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The autocratic advantage: Internationalization of state-owned multinationals☆

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ABSTRACT

We offer a theoretical extension and empirical analysis of home country autocracy as a key determinant for the internationalization of state-owned enterprises (SOEs). Building on international business and international political economy theory, we argue that the pursuit of a mercantilist domestic agenda by autocratic governments is influential upon the magnitude and direction of state-owned multinational enterprises' (SOMNC) outward investment via acquisition. We conclude that autocratic home countries are 're-purposing' SOEs to pursue international nationalist objectives – and that autocracies can do so more effectively and purposefully than democracies, by maintaining effective control over their SOMNCs.

1. Introduction

The unprecedented acceleration of internationalization by state-owned multinational companies (SOMNCs) (Kowalski & Perepechay, 2015) to date has received limited research attention. SOMNCs have been defined as "Legally independent firms with direct ownership by the state that have value adding activities outside its home country" (Cuervo-Cazurra, Inkpen, Musacchio, & Ramaswamy, 2014, p. 925). For such firms to be deemed to exist "…a government entity should either own at least 10 per cent of the capital, be the largest shareholder or benefit from a golden share" (UNCTAD, 2017, p. 30). What we know so far is that SOMNCs are hybrids combining attributes of both state-owned and the multinational company (Bruton, Peng, Ahlstrom, Stan, & Xu, 2015) whose behaviour is contingent upon the degree of state ownership (Inoue, Lazzarini, & Musacchio, 2013). State ownership also affects the way in which these firms internationalize (e.g., Bass & Chakrabarty, 2014; Duanmu, 2014; Pan et al., 2014). A current weakness of the SOMNC literature is that it spotlights Chinese SOEs (Bruton et al., 2015) while giving only limited insight into the behaviour of SOMNCs as a more general phenomenon. Specifically, theoretical accounts for the existence of the SOMNC in the international sphere are scarce. At present it remains true to say that the "Logics that explain the internationalization of these firms and their transformation into SOMNCs is less obvious" (Cuervo-Cazurra et al., 2014, p. 925) than the well theorized reasoning underlying the domestic state ownership of production. The question of why SOMNCs exist and thrive internationally is particularly puzzling considering that, in the domestic sphere, the SOE as an organisational form has often proven to be productively inefficient compared with private firms (Megginson & Netter, 2001) but, at the same time, the returns on their international operations exceed the returns of many of their private counterparts (Cuervo-Cazurra et al., 2014).

An extensive body of international business (IB) research argues that it is the firm's characteristics that primarily determine the where, how, and why of foreign direct investment (FDI), while the states' regulatory activities over MNCs largely focus on the domestic market (i.e., inward FDI) (e.g., Brewer, 1993; Globerman & Shapiro, 1999). However, it has been observed that states intervene in the global economy for strategic reasons (Bremmer, 2009; Li, Cui, & Lu, 2014; Luo, Xue, & Han, 2010). We argue that the role of the home country is fundamental to our ability to understand the existence and behavior of SOMNCs. Drawing on the principles of international political economy (Alvarez, Cheibub, Limongi, & Przeworski, 1996; Jensen, 2008) that is concerned with how home countries pursue the development of their influence in the international policy space, we suggest that it is the home government's motive to exercise power in the international sphere that drives certain home country governments to require, support, or allow their SOEs to internationalize. Specifically, the SOE is "re-purposed" to become a multinational actor linked to the priorities of home government (cf. Wu, 2015). SOMNCs may offer the scope to exercise power in the international sphere to governments that lack international institutional capital, so enabling the home economy to

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pursue national aims while economizing on the time and resource expenditure required to create conventional international institutional linkages.

We further argue that this behaviour is not found uniformly across countries, instead it is determined by the nature of the political regime in the home country, specifically whether the regime is autocratic or democratic. From this basis, we hypothesise that SOMNCs from autocratic political regimes will exhibit more extensive internationalisation, a higher propensity to invest in other autocratic countries and to invest within the same industries abroad as their major domestic industries. Rather than being a general trend for all firms, we hypothesise that the effects will be stronger for these SOMNCs compared with SOMNCs from democratic regimes, and as compared with private firms from both autocratic and democratic countries. In this paper we capture SOE internationalization in the form of overseas acquisitions. We justify this from a theoretical standpoint as the dominant motivation for SOMNC expansion is to catch up and gain higher legitimacy via the most time-efficient mode (Deng, 2009; Meyer, Ding, Li, & Zhang, 2014). This translates into the category of strategic asset seeking international acquisitive behaviour. This expectation is supported by observation that the majority of SOMNC international activity is in form of mergers and acquisitions (M&As) (OECD, 2016; UNCTAD, 2017). We base our analysis on a global sample of SOE and private firm M&As completed between 1996 and 2015. The results largely confirm the hypotheses and show that the political regime of the home country plays a key role in international acquisition propensity. The findings on SOMNC acquisitions between autocratic economies resonates with earlier work on investments between countries with similar institutions (Shi, Hoskisson, & Zhang, 2016; Xu & Shenkar, 2002), while the findings on industry focus point towards the employment of a strategic approach by the autocratic government to strengthen its international position within a specific industry. Overall, these insights add to our understanding of why home country governments are disposed, and when they are most disposed, to promote SOEs internationalisation and their transformation into SOMNCs.

The following sections present theorization and hypotheses development. This is followed by a methodology section and presentation of the results. We conclude with a discussion of the theoretical and managerial implications, and opportunities for future research.

2. Theory and hypotheses

2.1. The global context of foreign investment and the rise of SOMNCs

During the 1950s through 1980s, FDI was largely associated with privately-owned MNCs that exercised ownership advantages conferring some degree of monopoly or exploited large, efficient and resource-rich locations (Buckley & Casson, 1976; Vernon, 1971). Although SOEs existed primarily domestically, a number of these firms began to internationalize with the same aim as private enterprises pursuing the profit motive (Mazzolini, 1979). These SOMNCs operated mostly in resource-based sectors and were under strong government control with little management discretion (Mazzolini, 1979). Although the global diffusion of market liberalization and privatization significantly reduced the number of both domestic and internationally-active SOEs (He, Eden, & Hitt, 2016; Megginson & Netter, 2001), partial privatization, for some, enhanced their entrepreneurial orientation and facilitated their progression to SOMNCs (Vaaler & Schrage, 2009). Therefore, albeit with diminished importance, the presence of the state in the international economy persisted but exhibited no clear trend.

SOEs experienced a second, more intense wave of internationalization post-2000 (Kowalski & Perepechay, 2015) driven by, e.g., increased foreign competition and the development of domestic institutional environments – as well as the persistence of institutional voids (He et al., 2016). Also, the financial crisis of 2007–08 led to a partial or full re-nationalization of large, privately-owned MNCs (São, 2010). In addition, a number of SOEs from developing and emerging economies appeared as dominant outward investors in pursuit of strategic assets and capabilities (Deng, 2009). However, industrialised countries such as Norway and France have exhibited a considerable level of international state-ownership in industries such as energy, telecommunications, transport, and banking (Kowalski & Perepechay, 2015). Their governments act as shareholders of the largest multinational companies (e.g., Volkswagen AG, Renault, Swisscom) through different channels (Musacchio & Lazzarini, 2012) and actively intervene to support their international activities (e.g., Financial Times, 2016).

The second wave of SOE internationalization has differed in its scale and nature. Around 19 percent of Forbes Global 500 companies in 2011 were state-owned (Kowalski, Büge, Sztajerowska, & Egeland, 2013; Kowalski & Perepechay, 2015), and most recent evidence suggests that the number now exceeds 22 percent (OECD, 2016). SOEs from high-technology industries (e.g., nuclear power generation, telecommunication equipment) and services (e.g., banking, construction) are internationalizing in greater numbers than ever before (Cuervo-Cazurra et al., 2014); in fact around 70 percent of SOMNCs are service firms (UNCTAD, 2017). Furthermore, particular channels of government-backed investments in the global economy re-emerged and assumed a dominant role, such as Sovereign Wealth Funds (SWFs) (Sauvant, Sachs, & Jongbloed, 2012).

2.2. SOMNC internationalization and political regimes

The internalization of SOMNCs, as a class, differs from private MNCs in terms of (1) objectives, as SOMNCs focus on a broader set of goals rather than profit-maximisation (He et al., 2016); (2) resources, due of their preferential access to governmental financial and non-financial support (Buckley et al., 2007; Duanmu, 2014); and (3) strategies, as they engage in risky (Pan et al., 2014) explorative, rather than exploitative, investments to ensure long-term resource security (Bass & Chakrabarty, 2014). Also, the way in which they internationalize depends on the type of state ownership, i.e., whether the SOE is centrally or locally controlled (Li et al., 2014) and the institutional pressures they face in host countries as they adapt their entry strategies to reduce conflicts and enhance legitimacy (Meyer et al., 2014). These contributions share the view that there is something distinctive about SOMNCs, but they do not provide a theoretical rationale for why these firms internationalize in the first place. Addressing this, Choudhury and Khanna (2014), building on Vernon (1979), offer evidence to show that SOEs, as a general proposition, are disposed to internationalize via managerial agency to achieve resource independence from domestic state actors. Putting aside firm-specific motivations, Cuervo-Cazurra et al. (2014), suggest that SOMNCs may act as an indirect home country extraterritoriality mechanism for ideology transfer to comparably weaker host countries, or as an instrument to achieve specific political objectives. In doing so, the authors appeal for an investigation into the home country motivations for SOMNC internationalization. In response to this, we investigate the role of the home country regime as a rationale for the existence and behaviour of SOMNCs.

Traditionally, SOEs exist as a means for the correction of domestic market distortions that cannot be addressed through other market-based mechanisms (e.g., Levy, 1987). However, Cuervo-Cazurra et al. (2014, p. 928) argue that “The standard market imperfection logic of the SOE solving market imperfections at home to support the well-being of its citizens is less applicable when SOMNCs invest abroad.” This is because, when transposed into the international economy, the rationale for the existence of SOMNCs is not to raise global welfare, but rather the welfare of the home country. This can be described as a mercantilist agenda. The theory underlying mercantilism, historically argued with respect to trade, is that it generates domestic wealth through the growth of income and taxation revenue, and is controlled through the exercise of state power, in particular through the means of protectionism

(Heckscher, 2013; Magnusson, 2002). Historically, expansion of this control internationally yielded access to resources for exploitation where the ultimate objective is to achieve long-run profit maximization at the enterprise level. By extension, where there is latent international market power available to the nation state through the internalisation of its enterprises, the internalization of these international market imperfections can be employed through the agency of the SOMNC. This is the basis of our mercantilist argument underpinning the international expansion of SOMNCs particularly via the acquisition route. In effect, this combines economic nationalism with internalisation theory as, for example, exhibited when Japanese bureaucracy replaced market efficiency with alternative state-business objectives (Mirza, Buckley, Pass, & Sparkes, 1993).

The mercantilist agenda employed via SOMNCs will depend on the political regime in a country. The political economy literature offers a largely dichotomous classification between autocratic and democratic political regimes (Alvarez et al., 1996; Cheibub, Gandhi, & Vreeland, 2010). A regime is autocratic if the chief executive or legislature are not appointed through universal popular election, if there is only one party, or if the incumbents unconstitutionally closed the legislature and rewrote the rules in their favour (Alvarez et al., 1996). As particular business organizations from certain home countries are capable of internalizing government decisions (Luo et al., 2010) we expect that SOMNCs, by extension from their domestic role, are charged with a set of tasks determined by the home government in the international domain. For autocratic home economies, political power, that is the acquisition, securing and use of power in relation to other social actors (Astley & Sachdeva, 1984) can more readily be exercised internationally via these SOMNCs precisely because they reside within the direct control of the state (Friedrich & Brzezinski, 1966). This is because autocracies exhibit an increased ability to control SOMNC actions abroad, compared with democratic regimes and compared with government suasion over privately-owned MNCs.

While managerial discretion is applicable to SOMNCs and SOEs (Choudhury & Khanna, 2014), on account of the presumption of monitoring costs that increase with geographical distance, we expect that SOMNC managers from autocratic countries will be under closer scrutiny, monitoring and control, compared with SOMNC managers from democratic countries. This is because centralization is a hallmark of autocracy, which is associated with lower levels of managerial autonomy (Li et al., 2014). SOMNCs from autocratic countries are therefore likely to be controlled abroad more tightly as an extension of the argument that SOEs in autocratic economies are more tightly controlled than SOEs from democratic economies. Agency theory, as applied to SOMNCs in general, suggests a triple agency problem between the citizens of the home economy as owners, the politicians who determine the objectives, and the managers who may seek to exercise managerial discretion (Cuervo-Cazurra et al., 2014). However, under autocracy, domestic politicians are far more likely to be determining the objectives of SOMNCs compared with politicians under democracy (Easterly, 2014). Ramamurti has also observed that governments would claim that they had '"Ensured" managerial autonomy' of SOEs (Ramamurti, 1991, p. 207) while heavily monitoring and exerting political control over foreign operations. Therefore, in autocracies, we argue that monitoring and control is amplified and, as a result, these economies will show a preference for the exercise of international state ownership as it is likely to be highly effective in pursuing a mercantilist agenda. It follows that autocratic country SOMNCs are more likely to pursue international expansion driven by the state's objectives rather than managerial goals (Friedrich & Brzezinski, 1966). To conclude, these economies will exhibit a strong propensity for SOE internationalization, and the effect will be higher compared with SOEs from democratic home countries. The hypothesis is:

H1. SOEs from autocratic home countries are more likely to acquire firms overseas than SOEs from democratic countries.

These effects, we argue, will equally apply when autocratic country SOMNCs are compared with private firms. We expect that, when compared with private firms from democratic regimes, autocratic country SOMNCs are a more effective, centralised and controlled vehicle for the mercantilist agenda of the state. On the basis that private firms, even those from autocratic regimes, will enjoy a higher level of managerial autonomy than SOEs, we predict that the propensity to internationalize via acquisition to gain legitimacy, will be higher for SOMNCs because they are pursuing a mercantilist agenda, rather than private motives of profit maximization or managerial discretion:

H1a,b. SOEs from autocratic home countries are more likely to acquire firms overseas compared with private firms from autocratic (H1a) and democratic (H1b) home countries.

We also investigate the influence of the home country political regime on SOMNC location choice. Autocratic political regimes have been associated with political and policy uncertainty (Shubik, 1983), which is significant because management of risk due to these uncertainties is one of the primary considerations for multinationals when operating internationally (Ghoshal, 1987; Miller, 1992; Ting, 1988). However, previous SOE studies found that SOEs locate in risky environments, attributing this to home country capital market distortions permitting preferential access to finance, enabling risky investments (Duanmu, 2012; Morck, Yeung, & Zhao, 2008). Also, the institutional similarity argument suggests that firms from autocratic regimes will be familiar with state intervention, weak institutions, and low property rights protection (Morck et al., 2008) and may, therefore, be attracted to other autocratic countries. Finally, because SOEs are able to leverage the political influence of their home government to lower expropriation hazards in uncertain environments (Duanmu, 2014), they are more likely to internationalize in these environments than their privately owned peers. Based on this, we suggest that autocratic economy SOEs will have a higher propensity to invest in autocratic host countries rather than SOEs from democratic countries and private firms:

H2. SOEs from autocratic home countries are more likely to acquire firms in other autocratic countries than SOEs from democratic countries.

H2a,b. SOEs from autocratic home countries are more likely to acquire firms in other autocratic countries overseas compared with private firms from autocratic (H2a) and democratic (H2b) home countries

Building on Boddewyn and Brewer (1994), we expect that the industry to which the firm belongs will also exert a strong influence upon the business political priorities of the SOMNC in the international domain. Furthermore, the political economy view of international activity suggests that governments and, by extension, SOEs are motivated to integrate their resources, products and knowledge in globally coordinated networks (Alfaro & Charlton, 2009), which fosters their national competitiveness (Luo et al., 2010). In fact, empirical research shows that SOMNCs are motivated to consolidate whole sectors on a global level, particularly ones they find of strategic importance not just domestically, but also internationally (e.g., petrochemicals, power generation, steel production, and telecommunications) (Bremmer, 2009). This suggests that autocratic home country SOMNCs will invest abroad in the same industries to strengthen their global intra-industry position, i.e., to take advantage of the industry specific gain of building up strategic industries and pursue a national security agenda in preference to either a revenue or managerial discretion motive. Because of centralized control under autocracy, the power to pursue a mercantilist agenda of strategic national objectives within the same industry in the international sphere is more effectively executable for autocratic countries through their SOMNCs, in contrast to democratic country SOMNCs and privately-owned firms. In contrast, private firms will diversify their investments according to the profit motive (McDougal & Round, 1984; Rumelt, 1974). Hence, SOE internationalization is a

means to increase the power of the autocratic home economy in the international marketplace focused within particular industries:

H3. SOEs from autocratic home countries are more likely to acquire firms overseas in the same industry than SOEs from democratic countries.

H3a,b. SOEs from autocratic home countries are more likely to acquire firms overseas in the same industry compared with private firms from autocratic (H3a) and democratic (H3b) home countries.

3. Methodology

Our analysis is based on data regarding the internationalization activities of SOEs and private firms. We rely on a comprehensive sample of cross-border M&As as indicators of firm internationalization, drawn from the widely adopted Thomson One database. Previous empirical evidence shows that SOMNC international activity materializes largely either as M&As or greenfield investment, with M&As accounting for the dominant share of foreign entry (OECD, 2016; UNCTAD, 2017). Theory argues that a significant number of SOEs, particularly from developing countries, lag behind private MNCs in productivity and technological capabilities (Kikeri & Kolo, 2006) and, therefore, they are motivated to strategically acquire existing advanced resources abroad to catch-up, rather than develop new ones (Deng, 2009; Li, Li, & Shapiro, 2012). Furthermore, SOEs are faced with more complex institutional pressures abroad and, in order to gain higher legitimacy at entry, have a preference for M&As compared to greenfield (Chan & Makino, 2007; Kostova & Roth, 2002; Meyer et al., 2014).

To test our main hypotheses regarding SOMNCs, we identify M&A deals completed by companies whose ultimate parent is a government, resulting in 11,022 domestic and cross-border M&A deals in total. We restrict the sample to completed cross-border M&As, resulting in 1999 observations. The earliest recorded SOE cross-border M&A was in 1981, but as the data for many of our independent variables are not available prior to 1996 and post 2015, we focus on M&As in the 1996–2015 period. We further exclude the activities of extraterritorial bodies and organisations (e.g., IFC, EBRD, World Bank). This resulted with a final sample of 1386 SOE M&A cases, representing 70 percent of all completed cross-border SOE M&As. Table 1 below shows the top 25 acquirer (home) countries and target (host) countries as well as the acquirer names and industries. SOEs from Singapore, France, Qatar and Canada recorded the largest number of completed cross-border M&A deals. The most frequent acquirer was Temasek Holdings, the national wealth fund of Singapore. The acquirers operate mostly in management, investment and banking activities as well as electronics, communications and energy sectors. To test our additional hypotheses based on a sample of privately-owned MNCs, we extract non-SOE cross-border M&As in the same period. Due to time limitations, we focus on non-SOE acquirers that operate in the top 25 countries listed in Table 1. This resulted with 136,146 completed cross-border non-SOE M&A instances. We replicate the collection and operationalization of the dependent and independent variables for this sample.

3.1. Dependent variables

The full list of variables and data sources is provided in Table 2. As dependents, we employ a set of dichotomous choice variables used similarly in other studies modelling location or entry mode choices (Cui & Jiang, 2009; Duanmu, 2012; Lu, Liu, Wright, & Filatotchev, 2014). To test the first set of hypotheses, we needed to capture the existence of an M&A event, as well as when an M&A does not occur. To that end, we adopt the dichotomous *Cross-border M&A* variable capturing the instance of an SOE (or private firm) M&A cross-border activity (value of 1) or a lack of one (value of 0) for each of the possible country pairings in the database. To avoid the rare events (1386 one and 257,400 zero values, SOE sample) and small sample bias, we group the observations (Hosmer, Lemeshow, & Sturdivant, 2013; King & Zeng, 2001) in four different time periods: 1996–2000; 2001–2005; 2006–2010; 2011–2015. If there was a cross-border SOE (or private firm) M&A activity completed in a specific time period for a specific country pair, the variable takes the value 1 and 0 otherwise. If there was more than one instance of SOE (or private firm) M&A between particular country pairings in a particular period, we also code this with a value of 1 (Lu et al., 2014). To test the second set of hypotheses, we estimate the *Cross-border M&A Autocratic* variable, capturing whether a cross-border

Table 1
Top 25 acquirer and target countries where the acquirer's ultimate owner is a SOMNC, by number of cross-border M&As.

No	Acquirer Country	n	Target Country	n	Acquirer Name	n	Acquirer primary SIC code	n
1	Singapore	280	United States	139	Temasek Holdings (Pte) Ltd (Singapore)	47	6722 (Management Investment Offices)	216
2	France	67	United Kingdom	115	Government of Singapore Invest (Singapore)	38	6799 (Investors)	136
3	Qatar	64	Australia	81	Canada Pension Plan Investment (Canada)	35	6000 (Banks)	76
4	Canada	62	China	78	GIC Real Estate Pte Ltd (Singapore)	33	6282 (Investment Advice)	63
5	Utd Arab Em	62	India	78	Qatar Holding LLC (Qatar)	19	4911 (Electric Services)	55
6	China	53	Hong Kong	53	Statkraft SF (Norway)	18	4813 (Telephone Communications)	35
7	Malaysia	48	Germany	49	Abu Dhabi Investment Authority (Utd Arab Em)	17	6211 (Security Brokers, Dealers, and Flotation Companies)	34
8	Germany	43	France	43	Singapore Telecommunication (Singapore)	17	499A (Cogeneration, alternative energy)	33
9	Norway	42	Sweden	42	DEG-Deutsche Investitions (Germany)	16	6552 (Land Sub dividers and Developers)	31
10	United States	40	Spain	30	Qatar Investment Authority (Qatar)	14	4812 (Radiotelephone Communications)	28
11	Sweden	40	Canada	29	Bank VTB (Russian Fed)	11	999A (National government)	27
12	United Kingdom	37	Indonesia	28	Caixa Geral de Depositos SA (Portugal)	11	1311 (Crude petroleum and natural gas)	25
13	Hong Kong	36	Italy	27	Khazanah Nasional Bhd (Malaysia)	11	4512 (Air transportation)	22
14	Netherlands	27	Malaysia	26	Emirates Telecommun Grp Co (Utd Arab Em)	10	8711 (Engineering services)	20
15	New Zealand	24	Thailand	22	Sonatrach (Algeria)	10	4215 (Courier services)	14
16	Ireland-Rep	24	Switzerland	21	OMX AB (Sweden)	9	999 B (National government agency)	14
17	South Korea	23	Japan	19	Vin & Sprit AB (Sweden)	9	4581 (Airports and airport terminal services)	14
18	Luxembourg	22	Ukraine	19	LFB Biotechnologies SA (France)	8	6726 (Investment offices)	13
19	Russian Fed	21	Brazil	18	Qatari Diar Real Estate Invest (Qatar)	8	1221 (Bituminous coal and lignite surface mining)	12
20	Italy	21	South Korea	18	Statkraft Norfund(SN)Power (Norway)	8	6719 (Offices of holding companies)	12
21	Belgium	20	Turkey	18	Imatran Voima Oy (Finland)	7	7011 (Hotels and motels)	12
22	Mauritius	19	Netherlands	16	Ornua (Irish Dairy Board) (Ireland-Rep)	7	1381 (Drilling oil and gas wells)	11
23	Finland	18	Singapore	16	Korea Resources Corp (South Korea)	7	3731 (Ship building and repairing)	11
24	Austria	16	Denmark	14	SNP Corp Ltd (Singapore)	7	6371 (Pension, health, and welfare funds)	11
25	India	16	South Africa	14	Singapore Airlines Ltd (Singapore)	7	999D (Regional (state) agency)	10

Author's calculations based on Thompson One data from 1996 to 2015. n = 1386.

Table 2
Variables and data sources.

Variable (general)		Proxy	Data source
Dependent variables			
Cross-border M&A (H1, H1a,b)		Dichotomous, all possible country pairings engaging in cross-border (SOE or non-SOE) M&As in a specific five-year time period yes then 1 or no 0	Thompson One
Cross-border M&A Autocratic (H2, H2a,b)		Dichotomous, if target country is autocratic then 1 if not then 0 (using the mean value of the Combined Polity Score)	Polity IV database (Robustness checks: Political Constraint Index (POLCON); Heritage Foundation index of economic freedom; Freedom in the World index; International Country Risk Guide (ICRG))
Cross-border M&A Intra-industry (H3, H3a,b)		Dichotomous, if all four primary SIC codes of the target and acquirer are the same then value of 1, if not 0	Thompson One
Independent variables			
Autocracy (home/ acquirer country)		Combined Polity Score (composite of autocracy and democracy)	Polity IV database (Robustness checks: Polity Autocracy index; Political Constraint Index (POLCON); Heritage Foundation index of economic freedom; Freedom in the World index; International Country Risk Guide (ICRG))
Control variables			
Host (target) country	Market size	GDP (US$ constant market prices, deflated by the base year) GDP per capita growth (annual%)	World Bank Development Indicators
	Resource endowments	Ratio of ore and metal exports to merchandise exports (%) Agricultural land (% of land area) Fisheries production (metric tons) Forest area (% of land area) Natural gas rents (% of GDP) Oil rents (% of GDP) Access to electricity (% of population) Patent registrations (by residents, country and year)	World Bank Development Indicators
	Economy, trade and FDI	Annual average exchange rate (local currency per US$) Government expenditure (% of GDP) Ratio of foreign trade to GDP (% of GDP) FDI inflows (% of GDP)	World Bank Development Indicators
Distance	Cultural distance	Power distance Individualism/Collectivism distance Masculinity/Femininity distance Uncertainty Avoidance distance Long/Short term orientation distance Indulgence/Restraint distance	Hofstede (Robustness checks: GLOBE)
	Administrative distance	Membership of the same trade bloc, dichotomous, if both home and host countries members of the same Regional Trade Agreement then 0, if not 1	World Trade Organisation
		G20 membership, dichotomous, if both home and host countries members of G-20 summit then 0, if not 1	www.g20.org
		Common colonial origin, dichotomous, if both home and host countries share a colonial origin (in the past 200 years) then 0, if not 1 (including the 17 Non-Self-Governing Territories)	ICOW colonial history data (http://www.paulhensel.org/icowcol.html)
	Geographic distance	Distance between the capitals of the host and home country	www.geobytes.com
Home country	Advanced dummy	Dichotomous country classification into two major groups: advanced economies (1) and emerging and developing economies (0)	World Economic Outlook (WEO)
Firm-level variables	Past cross-border M&As (acquirer)	Dichotomous, if the firm engaged in cross-border M&As previously then 1, if not 0	Thompson One
	Industry (acquirer)	Industry of operation (dummies)	
	Industry (target)	Industry of operation (dummies)	
Year dummies		Year (dummies)	

M&A event (SOE or private firm) is directed towards autocratic economies. Based on our sample, we estimate the mean value of the composite Polity measure for the host countries (explained in detail below) for each cross-border M&A case and if a country's score is below the mean, it is coded as autocratic and takes the value of 1. A value above the mean indicates a more democratic economy, taking the value of 0. We also use the mean to distinguish between SOEs and private firms from autocratic and democratic countries to compare the values of the main independents for different samples. As a robustness check, we also adopt alternative indicators of autocracy and develop measures using the same approach, namely the Political Constraint Index (POLCON), International Country Risk Guide (ICRG) democracy measure, Heritage Foundation index of economic freedom and Freedom in the World index, discussed below and in the robustness checks section. To test the third set of hypotheses, we compare the industrial classification of both the acquirer (SOE and private firm) and the target company to develop our dependent variable, *Cross-border M&A Intra-industry*. If, in a particular cross-border M&A case all four primary digit SIC codes of the target company and acquirer are the same, we assume the SOE (or private firm) to be investing in a comparable industry and the observation takes the value of 1 or 0 otherwise (Alfaro & Charlton, 2009). Our sample includes acquirers of different nature (e.g., international organizations, holding companies, manufacturers of motor vehicles, insurance companies), thus their behaviour and motivations to invest in particular industries may vary. For instance, SWFs invest to obtain short or long-term above-average returns rather than diversify or consolidate (Sauvant et al., 2012). Data limitations (Table 1) does not permit us a more detailed analysis, but we account for the differences by including industry dummies and we explore the robustness of the average effect.

3.2. Independent variables

For our main independent autocracy variable, the most used indicators are Polity IV measure of democracy, The Political Constraint Index (POLCON), Heritage Foundation Index of economic freedom, Freedom House civil and political liberties data and the International Country Risk Guide (ICRG) democracy measure. Due to the comprehensiveness of various aspects of autocracy and the extensive country and year coverage, we use the Polity data as our main independent measure, also used in similar studies (Asiedu & Lien, 2011; Kolstad & Wiig, 2012; Li & Resnick, 2003). An additional advantage of the Polity data is that it provides information regarding autocracy and democracy in a single indicator, therefore facilitating analysis and interpretation (Marshall, Gurr, & Jaggers, 2017). Following previous practice, we use the *Combined Polity Score* measure which brings together composites of both autocracy and democracy into a single index ranging from +10 (strongly democratic) to −10 (strongly autocratic) (Marshall et al., 2017).

To check for robustness of the main results, we employ other alternative measures. We use the Polity autocracy index, an indicator estimated as an eleven-point scale (0–10) composite accounting for the mixed qualities of distinct authority patterns in different countries (Marshall et al., 2017). A higher score is indicative of a more autocratic regime. In addition, we use the Political Constraint Index (POLCON) by Henisz (2000, 2002, 2006) which aims to capture the underlying political structures and policy credibility in a country. Also, we adopt the Heritage Foundation index of economic freedom which, by assessing an individual's freedom to control his or her own labour and property, speaks to the level of democracy (Miller, Kim, Roberts, Riley, & Whiting, 2017) and has been used in previous studies (e.g., Meyer, Estrin, Bhaumik, & Peng, 2009). Furthermore, we also use the Freedom in the World index of political rights and civil liberties (Freedom House, 2017) to measure the extent to which the political system is democratic, as in other studies (e.g., Berry, Guillén, & Hendi, 2014). Lastly, we use the International Country Risk Guide (ICRG) data (PRS Group, 2017) focused on determining the country risks for international activities, but also speaking of the political environment in a country (e.g., Dikova, Sahib, & Van Witteloostuijn, 2010). The operationalization and results are discussed in the robustness checks section.

3.3. Control variables

We control for host country characteristics found to be significant for foreign investment activities (Table 1), largely mirroring Buckley, Forsans, and Munjal (2012). Economies with growing demand and opportunities for profit generation via economies of scale and scope attract investors (Chakrabarti, 2001). Therefore, we control for the host country market size by using *GDP* and *GDP per capita growth*. Also, we account for host country resource endowments expected to attract investments as compensation for scarce supply in the domestic market (Dunning, 1980). The most widely used proxy is the *Ratio of ore and metal exports to merchandise exports* (e.g., Buckley et al., 2007; Buckley et al., 2012). We also test for the significance of other natural resources (*Agricultural land, Fisheries production*, *Forest area*, *Natural gas rents* and *Oil rents*) and the quality of country infrastructure (*Access to electricity*). Since accessing advanced proprietary technology and other location-bound assets such as innovation and distribution networks are significant motivators for investment (Deng, 2003; Dunning, 1998), we use the number of *Patent applications* by residents as proxy (Buckley et al., 2012). We also take into account the local *Exchange rate* against the US dollar because if the currency depreciates, local assets become cheaper in international markets (Blonigen, 1997). Moreover, investors may be attracted to countries with high *Government expenditure* as these countries finance debts with inflow of foreign capital (Jensen, 2003). However, it may also exert a negative effect as high deficits are related to low long-run economic performance and unfavourable interest and exchange rates (Jensen, 2003). Furthermore, we measure openness of the host country by using *Foreign trade* and *FDI inflows*, showing the capability to attract investments (Buckley et al., 2012; Jensen, 2003).

The literature, e.g., the CAGE model (Ghemawat, 2001), draws attention to the importance of distance between the home and host country. Although largely found to be insignificant (Tihanyi, Griffith, & Russell, 2005), we account for cultural distance by using Hofstede's indicators (Hofstede, 1983) and, as specified (Shenkar, 2001), develop Euclidean distance indexes for all cultural dimensions. As a robustness check, we also use the GLOBE indicators comparable to the Hofstede dimensions (House, Hanges, Javidan, Dorfman, & Gupta, 2004). To account for administrative distance, we capture trade linkages in terms of membership of the same *Trade bloc*. Theory suggests that foreign investments are built upon initial trade-based market entries (Dunning, 1980; Johanson & Vahlne, 1977). Also, studies showed that similarity in macroeconomic policies and near-uniformity of investment policy in particular promotes further investment (Buckley et al., 2012). This is captured using the established *G20 membership* indicator. We control for *Common colonial origin* as a further indicator of administrative distance and institutional similarity (e.g., shared legal origins) (Acemoglu, Johnson, & Robinson, 2001). *Geographic distance*, reflecting the costs of servicing a market (Buckley & Casson, 1981), is proxied by the distance in miles between home and host capital cities. Finally, economic distance is captured using GDP indicators and resource endowments in the host country outlined above (Buckley et al., 2012).

Since the data includes SOEs and private firms from a variety of home countries, we use the World Economic Outlook classification into two major groups: advanced and emerging and developing economies, i.e., *Advanced country dummy*. In models that permit firm-level variables, we control for the *Industry of operation* of the target and acquirer as well as *Past cross-border M&As* to account for previous M&A activity of the acquirer. Finally, we include year dummies. Following established practice, all continuous control variables are lagged one year.

3.4. Model

We match the information regarding M&As including the target and acquirer by year and host country and collect independent variables by year for each host country as well as firm level information to create a panel data set. Considering our dependent variables are dichotomous, we follow established methodology and employ a logistic regression analysis (e.g., Alcacer & Chung, 2007; Beamish & Kachra, 2004; Duanmu, 2012). This method enables us to model probabilities on a variety of conditions, in this case firm, home and host country characteristics. Since we use a different dependent variable to test each hypothesis, we employ different models that take the following general form:

$$\Pr(Cross - borderM\&A_{ijt}) = \phi\ (X_{ijt}\beta) \quad (1)$$

where $\Pr(Cross - borderM\&A_{ijt})$ indicates the probability of a SOE or private firm cross-border M&A event in case of H1, or cross-border M&A autocratic event in H2, or cross-border M&A intra-industry event in H3, by a particular host country (H1) or firm (H2, H3) in a particular home country (H1) or target firm (H2 and H3) in particular year, while X_{ijt} represents the explanatory variables vector and β the relevant coefficient.

4. Results

Descriptive statistics and correlations are presented in Table 3. None of the variables in the correlation matrix exceed the established rule of thumb of 0.8 (Farrar & Glauber, 1967). Table 4 reports the results. The chi-square statistic probabilities show that all models are statistically significant ($p = 0.000$).

The first hypothesis predicts that SOEs from autocratic economies will have a higher propensity to acquire firms overseas. The results

Table 3
Descriptive statistics and correlation matrix.

		Mean	S.D.	1	2	3	4	5	6	7
1	Cross-border M&As	.01	.12	1						
2	Cross-border M&As, Autocratic	.19	.39	–	1					
3	Cross-border M&As, Intra-industry	.76	.42	–	.03*	1				
4	Combined Polity Score	8.68	3.89	.01*	−.13*	−.01*	1			
5	GDP	3.12e + 14	4.46e + 14	−.02*	−.23*	.04*	.08*	1		
6	GDP per capita growth	2.26	3.14	−.01*	.26*	−.00	−.05*	−.10*	1	
7	Ore and metal exports	5.25	7.56	−.01*	−.02*	−.02*	−.05*	−.02*	−.02*	1
8	Agricultural land	43.35	20.59	.02*	−.14*	−.00	.10*	.18*	.05*	−.05*
9	Fisheries production	2034584	3294933	.07*	.04*	.01*	.01*	.60*	.12*	−.05*
10	Forest area	30.86	15.98	.00	.09*	.00	.00	−.01*	−.05*	−.06*
11	Natural gas rents	.30	.75	−.02*	.13*	−.01*	−.01*	−.05*	.01*	.03*
12	Oil rents	1.03	3.18	−.05*	.35*	−.03*	−.11*	−.15*	.05*	.00
13	Access to electricity	97.80	8.68	.04*	−.18*	.03*	.07*	.28*	−.13*	−.17*
14	Patent applications	54962.78	108983.70	.11*	−.18*	.04*	.11*	.70*	.00	−.26*
15	Exchange rate	192548.30	35900000	−.00	.35*	−.02*	−.13*	−.37*	.20*	.02*
16	Government expenditure	17.45	4.17	.01	−.32*	.02*	.21*	.00	−.31*	−.05*
17	Trade	74.78	64.74	−.01	.12*	.01*	−.22*	−.49*	.08*	−.08*
18	FDI inflows	4.84	9.80	−.00	−.01*	.00	−.08*	−.23*	.10*	.01*
19	Power distance	16.54	15.48	−.02*	.32*	−.01*	−.16*	−.20*	.13*	.01*
20	Individualism/Collectivism distance	21.14	19.95	−.01	.33*	−.01*	−.10*	−.11*	.10*	.14*
21	Masculinity/Femininity distance	16.47	15.87	−.05*	−.07*	.01*	.08*	−.12*	−.06*	−.08*
22	Uncertainty Avoidance distance	20.65	16.50	−.01	.16*	.02*	−.13*	−.14*	−.04*	−.04*
23	Long/Short term orientation distance	23.49	16.06	−.02*	.07*	.03*	−.11*	.14*	.06*	−.05*
24	Indulgence/Restraint distance	16.84	15.07	−.03*	.17*	.01*	−.09*	−.19*	.13*	−.05*
25	Trade bloc	.43	.49	.01*	.04*	.02*	−.01*	.15*	−.01*	−.01*
26	G20 membership	.52	.49	.04*	.12*	−.01*	−.18*	−.52*	.09*	−.03*
27	Common colonial origin	.86	.34	.01	.14*	.00	−.10*	−.13*	.04*	.01*
28	Geographic distance	2351.46	2387.55	−.00	.27*	.00	−.21*	−.00	.13*	.40*
29	Advanced dummy	.92	.26	.08*	−.08*	.01*	.65*	.09*	−.01*	−.06*
30	Past cross-border M&As	.49	.50	–	−.05*	.11*	−.09*	.15*	−.02*	.03

	8	9	10	11	12	13	14	15	16	17	18
1											
2											
3											
4											
5											
6											
7											
8	1										
9	.08*	1									
10	−.67*	.06*	1								
11	−.30*	.12*	.05*	1							
12	−.19*	.05*	.00	.39*	1						
13	−.10*	−.07*	.03*	.05*	−.10*	1					
14	.20*	.58*	.04*	−.04*	−.20*	.27*	1				
15	−.17*	.00	.32*	.01*	.15*	−.33*	−.30*	1			
16	.05*	−.15*	.04*	.00	−.13*	.28*	.03*	−.23*	1		
17	−.33*	−.48*	−.06*	−.01*	.03*	.06*	−.51*	.11*	−.18*	1	
18	−.07*	−.21*	−.14*	.01*	−.03*	.04*	−.27*	.00	−.02*	.50*	1
19	.02*	−.08*	.06*	.06*	.23*	−.19*	−.17*	.26*	−.11*	.08*	−.01*
20	−.09*	.06*	.16*	−.01*	.16*	−.20*	−.13*	.28*	−.26*	.00	−.02*
21	−.12*	−.07*	.16*	.04*	.00	.08*	−.07*	.18*	.28*	.03*	.08*

(*continued on next page*)

Table 3 (*continued*)

	8	9	10	11	12	13	14	15	16	17	18
22	−.03*	−.11*	.15*	−.05*	.05*	.04*	−.11*	.27*	.10*	.04*	−.02*
23	.02*	.08*	.03*	−.04*	−.01*	.04*	.22*	.05*	−.08*	−.03*	−.04*
24	−.04*	−.10*	.11*	.01*	.12*	−.15*	−.12*	.30*	−.12*	.10*	.00
25	.06*	.13*	.00	.03*	.08*	−.07*	.16*	−.06*	−.15*	−.08*	−.03*
26	−.13*	−.37*	.05*	−.03*	.07*	−.04*	−.47*	.27*	.01*	.41*	.22*
27	−.27*	−.10*	.25*	.01*	.05*	.00	−.14*	.26*	.01*	.10*	.02*
28	.31*	.06*	−.28*	−.19*	.11*	−.14*	−.03*	.08*	−.24*	−.17*	−.07*
29	.08*	.09*	.05*	−.02*	−.08*	.06*	.12*	−.07*	.15*	−.21*	−.09*
30	−.00	.12*	.01	.01	−.01	.10*	.03	−.03	−.11*	−.06*	−.01

	19	20	21	22	23	24	25	26	27	28	29
1											
2											
3											
4											
5											
6											
7											
8											
9											
10											
11											
12											
13											
14											
15											
16											
17											
18											
19	1										
20	.54*	1									
21	.09*	.01*	1								
22	.41*	.30*	.19*	1							
23	.06*	.26*	−.08*	.16*	1						
24	.49*	.51*	.06*	.37*	.30*	1					
25	.10*	.24*	−.11*	.05*	.36*	.11*	1				
26	.12*	.0 2*	.39*	.10*	−.12*	.11*	−.19*	1			
27	.18*	.26*	.25*	.22*	.02*	.32*	−.22*	.25*	1		
28	.36*	.51*	−.18*	.28*	.40*	.31*	.62*	−.14*	−.00	1	
29	−.26*	−.11*	.08*	.01*	−.05*	0.15*	−.06*	−.09*	−.04*	−.00	1
30	.09*	−.06*	.11*	.02	−.04	−.05	−.00	.02	.09*	.10*	.10*

Notes: The value of the indicators reported refer to the joint sample of state- and privately-owned M&As.

* Significant at $p < 0.05$.

show that the coefficient for the combined polity score is negative and significant ($p = 0.000$) which confirms our hypothesis (column 1, Table 4). Since logistic regression coefficients give the change in the log odds of the outcome for a unit increase in the predictor variable, the results suggest that for every one percentage increase in democracy of the home country regime, the log odds of acquiring a firm overseas decreases by 0.123. In addition, the average marginal effects suggest that an increase by one unit in the combined polity score results in a five percent decrease in probability of an SOE M&A. The effect is stronger compared with a restricted sample of SOEs from democratic countries (column 2, Table 4). Furthermore, H1a and H1b predict that SOEs from autocratic economies will have a higher propensity to acquire firms overseas than private firms from autocratic and democratic countries. Group comparisons between the coefficients and significance for SOE and private firm (columns 3 and 4, Table 4) suggest that the probability of autocratic SOEs to engage in cross-border M&As is higher than both private firm samples, assuming no difference in residual variation (Allison, 1999). This confirms the hypothesised effects.

The second set of hypotheses predicts that SOEs from autocratic countries are more likely to acquire firms in other autocratic countries overseas, and the effect is stronger compared with SOEs from democratic countries and private firms from both autocratic and democratic countries. The results in column 5 (Table 4) indicate a negative and significant ($p = 0.000$) effect of the combined polity score on the dependent, showing that for every unit percentage increase in democracy of the home country regime, the log odds of acquiring a firm in an autocratic country overseas decreases by 0.092. Average marginal effects show that one unit increase in the index decreases the probability for SOE M&As in autocratic host countries by more than seven percent. Although we find a negative and significant effect also for a sample of SOEs from democratic countries (column 6, Table 4), the indicator, in comparison, shows lower significance ($p = 0.005$). Therefore, H2 is confirmed. Furthermore, the results for the sample of private firms from autocratic countries (column 5, Table 4), show no significant effect of the political regime on M&As overseas in autocratic countries ($p = 0.106$), confirming H2a. Interestingly, we find a negative and significant effect of the political regime on M&As in autocratic countries overseas for the sample of private firms from democratic countries ($p = 0.000$) (column 6, Table 4), which follows the finding for the sample of democratic SOEs. Overall, H2b is not supported and we conclude that democratic private firms will invest more in autocratic countries as the home political regime becomes more autocratic.

The third set of hypotheses predicts that SOEs from autocratic countries are more likely to acquire firms overseas in the same industry, and the probability is higher compared with SOEs from democratic countries and private firms from both autocratic and democratic countries. The coefficient for the combined polity score shows that for every unit increase in democracy of the home country, the log odds of acquiring a firm overseas in a similar industry (versus acquiring a firm overseas in a different industry) decreases by 0.012 ($p = 0.080$) (column 9, Table 4). Average marginal effects show that acquiring a firm in a similar industry decreases by 0.2 percent as democracy increases one unit. The effect for the sample of SOEs from democratic countries is comparable, but more significant (column 10, Table 4), therefore H3 is only partially supported. Finally, the results based on the two samples of private firms (columns 11 and 12, Table 4) show no significance of the combined polity score on the dependent, confirming H3a and H3b.

4.1. Robustness checks

The post-estimation testing shows that our choice of predictors is meaningful with an acceptable level of tolerance, proving goodness-of-fit. To check the consistency of our results, we use the Autocracy index as alternative to our main independent. Confirming our main findings, the coefficient suggests that e.g., for every one unit percentage increase in autocracy of the home country regime, the log odds of acquiring a firm overseas increases by 0.292 ($p = 0.000$) and the log odds of acquiring a firm in an autocratic country increases by 0.571 ($p = 0.000$). Also, the results show that the log odds of acquiring a firm in a different industry decreases ($p = 0.012$) as autocracy increases. As another alternative to the main independent, we test the Political Constraint Index (POLCON) used in other studies (Vaaler & Schrage, 2009), specifically the Political hazards measure. The indicator speaks to the feasibility of policy change by identifying the number of government branches with veto power, ranging from 0 (low policy stability) to 1 (high policy stability) (Henisz, 2000). As predicted by our hypotheses, SOEs from home countries with less stable policies are more likely to invest overseas, as well as invest in more autocratic countries, and the effect is stronger compared with SOEs form democratic countries and private firms. Similarly, we adopt the Heritage Foundation index of economic freedom used as a proxy for the strength of market-supporting institutions (Kane, Holmes, & O'Grady, 2007). The results support the first two sets of hypotheses, but the index is insignificant when the third set of hypotheses are tested. However, the operationalization of the index is on economic rather than political institutions, hence differences can be expected. Furthermore, we also use the Freedom in the World index of political rights as indicator of democracy, which supports our main findings. Lastly, we use the International Country Risk Guide (ICRG), specifically two of the political risk components: Government Stability which assess the ability of political structures to implement programs and Democratic Accountability which measures the extent of the governments' responsiveness to it people (PRS Group, 2017). Substituting our main independents with these indicators follows our main results. To conclude, with exception of the economic freedom index, running the models using these alternatives confirms our main findings and the results are robust to different specifications of the dependent variable. In addition, we check whether our main results hold when adopting alternative indicators of cultural distance, the six measures developed by the GLOBE group comparable to the Hofstede dimensions (House et al., 2004). Our main independents remain robust.

Because our sample includes countries which may differ in the motives and strategies of internationalization, we further test how robust our results are when we differentiate the sample into emerging (and developing) and developed countries, based on the World Economic Outlook classification (also used as a control in the main models). The results confirm the main findings, evidencing robustness for different country groupings. Since our samples include acquirers of different nature with divergent motivations to invest in particular industries, we explore the sensitivity of the main results testing the third set of hypotheses by adopting a random split sample. Also, we run the models including only firms belonging to the first five most frequent SOE acquirer industries (Table 1). The results follow our main findings.

Apart from country-level factors that we captured in the main models, previous studies found firm-level characteristics of the acquirer to significantly influence investment decisions. In addition to the basic information given by the Thompson database, we source firm level data from Bureau van Dijk's Orbis database for the SOE sample by matching the acquirer's name, city, country and industry. However, due to the scarcity of data available which would significantly reduce our number of observations (to less than 500), we excluded these from the main models. Size of the acquirer is considered as one of the main factors as larger firms will have greater ability for foreign acquisitions (e.g., Kogut & Singh, 1988). We capture firm size using total sales, total assets and number of employees, at the time of the M&A event. When testing H2 and H3 (which permit the inclusion of firm-level data), the coefficients and significance of the main independents follow the main results. Furthermore, studies suggest that SOEs differ in level of government ownership, they can be wholly-owned, majority owned, minority owned or the state can appear as a strategic investor (Musacchio, Lazzarini, & Aguilera, 2015). Due to scarcity of the data available from

Table 4
Results of logistic regressions.

Variables	Cross-border M&A, yes/no				Cross-border M&A Autocratic, yes/no				Cross-border M&A Intra-industry, yes/no			
	H1		H1a	H1b	H2		H2a	H2b	H3		H3a	H3b
	SOE	SOE democratic	Private firm, autocratic	Private firm, democratic	SOE	SOE democratic	Private firm, autocratic	Private firm, democratic	SOE	SOE democratic	Private firm, autocratic	Private firm, democratic
	1	2	3	4	5	6	7	8	9	10	11	12
Combined Polity Score	−0.123***	−0.042	0.258***	−0.310**	−0.092***	−0.601***	−0.019	−1.179***	−0.012*	−1.227***	0.001	−0.036
	(0.014)	(0.075)	(0.039)	(0.038)	(0.029)	(0.566)	(0.012)	(0.054)	(0.021)	(0.380)	(0.006)	(0.028)
GDP	0.025*	0.003	0.040*	−0.032***	−0.502*	−0.902**	−0.434***	−0.235***	−0.124	−0.010	−0.083	0.037**
	(0.013)	(0.011)	(0.022)	(0.004)	(0.276)	(0.399)	(0.123)	(0.033)	(0.157)	(0.238)	(0.057)	(0.015)
GDP per capita growth	−0.104***	−0.087***	−0.037	−0.026	0.115**	0.105	0.117***	0.031***	0.018	−0.006	0.011	0.003
	(0.029)	(0.032)	(0.071)	(0.017)	(0.052)	(0.092)	(0.027)	(0.006)	(0.034)	(0.052)	(0.011)	(0.003)
Ore and metal exports	0.013**	0.017**	−0.019	0.003	−0.083***	−0.104***	−0.065***	−0.079***	−0.021*	−0.018	0.005	0.002
	(0.005)	(0.006)	(0.012)	(0.003)	(0.020)	(0.028)	(0.014)	(0.003)	(0.011)	(0.016)	(0.005)	(0.001)
Agricultural land	0.011*	0.007	0.014	0.007***	0.001	−0.044**	−0.004	0.002	0.014	0.008	−0.001	−0.003***
	(0.006)	(0.006)	(0.010)	(0.003)	(0.014)	(0.017)	(0.005)	(0.002)	(0.010)	(0.014)	(0.003)	(0.001)
Fisheries production	0.099**	0.064	0.493***	0.056***	0.359***	0.076	0.274***	0.258***	−0.059	0.044	−0.009	−0.003
	(0.040)	(0.044)	(0.083)	(0.019)	(0.096)	(0.136)	(0.048)	(0.012)	(0.064)	(0.081)	(0.025)	(0.006)
Forest area	−0.003	−0.010*	0.011	0.002	0.036**	0.001	0.012*	0.036***	0.010	0.009	0.001	−0.002***
	(0.005)	(0.006)	(0.010)	(0.003)	(0.017)	(0.018)	(0.007)	(0.002)	(0.010)	(0.014)	(0.003)	(0.001)
Natural gas rents	0.166	0.173	−0.121	0.132***	−0.383	−2.416***	−0.854***	−0.793***	−0.302	−0.407	−0.006	0.028
	(0.108)	(0.119)	(0.156)	(0.045)	(0.387)	(0.800)	(0.265)	(0.050)	(0.254)	(0.414)	(0.075)	(0.017)
Oil rents	−0.076**	−0.070*	−0.040	−0.062***	0.380***	0.873***	0.775***	0.642***	−0.023	−0.040	0.002	−0.033***
	(0.031)	(0.036)	(0.044)	(0.011)	(0.112)	(0.225)	(0.083)	(0.016)	(0.055)	(0.061)	(0.026)	(0.006)
Access to electricity	−0.007	−0.007	−0.013	0.013***	0.125***	0.098***	0.144***	0.112***	0.048***	0.061***	−0.004	−0.004***
	(0.007)	(0.009)	(0.015)	(0.004)	(0.026)	(0.031)	(0.012)	(0.004)	(0.017)	(0.023)	(0.005)	(0.002)
Patent applications	0.254***	0.245***	0.176**	0.098***	−0.214	−0.065	−0.080	−0.589***	−0.207**	−0.339**	0.099***	0.021**
	(0.033)	(0.038)	(0.071)	(0.019)	(0.159)	(0.251)	(0.067)	(0.020)	(0.103)	(0.159)	(0.032)	(0.010)
Exchange rate	0.000	0.000	0.000**	0.000	0.038	0.001	0.001	0.000	−0.085	0.001	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(.095)	(0.001)	(0.001)	(0.001)	(0.596)	(0.001)	(0.000)	(0.000)
Government expenditure	−0.042**	−0.029	−0.035	0.024**	−0.322***	−0.139*	−0.331***	−0.070***	−0.048*	−0.063	0.003	0.015***
	(0.021)	(0.023)	(0.041)	(0.011)	(0.054)	(0.082)	(0.023)	(0.008)	(0.026)	(0.040)	(0.009)	(0.003)
Foreign trade	−0.000	−0.000	−0.009***	−0.000	0.003	−0.018**	0.009***	0.011***	−0.005*	−0.000	0.001	0.001***
	(0.001)	(0.000)	(0.002)	(0.001)	(0.005)	(0.008)	(0.002)	(0.001)	(0.003)	(0.005)	(0.001)	(0.000)
FDI inflows	0.090***	0.087***	0.062	0.028**	0.132***	0.205***	−0.003	0.037***	−0.011	−0.017	0.007	−0.003***
	(0.019)	(0.020)	(0.060)	(0.0135)	(0.043)	(0.071)	(0.014)	(0.008)	(0.022)	(0.028)	(0.005)	(0.001)
Power distance	0.004	0.005	0.080***	0.007***	0.029**	0.041***	−0.058***	0.071***	−0.007	−0.015	0.002	−0.001
	(0.003)	(0.003)	(0.009)	(0.002)	(0.013)	(0.015)	(0.007)	(0.002)	(0.008)	(0.011)	(0.003)	(0.001)
Individualism/ Collectivism distance	0.001	0.002	−0.014	0.011***	−0.044***	0.047***	−0.070***	0.085***	−0.000	−0.001	0.005***	−0.002***
	(0.003)	(0.004)	(0.009)	(0.008)	(0.009)	(0.014)	(0.005)	(0.002)	(0.006)	(0.011)	(0.002)	(0.001)
Masculinity/Femininity distance	−0.021***	−0.019***	−0.032***	−0.009***	−0.008	0.006	−0.023***	−0.031***	−0.000	−0.002	−0.001	0.001*
	(0.004)	(0.004)	(0.009)	(0.002)	(0.011)	(0.015)	(0.007)	(0.002)	(0.006)	(0.008)	(0.003)	(0.001)
Uncertainty Avoidance distance	−0.013***	−0.016***	0.005	−0.005***	−0.004	0.001	0.005	−0.000	−0.001	−0.014	0.002	0.003***
	(0.003)	(0.003)	(0.007)	(0.002)	(0.007)	(0.017)	(0.004)	(0.001)	(0.005)	(0.009)	(0.002)	(0.001)
Long/Short term orientation distance	−0.007**	−0.008**	−0.007	−0.006***	−0.001	0.017	0.002	0.023***	−0.005	0.005	0.002	0.001**
	(0.003)	(0.004)	(0.006)	(0.002)	(0.009)	(0.016)	(0.004)	(0.001)	(0.006)	(0.009)	(0.002)	(0.001)
Indulgence/Restraint distance	−0.005	−0.005	0.001	−0.006***	−0.004	−0.045***	0.044***	−0.039***	−0.001	0.006	−0.003	0.004***
	(0.004)	(0.004)	(0.006)	(0.002)	(0.010)	(0.017)	(0.006)	(0.002)	(0.008)	(0.010)	(0.003)	(0.001)

(*continued on next page*)

Table 4 (*continued*)

Variables	Cross-border M&A, yes/no				Cross-border M&A Autocratic, yes/no				Cross-border M&A Intra-industry, yes/no			
	H1		H1a	H1b	H2		H2a	H2b	H3		H3a	H3b
	SOE	SOE democratic	Private firm, autocratic	Private firm, democratic	SOE	SOE democratic	Private firm, autocratic	Private firm, democratic	SOE	SOE democratic	Private firm, autocratic	Private firm, democratic
	1	2	3	4	5	6	7	8	9	10	11	12
Trade bloc	0.002	0.003	0.009	0.050**	−0.453	0.260	−0.059	0.439***	0.696***	1.017**	0.064	0.123***
	(0.865)	(0.070)	(0.250)	(0.047)	(0.385)	(0.541)	(0.189)	(0.038)	(0.270)	(0.417)	(0.089)	(0.019)
G20 membership	−0.071	0.333*	5.143***	0.378***	−0.862**	−1.204**	−0.698***	−1.868***	−0.853***	−0.651*	0.207**	0.038*
	(0.128)	(0.180)	(0.429)	(0.086)	(0.396)	(0.516)	(0.170)	(0.058)	(0.250)	(0.350)	(0.083)	(0.022)
Common colonial origin	0.002	0.061	0.034	0.002	−0.742	−2.127***	−0.734*	1.263***	0.468	0.509	0.241	−0.003
	(0.001)	(0.001)	(0.003)	(0.001)	(0.498)	(0.740)	(0.375)	(0.128)	(0.339)	(0.410)	(0.157)	(0.025)
Geographic distance	0.048	0.005	0.056	0.012	0.569***	0.299	0.003	0.035	−0.124	−0.191	0.061	0.001
	(0.169)	(0.001)	(0.084)	(0.013)	(0.171)	(0.265)	(0.004)	(0.020)	(0.104)	(0.144)	(0.009)	(0.011)
Advanced dummy	2.277***	1.533***	4.395***	2.991***	0.394	0.066	−0.521***	1.133***	−0.007	1.360**	0.024	0.316***
	(0.193)	(0.202)	(0.371)	(0.119)	(0.427)	(0.87)	(0.193)	(0.117)	(0.295)	(0.621)	(0.091)	(0.065)
Past cross-border M&As	–	–	–	–	−0.084	−0.299	−0.000	0.033	−0.200	−0.181	−0.000	0.201
					(0.284)	(0.430)	(0.001)	(0.567)	(0.196)	(0.250)	(0.001)	(0.781)
Industry (acquirer)	–	–	–	–	Included	Included	Included	Included	Included	Included	Included	Included
Industry (target)	–	–	–	–	Included	Included	Included	Included	Included	Included	Included	Included
Year dummies	Included	Included	Included	Included	Included	Included	Included	Included	Included	Included	Included	Included
constant	−5.639***	−4.904***	−11.090***	−2.941***	−16.200***	7.247	−9.075***	−9.521***	−3.087	7.108	0.848	0.597
	(1.179)	(1.480)	(2.465)	(0.683)	(4.356)	(7.843)	(1.535)	(0.940)	(2.471)	(4.444)	(0.918)	(0.401)
Wald chi2	348.68	270.25	271.67	1274.71	284.20	153.65	3377.33	18469.24	136.67	97.54	389.99	1891.77
Prob > chi2	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Pseudo R2	0.15	0.12	0.47	0.21	0.51	0.51	0.77	0.67	0.17	0.17	0.03	0.02
N	7803	6897	906	6897	902	514	9,368	104,032	902	514	9,368	104,032

Notes: Robust standard errors in brackets. The number of observations across the models differs depending on the dependent variable and the sample (SOE M&As, private firm autocratic and democratic M&As samples) and was reduced due to missing observations.

* Significant at $p < 0.10$.

** Significant at $p < 0.05$.

*** Significant at $p < 0.00$.

Orbis (resulting with less than 300 firm observations), particularly in case of SOEs from Russia, Malaysia and Middle Eastern countries and related limitations (only the most recent ownership data is available rather than ownership at the time of the M&A event), we were unable to include it in the main models. However, the results based on the limited data showed that the second set of hypotheses hold when we control for the level of ownership. The coefficient of the indicator is positive as expected since higher state ownership levels would presumably make the role of the autocratic home country more pronounced. More research based on a more extensive dataset is needed to explore this further, however, this is beyond this study.

5. Discussion and conclusions

5.1. Contributions

The main aim of this paper is to offer a new theoretical approach and empirical evidence to contribute to understanding the internationalization process of SOMNCs. Prior studies showed that these hybrids of state ownership and private multinationals exhibit distinct internationalization behaviour (Bass & Chakrabarty, 2014; Duanmu, 2014; Pan et al., 2014) based on the type (Li et al., 2014) and level of state ownership (Inoue et al., 2013). However, the literature offers only limited accounts of why SOEs internationalize. Choudhury and Khanna (2014) argue that SOEs expand abroad to achieve resource independence from domestic state agents, highlighting the disaggregated nature of state actors and a shift towards managerial discretion. In contrast, Cuervo-Cazurra et al. (2014), by suggesting that SOMNCs may act as an instrument for ideology transfer and advancement of domestic political objectives, appeal for a more fine-grained investigation into the home country motivations for SOMNC internationalization. In response to this, we take the home country as a point of departure.

By adopting insights from the international political economy literature, we suggest that SOEs internationalization may be driven by the home government's motive to exercise power in the international sphere to raise the welfare of the home country, reflecting a mercantilist agenda. In the international domain, the existence of returns to the home economy that cannot be accessed, or fully accessed, by privately-owned MNCs, implies the existence of barriers that SOMNCs have been, and are being, re-purposed to address. In fact, this represents a new role for SOEs in the international domain to replace their diminished function of correcting putative domestic market imperfections or running a planned economy. Furthermore, we argue that SOMNC predisposition to internationalize is not uniform across countries, rather it differs depending on the nature of the political regime in the home country. We argue, and empirically show, that autocratic home countries, characterised by the acquisition, securing and use of power in relation to other social actors (Astley & Sachdeva, 1984), generate SOMNCs with a strong propensity to internationalize through acquisition. This supports our predictions based on the motive to exercise state power in the international sphere via SOMNCs. This effect is stronger compared with SOMNCs from democratic countries and private firms from both political regime types.

Moreover, we argue that the home country political regime can also explain how SOMNCs internationalise. Specifically, we find that autocratic home country SOMNCs have a high propensity to locate in autocratic host countries. Our empirical results build upon earlier studies that found SOEs in general to be less risk averse and better equipped to operate in institutionally weak environments (Duanmu, 2012; Morck et al., 2008). Also, we hypothesise, and empirically confirm, that autocratic home country SOMNCs have a higher propensity to invest in the same or similar industry compared with private firms. This supports, but also goes further than, other studies that suggest MNCs are generally motivated to seek a strong global presence in an industry to foster their firm and country-level competitiveness (Luo et al., 2010) or opt for intra-industry investments in strategic sectors (Kowalski & Perepechay, 2015).

Our argument contrasts with the standard model of internationalization, in which the firm's international activities are primarily determined by economic and organizational, as opposed to political factors (Buckley & Casson, 1976) and conventional IB studies largely relying on the presumption that states' regulatory activities over MNCs focus on inward FDI into the domestic market (Yeung, 1998). Rather, our arguments and findings stand in line with recent studies on the country-level political and institutional aspects of SOE internationalization (Cuervo-Cazurra et al., 2014; Hobdari, Gammeltoft, Li, & Meyer, 2017; Li et al., 2014; Shi et al., 2016), and to some extent with the industrial strategy literature emphasising that global competition is not only about firm rivalry, it also concerns competition between different states (Stopford, Strange, & Henley, 1991).

5.2. Managerial and policy relevance

Our findings have managerial implications for SOMNCs and their overseas acquisition targets. On the evidence that SOE are re-purposed by their home country governments and are used to acquire firms in related industries abroad in order to support a domestic industrial policy, these firms may carry important weaknesses with them. When internationalizing, SOMNCs necessarily face, for example, a steepening human resources challenge, to staff operations abroad with domestic staff that may not have the skills, nor be able to develop them. It follows that internationalising SOEs must pursue a very well-designed strategy, otherwise performance abroad may well be insufficient to meet even the wider policy goals of the home government, quite apart from the business performance of the firm. Furthermore, international managers of re-purposed SOEs face the difficult task of developing competitive MNCs that are able to gain legitimacy in the host country while fulfilling the performance goals and industrial and domestic development objectives of the home country.

Also, policy implications flow from our reasoning. As the SOE acquirer is likely to a carry home country mercantilist agenda, the host economy government will need to be mindful that the SOMNC business performance within the host may not realise host country aspirations for economic growth. And, at the target firm level, target firm managers and their shareholders who have knowledge of these wider home country goals, should consider demanding a significant premium for selling their company, as the acquirer is not merely addressing a commercial need but also a political goal.

5.3. Limitations and future research

Future research should focus both on alleviating some of the limitations of our empirical model and developing our findings further. Although we employ and test different alternative measures of political regimes, we employ an established, but simplified dichotomous distinction between two regime types and do not examine various categories for each of these types (for a recent discussion see Cheibub et al., 2010) and how these could affect SOMNC strategies. Also, our global sample does not distinguish between characteristics and specifics of political regimes in different countries (e.g., fragmented authoritarianism in China). In addition, we do not consider the general quality (e.g., effectiveness) of the institutional environment of the home country, which may have an effect on outward SOMNC activity, as in, e.g., Lu et al. (2014) for China. Our sample includes only M&As and excludes other possible entry modes. Although our theoretical reasoning suggests that acquisition is likely to be the first-choice foreign entry mode for the purpose of our study, and is supported by the observed prevalence of acquisition, it would be useful to test whether our results hold for a sample of greenfield or joint venture deals, and whether the home country political regime exerts any influence upon the mode of entry (Meyer et al., 2009). Only limited information could be collected at the firm-level data from a second database, to the extent

that it did not allow us to integrate it into our full model. We have also not been able to distinguish between different ownership types attaching to the target firm (Pan et al., 2014) nor to inquire whether the SOE investors are at the level of the national or the local economy (Li et al., 2014). Ultimately, it would be valuable to examine SOMNC performance post entry, at points following the elapse of time, to examine how far the mercantilist agenda translates into firm performance abroad. It remains an open question as to whether the highly mixed record of SOEs in achieving economic growth at home (Dick, 1974; Gerring, Bond, Barndt, & Moreno, 2005) translates into the international market, and whether any improved performance abroad feeds back beneficially to parental SOE performance.

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