

Transnational Equity Joint Ventures and Enterprise Internationalization: Empirical Evidence from Listed Companies in China

Huangyun Miao

Donghua University, Shanghai, China

miaohuangyun@smec-cn.com

Abstract. Under the background of high-level two-way opening up, the "double transnational equity joint venture" in which foreign shareholders and foreign subsidiaries coexist is becoming more and more common, but its microscopic impact on the internationalization of enterprises still lacks systematic evidence. This paper takes China's A-share listed companies from 2013 to 2024 as a sample, constructs a double transnational equity joint venture index, and uses the two-way fixed effect model of enterprise and year to test it. The study found that the dual transnational equity joint venture significantly increased the overseas business income of enterprises. The conclusion was to maintain stability under the lag treatment and the six types of robustness test; the relationship of negative adjustment of the institutional distance, the greater the distance, the weaker the promotion effect; heterogeneity analysis shows that the promotion effect is more prominent in non-state-owned enterprises. This article expands the interpretation logic of enterprise internationalization from the perspective of micro-equity structure, which is of reference significance for enterprises to steadily promote "going out" with the help of foreign equity association.

Keywords: transnational equity joint venture, enterprise internationalization, institutional distance, property rights nature, Chinese listed companies

1. Introduction

Promoting a high level of opening up to the outside world and cultivating world-class enterprises with global competitiveness has become an important issue in the new stage of development. The scale of China's outward direct investment continues to be at the forefront of the world, and the internationalization of enterprises has gradually changed from policy-driven to capability-driven [1]. In the process, how foreign capital shapes the international trajectory of local enterprises through equity channels has attracted wide attention from the academic and practical circles.

Unlike simply establishing foreign-funded subsidiaries or simply absorbing foreign-funded shareholders, some enterprises have the dual characteristics of "the top ten shareholders with foreign-funded background" and "establishing foreign-funded joint venture subsidiaries". This article calls it dual transnational equity joint ventures. This structure introduces international

governance and resources at the shareholder level, and embeds a cross-border cooperation network at the management level, which theoretically can provide a stronger driving force for the internationalization of enterprises [2, 3]. However, studies have mostly focused on the location selection and entry mode of outward direct investment [4, 5], or the single-dimensional effect of foreign shareholding [6]. There is a lack of direct testing of the international consequences of the double foreign investment relationship between shareholders and subsidiaries.

This article takes Chinese A-share listed companies from 2013 to 2024 as a sample to empirically examine the impact, boundary conditions and heterogeneity of dual transnational equity joint ventures on the internationalization of enterprises. The possible marginal contributions are: first, put forward and measure the dual transnational equity joint venture, which expands the explanation framework of enterprise internationalization from the perspective of micro equity structure; second, introduce institutional distance as a situational variable to portray the boundary conditions for the role of foreign equity association; third, heterogeneity analysis based on the nature of property rights, which provides a basis for differentiated open policies and enterprise "going out" practice.

2. Literature review

2.1. Transnational equity joint ventures and enterprise internationalization

The internationalization of enterprises is essentially a process of constantly acquiring external knowledge, embedding in international networks and reducing the "disadvantage of outsiders" [7]. From the perspective of a springboard, enterprises in emerging economies often rely on external contacts to quickly obtain the resources and capabilities required for internationalization to make up for congenital shortcomings [2]. Dual multinational equity joint ventures open up two channels for shareholders and management at the same time: at the shareholder level, major shareholders with a foreign-funded background can bring international market information, management experience and governance norms, and improve the quality of decision-making through supervision [8]; at the business level, foreign-funded joint venture subsidiaries provide ready-made networks, channels and partners to enter overseas markets, reducing the search and coordination costs of developing international markets [7, 4]. In addition, foreign equity association itself has a quality signal and legality effect, which helps to alleviate the information asymmetry of overseas stakeholders and improve the probability of enterprises being accepted by the international market [3, 6]. Accordingly, it is proposed that:

H1: Dual transnational equity joint ventures have a significant positive impact on the internationalization of enterprises.

2.2. The moderating effect of institutional distance

Whether the knowledge and network carried by foreign equity association can be transformed into international performance depends on the degree of institutional matching between the home country and the host country [9]. When the institutional distance is large, the difference between formal and informal systems increases the cost of rule adaptation, compliance and communication. It is more difficult to directly migrate the experience and practices accumulated by foreign shareholders and joint venture partners to the target market, and the "outsider disadvantage" rises [5, 10]. At the same time, the large institutional distance exacerbates the uncertainty and legal pressure of overseas operations, and weakens the resource and signal value of equity association [11]. Accordingly, it is proposed that:

H2: The institutional distance negatively moderates the relationship between dual transnational equity joint ventures and the internationalization of enterprises.

3. Methodology

3.1. Sample and data

This article takes China's A-share listed companies from 2013 to 2024 as the research object, eliminates the missing samples of financial, ST and key variables, and processes the continuous variables in 1% and 99% percentiles per year, and finally obtains the annual observation values of 2,600 enterprises and 17,928 enterprise-year observations. Enterprise financial and governance data comes from the mainstream listed company database, and the information of foreign shareholders and foreign subsidiaries is manually sorted out and cross-checked [12].

3.2. Variable definitions

The explained variable is the internationalization of the enterprise (y), measured by the natural logarithm of overseas business income; the proportion of overseas business income to total operating income is further adopted in the robustness test ($y1$). The core explanatory variable is a double transnational equity joint venture ($x2$): when there are foreign-funded background shareholders among the top ten shareholders of the enterprise and foreign-funded joint venture subsidiaries are established at the same time, it takes a higher value, otherwise it takes zero; in the robustness test, the top three shareholders are used to reconstruct the indicator ($x4$). The moderating variable is institutional distance, which portrays the institutional differences between the home country and the host country. Control variables include corporate financial and governance characteristics such as enterprise size, financial leverage, profitability, growth, board size, proportion of independent directors and equity concentration.

3.3. Model specification

In order to alleviate the interference caused by the unobservable individual characteristics of the enterprise and the common time impact, this paper constructs a two-way fixed effect model of the enterprise and the year:

$$y_{it} = \alpha + \beta x_{2it} + \gamma \text{Controls}_{it} + \mu_i + \lambda_t + \varepsilon_{it} \quad (1)$$

Among them, μ_i and λ_t represent the fixed effect of enterprise and year respectively, and standard errors are clustered at the firm level. The coefficient β measures the average impact of dual transnational equity joint ventures on the internationalization of enterprises. When testing the moderating effect, the interaction between the core explanatory variable and the centralized institutional distance is further introduced. Figure 1 summarizes the research framework, including the hypothesized transmission mechanisms and the moderating role of institutional distance.

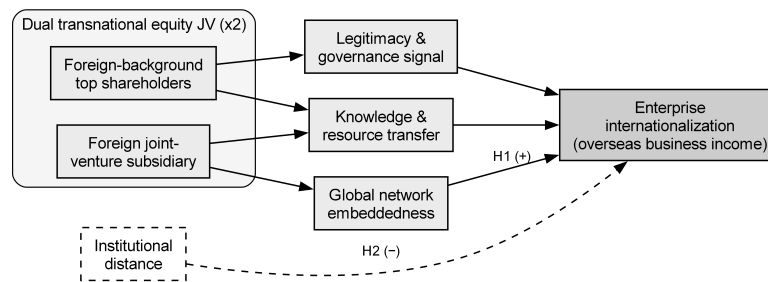


Figure 1. Research framework — transmission mechanisms (H1) and the moderating role of institutional distance (H2)

4. Results

4.1. Benchmark regression

Correlation analysis shows that the correlation coefficient between dual transnational equity joint venture and enterprise internationalization is 0.356, and it is significantly positive at the 1% level, which initially supports the research hypothesis. Table 1 reports the results of the benchmark regression. When only the two-way fixed effect is included, the coefficient of the double transnational equity joint venture is 0.1283, which is significantly positive at the 1% level; after gradually adding the control variable, the coefficient is 0.0669 ($t=5.03$), which is still significant at the 1% level, and the goodness of fit of the model reaches 0.915. This shows that for every unit increase in dual transnational equity joint ventures, the overseas business income of enterprises increases by about 6.7%. H1 is supported.

4.2. Endogeneity and robustness tests

Considering that there may be reverse causality between the equity structure and the internationalization of enterprises, this paper re-estimates the core explanatory variables after lagging one period. Its coefficient is 0.0426 ($t=3.17$), which is significant at the 1% level, indicating that the dual transnational equity joint venture in the previous period still significantly promotes the internationalization of the current period, and the explanatory power of the reverse cause and effect is limited. Furthermore, this paper implements six types of robustness tests: randomly eliminating 10% of samples (coefficient 0.0618), adding regional fixed effects (0.0669), changing to industry-level clustering standard errors (0.0669), replacing the explained variable with the proportion of overseas business income (0.0065), using the top three shareholders to reconstruct the core explanatory variable (0.0174), and eliminating the epidemic impact years of 2020-2021 (0.0672). The above coefficients are all significantly positive at the level of 1%, and the core conclusion remains stable. Figure 2 reports the coefficient estimates and their 95% confidence intervals across the comparable specifications.

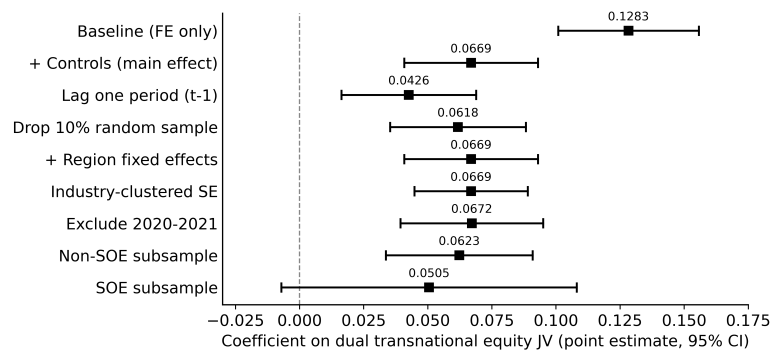


Figure 2. Coefficient on the dual transnational equity joint venture across specifications (point estimate, 95% CI)

Table 1. Dual transnational equity joint ventures and enterprise internationalization. Standard errors in parentheses; *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$

Variable	(1)	(2)	(3)
Dual transnational equity JV (x2)	0.1283*** (0.0140)	0.0669*** (0.0133)	0.0713*** (0.0137)
Institutional distance			0.0295*** (0.0100)
x2 × Institutional distance			-0.0148** (0.0059)
Controls	No	Yes	Yes
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Observations	17,928	17,928	17,928
R-squared	0.899	0.915	0.915

5. Discussion

5.1. The moderating effect of institutional distance

Column (3) of Table 1 tests the moderating effect of institutional distance. The coefficient of the core explanatory variable is still significantly positive (0.0713), and the coefficient of the interaction between the institutional distance and the double transnational equity joint venture is -0.0148 , which is significantly negative at the 5% level. This shows that the greater the institutional distance, the weaker the role of dual transnational equity joint ventures in promoting the internationalization of enterprises, and H2 is supported. The reason is that institutional differences increase the difficulty of knowledge transfer and compliance coordination, aggravate the uncertainty of overseas operations, and thus weaken the resource value and legal value of foreign equity associations [5, 11].

5.2. Heterogeneity by ownership type

Considering the differences in target functions and resource constraints of different ownership enterprises, this article is grouped according to the nature of property rights. The results show that in non-state-owned enterprises, the coefficient of dual transnational equity joint ventures is 0.0623 ($t=4.27$), which is significant at the 1% level; in state-owned enterprises, the coefficient is 0.0505, which is only significant at the 10% level, and the value is smaller. This shows that the promotion effect is more prominent in non-state-owned enterprises. The possible explanation is that non-state-owned enterprises have a higher degree of marketization and more flexible decision-making, which can transform the international network and resources brought by foreign shareholders and joint venture partners into real international expansion; while state-owned enterprises are affected by multiple goals and existing overseas channels, and the marginal effect of foreign equity association is relatively limited [13, 14].

6. Conclusion

Based on Chinese A-share listed companies from 2013 to 2024, this article finds that dual transnational equity joint ventures significantly increase enterprises' overseas business income. The effect is robust to lag treatment and multiple robustness tests, is negatively moderated by institutional distance, and is more pronounced among non-state-owned enterprises.

The inspiration of this article is as follows: first, enterprises can take the initiative to introduce high-quality foreign shareholders and expand foreign joint venture networks, and transform the international association at the equity level into the internationalization ability at the management level; second, when entering a market with a large institutional distance, it should be supplemented by more complete localization and risk management arrangements to make up for the decline of the equity association effect; third, at the policy level, differentiated guidance can be implemented for enterprises with different ownership systems [15, 16]. There are also shortcomings in this article: limited by the availability of effective exogenous instruments, there is still room for improvement in causal identification. In the future, it can be further expanded by combining stronger exogenous shocks and transnational data.

Declaration of interests

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Authorship contributions

As the sole author, Huangyun Miao is solely responsible for all aspects of this work, including Conceptualization, Methodology, Formal analysis, Data curation, Writing – original draft, and Writing – review and editing. The author has read and approved the final manuscript.

References

- [1] Buckley, P. J., Clegg, L. J., Cross, A. R., Liu, X., Voss, H., & Zheng, P. (2007). The determinants of Chinese outward foreign direct investment. *Journal of International Business Studies*, 38(4), 499–518. <https://doi.org/10.1057/palgrave.jibs.8400277>
- [2] Luo, Y., & Tung, R. L. (2007). International expansion of emerging market enterprises: A springboard perspective. *Journal of International Business Studies*, 38(4), 481–498. <https://doi.org/10.1057/palgrave.jibs.8400275>

- [3] Ogbuigwe, T. D., Gao, H., Kahiya, E., & Chugh, R. (2025). Hybrid ownership and internationalization of emerging market firms: An institution-based view. *International Business Review*, 34(6), 102501. <https://doi.org/10.1016/j.ibusrev.2025.102501>
- [4] Lu, J., Liu, X., Wright, M., & Filatotchev, I. (2014). International experience and FDI location choices of Chinese firms: The moderating effects of home country government support and host country institutions. *Journal of International Business Studies*, 45(4), 428–449. <https://doi.org/10.1057/jibs.2013.68>
- [5] Hernández, V., & Nieto, M. J. (2015). The effect of the magnitude and direction of institutional distance on the choice of international entry modes. *Journal of World Business*, 50(1), 122–132. <https://doi.org/10.1016/j.jwb.2014.02.002>
- [6] Pan, Y., Wang, H., & Liu, Z. (2025). Corporate ESG performance, ownership structure and export intensity: Evidence from Chinese listed companies. *International Journal of Finance & Economics*, 31(1), 789–803. <https://doi.org/10.1002/ijfe.3167>
- [7] Johanson, J., & Vahlne, J.-E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, 40(9), 1411–1431. <https://doi.org/10.1057/jibs.2009.24>
- [8] Peng, M. W., Wang, D. Y. L., & Jiang, Y. (2008). An institution-based view of international business strategy: A focus on emerging economies. *Journal of International Business Studies*, 39(5), 920–936. <https://doi.org/10.1057/palgrave.jibs.8400377>
- [9] Kogut, B., & Singh, H. (1988). The effect of national culture on the choice of entry mode. *Journal of International Business Studies*, 19(3), 411–432. <https://doi.org/10.1057/palgrave.jibs.8490394>
- [10] Zhang, S. (2022). Why did they get in trouble? The influence of firm characteristics and institutional distance on Chinese firms' foreign market entry attempt. *Frontiers in Psychology*, 13, 972384. <https://doi.org/10.3389/fpsyg.2022.972384>
- [11] Lu, X., Boo, S. J. M., & Liu, X. (2024). Is the relationship between institutional distance and subsidiary performance moderated by top management team? Evidence from Chinese multinational enterprises. *Humanities and Social Sciences Communications*, 11(1), 103. <https://doi.org/10.1057/s41599-023-02533-w>
- [12] Zhong, C., & Huang, L. (2024). Sister cities and outward foreign direct investment: Evidence from the Chinese listed firms. *Applied Economics*, 57(37), 5763–5776. <https://doi.org/10.1080/00036846.2024.2368280>
- [13] 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(3), 264–284. <https://doi.org/10.1057/jibs.2012.1>
- [14] Tang, R. W., Shu, C., & Zhou, K. Z. (2021). State ownership of Chinese firms and their outward foreign direct investment: Political and economic contingencies. *Asia Pacific Journal of Management*, 39(3), 1097–1123. <https://doi.org/10.1007/s10490-021-09756-y>
- [15] Zhu, L. (2025). The influence of digital transformation on Chinese firms' outward foreign direct investment. *Finance Research Letters*, 72, 106567. <https://doi.org/10.1016/j.frl.2024.106567>
- [16] Wu, X., Ni, Q., & Cui, V. (2026). Bilateral geopolitical risk and equity ownership in cross-border mergers and acquisitions by emerging-market firms: Non-market strategies as legitimacy buffers. *International Business Review*, 35(2), 102564. <https://doi.org/10.1016/j.ibusrev.2026.102564>