May). State– owned enterprises in the global economy–analysis based on Fortune Global 500 list. In *Joint International Conference, TIIM* (pp. 1739– 1741).

Lawson, A. (2024) *OECD UNVEILS global roadmap for state– owned enterprises*, *Institute of Financial Accountants*. Available at: https://financialaccountant.co.uk/features/oecd– state– owned– enterprises/

Lazzarini, S., & Musacchio, A. (2018). State ownership reinvented? Explaining performance differences between state-owned and private firms. CGN: Other Corporate Governance: Comparative (Topic). https://doi.org/10.1111/corg.12239

Li, C., & Meyer, K. (2023) All politics starts local: Liability of stateness and subnational labor markets. *Global Strategy Journal*.

Li, J., Li, P., & Wang, B. (2019). The liability of opaqueness: State ownership and the likelihood of deal completion in international acquisitions by Chinese firms. *Strategic Management Journal*, *40*(2), 303– 327.

Li, J., Xia, J., & Lin, Z. (2017). Cross-border acquisitions by state-owned firms: How do legitimacy concerns affect the completion and duration of their acquisitions?. *Strategic Management Journal*, *38*(9), 1915– 1934.

Li, M., 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, 980–1004. https://doi.org/10.1057/JIBS.2014.14

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, 223–240. https://doi.org/10.1057/JIBS.2014.35

Lin, K. J., Lu, X., Zhang, J., & Zheng, Y. (2020). State– owned enterprises in China: A review of 40 years of research and practice. *China Journal of accounting research*, *13*(1), 31– 55.

Lin, X., & Farrell, C. A. J. (2013). The internationalization strategies of Chinese state and private sector enterprises in Africa.

Lincoln, Y. S., & Guba, E. G. (1985). Naturalistic Inquiry. SAGE Publications

Luo, Y., Zhao, H., Wang, Y., & Xi, Y. (2011). Venturing abroad by emerging market enterprises. Management International Review, 51, 433–459. https://doi.org/10.1007/S11575– 011– 0087– Y

Malterud, K. (2001). Qualitative research: Standards, challenges, and guidelines. The Lancet, 358(9280), 483– 488.

Mariotti, S., & Marzano, R. (2019). Varieties of capitalism and the internationalization of state– owned enterprises. *Journal of International Business Studies*, *50*, 669– 691.

Mariotti, S., & Marzano, R. (2020). Relational ownership, institutional context, and internationalization of state-owned enterprises: When and how are multinational co-owners a plus?. *Global Strategy Journal*, *10*(4), 779– 812.

Martin, X., & Li, C. (2015). What do we know about state– owned emerging– economy firms, and how? Evaluating literature about inward and outward multinational activities.

Journal of International Management, 21(2), 138– 151. https://doi.org/10.1016/j.intman.2015.02.001

Mascarenhas, B. (1989). Domains of state– owned, privately held, and publicly traded firms in international competition. International Business Review, 18(3), 267– 282. https://doi.org/10.1016/0147– 4767(89)90015– 6

Megginson, W. L. (2017). *Privatization, state capitalism, and state ownership of business in the 21st century*. Foundations and Trends® in Finance, 11(1– 2), 1– 153.

Meyer, K. E., Ding, Y., Li, J., & Zhang, H. (2018). Overcoming distrust: How state–owned enterprises adapt their foreign entries to institutional pressures abroad. *State–owned multinationals: Governments in global business*, 211– 251.

Mishler, E. G. (1986). Research interviewing: Context and narrative. Harvard University Press.

Narula, R., & Verbeke, A. (2015). Making internalization theory good for practice: The essence of Alan Rugman's contributions to international business. *Journal of World Business*, *50*(4), 612– 622.

OECD (2012), *Competitive Neutrality: Maintaining a Level Playing Field between Public and Private Business*, https://doi.org/10.1787/9789264178953– en

OECD (2014), Financing State– Owned Enterprises: An Overview of National Practices, OECD Publishing. http://dx.doi.org/10.1787/9789264209091– en

OECD (2015), State– Owned Enterprises in the Development Process, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264229617– en

OECD (2017), "The internationalisation of state– owned enterprises", in *OECD Business and Finance Outlook 2017*, OECD Publishing, Paris. DOI: https://doi.org/10.1787/9789264274891– 7– en

OECD (2017), *The Size and Sectoral Distribution of State– Owned Enterprises*, OECD Publishing, Paris, https://doi.org/10.1787/9789264280663– en

OECD (2022), Monitoring the Performance of State– Owned Enterprises: Good Practice Guide for Annual Aggregate Reporting, www.oecd.org/corporate/monitoring–performance– state– owned– enterprises.htm

OECD (2023) 'An increasing role of state– owned enterprises in the global economy calls for better governance', 17 July. Available at: https://www.oecd.org/en/blogs/2023/07/an–increasing– role– of– state– owned– enterprises– in– the– global– econ.html.

OECD (2023), "Government support in industrial sectors: A synthesis report", OECD Trade Policy Papers 270, https://doi.org/10.1787/1d28d299– en

OECD (2023), "Government support in industrial sectors: A synthesis report", *OECD Trade Policy Papers*, No. 270, OECD Publishing, Paris, https://doi.org/10.1787/1d28d299– en.

OECD (2023), *G20/OECD Principles of Corporate Governance 2023*, OECD Publishing, Paris, https://doi.org/10.1787/ed750b30– en.

OECD (2024), *Competitive Neutrality Toolkit: Promoting a Level Playing Field*, OECD Publishing, https://doi.org/10.1787/3247ba44– en

OECD (2024), *OECD Guidelines on Corporate Governance of State– Owned Enterprises 2024*, OECD Publishing, Paris, https://doi.org/10.1787/18a24f43– en.

OECD (2024), *OECD Guidelines on Corporate Governance of State– Owned Enterprises*, OECD. OECD (2023), *Competitive neutrality*, https://www.oecd.org/en/topics/sub– issues/competitive– and– fair–markets/competitive– neutrality– in– competition– policy.html

OECD (2024), *Ownership and Governance of State– Owned Enterprises 2024*, OECD Publishing, Paris, https://doi.org/10.1787/395c9956– en.

Omran, M. (2004). The performance of state– owned enterprises and newly privatized firms: does privatization really matter?. *World Development*, *32*(6), 1019– 1041.

Pan, Y., Teng, L., Supapol, A. B., Lu, X., Huang, D., & Wang, Z. (2014). Firms' FDI ownership: The influence of government ownership and legislative connections. *Journal of International Business Studies*, *45*, 1029– 1043.

Patton, M. Q. (2002). Qualitative research and evaluation methods (3rd ed.). SAGE Publications.

Pinto, C. F., Ferreira, M. P., Falaster, C., Fleury, M. T. L., & Fleury, A. (2017). Ownership in cross– border acquisitions and the role of government support. *Journal of World Business*, *52*(4), 533– 545.

PwC. (2020). *State– Owned Enterprises: Catalysts for public value creation?* PwC Greece. Retrieved from https://www.pwc.com/gr/en/publications/assets/state– owned– enterprises– catalysts– for– public– value– creation.pdf[1].

Quan, X., Ke, Y., Qian, Y., & Zhang, Y. (2021). CEO foreign experience and green innovation: Evidence from China. Journal of Business Ethics, 182, 535–557. https://doi.org/10.1007/s10551– 021– 04977– z

Ren, M., Manning, S., & Vavilov, S. (2019). Does state ownership really matter? The dynamic alignment of China's resource environment and firm internationalization strategies. *Social Science Research Network.*

Ren, M., Manning, S., & Vavilov, S. (2019). Does state ownership really matter? The dynamic alignment of China's resource environment and firm internationalization strategies. Social Science Research Network. https://doi.org/10.2139/ssrn.3322995

Rygh, A., & Knutsen, C. H. (2024). Does state ownership mitigate political risk in foreign direct investments? Evidence from subsidiary– level data for Norwegian MNEs. *Multinational Business Review*, *32*(2), 183– 203.

Rugman, A. M. (Ed.). (2009). *The Oxford handbook of international business*. OUP Oxford.

Silverman, D. (2013). Doing qualitative research (4th ed.). SAGE Publications.

Sutori. (n.d.). The Great Depression, and rise of dictatorships around the world. Retrieved from https://www.sutori.com/en/story/the– great– depression– and– rise– of– dictatorships– around– the– world–FhZ9yhqeh7ZDzCourE75GFSV

Wang, J.C., Yi, J., Zhang, X., & Peng, M.W. (2022). Pyramidal Ownership and SOE Innovation. *Journal of Management Studies*.

Wang, P., Liu, B., Delios, A., & Qian, G. (2023). Two– sided effects of state equity: The survival of Sino–foreign IJVs. *Journal of International Business Studies*, *54*(1), 107– 127.

World Bank, Reducing Market Distortions for A Prosperous Ukraine: Proposals for Market Regulation, Competition and Institutions, (2018)

World Bank, Romania Country Economic Memorandum 2.0, Markets and People, (2019).

World Bank, The Philippines: Embedding Competitive Neutrality Principles in State Owned Enterprises, (2018)

World Bank, The Role of SOEs in South African Markets and their Impact on Competition, (2017)

World Bank. 2023. The Business of the State. Washington, DC: World Bank. Retrieved from: https://www.worldbank.org/en/publication/business– of– the– state

Wu, J., Wood, G., & Khan, Z. (2021). Top management team's formal network and international expansion of Chinese firms: the moderating role of state ownership and political ties. *International Business Review*, *30*(3), 101803.

Zhang, Chunlin, The Size and Sectorial Distribution of State– Owned Enterprises: Towards a Global View of the Landscape (January 22, 2023). Available at http://dx.doi.org/10.2139/ssrn.4334043

APPENDIX

Interview Protocol

Respondent no. 1 – Director of *istituto per il credito sportivo* and special commissioner of *banca progetto*.

General introduction

This interview is part of a study on the motivations behind foreign direct investments (FDIs) by State–Owned Enterprises (SOEs), with a specific focus on how ownership structure influences decision–making.

1. Main motivations for foreign investment – We've classified FDI motivations according to Dunning's framework (market–, strategic asset–, efficiency–, and resource–seeking), and we've also added two other categories that came up in the data: sustainability and geopolitical factors. Based on your experience, what are the main reasons a SOE decides to invest abroad?

Yes, I think that framework works, but I'd say geopolitical factors are definitely more important. There are situations involving joint ventures in markets where you want to transfer technology and create an opportunity—not just for business reasons, but political ones too. So yeah, geopolitics is absolutely central and really relevant right now. Then there are ESG–related motives, which are mostly driven by policies—like those from the European Union. But ESG is more like a cross–cutting factor. I mean, you wouldn't start an investment because of ESG reasons. The main drivers are the ones you mentioned—especially geopolitics. ESG comes in later, when evaluating whether or not an investment makes sense. That evaluation goes beyond just financial or economic logic—it includes ESG too. Geopolitics, though, is its own category. Sometimes an investment happens mainly for geopolitical strategy, even more than for traditional business reasons like entering a market or getting access to resources.

2. Comparing with collected data (SOEs) – My data show that for SOEs, about 45% of investments are motivated by strategic asset seeking. This seems to align with a long–term logic and national competitiveness goals. Does that match your experience? Have you ever felt direct or indirect pressure to invest in line with industrial or geopolitical priorities?

Classifying an investment under just one motivation feels a bit limiting. For instance, I think the geopolitical dimension—like with the Mattei Plan—isn't only about finding strategic assets, like buying a company strong in a certain sector. It's also about creating commercial exchanges and opportunities. So I invest in something, maybe start a joint venture, share technology and infrastructure, because that opens the market to private companies from my country. I think geopolitical context is really shifting the way public–sector investments are being approached by state–controlled enterprises.

2.b Do you think collaboration type of investment (e.g JV) are the preferred structure for that reason?

Not necessarily. There are many ways to invest: buying minority or majority stakes, setting up something new. The Chinese approach is a good example—they required American and European companies to form joint ventures just to enter the market, in order to bring in tech and know–how. But yeah, there are lots of models: minority shareholding, majority shareholding, joint ventures with parity, consortia… there's not just one way to do this kind of cooperation.

3. Role of ownership structure – One thing that came up in the analysis is that POEs show a more complex and flexible investment pattern, whereas SOEs operate more pragmatically and are more constrained, especially because of their public mandate and the financial support they can rely on, which private companies don't have access to. According to my data, when the state owns less than 20% of a firm, it behaves much more like a private company, mainly pursuing market objectives. But once that threshold is crossed, strategies become more hybrid—still economically sustainable long–term, but increasingly influenced by factors like strategic assets, operational efficiency, sustainability, and geopolitics.
In your view, how much does the nature of ownership influences international investment choices? How does it affect strategic priorities and decision–making freedom?

Yes, that makes sense. When the state owns over 30%, they basically control the company, so the influence is much stronger than with a minor stake. Under 20%, it's hard for the state to really shape strategy. But once it goes over 20%, and especially beyond 30%, that influence becomes very real—especially because shareholder agreements often give that 30% a lot of weight.

4. Evolution over time – Have you observed any changes in how foreign investment decisions are made in recent years? What do you think has caused these changes? Do you expect further shifts in the future?

Yes, there have definitely been changes—and I think even bigger ones are coming. Globalization is basically over, and public–sector intervention is becoming much more influential in this new phase of geopolitical bilateralism. It's a very different environment now. In the globalization era, private logic dominated and liberal approaches were key. But in this more bilateral, geopolitical world, public–sector logic is playing a much bigger role. And you can see it in practice—just look at how active Cassa Depositi e Prestiti has been with its state–owned holdings.

5. Interdependence of motivations – Motivations often aren't isolated. Have you ever seen a case where an investment started with a commercial goal but later turned out to be strategic—or the other way around?

Definitely. There's no clear–cut separation—it's all interconnected.

6. Constraints – Do you think there are any internal constraints that influence how these state–owned companies expand internationally?

Yes, like I said earlier, the limits of the public mandate are key. That really shapes the internationalization strategy of a state–owned firm. And also, listed state–owned companies have different logic compared to unlisted ones—even with the same level of state ownership. A listed company has to follow rules that protect minority shareholders, *so the governance is different. In an unlisted state–owned company, those checks aren't as strict, even if the public stake is the same.*

7. Final considerations – In your view, what are the main internal constraints that shape or limit international investment choices for SOEs? I'm thinking of things like organizational, cultural, or governance factors.

Again, I'd say it's the public mandate. That's the starting point. These companies prioritize the national interest—whatever form that takes—and everything else follows from there.

Respondent no. 2 – SIMEST

General introduction

This interview is part of a study on the motivations behind foreign direct investments (FDIs) by State–Owned Enterprises (SOEs), with a specific focus on how ownership structure influences decision–making.

1. Main motivations for foreign investment – I've classified FDI motivations according to Dunning's framework (market–, strategic asset–, efficiency–, and resource–seeking), and we've also added two other categories that came up in the data: sustainability and geopolitical factors. Based on your experience, what are the main reasons a SOE decides to invest abroad?

Yeah, the reasoning behind internationalization is pretty broad. The model you're using definitely makes sense. All those motivations contribute to helping companies grow and reach their goals, but above all, they're really focused on getting strategic assets that complement their business. This helps them improve their ability to compete internationally.

Now, of course, any acquisition also involves trying to create some efficiency along the company's value chain. But that doesn't necessarily mean that every investment is about improving production efficiency. Sometimes, the main goal is to access a market and create opportunities there.

Just think about what's going on with tariffs right now—lots of Italian companies are considering opening production sites in the U.S. to handle pricing issues. The U.S. market is interesting, but without local production, selling products there might no longer be sustainable. So setting up a facility is a way to keep that market open.

2. Comparing with collected data (SOEs) – My data show that for SOEs, about 45% of investments are motivated by strategic asset seeking. This seems to align with a long–term logic and national competitiveness goals. Does that match your experience? Have you ever felt direct or indirect pressure to invest in line with industrial or geopolitical priorities?

Yeah, definitely. When a company decides to invest abroad—like buying another company, setting up a new facility, or integrating into a value chain—it's always a long–term move. So what you're seeing in the data is accurate.
It's one thing to just enter a new market commercially. For example, a company might open a sales office in a certain region, sign a deal with a distributor, or try to get a foothold in a new country. That's something companies usually do before deciding to actually invest. But once they decide to set up a factory, buy a production company, or even acquire a distributor to gain market access, that's definitely a long–term commitment.
And SOEs, by nature, operate with that long–term view. They don't just jump into a market to grab some quick profits and then leave. They can't really do that because they have a public mandate. That's also why they tend to operate only in certain sectors. When you look at the industrial strategy of a state–backed company, there are always several factors at play. Sure, the financial side of it—the part about strengthening the company and helping it compete globally—is a big part of the motivation. But sometimes, there's also a political opportunity tied to a particular investment. Still, even when the company is owned by the public administration, it's expected to follow a strategy that focuses on real industrial growth.

2.b Do you think collaboration type of investment (e.g JV) are the preferred structure for that reason?

Yes, absolutely. And in general, it's not just about traditional equity deals. For example, there are structures where the Italian partner is expected to buy back the shares later. What we often do is set up a temporary partnership—so we support the company for a certain amount of time, and then they buy the shares back. It's a kind of equity loan. SIMEST doesn't take on the full business risk; we back the company's ability to succeed and to repurchase the shares at the end of the term.
It's kind of like a support mechanism. What we offer is a tool that helps private companies grow stronger and become more competitive in the long run.

3. Role of ownership structure – One thing that came up in the analysis is that POEs show a more complex and flexible investment pattern, whereas SOEs operate more pragmatically and are more constrained, especially because of their public mandate and the financial support they can rely on, which private companies don't have access to. According to my data, when the state owns less than 20% of a firm, it behaves much more like a private company, mainly pursuing market objectives. But once that threshold is crossed, strategies become more hybrid—still economically sustainable long–term, but increasingly influenced by factors like strategic assets, operational efficiency, sustainability, and geopolitics.
In your view, how much does the nature of ownership influences international investment choices? How does it affect strategic priorities and decision–making freedom?

Yeah, absolutely. In principle, the real game–changer is the governance agreements. The more shares the state owns, the more influence it has over investment decisions. It's pretty straightforward—the higher the stake, the stronger the say.

4. Evolution over time – Have you observed any changes in how foreign investment decisions are made in recent years? What do you think has caused these changes? Do you expect further shifts in the future?

Having public ownership in companies that are expanding abroad is generally seen as a good thing by foreign markets. It gives the impression that the Italian state is backing the company, which adds a level of trust. That definitely helps companies compete more effectively in some countries.
On the flip side, when the state invests in a company, it's often because that company has a lot of value for Italy as a system. These companies often work in very strategic sectors—both politically and economically. Take Leonardo, for example. Or Fincantieri: they make military ships, so there's a political aspect, but they're also a global leader in cruise ships. And that sector supports a huge network of small and medium–sized Italian suppliers.
So honestly, it depends. You really need to look at each company individually. That said, yes—I think we're going to see more and more of this. In today's geopolitical landscape, getting into certain markets often requires some kind of public–private partnership, even within a single company. And I believe we'll be seeing more of that going forward.

5. Interdependence of motivations – Motivations often aren't isolated. Have you ever seen a case where an investment started with a commercial goal but later turned out to be strategic—or the other way around?

Yes, for sure. Everything's interconnected. These companies don't work purely based on profit. A lot of Italian firms are opening production sites in the U.S. to deal with tariffs, and that move definitely has big strategic value. It helps maintain trade flows and preserve agreements with other countries. Plus, in some parts of the world, there's a clear need for these companies to have a presence there..

6. Constraints – Do you think there are any internal constraints that influence how these state–owned companies expand internationally?

Yes, they follow market logic, but it's not exactly the same as private companies. They usually work in very strategic sectors. Sometimes they're even used to support commercial relations between countries and to open markets for private businesses.

They're required to think long–term. Their mission is to strike a balance between industrial strategy, profitability, and international diplomacy.

7. Final considerations – Do you have any additional comments?

Yes. Their focus is the public interest. And that doesn't stop at national priorities—it often includes helping companies from their own country become more competitive and succeed over the long run

Respondent no. 3 – *Cassa Depositi e Prestiti*

General introduction

This interview is part of a study on the motivations behind foreign direct investments (FDIs) by State–Owned Enterprises (SOEs), with a specific focus on how ownership structure influences decision–making.

1. Main motivations for foreign investment – I've classified FDI motivations according to Dunning's framework (market–, strategic asset–, efficiency–, and resource–seeking), and we've also added two other categories that came up in the data: sustainability and geopolitical factors. Based on your experience, what are the main reasons a SOE decides to invest abroad?

Absolutely yes, and based on my experience, it's sustainability—meaning that many business models, to be sustainable in the medium to long term, require market diversification. And so, the more you are able to operate in different markets from the Italian one, the more you diversify, the more you can also increase the business volume and possibly therefore pursue results in efficiency, productivity, profit maximization to be distributed to shareholders. So without a doubt, there is an underlying strategic choice that is, let's say, industrial in nature. However, there are also other possibilities. For example, some companies operate abroad to increase the sphere of influence of the Italian government, of the Italian national system, especially in Africa. Some of our state-owned companies are present in order to strengthen relations with local governments, with local businesses, or even just because this way it is believed they can contribute to the progress of that country, particularly in still underdeveloped countries.

Finally, there's one last case, in my opinion: some state-owned companies operate abroad to support Italian enterprises that, for business reasons, go to operate in foreign markets. I'm thinking of certain banks, of Simest, of CDP [Cassa Depositi e Prestiti] itself, which accompany Italian businesses that want to expand internationally and need financial, insurance, or logistical support.

2. Comparing with collected data (SOEs) – My data show that for SOEs, about 45% of investments are motivated by strategic asset seeking. This seems to align with a long–term logic and national competitiveness goals. Does that match your experience? Have you ever felt direct or indirect pressure to invest in line with industrial or geopolitical priorities?

I kind of shifted into the first question—when you asked what other reasons there could be—I told you that through internationalization, one can gain a position in other markets, one can grow in scale because maybe you do a merger or acquire a foreign company. All of this leads to repositioning and could give you more strength at a certain moment in the market, because often through international acquisitions you grow. I'm thinking of the FAAC case, for example—FAAC in Bologna, the one that's the leader in the automatic gates sector—when it managed to acquire its European competitor, it became the top operator in Europe, so it repositioned itself in the market significantly. That's one of the main reasons.

The country has a number of problems because the population is aging, the industrial fabric is weak, so GDP goes down, incomes go down, savings go down, and so many companies look for markets that are potentially wealthier in the future. Italy is a rich market now, but maybe in twenty years, it won't be so anymore. Then again, there are other updates to consider, but do executives really have this long-term vision? Is there a CEO who earns their bonus based only on today's results thinking about what will happen in twenty years?

2.b Do you think collaboration type of investment (e.g JV) are the preferred structure for that reason?

In my opinion, it depends on the territorial contexts. There are Arab countries where certain regulations require—also in Brazil, for example—that administrators or majority shareholders be local citizens, so in that case, clearly, you necessarily need to establish a partnership with locals. In other countries, that's not necessary. Also, the partnership can be purely contractual or also involve equity participation, so I think it depends on the context. There is no definitive answer to this question—it depends on the circumstances

3. Role of ownership structure – One thing that came up in the analysis is that POEs show a more complex and flexible investment pattern, whereas SOEs operate more pragmatically and are more constrained, especially because of their public mandate and the financial support they can rely on, which private companies don't have access to. According to my data, when the state owns less than 20% of a firm, it behaves much more like a private company, mainly pursuing market objectives. But once that threshold is crossed, strategies become more hybrid—still economically sustainable long–term, but increasingly influenced by factors like strategic assets, operational efficiency, sustainability, and geopolitics.
In your view, how much does the nature of ownership influences international investment choices? How does it affect strategic priorities and decision–making freedom?

I think yes, because the lower the public shareholding, the more the company has to respond solely to industrial rationality and therefore necessarily pursue profit. Conversely, the higher the percentage of public capital, the more the company can also pursue other goals that are not just profit generation but also, as I mentioned earlier, supporting Italian companies abroad, international development cooperation, strengthening Italy's image abroad. These are things you can do if a company is entirely or predominantly state-owned.

.

4. Evolution over time – Have you observed any changes in how foreign investment decisions are made in recent years? What do you think has caused these changes? Do you expect further shifts in the future?

es, these are situations that are constantly evolving, so things obviously change. Why do they change? Because there is more or less emphasis on internationalization, more or less emphasis on globalization. If your reference market is the United States, and you see that the U.S. closes off because Trump increases tariffs, then you have to look for other markets and so maybe you start exploring other regions. Sixty years ago, we were dealing with structuring relations with the U.S., but also trying to build relationships with Africa, whether for oil or other reasons.
Now we have different issues, so yes, certainly things change depending on the period and context.

5. Interdependence of motivations – Motivations often aren't isolated. Have you ever seen a case where an investment started with a commercial goal but later turned out to be strategic—or the other way around?

Often these arguments are used to justify choices that have other reasons. It deserves a segmented answer.

6. Constraints – Do you think there are any internal constraints that influence how these state–owned companies expand internationally?

Again, this is a question that would also deserve a segmented answer. There are some companies I mentioned that typically do this—they operate abroad by supporting Italian companies expanding abroad. I'm thinking of SACE, Simest, and CDP itself, and in that case, it's clear that there can be no resistance—the very corporate structure is built for that. There can be other companies, even major ones, where at a certain point the need to internationalize prevails—I'm thinking of Enel. Enel made a lot of foreign investments in recent years. Then those investments didn't go very well, and now, the new CEO has instead launched a debt reduction plan by divesting foreign holdings, so it depends a bit *on the context. Of course, there are moments or contexts where resistance can certainly exist.*

7. Final considerations – Do you have any additional comments?

For example, I'm thinking that recently here at CDP, we approved financing for a company, but before approving it, we asked—how many people do you employ, how many employees do you have, and where are they? Are they in Italy or abroad? Why? Because maybe we prefer to finance a business that operates in Italy rather than one that's abroad. So this could determine some, not always, but in that specific case it did, this could obviously create an obstacle to internationalization. Internationalization, which is often seen as a great advantage for companies, isn't always so. Think about what's happening again in the United States—you base your business on internationalization, then geopolitical relations change, wars break out, you can't ship products anymore, interest rates go up, your business model collapses. So internationalizing isn't always a winning strategy. Sometimes it's risky. Having a solid reference market in your own country, if you're a company with good relations with public institutions and the domestic market, in my opinion, is always a good starting point.