Policy Coordination and Corporate Global Expansion

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Abstract. The relationship between "policy enthusiasm" and "corporate reluctance" has become a focal point for both academia and policymakers. This study employs data from Chinese A-share listed companies (2002–2024) and big data from local government work reports, utilizing a fixed-effects model to empirically examine the impact of policy coordination on corporate globalization. Findings reveal that policy coordination significantly promotes corporate globalization. Specifically, stronger government coordination in governance objectives correlates with higher frequencies of corporate foreign direct investment. Further analysis reveals that policy coordination enhances corporate internationalization through three pathways: reducing transaction costs, increasing the real option value of overseas strategic assets, and internalizing institutional advantages. The promotional effect is more pronounced for state-owned enterprises and firms in western China. This study illuminates the significant impact of internal structural characteristics within the policy system on corporate internationalization strategies, deepens micro-mechanism research on the institutional foundation perspective, and provides empirical evidence and policy insights for building a holistic government and enhancing the global competitiveness of Chinese enterprises.

Keywords: Policy coordination, Corporate internationalization, Foreign direct investment, Institutional foundation perspective.

1 Introduction

Amidst the current global economic restructuring and challenges, a perplexing contradiction has emerged: On one hand, Chinese governments at all levels have rolled out unprecedented preferential policies to encourage corporate globalization, creating an exceptionally strong institutional push. On the other hand, Chinese enterprises face increasingly arduous paths overseas—suffering setbacks in high-risk markets and encountering stringent scrutiny in developed countries. Their overall overseas survival rates and investment efficiency have not risen in tandem with policy investments. This stark contradiction reveals that the relationship between home country support and successful corporate internationalization is not a simple linear one. The success of internationalization may not hinge on the "quantity" of policy supply, but rather on its "quality"—specifically, the coherence between different policy objectives and instruments.

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This contradiction points to a significant gap in existing theory. Mainstream international business theories, such as the institutional foundations approach, while thoroughly demonstrating the importance of the home country's institutional environment for corporate internationalization, mostly treat "institutions" as a vague backdrop or a series of independent variables. These studies excel at comparing the effects of "policy presence versus absence" but struggle to analyze how the internal structure of multiple coexisting policies—such as synergistic effects, conflicting internal friction, or redundancy—influences the strategic behavior of micro-level enterprises. Policy coordination, a core concept in public administration, has yet to be systematically integrated into frameworks analyzing corporate internationalization. Consequently, The core research questions are: How does policy coordination affect the likelihood and success probability of Chinese enterprises going global? What are its underlying mechanisms? Furthermore, does this influence exhibit heterogeneity across enterprises with different ownership structures and across different regions?

This study offers dual contributions. Theoretically, it transcends traditional research's singular focus on policy "quantity," shifting the analytical emphasis to the structural characteristics of policy "quality." This advances the micro-mechanism of the institutional foundation perspective, providing a new analytical lens for understanding corporate strategy within complex institutional environments and enriching the theoretical framework linking state capacity and corporate internationalization. At the practical level, for China's economy currently navigating a critical phase of transformation and upgrading, the ability to systematically integrate and optimize its multidimensional policy framework—encompassing industry, technology, finance, environmental protection, and more—into a coordinated "whole-of-government" approach directly impacts the enhancement of Chinese enterprises' global competitiveness. The findings provide rigorous empirical evidence and decision-making support for promoting cross-departmental and cross-level policy coordination reforms, and for building a "holistic government" capable of effectively reducing systemic risks in overseas operations. This will help Chinese enterprises navigate the uncertain global landscape with stability and resilience.

2 Literature Review

In recent years, academic research has delved deeply into the internal efficacy of policy coordination and the singular drivers of overseas expansion, respectively, forming two closely related yet not fully converged strands of literature. On one hand, studies on the domestic effects of policy coordination are already quite extensive. Scholars generally agree that the combined influence of multiple policies surpasses the simple sum of individual policies, generating a synergistic enabling effect where "1+1>2" through various mechanisms [1-4].On the other hand, research on the drivers of Chinese enterprises' overseas expansion continues to deepen, with existing literature primarily focusing on the driving role of single policy types or specific factors[5-9].

However, the above literature struggles to fully explain the paradox examined in this study: Why does the overall effectiveness of Chinese enterprises' overseas expansion remain challenging despite the continuous introduction of supportive policies? While existing research demonstrates that policy coordination can systematically enhance domestic corporate performance, it fails to track how this synergy translates into successful overseas market entry and operations. While domestic-level research has advanced toward sophisticated policy portfolio paradigms, studies on corporate internationalization—a similarly complex and high-risk strategic decision—remain stuck treating various support policies as isolated events. They focus narrowly on their discrete effects, failing to deeply examine whether and how the structural characteristics of internal synergies or non-synergies within a coexisting policy mix systematically influence and empower corporate internationalization decisions and performance.

Thus, while existing research provides a solid foundation for this paper, it also highlights the space for innovation in this study. This research seeks to address whether and how a highly synergistic policy system can mitigate the systemic uncertainties faced by enterprises going global by providing stable institutional expectations, clear strategic signals, and consistent action support, thereby resolving the dilemma of coexisting "high policy investment" and "high internationalization risk." This shift in research perspective does not merely replace existing single-policy studies but deepens and integrates them. By building a theoretical bridge between policy coordination and corporate internationalization, this study not only enriches and expands the application boundaries of policy coordination theory but also seeks to provide a more systematic and holistic explanatory framework for corporate internationalization motives. This offers new theoretical insights into understanding the complex interactions between macro-level governance quality and micro-level international strategies.

3 Mechanism Analysis and Hypothesis Development

Policy coordination helps build a trustworthy institutional environment, effectively reducing the transaction costs enterprises face when expanding overseas and unlocking their willingness to make long-term strategic investments. For enterprises to take deep root in host countries, they often need to establish close cooperative relationships with overseas partners and commit substantial resources that cannot be easily repurposed. Should such partnerships break down, these investments would depreciate significantly, creating a risk of being “locked in.” Consequently, enterprises’ willingness to invest is highly dependent on their assessment of the stability of the future cooperative environment. A coordinated policy framework conveys the state’s long-term, stable strategic commitment, alleviating enterprises’ concerns about sudden policy shifts and reducing transaction costs stemming from environmental uncertainty. This drives enterprises to ascend the global value chain from low-profit segments to high-profit segments, facilitating their transformation from passive participants to value creators.

The institutional commitments formed through policy coordination alter the financial paradigm by which enterprises assess risk, and endow them with superior dynamic investment capabilities. Enterprises’ overseas investments can be viewed as a portfolio of future options, the value of which is highly dependent on the predictability of the environment. Policy coordination preserves and enhances the strategic value of these options by stabilizing expectations. Consequently, corporate investment models shift from rigid “one-time investments” to flexible “phased” strategies: first, exploratory investments to gather information; second, exercising “expansion options” based on feedback; and finally, implementing large-scale investments once uncertainty has diminished. This sequential decision-making process enables enterprises to learn and manage risks dynamically at controllable costs, thereby significantly increasing the overall success rate of overseas investments.

Policy coordination helps enterprises internalize the “dual institutional advantages” of both their home and host countries as core competencies, and reshape global value chain rules by actively participating in—or even leading—the development of emerging compliance standards. When high-standard domestic policies in areas such as environmental protection and data security remain coordinated and stable, the compliance capabilities enterprises accumulate to meet these requirements are transformed into “institutional knowledge assets” deeply embedded within the organization. When entering overseas markets, this pre-internalized high-standard capability becomes a significant “compliance efficiency advantage.” When a cluster of leading enterprises—having grown under the same coordinated policy environment and possessing similar high-standard capabilities—expands overseas, the technical specifications and governance models they collectively practice have the potential to become industry standards. By participating in the formulation and promotion of international standards, enterprises can secure the strategic high ground of “rule-setting authority” and gain long-term, sustainable competitive advantages.

Hypothesis 1: Policy coordination facilitates corporate globalization.

4 Variable Setting and Model Selection

4.1 Sample Selection and Data Sources

This study utilizes data from Chinese A-share listed companies spanning 2002–2024. The following data processing steps were implemented: (1) Given significant operational and financial differences between financial and non-financial firms, samples from the financial and insurance sectors were excluded; (2) Companies classified as ST or *ST were removed; (3) Samples exhibiting obvious financial data anomalies were discarded;(4) Samples with incomplete data within the statistical year were deleted. The core variable "policy coordination" was derived by analyzing keywords related to collaborative governance mentioned in government work reports. This study counted the frequency of keywords associated with collaborative governance—such as complementary advantages, collaborative governance, win-win cooperation, and resource sharing—within government work reports. These counts were normalized by the total word count of the reports to obtain a government collaborative governance objective-oriented variable. To mitigate the potential impact of outliers on test results, continuous variables underwent trimming at the upper and lower 1% extremes. All variable data were sourced from Wind and CSMAR databases, with data processing conducted using Stata 19.0 econometric analysis software.

4.2 Variable Definitions and Measurement

Corporate Overseas Expansion. The dependent variable ofdi is a logarithmic variable representing the number of times a firm engages in outward direct investment.

Policy Coordination. The explanatory variable cov represents the government's collaborative governance orientation. When the government work report mentions collaborative governance matters more frequently, it indicates a stronger orientation toward collaborative governance among government departments. A higher value of this variable suggests greater emphasis on collaborative governance by government departments.

Control Variables. Drawing from existing literature on corporate globalization, the model incorporates the following control variables: Return on Assets (ROA), calculated as net profit divided by total assets; Growth, measured by the company's sales growth rate; Board Size (Board), represented by the natural logarithm of the number of board members in listed companies;Big4 Audit: takes a value of 1 when audited by one of the Big Four accounting firms, and 0 otherwise. The model also incorporates corporate governance variables: Top Shareholder Concentration (Top1), equal to the proportion of total shares held by the largest shareholder.

4.3 Model Construction

To examine the impact of policy synergy on corporate overseas expansion, a fixed-effects model was employed for regression analysis, constructing regression model (1).

$$ofdi_{it}=\beta_0+\beta_1*cov_{it}+\sum\alpha_k controls_{it}+\varepsilon_{it}+\lambda_t+\mu_i \tag{1}$$

Here, The dependent variable ofdi represents the logarithm of the number of times a firm engages in outward direct investment. The independent variable cov denotes government coordination governance orientation, control is the relevant control variable, and ε is the random disturbance term. i and t denote firm and year, respectively, while controlling for annual fixed effectsλ_t and industry fixed effectsμ_i . k indicates the number of control variables, andβ_0 represents the constant term.β_1 represents the coefficient of the independent variable. Furthermore, based on the theoretical analysis in this paper, we expect the regression coefficient for the logarithm of the number of foreign direct investment by firms in model (1) to be significantly positive.

5 Empirical Analysis

5.1 Descriptive Statistics

The descriptive statistics in Table 1 reveal that the mean value of the government sector's collaborative governance orientation (cov) is 0. The mean of the logarithm of the number of outward foreign direct investment (ofdi) transactions is 0.329, indicating that the overall level of average foreign direct investment frequency among the sample enterprises is relatively low, with most enterprises likely having not yet engaged in or having limited foreign direct investment activities. The standard deviation is 0.59, indicating a certain degree of dispersion in foreign direct investment behavior among different enterprises, with notable inter-firm variations. This variation may be related to the distribution characteristics of the independent variables or may result from the combined influence of factors such as the enterprises' own operational conditions, governance structures, and external audit environments. Furthermore, the statistical characteristics of each control variable are consistent with existing research, providing a solid data foundation for subsequent empirical analysis.

Table 1. Descriptive statistics analysis.

Variable	Obs	Mean	Std. Dev.	Min	Max
ofdi	47526	0.329	0.59	0	2.565
cov	47526	0	0	0	0.001
ROA	47526	0.034	0.067	-0.556	0.222
Top1	47488	0.338	0.149	0.075	0.758
Board	47484	2.118	0.203	1.609	2.708
Growth	43790	0.146	0.407	-0.673	5.076
Big4	45461	0.062	0.242	0	1

5.2 Benchmark Regression

Table 2 presents the results of the baseline regression analyzing the effect of the government sector’s collaborative governance orientation (cov) on the logarithm of the number of outward foreign direct investment (ofdi) transactions. Column (1) of Table 2 shows that when controlling for return on assets (ROA), growth, board size, top shareholder concentration, Big4 audit, and time fixed effects, the coefficient of the independent variable is 44.1247 and remains highly significant at the 5% level.In Column (2), after further controlling for industry fixed effects, the coefficient of the independent variable is 44.0278, remaining highly significant at the 5% level. This result carries significant economic implications, indicating that a one-unit increase in the independent variable leads to an average increase of approximately 44.0278 units in the dependent variable. This coefficient suggests that a one-unit increase in the government's collaborative governance orientation results in an average increase of approximately exp(44.0278)−1 times in the frequency of a firm's foreign direct investment, representing exponential growth. This clearly demonstrates that Hypothesis 1 receives strong empirical support.

Table 2. Benchmark regression analysis.

	(1) ofdi	(2) ofdi
cov	44.1247**	44.0278**
	(20.36)	(20.08)
ROA	0.2315***	0.2480***
	(0.04)	(0.04)
Top1	-0.0531***	0.0014
	(0.02)	(0.02)
Board	-0.0693***	-0.0027
	(0.01)	(0.01)
Growth	0.0101	0.0042
	(0.01)	(0.01)
Big4	0.3607***	0.3679***
	(0.01)	(0.01)
_cons	0.4752***	0.3161***
	(0.03)	(0.03)
N	41902	41902
R^2	0.134	0.162
year	Yes	Yes
ind	No	Yes

Standard errors in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

5.3 Heterogeneity Analysis

China's economic transformation is characterized by "government-led" and "regional imbalances," and the realization of policy synergy is constrained by firms' micro-level attributes and macro-level regional environments. To this end, this paper conducts a grouped regression based on firms' ownership structure and geographic location; the results are shown in Table 3.

Columns (1) and (2) of Table 3 indicate that policy synergy has a positive impact on the overseas expansion behavior of both state-owned and non-state-owned enterprises, but the magnitude of this impact differs significantly. The regression coefficient for the SOE sample is 81.7394, which is significant at the 1% level, while that for non-SOEs is 23.3259, significant at the 5% level. This is because SOEs have closer ties to the government and can access policy support more directly; their investment decisions align closely with national strategies, allowing policy synergy effects to be fully realized. Although non-SOEs can benefit, their impact is relatively limited due to constraints in resource acquisition and policy response speed.

Columns (3) to (5) of Table 3 show that policy synergy has a positive impact on the overseas expansion behavior of enterprises in the eastern, central, and western regions, but exhibits an asymmetric pattern where “the western region is the strongest, the eastern region is second, and the central region is the weakest.” The regression coefficient for enterprises in the western region is as high as 128.8228, which is significant at the 1% level. This is primarily due to the intensive implementation of national strategies such as the “Belt and Road Initiative” in the western region, the full realization of policy dividends, and stronger incentives for enterprises to “go global by riding on others' coattails.” The coefficient for eastern enterprises is 41.5323, significant at the 10% level, as their internationalization level is already relatively high, leaving limited room for marginal improvement through policy coordination. The coefficient for central enterprises is the lowest at 10.8488, significant at the 10% level, reflecting the relative lack of systematic coordination and implementation intensity of policies in this region.

Table 3. Heterogeneity analysis.

	(1) ofdi	(2) ofdi	(3) ofdi	(4) ofdi	(5) ofdi
cov	81.7394***	23.3259	41.5323*	10.8488	128.8228***
	(29.87)	(26.46)	(25.20)	(39.33)	(47.47)
controls	Yes	Yes	Yes	Yes	Yes
_cons	0.0301	0.2335***	0.3413***	0.1549**	0.0377
	(0.05)	(0.04)	(0.04)	(0.06)	(0.07)
N	15053	26848	29,462	7028	5412
R2	0.126	0.190	0.166	0.208	0.180
year/ind	Yes	Yes	Yes	Yes	Yes

Standard errors in parentheses
$^{*}p < 0.1$, $^{**}p < 0.05$, $^{***}p < 0.01$

6 Conclusions

This study utilizes data from Chinese A-share listed companies between 2002 and 2024, employing government work reports to construct a policy coordination measurement index. It empirically examines the intrinsic mechanism linking the structural characteristics of the policy system to corporate internationalization strategies. The findings reveal that policy coordination significantly promotes corporate overseas expansion: the stronger the government's coordination in pursuing governance objectives, the higher the frequency of corporate foreign direct investment. Further exploration of the mechanism indicates that policy coordination enhances corporate internationalization through three pathways: reducing transaction costs, increasing the real option value of overseas strategic assets, and internalizing institutional advantages. Moreover, compared to non-state-owned enterprises, policy coordination exerts a more pronounced promotional effect on SOEs' overseas expansion, exhibiting an asymmetric pattern where "western regions show the strongest effect, eastern regions the next strongest, and central regions the weakest."

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