

Has the Restructuring of Chinese Central State-Owned Enterprises Achieved the Goal of International Expansion?

Xia Wang
East China Normal University

Cencen Gao
East China Normal University

Mingming Feng
Western Michigan University

Using the difference-in-differences method, we examine the internationalization effects of the restructuring of Chinese Central State-owned Enterprises (CCSOEs) during the years 2003 and 2016. We find that restructured CCSOEs have not achieved a higher degree of internationalization. Indeed, the higher the degree of internationalization after the CCSOE restructuring, the worse the firm's performance. Overall, the results suggest that the Chinese government's attempt to promote CCSOE internationalization through restructuring has not achieved its goal. Rather than governmental support and intervention, accelerating market-oriented reforms, weakening or eliminating administrative monopolies in the domestic market, and reducing the monopoly profits of CCSOEs in the domestic market could be more effective approaches to promote CCSOE internationalization.

Keywords: Chinese Central State-owned enterprises, restructuring, internationalization, firm performance

INTRODUCTION

Since joining the World Trade Organization (WTO) in 2001, China has committed itself to permanently opening up its economy. China's state-owned economy is also under great pressure to enhance its national mission in an increasingly fierce international competition environment (Huang and Yu, 2013). As an important pillar of the national economy, Chinese Central State-owned Enterprises (CCSOEs) have a dominant position in the national economy and are a key force in the implementation of Chinese enterprises' "Go Global" strategy.¹ Therefore, the Chinese government vigorously supports and promotes the "powerful combination" of strategic restructuring of CCSOEs to optimize their industrial structures and to enhance their international competitiveness (Zheng and Meng, 2011). In 2005, the State-owned Assets Supervision and Administration Commission (SASAC), the organization with jurisdiction over CCSOEs, proposed the restructuring plan in order to prioritize key businesses and to increase the degree of internationalization of CCSOEs. In 2020, the Secretary General and spokesperson for the SASAC, Mr. Peng Huagang, affirmed its determination to restructure CCSOEs and expand them internationally. All of this indicates that

strengthening CCSOE internationalization through restructuring is an important long-term policy of the Chinese government.

Through restructuring, the number of CCSOEs dropped from 196 in the year 2003 to 96 in the year 2019. So far, more than half of all CCSOEs have completed their restructuring processes, in various industries such as navigation, metal smelting, medicine, agriculture, tourism, water conservancy and hydropower, chemicals, steel, and more. Despite its importance, no empirical results have been reported regarding whether the CCSOE restructuring has achieved the expected results in international expansion. From the outset, CCSOE restructuring has been a hotspot for government departments and all sectors of society. Scholars have conducted research on the motivation for CCSOE restructuring, the process, and its effectiveness (Hu, 2017), most of which consists of normative discussions. For example, Zou (2014) and Gao (2016) discussed the impact of restructuring CCSOEs on their international competitiveness, but their research was based on comparative analysis and case studies and lacks support by empirical data from large samples.

In this study, by including the listed subsidiaries of the central state-owned enterprises that underwent restructuring during the years 2003 and 2016 in a treatment group and non-restructured central state-owned and non-state-owned enterprises (NSOEs) in control groups, we conduct difference-in-differences analyses to test the effects of CCSOE restructuring on internationalization. We find that compared to non-restructured CCSOEs and NSOEs, restructured CCSOEs have not achieved a higher degree of internationalization. Indeed, the higher the degree of internationalization after restructuring, the worse the firm performance. Overall, our results show that the Chinese government's attempt to promote CCSOE internationalization through restructuring has not been achieved.

This study extends the literature by providing evidence on the impacts of CCSOE restructuring under governmental intervention. Our empirical results provide a timely and relevant reference for future policy making and implementation that will help the Chinese government evaluate whether restructuring is an effective approach to enhancing CCSOE internationalization. As the world's second largest economy, the Chinese government's industrial policies are important not only for China's economy but also for the world economy. This study will help the international community understand the Chinese government's policy making and the restructuring strategies for Chinese state-owned enterprises, which feature distinctive Chinese characteristics.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

TABLE 1
RESTRUCTURING OF CCSOEs

Restructuring Year	Number of Restructured CCSOEs	Industries Involved	Number of CCSOEs after Restructuring
2003	6	Engineering construction, communications, etc.	196
2004	22	Building materials, water and electricity, medicine, food, etc.	178
2005	18	Electronics, infrastructure, medical equipment, textiles, etc.	169
2006	18	Cereals, oils, information technology services, etc.	159
2007	16	Machinery, tourism, chemical industry, etc.	151
2008	17	Shipping, aviation industry, hydropower, telecommunications, etc.	142
2009	24	Agriculture, minerals, medicine, satellites, etc.	129
2010	16	Construction, shipping, steel, medicine, etc.	121
2011	12	Construction and engineering, etc.	114

2012	2	Others	113
2013	6	Machinery, electronics, etc.	110
2014	2	Cereals, oils, foods, etc.	107
2015	12	Shipping, mining, electricity, etc.	108
2016	10	Steel, tourism, etc.	102
2017	6	Machinery, energy, etc.	99
2018	2	Energy	98
2019	4	Shipping, real estate, light industry, etc.	96

The restructuring of CCSOEs began in 2003 with the goals of reducing the number of CCSOEs to 100 by 2010 and cultivating 30 to 50 large enterprises with strong international competitiveness. As of August 2010, the number of CCSOEs had dropped to 123 from 196 in 2003. In the early stages, CCSOE restructuring was on a large scale and happened quickly, which led to some integration issues. Since 2010, instead of focusing on speed, the goal of CCSOE restructuring has switched to emphasizing the quality of restructuring, at a slower pace. By the end of 2014, the number of CCSOEs had decreased to 112, and about two or three central enterprises were reorganized each year. In July 2016, the State Council once again emphasized the strategy of “increasing the intensity of international operations, improving the quality and efficiency of the development of central enterprises, and enhancing the ability of central enterprises to participate in international market competition.” (The State Council, 2016). By the end of 2019, the number of CCSOEs was reduced to 96, and more than half of the CCSOEs had completed the restructuring. Table 1 reports the details of the CCSOE restructuring.

The primary goals of CCSOE restructuring have always been to optimize the industrial structure through strategic reorganization and enhancing international competitiveness (Zheng and Meng, 2011). There are two primary reasons why CCSOE restructuring can help to enhance the degree of internationalization. First, restructuring improves the operating and management efficiency of CCSOEs, rendering them more capable of carrying out internationalization strategies and thus improving their ability to internationalize. Corporate mergers and acquisitions carry potential social benefits in terms of better management performance, complementary advantages, cost reduction, market share expansion, and so forth (Tang et al., 2012). CCSOEs generally have the problems of being non-prominent main businesses and high transaction costs (Zou, 2014). Strategic restructuring and stripping away the industries that are less related to the main business promote the concentration of state-owned capital in advantageous, strategic, and high-tech industries (Pan and Li, 2012). These strategies help optimize the industrial structure, maximize organizational scale benefits, and enhance the corporate production efficiency of business activities. Moreover, restructuring enables optimizing overlapping businesses among central enterprises, eliminates horizontal competition in the international market, enhances enterprises’ control over the market, and ultimately promotes the international competitiveness of CCSOEs.

Restructuring also helps reduce the agency costs of CCSOEs and improve their management efficiency. As a type of state-owned enterprise, CCSOEs have greater agency costs than other ownership types (Li, 2007), which has become a shackle restricting their development. As a means to improve corporate governance, mergers and acquisitions and restructuring are able not only to supervise agents more effectively and improve the target company’s operating efficiency, but also have the potential to threaten the replacement of agents in order to reduce their bargaining power and the agency costs (Gort, 1969). The original solidified structural information barrier can be broken through restructuring, and the information asymmetry between the principal and the agent can be greatly reduced, which in turn reduces agency costs. A very important part of agency costs stems from the agents’ incentives and constraints, such as high salaries, on-the-job consumption, and supervision costs. It is an indisputable fact that senior executives of state-owned enterprises engage in high on-the-job consumption (Zhai et al., 2015). In a static market, agents gradually increase their requirements through various channels, thereby increasing the agency costs. However, restructuring can effectively build a competitive market for agents and form effective incentives and constraints on the managers of CCSOEs, thereby reducing the agency costs. In addition, after restructuring, the actual controller of the CCSOEs is no longer the SASAC but the group company. Under

the control of the group companies, CCSOEs have clarified the status of the controlling shareholder by straightening out the original complicated and unclear ownership relationship (Ma et al., 2006). Establishing the status of the controlling shareholders increases the incentives for state-owned group companies to supervise the management (Demsetz, 1983). Control by the group companies also helps increase the management's effectiveness and alleviates the management agency problem (Wu and Qian, 2011). The reduced agency costs and the improved management efficiency make CCSOEs better able to follow the needs of national industrial policies, open up the international market, and enhance the degree of internationalization.

Second, CCSOE restructuring helps increase the willingness of the executives of central enterprises to internationalize. Unlike other professional managers, the executives of Chinese state-owned enterprises, including CCSOEs, have the dual identities of being a "businessman" and a "government official." As the operating managers of state-owned enterprises, they need to exercise the power of professional managers and be responsible for managing the enterprise. In addition, they also have a certain administrative title and the characteristics of "quasi-officials." This dual identity brings two types of incentive: one is the explicit incentives represented by monetized income such as salary and allowances, and the other is the implicit incentives represented by promotion. Political promotion incentives are a more important and special implicit incentive than salary incentives and on-the-job consumption for the executives of Chinese state-owned enterprises (Xu, 2019). Since state-owned enterprises usually have diversified goals (including economic, social, and political goals), promotion does not depend entirely on the level of effort and relative performance rankings, but also on the background of competitors and performance in the political and social tasks that are undertaken, such as maintaining the stability of employees. Therefore, promotion encourages state-owned enterprise executives to pursue non-economic goals, such as additional employment opportunities and fulfilling social responsibilities (Liu and Xiao, 2015). As a long-term national strategy, internationalization is the core goal pursued by SASAC to promote CCSOE restructuring (Zheng and Meng, 2011). Top executives of central enterprises tend to promote the internationalization of the enterprises after restructuring to comply with the requirements of the national development strategy and to achieve the mission of political promotion. Based on the above analysis, we propose the following research hypothesis:

H1: Restructuring significantly improves the internationalization level of Chinese Central State-owned Enterprises.

METHODOLOGY

Sample and Data

Due to data availability and to ensure sufficient firm-year observations during the post-restructuring period, we use the listed subsidiaries that underwent restructuring during the years 2003 and 2016 and are controlled by central state-owned group firms. We exclude financial firms, insolvent firms, firms with negative net assets, and firms listed after the completion of the restructuring of their parent firms. Our final sample consists of 141 firms. The CCSOE restructuring data were hand-collected, and the rest of the data are from the CSMAR database.

Model and Variables

We apply the propensity score matching difference-in-differences method (PSM-DID) to test the net effects of CCSOE restructuring on internationalization. We first match the propensity scores of restructured CCSOEs with those of non-restructured CCSOEs and NSOEs based on variables for the industry, firm age, debt-to-asset ratio, shareholding ratio of the top ten shareholders, net asset yield, and current ratio (Shen et al., 2020). Next, we test the effects of CCSOE restructuring on internationalization with the following model:

$$DOI_{it+1} = \alpha_0 + \alpha_1 Restruct_{it} + \alpha_2 Post_{it} + \alpha_3 Restruct_{it} \times Post_{it} + \sum_{j=1}^k \beta_j Control\ variable_{j,t-1} + Fixedeffects + \varepsilon_{it} \quad (1)$$

The dependent variable, the degree of internationalization (*DOI*), is defined as the proportion of a firm's overseas operating income to its total operating income (Chen et al., 2016). We design several *DOIs* for different periods or samples. *DOI1* is the *DOI* during the entire observation period. *DOI2* is the *DOI* during the three years before and the three years after restructuring. To tease out the potential impacts of the 2008–2010 global financial crisis on CCSOE internationalization, *DOI3* represents the *DOI* during the entire observation period but excluding the years 2008, 2009, and 2010. *DOI4* is the *DOI* of the sample firms that have overseas operating income. Our variable of interest is the interaction term *Restruct*×*Post*. *Restruct* equals one for restructured CCSOEs and zero for non-restructured CCSOEs and NSOEs. *Post* equals one for the post-restructuring years and zero for the pre-restructuring years. The announcement date of restructuring is used to determine the event year, which is excluded from the observation period. If a CCSOE undergoes more than one restructuring, we use the announcement date for the first restructuring.

Following Gomes and Ramaswamy (1999) and Baker and Nelson (2005), we include the following control variables: proportion of fixed assets (*PPE*) is the proportion of net fixed assets to total assets at the fiscal year end; firm size (*Size*) is the natural logarithm of total assets at the fiscal year end; operating profit margin (*Profit*) is the operating profit divided by the operating income; growth rate (*Growth*) is the annual change in operating income divided by the prior-year operating income; debt-to-asset ratio (*Lev*) is total debts divided by total assets at the fiscal year end; concentration of equity (*Lshr*) is the share proportion of the largest shareholder at the fiscal year end; duality (*Dual*) equals one if a chairperson also serves as general manager and zero otherwise; firm age (*Age*) is the natural logarithm of the firm's listing years; ratio of accounts receivable to income (*Receive*) is the proportion of net accounts receivable to operating income. We also control industry and year fixed effects. To eliminate the influence of outliers, all continuous variables are winsorized at the top and bottom 1%.

RESULTS AND DISCUSSION

Descriptive Analyses

FIGURE 1
OVERSEAS OPERATING INCOME OF CCSOEs

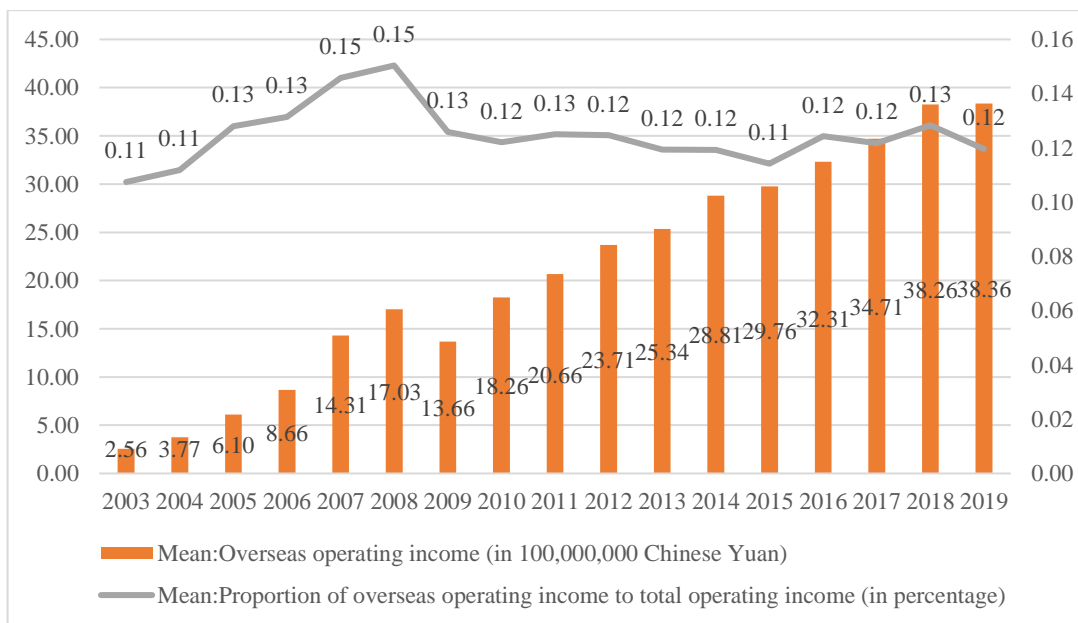


Figure 1 plots the mean values of the total overseas operating income of all listed subsidiaries of CCSOEs during the observation period in histograms and the proportion of overseas operating income to total operating income in a line graph. The figure shows that the overseas operating income of the listed subsidiaries of CCSOEs increased significantly from 256 million Chinese Yuan in 2003 to 3.836 billion Chinese Yuan in 2019. Except for a decline in 2009, the momentum of growth can be seen in most of the years. However, the line for the proportion of overseas operating income to total operating income has not shown any growth momentum. The proportion of overseas income to total operating income was about 11% in 2003 and maintained a steady upward trend until 2008. After 2009, it began to decline and remained in the range between 12% and 13%. The results in Figure 1 indicate that CCSOEs have made great progress in overseas expansion in terms of the absolute value of overseas operating income. However, the proportion of CCSOEs' overseas income in the total operating income has not increased significantly. The main source of CCSOEs' income is still limited to the domestic market, as domestic sales revenue accounted for more than 86% of the total sales revenue.

FIGURE 2
OVERSEAS OPERATING INCOME OF RESTRUCTURED CCSOEs

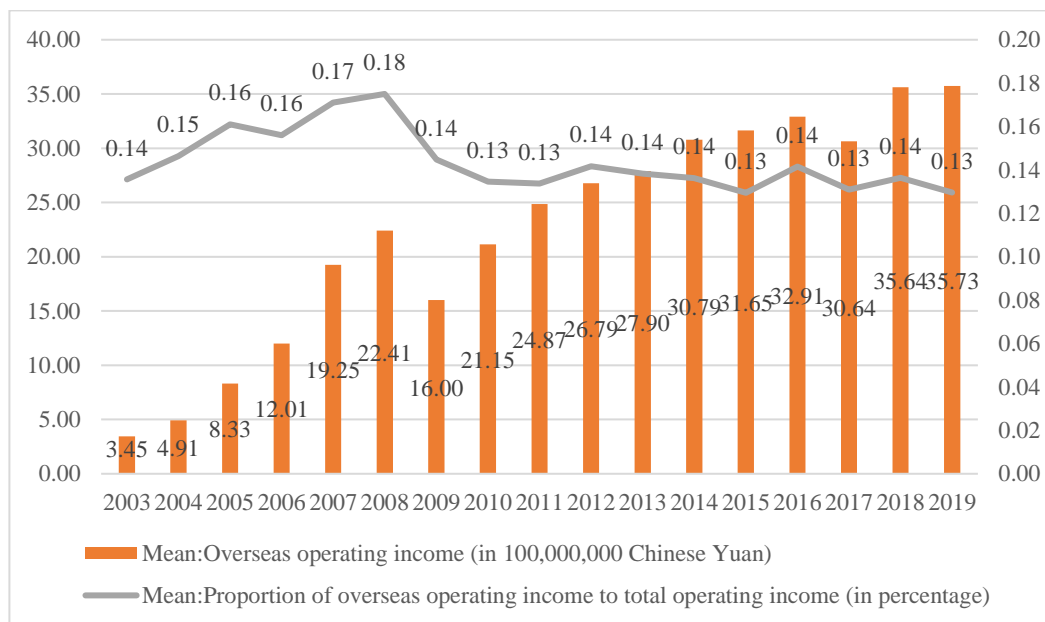


Figure 2 plots the mean values of the total overseas operating income of all listed subsidiaries of structured CCSOEs during the observation period in histograms and the proportion of the overseas operating income to the total operating income in a line graph. Similar to the trend shown in Figure 1, overseas income increased significantly from 345 million Chinese Yuan in 2003 to 3.573 billion Chinese Yuan in 2019. The proportion of overseas income increased from 14% in 2003, reached the peak (18%) in 2008, and then decreased to 14% in 2019. In addition, the histograms also show that the mean value of the overseas income of the restructured CCSOEs was 345 million Chinese Yuan in 2003, greater than the mean income of all CCSOEs in Figure 1 (256 million Chinese Yuan). This indicates that the overseas income of restructured CCSOEs was higher than that of non-restructured CCSOEs at the beginning of the observation period. By the end of the observation period in 2019, however, the mean value of the overseas income of restructured CCSOEs was 3.573 billion Chinese Yuan, lower than the overseas income of all CCSOEs in Figure 1 (3.836 billion Chinese Yuan). This indicates that the average overseas income of non-restructured CCSOEs exceeded that of restructured CCSOEs, and the increase in the overseas income of non-restructured CCSOEs was even greater. Overall, the proportion of the overseas operating income in the

total operating income of restructured CCSOEs was slightly higher than the proportion for all CCSOEs, indicating that the proportion of overseas income of restructured CCSOEs was significantly higher than that for non-restructured CCSOEs.

TABLE 2
DOI COMPARISON DURING PRE- VS. POST- RESTRUCTURING PERIODS

	Mean Pre- restructuring	Mean Post- restructuring	<i>t-stat</i>	Median Pre- restructuring	Median Post- restructuring	<i>Z-stat</i>
<i>DOI1</i>	0.114	0.154	- 4.09***	0.000	0.024	- 6.60***
<i>DOI2</i>	0.148	0.147	0.04	0.017	0.026	-0.89
<i>DOI3</i>	0.119	0.150	- 2.91***	0.000	0.025	- 5.63***
<i>DOI4</i>	0.247	0.242	0.36	0.156	0.131	1.85*

The mean and median comparisons of the four DOI measures before and after the restructuring of CCSOEs are reported in Table 2. The mean (median) of *DOI1* after restructuring was 0.154 (0.024), significantly greater than the mean (median) before restructuring, 0.114 (0.000). This result shows that the degree of internationalization of CCSOEs increased significantly during the entire observation period. Similar results were obtained for *DOI3* for the entire period after excluding the years 2008, 2009, and 2010. No significant changes in *DOI2* occurred during the three years before and after restructuring, suggesting that the effect of restructuring on increasing the degree of internationalization was not manifested in the short term. The mean (median) of *DOI4* after restructuring is 0.242 (0.131), significantly lower than the mean (median) before restructuring 0.247 (0.156), suggesting that the degree of internationalization of CCSOEs with overseas income did not rise but instead fell after restructuring.

Regression Analyses

TABLE 3
RESTRUCTURING AND INTERNATIONALIZATION

	<i>DOI1</i>		<i>DOI2</i>		<i>DOI3</i>		<i>DOI4</i>	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Restruct</i>	0.041*** (3.54)	0.012 (0.59)	0.037* (1.84)	0.031 (0.98)	0.044*** (3.42)	0.012 (0.52)	0.034 (1.64)	-0.008 (-0.25)
<i>Post</i>	0.077*** (5.37)	0.040* (1.91)	0.057** (2.39)	0.015 (0.450)	0.079*** (4.81)	0.044* (1.89)	0.080*** (3.58)	0.032 (1.10)
<i>Restruct×Post</i>	-0.018 (-1.17)	-0.003 (-0.12)	-0.021 (-0.78)	-0.004 (-0.13)	-0.022 (-1.32)	-0.010 (-0.42)	-0.013 (-0.52)	0.016 (0.50)
<i>Control Variables, Industry, Year</i>	Included	Included	Included	Included	Included	Included	Included	Included
<i>N</i>	3,150	2,766	1,005	896	2,641	2,318	1,777	1,681
<i>Adj. R²</i>	12.1%	11.9%	19.2%	19.9%	11.3%	10.7%	14.5%	13.9%

We use PSM-DID to test the impact of CCSOE restructuring on internationalization. We include the listed subsidiaries of the CCSOEs that underwent restructuring during 2003 and 2016 in the treatment group and the non-restructured central state-owned and non-state-owned enterprises (NSOEs) in control groups. We examine the relative differences in the internationalization levels of the treatment group and the control

groups before and after restructuring, that is, the net effect of restructuring. Table 3, columns (1), (3), (5), and (7) present the DID results for non-restructured CCSOEs, and columns (2), (4), (6), and (8) present the results for NSOEs. The coefficients of *Post* are significantly positive in most columns, showing that the degree of internationalization of all sample firms increased during the post-restructuring period. However, the coefficients of *Restruct*×*Post* remain consistently insignificant across all columns, suggesting that CCSOE restructuring did not promote internationalization. There are two potential reasons. First, these findings may be due to the increasing integration of the world economy and the opening up of China's economy over the past several decades. Second, the Chinese government promoted economic cooperation with other countries through the "Belt and Road" initiative. All of these strategic policies for economic development helped promote the internationalization of Chinese firms. Under these circumstances, the net effect of CCSOE restructuring on internationalization may be negligible.

Additional Analyses

We further investigate another possible reason why CCSOE restructuring has no significant impact on internationalization. Firm performance is the SASAC's key indicator for evaluating executives (Xu, 2019). Prior studies have found a positive and linear correlation (Grant, 1987), a negative and linear correlation (Collins, 1990), and a nonlinear correlation (Sullivan, 1994; Hitt et al., 1997; Contractor et al., 2003) of the relationship between internationalization and firm performance. No consistent result has yet been reached, and more empirical tests are needed. We propose that if CCSOE internationalization does not improve firm performance, it will weaken the motivation of CCSOEs to internationalize. Therefore, we next examine the association between internationalization and firm performance during the pre- and post- restructuring periods.

Using *DOI*, we classify the restructured CCSOEs into two subsamples. Firms with a *DOI* greater than the median are classified as the firms with a greater degree of internationalization, and the rest of the firms are classified as the firms with a lower degree of internationalization. Table 4 reports the performance comparisons of *ROA* and *Tobin's Q* between the samples with a greater vs. a lower degree of internationalization. During the entire observation period in Panel A, except for the insignificant result on the median value of *Tobin's Q*, we find consistent results on *ROA* and the mean value of *Tobin's Q*, namely, the companies with a greater degree of internationalization actually performed worse than those with a lower degree of internationalization. During the pre-restructuring period in Panel B, the mean (median) value of *ROA* for the enterprises with a greater degree of internationalization is 0.034 (0.037), both of which are greater than those for enterprises with a lower degree of internationalization, i.e., 0.031 (0.034). During the post-restructuring period in Panel C, the mean and median values of both *ROA* and *Tobin's Q* are lower for the enterprises with a greater degree of internationalization, suggesting that after restructuring, the greater the degree of internationalization of CCSOEs, the worse their performance.

TABLE 4
COMPARISON BETWEEN HIGHER VS. LOWER DEGREE OF INTERNATIONALIZATION

	Greater International- alization	Mean Comparison Lower International- alization	t-stat	Greater International- alization	Median Comparison Lower International- alization	Z-stat
Panel A: All observation periods						
<i>ROA</i>	0.031	0.038	3.29 ***	0.030	0.035	3.34 ***
<i>Tobin's Q</i>	1.659	1.799	3.56 ***	1.382	1.410	0.34
Panel B: During pre-restructuring period						
<i>ROA</i>	0.034	0.031	-0.82	0.037	0.034	-1.75 *
<i>Tobin's Q</i>	1.605	1.629	0.52	1.363	1.321	-2.38 **
Panel C: During post-restructuring period						
<i>ROA</i>	0.027	0.043	5.94 ***	0.023	0.037	7.22 ***
<i>Tobin's Q</i>	1.734	1.928	3.01 ***	1.411	1.541	1.92 *

TABLE 5
RESTRUCTURING, INTERNATIONALIZATION, AND FIRM PERFORMANCE

	<u>ROA</u>		<u>Tobin's Q</u>	
	Pre-restructuring (1)	Post-restructuring (2)	Pre-restructuring (3)	Post-restructuring (4)
<i>DOII</i>	0.008*** (2.877)	-0.007*** (-3.973)	0.010 (0.202)	-0.118** (-2.218)
<i>Control Variables, Industry, Year</i>	Included		Included	
<i>N</i>	861	1,126	849	1,106
<i>Adj. R²</i>	71.6%	66.1%	48.4%	50.5%

Using only the subsample of restructured CCSOEs, we use *ROA* and *Tobin's Q* as the dependent variables and *DOII* as an independent variable, and include all control variables from Model (1). With *ROA* as the dependent variable, the coefficient of *DOII* is significantly positive during the pre-restructuring period in Table 5, column (1) and negative during the post-restructuring period in column (2). Using *Tobin's Q*, the coefficient of *DOII* is insignificantly positive during the pre-restructuring period in column (3) and significantly negative during the post-restructuring period in column (4). These results explicitly indicate that internationalization was able to improve the firm performance of CCSOEs prior to restructuring, but it significantly hurt the firm performance after restructuring. That is, CCSOE internationalization after restructuring was not conducive to improving firm performance. Instead, it backfired on the firm performance.

Most restructurings occur among CCSOEs within the same industry, so fewer CCSOEs remain in the industry through restructuring. CCSOE restructuring may thus weaken the competition, bring the risk of anticompetitive effects, and even result in a complete domestic monopoly within the industry (Liu and Shi, 2011). Due to their monopoly power, restructured CCSOEs can earn higher profits in the domestic market than in the international market. Therefore, restructured CCSOEs with a greater degree of internationalization tend to exhibit worse firm performance, while those with a lower degree of internationalization tend to exhibit better firm performance and thus have less motivation to internationalize. Additionally, CCSOE restructuring is more the will of the country and less of an internal driving force of companies. All of these observations help explain why CCSOE restructuring did not promote internationalization, as evidenced in the earlier results in Table 3.

Robustness Analyses

TABLE 6
ROBUSTNESS ANALYSES

	<i>Income1</i>		<i>Income2</i>		<i>Income3</i>		<i>Income4</i>	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
RestructxPost	-2.365*** (-3.49)	-0.516 (-0.57)	-1.289 (-1.08)	0.354 (0.25)	-2.514*** (-3.42)	-0.847 (-0.86)	-0.539*** (-3.23)	-0.041 (-0.20)
Post	3.301*** (5.18)	0.740 (0.86)	2.153** (2.01)	-0.415 (-0.31)	3.831*** (5.27)	1.614* (1.70)	0.700*** (4.60)	0.004 (0.02)
Restruct	2.424*** (4.68)	-0.464 (-0.54)	1.873** (2.06)	-0.632 (-0.49)	2.330*** (4.14)	-0.389 (-0.42)	0.342** (2.44)	-0.263 (-1.32)
<i>Control Variables,</i>	Included	Included	Included	Included	Included	Included	Included	Included
<i>Industry, Year</i>								
<i>N</i>	3,150	2,766	1,005	896	2,641	2,318	1,777	1,681
<i>Adj. R²</i>	18.9%	20.5%	15.1%	19.1%	20.5%	21.6%	52.0%	56.3%

To further check the robustness of the preceding results, we use the natural logarithm of overseas income (*Income*) as an alternative measure of the dependent variable, degree of internationalization. Similar to the DOI, we design four *Incomes* for different periods or samples. *Income1* is income during the entire observation period; *Income2* is income during the three years before and the three years after restructuring; *Income3* is income during the entire observation period but excluding the years 2008, 2009, and 2010; and *Income4* is the income of the sample firms that have overseas operating income. Again, our variable of interest is the interaction term, *Restruct×Post*. Except for column (4), *Restruct×Post* is negative in all other columns, and it is significantly negative in columns (1), (5), and (7). These results indicate that the total overseas income of CCSOEs was lower after restructuring, similar to the previous results reported in Table 3.

CONCLUSION

We examine the impacts of CCSOE restructuring on the degree of corporate internationalization. The main findings are as follows: (1) the amount of overseas operating income increased significantly, whereas the proportion of overseas operating income to the total operating income did not; (2) compared to the non-restructured CCSOEs and NSOEs, restructured CCSOEs did not have a significantly greater internationalization level; and (3) during the pre-restructuring period, there was no significant difference in the internationalization level between restructured CCSOEs and the other enterprises. During the post-restructuring period, the higher the degree of internationalization after restructuring, the worse the firm performance. Multi-regression results also confirm that the internationalization level has a significant negative impact on corporate performance after restructuring.

Overall, we find that CCSOE restructuring did not improve the degree of internationalization. Our results show that SASAC failed to achieve its goal of promoting CCSOE internationalization through restructuring and that using government intervention for restructuring has certain limitations. When earning higher profits through a monopoly in the domestic market, CCSOEs have less motivation for internationalization. Compared to governmental support and intervention, accelerating market-oriented reforms, weakening or eliminating administrative monopolies in the domestic market, and reducing the monopoly profits of CCSOEs in the domestic market may be more effective approaches to promote CCSOE internationalization.

ENDNOTE

- ¹. CCSOEs are Chinese state-owned enterprises that are directly supervised and administered by the State-owned Assets Supervision and Administration Commission. Restructuring means that one enterprise acquires one or more enterprises, or that two or more enterprises are merged to form a new enterprise.

REFERENCES

- Baker, T., & Nelson, R.E. (2005). Creating Something from Nothing: Resource Construction through Entrepreneurial Bricolage. *Administrative Science Quarterly*, 50(3), 329–366.
- Chen, L.M., Liu, J.Y., & Zhang, S.L. (2016). Influence of Mimetic Isomorphism on Firms' Internationalization - Performance Relationship - An Empirical Study Based on Legitimacy Perspective in Institutional Theory. *China Industrial Economics*, 9, 127–143 (In Chinese).
- Collins, J.M. (1990). A Market Performance Comparison of U. S. Firms Active in Domestic Developed and Developing Countries. *Journal of International Business Studies*, 21(2), 271–287.
- Contractor, F.J., Kundu, S.K., & Hsu, C.C. (2003). A Three Stage Theory of International Expansion: The Link between Multinationality and Performance in the Service Sector. *Journal of International Business Studies*, 34(1), 5–18.
- Demsetz, H. (1983). The Structure of Ownership and The Theory of Firm. *Journal of Law and Economics*, 26(2), 375–399.

- Gao, Y.T. (2016). *The Research on International Competitiveness of the Restructuring Central State-owned Enterprises*. Doctoral dissertation, Liaoning University (In Chinese).
- Gomes, L., & Ramaswamy, K. (1999). An Empirical Examination of the Form of the Relationship between Multinationality and Performance. *Journal of International Business Studies*, 30(1), 173–187.
- Gort, M. (1969). An Economic Disturbance Theory of Mergers. *Quarterly Journal of Economics*, 83(4), 624–642.
- Grant, R.M. (1987). Multi-nationality and Performance among British Manufacturing Companies. *Journal of International Business Studies*, 18(3), 79–89.
- Hitt, M.A., Hoskisson, R.E., & Kim, H. (1997). International Diversification: Effects on Innovation and Firm Performance in Product-diversified Firms. *Academy of Management Journal*, 40(4), 767–798.
- Hu, C. (2017). Accelerating deep adjustment and reorganization to achieve stronger, better and bigger - Taking the latest reorganization of central enterprises as an example. *Economic Research Reference*, 21, 54–59.
- Huang, Q.H., & Yu, J. (2013). The Reform and Governance of State-owned Economy Based on Classification Method. *China Industrial Economics*, 11, 5–17 (In Chinese).
- Li, S.X. (2007). Ownership, Agency Cost and Agency Efficiency. *Economic Research Journal*, 1, 102–113 (In Chinese).
- Liu, Q.S., & Xiao, X. (2015). Promotion Incentive and Compensation Incentive for Executives of State-owned Enterprises: Based on Perspective of Double Identity. *Technology Economics*, 2, 93–100 (In Chinese).
- Liu, R.M., & Shi, L. (2011). Upstream Market Monopoly, Asymmetric Competition and Social Welfare: On the Nature of the Large and Medium SOEs' Profit. *Economic Research Journal*, 46(12), 86–96 (In Chinese).
- Ma, X., Yao, X., & Xi, Y. (2006). Business Group Affiliation and Firm Performance in China's Transition Economy: A Focus on Ownership Voids. *Asia Pacific Journal of Management*, 23(4), 467–483.
- Pan, S., & Li, Y. (2012). On the Deepening Reform and Scientific Development of the Central Enterprises. *Contemporary Economic Research*, 11, 1–6 (In Chinese).
- Shen, M.H., Xie, G.X., & Chu, P.F. (2020). Research on the Innovation Incentive Effect of Guangdong – Hong Kong – Macao Greater Bay Area Strategy: Test Based on DID Method. *International Economics and Trade Research*, 36(12), 82–98.
- Sullivan, D. (1994). Measuring the Degree of Internationalization of a Firm. *Journal of International Business Studies*, 25(2), 325–342.
- Tang, B., Tian, L.W., & Cao, J.Z. (2012). How Does M&A Create Value—Based on the Case Study of M&A of China Eastern Airlines and Shanghai Airlines. *Management World*, 11, 1–8. (In Chinese)
- The State Council. (2016). Guiding Opinions on Promoting the Structural Adjustment and Restructuring of Central Enterprises. Retrieved September 28, 2022, from http://www.gov.cn/xinwen/2016-07/26/content_5095078.htm
- Wu, C.Q., & Qian, T. (2011). Business group affiliation and the governance of state-owned enterprises. *Economic Research Journal*, 46(6), 93–104 (In Chinese).
- Xu, Y.K. (2019). A Literature Review of Managerial Political Promotion of State-owned Enterprises. *Journal of Zhongnan University of Economics and Law*, 4, 36–45 (In Chinese).
- Zhai, S.B., Xu, Y.Q., & Yang, D.M. (2015). Can media supervise state-owned enterprise executives non-pecuniary compensation? *Accounting Research*, 5, 57–63 (In Chinese).
- Zheng, H.H., & Meng, L. (2011). The Historical Evolution & Developmental Research about the Reshuffle of the Central Enterprises. *Research on Financial and Economic Issues*, 3, 104–110 (In Chinese).
- Zou, J. (2014). *The research of strategic restructuring and international competitiveness promoting on the central enterprise*. Doctoral dissertation, Jilin University (In Chinese).