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Chinese cross-border acquisitions in developed economies: The organization of knowledge transfer and the impact on business-to-business customer and supplier relationships of the acquired enterprise

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Abstract

This dissertation addresses two research gaps in the literature on Chinese cross-border acquisitions (CBAs) in developed economies (DEs). On the one hand, it examines how knowledge transfer (KT) in the context of Chinese CBAs in DEs is organized on the firm level from an organizational learning perspective. On the other hand, against the background of a rising importance of company networks due to the emergence of the knowledge-based economy, it investigates the impact of Chinese CBAs on the existing business-to-business (B2B) customer and supplier relationships of the acquired enterprise.

Empirically, this thesis employs a multiple case study and investigates Chinese acquisitions in the German industrial sector as a representative sample of Chinese CBAs in DEs. In addition, this thesis carries out a systematic review of the academic literature on the internationalization of Chinese firms (ICF) published between 2011 and June 2017, supplementing a previous review article on this subject by Deng (2012) and ensuring that the empirical investigation is based on the most recent research results.

The findings of this dissertation reveal that the management actions to achieve KT in the context of Chinese CBAs in DEs include the establishment of jointly operated R&D centers and joint ventures, as well as the reaching of license agreements between the Chinese parent company and the acquired target firm. Additional management measures include the training of employees, the formation of international project teams, the use of digital communication tools, and the posting of employees abroad.

Another central finding of this thesis is that while the dominant KT direction remains from the acquired enterprise to the Chinese parent company and knowledge transmission in particular concerns the technological area, KT meanwhile also occurs bi-directionally.

The effectiveness of the KT process is moderated by the absorptive and disseminative capacities of the employees of the Chinese parent company and the acquired firm, knowledge characteristics, and the handling of intercultural issues.

Furthermore, the research results of this dissertation demonstrate that Chinese CBAs in DEs hardly lead to significant and permanent adverse effects on the existing B2B customer and supplier network of the acquired enterprises from DEs. The rather preserving integration behavior of Chinese acquirers, the long-term strategic orientation of the Chinese parent companies and the involvement of key customers during the negotiation phase explain this result.

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List of Abbreviations

B2B	business-to-business
B2C	business-to-consumer
CBA	cross-border acquisition
CRM	customer relationship management
CSA	country specific advantage
CSC	China Scholarship Council
CSR	corporate social responsibility
DE	developed economy
DFG	German Research Foundation
EPRG profile	ethnocentric, polycentric, regiocentric, geocentric profile
EU	European Union
FDI	foreign direct investment
FSA	firm-specific advantage
HRM	human resource management
ICF	internationalization of Chinese firms
ICT	information and communication technology
KT	knowledge transfer
LOF	liability of foreignness
M&A	mergers and acquisitions
MNC	multinational corporation
MNE	multinational enterprise
OEM	original equipment manufacturer
OFDI	outward foreign direct investment
POE	privately owned enterprise

SOE state-owned enterprise
WTO World Trade Organization

CHAPTER 1: INTRODUCTION

1. Introduction

The year 2018 marks the 40th anniversary of the launch of China's economic reform process initiated by Deng Xiaoping in 1978. Since then, the world has witnessed China's rise to become a global economic powerhouse. China's unprecedented economic growth in the last four decades is closely connected to a massive inflow of foreign direct investment (FDI). However, since the turn of the millennium, especially after entering the World Trade Organization (WTO) in 2002 and implementing the "Go Global Policy" in 1999, China has also become one of the major source countries for outward foreign direct investment (OFDI) (Buckley et al., 2018; Si & Liefner, 2014). In 2016, China was the world's second largest investor, behind the USA, with an OFDI investment volume of 183 billion US dollars (UNCTAD, 2017).

While China's OFDI to other developing countries is particularly driven by market-seeking and resource-seeking motives, the key motive of Chinese multinational enterprises (MNEs) for investing in developed economies (DEs) is to source strategic assets and to gain access to advanced knowledge in order to catch-up to their Western counterparts (Boateng, Qian, & Tianle, 2008; Child & Rodrigues, 2005; Deng, 2009; Narula, 2012; Peng, 2012; Schüler-Zhou & Schüller, 2013; Zheng, Wei, Zhang, & Yang, 2016).

One way to achieve that knowledge-seeking goal is to enter DEs through greenfield investments (Child & Rodrigues, 2005; Di Minin, Zhang, & Gammeltoft, 2012; Peng, 2012; Schaefer & Liefner, 2017). The established foreign subsidiaries then serve as a bridgehead to the host countries' national innovation systems (Di Minin et al., 2012; Schaefer & Liefner, 2017).

Nevertheless, as the primary mode of entering DEs, Chinese MNEs use cross-border acquisitions (CBAs) (Deng, Yang, Wang, & Doyle, 2017; Liu & Vrontis, 2017; Peng, 2012; Schaefer & Liefner, 2017). CBAs in DEs enable the Chinese MNEs to instantly takeover the entire knowledge pool of the target firm and subsequently initiate a reverse knowledge transfer (KT) to the Chinese parent company (Anderson, Sutherland, & Severe, 2015; Chen, Li, & Shapiro, 2012; Liu & Deng, 2014; Peng, Qin, Chen, Cannice, & Yang, 2017).

Meanwhile, there is also initial empirical evidence that Chinese CBAs in DEs in fact increase the innovativeness and competitive ability of Chinese MNEs (Anderson et al., 2015; Chen et al., 2012; Edamura, Haneda, Inui, Tan, & Todo, 2014).

However, knowledge on the actions in which Chinese MNEs engage in order to organize the intended KT on the firm level is far from sufficient and as yet only scarcely available (Chen et al., 2012; Deng, 2012; Liu & Deng, 2014; Peng et al., 2017).

Another major shortcoming of research on Chinese CBAs in DEs is that the existing surveys almost exclusively focus on the enterprises directly involved in the Chinese CBAs, namely the Chinese parent company and the acquired DE target. Literature that investigates the impact of Chinese CBAs on enterprises with an upstream or downstream connection to the Chinese parent company or the acquired DE target is virtually non-existent.

In the light of this situation, this thesis is concerned with the following two major research issues:

- 1) The organization of KT in connection with Chinese CBAs in DEs on the firm level.**
- 2) The impact of Chinese CBAs on the B2B customer and supplier relationships of the acquired DE enterprise.**

The empirical evidence of this thesis is predominantly based on an investigation of Chinese CBAs in Germany, as a representative sample of Chinese CBAs in DEs.

In the remaining sections of this introduction chapter, the research background, the research objectives and structure of the thesis, as well as the applied research methodologies are explained in more detail.

2. Research background

This section introduces the theoretical frameworks that are fundamental to understanding the thought process of this dissertation and outlines the current status of knowledge concerning the research issues addressed by this thesis. In addition to the theoretical frameworks of this thesis, this section describes the current political debate on Chinese CBAs in the recipient DEs, in particular in Germany.

2.1 Underlying theoretical frameworks and current status of research

This section briefly describes the theoretical concepts that are used as a framework for the investigation carried out by this thesis. It also outlines the current status of research regarding the issues addressed by this dissertation.

2.1.1 Dunning's taxonomy of foreign production

A fundamental theoretical foundation of this thesis is the taxonomy of foreign production introduced by Dunning (1993, 2000).

According to this concept, the motivations of MNEs for conducting OFDI can be classified into four different groups (Dunning, 1993, 2000; Dunning & Lundan, 2014):

- natural resource-seeking motives
- market-seeking motives
- efficiency-seeking motives
- and strategic asset-seeking motives

In the following sections, each different type of motivation is elucidated.

Natural resource-seeking motives:

MNEs might invest abroad in the form of OFDI to gain or secure access to natural resources that do not exist, or are only available at higher costs in their home country (Dunning, 2000). These natural resources include physical raw materials (e.g. oil and gas), unskilled and semi-skilled labor, and also technological and managerial capabilities (Dunning & Lundan, 2014; Pananond, 2015).

Market-seeking motives:

MNEs might also use OFDI to supply goods or services to new markets or they invest in countries or regions previously served by exports (Dunning, 2000; Dunning & Lundan, 2014; Pananond, 2015). Reasons for entering new markets include the reduction of production and delivery costs due to a closer proximity to the target markets, a more positive image in the recipient country due to a physical presence in the target markets, or a better understanding of local demands (Dunning & Lundan, 2014). In addition, MNEs might invest abroad to sustain existing markets. This is necessary as MNEs might be forced to follow key customers or suppliers that have opened a foreign production facility or to circumvent trade barriers (Dunning & Lundan, 2014).

Efficiency-seeking motives:

Cost-related reasons can also explain OFDI by MNEs. Efficiency-seeking MNEs aim to take advantage of economies of scale and scope effects, thus increasing their cost structure (Meyer, 2015).

Strategic asset-seeking motives:

Finally, MNEs might also engage in OFDI to source strategic assets and in this way advance or sustain their competitiveness (Dunning, 2000; Dunning & Lundan, 2014; Pananond, 2015). Strategic assets are firm-specific resources and capabilities that are scarce, difficult to imitate, and secure the competitive advantage over rivals (Amit & Schoemaker, 1993; Barney, 1991; Dunning & Lundan, 2014). Strategic assets also include the organizational knowledge of an organization (Bollinger & Smith, 2001; Kedia, Gaffney, & Clampit, 2012; Winter, 1998). In contrast to the three other motives for OFDI, the character of this kind of OFDI is less resource-exploiting and more resource-augmenting (Meyer, 2015).

In the case of Chinese CBAs in DEs, the literature widely argues that they are predominantly motivated by strategic asset-seeking motives (Boateng et al., 2008; Child & Rodrigues, 2005; Deng, 2009; Narula, 2012; Peng, 2012; Schüler-Zhou & Schüller, 2013; Zheng et al., 2016). Chinese MNEs use CBAs as a vehicle to gain access to the advanced knowledge of their acquisition targets and to initiate a reverse KT to the Chinese parent company (Zheng et al., 2016). On the one hand, it is technological know-how in which the Chinese acquirers are interested. On the other hand, Chinese CBAs in DEs can also be motivated by gaining access to managerial knowledge such as brand or sales expertise. In this way, Chinese MNEs aim to overcome their competitive disadvantages and to catch up to their Western MNE competitors (Boateng et al., 2008; Child & Rodrigues, 2005; Deng, 2009; Narula, 2012; Peng, 2012; Schüler-Zhou & Schüller, 2013; Zheng et al., 2016).

2.1.2 Organizational learning

Given the knowledge-seeking intention of the Chinese acquirers, another theoretical foundation of this thesis is organizational learning and KT literature. This thesis thereby follows the recommendations by previous studies (Chen et al., 2012; Liu & Deng, 2014).

The core statement of this stream of literature is that an organization constantly needs to learn and develop new capabilities to adapt to ever-changing market conditions in order to create and maintain a competitive advantage (Argote & Fahrenkopf, 2016; March, 1991; Nonaka, 1994; Popova-Nowak & Cseh, 2015; Shrivastava, 1983).

Acquisitions offer the opportunity to accelerate the learning process of a firm by taking over all the knowledge of the acquisition target. Subsequent to the acquisition, the knowledge resources of the acquired firm can then be transmitted across the organization (Bresman, Birkinshaw, & Nobel, 1999; Morosini, Shane, & Singh, 1998).

Previous research on Chinese CBAs argues that the KT through Chinese CBAs in DEs is a function of the absorptive capacity of the Chinese parent companies (Anderson et al., 2015; Deng, 2010; Liu & Woywode, 2013; Narula, 2012; Yang, Yang, Chen, & Allen, 2014; Zheng et al., 2016).

However, the organizational learning and KT literature already mentions further impact factors. According to organizational learning literature, KT in an acquisition context results from the interaction between the parent company and the acquired firm during the post-merger integration phase and is moderated by the absorptive capacity of the knowledge receiver, the disseminative capacity of the knowledge sender and the characteristics of knowledge to be transmitted (Gupta & Govindarajan, 2000; Junni, 2011; Minbaeva, 2007; Szulanski, 1996). Hence, the current understanding of KT in Chinese CBAs in DEs might need to be extended.

In addition, relatively little is known regarding the measures with which KT in CBAs in DEs is enhanced on the firm level (Chen et al., 2012; Deng, 2012; Liu & Deng, 2014; Peng et al., 2017). The literature review identified only one such recent survey by Peng et al. (2017), which mentions that the establishment of several joint ventures and common R&D centers supported KT in the Geely-Volvo acquisition case.

2.1.3 Knowledge-based economy

Furthermore, this thesis is based on the consideration that Chinese CBAs in DEs occur in the context of the knowledge-based economy.

The concept of the knowledge-based economy started to appear in the scientific literature in the 1990s and states that the economic growth in DEs is increasingly driven by knowledge, while the more traditional economic input factors capital and labor are becoming less important (De Man, 2008; Johannessen & Olsen, 2010; Liefner, 2016a; OECD, 1996).

The emergence of the knowledge-based economy as the successor of the industrial era also changes the economic structure on the corporate level. Due to the path-dependence of knowledge, corporations in the knowledge-based economy have an incentive to focus on their core-competencies. This trend is supported by developments in the information and communications technology (ICT) sector that has lowered the transaction costs for sharing information and knowledge. Due to the lower transaction costs, more firms outsource parts of the value chain to suppliers (De Man, 2008; Johannessen & Olsen, 2010; Liefner, 2016a; OECD, 1996).

In addition, in the knowledge-based economy, the nature of innovation is changing. As the knowledge content of products has increased, innovations are becoming more complex (Bullinger, Auernhammer, & Gomeringer, 2004). Due to the number of different knowledge domains, individual players can no longer develop all the competencies necessary to create innovation on their own. In the knowledge-based economy, innovations therefore result from inter-organizational collaboration within innovation networks that allow the flexible sourcing of different competencies. The traditional linear model of company-internal R&D efforts as a basis for innovation is thus shifting to a more open model in which network partners source and contribute complementary competencies (Bullinger et al., 2004; Chesbrough, 2003; Chesbrough, Vanhaverbeke, & West, 2006).

In conclusion, production and innovation processes in the knowledge-based economy are more modularized and increasingly characterized by a close inter-company collaboration (De Man, 2008; Johannessen & Olsen, 2010; Liefner, 2016a; OECD, 1996). Hence, well-functioning ties to B2B customers and suppliers have become an important element of an organization's success.

Despite the relevance of B2B customer and supplier relationships in accordance with the knowledge-based economy, previous research on Chinese CBAs in DEs primarily focuses on the firms directly involved in the acquisitions. To the best of my knowledge, empirical evidence explicitly on how Chinese CBAs in DEs affect the existing business relationships of the acquired target is not yet available.

Nevertheless, this thesis derives some guiding assumptions from previous research findings on the internationalization of Chinese firms (ICF). In this regard, this thesis takes into account the cognitive distance between Chinese parent companies and their overseas subsidiaries (Si & Liefner, 2014), the lack of firm-specific advantages (FSAs) of Chinese MNEs and the resulting low procedural acquisition knowledge (Liu & Deng, 2014; Peng, 2012; Rugman, 2009; Zheng et al., 2016), as well as the recognition of China as a country with a low protection of intellectual property (Huang, 2017; Knoerich, 2010). In addition, it considers the typically rather preserving integration behavior of Chinese parent companies (Liu & Woywode, 2013; Marchand, 2017; Schüler-Zhou & Schüller, 2013; Zheng, 2016) and the motives of the acquired targets, which are to access additional funds in order to finance growth strategies and innovation, to improve the market situation in China, and to enter lower-end market segments (Knoerich, 2010).

2.2 Current political debate on Chinese CBAs in DEs

In the political sphere, the increasing number of strategic asset-seeking Chinese CBAs in DEs is subject to critical scrutiny, in the USA as well as in the European Union (EU) (Deng et al., 2017; Hanemann & Huotari, 2015).

As this thesis investigates Chinese CBAs in Germany as a representative sample of Chinese CBAs in DEs, this chapter focuses on the political debate on Chinese investments in the political bodies of the EU and in particular in Germany.

The political concerns about Chinese OFDI in Europe are especially related to the following aspects:

Firstly, the close formal and informal connections between the state and the economy in China cause skepticism. Subject to particular criticism is the fact that Chinese MNEs receive direct state support in the form of low-interest loans. Political actors therefore fear a competition-distorting effect on bidding processes (Hanemann & Huotari, 2015; Jungbluth, 2016).

Secondly, politicians criticize the lack of reciprocity of Chinese OFDI and especially of Chinese CBAs. While the Chinese government actively supports Chinese CBAs in DEs, for example through the “Go Global Policy”, it prohibits at the same time foreign corporate acquisitions in many industries in China (Hanemann & Huotari, 2015; Jungbluth, 2016).

Thirdly, there is the fear that the firm-specific knowledge of the DE target is transferred to China with the result of company closures and job losses in the recipient host countries.

Fourthly, Chinese CBAs attempted or conducted in sensitive infrastructure and military sectors raise national security concerns (Hanemann & Huotari, 2015; Jungbluth, 2016).

Due to these concerns, justified or not, a stronger regulation of Chinese OFDI and the establishment of defense mechanisms is currently being discussed in the policy bodies of the EU (Hanemann & Huotari, 2015; Jungbluth, 2016).

On the national level, the German government therefore revised the German foreign trade regulations (German translation: Außenwirtschaftsverordnung) in July 2017 in order to gain a better means of intervening in the case of OFDI from non-EU states. In particular, it was more clearly defined as to which industries are perceived as sensitive for national security.

In addition, the German Federal Ministry of Economic Affairs and Energy now has more time to prohibit a non-EU takeover (Hempel, 2017).

Against the background that Li Shufu – billionaire, chairman of the Chinese car manufacturer Geely and alleged brother-in law of Xi Jinping – recently became the largest individual stockholder of the German car manufacturer Mercedes, the finance and economic committees of the German parliament are currently discussing a further tightening of the rules stated in the German foreign trade regulations (Kohlmann, 2018).

In addition, in February 2017, the then German Economic Minister Brigitte Zypries as well as her Italian and French counterparts sent a joint letter to the EU Commissioner Cecilia Malmström to encourage her to hold a discussion at EU level on the issue of OFDI from outside the EU (Süddeutsche Zeitung, 2017). This letter stated that *“in the last few years, non-EU investors have taken over more and more European companies with key technological competences for strategic reasons. At the same time, European investors do not enjoy the same rights in the respective countries of origin as these non-EU investors in the investment-friendly European Union. As a consequence, we are worried about the lack of reciprocity and about a possible sell-out of European expertise, which we are currently unable to combat with effective instruments (Zypries, Sapin, & Calenda, 2017, p. 1).”*

In a key issues paper attached to this letter, it is suggested that *“an intervention is particularly justified where the decision for the envisaged direct investment by the third country does not comply with market rules (e.g. through investment instructions; through state-funded takeovers based on political programmes; through the requirement for state approval of investments) or the envisaged direct investment is made possible or is facilitated by state subsidies and this results in a market disturbance (e.g. through government loans which do not reflect market conditions) (BMW, 2017, p. 2).”*

Meanwhile, in September 2017, the EU commission proposed a new EU-level legal framework for the screening of OFDI from outside the EU. According to this proposal, EU member states and the EU commission should be able to prohibit a non-EU OFDI if it threatens public security or public order. In this decision, the EU commission and the EU member states should take into account the effects on critical infrastructure, technologies, including key enabling technologies, and inputs that are essential for the maintenance of public security and public order. In addition, it should be considered whether a foreign investor is controlled directly or indirectly (e.g. through significant funding, including subsidies) by the government

of a third country (European Commission, 2017). This proposal is now being further discussed in the other legislative bodies of the EU (European Parliament, 2018).

Even though Chinese investors are not directly referred to in the revision of the German foreign trade regulations and the other documents mentioned above, the actions are interpreted as being decisively affected by the acquisition of the German mechanical engineering company Kuka by the Chinese business group Midea and the attempt by the Chinese investment fund Fujian Grand Chip Investment to acquire the German chip manufacturer Aixtron (Kohlmann, 2018). In the case of Aixtron, the German Federal Ministry of Economic Affairs and Energy has withdrawn the previously issued certificate of non-objection due to public security concerns. During the selling process of Kuka, the then German Economic Minister Sigmar Gabriel publicly encouraged German and European firms to bid for Kuka in order to keep the knowledge of Kuka within the EU (Deutsche Welle, 2016).

In conclusion, although the legislative process on the EU-level is still ongoing and the new German Economic Minister Peter Altmaier might will set his own focus, there are at least certain signs that Chinese strategic asset-seeking CBAs in the EU and in Germany could be more strongly regulated in the future.

3. Research objectives, structure of the thesis and applied research methods

This thesis emerged within the framework of the research project “Chinese multinational enterprises in Germany: Institutional distance, local networks and knowledge exchange” funded by the German Research Foundation (DFG), supervised by Ingo Liefner as well as Daniel Schiller, and initiated in November 2015. While my PhD candidate counterpart Miriam Richter-Tokar paid more attention to “institutional distances”, I was focusing in particular on “knowledge exchange”. Both of us also addressed the topic area “local networks”.

This dissertation directly ties in with the dissertation of Si (2013) entitled “Outward FDI from China: Historical development, geographical distribution and the obstacles to subsidiary business success”, which resulted from the research project “Outward FDI from emerging economies: A catching-up process in global production networks”, funded by the China Scholarship Council (CSC).

In addition, it supplements earlier research contributions on the knowledge-based development of regions and economies by the supervisor of this PhD thesis, Ingo Liefner (e.g. Liefner, 2006, 2016a, 2016b; Liefner & Zeng, 2016; Schaefer & Liefner, 2017).

In the light of the theoretical background and research gaps outlined above, the key objectives of this thesis are as follows:

- **Investigating the firm level organization of KT through Chinese CBAs in DEs.**
- **Examining the impact of Chinese CBAs in DEs on the targets' B2B customer and supplier relationships.**

Under the umbrella of these two key research objectives, this thesis is sub-divided into three main chapters, which have the character of research articles and reflect the research process that has led to this dissertation:

Chapter 2 systematically reviews the literature on Chinese OFDI published between 2011 and June 2017 and thereby supplements a review article on the ICF by Deng (2012) that covers literature regarding this subject released between 1991 and 2010. The literature review conducted in chapter 2 thus ensures that the research issues in the focus of this thesis are addressed on a comprehensive and current literature basis.

Methodologically, the literature review follows the consecutive research process by Jormanainen and Koveshnikov (2012) and uses the organizational framework of the research on the ICF provided by Deng (2012) as an analytical framework. The articles are analyzed using content analysis (Krippendorff, 2013).

Chapter 3 is then concerned with the research issue of how Chinese MNEs organize the intended KT on the firm level and employs an organizational learning perspective.

Empirically, this chapter is based on a qualitative research design and employs a multi-case-study approach to investigate Chinese CBAs in the German industrial sector as a representative sample of Chinese CBAs in DEs (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Hammersley, 2012). As a research method, semi-structured interviews with corporate representatives of the acquired German firm or the Chinese parent company were conducted (Clifford, Cope, Gillespie, & French, 2016). For triangulation, additional interviews with representatives of organizations with an intermediary role (e.g. banks, economic development agencies, consultants, lawyers, Chinese-German business associations and intercultural management coaches) in facilitating Chinese investments in Germany were carried out. The entire data collection process took place between February and December 2016. The interviews

conducted were analyzed by following the procedure of a thematic qualitative text analysis (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Kuckartz, 2014).

Chapter 4 subsequently focuses on the impact of Chinese CBAs in DEs on the targets' B2B customer and supplier relationships against the background of the strategic asset-seeking motives of the Chinese acquirers and increasingly closer inter-firm production and innovation linkages due to the emergence of the knowledge-based economy.

The empirical evidence presented in chapter 4 draws on the same qualitative research approach as described in chapter 3. However, this chapter particularly focuses on the investigation of Chinese CBAs in the German automotive supplier and mechanical engineering industry. Moreover, in contrast to chapter 3, chapter 4 also analyzes publicly available sources such as annual reports and news articles in order to further enrich the data basis and complement the statements by the corporate representatives and intermediaries interviewed.

Chapter 5 finally summarizes the main results, describes the theoretical as well as managerial implications and outlines some recommendations for future research to overcome the limitations of this thesis. Against the background of the research findings of this thesis, it also comments on the current public debate on Chinese CBAs in DEs.

**CHAPTER 2: REVIEWING THE RESEARCH ON THE
INTERNATIONALIZATION OF CHINESE FIRMS:
THEMATIC EXPANSION, NEW IMPULSES AND POTENTIAL
FUTURE DEVELOPMENT**

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The first author was responsible for preparing the manuscript and conducting the empirical research. The co-author assisted him in these tasks by providing suggestions and recommendations. In addition, the co-author contributed short text passages.

An earlier version of this chapter was peer-reviewed and accepted as a conference contribution for the “5th Copenhagen Conference on ‘Emerging Multinationals’: Outward Investment from Emerging Economies”, which took place from 27 to 28 October 2016 in Copenhagen, Denmark.

Furthermore, this chapter was submitted as a research article to the International Journal of Emerging Markets and was accepted for publication.

Abstract

Supplementing a previous review article on the ICF by Deng (2012) that covers the period 1991 to 2010, this chapter examines how research on this subject has thematically expanded in recent years, systematically investigating the literature concerning the ICF between 2011 and June 2017 and highlighting the research advancements. Furthermore, it provides impulses for future research and outlines potential avenues for the overall future development of the entire ICF field.

Based on a systematic literature review, this chapter categorizes the surveys reviewed according to the organizational framework of the research on the ICF provided by Deng (2012).

The results indicate that the research on the ICF has become more widespread and mature during the time period investigated. Firstly, there are more articles examining functional management processes of Chinese firms. Consequently, new knowledge exists regarding the role, control and organization of foreign subsidiaries of Chinese enterprises and their host country institutional integration. Secondly, the state of knowledge regarding the implications of the ICF has increased. We argue that the future convergence or divergence of the Chinese economic system determines the overall future development of research on the ICF.

This is the first literature review in the emerging ICF field that consciously continues the work of a previous review article, enabling the tracing of the thematic expansion of research on the ICF.

Keywords: Internationalization, outward foreign direct investments, greenfield investments, mergers and acquisitions, China, Chinese multinational firms

1. Introduction

Since the implementation of China's "Go Global Policy", Chinese firms have increasingly been seeking their salvation in internationalization, either through greenfield investments or through CBAs (Buckley et al., 2007; Wei, 2010). Consequently, China's OFDI has increased steadily and rapidly. Meanwhile, China, the country previously primarily associated with massive private capital inflows (Liu, Buck, & Shu, 2005), has also become an investor of global significance. In 2016, the annual investment volume reached 183 billion US dollars, exceeded only by the USA (UNCTAD, 2017).

In the academic sphere, the tremendous ICF has been closely observed and energetically discussed (Blomkvist & Drogendijk, 2013). The central subjects of this debate are the antecedents and varieties of the ICF, as well as the implications for China's economic catch-up process and the global economy (Alon, Fetscherin, & Gugler, 2012; Lattemann & Alon, 2015; Lattemann, Alon, Chang, Fetscherin, & McIntyre, 2012). Often drawing a contrast to the internationalization patterns of DE firms, scholars have analyzed, for example, the prominent role of the Chinese government and Chinese state-owned enterprises (SOEs) in the ICF context (Li, Xia, & Lin, 2017; Luo, Xue, & Han, 2010; Yang & Stoltenberg, 2014). Scholarly attention has also been paid to how Chinese firms catch up to Western rivals in light of a lack of FSAs (Peng, 2012; Wei, 2010), or the impact of the ICF on the Chinese firms' financial performance (Boateng et al., 2008; Clegg, Lin, Voss, Yen, & Shih, 2016). Nevertheless, empirical evidence on the ICF remains in its infancy and in a piecemeal state (Alon et al., 2012; Jansson & Söderman, 2013).

One attempt to overcome the fragmented nature of research on the ICF has been made by Deng (2012). Deng (2012) reviews the scholarly literature on the research field in the period from 1991 to 2010 and clusters the surveys identified around three main categories (antecedents/drivers, processes/operations and outcomes/consequences of the ICF). Furthermore, he distinguishes between sub-aspects of the ICF that scholars have begun to analyze and research issues that remain completely untapped or significantly under-researched, and which thus require future research. As a result, Deng (2012) provides a coherent framework for structuring the academic discourse on the ICF.

However, the scholarly attention on the ICF remains significant. Emphasizing the continuing high relevance of the research subject, several leading international business journals have even published special issues or sections in recent years on the ICF or the internationali-

zation of other emerging market firms (e.g. Thunderbird International Business Review, Vol. 59 No. 2–4 (March/April 2017, May/June 2017, July/August 2017); Asia Pacific Journal of Management, Vol. 34 No. 1 (March 2017); International Business Review, Vol. 25 No. 1 (February 2016); Journal of International Business Studies, Vol. 45 No. 8 (October 2014); Journal of International Management, Vol. 19 No. 3 (September 2013); Journal of World Business Vol. 47 No. 1 (January 2012); Management and Organization Review, Vol. 7 No. 2 (July 2011)).

Given the ongoing research interest in the ICF, it is possible that some of the research gaps identified by Deng (2012) have meanwhile been addressed or that new subject areas have emerged.

In a situation in which it is very likely that a greater number of additional relevant research results are available and that these new findings will substantially increase the state of knowledge regarding a specific research subject, it is beneficial to refresh and complement existing review articles (Bayliss, Haddaway, Eales, Frampton, & James, 2016; Garner et al., 2016; Short, 2009).

The objective of this chapter, therefore, is to investigate which of the research issues that Deng (2012) classifies as unexplored or significantly under-investigated have meanwhile been addressed and which new research streams within the ICF context have recently emerged. Based on the findings, impulses for future research efforts are derived. Furthermore, this chapter aims to discuss the potential overall future development of research on the ICF in light of the most recent political developments in China.

For this purpose, this chapter systematically examines peer-reviewed English-language journal articles on Chinese greenfield investments and CBAs published from 2011 to June 2017 using the category scheme provided by Deng (2012) as an analytical framework.

In this way, we offer orientation to scholars, business practitioners and politicians by providing a succinct but comprehensive overview of the latest thematic expansions of research on the ICF. In addition, we enable a cross-comparison of the most recent research results. Furthermore, by identifying knowledge gaps and providing detailed suggestions for additional research efforts, we inspire future research.

It is possible that other literature reviews which have been carried out post Deng (2012) report on research findings in areas that Deng (2012) describes as unexplored. However, that hardly reduces the contribution of this chapter. To the best of our knowledge, the investiga-

tion period of existing review articles that include surveys on Chinese greenfield investments and Chinese CBAs does not extend beyond 2012 (Berning & Holtbrügge, 2012; Blanchard, 2011; Deng, 2013). In addition, more current review articles exclusively focus on Chinese CBAs (Liu & Deng, 2014; Zhu & Zhu, 2016). Hence, this chapter provides a more contemporary and more comprehensive overview of the thematic expansion in the ICF field.

The remainder of this chapter is structured as follows: First, the methodical approach is described. In particular, the search strategy for the publications in the time period considered as well as the analytical framework are explained in detail to ensure a transparent procedure. Subsequently, we outline the advancements and new research results regarding the ICF during the time period investigated. In addition, we provide recommendations for possible further research. In a subsequent step, this chapter discusses potential avenues for the future development of the entire ICF field. The final section outlines the conclusions.

2. Methodical considerations and analytical framework

In order to ensure a systematic analytical procedure and thus increase the reliability of the findings, the review process has been divided into several consecutive steps (Krippendorff, 2013). Due to its clear functional logic, this chapter has followed the research approach of Jormanainen and Koveshnikov (2012), as illustrated in Figure 1.

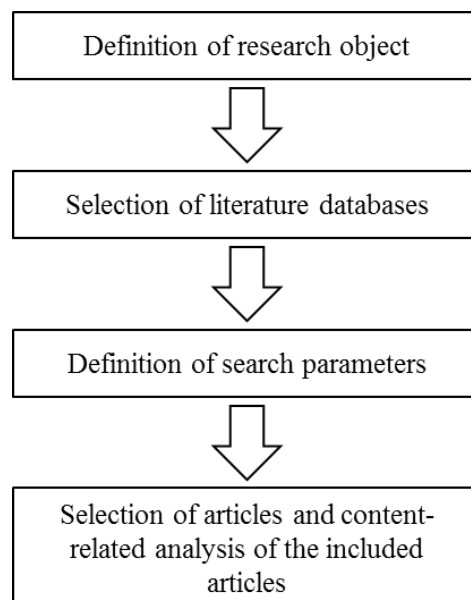


Figure 1: Procedure of research approach

Source: Own representation

First, we defined the research object of this review chapter. In line with Deng (2012), we have interpreted the ICF as the venturing abroad of Chinese firms through greenfield investments and CBAs. Consequently, FDI to China and all other types of foreign operation modes are not the subject of the literature review.

As a next step, we selected the literature databases. In order to achieve consistency, we analyzed the same literature databases as Deng (2012) (EBSCO Business Source Premier, ProQuest and JSTOR). In addition, we selected ScienceDirect and Web of Science to extend the coverage of the scientific literature.

Subsequently, pursuing a relevance sampling strategy (Krippendorff, 2013), we defined the exact search parameters of the literature research. To ensure that the results and conclusions are based on a reliable and valid foundation, this chapter has focused exclusively on peer-reviewed English-language journal articles (except introduction articles and editorials). All others types of publication, such as books, chapters in edited volumes and online resources, were excluded, since they might not have been subject to a strict peer-review process. To guarantee a chronological extension compared to Deng (2012), this chapter has investigated publications produced between 2011 and June 2017.

After adjusting the literature databases accordingly, we conducted several search operations within the selected search engines. In order to generate pertinent search results, the search terms were partly adopted from three previous similar review articles (“multinational corporations (MNCs)”, “international expansion”, “globalization”, “internationalization”, “cross-border mergers and acquisitions” (Deng, 2012, 2013; Liu & Deng, 2014)) and extended using additional keywords (“multinational enterprises (MNEs)”, “greenfield investments”, “mergers and acquisitions (M&A)”, “outbound investment”, “outward foreign direct investment” (OFDI) and “overseas investments”). To further increase the accuracy of the literature research, these keywords were combined with two further search terms (“Chinese”, “China”) via the Boolean operator AND. Given that alongside Chinese firms, other emerging market enterprises, especially those from other BRICS states, are now also increasingly active cross-border investors (UNCTAD, 2017), further country-related keywords (“Brazilian”, “Brazil”, “Russian”, “Russia”, “Indian”, “India”, “South African” and “emerging”) were added and combined in order to identify cross-national comparative studies (Deng & Yang, 2015). To create a suitable number of search results, the keywords were searched for in the titles, abstracts and keywords of the articles.

For triangulation, the decision was also consciously made to go manually through each volume of the journals that are included in the review article by Deng (2012) and that published more than one article regarding the ICF within the time period investigated.¹ We followed the same strategy regarding the International Journal of Emerging Markets to take into account the contributions published in this journal.

The selection process of the articles was subdivided into three parts. Firstly, we removed irrelevant articles. An article was considered irrelevant if there was no indication from the abstract of each article that the content of the article was related to the previously defined ICF subject. Consequently, the category scheme proposed by Deng (2012), which is shown in Figure 2, was used as an analytical framework to decide whether an article was eligible for a detailed analysis.

¹ This includes the following journals: Asia Pacific Business Review, Asia Pacific Journal of Management, Asian Business and Management, Asian Survey, Business Horizons, China and World Economy, China Business Review, China Quarterly, Chinese Management Studies, European Management Journal, Industrial and Corporate Change, International Business Review, International Journal of Technology and Globalization, International Marketing Review, International Journal of Chinese Culture and Management, Journal of Chinese Economic and Business Studies, Journal of International Business Studies, Journal of International Management, Journal of World Business, Management and Organization Review, Management International Review, Multinational Business Review, NBR Analysis, Pacific Affairs, Pacific Review, Thunderbird International Business Review, Transnational Corporations and World Development.

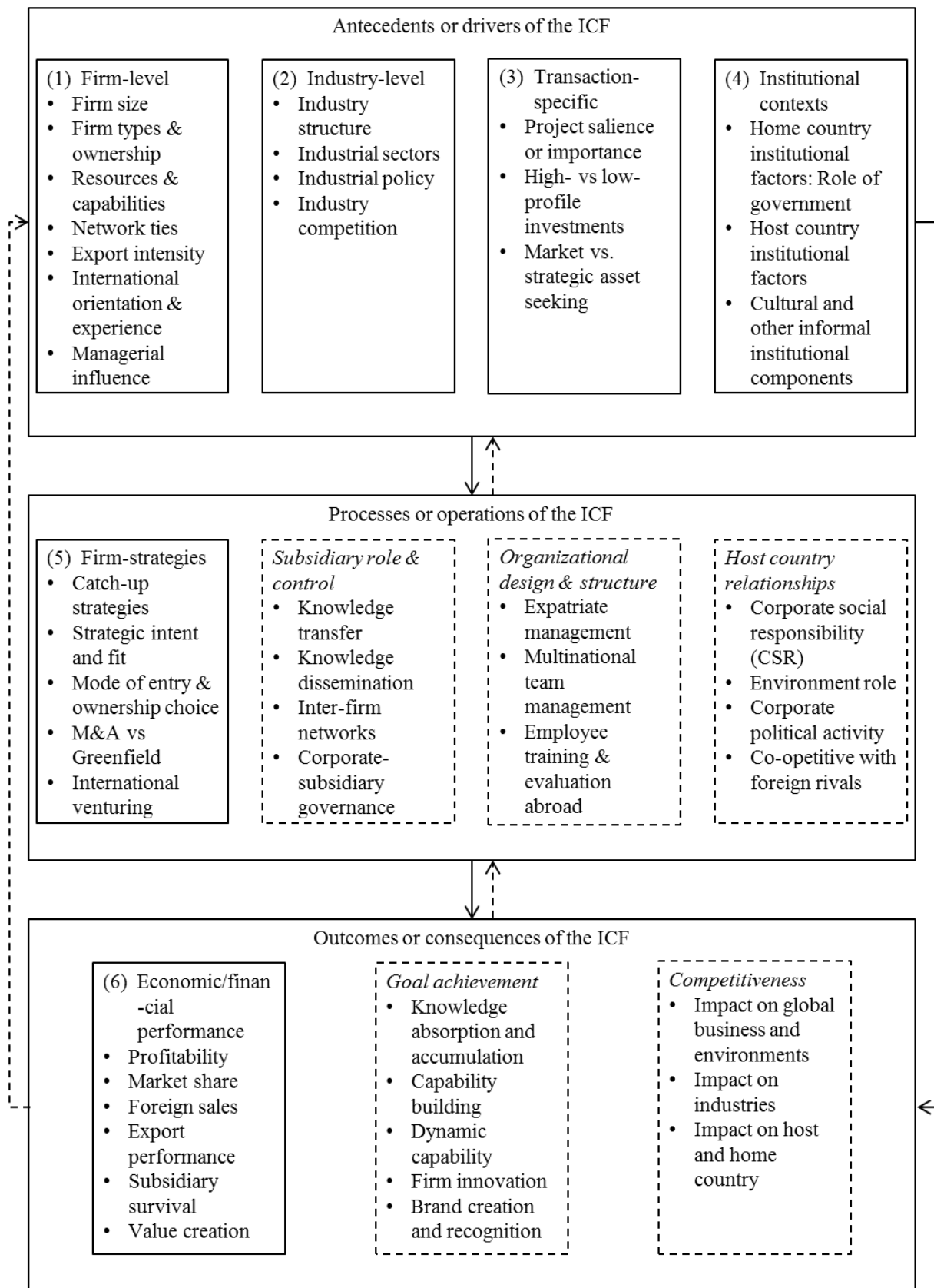


Figure 2: Research landscape on the ICF up to 2010

Source: Own representation based on Deng (2012)

According to the model shown in Figure 2, the surveys published up to 2010 predominantly focus on six research subjects within three main categories (antecedents/drivers, processes/operations and outcomes/consequences). The research issues that have been addressed often are mentioned in the solid matrices, whereas the research issues listed in the dashed matrices have remained completely untapped or significantly under-researched. The bullet points in the dashed matrices represent possible points of reference for future research efforts. Furthermore, the solid arrows indicate causal connections investigated between individual research issues, while the dashed arrows represent possible future research streams (Deng, 2012).

As this chapter aims to comment on the thematic expansion within the ICF field, only the dashed matrices are relevant analysis dimensions.

To decide whether an article belongs to one of the categories in the solid matrices or in the dashed matrices, we read the introduction and conclusion section of the article. In addition, surveys were excluded in which the sample consisted of Chinese firms and firms from other emerging countries when there was no clear separation between the individual sub-segments of the sample. In this case, it is not possible to assess whether the research findings result from the analysis of Chinese firms or from the investigation of firms from other emerging markets. In contrast, it was not a criteria of exclusion if the sample included Chinese firms and enterprises from other emerging markets with a clear distinction between the sub-segments of the sample (e.g. a survey comparing Chinese and Indian firms).

In a next step, the remaining articles were then analyzed in detail using content analysis (Krippendorff, 2013). According to the information derived, each article was finally assigned to a distinct category and sub-category. If an article addressed a research issue not related to one of the categories used by Deng (2012), the definition of a new category, sub-category or research issue was considered. Cases involving doubt were discussed with the co-author.

3. Review results and possible future research

As shown in Table 1, the literature research conducted as described in the previous section identifies 57 articles addressing research issues that Deng (2012) classifies as unexplored or significantly under-investigated, or that have newly emerged.

Author(s)	Research subject	Theoretical perspective	Applied research method(s)	Methodical category	Assigned main category	Assigned sub-category
(Alon, Leung, & Simpson, 2015)	Implications of the investment behavior of Chinese national oil companies	International relations theory	Descriptive analysis	Conceptual or descriptive	Outcomes or consequences of the ICF	Competitiveness
(Anderson et al., 2015)	Impact of Chinese CBAs on innovation performance	Review of relevant literature but no specific theoretical perspective	Event study method	Quantitative	Outcomes or consequences of the ICF	Goal achievement
(Auffray & Fu, 2015)	Managerial KT by Chinese OFDI to Africa	Review of relevant literature but no specific theoretical perspective	In-depth qualitative interviews	Qualitative	Process or operations of the ICF	Subsidiary role & control
(Bräutigam & Tang, 2014)	Impact of China's overseas trade and cooperation zone program on Africa	Review of relevant literature but no specific theoretical perspective	Conceptual analysis	Conceptual or descriptive	Outcomes or consequences of the ICF	Competitiveness

Author(s)	Research subject	Theoretical perspective	Applied research method(s)	Methodical category	Assigned main category	Assigned sub-category
(Chen et al., 2012)	International reverse spillover effects of Chinese OFDI on the parent companies	Review of relevant literature but no specific theoretical perspective	Lagged Tobit estimation model	Quantitative	Outcomes or consequences of the ICF	Competitiveness
(Ciabuschi, Kong, & Su, 2017)	Influencing factors of reverse KT	Political embeddedness	Case studies	Qualitative	Process or operations of the ICF	Subsidiary role and control
(Cooke et al., 2015)	Human resource management (HRM) of Chinese SOEs in Africa	Institutional theory	Semi-structured interviews	Qualitative	Process or operations of the ICF	Organizational design and structure
(Cooke, 2012)	International HRM of ZTE and Huawei	Liability of foreignness (LOF)	Case studies	Qualitative	Process or operations of the ICF	Organizational design and structure

Author(s)	Research subject	Theoretical perspective	Applied research method(s)	Methodical category	Assigned main category	Assigned sub-category
(Cooke, 2014)	HRM practices of Chinese enterprises in the host countries	Political economy framework, institutional theory	Analysis of empirical data from previous studies of the author and secondary data	Conceptual or descriptive	Process or operations of the ICF	Organizational design and structure
(Di Minin et al., 2012)	China's OFDI in R&D in Europe	Review of relevant literature but no specific theoretical perspective	Case studies	Qualitative	Process or operations of the ICF	Subsidiary role and control
(Ding, X., Mo, J., Zhong, L., 2017)	Impact of Chinese CBAs on corporate governance practice	Review of relevant literature but no specific theoretical perspective	Ordinary least squares regression	Quantitative	Outcomes or consequences of the ICF	Goal achievement
(Edamura et al., 2014)	Impact of Chinese CBAs on firm performance	Review of relevant literature but no specific theoretical perspective	Econometric approach	Quantitative	Outcomes or consequences of the ICF	Goal achievement

Author(s)	Research subject	Theoretical perspective	Applied research method(s)	Methodical category	Assigned main category	Assigned sub-category
(Fan, Zhang, & Zhu, 2013)	HRM of Chinese firms	Review of relevant literature but no specific theoretical perspective	Case studies	Qualitative	Process or operations of the ICF	Organizational design and structure
(Fan, Cui, Li, & Zhu, 2016)	Motivation for localized learning by Chinese firms	Dynamic capability framework	Fuzzy-set qualitative comparative analysis	Qualitative	Process or operations of the ICF	Subsidiary role and control
(Fang & Chimenson, 2017)	Media coverage of CBAs	Review of relevant literature but no specific theoretical perspective	Case study	Qualitative	Process or operations of the ICF	Host country relationships
(Gao, 2014)	Impact of Chinese non-resources investment in Australia	Review of relevant literature but no specific theoretical perspective	Descriptive analysis	Conceptual or descriptive	Outcomes or consequences of the ICF	Competitiveness

Author(s)	Research subject	Theoretical perspective	Applied research method(s)	Methodical category	Assigned main category	Assigned sub-category
(Globerman, 2016)	Political assessment of Chinese OFDI	Review of relevant literature but no specific theoretical perspective	Conceptual analysis	Conceptual or descriptive	Outcomes or consequences of the ICF	Competitiveness
(Gugler & Vanoli, 2015)	Relationship between Chinese firms' innovation process and OFDI	Review of relevant literature but no specific theoretical perspective	Descriptive statistical method of patents and patent citations	Conceptual or descriptive	Outcomes or consequences of the ICF	Goal achievement
(Hansen, Fold, & Hansen, 2016)	Upgrading strategy of a Chinese enterprise in Denmark	Technological capability perspective	Case study	Qualitative	Outcomes or consequences of the ICF	Goal achievement
(Huang & Staples, 2017)	Impact of internationalization on the corporate governance practice of Chinese firms	Review of relevant literature but no specific theoretical perspective	Case studies	Qualitative	Outcomes or consequences of the ICF	Goal achievement
(Klossek, Linke, & Nippa, 2012)	Mitigation of liability of LOF of Chinese companies	LOF	Semi-structured interviews	Qualitative	Process or operations of the ICF	Host country relationships

Author(s)	Research subject	Theoretical perspective	Applied research method(s)	Methodical category	Assigned main category	Assigned sub-category
(Kubny & Voss, 2014)	Spillover effects of OFDI by Chinese firms to Vietnam	Review of relevant literature but no specific theoretical perspective	Expert interviews	Qualitative	Outcomes or consequences of the ICF	Competitiveness
(Li, J., Jiang, F., & Shen, J., 2016)	Quality of head-quarter-subsidiary relationship	Institutional theory	Moderated hierarchical multiple-regression analysis	Quantitative	Process or operations of the ICF	Subsidiary role and control
(Li, J., Strange, R., Ning, L., & Sutherland, D., 2016)	Impact of Chinese OFDI on domestic innovation	Review of relevant literature but no specific theoretical perspective	Generalized method of moments	Quantitative	Outcomes or consequences of the ICF	Competitiveness
(Li, M., Li, D., Lyles, M., & Liu, S., 2016)	Impact of Chinese OFDI on domestic productivity	Review of relevant literature but no specific theoretical perspective	Endogenous threshold model	Quantitative	Outcomes or consequences of the ICF	Competitiveness

Author(s)	Research subject	Theoretical perspective	Applied research method(s)	Methodical category	Assigned main category	Assigned sub-category
(Lin & Zhao, 2016)	Impact of Chinese culture on the behavior of Chinese expatriates	Social cognitive theory	Semi-structured interviews	Qualitative	Process or operations of the ICF	Organizational design and structure
(Liu & Woywode, 2013)	Post-merger integration phase of Chinese international M&As	Review of relevant literature but no specific theoretical perspective	In-depth qualitative interviews	Qualitative	Process or operations of the ICF	Subsidiary role and control
(Marchand, 2017)	Post-merger integration approach of emerging markets firms	Review of relevant literature but no specific theoretical perspective	Case studies	Qualitative	Process or operations of the ICF	Subsidiary role and control
(May, 2014)	CSR of Chinese agricultural OFDI	Review of relevant literature but no specific theoretical perspective	Conceptual analysis	Conceptual or descriptive	Process or operations of the ICF	Host country relationships

Author(s)	Research subject	Theoretical perspective	Applied research method(s)	Methodical category	Assigned main category	Assigned sub-category
(Miska, Witt, & Stahl, 2016)	Antecedents of CSR activities of Chinese enterprises	Institutional theory, integration-responsiveness framework	Fuzzy-set qualitative comparative analysis	Qualitative	Process or operations of the ICF	Host country relationships
(Muralidharan, Wei, & Liu, 2017)	Challenges of Chinese firms in the post-merger phase caused by institutional differences	Institutional theory	Case studies	Qualitative	Process or operations of the ICF	Subsidiary role and control
(Nicolas, 2014)	Impact of Chinese OFDI on European host countries	Review of relevant literature but no specific theoretical perspective	Descriptive analysis	Conceptual or descriptive	Outcomes or consequences of the ICF	Competitiveness
(Peng, Li Sun, & Blevins, 2011)	Public perception of China's OFDI	Review of relevant literature but no specific theoretical perspective	Conceptual analysis	Conceptual or descriptive	Outcomes or consequences of the ICF	Competitiveness

Author(s)	Research subject	Theoretical perspective	Applied research method(s)	Methodical category	Assigned main category	Assigned sub-category
(Peng et al., 2017)	Impact factors on reverse KT	Ownership-location-internalization model, evolutionary theory	Partial linear modeling, case studies	Mixed-method approach	Process or operations of the ICF	Subsidiary role and control
(Rosen & Hanemann, 2012)	Implications of Chinese OFDI for the US economy	Review of relevant literature but no specific theoretical perspective	Conceptual analysis	Conceptual or descriptive	Outcomes or consequences of the ICF	Competitiveness
(Rui, Zhang, & Shipman, 2016)	KT in Chinese OFDI to Africa	Review of relevant literature but no specific theoretical perspective	Multiple case study	Qualitative	Process or operations of the ICF	Subsidiary role and control
(Rui, Zhang, & Shipman, 2017)	Expatriate management of Chinese firms in emerging markets	Review of relevant literature but no specific theoretical perspective	Case studies	Qualitative	Process or operations of the ICF	Organizational design and structure

Author(s)	Research subject	Theoretical perspective	Applied research method(s)	Methodical category	Assigned main category	Assigned sub-category
(Schüler-Zhou & Schüller, 2013)	Decision-making autonomy of Chinese subsidiaries in Germany	Institutional framework	Multiple regression analysis, factor analysis	Quantitative	Process or operations of the ICF	Subsidiary role and control
(Seyoum, Wu, & Yang, 2015)	Relationship between productivity and Chinese OFDI in Ethiopia	Review of relevant literature but no specific theoretical perspective	Econometric approach	Quantitative	Outcomes or consequences of the ICF	Competitiveness
(Song, Yang, & Zhang, 2011)	Impact of OFDI of SOEs on China's domestic structural reforms	Review of relevant literature but no specific theoretical perspective	Conceptual analysis	Conceptual or descriptive	Outcomes or consequences of the ICF	Competitiveness
(Song, 2011)	Role of overseas Chinese networks	Uppsala model	Interviews	Qualitative	Process or operations of the ICF	Host country relationships
(Spigarelli, Alon, & Mucelli, 2015)	Brand creation after the acquisition of CIFA by Zoomlion	Rugman's FSA (FSA)/ country-specific advantages (CSA) framework	Case Study	Qualitative	Outcomes or consequences of the ICF	Goal achievement

Author(s)	Research subject	Theoretical perspective	Applied research method(s)	Methodical category	Assigned main category	Assigned sub-category
(Tingley, Xu, Chilton, & Milner, 2015)	Reasons for political opposition against Chinese M&As	Review of relevant literature but no specific theoretical perspective	standard logit models	Quantitative	Outcomes or consequences of the ICF	Competitiveness
(Wang, Feng, Freeman, Fan, & Zhu, 2014)	Impact of Chinese OFDI on host countries	Review of relevant literature but no specific theoretical perspective	Conceptual analysis	Conceptual or descriptive	Outcomes or consequences of the ICF	Competitiveness
(Wang, Fan, Freeman, & Zhu, 2017)	Necessary skills of Chinese expatriates	Social learning theory	Case studies	Qualitative	Process or operations of the ICF	Organizational design and structure
(Wu, Hoon, & Yuzhu, 2011)	Huawei's and Haier's expansion to the US market	Review of relevant literature but no specific theoretical perspective	Case study	Qualitative	Process or operations of the ICF	Host country relationships

Author(s)	Research subject	Theoretical perspective	Applied research method(s)	Methodical category	Assigned main category	Assigned sub-category
(Wu, Wang, Hong, Piperopoulos, & Zhuo, 2016)	Impact of host-country institutional environment on innovation performance	Institutional theory	Negative binomial count regression model	Quantitative	Outcomes or consequences of the ICF	Goal achievement
(Xing, Liu, Tarba, & Cooper, 2016)	Management of union-firm relationships in Africa	Crossvergence framework	Storytelling approach	Qualitative	Process or operations of the ICF	Organizational design and structure
(Yao & Wang, 2014)	Displacement effect of China's OFDI	Review of relevant literature but no specific theoretical perspective	Econometric approach	Quantitative	Outcomes or consequences of the ICF	Competitiveness
(Zhang, Alon, & Chen, 2014)	Growth effect of Chinese OFDI on Sub-Saharan Africa	Growth accounting mode	Econometric approach	Quantitative	Outcomes or consequences of the ICF	Competitiveness

Author(s)	Research subject	Theoretical perspective	Applied research method(s)	Methodical category	Assigned main category	Assigned sub-category
(Zheng et al., 2016)	Characteristics of strategic assets purchased in CBAs deals	Review of relevant literature but no specific theoretical perspective	Case studies	Qualitative	Process or operations of the ICF	Subsidiary role and control
(Zheng, 2013)	HRM practices of enterprises from emerging countries	Review of relevant literature but no specific theoretical perspective	Conceptual analysis	Conceptual or descriptive	Process or operations of the ICF	Organizational design and structure
(Zheng, 2016)	Post-merger integration approach of Chinese firms	Review of relevant literature but no specific theoretical perspective	Case study	Qualitative	Process or operations of the ICF	Subsidiary role and control
(Zhu & Jack, 2016)	Impact of country-of-origin effect on Chinese firms' approach to employer associations	Country-of-origin effect	Case studies	Qualitative	Process or operations of the ICF	Organizational design and structure

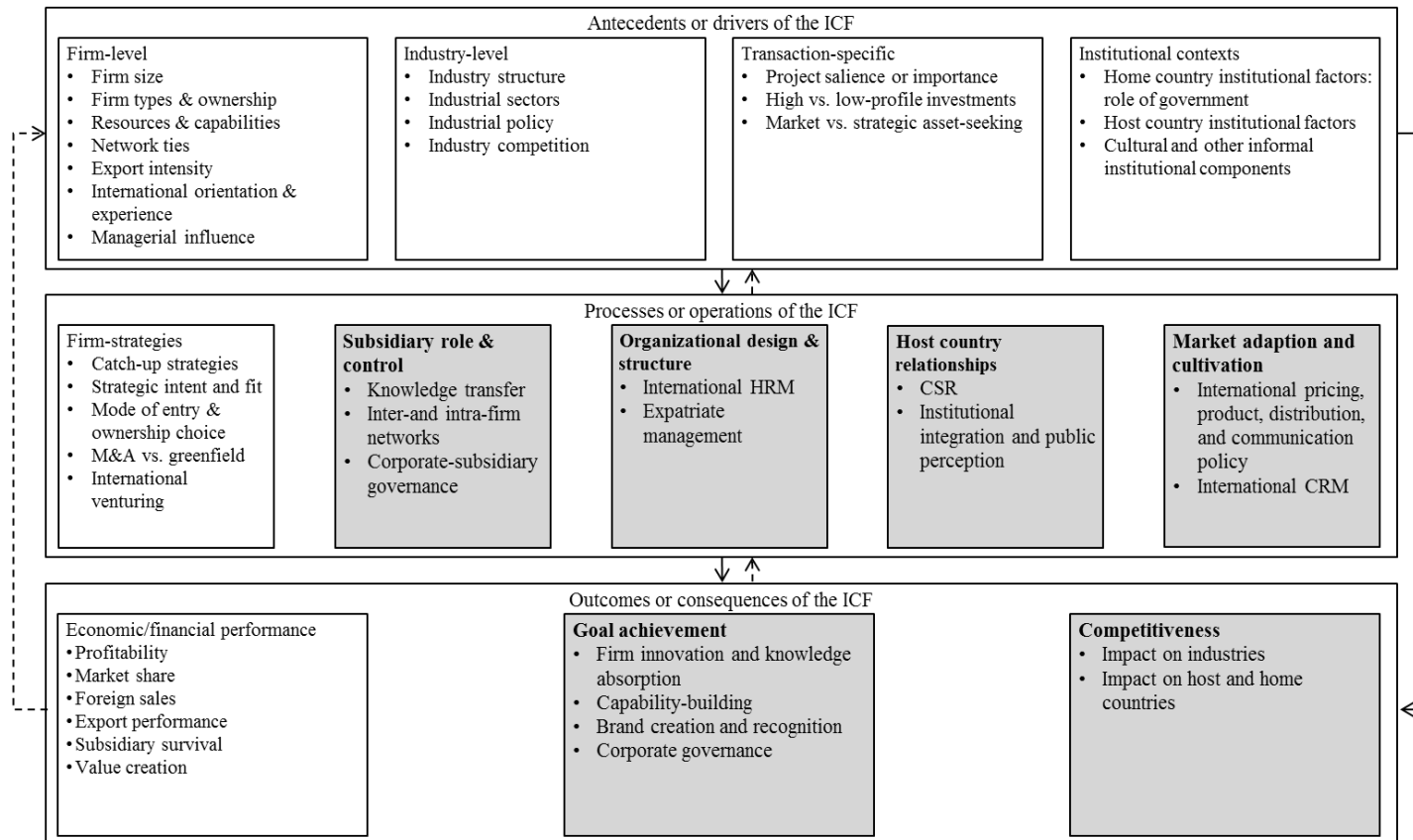
Author(s)	Research subject	Theoretical perspective	Applied research method(s)	Methodical category	Assigned main category	Assigned sub-category
(Zhu, Lynch, & Jin, 2011)	Catch-up process of TCL	Review of relevant literature but no specific theoretical perspective	Case study	Qualitative	Outcomes or consequences of the ICF	Goal achievement
(Zhu, Zhu, & Cieri, 2014)	Impact of country-of-origin effect on HRM of Chinese firms	Country-of-origin effect	Case studies	Qualitative	Process or operations of the ICF	Organizational design and structure
(Zhu, 2015)	Management of union-firm relationships of Chinese companies	Rational choice paradigm, institutional theory, organizational learning theory	Case studies	Qualitative	Process or operations of the ICF	Organizational design and structure

Table 1: Overview of the analyzed and assigned articles

Source: Own representation

As can also be observed from Table 1, slightly more articles address the main category “process or operations of the ICF” (31 articles) than the main category “outcomes or consequences of the ICF” (26 articles). Furthermore, Table 1 reveals that one survey has a mixed-method research design, 13 articles employ quantitative research methods, 30 papers apply qualitative approaches, while the remaining 13 surveys are conceptual or descriptive works. Moreover, Table 1 shows that most of the surveys (34 articles) do not use a specific theory as a theoretical framework, however if they do so, the institutional theory (8 articles) is the most prominent approach.

Figure 3 summarizes the thematic expansion within the ICF field compared to the state of research described by Deng (2012) and outlines potential future research areas and issues.



Note: The matrices with a gray background show the research areas and issues that Deng (2012) has indicated as completely untapped or significantly under-researched, but which have now been addressed by scholars, and potential future research areas and issues. The dashed arrows represent the yet to be undertaken investigation of the backward linkages between the antecedents, processes and outcomes of the ICF suggested by Deng (2012).

Figure 3: Summarizing presentation of the research advancements and new impulses regarding the ICF

Source: Own representation

The following sections 3.1 and 3.2 outline the research progress within each category and sub-category and describe possible future research. Due to the fact that in some areas, the research on the ICF developed differently than suggested by Deng (2012), the indication of individual research issues has sometimes been slightly adapted to better reflect the current research status or to inspire future research. Furthermore, in his article, Deng (2012) suggests not only investigating the forward linkages between the antecedents, processes and outcomes of the ICF, but also examining the backward linkages between these categories. However, the literature review of this chapter does not reveal any article that has taken up this thought. Therefore, although such efforts might be useful in future research, the issue of reverse connections between outcomes, processes and antecedents of the ICF is not discussed further.

3.1 Research advancements and new impulses regarding the processes or operations of the ICF

While Deng (2012) remarks that “[...] *implementation elements, including organizational structure, subsidiary role and control, and host country relationship are largely ignored* (Deng, 2012, p. 417)”, this situation changed during the time period investigated. This paragraph therefore synthesizes the newly available surveys that analyze the ICF from a process perspective and provides possible future directions.

3.1.1 Expansion and possible future research regarding the research stream “subsidiary role & control”

As the literature review reveals, scholars have started to pay closer attention to the issues of how Chinese firms control their foreign subsidiaries, design their organization in relation to the issue of KT and balance the headquarter-subsidiary relationship. This section also outlines possible future research extensions.

KT

It is widely acknowledged that OFDI can lead to knowledge spillovers (Dunning & Lundan, 2014). In the case of Chinese OFDI, a distinctive feature appears to be the destination of the investments.

When investing in other emerging markets or less developed countries, Chinese firms act as knowledge disseminators (Auffray & Fu, 2015; Rui et al., 2017). In the context of Chinese OFDI to Africa, Rui et al. (2016) highlight that Chinese enterprises purposely reduce the

complexity of the knowledge intended to be transferred in order to meet the needs of the recipients and not to overexert their absorptive capacity. Focusing on the managerial KT process triggered by Chinese OFDI to the construction sector in Ghana, Auffray and Fu (2015) find limited local employment, as well as cultural and linguistic barriers, as impediments for this process.

In contrast to that, Chinese enterprises enter DEs with the intention of receiving knowledge, and in a next step transfer the acquired knowledge back to the Chinese parent company. This process is labeled as reverse KT (Ciabuschi et al., 2017; Di Minin et al., 2012; Fan et al., 2016; Peng et al., 2017). When using greenfield investments as an entry mode, Chinese enterprises attempt to gain gradual access to the local innovation network (Ciabuschi et al., 2017; Di Minin et al., 2012; Peng et al., 2017). In the case of CBAs, the acquired target in particular serves as a knowledge source (Fan et al., 2016; Peng et al., 2017).

As factors influencing the effectiveness of the backward-oriented KT, the surveys identified discuss the home-country level of political embeddedness, the degree of headquarter control, the size, age and location of the overseas subsidiary, as well as the host country institutional embeddedness (Ciabuschi et al., 2017; Di Minin et al., 2012; Fan et al., 2016; Peng et al., 2017).

Despite these advancements, some important issues remain unaddressed. The strategies pursued by Chinese firms for disseminating knowledge in emerging markets are not necessarily congruent with the measures undertaken by other emerging market firms. Hence, more cross-national comparative studies would be beneficial (Rui et al., 2016). Another observation is that the surveys identified concerning KT through Chinese CBAs focus on majority takeovers. However, it is also conceivable that KT happens in the context of minority shareholding by the Chinese firm (Sönmez, 2013), and consequently, surveys that take this aspect into account would be valuable, in particular if they compare the arrangement of KT in majority takeover and minority participation. A suitable possible theoretical perspective could be organizational learning (Liu & Deng, 2014).

Inter-firm and intra-firm networks

In previous international business research, it was assumed that institutional distance between the parent firm and its subsidiaries complicates the creation of efficient networks (Eden & Miller, 2004; Xu & Shenkar, 2002). However, Li, J., Jiang, F. et al. (2016) challenge that perception, as they find that larger regulative and cultural distance can prompt a stronger interaction and collaboration and thus positively affect the relationship quality between the Chinese parent company and its overseas subsidiaries.

To further validate that finding, it is necessary to repeat the survey in different emerging markets (Li, J., Jiang, F. et al., 2016). Furthermore, it could be useful to investigate whether and how Chinese firms that venture abroad engage in customer and supplier networks, considering their pronounced strategic asset-seeking motives (Buckley, 2017) and the importance of such clusters for innovation (Calia, Guerrini, & Moura, 2007).

Corporate-subsiary governance

Meanwhile, there is new empirical evidence concerning the question of how Chinese parent companies control their overseas subsidiaries, in particular in the context of CBAs in DEs.

The surveys identified state that in contrast to DE enterprises, Chinese firms typically prefer to largely preserve the autonomy of their acquired targets and grant a significant amount of freedom in decision-making to the management of the foreign subsidiaries (Liu & Woywode, 2013; Marchand, 2017; Schüler-Zhou & Schüller, 2013; Zheng, 2016; Zheng et al., 2016). In the newly added literature, this integration approach is referred to as light-touch integration (Liu & Woywode, 2013) or as a partnering approach (Zheng et al., 2016). More concretely, this post-merger acquisition strategy involves leaving intact the management team of the acquired entity, retaining the target's company name and brands, providing strategic guidance from the Chinese parent company but giving the management of the purchased DE company a high degree of freedom in decision-making, and an involvement of the parent company in the supervisory board of the purchased enterprise (Liu & Woywode, 2013). Furthermore, the research results by Marchand (2017) indicate that the low-level integration strategy pursued holds true for Chinese firms, but does not necessarily apply to all other emerging market acquirers, such as Russian or South African firms.

As reasons for the rather loose incorporation of the acquired enterprises, this new stream of research discusses cultural influences, a limited amount of absorptive capacity of the Chinese parent company and the knowledge-seeking intention of Chinese firms. In addi-

tion, the relevance of the previous acquisition experience, the balance of power between the subsidiary and the Chinese parent company, and the role of institutional differences as influential factors are debated (Liu & Woywode, 2013; Marchand, 2017; Muralidharan et al., 2017; Schüler-Zhou & Schüller, 2013; Zheng, 2016; Zheng et al., 2016).

To push further the current debate on the Chinese firms' post-merger integration approach, one necessary step is to examine whether Chinese enterprises pursue a similar integration strategy when acquiring other emerging market entities (Marchand, 2017). Moreover, most recent Chinese CBAs, such as that of the Swiss chemical company Syngenta (Petroff, 2017), show a tendency towards a stronger emphasis on efficiency and market-seeking motives. Therefore, the question arises as to whether Chinese firms apply a heavier integration in acquisitions in which strategic asset-seeking no longer appears to be the dominant rationale.

3.1.2 Expansion and possible future research regarding the research stream “organizational design & structure”

Meanwhile, there is also a growing body of literature addressing the issue of how Chinese firms design their organizational structures to manage their international workforce effectively.

International HRM

Concerning the international HRM management of Chinese firms, the articles analyzed predominantly postulate that Chinese enterprises attempt to harmonize their HRM practices with the institutional environment and regulations of the host countries. By actively adapting to the foreign business environment, Chinese firms attempt to overcome disadvantages, such as a negative country-of-origin effect as well as the lack of acceptance of the Chinese working culture in foreign markets, and thus support the success of their international operations (Cooke, 2012; Fan et al., 2013; Zheng, 2013; Zhu et al., 2014; Zhu & Jack, 2016). Such an assimilation strategy is illustrated particularly in connection with the management of the relationship with host country unions (Xing et al., 2016; Zhu, 2015; Zhu et al., 2014; Zhu & Jack, 2016). Nevertheless, the extent to which Chinese firms attempt to comply with the host countries' HRM standards varies with the industry in which the specific Chinese company operates and with the dependence of the host country on Chinese OFDI (Cooke, 2014; Cooke et al., 2015).

An omission of the existing surveys on the international HRM of Chinese firms is the strong empirical focus on Chinese OFDI to Africa or other emerging countries (Cooke, 2014;

Cooke et al., 2015; Xing et al., 2016; Zhu, 2015). Consequently, additional research on how Chinese firms adapt their HRM strategies when venturing to DEs could be useful. Furthermore, it would be beneficial to investigate the measures with which Chinese corporations address the important issue of employee retention after the acquisition of foreign entities (Ranft & Lord, 2000).

Expatriate management

In recent years, scholars have also started to examine the role and performance prerequisites of Chinese expatriates. Rui et al. (2017) argue that Chinese expatriates are a valuable source of competitive advantage for Chinese firms in other emerging markets, due to their relatively low cost, higher productivity and greater hardship tolerance in comparison to host country or developed country counterparts. In addition, the findings by Lin and Zhao (2016) and Wang et al. (2017) reveal that Chinese cultural concepts (e.g. mianzi, guanxi, etc.) and the degree of intercultural competence influence the effectiveness of Chinese expatriates.

Future research could explore the role of Chinese expatriates in DEs (Rui et al., 2017) and also investigate the Chinese firms' expatriate selection, training and development, compensation, as well as retention mechanisms (Chen, Choi, & Chi, 2002; Graf, 2004; Liu, Lu, & Choi, 2014; Mendenhall & Stahl, 2000).

3.1.3 Expansion and possible future research regarding the research stream “host country relationships”

This section outlines the research progress concerning how Chinese firms attempt to achieve organizational legitimacy and good corporate citizenship in the host countries, and provides recommendations for future research.

CSR

As the literature research identified merely two surveys that address the CSR activities by Chinese firms, this issue apparently continues to receive a limited amount of scholarly attention. May (2014) highlights that in the context of Chinese OFDI to the agriculture sector, the political guidelines and recommendations by the Chinese authorities are not very concrete, in particular concerning transparency and accountability. In addition, Miska et al. (2016) find that state influence is a driver of the Chinese firms' global CSR integration, while presence in the West and internationalization via CBAs promote local CSR responsiveness.

Future research could examine to what extent the Western firms and Chinese SOEs and/or privately owned enterprises (POEs) diverge regarding their CSR practices and thereby contribute differently to the host countries' ethical demands, including the upholding of human rights, respect for labor rights, combating corruption and protecting the environment in developing and developed countries (Deng, 2012; Fang & Chimenson, 2017).

Institutional integration and public perception

Surveys that investigate the integration process of Chinese corporations into the institutional environment of the host country and examine stakeholder reactions represent a new research stream.

Drawing on the LOF concept, Klossek et al. (2012) argue that Chinese firms that venture abroad attempt to mitigate the LOF through signaling, a careful due diligence, reputation-building by communication, and the hiring of employees who act as a cultural bridge. In addition, Song (2011) highlights that ties to business networks of local Chinese and overseas Chinese help Chinese companies to overcome institutional obstacles. Furthermore, Wu et al. (2011) find in the context of Haier's and Huawei's expansion to the US market that improving transparency and collaborating with local partners can reduce institutional reservations.

Furthermore, Peng et al. (2011) as well as Fang & Chimenson (2017) find that the ICF in Western countries is accompanied by a mainly negative media coverage resulting from a negative image of China in the West and a lack of trust regarding the Chinese government.

In view of these findings, research subjects deserving a closer examination could include the interrelation of firm performance and media coverage (Fang & Chimenson, 2017). Furthermore, scholars could investigate in which public relation activities Chinese firms engage to improve their image in the host countries entered.

3.1.4 Expansion and possible future research regarding the research stream “market adaption and cultivation”

When venturing abroad, one of the central issues for firms is to decide whether they should pursue a uniform market cultivation strategy across different foreign markets or adapt to distinct host country characteristics (Kotabe, Masaaki Helsen, Kristiaan, 2009). Despite the relevance of this principle decision, this subject area has received scant attention in the ICF context and is missing in the framework outlined by Deng (2012).

Hence, exploring the balancing of Chinese firms regarding global uniformity versus host market conformity represents a fruitful area for future research. An important research question, for instance, is to what extent Chinese firms modify their marketing strategy and customer relationship management (CRM) in terms of product, price, place and promotion decisions due to their internationalization. More concretely, do Chinese firms operating in foreign markets, for instance, attempt to sell the same products as in the Chinese domestic market, carry out country-specific product adjustments or even design and develop new products for foreign markets? Similarly, further potential research questions include whether Chinese firms create brands especially designed for international markets, what kind of branding strategy Chinese firms pursue in international markets and how they interact and deal with foreign key accounts.

A possible theoretical framework for carrying out these analyses could be the ethnocentric, polycentric, regiocentric, geocentric profile (EPRG profile), which allows the assessment of the degree of international marketing decisions by Chinese firms (Perlmutter, 1969; Wind, Douglas, & Perlmutter, 1973).

3.2 Research advancements and new impulses regarding the outcomes or consequences of the ICF

In this section, the research results of surveys primarily addressing research issues related to the consequences of the ICF process are illustrated and summarized. In addition, possible future research is outlined.

3.2.1 Expansion and possible future research regarding the research stream “goal achievement”

In contrast to the research situation on the ICF up to 2010, a considerable number of surveys are now available that investigate whether Chinese firms achieve their defined internationalization aims.

Firm innovation and knowledge absorption

Whether Chinese firms can benefit from their overseas investments in terms of an increased innovativeness and knowledge absorption has become an increasingly addressed research issue during the time period investigated.

Anderson et al. (2015) discover that the domestic market patents of the Chinese acquiring companies in DEs increase significantly in the wake of such acquisitions, while those of the acquired target do not significantly change, regardless of the ownership type of the Chinese firm (SOE or POE). They therefore conclude that Chinese firms on average fulfill their knowledge-seeking intentions. The results by Gugler and Vanoli (2015) point in a similar direction, as their findings indicate that Chinese firms possess a low ability to generate indigenous innovations, but rely on the patents that they source by their OFDI, in particular to developed markets. In addition, Chen et al. (2012) interpret the finding that Chinese firms increase their R&D spending in China after venturing to foreign markets as evidence for a reverse KT. Furthermore, Edamura et al. (2014) find that the intangible assets of Chinese businesses that have acquired companies located in DEs significantly increase, implying that Chinese companies indeed obtain access to knowledge through acquisitions. However, with respect to R&D, their research results suggest that the R&D intensity, defined as the ratio of R&D expenditures to sales, does not increase through the mergers between Chinese firms and companies from DEs. They therefore argue that the R&D activities of the acquiring Chinese entities and the acquired companies from a DE are rather complementary, and that synergies hardly arise. Moreover, Wu et al. (2016) investigate the impact of the host-country institutional environment on the innovation performance of Chinese firms. According to their findings, an advanced institutional environment has a positive impact on the innovation performance of Chinese companies, whereas this positive effect is stronger for Chinese firms with a high absorptive capacity and firms that have chosen a broad geographical diversification path. However, when the level of state ownership is high, it appears that the innovation performance of Chinese firms can also prosper in weak institutional surroundings.

A common shortcoming of these surveys is that they merely measure the transfer of explicit knowledge. Nevertheless, another important dimension of knowledge is tacit or implicit knowledge (Polanyi & Sen, 2009; Szulanski, 1996). Hence, attempts to measure the transfer of implicit knowledge in the context of the ICF might be beneficial (Harlow, 2008).

Capability-building

The results of the literature review show that until now, only two surveys have analyzed the effects of the ICF on the capability-building of Chinese firms.

Zhu et al. (2011) conclude that the internationalization strategy of TCL has enabled the company's catching-up and organizational learning process, resulting in a relatively high independence from the Chinese home market, and a global production network which helps

the company to exploit country-specific locational advantages. In addition, Hansen et al. (2016) find that the Chinese company investigated has managed to become a leading firm in the global biomass power plant industry mainly through acquisitions of technological frontier firms in Denmark, which have resulted in process, product and functional upgrading. However, the company has failed to sustain its leading firm position because it was not able to establish permanent innovative capabilities.

As both surveys follow a case study approach, the most obvious deficiency of the current research on capability-building through the ICF is the sample size. Consequently, there is the need for comparison studies based on a larger sample size. Moreover, it might be useful to examine capability-building not only on the corporate level, but also on the individual level (Grant, 1996a).

Brand creation and recognition

The extent to which the ICF increases the recognition of Chinese brands remains almost completely uninvestigated. Except for a case study by Spigarelli et al. (2015) about the acquisition of CIFA by Zoomlion, which reveals that the two companies established a joint brand after the closure of the acquisition and now distribute products under this common label in the Chinese market, no articles that address this issue have been identified.

In principle, brand recognition could be measured by the consumer's ability to recall Chinese brands (Kim, Gon Kim, & An, 2003; Mikhailitchenko, Javalgi, Mikhailitchenko, & Laroche, 2009).

Corporate governance

In recent years, the influence of the ICF on the corporate governance practices of Chinese firms has emerged as a new research issue.

In this vein, Ding et al. (2017) find that the acquisition of a DE target firm leads to a significant improvement in the acquirer's accounting standards, measured by the acquirer's earnings quality, while this result does not hold true when the target is from an emerging market. As another sub-aspect of corporate governance, Huang and Staples (2017) investigate the roles played by the boards of directors in Chinese-controlled subsidiaries in Australia. As they find that the boards of Chinese-controlled companies predominantly focus on their monitoring and controlling function, but hardly serve as advisors to the CEO or help to achieve legitimation in the company's external environments, they conclude that Chinese firms tend to retain their home country control-oriented corporate governance system in foreign markets as well.

Alongside surveys that focus on single specific aspects of corporate governance, a valuable contribution could also be to measure the impact of the ICF on the corporate governance quality of Chinese firms on an aggregated level by using several indicators and to compose a corporate governance quality index (Black, Carvalho, Khanna, Kim, & Yurtoglu, 2017; Nicolò, Laeven, & Ueda, 2008). The score of Chinese firms could subsequently be compared to a peer-group consisting of other emerging market firms that conduct OFDI. Promising theoretical angles could be the principal agent theory (Jensen & Meckling, 1976) or the stakeholder theory (Mitroff, 1989).

3.2.2 Expansion and possible future research regarding the research stream “competitiveness”

The scholarly attention on the implications of the ICF on specific industries, the host countries of Chinese OFDI and China itself has also grown in recent times.

Impact on industries

Regarding the impact of Chinese OFDI on the Vietnamese manufacturing industry, Kubny and Voss (2014) find that investments by Chinese firms do not trigger significantly different spillover effects than investments by DE firms. The authors therefore contest the assumption that FDI between emerging economies can benefit domestic firms more than DE OFDI due to a lower technological gap. In addition, Seyoum et al. (2015) argue, in the context of Chinese OFDI to the manufacturing industry in Ethiopia, that productivity gains of domestic companies are dependent on the local firms' absorptive capacity. Furthermore, a conceptual survey by Alon et al. (2015) dealing with consequences of OFDI by Chinese national oil companies states that the threat for international oil companies caused by the aggressive expansion strategy of Chinese competitors is, even if China's oil companies receive institutional support, relatively small.

To summarize, the existing surveys on the consequences of the ICF on specific industries apparently still predominantly possess a national or regional focus. Nevertheless, considering today's close international interlinking of many industries, such a research focus might be too narrow, and there is a need for more surveys with a global focus. To conduct these analyses, the global production network approach might be a valuable theoretical framework (Henderson, Dicken, Hess, Coe, & Yeung, 2002).

Impact on host and home countries

Surveys addressing the effects of the ICF on the host countries present a differentiated picture. As beneficial effects of the ICF, either real or potential, scholars particularly discuss positive employment impacts (Bräutigam & Tang, 2014; Gao, 2014; Nicolas, 2014; Wang et al., 2014) as well as the availability of a new source of capital (Rosen & Hanemann, 2012; Wang et al., 2014; Yao & Wang, 2014), and therefore a positive stimulus for economic growth (Zhang et al., 2014). On the other hand, the potential negative effects include the violation of local labor standards (Wang et al., 2014) and a stronger competition for the sourcing of human talents in the host countries (Rosen & Hanemann, 2012).

Alongside new insights regarding the macroeconomic impacts of the ICF on the host countries, there are also additional articles addressing the political attitude towards the ICF in the receiving countries. Investigating CBAs in the USA, Tingley et al. (2015) find that the probability of political intervention is higher when the CBA target a security-sensitive or distressed industry or aim at US sectors that are similarly restricted in China. Moreover, Globerman (2016) argues that Chinese SOEs in recent years operate increasingly in a market-oriented fashion and that concerns about CBAs by Chinese SOEs, which are based on the assumption that Chinese SOEs pursue non-commercial interests, are thus unfounded.

Nevertheless, these findings have to be interpreted with caution, since most of the results are based on conceptual or descriptive analysis. This situation thus calls for additional surveys that use quantitative methods to measure the impact of Chinese OFDI on the host countries.

Concerning the impact of the ICF on China itself, Song et al. (2011) discuss the relationship between Chinese SOEs and China's structural reform process. They hold the view that OFDI by SOEs can help the enterprises to increase their competitiveness and thereby support the structural reform process. However, OFDI by Chinese SOEs could also result in an increase of their monopoly power, which contradicts the objectives of the Chinese structural reform process. Besides, the results by Li, J., Strange, R. et al. (2016) provide evidence that China's OFDI positively contributes to an increase of its domestic innovation performance. The same positive effect can also be determined regarding the Chinese provinces' productivity. However, this only holds true as long as the technology gap between a Chinese province and the host countries that receive Chinese OFDI is narrow enough (Li, M. et al., 2016).

A research idea supplementing the basic thought by (Li, J., Strange, R. et al., 2016) is to investigate the presumable reciprocal impact of the ICF on reforms of the Chinese national innovation system, in particular the influence on the Chinese educational system.

4. Discussion of the potential overall future development of research on the ICF

The previous sections have described the research progress regarding the ICF on the micro-level. This section now discusses the potential overall future development of the ICF field on the macro-level in light of the most recent political developments in China (Alon, Child, Li, & McIntyre, 2011).

Based on the explicit and implicit suggestions in the articles examined for this review, and anticipating the consequences of the announcements of China's party and state leader Xi Jinping at the 19th National Congress of China's Communist Party (Merics, 2017), the following two scenarios are conceivable regarding the potential overall future development of research on the ICF.

The first scenario is based on the assumption that Chinese OFDI will continue to grow as part of a continuing integration of the Chinese economy into the world economy, following the implicit and explicit institutional rules of market economies. In this case, a mutual maturation of the ICF and research on the ICF appears plausible. Assuming that this direction will be taken, the following set of research issues will gain relevance.

Empirical studies will react to the fact that Chinese firms' overseas activities will cover longer time periods and help these firms to gain more experience abroad. Future contributions will hence focus more on understanding the characteristics of established Chinese foreign presence. They will examine how a growing experience with working in foreign markets will make the behavior of Chinese firms less unique and more compliant with "standard" behavior. Moreover, they will increasingly review the foreign subsidiaries as parts of their host countries' economic systems.

Regarding theoretical contributions, the increasing numbers of Chinese firms and the prolonged time periods to be studied will lead to more robust insights concerning causalities and typical patterns of behavior. In particular, it can be expected that Chinese firms will increasingly conform to the behavior of Western firms, and theoretical explanations of their behavior will merge with mainstream theories.

The second scenario is fundamentally different. It is based on the notion that China will adhere to and more strongly turn into an economic system that significantly differs from Western market economies regarding the level and pervasiveness of government and party control, and regarding the influence of political decisions. At the 19th National Congress of China's Communist Party, Xi clearly underpinned the communist party's claim for primacy concerning Chinese society and the economy through his speech and thoughts on a "new era of socialism with Chinese characteristics" (McCahill, 2017). With the revitalizing and reinforcement of a state capitalist one-party system firmly rooted in the Marxist, Leninist and Maoist heritage and opposed to liberal democracy and market-driven capitalism, the world might witness a new round of competition between different economic systems (Merics, 2017).

Under such circumstances, the ICF field will develop very differently. Empirical contributions will analyze the consequences of differences in the objectives of a company, which in the case of Chinese firms will then be conforming and adhering to political expectations. Among the potential consequences, a completely different set of motives and strategies will be the likely outcome. State support will affect the resource base of Chinese firms and hence materialize in non-standard motives and strategies regarding the ICF. Players in host markets will react with some skepticism and caution, negatively affecting the local embeddedness of Chinese foreign subsidiaries.

On the theoretical level, the standard Western theories will not sufficiently explain Chinese firms' international activities. Instead, a new theory will be needed that acknowledges the most important particularities of Chinese firms that stem from the fact that they will be government-controlled, government-directed and government-supported. As this situation not only describes the situation of individual state-owned companies, but indeed all Chinese firms, it is a fundamental departure from very important assumptions underlying today's standard theories, such as the assumptions that companies must first and foremost focus on rates of return and profitability. Hence, the theoretical foundation of the ICF field will increasingly become more distinctive, and, assuming a continuing relevance of the Chinese economy despite the establishment of a unique Chinese economic system, will gain importance.

In view of the most recent political developments as described above, at least currently, the second scenario appears more likely.

5. Conclusions

This chapter supplements a previous review article on the ICF by Deng (2012) that covers the period 1991 to 2010. Based on the organizational framework of the research on the ICF provided by Deng (2012), it has reviewed the literature on the ICF between 2011 and June 2017. The research objective was to investigate which of the research issues that Deng (2012) classifies as unexplored or significantly under-investigated have meanwhile been addressed and which new research streams within the ICF context have recently emerged or could be addressed in the future.

The results of the literature review reveal that in the course of the ongoing research interest in the ICF, the research field has expanded thematically in recent years and various research gaps identified by Deng (2012) have meanwhile been addressed.

There is an increased number of articles analyzing the ICF from a process perspective. In this regard, the latest research efforts have contributed to a better understanding of the role and control of foreign subsidiaries of Chinese firms, group-internal KT, the management of international HRM issues, and the integration process of Chinese companies into the institutional environment of the host countries.

Scholars have also made progress in researching the impacts of the ICF process. There are new empirical findings concerning the relationship between the ICF and the capabilities and innovativeness of Chinese firms. In addition, scholars have started to examine the consequences of the ICF for individual industries, China itself and the host countries.

Overall, the results thus imply that in the course of the ongoing scholarly attention, research on the ICF has become more widespread and mature in recent years.

However, despite these recent advancements, the state of knowledge regarding these recently addressed issues often remains at an initial stage. To encourage scholars to further increase the understanding of the ICF, this literature review has provided detailed future research recommendations for each of these newly accessed research issues. In addition, the review has identified the foreign market cultivation by Chinese firms as an entirely new possible research field.

To reflect on these research results, the following limitations should be considered. Even though the literature research was conducted thoroughly, it is possible that individual

papers have been unintentionally ignored. Due to the selection of keywords and journals, existing articles regarding the ICF may have remained unrecognized.

Another limitation is that the distinction between single categories, sub-categories and research issues in the framework provided by Deng (2012) is rather fuzzy. Therefore, the assignment of the articles reviewed in this present chapter is based to a certain extent on the subjective perception of the authors.

Furthermore, this literature review has purposely investigated which of the research issues that Deng (2012) identified as unexplored or significantly under-investigated have meanwhile been addressed and which new research streams and subjects within the ICF context have emerged or could be addressed in the future. Conversely, there is still the need to examine which research advancements have been achieved in research categories that Deng (2012) classifies as more frequently analyzed.

In addition, this chapter consciously focuses on the thematic expansion of research on the ICF at the expense of a detailed discussion of the theoretical implications of the latest surveys on the ICF. To overcome that limitation, scholars should also analyze the surveys identified from a theoretical advancement perspective. A good starting point could be the more theoretically oriented review article by Deng (2013).

In a wider perspective, this chapter argues that the development of the political climate in China will determine whether the ICF, and thus the research on this phenomenon, will conform to “mainstream”, Western-dominated internationalization patterns, or whether it will justify a stand-alone positing within the international business literature. The recent announcement by China’s party and state leader Xi Jinping at the 19th National Congress of China’s Communist Party of the “new era of socialism with Chinese characteristics” and the commitment thereby expressed to a state capitalist one-party system firmly rooted in the Marxist, Leninist and Maoist heritage rather suggest the latter (McCahill, 2017; Merics, 2017).

CHAPTER 3: CHINESE CROSS-BORDER ACQUISITIONS IN DEVELOPED ECONOMIES: THE ORGANIZATION OF KNOWLEDGE TRANSFER

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The first author was responsible for preparing the manuscript and conducting the empirical research. The co-authors assisted him in these tasks by providing suggestions and recommendations. In addition, the co-authors contributed short text passages.

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Abstract

This chapter examines the organization of KT through Chinese CBAs in DEs from an organizational learning perspective. The empirical evidence results from an investigation of multiple Chinese acquisitions in the German industrial sector and particularly reflects the perspective of the acquired German target firms.

Firstly, we find that KT is part of the operational integration that usually complements structural integration, characterized by the light-touch integration approach (Liu & Woywode, 2013). Engaging in several activities (e.g. establishing R&D centers, joint ventures, and staff deployment), Chinese MNEs ultimately aim to stimulate the interaction between their acquired DE targets and the Chinese parent companies.

Secondly, the findings suggest that the dominant transfer direction is from the acquired DE targets to the Chinese parent companies. However, challenging the conventional wisdom, KT meanwhile also occurs reciprocally, particularly in the technological area.

Thirdly, the research results indicate that the absorptive and disseminative capacities of both partners, knowledge characteristics, and the handling of intercultural issues moderate the effectiveness of KT.

Keywords: Knowledge transfer, mergers and acquisitions (M&A), cross-border acquisitions, post-acquisition integration, Chinese, China

1. Introduction

In accordance with its rapid economic development, China's OFDI has increased tremendously in recent years (Kolstad & Wiig, 2012; Liu et al., 2005; Peng, Wang, & Jiang, 2008; Robins, 2013; UNCTAD, 2017). As an important part of this development, a growing number of Chinese MNEs are acquiring firms located in the DEs (Alon & McIntyre, 2008; Liu & Vrontis, 2017; Peng, 2012; Sun, Peng, Ren, & Yan, 2012; Zhu & Zhu, 2016).

In the international business literature, there is a widespread consensus that one of the key motives of Chinese MNEs for CBAs in DEs is to source strategic assets that are complementary to their own resources. In other words, Chinese MNEs attempt to purchase advanced knowledge, such as state-of-the-art technological and managerial expertise, in order to alleviate competitive disadvantages of the Chinese parent company and to catch up to their Western counterparts (Boateng et al., 2008; Child & Rodrigues, 2005; Deng, 2009; Deng et al., 2017; Narula, 2012; Peng, 2012; Schüler-Zhou & Schüller, 2013; Zheng et al., 2016).

Nevertheless, literature that go beyond the analysis of the Chinese MNEs' motives and addresses the issue of how Chinese MNEs arrange the intended KT through their corporate acquisitions in DEs remains sporadic at best (Chen et al., 2012; Deng, 2012; Liu & Woywode, 2013; Peng et al., 2017; Yiu, Ng, & Ma, 2013).

Furthermore, the outcome of KT is closely connected to an appropriate integration strategy and a suitable amount of control from headquarters (Junni, 2011; Peng et al., 2017; Zheng, 2016; Zheng et al., 2016). There are a few surveys postulating that Chinese MNEs consciously choose a low level of structural integration and largely preserve the autonomy of their DE targets (Liu & Woywode, 2013, 2013; Peng et al., 2017; Schüler-Zhou & Schüller, 2013; Zheng, 2016; Zheng et al., 2016). Liu and Woywode (2013) aptly describe this limited structural integration by Chinese MNEs as a light-touch integration approach. These surveys, however, do not elucidate in which actions Chinese MNEs engage to facilitate KT on the operational level. The only exception is the survey by Peng et al. (2017), which mentions that the establishment of several joint ventures and common R&D centers supported KT in the case of the Geely-Volvo acquisition. Additionally, these articles do not provide information about the areas of knowledge (technological and/or managerial) that are particularly involved in these ventures.

Moreover, the current debate on KT in the context of Chinese CBAs in DEs is based on the assumption that Chinese MNEs possess a knowledge disadvantage and therefore Chi-

nese corporate acquisitions in DEs lead to a reverse KT from the acquired DE target to the Chinese parent company (Child & Rodrigues, 2005; Deng, 2009; Liu & Deng, 2014). However, considering the growing potential for indigenous innovations by some Chinese firms (Jiang, Branzei, & Xia, 2016; Zhou, Lazonick, & Sun, 2016), a one-directional interpretation of KT might have become a misconception. Instead, we argue that KT in individual cases occurs in bi-directional manner.

In addition, previous surveys have mostly integrated the perspective of the Chinese parent company and have highlighted the importance of a sufficient amount of absorptive capacity on the part of the Chinese acquiring companies to realize a KT successfully (Anderson et al., 2015; Deng, 2010; Liu & Woywode, 2013; Narula, 2012; Yang et al., 2014; Zheng et al., 2016). Consequently, knowledge about existing restrictions on the side of the DE targets and which other factors impact KT in the context of Chinese CBAs in DEs is still lacking.

Hence, we pursue the following overall research question: how is KT in the context of Chinese CBAs in DEs organized?

Firstly, the chapter adds to the literature on KT in the context of Chinese CBAs in DEs by providing new insights concerning the integration approach of Chinese MNEs. In particular, we examine the management measures undertaken to support KT as part of the operational integration. In this way, we complement surveys in the extant research that have focused on the structural integration of Chinese MNEs (Liu & Woywode, 2013; Schüler-Zhou & Schüller, 2013; Zheng et al., 2016).

Secondly, we broaden the understanding of KT through Chinese CBAs in DEs by clarifying which areas of knowledge are particularly transmitted and in which directions the KT occurs.

Thirdly, this chapter advances our understanding of KT in connection with the Chinese CBAs in DEs by illustrating which factors affect the intended KT between the Chinese parent company and the acquired DE target, and how these aspects manifest themselves.

Fourthly, as suggested by Liu and Vrontis (2017) we take into account the specific Chinese-DE context. This makes it possible to discuss the extent to which the process of KT in a Chinese-specific context is different to KT in any other different international setting.

Given the strategic asset-seeking motive of Chinese MNEs to conduct CBAs in DEs, our analysis is based on organizational learning literature, which explains how enterprises create, retain, as well as transfer knowledge within or across business units (Argote

& Fahrenkopf, 2016), and is thus an appropriate theoretical lens (Chen et al., 2012; Liu & Deng, 2014).

Empirically, we employ a multiple case study approach and investigate a sample of Chinese takeovers in the German industrial sector as a representative sample of CBAs in DEs. By doing so, we follow the suggestion by Liu and Vrontis (2017) and Liu and Deng (2014) to use qualitative research methods to explore the complexity of the ICF.

We derive our findings from the interview statements by corporate representatives of the Chinese parent company as well as the acquired German target firm. Even though we additionally interviewed external parties involved in Chinese acquisitions in Germany (e.g. bankers, lawyers and business consultants), our results mainly reflect the perspective of the acquired German target firms.

The remainder of the chapter is structured as follows: firstly, we describe the theoretical foundation of our analysis in more detail. The subsequent section then explains our multiple case study approach, followed by an overview of the empirical findings. In the last section, we briefly summarize our main findings and discuss the implications of our results. In addition, we critically reflect on the research limitations and suggest possible extensions of our study.

2. Theoretical considerations and literature review

In the academic discourse on the ICF, it is particularly emphasized that Chinese MNEs use their CBAs in DEs as a vehicle to access the advanced knowledge and capabilities of their acquisition targets and to initiate an exchange of knowledge between the organizations involved. In this way, Chinese MNEs aim to compensate for their competitive disadvantages and to catch up to their Western counterparts (Boateng et al., 2008; Child & Rodrigues, 2005; Deng, 2009; Deng et al., 2017; Narula, 2012; Peng, 2012; Schüler-Zhou & Schüller, 2013; Zheng et al., 2016).

Considering that Chinese firms obviously intend to learn from their acquired entities from the DEs, we use organizational learning as a theoretical framework for our investigation of how the intended KT between the Chinese parent companies and the acquired DE enterprises is organized (Chen et al., 2012; Liu & Deng, 2014).

This theoretical perspective is appropriate, since organizational learning literature explains how enterprises generate, store and transmit knowledge within or across organizational

units in order to maintain or develop a competitive advantage in ever-changing market conditions (Argote & Fahrenkopf, 2016; March, 1991; Nonaka, 1994; Popova-Nowak & Cseh, 2015; Shrivastava, 1983).

From an organizational learning perspective, acquisitions can be interpreted as a way to accelerate the learning process by instantly taking over the entire knowledge pool of the target and transmitting its accumulated expertise across the merged organization (Bresman et al., 1999; Morosini et al., 1998).

Existing organizational learning literature also postulates that KT in an acquisition context results from the interaction between the parties involved, initiated during the post-merger integration, and is moderated by the absorptive capacity of the knowledge receiver, the disseminative capacity of the knowledge sender and the characteristics of the knowledge to be transmitted (Gupta & Govindarajan, 2000; Junni, 2011; Minbaeva, 2007; Szulanski, 1996).

Given that our research aim is to contribute to a deeper understanding of KT through Chinese CBAs in DEs, we take all these determinants into account simultaneously. Figure 4 illustrates our guiding interpretation of KT in the context of Chinese CBAs in DEs, followed by an explanation.

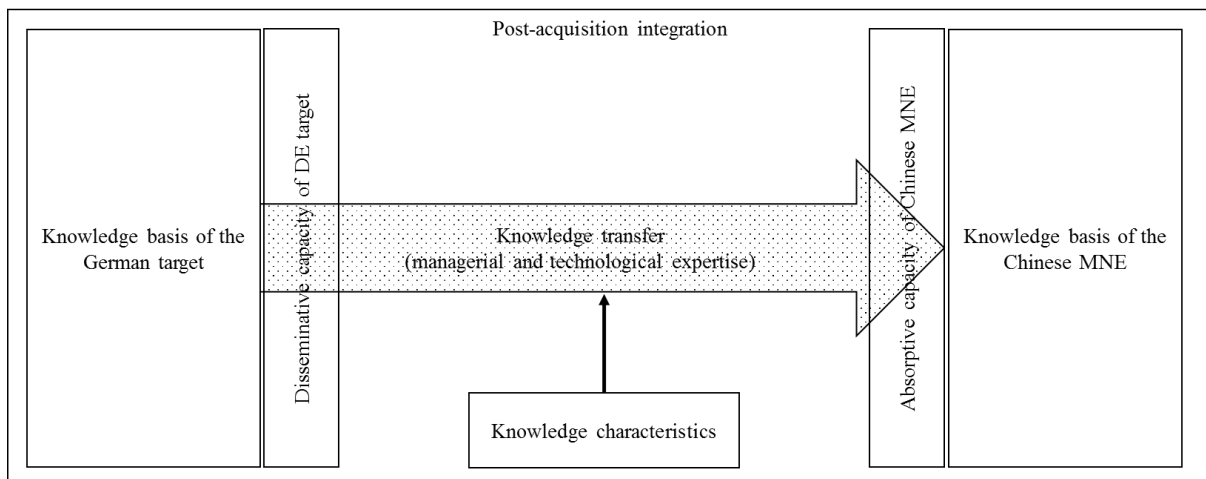


Figure 4: Schematic diagram of KT in Chinese CBAs in Germany

Source: Own representation

2.1 Post-acquisition integration

From an organizational learning perspective, post-acquisition integration defines the framework in which KT can be organized in the course of a corporate acquisition (Bresman et al.,

1999; Haspeslagh & Jemison, 1991; Junni, 2011; Zheng et al., 2016). In Figure 4, this is portrayed by the fact that the post-acquisition array encloses all other matrices.

Post-acquisition integration can be divided into several subsections. Jansen (2016) provides a possible differentiation scheme according to content-related criteria. He distinguishes between the structural, strategic, administrative, operational, cultural and external post-acquisition integration. Even though this classification is not entirely accurate and overlaps exist, we incorporate this perspective in our analysis due to its pragmatic nature (Glaum & Hutzschenreuter, 2010). Given the research context of our survey, we consider structural and operational integration to be of particular relevance.

Structural integration indicates the incorporation of the acquired entity into the organizational structure of the overall business group. It is thus a task that the Chinese acquirer has to carry out (Glaum & Hutzschenreuter, 2010). Structural integration can range from leaving the acquired entity completely intact and continuing its business under the umbrella of a management holding to a complete absorption of the acquired enterprise characterized by its dissolution and full integration into the parent company (Haspeslagh & Jemison, 1991; Puranam & Srikanth, 2007; Puranam, Singh, & Zollo, 2006; Shrivastava, 1986).

In the case of Chinese CBAs in DEs, extant research states that Chinese MNEs typically choose a low level of structural integration and largely preserve the autonomy of their DE targets (Liu & Woywode, 2013; Marchand, 2017; Peng, 2012; Schüler-Zhou & Schüller, 2013; Zheng, 2016; Zheng et al., 2016). Liu and Woywode (2013) label this integration mode as the light-touch integration approach. This approach usually manifests itself by leaving intact the management team of the acquired entity, retaining the target's company name and brands, providing strategic guidance from the Chinese parent company but giving the management of the purchased company a high degree of freedom in decision-making, and an involvement of the parent company in the supervisory board of the purchased enterprise (Liu & Woywode, 2013).

Operational integration denotes the involvement of the acquired firm in the manufacturing and output processes of the overall business group. In the course of the operational integration, KT may occur (Glaum & Hutzschenreuter, 2010; Junni & Sarala, 2012). However, a precondition is that there must be some kind of interaction and communication between the acquiring and the acquired entities (Bresman et al., 1999; Junni, 2011).

To the best of our knowledge, empirical evidence about how Chinese MNEs handle the operational integration of their DE targets and in which ways they support the intended

KT is practically non-existent. Only a recent survey by Peng et al. (2017) highlights that the Chinese car producer Geely induced the establishment of several joint ventures and common R&D centers to promote KT in the aftermath of the acquisition of the Swedish car producer Volvo. In this way, the personal interaction between the involved parties that is critical to ensure the transfer of tacit knowledge could be supported (Chen et al., 2012).

In the next section, we further clarify our understanding of knowledge and underpin our assumption that KT mainly, but not exclusively, happens in a direction that is from the DE target to the Chinese parent company.

2.2 Areas and direction of KT

In accordance with Wang, Tong, and Koh (2004), we distinguish between management (e.g. managerial skills, marketing/sales skills, human resource management skills, corporate culture and values, and strategic competence) and technological knowledge (e.g. manufacturing knowledge, R&D skills and product knowledge).

In line with Anderson et al. (2015) and Edamura et al. (2014), we expect the German targets to be primarily knowledge senders, while the Chinese parent companies are predominantly as knowledge receivers. Anderson et al. (2015) find that the innovation performance, measured by the host country patent applications, of the Chinese parent companies significantly increases after conducting CBAs in DEs. The results by Edamura et al. (2014) point in the same direction, as they find that the intangible assets of Chinese MNEs significantly increase in the wake of their CBAs in DEs.

Nevertheless, considering the growing potential for indigenous innovations by some Chinese firms (Jiang et al., 2016; Ning, Sutherland, & Fu, 2017), in individual cases the KT might be increasingly mutual and reciprocal. Advancing innovative capabilities of Chinese firms can be the result of successful technological upgrading as discussed, for example, by Fu and Gong (2011). A second motivation of certain firms to concentrate on generating new products stems from the government's call for indigenous innovation (Liu & Lundin, 2009). Today, the most innovative Chinese firms combine successful technological upgrading and creativity, and they command top-level innovation resources. Huawei, the Chinese telecommunications equipment provider and a world leading patenting firm, is a frequently examined success case in this context (Kang, 2015).

Breznitz and Murphree (2014) describe several aspects of Chinese firms' move towards innovation. In the context of reciprocal learning in CBAs, three types of innovation

capabilities seem to be particularly noteworthy. The first is the capability to produce product innovations that are adapted towards the needs of users in rapidly growing, middle-income markets such as China. These users tend to demand solutions that emphasize not only technological sophistication but also reasonable costs of purchase and operation. Such innovations have been labeled, for example, low-cost-high-tech innovation, frugal innovation, or shanzhai innovation (Lee & Hung, 2014; Schanz, Hüsigg, Dowling, & Gerybadze, 2011; Simula, Hossain, & Halme, 2015). A second type of innovation capability that seems to be China-specific is speed innovation, which refers to the ability to organize innovation processes in a way that ensures fast delivery of innovation results (Yang & Meyer, 2015). The third capability relates to Chinese companies' ability to benefit from public procurement and large-scale investment projects in industries that depend heavily on state intervention, such as high-speed rail, energy and telecommunications (Liu & Lundin, 2009; Zhou et al., 2016).

These examples indicate that some of the acquiring Chinese companies may possess certain portions of technological or managerial knowledge that may become highly relevant for the acquired DE firms.

Nevertheless, in most instances the degree of knowledge of the German targets should still typically be economically more valuable than that of the Chinese MNEs. Therefore, we now turn to a closer consideration of the capabilities and intentions of the German targets in their role as knowledge sender.

2.3 Disseminative capacity of the German target

According to organizational learning literature, one factor that influences the effectiveness of KT is the disseminative capacity of the knowledge sender (Gupta & Govindarajan, 2000; Juni, 2011; Minbaeva, 2007; Minbaeva & Michailova, 2004; Szulanski, 1996). Following this line of argumentations, we interpret disseminative capacity as the ability and motivation to share knowledge.

Assuming a global presence, we believe that the acquired German firms have experienced expatriates under contract who could act as knowledge disseminators (Chen et al., 2012; Wang et al., 2004). However, a potential obstacle for KT in connection with Chinese CBAs in Germany is the reluctance of employees of the acquired German target to transmit knowledge. They could be concerned that the competitive advantage of the German target will erode over time if they share their knowledge with the Chinese side. Ultimately, this would mean that the German target becomes dispensable for the Chinese parent company (Knoerich, 2010). Emp-

son (2001) calls this reasoning as fear of exploitation. According to her findings, employees refuse to share knowledge with co-workers if they believe that their own knowledge is more valuable and do not expect an equivalent compensation for their effort.

After elucidating the potential ability and willingness of the German targets to transmit knowledge, we now turn to the skill set and interests of the Chinese parent company in receiving knowledge.

2.4 Absorptive capacity of the Chinese parent company

As posited by organizational learning literature, the degree of KT also depends on the absorptive capacity of the knowledge receiver (Gupta & Govindarajan, 2000; Junni, 2011; Minbaeva, 2007; Szulanski, 1996). In contrast to the disseminative capacity, absorptive capacity refers to “[...] *the ability of a firm to recognize the value of new, external, information, assimilate it, and to apply it to commercial ends* [...] (Cohen & Levinthal, 1990, p. 128).” Absorptive capacity is derived from the accumulated amount of prior organizational problem-solving experience (Kogut & Zander, 1992). One precursor of this ability is the extent of prior related knowledge (Gupta & Govindarajan, 2000). This prior knowledge encompasses basic skills, a common language and a relevant as well as adequate educational background (Cohen & Levinthal, 1990; Szulanski, 1996). Moreover, absorptive capacity is also affected by the motivation to receive knowledge (Minbaeva, 2007).

Previous research mainly reports that the capacity of Chinese MNEs to absorb knowledge is rather low, due to a limited number of managers experienced in managing international operations, a low expertise level of the technical staff, and highly complex organizational structures of Chinese SOEs (Liu & Woywode, 2013; Peng, 2012; Schüler-Zhou, Schüller, & Brod, 2012; Zheng et al., 2016).

Another crucial element of KT is the characteristics of the knowledge that is to be transferred (Gupta & Govindarajan, 2000; Junni, 2011; Minbaeva, 2007). This aspect is, therefore, the subject of the next section.

2.5 Characteristics of knowledge

Existing organizational learning literature also points out that knowledge characteristics influence the knowledge exchange process within an organization (Gupta & Govindarajan, 2000; Junni, 2011; Minbaeva, 2007; Szulanski, 1996). Within the existing organizational learning literature, the differentiation between explicit and implicit/tacit knowledge in particular is

widely acknowledged (Grant, 1996b; Subramaniam & Venkatraman, 2001). Therefore, we distinguish between these two types of knowledge and assume that both areas of knowledge (managerial and technological) have an explicit and a tacit dimension.

Explicit knowledge indicates formalized and codified knowledge (e.g. the exchange of data, technical specifications, manuals, universal principles, patents and engineering drawings). Implicit/tacit knowledge, on the other hand, refers to experienced-based knowledge and includes a technical and mental component (e.g. sales skills, taste in design, creativity). While the communication and sharing of explicit knowledge is rather uncomplicated, the transfer of tacit knowledge is linked to an elaborative learning process (Haldin-Herrgard, 2000; Nonaka, 1991; Roberts, 2000; Wang et al., 2004).

Moreover, the findings by Anderson et al. (2015) and Edamura et al. (2014) indicate that there is a transfer of explicit knowledge from the DE target to the Chinese parent company. Nevertheless, the nature of strategic assets sought by Chinese MNEs implies that these resources also include a tacit knowledge component deeply embedded in the organizational routines and processes of the DE targets (Zheng et al., 2016).

The next section describes our methodological procedure.

3. Methodology

In order to investigate KT in Chinese CBAs in Germany, we employed a multiple case study approach.

Applying a qualitative research method is suitable due to the explorative character of our research question (Edmondson & McManus, 2007; Hammersley, 2012). Moreover, Chinese CBAs in DEs are a relatively new phenomenon (Zheng et al., 2016). Therefore, the research regarding this subject is still in an incipient stage, especially concerning KT and the closely related post-acquisition integration behavior of Chinese MNEs (Liu & Deng, 2014). In such conditions, it is appropriate to create new assumptions or to refine existing theoretical constructs (Edmondson & McManus, 2007; Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Hammersley, 2012).

We adopted a multiple case study approach, since it provides the opportunity for within-case and cross-case comparison. Consequently, the internal validity of the research results is higher than for a single-case study approach (Eisenhardt, 1989; Eisenhardt & Graebner, 2007).

Germany as a host country provides an ideal empirical setting for this research, as it is famous for its medium-sized companies, known as the *Mittelstand*, which are characterized by high innovativeness, strong brand reputation, a valuable customer base and a sophisticated technological knowledge basis (Berlemann & Jahn, 2015; Kohlert, 2014; Milelli, Hay, & Shi, 2010). Hence, the share of knowledge-seeking Chinese CBAs in Germany is likely to be relatively high. In addition, Germany has meanwhile become the top destination for Chinese investment in Europe (Liu & Vrontis, 2017).

We pursued a purposive sampling strategy (Marshall, 1996; Seawright & Gerring, 2008) aimed at establishing contacts and conducting interviews with C-level representatives of acquired German industrial enterprises and/or the Chinese parent companies.

We considered a German enterprise as acquired if the Chinese parent company owns at least 50.01% of the capital shares, thus usually gaining control of power structures in the decision-making bodies (Deloitte, n. d.).

Since acquisition decisions are of high strategic relevance (Eschen & Bresser, 2005), we assumed that C-level employees have the deepest insights into the transaction processes. The decision to concentrate on acquired German industrial companies is related to the observation that the vast majority of Chinese corporate acquisitions in Germany have happened in the manufacturing sector (Jungbluth, 2013, 2016). The selection of typical, exemplifying transaction cases was thus ensured (Seawright & Gerring, 2008). Furthermore, a more homogeneous sample facilitates the cross-comparison of the cases (Knoerich, 2010).

We identified acquisitions by Chinese MNEs in Germany using the Zephyr database provided by Bureau van Dijk (data retrieval: 13 June 2016), which contains detailed information about companies in Germany, including financial indicators, detailed corporate structures, shareholders and subsidiaries, and acquisitions as filed at the German Federal Gazette (German translation: *Bundesanzeiger*) in Germany. In order to compensate for missing data, we additionally collected information from Ernst and Young (2014, 2015, 2016a, 2016b, 2017) Ginkgo Tree Advisors (2014, 2015), Hanemann & Huotari (2015) and Jungbluth (2013, 2016).

To collect the data, we used semi-structured interviews prepared with a guideline consisting of open-ended questions and potential queries (Clifford et al., 2016). As an acquisition process typically consists of three different stages (pre-acquisition, transaction, and post-acquisition phase (Meckl, 2004)), we subdivided the guideline into three different sections. The first section of the guideline (pre-acquisition phase) primarily contained questions concerning the deals' initial situation, the previous relationship between the parties involved and

the motives of the Chinese and German firms. The second section of the guideline (transaction phase) aimed to obtain insights regarding the negotiations between the two parties. The questions in the last part of the guideline (post-acquisition phase) focused on events after the acquisitions were completed. In the final section, special attention was paid to the factors affecting KT and the resulting management actions in the post-acquisition phase.² We chose this structure in order to gain a holistic understanding of the acquisitions. We also expected a positive impact on the communication with the informants, since we assumed that they are familiar with this segmentation due to their professional experience.

We contacted the identified Chinese parent companies and the acquired German firms by telephone and/or e-mail to gain personal contact details of potential interview partners. In a next step, we sent out interview requests to potential informants. The interview request informed the potential interview partners that we are particularly interested in the organization of KT. We therefore believe that the informants prepared themselves for the interviews and were well-informed about the exchange of knowledge between the Chinese parent company and the acquired German target firm.

As shown in Table 2, we were able to conduct 17 interviews (13 face-to-face and 4 by telephone) with 18 corporate representatives. In two cases, we talked to representatives of a Chinese parent company that had conducted more than one acquisition in Germany. During the interview, we made all closed acquisitions as the subject matter. Therefore, in total, we collected information on 22 CBAs of Chinese MNEs in Germany. As we considered the relationship between the acquirer and the acquiring party to be a sensitive issue, we ensured confidentiality to the informants in order to increase the participation rate and the openness of the informants. On average, the interviews lasted 43 minutes, with the shortest being 27 minutes and the longest being 79 minutes in duration.

As can also be observed from Table 2, in the majority of cases we interviewed representatives of the German target. This is related to our assumption that the DE target is the nucleus for stimulating KT, as we were expecting that the German target would still usually possess a knowledge advantage. In connection with our research purpose, we therefore considered conducting interviews with the German side to be of particularly high importance and very expedient. Also, we assumed the statements by managers of the acquired target to be more balanced than the statements of the buying side, as managers of the Chinese parent

² The interview guideline for the corporate representatives is shown in Appendix 1.

company might have an incentive to put a strong emphasis on the positive consequences of the acquisitions (Grinstein & Hribar, 2004).

Case	German target(s) legal form / industry		Chinese parent company industry / ownership type ¹		Year of acquisition	Position of interview partner(s)	Nationality of interview part- ner(s)	Employer of the interview part- ner(s)
1 ²	Ltd., ltd., ltd., ltd.	Automotive	Automotive	POE	2011, 2014, 2015, 2016	Assistant to general manager (European holding of Chinese parent company)	Chinese	Parent company
2	Ltd.	Mechanical engineering	Mechanical engineering	POE	2014	Deputy general manager	Chinese	Parent company
3	Ltd.	Mechanical engineering	Chemicals	SOE	2016	CSO	German	Target
4	Corp.	Mechanical engineering	Aircraft	SOE	2014	Corporate communications officer	German	Target
5	Ltd.	Mechanical engineering	Mechanical engineering	POE	2009	CEO	German	Target
6	Ltd.	Mechanical engineering	Mechanical engineering	N.a.	2013	CEO	German	Target

Case	German target(s) legal form / industry		Chinese parent company industry / ownership type ¹		Year of acquisition	Position of interview partner(s)	Nationality of interview part- ner(s)	Employer of the interview part- ner(s)
7 ²	Corp., Ltd., Ltd.	Mechanical engineering	Mechanical engineering	SOE	2005, 2013, 2013	CEO (European holding of Chinese parent company, member of the German target's supervisory board)	German	Parent company
8	Ltd.	Construction	Construction	SOE	2014	CEO	German	Target
9	Ltd.	Mechanical engineering	Mechanical engineering	SOE	2013	CEO	German	Target
10	Ltd.	Mechanical engineering	Energy	SOE	2013	CEOs	German, Chinese	Target
11	Ltd.	Automotive	Steel	SOE	2013	CEO	German	Target
12	Ltd.	Mechanical engineering	Mechanical engineering	POE	2015	CEO	German	Target
13	Ltd.	Automotive	Aircraft	SOE	2014	CEO	German	Target
14	Ltd.	Mechanical engineering	Mechanical engineering	N.a.	2015	Management board member	German	Target

Case	German target(s) legal form / industry		Chinese parent company industry / ownership type ¹		Year of acquisition	Position of interview partner(s)	Nationality of interview part- ner(s)	Employer of the interview part- ner(s)
15	Corp.	Automotive	Automotive	SOE	2012	CSO	German	Target
16	Ltd.	Aircraft	Aircraft	SOE	2013	Head of corporate communications	German	Target
17	Ltd.	Automotive	Conglomerate	SOE	2013	CEO	German	Target

¹ data retrieved from Jungbluth (2013, 2016).

² Chinese parent company conducted more than one acquisition in Germany. During the interviews, we discussed all closed acquisitions.

Table 2: Interviews with corporate representatives

Source: Own representation

For triangulation, we additionally conducted semi-structured interviews with 33 representatives of organizations with an intermediary role (e.g. banks, economic development agencies, advisory and law firms, as well as Chinese-German business associations) in facilitating Chinese investments in Germany. Carrying out interviews with intermediaries further improved the data quality, as they have intense contact with the acquiring and the acquired side and have no incentive for an overly positive description of the company internal processes initiated in the post-acquisition phase. The content and structure of the guideline was similar to those used with the corporate representatives.³

We carried out the entire data collection process between February and December 2016. The interview language was German or English. After obtaining the necessary permission, we recorded and transcribed the interviews. If the interview partners did not agree to an audio recording, we took notes during the interviews. Some informants asked to receive the transcript in order to validate and reconsider their statements. However, none of them requested major changes to the transcripts. In some cases, the intermediaries or managers also provided additional information material (e.g. corporate presentations).

As suggested by Eisenhardt (1989), the analysis of the empirical material included two stages: within-case and cross-case analysis. To achieve consistency, this procedure was supported by a thematic qualitative text analysis as described by Kuckartz (2014).

We first carried out the within-case analysis. For this purpose, we consecutively read and coded the empirical material along major categories that we derived deductively from the interview guidelines.

Subsequently, we conducted the cross-case analysis. During this stage, we initially compiled all of the text passages assigned to each of the main categories. In a next step, we inductively created sub-categories for each of the major categories based on the empirical material. After defining sub-categories, we proceeded with a second coding process, in which we assigned the coded text passages within each main category to the newly defined sub-categories.

4. Results

In line with the objectives of this chapter and the structure of the theoretical part, this section firstly describes our findings concerning the integration approach of the Chinese MNEs, par-

³ The interview guideline for the intermediaries is shown in Appendix 2.

ticularly concerning the structural and operational integration. Subsequently, we elucidate our results concerning the areas and direction of KT. Finally, we outline our findings concerning the factors that affect the intended KT.

Using a recent and well-structured article as a template (Rui et al., 2016), the results of each section are summarized by formulating a research proposition.

4.1 Results regarding the post-acquisition integration approach

This section addresses the structural and operational integration measures of the Chinese MNEs.

4.1.1 Structural integration

Concerning the structural integration strategy of Chinese MNEs, the analysis of the empirical material provided a relatively clear result. Except for one case (case 16), we found broad confirmation for the light-touch integration approach as described by Liu and Woywode (2013) although not every characteristic was fulfilled in each of the cases. However, in general, the Chinese parent companies grant a large amount of decision-making independence to their German targets and hardly incorporate them at all in the organizational structure of the parent enterprise.

In addition to Liu and Woywode (2013), we found contracting of new Argonauts (Saxenian & Sabel, 2008; Si & Liefner, 2014) to be an additional feature of the structural integration approach of Chinese MNEs (supporting statements found in 11 cases). The main task of these individuals is to ease the communication between the acquired German target and the Chinese MNE. These new Argonauts can be former managers of the Chinese parent company who join the management board of the German targets or work in executive positions, representatives of holding societies established to oversee the foreign business operations by the Chinese MNE, or newly hired assistants to the German management. What these mediators have in common is that they are familiar with the German and Chinese cultures and/or the company culture of the Chinese MNE.

The statement of a Chinese manager we interviewed, involved in the negotiations between the German and the Chinese side as an interpreter and now working for the European holding of the Chinese MNE, summarizes our above-mentioned findings (case 2):

“We [the Chinese parent company]⁴ decided that the German target is still an independent company, a subsidiary. We are not going to send the CEO or whoever to Germany. Nevertheless, after acquiring a company, there must be some communication. That is for sure. [...] We need to help to communicate, not in the sense of sending something over, but to understand what something means. The German and the Chinese thinking is different. [...] With my background, I was selected to play this role.”

Given these results, we draw the following proposition:

Proposition 1a: *The contracting of new Argonauts is an additional feature of the light-touch integration approach applied by Chinese acquirers to incorporate their DE targets.*

4.1.2 Operational integration

Despite the very limited structural integration, in most of the cases we investigated there was evidence for an operational integration (supporting statements found in 13 cases). For example, one of the informants commented (case 1):

“There is a cooperation [between the target and parent company] concerning R&D, production, sales, and after-sales service. In conclusion, there is collaboration along the whole value chain.”

As our analysis further revealed, the acquiring Chinese side usually positions the acquired German enterprise as a flagship company and role model within the entire business group. In this regard, one of the managers interviewed stated (case 3):

“The message [by our parent company] is clear: We have to manage our business successfully. This is the foundation for everything else. To quote the CEO of our Chinese parent company: ‘You are the teacher, and my people have to learn.’”

To achieve the collaboration on the operational level and finally a KT between the Chinese parent company and the German target, different approaches exist. One method is the creation of new business units. More concretely, this means establishing jointly operated R&D centers and/or joint ventures, which can be located in China or in Germany.

Another option is to reach a license agreement between the German target and the Chinese parent company. Concerning this issue, one informant explained (case 17):

⁴ We added the words in square brackets to make the quote more understandable. This applies from here on for all quotes of the informants in this chapter.

“Knowledge transfer also includes a fiscal dimension. We have to take into account certain tax regulations. Hence, we set up a license agreement with the Chinese parent company.”

Further actions to achieve KT on an operational level include the training of employees, the formation of project teams with employees of both nationalities, workshops, and, most commonly, staff deployment to China or Germany. In one case, the learning process of the Chinese parent company’s employees was also supported by video tutorials.

Hence, all of these measures have in common that they ultimately aim to support the personal interaction between employees of the acquired German target and the Chinese parent company.

Nevertheless, in contrast to the above-mentioned findings, we also find cases in which the German enterprise and the Chinese parent company continue to conduct their business operations separately, and, consequently, no KT occurs (case 4, 8, 11 and 15). For instance, one manager interviewed mentioned (case 11):

“Principally, there is a constant exchange with the colleagues of the [European] holding. In this sense, there is a mutual exchange of information going on. [...] However, there was no formally organized knowledge transfer – not with business-relevant content. There was no technical transfer or discussion, either.”

We therefore conclude:

Proposition 1b: *In Chinese CBAs in DEs, KT happens as part of the operational integration that usually accompanies the structural integration. KT is purposely supported through actions that directly or indirectly amplify the personal interaction between the workforce of the acquired target and the Chinese parent company.*

4.2 Results regarding the areas and direction of KT

As outlined in the theoretical section, KT between the Chinese parent company and the acquired German target firm could include the exchange of technological and/or managerial expertise. Our results indicate that the initiated KT primarily concerns the technological area. The dominant transfer direction appears to be from the German to the Chinese side (supporting statements found in 12 cases). More concretely, the informants reported that the German target helped the Chinese MNE to implement more modern and efficient manufacturing processes. In addition, engineers from the German target helped the Chinese parent company to

develop new products. Moreover, it was mentioned that the Chinese MNE increased the quality of its products by using R&D results and the design competency of the German target.

Interestingly, however, there were also cases in which the Chinese MNEs are technologically advanced enough to enable a reciprocal transfer of technological knowledge (supporting statements found in 5 cases). The knowledge input by the Chinese side can even result in the launch of new products by the German target. For instance, as one of the managers interviewed outlined (case 6):

“We develop devices together. At the moment, the focus is on battery-operated devices, which account for over 50% of the sales volume in our industry. However, our footprint in this segment is still small. Therefore, it has a strategic relevance for us. We are still too small, and [in contrast to our Chinese parent company] we do not have the necessary know-how. [...] This is a kind of a synergy that we realized.”

To add further strength to this finding, another manager explained (case 14):

“We jointly developed a camera-controlled automat – a whole new technology. 80% of the solution was provided by the Chinese side.”

Compared to the transmission of technological expertise, it appears that management-related knowledge, consistent with the light-touch integration approach, is transferred to a very limited extent, no matter in which direction.

However, notable exceptions were case 3 and 13. The peculiarity of these two transactions is that the management of the acquired German enterprise was instructed to restructure and to streamline parts of the acquiring Chinese SOE (in case 13, a single subsidiary; in case 3, a whole business division) to increase its competitiveness. In this regard, one interviewed manager reported (case 3):

“[In our case] the transfer of management know-how is the bigger issue [compared to technological knowledge]. I always take the example of the fall of the Berlin Wall in Germany. At that time, there were also enterprises from a planned economy. Almost none of them survived. They did not have the right mindset. [...] We have to achieve that transformation. [...] We are working full steam towards achieving this transformation [of corporate culture].”

Considering these aspects, we reach the following conclusion:

Proposition 2: *KT in Chinese CBAs in DEs particularly concerns the technological area. The dominant transfer direction is from the acquired target to the Chinese parent company. Nevertheless, KT can also happen in a reciprocal manner, implying that Chinese MNEs might*

no longer, per se, have a knowledge disadvantage, and, in the meantime, they possess strategic assets relevant for the DE targets.

4.3 Results regarding the impact factors on KT

As described in the theoretical section, organizational learning literature argues that the effectiveness of KT in an acquisition context is dependent on the absorptive capacity of the knowledge receiver, the disseminative capacity of the knowledge sender and the characteristics of the knowledge to be transmitted. This section now illustrates to what extent these factors actually play a role in Chinese CBAs in DEs and describes which other influencing factors can be identified.

Regarding the willingness and ability of the German firms to pass their knowledge to the Chinese parent company, three of the managers interviewed (case 10, 16 and 17) mentioned explicitly that previous experiences in sharing knowledge from the German company helped realize the KT to the Chinese parent company. In case 17, the German firm was already experienced in transferring technological knowledge by setting up a production plant in another European country. The companies involved in case 10 were even joint venture partners before the acquisition. The manager of the acquired firm in case 16 mentioned employees who had already conducted staff training in the USA.

However, staff deployment is not the ultimate tool to achieve KT, since the flexibility of the employees is limited. Concerning these constraints, one of the legal advisors interviewed mentioned:

“Of course, attracting some employees to work in China is possible but not that easy. Imagine a German engineer, 48 years old, married, with two children. You might be able to convince him to go to China for a distinct project for a couple of weeks. However, he will not move there permanently.”

Furthermore, the fear of exploitation is indeed an issue that the management of the German target and the Chinese acquiring company must manage in a couple of the cases (supporting statements found in 6 cases). Particularly immediately after closing the acquisition, employees and workers' council members of the German target reacted with anxiety and suspicion towards the new Chinese owners. However, the interview partners mentioned that both the acquiring and the target side were eager to decrease the fear of exploitation, beginning either in the negotiation phase or during the post-merger phase. The following quote by a manager highlights this point (case 10):

“In the beginning, they [the employees] were definitely concerned. The natural concern is: ‘A Chinese company only wants to obtain our know-how. Once they have it, they will reduce the number of employees here [in Germany].’ In the beginning, it was really important that people from the parent company’s top management came to the first employee meetings after the acquisition and explained their strategy. It was not only their declarations that calmed people down. It was also their actions, for example, funding R&D activities and so on.”

Another action by Chinese MNEs to show commitment and to establish trust is to give location warranties. German managers aim to reduce the resistance of the workforce to transmitting knowledge particularly by communicating the benefits of the acquisition and highlighting the pressure for adaptation and innovation, which exists independently of the change of the ownership. This is reflected in a statement by a manager (case 12):

“I said at the beginning that I consider the exchange of knowledge within the business group as definitely necessary. It is unacceptable that we hold back our knowledge. [...]. Our location warranty is the leap forward. We always have to have two to three new ideas in the pipeline. [...]. Not only because of the Chinese, but above all because of our competitors.”

Additionally, it was revealed during the interviews that language barriers are also a central obstacle for the KT, no matter in which direction the KT takes place (supporting statements found in 13 cases). For example, one manager said (case 5):

“As a matter of fact, much is lost due to the language. We speak English as a second language, and so do the Chinese. They speak it even worse than we do.”

We also found indications that the KT to the Chinese parent company can be restricted by a relatively low absorptive capacity of the Chinese parent company’s technical staff in terms of limited technical expertise. For example, one of the managers stated (case 7):

“Certainly there were knowledge gaps on the Chinese side, in particular concerning our core competence. They were, in fact, on a lower level.”

Several managers of the German targets also reported a generally lower loyalty of the labor force and a high employee fluctuation rate in China. Due to the higher fluctuation rate, it is less attractive to invest in regular training to reduce the knowledge gaps of the technical staff in the Chinese parent company.

As expected, we found evidence that the transfer of implicit knowledge is also a component of the KT between the German target and the Chinese parent company, and that it is very difficult to achieve. This particularly applies to the KT in the direction to China. More

concretely, we find cases in which the German target aims to increase the quality awareness and innovativeness of employees in the Chinese parent company. This is strongly reflected in a statement by one of the German managers interviewed with regard to the interplay of explicit and implicit knowledge as well as the transfer of the latter (case 7):

“Of course, we started with the hard facts, which included technology descriptions, patents, etc. However, this does not work without the right awareness. [...] Promoting innovativeness was a tremendous challenge! [...] Implementing quality awareness also turned out to be an extremely difficult process. [...] We sent two or three employees to the Chinese parent company. Their task was to take care of the quality. Then, one day, they found 20 to 30 machines that were produced with a poor quality, and therefore they instructed the workers to disassemble the defective machines in order to explain to them [the Chinese workers] how they can improve. All the malfunctioning parts were put in a red box. After two weeks, the box was empty again, and the damaged parts had been mounted in other machines. Later, the shift leader explained that he was under pressure to deliver and was in urgent need of the parts. Even though he knew that the parts in the red box did not have the right quality, he simply used them. Changing this kind of behavior needed much effort.”

In addition to the challenges resulting from constraints of the disseminative and absorptive capacity of the knowledge sender and receiver, as well as the characteristics of knowledge, we also found intercultural issues to be a predictor of the effectiveness of the KT between the Chinese parent company and the German target. As already described by Buckley, Clegg, and Tan (2006) in the context of Western MNEs that established production plants by greenfield investments and joint ventures in China, and therefore transferred knowledge, we particularly observed a lack of a common mindset. This is reflected in a statement by a Chinese manager (case 1):

“Sometimes it is also about the different cultural backgrounds. For example, during meetings Germans like to structure meetings and discuss the agenda point by point. Afterwards, they will ask if everyone understood everything. If the Germans say yes, this means a confirmation and agreement. If the Chinese say yes, this means we noticed it. That is a big difference. It does not mean agreement. This causes misunderstandings and conflicts, even if you had agreed on a common goal previously.”

Considering these findings, we conclude:

Proposition 3: *Impediments to successful KT in the context of Chinese CBAs in DEs result from the dynamic interplay of absorptive and disseminative capacities of both partners, as*

well as from the characteristics of knowledge that are supposed to be transferred. In addition, KT is also complicated through intercultural issues.

5. Conclusions

This chapter has set the goal of contributing to the literature and providing a more detailed understanding of the organization of KT in the context of Chinese CBAs in DEs by analyzing Chinese acquisitions of German industrial companies from an organizational learning perspective.

5.1 Main results

Our results reveal that the integration of the acquired German target into the organizational structure of the Chinese parent company is relatively loose, whereby we find the employment of new Argonauts (Saxenian & Sabel, 2008; Si & Liefner, 2014) to be an additional element of this low-level structural integration. Nevertheless, it turned out that under the surface of the preservation of organizational autonomy by the German targets, in most of the cases we investigated there is an intense KT occurring as part of the operational integration.

Management actions to facilitate the transmission of knowledge indirectly include the creation of joint ventures and R&D centers, as well as the establishment of license agreements between the Chinese parent company and the German targets. In addition, KT is supported through measures aiming at an intensification of the personal interaction between the employees of the German target and the Chinese parent company (e.g. staff deployment and staff training) directly.

Moreover, our findings indicate that KT in Chinese CBAs particularly concerns the technological area. In this regard, the German targets most commonly act as the knowledge disseminator, while the Chinese MNEs adopt the role of the knowledge absorber. Interestingly, however, we also find cases in which the KT occurred in a bi-directional manner since the Chinese parent companies have already achieved a high level of expertise in certain specific technological areas (e.g. energy storage technologies and IT solutions).

Furthermore, the research results imply that the effectiveness of KT in Chinese CBAs is contingent on the absorptive and disseminative capacities of both partners, as well as knowledge characteristics. These factors are substantiated in the fear of exploitation on the German side, a lower expertise among the technical staff in the Chinese MNE, language barriers, and the elaborative process of transferring innovativeness and quality awareness to the

Chinese parent company. Another crucial finding is that intercultural issues can complicate KT in Chinese CBAs.

5.2 Theoretical implications

This chapter makes several noteworthy contributions to the existing literature. For the first time, we provide widespread empirical evidence on how Chinese MNEs arrange the intended KT. Our analysis reveals that the DE targets and the Chinese MNEs engage in several activities (e.g. establishing R&D centers and joint ventures, as well as staff deployment) with the ultimate aim of stimulating the interaction between the acquired target from an advanced country and the Chinese parent company.

Secondly, our finding that KT in Chinese CBAs in DEs can also be reciprocal might indicate that some Chinese parent companies, meanwhile, also possess strategic assets that are beneficial to their DE targets. Hence, it is perhaps necessary to reconsider KT as no longer solely being a one-way street from the acquired DE target to the Chinese parent company, as suggested by previous studies (Child & Rodrigues, 2005; Deng, 2009).

Thirdly, we supplement previous studies that analyzed Chinese CBAs from an absorptive capacity angle (Anderson et al., 2015; Deng, 2010; Liu & Woywode, 2013; Narula, 2012; Zheng et al., 2016). Our research has extended this limited perspective by illustrating that the effectiveness of KT in the context of Chinese CBAs in DEs is also affected by the disseminative capacity of the acquired DE target, the characteristics of the knowledge to be transmitted, and the interaction between the Chinese parent company and the target initiated during the post-acquisition integration phase. This result mirrors the findings from surveys that have investigated KT in an international context. Therefore, we conclude that KT through Chinese CBAs is embedded in a national context and that these country-specific factors interrelate with, and shape the influencing factors of KT, but that it does not function fundamentally differently than from KT in other international settings.

Fourthly, we have identified intercultural barriers between the parties involved as an additional potential obstacle for a successful KT. Hence, this chapter also extends the knowledge on organizational learning by identifying the handling of intercultural issues as an additional influence variable on the effectiveness of KT in an acquisition context.

5.3 Managerial implications

Our findings highlight that the key to a successful KT in the context of Chinese CBAs in DEs is an effective personal interaction between the workforce of the acquiring and acquired side.

As obstacles for the exchange of knowledge on the personal level, we identify a limited spatial flexibility of the workforce, the fear of transmitting knowledge from the acquired firm to the parent company, a high employee fluctuation rate in China and language barriers. Furthermore, it is challenging to increase the technological knowledge, quality awareness and innovativeness of employees of the Chinese parent companies. Intercultural issues also complicate the exchange of knowledge.

Possible solutions to overcome these challenges, for example, could be the use of digital and online communication mediums, granting location guarantees, implementing employer branding measures, as well as offering language courses and intercultural trainings to increase the employees' intercultural sensitivity, intelligence and competence.

5.4 Limitations and future research

We are aware that our investigation has certain limitations and thus calls for additional future research. Firstly, even though our multiple case study approach has provided profound insights into Chinese CBAs in Germany, it reaches its limits when it comes to the ability to generalize our findings. Secondly, despite the triangulation of our data with the statements by the intermediaries, our results might be biased, as we conducted relatively few interviews with representatives of the Chinese parent companies. Thirdly, as most of the cases investigated occurred within the last couple of years (2013 to 2016), we might have overlooked the developments that only become obvious over a longer timeframe. Finally, even though we followed a thematic and systematic qualitative text analysis, the findings are to some extent unintentionally and unconsciously biased due to our subjective perception and interpretation of the interview material.

Under the condition that the number of Chinese CBAs in DEs continues to increase and thus a larger population size is available, one way to complement our findings would be with quantitative research methods. Furthermore, we recommend repeating the survey in different countries to exclude host-country-specific effects.

Moreover, it might be useful to examine the consequences of the KT between the Chinese parent company and the acquired DE target. In this regard, suitable indicators could be

the number of new products and sales generated with these new products (Makri, Hitt, & Lane, 2009).

**CHAPTER 4: CHINESE CROSS-BORDER ACQUISITIONS IN
DEVELOPED ECONOMIES: THE IMPACT ON THE
BUSINESS-TO-BUSINESS CUSTOMER AND SUPPLIER
RELATIONSHIPS OF THE ACQUIRED ENTERPRISE**

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The first author was responsible for preparing the manuscript and conducting the empirical research. The co-author assisted him in these tasks by providing suggestions and recommendations. In addition, the co-author contributed short text passages.

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Abstract

We examine the impact of Chinese CBAs in DEs on the B2B customer and supplier relationships, using the German automotive supplier and mechanical engineering industry as a sample. Considering the strategic asset-seeking motives of Chinese MNEs and increasingly closer inter-firm production and innovation linkages due to the knowledge-based economy, this is a crucial but not yet investigated issue.

We argue that the targets' cautious incorporation, a long-term interest and financial commitment of the Chinese acquirers as well as an early involvement of key B2B customers lead to neutral or slightly positive reactions of the targets' B2B customers and suppliers. Hence, the Chinese MNEs' partnering integration behavior (Liu & Woywode, 2013; Zheng, 2016; Zheng et al., 2016) preserves the DE targets' embeddedness in existing business networks, apart from relaxing the parent and target firms' relationship.

Keywords: Chinese multinational enterprises (MNEs), cross-border M&A, customer, supplier, China, Chinese

1. Introduction

In recent years, China has emerged as one of the major source countries of OFDI (Buckley et al., 2018; Si, 2014; Wang & Hu, 2017). In 2016, Chinese companies invested 183 billion US dollars abroad, a sum that was only surpassed by US firms, with an investment volume of 299 billion US dollars (UNCTAD, 2017). As part of this development, Chinese MNEs are increasingly engaging in CBAs in DEs (Deng et al., 2017; Liu & Vrontis, 2017; Wu, Yang, Yang, & Lei, 2015).

Existing research on Chinese CBAs in DEs mainly focuses on the enterprises directly involved in the takeovers. In particular, it is widely argued that Chinese MNEs conduct CBAs in DEs to source strategic assets complimentary to their own resources and knowledge (Child & Rodrigues, 2005; Deng, 2009; Deng et al., 2017; Narula, 2012; Peng, 2012; Zheng et al., 2016). It is also known that Chinese firms, in line with their strategic asset-seeking motives, typically prefer to largely preserve the decision-making autonomy of their acquired DE targets (Liu & Woywode, 2013; Marchand, 2017; Schüler-Zhou & Schüller, 2013; Zheng, 2016; Zheng et al., 2016). Furthermore, regarding the motives of the DE targets, previous research finds that the acquired enterprises hope to gain access to capital for future firm development and innovation, thus better accessing the Chinese market and expanding into lower-end market segments (Knoerich, 2010).

However, a gap in the research on Chinese CBAs in DEs is knowledge of the way in which takeovers affect the existing business relationships of the acquired DE target. Research in this direction is relevant as Chinese CBAs in DEs occur in the context of the knowledge-based economy (Liefner, 2016a), characterized by a close collaboration of customers and suppliers regarding production and innovation processes (Cooke, 2006; De Man, 2008; Johannessen & Olsen, 2010; Liefner, 2016b; Porter, 1998). Hence, given the strategic asset-seeking motives of the Chinese acquirers, the response of B2B customers and suppliers of the acquired DE target firm to Chinese CBAs is a crucial aspect of the ICF, hence deserving academic attention. Against this background, we seek to answer the following research questions:

- How do B2B customers and suppliers of the acquired DE target react to Chinese CBAs?
- Which factors explain the type of reaction of B2B customers and suppliers of the acquired target?

This chapter contributes to advancing our knowledge on strategic asset-seeking Chinese CBAs. While previous research focuses on the firms directly involved in Chinese DE takeovers, we broaden this limited perspective and examine the consequences of Chinese CBAs for the business network of the acquired DE target. In this way, we shed light on an important but not yet investigated element of the internationalization of Chinese firms.

Given that empirical evidence directly related to this subject is not yet available, we follow a qualitative research design and employ a multiple case study approach. As a representative sample of Chinese CBAs in DEs, we investigate Chinese takeovers in the German automotive supplier and mechanical engineering industry.

In this chapter, we focus exclusively on the B2B customer and supplier relationships of the acquired enterprises. We do not investigate business-to-consumer (B2C) relationships of the acquired firms, which might exist. If not stated otherwise, the term ‘customers’ in this chapter refers to B2B customers. For stylistic reasons, this is no longer mentioned every time in the text below.

The remainder of the chapter is structured as follows: the next section describes our theoretical considerations in more detail. Subsequently, we elucidate our multiple case study approach. Within the results section, we provide a brief overview of the characteristics of the cases investigated and outline the empirical findings. The last section summarizes our major findings and discusses the implications of our results. In addition, we reflect on the limitations of this survey and provide corresponding suggestions for future research.

2. Theoretical background

Initially, this section provides a theoretical foundation for the increasing importance of well-functioning customer and supplier relationships, especially for enterprises from the automotive supplier and mechanical engineering industry. For this purpose, we review literature on outsourcing and collaborative innovation processes in connection with the emergence of the knowledge-based economy (Liefner, 2016a, 2016b; Liefner & Zeng, 2016).

Subsequently, we describe our underlying theoretical considerations about potential reactions of the B2B customers and suppliers of the acquired German firms to the Chinese CBAs.

2.1 Outsourcing and customer-supplier interaction

In accordance with the transition from the industrial era to the knowledge-based economy, industrial production processes are increasingly characterized by a close collaboration and intense interaction between different enterprises (De Man, 2008; Johannessen & Olsen, 2010; Liefner, 2016a).

According to the concept of the knowledge-based economy, which emerged in the 1990s, knowledge in DEs is now the key resource for achieving competitiveness and long-term economic growth, while capital and labor as traditional factors of production are losing their relative importance (Cooke, 2006; Liefner, 2016a; OECD, 1996; Porter, 1998).

One decisive trigger for the emergence of the knowledge-based economy was groundbreaking advances in the ICTs that substantially facilitated the transmission of knowledge (Cooke, 2009; De Man, 2008; Godin, 2006).

As the knowledge content of products has increased, enterprises need to focus on their core competencies to sustain their competitive advantage (De Man, 2008; Johannessen & Olsen, 2010; Prahalad & Hamel, 1990).

Core competencies represent firm-specific sets of skills and knowledge that provide potential access to a wide range of markets, contribute value to the market participants, and are difficult for competitors to imitate (Prahalad & Hamel, 1990).

In addition, the advancements in the ICT sector support the tendency of firms to focus on their core competencies. Due to the new methods of communication, the transaction costs that result from a coordination process with suppliers have considerably decreased. Hence, it is now often economically reasonable to delegate large, technologically sophisticated parts of the production process to external suppliers (Bettis, Bradley, & Hamel, 1992; Gilley, 2000; Manning, Massini, & Lewin, 2008).

In the literature, this delegation of business tasks is referred to as outsourcing. Outsourcing describes the decision to contract one or several suppliers to carry out a specific part of a firm's value-added process previously executed by the organization itself (Espino-Rodriguez & Padron-Robaina, 2006; Liefner, 2016b).

Outsourcing leads to a vertical disintegration of the output process and has far-reaching consequences regarding the interplay of the enterprises along the value chain (Feenstra, 1998; Johannessen & Olsen, 2010).

Outsourcing entails the assigning of responsibility for the planning, execution and controlling of business activities (Liefner, 2016b; Rothery & Robertson, 1996). In addition, outsourcing often includes the transfer of in-depth tacit and codified knowledge to an external organization (McCarthy & Anagnostou, 2004). Hence, outsourcing turns supplier relationships into a highly sensitive issue, as a firm to a certain extent puts its economic fate in the hands of its suppliers (Liefner, 2016b).

Outsourcing can be measured by the ratio between the value of the intermediate products and the value of the total production output. In 2012, this ratio amounted to more than 60% in the German mechanical engineering industry and was higher than 70% in the German automotive industry. Hence, outsourcing is a common and widespread business practice in the German automotive and mechanical engineering industry (Eickelpasch, 2015).

To summarize, outsourcing as a result of the emergence of the knowledge-based economy leads to an increased modular organization of production processes, a growing dependence on external suppliers and permeable boundaries between firms (Contractor, Kumar, Kundu, & Pedersen, 2010; Hoetker, 2006; Liefner, 2016a).

2.2 Collaborative innovation

Like production processes, innovation activities in the era of the knowledge-based economy are also increasingly characterized by a high degree of inter-company collaboration. It is not the R&D efforts of a single firm, but rather the collaboration of several companies within a business network that creates innovations. Specializing in certain fields of knowledge leads to an increasing demand for collaboration with different firms in order to gain access to complementary knowledge (Grant, 1996b; Nonaka, 1994).

The innovation literature reflects this development. The well-noted lead user and open innovation concepts both emphasize that outside linkages facilitate access to useful information and relevant knowledge (Chesbrough, 2003; Hippel, 1986, 2005).

The frequent involvement of external organizations in innovation processes also applies to the German automotive and mechanical engineering industry. A distinctive feature of the German mechanical engineering industry is that innovations are often ‘instructed innovations’ (Kalkowski & Manske, 1993), as new developments are constructed according to the individual requirements and specifications of individual customers (Liefner & Zeng, 2016). In addition, analyzing a sample of 365 German mechanical engineering firms, Kinkel and Som (2007) find that 41% of the companies surveyed collaborate with other enterprises to develop

innovations, highlighting the close interconnection in the German mechanical engineering industry.

The supply chain in the German automotive industry, as illustrated in Figure 5, has a pyramidal and modularized structure. On top of the pyramid are a few powerful, large-sized original equipment manufacturers (OEMs). These OEMs are supplied by around 5500 mainly medium-sized suppliers that operate on different tiers of the value chain (Becker, 2010; Kleinert, 2017).

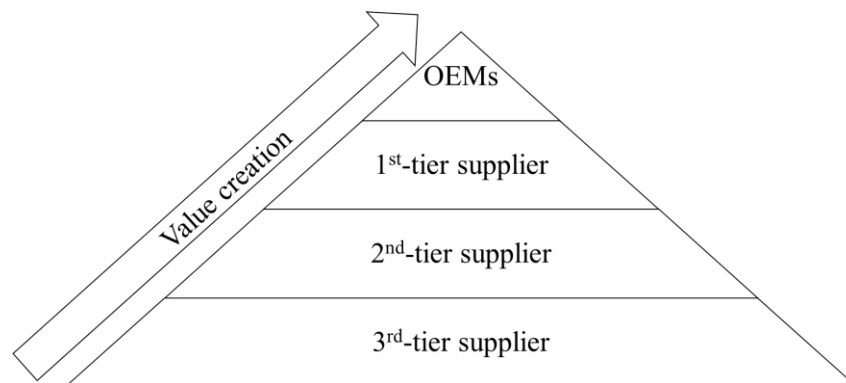


Figure 5: Value chain of the German automotive industry

Source: Own representation

Due to the highly modularized structure of the German automotive industry, innovations often emerge as a result of vertical or horizontal collaboration among enterprises along the value chain or through cooperation with research institutes (Kleinert, 2017). In 2014, German automotive enterprises spent 47% of their cumulative R&D expenditure on cross-company R&D projects and contract research, underlying the relevance and high degree of collaborative innovation patterns in the industry (VDA, n. d.).

In summary, innovations in the context of the knowledge-based economy involve and require a closer cross-linking with company-external knowledge sources. This implies that linkages to B2B and B2C customers and suppliers are becoming increasingly important, as they essentially determine a firm's innovation capability and hence its market success.

2.3 Assumptions about the impacts of the Chinese CBAs on the B2B customer and supplier relationships of the acquired German firms

Previous surveys on corporate acquisitions undertaken from a business network perspective find that takeovers can have an ambivalent impact on the B2B or B2C customer and supplier relationships of the acquired firms. The continuum of possible reactions stretches from the

dissolution to the reinforcement of the business relationship between the acquired target and its B2B or B2C customers and suppliers (Anderson, Havila, & Nilsson, 2012; Kato & Schoenberg, 2012; Kato & Schoenberg, 2014; Öberg, 2008, 2012, 2014). Figure 6 visualizes the potential effects of a corporate acquisition on the customers and supplier relationships of the acquired firm.

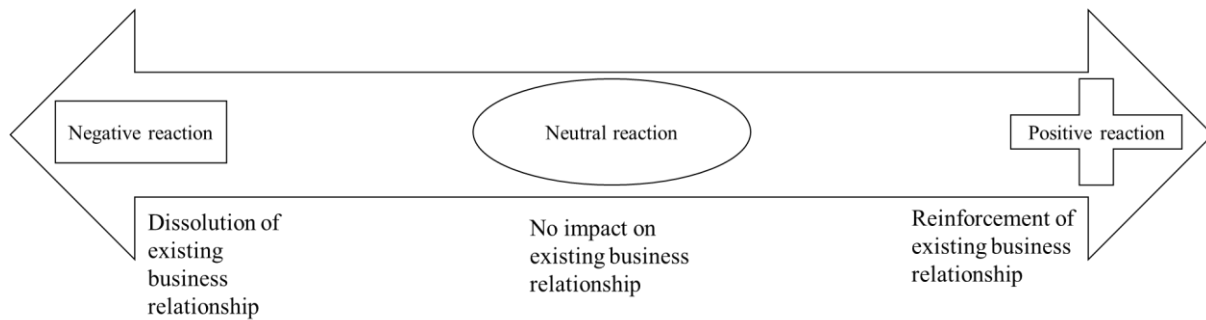


Figure 6: Continuum of potential reactions of customers and suppliers of the acquired firm to a takeover

Source: Own representation

To the best of our knowledge, empirical evidence explicitly on how Chinese CBAs affect the B2B customer and supplier relationships of the acquired DE target is not yet available. Nevertheless, based on previous findings from adjacent areas of the internationalization of Chinese firms, it is possible to derive some initial assumptions that provide a rough orientation concerning potential reactions of the B2B customers and suppliers of the DE target.

2.3.1 Potentially negative reaction of B2B customers and suppliers of the acquired German firms to the Chinese CBAs

One factor that could cause serious damage to the relations of the Chinese acquirers and the outside linkages of the acquired target is cognitive distance. Cognitive distance refers to the degree of differences of the mental concepts of different network actors (Nooteboom, 2000). As mental concepts of people are formed through the interaction with their institutional environment, humans with a different institutional background develop different mindsets (Nooteboom, van Haverbeke, Duysters, Gilsing, & van den Oord, 2007).

Investigating a sample of Chinese subsidiaries in Germany established by greenfield investment or joint ventures, Si and Liefner (2014) find that cognitive distance in terms of language barriers, cultural hurdles and unfamiliarity with the foreign business practices leads to lengthy coordination processes between the parent company and the subsidiary, which impede the efficient interaction between the subsidiary and its local B2B or B2C customers. It is

conceivable that cognitive also occurs in a CBA context and disturbs the relationship between the acquired DE target and its B2B customers and suppliers.

Irritations for the supplier and B2B customer relationships of the acquired DE target could also result from a lack of FSAs of Chinese MNEs. FSAs refer to unique resources and resource combinations that generate a competitive advantage for the possessing firm in foreign markets (Hillemann & Gestrin, 2016; Siripaisalpipat & Hoshino, 2000).

Rugman (2009) contends that ‘there is little evidence that emerging economy MNEs have developed sustainable FSAs, especially the knowledge based FSAs in systems integration and internal managerial coordination which are now important for the success of differentiated network Western-type MNEs.’ Although this view is not undisputed (Buckley et al., 2018), it is not completely unfounded in the CBA context.

Chinese CBAs in DEs are a relatively new phenomenon (Liu & Deng, 2014; Zheng et al., 2016). Accordingly, the procedural acquisition knowledge of many Chinese acquirers, in particular regarding the management of the post-merger phase, is still limited (Liu & Deng, 2014; Peng, 2012). Consequently, external network partners might terminate or do not enter long-term cooperation projects with the acquired target, as they have a lack of confidence in the corporate governance capability of the new Chinese owners.

Moreover, China is regarded as a country with a low level of intellectual property protection (Huang, 2017; Knoerich, 2010). Therefore, B2B customers and suppliers of the acquired DE firm might reconsider their ties with the target, as they perhaps doubt the integrity of the Chinese parent company and are afraid of an uncontrolled outflow of sensitive knowledge.

2.3.2 Potentially neutral reaction of B2B customers and suppliers of the acquired German firms to the Chinese CBAs

On the other hand, it is conceivable that customers and suppliers of the DE target react rather neutrally to Chinese CBAs, due to the cautious integration behavior of Chinese acquirers. Chinese firms, in contrast to DE enterprises, typically prefer to largely preserve the autonomy of their acquired targets and grant a large amount of freedom in decision-making to the management of the foreign subsidiaries (Liu & Woywode, 2013; Marchand, 2017; Schüler-Zhou & Schüller, 2013; Zheng, 2016; Zheng et al., 2016).

In the literature, this integration approach is referred to as a light-touch integration approach (Liu & Woywode, 2013) or partnering approach (Zheng et al., 2016). This post-merger

acquisition strategy includes leaving intact the management team of the acquired entity, retaining the target's company name and brands, and providing strategic guidance from the Chinese parent company but giving the management of the purchased DE company a high degree of freedom in decision-making. Another feature is an involvement of the parent company in the supervisory board of the purchased enterprise (Liu & Woywode, 2013).

This limited integration thus at least to some extent indicates a continuation of the previous business policy of the acquired DE target. Hence, the attitude of the B2B customers and suppliers along the value chain towards the acquired entity might also remain largely unchanged.

2.3.3 Potentially positive reaction of B2B customers and suppliers of the acquired German firms to the Chinese CBAs

Finally, there is also reason to assume that Chinese CBAs reinforce the connections between the target and its customers and suppliers.

Knoerich (2010) outlines that the decision to sell a DE target firm to a Chinese investor is linked to the hope of obtaining further capital for future firm development and innovation, better access to the Chinese market and expansion into lower-end market segments. From the perspective of the suppliers and B2B customers of the target, the expansion of the target could thus generate additional orders and enable financially demanding joint R&D projects. Furthermore, the additional capital source could lead to an economic stabilization of the business partner in the case of distressed acquisitions. Hence, B2B customers and suppliers of the acquired target could have a positive attitude towards the Chinese acquirer.

Taken together, the considerations above show that different scenarios regarding the reactions of the B2B customers and suppliers of the acquired DE target are hypothetical. Nevertheless, due to the lack of empirical evidence, it is difficult to assess the extent to which these assumptions are actually close to reality.

3. Methodology

Methodologically, we employed a multiple case study approach to investigate the reactions of B2B customers and suppliers of the acquired DE target to the Chinese CBA.

Applying a qualitative research method is appropriate, as our research questions have an explorative character (Edmondson & McManus, 2007; Hammersley, 2012). In addition,

the research on Chinese CBAs in DEs is still in an incipient stage due to the relative novelty of the subject and the short observation period (Liu & Woywode, 2013; Zheng et al., 2016). Furthermore, to the best of our knowledge, this is the first survey in the Chinese CBA context that does not focus on the merging parties itself, but rather on the responses of companies connected to the acquired target. Given this situation, it is suitable to create new hypotheses or to refine existing theoretical constructs (Edmondson & McManus, 2007; Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Hammersley, 2012).

Adopting a multiple case study approach enables a within-case and cross-case comparison. Hence, the internal validity of the research results is higher in comparison to a single case study approach (Eisenhardt, 1989; Eisenhardt & Graebner, 2007).

In accordance with a purposive sampling strategy (Marshall, 1996; Seawright & Gerring, 2008), we focused on Chinese CBAs in the German automotive supplier and mechanical engineering industry.

Germany is a suitable research location, as the nation belongs to the list of DEs (IMF, 2017), and has become the top destination for Chinese CBAs in Europe measured by the number of deals (Liu & Vrontis, 2017). In 2016, Chinese acquirers completed 68 CBAs in Germany, followed by 47 CBAs in the United Kingdom (Ernst and Young, 2017). In addition, the focus on the mechanical engineering and automotive supplier industry is appropriate, as Chinese CBAs in Germany most frequently occur in these economic sectors (Jungbluth, 2013, 2016). Hence, the selection criteria ensured the selection of exemplifying transaction cases (Seawright & Gerring, 2008).

In order to identify eligible Chinese CBAs, we used the Zephyr database provided by Bureau van Dijk (data retrieval: 13 June 2016). Additionally, we gathered information from various sources to further complete the data set of Chinese CBAs in Germany (Ernst and Young, 2014, 2015, 2016a, 2016b, 2017; Gingko Tree Advisors, 2014, 2015; Hanemann & Huotari, 2015; Jungbluth, 2013, 2016).

In the next step, we aimed to establish contact and conduct interviews with C-level representatives of the acquired German targets and/or the Chinese parent companies. Given that acquisitions are strategic decisions (Eschen & Bresser, 2005), we expected the top-level employees to be best informed about the processes related to the change of ownership.

As a survey method, we used semi-structured interviews prepared with a guideline consisting of open-ended questions and potential queries (Clifford et al., 2016).

To ensure a holistic understanding of the acquisition cases, the structure of the guideline followed the usual temporal procedure of an acquisition (pre-acquisition, transaction-, and post-acquisition phase (Meckl, 2004)).

The first section of the guideline aimed primarily to receive information on the deals' initial situation, the previous relationship between the parties involved and the motives of the Chinese and German firms. The second section comprised questions concerning the negotiations between the two parties. The last part of the interview guideline particularly focused on the events in the aftermath of the acquisition. In this final section, we placed special attention on collecting information about the reactions of the B2B customers and suppliers of the acquired target.⁵

Interviews with the CEOs or top executives of the acquired German target constituted the main data source. In total, we carried out 16 interviews (12 face-to-face and 4 by telephone) with 17 corporate representatives. In two cases, we talked to representatives of a Chinese parent company that had completed more than one acquisition in Germany. Hence, we collected information on a total of 21 CBAs of Chinese MNEs in Germany (see Table 3 for a detailed description of the cases).

Considering that the relationship between the acquired target and its customers as well as its suppliers might be a competition-sensitive issue, we ensured confidentiality to the informants in order to increase the participation rate and the openness of the informants. On average, the interviews lasted 43 minutes, with the shortest being 27 minutes and the longest being 79 minutes in duration.

To prepare for the interviews with the corporate representatives and to back up the information received by their statements, we additionally analyzed publicly available sources such as annual reports and news articles.

Furthermore, we conducted semi-structured interviews with 33 representatives of organizations with an intermediary role (banks, economic development agencies, consultants, lawyers, Chinese-German business associations and intercultural management coaches) in facilitating Chinese investments in Germany for additional triangulation. In this way, we were able to receive additional insights from people who were often deeply familiar with several Chinese CBAs in Germany and had no incentive for an overly positive description of the con-

⁵ The interview guideline for the corporate representatives is shown in Appendix 1.

sequences of the acquisitions. The guidelines for structuring the interviews with the intermediaries were similar to those used with the corporate representatives.⁶

The data collection process took place between February and December 2016. We conducted the interviews in either German or English. Before we started with the interviews, we asked the interview partners for permission to record the conversation. Based on the resulting recordings, we drew up a written transcript of each interview. In cases in which the interview partners did not agree to an audio recording, we took notes during the interviews. Sometimes the interview partners asked to double-check the transcript in order to validate and reconsider their statements. However, none of them made major subsequent changes to their essential statements.

The analysis of the empirical material was subdivided into a within-case and a cross-case analysis stage and was based on a thematic qualitative text analysis (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Kuckartz, 2014).

In a first step, we carried out the within-case analysis by consecutively reading and coding each transcript according to major categories derived deductively from the interview guidelines.

In a second step, we conducted the cross-case analysis. As part of this process, we initially created subcategories derived inductively from the empirical material. Finally, we coded the empirical material one more time according to the defined sub-categories (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Kuckartz, 2014).

4. Results

After presenting a brief overview of the profile of the acquisition cases analyzed in Table 3, this section elucidates our empirical findings.

4.1 Description of the cases

Table 3 provides an overview of the characteristics of the sample and the informants.

⁶ The interview guideline for the intermediaries is shown in Appendix 2.

Chapter 4: Chinese cross-border acquisitions in developed economies: The impact on the business-to-business customer and supplier relationships of the acquired enterprise

Case	German targets legal form / industry		Chinese parent company industry / ownership type ¹		Type of acqui- sition(s)	Initial situation of the acquisition	Position of informant	Employ- er of the inform- ant	Year of acqui- sition
1 a-d ²	Ltd., Ltd., Ltd., Ltd.	Automo- tive sup- plier	Automotive supplier	POE	Horizontal (1a-d)	Target previously owned by private equity investor (case 1a), decision to make a portfolio adjustment by the previous owner of the German target (case 1b and d), information on initial situation undisclosed (case 1c)	assistant to general manager (European holding of Chinese parent company)	parent company	2011, 2014, 2015, 2016
2	Ltd.	Mechan- ical en- gineering	Mechanical engineering	POE	Horizontal	Target financially stressed by global economic crisis in 2008, seeking of company successor by company founder of the German enterprise	deputy general manager	parent company	2014
3	Ltd.	Mechan- ical en- gineering	Chemical	SOE	Vertical	Target previously owned by private equity investor	CSO	acquired enterprise	2016

Chapter 4: Chinese cross-border acquisitions in developed economies: The impact on the business-to-business customer and supplier relationships of the acquired enterprise

Case	German targets legal form / industry		Chinese parent company industry / ownership type ¹		Type of acquisition(s)	Initial situation of the acquisition	Position of informant	Employer of the informant	Year of acquisition
4	Corp.	Mechanical engineering	Aircraft (target integrated into mechanical engineering division)	SOE	Horizontal	Chinese parent company previously minority shareholder	corporate communications officer	acquired enterprise	2014
5	Ltd.	Mechanical engineering	Mechanical engineering	POE	Vertical	Financial difficulties of the previous owner of the German target, German target is the largest customer of the Chinese parent company	CEO	acquired enterprise	2009
6	Ltd.	Mechanical engineering	Mechanical engineering	N.a.	Vertical	Target previously owned by private equity investor, Chinese parent company supplier of the German target	CEO	acquired enterprise	2013

Chapter 4: Chinese cross-border acquisitions in developed economies: The impact on the business-to-business customer and supplier relationships of the acquired enterprise

Case	German targets legal form / industry		Chinese parent company industry / ownership type ¹		Type of acqui- sition(s)	Initial situation of the acquisition	Position of informant	Employ- er of the inform- ant	Year of acqui- sition
7 a-c ²	Corp., Ltd., Ltd.	Mechan- ical en- gineering	Mechanical engineering	SOE	Horizontal (7a-c)	Decision to make portfolio adjust- ment by the previous owner of the German target (case 7a), financial distress of the German target (case 7b), information on initial situation undisclosed (case 7c)	CEO (Eu- ropean holding of Chinese parent company, member of the Ger- man tar- get's su- pervisory board)	Parent company	2005, 2013, 2013

Chapter 4: Chinese cross-border acquisitions in developed economies: The impact on the business-to-business customer and supplier relationships of the acquired enterprise

Case	German targets legal form / industry		Chinese parent company industry / ownership type ¹	Type of acquisition(s)	Initial situation of the acquisition	Position of informant	Employer of the informant	Year of acquisition	
8	Ltd.	Mechanical engineering	Construction (target integrated into mechanical engineering division)	SOE	Horizontal	Decision to make a portfolio adjustment by the previous owner of the German target	CEO	Acquired enterprise	2014
9	Ltd.	Mechanical engineering	Mechanical engineering	SOE	Horizontal	Financial distress of the German target	CEO	Acquired enterprise	2013
10	Ltd.	Mechanical engineering	Energy (target integrated into mechanical engineering division)	SOE	Horizontal	Decision for a portfolio adjustment by the previous owner of the German target	CEOs	Acquired enterprise	2013

Chapter 4: Chinese cross-border acquisitions in developed economies: The impact on the business-to-business customer and supplier relationships of the acquired enterprise

Case	German targets legal form / industry		Chinese parent company industry / ownership type ¹	Type of acqui- sition(s)	Initial situation of the acquisition	Position of informant	Employ- er of the inform- ant	Year of acqui- sition
11	Ltd.	Automo- tive sup- plier	Steel SOE	Vertical	Decision to make a portfolio adjustment by the previous owner of the German target	CEO	Acquired enterprise	2013
12	Ltd.	Mechan- ical en- gineering	Mechanical engineering POE	Horizontal	Chinese parent company supplier of the German target	CEO	Acquired enterprise	2015
13	Ltd.	Automo- tive sup- plier	Aircraft (target inte- grated into automotive division) SOE	Horizontal	Target previously owned by private equity investor	CEO	Acquired enterprise	2014
14	Ltd.	Mechan- ical en- gineering	Mechanical engineering N.a.	Horizontal	Financial difficulties of the previous owner of the German target	Board member	Acquired enterprise	2015
15	Corp.	Automo- tive sup- plier	Automotive supplier SOE	Horizontal	Target previously owned by private equity investor	CSO	Acquired enterprise	2012

Case	German targets		Chinese parent company		Type of acquisition(s)	Initial situation of the acquisition	Position of informant	Employer of the informant	Year of acquisition
	legal form / industry	industry / ownership type ¹							
16	Ltd.	Automotive supplier	Conglomerate (target integrated into automotive division)	SOE	Horizontal	Target previously owned by private equity investor	CEO	Acquired enterprise	2013

¹ data retrieved from (Jungbluth, 2013, 2016).

² Chinese parent company conducted more than one acquisition in Germany. During the interviews, we discussed all closed acquisitions.

Table 3: Sample and informant characteristics

Source: Own representation

As can be seen from Table 3, the sample consists of German targets, either private limited companies or corporations acquired between 2005 and 2016, from the mechanical engineering (11 cases) and the automotive supplier industry (5 cases). The Chinese parent companies are either SOEs (10 cases) or POEs (4 cases). In case 6 and 14, it was not possible to clearly determine the ownership type of the Chinese acquirer.

In the majority of the cases investigated (12 cases), the takeovers by the Chinese parent companies are horizontal acquisitions. Horizontal acquisitions refer to takeovers in which the buying and the selling company belong to the same industry and the companies involved produce identical or similar products. At the group level, horizontal acquisitions might thus lead to an extension of the product range (Glaum & Hutzschenreuter, 2010; Wirtz, 2017).

In case 15, for instance, the Chinese parent company, a producer of automobile door sashes, acquired a manufacturer of side-door latches. Another example of that type of corporate acquisitions is case 2, in which the Chinese parent company and the German target both develop, produce and sell concrete pumps for the construction sector.

The sample also includes vertical acquisitions (4 cases). In the case of vertical acquisitions, the companies involved operate at different stages of the value chain and have a potential or actual supplier-customer relationship (Glaum & Hutzschenreuter, 2010).

One illustrative example is case 11. While the core business of the Chinese parent company is the production of crude steel, the acquired German enterprise produces metal bodywork components for car producers.

In some cases (case 1a, 3, 6, 13, 15, and 17), the German target was previously owned by a private equity firm. In contrast to strategic investors, which pursue long-term-oriented “buying to keep” goals, private equity firms possess rather short-term, purely return-on-investment-oriented “buying to sell” aims (Barber & Goold, 2007). This key intention of private equity holdings became obvious due to the fact that the previous owners of the German firms were actively looking for a buyer and the purchasing price paid by the Chinese investor played the decisive role. For example, one manager interviewed stated (case 6):

“During the selling process, around 100 candidates were considered. In the end, our Chinese parent company won the bidding. [...] If another company had bid a higher price, that offer would have been accepted.”

Another typical trigger for the initiation of the acquisition process was the decision to make a portfolio adjustment of the group subsidiaries by the previous owner of the German

target (case 1b, 1d, 7a, 8, 10, and 11). In this way, the previous owners of the German targets aimed to focus on core business units with an attractive long-term growth perspective. In this regard, one of the managers interviewed (case 10), for example, stated:

“Before the acquisition, we were part of a large business group. When our previous parent company defined a new strategy in 2013, it was announced that we would no longer be part of the core business of the parent group. After that decision, the previous parent company started the selling process.”

Within the sample, there are also cases (2, 5, 7b, 9 and 14) in which a situation of financial distress of the German target or its previous owner characterized the initial situation of the acquisition. In these cases, the takeover by a Chinese investor aimed to resolve the financial issues of the German target or its previous parent company.

Furthermore, in several cases (4, 5, 6 and 12) a relationship between the acquiring and the acquired companies previously existed, either in the form of customer-supplier relationships or capital ties.

4.2 Reactions of the B2B customers and suppliers of the acquired German firms to the Chinese CBAs

Investigating Chinese CBAs in the German automotive supplier and mechanical engineering industry, this chapter has set the goal of answering the following two research questions:

- How do B2B customers and suppliers of the acquired DE target react to Chinese CBAs?
- Which factors explain the type of reaction of B2B customers and suppliers of the acquired target?

Rather neutral or slightly positive reaction of B2B customers and suppliers of the acquired German firms to Chinese CBAs

Regarding the first research question, the results of the analysis of the collected empirical material indicate that the Chinese CBAs hardly cause any significant and permanent adverse effects on the existing B2B customer and supplier network of the acquired German targets from the automotive supplier and mechanical engineering industry.

Although in some of the cases there were initially concerns about the Chinese acquirers, according to the statements of the managers interviewed, it was very rare for B2B cus-

tomers of the acquired German company to terminate their business relationship permanently due to the change of ownership. This, for instance, becomes evident in the following statement of one of the managers interviewed (case 6):

“There was only one US customer that categorically refused to order from a company that belonged to a Chinese business group. However, after six months he changed his mind. So basically, there were no notable reactions by our customers.”

The case is similar for the supplier relationships of the acquired German enterprise. In some of the cases, the German enterprises changed some of their suppliers. However, if they did, then it was mostly a conscious and active decision by the management of the German enterprise to quit the supplier contracts. This is reflected, for instance, in the following statement (case 14):

“For a few of our suppliers the acquisition had a negative consequence, simply because we stopped ordering from them. Due to our Chinese parent company, we now get better prices. That is why we decided to change some of our suppliers.”

Light-touch integration approach, strategic interests of the Chinese acquirers and involvement of B2B customers as explanatory factors for the reaction pattern

Concerning the second research question, three aspects, according to our observations, particularly explain the overall relatively neutral or moderately positive reactions of the B2B customers and suppliers of the acquired German enterprises to the Chinese CBAs:

- a calming effect of the light-touch integration approach of the Chinese parent company
- the long-term interest and financial commitment of the Chinese acquirers
- the involvement of key B2B customers at an early stage of the acquisition process

The sections below discuss these aspects in more detail.

4.2.1 Calming effect of the light-touch integration approach

The results from the interviews and secondary data of Chinese CBAs in the German industrial sector clearly illustrate the adoption of the light-touch integration approach as described by Liu & Woywode (2013), although, not each characteristic of this integration strategy (continued employment of the management team of the acquired entity, retaining of the target’s company name and brands, strategic guidance from the Chinese parent company but a high degree of freedom for the acquired company on the operational level, involvement of the par-

ent company in the supervisory board of the purchased enterprise) was fulfilled in each of the cases. In general, however, the Chinese parent companies indeed grant a large amount of decision-making independence to their German targets. One of the managers interviewed, for instance, explained (case 1):

“At the moment, the German enterprise is simply an organizational unit of the Chinese parent company. They can decide on their own how they want to develop in Germany, China and so on. The CEO of the German enterprise directly reports to the Chinese parent company, however, he enjoys a large amount of entrepreneurial freedom.”

Due to the cautious integration behavior of the Chinese companies, cognitive distance issues that stress the B2B customer and supplier relationships of the acquired German target hardly emerge.

The decision to leave the management board of the German enterprise in charge was often supported by the contracting of employees who are familiar with the German and Chinese cultures and/or the company culture and can thus serve as a communication bridge between the subsidiary and the parent company. These key persons, whom we call new Argonauts (Saxenian & Sabel, 2008; Si & Liefner, 2014), can be former managers of the Chinese parent company who join the management board of the German targets or work in executive positions, representatives of holding societies established to oversee the foreign business operations by the Chinese MNE, or newly hired assistants to the German management.

The combination of the light-touch integration approach with the hiring of new Argonauts enables the avoidance of the internal cognitive distance between the Chinese headquarter and the German enterprise in terms of language barriers, cultural hurdles and unfamiliarity with the foreign business practices. This finding becomes evident, for example, in the following statement (case 14):

“There is one thing that works really well. Since the acquisition, a Chinese colleague has jointed me on the management board. This colleague was previously working for the Chinese parent company and graduated from German universities. Therefore, he is able to understand the German mentality. He is the gatekeeper and interface to our Chinese parent company. He carries out all the communication.”

Except for the hiring of new Argonauts, the German enterprises recruit no or only a small number of Chinese employees. In addition, according to the informants, the supply chains in the automotive and mechanical engineering industry are already internationalized.

Therefore, a cooperation with a Chinese enterprise is nothing unusual to the acquired German enterprises. Hence, external cognitive distance issues hardly emerge. In this regard, one of the lawyers interviewed, for example, stated:

“The reactions of the suppliers and customers are quite unproblematic. All of the German enterprises have a customer or supplier in China. Many enterprises produce in China. Nobody does everything in house anymore. Instead, the German enterprises rely on many others. Only if there was no previous contacts with international customers, might there be some concerns about the Chinese parent companies.”

Furthermore, the light-touch integration approach alleviates concerns of B2B customers and suppliers of the acquired German enterprise that stem from a lack of FSAs of the Chinese parent companies.

In some of the cases, the managers mentioned that there were initially concerns about the Chinese investors. In particular, it was feared that the quality of the products of the German enterprise would decrease after the acquisition by a Chinese company. There was the concern that a Chinese parent company would place less emphasis on quality assurance measures of the German subsidiary or that low quality intermediate products of the Chinese parent company or of other Chinese suppliers could be mounted into the products of the German enterprises. In addition, it was suspected that the quality of the products of the German enterprise could suffer from a relocation of production to China. Moreover, there were integrity concerns, as customers and suppliers were afraid of an uncontrolled knowledge outflow to China because of the acquisition by a Chinese company. These quality and integrity concerns become evident, for instance, in the following statement (case 15):

“Of course there were concerns. One of the concerns of our customers from the automotive industry was that through acquiring us, a Chinese company could gain access to their sensitive product knowledge, for example technical drawings of next generation cars, and might share this information with Chinese competitors. There was also the fear of technology transfer and a relocation of production to China. One was afraid that the Chinese parent company would not be able to keep the quality level of our products. There were many concerns.”

However, corresponding with the light-touch integration approach, the German enterprises largely continue their previous business policy, which has a calming effect on the B2B customer and supplier relationships of the German enterprises. This is reflected, for example, in the following statement (case 8):

“Of course, at first, we received some questions regarding our plans for the future from our customers and suppliers from time to time. Obviously, we were able to explain our strategy plausibly to them. We made it very clear to our customers and suppliers that nothing will change. We explained that we do not have the intention to introduce Chinese-made products to the market secretly, or any similar plans. That was not and will not be the plan. This information greatly helped to calm down customers and suppliers.”

4.2.2 Long-term interest and financial commitment of the Chinese acquirers

Based on our observation, another aspect that contributes to maintaining the existing B2B customer and supplier relationships of the acquired German target is that the Chinese acquirers are strategic investors. As strategic investors, they have a long-term interest in their targets and show financial commitment to them in order to support their future development.

These characteristics of the Chinese parent companies were particularly welcomed by German enterprises that were previously owned by a private equity firm, as they enable the realization of long-term, strategic investment projects. In this regard, one of the managers interviewed, for instance, stated:

“Previously, we were owned by three private equity firms in a row. Private equity firms generally do not invest a lot of money, have a limited horizon, and do not consider themselves strategic investors. Therefore, the Chinese parent company as a strategic investor is an enormous enrichment for us. After being owned by several private equity firms, a strategic investor who looks to the long term and is committed to our development is a very positive message to us.”

The managers also reported that the Chinese parent companies monetarily supported growth strategies of financially sound German enterprises, or, in cases in which the German targets were financially struggling, provided additional capital to achieve the economic turnaround. For example, one of the managers stated (case 10):

“We have to say that the Chinese parent company strongly supports our development. They are supportive of our internationalization activities. We even received financial support from the Chinese parent company to increase our R&D efforts.”

According to the managers interviewed, the suppliers and B2B customers of the acquired German enterprise very positively acknowledged the engagement by the Chinese parent companies, as it decisively increases the reliability of the German enterprise and enables

long-term cooperation projects. Regarding the reactions of the suppliers, one of the managers interviewed, for example, explained (case 14):

“Our suppliers mainly reacted positively to the acquisition, primarily due to our improved liquidity situation. It is easy to see from our liquidity score. [...] Previously, the purchasing department had the task of negotiating long payment terms to spare our liquidity. In some instances, we even had to pay the supplier in advance. Now we do it differently. We want to pay immediately to receive a cash discount. The situation has totally changed. We are now a much better partner for most of our suppliers.”

Concerning the reactions of the B2B customers, one of the managers interviewed, for instance, stated (case 6):

“During the time in which we were owned by a private equity firm, our customers experienced that we were not allowed to pursue long-term projects, as our previous owner did not agree to investments that will only pay off in the long run. With the strategic investor, this situation has changed. Now our customers consider us a potential long-term development partner.”

4.2.3 Involvement of key B2B customers at an early stage of the acquisition process

In the acquisitions in the automotive supplier industry, disturbances of the customer relationship were avoided, since the reactions of the OEMs as key B2B customers were requested during the negotiation phase. The interview evidence revealed that due to the close connections and power structures in the automotive industry, the supplier contracts between the OEMs and their suppliers normally contain a change-of-control clause. This clause gives the car producers the right to terminate the business relationship with the supplier in the case of a change of ownership of the supplier. In this regard, one of the lawyers interviewed explained:

“Large corporations might have change-of-control clauses in their contracts to avoid competitors being able to take over their suppliers. Often that means that they have an exceptional right for termination. That is one of the most important contractual arrangements that needs to be checked during the due diligence.”

Due to the relatively large dependence of the suppliers on the car producers, the automotive suppliers usually ask their major B2B customers for permission for acquisition by a Chinese company. This finding is reflected, for instance, in the following statement (case 1):

“Before closing the deal, we talk with all major customers of the German enterprise. We let them know, that we intend to acquire the company. Without the confirmation of the customers, we will not make the deal.”

5. Conclusions

This chapter examined the impact of Chinese CBAs on the B2B customer and supplier relationships of the acquired DE target against the background of the knowledge-based economy, characterized by a vertical disintegration of the value chain and a rising tendency of collaborative innovation processes.

5.1 Main results

Drawing on a multiple case study of Chinese CBAs in the German automotive supplier and mechanical engineering industry, the empirical evidence indicates that Chinese CBAs hardly lead to significant and permanent distortions of the existing B2B customer and supplier relationships of the acquired DE enterprises. Occasionally there was a short period of anxiety on the side of the customers and suppliers of the acquired German firms immediately after the acquisition. However, only in the rarest of cases did the network partners of the acquired German firm decide to terminate their business relations due to the change of ownership. Overall, it turned out that Chinese CBAs have a relatively neutral or moderately positive impact on the B2B customer and supplier relationships of their acquired DE targets.

According to our observation, this result is connected to specific characteristics of the Chinese acquirers.

In accordance with previous findings, we find broad confirmation that Chinese MNEs integrate their DE targets to a very limited extent and largely preserve the decision-making autonomy of the subsidiaries. Usually the previous top management of the acquired German target remains in charge. After the acquisitions, the German targets also employ New Argonauts, individuals who are familiar with the German and Chinese cultures and/or the company culture and serve as a communication bridge between the subsidiary and the parent company. Apart from that, at least as long as the German firm operates profitably, the human resource policy and the general business policy of the German firms barely change. The overall preserving integration approach of the Chinese acquires contributes to avoiding internal and external cognitive distance issues that could strain the relationships with the B2B customers and suppliers of the acquired target.

In addition, the maintaining of the corporate culture and business policy of the German firms helps to overcome initial quality and integrity concerns of the network partners of the DE targets that ultimately result from a lack of FSAs and a negative country-of-origin effect of the Chinese MNEs.

Furthermore, the customers and suppliers of the acquired German firms appreciate that the Chinese MNEs, as strategic investors, show financial commitment and a long-lasting interest in the healthy economic development of the DE targets. The engagement of the Chinese firms thus leads to an economic stabilization of the acquired firms and enables a long-term cooperation with them.

Moreover, for the acquisition cases from the German automotive supplier industry, it holds true that adverse effects of the customer relationship were avoided as the reactions of the OEMs as key B2B customers were already requested during the negotiation phase. Considering these aspects, we reach the following conclusion:

Overall proposition: Due to the light-touch integration approach, the long-term interest and financial commitment of the Chinese acquirers, and an early involvement of key customers, Chinese CBAs have a neutral or slightly positive impact on the B2B customer and supplier relationships of the acquired DE targets.

5.2 Theoretical implications

This chapter significantly contributes to deepening the understanding of Chinese CBAs in DEs. For the first time, this chapter addresses the research issue of how Chinese CBAs influence the B2B customer and supplier relationships of acquired DE targets.

Based on our multiple case studies, we hypothesize that due to the preservation of the autonomy of the DE target, the strategic intentions of the Chinese acquirers and the timely information of key B2B customers, Chinese CBAs have a neutral or slightly positive impact on the customer and supplier relationships of the acquired DE targets.

Hence, against the background of the strategic asset seeking motives of Chinese CBAs and the tight inter-company connections in the DE target industries, the chapter provides initial insights into a crucial but previously under-examined aspect of the internationalization of Chinese firms.

A fundamental theoretical implication of this chapter is that the light-touch integration approach not only contributes to smoothing the relationship between the Chinese MNEs and

their DE targets (Liu & Woywode, 2013), but also positively supports the preservation of the embeddedness of the DE target in existing B2B customer and supplier networks, as it avoids cognitive distance issues and compensates quality and integrity concerns that stem from a lack of FSAs of the Chinese MNEs.

5.3 Managerial implications

This chapter also has noteworthy managerial implications. Strategic asset-seeking acquirers, in particular from China and other emerging countries, should choose a low level of integration and only gradually change the structures and business policy of the acquired DE targets to support the external integration. In order to avoid uncertainty on the part of key B2B customers and suppliers, managers should proactively communicate the objectives of the acquisition and emphasize the commitment to the acquired subsidiary, if possible already during the negotiation phase as part of the due diligence.

5.4 Limitations and suggested future extensions

As all surveys, our investigation has some limitations and thus requires for future research. Given the initial stage of the research on Chinese CBAs in general and regarding the effects of Chinese CBAs on external stakeholders in particular, we decided to apply a qualitative research methodology. Therefore, our results provide highly authentic insights from the managers and intermediaries interviewed, but the relatively small sample size limits the ability to generalize the findings. We therefore recommend verifying our overall proposition using quantitative methods. To achieve the statistical sample size, future research could include representatives of the customers and suppliers of the DE targets in the sample and extend the survey to different countries.

CHAPTER 5: CONCLUSIONS

5. Conclusions

This final chapter summarizes the main results of this dissertation and outlines the theoretical implications as well as managerial and political implications of this thesis. It also addresses the limitations of this thesis and makes suggestions for future research.

5.1 Summary of main results

This thesis has significantly contributed to extending the knowledge on Chinese CBAs in DEs.

Chapter 2 systematically reviewed the scientific literature published on the ICF between 2011 and June 2017 and thus supplemented a previous research article on the ICF by Deng (2012) that covers the period 1991 to 2010. It revealed that while the understanding of the processes and consequences of the Chinese internationalization has improved in many regards during the time period investigated, knowledge concerning the management of KT on the firm level and the impact of Chinese CBAs in DEs on the business network of the acquired firms has remained a virtually uninvestigated research issue.

Chapter 3 subsequently dealt with the research question of how KT in the context of Chinese CBAs in DEs is organized. The empirical evidence revealed that KT through Chinese CBAs occurs as part of the operational integration that usually complements structural integration, characterized by the light-touch integration approach (Liu & Woywode, 2013).

The management measures to achieve the intended KT include the establishing of R&D centers or joint ventures either in China or in the targeted countries, the reaching of license agreements between the Chinese parent company, the training of employees, the formation of international project teams, the usage of digital communication tools and the posting of employees abroad.

In addition, it turned out that the dominant transfer direction is from the acquired DE targets to the Chinese parent companies. However, in some of the cases investigated, KT meanwhile also occurs reciprocally, especially in the technological area.

Furthermore, the research results suggest that the absorptive and disseminative capacities of the employees of the Chinese parent company and the acquired firm and knowledge characteristics as well as the handling of intercultural issues moderate the effectiveness of the ongoing KT process between the acquired target and the Chinese parent company.

Chapter 4 addressed the questions of how B2B customers and suppliers of the acquired DE target react to Chinese CBAs and which factors explain the type of reaction of B2B customers and suppliers of the acquired target.

The analysis of the collected empirical material suggested that Chinese CBAs hardly lead to significant and permanent distortions of the existing B2B customer and supplier relationships of the acquired DE enterprises, although in some of the cases investigated, there was a short period of anxiety on the side of the customers and suppliers of the acquired German firms immediately after the acquisition. However, it occurred only very rarely that B2B customers or suppliers ended their business relationship with the acquire enterprises due to the change of ownership. Taken together, it thus turned out that Chinese CBAs have a relatively neutral or moderately positive impact on the B2B customer and supplier relationships of their acquired DE targets.

This result is explained by a calming effect of the light-touch integration approach, the long-term interest and financial commitment of the Chinese acquirers, and the involvement of key customers during the negotiation phase.

5.2 Theoretical implications

One fundamental theoretical implication of the findings of this thesis is that KT in the context of Chinese CBAs no longer solely takes place in the direction from the acquired DE target to the Chinese parent company, as suggested by previous surveys (Child & Rodrigues, 2005; Deng, 2009). Instead, the multiple-case study evidence revealed that in some instances KT meanwhile also occurs bi-directionally, especially in the technological area. Hence, Chinese MNEs obviously no longer have a knowledge disadvantage per se compared to their Western counterparts.

In addition, the research results of this thesis imply that KT in the context of Chinese CBAs in DEs is not solely a function of the absorptive capacity of the Chinese parent company. Instead, the findings illustrate that the degree of KT in connection with Chinese CBAs in DEs is also moderated by disseminative capacities of both partners, knowledge characteristics, and the handling of intercultural issues.

This result is similar to the findings from surveys that have investigated KT in an international context. Despite a qualitative research approach, only intercultural barriers between the parties involved have been identified as an additional potential obstacle for KT. Hence, the research findings imply that KT through Chinese CBAs is embedded in a national

context and that these country-specific factors interrelate with and shape the influencing factors of KT. Nevertheless, it appears that KT in the context of Chinese CBAs in DEs does not function fundamentally differently from KT in other international settings.

The research results also indicate that Chinese CBAs in DEs hardly lead to significant and permanent distortions of the existing B2B customer and supplier relationships of the acquired DE enterprises due to the light-touch integration approach, the long-term interest and financial commitment of the Chinese acquirers.

Hence, this finding suggests that the light-touch integration approach of the Chinese acquirers not only relaxes the relationship between the Chinese MNEs and their DE targets, but also positively supports the preservation of the embeddedness of the DE target in existing B2B customer and supplier networks.

5.3 Managerial and political implications

This thesis also has some important implications for managers and policymakers. Regarding the issue of KT in Chinese CBAs in DEs, the empirical results of this thesis imply that the key to a successful KT is an effective personal interaction between the workforce of the acquiring and the acquired side. To support this process, it is necessary to qualify the employees in terms of their professional competence and their language proficiency level. It is thus important to invest in human resources after the closure of the acquisition. To benefit from these investments, managers should strive for the long-term commitment and retention of skilled personnel who can act as agents of knowledge and competence transfer (Lazarova & Tarique, 2005). Against the background of the research findings of this thesis, one promising action to achieve this aim could be to invest in employer branding to increase the attractiveness of the Chinese MNE as an employer, and therefore increase the loyalty of the Chinese workforce.

Additionally, the research results indicate that Chinese MNEs can meanwhile also possess relevant strategic assets for the DE target in terms of technological capabilities. Therefore, carefully conducting a technical due diligence is not only beneficial for the Chinese MNEs, but also for the DE target.

The research findings concerning the impact of Chinese CBAs on the B2B customer and supplier relationships of the DE acquired enterprise indicate that a gradual and cautious integration of the acquired firm contributes to maintaining the existing business relationships of the target firm. In the case of strategic asset-seeking CBAs, the light-touch integration ap-

proach applied by Chinese firms might thus serve as blueprint for preserving the existing business relationships of the acquired firm.

As stated in Chapter 1, a tougher regulation of Chinese CBAs in Europe is currently being discussed. In this debate, one argument against Chinese investments is the fear that the firm-specific knowledge of the DE target will be transferred to China, resulting in company closures and job losses in the recipient host countries.

However, the research findings of this thesis do not support such a negative interpretation of KT in connection with Chinese CBAs in DEs. Although the findings suggest that the dominant transfer direction is still from the acquired targets to the Chinese parent companies, it also turned out that KT meanwhile also occurs reciprocally, particularly in the technological area. In addition, the research results indicate that Chinese CBAs do not automatically lead to a weakening of the acquired firms. The results rather indicate that quite the contrary is true. The multiple case study evidence revealed that Chinese investors follow a long-term strategy and are willing to invest in the future development of the acquired firms.

Considering these findings, the fear of a knowledge sell-out expressed by European and German political representatives is perhaps exaggerated. Nevertheless, in order to avoid political and economic tensions and to continue its economic development, China should take the concerns about Chinese CBAs in recipient DE host countries seriously. Ultimately, the Chinese economy could only benefit from less influence of the national government on corporate policy decisions and more individual entrepreneurship, greater neutrality regarding lending decisions, and a higher competitive pressure in the domestic industries due to greater openness towards foreign investments.

5.4 Research contributions, limitations and future research

This thesis contributes to enriching the knowledge on the ICF in many ways.

Firstly, this thesis provides a succinct but comprehensive overview of the latest thematic expansions of research on the ICF by systematically reviewing scientific literature on this subject published between 2011 and June 2017. It thus supplements a previous review article on research on the ICF by Deng (2012) that covers the period 1991 to 2010.

Secondly, this thesis improves the understanding of the organization of KT through Chinese CBAs in DEs on the firm level. In contrast to previous surveys, this thesis not only considers the perspective and motives of the Chinese parent companies but also of the acquired DE targets. In addition, it provides widespread empirical evidence for the first time on

the management measures undertaken to enhance KT between the Chinese parent company and the acquired DE target.

Thirdly, this thesis is the first survey that addresses the issue of how Chinese CBAs in DEs affect the external stakeholder relationships of the acquired DE target. Focusing on the B2B customer and supplier relationships of the acquired DE target, this thesis thus introduces a network perspective to the discussion on Chinese CBAs in DEs.

Of course, this thesis is not free of limitations. The most obvious limitation is that the central findings emerged from qualitative research. On the hand, therefore, this thesis provides in-depth and first-hand insights into Chinese CBAs in DEs. On the other hand, however, a natural shortcoming of the quality research approach is the generalizability of the findings. For this reason, I encourage scholars in particular to verify the derived propositions using quantitative methods. In this regard, it might also be beneficial to include acquired firms from countries other than Germany in the sample, in order to be able to exclude country-specific influence factors.

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Appendix

Appendix 1: Interview guideline for the corporate representatives

Interview partner (name and position)	Duration	Place	Date	Permission for the audio recording	Request to receive the interview transcript

Advance information		
<p>Dear Mr./Mrs.</p> <p>Thank you for taking the time to support my research project.</p> <p>Self-Introduction/Introduction of the research project</p> <p>Within the next approximately 60 minutes, I would to talk with you about your company’s acquisition.</p> <p>All your statements will be treated confidentially. The interview is only for scientific purposes. In order to avoid disturbing the interview by making notes, I would like to record this interview. Do you agree?</p> <p>Do you want to receive the interview transcript?</p> <p>Do you have any further questions before we start?</p>		
I. Introduction	<i>Main questions</i>	<i>Potential follow-up questions</i>
Professional background	Could you please introduce yourself?	How long have you already worked for this company? What are your main tasks?
II. Pre-Merger Phase	<i>Main questions</i>	<i>Potential follow-up questions</i>
Initial situation	What was your company’s situation before the acquisition?	Did a private equity investor own your company? Was your company in financial distress?
	What was the relationship between the parent company and the acquired firm before the M&A?	Did a business relationship between the parent company and the target exist? (Customer, supplier, joint venture, strategic alliance)? Were you competitors? To what extent did this previous relationship help to assess the potential of the target/parent? Did this previous relationship have an impact on the success of the M&A? Do the target and the parent company belong to the same industry?

		Did external consultants or one of your main customers suggested the acquisitions?
Motivation for the acquisition	Why was your company interested in the parent company/target?	What were the motives for the acquisition?
III. Merger Phase	<i>Main questions</i>	<i>Potential follow-up questions</i>
Events during the merger phase	Could you tell us more about the negotiations between the Chinese and the German company?	How did the contact between the two firms develop? What happened during the due diligence? Why did your company decide to sell to a Chinese investor? Why did your company decide to buy this German company? To what extent was the integration of the target already planned during the negotiation phase? To what extent was a collaboration between the two companies already planned during the negotiation phase?
IV. Post-merger phase	<i>Main questions</i>	<i>Potential follow-up questions</i>
Events during the post-merger phase	What happened during the post-merger phase?	How did the integration of the acquired firm into the Chinese parent company take place? How independently of the Chinese company can the German enterprise make decisions? Are there individuals who have been especially important during the integration process? What were the largest obstacles during the post-merger integration? What was done to solve these problems? With which methods did your company attempt to promote cooperation and trust between the Chinese and German employees?
Knowledge transfer	What are the implications of the acquisition?	Did the acquisition lead to an exchange of knowledge between the parent company and the acquired firm? On which hierarchical levels does knowledge transfer occur? What is the direction of the knowledge transfer? Which area of knowledge is particularly concerned (managerial or technological know-how)?

		<p>With which management actions is knowledge transfer promoted?</p> <p>What are the obstacles for a successful knowledge transfer?</p> <p>What does your company do to overcome these challenges?</p> <p>What are the consequences of the knowledge transfer?</p>
Stakeholder reactions	How did B2B customers of the German enterprises react to the acquisitions?	<p>Why did they react in this way?</p> <p>Did they react with uncertainty?</p> <p>What caused the uncertainty?</p> <p>Which management actions are undertaken to reduce the uncertainty?</p> <p>How did you react to concerns?</p>
	How did suppliers of the German enterprises react to the acquisition?	<p>Why did they react in this way?</p> <p>Did they react with uncertainty?</p> <p>What caused the uncertainty?</p> <p>Which management actions are undertaken to reduce the uncertainty?</p> <p>How did you react to concerns?</p>
	How did other stakeholders react to the acquisition?	
Concluding part	<i>Main questions</i>	<i>Potential follow-up questions</i>
Contacts	Do you perhaps know other people who could be interested in my survey and would be willing to participate in the research project?	Is it possible for you to recommend and introduce me to these people?
Additions	We are at the end of the interview. Would you like to add anything? Do you have any further questions?	
Thank you for the interview!		

Appendix 2: Interview guideline for the intermediaries

Interview partner (name and position)	Duration	Place	Date	Permission for the audio recording	Request to receive the interview transcript

Advance information		
Dear Mr./Mrs.		
Thank you for taking the time to support my research project.		
Self-Introduction/Introduction of the research project		
Within the next approximately 60 minutes, I would to talk with you about your experiences regarding Chinese corporate acquisitions in Germany.		
All your statements will be treated confidentially. The interview is only for scientific purposes. In order to avoid disturbing the interview by making notes, I would like to record this interview. Do you agree?		
Do you want to receive the interview transcript?		
Do you have any further questions before we start?		
I. Introduction	<i>Main questions</i>	<i>Potential follow-up questions</i>
Professional background	Could you please introduce yourself?	How long have you already worked for this company?
	How do you support your clients during an acquisition?	What are your main tasks?
II. Pre-merger phase	<i>Main questions</i>	<i>Potential follow-up questions</i>
Investment motives	What are the main motives of a Chinese investor for taking over a German company?	How important is the access to technological and management knowledge? How important is the access to customer and supplier networks? Do the investment motives of Chinese enterprises differ from the motives of Western firms?
Contact with Chinese investors	Which processes take place in the Chinese enterprises during the pre-merger phase?	How do Chinese investors search for potential targets? To what extent is the integration of the target and the organization of the know-how transfer already planned during the pre-merger phase?
Contact with German targets	Can you report about cases in which the German enterprise was looking for a Chinese investor?	What were the main motives of the German enterprise? Was the company in financial distress?

		Was the company looking for a better market access to China?
III. Merger Phase	<i>Main questions</i>	<i>Potential follow-up questions</i>
Establishing contact	How do Chinese investors establish contact with German enterprises?	Who takes the first step?
Events during the merger phase	Which processes take place during the merger phase?	<p>What specific information are Chinese investors interested in during the due diligence?</p> <p>To what extent does the due diligence contribute to an identification and evaluation of the capabilities of the Germany company?</p> <p>To what extent are technological know-how, management knowledge, and the capabilities of the employees and suppliers evaluated during the due diligence?</p> <p>What are the most important aspects for the German enterprise during the negotiation phase?</p>
Negative example	Can you report about cases in which the takeover failed during the negotiation phase?	What were the reasons for failure? (e.g. cultural differences, no agreement regarding the purchase price, higher bid from a competitor)
IV. Post-merger phase	<i>Main questions</i>	<i>Potential follow-up questions</i>
Problems in the Post-Merger Phase	What are typical problems during the integration in the post-merger phase?	<p>Can you give me an example?</p> <p>What are the reasons?</p>
Business implications	What are typical business implications of the acquisitions? (e.g. entering of new market segments, joint product development)	<p>How is the knowledge transfer organized?</p> <p>Which measures are undertaken to promote the transfer of knowledge?</p> <p>What are the success factors for the transfer of knowledge?</p> <p>What are the obstacles for the transfer of knowledge?</p> <p>What is done to overcome these challenges?</p>
V. Stakeholder reactions	<i>Main questions</i>	<i>Potential follow-up questions</i>
Stakeholder reactions	How did B2B customers of the German enterprises react to the acquisitions?	<p>Did they react with uncertainty?</p> <p>What caused the uncertainty?</p> <p>Which management actions are undertaken to reduce the uncertainty?</p>
	How did suppliers of the German	Did they react with uncertainty?

	enterprises react to the acquisition?	What caused the uncertainty? Which management actions are undertaken to reduce the uncertainty?
	How did other stakeholders react to the acquisition?	
Concluding part	<i>Main questions</i>	<i>Potential follow-up questions</i>
Contacts	Do you perhaps know other people who could be interested in my survey and would be willing to participate in the research project?	Is it possible for you to recommend and introduce me to these people?
Additions	We are at the end of the interview. Would you like to add anything? Do you have any further questions?	
Thank you for the interview!		

Appendix 3: Declaration of academic honesty

I declare that I have completed this dissertation single-handedly without the unauthorized help of a second party and only with the assistance acknowledged therein. I have appropriately acknowledged and cited all text passages that are derived verbatim from or are based on the content of published work of others, and all information relating to verbal communications. I consent to the use of an anti-plagiarism software to check my thesis. I have abided by the principles of good scientific conduct laid down in the charter of the Justus Liebig University Giessen „Satzung der Justus-Liebig-Universität Gießen zur Sicherung guter wissenschaftlicher Praxis“ in carrying out the investigations described in the dissertation.

Giessen, May 2018

Signature