

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

A comparative study of strategic cognition

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Table of Contents

Table of Contents	i
List of Figures	v
List of Tables	vii
List of Abbreviations	viii
ABSTRACT	ix
Declaration	xii
Acknowledgements	xiii
Chapter 1 Introduction	1
1.1 Background of the research problem	1
1.1.1 Definition and clarification of terms	1
1.1.2 Practical issues: The rise of SOEs and state capitalism	2
1.1.3 Unsatisfactory answers from academic discussion	4
1.2 Rationale of this study: A bottom-up approach of institutionalism to understand SOE strategic behavior	5
1.3 Research method	6
1.4 Findings and conclusions	8
1.5 Thesis structure	12
Chapter 2 Research background: SOE - economics or politics?	14
2.1 SOEs in the global economy in the 21st century	14
2.2 Emerging debate closely related with SOEs: State capitalism.....	18
2.3 Research problem.....	25
Chapter 3 Literature Review: the macro (top-down) dynamic of institutionalism as related to the discussion of SOEs	27
3.1 Research stream one: Does ownership matter for performance?	28
3.1.1 Mixed empirical results in comparisons of performance	28
3.1.2 Embedded theoretical logic in the privatisation debate	30
3.1.3 Summary - implication of privatisation literature for “does ownership matter?”	35
3.2 Research stream two: does ownership matter for firm Outward-FDI (OFDI)?	40
3.2.1 Summary of general Emerging Country Multinational Enterprises’ (EMNEs) OFDI.40	
3.2.2 Discussion on SOEs’ OFDI	45
3.2.3 Summary of research on SO-MNEs under general EMNE OFDI	49

3.3 SOE literature summary	53
3.3.1 Institution theory as common theoretical underpinning.....	53
3.3.2 Challenges for current SOE research	55
3.4 Gap spotting	61
3.4.1 Empirical gap: firm strategy making as the missing intermediary between macro- institutional context and firm actions and outcomes	61
3.4.2 Theoretical application gap: bottom-up approach of institutional theorizing	64
Chapter 4 Theoretical Framework: the micro (bottom-up) dynamics of institutionalism	
68	
4.1 Micro-level institutional view of firm-level strategic behavior: the strategic cognition perspective	69
4.1.1 Definition of strategy: strategy as pattern of activities	69
4.1.2 General introduction of strategic cognition perspective	70
4.1.3 Cognitive structure one: organizational identity as normative and expressive logic ...	73
4.1.4 Cognitive structure two: strategic frame as instrumental logic.....	76
4.1.5 Interrelated organizational identity and strategic frame in firm strategic behavior	81
4.1.6 Summary of micro-level institutionalism and firm strategic behavior.....	87
4.2 Bridging micro- and macro- level institutions in firm strategic behavior	88
Chapter 5 Research methodology and design	93
5.1 Philosophical positioning	93
5.1.1 Ontology	93
5.1.2 Epistemology	94
5.2 Descriptive research purpose and qualitative methodology.....	94
5.3 Research design.....	96
5.3.1 Research method: textual analysis	96
5.3.2 Unit of analysis	98
5.3.3 Sampling	99
5.3.4 Data collection	101
5.3.5 Data analysis techniques	106
5.3.6 General analysis procedure	113
5.3.7 Addressing reliability and validity	116
Chapter 6: Data analysis part one: collective strategic cognitive map construction	117
6.1 Identify and structure revealed strategic cognitive elements from text analysis.....	119
6.1.1 Stage One: Construct individual raw causal map.....	119
6.1.2 Stage Two: Construct individual coded causal maps.....	124

6.2	Construct the collective strategic cognitive map for SOE and POE groups	140
Chapter 7 Data analysis process part two: collective strategic cognitive map comparison		
	145	
7.1	Identifying and detaching congruent and idiosyncratic core-periphery strategic cognitive map and elements.....	145
7.1.1	Interpretation category coreness assessment: indicator for core-periphery strategic cognitive ma.....	147
7.1.2	Interpretation category-centred network analysis	149
7.1.3	Network analysis summary	163
7.2	Supplementary assessment and comparison of revealed strategic cognition between SOE and POE groups	165
7.2.1	Comparing the similarity extent of attended environment emphases	165
7.2.2	Comparing similarity extent of context evaluation between SOE and POE groups: Perception-interpretation linkage.....	166
7.2.3	Comparing similarity extent of solution toolkits for SOEs and POEs: Interpretation-solution linkage.....	168
7.2.4	Comparing the extent of overall similarity of revealed strategic cognitive maps for the SOE and POE groups.....	176
7.2.5	Supplementary assessment summary	179
Chapter 8 Result and discussion.....		180
8.1	Preparation for result representation	180
8.1.1	Aggregating adjacency matrix in congruent parts.....	180
8.1.2	Parsimonious processing of solution toolkits.....	180
8.2	Comparison result representation and discussion	184
8.2.1	Congruent strategic cognition map representation and discussion	184
8.2.2	Idiosyncratic strategic cognition representation and discussion	191
8.3	Methodological evaluation.....	200
Chapter 9 Findings and Conclusion.....		203
9.1	Findings summary.....	203
9.2	Elaboration of findings and implications for the research question.....	205
9.2.1	Key finding: SOEs and POEs have convergent core strategic cognition.....	205
9.2.2	Implications for the research questions.....	207
9.3	Contributions.....	212
9.3.1	Theoretical contribution.....	212
9.3.2	Empirical contribution	215
9.3.3	Contribution to methodology	216
9.4	Implications for practice	218

9.5	Limitations and future research.....	220
9.6	Conclusion	221
Appendices.....		223
Appendix I	: Core group of SOEs and POEs in the Chinese auto parts industry	223
Appendix II	: Illustration of the four steps to construct individual raw causal maps	224
Appendix III	: coding protocol and indicators	225
Appendix IV	: Coding scheme	227
Appendix V	Environment domain clustering in the perception aspect of sensemaking (Past discussion).....	261
Appendix VI	Environment-outcome-(impact) linkage clustering and interpretation categorizing (past discussion)	263
Appendix VII	Basic level action concept clustering for solution aspects of sensemaking (past discussion).....	266
Appendix VIII	Illustration of a collective causal map in the coordinate system	279
Appendix IX	Aggregated adjacency matrix	280
Appendix X	Congruent-variant cognition representation	284
Appendix XI	Abstract solution category configuration into higher level category scheme ...	289
Appendix XII	Detached strategic cognitive map based on coreness of sensemaking aspects	290
References.....		293

List of Figures

Figure 1 SOE Shares Among Countries' Top Ten Firms (%)	16
Figure 2 SOEs' share of total IM&As.....	17
Figure 3 Top 10 acquiring countries, SOE-led international M&As, 1996-2013	18
Figure 4 Growth of per capita output of different groups of countries (in percentages).....	21
Figure 5 Proportions of countries in recession over time.....	21
Figure 6 Distribution of state-owned TNCs (transnational corporations) by home region/economy, 2010.....	23
Figure 7 The top 10 non-financial state-owned MNEs, ranked by foreign assets, 2013 (Millions of dollars and number of employees).....	24
Figure 8 FDI outflow of Chinese non-SOEs outruns that of SOEs, taking up half of the total	24
Figure 9 Dominant inferential logic of EMNEs' OFDI	44
Figure 10 Dominant logic of SOEs' internationalization.....	48
Figure 11 Summary of general inferential logic of the two research areas.....	63
Figure 12 Types of strategies and strategy pattern generation.....	69
Figure 13 General logic of strategic cognition perspective.....	72
Figure 14 Input, process and output of strategic issue diagnosis (sensemaking).....	83
Figure 15 Bridging micro- and macro-level institution in strategy analysis	89
Figure 16 Illustration of actual controller (SOE example).....	100
Figure 17 Point of redundancy for concept accumulation	124
Figure 18 Point of redundancy for concept linkage accumulation.....	140
Figure 19 Partial coordinate system: 'ambiguous' interpretation and solution response.....	141
Figure 20 Partial adjacency matrix (0/1) from 'ambiguous' interpretation for firm No. 9	141
Figure 21 Collective causal map of SOEs.....	143
Figure 22 Collective causal map of POEs.....	143
Figure 23 Framework of group causal map comparison between SOEs and POE	146
Figure 24 Congruent causal understanding with 'market resource gain' interpretation - SOE group	150
Figure 25 Congruent causal understanding with 'market resource gain' interpretation - POE group	150
Figure 26 Congruent causal understanding with 'market resource loss' interpretation - SOE group	151
Figure 27 Congruent causal understanding with 'market resource loss' interpretation - POE group	152
Figure 28 Congruent causal understanding with 'economic loss' interpretation-SOE group	153
Figure 29 Congruent causal understanding with 'economic loss' interpretation-POE group.....	153
Figure 30 Congruent causal understanding with 'ambiguous' interpretation- SOE group.....	154
Figure 31 Congruent causal understanding with 'ambiguous' interpretation- POE group.....	155
Figure 32 Congruent causal understanding with 'coercive' interpretation- SOE group.....	156
Figure 33 Congruent causal understanding with 'coercive' interpretation- POE group.....	156
Figure 34 Idiosyncratic causal network with 'certain' interpretation – POE group	157
Figure 35 Idiosyncratic causal network with 'impeding' interpretation – POE group	158
Figure 36 Idiosyncratic causal understanding with 'market resource gain' interpretation – POE group	159

Figure 37 Idiosyncratic causal understanding with ‘coercive’ interpretation – POE group ...	160
Figure 38 Idiosyncratic causal understanding with ‘coercive’ Interpretation - SOE group....	161
Figure 39 Idiosyncratic causal understanding with ‘market resource loss’ interpretation – SOE group	162
Figure 40 Idiosyncratic causal understanding with ‘ambiguous’ interpretation – SOEs	163
Figure 41 Extent of the similarity for general context evaluation.....	167
Figure 42 Comparison of the similarity for solution response - economic loss.....	169
Figure 43 Comparison of the similarity for solution response - market resource loss.....	170
Figure 44 Comparison of the similarity for solution response - market resource gain	171
Figure 45 Comparison of the similarity for solution response - ambiguous	172
Figure 46 Comparison of the similarity for solution response - coercive.....	173
Figure 47 Comparison of the similarity for solution response - certain.....	174
Figure 48 Comparison of the similarity for solution response - impeding	175
Figure 49 Congruent core strategic cognitive elaboration	185
Figure 50 Congruent periphery strategic cognitive elaboration.....	187
Figure 51 Peripheral idiosyncratic strategic cognitive elaboration	192
Figure 52 Salient antecedents for convergent strategic solutions in the congruent core strategic cognition map.....	206

List of Tables

Table 1 Contrary assumptions for SOE behavior in the literature	56
Table 2 Role of strategy frame in sensemaking process	77
Table 3 Characteristics of different types of research.....	95
Table 4 Causal Mapping Terms	118
Table 5 Environment Domain in Perception Aspect of Sensemaking	128
Table 6 Categories in interpretation aspect of Sensemaking	130
Table 7 Solution categorizing based on configuration of action dimensions.....	138
Table 8 Interpretation category centrality for SOE group.....	147
Table 9 Interpretation category centrality for POE group.....	147
Table 10 Core Class Memberships	148
Table 11 Attended environment elements: Centrality comparison	165
Table 12 Descriptive statistics of collective strategic cognitive map	178
Table 13 Idiosyncratic solution elements towards context evaluation.....	193
Table 14 Subtle emphasis difference	195
Table 15 Peculiar informal institutional solution concepts from SOE group	196
Table 16 Methodological evaluation of causal maps analysis	201

List of Abbreviations

SOE	State-owned enterprises
POE	Private-owned enterprises
FOE	Foreign-owned enterprises
MNEs	Multinational Enterprises
EMNEs	Emerging country Multinational Enterprises
SO-MNEs	State-owned Multinational Enterprises
SIP	Share Issue Privatisations
FDI	Foreign Direct Investment
M&A	Merger and Acquisition
SASAC	State-owned Assets Supervision and Administration Commission

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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