

DOCTORAL THESIS

State ownership and firms' growth performance: the perspective of institutionally shaped agency

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ABSTRACT

Integrating the perspective of agency theory with that of institutional theory, we study how state ownership influences firms' growth performance in a large macro economy such as China's socialist market economy. Focusing on the effects of both internal and external institutional settings on firms' top managers or key agents, we propose a theoretical perspective of institutionally shaped agency. This perspective identifies several factors that shape the behaviours of firm managers or agents, which in turn should affect firms' growth performance. Hence, important predictions are developed based on this theoretical perspective. We propose the relationship between state ownership and firms' growth performance (hereafter the ownership-growth relationship) shall be positive while under certain conditions.. Analysing a set of panel data (N = 37,856) from 124 insurance firms in China during the period from 2005 to 2014, we find results different from prior research. While research in the West has shown that private ownership is generally preferred to state ownership when incentives to innovate and to contain costs are strong (e.g., Shleifer, 1998), we demonstrate that this ownership-growth relationship can be positive, which is contingent upon firm strategy and local institutional settings. Moreover, while research in emerging markets has shown that the effects of state ownership marketization can weaken one dimension of firm performance (e.g., Zhou, Gao, & Zhao, 2017), our findings suggest that both marketization and diversification can enhance the positive effects of state ownership on another dimension of firm performance. Finally, we also find the CEO tenure shall have positive three-way interaction effect of both marketization and diversification on the ownership-growth relationship.

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