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Ownership hybridization and FDI propensity: How firms from state-directed emerging economies can overcome institutional challenges in foreign direct investment.

Keywords; hybridization; state-owned enterprises; private-owned enterprises; foreign direct investment; emerging markets

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Abstract

The emergence of hybrid ownership structures and their OFDI activities is a critical but under investigated phenomenon. We proffer that 'state-directed emerging economies' (SDEEs) - a unique typology of emerging economies – are largely driving the emergence of hybrid ownership structures. The direct and continuous government involvement in SDEE markets and the perception this economic system creates across a variety of host countries, present the dual hurdle of liability of "origin" and liability of foreignness in the OFDI of SDEEs firms. Our study proposes ownership hybridization (i.e. mixing state and private ownership) in the home market, as a mechanism through which SDEE firms counteract these unique institutional challenges in foreign investments. We argue that through hybridization, SDEEs firms benefit from the unique resources brought into the mixture by the different ownership logics and synergistically strengthen their ability to overcome institutional challenges in foreign investments. Nevertheless, benefits of hybridization are likely to vary in magnitude in relation to the degree of hybridization, suggesting an optimal blend of state and private ownership in a hybrid firm. In addition, we propose that hybridization effects are also contingent on top executives and their political connection, that engender resource and legitimacy implications. Our approach differs from existing studies that view home and host country institutional challenges in isolation. Rather, we recognize the inter-related effect of these institutional challenges and propose ownership hybridization as a strategy that simultaneously counteracts both.

Keywords: hybridization; state-owned enterprises; private-owned enterprises; foreign direct investment; emerging economies

1. INTRODUCTION

In 2018, outward foreign direct invest (OFDI) from emerging economies (EEs) accounted for 41 percent of global OFDI, compared to 10 percent in 2000 (UNCTAD, 2019). China, Russia, India, and Brazil accounted for 77% of the global OFDI originating from EEs. While these countries are largely grouped as emerging economies based on some generalized stereotypes, the depth of market–state interrelatedness and the governments' active regulation in OFDI distinguishes them from the other EEs.

Countries differ significantly in their institutional composition, particularly among developed and emerging economies, and these differences shape how firms invest overseas (Ramamurti, 2012; Cuervo-Cazurra, 2012). However, recent studies have begun to highlight the importance of accounting for within-group differences in the dichotomy of institutions as developed or emerging economies (Cui, Hu, Li & Meyer, 2018; Hoskisson, Wright, Filatotchev & Peng, 2013). Extending this line of inquiry, we focus on a unique niche of emerging economies characterized by a mutual co-existence between the state and the market to promote OFDI. We advance this nuanced typology of 'state directed emerging economies' (SDEEs) to explore the emergence of hybrid ownership structures (firms with mixed state and private shareholders) characterizing the majority of SDEE firms involved in OFDI.

Although OFDI from EEs (and SDEEs in particular) has increased tremendously in the last decade, SDEE firms face the double hurdle of liability of foreignness and "liability of origin" in their OFDI (Zaheer, 1995; Zhou, 2013). Home country overall institutional underdevelopment (Hobdari, Gammeltoft, Li & Meyer, 2017; Stoian & Mohr, 2016; Witt & Lewin, 2007) and host country legitimacy barriers (Cuervo-Cazurra & Ramamurti, 2017; Meyer, Ding, Li & Zhang, 2014

) jointly generate conflicting institutional pressures that impede overseas investments of SDEE firms.

Interestingly, extant studies reveal that these home and host country institutional challenges do not apply homogenously to all firms (Cui & Jiang, 2012; Meyer et al., 2014). Highlighting the significance of internal governance and ownership structures, various studies (e.g. Cuervo-Cazurra, Inkpen, Musacchio, & Ramaswamy, 2014; Meyer et al., 2014; Pan, Teng, Supapol, Lu, Huang, Wang, 2014; Fang & Wang 2010) show that state-owned enterprises (SOEs) and private-owned enterprises (POEs) have idiosyncratic interactions with home and host country institutions, resulting in different institutional challenges and OFDI propensity. While this conventional taxonomy of ownership as either state or private has underscored the importance of ownership structures in OFDI, many studies in this area present some contradictions in the theoretical arguments and empirical findings. For instance, scholars disagree on the impact of state ownership on overall propensity for OFDI and even on specific OFDI activities (Meyer et al., 2014; Li et al., 2017; Pan et al., 2014). These conflicting results warrant more in-depth investigation on the interactions between organizations and institutions that ultimately shape OFDI activities.

The conventional categorization of ownership as either state or private is largely driven by the prevalence of ownership concentration where controlling owners are noticeably either state or private. Nevertheless, some studies (e.g. Che, 2019; Hu & Cui, 2014), indicate that although controlling owners have considerable influence over firms, other shareholders are not simply passive or non-contributory. In line with these arguments, our paper proposes that a more comprehensive approach to study the role of ownership structures in OFDI should duly take into consideration, the roles played by both controlling and essential non-controlling owners.

Consequently, we advance existing research on ownership structures by recognizing the growing presence of 'hybrid ownership structures' particularly in SDEEs (Bruton, Peng, Ahlstrom, Stan, & Xu, 2015). Faced with active government intervention, scarce resources, and foreign regulatory scrutiny, SDEE firms are starting to adopt hybrid ownership structures that enable strategic and operational flexibility by simultaneously developing political and market capabilities. These hybrid firms combine varying degrees of state and private ownership and do not fit precisely into established categories of ownership forms, or institutional domains (Pache & Santos, 2013; Schmitz & Glänzel, 2016). Ignoring the reality of such hybrid ownership structures and adopting a 'black or white' approach towards ownership, hinders a comprehensive understanding of the mechanisms through which ownership is significant in OFDI.

In this paper, we submit that hybrid ownership structures confer a capability to exploit complementary resources of the different ownership domains and to implement foreign direct investment activities that each partner cannot attain acting individually (Mair, Mayer, & Lutz, 2015; Pache & Santos, 2013).We make a pioneering effort by asking the following questions: *Can hybridization serve as a coping mechanism to the institutional challenges facing SDEEs firms OFDI? How do hybrid firms differ from non-hybrid firms in their OFDI propensity?"*

To answer these questions, we develop a dynamic, multi-level framework that integrates insights from existing streams of literature on institutions, corporate political connection and OFDI. We disentangle mechanisms and pathways through which the different ownership forms within hybrid structures exert their distinct influences that culminate into a synergy that facilitates OFDI. Subsequently, we identify micro level managerial political connection as a contingency to the effect of hybridization on the OFDI propensity of SDEE firms. Our study thus makes two major contributions: First, we develop an institution-based view of ownership hybridization as a coping mechanism to institutional challenges in OFDI. Our theoretical extensions offer novel insights by carving out a unique niche of state directed emerging economies. We argue that SDEEs breed hybrid ownership structures that possess institutional competitive advantage attributable to the distinct economic system of SDEEs. Furthermore, we emphasize a more in-depth conceptualization of ownership structures by adopting a hybrid perspective that unpacks the unique resources of the different ownership components that constitute a firm and their combined strategic implications for OFDI.

Secondly, we highlight that ownership hybridization presents managerial implications such that the management composition of hybridized firms is also characterized by a mixture of political and market oriented top executives. As a result, we identify top executives' political connection as conditions under which hybridization achieves desired results in OFDI. By so doing, we contribute to the research stream on corporate political connection calling for the synthetization of micro and macro level institutional political factors in OFDI (Cui et al., 2018).

2. RESEARCH BACKGROUND

2.1 Institutions, Ownership and Outward Foreign Direct Investment

Various studies utilizing the institution based view have analysed aspects of home and host institutions that affects OFDI such as corruption (Stoian & Mohr, 2016), level of development (Cuervo-Cazurra & Ramamurti, 2016; Witt & Lewin, 2007), government influence on the economy (Luo, Xue & Han, 2010), and institutional reforms(Li & Ding, 2017). The extent to which institutions differ across these facets are reflected in the broad classification of institutions as either developed or emerging economies by policy makers (e.g. world bank, UN, IMF, WTO) and academics. Compared to developed economies (DEs), emerging economies have less sophisticated institutional frameworks, underdeveloped capital markets, poorer enforcement of regulations and laws resulting in different OFDI trajectory for firms based on country of origin.

While these generalized stereotypes create an overarching distinction between DEs and EEs, they do not consider, heterogeneity within each group (Cuervo-Cazurra, 2012, Hoskisson et al., 2013). Particularly, extant research has shown that the business environment of emerging economies are characterized by significant diversity and calls for EE studies that are context specific (Cuervo-Cazurra, 2012, Hoskisson, Wright, Filatotchev & Peng, 2013; Meyer & Peng, 2016). In line with these observations, we propose a typology of EE with focus on state-directed emerging economies. These SDEEs share similar characteristics with the broader EE group but create a unique cluster amongst themselves based on the co-existence of pro-market features, government involvement in market activities and government active involvement in OFDI. These unique features of SDEEs build the dual hurdle of liability of foreignness and liability of origin for their firms' OFDI endeavour making them a laboratory to further EE context-specific research. In the next section, we clarify SDEE as a niche within EEs by highlighting their distinctive features and their implication for OFDI activities.

2.1.1 State-directed emerging economies as a typology of emerging economies

What has been deemed a homogenous group of emerging economies has evolved over recent years. A distinct cluster of economies within this group has emerged in a way that can be characterized by a significant diversity in institutional, political, and economic structures. Indeed, there exist a variety of dimensions that can be used to compare institutional environments thus, to facilitate our discussion, it is important to define what a 'state-directed emerging economy' is and to discern it from other closely related concepts. In this study, a state-directed emerging economy (SDEE) is defined as "an economic model in which the state maintains an active and direct guiding role in the economy in combination with a functioning market mechanism, that is instrumental to economic and social needs" (Che, 2019 pp 28). Admittedly, state involvement in the market is common globally however, the extent to which government involvement is rooted in the political and economic ideology of SDEEs, is the defining factor for these institutions. We therefore critically evaluate the characteristics of a typical SDEE (e.g. China, Russia, India) so that we can precisely capture the drivers and constraints of OFDI activities originating from SDEE countries. Table 1 highlights the major differences between developed economies, free market-oriented emerging economies, and state-directed emerging economies.

TABLE 1 GOES ABOUT HERE

We start with two broad aspects of institutions that are particularly significant in the OFDI of firms from SDEEs and set SDEEs apart from other two types of economies. First, SDEEs are typified by lower levels of institutional development which include less stable political systems, vague pro-market reforms, corruption, and relatively underdeveloped factor markets. Secondly, there is an active presence of market-government relationship, where the government plays a double role of competitor and regulator in the market (Che, 2019; Wang, Hong, Kauforos & Boateng, 2012). Unlike more developed institutions and free market-oriented emerging economies where a relatively clear boundary exists between the government and the market, SDEEs combine the regulatory role of the state and the competition in a market mechanism such that the state and the market are not mutually opposing or exclusive to each other (Che, 2019). Arguably, among various institutional dimensions, government intervention and the collusion of market-government relationships are of paramount importance in the OFDI of SDEE firms.

In SDEEs the regulatory power of governments involves the enforcement of regulatory policies to foster or constrain economic activities and influence economic conditions that favour State-Owned Enterprises (SOEs) (Luo et al., 2010). While all countries in both developed and free market-oriented emerging economies implement measures to steer the market to varying degrees, their purpose is usually to perfect the mechanism of the market or temporarily respond to political, social and natural disaster demands (e.g., current Covid-19.) For instance, in 2020, the New Zealand government stepped in financially, to help protect Air New Zealand from the losses caused by disruptions to air transportation during the Coronavirus pandemic (Anthony, 2020). Similarly, in 2009, the United States government took up 60% of General Motors to prevent it from bankruptcy and subsequent loss of jobs and livelihood for thousands of Americans. Highlighting that the nationalization was temporary, the president was quoted as saying "We are acting as reluctant shareholders because that is the only way to help GM succeed" (CBS, 2009). Contrary to this, government regulations in SDEEs are to promote economic growth directly and continuously. SDEE countries like China, Brazil and Russia implement ongoing regulatory measures for boosting economic growth and OFDI activities (Caseiro & Masiero, 2015; Andreff, 2014; Luo et al., 2010).

Following this regulatory role of the government in SDEEs, two contrasting views (i.e. "institutional support" and "institutional constraint") to explain the influence of institutions on the OFDI of SDEE firms, have emerged. The institutional support facet argues that increasing government support such as encouraging OFDI policies, financial grants and loans, and tax exemptions foster the OFDI propensity of firms (Buckley et al., 2007; Andreff, 2014; Caseiro & Maseiro, 2014). Conversely, the institutional constraints view highlights that political instability, weak institutional framework, and capital market imperfection impede the OFDI of SDEE firms

(Guo, Xu & Li, 2017; Suavant & Chen, 2014). Despite government and institutional support for SDEE firms, the overall institutional underdevelopment, government involvement in the economy and the perception it creates in host countries provide the dual hurdle of liability of origin and liability of foreignness that simultaneously affect the OFDI activities of SDEE firms. The focus of this study is to unpack these home and host country institutional challenges that are unique to SDEE firms and discuss context-specific strategies for which they can be overcome.

Various studies (Andreff, 2016; Cui & Jiang, 2012; Kolatay & Sulstarova, 2010) provide evidence that firm level heterogeneity can modify the magnitude and even alter the direction of the impact of institutions on OFDI. This argument is evident in the role of the government as competitor in SDEEs. In SDEEs, governments are directly involved in market competition operating as business entities through State owned enterprises (SOE). Although state ownership is present in many countries, they exist mainly in natural monopoly industries to ensure basic needs of a nation and not for promoting economic growth as is the case in SDEEs (Che, 2019). The tight political connection between SOEs and the perceived government objectives associated with this relationship in the context of SDEEs underscores the stream of research into the role of ownership and governance structure in OFDI activities. The basic tenet of these arguments is that SOEs and POEs have unique interactions with home country institutions which shapes their resources, objectives, autonomy, and legitimacy, ultimately affecting their propensity for OFDI. In the next section, we examine extant literature on this unique firm level institutional interactions of SOEs and POEs in relation to the constraints it generates in their OFDI.

2.1.2 SOEs in SDEEs: Institutional Challenges and Coping mechanisms

SOEs are firms owned by the central or state government and its agencies for engaging in commercial and political activities (Cuervo-Cazurra et al., 2014; Stan, Peng, & Bruton, 2014). SOEs in SDEEs are often associated with strong political and economic advantages that increase the scope of their resource base and aids their overseas investment. Particularly, SOEs enjoy soft budget constraints and preferential treatment including government aid and subsidized loans (Buckley et al., 2007; Morck et al., 2008; Abramov, Radygin & Chernova, 2017). SOEs, therefore, tend to face fewer financial constraints in their OFDI (Hong, Wang, & Kafouros, 2015). Accordingly, capital market imperfections and resource constraints in emerging economies do not present institutional challenges for SOEs OFDI.

On the other hand, government ownership can be a source of competitive disadvantage and present institutional challenges in the OFDI of SOEs from SDEEs. Particularly, government ownership creates legitimacy barriers in host countries. Due to their affiliation with home government, SOEs are perceived as political actors rather than purely business entities (Cui & Jiang, 2012). As a result, SOEs' OFDI activities are seen as constituting a threat to the national security, business interests of host countries and global competition (Globerman & Shapiro, 2009). These perceptions of SOEs spawn resentment from politicians and the public in host countries, ultimately subjecting SOEs to stringent scrutiny and restrictive policies (Li, Xia, et al., 2017; Meyer et al., 2014) which hinder their OFDI.

The loss of operational autonomy is another institutional barrier plaguing SOEs from SDEEs (Huang, Xie, Li, & Reddy, 2017). SOEs are particularly susceptible to home country government intervention because they heavily depend on home country governments for vital resources (Xia, Ma, Lu, & Yiu, 2014). SDEEs governments can intervene in SOEs' decisions and operations via imposing policy burdens over SOEs to keep their activities aligned with national objectives (Buckley et al., 2007; Deng, 2013). Because of these, SOEs experience diminished operational autonomy and loss of market orientation (Song, 2015; Li et al., 2017), both of which are essential for firms to seize, leverage and respond to market intelligence timely.

Studies (e.g., Lu & Xu, 2006; Yiu & Makino, 2002) have identified coping mechanisms through which SOEs can alleviate these home and host country institutional challenges in their OFDI. SOEs can enhance their host country legitimacy by cooperating with domestic firms that enjoy high levels of legitimacy in host countries (Lu & Xu, 2006). By partnering with local firms in host countries, SOEs benefit from spill over effects from the local partners' legitimacy thus signalling (to) the host countries' stakeholders, of their alignment to the regulatory and institutional requirements. Regarding home country government intervention as an institutional challenge facing SOEs, studies present the "power escape" argument or "avoidance strategies" as possible coping mechanisms (Cuervo-Cazurra et al., 2014; Pfeffer & Salancik, 1978). For example, building on the argument of OFDI as an escape response to institutional constraints, Choudhury and Khanna (2014) posit that by investing in other countries and obtaining alternative sources of revenue through OFDI, SOEs can reduce their dependence on the government and thus the power that the government wields over them.

While these proposed coping mechanisms provide significant insights into how SOEs can counteract home and host country institutional challenges, they leave room for criticism and opportunities for development of alternative coping mechanisms. For instance, while studies empirically support partnership-based strategies like joint ventures as means to enhance host country legitimacy (Meyer et al., 2014; Yiu & Makino, 2002), joint ventures involve sharing the costs and benefits of a business ultimately preventing SOEs from exploiting their resource endowment. SOEs possess the resource capability to absorb the cost of a wholly-owned foreign venture and be entitled to all the returns. Therefore, coping mechanisms that allow SOEs to exploit their resource endowment and still enjoy legitimacy benefits would be more beneficial for their OFDI. However, extant studies are yet to explore the possibilities of such strategies.

Secondly, the "power escape" strategy focuses, exclusively, on the resource component of the firm-government dyad, while ignoring the discretion dimension of this relationship (Xia et al., 2014). According to Pfeffer and Salancik (1978) a firm's dependence on the government arises from the extent to which (1) the government controls important resources the firm requires or (2) the government has discretion over the use of the resources needed by the firm. In other words, as SOEs depend on and receive resources from the government, the utilization of these resources for OFDI is also subject to the government's approval. Will the government approve OFDI activities that reduce its power and control over SOEs? Considering the extent to which SDEEs governments are highly involved in the decision process of SOEs, the reality of SOEs escaping government involvement through OFDI, becomes questionable as such decisions are still subject to approval by the government. In fact, Cuervo-Cazurra et al. (2014) argue that only firms in which managers enjoy operational autonomy from political influence are likely to implement "power escape".

2.1.3 POEs in SDEEs: institutional challenges and coping mechanisms

POEs are firms owned and controlled by private entities. They have no formal links to the government and are typically smaller than SOEs (Peng, Tan, & Tong 2004). Due to the absence of government affiliation, POEs possess operational autonomy and strategic flexibility over their decisions and pursue purely economic interest. As a result, institutional challenges arising from government interference plaguing SOEs are not applicable to POEs (Liang, Ren, & Sun, 2014).

However, studies find that the OFDI of private firms from SDEEs is constrained by the prevailing domestic capital market imperfection, discriminatory OFDI policies, and overall home country underdevelopment (Chen, Li, & Hambright, 2016; Kalotay & Sulstarova, 2010; Voss et al., 2010). Weak financial systems in many SDEEs have been one of the greatest challenges for the growth of POEs (Dana & Ramadani, 2015; Feng & Wang, 2010). Based on political rather than economic concerns, state-owned financial institutions are pressed or incentivized to grant loans to SOEs (Abramov et al., 2017; Morck et al., 2008). By contrast, they often exercise a 'tight fist' when lending to private firms. This discrimination is attributed to the lack of government support and assurance of repayment due to POEs' smaller size in tangible and intangible assets.

Regarding host country institutional challenges, unlike SOEs, POEs are more at liberty to obtain institutional legitimacy due to the absence of political affiliations and objectives. However, host country institutional challenges also arise from the negative image of SDEEs and discrimination against products from SDEEs on the presumption of inferior quality and less technological sophistication (Cuervo-Cazurra & Ramamurti, 2017). Such perceptions about SDEE firms, negatively affect their international competitive advantages, and hinder their OFDI endeavours.

A major coping mechanism to domestic institutional challenges facing POEs identified in literature, is the "escape OFDI" (Stoian & Mohr, 2016; Witt & Lewin, 2007). Identifying institutional and discriminatory escape (Cuervo-Cazurra & Ramamurti, 2017), this stream of literature suggests that SDEE firms can engage in OFDI to circumvent domestic institutional constraint and the negative image associated with originating from SDEEs. Such escapist OFDIs are usually implemented through the acquisition of foreign brands and technologies. By acquiring Western-based brands and technologies, and diversifying their assets to developed economies, POEs are associated with superior brands, which negates the 'liability of emergingness' (Madhok & Keyhani, 2012).

Another coping mechanism through which POEs deal with institutional constraint especially resource limitations is through business group affiliations (Hobdari et al., 2017; Khanna & Palepu, 2000). Business groups, are collections of individual firms, linked by formal and informal obligations to achieve an economic purpose (Yaprak & Karademir, 2010). Such linkages from multiple networks provide firms with access to shared financial, managerial and organizational resources (Deng, 2012) that reduce the liability of foreignness in OFDI. Consequently, POEs can overcome institutional voids and financial constraints through their business group affiliation.

While these coping mechanisms generally receive empirical support, they face some limitations that affect their applicability. For instance, studies (e.g. Meyer et al., 2009; Hui & Cui, 2014) show that OFDI demands the highest level of resource commitment in the form of financial capital, institutional support and international business experience. Consequently, the "escape" OFDI is contingent on a firm's resource base. If POEs are already resource-constrained, how then can they carry out an escape OFDI? Wu and Chen (2014) highlight that whilst home-market underdevelopment promotes OFDI through escape motives, a volatile home institutional environment distorts resources and prevents firms from developing ownership advantages associated with OFDI. In addition, studies (e.g., Khanna & Yafey, 2007) record some disadvantages to business group affiliations. As firms benefit from business groups, they are obliged to contribute resources when needed, which might hinder the overall resource benefits achieved.

The above analysis of the limitations to existing coping mechanisms of both SOEs and POEs to institutional challenges is the impetus for this study. We build on the argument from OFDI literature in combination with insights from *organizational studies* and *public administration.* We seek to inform and expand the discourse on coping mechanisms by activities while mitigating home and host institutional challenges simultaneously.

In summary, this paper proposes ownership hybridization as a strategic response to internalize resources, reduce home and host country institutional barriers, and increase SDEE firms' overall OFDI intensity. Below, we elaborate on this point by, first providing an overview of hybrid ownership structures, and then positioning SDEEs as breeding ground for hybrid organizations. Subsequently, we elucidate how hybridization can alleviate the institutional challenges to SDEEs firms' OFDI and identify conditions under which desired results occur.

3. OWNERSHIP HYBRIDIZATION

At the basic level, hybridization is an amalgamation of disparate "elements" (Schmitz & Glänzel, 2016). Literature from *organizational studies* defines hybridization as the combination of different institutional logics in one firm to create an amalgam possessing mixed elements, value systems and action logics of the parties involved (Pache & Santos, 2013).

SOEs and POEs are characterized by different institutional logics as the latter is generally presumed to be profit oriented and the former is believed to largely follow political agendas. Thus, a combination of these disparate institutional logics creates a hybrid organization (Bruton et al., 2015; Inoue, Lazzarini & Musacchio, 2013). Table 2 summarizes and combines conventional ownership structures with hybrid ownership structures.

TABLE 2 GOES ABOUT HERE

A survey conducted by the OECD in 2012, across members of the Latin American SOE network, reveals that 34% of SOEs are wholly owned while 66% have hybrid ownership structures (OECD, 2013). In Russia, SOEs can take four legal forms: commercial firms, unitary enterprises, state corporations and public interest entities (World Bank, 2019). Both commercial firms and unitary enterprises are forms of hybrid organizations where the state and private shareholders are combined. Similarly, a review by Li, Cui and Lu, (2017) found that according to data by the China Bureau of National Statistics, hybrid organizations accounted for 26% of firms with assets of five million RMB, 35% of all revenue earned, and 31% of all employment by 2008. Recent studies (Bruton et al., 2015; Inoue et al., 2013; Li, Cui, & Lu, 2017; Mussachio & Lazzarini, 201; Zhou, 2018) indicate a growing presence of hybrid organizational structures within the broader EE group and SDEEs in particular. However, they all focus on the hybridization of SOEs. On the other hand, Cuervo-Cazurra (2018) highlight that states can indirectly exert their influence on ‘conventional private firms’ through means such as ownership by state owned pension funds, sovereign wealth funds or even convertible loans from state-owned banks. Ultimately, POEs have also embraced the concept of hybridization but there is a dearth of research in this area except for a few recent studies investigating POEs’ political networking in Russia (Klarin & Ray, 2019), China (Zheng, Singh, Chung, 2016), and Central and Eastern European Economies (Bussolo, Nicola, Ugo & Varghese, 2019).

3.1 SDEEs as Drivers of Ownership Hybridization

Anchored on the institutional theory, we extrapolate characteristics of SDEEs that are driving the hybridization of firms and discuss how three macro-level regulatory factors – (institutional transitions and reforms, overall institutional underdevelopment and inward FDI) - are propelling the hybridization of SDEE firms.

The past two decades have seen countries broadly classified as emerging economies such as China, Russia, Vietnam, and many Eastern European countries, transition from centrally planned economic systems to more market-based approaches (Caseiro & Masiero, 2014; Megginson & Netter, 2001). The key task of these transitions is the restructuring of SOEs through privatization and the reduction of government interference in business to promote competition among firms. While many Eastern European countries adopted a radical approach towards transition, countries like China, India and Brazil adopted a more gradualist approach (Valeer & Schrage, 2009). Gradualism implies that the ownership reform for many SOEs, did not result in outright full sale but rather, a diversification in ownership structure that progressively decreased the proportion of state-ownership in SOEs was implemented. As a result, hybrid organizations in which the state held various proportions of shares emerged (Cuervo-Cazurra & Dau, 2009; Xia et al., 2014). Furthermore, such a gradualist approach allowed the government to maintain power and influence in business to some degree. In fact, some anecdotal evidence suggests that China adopted a gradualist approach towards transition due to the government's reluctance to relinquish total control. Because of the government's sustained involvement in business, political ties to the government also remained valuable for private-owned enterprises, leading to the advent of hybrid ownership structures.

As discussed earlier, SDEEs are characterized by scarcity of resources and governments power over the allocation of these resources. These two factors make government ties valuable to the OFDI activities of SDEE firms, often through favourable access to resources, diplomatic support and the alleviation of external uncertainties (Feng & Wang, 2010; Morck et al., 2008; Sun, Mellahi, & Wright, 2012). For instance, extant research show that POEs from SDEEs implement 'normative conformance' (Ahlstrom, Bruton, & Yeh, 2008) and the 'red hat strategy' (Tsang,

1996) to circumvent discrimination in the access to financial resources. Both strategies involve an alliance with the government through taking in state shares (Feng & Wang, 2010) or hiring personnel with links to the government (Faccio, 2006; Liu, Zhang & Wang, 2013). Such partial state ownership and political networking in POEs informally substitutes the absence of formal market supporting institutions (Meyer & Peng, 2016; Song et al., 2016) that hinder the OFDI propensity of POEs (Boubakri et al. 2013; Chen, Shen, & Lin 2014). Consequently, under development in factor market and the active role of government in business underpin SDEE firm's hybridization.

Increased domestic competition within SDEEs can also be considered a driver of hybridization. While governments of SDEEs have enthusiastically received IFDI to boost local economic development, such influx of IFDI increases competition for SDEEs domestic firms. Manoeuvring a progressively dynamic economy characterized by the inflow of profit oriented and more advanced multinationals, challenges the organizational logic and structure of SDEE firms. Similarly, studies (e.g. Kedia & Bilgili, 2015) show that multinationals often respond to competitive pressure by seeking markets, resources, efficiency, or strategic assets. Therefore, as competition increases within SDEEs and as SDEE firms are compelled to internationalize and compete with advanced multinationals, hybridization, for the purpose of government support and preferential resources, becomes a viable strategy for consideration.

Overall, the tight state-market relationship and presence of institutional void characterizing SDEEs are the major driving forces behind the hybridization of SDEE firms.

3.2 Ownership hybridization and OFDI of SDEE firms

Hennart (1988) proposed that mixed ownership is an efficient strategy when: (1) markets fail for the key resources held by each owner; and (2) replicating these resources is expensive. To this end, we conceptualize hybridization by emphasizing the mixture of unique resources brought into the entity by the different actors. We argue that hybridization fosters an opportunity for SDEE firms to leverage the synergy effect gained from the combination of the different advantages of both private and state firms in their OFDI. Through hybridization, SDEE firms can benefit from SOEs' entitled special resources; and POEs' operational autonomy, and low host country legitimacy barriers. Consequently, hybridization may confer varying degrees of institutional and competitive advantages that increase the OFDI propensity of SDEE firms by generating combined benefits of legitimacy enhancement, resource endowment, and operational autonomy. This will create an opportunity to simultaneously alleviate both home and host country institutional challenges in SDEE firms' OFDI. To give a detailed analysis of our arguments, we look at the role of hybridization in the OFDI of both private and state-owned enterprises.

3.2.1 Hybridization as a coping mechanism for SOEs

Conventional SOEs enjoy preferential government resources but operate under the strategic directives of the government to fulfil political objectives. Such political objectives may include economic development, social welfare, low consumer prices, orderly execution of the government economic policies, amongst others (Deng, 2009; Hong et al., 2015; Inoue et al., 2013). State ownership is therefore associated with low autonomy to pursue business goals, reduced market sensitivity and profit seeking behaviour. Furthermore, political objectives and government interference in SOEs present ideological inconsistencies in countries with minimal government involvement, thereby creating legitimacy challenges (Globerman & Shapiro, 2009).

We contend that hybridization can simultaneously mitigate the home and host country institutional challenges facing SOEs by providing the opportunity to exploit host country legitimacy benefits and operational autonomy inherent in POEs. Firstly, the introduction of external and profit-seeking private investors into conventional SOEs reduces government control and improves the profit-seeking behaviour of hybridized SOEs (Musacchio et al., 2015). This mitigates the government's inclination to use SOEs as vehicles to pursue political and social objectives at the expense of profitability. Empirical evidence (e.g., Li, Cui, et al., 2017; Musacchio et al., 2015) shows that governments hold different expectations for SOEs and marketized-SOEs, such that the pressure to carry out political objectives reduces for marketized-SOEs. Reduced political objectives and government intervention fosters a closer alignment with market incentives, which positively affects the ability to identify and respond to domestic and international market opportunities.

Secondly, hybridization equips SOEs to carry out "power escape" coping mechanism identified by prior studies and discussed in section 2.2.1 above. Cuervo-Cazurra et al. (2014) suggest that "power escape" is more apparent in firms that have already enjoyed a certain degree of autonomy from political influence. Therefore, as SOEs hybridize and benefit from reduced government interference and increased operational autonomy, they ultimately increase their ability to implement more strategies to reduce government interference.

In addition, host country legitimacy barriers to SOEs' OFDI arise from their political affiliation and perception as agents of the government carrying political objectives. Therefore, increased private ownership interest through hybridization will signal to host country stakeholders of market orientation and reduction of political agenda (Wang, Feng, Liu, & Zhang, 2011). For instance, hybridization of SOEs requires the implementation of mechanisms that attract private investors such as adopting improved governance practices, board composition with independent and external members, recruitment of professional managers with market orientation, and improved transparency (cc book 2018). This process will ultimately downplay government affiliation and control – the source of legitimacy barriers in host countries. According to Cuervo-Cazurra et al. (2014) and Sun, Tong, and Tong (2002), publicly traded SOEs, at home or in other stock exchanges, adopting corporate governance practices that align with market objectives, may be perceived as less of a threat by host country governments.

FIGURE 1 GOES ABOUT HERE

3.2.2 Hybridization as a coping mechanism for POEs

Hybridization can alleviate the home and host country institutional challenges in POEs by creating the opportunity to exploit the political connection and associated resource advantage inherent in state ownership.

In SDEEs, political connections are a vital source of social and financial capital (Feng & Wang, 2010; Meyer & Peng, 2016; Sun, Mellahi & Wright, 2012). Thus, hybridization of POEs through partial state ownership, establishes political connections that can be leveraged to expand the scope of domestic legitimacy, consequently increasing access to resources. Accordingly, researchers (e.g., Boubakri, Cosset, & Saffar, 2013; Meyer & Peng, 2016; Song, Nahm, & Yang, 2016; Wu & Chen, 2014) suggest that political networks in POEs compensate for the absence of formal market supporting institutions and give POEs access to financial support and government subsidies. Such government-affiliated capital supports riskier longer-term projects for POEs that would otherwise remain unfunded, ultimately increasing their OFDI propensity (Inoue et al., 2013)

Furthermore, increased home country legitimacy and resources empower POEs to acquire western brands, technologies and implement research and development investments. As discussed earlier, firms from emerging economies including SDEEs are constrained by the negative image and ideology that products from underdeveloped institutions are less sophisticated (Cuervo-

Cazurra & Ramamurti, 2017). They, therefore, seek to acquire western brands and technology to overcome these discriminatory perceptions. The resource benefits of hybridization in POEs will strengthen their ability to carry out discriminatory escape through acquisition of foreign brands. For instance, Liu, Wang, and Zhang (2013) highlight that politically connected firms tend to engage in larger scale M&As.

Combining the above discussion of SOEs and POEs, we argue that ownership hybridization creates an opportunity for acquiring and leveraging key resources in a combinatorial way that makes hybrid organizations more capable of OFDI compared to non-hybrid firms. Therefore, we propose that:

Proposition 1: Ownership hybridization at home will increase the OFDI propensity of SDEE firms. Both state and private hybrids are more likely to engage in OFDI than purely state- and privately-owned firms.

Although hybridization generates the triple benefits of resource, legitimacy and autonomy, we contend that the ability for firms to exploit these benefits and the impact they ultimately have on firms' OFDI is determined by the extent to which firms are embedded in the firm-government relationship. The 2018 Journal of International Business Studies Special Collections, referring to SOEs, raised the question "*To what extent do global competition and private incentives counteract the forces of soft budgets, multiple objectives, and state interference?*" The same question can be asked for POEs, regarding the extent to which state ownership counteracts the forces of resource constraints or interfere with operational autonomy and host country legitimacy. We argue that the answer to these questions infer an "optimal degree of hybridization"

For hybrid firms to benefit from the positive synergy and complementary resources of both state and private ownership, it is important to strike an optimal balance in the mixture of both ownerships in a hybrid firm. We define optimal hybridization from the perspectives of internal structure and the external responsiveness to this internal structure. Hence, optimal hybridization will achieve a globally acceptable ownership structure that unifies the internal demands of the different ownerships within a hybrid firm, through an identity that is resilient to home and host country legitimacy scrutiny. Consequently, the most substantial benefits of hybridization in OFDI will be realized at the optimal level of hybridization.

While hybrid firms still accrue hybridization benefits outside of the optimal level, these benefits will be affected by challenges of conflicting internal demands (Pache & Santos, 2013) and the unique home and host institutional challenges of each individual ownership form. For instance, while certain levels of state-ownership are required to ensure government support is gained for private-hybrids or maintained for state-hybrids; higher levels of state ownership beyond the optimal level will lead to increased government intervention and susceptibility to regulatory scrutiny. In other words, we expect that an optimal level of ownership hybridization minimizes the conflicting institutional pressures from both the home and host country environments affecting the OFDI propensity of SDEE firms. We therefore propose that:

Proposition 1b: There is a curvilinear (inverted-U shape) relationship between hybridization and SDEE firms OFDI. Hybridization will have a positive effect on OFDI as the degree of hybridization increases towards the optimal level beyond which the impact diminishes.

3.3 Boundary conditions of the hybridization effects

3.3.1 Corporate Political Connection in SDEEs

Recent studies and occurrences in the global scene indicate that top executives are an inseparable component of ownership structures and their background, and expertise carry substantial implications for the resource, autonomy and legitimacy requirements of OFDI (BBC, 2019; Cohen & Dean, 2005; Pfeffer & Salancik, 1978). Particularly, top executives' political connection has been shown to be significant in the OFDI of SDEE firms (Klarin & Ray, 2020; Lin et al. 2013). Here, top executives' political connection refers to instances where senior executives in a business concurrently hold or previously held influential positions in political or government agencies and vice versa.

Although firms are owned by shareholders, the top executives responsible for the daily operations are often selected by the owners. Thus, the concept of hybridization may not merely remain at the shareholder level but may also be reflected in the management level (Bruton et al., 2015). For instance, observations of the massive privatization of SOEs in SDEEs reveal that these privatizations were accompanied by improved governance practices where many political appointees in top management were replaced with managers possessing more market oriented and technical expertise (Mussachio et al., 2015). Similarly, POEs typically having top executives with market-oriented background have been shown to increasingly appoint top executives with political background as nonmarket strategies to counteract home country institutional challenges (Mellahi, Fynas, Sun & Siegel, 2016; Brockman, Rui & Zou 2013; Pan et al., 2014). Consequently, hybridization opens a 'revolving door' of business-government relationship at the senior management level such that hybrid firms can have a mixture of both political and market-oriented top executives.

Politically connected top executives have been demonstrated to yield many benefits for companies such as access to government financial resources (Lin et al., 2013), tax cuts (Faccio, 2010), increased survival (Zheng et al., 2017) and increased corporate value (Faccio, 2010). However, there is also indication of adverse economic outcomes associated with politically connected top executives. Some scholars argue that top executives' political connection can lead to state control, loss of managerial autonomy and deviation from economic objectives (Chen, Li & Fan, 2017; Klarin & Ray, 2020; Mellahi et al., 2016). Following these two opposing effects of top executives' political connection on OFDI, we expect that politically connected top executives in a hybrid firm can reinforce or undermine the resource, autonomy, and legitimacy benefits of hybridization.

Research shows that the value of managerial political connection is contingent on the institutional environment and intraorganizational characteristics (Li & Liang 2015; Wang & Qian, 2011). Accordingly, we argue that the resource benefit of top executives' political connection in conventional private firms may be redundant in private-hybrids when the firms have already gained an optimal balance of ownership hybridization. Similarly, the resource benefits of top executives' political connection will be insignificant for state-hybrids as they already benefit from preferential treatment inherent in their inborn state ownership. Thus, the resource benefit of top executives' political connection will not be salient in hybrid organizations.

Mussachio, Lazzarini and Aguilera (2015) argue that firms with minority state ownership might still experience residual government interference through collusion amongst the minor actors. In the case of hybrid firms, state ownership may consciously or unconsciously collude with political top executives creating an over-embeddedness in the political methods of operation, ultimately restricting the adoption of market orientation for state-hybrids and operational autonomy for private-hybrids. Specifically, the main aim of hybridization of state firms is to make SOEs more responsive to competition and develop market orientation. However, the political background of top executives increases the avenue for the imprinting of personal political values into organizational decision making and implementing strategies that are consistent with political orientation (Ahlstrom, 2014; Li & Liang, 2015). Therefore, we argue that political background of top executives will undermine the operational autonomy benefits of hybridization in state hybrids. Furthermore, as the institutionalization of new practices requires some disassociation with historical context (Barely & Tolbert, 1997), top executives whose background are not political but technical and entrepreneurial will have more skills and experience to achieve the goal of market orientation and responsiveness in state-hybrids.

Top executives' political connection also presents implication for the legitimacy benefits of hybridization. The expectation is that the political background of top executives, when combined with state ownership in hybrid firms can reinforce the concerns of political agenda of greater significance for host country stakeholders. During the process of privatization of SOEs, some emerging market governments may appoint state officials in critical positions to sustain some level of influence over these companies (Boubakri, Cosset, & Saffar, 2008; Dieleman & Boddewyn, 2012). Consequently, top executives' political connection in SOE-hybrids can send signals of government interference and political objectives to host country legitimating actors. Such perceptions will lead to legitimacy barriers in host countries which will weaken the legitimacy enhancing benefit of hybridization on SOE-hybrids. The same rationale applies to private-hybrids. The presence of state investors in private firms is enough to raise suspicions of government interference for host country stakeholders, politically connected top executives further obscures the boundary between private ownership and state control ultimately increasing legitimacy barriers for private-hybrids OFDI. Following these arguments, we propose that;

Proposition 2: The positive effect of hybridization on OFDI propensity will be weakened by politically connected top executives.

4. DISCUSSION

4.1 Contributions and implications

Institutions and the role they play in firm strategic behaviour has largely been captured by the categorization of developed and emerging economies (Hoskisson et al., 2013; Peng, 2012; Ramamurti, 2012). However, recent scholarship (e.g. Cui et al., 2018; Buckley et al., 2018; Hoskisson et al., 2013) has called for the move beyond these broad categories and the need to pay more attention to unique characteristics and heterogeneity within each category. Following this line of inquiry, we deconstruct the all-encompassing label of 'emerging economies' and identify state-directed emerging economies where the state and the government are not mutually exclusive or opposing to each other. We argue that this idiosyncratic nature of SDEEs fosters hybrid ownership structures that possess institutional competitive advantage attributable to SDEEs economic systems.

Prior studies on the role of ownership in OFDI identified how state and private-owned enterprises have unique interactions with both home and host country institutions that generate contravening conditions affecting their foreign investment (Cui & Jiang, 2012; Meyer et al., 2014; Pan et al., 2014). However, this research stream largely overlooks the prominent effects of macro-institutional configurations and firm-level OFDI orientation in catalysing ownership diversity. To expand this stream of investigation, we unravel regulative institutional mechanisms and firm-level objectives by which state and private-owned enterprises evolve characteristics and capabilities that foster their propensity for OFDI. We outline how, through ownership hybridization at home (i.e. by leveraging on legitimacy-enhancing benefits, resource benefits, and operational autonomy), SDEE firms can simultaneously counteract home and host country institutional challenges in OFDI.

Our theoretical framework draws from and integrates research streams that emphasize the broader implications of institutional diversity and ownership structures for international business studies. Rather than adhering to static perspectives on ownership structures, we advance a configurational approach to examine the OFDI propensity of combining complementary advantages of different ownership structures in one hybrid firm. We highlight that although powerful owners have considerable influence in firms' strategic behaviours, other non-controlling shareholders are not entirely passive players whose interests, resources and existence are negligible (Hu & Cui, 2014; Ramaswamy, Li & Veliyath, 2002). Adopting this approach offers a comprehensive portrayal of how SDEE firms adapt their internal structures to sustain hybrid models that are strategically flexible with greater responsiveness to global competition.

More specifically, we develop a dynamic model to demonstrate how hybridization may occur through the transformative nature and gradualist approach of reforms in state directed emerging economies. The mixing and merging of elements from central planning and market-based coordination, rearrange the pattern of state actors into hybrid structures capable of exhibiting economic orientation and global competitiveness. Consequently, through the lens of varieties in state capitalism, we theoretically unpack the significance of macro-level institutional changes on SOEs' firm-level coping mechanism. We extend theories on SOEs overseas expansion by dissecting how fundamental organizational differences can constrain their ability to obtain host country institutional legitimacy. SOEs intending to invest in some foreign locations are under strict regulatory pressure to demonstrate credible investment motives. We underline how their restructured ownership form through hybridization can signal credible motives to host country constituents. More so, extending the domestic legitimacy challenges plaguing SDEEs private firms and the associated resource constraint, we delineate the resource-enhancing benefits and home country government relational benefits of hybridization for private SDEE firms' OFDI.

Further advancing the conceptualization of hybridization, this study carves corporate political connection through top executives' political background as contingencies under which hybridization applies. The legitimacy and autonomy benefits of hybridization may be undermined by the minimal market experience of politically connected top executives creating concerns of political objectives and non-economic agenda for host country stakeholders.

Overall, the fact that corporate structures are complicated and that consequently ownership and governance have become increasingly vague in practice has significant implications for national and international investment policies. From a policy perspective, many developed institutions enforce competitive neutrality arrangements aimed at mitigating the unfair competitive advantages of state ownership with respect to taxation, financing and regulation (OECD, 2012). However, the increasing complexity of the ownership structures of these firms requires investment policymakers to carefully consider the suitability of conventional ownership-based measures. Policymakers may evaluate whether they should have a more explicit policy for scrutinizing the hybrid ownership structure of the overseas acquirers, find some proxies to detect the level of control by the foreign government in these hybrid firms, and gauge the need for policy adjustments that caters to the hybridization effect of the SDEE firms investments.

From a managerial perspective, applying the analytical framework proposed in this study, we recommend that through hybridization, firms prone to political scrutiny in developed country can engage in a dialogue with the host country government, and explicitly communicate the firm's commitment to a market-oriented and commercial focus as reflected in the hybridized ownership. Furthermore, significant evidence of the firm's compliance with the prevailing institutional practice in developed country markets, together with a sound and balanced governance structure, would strengthen the firm's hybridization signal in the host country market.

4.2 Future research directions

Future research may develop and empirically test the propositions offered in this study. Special attention should be given to the operationalisation of the optimal balance of hybrid ownership. We suggest the optimal balance can be approached from a controlling shareholder perspective. This is based on the reasoning that only active, controlling shareholders matter in corporate governance, and can act as a clear signal to the market and regulators in OFDI activities. Also, further conceptual effort may be given to the combination of financial, institutional and market resources when specifying the mediators of hybridization effects on international business performance.

Second, future studies may extend the hybridization effect by considering host country conditions under which hybridization benefits may accrue. Institutions differ with regards to what is considered legitimate behaviour and the criteria through which they confer legitimacy (Kostova & Zaheer, 1999). Taking the legitimacy and risk perspective of host countries into consideration, it is plausible that the legitimacy and resource-enhancing rewards of hybridization will be salient or mundane under different host country institutional settings.

Third, future research may benefit from investigating how hybrid firms may implement particular OFDI strategies with regard to entry mode, establishment mode and location choices. For example, are private-hybrid firms more willing to invest in risky locations than purely private firms? Will ownership hybridization in the home market lead to a high or low ownership control in OFDIs? Will hybridized SDEE firms perform better than state-owned or private-owned firms?

It would meaningfully progress our understanding of the hybridization effect in IB if these questions are explored in future research.

Lastly, this conceptual paper has been largely motivated by the previous studies drawn on the context of SDEE countries like China, Russia and Brazil. While it can be argued that these countries have emerged as global economic powers despite their developing country status, it is imperative to incorporate other institutional contexts and their unique institutional configurations into future studies, to produce a comprehensive and robust depiction of the hybridization effect. Specifically, inclusion of the institutional distance between the home and host country institutions and the direction of the institutional distance, would be valuable in future studies.

5. CONCLUSION

The complex nature of foreign direct investment involves a firm's interaction with at least two distinct institutional environments. In these multiple environments, organizations are exposed to different prescriptions of what constitutes legitimate behaviour, what goals are appropriate, and what means are effective to achieve these goals. Firms are therefore constantly striving to balance these conflicting institutional pressures in a manner that fosters their overall OFDI activity. Our contribution lies in identifying and exploring hybridization as a mechanism through which SDEEs firms can achieve such balance.

Our overarching argument is that hybrid organizations are likely to emerge and thrive in complex environments because they incorporate elements prescribed by various institutional logics and are therefore likely to project at least partial appropriateness to a wider set of institutional referents (Pache & Santos, 2013). In other words, combining and straddling state- and private-ownership through hybridization, may allow SDEEs firms to navigate institutional complexities in OFDI, by exploiting advantages and complementary characteristics of the different ownership features. Specifically, through hybridization SDEE firms can leverage government affiliation to mitigate financial constraints and domestic legitimacy challenges while simultaneously benefiting from the operational autonomy in POEs to reduce the negative effect of political goal. Consequently, hybridization presents a coping mechanism that concurrently counteracts the integrated home and host country institutional challenges facing SDEE firms.

We have highlighted how hybridization can overcome some of the limitations in coping mechanisms to institutional challenges proposed for SOEs and POEs (Choudhury & Khanna, 2014; Cuervo-Cazurra et al., 2014; Khanna & Palepu, 2000; Pfeffer & Salancik, 1978; Witt & Lewin, 2007). The precept that SOEs possess operational autonomy to engage in OFDI, thereby reducing the government's power over them, limits the "power escape" coping mechanism proposed for SOEs in OFDI. However, the government controls OFDI decisions of firms. We show how hybridization leads to reduced government intervention and creates the operational autonomy for firms to carry out OFDI. Ultimately, hybridization creates the stepping stone for firms to further seek more freedom from the government through "power escape".

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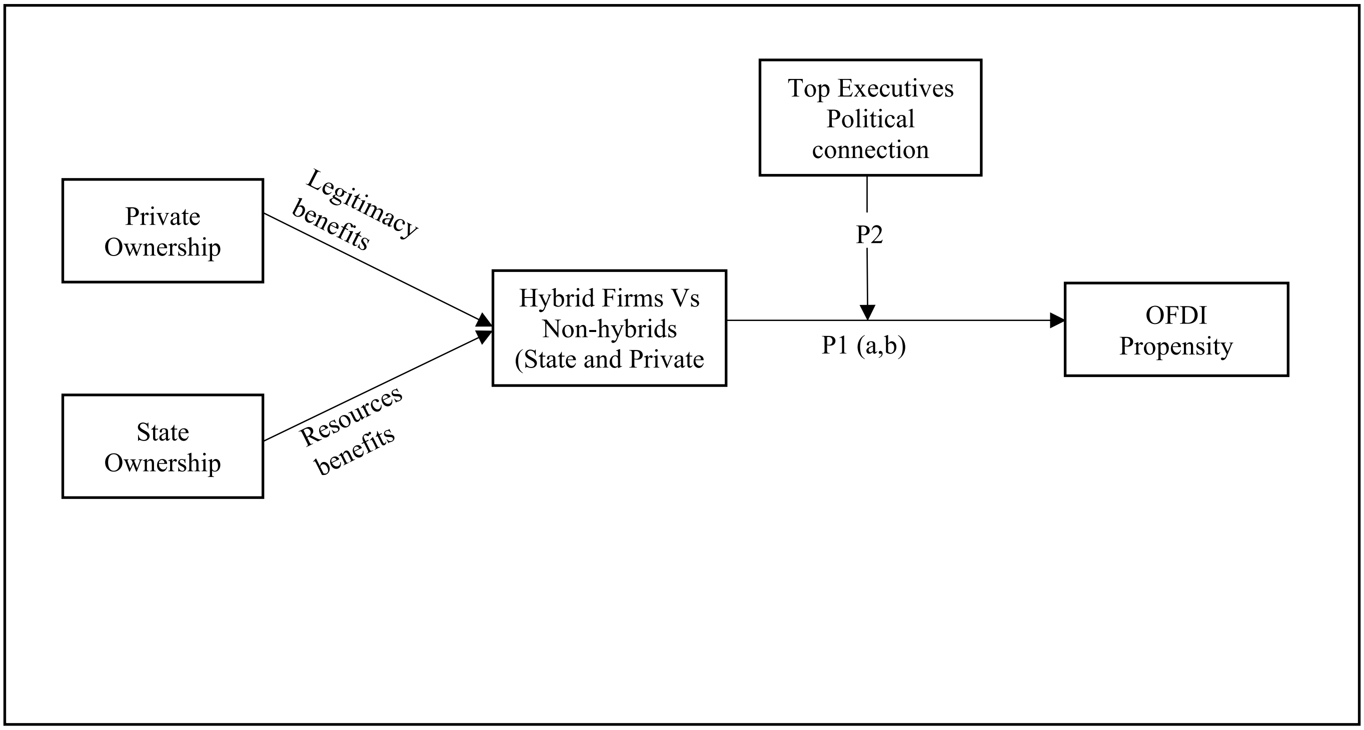
FIGURES

Figure 1. Conceptual diagram



TABLES

Table 1: Institutional comparisons

	Developed Economies	Emerging Economies	State Directed Emerging Economies
Government involvement in OFDI	**Low**: Supports free and fair global competition	**Low:** Lack systems and infrastructure that naturally enables OFDI of firms.	**High:** Actively implements policies that promotes OFDI of local firms
Pro-market position	**High:** advocates for less government regulation in the market unless it involves perfecting market mechanisms	**Medium:** advocates for less government regulation in the market but lack the systems required to perfect market mechanisms	**Low:** promotes the co-existence of market mechanisms and continuous government regulation in the market
Regulatory Scrutiny in IFDI	**High:** stringent regulatory measures scrutinizing IFDI to protect national security.	**Low:** Lacks systems and procedures to effectively implement the scrutiny of the economic and security implications of IFDI.	**Medium:** regulatory measures for scrutinizing IFDI exists but are less frequently utilized.

Table 2: Types of Ownership Structures

	SOE	SOE-HYBRID	POE	POE-HYBRID
State Ownership	Full	Partial (Majority or minority)	None	Minority
Type of State Investor	Central/Federal Provincial/State Municipal/City	Central/Federal Provincial/State Municipal/City	None	Sovereign Wealth funds/Pension funds/state bank loan
State Control	High control	Mixed between state and private	None	None
Types of managers	Political background or civil servants	Mixture of political and professional background	Mixture of political and professional background	Mixture of political and professional background
Objectives	Political objectives	Economic objectives	Economic objectives	Economic objectives