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FROM OWNERSHIP TO NETWORKS:
UNDERSTANDING THE DRIVERS OF
FIRM INTERNATIONAL EXPANSION

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GENERAL INTRODUCTION

The internationalization of firms has long been a central theme in international business and strategy research. Scholars have sought to explain why firms expand abroad, which resources and capabilities enable them to compete internationally, and how organizational forms and inter-firm connections shape their foreign market entries. This dissertation contributes to this broad conversation by examining three interrelated perspectives. The first two papers focus on the role of state ownership as a key institutional determinant of international expansion, while the third paper shifts attention to inter-organizational networks as a source of knowledge and legitimacy that influences establishment mode choices. Together, the three studies provide a multi-faceted understanding of the drivers and mechanisms of internationalization, integrating institutional, resource-based, and network-based explanations.

First, among the various organizational forms that engage in cross-border expansion, state-owned enterprises (SOEs) occupy a particularly intriguing position. Unlike private firms, SOEs are characterized by the direct or indirect involvement of the state in their ownership and control structures, which profoundly influences their objectives, governance mechanisms, and access to resources. Their dual role as both market participants and policy instruments renders them distinct actors in the global economy. Consequently, the academic literature has devoted considerable attention to understanding whether and how state ownership helps or hinders the international expansion of firms. However, this literature has produced fragmented and often contradictory findings: some studies suggest that state ownership is an impediment to internationalization due to agency costs, inefficiencies, and legitimacy challenges abroad; others highlight the advantages derived from political support, privileged access to resources, and diplomatic backing. This unresolved debate constitutes the point of departure of this dissertation.

The first paper employs a large-scale meta-analysis of 210 empirical studies to disentangle the contradictory findings on the relationship between state ownership and internationalization. By aggregating and comparing evidence across contexts, it reveals two robust empirical regularities. First, majority state ownership is negatively associated with internationalization, while minority state ownership exerts a positive effect. This suggests that when the state holds a dominant ownership position, the disadvantages of stateness, such as bureaucratic inefficiencies, political interference, and legitimacy liabilities, outweigh the benefits. Conversely, when the state holds minority stakes, the benefits of political support and preferential resource access tend to prevail without being overshadowed by agency costs. Second, SOEs show a marked preference for joint ventures over wholly owned subsidiaries as an entry mode, especially when the state is the majority shareholder. This indicates that SOEs resort to partnering with local firms in order to mitigate legitimacy concerns and reduce resistance in host countries. By identifying the conditions under which state ownership constrains or enables international expansion, the first paper contributes to clarifying previous empirical ambiguities and theorizing a more nuanced balance between the advantages and disadvantages of stateness.

While the first study clarifies “whether” state ownership affects internationalization, the second paper delves into the question of “how” state ownership shapes international expansion by focusing on the mediating mechanisms of firm-specific advantages (FSAs). Using a meta-analytic structural equation modeling (MASEM) approach, this paper investigates three types of resources: slack resources, intangible resources, and political resources. The analysis reveals a complex set of mediating pathways. On one hand, state ownership reduces firms’ slack resources, which can paradoxically encourage internationalization by reducing complacency and creating pressure to seek opportunities abroad. On the other hand, SOEs tend to exhibit

weaker intangible resources, such as technological capabilities, innovation, and brand-related assets, which undermine their competitiveness in global markets. Finally, political resources emerge as a unique form of advantage that SOEs can leverage, as governmental support, diplomatic ties, and regulatory privileges can facilitate expansion abroad. The second paper's findings suggest that state ownership's effect on internationalization cannot be fully understood without considering how it reshapes the configuration of firm-specific resources, strengthening some while weakening others. This study, therefore, refines theoretical arguments on the transformation of resources into FSAs and highlights the conditions under which state involvement fosters or impedes global competitiveness.

The third paper shifts the focus from ownership and resources to the role of inter-organizational networks in shaping establishment mode decisions. Drawing on the Knowledge-Based View of the firm, it examines how firms' centrality in networks of interlocking directorates influences the choice between greenfield investments and cross-border mergers and acquisitions. Using a large dataset of European firms, the study uses the degree of network centrality to capture the extent of firms' access to knowledge and legitimacy through their interconnections. The results demonstrate that network centrality increases the likelihood of establishing foreign subsidiaries via greenfield investments and is positively associated with the scale of such projects. Conversely, centrality tends to reduce the scale of acquisitions, suggesting that firms embedded in well-connected networks can rely on external knowledge and legitimacy to undertake larger greenfield projects while being more cautious in high-risk acquisition contexts. This paper extends the literature by integrating network perspectives into the analysis of internationalization strategies, offering novel insights into how inter-firm ties shape establishment mode choices beyond traditional resource and transaction-based explanations.

Taken together, the three studies offer a multi-layered contribution to the international business literature. The first paper clarifies the conditions under which state ownership fosters or hinders internationalization. The second uncovers the mediating role of different resource categories that translate ownership structures into international outcomes. The third demonstrates how inter-organizational networks and knowledge flows influence entry mode choices. The common thread across the three papers is the recognition that a single factor does not determine internationalization but emerges from the interplay of ownership structures, resource configurations, and relational embeddedness. By integrating these perspectives, the dissertation advances a comprehensive understanding of the drivers of international expansion and provides both theoretical and managerial implications for scholars, policymakers, and practitioners concerned with the role of the state and networks in the global economy.

STATE OWNERSHIP AND FIRM INTERNATIONALIZATION: A META-ANALYTIC CLARIFICATION

ABSTRACT

We empirically disentangle the debate on the advantages and disadvantages of stateness in internationalization, i.e., whether state ownership helps or hinders firms' global expansion. Through a comprehensive meta-analysis of 210 primary studies, we move beyond the limitations of single-sample and country-specific research and identify two main empirical realities. First, state ownership has a negative impact on internationalization, but only when the state is the majority owner; in contrast, minority state ownership has a positive impact on global expansion. Our findings suggest that the advantage of stateness in the form of preferential access to resources and strategic backing offsets the disadvantages of stateness in the form of bureaucratic inefficiencies and political interference when the state has limited ownership influence. Second, state-owned enterprises prefer joint ventures over wholly owned subsidiaries as entry mode, especially under majority state ownership. This suggests the use of local partners to compensate for the prevalence of a liability of stateness in host countries. Thus, our study not only empirically clarifies previous competing findings but also offers new theoretical solutions to the role of state ownership on internationalization, identifying how the advantages and disadvantages of stateness balance out across ownership levels.

Keywords: state ownership, state-owned enterprises, internationalization, entry modes, meta-analysis, joint ventures, wholly owned subsidiaries.

INTRODUCTION

State-owned enterprises (SOEs) are becoming crucial global actors as they move beyond their home markets to compete with private multinational enterprises. Consequently, understanding the internationalization of SOEs has raised the attention of policymakers, practitioners, and academics worldwide. However, while the growing literature suggests that state ownership affects global expansion (Aguilera et al., 2021; Rygh, 2019; Tihanyi et al., 2019), it provides competing evidence and an unsolved theoretical debate over the advantages and disadvantages of stateness in internationalization (Cuervo-Cazurra & Li, 2021). Alternative theoretical lenses, particular samples, and empirical contexts make the relationship between state ownership and internationalization still ambiguous (Inoue et al., 2013; Lazzarini & Musacchio, 2018; Lazzarini et al., 2021; Li et al., 2019). On the one hand, some studies reveal a negative impact of state ownership on internationalization (Wu & Chen, 2014; Zhang et al., 2011). On the other hand, others note a positive relationship (Benito et al., 2016; Hennart et al., 2017). Yet, other analyses report inconsistent relations (Hu & Cui, 2014; Liang et al., 2015). Adding complexity to the conversation, some studies find diverse relationships between state ownership and internationalization, such as an inverted U-shaped relationship (He et al., 2016), a curvilinear relationship (Wu & Zhao, 2015), and an S-curve relationship (Bai et al., 2021; Kalasin et al., 2020).

Hence, we propose to empirically disentangle the debate on whether state ownership helps or hinders firms' global expansion by undertaking a comprehensive meta-analysis of empirical studies, addressing calls for additional research on SOEs' internationalization (Aguilera et al., 2021; Cuervo-Cazurra et al., 2023a; Rygh, 2019; Tihanyi et al., 2019). Studying 210 primary empirical analyses of the relationship between state ownership and internationalization, we move beyond the limitations of single-sample and country-specific

research and identify two main empirical realities. First, state ownership has a negative impact on internationalization, but only when the state is the majority owner; in contrast, minority state ownership has a positive impact on global expansion. From these findings, we theorize that the advantage of stateness in the form of preferential access to resources and strategic backing offsets the disadvantages of stateness in the form of bureaucratic inefficiencies and political interference when the state has a low ownership level. Second, SOEs prefer joint ventures over wholly owned subsidiaries as entry mode, especially under majority state ownership. We theorize that these empirical regularities suggest the use of local partners to compensate for the existence of a disadvantage of stateness in host countries.

Thus, this study not only empirically clarifies previous conflicting findings but also offers novel theoretical solutions to the role of state ownership on internationalization, identifying how the advantages and disadvantages of stateness balance out across ownership levels. First, we contribute to explaining the mixed results regarding the relationship between state ownership and firm internationalization (Rygh, 2019) by building on the concepts of the advantage and disadvantage of stateness (Cuervo-Cazurra & Li, 2021; Li & Meyer, 2025; Musacchio & Lazzarini, 2018) and clarify how these competing effects counterbalance each other depending on the level of state ownership. On one hand, the disadvantage of stateness argument tends to build on agency theory and proposes that state ownership typically increases the level of bureaucracy and the role of political goals within the company, generating inefficiencies, multilevel agency costs, power conflicts, and legitimacy issues when the company ventures abroad (Cuervo-Cazurra et al., 2023a; Grosman et al., 2016; Turturea et al., 2025), thus limiting internationalization. On the other hand, the advantage of stateness argument tends to build on the resource-based view and resource dependence theory and note that state ownership allows easier access to financial resources and offers positive diplomatic

relationships, institutional support and preferential regulation (Duanmu, 2014; Nuruzzaman et al., 2020), thus supporting foreign expansion. We solve this conundrum by proposing that the negative effects are dominant when the state is the majority investor and large multilevel agency costs overwhelm resource advantages, while the positive effects are dominant when the state is a minority investor and privileged resource access compensates for limited agency costs.

Second, we further contribute to a nuanced understanding of new dimensions of the role of state ownership on internationalization (Aguilera et al., 2021; Cuervo-Cazurra et al., 2023a; Rygh, 2019; Tihanyi et al., 2019) by analyzing the selection among entry modes that has received limited treatment in the literature (see reviews in Brouthers et al. 2023; Hennart & Slangen, 2015; Zhao et al., 2004) and theorizing that state ownership tends to result in a preference of joint ventures over wholly-owned subsidiaries because joint ventures enable SOEs to compensate for the liability of stateness in the host country. SOEs typically invest in sectors where the market of foreign assets incurs high bargaining and enforcement costs, such as in the cases of energy and defense (Hennart, 2009; 2012), leading to opposition to the acquisition of target firms in the host country when acquiring foreign assets. High levels of state ownership amplify the liability of stateness as the perception of threat from a foreign government increases the costs of the transaction.

LITERATURE REVIEW

State ownership

Although commonly associated with emerging economies, SOEs play a critical role not only in emerging economies like Brazil and China but also in advanced countries like France, Italy, and Norway. In fact, SOEs are leading operations in strategic sectors in advanced

economies, including telecommunications, defense, electricity and gas, transportation, and postal services (OECD, 2016).

SOE can be defined as “enterprises over which the government has significant ownership and control; even minority stakes allow the government to influence decisions” (Cuervo-Cazurra et al., 2023a: pp. 80). SOEs differ from private companies due to government involvement in ownership and, consequently, in the goals that SOEs pursue. In particular, the so-called “non-business objectives” are crucial in SOEs’ decisions and actions (Grosman et al., 2023). While private firms focus on the goal of value maximization, SOEs pursue a broader set of objectives, including community wealth but also corporate social responsibility, employment and national stability, provision of critical resources and industrial innovation in the home country, while they focus on diplomatic influence and acquisition of strategic resources in host countries (Bass & Chakrabarty, 2014; Buckley et al., 2008; Buckley et al., 2018).

SOEs can be categorized based on the ownership level (Bruton et al., 2015), with broadly speaking, two main types of SOEs: majority and minority owned. Majority-owned SOEs are formally identified as firms in which the government has more than 50% of voting shares, including wholly ownership, and full control over the company. Minority owned SOEs are those firms in which the government holds a minority equity ownership without direct control but still influences the company's strategies and policies. Examples of these different types of SOEs exist in many countries worldwide (Grosman et al., 2016).

SOEs can alternatively be classified according to the level of the government that owns them into central/federal owned, state/province owned, and city/municipality owned (Li et al., 2014). Central/federal-owned state-owned firms, also termed national SOEs, are those in which the national government directly, through holdings, or indirectly, through its ministries or

agencies, owns the firms. State/province SOEs are those owned by the state or province-level government, while city/municipal SOEs are those owned by the city government. These two are also called subnational SOEs. Most of the SOEs tend to be owned at the subnational level, especially at the city level, as they are commonly the providers of public services like city transportation, water and waste management, and in some cases, natural gas and electricity. However, few of them operate at the nationwide level and, even fewer, at the international level. In contrast, national SOEs commonly operate in strategic sectors and, in many cases, are tasked with foreign expansion to support the objectives of the central government and become national champions, contributing to the country's image and soft power.

State Ownership and Internationalization Level: Disadvantages and Advantages of Stateness

Prior research presents contrasting views on the impact of state ownership on internationalization, showing the need for additional research. In addition, multiple theories have been utilized to scrutinize the effect of state ownership on international expansion, leading to different and divergent results.

Disadvantage of stateness: multiagency problems and illegitimacy abroad. Studies of SOEs tend to focus on how the multilevel agency problems of SOEs create a disadvantage of stateness. According to the agency theory, state ownership generates additional costs by including political goals among the set of objectives (Turtorea et al., 2025). As a result, the cost of monitoring managers abroad increases, leading to lower internationalization activities of SOEs (Grosman et al., 2016). Agency theory applied to SOEs also evidences a multi-level agency problem in which citizens delegate to politicians who, consequently, nominate managers and directors to the board. This triple relationship multiplies the layers to be monitored and results in multiple issues due to different and conflicting interests, leading to

inefficiencies (Cuervo-Cazurra et al., 2014). The weaker monitoring role played by the state generates softer budget constraints that limit the alignment between principals and agents since managers abroad have few incentives to act in the same direction as home country controllers (Cuervo-Cazurra, 2018; Grosman et al., 2016). For this reason, these higher incentives to invest in the home country push managers to remain inside the national borders and avoid huge international investments. These additional agency costs and complex decision-making processes result in a lower propensity to internationalize and take relevant opportunities abroad (Huang et al., 2017; Xia et al., 2014). At the same time, reduced state oversight leads to a decreased capacity for SOEs to cultivate the essential managerial skills and international competencies necessary for international expansion, thus impeding their ability to engage in global markets (de Alcantara et al., 2024; Liu et al., 2016). Overall, the agency perspective supports the view that state ownership is detrimental to firm global expansion and that the relationship between SOEs and internationalization is consequently negative.

A complementary theoretical approach analyzes the challenges of SOEs in host countries and argues that these firms suffer from a liability of stateness as they are perceived to be illegitimate players in the host country. Scholars who use a neo-institutional theory approach complement the internally-focused agency view by including the externally-focused role of different institutions and international relations on SOE international activities. They highlight the negative influence of state ownership on internationalization by pointing to a different mechanism: i.e., illegitimacy issues (Cui & Jiang, 2012; Finchelstein et al., 2022; Li & Meyer, 2023). According to this view, compared to private companies, SOEs suffer from illegitimacy problems in the host countries since local host institutions perceive them as threatening the local environment (Li et al., 2017). This perception creates additional issues and costs that SOEs face abroad (Li et al., 2018). Moreover, local firms and institutions

perceive SOEs as vehicles of foreign government interests, generating trust issues and skepticism that constrain SOEs' internationalization process (Cui & Jiang, 2012; Li & Meyer, 2023; Zhang et al., 2011). This perspective agrees with the agency's approach by suggesting a general negative correlation between state ownership and internationalization due to the perceived illegitimacy driven by political factors associated with foreign SOEs.

Advantage of stateness: preferential resource access and government support abroad.

In contrast to the previous arguments, studies emphasizing the advantage of stateness tend to build on the resource-based view and emphasize the advantages of preferential access to resources, thanks to the government being the owner. According to the resource-based view, SOEs benefit from state ownership with unique access to substantial financial resources provided directly by the home country government or indirectly through state-owned banks, public institutions, or strategic actors (Chen et al., 2021; Li et al., 2014; Meyer et al., 2014; Molina-Sieiro et al., 2023). The home country's government enhances SOEs' activities by providing a wide range of resources and contributing to the development of SOEs' firm-specific advantages in both the domestic market and foreign environment (Wang et al., 2012). Critical resources can take the form of favorable regulation in the home country (De Beule & Zhang, 2022) through which SOEs can reach monopolistic positions or have advantages in the competition for specific markets. SOEs are also usually privileged in strategic sectors crucial to reaching home country governments' objectives (Bass & Chakrabarty, 2014; Boateng et al., 2022). This position often leads to domestic protection in critical areas and strategic industries, allowing the accumulation of resources that support international expansion (Narula & Verbeke, 2015). More generally, government support allows the development of firm-specific advantages in the form not only of higher financial resources but also of access to critical

materials such as R&D results or natural resources, or a favorable regulatory environment that facilitates foreign investments (Cuervo-Cazurra & Li, 2021; Lazzarini et al., 2015).

This advantage of stateness at home is further reinforced by the government support that SOEs receive abroad. Governments can enable SOEs' activity with specific policies favoring international investments and collaborations (Boateng et al., 2022; De Beule & Zhang, 2022), but also with the development of diplomatic relations between home and host countries (Han & Liu, 2022). Diplomacy is a crucial influence vehicle, enabling SOEs to build strong connections abroad, overcoming trust and legitimacy issues (Ding et al., 2023; Duanmu, 2014) and decreasing political risk (Rygh & Knutsen, 2024). Additionally, other factors support the internationalization of SOEs, such as frequent and intense political relations (Tang et al., 2022), bilateral treaties and agreements (De Beule & Zhang, 2022), which are also a valuable vehicle to build friendly relationships in order to facilitate foreign investments. Overall, the multiple benefits governments provide under the lens of the resource-based view suggest that state ownership is a factor that promotes the internationalization of SOEs.

In line with resource-based view thinking, some scholars adopting institutional economics and economic development theory further suggest institutional advantages for SOEs in their internationalization. To reach political goals, governments enhance SOEs to become national champions, providing support for developing new activities and sustaining international investments through the support of multiple home country institutions (Estrin et al., 2016; Santangelo & Symeou, 2024; Zhang et al., 2022). Moreover, home country governments interested in ensuring national security and exploiting resources in strategic sectors can provide additional support to SOEs to guarantee specific goals such as supplying critical raw materials and energy (Boateng et al., 2022).

Empirical realities: diverse and inconclusive findings. With such a diverse array of theoretical perspectives, it is unsurprising that empirical studies exploring the relationships between state ownership and internationalization yield a multitude of contrasting findings. Some studies suggest a negative impact of state ownership on internationalization (Majocchi & Strange, 2012; Shen et al., 2023; Wu & Chen, 2014; Zhang et al., 2011). Others find a positive relationship (Benito et al., 2016; Hennart et al., 2017). Yet, others find that the association between state ownership and internationalization, as measured through various metrics, exhibits diverse curvilinear patterns (Bai et al., 2021; Kalasin et al., 2020; Wu & Zhao, 2015). Finally, some studies report inconsistent and mixed results (Hu & Cui, 2014; Liang et al., 2015; Mariotti & Marzano, 2020).

One explanation for this wide divergence in studies can be the use of particular datasets, countries, industries, and time periods that limit the comparison of findings. Empirical research on state ownership and internationalization has adopted diverse methodological approaches and theoretical perspectives to explore how state influence affects firms' global expansion strategies. When taken into account, these different features lead to very different results.

First, from the geographical point of view, empirical studies cover a broad geographical range, with a strong representation of emerging markets such as China and Brazil, and few studies focus on developed economies like Norway (Benito et al., 2011; De Mello et al., 2024; Duanmu, 2014; Wang et al., 2012). Second, the time periods analyzed vary, with most studies focusing on data from the 2000s and 2010s (Chen et al., 2019; Hennart et al., 2017). Third, industry coverage is mixed, with most studies examining multiple sectors, while few others focus on specific industries such as oil & gas, manufacturing and construction (Estrin et al., 2016; Grøgaard et al., 2019; Mariotti et al., 2023). This diversity highlights the contextual

sensitivity of SOE internationalization, as industry- and country-specific factors shape strategic decisions.

Fourth, studies analyze related but different research questions as they analyze the impact of different dimensions of internationalization, including foreign investments, location choices, and entry mode decisions (Chung et al., 2016; Grosman et al., 2019), revealing a nuanced picture. Fifth, previous research operationalizes state ownership through different dimensions. Indeed, state ownership is typically measured through the percentage of state ownership, the distinction between central and local SOEs, or the role of state-controlled institutional investors (Aguilera et al., 2021). These operational definitions and measures are implemented through different methods, shaping the interpretation of findings and highlighting the need for comparative analyses across varying contexts. Indeed, multiple internationalization and state ownership variable combinations lead to different results and interpretations (Cuervo-Cazurra & Li, 2021).

Sixth, empirical research employs diverse datasets and methodological approaches to examine the relationship between state ownership and internationalization. These sources can be broadly categorized into national databases, financial reports, proprietary datasets, and institutional sources. However, previous literature has built insights only on a few different databases. Several studies rely on publicly available national databases, such as the China Stock Market & Accounting Research database for Chinese firms (Boateng et al., 2022; Ma et al., 2023). These databases provide structured financial and ownership data but may have limitations in coverage and comparability across different institutional settings. Moreover, among the most frequently used are Orbis (Bureau van Dijk) and Refinitiv (formerly Thomson Reuters) (Hautz et al., 2013; Kalasin et al., 2020).

State Ownership and Internationalization Entry Modes: Inconclusive Selection

In addition to examining the relationship between state ownership and internationalization, a growing number of studies have also delved into the entry mode selection adopted by SOEs, with a particular focus on the choice between joint ventures and wholly owned subsidiaries. The choice of entry mode is a crucial topic in the field of global strategy since the level of ownership of foreign activities significantly impacts a firm's international expansion, profitability, and overall risk.

Theoretical arguments: advantages and illegitimacy issues. Previous studies (Chen et al., 2019; Grøgaard et al., 2019; Hu et al., 2019) suggest that a firm's ownership and governance characteristics significantly impact the company's strategies and that this influence is particularly pronounced in the context of SOEs (Grosman et al., 2019; Megginson & Liu, 2022). Transaction cost theory argues that vertical integration, in the form of partial (i.e., joint ventures) or full acquisition (in the form of wholly owned subsidiaries), is the preferred entry mode choice when the firm-specific advantages held by the investing company are difficult to transact in the international market (Hennart, 2012). With their specialization in strategic sectors and government support, SOEs frequently hold firm-specific advantages in the form of intangible proprietary knowledge or government support that cannot be sold internationally through arms-length transactions and, therefore, typically rely on international investments (Lu et al., 2014). Consequently, SOEs are more likely to prefer wholly owned entry modes.

However, the choice between joint ventures and wholly owned subsidiaries depends not only on the investors' company choices but also on the choices of the owners of the local assets, i.e., the assets that SOEs want to control in the foreign country (Hennart, 2009; Sestu & Majocchi, 2020). In this particular context, legitimacy issues often arise, impacting SOEs' preference for full ownership. The fact that SOEs are perceived as government actors generates

a negative reaction in the host country (Huang et al., 2017; Li et al., 2019; Symeou & Kassinis, 2024) and creates two related consequences.

On the one hand, to gain legitimacy in the host country and exploit local networks, SOEs partner with local actors to gain connections and knowledge. When the assets located in the host countries are sensitive assets such as defence or energy-related companies, they tend to choose joint ventures or partial acquisitions to prevent institutional pressures and distrust from local government. These entry modes allow SOEs to have limited control and, at the same time, gain legitimacy and connections with local institutions (Li et al., 2017; Meyer et al., 2014; Pinto et al., 2017; Wang & Liu, 2022; Xie & Li, 2017).

On the other hand, host country governments are often skeptical about foreign governments' investments because SOEs can pursue non-business objectives in crucial sectors for the host country government's interests. To preserve national security and control over strategic assets, the host state may retain some form of control over the local investment. For this reason, the host government could indirectly or directly force foreign SOEs to partner with a local actor, favoring the creation of joint ventures (Cui & Jiang, 2012). Once again, similar to the factors that encourage or impede internationalization, the two opposing forces that result in complete ownership on one side and partial ownership on the other rely significantly on the extent of state ownership (Kalasin et al., 2020).

Empirical realities: mixed and ambiguous results. The global strategy literature has shown that state ownership steers firms toward joint ventures when political and institutional uncertainties are high, yet under certain conditions, it can also facilitate wholly owned subsidiaries (Cuervo-Cazurra & Li, 2021). Early work has demonstrated that multinational firms facing elevated political risk and limited institutional assets prefer shared control entry modes to distribute uncertainty and access local support (Cui & Jiang, 2012). Building on this,

evidence from Chinese investments in Africa shows that “political hazards” make joint ventures the dominant mode for mitigating risk and leveraging host-country networks (Lu et al., 2018). Further analysis reveals that top-down directives from the Chinese government markedly increase the likelihood of joint ventures, while firms enjoying greater bottom-up autonomy, such as privatized or corporatized entities, are more inclined toward wholly owned subsidiaries (Chung et al., 2016).

Research has also shown that larger state equity stakes heighten firms’ sensitivity to both home and host country institutional pressures, reinforcing the appeal of joint ownership structures (Cui & Jiang, 2012). This dynamic is nuanced by findings that legislative connections can attenuate SOEs’ responsiveness to local risks when determining equity shares (Pan et al., 2014). In contrast, residual state ownership following privatizations has been found to stabilize policy environments and underpin shifts toward full ownership (Vaaler & Schrage, 2009), a tendency amplified in liberalized economies where pro-market reforms empower SOEs to pursue wholly owned subsidiaries (Santangelo & Symeou, 2024).

Other studies highlight additional factors that shape the trade-off between joint ventures and wholly owned subsidiaries. Subnational corruption can either hinder or facilitate the conversion of joint ventures into wholly owned subsidiaries, depending on whether corrupt practices function as lubricants or obstacles (Liu & Huang, 2024). High institutional distance and weak ownership advantages can push firms toward joint ventures in cross-border acquisitions, particularly for Russian multinationals (Dikova et al., 2019). Emerging-market multinationals may also favor joint ventures when home-country institutions provide strong political backing (Wei & Nguyen, 2017). Evidence suggests that firms selectively imitate successful compatriots when choosing entry modes (Xie & Li, 2017), and that technological innovation strategies, combined with institutional pressures, often lead to the formation of

international joint ventures (Lee et al., 2021). Moreover, firms from home regions with robust subnational institutions tend to prefer wholly owned subsidiaries in similarly governed host markets (Yang, 2018), while state-controlled extractive firms may opt for balanced joint ventures in response to legitimacy concerns and corporate social performance objectives (Symeou & Kassinis, 2024).

RESEARCH DESIGN

To clarify the conflicting empirical realities, we conducted advanced meta-analytic techniques, adhering to recent applications and guidelines in global strategy research (e.g., Cuervo-Cazurra et al., 2023b; Gonzalez-Mulé & Aguinis, 2018; Steel et al., 2021).

Data Collection and Dataset

We executed several steps to retrieve the maximum number of empirical articles assessing the SOE-firm internationalization relationship. First, we consulted several literature reviews and meta-analyses concerning SOEs (Aguilera et al., 2021; Cuervo-Cazurra & Li, 2021; Cuervo-Cazurra et al., 2023a; Tihanyi et al., 2019) and firm internationalization (Arregle et al., 2017; Beugelsdijk et al., 2018; Cuervo-Cazurra et al., 2023b). Second, we searched in electronic databases (Google Scholar, ISI Web of Knowledge, and EBSCO) the following keywords: ‘government-linked corporation,’ ‘government-linked company,’ ‘government ownership,’ ‘privatization,’ ‘SOE,’ ‘state control,’ and ‘state ownership,’ combined with ‘export,’ ‘foreign direct investment,’ ‘geographic diversification,’ ‘global,’ ‘international diversification,’ ‘internationalization,’ ‘MNC,’ ‘MNE,’ ‘mode of entry,’ and ‘multinational.’ Third, we manually searched multiple ABS level 3, 4, and 4*-rated management journals (Chartered Association of Business Schools, 2018) that regularly publish articles on SOE and firm internationalization, including *Administrative Science Quarterly*, *Asia Pacific Journal of Management*, *British Journal of Management*, *Entrepreneurship Theory & Practice*, *Global*

Strategy Journal, Journal of Business Venturing, International Business Review, Journal of International Business Studies, Journal of International Management, Journal of Management, Journal of Management Studies, Journal of World Business, Long Range Planning, Management International Review, Management Science, Organization Science, Organization Studies, Research Policy, Strategic Entrepreneurship Journal and Strategic Management Journal. Fourth, to reduce the “file drawer” issue (Rosenthal, 1979), we searched for dissertations, working papers, and conference papers in the ProQuest Dissertations and Theses database and the Social Science Research Network (SSRN). Fifth, we used Google Scholar to perform a two-way snowballing technique, which involved backward-tracing all references in the most highly cited articles and forward-tracing the articles that cite these studies. Finally, we emailed scholars who authored empirical papers on SOEs and firm internationalization to request missing correlation matrices.

After excluding eight articles with overlapping samples to ensure independence (Schmidt & Hunter, 2014) and non-English and non-empirical articles, we finalized a list of 210 studies. This list includes 199 published articles and eleven unpublished manuscripts based on samples from 182 countries, covering a publication window from 2004 to 2024. Supplementary Material A reports bibliographic details for all the studies included in the meta-analysis. After reviewing the 210 articles, we developed a coding protocol to extract all relevant variables, including effect and sample sizes (Lipsey & Wilson, 2001). One author coded all the data, while another co-author coded a randomly selected 60% subsample of the effect sizes. This process resulted in a high inter-rater agreement of .95. We then discussed and resolved any discrepancies.

Variables and Measures

State-owned enterprise. This meta-analysis considers firms identified as “state-owned enterprises” in the primary studies as SOEs. To address the heterogeneity in SOE definitions found in the literature (Cuervo-Cazurra et al., 2014), we developed three mutually exclusive measurements: (1) percentage state ownership (the share of state-owned capital in the total capital of the firm; e.g., Santangelo & Symeou, 2024); (2) state-majority owned firm (whether the state is the largest shareholder or ultimate controller of the firm; e.g., Du & Luo, 2016); and (3) state-minority owned firm (whether the state has a minority stake in the firm; e.g., DeMello et al., 2024). These measurements encompass all the operationalizations used in the primary studies included in this meta-analysis. Previous research used different measures to proxy state ownership. Specifically, we can distinguish between three main measures in the literature (Aguilera et al., 2021; Cuervo-Cazurra et al., 2023a): 1) Percentage of state ownership, 2) State as the majority owner, and 3) State minority control. The different levels of ownership considered in each measure can lead to a multitude of heterogeneous results, considering the different control mechanisms acting on these firms. While the percentage of state ownership is expressed by calculating the amount of shares held by the government, majority and minority ownership can take different values, such as dummies or specific percentage thresholds.

Firm internationalization. Following prior meta-analyses in international business (e.g., Arregle et al., 2017; Cuervo-Cazurra et al., 2023b), the *Firm internationalization* variable includes sixteen internationalization measurements found in the primary studies. We grouped these measurements into eight categories, each representing a different type of internationalization process (Beugelsdijk et al., 2018): (1) location choice (e.g., Santangelo & Symeou, 2024); (2) early internationalization (e.g., Tang, 2019); (3) entry mode, whether equity-based (joint ventures, wholly owned subsidiaries, foreign direct investment; e.g., Pan et

al., 2014; Shi et al., 2012), non-equity-based (exporting, outsourcing; e.g., Dong et al., 2022), and mixed equity- and non-equity-based (e.g., Sun et al., 2015); (4) establishment mode (greenfield venture, international acquisition; e.g., Alon et al., 2020; Chen et al., 2019); (5) level of internationalization (international scale, geographic scope, foreign sales to total sales, foreign assets to total assets, mixed level of internationalization measurements; e.g., Li et al., 2018; Sawant et al., 2021); and (6) subsidiary survival (e.g., Hu et al., 2023; Wang et al., 2023).

Meta-Analytic Procedures

We employed the Hedges-Olkin meta-analysis (HOMA; see Duran et al., 2017) to estimate the meta-analytic mean association between SOEs and firm internationalization (the focal relationship). HOMA allows for correcting study-level effect sizes for certain methodological artifacts, such as sampling error via Q statistics and measurement error in the dependent variable (Aguinis & Pierce, 1998).

We rely on Pearson product-moment and partial linear correlations to compute the mean effect size. We extracted the Pearson product-moment correlations between SOEs and firm internationalization from the collected primary studies. We opted not to use Fisher's z -scores (Schulze, 2004) to avoid upward bias and facilitate the interpretation of the results. Based on the coded correlations, we compute the mean effect size (r), including its standard error (SE), the 95 percent confidence interval around r (CI 95%), Hedges and Olkin's (1985) chi-square test for homogeneity (Q test), and the scale-free measure of homogeneity (I^2). To account for potential heterogeneity in effect size distributions, we calculate r using random effects HOMA (Duran et al., 2017). To address precision differences between effect sizes, we weigh each effect size by its inverse variance weight (Hedges & Olkin, 1985). These weights are also used to calculate the standard error of r and its confidence interval.

Additionally, we use partial correlation coefficients ($r_{xy.z}$) to capture the strength of the relationship between SOE and firm internationalization. Partial linear correlations assess the association between SOE (x) and firm internationalization (y) while controlling for a set of n variables (z). We compute $r_{xy.z}$ from the t -statistics and degrees of freedom reported in the regression analyses of the primary studies (Stanley & Doucouliagos, 2012).

Our meta-analytic dataset includes all the correlations reported in the primary studies' correlation matrices to improve parameter estimation accuracy (Bijmolt & Pieters, 2001). We conducted a Hierarchical Linear Modeling Meta-Analysis (HiLMMA; Raudenbush & Bryk, 2002) to assess the impact of including multiple observations of the SOE-firm effect sizes in our sample. We find that the study-level grouping explains 37.8% of the variance in the effect size distribution for r and 46.2% for $r_{xy.z}$. The intercepts from the HiLMMA model (-.013 for r and -.017 for $r_{xy.z}$) are consistent with the mean effect sizes reported in Table 1 (-.009 for r and -.025 for $r_{xy.z}$). Therefore, we can confidently include all the effect sizes reported in the retrieved articles (Vishwanathan et al., 2020).

EMPIRICAL FINDINGS

Mean Effect Size Analysis

Table 1 reports the random-effects HOMA results. We find an overall small but negative and statistically significant effect size between SOE and firm internationalization ($r = -.009, p = .045; r_{xy.z} = -.025, p = .000$) (Steel et al., 2021). However, both Hedges and Olkin's (1985) chi-square test for homogeneity (Q test = 7,722.73, $p = .000$ for r ; Q test = 38,976.38, $p = .000$ for $r_{xy.z}$) and the scale-free index of heterogeneity ($I^2 = .955$ for r ; $I^2 = .965$ for $r_{xy.z}$) reported in Table 1 suggest significant heterogeneity present in the SOE-firm internationalization relationship (Higgins et al., 2003). Additionally, Figures 1a and 1b visually depict the funnel plots, indicating positively signed effect size observations. Therefore, the

mixed effect size distribution justifies exploring moderators to explain the variability in the SOE-firm internationalization relationship (Steel et al., 2021).

Table 1.
Random-Effects HOMA Results.

Predictor	Pearson Product-Moment Correlation Coefficient (<i>r</i>)						
	<i>k</i>	<i>N</i>	Mean [<i>p</i> -value]	SE	CI 95%	<i>Q</i> test [<i>p</i> -value]	<i>I</i> ²
SOE → firm internationalization	352	1,498,989	-.009 [.045]	.005	-.018/-.000	7,722.730 [.000]	.955
<i>SOE measurements</i>							
Percentage state ownership	172	698,265	.003 [.624]	.006	-.009/.015	2,552.413 [.000]	.933
State majority-owned firm	162	720,300	-.021 [.004]	.007	-.036/-.007	4,445.678 [.000]	.964
State minority-owned firm	18	80,424	-.016 [.526]	.025	-.066/.034	334.826 [.000]	.949
<i>Firm internationalization measurements</i>							
Location choice	7	7,873	.046 [.000]	.011	.024/.068	3.780 [.706]	.000
Early internationalization	14	8,956	.025 [.315]	.025	-.024/.074	62.566 [.000]	.792
Equity-based entry mode	88	196,417	-.010 [.251]	.009	-.028/.007	880.290 [.000]	.901
Joint ventures	21	21,551	.033 [.091]	.020	-.005/.072	83.083 [.000]	.759
Wholly owned subsidiaries	13	30,828	-.030 [.014]	.012	-.053/-.006	22.421 [.033]	.465
Foreign direct investment	54	144,038	-.016 [.154]	.011	-.038/.006	597.923 [.000]	.911
Nonequity-based entry mode	64	837,665	-.035 [.000]	.009	-.050/-.019	2,167.624 [.000]	.971
Exporting	63	836,310	-.035 [.000]	.008	-.050/-.019	2,167.619 [.000]	.971
Outsourcing	1	1,355	-.040	-	-	-	-
Mixed entry mode (equity and nonequity)	1	1,048	.044	-	-	-	-
Establishment mode	51	49,778	-.021 [.337]	.022	-.064/.022	1,013.634 [.337]	.951
Greenfield venture	10	2,192	-.029 [.501]	.043	-.114/.056	29.794 [.001]	.698
International acquisition	41	47,586	-.019 [.437]	.024	-.067/.029	979.382 [.000]	.959
Level of internationalization	120	375,391	.013 [.238]	.011	-.008/.034	3,077.865 [.000]	.961
International scale	26	244,622	.016 [.239]	.014	-.011/.043	330.465 [.000]	.924
Geographic scope	20	32,993	.053 [.238]	.045	-.035/.140	965.787 [.000]	.980
Foreign sales to total sales	52	67,711	-.005 [.786]	.017	-.038/.028	768.673 [.000]	.934
Foreign assets to total assets	7	25,114	-.007 [.876]	.042	-.088/.075	84.028 [.000]	.929
Mixed level of internationalization measurements	15	4,951	.022 [.681]	.053	-.081/.125	155.111 [.000]	.910
Subsidiary survival	7	21,861	-.027 [.132]	.018	-.062/.008	19.209 [.445]	.688

Note: k = number of samples; N = firm observations; SE = the standard error of the mean correlation; CI 95% = 95 percent confidence interval around the meta-analytic mean; Q test = Hedges and Olkin (1985) chi-square test for homogeneity; I^2 = scale-free index of heterogeneity.

Table 1.

Random-Effects HOMA Results (Continued)

Predictor	Partial Linear Correlation Coefficient ($r_{xy.z}$)						
	k	N	Mean [p -value]	SE	CI 95%	Q test [p -value]	I^2
SOE → firm internationalization	1,364	8,110,751	-.025 [.000]	.002	-.029/-.020	38,976.383 [.000]	.965
Endogeneity control	181	1,343,384	-.022 [.000]	.003	-.029/-.016	1,145.989 [.000]	.843
SOE measurements							
Percentage state ownership	733	4,966,921	-.028 [.000]	.003	-.034/-.022	24,207.354 [.000]	.970
State majority-owned firm	574	2,845,690	-.023 [.000]	.003	-.029/-.017	12,261.549 [.000]	.953
State minority-owned firm	57	298,140	.003 [.518]	.004	-.005/.010	109.034 [.000]	.486
Firm internationalization measurements							
Location choice	64	34,397	-.007 [.507]	.011	-.028/.014	207.723 [.000]	.697
Early internationalization	56	33,952	-.020 [.044]	.010	-.040/-.001	176.967 [.000]	.689
Equity-based entry mode	418	1,023,971	-.022 [.000]	.004	-.029/-.014	4,658.839 [.000]	.910
Joint ventures	51	189,986	.065 [.000]	.010	.045/.085	575.564 [.000]	.913
Wholly owned subsidiaries	64	362,260	-.034 [.000]	.005	-.044/-.025	292.845 [.000]	.785
Foreign direct investment	303	471,725	-.030 [.000]	.004	-.038/-.022	1,834.530 [.000]	.835
Nonequity-based entry mode	173	6,017,169	-.044 [.000]	.005	-.054/-.034	23,785.732 [.000]	.993
Exporting	171	6,014,459	-.044 [.000]	.005	-.054/-.034	23,782.850 [.000]	.993
Outsourcing	2	2,710	-.029 [.381]	.033	-.092/.035	2.862 [.091]	.651
Mixed entry mode (equity and nonequity)	4	4,191	.043 [.006]	.015	.012/.073	.001 [1.000]	.000
Establishment mode	197	188,238	-.043 [.001]	.013	-.068/-.018	5,636.372 [.000]	.965
Greenfield venture	2	304	-.204 [.000]	.057	-.316/-.092	.068 [.794]	.000
International acquisition	195	187,934	-.032 [.033]	.015	-.061/-.003	7,606.784 [.000]	.974
Level of internationalization	373	483,217	-.012 [.000]	.003	-.019/-.005	1,592.294 [.000]	.766
International scale	104	146,801	-.017 [.001]	.005	-.027/-.007	341.751 [.000]	.699
Geographic scope	33	12,470	-.055 [.038]	.027	-.107/-.003	247.857 [.000]	.871
Foreign sales to total sales	156	278,175	-.000 [.987]	.005	-.010/.010	809.230 [.000]	.808
Foreign assets to total assets	28	13,550	-.028 [.001]	.009	-.045/-.011	14.296 [.978]	.000
Mixed level of internationalization	52	32,221	-.014 [.037]	.007	-.027/-.001	63.749 [.978]	.200

measurements							
Subsidiary survival	79	325,616	-.010 [.090]	.006	-.021/.002	665.558 [.000]	.883

Note: k = number of samples; N = firm observations; SE = the standard error of the mean correlation; CI 95% = 95 percent confidence interval around the meta-analytic mean; Q test = Hedges and Olkin (1985) chi-square test for homogeneity; I^2 = scale-free index of heterogeneity.

Figure 1a.

Funnel Plot for the State-Owned Enterprise and Firm Internationalization Relationship Based on Pearson Product-Moment Correlations (r).

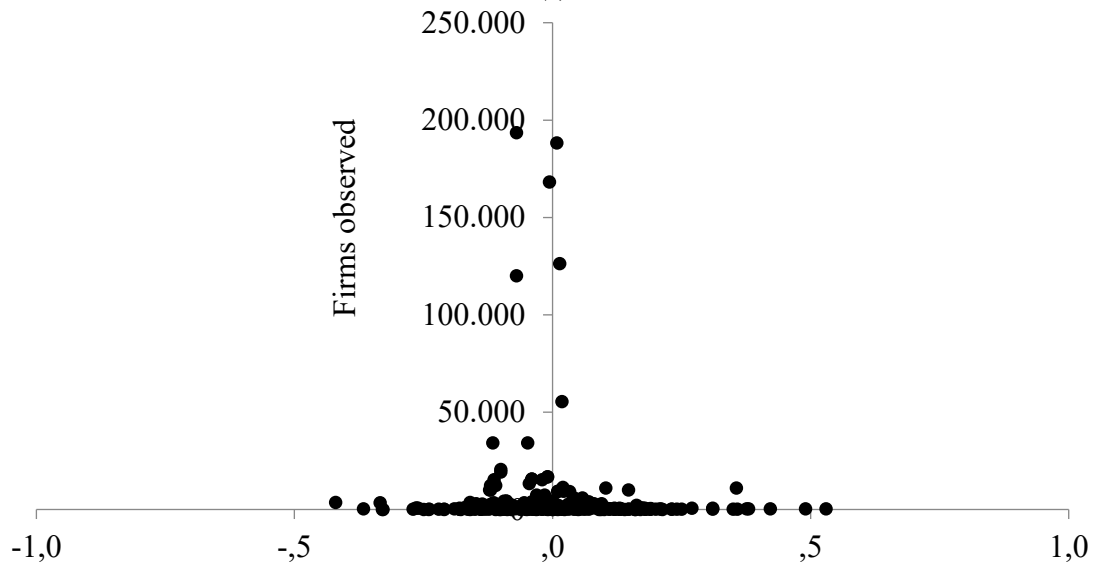
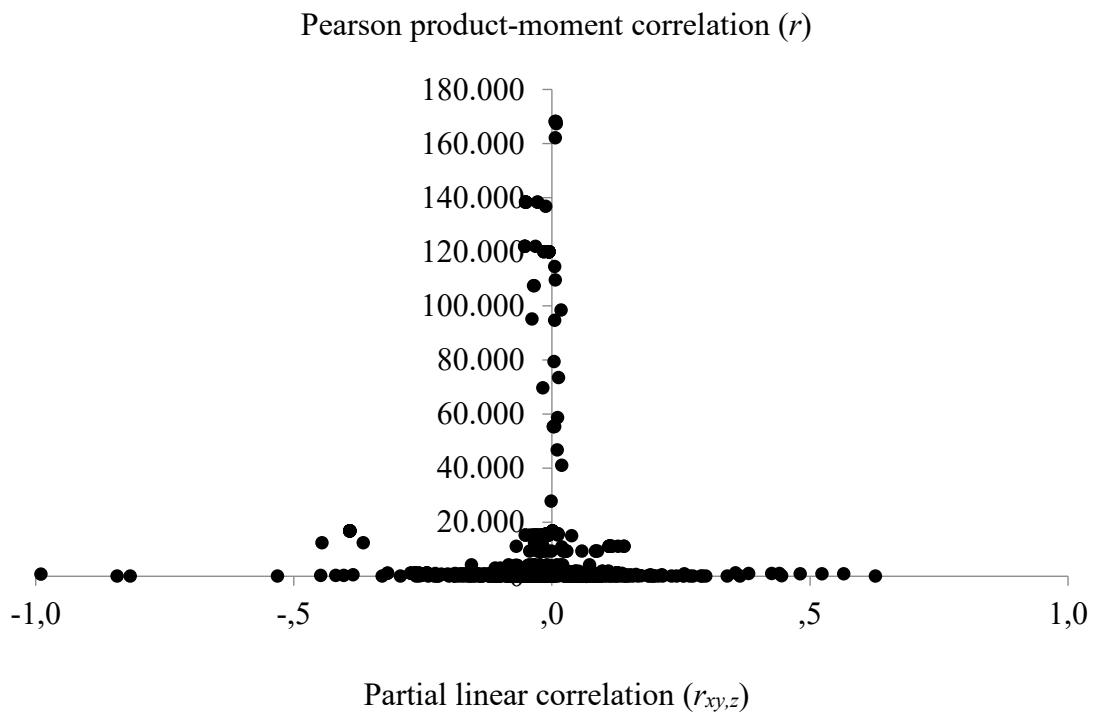


Figure 1b.

Funnel Plot for the State-Owned Enterprise and Firm Internationalization Relationship Based on Partial Linear Correlations ($r_{xy,z}$).



Outliers and publication bias. To assess the impact of potential outliers on our results, we conducted a forest plot examination. No effect sizes based on Pearson-product moment correlations were classified as outliers. However, we identified four effect sizes from partial linear correlations with estimates and confidence intervals outside the range of other studies (Borenstein et al., 2009). By excluding these potential outliers, we obtained a HOMA $r_{xy.z}$ of $-.024$ ($p = .000$) for the SOE-firm internationalization relationship, representing a variation of 4.0% compared to the full sample $r_{xy.z}$ reported in Table 1. Our findings suggest that by excluding these outliers, our results are not significantly biased.

Additionally, we computed the Fail-safe N to assess potential publication bias affecting our results (Rosenthal, 1979). The Fail-safe N estimates the number of additional studies with null results needed to bring the combined effect size to a level of non-significance. For r , we found that 19,557 studies with null results would be required to reduce the negative SOE-firm internationalization relationship reported in Table 1 to non-significance. For $r_{xy.z}$, the number of studies with null results needed reaches 916,562. As a result, we conclude that neither r nor $r_{xy.z}$ suffer from upward bias (Lipsey & Wilson, 2001).

Moderator Analyses

Previous research shows that state ownership is not a unique construct but it can be analyzed concerning the level of shares and control owned. Then, it is crucial to distinguish between different kinds of state ownership to understand empirical impacts. To unveil these different influences, we disentangle the focal relationship by categorizing SOEs based on the type of state ownership: percentage of state ownership, state majority-owned firms, and state minority-owned firms. The HOMA results in Table 1 reveal negative and statistically significant mean effect sizes for the relationship between state majority-owned firms and internationalization ($r = -.021$, $p = .004$; $r_{xy.z} = -.023$, $p = .000$). However, Table 1 shows

statistically insignificant mean effect sizes for the relationship between state minority-owned firms and internationalization ($r = -.016, p = .526; r_{xy.z} = .003, p = .518$).

Then, we propose that entry modes can moderate the focal relationship. We break down firm internationalization into distinct operationalizations, as shown in Table 1. The HOMA results in Table 1 show a positive and statistically significant mean effect size for the SOE-joint ventures relationship ($r = .033, p = .091; r_{xy.z} = .065, p = .000$), and a negative and statistically significant mean effect sizes for the SOE-wholly owned subsidiaries relationship ($r = -.030, p = .014; r_{xy.z} = -.034, p = .000$).

Finally, we examine the interaction between state control and entry modes on the focal relationship. To test these interactions, we conduct separate HOMA analyses for subsamples of mean effect sizes, focusing on the SOE-joint ventures relationship and SOE-wholly owned subsidiaries relationship, further breaking them down by the type of state ownership.

The results in Table 2 show positive and statistically mean effect sizes for the relationship between state-majority-owned firms and joint ventures ($r = .064, p = .004; r_{xy.z} = .072, p = .000$). Table 2 also reports a negative and statistically significant mean effect size for the relationship between state-majority-owned firms and wholly owned subsidiaries, according to partial correlations ($r_{xy.z} = -.024, p = .000$). In contrast, it is statistically insignificant based on Pearson product-moment correlations. Overall, HOMA analyses provide evidence of the significant role of state control and entry modes in explaining the variability observed in the SOE-firm internationalization relationship within the empirical literature.

Table 2.
Random-Effects HOMA Results.

Predictor	Pearson Product-Moment Correlation Coefficient (<i>r</i>)						
	<i>k</i>	<i>N</i>	Mean [<i>p</i> -value]	SE	CI 95%	<i>Q</i> test [<i>p</i> -value]	<i>I</i> ²
SOE → Joint ventures	21	21,551	.033 [.091]	.020	-.005/.072	83.083 [.000]	.759
<i>SOE measurements</i>							
Percentage state ownership	9	5,471	.012 [.656]	.026	-.039/.063	19.206 [.014]	.583
State majority-owned firm	10	15,674	.064 [.004]	.022	.021/.107	21.317 [.011]	.578
State minority-owned firm	2	406	.020 [.906]	.170	-.313/.353	11.733 [.001]	.915
SOE → Wholly owned subsidiaries	13	30,828	-.030 [.014]	.012	-.053/-.006	22.421 [.033]	.465
<i>SOE measurements</i>							
Percentage state ownership	4	1,275	-.084 [.077]	.047	-.177/.009	6.554 [.088]	.542
State majority-owned firm	7	29,146	-.015 [.117]	.010	-.034/.004	9.058 [.169]	.338
State minority-owned firm	2	407	-.045 [.364]	.050	-.142/.052	.037 [.848]	.000

Note: *k* = number of samples; *N* = firm observations; SE = the standard error of the mean correlation; CI 95% = 95 percent confidence interval around the meta-analytic mean; *Q* test = Hedges and Olkin (1985) chi-square test for homogeneity; *I*² = scale-free index of heterogeneity.

Table 2. Random-Effects HOMA Results (Continued).

Predictor	Partial Linear Correlation Coefficient (<i>r</i> _{xy.z})						
	<i>k</i>	<i>N</i>	Mean [<i>p</i> -value]	SE	CI 95%	<i>Q</i> test [<i>p</i> -value]	<i>I</i> ²
SOE → Joint ventures	51	189,986	.065 [.000]	.010	.045/.085	575.564 [.000]	.913
<i>SOE measurements</i>							
Percentage state ownership	10	2,480	.017 [.850]	.020	-.022/.056	.807 [1.000]	.000
State majority-owned firm	41	187,506	.072 [.000]	.011	.051/.093	560.022 [.000]	.929
State minority-owned firm	-	-	-	-	-	-	-
SOE → Wholly owned subsidiaries	64	362,260	-.034 [.000]	.005	-.044/-.025	292.845 [.000]	.785
<i>SOE measurements</i>							
Percentage state ownership	30	9,676	-.039 [.158]	.027	-.093/.015	180.250 [.000]	.839
State majority-owned firm	34	352,584	-.024 [.000]	.003	-.030/-.018	83.841 [.000]	.606
State minority-owned firm	-	-	-	-	-	-	-

Note: *k* = number of samples; *N* = firm observations; SE = the standard error of the mean correlation; CI 95% = 95 percent confidence interval around the meta-analytic mean; *Q* test = Hedges and Olkin (1985) chi-square test for homogeneity; *I*² = scale-free index of heterogeneity.

Meta-Analytic Regression Analysis

We rely on meta-analytic regression analysis (MARA) to check the relationships for robustness. MARA is a weighted least squares-based technique that assesses the relationship between effect size and moderator variables (Lipsey & Wilson, 2001). In our MARA analyses, we use random effects estimation methods, which are considered more conservative than traditional fixed effect methods (Mutlu et al., 2018). The MARA models also control for variables that account for the effects of measurement and methodological artifacts, study, model, firm, and governance characteristics, as well as market precedence of the SOE. Specifically, we include several dummy variables for measurement artifacts indicating whether the SOE or firm internationalization was measured according to the classifications outlined earlier (see “Measures” section). For the SOE measurement, we include *Percentage of state ownership*, *State majority-owned firms*, and *State minority-owned firms* (reference category). For the internationalization measurements, we include the *Decision to enter a country*, *Joint ventures*, *Wholly owned subsidiaries* (reference category), *Foreign direct investment*, *Non-equity-based entry modes*, *Level of internationalization*, and *Subsidiary survival*.

Concerning study characteristics and methodological artifacts, we control for *Published study* (equal to 1 if the study was published in a journal or book and 0 otherwise), the *Impact factor* (the 5-year impact factor for a specific journal and year, as extracted from Web of Science), *Median year of sample window* (the median year within the sample window for the respective effect size), *Panel design* (equal to 1 if the research design employed in the study is longitudinal/panel and 0 cross-sectional), and *Endogeneity control* (equal to 1 if the effect size was estimated while controlling for endogeneity and 0 otherwise). Regarding model characteristics, we include the *Number of variables in the regression* from which the partial linear correlation was extracted and whether the partial correlation controls for *Industry effects* and *Year effects*.

For firm and governance characteristics, our model includes seven dummy variables indicating whether the partial linear correlation originates from a regression model that incorporates the standard control variables in the SOE and firm internationalization literature (e.g., DeMello et al., 2024; Dong et al., 2022; Santangelo & Symeou, 2024). These are *Firm size*, *Firm age*, *Firm leverage*, *Firm innovation*, *Firm financial performance*, *Foreign ownership*, and *International experience*. Finally, we include three dummy variables to indicate the market context of the SOE from which the partial linear correlation was extracted. These variables specify whether the SOEs are located in *Emerging markets*, *Developed markets* (reference category), or *Both emerging and developed markets*. All of the variables in the models are extracted from the retrieved articles, except for the Impact factor.

Table 3 presents the MARA results. Model 1 includes only the control variables. Model 2 adds the measurement artifacts for the SOE variable, while Model 3 introduces the measurement artifacts for the firm internationalization measure. Model 4 is the full model. This model finds a negative and statistically significant coefficient for *State majority-owned firms* ($b = -.027, p = .029$). This indicates that the relationship between SOE and firm internationalization is negatively moderated when the SOE is the major owner of the firm and positively moderated when the SOE is a minor owner (the reference category).

Additionally, Model 4 of Table 3 shows a positive and statistically significant coefficient for *Joint ventures* ($b = .104, p = .000$). This means that the relationship is positively moderated when the firm's mode of internationalization is through joint ventures and negatively moderated through wholly owned subsidiaries (the reference category). The MARA results corroborate the HOMA findings reported above, providing robust evidence for the investigated relationships.

Table 3.
Results of random-effect MARA

Variable	Model 1	Model 2	Model 3	Model 4
<i>SOE measurements</i>				
Percentage state ownership		-.040 (.012) [.001]		-.040 (.012) [.001]
State majority-owned firm		-.019 (.013) [.125]		-.027 (.012) [.029]
State minority-owned firm (reference category)				
<i>Internationalization measures</i>				
Decision to enter a country			.025 (.013) [.046]	.027 (.012) [.032]
Early internationalization			.033 (.012) [.007]	.033 (.012) [.005]
Joint ventures			.107 (.013) [.000]	.104 (.013) [.000]
Wholly owned subsidiaries (reference category)				
Foreign direct investment			-.003 (.008) [.754]	-.002 (.008) [.791]
Nonequity-based entry mode			-.020 (.008) [.009]	-.014 (.008) [.068]
Mixed entry mode			.102 (.034) [.003]	.094 (.033) [.005]
Level of internationalization			.016 (.007) [.022]	.019 (.007) [.008]
Subsidiary survival			.057 (.010) [.000]	.062 (.010) [.000]
<i>Study characteristics and methodological artifacts</i>				
Published study	.026 (.011) [.015]	.015 (.011) [.184]	.018 (.011) [.095]	.011 (.011) [.326]
Impact factor	-.002 (.001) [.007]	-.001 (.001) [.119]	-.004 (.001) [.000]	-.004 (.001) [.000]
Median year of sample window	.001 (.001) [.905]	-.001 (.001) [.262]	.000 (.001) [.742]	-.000 (.001) [.578]
Panel design	.011 (.010) [.288]	.017 (.010) [.098]	-.006 (.010) [.597]	.001 (.010) [.943]
Endogeneity control	-.007 (.006) [.302]	-.004 (.006) [.478]	-.009 (.006) [.165]	-.008 (.006) [.189]
<i>Model characteristics</i>				
Number of variables in regression	-.001 (.000) [.000]	-.001 (.000) [.000]	-.001 (.000) [.000]	-.005 (.000) [.000]
Industry effects	.010 (.006) [.110]	.006 (.006) [.353]	.005 (.006) [.438]	.000 (.006) [.976]
Year effects	-.011 (.005) [.053]	-.010 (.005) [.055]	-.000 (.006) [.954]	-.001 (.006) [.910]
<i>Firm and governance characteristics</i>				
Firm size	.015 (.008) [.055]	.023 (.008) [.004]	.013 (.008) [.091]	.021 (.008) [.008]
Firm age	-.004 (.006) [.522]	-.004 (.006) [.462]	-.015 (.006) [.009]	-.016 (.006) [.006]
Firm leverage	.001 (.005) [.809]	-.001 (.005) [.795]	-.001 (.005) [.899]	-.004 (.005) [.450]
Firm innovation	.004 (.005) [.422]	.008 (.005) [.111]	.001 (.005) [.778]	.004 (.005) [.419]
Firm financial performance	.029 (.005) [.000]	.030 (.005) [.000]	.024 (.005) [.000]	.026 (.005) [.000]
Foreign ownership	.024 (.005) [.000]	.029 (.005) [.000]	.040 (.005) [.000]	.041 (.005) [.000]
International experience	-.007 (.005) [.197]	-.007 (.005) [.213]	-.014 (.005) [.007]	-.014 (.005) [.007]
<i>SOE's type of home country</i>				
Emerging markets	.040 (.014) [.004]	.048 (.014) [.001]	.053 (.014) [.000]	.058 (.014) [.000]
Developed markets (reference category)				

Both emerging and developed markets	.058 (.016) [.000]	.059 (.016) [.000]	.080 (.016) [.000]	.076 (.016) [.000]
Constant	1.152 (1.103) [.296]	1.152 (1.103) [.296]	-.454 (1.099) [.680]	.539 (1.099) [.624]
R^2	.070	.080	.126	.133
k	1,364	1,364	1,364	1,364
$Q_{\text{model}}[p]$	170.632 [.000]	202.293 [.000]	334.887 [.000]	368.716 [.000]
$Q_{\text{residual}}[p]$	2,255.510 [.000]	2,314.057 [.000]	2,318.782 [.000]	2,412.187 [.000]
ν	.004	.004	.003	.003

Note: Dependent variable is the correlation between SOE and firm internationalization; Unstandardized regression coefficients are presented with standard errors in parentheses and p -values in brackets; k = number of effect sizes; Q = the homogeneity statistic with its probability in brackets; ν = the random effects variance component.

Endogeneity

We performed several procedures to mitigate and assess the effects of potential endogeneity in our results (Aguilera et al., 2021). First, we mitigate reverse causality issues by including only effect sizes where SOE measures were computed either lagged or in the same year as the firm internationalization measurements (e.g., Oxelheim & Randøy, 2005; Post & Byron, 2015). Second, consistent with standard procedures (Berrone et al., 2020; Duran et al., 2017), both HOMA and MARA models (see Tables 2 and 4) include the *Endogeneity control* variable, which captures whether the effect size was derived from a study that corrected for endogeneity. HOMA results, based on $r_{xy.z}$ reported in Table 1, suggest that the mean effect size for a subsample of partial correlations controlling for endogeneity ($r_{xy.z} = -.022$, $k = 181$, $p = .000$) is similar to the mean effect size for the full sample ($r_{xy.z} = -.025$, $k = 1,364$, $p = .000$). Additionally, the MARA results show a negative but statistically insignificant coefficient for *Endogeneity control* across all models, suggesting that the partial linear correlations extracted from regressions correcting for endogeneity do not affect the focal relationship. Consequently, the HOMA and MARA results indicate that endogeneity does not impact the relationship between SOE and firm internationalization.

DISCUSSION

The analysis of SOE's internationalization has sparked a vigorous debate in the global strategy literature in recent years. However, the research that examined the relationship between state ownership and internationalization has yielded conflicting and inconclusive results. One reason is that scholars investigating this topic have adopted different theoretical and empirical approaches and diverse datasets and measures, leading to many different results. To offer a comprehensive understanding of this subject, we analyze recent empirical literature and clarify the

debate on two distinct levels. From the empirical point of view, the meta-analytic techniques address the diversity among empirical findings to identify which arguments have received empirical support and under which conditions. We now provide theoretical solutions and propositions to clarify the debate and suggest future directions for empirical validation.

Level of State Ownership and the Impact of State Ownership on Internationalization

Previous literature has shown that state ownership can positively, negatively, or not affect internationalization. Empirical studies have produced results that support both perspectives (Clegg et al., 2018; Hong et al., 2015; Li et al., 2020; Wu & Zhao, 2015). We show that the critical factor that determines which effect will tend to prevail is the level of state ownership. Specifically, we suggest that when the state is the majority owner, the factors hindering internationalization are more likely to prevail. This is due to two prominent reasons.

First, when the state is the main owner, the agency costs, such as lower monitoring of managers, the prevalence of political local goals, and higher bureaucratic costs, tend to prevail. Furthermore, when the state is the majority owner, private shareholders, who promote economic goals, have a limited role, and the SOEs will typically pursue a political agenda (Turturea et al., 2025). The selection of SOE managers will consequently rely on political connections (Albino-Pimentel et al., 2018; Faccio, 2006; Okhmatovskiy, 2010) rather than their professional skills and competencies, hindering the internationalization process. Moreover, majority-owned SOEs are managed with the prevalent goal of achieving good relationships with the home country's government, therefore focusing on the home market. The result is that managers tend to follow political goals that are typically home-focused and make decisions to obtain consensus (Cuervo-Cazurra et al., 2023a; Cuervo-Cazurra & Li, 2022; Turturea et al., 2025). This behavior harms the company's ability to undertake international activities, causing missed opportunities abroad and

leading to a general internal inefficiency (Wood & Wright, 2015). Therefore, based on these arguments, state majority ownership leads to higher disadvantages that do not compensate for the advantages provided, thus hindering internationalization. We summarize these ideas in the following proposition:

Proposition 1: Majority-owned state-owned enterprises are less likely to internationalize than private firms.

In contrast, when the state has only minority ownership, private shareholders will have more power, limiting the agency costs and the legitimacy issues without losing the strengths of state support (Cuervo-Cazurra et al., 2014; Grosman et al., 2016; Okhmatovskiy et al., 2022). From the agency point of view, a minority presence in the ownership makes SOEs more efficient due to the presence of professional managers and prioritization of market and commercial goals (Cuervo-Cazurra & Li, 2022). To defend their investments, private shareholders tend to monitor managers and support further internal policies to introduce meritocracy, avoiding agency costs (Kalasin et al., 2020). Under the lens of the resource-based view, minority SOEs can combine the advantages the government provides, such as with the profit-maximization interest of private investors, making these companies financially stable and more likely to expand internationally (Vaaler & Schrage, 2009). The state support, in this way, does not introduce the bureaucracy issues typical of the government environment but provides institutional support (Arreola & Bandeira-de-Mello, 2018; Musacchio et al., 2015; Musacchio & Lazzarini, 2014), access to critical resources (DeMello et al., 2024; Inoue et al., 2013) and cooperation in shaping strategy in regulated industries (García-Canal & Guillén, 2008). Based on these arguments, state minority ownership leads to higher advantages that compensate for the eventual disadvantages provided, than fostering

internationalization. We summarize the findings from the meta-analysis and arguments in the following proposition:

Proposition 2: Minority-owned state-owned enterprises are more likely to internationalize than private firms.

Level of State Ownership and State-Owned Firms Internationalization Entry Modes

The entry mode literature suggests that ownership is an important determinant of the subsidiary ownership level (Brouthers & Hennart, 2007; Sestu & Majocchi, 2020; Woodcock et al., 1994). Building on this, a growing stream of literature investigates SOEs' foreign investment ownership decisions, focusing in particular on the choice between joint ventures and wholly owned subsidiaries (Cui & Jiang, 2012; Pan et al., 2014; Wang et al., 2023).

Global strategy research suggests that companies prefer equity-based entry modes when they possess firm-specific advantages that cannot be efficiently transferred internationally through arm's-length transactions (Narula & Verbeke, 2015). Additionally, SOEs are predominantly found in industry sectors, such as energy or defense, with high levels of R&D expenditure and stringent security concerns, where assets are typically difficult to transact, favoring equity-based entry modes (Li et al., 2019). Consequently, SOEs tend to prefer full control of equity-based investments to internalize all the advantages of international investments (Chen et al., 2021; Karolyi & Liao, 2017; Li et al., 2017).

However, the choice between wholly owned subsidiaries and joint ventures is based not only on the characteristics of the firm's specific advantages of investing SOEs but also on the characteristics of the assets located in the host countries that the SOE intends to control (Hennart, 2009; Sestu & Majocchi, 2020). Selling assets to a foreign company, especially if it is an SOE, raises legitimacy concerns in the target country. This is because SOEs are often seen as political

entities that prioritize their government's interests over commercial considerations, raising security and commercial concerns (Cui & Jiang, 2012). Consequently, SOEs encounter numerous challenges and obstacles when entering foreign markets, facing strong opposition to complete acquisitions, an issue referred to in the literature as the liability of stateness (Musacchio et al., 2015).

In this perspective, joint ventures can be considered an efficient choice because they do not foreclose foreign investment while at the same time not fully transferring strategic local assets into foreign hands. Therefore, joint ventures with a local partner result from an imposition by the host country's government, especially when intercountry relations between home and host countries are not strong (Cui & Jiang, 2012). These restrictions are particularly relevant because SOEs are usually concentrated in strategic sectors that can affect national strategy and supply of critical resources (i.e., technology, energy, and unique raw materials). For this reason, governments of host countries prefer to have some control over the actions of foreign governments (Li et al., 2017; Wright et al., 2021). To react to host governments' hostility, SOEs benefit from partnering with local firms to exploit local companies' local connections (Moschieri et al., 2024), limiting illegitimacy issues (Symeou & Kassinis, 2024). Consequently, SOEs that experience institutional pressures in the host country prefer joint ventures instead of wholly owned subsidiaries (Chung et al., 2016; Xia et al., 2014). From this point of view, SOEs' joint ventures are beneficial solutions for both the host and home governments. They allow the foreign state-owned investor to gain partial control of foreign assets, overcoming legitimacy issues. Additionally, they allow the local government to facilitate the inflow of technology and capital without giving away full control of the local assets (Cui & Jiang, 2012; Grøgaard et al., 2019). Based on the above arguments, SOEs rely more on joint ventures than wholly owned subsidiaries.

Proposition 3: State-owned enterprises are more likely to select joint ventures than wholly owned subsidiaries for their foreign investment entry mode.

The positive correlation between SOEs and joint ventures and the negative correlation between SOEs and wholly owned subsidiaries vary across levels of ownership because of legitimacy issues. Specifically, these relationships are influenced by the hostile host country's reactions to the transfer of strategic assets to foreign state-owned entities. However, the degree of restrictions on foreign ownership is also dependent on the degree of state ownership in the SOEs. Being perceived as a vehicle of foreign governments' interests, local institutions tend to impose restrictions on full acquisition by SOEs, imposing a local partner (Cui & Jiang, 2012). This is because local governments perceive majority-owned SOEs as a threat. On the contrary, minority SOEs show similar behavior to private firms, which are more efficiency-oriented and have home government support in critical scenarios (Cuervo-Cazurra & Li, 2021). Legitimacy issues are also less severe for minority SOEs. This is because host country governments do not perceive minority SOEs as a threat or a vehicle of foreign interests (Meyer et al., 2014; Wright et al., 2021). SOEs are typically used as a means to invest in foreign markets in order to secure essential resources and seize market opportunities. In this view, local institutions try to limit expansion abroad since they see majority-owned SOEs as a foreign government representation (Cuervo-Cazurra, 2018; Cuervo-Cazurra et al., 2014; Meyer et al., 2014; Wright et al., 2021).

In contrast, SOEs with minority state ownership will be perceived less negatively by host institutions, while high state ownership increases the SOE's exposure to political risk and regulatory challenges in the host country (Cannizzaro & Weiner, 2018; Li et al., 2018). In other words, the government's majority ownership reinforces legitimacy issues abroad since the host country perceives the SOE as a crucial vehicle of foreign presence. While minority ownership can

represent only an insignificant threat, majority ownership by foreign governments raises legitimacy and security concerns (Cuervo-Cazurra, 2018; Cuervo-Cazurra & Li, 2021; Grosman et al., 2016). For this reason, when the state is the majority owner, effectively controlling the firm, SOEs should face more difficulties and resistance to operate in the host country environment. Then, by regulation or opportunity, SOEs are usually forced to partner with a local actor, selecting a joint venture as their preferred entry mode. Then, due to higher legitimacy concerns and resistance in host markets reflected by higher ownership levels, SOEs will prefer international joint ventures over wholly owned subsidiaries when the state is the majority owner. Based on the previous meta-analysis findings and theoretical arguments, we summarize these ideas in the following propositions:

Proposition 4: Majority-owned state-owned enterprises are more likely to select joint ventures than wholly owned subsidiaries for their foreign investment entry mode than minority-owned state-owned enterprises.

Ownership Levels Moderating the Relationship between State Ownership and International Entry Modes

Since SOEs face increased concerns about legitimacy in the host country, they often encounter challenges when pursuing full acquisitions (Karolyi & Liao, 2017; Li et al., 2017). These legitimacy concerns stem from the perception that SOEs—particularly those with a high degree of state control—may serve political or strategic interests beyond purely commercial objectives. Host country stakeholders, including governments, regulators, and civil society, may be wary of such firms gaining full control over local assets, especially in sensitive or strategic industries. This heightened scrutiny not only creates regulatory barriers but also increases the risk of public and political reactions, thereby complicating the implementation of wholly owned subsidiaries. As a

result, a higher level of state ownership in the SOE correlates with a greater likelihood of establishing joint ventures (Lu et al., 2018). Joint ventures offer a more politically acceptable and institutionally legitimate mode of entry, allowing SOEs to share control with local partners and thereby mitigate perceptions of foreign dominance or political influence. This collaborative arrangement can help reduce institutional distance and facilitate access to local knowledge and networks, which are particularly valuable in institutional environments characterized by regulatory uncertainty or normative resistance to foreign state involvement. Consequently, the joint venture becomes not only a strategic response to host country pressures but also a mechanism for risk sharing and legitimacy enhancement in international markets (Cui & Jiang, 2012).

While the literature agrees on the definition of SOEs, with the participation of the government or any state agency as the prominent, and usually sufficient condition for identifying an SOE, the different operationalizations of the concept and their impact on the complex relationship between SOE internationalization levels and entry mode choice are not clear.

To explain such different findings, we argue that the level of state ownership affects the balance between positive and negative factors impacting internationalization. When the state is the majority owner, agency costs prevail due to the lack of predominant private investors that impose strong monitoring and try to minimize agency costs, following a profit-maximization approach (Cuervo-Cazurra & Li, 2021). Therefore, the strategy of majority-owned SOEs tends to follow the government's political agenda, leading to a lower degree of international activity (Hobdari et al., 2011; Hu & Cui, 2014; Turturea et al., 2025). Moreover, governments tend to promote loyal managers in SOEs, which results in a lower probability of internationalization due to a generally lower experience and knowledge of international markets (Cui et al., 2015; Li et al., 2019). When SOEs are majority-owned, also the host countries' reactions tend to be more acute, with their

country authorities perceiving a serious potential threat. This perception results in high levels of illegitimacy abroad and poses a problem to international relations by hindering factors that promote internationalization (Cui & Jiang, 2012; Li et al., 2018). Indeed, state majority ownership is more frequent in sensitive sectors such as defense and energy, where the host countries are less open to full ownership. Therefore, the ownership levels define different state roles in SOEs and can be considered a boundary condition in the relationship between SOEs and entry modes.

If the state is not the major owner but has only a minority stake in SOEs, the perspective changes. The role of private investors becomes crucial as they have control over key decisions, prioritize economic goals, reduce agency costs, and consequently increase the likelihood of making productive foreign investments (Liang et al., 2015). Furthermore, when government involvement is limited, host countries do not perceive the investment as a major issue for national interests (García-Canal & Guillén, 2008). Then, the lack of legitimacy for SOEs tends to decrease. Thanks to the minority presence of the government, SOEs can exploit all the positive factors arising from state ownership without relevant constraints such as access to resources, political relations, and technical skills (Cuervo-Cazurra & Li, 2021).

In this sense, the level of state ownership serves as a critical boundary condition that shapes how SOEs navigate foreign market entry mode decisions, particularly when choosing between joint ventures and wholly owned subsidiaries. When state ownership is high, the perceived political embeddedness of the firm amplifies institutional pressures in the host country, steering the SOE toward more cooperative entry strategies such as joint ventures to alleviate legitimacy concerns. In contrast, when state ownership is limited to a minority stake, the SOE gains strategic autonomy and can more credibly signal a market-oriented logic to host country stakeholders. This strategic flexibility reduces the institutional liabilities commonly associated with state affiliation and

increases the feasibility of wholly owned subsidiaries, which offer greater control and potential for efficiency gains. Thus, variations in ownership structure do not merely reflect internal governance preferences but fundamentally alter how external audiences, such as regulators, perceive the legitimacy and intent of the SOE's international expansion. Ownership levels, therefore, affect the institutional and strategic trade-offs that SOEs must balance when entering foreign markets, acting as pivotal determinants of the preferred entry mode.

Proposition 5: State-owned enterprises are more likely to select international joint ventures than private firms, especially when the state is the major owner.

Proposition 6: State-owned enterprises are less likely to select wholly owned subsidiaries than private firms, especially when the state is the major owner.

CONCLUSION

Through a comprehensive meta-analysis of 210 studies, our research showed how state ownership influences internationalization, suggesting that SOEs are less likely to pursue international investments than private firms, and that they tend to prefer joint ventures over wholly owned subsidiaries for their international entry modes. We also contribute to explaining the conflicting results produced by the recent literature on this topic by focusing on a crucial boundary aspect: the level of state ownership. We show that whether the state has a majority or minority ownership role in SOEs makes a crucial difference in internationalization, impacting the balance between factors favoring higher or lower internationalization levels, and the selection between joint ventures and wholly owned subsidiaries for the international entry mode.

Contributions

Our empirical clarification and the accompanying theorization contribute to the literature in three ways. First, we clarify that overall state ownership is negatively related to firm

internationalization, and we contribute to the literature on state capitalism by identifying critical boundary conditions at the state ownership level that help explain the conflicting results in the literature on state ownership and internationalization (Mariotti & Marzano, 2019; Hu et al., 2023). Through this approach, we shed light on why some SOEs exhibit a higher propensity to internationalize while others remain predominantly domestic. Specifically, our findings indicate that the effect of state ownership is not uniform across firms, and that variations in state involvement, ranging from minority to majority ownership, shape firms' international investments. Second, we clarify the literature on the impact of state ownership on entry mode. We show that SOEs tend to be more inclined to engage in collaborative entry modes. We argue that, given the predominance of state ownership in sensitive and strategic sectors (Bass & Chakrabarty, 2014; Cuervo-Cazurra et al., 2014; Musacchio & Lazzarini, 2014; Lazzarini et al., 2015), the negative reactions tend to prevail, leading host countries to impose various limitations and restrictions on full foreign ownership. SOEs prefer joint ventures to address the legitimacy issues they encounter in foreign markets. Moreover, joint ventures are an optimal vehicle for host governments to control the activity of foreign SOEs and share benefits (Cui & Jiang, 2012). This preference reflects both external pressures and internal strategic decisions. Collaborative modes allow SOEs to signal cooperative intentions, reduce political risk, and leverage local partners' market knowledge, thereby mitigating the liability of stateness. At the same time, host governments can control foreign activities in the local market, limiting institutional concerns and potential threats to the national interests. Third, we identify that the level of state ownership is a crucial boundary condition for both internationalization and entry mode choice. This highlights the importance of disaggregating state ownership rather than treating it as a binary condition. Our findings indicate that different degrees of state equity involvement lead to diverse levels of strategic autonomy, political

alignment, and sensitivity to external stakeholder pressures. These differences, in turn, affect how SOEs perceive and respond to international opportunities and constraints. As a result, our study underscores the need for future research to consider the heterogeneity within state ownership and its contingent effects on international business strategies.

Concluding Thoughts

This empirical and theoretical clarification helps to explain the mixed findings of previous empirical studies, as the inclusion or exclusion of this variable and the characteristics of the sample could significantly impact the results of any empirical analyses. Our results demonstrate that ownership level is a critical variable in any empirical investigation of SOE internationalization to avoid omitted variable bias issues in the analyses. Additionally, the results should be interpreted in the context of the ownership characteristics of the sample analyzed. Finally, we extend the empirical implications, suggesting further propositions with the aim of providing future research directions that can benefit from considering crucial dimensions.

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STATE OWNERSHIP AND INTERNATIONALIZATION: A META-ANALYTIC STRUCTURAL EQUATION MODELING IDENTIFICATION OF THE MEDIATING ROLE OF RESOURCES

ABSTRACT

As state-owned firms increasingly become global competitors, the role of state ownership in internationalization has created a growing debate. Some studies propose a positive relationship thanks to state support, while others argue for a negative relationship due to political meddling. We reconcile the mixed empirical findings, offering a theoretical explanation and an empirical solution to this discussion. We offer one empirical solution by using a meta-analytic structural equation model that helps identify the mediating mechanisms between state ownership and firm internationalization. From the analysis of 215 empirical papers, we identify three key mediating mechanisms: slack resources, intangible resources, and political resources. We clarify that although state ownership generally has a negative relationship with internationalization, this effect is positively mediated by a lower level of slack resources, negatively mediated by lower levels of intangible resources, and positively mediated by higher levels of political resources. Our findings allow us to contribute to the theoretical debate on the mechanisms through which state ownership structure affects international expansion, contributing to the international business theory and explaining how different resources can be transformed into firm-specific advantages.

Keywords: state ownership, state-owned enterprises, internationalization, slack resources, intangible resources, political resources, meta-analysis, international business theory, firm-specific advantages.

INTRODUCTION

The relationship between state ownership and firm internationalization has emerged as a critical topic in international business research, particularly as state-owned enterprises (SOEs) from emerging markets have become increasingly prominent competitors in global markets (Aguilera et al., 2019; Cazorra et al., 2014; Musacchio & Lazzarini, 2014). The growth in state-owned multinationals has also generated a growing academic debate on whether state ownership provides an advantage or disadvantage of stateness on internationalization (Cuervo-Cazorra & Li, 2021; Li & Meyer, 2025; Meyer et al., 2014; Musacchio & Lazzarini, 2014). The theoretical and empirical literatures seem not to help solve the debate fully, generating conflicting conclusions on the relationship between state ownership and internationalization (Cuervo-Cazorra et al., 2023; Wang et al., 2023). Some studies suggest that state ownership creates bureaucratic inefficiencies and agency problems that hinder internationalization (Liang et al., 2015; Sun et al., 2015; Xia et al., 2014), while others highlight the advantages that state backing can provide in international markets (Benito et al., 2016; Estrin et al., 2016). All these conflicting theoretical arguments and empirical contradictions suggest the need for a more sophisticated understanding of how state ownership affects internationalization. To solve these theoretical discrepancies, we highlight that these two forces act in opposite directions, offering a theoretical explanation.

Hence, in this paper, we also offer an empirical solution by using a meta-analytic structural equation model (MASEM) that helps identify the mediating mechanisms between state ownership and firm internationalization (Li et al., 2019; Tihanyi et al., 2019). We propose that a way to address conflicts is by considering the specific mechanisms through which state ownership affects internationalization (DeMello et al., 2024; Estrin et al., 2016; Grøgaard et al., 2019). Using a MASEM analysis based on 215 primary empirical studies, we identify three key mediating

mechanisms: slack resources, intangible resources, and political resources. First, we argue that managers of SOEs contribute to reducing the level of slack resources with the aim of gaining consensus in the home country and investing money to meet international and political strategies. Second, due to a lack of incentives and the profit maximization objective, SOEs tend to invest less in the development of intangible resources, which are a crucial specific advantage for firms' internationalization. Third, due to the structural connections and relationships with the government, SOEs are able to exploit their political resources, addressing legitimacy and national objectives abroad. In sum, we clarify that although state ownership generally has a negative relationship with internationalization (Cannizzaro & Weiner, 2018; J. Li et al., 2017; Majocchi & Strange, 2012), this effect is positively mediated by a lower level of slack resources, negatively mediated by lower levels of intangible resources, and positively mediated by higher levels of political resources.

Our study makes several important contributions to international corporate governance and global strategy literature (Grøgaard et al., 2019; Grosman et al., 2019). First, we reconcile diverging views on the topic by applying international business theory to the context of SOEs. Second, we integrate three key resources in the debate, theorizing them into the Firm-Specific Advantages (FSAs) framework. Our research investigates important mediation mechanisms that help explain conflicting findings in prior research and thus contribute to the theoretical debate on the role of state ownership on internationalization (Bruton et al., 2015). This provides a more nuanced understanding of state ownership's role by explaining whether state ownership supports international expansion and which mechanisms modify it (Kalasin et al., 2020). Third, we provide a comprehensive meta-analytic synthesis of the state ownership-internationalization relationship that solves empirical disagreements (Cuervo-Cazurra & Li, 2021). This offers greater statistical

accuracy and generalizability than individual studies by going beyond the limitations of particular samples, countries, and periods. The MASEM analysis clarifies the mediating pathways connecting state ownership and internationalization, helping to reconcile contradictory findings in the literature and developing a more nuanced empirical identification of the internationalization of SOEs (Tihanyi et al., 2019).

Additionally, our findings have practical implications for SOE practitioners and policymakers overseeing them. Our findings enable SOE managers to support their firms' internationalization despite the structural constraints and opportunities (Turturea et al., 2025). By understanding the mediating mechanisms identified in our study, SOE managers can focus on reducing slack resources through improved operational efficiency and financial management, developing intangible resources through targeted innovation investments, and strategically leveraging political resources without becoming overly dependent on them (Cuervo-Cazurra & Li, 2021). For policymakers, this paper helps understand how different resources can be strategically employed to support national internationalization goals. Understanding these mediating mechanisms enables policymakers to develop targeted interventions, such as innovation incentives or financial support programs, that solve barriers to international expansion (C. Wang et al., 2012).

THEORY AND HYPOTHESIS DEVELOPMENT

We build on international business theory to analyze the mediating mechanisms connecting state ownership and internationalization (Hennart, 2009; Rugman & Verbeke, 2001; Verbeke & Kano, 2015). Within international business theory, FSAs are the firm-specific capabilities that enable companies to overcome the liability of foreignness and compete effectively in international markets (Hennart, 2009; Rugman & Verbeke, 2001). This theoretical (Hennart, 2009; Rygh & Benito, 2022) tradition emphasizes how firms expand abroad when they possess FSAs that can be

profitably deployed in foreign markets. FSAs are heterogeneous across firms and may take the form of proprietary technologies, managerial capabilities, organizational routines, or privileged access to critical assets. The ability of a firm to compete internationally depends on whether it can develop, transfer, and exploit such FSAs across borders.

This focus on FSAs is especially useful for explaining why SOEs and private firms follow different internationalization trajectories. State ownership modifies both the type of FSAs a firm can cultivate (e.g., political ties vs. market-based capabilities) and the processes through which FSAs are accumulated (e.g., political mandates vs. competitive incentives) (Cuervo-Cazurra & Li, 2021; Pan et al., 2014). SOEs, embedded in political and bureaucratic structures, often develop distinct bundles of FSAs compared to private firms, with consequences for their ability to compete internationally. While private firms may rely more on technological, managerial, or reputational FSAs, SOEs may instead rely on political FSAs that derive from their close relationship with the government (Okhmatovskiy, 2010; Wu et al., 2021).

To capture this heterogeneity, we focus on three types of resources that differ in their degree of specificity and in their likelihood of being transformed into FSAs. Slack financial resources represent a generic form of resource that is broadly available to firms but rarely a source of sustainable advantage because they are easy to imitate and may reflect inefficiency rather than capability (Carnes et al., 2019). Intangible resources, such as technology, brands, or organizational knowledge, are more specific and, when properly cultivated, can form strong FSAs that support international competitiveness (Cassiman & Golovko, 2011). However, these resources are usually not well developed in SOEs. Finally, political resources are the most distinctive FSAs of SOEs. Non-market assets, such as diplomatic support or preferential access to host-country decision-

makers, can provide unique advantages for SOEs abroad (Albino-Pimentel et al., 2018; Duanmu, 2014).

State Ownership, Slack Resources, and Internationalization

The concept of slack resources has long been central to organizational theory and strategy research. Traditionally, slack has been defined as the pool of resources available to a firm beyond what is required for current operations, thereby constituting a buffer that allows organizations to respond flexibly to environmental changes and to undertake strategic initiatives (Bourgeois, 1981). In much of the literature, this surplus of resources, often in the form of financial reserves, excess capacity, or underutilized human capital, is conceived as an enabler of innovation, risk-taking, and international expansion (George, 2005; Greve, 2003; Shi et al., 2017). Yet, this perspective rests on an implicit assumption: that slack resources are effectively mobilized to support growth and internationalization. However, slack, particularly in its financial form, may not represent a strategic advantage but rather a manifestation of inefficiency and organizational inertia, especially in the context of SOEs.

Financial slack, often takes the form of liquid reserves or idle cash balances that remain unused within the firm (J. Tan & Peng, 2003). While such reserves theoretically provide firms with flexibility, they may simultaneously indicate managerial reluctance or inability to commit resources to productive investments (Nohria & Gulati, 1996; Voss et al., 2008). Firms with abundant slack may feel less pressure to pursue risky or costly international expansion (Nohria & Gulati, 1996). Excess liquidity can create a false sense of security, fostering complacency and reducing the pressure to pursue more demanding but strategically valuable initiatives such as foreign expansion. From this standpoint, slack resources are not neutral but detrimental: they reflect inefficiencies in capital allocation, opportunity costs from uninvested capital, and the

erosion of firm competitiveness (Williamson, 1996). Indeed, slack resources can be used for higher productive investments instead of being unproductive inside the firm.

This inefficiency perspective aligns with insights from international business theory, which stresses that multinational enterprises expand abroad when they can effectively deploy FSAs in combination with host-country conditions (Dunning, 1988; Hennart, 2009; Rugman & Verbeke, 1992). FSAs represent the proprietary capabilities, whether technological, organizational, or relational, that allow firms to overcome the liability of foreignness and to generate rents abroad (Hennart, 2009; Rugman & Verbeke, 2003). Crucially, financial slack in its liquid form does not constitute a meaningful FSA: it is easily replicable, non-proprietary, and does not provide differentiation in foreign markets. On the contrary, the presence of slack may delay or discourage the search for new growth opportunities, especially internationally, where firms must commit substantial resources to entry costs, local adaptation, and relationship building (Johanson & Vahlne, 2009; (Luo & Tung, 2007). Firms that retain large pools of financial slack in liquid form may lack the incentives to undertake these commitments, as idle capital is diverted away from productive international opportunities. Moreover, the presence of slack can hinder the perceived urgency of pursuing foreign expansion. Whereas resource-constrained firms may be compelled to search aggressively for new growth opportunities abroad, firms with ample liquidity may defer such decisions, relying instead on domestic rents or political protection (Shleifer & Vishny, 1997; J. Tan & Peng, 2003). This delay not only postpones internationalization but also weakens firms' competitiveness in global markets, as first-mover advantages and learning-by-doing processes are lost to more proactive competitors.

The relationship between state ownership and slack reinforces this view. While prior studies highlight that SOEs are often subject to strict budget constraints, bureaucratic oversight,

and political accountability that limit their ability to accumulate large financial reserves (Grosman et al., 2019; Peng et al., 2010), we argue that this reduction in slack can ultimately be beneficial for internationalization. By constraining the buildup of idle financial resources, state ownership curtails managerial discretion to retain liquidity for non-strategic purposes, thus reducing inefficiencies (Shleifer & Vishny, 1997). State ownership reshapes the incentives guiding resource allocation, pushing managers to deploy available resources in projects that generate tangible returns and align with broader policy priorities such as competitiveness and global presence (Cuervo-Cazurra et al., 2014; Musacchio & Lazzarini, 2014). Instead of being immobilized in unproductive slack, financial resources are redirected toward international expansion initiatives, ranging from market entry investments to building global partnerships, that not only advance firm growth but also serve national strategic objectives.

Furthermore, the presence of political monitoring and the need to justify resource use to governmental stakeholders reduce the likelihood that managers will hoard cash reserves or delay capital deployment. Political oversight, while often criticized as a constraint, can in this sense discipline managerial behavior by prioritizing visible, growth-oriented projects abroad that enhance both firm legitimacy and the government's international standing (Aguilera et al., 2021; Bruton et al., 2015). As a result, lower levels of slack in SOEs act not as a weakness but as a mechanism that channels resources into productive international commitments, accelerating rather than hindering internationalization.

Drawing on these arguments, we propose that slack resources, far from facilitating internationalization, limit it by tying up financial capital in non-productive forms. In SOEs, where political distortions are particularly pronounced, slack represents a barrier to foreign expansion rather than a buffer supporting it. Therefore, we propose the following hypothesis:

Hypothesis 1 (H1): State ownership relates positively to internationalization through its negative effect on slack resources.

State Ownership, Intangible Resources, and Internationalization

Intangible resources, encompassing technological capabilities, patents, brand value, managerial expertise, and organizational knowledge, constitute critical FSAs that underpin internationalization strategies (Contractor et al., 2016; Hitt et al., 2006). Unlike tangible assets, intangibles possess the distinctive property of scalability: they can be deployed across multiple foreign markets without being depleted, thereby amplifying their contribution to firm growth and competitiveness on a global scale (Kogut & Zander, 1993; Teece, 2014). Strong intangible FSAs enable firms to overcome the liability of foreignness (Zaheer, 1995), differentiate products, build reputational legitimacy, and capture higher margins abroad (Luo & Tung, 2007; Tseng et al., 2007). Consequently, firms that invest in and nurture such FSAs are better positioned to pursue aggressive and sustained international expansion.

State ownership, however, often undermines the accumulation and effective deployment of these FSAs. One key mechanism is the bureaucratic structure inherent in SOEs, where layers of oversight and rigid decision-making processes hinder the agility necessary for innovation and capability development (Lazzarini et al., 2021; Wright et al., 2021). Unlike private firms, which face constant competitive pressures to innovate, SOEs frequently operate under political or social mandates that dilute incentives for risk-taking and creativity (Cazurra et al., 2014a). As a result, investments in research and development, which are central to the creation of proprietary technologies, patents, and knowledge, tend to be less efficient and often subordinated to short-term political objectives (Cull et al., 2015; Sun et al., 2021).

Moreover, state ownership often insulates firms from competitive market forces through preferential access to financing, subsidies, or regulatory protection (Musacchio & Lazzarini, 2014; Genin et al., 2021). While such protection may stabilize SOEs in domestic markets, it reduces the urgency to differentiate through innovation and brand development. In terms of international business theory, this insulation prevents the continual renewal of FSAs that is necessary to remain competitive in global markets. Without competitive pressure, SOEs may fail to sustain the dynamic capabilities required to refresh and upgrade their intangible FSAs (He et al., 2022; Zhou et al., 2017). Over time, the absence of consistent investment in intellectual property, branding, and organizational knowledge results in weaker FSA portfolios relative to private-sector multinationals.

The erosion of intangible FSAs has direct implications for internationalization. In global markets characterized by intense rivalry and demanding consumers, technological leadership, strong brands, and credible reputations are indispensable FSAs for gaining market share and sustaining profitability (Shen et al., 2023; Wu et al., 2016). Without robust intangible FSAs, SOEs face difficulties in establishing legitimacy abroad, differentiating their offerings, and cultivating enduring relationships with local stakeholders. This weakens their ability to compete effectively against both established multinationals and agile local firms. Furthermore, weak brand recognition and limited technological capabilities may force SOEs to rely on cost-based strategies or politically negotiated access, both of which restrict the sustainability of their international expansion (Jia et al., 2019; Karolyi & Liao, 2017).

Taken together, these dynamics suggest that state ownership erodes the intangible FSAs that would otherwise facilitate internationalization. Rather than functioning as springboards for global competitiveness, SOEs' intangibles are often underdeveloped, underutilized, or

strategically misaligned with international growth imperatives. In this sense, intangible resources act as a negative mediator in the relationship between state ownership and internationalization, diminishing SOEs' ability to internationalize successfully.

These ideas are captured in the following hypothesis:

Hypothesis 2 (H2): State ownership relates negatively to internationalization through its negative effect on intangible resources.

State Ownership, Political Resources, and Internationalization

Political resources represent a distinctive form of FSAs that is particularly salient in the case of SOEs. Political connections fit this definition: they are non-tradable, difficult-to-imitate, and arise from a firm's privileged relationship with the state. These connections grant SOEs preferential access to information, treatment, and opportunities otherwise inaccessible through pure market competition (DeMello et al., 2024; Faccio, 2006; J. Li et al., 2018a; Okhmatovskiy, 2010).

Unlike tangible assets, which can be acquired and replicated relatively easily, political ties are embedded in enduring relationships with government agencies, policymakers, and diplomatic institutions. For SOEs, these resources arise naturally from their ownership structure and governance arrangements, which intertwine corporate strategies with governmental objectives (Carney et al., 2020; Liang et al., 2015). In the context of internationalization, such political FSAs can act as catalysts for overcoming barriers to foreign market entry. Expanding abroad often entails navigating regulatory uncertainty, institutional voids, and political risk (Luo & Tung, 2007; Zaheer, 1995). Political ties allow SOEs to leverage diplomatic support, preferential bilateral agreements, and access to international financing channels that mitigate these risks (Deng et al., 2018; Lebedev et al., 2021). For example, home governments may facilitate negotiations with

host-country authorities, lobby for favorable market access conditions, or provide guarantees that reduce the perceived liability of foreignness. In this sense, political resources function as a buffer, lowering both the costs and uncertainties associated with cross-border investment and operations (Huang et al., 2024; Pan et al., 2014).

Beyond lowering entry costs, political ties also enhance the legitimacy of SOEs abroad. Host-country stakeholders may perceive SOEs as extensions of their home governments, which can generate trust when political relations between states are cooperative (Li et al., 2018b; Zheng et al., 2015). This legitimacy can translate into preferential access to public contracts, infrastructure projects, or natural resources, particularly in emerging and developing economies where political considerations weigh heavily in business transactions (T. Chen et al., 2024; P. Sun et al., 2016). As such, political FSAs provide SOEs with a comparative advantage over private firms that must rely primarily on technological or brand-based FSAs to gain entry and legitimacy.

While prior studies have cautioned that political resources may anchor firms domestically by providing rents and protections that reduce incentives to expand internationally (Bai et al., 2021; Benito et al., 2016; Nuruzzaman et al., 2020), we argue that in the case of SOEs, the relationship is more nuanced. Their political embeddedness does not necessarily crowd out internationalization. Rather, it frequently extends to foreign markets through government-to-government relations, trade diplomacy, and policy coordination. Unlike private firms, which must build international legitimacy primarily through market-based FSAs such as brand reputation or technology, SOEs can deploy political FSAs as transferable advantages, opening doors in foreign jurisdictions that would otherwise remain closed. For instance, state-backed firms often participate in flagship infrastructure or energy projects abroad, supported by bilateral treaties and strategic partnerships that stem directly from political connections (Sawant et al., 2021; Tao et al., 2019).

In this way, political resources can be conceptualized as highly specific FSAs that enhance the internationalization potential of SOEs. They provide unique pathways for securing international contracts, reduce the risks associated with institutional uncertainty, and support the firm's long-term positioning in global markets. Importantly, while these resources may impose certain constraints, such as requiring firms to align corporate strategies with national objectives or limiting purely profit-driven motives (Chen et al., 2011; Huang et al., 2024), they nonetheless constitute a source of competitive advantage within international business theory. Political FSAs act as enablers rather than obstacles for the international growth of SOEs by facilitating cross-border expansion and mitigating risks that deter private competitors.

These arguments lead us to introduce the following hypothesis:

Hypothesis 3 (H3): SOEs relate positively to internationalization through their positive effect on political connections.

RESEARCH DESIGN

We employed Hedges and Olkin's meta-analysis (HOMA) in combination with meta-analytic structural equation modeling (MASEM) to examine the relationship between SOEs and firm internationalization. Below, we outline the strategies used to construct our meta-analytic dataset, define the measurement approaches, and detail the analytical procedures.

Sample and Coding

In line with recent guidelines (e.g., Cuervo-Cazurra et al., 2023b; Gonzalez-Mulé & Aguinis, 2018; Steel et al., 2021), we conducted several steps to build our meta-analytic sample. First, to identify the list of terms to be searched in the electronic databases, we consulted several literature reviews and meta-analyses concerning SOEs (Aguilera et al., 2021; Cuervo-Cazurra & Li, 2021; Cuervo-Cazurra et al., 2023a; Tihanyi et al., 2019) and firm internationalization (Arregle

et al., 2017; Beugelsdijk et al., 2018; Cuervo-Cazurra et al., 2023b). Second, we examined several electronic databases (ABI/INFORM, Business Source Complete, Google Scholar, JSTOR, and Social Sciences Citation Index), using keywords such as: ‘government-linked corporation,’ ‘government-linked company,’ ‘government ownership,’ ‘privatization,’ ‘SOE,’ ‘state control,’ and ‘state ownership,’ combined with ‘export,’ ‘foreign direct investment,’ ‘geographic diversification,’ ‘global,’ ‘international diversification,’ ‘internationalization,’ ‘MNC,’ ‘MNE,’ ‘mode of entry,’ and ‘multinational.’ Third, we manually searched nine ABS level 3, 4, and 4*-rated management journals (Chartered Association of Business Schools, 2018) that regularly publish articles on SOE and firm internationalization, including *Asia Pacific Journal of Management*, *Global Strategy Journal*, *International Business Review*, *Journal of International Business Studies*, *Journal of International Management*, *Journal of Management*, *Journal of Management Studies*, *Journal of World Business*, *Management International Review*, and *Strategic Management Journal*.

Fourth, to mitigate the “file drawer” problem (Rosenthal, 1979), we sought unpublished studies, including working papers, conference papers, and dissertations in the ProQuest Dissertations and Theses and the Social Science Research Network databases. Fifth, we performed a two-way snowballing technique by backward-tracing all references reported in the most highly cited articles and forward-tracing all articles that cited these studies via Google Scholar. Finally, we emailed scholars who authored empirical papers on SOEs and firm internationalization to request missing correlation matrices. After excluding non-empirical studies or articles not reporting correlation tables, articles where the variables of interests are not included in the empirical models, and non-English articles, our meta-analytic sample is based on 215 studies (204 published and 11 unpublished). Published studies come from 71 journals. The publication window

for all studies included in this meta-analysis ranges from 2004 to 2024. To mitigate reverse causality concerns, the effect sizes included in our sample measure SOE lagged or at the same period than the mediators and dependent variables (Vishwanathan et al., 2020). Since meta-analytic procedures are sensitive to the assumption of sample independence (Schmidt & Hunter, 2014), we reviewed each sample to ensure independence (Wood, 2008) and exclude overlapping samples.

Next, we developed a coding protocol for extracting the studies' effect sizes and sample size data for all the variables included in our model (Lipsey & Wilson, 2001). A co-author knowledgeable in SOE and international business research coded all the effect sizes. Another co-author randomly selected and coded 320 out of the 3,197 effect sizes, obtaining a high inter-rater agreement equal to .92 (Vishwanathan et al., 2020). We then discussed and solved the discrepancies.

Measures

State-owned enterprise (SOE). We consider firms identified as “state-owned enterprises” in the primary studies as SOEs. To address the heterogeneity in SOE definitions found in the literature (Cuervo-Cazurra et al., 2023a; Cuervo-Cazurra & Li, 2021), we include three measurements of SOE: (1) percentage state ownership (the share of state-owned capital in the total capital of the firm; e.g., Santangelo and Symeou, 2024); (2) state-majority owned firm (whether the state is the largest shareholder or ultimate controller of the firm; e.g., Du and Luo, 2016); and (3) state-minority owned firm (whether the state has a minority stake in the firm; e.g., DeMello et al., 2024). These measurements encompass all the operationalizations used in the primary studies included in this meta-analysis.

Firm internationalization. Following prior meta-analyses in international business (e.g., Arregle et al., 2017; Cuervo-Cazurra et al., 2023b), the *Firm internationalization* variable includes 16 internationalization measurements found in the primary studies. We grouped these measurements into eight categories, each representing a different type of internationalization process (Beugelsdijk et al., 2018): (1) location choice (e.g., Santangelo and Symeou, 2024); (2) early internationalization (e.g., Tang, 2019); (3) entry mode, whether equity-based (JVs, WOS, foreign direct investment; e.g., Pan et al., 2014; Shi et al., 2012), non-equity-based (exporting, outsourcing; e.g., Dong et al., 2022), and mixed equity- and non-equity-based (e.g., Sun et al., 2015); (4) establishment mode (greenfield venture, international acquisition; e.g., Alon et al., 2020; Chen et al., 2019); (5) level of internationalization (international scale, geographic scope, foreign sales to total sales, foreign assets to total assets, mixed level of internationalization measurements; e.g., Li et al., 2018; Sawant et al., 2021); and (6) subsidiary survival (e.g., Wang et al., 2023).

Our analyses include three mediators: (1) *Slack resources* concern the pool of excess, available, or uncommitted resources that a firm can use beyond its immediate operational needs. It often measured as the ratio of cash and short-term investment to total firm assets (e.g., Chen et al., 2021; Wang et al., 2022); (2) *Intangible assets* are a latent construct encompassing innovation (e.g., R&D expenditures, patent applications/granted, product innovation) and marketing measures (e.g., marketing and advertising expenditures), capturing a firm's ability to generate, apply, and commercialize knowledge in ways that are difficult for competitors to imitate (Sun et al., 2021; Wu & Ang, 2020); (3) *Political connections* are measured by the presence of current or former government officials on the firm's board or management team (Pan et al., 2014; Liang et al., 2015).

Consistent with Tihanyi et al. (2019), we focus on direct political involvement, excluding indirect measures such as lobbying expenditures and party donations.

Finally, we include four control variables that might affect SOEs' internationalization, namely *corporate governance practices* (i.e., principles to deter managerial self-interest and encourage shareholder orientation, including managerial incentives, board independence, and the separation between the role of CEO and chair; see Mutlu, van Essen, Peng, Saleh, & Duran, 2018), *firm size*, *firm age*, and *firm leverage*. All the variables included in our models were extracted from primary studies.

Meta-Analytic Procedure

We obtained the meta-analytic mean association between SOE and firm internationalization using Hedges and Olkin-type meta-analysis (HOMA; Hedges & Olkin, 1985). HOMA has been widely employed in international business research (e.g., Berrone et al., 2022; Cuervo-Cazurra, Duran, Arregle, & van Essen, 2022; Duran et al., 2019). As effect sizes, we extracted the Pearson product-moment correlations from primary studies to compute r (mean effect size). Additionally, we computed the standard error of r (SE), the 95 percent confident interval around r (CI 95%), Hedges and Olkin (1985) chi-square test for homogeneity (Q test), and the scale-free index of homogeneity (I^2). We opted not to use Fisher's z -scores (Schulze, 2004) to avoid upward bias and facilitate the interpretation of the results. To improve the parameter estimation accuracy, our meta-analytical sample includes all the correlations for the same relationship reported in a study (Bijmolt & Pieters, 2001).

We used meta-analytical structural equations modeling (MASEM; Bergh et al., 2016; Tihanyi et al., 2019) to evaluate our integrative model. This technique allows us to analyze the following path: (a) the direct association of SOE with firm internationalization, (b) the association

of SOE with slack resources, intangible assets, and political connections, and (c) the association of these mediating variables with firm internationalization. MASEM involves a two-step procedure (Bergh et al., 2016). We first build a meta-analytic correlation matrix by computing the HOMA mean effect sizes between all the variables included in our model. We calculate the harmonic mean sample size to deal with sample size differences across the effect sizes ($N = 56,045$). Compared to the arithmetic mean, the harmonic mean is more conservative and appropriate for estimating correct and conservative t -values (Geyskens, Steenkamp, & Kumar, 2006). Second, we treated the meta-analytic correlation matrix as the observed correlation matrix and inputted it into LISREL 8.80 software package.

RESULTS

Mediation Analysis

Table 1 reports the meta-analytic correlation matrix from the HOMA mean effect sizes, and the associated number of effect sizes and sample sizes. Table 2 contains the MASEM results. The model fits the data well ($\chi^2 = 299.95$; RMSEA = .042; SRMR = .011; CFI = .97; AGFI = .98). We find in Table 2 a negative relationship between SOE and slack resources ($b = -.018, p = .000$), which, in turn, is negatively related to firm internationalization ($b = -.021, p = .000$), thus supporting H1. Table 2 also indicates a negative relationship between SOE and intangible resources ($b = -.015, p = .001$), which, in turn, is positively related to firm internationalization ($b = .032, p = .000$), thus supporting H2. Finally, SOE is positively related to political connections ($b = .018, p = .000$), which in turn is positively associated with firm internationalization ($b = .019, p = .000$), therefore supporting H3. Overall, the MASEM results provide strong empirical evidence that SOE negatively relates to firm internationalization. Additionally, our analyses show that such association is mediated by a negative path through slack resources and intangible resources, and a

positive path through political connections. Figures 1 and 2 visually depict the results obtained in Table 2.

Table 1. Meta-Analytic Correlation Matrix

Variable	1	2	3	4	5	6	7	8	9
1 SOE	1	352 (1,498,989)	43 (215,364)	177 (1,601,530)	56 (68,636)	36 (45,835)	245 (1,251,917)	148 (1,113,925)	63 (354,531)
2 Firm internationalization	-.009 (.045)	1	53 (265,769)	256 (1,844,901)	87 (88,398)	47 (65,095)	371 (1,783,127)	237 (1,462,358)	105 (480,943)
3 Slack resources	-.036 (.109)	-.028 (.031)	1	22 (40,978)	9 (13,745)	9 (9,697)	34 (57,534)	22 (32,852)	8 (173,446)
4 Intangible resources	-.002 (.747)	.042 (.000)	.065 (.240)	1	42 (67,070)	21 (35,515)	169 (1,588,504)	121 (1,442,307)	51 (646,063)
5 Political connections	.035 (.158)	.033 (.016)	.007 (.816)	.018 (.098)	1	16 (33,961)	45 (65,461)	21 (22,859)	18 (39,961)
6 Corporate governance practices	.090 (.000)	.014 (.291)	-.027 (.318)	-.010 (.562)	.005 (.845)	1	31 (44,240)	14 (12,135)	13 (27,712)
7 Firm size	.152 (.000)	.120 (.000)	-.078 (.085)	.093 (.000)	.128 (.000)	.099 (.000)	1 (1,155,526)	142 (378,916)	71
8 Firm age	.056 (.000)	.033 (.000)	-.040 (.209)	.020 (.015)	-.004 (.878)	.066 (.001)	.137 (.000)	1	42 (303,390)
9 Firm leverage	.064 (.000)	.028 (.000)	-.132 (.040)	-.000 (.986)	.016 (.048)	.059 (.002)	.176 (.000)	.048 (.001)	1

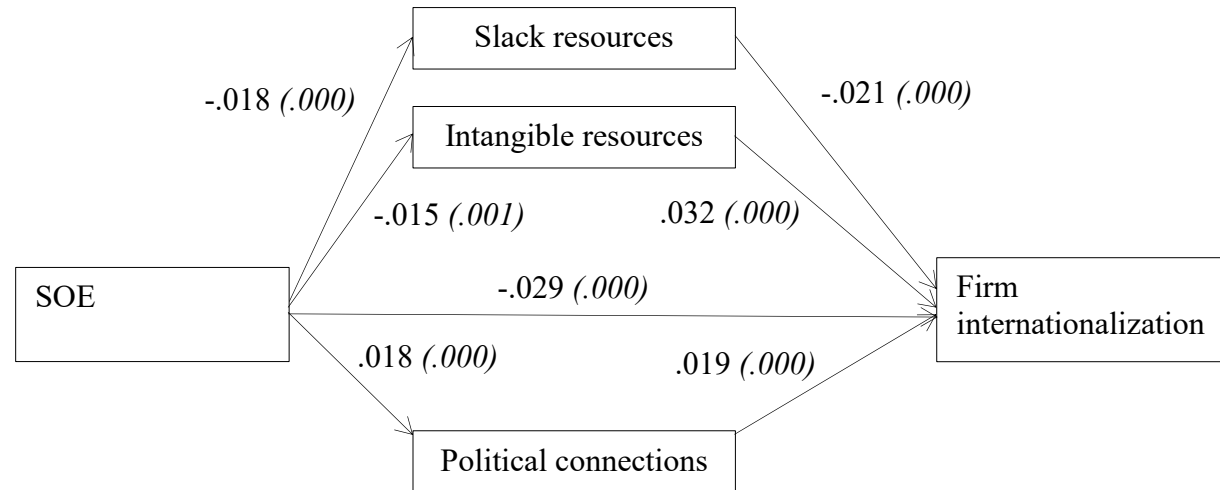
Cells below the diagonal report r (p -values, in parentheses). Cells above the diagonal report the number of effect sizes (k) and the total sample size (N , in parentheses) for the respective r . Harmonic mean $N = 56,045$.

Table 2. MASEM results

Predictors	Slack resources	Intangible resources	Political connections	Firm internationalization
SOE	-.018 (.000)	-.015 (.001)	.018 (.000)	-.029 (.000)
Slack resources				-.021 (.000)
Intangible resources				.032 (.000)
Political connections				.019 (.000)
Corporate governance practices	-.012 (.006)	-.018 (.000)	-.008 (.070)	.004 (.401)
Firm size	-.050 (.000)	.099 (.000)	.130 (.000)	.110 (.000)
Firm age	-.026 (.000)	.009 (.029)	-.022 (.000)	.017 (.000)
Firm leverage	-.120 (.000)	-.016 (.000)	-.007 (.126)	.006 (.177)
R ²	.022	.010	.017	.017
Harmonic mean <i>N</i>	56,045			
χ^2 (df)	299.95 (3)			
RMSEA	.042			
SRMR	.011			
CFI	.97			
AGFI	.98			

Standardized coefficients are reported; *p*-values are in parentheses.

Figure 1. Integrative model



Notes: For clarity of presentation, Figure 1 excludes control variables. Standardized coefficients are presented; *p*-values are in parentheses. $N = 56,045$ (harmonic mean).

Figure 2. Overall effect

IND. VAR	EFFECT	MEDIATORS	EFFECT	DEP. VAR.	MEDIATION EFFECT
SOE	-	Slack resources	-	Internationalization	+
	-	Intangible resources	+	Internationalization	-
	+	Political resources	+	Internationalization	+

DISCUSSION

The internationalization of SOEs has been largely debated in recent decades, following the increasing activity of multinational SOEs worldwide. This MASEM analysis provides a new mediation model highlighting the role of resources for the internationalization of SOEs. Overall, although state ownership shows a negative relationship with internationalization, different mediation mechanisms have a diverse impact, helping to explain this negative relationship. We focus our attention on three specific kinds of resources discussed in the academic literature of international business and governance: slack, intangible, and political resources.

Theoretically, we contribute to international business theory by applying the concept of FSAs to the context of state ownership and clarifying the role of different types of resources in shaping the internationalization of SOEs. Empirically, through a MASEM analysis based on 215 studies and 56,045 effects, we found support for the hypotheses proposed. Moreover, our findings reveal that not all resources serve as facilitators for internationalization. In the context of internationalization, the availability and quality of different FSAs lead to mixed results. Previous literature has generated a wide debate regarding the positive or negative effect of state ownership on internationalization. Considering diverse measures and constructs leads to different and sometimes opposite results. We clarify the essence of this relationship, arguing that the effect changes according to the FSAs involved in different SOEs and contexts. SOEs with more political FSAs and fewer slack resources will be more prone to undertake international investments, while SOEs with weaker intangible FSAs will be constrained in their internationalization activities. The impact of resources available for SOEs' internationalization provides different theoretical implications that we discuss further.

The Role of Slack Resources in SOEs' Internationalization

Within international business theory, only resources that can be transformed into FSAs provide firms with sustainable advantages in foreign markets (Rugman & Verbeke, 2001). Slack resources represent a generic but potentially useful element of a firm's portfolio. They consist of surplus funds and reserves that, in principle, may serve as a buffer against uncertainty and provide flexibility for long-term investments (Bourgeois, 1981; George, 2005). However, slack in its financial form rarely becomes an FSA: it is easily replicable, not proprietary, and often reflects inefficiency and organizational inertia rather than strategic readiness.

Financial slack, typically embodied in idle cash balances or liquid reserves, immobilizes capital that could otherwise be invested in building genuine FSAs such as international investments and market knowledge (Williamson, 1996). Abundant slack may reduce managerial incentives to take risks or pursue demanding initiatives abroad, fostering complacency and dependence on domestic rents (Nohria & Gulati, 1996; Shleifer & Vishny, 1997). From an international business perspective, slack fails to qualify as a firm-specific advantage because it cannot be deployed abroad to overcome the liability of foreignness or to generate differentiation in global competition (Johanson & Vahlne, 2009; Zaheer, 1995).

In the case of SOEs, state ownership alters the dynamics of slack by constraining its accumulation and compelling managers to employ resources more productively. Political oversight, budgetary controls, and the need to justify expenditures to governmental principals limit managerial discretion to accumulate liquidity or divert funds to non-strategic uses (Grosman et al., 2016; Grosman et al., 2019; Peng et al., 2010). These constraints, often criticized as rigidities, can instead operate as disciplining mechanisms that prevent slack from degenerating into inefficiency. Rather than preserving idle reserves, SOEs are incentivized to direct resources into initiatives that

yield observable returns and align with governmental priorities, such as competitiveness and global presence (Cuervo-Cazurra et al., 2014; Musacchio & Lazzarini, 2014). In this way, the absence of large slack pools in SOEs creates conditions under which resources are more readily converted into FSAs with international relevance.

This transformation is crucial for internationalization. When slack is reduced, managers face stronger incentives to seek new opportunities abroad and deploy available funds to build capabilities that enhance the firm's position in global markets. International investments, in this sense, serve both as growth opportunities and as signals of efficient and accountable resource use. Moreover, alignment with state priorities means that internationalization projects often receive complementary political and diplomatic support, further increasing their strategic value and helping to transform limited resources into FSAs (Aguilera et al., 2021; Bruton et al., 2015).

In summary, slack resources do not inherently constitute FSAs in the context of SOEs. On the contrary, slack often undermines competitiveness by immobilizing capital in non-productive forms. By limiting slack, state ownership prevents inefficiencies and fosters resource channeling toward projects with higher international value. Our findings support the view that slack resources mediate positively the relationship between state ownership and internationalization precisely because their reduction allows SOEs to develop FSAs aligned with global expansion. By disciplining managers and redirecting financial capital into productive commitments, limited slack enhances the capacity of SOEs to compete internationally and reframes a traditionally generic resource into a strategic enabler of internationalization.

The Role of Intangible Resources in SOEs' Internationalization

Intangible resources, such as technological know-how, brands, organizational routines, and managerial capabilities, occupy an intermediate level of resource specificity: they are embedded

within the firm yet broadly applicable across markets. Unlike slack resources, which tend to be generic and easily replicable, intangibles can provide the basis for differentiation and sustained international competitiveness, since they can be leveraged across multiple geographies without depletion (Kogut & Zander, 1993; Teece, 2014). When effectively developed, these intangibles become strong FSAs, allowing firms to overcome the liability of foreignness, to build legitimacy, and to capture premium margins abroad.

Our findings indicate, however, that SOEs face persistent challenges in cultivating these intangibles and in converting them into FSAs with international relevance. Structural impediments such as bureaucratic inertia, overlapping political objectives, and weak market incentives reduce the efficiency of innovation processes and hinder the accumulation of proprietary capabilities (Genin et al., 2021; Tan et al., 2020). Instead of channeling resources toward R&D, branding, or organizational learning, SOEs often allocate efforts to satisfy short-term political mandates such as employment guarantees, infrastructure projects, or development goals. These activities generate legitimacy at home but offer little transferable FSA value abroad (Cull et al., 2015; Sun et al., 2021).

From an international business perspective, the weakness of intangibles as FSAs significantly limits SOEs' ability to compete internationally. Without strong technological know-how, brands, or organizational capabilities, SOEs must rely on less distinctive sources of advantage, such as scale or state support, which are less effective in competitive foreign markets. The absence of robust intangible FSAs undermines differentiation strategies, hinders the ability to command premium prices, and restricts the building of reputational legitimacy abroad (Zaheer, 1995; Luo & Tung, 2007).

Another implication is that weak intangible FSAs constrain the transferability of domestic advantages into foreign contexts. Whereas intangibles such as knowledge or brand recognition can normally be scaled across borders at low marginal cost, SOEs that fail to develop these assets domestically cannot replicate them abroad. This weakens their position relative to private multinationals that rely on portfolios of strong intangible FSAs accumulated through innovation-driven growth and global branding (Wu et al., 2016; Shen et al., 2023). Even when SOEs succeed in securing foreign market access through political FSAs, the absence of complementary intangibles reduces their long-term competitiveness.

Overall, our analysis underscores that while intangible resources are central to international business success, in SOEs they often remain underdeveloped or misaligned with global market requirements. By failing to convert intangibles into FSAs, SOEs are constrained in their ability to internationalize successfully. This negative mediation effect highlights a crucial theoretical point: in international business theory, what matters is not merely the possession of resources but their transformation into FSAs that can be deployed across borders. SOEs often fail in this transformation process, resulting in weaker internationalization outcomes.

The Role of Political Resources in SOEs' Internationalization

Political resources represent the most specific and distinctive FSAs available to SOEs, arising directly from their ownership structure and their embeddedness within state networks. Again, from an international business perspective, FSAs are valuable when they enable firms to overcome the liability of foreignness and to generate advantages abroad (Rugman & Verbeke, 2001). Political ties meet these conditions precisely because they are difficult to imitate, rooted in privileged state–firm relationships, and transferable across borders through diplomatic and institutional channels.

Through their connections to government agencies, policymakers, and diplomatic institutions, SOEs can leverage political resources to reduce the liability of foreignness, secure privileged access to host-country decision-makers, and unlock opportunities in politically sensitive sectors such as energy, infrastructure, or telecommunications (Clegg et al., 2018; Pan et al., 2014; Zheng et al., 2015). Our findings confirm that state ownership amplifies both the acquisition and the deployment of these FSAs, as governments actively promote the international initiatives of SOEs, mobilizing diplomatic channels, intergovernmental agreements, and bilateral trade frameworks in support of their ventures (Bai et al., 2021; Hu et al., 2019; Mariotti & Marzano, 2020, 2021). In practice, this translates into preferential treatment in public procurement, smoother negotiations for regulatory approvals, or even the ability to enter markets inaccessible to private firms due to political sensitivities (Cui & Jiang, 2012; De Beule & Zhang, 2022).

At the same time, political FSAs are context-dependent, with their value shaped by the stability and continuity of intergovernmental relations. Their effectiveness may fluctuate with geopolitical dynamics, diplomatic frictions, or shifts in host-country policy priorities (Huang et al., 2024; Sun et al., 2016). This embeddedness highlights both the power and the vulnerability of political FSAs. On the one hand, they allow SOEs to bypass conventional barriers to internationalization; on the other hand, their sustainability depends on external political dynamics beyond the firm's control.

Moreover, while political FSAs can substitute for market-based advantages in the short term, overreliance on them risks crowding out the development of more transferable FSAs such as innovation, branding, or organizational learning (Okhmatovskiy, 2010; Zheng et al., 2015). Firms that rely excessively on political endorsement may underinvest in intangibles essential for long-term adaptability. This creates a paradox: political resources act as powerful enablers of

internationalization but can also constrain the development of complementary FSAs needed for sustained competitiveness abroad.

By positioning political resources at the apex of the specificity spectrum, our study contributes to international business theory by illustrating how highly specific, non-market FSAs uniquely shape internationalization strategies. They are powerful tools for overcoming entry barriers, building legitimacy, and accessing resources in foreign markets, yet their effectiveness depends on being integrated with broader FSA development. For SOEs, long-term competitiveness requires balancing the immediate advantages of political support with the cultivation of enduring market-based FSAs. Only by combining political ties with innovation, branding, and organizational learning can SOEs ensure that their internationalization pathways are not just politically facilitated but also commercially sustainable (Cuervo-Cazurra & Li, 2021; Xia et al., 2014).

CONCLUSION

This study advances our understanding of how state ownership influences the internationalization of firms by disentangling the mediating role of three different types of resources (slack resources, intangible resources, and political resources) within the framework of international business theory. Using a MASEM approach based on 215 empirical studies, we provide robust evidence that the concept of FSAs offers a powerful lens for analyzing the internationalization of SOEs, while also showing that the international value of resources depends on their specificity and on whether they can be effectively converted into FSAs.

Our findings indicate that state ownership generally has a negative direct relationship with internationalization. However, this relationship is mediated in different ways depending on the type of resource. Slack resources, when accumulated, tend to represent inefficiencies that

immobilize capital and reduce the urgency and ability to internationalize. In SOEs, the reduction of slack, driven by political oversight and accountability mechanisms, acts as a disciplining force, enabling resources to be redirected toward strategic commitments abroad, thereby turning a generic resource into a potential enabler of internationalization. Intangible resources, by contrast, are often eroded in SOEs: bureaucratic inertia, weak innovation incentives, and politically driven priorities undermine the development of technological, reputational, and organizational capabilities that could otherwise serve as FSAs with strong international value. As a result, intangibles emerge as a negative mediator in the relationship between state ownership and internationalization. Political resources, finally, represent the most distinctive FSAs for SOEs. Rooted in their embeddedness in state structures, these resources facilitate access to foreign markets, reduce liabilities of foreignness, and unlock opportunities in politically sensitive industries. In this way, political resources act as powerful positive mediators between state ownership and internationalization.

Theoretically, this paper contributes to international business theory and the literature on state capitalism by clarifying that the international value of resources depends not only on their availability but on their transformation into FSAs. By positioning slack, intangible, and political resources along a spectrum of specificity, we show that resources differ in their ability to support or constrain internationalization. Slack, as a generic resource, rarely becomes an FSA unless constrained and mobilized productively. Intangibles, as semi-specific resources, can become FSAs but are frequently weakened in SOEs. Political ties, as highly specific resources, represent the strongest FSAs available to SOEs, though they carry risks of overdependence and contextual vulnerability. This framework reconciles conflicting perspectives in the debate on state ownership

and internationalization, showing that differences in resource bundles and their transformation into FSAs explain much of the variation in SOEs' global strategies.

Empirically, our results suggest that managers and policymakers should pay careful attention to the processes through which SOEs develop and deploy resources. Rather than treating all resources as equally enabling, they must recognize that slack often undermines competitiveness unless tightly managed, intangibles require sustained investment and organizational commitment, and political resources, while powerful, must be integrated with broader capability-building strategies to ensure long-term adaptability. The central task for managers and policymakers is to design strategies that convert available resources into FSAs that directly support SOEs' success in international competition.

Future research

This study provides new explanations to understand the relationship between state ownership and internationalization, which opens several avenues for future inquiry. First, while our meta-analytic approach provides generalizable evidence, it aggregates across diverse national and sectoral contexts. Future research could examine country- or industry-specific patterns to capture institutional nuances such as state capacity, policy orientation, or the degree of political embeddedness in different settings. Second, our operationalization of resources reflects the measures available in primary studies. More fine-grained data on the quality and deployment of intangibles and political resources would provide deeper insight into how FSAs are built and sustained. Third, while we conceptualize resource specificity as a key explanatory factor, further studies should explore how different types of FSAs evolve dynamically over time, particularly in response to shocks such as geopolitical tensions, technological disruption, or global crises. Fourth, qualitative and longitudinal analyses could complement meta-analytic findings by uncovering the

micro-processes through which SOEs convert their resources into FSAs with international relevance. Finally, ownership heterogeneity remains an important frontier for future work. Scholars could examine how varying degrees of state involvement shape the transformation of resources into FSAs, whether political resources are amplified, slack is disciplined, or intangibles are cultivated, across different ownership structures (e.g., majority vs. minority state ownership). Such analyses would not only refine our understanding of governance and resource dynamics but also deepen the integration of international business theory with the comparative study of state capitalism.

In sum, by integrating international business theory with a mediation analysis of resource specificity, this study provides a more granular explanation of when and how SOEs succeed in international markets, contributing to resolving the debate on the influence of state ownership on internationalization. We encourage both scholars and practitioners to approach SOEs' internationalization not as a uniform phenomenon, but as the outcome of complex interactions between resource development, FSA transformation, and the strategic alignment of firm capabilities with the demands of global competition.

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NETWORK CENTRALITY AND ESTABLISHMENT MODES: A KNOWLEDGE-BASED VIEW ON BOARD INTERLOCKS

ABSTRACT

Firms expanding abroad must decide whether to make or to buy, establishing foreign presence through greenfield investments or acquisitions. We investigate how a firm's position in the network, captured by board interlock centrality, shapes these choices. Applying a Knowledge-Based View approach, we first distinguish between generalist and specialized knowledge a firm gains from networks. We argue that network centrality provides higher generalist knowledge, which is useful in decreasing the risk perceived in the host country. Because generalist knowledge is easier to transfer and deploy, it favors replication over assimilation, tilting firms toward greenfield rather than acquisition. The same mechanism lowers setup and coordination frictions, enabling larger greenfield footprints, while reducing the marginal benefit of purchasing large, bundled targets and thus leading to smaller acquisitions. We test these ideas on a panel of 2,138 European listed firms between 2015 and 2023, linking event-level greenfield investments and cross-border acquisitions to annually constructed board interlock networks. The paper contributes to international business literature on the establishment modes, investigating how network centrality, through the lens of the Knowledge-Based View, provides useful knowledge to realize new and larger greenfield investments compared to cross-border acquisitions.

Keywords: knowledge-based view, board interlocks, network centrality, establishment modes, greenfield investments, acquisitions, internationalization.

INTRODUCTION

Establishing operations abroad requires firms to solve knowledge problems. Some of the knowledge needed to operate in a host market is generalist and reusable, such as process blueprints for site selection and capacity staging, governance and HR routines, and access to high-reliability intermediaries. Other knowledge is specialized, such as technological skills and patents. The Knowledge-Based View (KBV) positions the firm as a social community specialized in integrating, protecting, and deploying knowledge (Grant, 1996; Kogut & Zander, 1992; Nonaka, 2009). From this perspective, foreign establishment modes are alternative knowledge-governance solutions. Greenfield investments replicate a firm's non-location-bound advantages, while acquisitions bundle and import location-bound knowledge, but at the cost of selection and integration hazards (Harzing, 2002; Hennart & Park, 1993; Slangen & Hennart, 2007).

A long tradition in international business (IB) has examined the trade-offs between make or buy abroad, and a parallel literature has documented how interorganizational networks channel information, confer legitimacy, and shape internationalization paths (Davis, 1991; Haunschild, 1993; Johanson & Vahlne, 2006; Mizuchi, 1996). Yet, we still know relatively little information about how a firm's position in corporate director networks conditions not only which establishment mode a firm adopts, but also how much it commits at entry. Prior research shows that board networks relate to the pace and scope of international expansion (Wu et al., 2021) and that host-country alliance positions influence post-entry establishment modes (Y. Zhao et al., 2021). However, the micro-foundations linking board interlock centrality to the establishment mode and the size of initial commitments remain undertheorized, and the field has rarely distinguished between the generalist knowledge that centrality delivers and the specialized knowledge it does not.

We address this gap by developing and testing a KBV perspective of network centrality in establishment decisions. We argue that central firms are exposed to diverse organizational templates and intermediaries and enjoy a status that lowers counterparties' screening costs, thereby augmenting the firm's stock of generalist, reusable knowledge and reducing uncertainty. In contrast, specialized, location-bound knowledge, which often motivates acquisitions, remains outside what centrality alone can supply. This distinction yields sharp predictions. First, centrality increases the likelihood of greenfield over acquisition. Second, conditional on mode, it enables larger greenfield investments by compressing coordination and learning costs, while encouraging smaller acquisitions that selectively internalize needed assets and economize on post-merger integration (Haleblian et al., 2009).

We test these ideas using a novel panel of 2,138 European listed firms between 2015 and 2023, matching event-level cross-border greenfield investments and acquisitions to annual board interlock networks built from shared directors. Empirically, network centrality is computed on the one-mode firm-firm network and merged with firm-year and event data. Through quantitative panel data regressions, we investigated and tested our theoretical framework. Our findings confirm all hypotheses. Network centrality makes firms more inclined to greenfield investments compared to acquisitions. Moreover, it favors larger greenfield and smaller acquisitions in terms of size.

The paper makes three main contributions. Theoretically, it advances a KBV explanation of foreign establishment by specifying network-based micro-foundations, such as vicarious learning about execution processes, pipelines of credible intermediaries, and status-based legitimacy, that differentiate generalist from specialized knowledge and explain when networks substitute for purchases of embedded knowledge (Grant, 1996; Haunschild, 1993; Kogut & Zander, 1993; Mizruchi, 1996). Second, it elevates commitment size as a central outcome of

knowledge governance in IB, showing how the same centrality that favors greenfield entries also influences initial investments. Third, it connects director-level formal networks to establishment choices, extending evidence from alliance networks and enriching recent reassessments of internalization theory (Cuypers et al., 2021; Hennart & Verbeke, 2022; Wu et al., 2021; Zhao et al., 2021).

THEORY AND HYPOTHESIS DEVELOPMENT

Knowledge-based view

The KBV conceives the firm as a social community specialized in the integration and application of knowledge (tacit and codified) under conditions of bounded rationality and incomplete contracts (Grant, 1996; Kogut & Zander, 1992; Nonaka, 1994). Three assumptions are central. First, knowledge is heterogeneous across firms and often sticky, so its transfer and replication entail costs and hazards (Szulanski, 1996). Second, competitive advantage stems from a firm's combinative capabilities, such as its routines for creating, recombining, and transferring knowledge, and from coordination mechanisms that protect and leverage that knowledge (Grant, 1996; Kogut & Zander, 1993). Third, to benefit from external knowledge, firms require absorptive capacity, so the ability to recognize, assimilate, and apply knowledge, making prior related knowledge and external interfaces pivotal (Borgatti et al., 2024).

Applied to IB, KBV implies that establishment mode choices reflect alternative knowledge-governance solutions. Greenfield subsidiaries replicate a firm's non-location-bound firm-specific advantages, such as its blueprints, routines, and managerial systems, in a new context. This is attractive when the firm possesses transferable capabilities and when local complementary assets are generic or can be accessed contractually. By contrast, acquisitions bundle pre-assembled, location-bound knowledge (e.g., local customer relationships, regulatory

know-how, tacit operational routines) that are otherwise difficult to build from scratch, but they impose heavy post-merger integration and knowledge assimilation costs (Brouthers & Hennart, 2007; Harzing, 2002; Hennart & Park, 1993). Classic establishment-mode research shows that the relative attractiveness of greenfield versus acquisition hinges on the trade-off between replicating internal knowledge and buying external, locally embedded knowledge under uncertainty (Harzing, 2002; Hennart & Park, 1993; Slangen & Hennart, 2007)

From a KBV perspective, social networks are not just an “opportunity set” but a knowledge infrastructure that shapes both the stock of generalizable knowledge a firm can deploy abroad and the costs of accessing and integrating local knowledge. Board-level networks, in particular, are unique because they simultaneously channel vicarious learning about strategies and processes, provide access to specialized knowledge intermediaries (advisors, auditors, investment banks), and confer status and legitimacy that reduce information asymmetries vis-à-vis external stakeholders (Davis, 1991; Haunschild, 1993; Mizruchi, 1996). The KBV predicts that a firm’s position within interorganizational knowledge networks, proximately, its centrality in interlocking directorate networks, conditions both how it solves the “make vs. buy” problem and, conditional on a given mode, how large a bet it is willing and able to place.

Board Interlocks

Board interlocks are defined as the ties formed when a director simultaneously serves on multiple corporate boards, creating stable conduits for information, norms, and influence across firms (Davis, 1991; Haunschild, 1993; Haunschild & Beckman, 1998; Mizruchi, 1996). Through these ties, firms observe peers’ strategic moves, access expert intermediaries (e.g., law firms and advisors repeatedly used within a network), and gain early warnings about regulatory and market shifts. Interlocks thus support vicarious learning and the diffusion of complex practices such as

poison pills, governance innovations, or acquisition routines (Davis, 1991; Haunschild, 1993). They also function as status signals in markets where outsiders infer quality from network prominence, thereby reducing counterparties' due diligence costs and easing stakeholder approval (Mizruchi, 1996).

Within IB, recent reviews emphasize that director networks and related formal ties shape internationalization by lowering information and legitimacy barriers and by channeling both general and context-specific market knowledge (Han et al., 2024; Kurt & Kurt, 2020). Board interlocks have been used to capture top management teams' (TMT) formal external network centrality and to show that centrality correlates with broader and faster foreign expansion, with effects moderated by institutional environments and state linkages (Wu et al., 2021). Methodologically, interlock-based centrality has been operationalized with standard social-network measures (degree, betweenness, closeness, eigenvector centrality) computed on interfirm director-overlap adjacency matrices (Bonacich, 1987; Freeman, 1978; Wasserman, 1994; Wu et al., 2021).

Critically, interlocks transmit not only “what” decisions peers made, but “how” they executed them (process knowledge). For establishment modes, interlocks diffuse due diligence templates, integration playbooks, site-selection heuristics, and vendor lists. A long tradition links interlocks to the spread of acquisition activity and even to acquisition premiums through social imitation, status considerations, and shared advisors (Haunschild, 1993; Haunschild & Beckman, 1998). At the same time, IB research increasingly stresses that centrality can also substitute for some of the knowledge typically purchased via acquisitions by providing generalist, reusable knowledge and connections that facilitate replication (Ahsan et al., 2023; Y. Zhao et al., 2021).

Network Centrality and Internationalization

Network research identifies centrality as a privileged structural position that affords superior access to diverse and timely information, coordination benefits, and status-based reputational advantages (e.g., degree, eigenvector, and closeness centrality: Bonacich, 1987; Borgatti et al., 2024; Chen et al., 2022; Freeman, 1978). In business networks, centrality makes an actor both a “pipe” for information flows and a “prism” that signals quality to others, thereby shaping exchange opportunities and partner selection (Podolny, 2001; Suchman, 1995). In IB literature, these advantages translate into concrete mechanisms that help firms overcome the liabilities of foreignness and outsidership by easing partner search, reducing information asymmetries, conferring legitimacy, and shortening learning curves (Johanson & Vahlne, 2006). Consistent with this logic, recent evidence and reviews indicate that firms occupying more central positions in relevant networks, whether at home or in host countries, tend to internationalize more, and often faster, though effects hinge on network type (domestic vs. host-country or formal vs. informal) and institutional context (e.g., developed vs. emerging markets) (Han et al., 2024).

A KBV interpretation clarifies why. Centrality expands a firm’s stock of generally applicable (non-location-bound) knowledge through exposure to varied practices and templates, while status reduces environmental uncertainty and search/coordination costs. Central firms thus enjoy richer vicarious learning and stronger absorptive capacity for codifiable, transferable routines and capabilities that are especially useful when replicating activities across borders and when mobilizing high-quality advisors, intermediaries, and partners (Borgatti et al., 2024; Suchman, 1995). In turn, the ability to routinize and replicate lowers the experiential hurdles emphasized by process models of internationalization and mitigates outsidership hazards (Johanson & Vahlne, 2006).

Through interlocks, directors and top managers connect firms to the broader corporate elite, yielding privileged, timely access to high-level market intelligence, governance know-how, deal intermediaries, and “best-practice” routines. At the same time, interlocks act as public signals of status and quality, visible even to non-neighbors in the network (Hillman et al., 2000; Podolny, 2001). TMTs linked to other well-connected TMTs are more central and, in turn, their firms expand abroad more readily, especially in developed markets where formal ties substitute for weaker informal institutions and status cues are heavily valued (Wu et al., 2021).

Importantly, centrality is multifaceted and maps onto distinct knowledge mechanisms. Degree centrality tends to reflect breadth of direct contacts and thus access to a wide variety of practices and partners. Eigenvector centrality magnifies this by weighting connections to other high-status actors, strengthening reputational spillovers. Closeness centrality reduces average path length to others, accelerating discovery and diffusion of practices. By contrast, betweenness centrality/brokerage confers control over nonredundant information and opportunities to recombine heterogeneous knowledge, often producing novel solutions and governance challenges (Burt et al., 2004; Freeman, 1978). This distinction matters for internationalization: centrality primarily enhances replication and legitimacy, while brokerage primarily enhances recombination and niche exploration. Evidence in IB supports these differentiated channels and boundary conditions. A large-sample study of Chinese listed firms shows that TMT formal network centrality (through interlocks) raises the hazard of foreign market entry, with stronger effects for expansion into developed economies. For instance, state ownership strengthens, and political ties often weaken, the centrality–internationalization link depending on host institutional maturity (Wu et al., 2021). Complementing this, recent research on networks in IB highlights how centrality, at home and in host-country networks, facilitates legitimacy building, partner access, and learning,

but also interacts with firm-level absorptive capacity and contextual features (Han et al., 2024). Finally, domestic alliance-network positions influence geographic scope: centrality, range, and clustering shape whether MNEs remain regionally focused or expand globally, with non-linearities and strong moderation by absorptive capacity (Iurkov & Benito, 2018).

Centrality is not unambiguously beneficial. Over-embeddedness may trap firms in local routines, increase redundancy of information, and constrain strategic autonomy (Uzzi, 1997). Status can amplify isomorphic pressures, nudging firms toward conformity rather than exploration. High constraint can also reduce access to novel, nonredundant knowledge (Burt, 2004). IB studies reveal analogous downsides. Changes that increase domestic centrality can raise the opportunity cost of maintaining far-flung operations, triggering foreign divestments when uncertainty is high (Iurkov & Benito, 2020). These findings underscore that centrality's value is contingent on the knowledge problem (replication vs. recombination) and where the relevant knowledge resides (home vs. host country).

Host-country network position further shapes post-entry trajectories and governance. In host-country alliance networks, being central and being a broker entail distinct knowledge advantages with distinct implications for establishment choices: central firms leverage broad knowledge access and legitimacy, whereas brokers excel at combining proximate but heterogeneous knowledge (Zhao et al., 2021). This helps explain why centrality is often associated with more rapid within-country expansion and smoother partner attraction (legitimacy/status), while brokerage relates more to exploration and novel recombinations that may require flexible governance and staged commitments.

Moreover, context and network type matter. In developed institutional environments, formal interlocks centrality's benefits travel across organizational boundaries more reliably. In

emerging markets, informal ties may substitute for weaker formal institutions, and political embeddedness can either complement or crowd out the informational benefits of managerial interlocks (Wu et al., 2021; Han et al., 2024). Furthermore, domestic centrality equips firms with replicable routines and high-quality advisors for outward foreign direct investments. However, it may simultaneously intensify attractive home opportunities and thus raise the hurdle for sustaining distant operations under uncertainty (Iurkov & Benito, 2020). Host-country centrality, in turn, reduces outsidership and accelerates post-entry learning and legitimacy acquisition.

Bringing these insights together through a KBV lens, centrality derived from board interlocks should augment firms' generalizable knowledge base, reduce uncertainty via status and third-party endorsements, and widen the set of credible partners and advisors. These mechanisms increase the feasibility of replication-intensive internationalization (e.g., greenfield investments) and shape the efficient commitment scale by lowering setup, coordination, and monitoring costs and decreasing the perceived risk abroad. Conversely, when the core knowledge to be internalized is idiosyncratic and location-bound (e.g., tacit production know-how tied to a local ecosystem), acquisitions remain attractive, but central firms can buy less because their interlock-derived knowledge and ties substitute for some of the assets and capabilities that would otherwise need to be purchased and integrated, thereby containing deal size and post-merger integration risk (Haleblian et al., 2009; Haspeslagh & Jemison, 1991; Hennart & Park, 1993). In sum, centrality tends to tilt firms toward replication where feasible, and, when acquisition is required, to more selective, capability-complementing deals.

Network Centrality and Establishment Modes

In international business, the establishment mode debate (greenfield vs. acquisition) turns on how firms access, integrate, and protect the knowledge needed to compete locally. Greenfields

align the subsidiary with the parent's routines, culture, and control systems, but typically require more time to build local relational assets and market legitimacy. Acquisitions offer speed and pre-bundled location-bound knowledge (customer ties, regulatory know-how, tacit operating routines), but they raise selection risk, integration hazards, and the possibility of overpayment (Harzing, 2002; Hennart & Park, 1993; Slangen & Hennart, 2007). From a KBV, these are alternative governance solutions to a knowledge problem: replicate internally held, generalizable knowledge (greenfield) or buy externally held, idiosyncratic knowledge (acquisition). Which solution dominates depends on the focal firm's existing knowledge stock and on what it can access through its relationships. In this vein, a network perspective adds that embeddedness can reweight the trade-offs: ties may substitute for some of the knowledge otherwise purchased via acquisition, or complement internal capabilities by improving due diligence, integration planning, and stakeholder management (Cuypers et al., 2021; Han et al., 2024). Recent evidence from host-country alliance networks shows that network position matters for establishment mode in subsequent entries: centrality is associated with shifts toward greenfield via broad knowledge access and status, whereas brokerage relates more to recombination logics that can favor acquisitions (Zhao et al., 2021).

Grounded in KBV, board-interlocks centrality primarily equips firms with generalist, reusable knowledge and portable legitimacy. Directors who sit on multiple boards observe how different firms structure site selection, qualify suppliers, design HR and compliance systems, and stage capacity roll-outs. Over time, this exposure yields modular frameworks that are easier to codify and redeploy across countries, raising the feasibility of replication at entry. Central boards also provide reliable access to high-quality intermediaries, such as investment banks and law firms, lowering uncertainty in permitting, construction, staffing, and supply-chain set-up, which are

classic greenfield bottlenecks. The reputational benefits of centrality further ease approvals and counterparties' concerns, enabling larger initial footprints when warranted. Conversely, the informational advantages that central firms already enjoy reduce the incremental value of buying the bundle through a large acquisition. When much of the needed know-how and access can be mobilized via the network, the premium paid for embedded knowledge yields a smaller net gain, particularly at scale (Ahsan et al., 2023; Han et al., 2024; Hennart & Park, 1993; Wu et al., 2021).

These mechanisms lead to our first hypothesis:

Hypothesis 1 (H1): Firms with higher network centrality are more likely to engage in Greenfield investments rather than M&As.

Centrality increases access to broadly applicable knowledge and credible partners, reduces fixed set-up costs, and supplies status that mitigates outsidership, thus making replication viable at entry. This is consistent with evidence that centrality in host-country networks predicts more greenfield investments in the post-entry phase, and with findings that formal board interlocks facilitate outward expansion, particularly where formal institutions value visible status cues (Wu et al., 2021; Zhao et al., 2021).

Conditional on mode, KBV also clarifies commitment size. In greenfield investments, the limiting factor is the firm's ability to replicate and coordinate complex routines with multiple specialized partners. Network centrality relaxes this constraint by providing tested blueprints and a pipeline of trusted intermediaries, shrinking coordination and learning costs. Firms can therefore scale initial capacity, staffing, and capital outlays more confidently when central. By contrast, acquisition size scales the integration load, absorbing large bundles of external routines, systems, and stakeholders. When networks already supply much of the complementary knowledge and access, central firms can unbundle what they need, favoring smaller, targeted deals that internalize

specific assets while limiting integration exposure. This logic aligns with research on acquisition process hazards and premiums, and with evidence that interlocks shape acquisition behavior but interact with the focal firm's own capabilities (Ahsan et al., 2023; Haleblan et al., 2009; Haspeslagh & Jemison, 1991). Accordingly, we propose the following hypotheses:

Hypothesis 2a (H2a): Firms with higher network centrality are more likely to engage in Greenfield investments of larger size.

Hypothesis 2b (H2b): Firms with higher network centrality are more likely to engage in M&A deals of smaller size.

DATA AND METHOD

Sample

We relied on different data sources to build our sample. We assembled a firm-level panel for European publicly listed companies from 2015 to 2023. The sampling frame includes firms headquartered in 14 European countries with complete accounting and governance information across the window. First, corporate identifiers, financials, and board rosters were taken from Orbis. Then, we obtained cross-border M&A deals from Orbis M&A, relying on BvD ID codes, allowing us to match the same firms across different databases correctly. Through the same process, we aggregate data of greenfield projects from Orbis Cross-Border Investments. Finally, we integrated these sources at the firm-year level and then linked each firm to its foreign establishment events and their characteristics. The final dataset comprises 2,138 firms and 19,242 firm-year observations, with annual interlock networks constructed for each year in 2015-2023.

Interlock networks were built starting from board co-memberships. Using UCINET software, we first created a two-mode (director-firm) matrix from Orbis board data, then projected it into a one-mode, undirected firm-firm network in which an edge exists if two firms share at least

one director in a given year. For each year, we computed centrality scores on the corresponding network and merged them back to the firm-year panel. This yearly construction mirrors the best practices to measure interlock centrality (Wu et al., 2021).

Measures

Dependent variables

1) Establishment mode choice is coded at the event level for each foreign entry by a sample firm. The variable is equal to 1 in case of an acquisition, while it takes the value of 0 if the event is a greenfield investment (Zhao et al., 2021). Events with missing or ambiguous mode classifications were excluded from the sample. This binary variable is used as dependent variable for the testing of hypothesis 1.

2) Greenfield size captures the initial commitment scale for greenfield events. We used Orbis Cross-Border Investments' reported project value (capex). We measure it by taking the $\log(1+size)$ to mitigate skewness and winsorize the top and bottom 1% of the distribution annually. This dependent variable is used to test hypothesis 2a.

3) Acquisition size is the transaction value for acquisition events recorded on Orbis M&A, again using the logarithmic form of acquisition size and 1% winsorization by year. This dependent variable is used to test hypothesis 2b.

Independent variable

Board-interlock network centrality is computed annually from the firm-firm interlock network. In the main specification, we use the degree of centrality (normalized) to capture the breadth of formal board ties (Wu et al., 2021; Zhao et al., 2021). The centrality measure is standardized (z-scores) within the year to facilitate interpretation. Board-interlock centrality denotes the focal firm's position in the domestic intercorporate network formed by formal board

ties (i.e., shared directors). It captures the extent to which the firm's board is connected to the boards of other firms. In our European setting, boards are central to major strategic decisions, including internationalization.

Control variables

We used several control variables at the firm and country levels to control for any influence on our focal relationships (Han et al., 2024; Iurkov & Benito, 2018, 2020; (Shi et al., 2012)). At the firm level, we include: *Firm size*, measured as the natural logarithm of employees. *Profitability*, measured through the return on assets (ROA). *Profit margin*, computed as the net income divided by total revenues and expressed as a percentage. *Leverage*, measured through the total debt divided by the equity of the firm. *R&D intensity*, measured by research and development expenses divided by the total number of sales. *Firm age*, measured as the difference between the focal year and the foundation year of the firm. At the country level, we include: *International experience*, measured by the cumulative number of prior foreign establishment investments. *Host-country experience*, measured by the cumulative number of prior investments in the focal host country. Geographical distance obtained from the Geobytes database, computed as the kilometers between the home-country capital and each host-country capital. To limit skewness and approximate normality, we applied the natural logarithm to this measure. *Cultural distance*, measured using the Kogut & Singh (1988) index derived from Hofstede's (1980) cultural dimensions (individualism, uncertainty avoidance, power distance, and masculinity–femininity). Higher index values indicate a larger cultural gap between the home country and each host country. Year and country fixed effects were included in the models.

Estimation strategy

We estimate different models to answer our research question and test our hypotheses. First, we estimate the establishment mode choice through a logit model for H1 at the event level with standard errors clustered by firm, testing whether interlock centrality predicts the likelihood of choosing greenfield vs. acquisition. Second, we estimate two linear models for H2a and H2b on the subsamples of greenfield and M&A events, respectively, with firm-clustered robust standard errors. Because H2a and H2b are potentially correlated decisions within firms and years, we complement them with seemingly unrelated regressions (SUREG) estimated on stacked greenfield/acquisition subsamples to allow for correlated errors across equations.

RESULTS

Table 1 reports pairwise correlations among the study variables. Degree of centrality is positively associated with firm size and with both measures of international experience, while its correlation with profitability is small in magnitude. Table 2 provides descriptive statistics for the dependent variables and covariates used in the models. The establishment mode indicator exhibits a low incidence of ones relative to zeros in the estimation sample, consistent with the event-level coding used in our design. Size outcomes are right-skewed prior to transformation, which motivates the logarithmic treatment described in the Data and Method section. Overall, the descriptive patterns are consistent with the KBV interpretation that more central firms tend to be larger and more internationally active.

To test H1, we used a logistic regression. Table 3 presents the model for the establishment mode choice. The coefficient on degree of centrality is negative and statistically significant ($\beta = -1.062, p < .01$), indicating that higher board-interlock centrality reduces the probability of selecting acquisition (coded as 1) relative to greenfield (coded as 0). In other words, more central firms are more likely to choose greenfield over acquisition, supporting H1. Among controls, firm

size is positively related to the likelihood of acquisition ($\beta = .817, p < .01$), while profitability is negatively related ($\beta = -.256, p < .01$). Profit margin is positive ($\beta = .096, p < .01$), and host-country experience is negative ($\beta = -.81, p < .05$). Geographic and cultural distance are not statistically significant in the baseline specification. Year, industry, and country fixed effects are included, and the model exhibits a Pseudo R^2 of .361. These results align with the KBV mechanism that centrality provides generalist knowledge and credible access, lowering the costs and perceived risks of building from scratch. In contrast, acquisitions remain comparatively less attractive when generalist knowledge and status are already in place.

To test H2a and H2b, we used a SUREG regression. Table 4 reports the SUREG estimates for greenfield size and acquisition size. Consistent with H2a, the degree of centrality is positively associated with greenfield size ($\beta = .529, p < .01$). This means that central firms open larger greenfield investments at entry. This aligns with KBV's replication logic. Access to reusable frameworks and high-quality intermediaries reduces coordination and learning costs, enabling bigger initial footprints. In contrast, and in support of H2b, degree centrality is negatively associated with acquisition size ($\beta = -.683, p < .01$). This means that more central firms undertake smaller acquisitions, consistent with the idea that network-supplied knowledge and access substitute for parts of the target bundle and that smaller, targeted acquisitions economize on post-merger integration hazards.

Control variables behave sensibly across the two equations. Firm size is positive in both greenfield and acquisition size models ($\beta = .381$ and $.463; p < .01$), indicating that larger firms commit more resources regardless of mode. Profitability is not significant for greenfield size but positive for acquisition size ($\beta = .080, p < .01$), consistent with financially stronger firms being able to transact larger deals. Profit margin is negative in both equations ($\beta = -.038$ and $-.062; p <$

.01), suggesting that margins correlate with more disciplined initial commitments. Leverage is strongly negative for greenfield size ($\beta = -2.168$, $p < .01$) but positive for acquisition size ($\beta = .744$, $p < .01$), consistent with debt capacity tilting firms toward purchased capacity rather than organic buildouts. R&D intensity is negative for greenfield size ($\beta = -3.278$, $p < .05$) and positive for acquisition size ($\beta = 10.730$, $p < .01$), indicating that technology-intensive firms prefer to acquire rather than replicate local knowledge bundles. International experience is negative for greenfield size ($\beta = -.009$, $p < .01$) and positive for acquisition size ($\beta = .007$, $p < .01$), consistent with experienced firms using acquisitions to accelerate scaling while keeping greenfield bets measured. Geographic and cultural distance, and host-country experience, are not statistically significant in the baseline, once fixed effects are included. The joint significance tests reported in Table 4 confirm a strong overall fit for both equations.

Overall, the results closely track the hypothesized KBV mechanisms: centrality derived from board interlocks tilts the mode toward replication (greenfield) and shapes the scale by enabling larger greenfield investments and motivating smaller, more selective acquisitions. The pattern is congruent with prior evidence on network centrality and establishment choices in alliance networks (e.g., Zhao et al., 2021) and with research on interlocks and acquisition processes, but here, it is established specifically for board-interlock centrality and for commitment size outcomes.

Table 1: Correlation Matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) Degree of centrality	1.000									
(2) Firm size	0.335 (0.000)	1.000								
(3) Firm profitability	0.087 (0.000)	0.182 (0.000)	1.000							
(4) Profit margin	0.086 (0.000)	0.051 (0.000)	0.689 (0.000)	1.000						
(5) Leverage	0.045 (0.000)	-0.006 (0.439)	-0.097 (0.000)	-0.049 (0.000)	1.000					
(6) R&D intensity	-0.013 (0.112)	-0.027 (0.001)	-0.035 (0.000)	0.005 (0.533)	-0.004 (0.598)	1.000				
(7) Geo. distance	0.026 (0.002)	0.086 (0.000)	-0.026 (0.001)	-0.013 (0.109)	-0.012 (0.145)	0.002 (0.818)	1.000			
(8) Cultural distance	0.152 (0.000)	0.019 (0.049)	0.175 (0.000)	0.055 (0.000)	-0.013 (0.193)	0.034 (0.000)	0.305 (0.000)	1.000		
(9) Host country exp.	0.095 (0.000)	0.276 (0.000)	0.144 (0.000)	0.016 (0.043)	-0.025 (0.002)	0.004 (0.584)	0.019 (0.018)	0.005 (0.604)	1.000	
(10) International exp.	-0.062 (0.000)	0.304 (0.000)	-0.168 (0.000)	-0.062 (0.000)	0.011 (0.149)	-0.004 (0.648)	0.099 (0.000)	-0.071 (0.000)	0.107 (0.000)	1.000

Table 2: Descriptive Statistics

Variables	Obs	Mean	Std. Dev.	Min	Max	p1	p99	Skew.	Kurt.
Mode choice	13435	.019	.138	0	1	0	1	6.964	49.495
Greenfield size	14135	5.054	1.799	-3.233	11.189	.345	8.694	-.389	2.783
Acquisition size	3579	15.954	.632	14.732	18.959	14.827	17.959	1.19	5.186
Degree of centrality	15880	2.123	.726	0	3.829	0	3.367	-.975	3.756
Firm size	16707	10.627	1.828	0	13.488	4.234	12.861	-1.376	5.237

Firm profitability	16660	8.206	9.239	-98.329	80.102	-24.35	34.203	-.901	14.713
Profit margin	16506	9.241	13.569	-95.52	100	-48.006	41.856	-2.025	23.774
Leverage	16308	.117	.309	-5.373	14.288	0	.786	14.165	682.716
R&D intensity	16264	.701	63.164	-.093	6990.66	0	.171	98.973	10213.3
					7				
Geo. distance	15524	5226.43	3969.42	68.445	19711.8	173.524	16975.4	.53	2.762
		8	5		6		6		
Cultural distance	11125	1.752	1.116	0	6.153	.207	4.715	.866	3.646
Host country exp.	16497	.851	.356	0	1	0	1	-1.973	4.892
International exp.	16772	36.799	115.711	0	425	0	425	3.039	10.29

Table 3: Logistic regression

mode	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
Degree of centrality	-1.062	.264	-4.03	0	-1.578	-.545	***
Firm size	.817	.214	3.81	0	.397	1.237	***
Firm profitability	-.256	.06	-4.28	0	-.373	-.139	***
Profit margin	.096	.017	5.76	0	.063	.129	***
Leverage	-.119	.148	-0.80	.422	-.408	.171	
R&D intensity	-61.932	10.325	-6.00	0	-	-41.694	***
					82.169		
Geo distance	0	0	1.00	.319	0	0	
Cultural distance	.079	.143	0.55	.582	-.202	.359	
Host country experience	-.81	.322	-2.52	.012	-1.442	-.179	**
International experience	-.037	.123	-0.30	.762	-.278	.204	
Constant	-10.127	2.956	-3.43	.001	-15.92	-4.334	***
Mean dependent var	0.017	SD dependent var	0.130				
Pseudo r-squared	0.361	Number of obs	7087				
Chi-square	247.596	Prob > chi2	0.000				
Akaike crit. (AIC)	844.431	Bayesian crit.	1036.6				

Industry effects	Yes	(BIC)	80
Country effects	Yes		
Year effects	Yes		

*** $p < .01$, ** $p < .05$, * $p < .1$

Table 4: Seemingly unrelated regression (SUREG)

Equation	Obs	Params	RMSE	R-squared	chi2	P>chi2			
Greenfield size			1,956		68	.2008203	0.9768	82195.94	0.0000
Acquisition size			1,956		68	.1576836	0.9150	21065.51	0.0000

		Coefficient	Std. err.	z	P>z	[95% conf. interval]	
Greenfield size							
Degree of centrality		0.529***	0.059	8.990	0.000	0.414 0.644	
Firm size		0.381***	0.052	7.340	0.000	0.279 0.483	
Firm profitability		-0.011	0.012	-0.870	0.382	-0.035 0.013	
Profit margin		-0.038***	0.006	-6.010	0.000	-0.050 -0.025	
Leverage		-2.168***	0.160	-13.520	0.000	-2.482 -1.854	
R&D intensity		-3.278**	1.592	-2.060	0.039	-6.399 -0.158	
Geo. distance		-0.000	0.000	-0.270	0.784	-0.000 0.000	
Cultural distance		0.003	0.004	0.590	0.553	-0.006 0.011	
Host country		0.015	0.020	0.730	0.468	-0.025 0.055	

exp.						
International exp.	-0.009***	0.002	-3.810	0.000	-0.014	-0.004
_cons	3.566	0.642	5.560	0.000	2.309	4.824
Acquisition size						
Degree of centrality	-0.683***	0.046	-14.780	0.000	-0.773	-0.592
Firm size	0.463***	0.041	11.350	0.000	0.383	0.543
Firm profitability	0.080***	0.010	8.230	0.000	0.061	0.099
Profit margin	-0.062***	0.005	-12.610	0.000	-0.072	-0.052
Leverage	0.744***	0.126	5.910	0.000	0.497	0.991
R&D intensity	10.730***	1.250	8.580	0.000	8.280	13.180
Geo. distance	-0.000	0.000	-0.860	0.391	-0.000	0.000
Cultural distance	0.002	0.004	0.610	0.539	-0.005	0.009
Host country exp.	0.004	0.016	0.280	0.781	-0.027	0.036
International exp.	0.007***	0.002	3.530	0.000	0.003	0.010
_cons	10.757	0.504	21.350	0.000	9.770	11.745

*** $p < .01$, ** $p < .05$, * $p < .1$

DISCUSSION

Our findings contribute to IB theory by putting knowledge governance at the center of establishment mode choices and commitment sizing. In a KBV lens, firms are social communities specialized in integrating and applying knowledge whose competitive advantage depends on combinative capabilities and coordination routines under bounded rationality (Grant, 1996; Kogut & Zander, 1992). Greenfield entries are replication problems: they require transferable, non-location-bound knowledge, codified blueprints, and reliable coordination with specialized partners. Acquisitions are assimilation problems: they bundle location-bound knowledge and relational assets but impose selection and integration hazards. Classic establishment-mode research has long characterized this trade-off (Harzing, 2002; Hennart & Park, 1993; Slangen & Hennart, 2007). By confirming that interlock-based centrality tilts firms toward greenfields and shapes the size of both greenfields and acquisitions, we show that the make vs. buy choice in foreign entry is not only a function of the firm's internal stock of knowledge and uncertainty, but also of its position in corporate knowledge networks that deliver generalizable routines and status at low marginal cost. This deepens the knowledge-governance interpretation of the entry mode debate and complements transaction-cost and institutional explanations (Cuypers et al., 2021).

The theoretical mechanism is straightforward in KBV terms. Board interlocks expose directors and top managers to how multiple firms structure site selection and supplier qualification. Repeated exposure yields templates that are easier to codify, store, and retrieve, enhancing the firm's stock of reusable knowledge and its absorptive capacity for additional codifiable routines (Szulanski, 1996). Interlocks also connect firms to dense pipelines of intermediaries, such as banks, law firms, EPC contractors and recruiters, reducing search and coordination costs during setup. These informational and organizational externalities lower the fixed costs of replication and raise the efficient initial scale of greenfield projects, thanks to the

lower risk perceived in the host country. Conversely, acquisitions embed a premium for the same information and coordination capabilities. When a central firm already owns that information through its network, the incremental value of buying large bundles declines, and integration risks loom larger, making smaller, more selective deals rational (Haleblian et al., 2009; Haspeslagh & Jemison, 1991).

Our results also reconcile and extend network perspectives in IB. Network research distinguishes centrality as a privileged structural position that provides broad, timely information and status from brokerage that supplies non-redundant knowledge and recombination opportunities (Bonacich, 1987; Borgatti et al., 2024; Burt, 2004; Freeman, 1978). In host-country alliance networks, centrality and brokerage differentially shape establishment modes through distinct knowledge channels (Zhao et al., 2021). Focusing on board interlock centrality, we spotlight the replication/status channel and show its consequences for both mode and scale. In doing so, we extend recent evidence that formal board networks facilitate outward expansion and that the magnitude of their benefits depends on institutional context (Han et al., 2024; Wu et al., 2021). Our findings complement alliance-network studies that highlight network characteristics' role in recombination and exploration, often favoring acquisitions or staged commitments when novel and heterogeneous knowledge must be internalized (Zhao et al., 2021).

A third contribution is explicitly bringing commitment size into IB establishment mode research. While the greenfield vs. acquisition choice is a key pillar of the field (Harzing, 2002; Hennart & Park, 1993; Slangen & Hennart, 2007; Zhao et al., 2004), the size of the initial commitment has been relatively under-theorized. We show that the same network-enabled replication logic that makes greenfields more attractive also supports larger greenfields, because templates and trusted intermediaries compress coordination and learning costs. Conversely, in acquisitions, where the binding constraint is assimilation and post-merger

integration, central firms can unbundle needs and execute smaller deals that internalize specific assets while relying on their networks for complementary capabilities, mitigating integration exposure. This interpretation aligns with work on acquisition process hazards and with research showing that interlocks diffuse acquisition templates and can shape acquisition pacing and frequency (Ahsan et al., 2025; Haunschild, 1993; Haunschild & Beckman, 1998).

Finally, we add micro-foundations to internalization theory and recent reappraisals of IB theory (Hennart, 2022; Hennart & Verbeke, 2022) by specifying how directors' network positions upgrade a firm's knowledge system. Interlocks enable vicarious learning about execution processes, populate a pipeline of high-reliability intermediaries, and confer third-party endorsements that reduce counterparties' due diligence costs. These micro-mechanisms explain why centrality substitutes for the very bundles that acquisitions purchase, shrinking the marginal benefit of large deals and supporting replication at a larger scale. Our results thus integrate KBV with network-status literature to explain both governance choice and commitment size in foreign establishment modes.

Empirically, the study advances measurement and design. By operationalizing board interlock centrality with standard network measures and linking it to subsequent establishment choices and sizes, we extend prior work that examined network effects on the hazard of foreign entry and on post-entry establishment modes in alliance networks (Wu et al., 2021; Zhao et al., 2021). While endogeneity remains an important concern in network research, the temporal ordering, extensive controls, and the consistency of our results with theory and with adjacent literatures on acquisitions and interlocks align with our results (Ahsan et al., 2023; Cuypers et al., 2021; Slangen & Hennart, 2007).

Beyond theory, there are practical implications. For boards contemplating international expansion, cultivating interlock-based centrality is a strategic lever that builds replicable capability and credible access, enabling larger greenfields where replication is feasible and

sharpening the discipline to target smaller, more focused acquisitions when location-bound knowledge must be internalized. For regulators and policymakers, the findings highlight how corporate networks can substitute for weak market information infrastructures, amplifying the role of visible credentials and reputable intermediaries in facilitating efficient foreign investments.

CONCLUSION

This paper advances the KBV by applying it to the foreign establishment mode choice. It shows that board interlock centrality systematically shapes how firms internationalize and how much they commit at entry. We find that centrality raises the likelihood of greenfield investments compared to acquisitions. Then, we show that centrality scales up greenfield size while dampening acquisition size. The pattern is theoretically coherent: interlocks endow firms with generalist knowledge, conferring status and information that lowers uncertainty. These micro-foundations favor replication at scale and reduce the marginal payoff to buying large, complex bundles through acquisitions. The results integrate and extend establishment-mode research with network perspectives, emphasizing how centrality supports the knowledge acquisition (Borgatti et al., 2024; Burt, 2004; Zhao et al., 2021).

This research raises several avenues for future research. First, future works should unpack which dimensions of centrality (degree, eigenvector, closeness) are most predictive of replication at scale, and how they interact with brokerage in shaping acquisition versus greenfield behavior over entry sequences and post-entry scaling. Second, cross-level designs could explore complementarities between home-country board centrality and host-country alliance centrality, disentangling status-driven legitimacy from access to location-bound knowledge. Third, identification strategies that leverage shocks to director networks (e.g., exogenous director departures, governance reforms, or split-share reforms) would improve causal inference on centrality's effects on mode and scale. Fourth, future works can

complement this research, focusing on boundary conditions: industry complexity, intangible intensity, institutional distance, and ownership (e.g., state vs. private firms or concentrated family control) are promising research avenues to understand when these effects are amplified or modified.

Finally, our results suggest that board-interlock centrality is a meaningful knowledge infrastructure for MNEs: it upgrades replication capacity, economizes on acquisition premiums, and re-weights the classic trade-off between make or buy abroad. By specifying network-based micro-foundations of knowledge governance in foreign establishment investments, the research contributes to a more integrated IB theory of how firms choose and adjust the size of their deals worldwide.

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GENERAL CONCLUSION

This dissertation has examined the internationalization of firms through three complementary perspectives, each shedding light on distinct but interconnected determinants of global expansion. The first two papers concentrated on the role of state ownership, an institutional feature that deeply reshapes firms' incentives and resources, while the third paper broadened the focus to explore how inter-organizational networks act as a channel of knowledge and legitimacy, influencing establishment mode choices. Together, the three studies offer a comprehensive and multi-layered account of how firms decide whether, how, and at what scale to expand abroad.

The first study addressed the long-standing question of whether state ownership fosters or constrains internationalization. By synthesizing evidence from 210 empirical studies, it demonstrated that the relationship is not linear but highly contingent on the degree of state control. Majority-owned SOEs tend to internationalize less and rely more heavily on joint ventures, reflecting the disadvantages of stateness, political interference, bureaucratic inefficiency, and legitimacy costs abroad. By contrast, firms with minority state ownership internationalize more, suggesting that partial state support provides access to political and financial resources without imposing the full burden of state control. This study thus clarifies a central ambiguity in the literature and highlights that state ownership's effect is conditional rather than absolute.

The second study deepened this analysis by uncovering the resource-based mechanisms that mediate the ownership-internationalization relationship. It showed that state ownership alters the configuration of FSAs. First, it reduces slack resources, which can in some cases encourage expansion by disciplining managerial complacency. Second, it weakens intangible resources, undermining firms' ability to build globally competitive technological, innovative,

and brand capabilities. Third, it strengthens political resources, which provide SOEs with unique non-market advantages in navigating foreign markets. This resource-based explanation demonstrates that state ownership is not inherently beneficial or detrimental, but rather reconfigures the firm's portfolio of advantages in ways that create both opportunities and constraints for internationalization.

The third study broadened the scope beyond state ownership to consider how network embeddedness shapes establishment mode choices. Focusing on European firms and drawing on the Knowledge-Based View, it demonstrated that firms occupying central positions in interlocking-directorate networks are more likely to enter foreign markets through greenfield investments and at a larger scale, while relying less on large acquisitions. The study suggests that centrality in networks provides firms with access to codified knowledge, strategic blueprints, and legitimacy endorsements that substitute for the costly knowledge bundles often obtained through acquisitions. This contribution highlights that internationalization strategies are not only influenced by ownership and resources but also by the relational structures in which firms are embedded.

Overall, the three papers generate several overarching contributions to international business theory. First, they clarify the contingent nature of the state ownership-internationalization link, showing that ownership structure matters for both the extent and the mode of foreign expansion. Second, they refine the FSAs framework by demonstrating how slack, intangible, and political resources mediate ownership effects and shape firms' global competitiveness. Third, they incorporate a network perspective that connects establishment mode and scale to firms' access to knowledge and legitimacy through inter-organizational ties. These insights underscore that internationalization is not determined by a single factor, but emerges from the interplay of institutional conditions, resource configurations, and network embeddedness.

From a practical standpoint, the findings have important implications. For managers of state-influenced firms, the results highlight the need to invest in intangible resources to complement political advantages, to carefully govern slack to avoid inefficiency, and to deploy joint ventures strategically in legitimacy-sensitive environments. For policymakers, the studies suggest that minority stakes may be an effective way to combine state support with market discipline, while excessive control risks dampening firms' international competitiveness. For all firms, the evidence points to the importance of network centrality as a strategic asset that can reduce uncertainty, support replication through greenfields, and enable more selective use of acquisitions.

In sum, this dissertation contributes to international business research by demonstrating that firms' internationalization trajectories are jointly shaped by ownership structures, resource portfolios, and network positions. By integrating these perspectives, it advances a more nuanced and comprehensive understanding of the drivers of international expansion, bridges fragmented debates in the literature, and opens avenues for future research on the evolving role of the state, resources, and networks in shaping how firms compete globally.