Journal of Management
Vol. 45 No. 6, July 2019 2293–2321
DOI: 10.1177/0149206318822113

State Ownership and Political Connections

Laszlo Tihanyi
Texas A&M University

Ruth V. Aguilera
Northeastern University
ESADE Business School

Pursey Heugens
Erasmus University

Marc van Essen
University of South Carolina

Steve Sauerwald
University of Illinois at Chicago

Patricio Duran
Universidad Adolfo Ibañez

Roxana Turturea
Aalto University

The influence of the state on firms in the global economy is alive and well. States have become dominant owners of companies in many countries around the world. Firms have also increasingly established political connections to access resources and improve their competitive positions. Nonetheless, our understanding of how state ownership and political connections affect firm performance remains limited and marked by conflicting findings. Using meta-analytical techniques on a sample of 210 studies spanning 139 countries, we examine two key research questions: (a) How do state ownership and political connections affect firm strategies and financial performance? and (b) How does firm-level strategic decision making mediate the relationships between state ownership, political connections, and firm financial performance?

Acknowledgments: We are grateful for the guidance and constructive comments of our editor, William Wan, and the two anonymous reviewers.

Supplemental material for this article is available on the JOM *website.*

Corresponding author: Laszlo Tihanyi, Department of Management, Mays Business School, Texas A&M University, 4221 TAMU, College Station, TX 77843, USA.

E-mail: ltihanyi@tamu.edu

Our findings show that state ownership has a small negative effect on firm financial performance and that political connections have no direct consequences for performance. However, we find evidence that both state ownership and political connections have a profound effect on the strategies firms pursue, such as financial leverage, R&D intensity, and internationalization, and that these strategies play a mediating role in the state ownership–firm performance relationship. We conclude with some suggestions for fruitful future research in further connecting these two important and timely research fields.

Keywords: *state capitalism; state ownership; political connections; meta-analysis; literature review*

A confluence of factors has transformed the relationship between states and firms in recent years.[1] On the one hand, states have continued to exert influence over firms via ownership in order to control strategic industries, to rescue bankrupt firms, and to support economic development (Chernykh, 2011; Grosman, Okhmatovskiy, & Wright, 2016; Inoue, Lazzarini, & Musacchio, 2013). Classic examples include China and Russia, where state ownership has been used extensively as a policy instrument in recent years (Musacchio & Lazzarini, 2014; Musacchio, Lazzarini, & Aguilera, 2015). On the other hand, firms have also sought to gain influence over states (Hillman & Hitt, 1999; Hillman, Keim, & Schuler, 2004), mostly by forming new or strengthening their existing political connections (Haveman, Jia, Shi, & Wang, 2017; P. Sun, Mellahi, & Wright, 2012). To gain support for government tenders, influence the legislative process, and enjoy privileged access to resources and information, firms have appointed government bureaucrats and politicians to positions of power, such as board directorships and managerial ranks (Okhmatovskiy, 2010). Inspired by these developments, a sizeable literature in management has sprung up to study state ownership and political connections (Hillman et al., 2004; Li, Xia, & Lin, 2017; Musacchio & Lazzarini, 2014; Oliver & Holzinger, 2008; Zhou, Gao, & Zhao, 2017). Much of this literature has sought to answer how these two forms of state involvement affect firms and their strategies, yet the empirical evidence so far has yielded mixed results (Fan, Wong, & Zhang, 2007; Fisman, 2001; Inoue et al., 2013; Q. Sun, Tong, & Tong, 2002; Tian & Estrin, 2008; C. Wang, 2005).

We identify two challenges in the literature that may have led to these inconclusive findings. First, the state ownership and political connections literatures have been developed largely independently of one another. The conventional view is that states invest in firms to support their *policy agenda* while corporations form ties with states to further their *corporate agenda*. However, states and business leaders inevitably exert a reciprocal influence on one another when they are pursuing either a policy agenda or a corporate agenda. States may advance the corporate agenda of the firms they own by providing strategic assets and advice (Inoue et al., 2013), while political connections may be used to advance the governments' policy agenda via private firms (Okhmatovskiy, 2010; P. Sun et al., 2012). Leaving these two literatures disconnected and the balance of evidence for the questions they entail undecided not only hampers our understanding of one of the most important recent business developments but also interferes with our ability to fully grasp how states and firms continue to condition each other.

Second, much of the prior literature has been concerned with questions related to the direct financial performance consequences of state influence.[2] However, by liaising with the state, whether through ownership or through political connections, a firm includes an influential new actor in its stakeholder set whose preferences will reflect in key strategic choices of the firm (Liang, Ren, & Sun, 2015; Munari, Oriani, & Sobrero, 2010; C. Wang, Hong, Kafouros, & Wright, 2012). The state thus may influence a wide range of strategic decisions, including capital structure decisions (e.g., financial leverage), product-related investments (e.g., R&D intensity), and international market expansions (e.g., internationalization), that ultimately affect the financial performance of firms (Miles & Snow, 1994; Miles, Snow, Meyer, & Coleman, 1978; Snow & Hrebiniak, 1980).

To resolve these challenges in the literature, we conduct a comprehensive meta-analytic review of the effects of state ownership and political connections on firm strategies and performance. In the narrative part of our review, we focus on the theory explaining how state involvement relates to firm financial performance and strategic choices. Our study provides a concise discussion of prior research and theory to set the stage for a more comprehensive picture of the empirical findings via meta-analysis. Previous narrative reviews examined the performance consequences of state ownership (Musacchio et al., 2015) and political connections (Hillman et al., 2004; Lawton, McGuire, & Rajwani, 2013). We build on these reviews by exploring the effect of political connections and state ownership on firm financial performance in a single study. We further suggest that state influence through political connections and state ownership does not only directly affect firm financial performance; instead, we propose that state influence affects strategic decision making, which in turn influences firm financial performance. More specifically, we focus on three core strategies: financial leverage, R&D intensity, and internationalization.

In the empirical part of our review, we draw on a sample of 210 studies that capture the 1961-to-2015 time window and span 139 countries. We use conventional Hedges and Olkin–type meta-analysis (HOMA; Hedges & Olkin, 1985) to establish the balance of evidence for the relationships between state ownership and political connections, on the one hand, and firm financial performance, on the other. We also use meta-analytic structural equations modeling (MASEM; Bergh et al., 2016) to integrate prior ideas on the roles of strategic decision making in relation to firms being subject to state influence or seeking to influence state policies. While previous meta-analyses examined the performance consequences of state involvement (Hadani, Bonardi, & Dahan, 2017; Lux, Crook, & Woehr, 2011; Mellahi, Frynas, Sun, & Siegel, 2016), they focused on more indirect forms of involvement, such as lobbying expenditures and campaign contributions. We add to these studies by concentrating on direct forms of state involvement, such as state ownership (i.e., the state holding various degrees of voting rights in companies) and political connections (i.e., the presence of politicians on the board of directors or in the management ranks of the firm).

Our study puts forward two key contributions. First, we contribute to the state influence literature by providing the most definitive balance of evidence to date for the growing literature on state influence. While our results show that state ownership has a negative effect on firm financial performance across all studies examined in this paper, this effect seems to be driven by the state taking very large ownership stakes that amplify the "liability of stateness" (Musacchio et al., 2015). At the same time, we do not find support for a positive effect of political ties on firm financial performance across all the studies we examine. Second, we

advance our current understanding of state influence by showing that state ownership and political connections shape the strategic choices firms make regarding leverage, R&D intensity, and internationalization. In particular, we uncover that firms with state ownership pursue more risk-averse strategies and therefore exhibit lower financial leverage, R&D intensity, and internationalization. In contrast, we find that firms that form political connections with the state pursue riskier strategies and thus demonstrate higher financial leverage, R&D intensity, and internationalization. In turn, these strategic decisions mediate in particular the state ownership–financial performance relationship.

State Influence and Firm Financial Performance

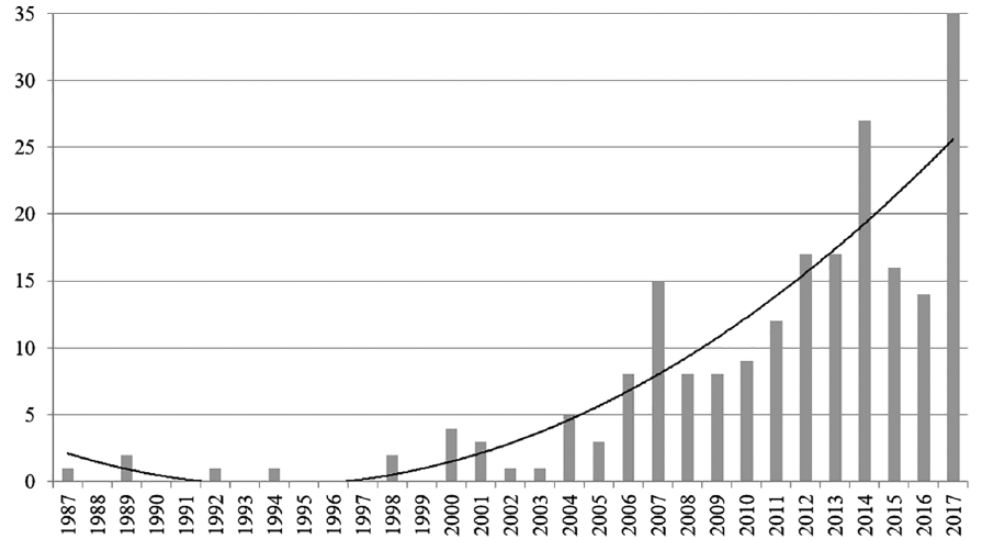
State Involvement in Strategic Management

Governmental actions, policies, and regulations are among the most important factors that directly or indirectly affect firms in economies around the world (Clark, 1947; Wan & Hoskisson, 2003). The magnitude of state involvement is evident by the persistence of state capitalism in several countries, including China and Russia, where large numbers of firms are state owned (Bruton, Peng, Ahlstrom, Stan, & Xu, 2015; Musacchio et al., 2015; Wood & Wright, 2015). Often prematurely pronounced dead, state capitalism evolved over time to adapt to new economic systems and public sentiments. Today, various types of state-owned enterprises (SOEs) exist. States can hold all shares in SOEs, the majority of outstanding shares, or only the minority of shares outstanding (Bruton et al., 2015; Grosman et al., 2016; Musacchio & Lazzarini, 2014). For example, in Germany, the state holds all shares in Deutsche Bahn (a railway company), the majority of shares in Kreditanstalt für Wiederaufbau (a development bank), and a minority of shares in Deutsche Telekom (a telecommunications company). In the global economy, 10% of the world's largest 2,000 firms have the state as a majority owner, generating sales equivalent to 6% of the world's gross domestic product (GDP; Kowalski, Büge, Sztajerowska, & Egeland, 2013). Most energy companies in the European Union have been transformed into minority SOEs in which states own less than 50% of the shares outstanding (European Commission, 2016).

States may also influence firms and their performance when political leaders issue favors to their close business friends (Khatri, Tsang, & Begley, 2005). The countries where such political favors dominate the economy are often labeled "crony capitalism" countries (Economist, 2014). Social connections with government officers allow managers to promote the economic objectives of their firms and gain competitive advantage over their rivals without such social ties (Faccio, 2006; Hillman, 2005; Hillman & Hitt, 1999; Oliver & Holzinger, 2008; P. Sun et al., 2012). In China, for instance, a third of billionaires have political ties to the communist party (Economist, 2014). In the United States, prominent firms, such as Uber and Airbnb, hired Eric Holder (a former attorney general of the United States) to lend legitimacy to their efforts to combat allegations of sexual harassment and racial discrimination, respectively (Overly, 2017). This real-world importance of state involvement in firms is reflected in a growing academic literature. Figure 1 shows an impressive rise in the academic attention to the involvement of states in firms based on the studies included in our meta-analysis.

The literature on state involvement developed roughly into two, somewhat independent, streams: state ownership and political connections. The state ownership literature views

Figure 1
Distribution of Papers Included in the Meta-Analysis Over Time

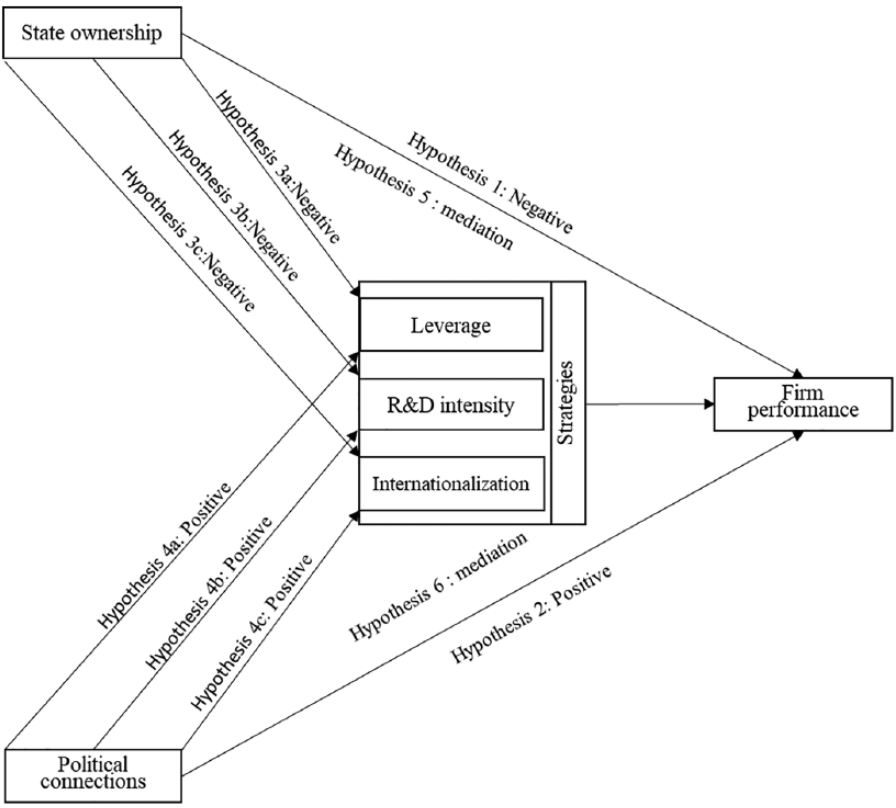


SOEs as an extension of the state to remedy market failures and protect public goods. According to this stream of literature, state owners generally want to satisfy a broader array of stakeholders than private owners. As a result, they pursue not only financial goals but also social and political objectives (Bruton et al., 2015; Jensen, 2002; Musacchio & Lazzarini, 2014; Tirole, 2001). Conversely, the political connections literature emphasizes that politically connected firms strategically engage in political activities when such involvement benefits the firm's strategic objectives (Hadani & Schuler, 2013; Hillman & Hitt, 1999; Hillman & Wan, 2005). Therefore, politically connected firms primarily focus on strengthening their financial performance (Lester, Hillman, Zardkoohi, & Cannella, 2008), though the state may hijack these connections to advance social and political objectives (Firth, Rui, & Wu, 2011; Okhmatovskiy, 2010; P. Sun et al., 2012; P. Sun, Hu, & Hillman, 2016; Wu, Wu, & Rui, 2012). We review these distinct but complementary arguments and provide meta-analytical evidence. Figure 2 shows our conceptual framework.

State Ownership and Firm Financial Performance

SOEs are companies in which the state exercises control through ownership arrangements (European Commission, 2016). Whereas many SOEs are not publicly traded (i.e., SOEs that are wholly state owned), SOEs with partial government ownership are omnipresent in stock markets around the world (Bruton et al., 2015). The most frequently examined research question about state ownership is its implication for firm financial performance. Most prior research paints state ownership as an inefficient ownership type that leads SOEs to underperform private companies for a number of reasons (Boubakri & Cosset, 1998; D'Souza & Megginson, 1999; Kornai, 1992; Megginson, Nash, & Van Randenborgh, 1994; Megginson

Figure 2
Conceptual Model of State Ownership and Political Connections



& Netter, 2001). First, SOEs suffer from several agency problems. The monitoring of SOE managers is often inefficient because the state bureaucracy tends to lack expertise (Dharwadkar, George, & Brandes, 2000) and monitoring duties among bureaucrats are dispersed across state agencies (Zou & Adams, 2008). Second, weak incentives, such as fixed salaries, are commonplace among SOE managers, resulting in SOE managers being less accountable for underperformance (Cull & Xu, 2005; Kornai, 1992). Third, state ownership mixes political and business objectives (Shleifer & Vishny, 1998). For example, SOEs may undertake projects that lead to financial losses but generate political capital, such as sustaining high employment levels even in cases when layoffs would offer economically more feasible solutions for SOE managers (Bai & Xu, 2005). This is especially crucial when the pressure on states to maintain social order is the highest, such as during recessions (Musacchio & Lazzarini, 2014). Overall, the noncommercial objectives of state owners tend to run counter to the firm's profit motives, imposing political and social costs on SOEs that may benefit society but reduce the firm's financial performance.

Hypothesis 1: State ownership is negatively related to firm financial performance.

Political Connections and Firm Financial Performance

Political connections allow firms to navigate political markets, as they are a conduit for trusted information and help mitigate political hazards (Hillman & Hitt, 1999). The dominant position in prior literature is that political connections are beneficial for firm financial performance (Faccio, 2006; Fisman, 2001; Peng & Luo, 2000). Several studies add nuance by showing that connections are more useful when they connect to the political party in power (Goldman, Rocholl, & So, 2009), involve current politicians (Khwaja & Mian, 2005), and engage a ruling regime that is securely in power (Fisman, 2001). Other studies consider political connections as necessary resources for the firm (P. Sun et al., 2012). As valuable resources, political connections cannot be easily imitated by unconnected firms (Bonardi, 2011; Bonardi, Hillman, & Keim, 2005). Politically connected firms also enjoy greater legitimacy when dealing with policy makers and may thus "engage in 'political strategies', or proactive actions to affect the public policy environment in a way favorable to the firm" (Hillman & Wan, 2005: 322). In other words, these firms are proactive rent seekers in political markets (Fisman, 2001; Krueger, 1974; P. Sun et al., 2012). For instance, Wu, Wu, and Rui (2012) and Wu, Wu, Zhou, and Wu (2012) suggest that political connections improve firm financial performance but only when these connections are not used to pursue the social and political objectives of large government owners.

Resource dependence theorists conceptualize political connections as boundary-spanning efforts to reduce external uncertainty between the focal firm and the environment, in our case, the government, a major resource provider (Pfeffer & Salancik, 1978). For example, Hillman (2005) finds that firms with politically connected outside directors achieve better financial performance than nonconnected firms. This effect is derived from co-opting political elements into the boards of connected firms, which enables these firms to avert political threats and obtain valuable resources from the state. Such benefits are more pronounced in highly regulated industries. Garcia-Canal and Guillén (2008), Hadani and Schuler (2013), and Hillman (2005), for instance, uncover that politically connected firms from heavily regulated industries have better performance than politically connected firms from less heavily regulated industries. Similarly, firms in stable environments tend to benefit more from political ties than firms in dynamic environments (Du & Girma, 2010; Sheng, Zhou, & Li, 2011).

Hypothesis 2: Political connections are positively related to firm financial performance.

State Influence and Firm Strategy

An Integrative Framework of State Influence and Firm Strategy

The influence of state involvement on the financial performance of firms is far from clear (Musacchio & Lazzarini, 2014). Several studies have sought to explore contingency conditions under which state influence might affect firm financial performance differently (Hillman, 2005). A promising direction of this stream of research has turned to mediation factors, as well (Guo, Xu, & Jacobs, 2014). In this section, we identify some of the potential mediating factors that can explain the variance in the influence of the state on firm financial performance. Specifically, we investigate the mediating influence of three key strategic actions pursued by SOEs and politically connected firms, including leverage, R&D intensity, and internationalization.

States are immensely influential stakeholders of firms. While firms may choose to ignore concerns raised over their strategies by private owners, this typically is not an option when states exert their influence (Grosman et al., 2016; Megginson & Netter, 2001). Governments face a constant temptation to "intervene politically in the firm," especially when they own shares in the firm (Musacchio & Lazzarini, 2014: 5). Connections to political stakeholders also make firms vulnerable to governmental pressures (Hillman & Hitt, 1999). Once firms establish connections to the state, it is difficult to contain political influence in the firm (Siegel, 2007; P. Sun et al., 2012). Inevitably, such a powerful stakeholder will have a profound influence on strategies of the firm. Prior literature has established that various stakeholders are able to influence strategic decision making through both ownership and connections (Frooman, 1999). For instance, powerful owners have been found to influence a firm's leverage (Holderness, 2003), R&D investments (Lee & O'Neill, 2003), and international diversification (Denis, Denis, & Sarin, 1999; Tihanyi, Johnson, Hoskisson, & Hitt, 2003). Similarly, powerful connections influence a firm's leverage (Byrd & Mizruchi, 2005), R&D investments (Kor, 2006), and international diversification (Connelly, Johnson, Tihanyi, & Ellstrand, 2011).

In general, high leverage, R&D intensity, and internationalization are regarded as high-risk strategies. First, leverage helps alleviate agency problems by reducing the free cash flow under managerial discretion (Jensen, 1986). Since debt has a fixed claim on the firm's assets, increasing leverage is typically a risky strategic decision. Second, R&D investments are associated with uncertainty and long time horizons. Because financial markets often misprice R&D investments, risk-averse managers tend to invest insufficient amounts of resources in R&D, whereas risk-prone managers tend to invest more (Lee & O'Neill, 2003). Third, international diversification is typically accompanied by a great deal of risk due to uncertain political and institutional conditions in foreign markets (Hitt, Tihanyi, Miller, & Connelly, 2006; Marano, Arregle, Hitt, Spadafora, & van Essen, 2016). In addition to the unpredictable environmental conditions, expanding internationally carries additional risks for the firm, owing to the significant amounts of investments into human capital, plants, business networks, and infrastructure that are required to acquire market share in foreign countries. We examine the influence of state ownership and political connections on each of these strategic decisions next.

SOEs and Firm Strategy

We argue that SOEs will generally pursue less risky strategies than privately owned firms, which usually entail lower financial returns as well. SOEs tend to be held accountable by a broader stakeholder base beyond their shareholders, leading them to favor strategic actions that can satisfy a more diverse set of stakeholder interests (Rosenhead, Elton, & Gupta, 1972; Wernerfelt & Karnani, 1987). In addition, states are highly formalized entities closely watched by voters and the media in many countries, requiring adherence to public rules and procedures to sustain political strength. This may require state owners and government bureaucrats to refrain from strategies perceived as too risky by voters and the media (Hitt, Keats, & DeMarie, 1998).

Leverage. Some evidence suggests that state ownership increases the amount of debt financing, thus creating more leveraged capital structures because state-owned firms often

enjoy implicit government guarantees that allow them to borrow funds at favorable interest rates (Dewenter & Malatesta, 2001). For example, much of the previous research on state ownership and leverage in the context of privatization suggests that leverage is lower after privatizations (Boubakri & Cosset, 1998; D'Souza & Megginson, 1999; Megginson et al., 1994), further indicating that SOEs may increase leverage in the period leading up to privatization to shore up ineffective firms.

In studies that focus on the state's role outside privatization events, SOEs have been found to reduce their leverage to evade monitoring by their debt holders (Jensen, 1986). Reducing leverage may be an appropriate strategic choice since it gives SOEs more discretion to satisfy the interests of their broader stakeholder base. For instance, if debt is high, some stakeholders, such as the labor force, face serious challenges as the SOE needs to prioritize debt holders instead of securing employment and raising wages (Myers & Saretto, 2015). Higher levels of debt make firms riskier investments, which increases the demand for more transparency and external supervision. Q. Wang, Wong, and Xia (2008) show that state owners prefer smaller and local auditors for their financial statements, which provides even more incentives for risk-averse financial structures, such as less leveraged capital structures.

Hypothesis 3a: State ownership is negatively related to leverage.

R&D intensity. SOEs have historically had the opportunity to aggressively pursue new technologies and innovations, such as the Internet, jet aircrafts, or antibiotic agents, given their roles as public stewards with deep pockets. These investments may increase competitiveness at the national level (Munari et al., 2010). Some evidence supports this public steward view. For instance, Mazzucato (2013) argues that many states around the world are not just reactive "market fixers" but act as proactive "market shapers" by investing in basic research. The state also often plays a central role in government-driven technology development to facilitate economic development in emerging economies (Choi, Park, & Hong, 2012).

However, much evidence suggests that SOEs might follow a more risk-averse course than their private counterparts by investing less in R&D in the firms they control. Governments pursue a more complex array of objectives beyond profit maximization. It is thus likely that governments sponsor basic research activities that address public interests rather than research projects that exclusively advance business-specific objectives (Molas-Gallart & Tang, 2006; Munari, 2002). Much of the government's resources may therefore be directed at universities and other government-funded research institutes to conduct basic research. Furthermore, prior research found that SOEs reduce R&D investments after undergoing a partial privatization (Megginson et al., 1994; Munari, 2002; Munari, Roberts, & Sobrero, 2002). Hence, states may be more reluctant to support R&D investments when the returns are shared with private investors.

Hypothesis 3b: State ownership is negatively related to R&D intensity.

Internationalization. Although SOEs typically possess the resources and foreign policy expertise necessary for international expansion (Inoue et al., 2013; Liang et al., 2015), they may diversify less internationally than private firms because of their domestic policy focus. The main reasons for internationalization are to expand market share and learn from other

markets. These are drivers that SOE might not feel are as salient given their domestic and political focus. States must legitimize international expansion decisions to their local stakeholder base, which may prevent their SOEs from entering foreign countries to maximize employment at home or from engaging with countries that are not considered political allies (Cui & Jiang, 2012; C. Wang et al., 2012). For example, investing in a foreign country with political systems that are incompatible with domestic standards may result in voters' push-back. Last, while states regularly encourage "national champions" to venture abroad, they select these champions carefully, often involving administrative orders (Liang et al., 2015) and financial support (Deng, 2009)—not necessarily reflecting general strategic choices of SOE managers. Thus, we expect that SOEs reduce their internationalization efforts because of the political complexities associated with such decisions.

Hypothesis 3c: State ownership is negatively related to internationalization.

Political Connections and Firm Strategy

Why do firms seek out political connections? The main motivation appears to be to advance firm financial performance by safeguarding access to information, resources, and political guarantees. Firms that form political connections may be able to access valuable political capital and enjoy favorable treatment unavailable to firms without such connections (Oliver & Holzinger, 2008). This suggests that firms with political ties may be willing to pursue riskier strategies, which typically also entail higher financial returns. Several prior studies suggest that firms with political connections adopt more risk-seeking strategies (Boubakri, Guedhami, Mishra, & Saffar, 2012; Boubakri, Mansi, & Saffar, 2013; Zhu & Chung, 2014).

Leverage. Political connections can serve as a signal of support and endorsement by the state (Hillman & Hitt, 1999). These connections may ease the access to debt financing (Faccio, Masulis, & McConnell, 2006). Supporting this view, Khwaja and Mian (2005) find that politically connected firms indeed borrow more than unconnected firms. They report that most of these loans originate from government-linked banks and that these loans have a higher default rate. This evidence is consistent with the preferred access to government resources as well as the risk-taking nature of politically linked firms. Bliss and Gul (2012) find that politically connected firms have high leverage ratios. These results indicate that political connections enable firms to access debt financing through the political markets. Echoing Khwaja and Mian (2005), Bliss and Gul (2012) find that banks are wary of the increased risk to lend to politically connected firms, which is reflected in higher costs of borrowing for these firms. Overall, the evidence supports the view that politically connected firms will seek debt financing and benefit from preferred access to such finance, although at potentially higher costs of borrowing (Bliss & Gul, 2012) and potential default (Khwaja & Mian, 2005).

Hypothesis 4a: Political connections are positively related to leverage.

R&D intensity. States tend to play a central role in promoting basic research and place big bets on new technologies (Mazzucato, 2013). While some evidence suggests that firms with

political connections may invest less in R&D because of firm-specific risks, such as political turmoil (Y. Wang, Wei, & Song, 2017), most studies suggest that political connections facilitate investments in innovation. Political connections may grant firms easier access to costly basic research, which can help in technology sharing, product development, and other forms of innovation. The benefits derived from political connections may allow firms to sustain ongoing projects and maintain trial-and-error R&D. For instance, Kotabe et al. (2017) find that political connections allow firms to invest more in R&D because the connections to the state provide slack resources, such as bank loans, that reduce the pressure to generate short-term results from research outputs.

Hypothesis 4b: Political connections are positively related to R&D intensity.

Internationalization. Efforts to diversify a firm have been argued to be some of the most complex and ambiguous strategic endeavors. International expansions are known to be highly uncertain and risky compared to actions involving domestic diversification. Political connections may positively affect international diversification. For instance, connections to government officials improve access to information from the political sector (Lazzarini, 2015). While such information may be primarily useful for domestic matters because politicians are mostly familiar with domestic political markets (Sawant, Nachum, & Panibratov, 2017), Albino-Pimentel and Shaver (2017) show that political connections also help firms to obtain unique information about foreign policy and enable them to become more alert to political events. This information reduces the uncertainty inherent in globalization decisions, thus increasing international expansion. Additionally, Albino-Pimentel et al. (2018) find that political connections make firms overly confident in the belief that their ties to politicians can reduce the political hazards inherent in international expansions, thus increasing the international scope of politically connected firms. Last, the decision to globalize a firm is also riddled with conflicts among managers and shareholders due to the complexity of globalization decisions. Political connections may resolve some of these conflicts. For instance, Liang et al. (2015) show that political connections meaningfully reduce the agency concerns in firms' decisions to expand their scope internationally, leading to greater internationalization.

Hypothesis 4c: Political connections are positively related to internationalization.

The Mediating Effect of Firm Strategy

We have seen in the previous sections that SOEs tend to be more risk averse in their strategizing overall and, therefore, aim for less leverage, R&D intensity, and internationalization. Politically connected firms are expected to follow a contrasting approach by emphasizing higher leverage, R&D intensity, and internationalization. A wide body of research corroborates that the strategies firms pursue affect their subsequent financial performance (Eberhart, Maxwell, & Siddique, 2004; Jensen, 1986). By building on previous studies, we propose that the strategies that emphasize financial leverage, R&D intensity, and internationalization play mediating roles in the relationships between state ownership, political connections, and firm financial performance. In other words, the financial performance implications of state influence for firms derive not from their being state owned or politically connected directly but from the fact that state influence drives these firms to make different strategic decisions than

firms lacking such influence. In turn, these decisions have clear repercussions for firm financial performance.

Several studies support the view that leverage, while inherently a risky strategy, enhances firm financial performance (Hanousek, Kočenda, & Shamshur, 2015; Margaritis & Psillaki, 2010). The underlying logic is that, aligned with the free-cash-flow theory (Jensen, 1986), high leverage can reduce agency costs by putting pressure on managers to generate the profit needed to pay off debt and avoid firm liquidation. R&D intensity also has been found to positively affect firm financial performance (Capon, Farley, & Hoenig, 1990; Di Cintio, Ghosh, & Grassi, 2017; Eberhart et al., 2004). R&D expenditures support firms in developing innovative products and services, giving them a competitive edge over their direct rivals and consequently enhancing firm financial performance (Eberhart et al., 2004; Sougiannis, 1994). Internationalization has also been found to enhance firm financial performance (Kirca, Roth, Hult, & Cavusgil, 2012; Lu & Beamish, 2001). Firms that internationalize experience organizational learning, benefit from economies of scale associated with the production and sale of additional products in foreign markets, and diversify the risk of an economic downturn in the domestic market; therefore, internationalized firms tend to outperform firms that operate solely in their domestic market (Chao & Kumar, 2010; Hitt et al., 2006; Kirca et al., 2012).

In conjunction with the arguments leading up to Hypotheses 3a, 3b, 3c, 4a, 4b, and 4c, we therefore expect SOEs to engage *less* in strategies that generally enhance firm financial performance, and politically connected firms to put *more* emphasis on strategies that support firm financial performance. We thus predict that the hypothesized performance effects of government influence will be carried through the channel of strategic decision making:

Hypothesis 5: The strategies pursued by the firm (i.e., leverage, R&D intensity and internationalization) will mediate the negative effect of state ownership on firm financial performance.

Hypothesis 6: The strategies pursued by the firm (i.e. leverage, R&D intensity and internationalization) will mediate the positive effect of political connections on firm financial performance.

Methods

Sample and Coding

To synthesize the state influence literature, we pursued a meta-analytic study following established guidelines in management research (e.g., Bergh et al., 2016; Carney, Gedajlovic, Heugens, van Essen, & van Oosterhout, 2011). To maximize the number of studies that quantitatively explored the effect of state ownership and political connections on firm strategic actions and performance, we employed five complementary search strategies. First, we consulted several review articles (e.g., Hillman et al., 2004; Musacchio et al., 2015) and prior meta-analyses on political activities more generally (Hadani et al., 2017; Lux et al., 2011) as well as meta-analyses focused on emerging economies and privatization (Bachiller, 2017; K. Wang & Shailer, in press). This step allowed us to identify the keywords used in our search strategy, to develop our coding protocol, and to identify and collect studies citing them. Second, we searched two major electronic databases (ISI Web of Knowledge and Google Scholar) using the following search terms: *government ownership, state ownership, privatization, SOE, state control, political connection, politically affiliated, corporate political*, and

political ownership. Third, we conducted a manual search of journals in the management, economics, and finance disciplines that regularly publish articles related to SOEs and political connections.[3] Fourth, we performed the "snowballing" technique (von Hippel, Franke, & Prügl, 2009) to track all the references reported in the most cited articles and tracing forward all articles that cited these articles using Google Scholar. Finally, we contacted the researcher community via the listservs of the Academy of Management and Academy of International Business. After removing manuscripts with similar data, we arrived at a final sample of 210 primary studies (190 published, 15 working papers, and five dissertations), involving samples from 139 countries within the 1961-to-2015 period.

To code the primary studies, we developed a coding protocol (Lipsey & Wilson, 2001) and extracted data for the variables included in our models as well as effect and sample sizes. One author coded all the data, then another author coded a random subsample of 300 effect sizes to evaluate the degree of agreement in extracting and coding information from original articles (Stanley et al., 2013). By so doing, we obtained a high interrater agreement of 0.98 (Cohen's *k* coefficient). Finally, we removed from the data set those effect sizes identified as outliers based on Cook's distance analysis.

Meta-Analytic Procedures

HOMA procedure. To test Hypotheses 1 and 2, we rely on HOMA (Hedges & Olkin, 1985) to measure the meta-analytic correlations and confidence intervals between state ownership, political connections, strategic choices, and firm financial performance. We use Pearson product-moment correlations (*r*) as our focal effect size. This is a commonly reported effect size in management studies (Geyskens, Krishnan, Steenkamp, & Cunha, 2009) and is an easily interpretable and scale-free measure of linear association. To maximize parameter significance and estimation accuracy (Bijmolt & Pieters, 2001), we include all measurements of the focal effects that were present in a primary study. We weighted the effect sizes by their inverse variance weight (*w*) to improve accuracy (Hedges & Olkin, 1985).[4] These weights allow us to compute the standard error of the mean *r* and its corresponding confidence interval.[5] We use random-effects HOMA, which accounts for the potential heterogeneity of effect size distributions and is a more conservative measure than fixed-effects HOMA (Kisamore & Brannick, 2008; Raudenbush & Bryk, 2002).

MASEM procedure. To test Hypotheses 3 through 6, we performed MASEM (Cheung & Chan, 2005). MASEM allow for testing of a causal structure and estimating of regression effects of predictors while controlling for the presence of other predictors in the model (Haus, Steinmetz, Isidor, & Kabst, 2013). Therefore, we test the relationship among state ownership, political connections, firm strategic decisions, and firm financial performance (Bergh et al., 2016; Cheung & Chan, 2005). We conducted MASEM in a two-stage procedure (Duran, Kammerlander, van Essen, & Zellweger, 2016). First, we built a meta-analytic correlation matrix by applying the HOMA procedure to the interrelationships between all theorized and control variables, using *r* for effect size information (see Table 1). Second, we treated the meta-analytic correlation matrix as the observed correlation matrix and subjected it to regular maximum likelihood structural equation modeling routines (Cheung & Chan, 2005). Our full model assesses (a) the direct effect of state

Table 1
Meta-Analytic Correlation Table

Variable	1	2	3	4	5	6	7	8
1. State ownership		48,439 (55)	253,511 (170)	147,359 (65)	107,605 (112)	79,106 (36)	146,856 (51)	591,091 (436)
2. Political connections	0.15***		87,517 (82)	43,034 (43)	59,430 (49)	15,230 (18)	9,182 (22)	113,764 (119)
3. Firm size	0.15***	0.13***		121,893 (70)	276,012 (92)	53,545 (38)	107,259 (45)	440,228 (254)
4. Firm age	0.07**	0.06***	0.16***		38,204 (30)	48,542 (34)	100,065 (28)	121,871 (81)
5. Leverage	–0.01	0.05***	0.11***	0.08*		22,858 (18)	18,541 (23)	349,847 (166)
6. R&D intensity	–0.01	0.03†	0.08***	–0.01	–0.04		47,234 (27)	37,344 (36)
7. Internationalization	0.00	0.10***	0.18***	0.05**	0.04	0.08***		66,347 (35)
8. Firm performance	–0.02**	0.00	0.04*	–0.01	–0.10***	0.05**	0.04***	

Note: Cells below the diagonal contain mean effect sizes (mean). Cells above the diagonal contain the total number of observations measured by the number of firms observed from primary studies (N) and number of samples (k).
†$p < .10$.
*$p < .05$.
**$p < .01$.
***$p < .001$.

ownership on firm strategic decisions, (b) the direct effect of political connections on firm strategic decisions, (c) the effect of state ownership on firm financial performance, (d) the effect of political connections on firm financial performance, and (e) the effect of firm strategic decisions on firm financial performance. Specifically, we tested the following system of simultaneous equations:

$$\text{Leverage} = \beta_1\ \text{State ownership} + \beta_2\ \text{Political connections} + \beta_3\ \text{Firm size} + \beta_4\ \text{Firm age} + \varepsilon. \quad (1)$$

$$\text{R \& D intensity} = \beta_5\ \text{State ownership} + \beta_6\ \text{Political connections} + \beta_7\ \text{Firm size} + \beta_8\ \text{Firm age} + \varepsilon. \quad (2)$$

$$\text{Internationalization} = \beta_9\ \text{State ownership} + \beta_{10}\ \text{Political connections} + \beta_{11}\ \text{Firm size} + \beta_{12}\ \text{Firm age} + \varepsilon. \quad (3)$$

$$\text{Firm financial performance} = \beta_{13}\ \text{State ownership} + \beta_{14}\ \text{Political connections} + \beta_{15}\ \text{Firm size} + \beta_{16}\ \text{Firm age} + \beta_{17}\ \text{Leverage} + \beta_{18}\ \text{R \& D intensity} + \beta_{19}\ \text{Internationalization} + \varepsilon. \quad (4)$$

Our models controlled for the influence of firm size and firm age on strategic decisions and on firm financial performance (Beatty & Zajac, 1994). As testing these equations independently could produce biased estimates, we tested them concurrently to avoid simultaneity biases (Carney et al., 2011). We based our analyses on the harmonic mean sample size (N = 49,357) to address sample size differences across the meta-analytic correlation coefficients in our matrix.[6]

Measures

Firm financial performance. We include four types of firm-level performance measures: (a) financial market-based measures, including the market-to-book ratio, stock performance, and Tobin's Q; (b) accounting-based measures, such as profit, profit margin, return on assets, return on equity, return on investment, return on sales, and sales growth; (c) productivity, measured as labor and total factor productivity; and (d) efficiency, such as technical, operating, and income efficiency.

State ownership. We include four types of state ownership measures found in the literature: (a) percentage of state ownership (e.g., Ben-Nasr & Cosset, 2014; Le & O'Brien, 2010), (b) state full control (e.g., D'Souza, Megginson, Ullah, & Wei, 2017; Vicente-Lorente & Suárez-González, 2007), (c) state is the largest owner (e.g., Liang et al., 2015), and (d) state minority control (e.g., Inoue et al., 2013).

Political connections. We include three operationalizations from the political connections literature: (a) the inclusion of at least one government official in the board or management team of the firm (e.g., Okhmatovskiy, 2010; Peng & Luo, 2000), (b) the number of management team members of the firm with current or past political appointments (e.g., Hillman, 2005; Liang et al., 2015; Zheng, Singh, & Mitchell, 2015), and (c) the presence of at least one outside director with a political background (e.g., Chizema, Liu, Lu, & Gao, 2015). Our focus is on direct political involvement, and thus, we exclude measures related to lobby expenditures or donations to political parties.

Leverage. We measure the degree of leverage of the firm, commonly measured as ratio of total debts to total assets (e.g., Inoue et al., 2013) and ratio of total debts to total equity (e.g., C. Wang et al., 2012).

R&D intensity. This variable reflects the degree of R&D expenditures of the firm, frequently measured as R&D expenses (e.g., Cui & Jiang, 2012), R&D expenses per employee (e.g., C. Wang et al., 2012), R&D expenditure as a percentage of sales (e.g., Choi et al., 2012), and R&D expenditure normalized by total asset (e.g., Chen, 2015).

Internationalization. We measure the degree of international orientation of a firm, commonly measured as ratio of export sales to total sales (e.g., Liu, Uchida, & Yang, 2012), ratio of foreign sales to total sales (e.g., Pan et al., 2014; Tihanyi et al., 2003), geographic scope (e.g., Mascarenhas, 1989), and firms' outward foreign direct investment (e.g., Xia, Ma, Lu, & Yiu, 2014).

Results

The Balance of Evidence: State Influence and Firm Financial Performance

The results in Table 2 show that Hypothesis 1, which entails a negative effect of state ownership on firm financial performance, is supported. When we combine state ownership across all its forms and shapes, we find a negative effect on firm financial performance.

Table 2
Effects of State Ownership and Political Connections on Firm Financial Performance

			Pearson Product-Moment Correlation (r)				
Predictor	k	N	M	SE	95% CI	Q test	I^2
State ownership–firm financial performance (Hypothesis 1)	436	591,091	–.02**	.01	[–.03, –.01]	4,527***	.90
State ownership measurements							
Percentage state ownership	167	216,873	.01	.01	[–.01, .02]	1,309***	.87
State full control	174	128,001	–.03*	.01	[–.05, –.01]	1,191***	.85
State is the largest owner	87	237,664	–.03**	.01	[–.05, –.01]	1,759***	.95
State minority control	8	8,553	–.03	.02	[–.07, .01]	11†	.36
Firm performance measurements							
Market	86	112,217	–.03**	.01	[–.06, –.01]	1,139***	.93
Accounting	283	395,300	–.01	.01	[–.02, .00]	2,563***	.89
Productivity	14	50,415	–.02	.02	[–.07, .02]	156***	.92
Efficiency	53	33,159	–.02	.02	[–.06, .02]	163***	.68
Political connections–firm performance (Hypothesis 2)	119	113,764	.00	.01	[–.02, .02]	1,159***	.90
Firm performance measurements							
Market	25	23,569	–.02	.02	[–.06, .03]	251***	.90
Accounting	89	88,941	–.01	.01	[–.03, .02]	728***	.88
Productivity	2	414	.21***	.05	[.11, .31]	0	.00
Efficiency	3	840	.35*	.18	[.00, .70]	54***	.96

Note: k = number of samples; N = firm observations; CI = confidence interval; Q test = Hedges and Olkin's (1985) chi-square test for homogeneity; I^2 = scale-free index of heterogeneity. Firm financial performance includes stock market performance, accounting performance, productivity, and efficiency.
†$p < .10$.
*$p < .05$.
**$p < .01$.
***$p < .001$.

However, the effect is small and the variance contained in the effect size distribution is substantial, pointing to unaccounted mediating and moderating variables. When we differentiate between the measurement approaches of state ownership, we do not find significant effects of state ownership on firm financial performance except for full state control and state is the largest owner, for which the effect on firm financial performance is negative. These results are consistent with the argument that state ownership hurts firm financial performance when the state is unconstrained by other (private) investors (Inoue et al., 2013; Musacchio et al., 2015; Musacchio & Lazzarini, 2014).

The results in Table 2 provide no clear support for Hypothesis 2, predicting a positive effect of political connections on firm financial performance. However, we find substantial variation in the effect size distribution, suggesting that further investigations of this relationship are needed. Political connections may therefore influence firms in positive and negative ways, canceling out the overall effect of political connections on firm financial performance.

Table 3
MASEM Results

Predictors	Leverage	R&D Intensity	Internationalization	Firm Financial Performance
State ownership	–.04 (–7.74)* (Hypothesis 3a)	–.03 (–5.38)* (Hypothesis 3b)	–.04 (–8.79)* (Hypothesis 3c)	–.03 (–5.94)* (Hypothesis 1)
Political connections	.04 (8.46)* (Hypothesis 4a)	.02 (5.29)* (Hypothesis 4b)	.08 (18.34)* (Hypothesis 4c)	–.00 (–.20) (Hypothesis 2)
Firm size	.10 (21.80)*	.08 (18.27)*	.17 (37.91)*	.05 (1.22)*
Firm age	.06 (14.18)*	–.02 (–5.10)*	.02 (4.54)*	–.01 (–1.90)
Leverage				–.10 (–23.21)*
R&D intensity				.04 (8.70)*
Internationalization				.03 (7.23)*
Harmonic mean *N* (firms observed)	49,357			
χ^2	342.26 (0.00)			
GFI	1.00			
RMSEA	0.048			

Note: T values are given in parentheses. MASEM = meta-analytic structural equations modeling; GFI = goodness-of-fit statistic; RMSEA = root mean square error of approximation. Mediation tests for state ownership (Hypothesis 5): Sobel, $z = 2.49$, $p < .01$; Aroian, $z = 2.49$, $p < .01$; Goodman, $z = 2.50$, $p < .01$. Mediation tests for political connections (Hypothesis 6): Sobel, $z = –1.25$, *ns*; Aroian, $z = –1.24$, *ns*; Goodman, $z = –1.25$, *ns*.
*$p < .05$.

The Balance of Evidence: State Influence and Firm Strategy

Table 3 provides evidence for the strategic choices of SOEs and politically connected firms, thus testing Hypotheses 3a through 3c and Hypotheses 4a through 4c. For SOEs, the evidence is consistent with more risk-averse strategic choices. SOEs have less-leveraged capital structures, less R&D intensity, and less-international profiles. Overall, their risk aversion comes at a cost, however. The evidence in Table 3 shows that R&D intensity and internationalization are generally *positively* related to firm financial performance. More risk-averse strategic choices for these strategies therefore result in lower financial performance (although leverage has the opposite effect). Leverage, R&D, and internationalization are thus the often-overlooked mediating factors that help to model the variance in the effect size distribution (see Table 2).

The evidence presented in Table 3 is also consistent with a more-risk-taking scenario for firms with political connections postulated in Hypotheses 4a through 4c. Political connections seem to provide firms with more enabling resources, culminating in risk-taking strategic choices with more leverage, higher R&D intensity, and greater internationalization. Interestingly, however, the pros and cons of political connections seem to cancel each other out when it comes to the effect of political connections on firm financial performance overall. Whereas the higher R&D and internationalization activity of politically connected firms are all beneficial to their financial performance, their highly leveraged capital structures are a large drain on their financial success. Whereas the main effect of political connections on financial performance is thus a null effect (see Table 2), this finding obfuscates several mediating effects of political connections on firm strategy.

Finally, we conducted three types of mediation tests to test Hypotheses 5 and 6: Sobel test, Aroian test, and Goodman test. These tests confirmed that strategic choices carry the influence of state ownership on firm financial performance (Sobel test, $z = 2.49$, $p < .01$; Aroian test, $z = 2.49$, $p < .01$; Goodman test, $z = 2.50$, $p < .01$). However, they suggest an insignificant mediated effect of strategic variables of political connections on firm financial performance (Sobel test, $z = -1.25$, *ns*; Aroian test, $z = -1.24$, *ns*; Goodman test, $z = -1.25$, *ns*). Overall, Hypothesis 5 was thus supported while we do not find support for Hypothesis 6.

Discussion and Future Research Avenues

Researchers have long been intrigued by the question whether SOEs and politically connected firms are any different in terms of their financial performance from firms with limited or no state influence. We have accumulated 436 tests of the effects of state ownership on financial performance and 119 tests of the effects of political connections on financial performance. The results from our meta-analysis suggest that SOEs generally underperform while the effects for firms with political connections are inconclusive. These findings lead us to several conclusions as well as raise additional novel questions involving research on state influence.

We ask whether SOEs and politically connected firms pursue strategies that are different from those pursued by private firms. We uncover that SOEs behave more risk aversely than private firms, by reducing leverage, R&D intensity, and internationalization. In contrast, politically connected firms behave in a more-risk-seeking manner than firms lacking such connections, thus enhancing leverage, R&D intensity, and internationalization. These findings suggest that state ownership and political connections play independent roles in strategic management. We discuss the theoretical ramifications of these findings and highlight avenues for future research next.

State Involvement and Firm Financial Performance

Our study entails important implications for the literature on the relationship between states and firms. We discuss four implications of state ownership on firm performance. First, our meta-analysis offers convincing evidence of an overall negative effect of state ownership on firm financial performance. However, this negative effect depends on the degree of state ownership. Full state control and majority state control drive the negative firm financial performance effects. The main implication we put forward is that state ownership is the most detrimental for firm financial performance when states are not reined in by other powerful shareholders. These findings call for more research investigating different ownership configurations under which state owners can most productively work with private investors (Bruton et al., 2015; Musacchio et al., 2015; Musacchio & Lazzarini, 2014).

Second, the direct effects of political connections on financial performance are less conclusive. A promising avenue for future research is to unbundle the different types of political connections because political ties held by managers and directors are likely to have different effects. For instance, politically connected CEOs may influence strategic business decisions (Li & Qian, 2013), whereas politically connected directors have a greater influence on the governance of firms (Chizema et al., 2015). Separating different types of political

connections into more-nuanced categories may advance research in a similar manner than the unpacking of different ownership configurations did in the state ownership literature (Musacchio et al., 2015). Another compelling avenue for future research is to disentangle the benefits political connections bring to the table. Do firms affiliate with politically connected individuals for substantive or symbolic reasons? And do these connections deliver on their promises?

Third, in contrast to our first two hypotheses, it is possible that state ownership positively and political connections negatively influence firm financial performance.[7] Despite the negative performance effect of state ownership we found in our meta-analysis, some recent studies suggest that state ownership can constitute a valuable strategic resource for the firm (Grosman et al., 2016; Inoue et al., 2013; Musacchio et al., 2015), can represent a stable and long-term form of equity investment (Inoue et al., 2013; Mazzucato, 2013; Zhou et al., 2017), and may serve as a source of legitimacy (Vaaler & Schrage, 2009). Political connections may also have an opposite effect on firm performance than the one we hypothesized. For example, Faccio (2006) suggests that receiving favorable treatment from the government may be associated with high costs for the firm that, in turn, can harm its financial performance. Other studies identified downsides of political connections, as well, including "retaliation" for ties to the previous government after a regime change, lock-in to embedded relationships that continue to require resources even after they have become obsolete, and shielding of unqualified managers from discipline and dismissal (Fisman, 2001; Okhmatovskiy, 2010; Siegel, 2007; P. Sun et al., 2012, 2016; P. Sun, Mellahi, & Thun, 2010).

Although we did not find support for these alternative scenarios, the overall relationship between states and firms is more complex than it has been portrayed by the existing literature. In terms of the implications of state ownership for firm performance, future studies that examine the state's role in various sectors that are characterized by different market conditions may be able to show a more nuanced role of the state as an owner of firms. For example, the state may influence firms in competitive sectors differently than firms in sectors that produce public goods and provide public services. Similarly, given our inconclusive results on the performance effects of political connections, new conceptual arguments articulating the harmful effect of political connections on firm performance could lead to interesting findings. These arguments could be anchored in nonmarket strategies or rent-seeking arguments.

Fourth, we see significant opportunities to further integrate the state ownership and political connections literatures. Our study made a first attempt at bridging these two literatures by arguing that state ownership and political connections serve different goals and are exposed to different pressures (shareholders vs. electorate). While companies connect with the state to pursue their corporate agenda, states invest in companies to pursue their policy agenda. The different strategic decisions pursued by these firms are aligned with their interests. Recent studies have also examined the coexistence of state ownership and political connection in the same firm, showing that SOEs are less likely to seek out political ties (Park & Luo, 2001) and that the competitive advantage stemming from political ties is dampened in SOEs (Firth et al., 2011; Peng & Luo, 2000; P. Sun et al., 2016; Wu, Wu, & Rui, 2012). Overall, the evidence seems to suggest that political connections lose some value in SOEs, pointing to substitution effects between these forms of state involvement. Further research on the boundary conditions of this coexistence-versus-substitution effect and its tipping point would be illuminating.

State Involvement and Strategic Decisions

Our findings have implications for research on the strategic decisions of SOEs and politically connected firms, as well. It is commonly argued that strategies aimed at gaining competitive advantage, often entailing higher risk taking, are better able to advance firm financial performance (Miles et al., 1978). However, risk-seeking strategic decisions, while indirectly explaining why SOEs perform worse, are not, per se, a guarantee for better performance (Hambrick, 1983). For instance, we find that leverage negatively affects firm financial performance, perhaps because it makes firms more dependent on lenders, decreasing the bargaining power of firms when negotiating their cost of capital. Also, it may be that leverage is not necessarily aimed at gaining competitive advantage. Many firms favor leverage to fund future growth or insulate themselves from takeovers. However, other firms may seek loans to refinance themselves (i.e., pay old loans with new loans) or to facilitate shareholder turnover (i.e., buy out the equity of other shareholders). Furthermore, more risk-averse strategic decisions may be of value in more static industries as an internal focus on efficiency improvements is desirable in such contexts (Smart & Vertinsky, 1984). Given that SOEs often operate in more concentrated and less dynamic markets, conservative strategies may be an appropriate option. Future research may examine whether and under what conditions strategies that are regarded as riskier, such as leverage, R&D intensity, and internationalization, are appropriate for state-influenced firms.

Additional Future Research

Although direct state ownership remains a major type of ownership arrangement around the world, states have found new ways to control businesses, to shape competition, and to advance their policies. For example, several states own shares in major multinational corporations through their sovereign wealth funds (Aguilera, Capapé, & Santiso, 2016; Vasudeva, Zaheer, & Hernandez, 2013). Owing to the vast size and, often, opacity of their investments, such funds have the power to advance the values and policies of their home states on the global marketplace. Future studies could explore their indirect effects on global competition and the ways their activism advances state policies. In many countries with state capitalism, governments have also found ways to control firms without owning majority stakes in them. States, for example, can force other owners to sell their shares when the interests of those owners are in conflict with state policies. Pressures by states against other owners may be in the forms of public campaigns in the state-controlled media and state-organized protests or boycotts. While such actions are difficult to investigate empirically, they increasingly replace state power commonly measured by the size of state ownership in past studies.

Future research could do well by exploring the complex web of political ties as well as the path-dependent interaction between political connections and state ownership. Past work on political connections commonly considered the governmental and political experiences of corporate executives. However, successful or well-connected executives often move to government positions, but their actions and relationships with their past businesses remain unexplored (revolving-door effect). Tracking the career moves of business executives and politicians as well as the historic evolution of state–firm ties could allow us to estimate the organizational benefits and societal costs of political connections more accurately.

A related interesting area for future research is the trade-off between state ownership and political connections in competitive actions. Private firms in state capitalisms may be especially motivated to form ties with the political elite to overcome their competitive disadvantage relative to SOEs. Unlike in market economies, where political ties distort competition, political connections in state capitalism may be seen as a tool for survival for those not owned directly by the state. If this hypothesis holds, the hands of states in countries with state capitalism may reach far beyond the firms they directly control via their ownership stakes. This area of research can be further informed by identifying the role of the state as accurately as possible for cross-national comparisons. In other words, we know from existing research that the Chinese state and the Russian state are likely to deploy different intervention mechanisms even if they both hold the same ownership percentages in their local firms. Furthermore, several countries operate as federations or federal states with often-conflicting policies regarding the role of state ownership at the national and provincial levels. Similarly, political connections will embody diverse types of power and prestige depending on where these politicians are elected and how they are nominated to positions of power.

Future research should also pay attention to the changes in political power in countries and the resulting variation in the states' influence on local firms. Although many countries with state capitalism are ruled by strong political elites over long periods of time, the national importance of state ownership may fluctuate in countries depending on the platforms of those groups that get elected to lead their countries. For instance, the nationalization of private property can be a goal of different parties from the opposite ends of the political spectrum. The elections of those parties tend to alter the ownership structures of industries, leading to increases and decreases in SOEs as well as changes in the nature of political connections. Understanding the political mechanisms behind such changes and studying the ways firms try to anticipate them for their operations and strategies could have important theoretical and practical implications.

Additional meaningful contributions can be made by studying managerial behavior and interests in both SOEs and private firms during interactions with state regulators and the political elite. For example, business executives may or may not share the political views of government officers regarding the level of the state's involvement in the private sector, which, in turn, may affect their cooperation. The relationship between business executives and state representatives may also be affected by different expertise. Unlike large activist investors and their board representatives, government officers tend to lack business knowledge, leading to a further increase in the information asymmetry between managers and owners of SOEs.

Furthermore, being an SOE executive or having strong political ties may increase the power of managers beyond the levels that have been studied in the literature. Strong government ties, for instance, may allow managers to extend their tenure, to increase their compensations, or to get favorable contracts, even when their products are not competitive or their firms are not performing well. In addition to studying managerial power, capturing the career moves between the state and the private sector (e.g., the promotions of SOE managers to government positions or of government officers to SOE executives) could lead to novel contributions to the managerial power literature.

Interestingly, most research on state ownership and political connections has centered around the effects on financial performance, frequently measured by return on assets,

return on sales, and return on equity. These measures, however, tend to be biased toward private firms. We would like to encourage researchers to explore how, for instance, this interconnection of state ownership and political connections can influence other, more broadly defined firm outcomes, such as innovation and organizational identity, and even solve grand societal challenges, such as narrowing the inequality gap or mitigating climate change.

A final fruitful area for future research is the relationship between states and firms at a global scale. In recent decades, several SOEs have become international players, and many states have acquired significant shares in multinational corporations through their sovereign wealth funds and other investment vehicles. States have also been able to exercise their power over firms increasingly through supranational organizations and intergovernmental ties. In contrast, many corporations have gained tremendous power in the global market that allows them to effectively cope with government pressures and lobby for governmental policies that benefit their continued growth. The market value of many corporations, for example, has reached the size of medium economies, measured by GDP. In addition, corporations are increasingly involved directly in the political processes in many countries. For example, corporations can make unlimited financial contributions to politicians in the United States and thus help elect those who advance their financial interests. Future research on these developments may be able to answer big questions: Where are the boundaries of the state and the corporation? Will states have the power to govern multinational corporations? Will states be replaced by corporations?

Conclusions

Our meta-analysis provides conclusive evidence for the performance consequences of state influence. In addition, we investigate the effects of state influence on the strategic decision making of firms and uncover distinct strategies pursued by SOEs and politically connected firms. Although our results demonstrate negative performance implications of state ownership in the business sector, our lack of findings on the performance effects of political connections and recent evidence on the positive performance of SOEs show that a more nuanced view is needed to move this research stream ahead. How should management researchers study state influence going forward? We would like to emphasize that it is critical to distinguish the differences in kind between firms with state involvement and private firms. The former often pursue multiple objectives (not necessarily economically driven) and are subjected to different societal expectations from voters and the media, which makes traditional approaches of studying firms less useful. Some research has started to acknowledge the hybrid nature of state-influenced firms, offering ample research opportunity going forward. To close, we encourage management scholars to continue studying the two reciprocal pillars of state ownership and political connections in conjunction, as states influence firms by becoming owners and as firms influence states by establishing political connections. Shareholders vote and politicians help manage organizations.

ORCID iD

Steve Sauerwald https://orcid.org/0000-0003-0126-9741

Notes

1. States have operated in different forms throughout history. The various definitions of *state* from Oppenheimer (1975) to Weber (1978) and Skocpol (1985) describe its many shapes and colors. Weber (1978: 54), for example, provides the following definition: "A compulsory political organization with continuous operations will be called a 'state' insofar as its administrative staff successfully upholds the claims to the monopoly of the legitimate use of physical force in the enforcement of its order."

2. We use the term *state influence* throughout the paper whenever we generically refer to state ownership and/or political connectedness of firms.

3. The list of journals includes *Academy of Management Journal; American Political Science Review; Business and Politics; Corporate Governance: An International Review; Journal of Banking & Finance; Journal of Comparative Economics; Journal of Corporate Finance; Journal of Finance; Journal of Financial Economics; Journal of International Business Studies; Journal of Management; Journal of Management Studies; Journal of Politics; Public Choice*; and *Strategic Management Journal*.

4. We calculated *w* as follows: $w_i = \frac{1}{se_i^2 + \hat{v}_\theta}$, where *se* is the standard error of the effect size and $\hat{v}_\theta$ is the random-effects variance component, which is in turn calculated as $s.e.(z_r) = \frac{1}{\sqrt{n-3}}$, and the formula of random effect variance is $\hat{v}_\theta = \frac{Q_T - k - 1}{\sum w - \left(\frac{\sum w^2}{\sum w}\right)}$.

5. The meta-analytic mean is calculated as follows: $\overline{ES} = \frac{\sum(w \times ES)}{\sum w}$, with its standard error, $se_{\overline{ES}} = \sqrt{\frac{1}{\sum w}}$, and with its 95% confidence interval computed as $Lower = \overline{ES} - 1.96(se_{\overline{ES}})$, $Upper = \overline{ES} + 1.96(se_{\overline{ES}})$.

6. Compared to the arithmetic mean, the harmonic mean is less sensitive to outliers. This provides more correct and conservative *t* values for model parameters (Geyskens, Steenkamp, & Kumar, 2006).

7. In a previous version of this manuscript, we included these scenarios as competing hypotheses to our main-effect hypotheses (currently Hypotheses 1 and 2). Although proposing competing hypotheses is often considered confusing, they can be appropriate in meta-analytic studies that review different theoretical perspectives on the same phenomena and gather conflicting empirical results from large numbers of studies. Although we found some studies that reported a positive effect of state ownership and a negative effect of political connections on firm performance, the literature on these two constructs has yet to provide convincing theoretical explanations for their alternative effects. We expect providing such theoretical explanations to be especially challenging in the case of state ownership that often results in improvements in firm performance by transferring the burden to the broader society, in the forms of tax increases, shortages, government debt, and changes in fiscal and monetary policies (Kornai, 1992; Megginson & Netter, 2001). To improve the clarity of our presentation and to reduce manuscript length, we returned to the conventional strategy of proposing a single hypothesis for each direct effect, in each case choosing the directionality that had been proposed most frequently in the literature. As a result, we discuss the alternative scenarios and the findings involving them here, in the Discussion section. This presentation is consistent with the approach proposed by Hollenbeck and Wright (2017) in their recent *Journal of Management* article. We are grateful to the editor and the anonymous reviewers for suggesting the change in the study design while offering a solution for a transparent presentation of the results.

References

Aguilera, R. V., Capapé, J., & Santiso, J. 2016. Sovereign wealth funds: A strategic governance view. *Academy of Management Perspectives*, 30: 5-23.

Albino-Pimentel, J., Anand, R., & Dussauge, P. 2018. How do firm political connections impact foreign acquisitions? The effects of decision makers' political and firm embeddedness. *Global Strategy Journal*, 8: 421-446.

Albino-Pimentel, J., & Shaver, J. M. 2017. *A French connection: The influence of political connections on international expansion strategy*. Working paper, University of South Carolina, Columbia.

Bachiller, P. 2017. A meta-analysis of the impact of privatization on firm performance. *Management Decision*, 55: 178-202.

Bai, C.-E., & Xu, L. C. 2005. Incentives for CEOs with multitasks: Evidence from Chinese state-owned enterprises. *Journal of Comparative Economics*, 33: 517-539.

Beatty, R. P., & Zajac, E. J. 1994. Managerial incentives, monitoring, and risk bearing: A study of executive compensation, ownership, and board structure in initial public offerings. *Administrative Science Quarterly*, 39: 313-335.

Ben-Nasr, H., & Cosset, J.-C. 2014. State ownership, political institutions, and stock price informativeness: Evidence from privatization. *Journal of Corporate Finance*, 29: 179-199.

Bergh, D. D., Aguinis, H., Heavey, C., Ketchen, D. J., Boyd, B. K., Su, P., Lau, C. L. L., & Joo, H. 2016. Using meta-analytic structural equation modeling to advance strategic management research: Guidelines and an empirical illustration via the strategic leadership–performance relationship. *Strategic Management Journal*, 37: 477-497.

Bijmolt, T. H. A., & Pieters, R. G. M. 2001. Meta-analysis in marketing when studies contain multiple measurements. *Marketing Letters*, 12: 157-169.

Bliss, M. A., & Gul, F. A. 2012. Political connection and cost of debt: Some Malaysian evidence. *Journal of Banking & Finance*, 36: 1520-1527.

Bonardi, J.-P. 2011. Corporate political resources and the resource-based view of the firm. *Strategic Organization*, 9: 247-255.

Bonardi, J.-P., Hillman, A. J., & Keim, G. D. 2005. The attractiveness of political markets: Implications for firm strategy. *Academy of Management Review*, 30: 397-413.

Boubakri, N., & Cosset, J.-C. 1998. The financial and operating performance of newly privatized firms: Evidence from developing countries. *Journal of Finance*, 53: 1081-1110.

Boubakri, N., Guedhami, O., Mishra, D., & Saffar, W. 2012. Political connections and the cost of equity capital. *Journal of Corporate Finance*, 18: 541-559.

Boubakri, N., Mansi, S. A., & Saffar, W. 2013. Political institutions, connectedness, and corporate risk-taking. *Journal of International Business Studies*, 44: 195-215.

Bruton, G. D., Peng, M. W., Ahlstrom, D., Stan, C., & Xu, K. 2015. State-owned enterprises around the world as hybrid organizations. *Academy of Management Perspectives*, 29: 92-114.

Byrd, D. T., & Mizruchi, M. S. 2005. Bankers on the board and the debt ratio of firms. *Journal of Corporate Finance*, 11: 129-173.

Capon, N., Farley, J. U., & Hoenig, S. 1990. Determinants of financial performance: A meta-analysis. *Management Science*, 36: 1143-1159.

Carney, M., Gedajlovic, E. R., Heugens, P. P. M., A. R.van Essen, M., & van Oosterhout, J. 2011. Business group affiliation, performance, context, and strategy: A meta-analysis. *Academy of Management Journal*, 54: 437-460.

Chao, M. C.-H., & Kumar, V. 2010. The impact of institutional distance on the international diversity–performance relationship. *Journal of World Business*, 45: 93-103.

Chen, T. 2015. Institutions, board structure, and corporate performance: Evidence from Chinese firms. *Journal of Corporate Finance*, 32: 217-237.

Chernykh, L. 2011. Profit or politics? Understanding renationalizations in Russia. *Journal of Corporate Finance*, 17: 1237-1253.

Cheung, M. W.-L., & Chan, W. 2005. Meta-analytic structural equation modeling: A two-stage approach. *Psychological Methods*, 10: 40-64.

Chizema, A., Liu, X., Lu, J., & Gao, L. 2015. Politically connected boards and top executive pay in Chinese listed firms. *Strategic Management Journal*, 36: 890-906.

Choi, S. B., Park, B. I., & Hong, P. 2012. Does ownership structure matter for firm technological innovation performance? The case of Korean firms. *Corporate Governance: An International Review*, 20: 267-288.

Clark, J. D. 1947. Can government influence business stability? *Journal of Finance*, 2: 65-75.

Connelly, B. L., Johnson, J. L., Tihanyi, L., & Ellstrand, A. E. 2011. More than adopters: Competing influences in the interlocking directorate. *Organization Science*, 22: 688-703.

Cui, L., & Jiang, F. 2012. State ownership effect on firms' FDI ownership decisions under institutional pressure: A study of Chinese outward-investing firms. *Journal of International Business Studies*, 43: 264-284.

Cull, R., & Xu, L. C. 2005. Institutions, ownership, and finance: The determinants of profit reinvestment among Chinese firms. *Journal of Financial Economics*, 77: 117-146.

Deng, P. 2009. Why do Chinese firms tend to acquire strategic assets in international expansion? *Journal of World Business*, 44: 74-84.

Denis, D. J., Denis, D. K., & Sarin, A. 1999. Agency theory and the influence of equity ownership structure on corporate diversification strategies. *Strategic Management Journal*, 20: 1071-1076.

Dewenter, K. L., & Malatesta, P. H. 2001. State-owned and privately owned firms: An empirical analysis of profitability, leverage, and labor intensity. *American Economic Review*, 91: 320-334.

Dharwadkar, R., George, G., & Brandes, P. 2000. Privatization in emerging economies: An agency theory perspective. *Academy of Management Review*, 25: 650-669.

Di Cintio, M., Ghosh, S., & Grassi, E. 2017. Firm growth, R&D expenditures and exports: An empirical analysis of Italian SMEs. *Research Policy*, 46: 836-852.

D'Souza, J., & Megginson, W. L. 1999. The financial and operating performance of privatized firms during the 1990s. *Journal of Finance*, 54: 1397-1438.

D'Souza, J., Megginson, W. L., Ullah, B., & Wei, Z. 2017. Growth and growth obstacles in transition economies: Privatized versus de novo private firms. *Journal of Corporate Finance*, 42: 422-438.

Du, J., & Girma, S. 2010. Red capitalists: Political connections and firm performance in China. *Kyklos*, 63: 530-545.

Duran, P., Kammerlander, N., van Essen, M., & Zellweger, T. 2016. Doing more with less: Innovation input and output in family firms. *Academy of Management Journal*, 59: 1224-1264.

Eberhart, A. C., Maxwell, W. F., & Siddique, A. R. 2004. An examination of long-term abnormal stock returns and operating performance following R&D increases. *Journal of Finance*, 59: 623-650.

Economist. 2014. *The new age of crony capitalism*. March 13. Retrieved from https://goo.gl/sPsVSF

European Commission. 2016. *State-owned enterprises in the EU: Lessons learnt and ways forward in a post-crisis context*. Brussels: Author.

Faccio, M. 2006. Politically connected firms. *American Economic Review*, 96: 369-386.

Faccio, M., Masulis, R. W., & McConnell, J. J. 2006. Political connections and corporate bailouts. *Journal of Finance*, 61: 2597-2635.

Fan, J. P. H., Wong, T. J., & Zhang, T. 2007. Politically connected CEOs, corporate governance, and post-IPO performance of China's newly partially privatized firms. *Journal of Financial Economics*, 84: 330-357.

Firth, M., Rui, O. M., & Wu, W. 2011. The effects of political connections and state ownership on corporate litigation in China. *Journal of Law & Economics*, 54: 573-607.

Fisman, R. 2001. Estimating the value of political connections. *American Economic Review*, 91: 1095-1102.

Frooman, J. 1999. Stakeholder influence strategies. *Academy of Management Review*, 24: 191-205.

Garcia-Canal, E., & Guillén, M. F. 2008. Risk and the strategy of foreign location choice in regulated industries. *Strategic Management Journal*, 29: 1097-1115.

Geyskens, I., Krishnan, R., Steenkamp, J.-B. E. M., & Cunha, P. V. 2009. A review and evaluation of meta-analysis practices in management research. *Journal of Management*, 35: 393-419.

Geyskens, I., Steenkamp, J.-B. E. M., & Kumar, N. 2006. Make, buy, or ally: A transaction cost theory meta-analysis. *Academy of Management Journal*, 49: 519-543.

Goldman, E., Rocholl, J., & So, J. 2009. Do politically connected boards affect firm value? *Review of Financial Studies*, 22: 2331-2360.

Grosman, A., Okhmatovskiy, I., & Wright, M. 2016. State control and corporate governance in transition economies: 25 years on from 1989. *Corporate Governance: An International Review*, 24: 200-221.

Guo, H., Xu, E., & Jacobs, M. 2014. Managerial political ties and firm performance during institutional transitions: An analysis of mediating mechanisms. *Journal of Business Research*, 67: 116-127.

Hadani, M., Bonardi, J.-P., & Dahan, N. M. 2017. Corporate political activity, public policy uncertainty, and firm outcomes: A meta-analysis. *Strategic Organization*, 15: 338-366.

Hadani, M., & Schuler, D. A. 2013. In search of El Dorado: The elusive financial returns on corporate political investments. *Strategic Management Journal*, 34: 165-181.

Hambrick, D. C. 1983. High profit strategies in mature capital goods industries: A contingency approach. *Academy of Management Journal*, 26: 687-707.

Hanousek, J., Kočenda, E., & Shamshur, A. 2015. Corporate efficiency in Europe. *Journal of Corporate Finance*, 32: 24-40.

Haus, I., Steinmetz, H., Isidor, R., & Kabst, R. 2013. Gender effects on entrepreneurial intention: A meta-analytical structural equation model. *International Journal of Gender and Entrepreneurship*, 5: 130-156.

Haveman, H. A., Jia, N., Shi, J., & Wang, Y. 2017. The dynamics of political embeddedness in China. *Administrative Science Quarterly*, 62: 67-104.

Hedges, L. V., & Olkin, I. 1985. *Statistical methods for meta-analysis*. Orlando, FL: Academic Press.

Hillman, A. J. 2005. Politicians on the board of directors: Do connections affect the bottom line? *Journal of Management*, 31: 464-481.

Hillman, A. J., & Hitt, M. A. 1999. Corporate political strategy formulation: A model of approach, participation, and strategy decisions. *Academy of Management Review*, 24: 825-842.

Hillman, A. J., Keim, G. D., & Schuler, D. 2004. Corporate political activity: A review and research agenda. *Journal of Management*, 30: 837-857.

Hillman, A. J., & Wan, W. P. 2005. The determinants of MNE subsidiaries' political strategies: Evidence of institutional duality. *Journal of International Business Studies*, 36: 322-340.

Hitt, M. A., Keats, B. W., & DeMarie, S. M. 1998. Navigating in the new competitive landscape: Building strategic flexibility and competitive advantage in the 21st century. *Academy of Management Executive*, 12: 22-42.

Hitt, M. A., Tihanyi, L., Miller, T., & Connelly, B. 2006. International diversification: Antecedents, outcomes, and moderators. *Journal of Management*, 32: 831-867.

Holderness, C. G. 2003. A survey of blockholders and corporate control. *Economic Policy Review*, 9: 51-63.

Hollenbeck, J. R., & Wright, P. M. 2017. Harking, sharking, and tharking: Making the case for post hoc analysis of scientific data. *Journal of Management*, 43: 5-18.

Inoue, C. F. K. V., Lazzarini, S. G., & Musacchio, A. 2013. Leviathan as a minority shareholder: Firm-level implications of state equity purchases. *Academy of Management Journal*, 56: 1775-1801.

Jensen, M. C. 1986. Agency costs of free cash flow, corporate finance, and takeovers. *American Economic Review*, 76: 323-329.

Jensen, M. C. 2002. Value maximization, stakeholder theory, and the corporate objective function. *Business Ethics Quarterly*, 12: 235-256.

Khatri, N., Tsang, E. W. K., & Begley, T. M. 2005. Cronyism: A cross-cultural analysis. *Journal of International Business Studies*, 37: 61-75.

Khwaja, A. I., & Mian, A. 2005. Do lenders favor politically connected firms? Rent provision in an emerging financial market. *Quarterly Journal of Economics*, 120: 1371-1411.

Kirca, A. H., Roth, K., Hult, G. T. M., & Cavusgil, S. T. 2012. The role of context in the multinationality–performance relationship: A meta-analytic review. *Global Strategy Journal*, 2: 108-121.

Kisamore, J. L., & Brannick, M. T. 2008. An illustration of the consequences of meta-analysis model choice. *Organizational Research Methods*, 11: 35-53.

Kor, Y. Y. 2006. Direct and interaction effects of top management team and board compositions on R&D investment strategy. *Strategic Management Journal*, 27: 1081-1099.

Kornai, J. 1992. *The socialist system: The political economy of communism*. Oxford: Clarendon Press.

Kotabe, M., Jiang, C. X., & Murray, J. Y. 2017. Examining the complementary effect of political networking capability with absorptive capacity on the innovative performance of emerging-market firms. *Journal of Management*, 43: 1131-1156.

Kowalski, P., Büge, M., Sztajerowska, M., & Egeland, M. 2013. *State-owned enterprises: Trade effects and policy implications*. OECD trade policy paper. Paris: OECD Publishing.

Krueger, A. O. 1974. The political economy of the rent-seeking society. *American Economic Review*, 64: 291-303.

Lawton, T., McGuire, S., & Rajwani, T. 2013. Corporate political activity: A literature review and research agenda. *International Journal of Management Reviews*, 15: 86-105.

Lazzarini, S. G. 2015. Strategizing by the government: Can industrial policy create firm-level competitive advantage? *Strategic Management Journal*, 36: 97-112.

Le, T. V., & O'Brien, J. P. 2010. Can two wrongs make a right? State ownership and debt in a transition economy. *Journal of Management Studies*, 47: 1297-1316.

Lee, P. M., & O'Neill, H. M. 2003. Ownership structures and R&D investments of U.S. and Japanese firms: Agency and stewardship perspectives. *Academy of Management Journal*, 46: 212-225.

Lester, R., Hillman, A., Zardkoohi, A., & Cannella, A. 2008. Former government officials as outside directors: The role of human and social capital. *Academy of Management Journal*, 51: 999-1013.

Li, J., & Qian, C. 2013. Principal-principal conflicts under weak institutions: A study of corporate takeovers in China. *Strategic Management Journal*, 34: 498-508.

Li, J., Xia, J., & Lin, Z. 2017. Cross-border acquisitions by state-owned firms: How do legitimacy concerns affect the completion and duration of their acquisitions? *Strategic Management Journal*, 38: 1915-1934.

Liang, H., Ren, B., & Sun, S. L. 2015. An anatomy of state control in the globalization of state-owned enterprises. *Journal of International Business Studies*, 46: 223-240.

Lipsey, M. W., & Wilson, D. 2001. *Practical meta-analysis*. Thousand Oaks, CA: Sage.

Liu, C., Uchida, K., & Yang, Y. 2012. Corporate governance and firm value during the global financial crisis: Evidence from China. *International Review of Financial Analysis*, 21: 70-80.

Lu, J. W., & Beamish, P. W. 2001. The internationalization and performance of SMEs. *Strategic Management Journal*, 22: 565-586.

Lux, S., Crook, T. R., & Woehr, D. J. 2011. Mixing business with politics: A meta-analysis of the antecedents and outcomes of corporate political activity. *Journal of Management*, 37: 223-247.

Marano, V., Arregle, J.-L., Hitt, M. A., Spadafora, E., & van Essen, M. 2016. Home country institutions and the internationalization-performance relationship: A meta-analytic review. *Journal of Management*, 42: 1075-1110.

Margaritis, D., & Psillaki, M. 2010. Capital structure, equity ownership and firm performance. *Journal of Banking & Finance*, 34: 621-632.

Mascarenhas, B. 1989. Domains of state-owned, privately held, and publicly traded firms in international competition. *Administrative Science Quarterly*, 34: 582-597.

Mazzucato, M. 2013. *The entrepreneurial state: Debunking public vs. private sector myths*. London: Anthem Press.

Megginson, W. L., Nash, R. C., & Van Randenborgh, M. 1994. The financial and operating performance of newly privatized firms: An international empirical analysis. *Journal of Finance*, 49: 403-452.

Megginson, W. L., & Netter, J. M. 2001. From state to market: A survey of empirical studies on privatization. *Journal of Economic Literature*, 39: 321-389.

Mellahi, K., Frynas, J. G., Sun, P., & Siegel, D. 2016. A review of the nonmarket strategy literature: Toward a multi-theoretical integration. *Journal of Management*, 42: 143-173.

Miles, R. E., & Snow, C. C. 1994. *Fit, failure & the hall of fame*. New York: Free Press.

Miles, R. E., Snow, C. C., Meyer, A. D., & Coleman, H. J. 1978. Organizational strategy, structure, and process. *Academy of Management Review*, 3: 546-562.

Molas-Gallart, J., & Tang, P. 2006. Ownership matters: Intellectual Property, privatization and innovation. *Research Policy*, 35: 200-212.

Munari, F. 2002. The effects of privatization on corporate R&D units: Evidence from Italy and France. *R&D Management*, 32: 223-232.

Munari, F., Oriani, R., & Sobrero, M. 2010. The effects of owner identity and external governance systems on R&D investments: A study of western European firms. *Research Policy*, 39: 1093-1104.

Munari, F., Roberts, E. B., & Sobrero, M. 2002. Privatization processes and the redefinition of corporate R&D boundaries. *Research Policy*, 31: 31-53.

Musacchio, A., & Lazzarini, S. G. 2014. *Reinventing state capitalism: Leviathan in business, Brazil and beyond*. Cambridge, MA: Harvard University Press.

Musacchio, A., Lazzarini, S. G., & Aguilera, R. V. 2015. New varieties of state capitalism: Strategic and governance implications. *Academy of Management Perspectives*, 29: 115-131.

Myers, B. W., & Saretto, A. 2015. Does capital structure affect the behavior of nonfinancial stakeholders? An empirical investigation into leverage and union strikes. *Management Science*, 62: 3235-3253.

Okhmatovskiy, I. 2010. Performance implications of ties to the government and SOEs: A political embeddedness perspective. *Journal of Management Studies*, 47: 1020-1047.

Oliver, C., & Holzinger, I. 2008. The effectiveness of strategic political management: A dynamic capabilities framework. *Academy of Management Review*, 33: 496-520.

Oppenheimer, F. 1975. *State*. Montreal: Black Rose Books.

Overly, S. 2017. Why Uber is turning to Eric Holder in a moment of crisis. *Washington Post, February*. 21 Retrieved from https://www.washingtonpost.com/news/innovations/wp/2017/02/21/why-uber-is-turning-to-eric-holder-in-a-moment-of-crisis/?utm_term=.3b8c91240ad1

Pan, Y., Teng, L., Supapol, A. B., Lu, X., Huang, D., & Wang, Z. 2014. Firms' FDI ownership: The influence of government ownership and legislative connections. *Journal of International Business Studies*, 45: 1029-1043.

Park, S. H., & Luo, Y. 2001. Guanxi and organizational dynamics: Organizational networking in Chinese firms. *Strategic Management Journal*, 22: 455-477.

Peng, M. W., & Luo, Y. 2000. Managerial ties and firm performance in a transition economy: The nature of a micro-macro link. *Academy of Management Journal*, 43: 486-501.

Pfeffer, J., & Salancik, G. R. 1978. *The external control of organizations: A resource dependence perspective*. New York: Harper & Row.

Raudenbush, S. W., & Bryk, A. S. 2002. *Hierarchical linear models: Applications and data analysis methods*, 2nd ed. Thousand Oaks, CA: Sage.

Rosenhead, J., Elton, M., & Gupta, S. K. 1972. Robustness and optimality as criteria for strategic decisions. *Operational Research Quarterly*, 23: 413-431.

Sawant, R., Nachum, L., & Panibratov, A. 2017. *Which types of political capital matter for internationalizing firm and where do they matter? Evidence from Russia FDI and exports*. Working paper, City University of New York, NY. Retrieved from https://papers.ssrn.com/abstract=3001554

Sheng, S., Zhou, K. Z., & Li, J. J. 2011. The effects of business and political ties on firm performance: Evidence from China. *Journal of Marketing*, 75: 1-15.

Shleifer, A., & Vishny, R. W. (Eds.). 1998. *The grabbing hand: Government pathologies and their cures*. Cambridge, MA: Harvard University Press.

Siegel, J. 2007. Contingent political capital and international alliances: Evidence from South Korea. *Administrative Science Quarterly*, 52: 621-666.

Skocpol, T. 1985. Bringing the state back in: Strategies of analysis in current research. In P. B. Evans, D. Rueschemeyer, & T. Skocpol (Eds.), *Bringing the state back in*: 3-37. Cambridge: Cambridge University Press.

Smart, C., & Vertinsky, I. 1984. Strategy and the environment: A study of corporate responses to crises. *Strategic Management Journal*, 5: 199-213.

Snow, C. C., & Hrebiniak, L. G. 1980. Strategy, distinctive competence, and organizational performance. *Administrative Science Quarterly*, 25: 317-336.

Sougiannis, T. 1994. The accounting based valuation of corporate R&D. *Accounting Review*, 69: 44-68.

Stanley, T. D., Doucouliagos, H., Giles, M., Heckemeyer, J. H., Johnston, R. J., Laroche, P., Nelson, J. P., Paldam, M., Poot, J., Pugh, G., Rosenberger, R. S., & Rost, K. 2013. Meta-analysis of economics research reporting guidelines. *Journal of Economic Surveys*, 27: 390-394.

Sun, P., Hu, H. W., & Hillman, A. J. 2016. The dark side of board political capital: Enabling blockholder rent appropriation. *Academy of Management Journal*, 59: 1801-1822.

Sun, P., Mellahi, K., & Thun, E. 2010. The dynamic value of MNE political embeddedness: The case of the Chinese automobile industry. *Journal of International Business Studies*, 41: 1161-1182.

Sun, P., Mellahi, K., & Wright, M. 2012. The contingent value of corporate political ties. *Academy of Management Perspectives*, 26: 68-82.

Sun, Q., Tong, W. H. S., & Tong, J. 2002. How does government ownership affect firm performance? Evidence from China's privatization experience. *Journal of Business Finance & Accounting*, 29: 1-27.

Tian, L., & Estrin, S. 2008. Retained state shareholding in Chinese PLCs: Does government ownership always reduce corporate value? *Journal of Comparative Economics*, 36: 74-89.

Tihanyi, L., Johnson, R. A., Hoskisson, R. E., & Hitt, M. A. 2003. Institutional ownership differences and international diversification: The effects of boards of directors and technological opportunity. *Academy of Management Journal*, 46: 195-211.

Tirole, J. 2001. Corporate governance. *Econometrica*, 69: 1-35.

Vaaler, P. M., & Schrage, B. N. 2009. Residual state ownership, policy stability and financial performance following strategic decisions by privatizing telecoms. *Journal of International Business Studies*, 40: 621-641.

Vasudeva, G., Zaheer, A., & Hernandez, E. 2013. The embeddedness of networks: Institutions, structural holes, and innovativeness in the fuel cell industry. *Organization Science*, 24: 645-663.

Vicente-Lorente, J. D., & Suárez-González, I. 2007. Ownership traits and downsizing behaviour: Evidence for the largest Spanish firms, 1990–1998. *Organization Studies*, 28: 1613-1638.

von Hippel, E., Franke, N., & Prügl, R. 2009. "Pyramiding: Efficient search for rare subjects." *Research Policy*, 38: 1397-1406.

Wan, W. P., & Hoskisson, R. E. 2003. Home country environments, corporate diversification strategies, and firm performance. *Academy of Management Journal*, 46: 27-45.

Wang, C. 2005. Ownership and operating performance of Chinese IPOs. *Journal of Banking & Finance*, 29: 1835-1856.

Wang, C., Hong, J., Kafouros, M., & Wright, M. 2012. Exploring the role of government involvement in outward FDI from emerging economies. *Journal of International Business Studies*, 43: 655-676.

Wang, K. T., & Shailer, G. in press. Does ownership identity matter? A meta-analysis of research on firm financial performance in relation to government versus private ownership. *Abacus*.

Wang, Q., Wong, T. J., & Xia, L. 2008. State ownership, the institutional environment, and auditor choice: Evidence from China. *Journal of Accounting and Economics*, 46: 112-134.

Wang, Y., Wei, Y., & Song, F. M. 2017. Uncertainty and corporate R&D investment: Evidence from Chinese listed firms. *International Review of Economics & Finance*, 47: 176-200.

Weber, M. 1978. *Economy and society*. Berkeley: University of California Press.

Wernerfelt, B., & Karnani, A. 1987. Competitive strategy under uncertainty. *Strategic Management Journal*, 8: 187-194.

Wood, G., & Wright, M. 2015. Corporations and new statism: Trends and research priorities. *Academy of Management Perspectives*, 29: 271-286.

Wu, W., Wu, C., & Rui, O. M. 2012. Ownership and the value of political connections: Evidence from China. *European Financial Management*, 18: 695-729.

Wu, W., Wu, C., Zhou, C., & Wu, J. 2012. Political connections, tax benefits and firm performance: Evidence from China. *Journal of Accounting and Public Policy*, 31: 277-300.

Xia, J., Ma, X., Lu, J. W., & Yiu, D. W. 2014. Outward foreign direct investment by emerging market firms: A resource dependence logic. *Strategic Management Journal*, 35: 1343-1363.

Zheng, W., Singh, K., & Mitchell, W. 2015. Buffering and enabling: The impact of interlocking political ties on firm survival and sales growth. *Strategic Management Journal*, 36: 1615-1636.

Zhou, K. Z., Gao, G. Y., & Zhao, H. 2017. State ownership and firm innovation in China: An integrated view of institutional and efficiency logics. *Administrative Science Quarterly*, 62: 375-404.

Zhu, H., & Chung, C.-N. 2014. Portfolios of political ties and business group strategy in emerging economies: Evidence from Taiwan. *Administrative Science Quarterly*, 59: 599-638.

Zou, H., & Adams, M. B. 2008. Corporate ownership, equity risk and returns in the People's Republic of China. *Journal of International Business Studies*, 39: 1149-1168.