Chinese State-owned Enterprises – government departments or (lumbering) free-marketeers?

A comparative study of strategic cognition

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### List of Abbreviations

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<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>SOE</td>
<td>State-owned enterprises</td>
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<tr>
<td>POE</td>
<td>Private-owned enterprises</td>
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<tr>
<td>FOE</td>
<td>Foreign-owned enterprises</td>
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<td>MNEs</td>
<td>Multinational Enterprises</td>
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<td>EMNEs</td>
<td>Emerging country Multinational Enterprises</td>
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<td>SO-MNEs</td>
<td>State-owned Multinational Enterprises</td>
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<tr>
<td>SIP</td>
<td>Share Issue Privatisations</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>M&amp;A</td>
<td>Merger and Acquisition</td>
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<tr>
<td>SASAC</td>
<td>State-owned Assets Supervision and Administration Commission</td>
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ABSTRACT

Since the last round of political and academic debates over the privatisation of State-owned enterprises (SOEs) in Eastern Europe in the 1990s, the prominence of SOEs in China and concerns about state capitalism has triggered a new era of disputation amongst policy makers, economists and the public. Whether Chinese SOEs, are more political arms of the China government than free-market, profit-optimising entities is the main focus of western politicians.

In contrast, academic discussion about SOEs has lagged practical interest. Empirical investigations into the direct relationship between firm ownership and cross-border actions and performance have given rise to mixed results. Competing explanations of these results have been based on contrary premises and support has been offered via varied explicit and implicit interpretations of institutional theory. However, where governments believe that profitable SOEs make the state stronger and as hybrid organizational forms of SOEs are increasingly prevalent in the 21st century, the validity of stereotypical assumptions about SOEs becomes questionable.

The SOE debate is back at centre stage. Discussions and investigations of SOEs require an updated research perspective that is able to provide a new thread in its contribution to the academic debate, whilst also addressing the immediate practical concerns.

In order to achieve this aim, rather than applying the traditional top-down approach, this research refer to the work of Weber and Glynn (2006), a micro-level strategic cognitive perspective is connected to the macro-level institutional context to develop a theoretical framework for this study of SOE strategic behaviour. Under this theoretical
framework, this study attempts to understand how the management cognition (micro institution internal to the firm) responds to the macro institutional forces (external to the firm), affecting the firm’s strategic behaviour. In particular, managers’ convergent interpretations of strategy in the field is argued to reveal the salient institutional dynamics that prompt their collective strategic actions. Revealed collective (strategic) cognition is taken as a tool to tap the nature of the institutional dynamics that embody the imprint of government influence.

This research uses the annual reports of 21 SOEs and POEs in the Chinese auto parts industry from the year 2011.

Both the congruence and variance of the strategic cognitions of these two groups are identified. The findings of a predominantly convergent pattern of strategic thinking add to the explanatory power of institutional theory in firm strategic behaviour. In general, this research shows that under reinforced institutional pressure from the market and government policy, SOEs and POEs in the auto industry share similar strategic mindsets. Rather than being passive government policy-followers, SOEs are also predominantly driven by economic goals, even though SOEs still assume social stability roles and are disadvantaged in market competition through path dependence and organization culture.

The identified convergent salient institution dynamics of SOEs and POEs strategy behaviour also reconcile and extend some of the competing arguments pertaining to the dynamics of SOEs’ and POEs’ activities. In particular, driving forces of Chinese firms’ internationalization are mainly domestic market forces (supply chain and factor market change) rather than government forces.
 Practically, the findings of this research address the pressing concerns in host country
governments and decision makers in industries in relation to the internationalization
ambitions and activities of Chinese SOEs (exemplified as the ‘Trump Hypothesis’).

Methodologically, the integrated application of cognitive based techniques in the
Chinese language provides a methodological contribution for future studies.
Declaration

I certify that this work contains no material which has been accepted for the award of any other degree or diploma in my name, in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. In addition, I certify that no part of this work will, in the future, be used in a submission in my name, for any other degree or diploma in any university or other tertiary institution without the prior approval of the University of Adelaide and where applicable, any partner institution responsible for the joint-award of this degree.

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