Introduction

Capitalism has reinvented itself once again in the wake of the global financial crisis of 2007 and in the following two decades or so. This last reinvention has taken the form of what early twenty-first-century scholars and observers have called the “return of state capitalism” – especially in the context of emerging economies (Alami & Dixon, 2020; Bremmer, 2008; Economist, 2012; Grossman et al., 2023; Musacchio & Lazzarini, 2014; Musacchio et al., 2015; Wright et al., 2021). This trend has brought a renewed interest in state-owned enterprises (SOEs),[1] which are a central element of state capitalism (Kurlantzick, 2016). During the post–World War II era, SOEs were used as agents of public policies in a broad range of countries – from Soviet economies to Western planned capitalist economies such as Italy and France (see, for France, Loriaux, 1999; for Italy, Barca, 1997). Such economic policies were premised on the simple ideas that important resources and services – such as coal, steel, and telecommunications – should be controlled by the state (see Giannetti, 2013) and that corporate and industrial planning would be best performed under the umbrella of the state (O’Hara, 2013). The decades since the 1980s then saw a turn against SOEs and state involvement in the economy – accelerated by the fall of Soviet Communism in the early 1990s – which led to a vast trend toward privatization of SOEs in most of these countries, across many sectors, for a number of decades.

However, the corporate governance scandals of the early twenty-first century in the US (Enron in particular) and the global financial crisis of 2007–2008, together with the assertive use of state tools in relatively successful catch-up development strategies in several large emerging economies – in China, Brazil, Turkey, and India in particular – in the late twentieth and early twenty-first centuries have shaken the confident belief in market forces and private companies’ ability to provide economic growth and prosperity for citizens. This has led to a timid rediscovery of industrial policy and state ownership as legitimate state strategies to promote growth and structural change in the economy. This rediscovery has appeared particularly topical in view of low growth rates in many Western countries and the urgent need for a green economic transition. In this context even very economically liberal countries or groups of countries like the EU, the US, and the UK have recently turned toward more state-interventionist

[1] We define SOEs as commercial enterprises that are part of the state bureaucracy and that are legally independent entities, but whose shares are to a significant degree owned by the state or its agencies. Ownership stakes can range from full ownership to minority stakes held by the state (Musacchio et al., 2015). Our definition of SOEs does not cover companies that are influenced or controlled by the state through means other than ownership – for example, through preferential loans or regulation and governance mechanisms like “golden shares” (Fuller, 2016; Musacchio et al., 2015), although, as we point out later, non-ownership ties clearly matter for SOEs.

economic policies, including industrial policy and state ownership, often through sovereign wealth fund investments.

While the instruments of state intervention in the economy may look familiar and similar to those of the socialist and planned capitalism past, a closer look reveals that the new state capitalism is very different – most importantly, while the attitude toward the role of the state in the economy may have changed, this change is not generally accompanied by a return to socialist ideology or economic theories. Rather, the new state capitalism is adopted across a broad variety of economic regimes, from (nominally) socialist countries like China to liberal economies that continue to very largely defend capitalist and pro-market discourses. This has led in most cases to a less resolute and at times somewhat reluctant use of the traditional instruments of state capitalism by the latter, but also to a more pragmatic mixing of market and state in more resolutely interventionist and at times less democratic states (see, e.g., Cuervo-Cazurra et al., 2014). Under what one may call "old state capitalism" of the socialist and planned capitalist type (compare with Sperber, 2019), SOEs were often viewed as instruments of the state, established and used to carry out public policy goals like innovation (Bernier, 2017; Tonurist & Karo, 2016), social and political cohesion, and stimulating economic growth and development (Thynne, 2011). Implicitly or explicitly, SOEs were considered to lack autonomy, existing simply to implement government mandates. In other words, observers assumed that governments had far-reaching control over SOEs, the latter being seen as "extensions of public bureaucracy" (Musacchio & Lazzarini, 2014: 2). This was often literally the case in terms of their legal status as branches of the state rather than legally independent firms.

Some authors pointed out early on that this instrumental view of SOEs may be too limited and that SOE managers may have "managerial discretion" and hence agentic autonomy (Aharoni, 1981, 1982). This insight seems all the more important regarding today's state capitalism. "Leviathan 2.0," as Musacchio and Lazzarini (2014) call it, is characterized by different mechanisms through which the state exercises its influence over the economy. In particular, state ownership in general should not be equated with the kind of traditional full state ownership that is managed by central ministries. In many cases, the state is a majority shareholder, but not the only one. There are also cases where the state is a minority shareholder – which implies new types of state–SOEs relations (Musacchio & Lazzarini, 2014).

Non-ownership ties matter, too – even when only supplementing state ownership. For instance, in their work on Polish SOEs Bałtowski and Kozarzewski cite, as instances of non-ownership ties, the Polish state's "golden share" – that is, veto right over important decisions – in some SOEs, its "dominant shareholder position" in others, and the statutory voting caps imposed on certain SOEs (Bałtowski & Kozarzewski, 2016). This is true beyond national varieties of state capitalism (Musacchio et al., 2015) and regardless of the multiple conceptual and theoretical questions raised by the notion of state capitalism (Alami, 2023; Alami & Dixon, 2024; Alami et al., 2022).

The new state capitalism has important consequences for the agentic autonomy of SOEs. There is a growing body of evidence suggesting that, despite being more strongly embedded in state-created institutions than most private firms, SOEs have agency and do not just passively respond to state dictates.[2] They are not mere instruments of the state, but rather actors in their own right.

Actually, prior work had already established that even in contexts where the state plays a very dominant role and where SOEs are fully state-owned – for instance, in state socialist Europe before 1989 and in China prior to 1978 – SOE managers had leeway to pursue their own goals (Stark & Bruszt, 2001). In post–World War II Europe, too, conflicts between government ministries and the SOEs' top management teams existed. Later studies on SOEs in the context of post-socialist transition also emphasize the existence of spaces of agentic autonomy for SOEs in which they can pursue their own strategies (Markus, 2008; McDermott, 2004, 2007). Thus, SOEs may benefit from some degree of structural (budgetary, financial, legal) autonomy that empowers SOE managers, especially in their relationships with the state shareholder (Hafsi et al., 1987; Vernon, 1984). This may lead to an "impunity effect" whereby SOEs are afforded more leeway than privately owned companies to disregard or ignore laws and regulations, despite being part of the state bureaucracy in a wider sense (Cuervo-Cazurra et al., 2014).

This hints at the importance of conceiving of SOEs not as homogenous actors that passively submit to the state's mandate but as composite economic actors in their own right. Upper echelon theory (Hambrick & Mason, 1984) suggests that the role of top management teams is particularly important to understand the agency of organizations. Those top management teams can be of various kinds depending on their composition and how their members were appointed.[3] In the traditional state socialist systems, SOE top management teams were typically appointed through communist nomenklatura processes. In (semi-)democractic settings, top management teams are appointed on the basis of partisanship, electoral cycles, or relationships to governing elites (including royal families and party loyalties). Still other top management teams are appointed through technocratic and meritocratic procedures. Importantly, these different appointment procedures imply different

[2] See Butzbach et al., 2022, which lays the foundations for this Element's arguments.
[3] Thanks to an anonymous reviewer for pointing that out.

types of incentives and ties between SOE top management teams and state actors, which will have important consequences for SOE agency (see Section 3).

Scholarly work suggests that the agentic autonomy of SOE top management teams has increased further under the new state capitalism. Most importantly, while traditional SOEs were often firmly and unquestionably part of the state bureaucracy, modern SOEs are characterized by a porous and transient state ownership, where increases and decreases in state ownership share are frequent (Peng et al., 2016) and where a broad range of types of state ownership, from full ownership to majority or minority share ownership, exists (Musacchio & Lazzarini, 2014). In many cases, the state is not the only shareholder in SOEs (Rodrigues & Dieleman, 2018). Here, minority shareholders may wield considerable influence over SOE decisions, especially if the SOE is stock-market listed (Musacchio et al., 2015). The increasingly complex and varied ownership structures of SOEs are loosening the state's grip on SOEs and giving SOE managers more leeway than the classical "SOEs as a tool" view would predict (Markus, 2008, 2012; Stark & Vedres, 2012).

Different states also use different organizational vehicles and governance mechanisms to manage state-owned assets. State ownership can be directly exercised by ministries, or the state can set up an investment fund or resort to a public pension fund to exercise its ownership and control rights over SOEs (Okhmatovskiy, 2010). Such variation in ownership, control, and governance mechanisms opens up a larger space for strategic autonomy for SOE top management teams. Because multiple state actors may formally be responsible for monitoring SOE managers, issues of free-riding on the monitoring efforts of others may arise and/or SOE managers may be able to play off one state actor against another (Apriliyanti et al., 2024; Estrin & Gregorič, 2022; Lazzarini et al., 2021; Musacchio & Pineda Ayerbe, 2018). Overall, the more complex and variegated ownership and governance relationships between states and modern SOEs are opening up spaces in which SOE top management team agency can thrive.

Another reason why more agentic autonomy might be presently attributed to SOEs than in the past concerns the multiplicity of goals that SOEs may be led to pursue, from the public policy goals that may be imposed by the state shareholder – which may be numerous and varied (Vernon, 1984) – to the commercial goals required for the financial and operational sustainability of the SOEs' business – which may be different from what the state shareholder wants. Although such multiplicity of goals was considered in past studies of SOEs (Heath & Norman, 2004), especially in cases of "mixed ownership" (Brooks, 1987), the ubiquity of partial state ownership SOEs in the new state capitalism reinforces the effect that such multiple "bottom lines" may have on SOEs' agentic autonomy. Moreover, in the current context of multiple crises (environmental, political, social), SOEs are even more called upon to simultaneously pursue commercial, social, political, and environmental goals (Adebayo & Ackers, 2022; Musacchio et al., 2015; Teng et al., 2018). Moreover, agency theorists claim that SOEs are subject to lax monitoring (Heath & Norman, 2004; Shleifer & Vishny, 1998) and soft budget constraints, whereby SOEs do not face the same pressures to achieve profitability and efficiency as private firms, because the risk of bankruptcy is eliminated due to the possibility of state bailouts (Kornai et al., 2003). This further enhances SOE managers' leeway to act and decide autonomously from state shareholders.

Nowhere is SOEs' agentic autonomy more evident than in the case of state-owned multinational corporations (SOMNCs). In some cases the internationalization of SOEs is the result of the state pushing SOEs to internationalize as part of a developmentalist or geopolitical strategy (Bass & Chakrabarty, 2014; Finchelstein, 2017; Mariotti & Marzano, 2019). In such situations, internationalization reduces, rather than increases, SOE agentic autonomy, as the state can be expected to try to closely monitor SOMNCs' activities' alignment with state goals. However, when SOEs internationalize in pursuit of commercial or strategic goals set by the top management team rather than being pushed by state authorities, their top management teams can build alliances with stakeholders other than their state shareholder (Choudhury & Khanna, 2014), sometimes other states (Fernandez et al., 2023); SOMNCs can even become co-owned by foreign MNCs (Mariotti & Marzano, 2020). This allows SOE top management teams to mitigate or escape the grip of the domestic state shareholder. This "power escape" can explain why many SOEs have become SOMNCs (Cuervo-Cazurra et al., 2014).

Managerial autonomy in SOEs has traditionally been viewed negatively as a source of inefficiencies (Galal & Shirley, 1995) or corruption (Shleifer & Vishny, 1998). More recent studies, however, have shown that under certain circumstances SOE management autonomy can lead to positive outcomes, such as enhanced innovation activity (Lazzarini et al., 2021). However, a realistic conceptualization of SOEs' agentic autonomy should not only focus on their ability to freely pursue business or commercial strategies; it should also capture another important and often neglected aspect of SOEs in an increasingly politicized world, namely, what scholars call SOEs' nonmarket strategies. These are strategies – such as political lobbying or social projects – that companies adopt to manage their political and institutional environment beyond the marketplace (Mellahi et al., 2016). Academics have recently started to turn their attention toward this aspect of SOE agency, conceiving of SOE managers as institutional actors that have to deal with different, often conflicting pressures and expectations stemming from different institutional settings (Guo et al., 2017; Jing & McDermott, 2013; Raynard et al., 2020; Voinea & van Kranenburg, 2018).

This Element extends the conversation about the return of the state as an economic actor by investigating the factors that determine SOEs' leeway to change, maintain, or create the institutions (i.e., the rules of the game) under which they have to act – an activity that organization theorists call institutional work (Lawrence et al., 2009). In other words, we emphasize here the nature of SOE top management teams as institutional actors. Our premise, drawing on the above discussion, is that SOE top managers are not mere agents of the state; rather, they actively participate in strategies aimed at either changing or maintaining the institutional environment in which they operate. Given the political implications of state ownership, we argue that SOEs' top managers may play a particularly prominent – but largely neglected – role in influencing the country's institutional environment and thus the context for doing business.

We refer to the academic literature on "institutional work" – defined as any purposeful action aimed at maintaining or altering an SOE's institutional environment – to capture this aspect of SOE agency (compare with Lawrence & Suddaby, 2006; Lawrence et al., 2009, 2011; McGaughey et al., 2016).[4] Institutional work provides a way out of the "paradox of embedded agency" (Holm, 1995; Seo & Creed, 2002) that Holm (1995: 398) summarizes in the following way: "How can actors change institutions if their actions, intentions, and rationality are all conditioned by the very institutions they wish to change?" Institutional work provides an answer to that question. In the context of the new state capitalism, institutional work undertaken by SOE top management teams can range from Taiwan's Taiwan Semiconductor Manufacturing Corporation (TSMC) maintaining the Taiwanese state's industrial policy institutional focus on the TSMC itself rather than other segments of the semiconductor industry, to SOEs trying to change institutions, such as EDF lobbying in Brussels *against* the French government's position on clean energy regulations. One bold SOE top manager, David Maxwell of Fannie Mae, pushed the state to create whole new – and ultimately very risky – institutions to finance mortgage lending. The impact that these actions ultimately had on the world's financial system – as revealed during the global financial crisis – illustrates just how important SOE institutional work may be.

[4] It is important to point out that in this Element we do not assess whether SOE institutional work is positive or negative developmentally, as the outcomes of SOE institutional work are beyond the scope of our framework. We simply argue here that, through institutional work, top management teams can pursue institutional change, maintenance, or creation. Whether such change, maintenance, or creation is good or bad depends on one's metrics and time frame.

Given the importance of such SOE actions, we seek to answer this overarching research question: What factors determine SOE top management teams' resources, scope, and motivations to defy the state's grip on their SOE and pursue institutional work? We conceive of SOEs as boundedly rational purposive actors whose motives and capability to act are shaped by the institutional setting in which they are embedded. This is a key premise of the historical institutionalist theorizing on institutional change in political science (Mahoney & Thelen, 2010; Pierson, 2004; Thelen, 2004). Indeed, from that perspective, even institutional maintenance requires purposeful action.

Combining the institutional work and historical institutionalist literatures allows us to develop a comprehensive theoretical framework to understand the phenomenon of SOE top management teams' embedded agency. Institutional work provides a more micro-level perspective, which we complement with a more macro-level historical institutionalist perspective that provides a political economic conceptualization of institutional dynamics and compensates for the limitations of institutional work. We thus acknowledge the importance of political factors in SOEs' institutional environment. We contribute simultaneously to the understanding of SOEs' agency and to the theory of institutional change in the institutional work and historical institutionalist literatures.

This Element is organized as follows: Section 1 will present and discuss our analytical framework and the way we use institutional work to overcome the paradox of embedded agency in SOEs. Sections 2, 3, and 4 will examine the various factors that determine the likelihood of the undertaking of institutional work by SOEs' management. In particular, Section 2 will analyze how the state's financial policies, including financial repression, and industrial policies orientation toward SOEs shapes the resources, motivations, and goals of the SOE top management teams to engage in institutional work to shape the state capitalist systems they are embedded in; Section 3 will focus on the "meso" level, that is, the state-governance system; and Section 4 will focus on the ways industry-level characteristics shape SOEs' embedded agency. Section 5 combines all levels to propose a general understanding of SOEs' institutional work. The Conclusion contains with a discussion of the broader implications of our argument, for both the (in)stability of contemporary capitalism and the future trajectories of the "new state capitalism."

1 A Multilevel Institutional Work Perspective on SOE Agency

As discussed in the introduction, a growing stream of empirical research shows that, contrary to still widespread views about them, SOEs are not mere tools of the state. Rather, they often actively engage in autonomous actions aimed at maintaining or transforming the environment they are embedded in. This concerns not only their competitive position in the marketplace but also their embedding in normative societal and state-made regulatory and legal frameworks, which scholars refer to as institutional environment. Institutions – broadly defined as the "rules of the game," both formal and informal (Hodgson, 2006) – put pressure on organizations and individuals to adapt to what is legally binding, societally expected, or more generally considered "the right thing to do" or the appropriate way to behave (DiMaggio & Powell, 1983). However, institutions also provide organizations with resources and capabilities that enable certain strategies and practices – such as high-quality production relying on highly skilled workers whose skills in turn are a result of the institutional system – that would not be possible without institutional support (Jackson & Deeg, 2008).

Institutions vary across capitalist economies (Hall & Soskice, 2001) as well as within different varieties of state capitalisms (Musacchio et al., 2015; Wright et al., 2021). The way in which SOEs and their top management teams seek to influence the institutional environment they are embedded in – in other words, to perform institutional work – can hence be expected to vary as well. The goal of this Element is precisely to identify – based on the organization theory and historical institutionalist literatures – which factors allow us to understand how and when SOE institutional work varies.

Institutional pressures and support for SOEs exist at different levels – the country level, the sector level, the level of SOE governance, among others. We discuss institutional factors influencing SOE leeway for agentic work at all of these levels to develop a multilevel understanding of SOE agency under the emerging new form of state capitalism.

1.1 From SOEs' Agentic Autonomy to Institutional Work

While SOEs are closely tied to their state-made institutional environment – composed of formal rules and regulations, but also informal norms pertaining to the appropriate role of SOEs in the economy – they potentially also have the motivations and resources to actively try and shape that environment in order to enhance their strategic leeway and/or their top management teams' own interests and preferences. Academics have proposed the concept of institutional work to better understand this "paradox of embedded agency" (Seo & Creed, 2002).

As mentioned in the Introduction, institutional work captures the purposive actions of individuals and organizations geared toward establishing, maintaining, or changing institutions. Institutions, in turn, may usefully be defined as the "(more or less) enduring elements of social life that affect the behavior and beliefs of individuals and collective actors by providing templates for action, cognition, and emotion, nonconformity with which is associated with some kind of costs" (Lawrence et al., 2011: 53).

In this Element we argue that understanding how SOEs interact with and try to influence the institutional environment they are embedded in requires a nuanced conceptualization of how and why SOEs act. Institutional work provides such a conceptualization by offering a way of understanding SOE agentic autonomy that shows how individual and collective actors interact with the institutional environment they are embedded in. Firstly, institutional work recognizes that institution building is often the result of cumulative and quotidian behaviors by actors who are embedded in the institutional setting (Lawrence et al., 2011). Unlike the often "path-breaking" nature of change and a focus on changing formal institutions through more specific corporate political activities such as lobbying (Mellahi et al., 2016; Mizruchi, 1992), institutional work encompasses actions outside of formal channels of influence (Lawrence et al., 2009). Secondly, institutional work acknowledges that actions aimed at transforming the institutional environment do not necessarily have to lead to radical change, but can trigger incremental institutional change (Liu et al., 2016). Thirdly, while purposive, institutional work can affect institutional change or maintenance indirectly as a result of actions targeted at other goals than institutional maintenance or change. Indeed, the notion of intentionality lies at the core of the institutional work concept (Battilana & D'Aunno, 2009). As such, institutional work conceives of agency as "an ongoing activity whereby actors reflect on and strategically operate within the institutional context where they are embedded" (Lawrence et al., 2011: 55). Here, intentionality consists of a variety of behaviors, ranging from habitual enactment of taken-for-granted schemas, over conscious and strategic future-oriented transformation of existing institutions, to pragmatic responses to environmental forces (Battilana & D'Aunno, 2009; Emirbayer & Mische, 1998). In some of these cases institutions are not the intended object of agency. Rather, actors shape institutions while pursuing other objectives (Smets & Jarzabkowski, 2013).

The concept of institutional work has been usefully applied to analyzing the interactions between actors and the state apparatus. Thus, Micelotta and Washington (2013) used institutional work to explain how Italian legal professionals successfully opposed governmental reform attempts that would have affected their professional status. Similarly, Yan and colleagues (2018) applied the concept of institutional work to Chinese firms to understand how their interactions with the Chinese state coproduce the institutional context stimulating outward foreign direct investment and thus firm internationalization.

More so than private enterprises, SOEs are considered to be strongly embedded in their institutional environment. This embeddedness may be a source of political constraints on their operations, which is amply explored in the literature on SOEs, especially in relation to economics (see, for instance, Inoué, 2020), but it may also confer political legitimacy on SOEs (Li & Zhang, 2007; Marquis & Qian, 2013). Thus, SOEs' actions can be expected to have political consequences. In many cases they can be expected to be in line with governmental policies and ideology (Hofman et al., 2017). Yet, particularly during periods of "institutional transition" toward a more market- and rules-based – and therefore less state-dominated – institutional order (Peng, 2003), SOEs may see their political influence and legitimacy decline. This may generate incentives for SOEs to challenge policies adopted by pro-market reform governments. Consequently, SOEs may act as a conservative force seeking to maintain the existing institutional order (Micelotta & Washington, 2013). In such situations, SOE top management teams can be expected to leverage political resources to attain their institutional goals of maintaining the status quo.

In yet other cases, SOEs' top management teams may seek to actively change their institutional environment. Specifically, SOEs may use institutional work to reduce the constraints imposed on them by their deep embedding in state-made institutions. This phenomenon has been central in studies on SOE internationalization whose starting point is the view of SOEs as "captives of the state" (Rudy et al., 2016: 76). From this perspective, the key motivation for SOE internationalization is political rather than commercial and associated with goals related to the home country's national interest. Yet, the more recent "power escape" perspective (Clegg et al., 2018; Cuervo-Cazurra et al., 2014; Rodrigues & Dieleman, 2018) indicates that internationalization can allow SOE top management teams to escape the constraints imposed by state ownership by reducing dependence on the government for resources. Internationalization can also constitute the trigger for SOE top management teams to recognize the possibility and desirability of power escape in the first place. Thus, Rodrigues and Dieleman (2018: 40) quote Malaysia's Petronas top management team "as saying they regretted being the government's number one 'piggy bank' as they would rather invest in continued globalization."

To understand when and why SOEs engage in institutional work to try to either maintain or change the institutional constraints they are facing, we need to take into account factors at different levels of a country's institutional environment. These levels constitute both a target of institutional work and its determinant.[5]

[5] The notion of "institutional environment" may suggest that institutions are external to the firm. Yet, institutions are often constitutive of SOEs themselves and institutions can be (co-)created through SOEs' organizational strategies (Lawrence & Suddaby, 2006). Therefore, the assumption of exogeneity may be debatable in the case of SOEs even more than in the case of private firms