THE LIFE CYCLE OF STATE OWNERSHIP

Adeyemi Adebayo[1]

Abstract

Background and Objective: This article aims to explore the life cycle of state ownership, especially with reference to state-owned enterprises. This is important for the reason that, despite calls from many quarters of the world that states should relinquish their ownership of SOEs as a result of their numerous corporate governance problems, these enterprises still remain, as evidenced by the number of new and existing SOEs compared with those privatised and internationalised.

Materials and methods: This article consolidates stand-alone elements of SOEs life cycle in the contemporary academic discourse on SOEs and makes recourse to experts' and role-players' insights to attempt to explain the life cycle of SOEs, from entry to exit**.**

Results: In this context, this paper extends the theory of the corporate life cycle by illustrating that even though SOEs still remain despite calls for states to relinquish ownership, SOEs like private sector enterprises (PSEs) do exit. However, rather than outright winding up, as in the case of PSE exits, SOEs exit using different forms of strategies, including privatisation and more recently internationalisation.

Practical implication: The life cycle of state ownership is important in modelling the problematic (corporate) governance of state enterprises and informing their theoretical life cycle.

Conclusion and summary: The conventional wisdom, in line with contemporary academic discourse, is that the staying power displayed by SOEs is sustained by the assistance of their owning states, as SOEs are usually too important and big for states to fail. Although this conclusion appears correct, this paper further shows that in addition to states providing assistance to SOEs at the entry and development stages, once SOEs are established, they undergo a developmental stage in the form of restructuring, and that in contrast to what is believed in many quarters of the world, as sustained by the stand-alone prior research on the elements of the SOE life cycle in the academic discourse on SOEs, SOEs actually exit. It concludes by identifying a topical and important area for further research**.**

[1] University of South Africa, Department of Auditing, College of Accounting Sciences, adebaao@unisa.ac.za, ORCID: 0000-0003-1211-0517

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1. Introduction

In the context of state ownership and issues with SOEs not utilising and managing taxpayers' funds effectively and efficiently, this study explores the life cycle of SOEs, following the theory of the corporate life cycle (James, 1974), as informed by the contemporary academic discourse on SOEs and the insights of SOE experts and role-players. Although several aspects of the organisational life cycle of PSEs appear to have been properly researched (for an overview, see Scarlat & Şişu, 2021; Jonek-Kowalska, 2019; Lu & Wang, 2018; Kuś & Żurakowska-Sawa, 2017; Franks, Mayer, Volpin & Wagner, 2012, James, 1974), there is a paucity of research on the life cycle of SOEs. In this context, several authors have researched various stand-alone aspects of SOE life cycle elements as indicated in Figure 1, such as the entry of SOEs (in terms of their usefulness in correcting market failures and for states to engage in entrepreneurial activities, among other reasons), their development following entry (in terms of partial privatisation/corporatisation and renationilisation) and their exit (in terms of privatisation and internationalisation). The aftermath of this is that many observers are not able to establish how SOEs remain in most quarters of the world, despite calls for their privatisation as a result of their numerous problems, for reasons that they are not aware of the modes and strategies by which SOEs exit theoretically while remaining in operations practically in some cases.

Despite the meaningful stand-alone prior research on SOE life cycle elements (Cuervo-Cazzura & Li, 2020; Turner, Donnell & Kwon, 2017; Tõnurist, 2015), it appears no study has combined these elements to explain the life cycle of SOEs, which is useful in organising and managing these SOEs to enable them to achieve their mandates efficiently and effectively without depleting national resources and wasting taxpayers' funds, as is often the case with SOEs in many developing countries and countries with high levels of corruption in contemporary times (Adebayo & Ackers, 2022). An exception to this paucity of research is the study by Che (2003), which, aside from the title containing life cycle, also suffers from the same problem identified above in that it almost focuses only on privatisation. Theorising SOEs life cycles is also important in ensuring that SOEs are reviewed in line with their establishing mandates in relation to their current status and deciding the best course of action for SOEs at every particular point in time. For example, a relevant question is whether or not a SOE that has achieved its establishing mandate (especially in the context of correcting a market failure) should still be nationalised and be allowed to further go through the developmental stages of corporatisation and renationalisation and vice versa, as the case may be, or should exit using one of the exit strategies applicable to SOEs. A study of SOEs life cycle sheds light on this and related issues. Thus, another issue with prior stand-alone studies on the elements of the SOE life cycle identified above is that they offer little in terms of applying them to mirroring and mitigating corporate governance problems in SOEs, especially those relating to structure in terms of ownership and organising models.

Therefore, the purpose of this paper is to respond to this gap by consolidating stand-alone elements of the SOE life cycle in the contemporary academic discourse on SOEs while making recourse to experts' and role-players' insights to attempt to explain the life cycle of SOEs, from entry to exit. This practically assists in answering an important question relating to how SOEs are birthed, develop, and exit following fulfilling their mandates and/or in correcting effectiveness and efficiency problems. To do this, the study takes insights from relevant studies in the contemporary academic discourse on SOEs relevant to the stand-alone elements making it possible to develop a life cycle of SOEs and poses relevant questions to SOE experts and role-players. Findings indicate that even though SOEs are plagued with several challenges all over the world, they hardly wind up (exit). The conventional wisdom in this regard, in line with contemporary academic discourse, is that the staying power displayed by SOEs is sustained by the assistance of their owning states, as SOEs are usually too important and big for states to fail. Although this conclusion appears correct, this paper further shows that in addition to states providing assistance to SOEs at the entry and development stages, once SOEs are established, they undergo a developmental stage in the form of restructuring, and that in contrast to what is believed in many quarters of the world, as sustained by the stand-alone prior research on the elements of the SOE life cycle in the academic discourse on SOEs, SOEs actually exit. However, rather than outright winding up (exit), as is usually the case with PSEs, SOEs are usually subjected to different exit strategies in the form of major privatisation and minimal internationalisation (Cuervo-Cazzura & Li, 2020).

Following from the above, aside from the main contribution of extending corporate life cycle theory by explaining the life cycle of state ownership, this paper further contributes directly to the ongoing debates on SOEs in three ways. The first is by examining the reasons for SOEs and why they have staying power, despite calls by observers to privatise them following their struggles in many quarters of the world. The second is by examining the strategies with which SOEs develop following their entry, which is more in line with restructuring in terms of reforms. The third is by documenting the exit strategies of SOEs, whether facilitated by their owning states or managers. This paper further documents the parties to exit decisions, the issues SOEs face when they exit the shores of their owning states as an exit strategy, as well as the distinction between SOEs and PSEs outside the shores of their owning states.

This paper proceeds in five parts, following the introduction. The first part briefly discusses the general literature on SOEs to put this study in context. In the second part, it discusses the life cycle theory. Part three discusses the method, and part four presents the discussion. Part five concludes by identifying an important and topical research area.

2. Literature Review

Despite several extensions of a state's role (Beveridge, 1944; Keynes, 1926), a state's core role still remains the provision of public goods and services to its citizens (Stiglitz, 2021). However, states have to fulfil other role in order for citizens to feel the impact of adequate public governance (Li & Maskin, 2021). Thus, in addition to providing public services, it could be argued that states should take care of and engage in other welfare and economic activities (Li & Maskin, 2021; Stiglitz, 2021). In this context, for states to be socioeconomically balanced, especially following the negative impact of Covid-19 on states fiscal capacity and economic growth, states have to ensure that their role in governing SOEs is clear and that SOE mandates are equally clear, as SOEs utilise major public funds and are very important to the proper functioning of states. As observed in contemporary academic discourse, the role of the state itself is abstract since it depends on many factors (Abramov, Radygin, & Chernova, 2017). The abstract nature of the role of the state appears to be confirmed by different arguments on what should constitute the state's role (Beveridge, 1944; Keynes, 1926; Smith, 1776). The Public Service Acts in most jurisdictions indicate that a state's core role is to provide public goods and services. The establishment and use of SOEs permit states to go beyond the Public Service Act in order to fulfil role that are not permitted by the Act, for example, owning profit-oriented companies that are usually key to fulfilling states core role (OECD, 2015; World Bank, 2014). In this regard,

Participant F, a Departmental Oversight Director notes that "*The Public Service Act does not permit states to operate companies. The Act covers what public servants are to do. SOEs have their own establishing Act so that it is possible for states to work outside the Public Service Act, which allows them to have an extra mandate that is not restricted by the Public Service Act. Making it possible to go beyond the Act and come up with mechanisms to fill the gap that states cannot fill within their legal space*".

Considering that SOEs are usually plagued with numerous problems (Grossi, Papenfuß, & Tremblay, 2015; Peng et al., 2016), commentators, especially SOE role-players, are increasingly arguing that SOEs are only meant to open up sectors as a means of correcting market failure and externalities and that SOEs should walk away over time once this is achieved. Participant M opines that states are to use SOEs "*to open up sectors, allowing the private sector to see and add value in such* *sectors and then walk away over time*". This seems to indicate that, just like in PSEs (Scarlat & Şişu, 2021; Jonek-Kowalska, 2019), SOEs ought to have a life cycle (Che, 2003) that possibly includes entry, development, and exit. This entry, development, and exit of SOEs have a significant impact on the performance of SOEs, the economies of their owning states, and markets (Li and Maskin, 2021), depending on the mandates and ownership structures of SOEs.

The growth histories of countries such as China, Japan, and South Korea have shown that the entry, development, and exit of SOEs assisted them in their quest to develop their economies (Li & Maskin, 2021; Johnson, 1999). An example is Japan, which achieved most of its growth through industrialisation and is now currently exploring other means of development (Sokol, 2009). In this regard, the Ministry of International Trade and Industry, which spearheaded the industrialisation movement in Japan, has since been reorganised (Sokol, 2009; Johnson, 1999). While the entry of SOEs has been quite easy for SOEs over the years as they are usually fully supported by their owning states, the contemporary literature on SOEs indicates that these SOEs often remain in many quarters of the world (OECD, 2019), moving between partial privatisation/corporatisation and renationalisation despite being plagued by several issues, indicating that they rarely exit. In this regard, Li and Maskin (2021) and the OECD (2019) note that states often impede the exit of SOEs as they are usually too important to their owning states and regarded as too big to fail (Chang, 2007), resulting in lax behaviour by managers of SOEs. A phenomenon that Kornai (1980) termed soft budget constraint (SBC). The term SBC was coined by Hungarian economist Janos Kornai (for an overview, see Kornai, 1998; and Kornai, Maskin, & Roland, 2003) to describe the behaviour of the then socialist enterprises under central planning. Following this, the term has been used to explain lax management of SOEs in capitalist economies, generated and sustained by political SBC (Chang, 2007). The fact that most SOEs are important and usually in strategic state sectors (PwC, 2015) means that owning states are always readily available to bail out SOEs whenever they are in distress. Thus, while the entry strategy of SOEs appears to be quite clear—created and supported by their owning states to deliver socioeconomic mandates—it is important to examine how SOEs proceed following their entry in terms of the mode of development and exit strategies of SOEs, as well as the role of states in the entry, development, and exit of SOEs. Further, it is also important to examine how these SOEs influence government incentives and government decisions, especially with regards to development and exit.

3. Life Cycle Theory

In the context of PSEs, several commentators have strived to explain the life cycle of organisations using several elements focusing on organisational structure. For example, Greiner's (1972; 1998) analysis of the organisational life cycle took into account different performance levels to document that organisations go through five stages: the founding phase, the guiding phase, the decentralisation phase, the coordination phase, and the cooperation phase. James (1974) opines that the corporate life cycle consists of the emergent phase, the growth phase, the maturity phase, the regeneration phase, and the declining phase. Following Greiner (1972) and James (1974), about a decade later, appearing to start with Quinn and Cameron's (1983) analyses, the focus shifted from organisational structure to more fundamental elements of organisations. In this context, Quinn and Cameron (1983) opine that organisations pass through four stages: the entrepreneurial stage, the collectivisation stage, the standardisation stage, and the refinement stage. Similarly, Adizes (1989) asserts that organisations pass through three stages: the gestation stage, the growth stage, and the ageing stage. In summary, despite this shift, contemporary analyses of life cycle appear to indicate that organisational life cycle takes into account their start-up, growth, maturity, and decline phases (Lu & Wang, 2018); and structural analysis of organisational life cycle appears to be the cornerstone of most empirical analyses on organisational life cycle (Scarlat & Şişu, 2021; Jonek-Kowalska, 2019; Kuś & Żurakowska-Sawa, 2017; Franks, Mayer, Volpin & Wagner, 2012). As we will observe below, this structural analysis also informs the life cycle of state ownership discussed in this study.

4. Method

Semi-structured interviews and observations in the current academic discourse on SOEs have informed this study. In the first phase, observations in the literature assisted in generating arguments relevant for fulfilling the contributions of the study and for generating interview questions posed to SOE experts and role-players in the second phase. To support or refute observations in the literature, semi-structured interviews were conducted with SOE experts in the second phase. The interview questions covered ownership, organising, and organisational boundaries, as well as general questions related to the subject matter of this study. To learn from experts and role-players involved in different SOE set-ups, SOE experts in South Africa and Singapore were interviewed. South Africa has the most developed SOE sector in Africa (USA, 2020), and Singapore was also selected because it is the top country utilising the holding company model (Huat, 2016), which is another different model from the decentralised and centralised models in use in South Africa (OECD, 2005). For reasons that South Africa is an exemplary model using the traditional decentralised and centralised model (OECD, 2005) and Singapore, on the other hand, is an exemplary and top country utilising the hybrid model (OECD, 2005), responses from experts in these countries sufficiently represent the opinions sought for this study since the goal is not to generalise but rather to theorise. The interview, where applicable, was used narratively (Williams, 2007) in a constructive manner (Bujold,

2004) for supporting arguments in the contemporary academic discourse on SOEs, where appropriate, or disproving observations from literature (Dai, Tan, Tang, & Xiao, 2016; Demirag, Khadaroo, Stapleton, & Stevenson, 2012). Thus, not all the responses were used. Another reason why the responses from all the participants are not used is that similar responses were combined to avoid repetition and researcher bias, which may arise in the form of forcing responses on abstract ideas. In addition to interviewing five directors of departmental entity oversight, two corporate governance experts, two SOE specialists, and six managers were interviewed. Data saturation was reached after interviewing the 15th participant. In this context, Ashe (2012) notes that two to ten participants are adequate for a researcher to reach a saturation point.

5. Discussion

5.1. States ownership and SOEs entry: why SOEs have come to stay

Even though SOEs are widely believed to be wasteful, not useful, not needed, and should be privately owned, there is growing evidence that they are useful socioeconomic policy tools, can perform well if properly organised, their objectives are clearly communicated, and the role of the state in relation to these enterprises is clearly defined (Bhatt, 2016). In fact, prior to the First World War, SOEs existed around the world (Cuervo-Cazzura & Li, 2020). Datta (2014) notes that European and North American economies, which were initially based on agriculture, changed their focus from land and labour to financial and physical capital, thus transforming their economies into entrepreneurial and manufacturing economies. These enterprises multiplied during and after the First World War (Seidman, 1954). The enterprises were strong and had better credit ratings than the states themselves, which improved their ability to borrow funds from overseas lenders at reasonable rates not usually available to states (Seidman, 1954). These strong characteristics contributed to the popularity of SOEs. However, in the early 1980s, in response to the economic crisis of the 1980s, advocates of New Public Management (NPM), which emphasises competition and the measurement of results and outputs, began to demand a smaller and more efficient state (Turner et al., 2017; Grönblom & Willner, 2014; Avsar, Karayalcin, & Ulubasoglu, 2013). Prominent among the proponents of a smaller and more efficient state were former leaders of the United States (US) and the United Kingdom (UK), especially Reagan (1981–1989) in the US and Thatcher (1979–1990) in the UK (Avsar et al., 2013; Grönblom & Willner, 2014), as well as many of their advisers (Pollitt & Bouckaert, 2011). Reagan and Thatcher advocated the importance of privatisation, maintaining that privatisation would ease government responsibilities and increase efficiency (Talbot, 2016).

The NPM reforms were wide-ranging (Cuervo-Cazzura & Li, 2020) and were imposed by Western governments on other countries, especially the developing ones, on a no reform, no aid basis (Farazmand, 2012; Chang, 2007). These privatisation arguments and conditions for aid (a "no reform, no aid" basis) led to the introduction of market mechanisms into the public sector. Although some countries, such as China (Turner et al., 2017), did not adopt these market mechanisms in their entirety, most western countries did, notably the UK and the US. During this period, many countries privatised the majority of their SOEs (Cuervo-Cazzura & Li, 2020), especially the UK (Turner et al., 2017). This privatisation continued until the global economic crises that occurred in 2007 and 2010. Thereafter, SOEs never vanish and continue to exist (Bernier et al., 2020).

Consequently, there is a general understanding among states that SOEs and related enterprises are some of the socioeconomic policy tools available to states in delivering their mandates (Bernier, 2014). In this regard, Participant B notes that "*SOEs exist because states understand that they do have a stake in having social responsibility towards the citizens, and they also exist as a form of investment for them to generate revenue*". This use of SOEs and related enterprises as socioeconomic tools has been exemplified by some states (Pereira, 2008), especially some Asian states (Hayashi, 2010). As a result of this continuous existence and several other reasons, Bernier et al. (2020) and Bernier (2011) advise that SOEs could continue to be useful socioeconomic policy mechanisms now as in the past. Hence, considering their socioeconomic importance, the number of SOEs continues to increase (Bernier et al., 2020; Grossi et al., 2015), such that SOEs oversee about three-quarters of the public sector investments in terms of value, with the ratio of debt often higher compared to the central administration (Ackers & Adebayo, 2021; Bernier et al., 2020; Del Bo, Ferraris & Florio, 2017; Grossi et al., 2015). A further rationale behind the pervasive spread of SOEs today is that most governments are highly indebted, and with these debt levels increasing, citizens continue to demand more public goods and services without wanting an increase in taxation (Bird, 2015). It thus becomes important for these governments to look for means by which they could generate additional revenue to deliver on their mandates or deliver these mandates sustainably, that is, at no extra cost to the government and citizens, while increasing reserves in the expectation that debts are reduced and are not pushed to future generations (Bernier et al., 2020; Mansi, Pandey, & Ghauri, 2017). This partly accounts for why SOEs exist (Bird, 2015).

5.2. Development strategies of SOEs

Restructuring SOEs is important considering that SOEs are established to fulfil certain mandates (Hai & Donnell, 2017). The status of SOEs should be assessed from time to time in line with their established mandates. Changes or shifts in mandates as informed by current status may result in restructuring. Also, since SOEs are usually confronted with several problems, especially corporate governance problems (Grossi et al., 2015), which tend to impact their existence, they are usually subjected to restructuring in order to ensure that they remain operational.

As depicted in Figure 1, partial privatisation/corporatisation and renationalisation are the two core development strategies utilised by SOEs following their establishment. In this regard, Participant M submits that "*states often do not relinquish ownership in a one-off manner. They do not sell the whole entity. "It's almost having to be a gradual selling of shares, like even the government has shares in …… at some stage, and at some point, they relinquish their shares*". The importance of these corporatisation and renationalisation tools to the survival of SOEs ensures that they have been widely discussed in the contemporary academic discussion of SOEs (Tõnurist, 2015). Submitting that partial privatisation/corporatisation and renationalisation are development strategies, Grönblom & Willner (2014) maintain that *"the belief in universal privatisation is undermined if efficiency does not depend on ownership but on the details of its implementation. Also, the result that public ownership is efficient under the right conditions suggests that nationalisation or the creation of new public enterprises should not be excluded, for example, in a recession or as part of a development strategy*" (Grönblom &Willner, 2014, p. 280).

5.2.1. Corporatisation/partial privatisation

Corporatisation is closely linked to privatisation. There are two forms of SOE privatisation – full privatisation and corporatisation/partial privatisation (World Bank, 2014). The latter is one of the established means of developing SOEs. Corporatisation has to do with reorganising SOEs by subjecting them to PSE-like legal entities and structures (Adebayo & Ackers, 2022) in terms of establishing executive management, a board of directors, and shareholders (World Bank, 2014). The idea behind this corporatisation is to ensure that states run SOEs in a more commercial manner while retaining ownership. Some commentators have opined that corporatisation precedes full privatisation (European Commission, 2016; World Bank, 2014), while others seem to have simply argued that corporatisation entails listing SOEs on stock exchanges (Matui, 2010; Wettenhall, 2003), such that the reorganisation of SOEs takes the form of partial privatisation. In this regard, Matui (2010) argues that corporatisation is midway between privatisation and nationalisation and thus may be seen as partial privatisation. Whichever the case, corporatisation is one of the development strategies of SOEs following their establishment. All the 21 Schedule 2 SOEs in South Africa are corporatised, having been subjected to different reforms over the years (Gumede, 2016).

5.2.2. (Re)Nationalisation

Some states and SOE role players are not convinced of the viability of full privatisation or corporatisation. Meaning that renationalisation has also remained a viable development strategy for SOEs development. Authors have reported that several SOEs that have been corporatised or privatised in the past have been renationalised, after it was discovered that privatisation and corporatisation did not improve the fortunes of such SOEs (Lethbridge, 2020). An example here is ESKOM, the South African energy SOE, which Gumede (2016) reported was partially privatised but is currently wholly owned by the state. One of the reasons why nationalisation of SOEs is appealing to states is because several states utilise SOEs in various ways, as highlighted earlier. When SOEs are efficient and effective, their use in this manner pays off in terms of asset specificity. Hence, there are many SOEs across the world today that are fully nationalised. The enterprises continue to grow in number, size, and capacity (Bernier et al., 2020; He, Eden, & Hitt, 2016; Peng, Bruton, Stan, & Huang, 2016). The fact that the enterprises continue to grow in number, size, and capacity led Bernier et al. (2020) and Rentsch and Finger (2015) to conclude that these enterprises have come to stay and are not likely to disappear. When SOEs are adequately managed, with a trade-off between social objectives and revenue maximisation, they help in the delivery of some public goods and services at no cost to the government. On the other hand, they deliver public goods and services while still contributing financially to the national Treasury, where there is no trade-off for social objectives and the enterprises are meant to be commercially viable.

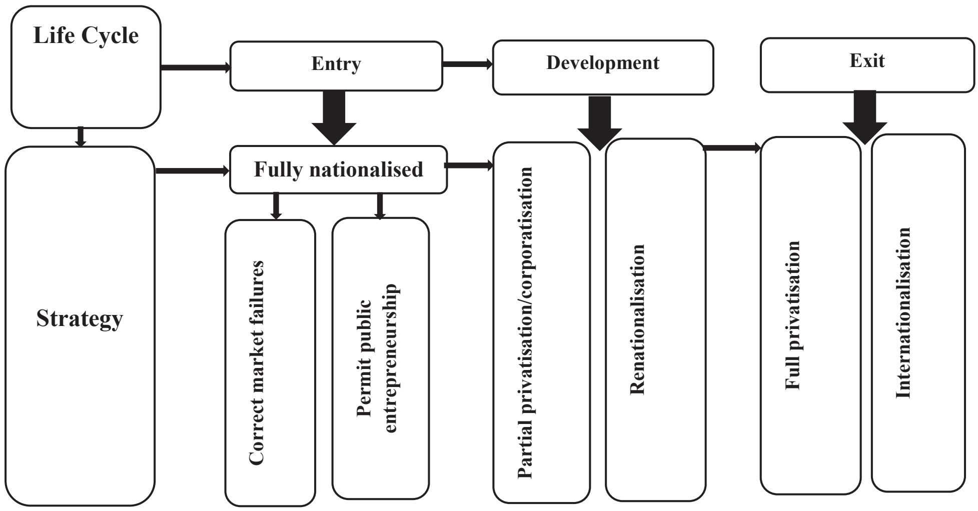

Figure 1. The life cycle of state ownership
Source: elaboration based on own study

5.2.3. Contemporary corporatisation and nationalisation of SOEs

There are no clear bases or arguments on which to support either of corporatisation or nationalisation with regards to reforming SOEs. Consequently, owing states are still involved in partial privatisation/corporatisation and renationalisation of SOEs according to their needs and convictions on how to better restructure SOEs (Lethbridge, 2020). One of the main reasons for ongoing partial privatisation appears to be for the strategic positioning (Lethbridge, 2020; Parker, 2020) of states, that is, achieving greater efficiency and competitiveness, rather than in line with the doctrines of NPM. In this regard, Participant O, citing the case of a struggling SOE, asserts that "*a time comes when a SOE would have fulfilled the purpose of its establishment and is no longer operating sustainably; when this is the case, the best thing is to sell it off; but people don't want this to happen. They call it "privatisation"*. Therefore, it becomes clear that full/partial privatisation and nationalisation of SOEs in today's context should be seen as institutional reforms that are triggered by any issue, as opposed to the previously widely held belief that SOEs are bound to perform better when privatised or fully nationalised, or as a result of capitalism or socialism doctrines, or of the superiority of capitalism over socialism and vice versa. In the aftermath of the 2008 financial crisis, states all over the world proceeded with socioeconomic reforms in different ways. While some states pursued a strategy of nationalisation, others pursued privatisation, and some pursued a mix of both privatisation and nationalisation (Palcic & Reeves, 2013). The distinction between the public sector reforms of the early 1980s to 1990s, which occurred again after the financial crises between 2007 and 2010, and the current reforms is that in the former, states were compelled to act as a result of crises and, in the latter, states were beginning to understand that privatisation is not as key as proponents of privatisation claim (Turner et al., 2017; Bird, 2015; Sing & Seth, 2015). States had to act urgently in order to ensure that they put their states back on track. At long last, in some if not most cases, rushed decision-making, as a result of the urgency with which states acted, meant that some states made mistakes in those reforms (Farazmand, 2012). Today's SOEs are completely different from the SOEs of yesterday (Putninš, 2015); they are bigger, seem more efficient in some countries, and now compete with other local and foreign SOEs as well as with PSEs in a bid to be global organisations (Bernier et al., 2020; Clo, Fiori, & Florio, 2017; Farazmand, 2012). This partly explains why privatisation and renationalisation still take place even though SOEs have come to stay. Also, the activities of beneficiaries of the current SOEs set up in some states, as well as the activities of developed countries (Western governments) and economic institutions, such as the World Bank and the International Monetary Fund (IMF), often influence SOE reforms towards privatisation. This is a result of the fact that these organisations often advise that SOEs are privately owned (Gumede, 2016). Along these lines, Hai and Donnell (2017), in their analysis of SOE reforms in Vietnam, reported that SOE restructuring is political and argued that managers and employees of SOEs, who benefited economically from the SOE framework at the time, opposed the SOE reform.

5.3. Exit strategies of SOEs

Earlier, it was noted that SOEs rarely exit and have staying power. However, these SOEs have certain exit strategies that are not necessarily related to partial privatisation, nationalisation or outright winding up, as described in this section. In this context, as illustrated in Figure 1, full privatisation and internationalisation are the two common exit strategies of SOEs. While privatisation as an exit strategy is quite straightforward, as we will observe below, this is not so for internationalisation as an exit strategy. One of the only issues that surfaces in terms of privatisation is when a privatised SOE is required to continue delivering some form of public goods and services (Lethbridge, 2020; Parker, 2020), in which case it may be difficult to hold involved PSEs accountable (Lethbridge, 2020; Parker, 2020). However, as we will observe below, internationalisation as an exit strategy carries with it certain additional issues, which are explored below.

5.3.1. Full privatisation as an exit strategy

Privatisation of SOEs has never disappeared since the first wave of SOE entry (Cuervo-Cazzura & Li, 2020). In fact, Cuervo-Cazzura and Li (2020) note a gap in the literature on SOEs between the late 1980s and 1990s, when many SOEs were privatised. In that period, advocates of full privatisation were powerful and imposed their analyses as to why the privatisation of SOEs would ease the burden of SOEs on states on others (Castañeda, Traverso & Carpentier, 2020). Thus, observers were made to believe that for the enterprises to thrive and achieve their mandates, SOEs would have to be transferred to the private sector (Farazmand, 2012), with states possibly owning stakes in the SOEs, as advocates of private ownership assert ownership contributes to enterprise performance (Songvilay, Inisisienmay & Turner, 2017; Okeke, 2016) and that private ownership works better. These sets of arguments, coupled with the condition of no reform and no aid by Western governments, as pointed out earlier, led to the massive privatisation of SOEs (Castañeda, Traverso & Carpentier, 2020). Resulting in the transfer of many SOEs to the private sector. In contemporary times, SOEs in many parts of the world struggle as a result of corrupt practices (Belloc, 2014), conflicting objectives (Cuervo-Cazurra, Inkpen, Musacchio, and Ramaswamy, 2014), principal-agent problems (Humayun & Adelopo, 2012), SBC (Gumede, 2016), political interference (Ennser-Jedenastik, 2014), and free rider (Peng et al., 2016). Free-rider entails lax behaviour by managers of SOEs as a result of inadequate monitoring mechanisms (Chang, 2007). The struggles of SOEs, among other issues, ensure that privatisation is still very much around and accounts for a large part of the reasons why SOEs are privatised (Parker, 2020), relative to privatisation for strategic reasons (Lethbridge, 2020).

5.3.2. Internationalisation of SOEs as an exit strategy

SOEs in some countries, especially China and Singapore, have grown so large that they are now involved in international operations (Blyschak, 2016). Following the global financial crisis in 2008, states such as China began to explore international markets through their state enterprises (Liao & Zhang 2014). Although SOEs continue to internationalise, Karolyi and Liao (2017) contend that it is often difficult to observe the objectives, behaviour, governance, and activities of SOEs in internationalisation. This, taken together with the internationalisation decision and the reasons why SOEs internationalise discussed below, indicate that it is an exit strategy. Despite this lack of understanding, SOEs continue to internationalise and even internationalise more than PSEs (Estrin, Meyer, Nielsen, & Nielsen, 2016). SOE internationalisation takes many forms (Cuervo-Cazzura & Li, 2020). Blyschak (2016) notes that SOEs internationalise as pure SOEs, sovereign wealth funds (SWFs) and sovereign commercial vehicles in which they partner with other enterprises. In this regard, Alon, Wang, Shen, & Zhang (2014) add that the routes to SOE internationalisation comprise mergers and acquisitions (M&A), JVs, equity investments, and greenfield investments. Paiva-Silva (2022) had described the privatisation and internationalisation of Singaporean SOEs. Detailing the differences between full privatisation and internationalisation.

5.3.3. Internationalisation decision

Following from the above, the decision to internationalise is largely driven by the state, as owner, and SOE managers in different circumstances and capacities. In this regard, the state as owner has a significant impact on the decision to internationalise SOEs, just as the political connections of managers also influence internationalisation decisions (Liang, Ren, & Sun, 2015). Politically and non-politically connected managers may decide, as a way of reforming the governance of their local SOEs, to internationalise. However, any internationalisation decision following a corporate governance reform is likely to be initiated by the owning state (Liang et al., 2015). The reason for this argument is that this internationalisation decision must have been made before initiating the corporate governance reform. Similarly, Estrin et al. (2016) argue that the decision to internationalise can be likened to a resource allocation strategy. Following this, they opine that formal, informal, and governance institutions influence internationalisation decisions. In the same context but from a different perspective, Cahen (2015) contends that SOE internationalisation is driven by social welfare and political considerations that can be seen in the light of experimentation, defence, and strategy. However, following arguments by Clo et al. (2017) and Del Bo et al. (2017), it can be seen that home and foreign government relationships sometimes influence internationalisation decisions. In this regard, Benito, Rygh, and Lunnan (2016) see this relationship with foreign governments as an advantage. However, Shi, Hoskisson, and Zhang (2016) opine that geopolitical ties often result in SOEs facing opposition in foreign countries, especially if these foreign countries are close to or neighbours of the SOE's home country, are competitive and have more comparative advantage than the home country, have different religious beliefs, and above all, have a different political doctrine (Shi et al., 2016). This observation by Shi et al. (2016) is in line with Cuervo-Cazurra et al.'s (2014) observation that SOEs are more likely to be subject to hostility in internationalisation than PSEs (Cuervo-Cazurra et al., 2014).

5.3.4. Reasons why SOEs internationalise

SOE internationalisation takes different forms, and SOEs continue to internationalise using these different forms. It thus becomes important, as with the SOE internationalisation decision, to question why SOEs internationalise. Cuervo-Cazurra et al. (2014) and Cahen (2015) rightly note that the explanation proposed by public management theory for why SOEs exist does not cover SOE internationalisation. This prompted Cuervo-Cazurra et al. (2014) to suggest that there must be other reasons why SOEs internationalise. As suggested by Bass and Chakrabarty (2014), a possible reason when the internationalisation decision is driven by the state is that SOEs internationalise for purposes connected with safeguarding their countries' future. Choudhury and Khanna (2014) see the reason for SOE internationalisation differently from Bass and Chakrabarty (2014). It appears Choudhury and Khanna (2014) conclude that the reason why SOE internationalisation is driven by SOE executives is because, as Li, Xia, Long, and Tan (2012) argue, SOEs will not be effective and efficient if states as owners do not withdraw their control rights over these enterprises. It thus becomes clear that the argument as to why SOEs internationalise advanced by Bass and Chakrabarty (2014) and Li et al. (2012) is connected with SOE internationalisation in a bid to obtain resources that will enable SOEs and SOE managers to be independent of state role players, especially politicians. In this connection, Participant D notes that political interference deters SOEs from achieving their mandates:

> *People who are the brightest mind in the public sector are in this building and when we come up with ways to fix problems in the enterprises, politicians will say hold! Just hold on a little bit. Because it serves their interest to keep the chaos the way it is, you understand. It serves their interest as not to have permanent CEOs. It serves their interest for us to have interim board because that's how they are able to manipulate proceedings, manipulate the SOEs operations and then they can have their way. So, politicians are my biggest problem. I work with them every day, but they are my biggest problem. Because most of the time they never want you to do the right thing. They want you to do nonsense*.

To confirm their stand, Choudhury and Khanna (2014) applied standard resource dependency theory to state-owned research and development (R&D) laboratories and argued that SOEs often internationalise in order to be resource independent; in other words, in order to seek complementary resources and be free from state role players. The picture Choudhury and Khanna (2014) paint in this respect is that internationalisation is key to the freedom of SOEs from political interference by state role players. Consequently, Cuervo-Cazurra et al. (2014) support this power escape idea. Cuervo-Cazurra et al. (2014) assert that a way by which SOEs can escape the power exerted on them by the state, their documented principal, is to externalise. They suggest that when SOEs externalise, they depend less on government for funding as they concentrate solely on commercial objectives, as the internationalisation decision is not driven by state role players in a bid to promote social and political objectives, even though the SOEs in internationalisation are still subjected to providing public goods and services in their home states. Thus, if the local branch is being controlled by state role players, the foreign branch may more likely be free from this interference by state role players. Cuervo-Cazurra et al. (2014) and Choudhury and Khanna (2014) do not stand alone in this; Rentsch and Finger (2015), in support of Choudhury and Khana (2014) and Cuervo-Cazurra et al. (2014), claim that irrespective of SOEs' preference for connection with the state in order to garner support and protection, SOEs would want to be free from the state. The reason for this is that this freedom is the only way by which SOEs can pursue their entrepreneurial plans without having to worry about state interference. In line with this, Rentsch and Finger (2015) contend that a possible way of getting this freedom from the state is through internationalisation and diversification. In this context, Participant H submits that *"this is like introducing autonomy by taking away the powers from the ministers and giving them out. Giving the manager or the specialist or whoever the autonomy to be able to run their SOEs as envisaged."*

Further, in agreement with the earlier arguments by Bass and Chakrabarty (2014) and Li et al. (2012), Rudy, Miller, and Wang (2016) opine that the reasons why SOEs internationalise are to gather resources and capabilities that can be returned to and be of benefit to their home country. This argument is in contrast with the above argument advanced by Choudhury and Khana (2014) and Cuervo-Cazurra et al. (2014). Further, Rudy et al. (2016) assert that the resources targeted by SOEs in internationalisation include knowledge, natural resources, labour, location- and non-location bound resources, and financial resources (Rudy et al., 2016). Moreover, on internationalisation for reasons of knowledge acquisition, Soniewicki and Wawrowski (2015) examined the importance of external knowledge for SOEs and PSEs in internationalisation. They reported that in internationalising, both PSEs and SOEs acquire a great deal of knowledge compared to local SOEs and PSEs. However, while internationalised SOEs are likely to acquire more knowledge, local SOEs and PSEs use their own knowledge specificity to deliver their objectives (Soniewicki & Wawrowski, 2015).

In order to establish the reasons why SOEs internationalise, Warmerdam and Van Dijk (2013) questioned the motivation behind the presence of Chinese SOEs in Uganda. In confirmation of Rudy et al.'s (2016), Bass and Chakrabarty's (2014), and Li et al.'s (2012) assertions as to why SOEs internationalise, Warmerdam and Van Dijk (2013) reported that the Chinese SOE presence in Uganda is associated with the prospects of Uganda's market and that SOEs in Uganda are dominant in capital-intensive sectors such as construction and oil and gas exploration. Along the same line, in their analysis of why SOEs internationalise, Alon et al. (2014), among other reasons, confirmed that SOEs internationalise in order to gather resources in the form of extraction, trading, and technical services.

5.3.5. Issues with SOEs in internationalisation

Even though the internationalisation of SOEs is a key exit strategy, SOEs tend to face several issues with internationalisation. Coupled with issues that arise when SOEs are used as commercial enterprises, additional issues are bound to arise when SOEs internationalise, which contribute both negatively and positively to SOEs. When SOEs internationalise, the agency relationship increases, and there is concern over their legitimacy in the foreign countries they move to (Blyschak, 2016; Cuervo-Cazurra et al., 2014). The issue of legitimacy in foreign countries appears to be the most worrying issue in the internationalisation of SOEs. Cuervo-Cazurra et al. (2014) note that when SOEs leave the shores of their countries, there is a tendency for these SOEs to become illegal organisations in foreign countries, thereby displaying the characteristics of unjustifiable owners in the foreign countries, as citizens and governments of the foreign countries might see them as intruders. Likewise, instead of pursuing commercial objectives, governments may concentrate on political goals (Blyschak, 2016). When this is the case, there may be threats to national security (Shi et al., 2016). Additionally, there is the belief that SOEs in foreign countries may not be competitive in their operations; hence, they become a political tool instead of a commercial tool (Blyschak, 2016). Also, SOEs involved in internationalisation may be seen as spies in foreign countries (He et al., 2016; Huat, 2016). This is coupled with the fact that international law may have an effect on the operations of the SOEs (Blyschak, 2016). To confirm Blyschak's (2016) observation on the effect of international law on SOE internationalisation, Woo (2014) reports that when the Canadian government began suspecting the espionage activities of Chinese oil and gas SOEs in Canada, it amended the Investment Canada Act. This amendment, Woo (2014) reports, made SOE investment difficult in Canada and also made Canada unattractive for SOEs (Globerman, 2016; Woo, 2014). These negative observations associated with SOE internationalisation mean that it is difficult to predict the outcome of SOE internationalisation. This difficulty prompted Cahen (2015) to affirm that SOEs in internationalisation are experiments. Although the issues associated with these SOEs in international investment are numerous, these problems can be managed if they are seen as a test of the competencies of the regulators, policymakers, and government administrators in different but important ways (Blyschak, 2016), which they are. Moreover, clear ownership and clear mandates can contribute immensely to solving problems associated with the internationalisation of SOEs.

5.3.6. Distinction between PSEs and SOEs in internationalisation

Taken Taken together, despite the observed obstacles associated with SOE internationalisation highlighted above, SOEs often benefit from internationalisation. Although Cuervo-Cazurra et al. (2014), as well as noting the advantages, iterated the disadvantages of SOEs compared to PSEs in internationalisation, Benito et al. (2016) have argued that SOEs possess what it takes to benefit more than PSEs in international markets. The reasons why PSEs internationalise are quite different from those of SOEs. For example, PSEs internationalise in order to take advantage of short-term benefits (Gammeltoft & Cuervo-Cazzura, 2021; Huang, Xie, Li, & Reddy, 2017). Accordingly, PSEs rarely internationalise when there is a ready local market for them to achieve this short-term benefit/aim (Gammeltoft & Cuervo-Cazzura, 2021). The point to note in this instance is that while SOEs may internationalise for social and political reasons, government policy, and government assistance, it is business as usual for PSEs, even in internationalisation. PSEs mainly internationalise in order to take advantage of market opportunities.

Comparing the way in which SOEs fare in international markets with PSEs, Benito et al. (2016) noted that the advantages SOEs have over PSEs in internationalisation include their focus on domestic issues and their relationship with other foreign governments. They believe that when SOEs internationalise, these advantages are enough to overcome the losses that may arise from the social objectives of SOEs and the inherent weaknesses in their corporate governance (Benito et al., 2016). In the same vein, Peng et al. (2016) argue that the main difference between the resources of SOEs and PSEs is that aside from the market-based resources, which are the focus of PSEs, non-market-based resources in the form of political resources and capabilities may be a source of advantage for SOEs over PSEs in internationalisation. It appears that Bass and Chakrabaty (2014) have confirmed this in their analysis of SOEs in internationalisation. Cuervo-Cazurra et al. (2014), while observing the advantages and disadvantages of the resource base in the internationalisation of SOEs, in line with Peng et al. (2016), note that the key advantage is that SOEs can be provided with large funds for investment, which may not be available to private enterprises. On the other hand, a disadvantage is that SOEs may be subjected to hostile treatment when they internationalise compared to PSEs (Cuervo-Cazurra et al., 2014). However, in the same context, Guo and Clougherty (2015) reported that PSEs are more effective in gaining synergies and competitive advantage than SOEs, although SOEs enjoy more favourable policies than PSEs.

Following from the above, Tavares-Lehmann and Lehmann (2017) have argued that the favourable policies enjoyed by SOEs tend to assist them in engaging in larger deals, purchasing more companies, and willingly purchasing companies with huge debts compared to their private counterparts. This is consistent with the findings of Clo et al. (2017). Likewise, Guo and Clougherty (2015) reported that SOEs pay more on investments than PSEs. One might argue that SOEs pay more on investment because they usually have strong financial backing, in line with the SBC argument. Thus, they tend not to worry about the financial performance of target firms during internationalisation. Although this may be argued, Clo et al. (2017) have other ideas regarding the issue of excess payment by SOEs in internationalisation. Clo et al. (2017), writing on M&A, are of the opinion that these excess payments constitute the internationalisation of political objectives rather than for investment purposes. The reason for this is that private enterprises would not buy those firms. To confirm this, Del Bo et al. (2017) reported that M&A deals that involve SOEs are different from traditional private-public deals. In these deals, Del Bo et al. (2017) argue, greater assets are involved, the solvency ratio is usually higher, and SOEs are usually close to the target companies. Hence, SOEs have specialisation regarding the deals, and this specialisation makes them go into M&A under any form of arrangement that includes public-private, public-public, and private-public deals compared to private-private deals, even when the enterprises are in distress (Del Bo & Florio, 2012).

6. Conclusion

This paper has discussed the life cycle of SOEs, taking into account relevant elements in stand-alone studies on SOEs that discussed these elements as well as experts' and role-players' insights, contributing to the literature on SOEs and extending life cycle theory. The idea is to inform observers that SOEs actually have a life cycle and do exit, considering that most SOEs, especially in developing countries, were established to correct market failures and fulfil one form of public mandate or another. The discussion above indicates that their status tends to change after fulfilling their establishing mandates, when they become inefficient and ineffective, or when their owning states or managers influence their mandates, requiring some form of development and exit strategies.

In addition to fulfilling socioeconomic mandates, there is a long list of other ways in which SOEs are needed to assist states in achieving their developmental goals and filling gaps created by unforeseen economic circumstances, especially those created by the negative impact of the ongoing COVID-19 pandemic. However, for SOEs to be able to fulfil this role, they must have clear mandates and be free from political interference and corrupt practices. Hence, it is key that these SOEs be subjected to good development and exit strategies depending on national circumstances, as we have seen that full privatisation and internationalisation do not often offer the best possible solutions to corporate governance problems in SOEs. And that development strategies may be better in some cases than exit strategies. In addition, to ensure that SOEs are efficient and effective, states must promote robust competition between SOEs and PSEs and guard against exploitation by political role players. These issues have been adequately addressed in states that have successful SOEs. The fact that SOEs are usually subjected to numerous corporate governance problems has indicated the necessity for restructuring as a way of ensuring SOEs fulfil their mandates without depleting national resources and requiring bailouts, as is often the case in many quarters of the world. Thus, SOEs tend to look for strategies to ensure that they are able to fulfil their mandates. Unfortunately, several challenges tend to impede the efforts of states and, in some instances, SOE managers in achieving these mandates, considering the impact of wealthy and powerful PSEs and PSE role players working against solutions that are best for society if it means that they will not benefit financially and powerfully. Thus, SOEs try different forms of exit strategies in order to ensure that they fulfil mandates, often in the face of forces such as corrupt states, corrupt public sector role players, and profit-oriented PSEs and PSE role players. Taken together, these explain the reason why further research on the tensions between SOEs, states, and state role players viz-a-viz PSEs and PSE role players is important. When these institutions are studied, we tend to find out and document when they are successful or otherwise in order to establish further courses of action. This is necessary because, as Stiglitz (2021) observes, failure leads to building better institutions. There will never be perfect institutions, but better institutions could be created both in the public and private sectors.

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