



Degree Program in Business Administration

Course of Competitive Strategy

A global overview of state ownership and motivation of internationalization

Prof. Antonio Majocchi

SUPERVISOR

Olha Liubchenko, ID: 286491

CANDIDATE

Academic Year 2024/2025

Table of contents

Figures index.....	3
Tables index.....	3
Executive summary.....	4
Chapter 1: The Evolving Role of State-Owned Enterprises in the Global Economy.....	5
1.1 Introduction.....	5
1.2 Evolution of state ownership globally.....	7
1.2.1. Historical background: from post-WWII nationalisation in Europe and post-colonial models in the Global South to 1980s–1990s privatisation.....	7
1.2.1.1. Post-WWII nationalisation in Europe.....	8
1.2.1.2. Post-colonial state-building in the Global South.....	9
1.2.1.3. Privatisation in the 1980s–1990s.....	10
1.2.2. Rise of "new state capitalism" post-2000 and post-2008 financial crisis.....	13
1.3. Mapping the power of the state: quantitative and structural dimensions of SOEs.....	18
1.3.1. From domestic anchors to global players: the expanding role of SOEs.....	18
1.3.2. Models of SEOs.....	21
1.4. Summary: reflections on state ownership and the foundations of internationalisation.....	25
Chapter 2: Literature review on state ownership, internationalisation and motivation.....	29
2.1. Introduction to the theoretical framing of motivation.....	29
2.2. Theoretical foundations.....	30
2.2.1. Agency theory.....	31
2.2.2. Transaction cost economics.....	33
2.2.3. Resource-based view.....	34
2.2.4. Resource dependence theory.....	35
2.2.5. Neo-institutional theory.....	37
2.2.6. Summary of theoretical foundations.....	38
2.3. The Dunning OLI paradigm and motivations of Internationalisation.....	39
2.3.1. Foundations of the OLI paradigm.....	39
2.3.2. Extensions and critiques of the OLI paradigm: dynamic capabilities and institutional co-evolution.....	41
2.3.3. Dunning motivations of foreign-based MNE activity: a SEO perspective.....	42
2.4. Summary and link to methodology.....	44
Chapter 3: Practical analysis of investment motivations.....	46
3.1. Introduction and dataset description.....	46
3.2. Key results.....	47
3.2.1. Primary and secondary motivations considered individually.....	47
3.2.2. Primary and secondary motivations considered jointly.....	50
3.3. Summary of empirical results.....	56
Conclusions.....	58
References.....	60

Figures index

Figure 1 – Top 50 Nonfinancial SOEs (percent of revenues relative to total revenues in largest 2,000 firms).....	19
Figure 2 – SOEs’ share of assets, by sector, in 2018 (percent of assets or revenues of largest firms, by sector).....	19
Figure 3 – SOEs’ power generation capacity, 2017 (percentage of total, by region).....	20
Figure 4 – Multinational SOEs around the World (Number of firms per region).....	21
Figure 5 – Objectives of SOEs in CESEE Countries (percent of respondents).....	44
Figure 6 - Primary motivation frequency count.....	47
Figure 7 - Secondary motivation frequency count.....	48
Figure 8 - Primary and secondary motivations frequency count as percentages.....	48
Figure 9 - Motivation co-occurrence matrix of both primary and secondary motivations.....	53

Tables index

Table 1 - Ownership models.....	24
Table 2 - Descending order of frequency of combinations of primary and secondary motivations.....	51
Table 3 - Descending order of frequency of directional combinations of primary and secondary motivations.....	53

Executive summary

In recent decades, state-owned enterprises (SOEs) have emerged as significant forces in the global economy, redefining the lines separating the market from the state. SOEs are now active players in cross-border mergers, greenfield investments, and strategic partnerships across industries including infrastructure, telecommunications, and energy, after previously concentrating mostly on domestic industrial and developmental projects. Understanding the reasons underlying this global engagement — and how these reasons interact with both political goals and business logic — becomes more crucial as their global reach grows.

The main issue this thesis attempts to answer is: Why do multinational enterprises (MNEs), including those with varying state ownership structures, choose to make foreign direct investment (FDI)? John Dunning's OLI paradigm (Dunning, 2000; Dunning, 1980) is modified in this study to address this question by adding institutional, political, and strategic elements that are especially pertinent to SOEs while still being applicable to private companies functioning in intricate global contexts.

From post-colonial industrialisation and post-war nationalisation to the rise of corporatised and hybrid models under “new state capitalism”, Chapter 1 charts the development of state ownership. By adapting well-known theories of international business — including the resource-based view, agency theory, transaction cost economics, and the OLI paradigm — to the realities of both state-affiliated and privately held MNEs, Chapter 2 builds the theoretical framework. Next, Chapter 3 expands Dunning's typology to incorporate geopolitical and environmental factors. Then, using this enlarged framework, it analyses a dataset, *Orbis and Orbis M&A*, comprising 300 greenfield investments made in 2023 by companies with different ownership arrangements.

This thesis contributes to a better understanding of the intricate forces behind internationalisation by bridging the gap between theoretical understanding and actual facts. It provides a comparative, institutionally based viewpoint that illuminates not only the globalisation of SOEs but also the more general strategic justifications for foreign direct investment in a world economy that is becoming more politicised and multipolar. As such, it is pertinent to academics, decision-makers, and practitioners of international business.

Chapter 1: The Evolving Role of State-Owned Enterprises in the Global Economy

1.1 Introduction

The international development of SOEs has become more prominent in the global economy. SOEs, which were once thought of as domestically oriented organisations that worked to further public policy goals, are now actively engaged in cross-border acquisitions, greenfield projects, and strategic alliances, functioning far beyond national borders. This shifting tendency immediately calls into question the implications of state ownership in a globalised and market-driven economic system. Why still do governments own stock in companies in an era of liberalisation and privatisation? What does it mean when private businesses and state-backed businesses compete globally, perhaps with varying institutional constraints? Understanding these processes is crucial for international business theory, but it is also necessary for regulators, legislators, and private competitors navigating a more politicised global marketplace.

A number of complementary but distinct dimensions, including institutional, legal, and economic ones, can be used to characterise state ownership. Fundamentally, ownership is the possession of stock in a business, which grants the holder the right to cash flow and the ability to make decisions (Benito et al., 2016). Since the government either directly or indirectly owns the equity in SOEs, these businesses are not just for profit but also essential parts of the institutional framework of their home countries (Cui & Jiang, 2012). The percentage of shares held by the state is usually used to quantify the degree of ownership, and thresholds are frequently used to define majority or controlling ownership. (Chen et al., 2021). Governments can exert influence even in partially privatised firms through mechanisms of control like golden shares, pyramidal ownership structures, or board appointment rights, which go beyond simple equity stakes (Bortolotti & Faccio, 2008). This intricate structure of ownership and control sets SOEs apart from private companies and influences their legitimacy in both domestic and foreign markets as well as their strategic behaviour and governance dynamics.

Hence, state ownership basically refers to the situation in which a government owns some partial or some full equity in some enterprise, often greatly controlling some rights. These certain enterprises are distinct because of the fact that they tend to serve commercial objectives. Broader socio-political as well as developmental aims are also served (Liang et al., 2014). SOEs, as opposed to private multinational corporations (MNCs), may be guided by goals such as securing specific resources, improving national prestige, or fulfilling domestic employment mandates (Mariotti & Marzano, 2019). The strategic justification for a company's choice to invest overseas, whether it is to gain access to new markets, secure inputs, increase efficiency, or acquire technology and capabilities, is referred to as motivation in this context. For SOEs, these motivations are often layered, intertwining commercial logic with national interest.

Because SOEs sometimes contradict accepted theories of international business, it is especially crucial to comprehend them in the context of internationalisation. For example, according to the resource-based view and institutional theory, the institutional environment and internal capabilities both influence internationalisation strategies (Meyer et al., 2014; Bass & Chakrabarty, 2014). However, because of the combined influence of state mandates and market logic, SOEs frequently disregard these frameworks.

State ownership is not uniform throughout the world. By means of institutional mechanisms such as the State-owned Assets Supervision and Administration Commission (SASAC), the central government of China maintains strong control over SOEs, enabling them to function as agents of national strategy (Cui & Jiang, 2012). On the other hand, nations like Singapore and Norway oversee SOEs through state investment arms or sovereign wealth funds, emphasising long-term profits and commercial efficiency (Mariotti & Marzano, 2019). State involvement frequently takes on hybrid forms also in Latin America, where the government functions more as a stakeholder or supporter than as a controlling owner (Pinto et al., 2016).

There are new complications brought about by the internationalisation of such entities. SOEs are frequently subject to more scrutiny overseas than their private counterparts, particularly in delicate industries like energy, telecommunications, and infrastructure. The idea that SOEs represent foreign governments and may pursue non-commercial agendas is known as the “liability of stateness” (Li et al., 2016). SOEs may modify their ownership

arrangements, entry strategies, or even employ middlemen to conceal their state affiliation in order to get around these legitimacy issues (Meyer et al., 2014).

The nature and driving forces behind internationalisation of MNCs – including those with different extent of state ownership – are examined in this thesis. Before exploring the reasons why companies choose to expand overseas, this paper starts with a global summary of state ownership and its different institutional forms. It answers basic queries: What effects do various state ownership models have on international strategies? What aspects influence the decision to invest overseas? And how much of their motivations are intrinsically political or just economic? This study uses the Dunning OLI paradigm to categorise the motivations of SOEs (Dunning, 2000; Dunning, 1980), based on a unique dataset of greenfield investments and qualitative interview data from corporate executives. By doing this, it provides unique insight into the strategic reasoning behind these investments, going beyond institutional factors at the national level and formal ownership structures. Regulators, legislators, and private rivals navigating a highly politicised global marketplace must all comprehend these processes, which are essential for international business theory.

1.2 Evolution of state ownership globally

1.2.1. Historical background: from post-WWII nationalisation in Europe and post-colonial models in the Global South to 1980s–1990s privatisation

State ownership has changed over time and across geographical boundaries in different but connected ways. As part of a larger initiative to rebuild economies, guarantee full employment, and strengthen democratic institutions, governments in post-World War II Europe took control of important industrial sectors and infrastructure. On the other hand, a large number of recently independent nations in the Global South created SOEs as tools of economic sovereignty and nation-building, frequently to supplant colonial economic systems and demonstrate control over vital resources. But by the 1980s, a global trend towards neoliberalism — fueled by ideological and financial pressures — brought about a surge in privatisation. Even though this decreased the amount of state ownership in many nations, governments usually continued to have indirect control over key industries, leading to a variety of hybrid forms of state participation in the world economy.

1.2.1.1. Post-WWII nationalisation in Europe

After the Second World War, European governments launched sweeping nationalisation programs that dramatically changed their economies. These moves were not just about fixing financial problems; they were deeply political and social efforts aimed at rebuilding shattered infrastructure, supporting new democracies, and making sure people had jobs. The war had devastated industries and left many people wary of laissez-faire capitalism, which they blamed for the economic chaos of the years between the wars. In response, governments took a much more active role in running their economies, hoping to speed up recovery and bring people together after years of conflict.

Toninelli (2000) points out that wars acted as major turning points for the growth of state ownership across Europe. After the war, countries like the United Kingdom, France, Italy, and Germany faced enormous challenges in rebuilding infrastructure and creating jobs. To tackle these problems, they nationalised key industries such as coal, steel, transport, and energy — sectors seen as vital for both national development and security (Toninelli, 2000). In Britain, for example, the postwar Labour government brought coal mining, railways, and utilities under state control, presenting these moves as part of a wider effort to democratise the economy and ensure that essential services were accessible to everyone. In a similar spirit, Italy's IRI (Istituto per la Ricostruzione Industriale) became a cornerstone of the country's efforts to rebuild its industrial base under government leadership (Toninelli, 2000).

The reasoning behind these nationalisations wasn't just about technical or financial concerns — it was also deeply ideological. As Cuervo-Cazurra et al. (2014) point out, state ownership during this period was often defended through a mix of economic nationalism, strategic planning, and a sense of social duty. Governments argued that only the state could properly fix market failures, organise massive investments, and steer industrial policy toward national goals; this argument was especially strong in industries like railways and energy, where natural monopolies existed or where the sector was considered too important to trust to private hands (Cuervo-Cazurra et al., 2014).

SOEs were also widely seen as a way to advance social goals. Many of these firms were expected to provide stable jobs, deliver services fairly across different regions, and support broader economic development. These policies enjoyed strong political support, especially because they were tied to the promise of economic security and the urgent need for postwar rebuilding, particularly in newly founded or re-stabilised democracies like France

and West Germany. Through these efforts, the state's role evolved beyond that of a mere regulator — it became an active player in the economy itself (Toninelli, 2000).

Still, as Cuervo-Cazurra et al. (2014) note, this early version of state capitalism did not stay the same. In the immediate postwar years, there was a strong belief in the state's ability to steer the economy, but by the late 1970s and 1980s, people began to question how sustainable that model really was. Even so, the postwar period left a lasting imprint on the economic structures of many European countries, and the legacy of public ownership continues to influence debates about the state's role in managing the economy today (Cuervo-Cazurra et al., 2014).

1.2.1.2. Post-colonial state-building in the Global South

After decolonisation, many countries in the Global South looked to SOEs as key tools for national development and asserting their economic independence. These new nations had to build economic institutions from the ground up, often without the support of a strong local private sector. As a result, SOEs were not just engines of industrial growth — they also became powerful symbols of self-determination and the strength of the new state.

The push to create SOEs was largely driven by a desire to break free from reliance on foreign MNCs, which many associated with the lingering influence of colonial rule. Governments prioritised creating SOEs in critical sectors like natural resources, utilities, and heavy industry — areas where private investment was insufficient or where national control was considered essential. Industries such as oil, mining, electricity, transportation, and telecommunications became focal points for building more independent and resilient economies. (“Trade and Development Report 2011,” 2012).

The economic rationale of SOEs in these postcolonial circumstances was also often shaped by the model of import-substitution industrialisation. This approach motivated countries to make needed goods at home rather than import them, based on the premise that national industries, like young children, needed shelter and coddling to flourish. This model was centred on SOEs, with governments directly owning, planning from and subsidising the SOEs. The objective was not only to increase economic growth; it was also to ensure political stability and foster social fairness — objectives that were particularly relevant in young and vulnerable new states (“Trade and Development Report 2011,” 2012).

Cuervo-Cazurra et al. (2014) take this further, showing how SOEs in developing countries often served broader political, diplomatic, and ideological purposes. These enterprises weren't just focused on making a profit; they were also tools for building regional influence, reinforcing the government's developmental legitimacy, and showcasing national prestige. In some cases, like Brazil, India, and Malaysia, SOEs that originally aimed to drive national development later expanded onto the global stage, taking on multinational roles that combined business ambitions with strategic state interests (Cuervo-Cazurra et al., 2014). The authors also point out that SOEs were utilised as geopolitical and soft power tools in many Global South states, especially when they entered nearby markets or took part in South-South investment flows. Despite its apparent commercial nature, this internationalisation frequently included overt overtones of state-led geopolitical planning. Thus, SOEs' conventional developmental logic changed into a hybrid logic that balanced non-market and market goals (Cuervo-Cazurra et al., 2014).

Importantly, the Global South's SOEs were not all the same. Depending on the type of post-colonial state creation and local political philosophies, their structures and duties changed. Some, especially in resource-rich nations, concentrated on using national wealth for development (e.g., Malaysia's Petronas or Nigeria's NNPC), while others, like Tanzania or India during the Nehru era, adopted socialist models with centralised control. Whatever their strategy, these businesses were characterised by a developmentalist mindset, which held that the government had a strategic and moral obligation to spearhead economic change ("Trade and Development Report 2011," 2012; Cuervo-Cazurra et al., 2014).

Overtime, many of these SOEs would eventually come under fire for corruption, political favouritism, and incompetence. However, their ongoing significance in international investment flows — especially in the fields of infrastructure, telecommunications, and energy—indicates that the post-colonial logic of state ownership is still in place, particularly in areas where economic policy is still shaped by strategic autonomy and developmental gaps.

1.2.1.3. Privatisation in the 1980s–1990s

A significant change in the role of the state in economic governance was brought about by the wave of privatisation that swept across most of the world in the 1980s and 1990s. The post-war consensus that had justified state ownership of important industries as a means of development, strategic autonomy, and welfare provision was markedly different

from this. Instead, privatisation was accepted as a policy instrument to lessen government responsibilities, promote efficiency, and reshape state-market interactions as a result of neoliberal thinking and fiscal problems. This transformation was also indicative of a more general shift in the justification for state control. Although SOEs were historically justified on the grounds of strategic control, public interest, and market failures, Benito et al. (2016) point out that throughout the liberalisation era, the prevailing rationale started to change in favour of commercial and competitive imperatives. More and more, governments saw SOEs as organisations that had to compete internationally, follow market principles, and provide economic returns in addition to serving as tools for policy (Benito et al., 2016).

The Thatcher government in the United Kingdom, which pioneered extensive divestment through public share offerings in the 1980s, is credited with igniting the current privatisation movement, according to Megginson and Netter (2001). As a “core tool of statecraft” for over 100 nations, what started in Britain quickly expanded around the world. Privatisation was justified for a number of reasons, including helping governments that were struggling financially, increasing business performance, expanding share ownership, decreasing government intervention in the economy, and fostering the growth of the capital market. (Megginson & Netter, 2001).

Both ideology and necessity drove this worldwide spread. In developed nations, market liberalism and discontent with the ineffectiveness of public company reforms that did not result in ownership change were two factors that contributed to the emergence of privatisation. Conversely, in emerging nations, pressure from international financial institutions and fiscal crises frequently sparked privatisation since they saw SOEs as financial burdens that drained public budgets while producing expensive, low-quality goods and services (Kikeri & Nellis, 2004).

The real outcomes of privatisation varied depending on the industry and region. Strong evidence suggests that privatisation generally improved performance in competitive industries, including higher investment, profitability, and efficiency. The results, however, were highly dependent on the existence of strong regulatory frameworks and competitive market arrangements in monopoly industries, especially infrastructure. Without these, privatisation frequently caused social upheaval and fell short of the welfare gains that were promised (Kikeri & Nellis, 2004).

Crucially, the wave of privatisation did not always mean that the government completely withdrew. Many governments maintained considerable control over “privatised” companies through the use of political appointments, dual-class shares, golden shares, and pyramidal ownership arrangements, as shown by Bortolotti and Faccio (2008). International policy frameworks also recognised that state influence persisted even after ownership was transferred. Even when governments maintain strategic control, contemporary SOEs should function with a high level of openness, a commercial focus, and independence from political meddling, according to the OECD (“OECD Guidelines on Corporate Governance of State-Owned Enterprises, 2015 Edition,” 2015b). The principles are in keeping with the global agreement that strong governance frameworks are necessary to strike a balance between market discipline and public mandates (“OECD Guidelines on Corporate Governance of State-Owned Enterprises, 2015 Edition,” 2015b).

Additionally, according to Bortolotti and Faccio (2008), over 60% of privatised companies in OECD nations still had some degree of government influence as of 2000. This implies that privatisation frequently resulted in hybrid ownership forms, where state control remained even when legal ownership was reduced, rather than complete market liberalisation. (Bortolotti & Faccio, 2008).

In the late 1990s and early 2000s, a reevaluation of privatisation was also brought about by public outrage and inconsistent results. Critics cited social costs such as job losses, increased inequality, and the seeming elite takeover of public assets, even if the private sector frequently produced increased efficiency (Kikeri & Nellis, 2004). There was a partial return to state engagement in some areas, particularly in important sectors like banking and utilities, particularly when regulatory capacity was weak or market mechanisms were distorted (Kikeri & Nellis, 2004).

All things considered, the privatisation wave of the 1980s and 1990s changed the state’s position globally and reshaped the lines between public and private spheres. But it also gave rise to new kinds of state capitalism, in which governments frequently maintained power through subtler but no less effective means. This era set the stage for more intricate and calculated forms of government engagement in the economy rather than signalling the end of state ownership.

1.2.2. Rise of "new state capitalism" post-2000 and post-2008 financial crisis

A new stage in the development of state ownership had started to take shape by the early 2000s; this is what nowadays is called as “new state capitalism”. This new state ownership structure differs from the developmentalist or ideological models of the mid-20th century in that it is characterised by hybrid ownership structures, global expansion, strategic investment justifications, and governance change. One significant turning point that legitimised and accelerated this trend was the global financial crisis of 2008. Through SOEs, sovereign wealth funds, and public financial institutions, the state reaffirmed its role as a global actor, investor, and creditor in addition to its regulatory role as market failings became glaringly apparent.

The merging of strategic and commercial logics is a key component of this new state capitalism. While public interest, strategic control, or the correction of market failures were the traditional justifications for state ownership, Benito et al. (2016) note that in the post-liberalization era, commercial and competitive considerations became more significant. In addition to pursuing policy objectives, governments started to anticipate that SOEs would generate profits and effectively compete in both domestic and international markets.

Following the 2008 crisis, which revealed the weaknesses of overly financialized economies and called into question the ideological superiority of unrestricted markets, these changes became more noticeable. As the International Monetary Fund points out in “Fiscal Monitor, April 2020”, SOEs have become even more important as tools for strategic investment and macroeconomic stability. As a result of their quick global expansion, by 2018 SOEs held almost 20% of the assets of the 2,000 biggest companies worldwide, or over half of the world's GDP (“Fiscal Monitor, April 2020,” 2020). With the help of state-backed financing methods and preferential regulatory treatment, SOEs emerged as significant participants in cross-border mergers and acquisitions, especially in the energy, infrastructure, and banking sectors (“Fiscal Monitor, April 2020,” 2020).

Ownership has not been the only factor in this comeback. The internationalisation of SOEs, according to Cuervo-Cazurra et al. (2014), is a reflection of a deeper hybrid logic in which businesses function for both political and market-based reasons. SOEs are frequently utilised by the state as diplomatic and geopolitical instruments to capture natural resources,

form strategic alliances, or project soft power, particularly among developing market multinational corporations (Cuervo-Cazurra et al., 2014). Therefore, state capitalism after 2008 is not just a throwback to earlier forms; rather, it is a calculated adjustment to an interconnected economy in which state-supported companies face out against private multinational corporations under unfair regulations.

The emergence of mixed-ownership models is one of the characteristics that distinguish new state capitalism. Nearly 60% of the biggest SOEs in the world currently function under hybrid frameworks, which combine private investment and public control ("Fiscal Monitor, April 2020," 2020). These agreements permit businesses to raise money in the financial markets and implement professional management standards, while frequently maintaining governmental influence through golden shares or board involvement. This strategy gives governments access to global money and the efficiency of the private sector while allowing them to maintain strategic oversight.

A flurry of governance reforms has been spurred by these developments with the goal of balancing market discipline and state ownership. The necessity of professionalisation, openness, and protection against political meddling is emphasised by OECD ("OECD Guidelines on Corporate Governance of State-Owned Enterprises, 2015 Edition," 2015). The global consensus that SOEs must operate on market-compatible conditions to avoid distortions and inefficiencies is reflected in the Guidelines, which call for clear mandates, independent boards, performance monitoring, and fair competition regulations ("OECD Guidelines on Corporate Governance of State-Owned Enterprises, 2015 Edition," 2015).

The COVID-19 pandemic further strengthened the strategic role of SOEs after the 2008 crisis: SOEs have become important players in supply chain resilience, infrastructure investment, and crisis response; they served as "investors of last resort" in critical sectors and offset the layoffs in the private sector, stabilising a number of economies ("Fiscal Monitor, April 2020," 2020). These changes point to an increasing dependence on state-capitalist systems, particularly during periods of systemic upheaval.

But this comeback has also brought up fresh policy issues. The growth of SOEs into international markets, frequently supported by preferential financing or regulatory benefits, can distort competition and raise questions about justice and state-backed protectionism, as the IMF cautions ("Fiscal Monitor, April 2020," 2020). Furthermore, attempts to guarantee openness, fiscal accountability, and effective capital allocation are made more difficult by the

blurring of public and private borders. One of the fundamental governance conundrums of new state capitalism is how to address these issues without compromising the SOEs' capacity for development.

Thus, rather than retreating, the state has repositioned itself in economic life during the post-2000 and post-2008 decades. Strategically managed, profit-driven SOEs that compete on international markets, frequently with hybrid ownership structures and a combination of public and private mandates, are hallmarks of the emergence of new state capitalism. Instead of being a return to earlier models, this trend shows a smart recalibration of state participation in the global economy, motivated by a strategic vision for national competitiveness in a multipolar world as well as practical responses to crises.

SOEs' transition from fully nationalised businesses to hybrid and ultimately corporatised corporations is indicative of larger changes in the state's involvement in economic governance. Originally, SOEs were created as means of industrialisation, economic rebuilding, and strategic control in many nations, particularly in post-colonial governments and post-war Europe. Bureaucratic structures, politically appointed management, and goals that went beyond financial success to include social welfare and national development were common characteristics of these businesses.

However, by the 1980s and 1990s, this model was being undermined by a wave of privatisation and public sector change. The creation of hybrid organizations—businesses with a combination of public and private ownership as well as multi-layered governance systems—was caused by the fact that many governments kept strategic influence over SOEs even after partially selling their ownership. These hybrid SOEs often had foreign institutional investors or multinational co-owners, and they mixed political and business goals. According to Mariotti and Marzano (2020), these companies were no longer just bureaucratic entities; rather, they developed into intricate organisational hybrids that reflected both market demands and governmental interests (Mariotti & Marzano, 2020).

While permitting businesses to function in competitive markets and obtain capital through public listings, governments preserved their influence during this transitional period through golden shares, regulatory authority, and board membership. In addition to bringing governance problems, especially in principal-to-principal disputes between state owners and private investors, this hybridisation opened up potential for internationalisation. Despite not being officially state-owned, many multinationals profited from government backing in the

form of funding, equity stakes, and political connections, as Pinto et al. (2016) point out in the Latin American context. The distinction between public and private companies was essentially blurred by this system, which allowed businesses to pursue aggressive cross-border acquisitions while maintaining indirect governmental support (Pinto et al., 2016).

As demands for openness and global competitiveness increased over time, SOEs became more corporatised. A lot of hybrids implemented corporate governance changes like independent boards, performance incentives, and international accounting standards that were modelled after private-sector models. State ownership was transferred through investment arms with business objectives in instances such as Singapore's Temasek or Norway's partially privatised Equinor. The state continued to play a strategic role even as these corporatised SOEs became profit-driven and operationally independent.

State capitalism has gradually been reorganised from developmentalism to commercial professionalism and from direct control to strategic monitoring, as seen by the transition from nationalised to hybrid to corporatised forms. There is no one model, though, as different states — such as China and Norway — have different approaches to striking a balance between corporate efficiency and strategic control.

The Chinese government has strict, centralised control over its State-owned Enterprises (SOEs) through the State-owned Assets Supervision and Administration Commission (SASAC). By selecting managers, authorising significant investment choices, and coordinating company strategy with national policy objectives, SASAC plays a crucial institutional function. Through SASAC, which keeps an eye on SOEs and makes strategic choices, the Chinese government has retained control (Cui & Jiang, 2012).

Chinese SOEs are able to pursue both commercial expansion and strategic state aims overseas thanks to this architecture, which firmly embeds them inside the national policy machinery. Their internationalisation is influenced by this hybrid logic, which combines governmental mandates like energy security or diplomatic signals with commercial incentives like market or resource searching. According to Cui and Jiang (2012), host nations frequently view SOEs as political actors that represent the Chinese state rather than merely as businesses. This relationship carries institutional liabilities, such as increased scrutiny and opposition overseas, as well as resource advantages, such as access to inexpensive finance.

Importantly, state ownership impacts Chinese companies' strategic freedom in addition to their resource availability. SOEs typically follow rather than defy expected standards when under regulatory pressure from both home and host institutions. Chinese SOEs are positioned as the forefront of China's foreign economic engagement due to their institutional embeddedness, which makes them sensitive to state-defined international aims.

Norway exemplifies a more market-compatible kind of state capitalism than China's highly centralised model. Even while state ownership is still substantial, Norwegian SOEs—including the flagship energy company Equinor—operate under a framework that prioritises commercial mandates. With well-defined duties and little political meddling, the state's involvement is primarily carried out by professional investment arms like the Ministry of Trade, Industry, and Fisheries.

In Norway, state ownership seeks to balance economic and national strategic objectives, particularly in infrastructure and natural resources, as Rygh and Knutsen (2023) observe. A stable institutional environment, strong corporate governance norms, and high transparency requirements all contribute to Norwegian SOEs' increased legitimacy domestically and competitiveness internationally.

It is interesting to note that Rygh and Knutsen (2023) demonstrate that Norwegian SOEs would be better able to manage political risk overseas due to their perceived impartiality and institutional legitimacy. According to their research, state ownership can serve as a buffer against outside shocks, assisting businesses in preserving revenue stability even in host nations with unstable political environments (Rygh & Knutsen, 2023). This illustrates the so-called bright side of state ownership, in which support from the government strengthens resilience without compromising business ethics.

The diversity of contemporary state capitalism is demonstrated by these two models. Norwegian SOEs function under market-oriented governance with strategic moderation, whereas Chinese SOEs are extensions of strategic statecraft. Both instances show how state ownership is still changing, not as a holdover from the past but rather as a versatile tool for investment strategy, national policy, and international competition.

1.3. Mapping the power of the state: quantitative and structural dimensions of SOEs

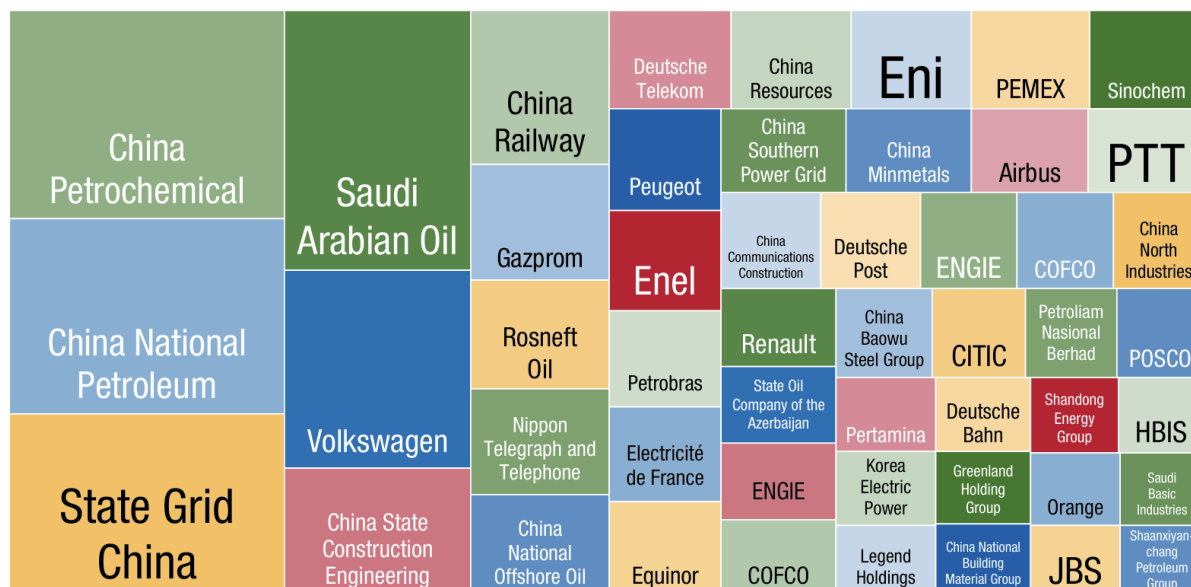
1.3.1. From domestic anchors to global players: the expanding role of SOEs

In all institutional contexts, SOEs have become economically major actors in both domestic and international markets, despite differences in their governance and structure. In addition to playing vital roles in the delivery of public services, SOEs actively participate in cross-border investment and international rivalry in a variety of industries, including banking, infrastructure, energy, and telecommunications.

Since their economic influence has expanded dramatically over the past 20 years, SOEs have emerged as crucial participants in the global economy. The number of SOEs in the top 500 global corporations grew from 34 in 2000 to 126 in 2023, based on revenue; in that same year, these firms produced over USD 12 trillion in income and possessed over USD 50 trillion in assets, demonstrating their upscaling dominance in global capital and production flows (*Ownership and Governance of State-Owned Enterprises 2024*, 2024). For instance, a visual summary of the top 50 nonfinancial SOEs worldwide is shown in *Figure 1*, which also highlights important companies like State Grid China, Saudi Arabian Oil, and China Petrochemical and shows their respective revenue shares. Similar to this, in 2018, the share of SOE assets among the top 2,000 global corporations increased to \$45 trillion, or nearly half of global GDP (“Fiscal Monitor, April 2020,” 2020).

The internal organisational structures and ownership models of SOEs, in addition to their scale, demonstrate their institutional complexity and strategic flexibility. The majority of the largest SOEs in the world today operate under mixed ownership structures that blend state oversight and private participation. Nearly 60% of these businesses are jointly owned by public and private shareholders in an effort to balance political mandates with market discipline (“Fiscal Monitor, April 2020,” 2020). As evidence of their standing as international investors and economic players, SOEs have consistently made up 5 to 15% of all yearly cross-border mergers and acquisitions since 2008. These hybrid firms are not only important domestically (“Fiscal Monitor, April 2020,” 2020).

Figure 1 – Top 50 Nonfinancial SOEs (percent of revenues relative to total revenues in largest 2,000 firms)

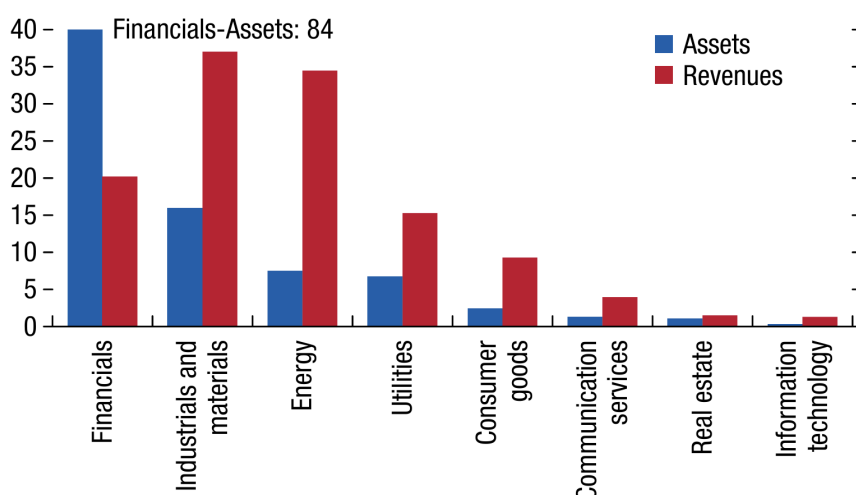


Note: Capital IQ's rating of the top 2,000 companies is a composite of individual rankings of 2018 revenue and assets.

Source: "Fiscal Monitor, April 2020," 2020

The impact of SOEs is particularly noticeable in key vital areas where public investment has remained robust. Their systemic importance in the global economy is shown by *Figure 2*, which shows the breadth of SOE domination across critical sectors, with notably substantial proportions in banking, energy, and industrial sectors.

Figure 2 – SOEs' share of assets, by sector, in 2018 (percent of assets or revenues of largest firms, by sector)



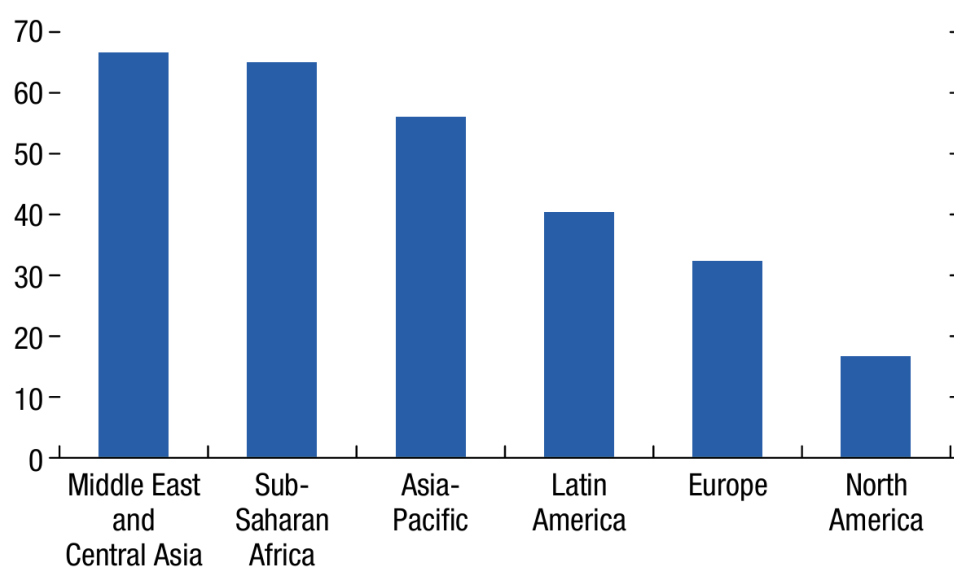
Note: The statistic displays the proportion of SOE revenues and assets by industry among the

top 2,000 companies worldwide. The latter is a combination of different Capital IQ rankings of 2018 assets and revenue.

Source: “Fiscal Monitor, April 2020,” 2020

The fact that SOEs oversee almost half of all infrastructure project commitments in developing economies serves to further solidify their role in long-term capital-intensive growth (“Fiscal Monitor, April 2020,” 2020). In the energy sector, where SOEs hold a sizable portion of the regional power generation capacity, this domination is especially noticeable. The power generation capacity of SOEs by region is shown in *Figure 3*, underscoring their crucial influence on the regional and global energy supply.

Figure 3 – SOEs’ power generation capacity, 2017 (percentage of total, by region)



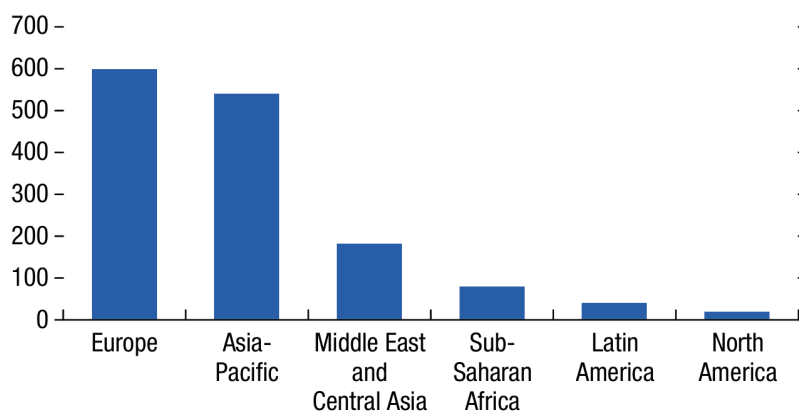
Source: “Fiscal Monitor, April 2020,” 2020

In important emerging markets like China, India, and Brazil, SOEs own at least 40% of total banking assets (“Fiscal Monitor, April 2020,” 2020). Furthermore, they are increasingly associated with sustainability and climate-related policy goals: approximately 18% of the shares in the top 100 listed businesses that generate greenhouse gases worldwide are owned by public sector players, with substantially greater percentages in several emerging economies (*Ownership and Governance of State-Owned Enterprises 2024*, 2024).

The dominance of SOEs varies significantly by location, despite their worldwide reach, depending on local ownership forms and capital market systems. The degree of public sector ownership in capital markets varies significantly by area. In 2023, companies with over 25% state ownership accounted for more than 10% of global market capitalisation.

However, this ratio masks important regional disparities: just 2% of market capitalisation in OECD countries is attributable to state-affiliated businesses, compared to 16% in Latin America and 40% or more in a few emerging markets (*Ownership and Governance of State-Owned Enterprises 2024*, 2024). These differences show how the degree and visibility of state ownership in the corporate environment are influenced by institutional preferences and historical legacies. These institutional variations and historical legacies are reflected in the wide regional variations in the number of multinational SOEs, as shown in *Figure 4*.

Figure 4 – Multinational SOEs around the World (Number of firms per region)



Source: “Fiscal Monitor, April 2020,” 2020

In conclusion, these numbers demonstrate the massive institutional and financial impact of SOEs, underscoring the importance of comprehending the many models — whether fund-based, decentralised, or central — by which states exert strategic control and ownership. This requirement for detailed comparison is highlighted by the worldwide relevance of SOEs.

1.3.2. Models of SEOs

Given their increasing global presence and strategic significance, it is more important than ever to understand how SOEs are governed and how different national models affect their operations and global integration. Because institutional decisions influence how these companies function, plan, and are viewed globally, comparing national models is essential when studying the internationalisation of SOEs.

Different national institutional logics lead to different internationalisation patterns, which affect SOEs' opportunities as well as their legitimacy issues. For example, depending

on the embedded institutional context, the level of government involvement and the state's strategic posture can either help or hurt an SOE's outward investment. The result of their interaction ultimately hinges on the alignment of interests shaped by the national institutional settings (Mariotti & Marzano, 2020). The degree to which internationalisation is successfully pursued and accepted by global stakeholders depends on this alignment — or lack thereof.

This assertion is supported by the way institutional frameworks influence governance concerns and internal performance dynamics in addition to external strategies. The authors contend that institutional structures have an impact on SOEs' governance issues as well as the resources at their disposal. SOEs frequently experience agency costs as a result of governments' limited ability to monitor managers, which undercuts their ability to pursue consistent foreign strategies when the state is ineffective or the system is not coordinated. On the other hand, SOEs may have robust institutional support in systems where the state plays a strategic and coordinated role, but they also have to deal with more intricate principal-principal disputes with private co-owners, especially multinational corporations from other countries (Mariotti & Marzano, 2020).

To understand how institutional structures affect SOE behaviour, it is crucial to look at the most common state ownership models as categorised by leading international frameworks. Classifying state ownership models is inherently challenging because most countries employ hybrid approaches rather than strictly following a single governance framework. This is because, despite growing efforts to standardise good governance practices, no single ownership model is used everywhere. Nonetheless, the OECD states that there are several primary ownership models (as can be also seen from *Table 1*), that affect how SOEs are managed and governed in various nations (*Ownership and Governance of State-Owned Enterprises 2024*, 2024):

1. *Centralised model*: A single central decision-making body, typically a holding company, ownership entity, or specialised ministry, handles shareholder functions exclusively across the SOE portfolio. Setting financial objectives, keeping an eye on performance, choosing board members, and ensuring that they align with state priorities are all under the purview of this authority. The centralisation of control allows the state to act as a single shareholder and enhances the coherence of SOE supervision. The OECD has identified Israel, Italy, Korea, Peru, Slovenia, and Sweden as countries that use a

centralised model, in which the ownership function is solely carried out by one entity (*Ownership and Governance of State-Owned Enterprises 2024, 2024*).

2. *Coordinating agency model*: This tactic designates a specialised department or organisation to act as an advisor and supervisor. This agency may have considerable oversight authority, including the capacity to assess technical and operational performance, even though it does not formally own SOEs. Ownership rights are retained by line ministries or sectoral departments. Coordination is made easier without total centralisation, even though role ambiguity or overlaps may be a problem with this model. Organisations like state audit departments and performance monitoring agencies play significant roles in the implementation of this model in the UK, India, the Philippines, Bulgaria, and New Zealand (*Ownership and Governance of State-Owned Enterprises 2024, 2024*).
3. *Dual ownership model*: In this instance, ownership is jointly exercised by two or more high-level public institutions; typically, a sector-specific ministry is in charge of operational strategy and industry-specific goals, while the Ministry of Finance is in charge of fiscal oversight. If this model is not clearly defined, it may result in fragmented accountability even though it can encourage checks and balances. Systems like Brazil, Australia, Switzerland, Greece, and Thailand often have dual ownership arrangements; these systems are often associated with decentralised public administration or federal governance (*Ownership and Governance of State-Owned Enterprises 2024, 2024*).
4. *Twin track model*: Under the twin track model, two separate ownership frameworks that function independently of one another coexist in the same jurisdiction. Different government entities manage their respective SOE portfolios using different governance practices. This approach may lead to inconsistent state ownership policies, despite its flexibility. It is stated that China, Malaysia, and Belgium are using twin track systems. In China, for instance, the State-owned Assets Supervision and Administration Commission (SASAC) and other sectoral ministries have specific duties related to the management of SOEs (*Ownership and Governance of State-Owned Enterprises 2024, 2024*).
5. *Dispersed ownership model*: In this model, not a single organisation has explicit ownership responsibility. Instead, a large number of government organizations—usually line ministries or public agencies—manage their own sectoral SOEs independently. This model reflects administrative decentralisation, but it may also reduce accountability and

the coherence of national SOE strategy. Historical decentralisation or federalism often led to the dispersed ownership models of countries such as the US, Canada, Mexico, Japan, and Germany (*Ownership and Governance of State-Owned Enterprises 2024*, 2024).

Table 1 - Ownership models

Ownership Model	Model Description	Jurisdictions	Total (out of 55 countries)
Centralised or co-ordinated models	One centralised department that alone handles ownership of a government ministry or holding company.	Israel, Italy, Korea, Peru, Slovenia, Sweden.	6
	A sizable portion of the jurisdiction's SOEs are part of a single, centralised portfolio, while the remaining SOEs are owned by various entities.	Austria, Azerbaijan, Chile, Colombia, Finland, France, Iceland, Netherlands, Norway, Portugal, South Africa.	11
	A department that coordinates and has non-trivial authority over state-owned enterprises (SOEs) that are officially held by other ministries (and institutions).	Bulgaria, Costa Rica, Estonia, India, Latvia, Lithuania, Morocco, New Zealand, Philippines, Romania, United Kingdom, Vietnam.	12
Dual ownership	The ownership is jointly exercised by two ministries or other high-level government agencies.	Australia, Brazil, Czechia, Greece, Indonesia, Switzerland, Thailand.	7
Twin track model	Twin track model.	Belgium, China, Malaysia, Türkiye.	4
Dispersed ownership	A significant number of high-level state entities, such as ministries.	Argentina, Canada, Croatia, Denmark, Germany, Hungary, Ireland, Japan, Kazakhstan, Luxembourg, Mexico, Poland, Slovak Republic, Ukraine, United States.	15

Source: *Ownership and Governance of State-Owned Enterprises 2024*, 2024

The adoption of these models, which each entail trade-offs in terms of coordination, strategic control, accountability, and performance, is influenced by a country's administrative tradition, political structure, and development plan. Even though state ownership arrangements are still moving towards centralisation, the dispersed ownership model is still the most widely used model after the centralised one (*Ownership and Governance of State-Owned Enterprises 2024*, 2024).

Understanding the evolving landscape of SOE ownership models is necessary to contextualise how different countries approach internationalisation, partnerships with foreign investors, and regulatory coordination.

In conclusion, it is impossible to separate the institutional logic governing SOEs from their internationalisation. According to Mariotti and Marzano (2020), a foreign MNE's influence as a relational co-owner in a SOE is significant, but it depends on the characteristics of the national institutional framework in which the SOE is situated. Explaining the various routes that SOEs take on the international scene requires an understanding of these institutional contexts and the typologies that characterise them.

1.4. Summary: reflections on state ownership and the foundations of internationalisation

SEOs have grown into important global players with a presence that extends far beyond their traditional domestic roles. Originally designed primarily as instruments for national development, public service delivery, or strategic resource control, SOEs now operate in a world impacted by global capital flows, transnational regulatory frameworks, and increasingly complex governance systems. The various objectives they pursue — managing social and environmental mandates, exercising soft power, and generating revenue while furthering state policy — are reflected in their current organisational structure. As this chapter illustrates, understanding SOEs in the contemporary era requires knowledge of both their economic reach and the different institutional frameworks that either support or limit their international operations.

The state's role in the economy has been significantly reorganised in all regions with the shift of SOEs from fully nationalised to hybrid and corporatised businesses. In post-colonial states and post-war Europe, nationalisation was a response to specific historical imperatives like reconstruction, sovereignty, or economic catch-up. By the 1980s and 1990s, however, privatisation had taken over international policy agendas, promoting market liberalisation and reducing direct state ownership (Benito et al., 2016; Megginson & Netter, 2001). But instead of SOEs going extinct, the outcome was their transformation. Many remained influenced by the state through political appointments or golden shares, even after becoming legally independent and often publicly traded companies (Bortolotti & Faccio,

2008). These changes paved the way for what academics now refer to as new state capitalism, a stage in which SEOs blend long-standing public mandates with market-based structures.

One of the most significant changes in recent decades, particularly in the wake of the 2008 global financial crisis, has been the internationalisation of SOEs. As market failures and austerity fatigue reduced the appeal of neoliberal doctrine, governments increasingly relied on SOEs to stabilise key industries, boost growth, and safeguard national interests. When private capital withdrew during crises, SOEs often stepped in as countercyclical actors. According to IMF estimates, by 2018, SOEs owned nearly 20% of the assets of the top 2,000 companies globally, which amounted to approximately \$45 trillion, or nearly half of global GDP (“Fiscal Monitor, April 2020,” 2020). Their impact is especially evident in strategic industries such as energy, banking, and infrastructure, where business logic and public goals clash (“Fiscal Monitor, April 2020,” 2020).

Nevertheless, despite their growing prominence, SOEs do not adhere to a single institutional framework. According to the OECD, the five primary SOE governance models covered in this chapter are dispersed ownership, dual ownership, twin track, centralised, and coordinating agency. A distinct national approach to state ownership is represented by each of these models (*Ownership and Governance of State-Owned Enterprises 2024*, 2024). As an illustration of the centralised model, China is a shining example, with SASAC strategically managing SOEs to align them with the nation's industrial and diplomatic goals (Cui & Jiang, 2012). Yet, Norway and Singapore are instances of fund-based models wherein the Ministry of Trade, Industry, and Fisheries or Temasek Holdings, which are professional investment arms, oversee SOEs in a manner that strikes a balance between commercial performance and long-term strategic objectives (Ng, 2010; Rygh & Knutsen, 2023).

Each of these models involves trade-offs between legitimacy, autonomy, and coordination. In centralised systems, the state can enforce discipline and policy coherence, but it may also have to contend with issues of foreign legitimacy and reduced managerial flexibility. Fund-based systems, like those in Singapore or Norway, have governance structures that incorporate greater financial accountability and autonomy, allowing SOEs to thrive in global markets while preserving their connections to domestic interests (C. Chen, 2016; Rygh & Knutsen, 2023). Conversely, decentralised or federal administrative traditions are represented by dispersed or dual ownership models, which may be hindered by oversight

shortcomings and fragmentation (*Ownership and Governance of State-Owned Enterprises 2024*, 2024).

What unites SOEs around the world is the dual logic they must contend with: public accountability and commercial pressures. This contradiction is especially noticeable when SOEs grow abroad because they face challenges with legitimacy and competition in the host countries. The idea of the “liability of stateness” captures the perception of foreign stakeholders that SOEs are not neutral economic actors but rather agents of state strategy (Li et al., 2016). Therefore, SOEs often have to change their ownership arrangements, entry strategies, or public messaging to overcome political opposition (Meyer et al., 2014).

Understanding the institutional contexts in which SOEs function is therefore crucial. Mariotti and Marzano (2020) argue that whether state principals and firm managers have aligned interests depends on the quality and structure of national institutions. In areas with inadequate coordination, SOEs are susceptible to agency problems and inconsistent strategies. However, strong institutional support can also result in complex principal-principal conflicts, particularly when foreign investors or multinational partners are involved (Mariotti & Marzano, 2020).

Disparities in institutional models also impact the internationalisation process. Internationalisation is accelerated in some contexts, such as China, by a coordinated state strategy targeted at specific industries and regions. SOEs in other nations, like Brazil or India, may internationalise more opportunistically or in response to firm-level incentives, even though they might have indirect state support (Pinto et al., 2016). Temasek-affiliated companies in Singapore and Equinor in Norway represent another path, wherein SOEs operate autonomously but within clearly defined state policy frameworks that foster global competitiveness and limit political interference (Ng, 2010; Rygh & Knutsen, 2023).

Given the tremendous diversity of SOE experiences and paths, an institutionally based, comparative perspective is essential. As this chapter illustrates, SOEs differ not only in their ownership structures but also in how they secure resources, deal with governance concerns, and build trust in global markets. These variations reflect deeper national logics and political economies that determine whether internationalisation is pursued proactively, reactively, or not at all.

In conclusion, rather than being passive remnants of developmentalist or protectionist eras, SOEs are dynamic organisations whose strategies consider both state priorities and market demands. Their ascent is a deliberate response to the shifts in the global economy, such as financial crises, geopolitical upheavals, the need for sustainability, and the evolving role of the state, rather than an anomaly. These companies offer an alternative form of globalisation that is based on the public interest as well as market efficiency.

Given this context, the next chapter answers the thesis' main question: What motivates MNCs and SOEs to grow globally? We shall examine the organisational, political, and strategic elements that affect outward investment, even though their institutional foundations were mapped in the previous discussion. Using the Dunning OLI paradigm as a framework (Dunning, 2000; Dunning, 1980), we shall investigate how MNCs and SOEs balance their objectives and motivations.

Chapter 2: Literature review on state ownership, internationalisation and motivation

2.1. Introduction to the theoretical framing of motivation

The modern global economy is characterised by the internationalisation of SOEs, which has blurred the lines between market and state activity. Understanding the unique logics that influence these companies' behaviour overseas is crucial as they increasingly participate in cross-border mergers, acquisitions, and greenfield investments. This chapter offers the theoretical framework required to analyse the strategic drivers of MNC and SOE internationalisation via Dunning's OLI paradigm (Dunning, 2000; Dunning, 1980). The chapter lays the groundwork for the reasons behind the global expansion by looking at how state ownership influences firm-level behaviour and strategic intent.

The starting point for understanding SOE behaviour lies in defining the nature of state ownership itself. Ownership, in general, refers to “the holding of equity in a company... Economically, ownership matters because of cash flow rights and decision rights” (Benito et al., 2016, p. p.271). In the case of SOEs, this ownership is exercised by governments, making them not just commercial actors, but extensions of the state’s institutional and strategic apparatus. As Cui and Jiang (2012) observe, “SOEs are, by definition, assets of home-country governments, which makes them a part of their home-country institutions” (Cui & Jiang, 2012, p. 265). State ownership may be partial or full, with control mechanisms ranging from direct shareholding to more subtle tools such as golden shares, pyramidal structures, and regulatory leverage (Bortolotti & Faccio, 2008). State ownership can be also defined as the percentage of shares that are held by the government (R. Chen et al., 2021). The extent and form of ownership affect not only firm-level autonomy but also how foreign stakeholders perceive the legitimacy and strategic intent of SOEs.

While definitions of ownership establish the institutional basis of SOEs, understanding their internationalisation requires examining how and why these entities

expand abroad. Internationalisation is broadly defined as “the establishment of foreign subsidiaries through outward foreign direct investment, as these investments represent a stronger commitment to internationalization than do exports” (Kalasin et al., 2019, p. 397). For SOEs, internationalisation may serve multiple purposes, from market entry to legitimacy enhancement. As Clegg et al. (2018) observe, SOEs may pursue overseas acquisitions not only to access foreign markets but also to increase credibility by using the fastest method possible.

Crucially, the motivations that drive internationalisation vary and are shaped by both firm-level strategy and broader national interests. The rationale for maintaining SOEs is grounded in a blend of strategic, financial, and social interests, including public policy objectives, the provision of public goods, and market failure remedies. In times of crisis, such as the COVID-19 pandemic, governments have used SOEs to stabilise markets, preserve employment, and ensure the continuity of essential services. In more proactive cases, states use SOEs to pursue national development goals or to support sectoral champions (*Ownership and Governance of State-Owned Enterprises 2024*, 2024).

To explore these motivations in a systematic way, this chapter draws on John Dunning’s OLI (Ownership–Location–Internalisation) framework, which categorises internationalisation motives into market-seeking, resource-seeking, efficiency-seeking, and strategic asset-seeking (Dunning, 1980; Dunning, 2000). This typology is particularly useful for analysing SOEs, as their motivations often straddle both commercial and political logics. The following sections apply this framework to evaluate the strategic rationale of SOEs operating abroad, laying the conceptual foundation for the thesis's empirical analysis.

2.2. Theoretical foundations

To begin with, it is necessary to have a solid theoretical foundation in order to comprehend the driving forces behind the internationalisation of SOEs. Agency theory draws attention to the intricate disputes that exist between state principals and SOE managers, who frequently deal with conflicting performance incentives that deviate from objectives that are solely motivated by profit. The way that SOEs are enmeshed in various formal and informal institutional environments that influence their tactics and actions is further explained by institutional theory. The Resource-Based View (RBV) suggests that SOEs can overcome path dependencies originating from their domestic operations and leverage their current

capabilities by expanding internationally. In order to balance the costs and uncertainties of foreign investments, SOEs choose their entry modes with the help of Transaction Cost Economics (TCE). Resource Dependence Theory, which supports these frameworks, contends that SOEs should internationalise in order to access outside resources and lessen their reliance on domestic political and market constraints. Lastly, the Neo-Institutional Theory highlights how SOEs react to institutional isomorphism and legitimacy pressures in international markets. When taken as a whole, these theories provide a thorough framework for analysing the particular forces and limitations influencing the internationalisation paths of SOEs.

2.2.1. Agency theory

When principals – owners – assign authority to agents – managers – in the face of opportunism, bounded rationality, and imperfect information, conflicts can arise. This is the subject of agency theory, which was first developed by Jensen and Meckling (1976) and Holmstrom (1979). Agency theory is expanded to acknowledge a triple agency conflict in the context of SOEs: here, managers, politicians, and citizens engage in intricate agency relationships that influence strategic choices (Cuervo-Cazurra et al., 2014).

How owners can rein in managerial misconduct is the main issue in agency theory. Although citizens serve as the ultimate principals in SOEs, they frequently lack direct oversight tools over politicians, who then assign management to business executives. Compared to private companies, this adds more levels of opportunism and information asymmetry. According to agency theory, SOEs encounter difficulties during the internationalisation process in making sure that managers overseas coordinate their activities with the aims of both headquarters and the state's larger political objectives (Cuervo-Cazurra et al., 2014). In order to effectively manage subsidiary behaviour, the solution frequently entails creating complex incentive and control systems that transcend national borders.

Suboptimal foreign investments motivated more by political or personal interests than by pure economic rationality can be a manifestation of this triple agency conflict in the particular context of international expansion, as discussed by Cuervo-Cazurra et al. (2014). Politicians may advocate for strategic investments to increase their geopolitical influence, managers may pursue prestige projects overseas, and citizens may place a higher priority on

public welfare and economic development. As a result, controlling these conflicting agency relationships becomes crucial to SOEs' global strategy.

This viewpoint is supported by recent studies that highlight how SOE managers' political appointments and affiliations worsen agency conflicts in internationalisation. As Liang et al. (2014) agrees with Cuervo-Cazurra and Dau (2009a,b), authors explain that SOE managers are motivated to develop globalisation strategies not only by the possibility of improving economic performance but also — and perhaps more significantly — by achieving the political and social goals of the state. The difficulties of agency control in international operations may therefore be exacerbated by managerial decision-making that puts social mandates and political allegiance ahead of company profitability.

Moreover, the idea of “multilevel agency problems” in SOEs is emphasised by Kalasin et al. (2019), who claim that although citizens (principals) are the firm's legal owners, politicians (agents) act on their behalf to address market imperfections. In order to gain support, politicians (principals) may assign managers (agents), sometimes at the expense of corporate goals (Kalasin et al., 2019). Hence, decision-making becomes opaque and competitiveness is diminished as a result of this multilevel agency structure's pursuit of non business goals and competing objectives.

Furthermore, Benito et al. (2016) emphasise that SOEs are frequently controlled by a complex chain of delegation that extends from voters to politicians, bureaucrats, and SOE managers. This, in turn, complicates corporate governance and gives managers more latitude to pursue political or personal objectives rather than maximising economic value (Benito et al., 2016). The internationalisation strategies of SOEs may therefore be especially susceptible to inefficiencies motivated by self-interest and empire-building behaviour.

Finally, the institutional setting can either amplify or mitigate these agency problems. As Estrin et al. (2015) find, institutions that impose more monitoring and constraints on decision makers in SOEs reduce the home market bias of SOEs and induce them to pursue internationalization more similar to private firms. Thus, stronger domestic governance frameworks can play a critical role in aligning the international expansion of SOEs with broader performance objectives rather than purely political ambitions.

2.2.2. Transaction cost economics

Based on the theories of Williamson (1975), Stone (1986), and Coase (1937), Transaction Cost Economics (TCE) holds that businesses exist to reduce the costs of doing business in an imperfect market environment. These costs are caused by restricted rationality, asset specialisation, information asymmetry, and opportunism. Cuervo-Cazurra et al. (2014) extend TCE for SOEs by putting forth the owner risk argument, which contends that the transaction cost calculus is essentially changed by the state's risk tolerance.

When market transaction costs are higher than those of hierarchical governance, firms in traditional TCE internalise transactions. In the case of SOEs, perceived transaction costs overseas are decreased by the government's support, which includes financial assistance, regulatory sway, and diplomatic leverage. A soft-budget constraint may encourage SOEs to take on riskier international endeavours because they know that losses could be covered by the state rather than endangering the company's existence (Cuervo-Cazurra et al., 2014).

As a result, even in situations where institutional risk is high, SOEs may favour hierarchical forms of global expansion, like wholly owned subsidiaries or significant acquisitions. In order to manage uncertainty, they internalise transactions in foreign markets; however, their risk-return expectations differ from those of private MNCs. Understanding why SOEs frequently target politically unstable or institutionally weak countries for expansion requires an understanding of this departure from the traditional TCE model.

By adding the influence of political ties into Transaction Cost Economics, recent research has further refined this perspective. The prediction of transaction costs on the relationship between the heterogeneity of foreign institutional environments and firms' ownership of foreign subsidiaries is moderated, according to Pan et al. (2014), by government ownership and legislative connections. This implies that politically connected SOEs can take on larger equity stakes even in nations with higher levels of uncertainty because they are better equipped to reduce institutional risks overseas.

Furthermore, the state's strategic goals are directly related to SOEs' readiness to take on greater transactional risks. According to Bass and Chakrabarty (2014), SOEs are more likely and prepared to pay more for resources that are focused on exploration, which reflects a long-term strategic orientation that private companies might not pursue. This conduct

serves as additional evidence of the departure from conventional TCE presumptions, which state that businesses normally aim to reduce risk and transaction expenses.

Furthermore, state-owned MNCs (SOMNCs) are more inclined and willing to make riskier investments in nations with weaker rule of law or higher expropriation risk because of the tacit support of their home governments, according to Cuervo-Cazurra et al. (2014). Because of this, SOEs have lower effective transaction costs, which helps to explain why they are more common in politically unstable areas where private MNCs might be reluctant to operate.

Therefore, adding political and institutional elements to TCE offers a more thorough comprehension of SOEs' internationalisation tactics and emphasises how state ownership radically alters conventional cost-benefit analyses of cross-border investments.

2.2.3. Resource-based view

Penrose (1959) and Barney (1991) developed the Resource-Based View (RBV), which views the company as a collection of rare, valuable, non-substitutable resources that can produce long-term competitive advantages. Cuervo-Cazurra et al. (2014) present the benefits and drawbacks of ownership when applying RBV to SOEs.

One could consider the state ownership of SOEs as a resource in and of itself. Access to resources such as low-cost capital, diplomatic support, and strategic information is made possible by political backing. Leveraging these resources can help overcome the liability of foreignness, gain favourable regulatory treatment, and make it easier to enter foreign markets. State ownership, however, has serious drawbacks as well, especially when it comes to issues with legitimacy overseas. Governments and consumers in the host nation may view SOEs as extensions of the political goals of their home state, which could cause mistrust and opposition (Cuervo-Cazurra et al., 2014).

SOE managers must carefully consider how to take advantage of their ownership advantages while reducing the risks to their legitimacy that come with internationalisation. This dual dynamic frequently affects the choice of markets (preferring politically aligned or less hostile countries) and the mode of entry (favouring greenfield investments over acquisitions). Thus, by weighing political resources against reputational liabilities, RBV

offers a sophisticated framework for comprehending SOEs' competitive strategies in international markets.

Additional evidence demonstrates how the state-backed resources of SOEs significantly influence their internationalisation trends. The idea that ownership becomes a source of competitive advantage for SOEs is further supported by Kalasin et al. (2019), who contend that the government directly assists state-owned businesses with financial resources from state-owned banks or the government budget, as well as with an implicit guarantee that lowers the cost of financing.

Furthermore, Mariotti and Marzano (2020) stress that RBV emphasises the firm's unique resource constellation, pointing out that hybrid SOEs enhance their capacity for international growth by partnering with foreign relational MNEs and benefitting not only from political resources but also from learning, imitation, and cooperation effects.

This is further supported by Bass and Chakrabarty (2014), who note that SOEs seek to acquire resources for both long-term exploration and immediate exploitation: SOEs typically purchase and pay more for resources for exploration than exploitation because their owners, governments, are primarily focused on safeguarding their nation's future.

These insights further enhance the RBV application to SOEs by illustrating that their resource assets are both materially and strategically distinguished from private firms, influencing their global strategies in ways that traditional RBV perspectives on multinational enterprises may disregard.

2.2.4. Resource dependence theory

Loasby et al. (1979) created the Resource Dependence Theory (RDT), which focuses on how businesses handle their reliance on outside parties to balance power. Cuervo-Cazurra et al. (2014) present the power escape argument in relation to SOEs, stating that internationalisation is a means for SOE managers to lessen their reliance on the domestic government.

Usually, SOEs are established to carry out economic, social, and political mandates. These directives, however, may limit managerial independence and strategic adaptability. SOE managers can increase their operational freedom and lessen their dependence on

domestic political actors by growing overseas and creating their own revenue streams (Cuervo-Cazurra et al., 2014).

When managers want to protect their operations from the volatility of shifting governmental priorities and there is a high level of domestic political interference, this international expansion is especially alluring. SOEs can increase their strategic autonomy by establishing counterweights to state control through international financing sources and market integration. Therefore, resource dependence theory emphasises internationalisation as a political survival mechanism for SOE managers as well as a market-driven strategy.

Furthermore, Bass and Chakrabarty (2014) stress that SOEs frequently purchase resources abroad not only to satisfy short-term operational demands but also to safeguard the nation's future by lowering reliance on outside parties and enhancing the nation's geopolitical standing and power. This point of view backs up the notion that internationalisation advances larger political and national security objectives in addition to corporate survival. Their analysis also shows that because resources enable their owners, governments, to secure the future of their home countries, SOEs are more interested in acquiring them for exploration than fully private companies. In order to increase their strategic independence from both internal and external political pressures, SOEs place a higher priority on long-term resource security than private companies that might concentrate on short-term exploitation (Bass & Chakrabarty, 2014).

As an additional strategy to lessen domestic reliance, Choudhury and Khanna (2014) show that SOEs actively pursue international patenting. In order to generate independent cash flows and achieve partial resource independence from government budgetary support, entities actively filed foreign patents and licensed them to multinational corporations, according to their study of Indian state-owned R&D laboratories.

By demonstrating that managers' internationalisation strategies are motivated by both market opportunity and a deliberate attempt to circumvent political restrictions and establish long-term autonomy through resource control, these insights enhance the application of Resource Dependence Theory to SOEs.

2.2.5. Neo-institutional theory

According to Powell and DiMaggio (1991), legitimacy is crucial for an organisation to survive. Businesses use politically, socially, and culturally acceptable practices to become more accepted in their communities. Cuervo-Cazurra et al. (2014) put forth the illegitimate ownership argument in relation to SOEs, arguing that state ownership may give rise to issues of legitimacy overseas.

Stakeholders in the host nation, such as governments, customers, and rival businesses, may have a suspicious opinion of SOEs and link them to political goals rather than business ones. As a result, SOEs are under isomorphic pressure to modify their governance models, organisational structures, and operational procedures in order to conform to local standards and expectations. Pursuing listings on foreign stock exchanges, implementing internationally accepted corporate governance procedures, participating in CSR initiatives, and establishing alliances with regional businesses are some methods for acquiring legitimacy (Cuervo-Cazurra et al., 2014).

Furthermore, each nation and industry may have a different perception of SOE legitimacy. SOEs may be subject to increased scrutiny in industries that are considered strategic, such as energy and telecommunications. Internationalisation strategies must therefore take these legitimacy considerations into account, with managers adapting their methods to the institutional settings of host nations in order to reduce unfavourable impressions and win acceptance.

Meyer et al. (2014) further emphasise the significance of legitimacy for the internationalisation of SOEs by demonstrating that SOEs face more intricate institutional pressures both domestically and in foreign investment locations. They also show that government ownership undercuts legitimacy overseas and encourages SOMNCs to use fewer acquisitions and to have less control over foreign investments. Accordingly, in order to allay concerns about legitimacy, SOEs frequently favour cooperative entry strategies like joint ventures.

M. H. Li et al. (2014) further contend that the type of capitalism in the home country influences the type and degree of legitimacy pressures on SOEs. This suggests that institutional change in the home country causes centrally and locally owned SOEs to internationalise differently, reflecting different legitimisation strategies abroad.

Furthermore, Cuervo-Cazurra et al. (2014) suggest that SOMNCs encounter the so-called “illegitimate ownership argument”, in which foreign stakeholders view SOEs as political agents of their home state rather than as impartial economic actors. Thus, SOMNCs frequently take steps to establish legitimacy in order to combat this, such as bringing corporate governance procedures into compliance with international standards, collaborating with respectable regional businesses, and boosting funding for CSR programs.

These results confirm that the necessity of carefully managing institutional legitimacy in complex global environments, in addition to market logic, has a significant influence on SOEs' international expansion.

2.2.6. Summary of theoretical foundations

In sum, the theoretical foundations discussed above offer a comprehensive lens through which to understand the unique motivations driving the internationalisation of SOEs. Agency theory emphasises how decision-making is complicated by the triple agency conflict between citizens, politicians, and management, which frequently results in less-than-ideal foreign investments motivated by personal or political goals (Cuervo-Cazurra et al., 2014; Liang et al., 2014; Kalasin et al., 2019). Transaction Cost Economics extends this view by demonstrating that SOEs, benefiting from state backing and soft budget constraints, are willing to internalize transactions and undertake riskier international expansions than private firms (Cuervo-Cazurra et al., 2014; Pan et al., 2014).

Through the Resource-Based View (RBV), state ownership is seen as both a valuable resource that facilitates international entry and a source of legitimacy risk that must be managed carefully (Kalasin et al., 2019; Mariotti & Marzano, 2020; Cuervo-Cazurra et al., 2014). Resource Dependence Theory further elucidates how internationalisation acts as a political survival mechanism for SOE managers, allowing them to build autonomy from domestic political control by securing external resources (Bass & Chakrabarty, 2014; Choudhury & Khanna, 2014). Finally, Neo-Institutional Theory underscores the role of legitimacy pressures, showing that SOEs must conform to local norms and governance practices to overcome foreign skepticism and suspicion (Meyer et al., 2014; M. H. Li et al., 2014; Cuervo-Cazurra et al., 2014).

Building on these theoretical perspectives, the following section will delve into the Dunning OLI paradigm (Dunning, 2000; Dunning, 1980). This paradigm will provide a

structured framework for categorizing the motivations behind internationalisation strategies into ownership, location, and internalization advantages. By integrating the OLI model with the theories outlined above, a more nuanced understanding of the strategic behavior of SOEs on the global stage can be developed.

2.3. The Dunning OLI paradigm and motivations of Internationalisation

A systematic theoretical framework is necessary to comprehend the internationalisation of businesses, especially SOEs. The OLI paradigm, created by John Dunning in his groundbreaking works (Dunning, 2000; Dunning, 1980), is still fundamental. The advantages of ownership (O), location (L), and internalisation (I) are used to explain global production. Although initially used to describe private MNEs, SOEs also display market-, resource-, strategic asset-, and efficiency-seeking motivations, though these are frequently impacted by diplomatic and political factors.

The paradigm's dynamic and institutionally embedded nature is highlighted by recent extensions of Narula and Dunning (2010) and Cantwell et al. (2009). The OLI model is modified in this section to better represent the nuanced reasons for SOE internationalisation.

2.3.1. Foundations of the OLI paradigm

One of the most important frameworks for understanding foreign direct investment (FDI) and international production is the OLI paradigm, which was first presented by John Dunning in 1980 and further developed in 2000. According to Dunning's eclectic theory, three sets of advantages — ownership (O), location (L), and internalisation (I) — combine to influence a company's decision to conduct business internationally (Dunning, 2000; Dunning, 1980).

The particular assets that a company has that give it a competitive advantage over local businesses in a foreign nation are referred to as ownership advantages (O). These could include access to special resources, superior management abilities, brand reputation, or proprietary technology. According to Dunning, ownership-specific advantages are essential because, without them, a domestic company would usually outperform a foreign entrant who would have to pay more to operate overseas (Dunning, 1980). Multinational corporations (MNEs) are thought to be able to overcome the liability of foreignness and thrive in foreign

markets thanks to ownership advantages. Dunning divides ownership advantages into three categories: those that come from superior resources and capabilities, those that come from monopoly power (such as technology or patents), and those that are connected to the capacity to efficiently manage and coordinate geographically scattered operations (Dunning, 2000).

Ownership advantages in the case of SOEs frequently go beyond conventional managerial or technological assets to include strategic diplomatic leverage, regulatory influence, and political legitimacy (Rygh & Knutsen, 2023). SOEs can use home-government diplomatic networks to improve their competitiveness overseas because SOMNE managers and board members often have substantial political experience (Rygh & Knutsen, 2023).

The second pillar of the OLI framework, location advantages (L), refers to the advantages of placing specific value-adding activities in a given country as opposed to others. Natural resource endowments, labour costs, market size, infrastructure quality, cultural proximity, or investment-friendly government policies can all contribute to these location-specific advantages (Dunning, 1980). According to Dunning (2000), businesses must consider these local factors when deciding whether it would be more advantageous to export goods, establish production overseas, or take advantage of their ownership advantages in their home nation. Businesses will choose to increase or take advantage of their O-specific advantages through FDI if immobile, natural, or created endowments favour a presence in a foreign, rather than a domestic, location (Dunning, 2000).

Location advantages for SOEs include the advantages of political alliances and state-to-state agreements in addition to market size and factor costs. By avoiding the expenses of establishing conventional institutional ties, SOMNCs can provide home governments with little international clout with a means of pursuing national goals overseas (Clegg et al., 2018).

The framework is completed by internalisation advantages (I), which deal with how businesses decide to handle their ownership advantages overseas. Businesses frequently internalise operations through FDI rather than licensing, franchising, or outsourcing when doing so lowers transaction costs or safeguards proprietary knowledge. When the net benefits of internalising cross-border intermediate product markets outweigh the benefits of market transactions, Dunning contends that businesses should pursue foreign direct investment (FDI) rather than contractual modes of entry (Dunning, 2000). When there are risks of opportunistic behaviour by independent foreign partners, high coordination costs, or information asymmetries, internalisation is essential.

The need to retain strategic control over vital industries like energy, defence, and infrastructure is one of the main drivers of internalisation in the context of SOEs (Cuervo-Cazurra et al., 2014). SOEs frequently favour full ownership or majority stakes abroad over less restrictive contractual arrangements because they want to safeguard their economic sovereignty and national security interests (Cuervo-Cazurra et al., 2014).

The OLI paradigm basically states that FDI will happen when companies have ownership advantages (O), believe they have a location advantage (L) in the host nation, and decide it is more efficient to internalise (I) their operations rather than depending on external market mechanisms. According to Dunning (2000), the specific arrangement of the OLI parameters that a given firm must deal with is highly contextual and contingent upon a number of firm-, industry-, and nation-specific factors.

As a result, the OLI framework provides an organised, comprehensive method for comprehending the where, how, and why of businesses' internationalisation. In the modern global economy, where MNE strategies are increasingly shaped by dynamic capabilities, knowledge accumulation, and institutional factors, it is still very relevant (Dunning, 2000). But when it comes to SOEs, these strategic factors are frequently combined with diplomatic, social, and political goals (Liang et al., 2014). The OLI paradigm must be modified when examining SOEs' internationalisation strategies because they seek foreign investments to further the geopolitical objectives of their home governments in addition to maximising shareholder value.

2.3.2. Extensions and critiques of the OLI paradigm: dynamic capabilities and institutional co-evolution

Later research has expanded and improved John Dunning's OLI paradigm to better represent global complexity, even though it is still fundamental for understanding the behaviour of MNEs. The OLI framework needs to be viewed as dynamic, institutionally embedded, and changing over time, as Narula and Dunning (2010) and Cantwell et al. (2009) specifically point out.

The identification of dynamic capabilities is one important improvement. According to Cantwell et al. (2009), ownership (O) advantages now include a company's capacity to innovate, adapt, and reorganise resources in response to shifting conditions, in addition to

static assets like technology or brands. As a result, ongoing education and organisational adaptability are now essential for successful internationalisation.

Furthermore, the Location (L) element of the paradigm has changed as a result of the concept of institutional co-evolution. Institutions are dynamic limitations that change in tandem with MNE operations. Through their investments and business practices, firms play the role of institutional entrepreneurs, influencing social, regulatory, and economic environments (Cantwell et al., 2009).

Similar to this, Narula and Dunning (2010) stress that globalisation has produced a very diverse environment in which the advantages of foreign direct investment (FDI) rely heavily on institutional quality and local absorptive capacities. The advantages of ownership, location, and internalisation are now endogenously shaped by how businesses interact with their external environments rather than being exogenous.

Therefore, rather than being a static model, the OLI paradigm of today needs to be viewed as a dynamic system. The institutional, technological, and competitive environments in which businesses operate have a direct impact on how their strategies and advantages change over time. A more realistic examination of international business in the contemporary global economy is made possible by this deeper comprehension.

2.3.3. Dunning motivations of foreign-based MNE activity: a SEO perspective

Market-seeking, resource-seeking, strategic asset-seeking, and efficiency-seeking activities are the main categories of motivations behind the internationalisation of MNEs, especially SOEs. Although Dunning (1980, 2000) first described these incentives in relation to private MNEs, later studies have shown that SOEs modify and expand upon these incentives, frequently under the influence of governmental requirements.

One of the oldest drivers of investment is still *market-seeking*, whereby businesses expand internationally to reach new clientele and get around the restrictions of regulated or saturated domestic markets. According to Dunning (1980), businesses travel overseas in order to preserve and grow their markets. Firms originating in domestic economies with limited growth prospects or those with strict regulations are more likely to attract market-seeking foreign direct investment. Norwegian SOEs like Telenor and Statoil are prime

examples of market-seeking internationalisation; their primary goals in expanding overseas were to maintain growth and reach new clientele (Benito et al., 2016).

On the other hand, *resource-seeking* investment entails gaining access to energy sources, agricultural commodities, or raw materials that are either scarce or unavailable in the home country. Dunning (2000) emphasises that businesses make foreign investments in order to guarantee raw material or natural resource supplies. This drive is particularly evident in sectors like mining, oil, and agriculture where expansion abroad is required due to geographic limitations. Petroleum SOEs from China, India, and Brazil are especially exhibiting this resource-seeking behaviour, investing abroad in order to secure essential energy resources for their home nations (Bass & Chakrabarty, 2014).

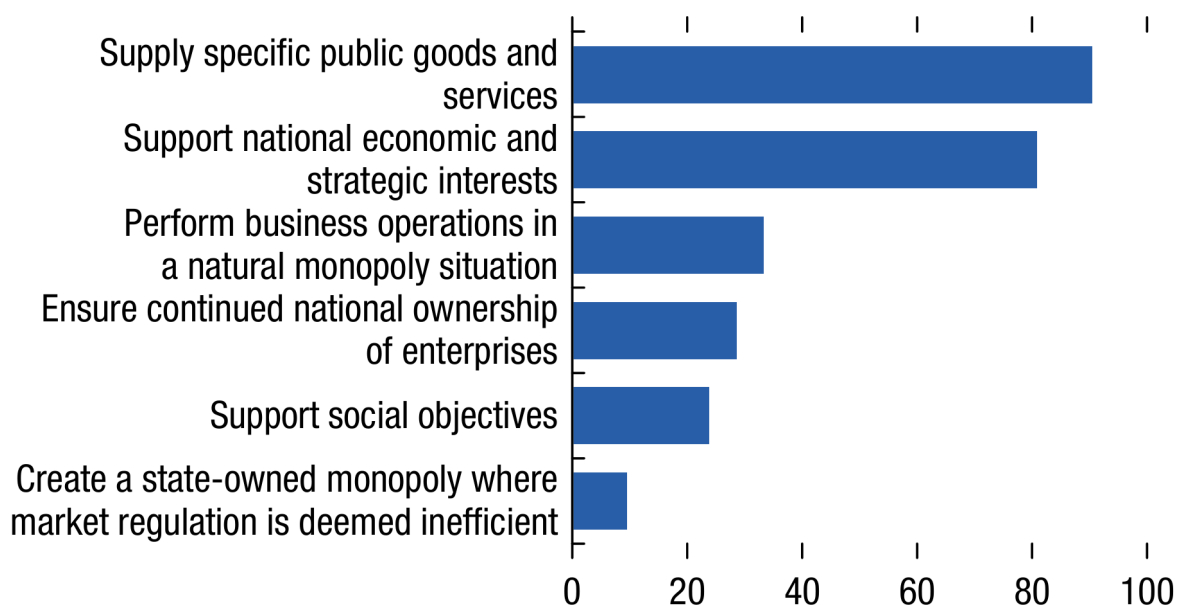
A more complex justification is *strategic asset-seeking*, in which businesses purchase foreign assets, like cutting-edge technology, well-known brands, or human capital, in order to bolster or protect their competitive edge in the global market. According to Cantwell et al. (2009), businesses look for knowledge assets overseas in order to enhance their advantages as well as to take advantage of them. MNEs from emerging markets frequently invest in developed economies in order to access higher-end capabilities due to strategic asset-seeking. SOMNCs from autocratic governments are prime examples of strategic asset-seeking, as they seek foreign acquisitions to increase their legitimacy and quickly obtain vital knowledge assets (Clegg et al., 2018).

As a result of globalisation, *efficiency-seeking* investment has increased dramatically. By reorganising value chains, maximising production costs, and leveraging regional advantages like labour costs, tax laws, or infrastructure quality, businesses aim for efficiency. According to Dunning (2000), this motivation entails rationalising production in areas that provide the most efficient mix of marketing channels and factor inputs. In industries like manufacturing and service outsourcing, efficiency-seeking is becoming more and more significant. For example, Russian SOEs have participated in cross-border mergers and acquisitions in an effort to rationalise geographically scattered operations and increase efficiency (Dikova et al., 2019).

Crucially, these incentives do not conflict with one another. MNEs are increasingly pursuing multiple objectives at the same time, according to Narula and Dunning (2010). Depending on the firm's overall global strategy and the changing institutional environment, a single investment may be both resource- and market-seeking or simultaneously efficiency-

and strategic asset-seeking. The dynamic nature of MNE strategies in the modern global economy is reflected in this complexity, which calls for a careful application of the OLI framework when analysing foreign expansion. Although the primary economic drivers of foreign-based MNE activity are captured by Dunning's framework, SOEs frequently seek extra political and public goals. For example, the main purposes of SOEs in CESEE nations are depicted in *Figure 5*, which also shows how these businesses strike a balance between social priorities, national economic interests, and commercial ambitions with the provision of public services.

Figure 5 – Objectives of SOEs in CESEE Countries (percent of respondents)



Note: Government responses to a poll regarding the non-financial goals of SOE ownership from CESEE nations. Central, Eastern, and Southeastern Europe is known as CESEE.

Source: “Fiscal Monitor, April 2020,” 2020

2.4. Summary and link to methodology

The theoretical underpinnings required for a multifaceted analysis of SOE internationalisation have been established in this section. Based on important theoretical frameworks like Agency Theory, Institutional Theory, the Resource-Based View (RBV), Transaction Cost Economics (TCE), Resource Dependence Theory, and Neo-Institutional Theory, it has been demonstrated that SOEs' international expansion is impacted by political, social, and strategic goals in addition to commercial imperatives (Cuervo-Cazurra et al., 2014; Kalasin et al., 2019; Bass & Chakrabarty, 2014; Meyer et al., 2014). The chapter

emphasises how, due to the dual nature of their objectives, SOEs' motivations frequently differ from those of private multinational enterprises (MNEs).

Dunning's OLI paradigm, built in Dunning (1980, 2000), and modified to account for the unique characteristics of SOEs, is at the centre of this analysis. The market-seeking, resource-seeking, strategic asset-seeking, and efficiency-seeking motivation typology offers an organised method of categorising the strategic intent behind internationalisation (Narula & Dunning, 2010; Cantwell et al., 2009). The applicability of this framework to SOEs along with MNCs is supported by empirical examples that are discussed, such as Telenor's market-seeking activities (Benito et al., 2016), Chinese petroleum SOEs' resource-driven investments (Bass & Chakrabarty, 2014), and efficiency-driven mergers by Russian SOEs (Dikova et al., 2019).

The methodology used in the following empirical section is informed by this theoretical framework. In particular, the dataset's SOEs' internationalisation motivations will be categorised using a methodical application of Dunning's typology. Although several motivations may coexist in a single instance, each investment choice will be assessed to ascertain the two primary motivations.

Chapter 3: Practical analysis of investment motivations

3.1. Introduction and dataset description

In the previous chapters there has been laid the theoretical foundation of the evolving landscape of state ownership, internationalisation decisions and motivations behind it. This chapter turns this into a practical analysis of real-world data. Hence, the aim of this chapter is to move beyond abstract theory, analyse a concrete sample of 300 foreign greenfield investments regarding the motivations behind it (a combination of two, to be specific), thus illustrating the patterns suggested previously.

The dataset analysed, *Orbis and Orbis M&A*, included 300 greenfield projects of foreign investment in 2023 across different industries, including various countries like Italy, India, Belgium, France, Norway, the United States, China, Singapore, Great Britain etc. This diversity ensures that our key results are not excessively influenced by a single geographical area or industry, reflecting broader trends. The dates of completion of the projects vary from 02/10/2023 to 12/12/2023.

Greenfield projects, i.e. a company building new capacity from the ground up, generate public statements that often include specific rationale. Moreover, such investments create new jobs, supply-chain linkages, and facilities in the host country, which makes them especially fascinating for analysis from both policy and business angles. Consequently, each project record in our dataset contains statements of intent from board members, CEOs, government press releases, company filings, etc. Moreover, including both purely private and various hybrid ownership models in our dataset allows us to highlight the full spectrum of “state capitalism”, mentioned in Chapter 1.

This all makes it possible to detect two motivations, primary and secondary, behind such an investment. In our analysis, taking the Dunning framework as foundation. In order to capture the increasingly important non-market motivations — such as environmental responsibility and state-driven strategic interests — that influence modern internationalisation decisions, especially among state-influenced firms, we expanded the OLI framework to include sustainability (including ESG aspects) and geopolitical factors. Hence, we encode six

types of motivations the following way, :

1. Market-seeking
2. Strategic asset-seeking
3. Efficiency-seeking
4. Resource-seeking
5. Sustainability (including ESG aspects)
6. Geopolitical factors

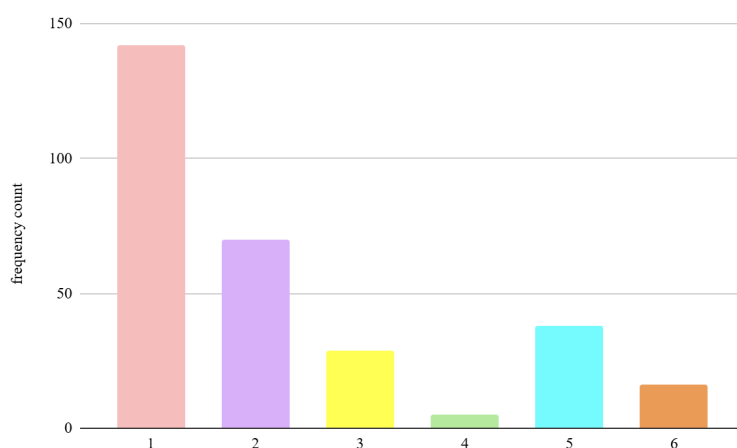
Recording both per investment emphasises that rarely do projects narrow down to a single intent. This duality of motivations may enrich our analysis and shed light on a more comprehensive picture of a complex decision-making process regarding foreign investments. We compute the single motivation frequency, as well as the frequency of each type of motivation combinations.

3.2. Key results

3.2.1. Primary and secondary motivations considered individually

Assessing the frequency of both primary and secondary motivations give us the results that can be seen on *Figure 6*, *Figure 7*, and *Figure 8*.

Figure 6 - Primary motivation frequency count



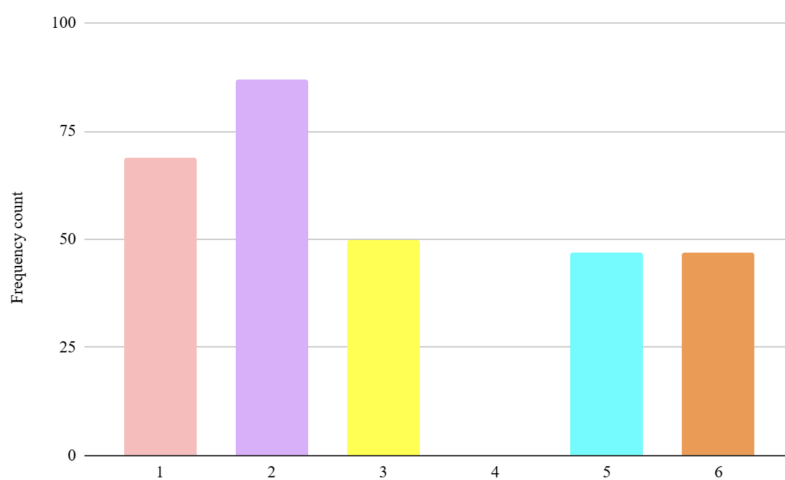
Source: Personal elaboration based on Orbis and Orbis M&A dataset

Market-seeking (Motivation 1) is clearly the most common primary investing motivation,

accounting for almost half of all cases, as *Figure 6* illustrates. Resource-seeking (4) is a rarity, while other motivations like strategic asset-seeking (2) and sustainability (5) are less common.

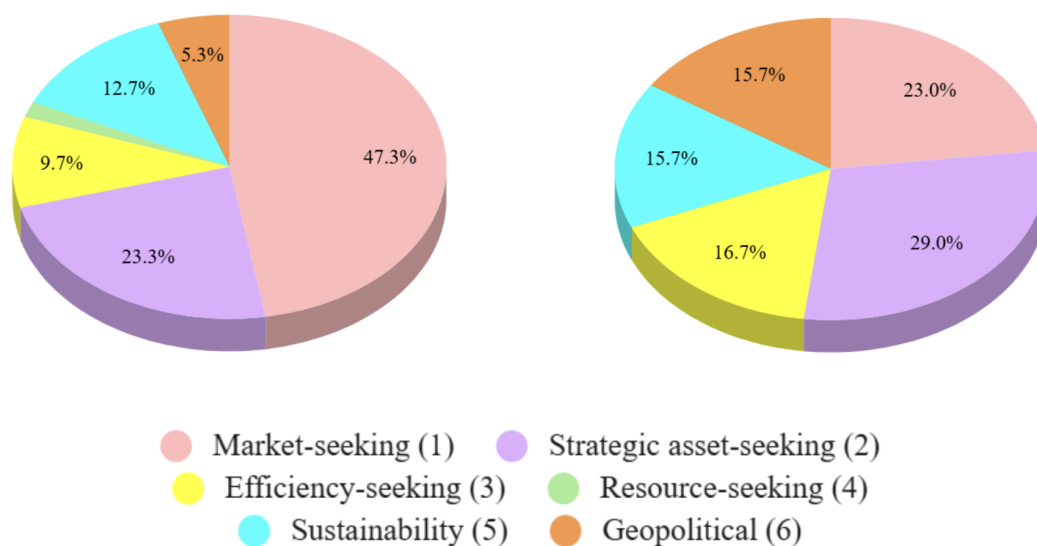
Strategic asset-seeking surpasses market-seeking as the most prevalent motivating factor in *Figure 7*, which depicts the secondary motivations. The most notable finding is that resource-seeking (4) is completely missing from this category, indicating that it is rarely seen or acknowledged as a complementing drive.

Figure 7 - Secondary motivation frequency count



Source: Personal elaboration based on Orbis and Orbis M&A dataset

Figure 8 - Primary and secondary motivations frequency count as percentages



Source: Personal elaboration based on Orbis and Orbis M&A dataset

Figure 8 illustrates the changes in motive prominence between lead and supporting roles by comparing primary and secondary motivations side by side using percentage-based pie charts.

When taken as a whole, these figures serve to graphically emphasise a number of significant patterns that show up in the dataset and provide context for a more thorough examination of the most common combinations and the possible strategic reasoning behind them:

1. *Dominance of market-seeking motives:* Among primary and secondary motivations, market-seeking (Motivation 1) is by far the most prevalent. It occurs in 47.33% of all cases (142 out of 300) as a primary motivator, which is almost twice as frequent as the second most common category. It still plays a significant role as a supplementary motivator in 23% of initiatives. This suggests that the main motivation behind international expansion is the desire to reach new customer bases, break into unexplored markets, or establish footholds in key places. According to this, market access remains the most obvious and well-stated objective in investment communications, which is consistent with conventional FDI theory. The commercial rationale of expansion in the face of global competition is also reflected in it.
2. *Seeking strategic assets as a primary motivator:* Seeking strategic assets comes in second in frequency. It is present in 23.33% of cases (70/300) as the main motivator. It increases to 29% as a secondary reason, making it the second-tier motivation that is most commonly mentioned. Strategic asset-seeking is a key supporting factor for greenfield investments, while it is frequently not the only one. This highlights an increasing tendency of companies pursuing internationalisation to acquire sophisticated skills, skilled labour, or intangible assets like reputation, design, or know-how, particularly in the industrial, technology, and innovation-driven sectors. It frequently supports market expansion initiatives, as seen by its ranking as the most important secondary motivator.
3. *Investments that seek resources are under-represented:* Resource-seeking (Motivation 4) is significantly under-represented. Just 1.67% of primary motivations (5/300) contain it. Importantly, it is totally absent from column two and shows up in 0% of secondary reasons. Given that resource-seeking has historically been a significant motivator for outbound investment, particularly for state-owned or partially

state-influenced businesses, this is a startling discovery. Its absence may be due to a variety of factors, including a shift towards sustainability-driven resource tactics (coded as Motivation 5), public relations rephrasing (firms might minimise extractive motives in press releases, preferring to emphasise market, sustainability, or strategic goals), or the industry composition of the sample (low emphasis on projects are from primary sectors like mining, oil, etc.).

4. *The emergence of sustainability as a motivator:* 12.67% of major motives and 15.67% of secondary motivations contain sustainability (Motivation 5). This implies that while sustainability is not yet a primary driver of project initiation, it is an essential auxiliary factor in the conceptualisation of investments. Even when the primary motivator is still commercial, many businesses include green narratives into their strategy in response to the increasing ESG pressures from governments, shareholders, and consumers. This pattern shows how ESG components are included into larger business logic in a symbolic-instrumental alignment.
5. *Geopolitical motivations are marginal but surely present:* Geopolitical motives (Motivation 6) are cited in 5.33% of primary motivations and 15.67% of secondary motivations. Although not dominant, the presence of geopolitical factors — especially as a second motivation — suggests that some firms (particularly SOEs or MNCs from geopolitically assertive home countries) are partially motivated by government alignment, regional influence, or non-commercial strategic aims. Their consistent appearance in the second position indicates a latent but deliberate consideration of geopolitical context.

Briefly, market expansion is still the cornerstone of greenfield investment strategy, as these charts and tables demonstrate, but it is frequently stacked with supplementary goals like capacity acquisition, operational efficiency, or sustainability. The low prevalence of resource and geopolitical objectives as the main motivators calls into question widely held beliefs about the conduct of state-affiliated companies and points to a change in the way motivations are defined, sought, and expressed in public.

3.2.2. Primary and secondary motivations considered jointly

Building on the knowledge gained from examining the distinct frequency distributions shown previously, we now examine the interactions between main and secondary motives.

Although reasons taken into account separately offer valuable insights into prevailing strategic goals, they fall short of capturing the complex process of making investment decisions. A single-motive analysis is insufficient for state-owned and hybrid enterprises, in particular, which may pursue economic, developmental, and political aims concurrently.

In practice, businesses — particularly those with global operations — rarely function according to a single reason. Generally speaking, greenfield investments have many uses, such as when market entrance and the requirement to access critical assets are coupled, or when operational efficiency objectives are complemented by sustainability concerns. We may better understand the strategic bundles that influence modern greenfield FDI by analysing which combinations of incentives most commonly co-occur, especially when considering public-private logic, ESG integration, and geopolitical sensitivity.

Hence, we assess the frequency of combinations of different motivations, as can be seen in *Table 2*. With 103 occurrences, or more than one-third of all two-motivation cases in the study, the most common combination seen is Market-seeking and Strategic asset-seeking (1 + 2). This combination indicates a strategic logic that strikes a balance between capability acquisition and commercial expansion: companies entering foreign markets want to obtain local experience, technology, or intangible assets like skilled labour or brand power in addition to new consumers. This is particularly important for state-affiliated or globally competitive businesses that work in sectors where innovation and long-term positioning are crucial. The idea that greenfield investments are frequently planned to concurrently capture demand and develop capacity in new contexts is reinforced by the high frequency of this combination, which highlights the crucial role that complementarity between market presence and asset accumulation plays.

Table 2 - Descending order of frequency of combinations of primary and secondary motivations

Combination	Explanation	Frequency
1 + 2	Market-seeking and Strategic asset-seeking	103
1 + 3	Market-seeking and Efficiency-seeking	54
2 + 5	Strategic asset-seeking and Sustainability	29
1 + 5	Market-seeking and Sustainability	27

1 + 6	Market-seeking and Geopolitical	25
5 + 6	Sustainability and Geopolitical	18
2 + 6	Strategic asset-seeking and Geopolitical	14
2 + 3	Strategic asset-seeking and Efficiency-seeking	11
3 + 5	Efficiency-seeking and Sustainability	10
3 + 6	Efficiency-seeking and Geopolitical	4
1 + 4	Market-seeking and Resource-seeking	2
4 + 6	Resource-seeking and Geopolitical	2
4 + 5	Resource-seeking and Sustainability	1

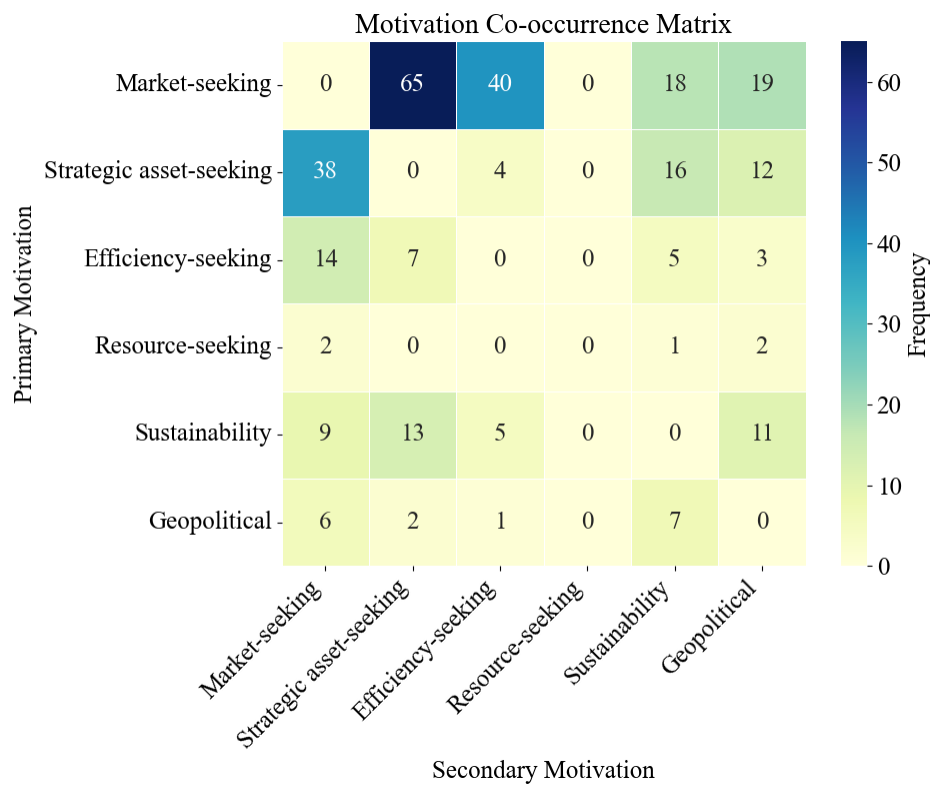
Source: Personal elaboration based on Orbis and Orbis M&A dataset

Since directionality is important when making decisions on greenfield investments, we now go to a more detailed analysis that takes into account directional combinations of motives in order to further explain the co-occurrence matrix shown in Figure 4. The primary strategic motivator is frequently reflected in the first motivation stated, whilst the second may serve as an enabling or supporting justification. A company that includes "Market-seeking → Strategic asset-seeking" (1 → 2), for instance, is probably looking to expand into new client markets and acquire skills at the same time. On the other hand, "Strategic asset-seeking → Market-seeking" (2 → 1) can suggest that obtaining innovation or branding assets is the main objective, with market presence serving as a supplementary advantage.

Hence, we construct the co-occurrence matrix where rows represent the primary motivation and column the secondary motivation, while each cell tells the number of projects that shows that specific combination (for example, market-seeking as primary and efficiency-seeking as secondary, or vice versa).

We can determine both null occurrences (such as resource-seeking not showing up as a secondary reason) and asymmetric associations (such as the frequency with which market-seeking and sustainability are coupled) using this 6x6 matrix. We may determine if particular motivations are usually driving forces or supporting rationales by looking at the matrix, which crucially captures the directionality of each pairing (e.g., Market-seeking as main vs. secondary). Hence, this matrix is visualised in the heatmap shown in *Figure 9*, where the frequency of each pairing is represented by the colour intensity.

Figure 9 - Motivation co-occurrence matrix of both primary and secondary motivations



Source: Personal elaboration based on Orbis and Orbis M&A dataset

A list of all observed directional motivation combinations is shown in *Table 2* in descending order of frequency in order to convey this detail. With the help of this table, we may determine which motives co-occur most frequently, which motivation takes precedence, and which combinations are uncommon or nonexistent. Understanding the hierarchical nature of strategic purpose driving greenfield investments in our sample requires this critical analytical step.

Table 3 - Descending order of frequency of directional combinations of primary and secondary motivations

Encoding	Explanation	Frequency
1 → 2	Market-seeking → Strategic asset-seeking	65
1 → 3	Market-seeking → Efficiency-seeking	40
2 → 1	Strategic asset-seeking → Market-seeking	38
1 → 6	Market-seeking → Geopolitical	19
1 → 5	Market-seeking → Sustainability	18

2 → 5	Strategic asset-seeking → Sustainability	16
3 → 1	Efficiency-seeking → Market-seeking	14
5 → 2	Sustainability → Strategic asset-seeking	13
2 → 6	Strategic asset-seeking → Geopolitical	12
5 → 6	Sustainability → Geopolitical	11
5 → 1	Sustainability → Market-seeking	9
6 → 5	Geopolitical → Sustainability	7
3 → 2	Efficiency-seeking → Strategic asset-seeking	7
6 → 1	Geopolitical → Market-seeking	6
3 → 5	Efficiency-seeking → Sustainability	5
5 → 3	Sustainability → Efficiency-seeking	5
2 → 3	Strategic asset-seeking → Efficiency-seeking	4
3 → 6	Efficiency-seeking → Geopolitical	3
4 → 1	Resource-seeking → Market-seeking	2
4 → 6	Resource-seeking → Geopolitical	2
6 → 2	Geopolitical → Strategic asset-seeking	2
4 → 5	Resource-seeking → Sustainability	1
6 → 3	Geopolitical → Efficiency-seeking	1

Source: Personal elaboration based on Orbis and Orbis M&A dataset

Both motivation co-occurrence matrix in *Figure 9* and the directional frequency count in *Table 3* allow us to deduce the following insights:

1. *Market-seeking as the anchor motivator:* The most prevalent primary motive is market-seeking, which frequently co-occurs with a number of secondary motivations. There were 65 instances where the secondary element was strategic asset-seeking, 40 where efficiency-seeking, 18 where sustainability, and 19 where geopolitical factors. This trend confirms that the majority of greenfield projects are primarily driven by the desire to expand into foreign markets, with businesses venturing into new regions in order to reach customer bases, acquire local expertise, build their brands, construct distribution networks, or align with political and ESG factors. Market-seeking,

however, is rarely done alone; instead, it is deliberately combined to achieve larger goals.

2. *Seeking strategic assets serves two purposes:* It often manifests as primary and secondary. It mostly collaborates with Market-seeking (38 times as primary motivation) and Sustainability (16 times as primary motivation) as a driver. It supports sustainability (13 times) and market-seeking (65 times) by serving as a secondary motive. This adaptability implies that businesses frequently seek out local collaborations, R&D, branding, or innovation skills as a primary objective or to support business or environmental, social, and governance objectives. Its interoperability in the global investment rationale is shown by its predominance in both directions.
3. *Sustainability is rarely a primary driver, but it is a crucial supporting logic:* In most cases, it manifests as a secondary incentive. For example, market-seeking is cited 18 times, strategic asset-seeking 16 times, geopolitical factors 7 times, efficiency-seeking 5 times, and so on. There are far fewer instances of it being the main driving force, typically in conjunction with market-seeking, geopolitical considerations, and strategic asset-seeking. Therefore, sustainability and ESG goals are being incorporated into greenfield projects' narrative structures more and more, but they usually only offer legitimacy rather than fundamental reasoning. This is in line with contemporary trends in reputational framing and regulatory requirements, particularly for public or hybrid enterprises.
4. *Although they are present, geopolitical factors are seldom the main focus:* Typically, it supports sustainability (11 times), market-seeking (19 times), and strategic asset-seeking (12 times). It hardly ever takes the lead; it only does so when combined with market-seeking (6 times) and sustainability (7 times). As a result, geopolitical variables are subtle but consistent, implying that although businesses may respond to national strategic goals (such as regional influence or alignment with diplomatic priorities), these are rarely presented as the main drivers. The trend is consistent with what is expected of state-connected agents that subtly encode such logics.
5. *One of the secondary optimisation tools is efficiency-seeking:* Efficiency-seeking is typically combined with either strategic asset-seeking (7 times as primary and 4 times as secondary) or market-seeking (40 times as secondary and 14 times as primary). It is

rarely the primary motivation, but it frequently seems to improve operational logic (e.g., supply chain access, cost optimisation, regulatory agility). In order for initiatives to scale or maintain profitability, efficiency is a supporting factor. It is not strategic in and of itself, but it fits in with platform optimisation initiatives or industrial relocations.

6. *Resource-seeking is marginalised*: Resource-seeking only occurs five times in the matrix, and at very low frequency. It is typically combined with market-seeking, sustainability, and geopolitical considerations. As previously stated, its near-absence here might suggest underreporting because of extractivism-related reputational concerns; reclassification under sustainability or strategic asset framing; or a bias in the sample towards projects with a greater focus on technology or business. It might also imply that resource-seeking is frequently downplayed, if not completely replaced, by ESG-aligned narratives in contemporary state-led greenfield FDI.

3.3. Summary of empirical results

The goal of this chapter was to apply the theoretical underpinnings laid out in the preceding chapters to a real-world, data-driven setting, with a focus on the internationalisation of state-owned and hybrid businesses and the factors that motivate such activity. With a focus on how these decisions are framed and justified in public-facing documents, this chapter sought to empirically illuminate the patterns, hierarchies, and combinations of investment motivations by analysing a diverse and globally representative dataset of 300 greenfield FDI projects announced in 2023.

Through a methodical and multi-layered examination of both individual reasons and their combinations, this goal has been achieved. We were able to capture the multifaceted strategic logic that supports contemporary greenfield investments by assigning primary and secondary motivations to each project, which were derived from a modified six-part taxonomy based on the Dunning framework (Dunning, 1980; Dunning, 2000). This dual coding's statistical analysis and display produced a number of interesting findings.

First, it was clear that market-seeking was the most common motivation. In over half of the cases, it was the main motivator, and in approximately a quarter of the cases, it was a strong secondary reason. This result supports the traditional premise that, particularly for businesses aiming to establish a lasting worldwide presence, access to new markets continues

to be the most concrete and commonly expressed objective of international expansion. But market-seeking rarely takes action on its own. It is usually combined with more complex strategic goals, especially strategic asset-seeking and efficiency-seeking, which show that businesses are not just after customers but also focused on improving their competitiveness, gaining capabilities, and streamlining processes.

Second, a very adaptable and pervasive drive surfaced: strategic asset-seeking. It was the most common secondary motive (29%), as well as the second most common primary motivator (23.3%). The growing emphasis on knowledge, innovation, and skill acquisition is shown in its frequent co-occurrence with market-seeking. This is particularly important for businesses operating in technologically advanced or industrially complex areas. Its strategic importance in international investment portfolios is highlighted by its capacity to appear fluidly as either a driver or a supporter.

Third, the prevalence of environmental and geopolitical reasons, particularly as secondary motivations, indicates a growing tendency of corporations integrating broader non-market issues into their investment rationale, even though they are not prominent as primary motivations. Even if these elements are not the main catalysts for action, sustainability in particular plays a significant symbolic and instrumental role in enabling businesses to meet stakeholder expectations around ESG. Conversely, geopolitical motivations quietly highlight the importance of national strategic goals and state involvement, especially in initiatives involving strategically important or state-owned businesses.

The most unexpected discovery, on the other hand, may be the minor role of resource-seeking. The fact that it is almost nonexistent indicates that either the strategic focus has shifted away from extractive sectors or that these objectives have been purposefully reframed under more socially and politically acceptable narratives, like asset development or sustainability.

To sum up, this chapter's practical study not only supports important theoretical claims but also gives them further empirical detail. This chapter adds to a more sophisticated understanding of how businesses manoeuvre through the intricate interactions of market forces, strategic positioning, and political context in the global economy by encapsulating the multi-layered, composite logic driving contemporary foreign investment decision-making.

Conclusions

With a focus on the changing position of state-owned companies (SOEs) within larger trends of foreign direct investment (FDI), this thesis provided a global overview of state ownership and the forces propelling internationalisation. The study has accomplished its main goal of elucidating the factors that drive state-influenced and private multinational enterprises (MNEs) to internationalise, as well as how these factors are influenced by the intersection of market-driven strategies and state-led objectives, by integrating institutional analysis, international business theory, and an empirical investigation of 300 greenfield investments in 2023.

By examining the growth of SOEs from tools of national development and public service delivery to internationally engaged economic players embedded in intricate institutional systems, Chapter 1 established the foundation. With its roots in nationalisation and the growth of the public sector, SOEs have historically adjusted to shifting political environments around the world, frequently by implementing hybrid governance models that blend state ownership with market-based activities (Benito et al., 2016; Bortolotti & Faccio, 2008). As anticipated during the wave of privatisation, this evolution has resulted in their metamorphosis into key players in “new state capitalism”, rather than their extinction (Cuervo-Cazurra et al., 2014). The chapter illustrated how SOEs follow two different logics: the pursuit of strategic, social, or diplomatic goals on the one hand, and commercial efficiency on the other (J. Li et al., 2016; Meyer et al., 2014).

Chapter 2 laid the theoretical groundwork for understanding MNE and SOE internationalisation by expanding on this historical-institutional framework. It emphasised the various — and occasionally contradictory — pressures that SOEs confront by drawing on Agency Theory, Transaction Cost Economics, the Resource-Based View, Resource Dependence Theory, and Neo-Institutional Theory. It specifically demonstrated how home-country institutions, complex principal-agent relationships, and the requirement to manage legitimacy in host countries influence the strategic decisions made by SOEs. A strong framework for dividing motivations into market-seeking, resource-seeking, strategic asset-seeking, and efficiency-seeking was offered by Dunning's OLI paradigm (Dunning, 2000; Dunning, 1980), which was revised to take institutional embeddedness and dynamic capabilities into consideration (Narula & Dunning, 2010; Cantwell et al., 2009). Crucially, the

paradigm was modified to incorporate new motivations — geopolitical and sustainability — that highlight the special function of SOEs as representatives of state policy and ESG stewardship.

Through an empirical research of 300 greenfield investment initiatives in a variety of nations, industries and companies with different extent of state ownership, Chapter 3 operationalised this paradigm. By determining each project's major and secondary objectives, the dual-coding method uncovered a number of significant trends. The most common rationale was market-seeking, highlighting the ongoing significance of foreign market access as a catalyst for global expansion. But it was rarely pursued alone; instead, it was frequently combined with strategic asset-seeking or efficiency-seeking goals, demonstrating a complex fusion of capability acquisition and market positioning. Particularly prevalent as a major and secondary motivator was strategic asset-seeking, underscoring the increasing focus on innovation, legitimacy, and competitive upgrading in SOE worldwide strategy.

Fascinatingly, the empirical results also revealed that, despite being central to classical theory, resource-seeking was shockingly under-represented in the dataset, maybe as a result of sectoral shifts or reframing under more general ESG themes. In the meantime, the emergence of geopolitical and sustainability motivations, particularly as secondary explanations, supported the idea that SOEs still serve national objectives other than maximising profits (Bass & Chakrabarty, 2014; Dikova et al., 2019).

All things considered, the thesis shows that state-led agendas and market-oriented goals are balanced in the internationalisation of state-influenced businesses. The paper provides a sophisticated explanation of the motivational hybridity of businesses functioning under various levels of state ownership by fusing theoretical understanding with empirical data. By doing this, it adds to the body of knowledge on international business and helps shape current policy discussions regarding the legitimacy, governance, and strategic significance of state-affiliated businesses in a world economy that is becoming more politicised and multipolar.

References

1. Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120. <https://doi.org/10.1177/014920639101700108>
2. Bass, A. E., & Chakrabarty, S. (2014). Resource security: Competition for global resources, strategic intent, and governments as owners. *Journal of International Business Studies*, 45(8), 961–979. <https://doi.org/10.1057/jibs.2014.28>
3. Benito, G. R., Rygh, A., & Lunnan, R. (2016). The benefits of internationalization for State-Owned Enterprises. *Global Strategy Journal*, 6(4), 269–288. <https://doi.org/10.1002/gsj.1138>
4. Bortolotti, B., & Faccio, M. (2008). Government control of privatized firms. *Review of Financial Studies*, 22(8), 2907–2939. <https://doi.org/10.1093/rfs/hhn077>
5. Cantwell, J., Dunning, J. H., & Lundan, S. M. (2009). An evolutionary approach to understanding international business activity: The co-evolution of MNEs and the institutional environment. *Journal of International Business Studies*, 41(4), 567–586. <https://doi.org/10.1057/jibs.2009.95>
6. Chen, C. (2016). Solving the puzzle of corporate governance of State-Owned Enterprises: the path of the Temasek model in Singapore and lessons for China. *Northwestern Journal of International Law & Business*, 36(2), 303. https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=3645&context=sol_research
7. Chen, R., Ghoul, S. E., Guedhami, O., Kwok, C. C. Y., & Nash, R. (2021). International evidence on state ownership and trade credit: Opportunities and motivations. *Journal of International Business Studies*, 52(6), 1121–1158. <https://doi.org/10.1057/s41267-021-00406-5>
8. Choudhury, P., & Khanna, T. (2014). Toward resource independence – Why state-owned entities become multinationals: An empirical study of India's public R&D laboratories. *Journal of International Business Studies*, 45(8), 943–960. <https://doi.org/10.1057/jibs.2014.20>
9. 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. <https://doi.org/10.1016/j.jwb.2018.03.009>
10. Coase, R. H. (1937). The nature of the firm. *Economica*, 4(16), 386–405. <https://doi.org/10.1111/j.1468-0335.1937.tb00002.x>
 11. Cuervo-Cazurra, A., & Dau, L. A. (2009a). Structural reform and firm exports. *Management International Review*, 49(4), 479–507. <https://doi.org/10.1007/s11575-009-0005-8>
 12. Cuervo-Cazurra, A., & Dau, L. A. (2009b). Promarket Reforms and Firm profitability in Developing Countries. *Academy of Management Journal*, 52(6), 1348–1368. <https://doi.org/10.5465/amj.2009.47085192>
 13. Cuervo-Cazurra, A., Inkpen, A., Musacchio, A., & Ramaswamy, K. (2014). Governments as owners: State-owned multinational companies. *Journal of International Business Studies*, 45(8), 919–942. <https://doi.org/10.1057/jibs.2014.43>
 14. Cui, L., & Jiang, F. (2012). State ownership effect on firms' FDI ownership decisions under institutional pressure: a study of Chinese outward-investing firms. *Journal of International Business Studies*, 43(3), 264–284. <https://doi.org/10.1057/jibs.2012.1>
 15. 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. <https://doi.org/10.1016/j.ibusrev.2018.12.007>
 16. Dunning, J. H. (1980). Toward an eclectic theory of international production: Some empirical tests. *Journal of International Business Studies*, 11(1), 9–31. <https://doi.org/10.1057/palgrave.jibs.8490593>
 17. Dunning, J. H. (2000). The eclectic paradigm as an envelope for economic and business theories of MNE activity. *International Business Review*, 9(2), 163–190. [https://doi.org/10.1016/s0969-5931\(99\)00035-9](https://doi.org/10.1016/s0969-5931(99)00035-9)
 18. Estrin, S., Meyer, K. E., Nielsen, B. B., & Nielsen, S. (2015). Home country institutions and the internationalization of state owned enterprises: A cross-country analysis. *Journal of World Business*, 51(2), 294–307.

<https://doi.org/10.1016/j.jwb.2015.11.002>

19. Fiscal Monitor, April 2020. (2020). In *International Monetary Fund eBooks*.
<https://doi.org/10.5089/9781513537511.089>
20. Holmstrom, B. (1979). Moral hazard and observability. *The Bell Journal of Economics*, 10(1), 74. <https://doi.org/10.2307/3003320>
21. Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360. [https://doi.org/10.1016/0304-405x\(76\)90026-x](https://doi.org/10.1016/0304-405x(76)90026-x)
22. Kalasin, K., Cuervo-Cazurra, A., & Ramamurti, R. (2019). State ownership and international expansion: The S-curve relationship. *Global Strategy Journal*, 10(2), 386–418. <https://doi.org/10.1002/gsj.1339>
23. Kikeri, S., & Nellis, J. (2004). An assessment of privatization. *The World Bank Research Observer*, 19(1), 87–118. <https://doi.org/10.1093/wbro/lkh014>
24. Li, J., Xia, J., & Lin, Z. (2016). 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. <https://doi.org/10.1002/smj.2609>
25. Li, M. H., Cui, L., & Lu, J. (2014). Varieties in state capitalism: Outward FDI strategies of central and local state-owned enterprises from emerging economy countries. *Journal of International Business Studies*, 45(8), 980–1004. <https://doi.org/10.1057/jibs.2014.14>
26. Liang, H., Ren, B., & Sun, S. L. (2014). An anatomy of state control in the globalization of state-owned enterprises. *Journal of International Business Studies*, 46(2), 223–240. <https://doi.org/10.1057/jibs.2014.35>
27. Loasby, B. J., Pfeffer, J., & Salancik, G. R. (1979). The external control of Organizations. A Resource dependence Perspective. *The Economic Journal*, 89(356), 969. <https://doi.org/10.2307/2231527>
28. Mariotti, S., & Marzano, R. (2019). Varieties of capitalism and the internationalization of state-owned enterprises. *Journal of International Business Studies*, 50(5), 669–691. <https://doi.org/10.1057/s41267-018-00208-2>

29. 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. <https://doi.org/10.1002/gsj.1379>
30. Megginson, W. L., & Netter, J. M. (2001). From State to Market: A survey of Empirical Studies on Privatization. *Journal of Economic Literature*, 39(2), 321–389. <https://doi.org/10.1257/jel.39.2.321>
31. Meyer, K. E., Ding, Y., Li, J., & Zhang, H. (2014). Overcoming distrust: How state-owned enterprises adapt their foreign entries to institutional pressures abroad. *Journal of International Business Studies*, 45(8), 1005–1028. <https://doi.org/10.1057/jibs.2014.15>
32. Narula, R., & Dunning, J. H. (2010). Multinational Enterprises, Development and Globalization: Some clarifications and a research agenda. *Oxford Development Studies*, 38(3), 263–287. <https://doi.org/10.1080/13600818.2010.505684>
33. Ng, W. (2010). The evolution of sovereign wealth funds: Singapore's Temasek Holdings. *Journal of Financial Regulation and Compliance*, 18(1), 6–14. <https://doi.org/10.1108/13581981011019589>
34. OECD Guidelines on Corporate Governance of State-Owned Enterprises, 2015 edition. (2015). In *OECD eBooks*. <https://doi.org/10.1787/9789264244160-en>
35. *Ownership and Governance of State-Owned Enterprises 2024*. (2024). <https://doi.org/10.1787/395c9956-en>
36. 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(8), 1029–1043. <https://doi.org/10.1057/jibs.2014.27>
37. Penrose, E. T. (1959). *The theory of the growth of the firm*. <http://ci.nii.ac.jp/ncid/BA25828371>
38. Pinto, C. F., Ferreira, M. P., Falaster, C., Fleury, M. T. L., & Fleury, A. (2016). Ownership in cross-border acquisitions and the role of government support. *Journal*

- of World Business*, 52(4), 533–545. <https://doi.org/10.1016/j.jwb.2016.08.004>
39. Powell, W. W., & DiMaggio, P. J. (1991). *The new institutionalism in organizational analysis*. <https://doi.org/10.7208/chicago/9780226185941.001.0001>
 40. Rygh, A., & Knutsen, C. H. (2023). 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. <https://doi.org/10.1108/mbr-08-2022-0117>
 41. Stone, A. (1986). The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting. By Oliver E. Williamson. (New York: Free Press, 1985. pp. 450. >7.95.). *American Political Science Review*, 80(4), 1424–1425. <https://doi.org/10.2307/1960952>
 42. Toninelli, P. M. (2000). The rise and fall of State-Owned enterprise in the Western world. In *Cambridge University Press eBooks*. <https://doi.org/10.1017/cbo9780511896798>
 43. Trade and Development Report 2011. (2012). In *Trade and development report*. <https://doi.org/10.18356/5459b23d-en>
 44. Williamson, O. E. (1975). Markets and hierarchies, analysis and antitrust implications : a study in the economics of internal organization. In *Free Press eBooks*. <https://lib.ugent.be/en/catalog/rug01:000031595>