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A R T I C L E S

STATE-OWNED ENTERPRISES AROUND THE WORLD AS HYBRID ORGANIZATIONS

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State-owned enterprises represent approximately 10% of global gross domestic product. Yet they remain relatively underexplored by management scholars. Firms have often been viewed dichotomously as either state owned or privately owned. Today, however, we encourage a more nuanced view of state-owned enterprises as *hybrid* organizations, in which the levels of ownership and control by the state can vary. Drawing on 36 cases from four industries in 23 countries, we lay the groundwork for a richer understanding of state-owned enterprises by management scholars in the future.

The breakup of the Soviet Union more than two decades ago led many to anticipate the demise of state-owned enterprises (SOEs) globally (Kozminski, 1993; Spicer, McDermott, & Kogut, 2000). These predictions, however, have turned out to be largely unfounded. Indeed, SOEs generate approximately one tenth of world gross domestic product (GDP) and represent approximately 20% of global equity market value (*Economist*, 2010, 2012a). In addition, more than 10% of the world's largest firms are state owned, with joint sales of $3.6 trillion in 2011 (Kowalski, Büge, Sztajerowska, & Egeland, 2013). And between 2005 and 2012, SOEs represented nine of the 15 largest initial public offerings (see Table 1). In certain parts of the world, SOEs play a particularly key role in the economy. For example, SOEs in regions as diverse as Africa, Asia, and Latin America currently provide roughly 15% of total GDP, often in strategic industries (Budiman, Lin, & Singham, 2009). State ownership has been credited with helping developed countries such as France, where the state plays an active role in business, weather the 2008 economic turmoil (Espinoza, 2008).

Why have SOEs continued to thrive in today's economy? We argue that SOEs may have survived and thrived in part because they have evolved to become a type of hybrid organization (Diefenbach & Sillince, 2011; *Economist*, 2012a; Inoue, Lazzarini, & Musacchio, 2013). Indeed, today's SOEs are quite

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TABLE 1
State-Owned Enterprises Represent 9 of the 15 Largest IPOs from 2005 to 2012

Company	Industry	Year	Value ($ billion)
Agricultural Bank of China (SOE)	Finance	2010	22.1
Industrial and Commercial Bank of China (SOE)	Finance	2006	21.9
AIA (Hong Kong)	Insurance	2010	20.5
Visa (United States)	Finance	2008	19.7
General Motors (United States) (SOE)	Automotive	2010	18.1
Bank of China (SOE)	Finance	2006	11.2
Dai-ichi Life Insurance (Japan)	Insurance	2010	11.1
Rosneft (Russia) (SOE)	Oil and gas	2006	10.7
Glencore International (Switzerland)	Mining	2011	10.0
China Construction Bank (SOE)	Finance	2005	9.2
Electricité de France (SOE)	Utility and energy	2005	9.0
VTB Group (Russia) (SOE)	Finance	2007	8.0
Banco Santander Brasil	Finance	2009	7.5
China State Construction Engineering Corp. (SOE)	Construction	2009	7.3
Iberdrola Renovables (Spain)	Utility and energy	2007	6.6

Source: Adapted from the *Economist*, 2012a, New masters of the universe. Special Report: State Capitalism, January 21, p. 8.

different from many of their inefficient predecessors that proliferated in the last century (Carney & Child, 2012; *Economist*, 2012a). For example, today's SOEs have much more private ownership compared to those of the last century (*Economist*, 2012a). Some hybrid SOEs, such as Brazil's Petrobras and Vale, experience high levels of government ownership but are largely independent in their operations (Inoue et al., 2013). Conversely, government ownership of other firms, such as Energies de Portugal, is relatively low while government control is high.

The existing research on SOEs has tended to view state ownership in black-and-white terms—that is, a firm is either state owned or it is not (Kornai, 1992; Shleifer, 1998)—and if state owned, its management and governance falls under the government's complete ownership and control, thus overlooking this new trend toward greater flexibility. Some limited research has sketched out this hybrid model, but much of it has a public administration orientation (Koppell, 2007). Yet the rich contextualization of important aspects of management, including aspects of firm strategy and corporate governance, need to be better understood under such varying conditions of state ownership and control (cf. Cooke, 2003; Kowalski et al., 2013).

State ownership reduces the firms' profit imperative while introducing additional governance matters; thus, state ownership offers a wide variety of rich theoretical issues for study (Liang, Ren & Sun, 2014; Young, Peng, Ahlstrom, Bruton, & Jiang, 2008). Specifically, because an SOE's function (Jensen, 2001) is not necessarily one of profit maximization (Ghosh & Whalley, 2008), SOEs often represent a means to contextualize theory more fully than if private firms alone were being studied. That is, if the SOEs' chief goal is something other than maximizing profit, such as increasing market share or employment levels, then it cannot be assumed that SOEs will behave (or should be managed) in the same manner as private firms. This is consistent with the argument that the firm's objective function should be made clear in theories of the firm (Jensen, 2001; Young, Tsai, Wang, Liu, & Ahlstrom, 2014) and in terms of the various aspects of their governance (Musacchio & Lazzarini, 2014; Young et al., 2008). Thus, SOEs need to be examined in new ways to better understand this crucial organizational form. This suggests two important and underexplored research questions. First, what is the nature of SOEs in the 21st century? And second, what contributes to their ability to survive and, in some cases, prosper?

We address these questions by first reviewing recent SOE literature in leading academic journals. Then, to fill the gaps identified by our review, we study 36 cases of hybrid SOEs in four specific industries across 23 countries. We specifically look at key issues in these SOEs, such as leadership and how the state may affect the firm's decisions about strategic issues.

Overall, this paper makes four contributions. First, in terms of empirical contribution, the case studies will provide a fuller analysis of state firms, particularly in terms of the understudied hybrid

SOEs. Second, this paper also adds to theory and evidence regarding research on the varieties of capitalism (Hall & Soskice, 2001). Much past theory and empirical work on varieties of capitalism has examined the important differences among national economies and the impact of these varieties to economies as a whole (Hall & Soskice, 2001; Whitley, 1998). Despite the importance of the sector, this literature has generally paid little attention to state ownership because it traditionally was not considered a type of capitalism (e.g., Ahlstrom, Bruton, & Yeh, 2008; Gourevitch & Shinn, 2005). This paper focuses more on the varied ways in which states intervene in the management and ownership of firms.

Third, the paper also contributes to practice by further identifying the range of stakeholders and the resulting objective functions with which SOE management must contend. Managers of non-SOE firms in a developed economy that do business with SOEs in countries such as China or Russia, for example, need to understand such hybrid organizations if they are to successfully work with their counterparts, given that the SOEs' strategy and goals can differ significantly from those of non-SOE firms, such as placing more emphasis on employment levels or on market share (Battilana & Dorado, 2010; Young, Ahlstrom, Bruton, & Rubanik, 2011).

Finally, this study also allows us to address the concern that although there is widespread acknowledgment that the state matters significantly to organizations, the mechanisms by which the state matters require much more attention (Bai & Wang, 1998; Musacchio & Lazzarini, 2014).

WHAT DOES RECENT SCHOLARSHIP SAY ABOUT SOEs?

The question of what recent scholarship says about SOEs can be answered in two words: not much—at least among the top-tier academic journals.[1] To date scholars have published only limited research on SOEs in leading journals. In reviewing this literature, we systematically and comprehensively examined the journals of the *Financial Times'* top 45 list (FT 45)[2] from 2000 to 2014, inclusive. Using the search term *state-owned enterprise* (or *SOE*) in the title or abstract, we were able to identify only 57 articles from that 15-year period. Two of those articles appeared in the more practitioner-oriented *Harvard Business Review,* leaving 55 scholarly articles. Sixteen of these 55 articles were on the privatization of SOEs. As a result, only 39 articles out of thousands published by the FT 45 top journals during the most recent 15-year period actually focused on the management of SOEs.[3] Although inquiry into SOEs is on the rise, as noted in Figure 1, there is still a dearth of research on the topic.

The 39 SOE articles outlined in Table 2 touch on a wide variety of issues, but with such a limited number it is possible to generate only a few common insights. First, almost all 39 articles viewed SOEs dichotomously—that is, firms were labeled as either completely state owned or not. In one of the few articles whose authors did not hold the dichotomous view, Gupta (2005) acknowledged the potential for mixed ownership structures, with the state maintaining varying levels of ownership even in publicly listed companies. It is important to note that Gupta (2005) is a finance article and that management and organizational research dealing with mixed ownership remains very limited.

A second common insight derived from the 39 articles is that researchers have disagreed on the impact of state ownership on firm performance. For example, Ralston, Terpstra-Tong, Terpstra, Wang, and Egri (2006) reported that SOE managers in China perceived their firms to be more competitive than private firms. However, Goldeng, Grünfeld, and Benito (2008) found that private firms in Norway clearly outperformed SOEs. These and other conflicting findings may have resulted from the authors dichotomizing their samples into state and nonstate entities without considering hybrid SOEs.[4]

A third insight is that the 39 articles on SOEs to date have not examined the topic of SOE hybrids in

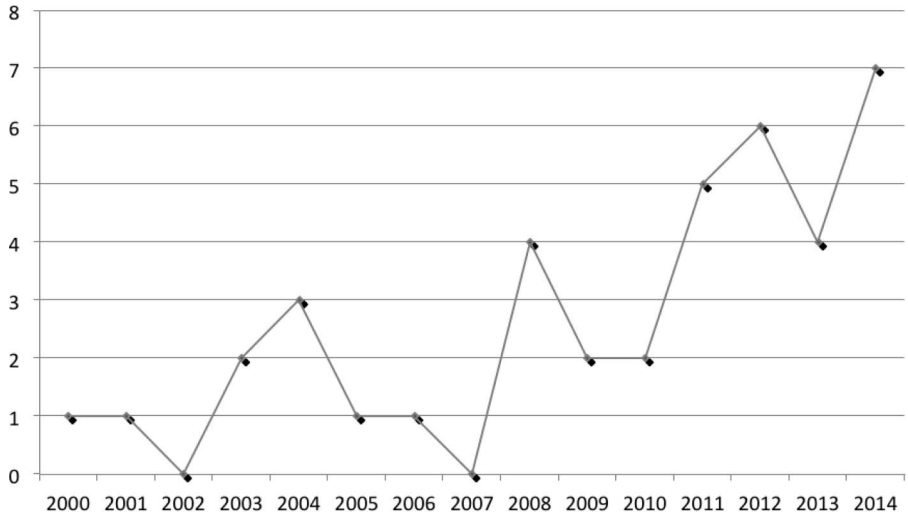
[1] Even the comprehensive *Handbook of Organizational Economics* (Gibbons & Roberts, 2013) and one of the major texts on growth economics (Acemoglu, 2009) only occasionally mention state ownership of firms.

[2] These are the journals the *Financial Times* uses to compile its business school research rank. The *Academy of Management Perspectives* is included in this list.

[3] All of those 39 articles are marked with an asterisk (*) in the references section.

[4] Recent research in finance has also started to address this issue in discussing partial privatization and how government participation can affect the performance of state-owned or state-linked firms (e.g., Fan, Wong, & Zhang, 2007).

FIGURE 1
Annual SOE Articles in FT45 (2000–2014)



a wide variety of countries. Thirty of the 39 articles focused on China, three on India, and one each on Norway, Brazil, and Russia, while two had a cross-country sample and one was a theory paper. Thus, the existing SOE literature—at least the literature in the top-tier (FT) journals—is primarily a literature on *Chinese* SOEs. While China is clearly an interesting strategic research site for comprehending SOEs (Ahlstrom, Nair, Young, & Wang, 2006; Bijker, Hughes, & Pinch, 2012), they are important in many other countries as well (Carney & Child, 2012; *Economist*, 2012a, 2012c). Indeed, SOEs are a *global* phenomenon. In many countries ranging from Saudi Arabia to Sweden, SOEs are important (if not dominant) employers (Sjöholm, 2007). Yet studies on SOEs in China often make a very limited effort to address whether their findings have relevance to SOEs elsewhere.

A final insight from the existing literature is that there has traditionally been a black-and-white lens used in the research: Firms are SOEs or they are not.

It is surprising that an organizational form that generates so much impact on global GDP has attracted such limited research attention in the top-tier scholarly literature—on average 2.6 articles per year have been published in recent years on SOEs in the FT 45 journals. Of course, there are many more articles on SOEs than the 39 published in the FT journals. For example, two of the main management journals in Asia—Asia *Pacific Journal of Management* (APJM) and *Management and Organization Review* (MOR)—have devoted considerable journal space to SOEs in Asia, and our research for this article has benefited from such coverage (e.g., Li, Xia, Long, & Tan, 2012; Stan, Peng, & Bruton, 2014; Tipton, 2009). An interesting subsidiary question can be raised: Why is the volume of SOE research published in the top-tier (FT) journals not more proportional to the share of global GDP contributed by SOEs (approximately 10%), many of which are very large organizations?[5]

We believe there are two fundamental issues that underlie the lack of coverage of SOEs in top-tier journals. First, top-tier journals focus on theory building and testing, and most existing theories of the firm have historically been developed in the United States (Young et al., 2014). The result is that theories of the firm that top-tier journals use and develop have naturally emphasized organizational attributes most salient for the U.S. economy, which historically does not have a sizable SOE sector. To the extent that limited work on SOEs has penetrated top-tier journals, authors often have to twist existing (often U.S.-centric) theories of the firm to fit SOE realities (Meyer, 2006).

[5] This issue is not the sole purview of state-owned enterprises research. A similar question can be raised: Why is the volume of family business research published in the top-tier journals not proportionate with the share of global GDP contributed by family businesses? Most family business research can be found in more specialized journals such as *Family Business Review* (Sharma, Chrisman, & Chua, 1997; Sharma & Chua, 2013).

TABLE 2
SOE Articles in *Financial Times* 45 List 2000–2014

Author (year)	Journal	Key insights	Field	Sample
1. Liang, Ren, and Sun (2014)	*Journal of International Business Studies*	Diminishing effect of executive political connections as well as increasing effect of state ownership control on globalization decisions and degree of globalization.	Mgmt.	China
2. Bass and Chakrabarty (2014)	*Journal of International Business Studies*	SOEs acquire and pay extra for resources used in exploration than for exploitation. SOEs invest abroad for national and own security.	Mgmt.	Worldwide
3. Choudhury and Khanna (2014)	*Journal of International Business Studies*	SOEs develop a global footprint and cash flows to attain resource independence from home country state actors.	Mgmt.	India
4. Duanmu (2014)	*Journal of International Business Studies*	SOEs benefit more than private firms from home government protection in regard to potential host country expropriation.	Mgmt.	China
5. Li, Cui, and Lu (2014)	*Journal of International Business Studies*	National champion SOEs face more institutional pressures from home and host governments than local SOEs.	Mgmt.	Theory
6. Meyer, Ding, Li, and Zhang (2014)	*Journal of International Business Studies*	SOEs face more complex institutional pressures in host countries than private firms, adapting mode and control decisions differently.	Mgmt.	China
7. Xu, Lu, and Gu (2014)	*Administrative Science Quarterly*	SOEs increased the exit rate of private firms and collective firms provided legitimacy for private firms. Private firms crowded out SOEs.	Mgmt.	China
8. Zeng, Douglas, and Wu (2013)	*Journal of Management Studies*	Firms founded as SOEs likely to desire acquisition, unless they have undertaken multiple changes or attracted more private investment.	Mgmt.	China
9. Inoue, Lazzarini, and Musacchio (2013)	*Academy of Management Journal*	SOEs with low state ownership are less subjected to agency distortions compared to those having a high level of state ownership.	Mgmt.	Brazil
10. Chen, Guan, and Ke (2013)	*Accounting Review*	Red-chip SOEs granted stock options to directors then forced them to forfeit options. Not genuine compensation; such options did not impact firm behavior.	Acctg.	China/Hong Kong
11. Boubakri, Cosset, and Saffar (2013)	*Journal of Financial Economics*	State ownership is negatively related to risk taking behavior in SOEs undergoing privatization.	Econ.	57 countries
12. Zeng, Xu, Yin, and Tam (2012)	*Journal of Business Ethics*	Examines SOEs as a control variable as they look at the disclosure of environmental information.	Ethics	China
13. Ke, Rui, and Yu (2012)	*Review of Accounting Studies*	Considers the sensitivity of (1) managerial compensation, (2) effect of long-term incentives, and (3). CEO turnover to firm performance for SOEs.	Acctg.	China/Hong Kong
14. Du, Tang, and Young (2012)	*Accounting Review*	Examines how political ties and geographic proximity to SASAC influence SOE performance evaluation.	Acctg.	China
15. Fu and Deshpande (2012)	*Journal of Business Ethics*	Looks at ethical behavior of SOE steel company and finds the power of peers directs their behaviors.	Ethics	China
16. He, Li, and Tang (2012)	*Journal of Business Ethics*	Finds SOEs pay higher and more stable payouts than family firms.	Ethics	China
17. Hung, Wong, and Zhang (2012)	*Journal of Accounting and Economics*	Examines why SOEs with strong political connections are more likely to list overseas.	Acctg.	China
18. Hou and Moore (2011)	*Journal of Business Ethics*	State ownership exaggerates the agency problem. Higher state ownership reduces enforcement.	Ethics	China
19. Chen, Chen, Lobo, and Wang (2011)	*Contemporary Accounting Research*	Contrasts SOEs and non-SOEs and finds lower levels of earnings management among non-SOEs.	Acctg.	China
20. Liu and Siu (2011)	*Journal of Financial and Quantitative Analysis*	Contrasts SOEs and non-SOEs and finds that ownership is primary decider of what drives the investment decisions of firms.	Fin.	China
21. Liu, Wang, and Wu (2011)	*Journal of Business Ethics*	Contrasts SOEs and non-SOEs and finds that affiliations among SOE managers have a higher impact on audit quality.	Ethics	China
22. Song, Storesletten, and Zilibotti (2011)	*American Economic Review*	Finds that SOEs success in lies in part in their access to credit.	Econ.	China
23. Chen, Chen, Lobo, and Wang (2010)	*Journal of Accounting Research*	SOE structure leads to more conservative accounting practices, but banks are less concerned about repayment from SOEs.	Acctg.	China
24. Okhmatovskiy (2010)	*Journal of Management Studies*	Private firms benefit from relationships with SOEs and government officials.	Mgmt.	Russia
25. Liu, Wang, and Wei (2009)	*Journal of International Business Studies*	Non-SOEs are hurt by international competition but SOEs are not; SOEs are able to gain from vertical alliances while non-SOEs cannot.	Mgmt.	China
26. Chun (2009)	*Journal of Business Ethics*	SOEs have poorer ratings on concern for environment and ethics than non-SOEs.	Ethics	China
27. Lam and Shi (2008)	*Journal of Business Ethics*	Non-SOEs and SOEs have similar ethical values, which differ from collectives.	Ethics	China
28. Ngo, Lau, and Foley (2008)	*Human Resource Management*	SHRM is lower in SOEs that is associated with lower performance.	Mgmt.	China
29. Goldeng, Grünfeld, and Benito (2008)	*Journal of Management Studies*	SOEs underperform non-SOEs.	Mgmt.	Norway
30. Wang, Wong, and Xia (2008)	*Journal of Accounting and Economics*	Chinese SOEs are more likely to hire small local auditors. This tendency decreases as institutions develop.	Acctg.	China
31. Ralston and colleagues (2006)	*Strategic Management Journal*	SOEs outperform non-SOEs.	Mgmt.	China
32. Gupta (2005)	*Journal of Finance*	Continued partial state ownership is a signal to investors that increases underpricing.	Fin.	India
33. Tan (2005)	*Journal of Business Venturing*	SOEs found to be taking more risks and being more innovative than in past.	Mgmt.	China
34. He, Chen, and Zhang (2004)	*Organization Science*	Nature of collectivism at SOEs impacts the allocation of rewards to employees.	Mgmt.	China
35. Peng, Tan, and Tong (2004)	*Journal of Management Studies*	SOEs and other forms of organizations tend to follow different strategic orientations.	Mgmt.	China
36. Lin and Germain (2003)	*Strategic Management Journal*	Formal control positively influences growth performance, while it is inversely predicted by decentralization and positively by their interaction.	Mgmt.	China
37. Huang and Snell (2003)	*Journal of Business Ethics*	Examines moral leadership and its role in SOEs.	Ethics	China
38. Ramaswamy (2001)	*Strategic Management Journal*	Competitive intensity moderates the relationship between firm performance of SOEs and private firms.	Mgmt.	India
39. White (2000)	*Academy of Management Journal*	Strategic actions to buy or build examined and found to be unique due to state ownership.	Mgmt.	China

Second, the ideological nature of the debate on state ownership has resulted in the difficulties of incorporating SOEs into (mainstream) theories of the firm. Some work has framed the debate as socialism versus capitalism, which may have made it more difficult in terms of theory and ideology for Western scholars to highlight the merits of SOEs, especially in the last quarter-century. Among most scholars and policymakers in the West, it has almost become an article of faith that SOEs are less efficient than private firms (Dewenter & Malatesta, 2001). Thus, instead of studying SOEs on their own terms, many scholars have viewed them primarily as targets for privatization (*Economist*, 2014; Filatotchev, Buck, & Zhukov, 2000; Kozminski, 1993; Megginson & Netter, 2001; Vickers & Yarrow, 1991). The privatization movement throughout the world since the 1980s seems to suggest that SOEs are a transitional organizational form destined to become relics of history (Spicer et al., 2000). But, as discussed earlier, this has not happened. Instead, in response to the 2008 economic crisis, even governments in developed economies such as the United States and the United Kingdom partially nationalized major private firms such as General Motors (GM) and the Royal Bank of Scotland (RBS).

For management and organizational research to further build its relevance and insight into important contemporary issues, we must address the disconnect between the limited scholarly coverage in top-tier journals and the wide-ranging real-world realities of the major organizational form of the SOE (Christensen & Carlile, 2009; Makino & Yiu, 2014).

HYBRID ORGANIZATIONS

A key characteristic of SOEs today—and a reason why they have been able to prosper—is their ability to adapt and take on a new organizational form (Musacchio & Lazzarini, 2014). This new form, known as hybrid organizations, "incorporate[s] elements from different institutional logics" (Pache & Santos, 2013, p. 972). Clearly, state ownership and private ownership represent different institutional logics (Bruton, Ahlstrom, & Li, 2010), thus necessitating our consideration of SOEs incorporating *both* state and private ownership as hybrid organizations (Inoue et al., 2013). When managed well, hybrid organizations can harvest legitimacy-enhancing elements of the different institutional logics, and survive and thrive (Battilana & Dorado, 2010).

One can trace the treatment of ownership and control in the management literature to the seminal work by Berle and Means (1932), *The Modern Corporation and Private Property,* which argued that diffused ownership in modern firms prevented meaningful control by owners and created potential agency problems. The view of ownership and control as directly related is consistent with the fact that three decades ago scholars typically thought of SOEs as enterprises operating in command economies, where the state had absolute ownership as well as control over state enterprises, a belief that was understandable given the prevalence of SOEs in these economies (Kornai, 1992; Peng & Heath, 1996; Shleifer, 1998).

The setting SOEs face today is more complex. Rather than being simply state owned, most SOEs today mix private and public ownership (*Economist*, 2012a; Flores-Macias & Musacchio, 2009; Huang & Orr, 2007; Woetzel, 2008). Facing complex ownership and control patterns, investors and other stakeholders need to be sensitive as they look to partner with or invest in SOEs (Bruton, Ahlstrom, & Wan, 2003; Young et al., 2011). Thus, researchers should also view state ownership as a continuous variable (Gupta, 2005; Jing & Tylecote, 2005).

However, it should also be recognized that ownership in this setting does not necessarily equate to control (Sheng & Zhao, 2012; Sun & Tong, 2003). In China, for example, control of the firm comes from the offering of different types of shares. Shares that vote on control issues may be held by the central government, by various local governments, or by other SOEs (Sheng & Zhao, 2012; Xu & Wang, 1999). For example, the Chinese central government is the controlling shareholder of the Agricultural Bank of China, but the bank has governance traits that allow much participation by private investors. Such patterns can be found in other countries as well (Flinders, 2006; Mishra, 2009; Tipton, 2009). It is more appropriate, therefore, to view SOEs as hybrid organizations that consist of different mixtures of private ownership and control by the state (Huang & Orr, 2007; Koppell, 2007). Thus, as we think of our two research questions in this paper—(1) what is the nature of SOEs today? and (2) why have they been able to survive and prosper?—the resulting organizational form that SOEs have taken on becomes quite important. Therefore, we focus on defining SOEs as hybrid organizations and highlighting their strategic and performance implications.

Some research published in the 1980s recognized hybrid organizations that mix public and private ownership. For example, Emmert and Crow (1988) examined hybrid public–private firms in the United States such as the Overseas Private Investment Corporation (OPIC), which facilitates U.S. investment in developing countries. This early research on hybrids generally sought to understand traditional government-run activities that were privatized, such as trash collection or waterworks. Such hybrids typically did not face competition for their services from other firms in the local marketplace. In contrast, today's hybrid SOEs increasingly operate in competitive product markets, which calls for a new understanding of their rationales, operations, and performance as well as the relevant institutional environments.

MARKETS, HIERARCHIES, AGENTS, AND INSTITUTIONS

Following the earlier SOE research that appeared in top-tier journals (Inoue et al., 2013; Peng & Heath, 1996), we draw on three core managerial theories that help scholars understand all organizations to develop our understanding of hybrid SOE firms: transaction cost economics, agency theory, and neoinstitutional theory. These three theories can form a foundation for scholars to further develop an understanding of the similarities and differences between SOEs and other organizations.

Transaction Cost Economics

From a transaction cost standpoint, Williamson (1975, 1992) identified two basic forms of economic organizations: markets and hierarchies. Each organizational form has its own rationale (Steier, 1998). The self-interested actions of individuals and firms, focusing on issues such as prices and profits, form the basis for market organizations. In contrast, the rationale for hierarchical organizations is that "the visible hand of management supplants the invisible hand of market in coordinating supply and demand" (Powell, 1990, p. 303; see also Chandler, 1977). Williamson (1985) acknowledged that organizations may combine aspects of both market and hierarchy to create a "middle kind" of organization, and in fact went on to call for greater attention to such middle kinds of firms and economic organizations. Huang (1990) found some early examples of hybrid state firms in China, while Powell (1990, p. 299) went further, adding that "[b]y sticking to the twin pillars of markets and hierarchies, our attention is deflected from a diversity of organizational designs."

Thus, from a transaction cost perspective, hybrids can be viewed as organizations that "combine aspects of market transactions and characteristics of hierarchies and fall between the two alternatives on a continuum" (Larson, 1992, p. 76). Hybrid organizations are "highly significant features of the contemporary organizational landscape" (Powell, 1987, p. 68). However, the research focus for such hybrids has been on government agencies (André, 2010; Steier, 1998), such as how to make these agencies act in a more business-like manner (Osborne & Gaebler, 1992; Pollitt & Bouckaert, 2004). Scholars have also recognized hybrid organizations in the commercial sector (Battilana & Dorado, 2010; Pache & Santos, 2013; Shane, 1996), but those examinations of business have typically focused on private firms performing government services. As a result, there remains a lack of understanding of SOEs that are hybrid firms conducting business activities.

Agency Theory

Insights on hybrid SOEs can also be drawn from agency theory as it addresses the conflicting interests between managers (agents) and the owners (principals) on whose behalf they manage organizations (Eisenhardt, 1989). Classical agency theory assumes that both principals and agents are self-interest–seeking utility maximizers, with agents being risk averse and principals, who could diversify their holdings, being risk neutral (Shapiro, 2005). However, given the hybrid nature of many SOEs, a multiple agency theory perspective enables us to see that SOEs have potential conflicts of interests among different agent groups (Arthurs, Hoskisson, Busenitz, & Johnson, 2008). The result is that SOEs face conflicting choices in regard to which principals' interests they should serve, more so than most private firms, especially given the "conflicting voices" that those principals may have as an outcome of different incentives and time horizons (Ghosh & Whalley, 2008; Hoskisson, Hitt, Johnson, & Grossman, 2002; Jensen, 2001). Such principal–principal conflicts between controlling and minority shareholders, which may lead to suboptimal strategic decisions, are present in SOEs operating in emerging and developing economies (Young et al., 2008). In this setting the fiduciary duty of agents, such

as the boards of directors, is not to any specific group of stakeholders such as shareholders. Instead, the fiduciary duty is to the organization itself (Lan & Heracleous, 2010; Mehrotra, 2011).

Institutional Theory

Regardless of whether they are wholly state-owned "classical" types or hybrid types, SOEs are clearly products of their institutional environments, thus rendering an institutional lens as a helpful theoretical tool (DiMaggio & Powell, 1991; Godfrey, 2014). Specifically, neoinstitutional theory posits that the taken-for-granted assumptions, laws, rules, norms, and boundaries in established organizational fields strongly affect the behavior of actors (North, 1990; Peng, Sun, Pinkham, & Chen, 2009; Scott, 2014). Much past research has viewed institutions, such as societal laws or cultural values, as macro-level variables that affect an entire society (Meyer, Estrin, Bhaumik, & Peng, 2009). However, Wicks (2001) argued that institutions also occur at the micro level. Specifically, a mindset can develop that affects the firms in that industry or profession in terms of the standards and commercial conventions in that industry or profession (Eisenhardt, 1988; McCloskey, 1994). Employing such a micro-level perspective, Vermeulen, Van Den Bosch, and Volberda (2007) examined how micro institutional forces, including the mindset of managers at the business unit level of a firm, affect incremental product innovation efforts in the financial services industry.

Inspired by such work, we examine both the macro and micro levels of institutions and their impact on SOEs. Overall, as driven by transaction cost, agency, and institutional logics, via a series of case studies, we focus on how SOEs mix ownership and control as hybrid organizations, and on how different macro and micro institutions affect different levels of state ownership and control.

CASE ANALYSIS

Developing a greater understanding of hybrid SOEs is a complex and nuanced task. We define the institutional field in terms of national boundaries and examine SOEs from a diverse set of countries and industries to understand how they operate (Greenwood & Suddaby, 2006). The goal is to understand how SOEs behave in a single country and to also understand more broadly the strategic actions that affect such firms across a wide range of countries and regions of the world. Therefore, we employed a purposive case selection (Yin, 2013). We thus sought to cover a range of industries generally important in the state sector by selecting cases of SOEs from four specific industry sectors—natural resources/energy, transportation, manufacturing, and finance—for each of the different mixtures of ownership and control we examined.

We chose these sectors to ensure our consideration of a wide range of firms and industries. We also selected these four sectors because they allow us to address specific concerns. First, these sectors are not directly related to national security, and thus face some market-based competition. Second, the industry concentration is modest in these industries, and therefore monopoly is not a concern. We also wanted to be able to compare firms in the same industry in different settings of ownership and control (Brouthers & Bamossy, 2006). Additionally, given that rather narrow geographic scope is a limitation of current SOE research, we sought a broad set of countries. Thus, our sample includes 23 countries. The ability to have some cases from the same country in different cells of the matrix, reflecting different levels of ownership and control, however, also allowed us to ensure that the results we identified were not due to strictly country-specific factors.

For these cases we wanted to gather a rich range of data from the popular and business press, annual reports if available, and reported financial data. Thus, a major requirement in the case-selection process was the availability of a wide variety of information for each company, as there is very limited information released about some SOEs by governments or by other sources. We also ensured that the firms we examined had market-based competitors. In selecting the cases we focused in a manner suggested by established methodology for qualitative research to ensure that the cases were clear and distinct in their nature. Qualitative research generally does not focus on average cases but on those cases that allow clear contrasts to be emphasized so that rich understanding can be developed (Ragin, 1987; Yin, 2013). As noted earlier, research on hybrid public–private firms has tended to focus on public entities that perform a public function but seek to operate more as private firms. Here our focus is on state-owned businesses that face competition either locally or internationally to allow us to examine more clearly the strategic decisions the firms make.

To highlight the hybrid nature of SOEs, we constructed a 3 × 3 matrix showing levels of government ownership and government control (see Table 3). We defined "high level of government ownership" as ownership greater than 50%, "intermediate level" as 25% to 50%, and "low level" as less than 25%. These levels were chosen to ensure a clear representation of ownership (Kowalski et al., 2013). The horizontal axis representing the level of government control is divided into high, middle, and low categories based on case histories of the firms and a judgment by the authors grounded in reports of government control (Easterby-Smith, Golden-Biddle, & Locke, 2008).

We first examined a large number of SOEs. We then selected cases that fit the requirements of each cell. As noted above, we focused on the cases providing clear and strong examples of the given level of ownership and desired level of control. If after further examination of these cases a firm's level of ownership or government control differed from our expectations, we selected another case. The authors eventually came to an agreement on the placement of all cases in the cells. Two research assistants then reviewed the cases and validated the placement. Through this process we developed 36 cases of SOEs that populate the nine cells.

RESULTS

SOEs as Hybrid Organizations

Our rich and diverse set of cases supports the argument that on a worldwide basis a new form of SOE has developed in which there are variations in ownership and control. The traditional SOE, with high levels of ownership by government and correspondingly high levels of control, still exists (see cell 3 in Table 3). However, the presence of a rich range of cases in which ownership and control appear to be far more mixed supports our argument for the emergence of a new form of organization, in which public and private ownership and control mix to match the needs of the given setting.

These settings vary widely. For example, the Singapore government recognized that while it could supply large amounts of investment capital it could not efficiently manage high-technology firms (Bruton, Ahlstrom, & Singh, 2002). As a result, when Singapore formed STATS ChipPAC through a 2004 merger to provide semiconductor packaging and testing services (cell 1), they encouraged an aggressive market-driven approach to firm management, with a Singapore government holding firm supplying funding (and owning much equity) but providing little day-to-day direction.[6]

For some SOEs the state has dramatically reduced its ownership through privatization, but the realities of the political setting in these locations pushed the state to retain strong control over the firm (Ahlstrom & Bruton, 2010). For example, the Russian government still holds a single "golden share" in more than 180 firms with which the state can veto major firm actions (*Economist*, 2012a). Scholars report similar levels of control for SOEs in China, with the power to veto resting with the government or the controlling councils, such as the State-owned Assets Supervision and Administration Commission (SASAC) of the State Council.

The ability of SOEs to adapt to different settings in ways specific to the needs in that location in part explains why some SOEs have not only survived but often prospered despite many predictions of their demise. If the dichotomous choice of full state control and ownership versus pure private ownership were all a government could make, then the decline of the SOEs may well have occurred. Instead, SOEs have been able to adapt and change as needed with the environment and economic situation. As a result, we expect that most SOEs will have some hybrid features that mix state and private ownership and control.

Hybrid Organizations and Control

One key area that merits future investigation is the nature of the control of the SOE and its impact on performance. While the authors of one of the 39 SOE articles we reviewed for this article reported that managers in China perceived SOEs' performance to be better than that of private firms (Ralston et al., 2006), researchers (particularly in economics) have found that state ownership does not generate superior firm performance (Bartel & Harrison, 2005) and is often a drag on both productivity and even national income (Hsieh & Klenow, 2009; Kornai, 1992; Shleifer, 1998).

[6] STATS ChipPAC was recently sold to Chinese electronics firm Jiangsu Changjiang. The Singapore government realized a healthy return from the sale (http://finance.burgtelegram.com/news/otc-markets/jiangsu-changjiang-wholly-acquires-stats-chippac/jiangsu-changjiang-wholly-acquires-stats-chippac-13634948.htm, accessed January 22, 2015).

TABLE 3
Sample Firms

	Government control		
	Low	**Intermediate**	**High**
Government ownership			
High	1 N: Solid Energy (New Zealand) T: Alaska Railroad Corporation (U.S.) M: STATS ChipPAC, Ltd. (Singapore) F: AIG (U.S.)	2 N: Electricité de France (France) T: Air New Zealand, Limited (New Zealand) M: Saudi Basic Industries, Corp. (Saudi Arabia) F: Sberbank (Russia)	3 N: Coal India, Limited (India) T: Aeroflot (Russia) M: Chery Automobile (China) F: Caisse des Dépôts et Consignations (France)
Intermediate	4 N: GDF SUEZ (France) T: Aer Lingus (Ireland) M: Omani Fiber Optic (Oman) F: Citigroup (U.S.)	5 N: Enel, SpA (Italy) T: Turkish Airlines (Turkey) M: Erdemir (Turkey) F: National Bank of Bahrain (Bahrain)	6 N: Norsk Hydro ASA (Norway) T: Société Luxembourgeoise de Navigation Aérienne (Luxembourg) M: AvtoVAZ (Russia) F: TMB (Thailand)
Low	7 N: Galp Energia (Portugal) T: United Arab Shipping Company (Kuwait) M: Volkswagen AG (Germany) F: Hana Financial Group (South Korea)	8 N: Energias de Portugal, SA (Portugal) T: KLM Royal Dutch Airlines (Netherlands) M: Valeo SA (France) F: Bank Leumi le-Israel (Israel)	9 N: Vale SA (Brazil) T: Dazhong Transportation (China) M: Embraer (Brazil) F: Rosgosstrakh (Russia)

Industries: N = natural resources/energy; T = transportation; M = manufacturing; F = finance

One key argument for the finding that higher state control hurts performance is that state ownership is typically associated with soft budget constraints (Bai & Wang, 1998). Thus, the state will provide support to a firm with chronic losses, which softens budget constraints and virtually eliminates the possibility of its going out of business or of being properly restructured (Davis, Haltiwanger, Jarmin, Lerner, & Miranda, 2011; *Economist*, 2012c; Kornai, 1992). Such state support can come directly from the government or indirectly from government-controlled institutions (such as banks or other SOEs) that provide loans and resources to the troubled business. Soft budget constraints mean that a firm does not need to respond to the market as it continues to receive resources for continued operations (Sheng & Zhao, 2012). Easy money often causes firms to overinvest in production equipment and other physical assets, such that they wind up with overcapacity (Burlingham, 2012; Peng & Heath, 1996). They also tend to ignore market signals and many key technologies, particularly during periods of technological ferment (Lerner, 2008). The result is that soft budget constraints can turn the focus of management away from the market or keep firms on a technological path that is becoming unviable (Kornai, Maskin, & Roland, 2003).

However, some of our cases appear to suggest that state control, whether associated with state ownership or not, can result in *good* performance. Examining the three cells in Table 3 with the highest levels of government control (cells 3, 6, and 9), we find that two of them—cells 3 and 9—have the highest levels of return on investment (ROI). Strategically, we could not determine whether this performance is the result of soft budget constraints in terms of a longer-term outlook or other directly conferred benefits, such as free land, which can also represent a major subsidy to SOEs (*Economist*, 2012d; Hsieh & Klenow, 2009).

The research surveyed and data gathered on the case firms suggest that the impact of state support may be significant. For example, Caisse des Dépôts et Consignations is a French bank that describes itself as a state institution whose subsidiaries and affiliates operate in the competitive sector. The bank reported a profit for 2010. The largest amount of that income was from the increase in value of equity in firms that the bank had invested in. Most of these firms provided services to various levels of the government. These results can help researchers to understand how state-controlled firms can utilize the resources the state offers to generate above-average profits or to achieve other goals, such as employment levels, while minimizing the drag on productivity (Hsieh & Klenow, 2009). Research in both economics and strategic management has yet to clarify the balance between having financial slack and a longer-term outlook versus staying too long with an investment or technological standard when enabled by soft budget constraints. The interaction among these supports and other factors that characterize SOEs suggest a rich topic for future empirical investigation.

Macro Institutions: Institutional Development

Several studies have recognized the key role of institutional development in the economic success of a country, both in terms of formal (Acemoglu & Robinson, 2012; North, 1990) and informal institutions (Godfrey, 2014; McCloskey, 1994, 2010; Mokyr, 2009). This impact partially derives from societal norms that shape the actions of individuals and firms (Greif, 2006; Peng et al., 2009). The societal norms in countries with a tradition of strong government action will exercise stronger influence over firms in terms of how they behave (Newman, 2000). The ability of a society to develop new institutional structures that may be supportive of private firms may be weakened by strong institutional inertia (Dacin, Goodstein, & Scott, 2002; McCloskey, 2010; Ogilvie, 2011). Thus, the development of institutions in a country in terms of supporting SOEs versus private businesses is critical to SOE performance.

We assessed the nature of institutional development to support private enterprise. Initially we looked at several sources regarding the various countries' macroeconomic settings and institutional development. These ratings concern macro issues in the country, such as whether the country has clear, less intrusive, and more inclusive rules for doing business (Acemoglu & Robinson, 2012). While there are several economic ranking systems available, here we employed a widely used ranking developed by the Washington, DC–based Heritage Foundation. The Index of Economic Freedom ranking system relies on 10 different commercial and economic factors: business freedom, trade freedom, fiscal freedom, government spending freedom, monetary freedom, investment freedom, financial freedom, property rights, freedom from corruption, and labor freedom. Each of these vari-

ables describes the level of development of national institutions that support business.

As with any such measure, different sources will vary in their rankings. However, alternative ranking systems show broad agreement. Hong Kong, Singapore, and the United States tend to rank higher on economic freedom than other countries represented in our cases. The individual rank of a given country may vary slightly, but the overall view of economic freedom typically does not vary much in these sources. Thus, we employ the Index of Economic Freedom for each economy in our 36 cases, to determine the strength of institutions that support business in each country.

From our examination of the cases, government control in SOEs appears to be negatively correlated with the overall institutional development in support of private enterprise. In other words, government control is more likely to occur in settings with limited institutional development supporting business. Cell 1 of Table 3 represents low government control and high government ownership. All firms in the cell are in the top 10 economies that have developed institutional support for private business, according to the Heritage Foundation. Similarly, as we look at cell 3, which represents firms with high state ownership and control, three of the four cases come from countries in the bottom third in terms of development of institutions to support private business (India, China, and Russia). Looking deeper at individual firms, one easily sees this kind of government intervention in firms such as the Russian airline Aeroflot, which still looks for government approval of key decisions, such as purchasing new aircraft. It is also interesting to note that the *level* of government ownership of firms does not correlate positively or negatively to institutional development in support of private enterprise. Thus, institutional development does not seem to be related to government ownership but seems to be related to government control.

We suggest a caveat that appears to moderate the relationship between the impact of government control and economic freedom. The cases demonstrate that as the importance of an SOE's products increases so does the level of governmental control. For example, cell 9 contains a mining firm (Vale) that many believe will ultimately provide great benefits to Brazil as offshore oil is developed. This cell also contains core industries such as the largest Russian insurance firm. If we look at the cells that border cell 9 (cells 6 and 8, which also reflect high levels of government control), we continue to see firms that have a disproportionate impact on their countries, whether economically, strategically, or in terms of GDP and employment (McGregor, 2012). Thus, ownership by the state may not be high, but if the economic and strategic importance of the industry or firm is great (such as with energy or steel), then the government is much more likely to assert itself in the management of the firm through high levels of control, even when lacking high levels of ownership. This suggests that scholars should pursue such rich topics as the interaction between institutional development for private business and how that institutional development also affects SOEs. In addition, the impact of the strategic importance of an industry or firm on the nature of the relationship to the government appears ripe for investigation. Scholars will need to recognize that different countries define different industries as strategic, and this will affect the institutional logics facing state firms.

Micro Institutions: CEOs

Neoinstitutional theory argues that institutions operate not only at the macro level of analysis but also at the micro level (Meyer et al., 2009; Scott, 2014). Typically, neoinstitutional theory has more commonly focused on the macro level. However, micro-level institutions shape values and perceptions of how to do business in a given industry or region (Wicks, 2001) while shaping key activities such as innovation and several commercial conventions (McCloskey, 1994, 2010). Thus, individual activities can act to build or maintain institutions (Hobsbawm & Ranger, 1992; Nee & Opper, 2012).

In SOEs, one important type of micro institution is the office of the CEO, whose authority and mindset are very important to firm operations. The background and experience of the CEO of the firm is critical in setting that mindset and driving key behaviors (McCall, 1998). The main goal of (most) governments is job creation and stability, not necessarily economic efficiency. If the CEO of the SOE comes from the government or has always worked for the SOE sector, the CEO may be more likely to inherit a mindset that stresses job maintenance and operations, not necessarily firm efficiency or strategic orientation (Ahlstrom, 2014). The background of such individuals encourages a mindset, or way of doing things, that is consistent with that of typical government processes and goals—but not necessarily with those of private enterprise (McCall, 1998; Steinfeld, 1998). Because of this government

mindset, the CEO may willingly comply when a government official asks the SOE to acquire another firm, redistribute its profits to subsidize the government's social welfare objectives (e.g., funding local schools or health care), or continue to expand even in the face of unfavorable market or factor market conditions or other problems (Lu, 2006; Shi, Markoczy, & Stan, 2014).

Table 4 summarizes the backgrounds of the CEOs for each of our case firms. The CEOs of firms on the left side of the chart, where government control is low, almost always come from private industry. On the right side, where government control is high, we find it common that the executives come from the government, or have worked for SOEs consistently. To illustrate, in cell 6 of Table 4, the CEO of three of the four cases came from some form of government background, having previously worked either for an SOE or for the military.

The institutionalization of new practices requires some disassociation with the historical context (Barley & Tolbert, 1997). The expectation is that in cases where there is a CEO who has worked for the state or for an SOE *and* a high level of government control, the two may act to reinforce the concern for issues other than economic performance. The CEO who has worked for the state brings a mindset consistent with state goals and not necessarily with the profit-maximization goals associated with private firms. The focus of the government and of the CEO (who has a state background) tends to be on the maintenance of employment and other social concerns rather than necessarily firm efficiency (Baron & Kreps, 1999; McCall, 1998). As a result, government control can negatively affect the SOE's economic performance or may push the SOE toward production maximization as opposed to innovation and ROI (*Economist*, 2012a; Lerner, 2008).

Micro institutions are similar to macro institutions in that both have the ability to not only support but also to change and shape institutional development (Barley & Tolbert, 1997; Greif, 2006; Steinfeld, 2010). Thus, we expect CEOs whose backgrounds are not in government or in the SOE sector to have more skills and experience to reshape SOEs to be more innovative and market oriented (McCall, 1998). Similarly, CEOs can take over SOEs that have historically had wide latitude to operate independently to bring these firms back into greater alignment with the government's goals or turn them around (Bruton, Ahlstrom, & Wan, 2001). To illustrate, Valeo, a French auto parts manufacturer in cell 8, changed its CEO in 2009. The goal was to bring in a CEO who combined both government experience and private industry background to better manage the firm and address its strategic challenges. The new CEO replaced the previous one, who had had only government experience. The government and other investors wanted someone who would have the ability to better turn the firm around in the given financial crisis, and cut hours or employment if necessary to increase the firm's ability to weather the financial crisis. SOE top management attributes and experience and their link to SOE action and performance is potentially a rich topic for future research in management (Bruton et al., 2003; Maheshwari & Ahlstrom, 2004).

DISCUSSION

Much of the limited previous research on SOEs has largely assumed a direct correlation between state ownership and control as well as a dichotomy between state owned and private firms. These assumptions appear unwarranted. Today hybrid organizations that mix ownership and control are the dominant form of SOE organizations. Building on this recognition allows a far more detailed and better-informed analysis of SOEs than has occurred in the past. Our first contribution highlights the hybrid nature of many of today's SOEs, which are important but remain underexplored. Extending transaction cost, agency, and neoinstitutional theories, this research with an SOE focus also has the potential to push the frontiers of these theories further by focusing attention on factors that mediate and moderate SOE strategy, structure, and outcomes. For example, the hybrid nature of SOEs in many countries suggests ways in which state firms can balance multiple stakeholders effectively in terms of legitimacy building with the government while also seeking to maximize profit for shareholders. Alternatively, SOEs also offer insights on how strategy must be viewed differently when profit maximization is not the top priority.

Moreover, this paper adds to the literature on varieties of capitalism research (Hall & Soskice, 2001). Much past theory and empirical work on varieties of capitalism has examined the important differences among national economies and their institutions, and the impact of these differences on economies as a whole (Hall & Soskice, 2001; Whitley, 1998). This literature has generally paid little attention to state ownership and generally not at the firm level, despite

TABLE 4
CEOs' Background

1		2		3	
N	Don Elder — private industry	N	Henri Proglio — government	N	India Minister of Coal — government
T	William G. O'Leary — government	T	Rob Fyfe — private industry	T	Savelyev Vitaly — government
M	Tan Lay Koon — private industry and government	M	Mohammad H. Al-Mady — SOE (same firm since 1976)	M	Yin Tongyue — SOE (automobile competitor)
F	Robert Benmosche — private industry	F	Herman Gref — government	F	Augustin de Romanet — government
4		5		6	
N	Gerard Mestrallet — private industry	N	Fulvio Conti — government and private industry	N	Svein Richard Brandtzæg — SOE (same firm since 1986)
T	Cristoph Mueller — private industry	T	Temel Kotil — academia and private industry	T	Adrien Ney — private industry
M	Mohammed Harith Al Barashdy — private industry	M	Oguz N. Ozgen — SOE (same firm since 1981)	M	Igor Komarov (president) — private industry and military
F	Vikram S. Pandit — private industry	F	Abdul Razak Abdulla Hassan Al Qassim — SOE (current firm for 10 years and previously private bank)	F	Boontuck Wungcharoen — SOE (bank competitor)
7		8		9	
N	Manuel Ferreira De Oliveira — private industry	N	António Mexia — academia and government	N	Murilo Ferrira — SOE
T	Jørn Hinge — private industry	T	Peter Hartman — with company since 1973	T	Yang Guoping — SOE
M	Carlos Ghosn — private industry	M	Jacques Aschenbroich — government and private industry	M	Frederico Fleury Curado — SOE (same firm since 1984)
F	Seung Yu Kim — private industry	F	Galia Maor — industry and government	F	Danil Khachaturov — state-influenced firm (firm controlled by Gazprom)

the relevance of the state sector and the importance of understanding its governance and performance. Giving additional attention to the state-owned sector and the range of organizational structures that have now developed, particularly at the firm level, will further add to the varieties of capitalism literature.

We also empirically contribute to the SOE literature by drawing on cases not only from China, but also from 22 other countries. Our more global approach helps overcome the limited (and often China-centric) focus of the current SOE literature, in which 30 of 39 articles in the *Financial Times* top 45 journals were about Chinese SOEs. While Chinese SOEs deserve a great deal of research attention, SOE research needs to broaden its radar screen to be globally relevant. SOEs are important in many countries, particularly the BRICs, and this research contributes to the understanding of these important economies. Specifically, we have emphasized the importance of the objective function of state firms, where much past research has assumed that firms will be maximizers of profit (Friedman, 1988) or of total market value (Christensen & Raynor, 2003). This assumption is problematic for SOEs that are charged with achieving alternative goals such as innovation, employment generation, or social stability in the face of financial downturns or other chaotic events.

Much research on objective functions and related topics has appeared in finance and accounting, particularly addressing the balanced scorecard (Jensen, 2001; Johnson & Kaplan, 1987; Kaplan & Norton, 1996). In management and organizational research, debates center on the interests of various stakeholders (Freeman, 1984), the natural environment as a primary goal for organizations (Lovins, Lovins, & Hawken, 1999), and other valued objective functions (Ahlstrom, 2010; Gedajlovic, Carney, Chrisman, & Kellermanns, 2012; Sharma et al., 1997). We have suggested additional objective functions and explored how firms and governments are able to negotiate goals in the face of conflicting goals and aspirations. Different objective functions, much like different assessment routines in science and technology, can make a major impact in terms of firm management and direction (Garud & Ahlstrom, 1997).

Future Research Directions

This research has addressed transaction cost, agency, and institutional issues that can affect a range of SOEs in 23 countries. Future research should seek to build a richer and more nuanced understanding of SOEs around the world. The influence and power of the state have recently grown in several countries. Argentina, Bolivia, Brazil, Ecuador, Guatemala, Nicaragua, Paraguay, Peru, Uruguay, and Venezuela have all experienced a strengthened role of the state to varying degrees in their economies, albeit with mixed outcomes (*Economist*, 2012b). This increase in the power of the state in many parts of Latin America contrasts with the pattern observed in Asia. Many Asian countries still hold SOEs to be important but have generally been reducing the state's role in their economies in an absolute sense. Which institutional settings encourage these two approaches, and what are the implications for firms entering those markets?

We have also highlighted the issue of micro institutions in this research. Institutions do affect the strategic opportunities and tools to which a firm has access. On the whole, examinations of institutions in this context have focused on macro institutional concerns. The nature of how macro and micro institutional elements act to reinforce each other needs greater examination. The integration and alignment of the macro institutions would appear to have performance implications. However, it is not clear what the impact of such misalignment would be. We would expect that it would reduce performance, although it may lead to an institutional change at the macro or micro level instead. Future research should explore this issue.

Building on the research here, scholars should next compile a large database of hybrid SOEs and empirically explore the various issues highlighted in this study. In building the database scholars should focus on those SOEs that have a relatively permanent status as an SOE. For example, GM was an SOE in 2010 (see Table 1), but this was only a temporary designation, as it returned to private ownership in 2013. Therefore, focusing on firms whose state status is relatively permanent would be useful. This database should also include information on the triple bottom line so that societal and environmental impacts are considered in addition to profits (McWilliams & Siegel, 2001). Research is needed on the various objective functions sought out by governments and their SOEs, how these firms are selected, and how this affects management and strategy. Finally, a rich set of measures should be employed. The financial data we relied on here was compiled by international accounting

firms, so its reliability is considered high. But we also recognize that because politics plays a key role in many SOEs there can be incentives to either overstate or understate performance. Therefore, in building a database of SOEs, scholars should include rich sets of measures.

A firm's objective function is often in terms of its profitability and market value. However, other measures may be helpful, such as an innovation measure, including revenue from new products. A government-linked organization, such as a university, a hospital, or an infrastructure project, may also have objective functions that are very different from profits and market value. It may have been established by the government with different goals than profitability or measures of market value. A greater understanding of issues of objective functions, goals, and even proper definitions for state ownership and control will positively affect research on SOEs and help countries understand how such organizations can play key economic and developmental roles (Kowalski et al., 2013). This can also facilitate the study of how government-linked organizations can be more effective yet not at the expense of efficiency.

This study provides avenues for future research on the links between SOE strategic decisions and policy preference of governments across different economies. For instance, guided by governmental planners, China's SOEs have been actively seeking acquisition targets around the world, including in developed economies such as the United States and Australia. However, little insight has been offered into the hybrid nature of the dual institutional logics, which shape organizational market-based resource allocation decisions as well as command-based resource allocation decisions, which can, for example, differ greatly across industry and region in China (Hsueh, 2011). In general, firms are embedded with country-level regulatory systems and institutional logics (La Porta, Lopez-de-Silanes, & Shleifer, 1999). The evolution of SOEs from the central-planning institutional logic to hybrid institutional logics thus faces complicated and fundamental organizational transformation challenges that are worthy of scholarly attention. The examination of these challenges should include the impact of key stakeholders that may be particularly relevant in countries with strong traditions of SOEs, including the military and ruling parties. Such key stakeholders have historically been ignored by scholars as they examine emerging economies and business.

CONCLUSIONS

Far from the stereotypical combination of high levels of state ownership and control, today's SOEs are often hybrid organizations that have elements of state ownership and control on one hand and private participation in ownership and control on the other hand. Further, such SOEs exist in many industries and in many countries around the world. If management research endeavors to be more globally and broadly relevant, we argue that scholars should devote additional attention to this important, adaptive, and enduring organizational form that generates approximately 10% of global GDP and represents some of the world's largest firms. Today's SOEs are no longer "pure" SOEs. Instead, many are hybrid organizational forms that require more attention from both researchers and managers. The research here lays a foundation for further examination of this important sector of many national economies around the world.

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