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Strategic Management Differences Between Public and Private Firms: How Ownership Shapes Internationalization and Global Competitiveness

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Abstract. This study investigates how ownership—proxied by listing status—shapes firms' choices of internationalization strategy, the efficiency of execution, and longer-run outcomes. Focusing on Chinese firms operating under the "dual-circulation" policy setting, we argue that public and private firms face distinct combinations of governance arrangements, resource endowments, and institutional constraints. These differences produce systematic variation in entry modes, pacing, and performance of international expansion. Board characteristics—size, composition, and directors' backgrounds—offer additional explanatory power for this heterogeneity. Based on these mechanisms, we derive three policy-relevant implications: expand cross-border financing options for non-listed firms to ease capacity and timing constraints; refine evaluation frameworks for state-owned enterprises so that internationalization is assessed on strategic fit and learning outcomes rather than scale alone; and encourage listed firms to commit to longer-horizon internationalization roadmaps to reduce short-termism. Conceptually, the paper places "listing status" as a central institutional variable in the analysis of internationalization and shows that equity structure moderates the interaction between internationalization and innovation.

Keywords: internationalization, ownership and equity structure, board structure, state ownership, global competitiveness

1. Introduction

China's "dual-circulation" policy context provides a timely backdrop for studying how ownership conditions firms' international expansion. We examine ownership through listing status and show that it shapes not only whether firms go abroad but also how they choose entry modes, sequence investments, and translate exposure into durable performance.

Mainstream theories—especially the resource-based view—predict that going abroad broadens access to knowledge, partners, and risk-sharing opportunities, thereby strengthening long-run advantages. Yet firms with different equity structures rarely realize these gains to the same extent. Public firms typically face stronger disclosure discipline and easier access to external capital. Those features enable lump-sum choices such as sizable cross-border M&A, acquisition of brands or

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technologies, and faster post-deal integration. Private (non-listed) firms often share the ambition to internationalize but must pace expansion through exports or minority joint ventures because financing and certification constraints bind earlier. The result is a more fragmented trajectory and a longer payback horizon.

This empirical divergence motivates our core question: why do firms that pursue seemingly similar internationalization moves earn systematically different outcomes once ownership is taken into account? Our premise is that equity structure is not a superficial legal label; it reconfigures governance (board oversight, disclosure, time horizons), resource endowments (funding depth, network reach), and the institutional interface (policy expectations, stakeholder monitoring) that together determine internationalization choices and their effectiveness.

Building on this premise, the paper makes three moves. First, it compares state-owned, listed, and non-listed firms in terms of resource endowments, governance mechanisms, and preferred paths of internationalization. Second, it brings board characteristics—size, composition, directors' network resources, and background traits such as education, upbringing, and family structure—into the explanation of strategy choice and execution. Third, it tests the moderating role of equity structure in the internationalization–innovation linkage, clarifying when overseas expansion amplifies (or fails to amplify) innovative outcomes. These analyses yield policy-relevant implications: easing cross-border financing bottlenecks for non-listed firms, refining evaluation criteria for state-owned enterprises toward strategic fit and learning, and encouraging listed firms to commit to longer-horizon roadmaps that temper short-term market pressure.

2. Literature review

Research at the intersection of ownership and internationalization points to governance as a central transmission channel. Drawing on social capital theory, Debellis et al. [1] show that the share of non-family directors on family-firm boards relates non-linearly to the geographic scope of expansion, with firm age shaping this pattern. Boards dominated by a single constituency—family or non-family—tend to move firms abroad more forcefully; when non-family directors dominate, internationalization levels are typically higher and more persistent. The evidence positions ownership structure and board design as complements in shaping cross-border strategy.

From an institutional–resource perspective, Xie [2] finds that state ownership rarely exerts a simple direct effect in early internationalization. Instead, its influence works through context: interactions with firm size and the prevalence of SOEs in the industry alter the pace and mode of expansion. Ownership, in this view, must be read together with internal endowments and external competitive structure.

Ownership form also carries distinct institutional logics. Cuervo-Cazurra and Li [3] compare SOE multinationals with private counterparts and document systematic contrasts in motives ("going global" for national objectives vs. private profit), market selection (greater tolerance for high-risk jurisdictions), and entry modes (a tilt toward acquisitions and rapid entries). Their "national advantages" versus "national disadvantages" framework highlights the tension SOEs face between policy mandates and market discipline, which in turn shapes integration outcomes.

Listing status introduces an additional layer. Synthesizing prior work, Roedder and Schmid [4] argue that foreign equity participation tightens governance, broadens resource access, and raises risk tolerance. Public firms, with standardized disclosure and deeper financing options, can pursue lump-sum international moves—large M&A, brand or technology acquisition, faster post-deal integration. Private (non-listed) firms, more dependent on internal cash flow and debt, typically sequence

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exports or minority JVs, producing gradual and sometimes fragmented trajectories. Differences in financing and oversight thus map onto differences in implementation efficiency and performance.

A second strand links internationalization to innovation. Based on Chinese listed firms, Shen et al. [5] develop a dynamic exploration–transformation–utilization cycle in which going abroad raises innovative investment and output, which then feeds back into further expansion. State ownership, however, shows a split role: it facilitates knowledge transformation into products but dampens the market application of innovations in foreign arenas. Zhou et al. [6] report consistent patterns, pointing to an institutional trade-off between innovation efficiency and international effectiveness for SOEs.

Despite these advances, two gaps remain. First, scholarship has emphasized SOE–private or family–non-family contrasts, while the institutional variable of listing status—with its implications for financing channels, disclosure pressure, regulatory scrutiny, and strategic flexibility—has not been systematically integrated into internationalization theory. Second, many studies take static or bi-directional views; fewer trace how equity structure conditions the sequence and learning dynamics of internationalization over time.

Against this backdrop, our study contributes in three ways. (i) It foregrounds listing status as a core institutional determinant of internationalization. (ii) It embeds board structure, state ownership, and listing status within a unified framework to explain heterogeneity in entry mode, pacing, and post-entry performance. (iii) It clarifies the feedback between internationalization and innovation and demonstrates how equity structure moderates that linkage. Practically, the synthesis points to expanding cross-border financing avenues for non-listed firms, refining SOE evaluation toward strategic fit and learning, and encouraging public firms to commit to longer-horizon roadmaps.

3. Corporate ownership structure and internationalization

3.1. State-owned enterprises: mechanisms along the internationalization path

State ownership seldom propels early internationalization through a direct effect; rather, it acts through contingencies such as firm size and the industry share of SOEs [2]. This view accords with Cuervo-Cazurra and Li's "dual nationality" logic: SOEs often align overseas moves with national mandates, tolerate higher institutional risk in host markets, and display a bias toward acquisition-led entries that compress timelines from entry to control [3]. The same institutional backing, however, can weaken market discipline—slower decision cycles, goal multiplicity, and softer budget constraints—producing integration frictions ex post. Evidence on innovation adds a split verdict: state ownership facilitates the transformation of knowledge into products inside the firm, yet it can inhibit the application and international diffusion of those outputs, especially when commercialization must meet foreign market tests [5].

3.2. Listed versus non-listed firms: capital, governance, and sequencing

Listing status reshapes internationalization capacity by altering access to capital, disclosure pressure, and investor oversight. Public firms—benefiting from standardized governance, diversified ownership, and deeper financing options—are positioned to undertake lump-sum moves such as large cross-border M&A, targeted brand or technology acquisitions, and faster post-deal integration [4,7]. These features raise the probability that international investments convert into durable advantages through scale, learning, and coordination benefits [8,9]. By contrast, non-listed firms face tighter financing constraints, more concentrated control, and thinner external monitoring.

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Expansion therefore arrives in sequenced steps—exports, minority JVs, or staged capacity placements—creating path dependence and portfolio fragmentation, with longer payback horizons and lower implementation efficiency relative to listed peers.

4. Board characteristics and internationalization

We shift to the board as a micro-governance mechanism that shapes how ownership translates into international strategy. Board size, composition, network endowments, and directors' backgrounds condition entry mode choices, the sequencing of moves, and the conversion of overseas exposure into durable performance.

4.1. Board size

Larger boards expand the pool of knowledge and contacts but raise coordination costs and dilute individual accountability. When many directors share oversight, preparation and challenge functions can diffuse, slowing the evaluation of foreign opportunities and post-entry monitoring. Smaller boards, by contrast, concentrate responsibility and shorten deliberation cycles, which favors time-sensitive choices such as window-of-opportunity acquisitions. The trade-off is therefore non-linear: beyond a threshold, the marginal informational benefit of adding directors can be outweighed by slower decision making and weaker ownership of outcomes.

4.2. Board network resources

Directors' external ties—to overseas regulators, investors, industry associations, and potential partners—lower search and negotiation frictions and help firms match entry modes to host-country conditions. Rich board networks support alliance formation and due diligence in unfamiliar markets and can accelerate post-deal integration by identifying local intermediaries. Where networks are thin, firms face greater uncertainty and often default to gradual, low-commitment paths (exports, minority JVs). In short, network breadth raises adaptability during expansion, while its absence increases the cost of experimentation abroad.

4.3. Educational background of directors

Education shapes a board's capacity to process cross-border complexity. Directors trained in international business, finance, or cross-cultural management are better positioned to assess deal structure, currency and legal risks, and integration plans. A higher share of doctoral or overseas-educated directors is typically associated with more systematic internationalization playbooks—clear screening criteria, staged synergies, and monitoring metrics—whereas boards dominated by purely local or technical profiles tend to favor intermediary-based expansion and slower capability transfer.

4.4. Growth trajectories and international experience

Personal international exposure—study, work, or residence abroad—reduces the liability of foreignness by improving cultural fluency and access to trust-based networks. Such directors can recalibrate risk perceptions about host institutions, flag non-obvious integration hurdles (labor practices, disclosure norms, data rules), and sponsor partnerships that shorten learning curves. The result is often tighter alignment between pre-entry assumptions and post-entry operating realities.

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4.5. Family structure and board composition

Board heterogeneity interacts with ownership form. In family firms, Debellis et al. [1] document a curvilinear link between the share of non-family directors and outward FDI, moderated by firm age: both concentrated family control and strong non-family dominance can propel internationalization through different governance logics. More broadly, diverse boards—especially those with non-family directors holding overseas experience or cross-cultural skills—augment market knowledge and external networks, helping firms overcome foreignness and execute international plans more effectively [10].

5. Extended analysis: ownership as a moderator of the internationalization–innovation link

Ownership structure conditions both when and how internationalization translates into innovation. Synthesizing prior work, Zhang et al. [11] document a recursive mechanism: overseas expansion raises innovation inputs, which lift outputs; stronger outputs, in turn, lower the marginal cost of further expansion, reinforcing the loop. Our focus is the moderator on that loop.

State ownership. Evidence points to a two-sided effect. On the one hand, SOEs benefit from preferential access to resources and policy support, which facilitates the transformation of inputs into patentable or productizable knowledge [11]. On the other hand, the same institutional features—goal multiplicity, softer budget constraints, and political accountability—can blunt market tests abroad, inhibiting the application and international diffusion of innovations [3, 6]. In short, SOEs often excel at internal knowledge integration yet face frictions at the commercialization and scaling stage in foreign markets.

Mechanism view. The moderator works through three channels:

(i) Governance and horizons—ownership shapes board oversight and tolerance for long payback projects;

(ii) Financing and risk posture—access to capital affects the feasibility of lump-sum entries (e.g., M&A) that compress learning cycles;

(iii) Institutional interface—policy mandates and stakeholder monitoring alter how aggressively firms pursue market validation abroad. Along these channels, state ownership tends to amplify the exploration→transformation leg while attenuating the application→international diffusion leg of the cycle.

Implication. The internationalization–innovation relationship is therefore not linear but recursive and ownership-contingent: expansion stimulates innovation; innovation supports further expansion; and ownership determines the slope and durability of each segment of the loop. For SOEs, the expected gain concentrates upstream (knowledge absorption and integration), whereas downstream market realization abroad weakens unless governance and incentive frictions are addressed [3, 6, 11].

6. Policy recommendations through the lens of ownership

R1. Ease financing frictions for non-listed firms (SMEs). Actor: financial regulators; policy banks. Instrument: broaden cross-border financing channels and create dedicated credit lines for SME internationalization. Mechanism: relax funding constraints so private firms can move beyond export/JV-only paths to scale-efficient entries (e.g., staged acquisitions). Metric: uptake of cross-border facilities; share of non-listed firms adopting higher-commitment entry modes; median time-to-close for overseas deals.

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R2. Strengthen board capacity in non-listed firms. Actor: corporate governance standard-setters; industry associations. Instrument: guidance that encourages optimizing board structure and appointing independent directors with international experience. Mechanism: deepen expertise and external networks at the board level to reduce information and negotiation frictions in foreign markets. Metric: proportion of boards with independent directors holding overseas experience; post-entry integration milestones achieved on plan.

R3. Align SOE performance evaluation with international commercialization. Actor: state-asset supervisors; SOE parent groups. Instrument: add KPIs that track the application and diffusion of innovation abroad (e.g., foreign revenue share from new products, licensing outcomes), not scale alone. Mechanism: counteract goal multiplicity and soft budget constraints that weaken market tests overseas. Metric: growth in foreign new-product revenue; conversion rate from patents to international sales/contracts.

R4. Address short-termism in listed firms; raise governance baselines in non-listed firms. Actor: securities regulators (listed); local regulators and chambers (non-listed). Instrument (listed): disclosure guidance that supports multi-year internationalization roadmaps and post-deal learning metrics. Instrument (non-listed): phased governance benchmarks (audit, disclosure, risk controls) tied to access to public support programs. Mechanism: for listed firms, temper quarterly pressure to protect long-horizon plays; for non-listed, lift execution quality. Metric: share of listed firms publishing multi-year international plans; compliance rates of non-listed firms with governance benchmarks.

R5. Crowd-in private investment at the innovation–internationalization interface. Actor: development funds with private co-investment. Instrument: an “Internationalization–Innovation Co-Development Fund” that matches private capital for projects combining overseas expansion with innovation deployment. Mechanism: reinforce the recursive loop (internationalization → innovation inputs/outputs → further expansion) while preserving market discipline. Metric: leverage ratio of private to public funds; number of funded projects achieving foreign commercialization within planned horizons.

7. Conclusion

This paper shows that ownership—operationalized as listing status and complemented by board composition and state ownership—reconfigures how firms internationalize: it alters entry-mode choice, the pacing of moves, and the likelihood that overseas investments translate into durable performance. Public and private firms face different bundles of governance discipline, financing depth, and institutional expectations; those bundles map onto distinct paths (e.g., acquisition-led versus sequenced expansion) and different post-entry integration trajectories.

Three channels organize these effects. Governance shapes time horizons and monitoring intensity at the board level; resource access determines whether firms can execute lump-sum choices or must stage expansion; and the institutional interface (disclosure, regulation, policy expectations) conditions market tests abroad. Ownership thus acts less as a label and more as an architecture that routes strategic decisions through these channels.

The implication for theory is to move beyond broad ownership dichotomies. Incorporating listing status, board scale and mix, and network embeddedness as explicit institutional variables yields testable predictions about entry mode, sequencing, and the internationalization–innovation feedback. Future work should track these mechanisms longitudinally—linking pre-entry constraints to post-entry learning and commercialization—so that heterogeneity in outcomes can be explained by structure, not noise.

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