

Cross-Border Strategic Asset Acquisition by Chinese Multinational Enterprises

Three Essays on Strategic Asset Seeking and Bundling, Springboarding
and Post-Acquisition Integration

Doctoral Thesis

Presented to the Faculty of Management, Economics and Social Sciences at the
University of Fribourg (Switzerland), in fulfilment of the requirements for the de-
gree of Doctor of Philosophy in Management (Ph.D.)

by

Juan Wu from Kreuzlingen

Accepted by the Faculty of Economics and Social Sciences
on December 18th, 2023

At the proposal of

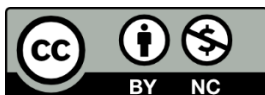
Professor Dr. Dirk Morschett (first referee)

Professor Dr. Eric Davoine (second referee)

© Juan Wu, 2024

<https://doi.org/10.51363/unifr.eth.2024.014>

This work is published under a Creative Commons Attribution 4.0 International license (CC BY 4.0): <https://creativecommons.org/licenses/by-nc/4.0>)



The Faculty of Management, Economics and Social Sciences at the University of Fribourg neither approves nor disapproves the opinion expressed in a doctoral thesis. They are to be considered those of the author (Decision of the Faculty Council, 23 January 1990).

To my dearest husband who always believes in me, admires me, and provides unconditional support,

and to my honourable parents who encouraged me to study abroad and to live in a free world.

Acknowledgement

I would like to thank the following people for their great support throughout my PhD journey. Without their help, this work would not have been possible.

First and foremost, I am deeply grateful to my esteemed first supervisor, Prof. Dr. Dirk Morschett. Your guidance and introduction to the academic world have been invaluable, your profound knowledge, continuous support, and constructive feedback instrumental for shaping me into a dedicated scholar. I extend my sincere thanks to my PhD tutor and co-author, Prof. Dr. Daojuan Wang. Your passion, diligence and professionalism in the field of M&A have consistently inspired my daily research endeavours. I am especially grateful for motivating me to aim at top-tier journals and tirelessly strive for excellence in my academic research.

My gratitude extends to Dr. Ganqi Tang for patiently assisting me in formatting the entire thesis, ensuring its polished presentation. Special thanks also go to Fengge Feng and Yang Yang who significantly enhanced the development of the longitudinal database by transcribing and translating the Chinese interviews.

I express my appreciation to the Department of Management at the University of Fribourg for giving me the opportunity to pursue my studies, to Prof. Dr. Eric Davoine for serving as the second reviewer of this thesis and Prof. Dr. Rudolf Grünig for acting as the president of the defence committee.

My most heartfelt appreciation is reserved for my beloved husband, Anton Stadelmann. Your deeply rooted belief in me has been my pillar of strength, and based on unwavering mutual trust, you have been my harshest critic. You've diligently reviewed every version of my papers, offered promising suggestions, and always lent an open ear whenever I needed a discussion.

I extend my deep gratitude to my parents, Zhengshu Wu and Xiangwen Liu. Your encouragement led me to study abroad and explore new horizons. Thank you for helping me transcribe interviews and collect secondary data from Chinese firms. The determination to serve as a role model for my son, David Urban-Wu, has been a driving force, motivating me to complete my PhD journey with persistence and diligence. Thank you, David.

While I cannot individually name every contributor to this work, I express my profound gratitude to all who have assisted and supported me along the way. In particular, I want to thank the top-level decision-makers of the acquired and acquiring case companies, external experts as well as clients who all have made themselves available as interviewees in more than 120 interviews and for countless calls and text exchanges over a period of eight years. Without you, I would not have been able to carry out this empirical study and to capitalize on a unique database.

Abstract

In recent decades, the proactive pursuit and acquisition of strategic assets in developed economies (DEs) by emerging multinational enterprises (EMNEs) has significantly reshaped the global economy and garnered substantial academic attention. The number of published articles in this field has more than doubled since the 2000s and continues to grow. However, despite this extensive research, our comprehension of how EMNEs effectively catch up with incumbent Western global players and compete on the global stage remains nascent. Longitudinal studies in this domain are exceptionally rare. Addressing this gap, this doctoral thesis draws on an eight-year observation of 14 strategic-asset-seeking acquisitions of Western companies by 10 Chinese multinational enterprises (CMNEs). Through a longitudinal process analysis, it investigates from both the acquired and acquiring firms' perspectives why, how, and with what outcomes CMNEs seek, acquire, and integrate strategic assets in DEs.

The extant literature argues that cross-border acquisitions by CMNEs in developed countries are motivated by strategic asset seeking. However, a context-related look at the specific strategic assets sought by the acquirers is often missing. **Study 1** investigates which specific strategic assets CMNEs pursue, given their own strategic assets, and why they do so, and which assets from the acquiring and acquired companies get bundled, ultimately. This expanded perspective reveals that the interplay of EMNEs' existing country- and firm-specific advantages empowers them to secure acquisition bids and efficiently bundle their own assets with complementary Western assets, thereby creating economic value. This finding further develops asset bundling theory. The study also provides empirical evidence that technology transfer between CMNEs and their acquired firms from DEs occurs in both directions, and that acquirers and acquired companies employ joint innovation to upgrade technology and enhance product offering on both sides.

Study 2 aims to extend the springboard view—one of the most impactful theories for the internationalization of EMNEs—by exploring the heterogeneity and dynamic nature of springboarding and contextualizing it from a strategic perspective. Putting strategic assets into the context of CMNEs' springboard internationalization activities and path-breaking changes, it reveals four distinct springboard trajectories from four inward internationalization to three catch-up strategy types:

- Group 1: from 'low-cost partner' to 'brand firm and full-range provider' by acquiring brand firms;
- Group 2: from 'local optimizer' to 'brand firm and full-range provider' by acquiring brand firms;

- Group 3: from ‘regional consolidator’ to ‘global consolidator’ by acquiring Western firms with overseas production facilities;
- Group 4: from ‘first mover in specific technology’ to ‘total solution provider’ by acquiring firms with up- and downstream cutting-edge technology.

The trajectories of group 1, 2, and 4 significantly deviate from the general upward spiral model suggested by Luo and Tung (2018a). The heterogeneity of the trajectories sheds a new light on the diversity, dependencies, and influencing factors of the springboard process. Furthermore, the study proposes a multilayer framework to explain the determinants of the heterogeneity of springboard trajectories. These trajectories are determined by the companies’ specific catch-up strategy, which in turn is driven by the global ambition, the inward internationalization strategy shaped by the initial asset endowment, and industry characteristics.

A large number of empirical studies support the notion that EMNEs, notably CMNEs, adopt a light-touch integration approach (LTIA) characterized by granting the acquired firms considerable autonomy whilst engaging in selective business coordination. **Study 3** explores the clearly under-researched evolution of LTIA and its drivers. Three distinct integration paths are revealed, all starting with light-touch integration but morphing to different target models, either another form of light touch—overall six varying forms of them being identified—or absorption. The differing integration paths can be explained by a driving system. The determinant of integration evolution is the catch-up strategy—three of them being identified. Resource dependency and cultural distance are the steering drivers through which the transition from the preliminary integration form towards the target model is managed.

Through its longitudinal approach, this thesis delves into the catch-up process of the sample CMNEs from a strategic perspective. It extends existing theories by adapting them and introducing novel models. The thesis carries significant managerial implications. By selecting successful cases, it presents ‘best practices’ for strategic asset seeking, bundling, and integration. For Western managers, these cases convey a pivotal lesson: Successful acquirers from emerging markets consistently adhere to their strategy—be it in asset seeking, bundling, or integration. To effectively respond to EMNEs’ activities and behaviours, rather than merely tactical reacting, one must gain a deep understanding of EMNEs’ strategies.

Table of Contents

Acknowledgement	iv
Abstract	v
Table of Contents	vii
List of Tables	xi
List of Figures	xii
List of Abbreviations	xiii
1. Introduction	1
1.1 Relevance of the Topics	1
1.2 Overview of the Research Questions and the Three Studies	3
References	9
2. Literature Review	13
2.1 Internationalization Driven by Strategic Asset Seeking	13
2.2 Do We Need New Theories for EMNE Internationalization? The Debate and Related Theories	14
2.2.1 The Three Big Theories	15
2.2.2 The Opponent Arguments	17
2.2.3 The Proponent Arguments and the New Theories	18
2.3 State of Research	21
2.3.1 Antecedents of EMNEs' Strategic Asset Acquisitions	23
2.3.2 Processes of EMNEs' Strategic Asset Acquisition	27
2.3.3 Outcomes of EMNEs' Strategic Asset Acquisition	28
2.4 Research Gaps	29
2.4.1 Gaps in Antecedents of EMNEs' Strategic Asset Acquisition	30
2.4.2 Gaps in Processes of EMNEs' Strategic Asset Acquisition	30
2.4.3 Gaps in Outcomes of EMNEs' Strategic Asset Acquisition	31
References	33
3. Methodology	40
3.1 Research Design	40
3.2 Case Selection and Data Collection	40
3.3 Case Description	45
3.3.1 Case 1 (C1): <i>Sino Outdoor</i> and <i>West Outdoor</i>	45
3.3.2 Case 2 (C2) – Case 5 (C5): <i>Sino Tool</i> and <i>West Tool 1, 2, 3 and 4</i>	46
3.3.3 Case 6 (C6): <i>Sino Textile</i> and <i>West Textile</i>	49
3.3.4 Case 7 (C7): <i>Sino Knitting</i> and <i>West Knitting</i>	51
3.3.5 Case 8 (C8): <i>Sino Metal</i> and <i>West Metal</i>	52
3.3.6 Case 9 (C9) and Case 10 (C10): <i>Sino Copper</i> , <i>West Copper Retail</i> and <i>West Copper Process</i>	54
3.3.7 Case 11 (C11): <i>Sino Motor</i> and <i>West Motor</i>	56
3.3.8 Case 12 (C12): <i>Sino Construct</i> and <i>West Construct</i>	58
3.3.9 Case 13 (C13): <i>Sino Soft</i> and <i>West Soft</i>	60
3.3.10 Case 14 (C14): <i>Sino ConstructSoft</i> and <i>West ConstructSoft</i>	62

3.4 Case Analysis	63
References	65
4. Study 1: M&As by Chinese Multinational Enterprises in Developed Economies—Strategic Asset Seeking and Bundling	66
4.1 Introduction	66
4.2 Theoretical Background	67
4.2.1 Strategic Asset Seeking	67
4.2.2 Asset Bundling	68
4.2.3 Conceptual Framework of Asset Bundling	70
4.3 Methodology	71
4.3.1 Data Collection	71
4.3.2 Data Analysis	76
4.4 Empirical Findings	78
4.4.1 Bundling of the Acquired Strategic Assets with the CMNEs' Assets	79
4.4.1.1 Horizontal Asset Bundling	82
4.4.1.2 Vertical Asset Bundling	85
4.4.1.3 Other Types of Asset Bundling	86
4.4.2 The Asset Profiles of the CMNEs	87
4.4.3 The Asset Profiles of the Western Targets	88
4.5 Discussion	89
4.6 Conclusion	90
4.6.1 Theoretical Contributions	91
4.6.2 Managerial Implications	91
4.6.3 Limitations and further research	92
References	93
5. Study 2: Springboard Trajectories of Chinese Multinationals —A Longitudinal Study of Their Strategic Asset Acquisition	98
5.1 Introduction	98
5.2 Theoretical Background	100
5.2.1 The Springboard View	100
5.2.2 Hypotheses of Springboard Trajectory	101
5.3 Methodology	104
5.3.1 Research Design	104
5.3.2 Case Selection and Data Collection	105
5.3.3 Data Analysis	109
5.4 Findings and Discussion	111
5.4.1 Springboard Trajectories	112

5.4.1.1	Group 1: From ‘Low-Cost Partner’ to ‘Brand Firm and Full-Range Provider’ by Acquiring Brand Firms (Cases 1 and 2).....	112
5.4.1.2	Group 2: From ‘Local Optimizer’ to ‘Brand Firm and Full-Range Provider’ by Acquiring Brand Firms (Cases 3 and 4).....	116
5.4.1.3	Group 3: From ‘Regional Consolidator’ to ‘Global Consolidator’ by Acquiring Western Firms with Overseas Production Facilities (Cases 5, 6 and 7).....	120
5.4.1.4	Group 4: From ‘First Mover in a Specific Technology’ to ‘Total Solution Provider’ by Acquiring Firms with Up- and Downstream Cutting-Edge Technology (Cases 8 and 9).....	123
5.4.2	Rationale Behind the Heterogeneity of Springboard Trajectories.....	126
5.4.2.1	Multilayer Driving System of Springboard Internationalization.....	126
5.4.2.2	The Heterogeneity in the Process of Capability Transfer and Upgrading.....	129
5.5	Conclusion.....	130
	References.....	133
6.	Study 3: Light Touch Goes Where? A Longitudinal Study of Post-Acquisition Integration Paths Adopted by Chinese Private-Owned Enterprises.....	137
6.1	Introduction.....	137
6.2	Theoretical Background.....	139
6.2.1	Post-Acquisition Integration Typology and Light-Touch Integration Approach.....	139
6.2.2	Evolution of the Light-Touch Integration Approach.....	139
6.2.3	Drivers of Light-Touch Integration Evolution.....	141
6.3	Methodology.....	142
6.3.1	Research Design.....	142
6.3.2	Case Selection.....	142
6.3.3	Data Collection and Analysis.....	143
6.4	Empirical Findings and Discussion.....	150
6.4.1	Integration Paths.....	150
6.4.1.1	Integration Path Towards ‘Brand Firm and Full-Range Provider’.....	151
6.4.1.2	Integration Path Towards ‘Global Consolidator’.....	156
6.4.1.3	Integration Path Towards ‘Total-Solution Provider’.....	160
6.4.2	Driving System.....	163
6.4.2.1	Catch-Up Strategy—the Determinant of the Target Integration Model.....	164
6.4.2.2	Resource Dependency and Cultural Difference—the Steering Drivers of Light-Touch Integration Evolution.....	166
6.5	Conclusion.....	168
6.5.1	Theoretical Implications.....	168
6.5.2	Managerial Implications.....	170
6.5.3	Limitations of the Study and Implications for Future Research.....	171
	References.....	172
7.	Conclusion.....	177
7.1	Main Findings and Contributions.....	177
7.2	Limitations.....	184
7.3	Implications for Further Research.....	185
7.3.1	Expand the Scope of Cases.....	185
7.3.2	Employ Quantitative Studies and a Mixed Method Strategy.....	186
7.3.3	Employ Comparative Studies.....	186

Table of Contents

7.3.4 Research on the Outcomes	187
7.3.5 Investigate EMNEs' Strategic Asset Acquisition and Integration in the New Era of Deglobalization and Slowbalization.....	188
References.....	189
Closing Remarks.....	191

List of Tables

Table 3.1: Interview statistics for the entire thesis	43
Table 3.2: Key data of sample cases for the entire thesis	44
Table 3.3: Case distribution across the three studies	64
Table 4.1: Statistics of interviewees (Study 1)	74
Table 4.2: Key data of sample cases (Study 1)	75
Table 4.3: Coding structure (Study 1)	77
Table 4.4: Assets/Gaps of CMNEs (Study 1)	78
Table 4.5: Assets/Gaps of Western target firms (Study 1)	79
Table 4.6: Matrix of asset bundling (Study 1)	81
Table 5.1: Interview statistics (Study 2)	107
Table 5.2: Key data of sample cases (Study 2)	108
Table 5.3: Coding structure and results (Study 2)	110
Table 6.1: Basic data on case companies (Study 3)	146
Table 6.2: Interview statistics (Study 3)	147
Table 6.3: Coding system (Study 3)	148
Table 7.1: Overview of research gaps, research questions, conclusions and contributions	178

List of Figures

Figure 1.1: Capital outward flow from emerging-market countries in % of global capital outward flow.....	1
Figure 1.2: China's capita outward flow in % of the capital outward flow from the entire emerging-market economy	2
Figure 1.3: Capital outward flow	3
Figure 2.1: Firm-specific/country-specific advantage matrix	16
Figure 2.2: International expansion of EMNEs from a springboard perspective	20
Figure 2.3: State of research and research gaps reg. 'EMNEs' strategic asset acquisitions'	22
Figure 2.4: Types of post-acquisition integration models	28
Figure 4.1: Conceptual framework of asset bundling	70
Figure 5.1: The upward spiral model	102
Figure 5.2: The upward spiral model for the group 'from low-cost partner to brand firm and full-range provider'	112
Figure 5.3: The upward spiral model for the group 'from local optimizer to brand firm and full-range provider'.....	117
Figure 5.4: The upward spiral model for the group 'from regional consolidator to global consolidator'	120
Figure 5.5: The upward spiral model for the group 'from first mover in specific technology to total solution provider'	124
Figure 5.6: The multilayer driving system of springboard internationalization	127
Figure 6.1: Integration paths	150
Figure 6.2: Drivers of light-touch integration evolution	164
Figure 7.1: How this thesis contributes to EMNE's strategic asset acquisitions	183

List of Abbreviations

CBA	Cross-border acquisition
CBMAs	Cross-border mergers and acquisitions
CMNE	Chinese multinational enterprise
CSA	Country-specific advantage
CSDA	Country-specific disadvantage
CS(D)A	Country-specific advantage and disadvantage
DE	Developed economy
DMNE	Developed market multinational enterprise
EE	Emerging economy
EMNE	Emerging market multinational enterprise
FDI	Foreign direct investment
FSA	Firm-specific advantage
FSDA	Firm-specific disadvantage
FS(D)A	Firm-specific advantage and disadvantage
IB	International business
IPO	Initial public offering
LLL	Linkage-leverage-learning model
LTIA	Light-touch integration approach
M&As	Mergers and acquisitions
MNE	Multinational enterprise
ODM	Original design manufacturer
OEM	Original equipment manufacturer
OFDI	Overseas foreign direct investment
OLI	Ownership advantage, location advantage, internalization advantage
PAI	Post-acquisition integration
POE	Private-owned enterprise
RBV	Resource-based view
SAS	Strategic asset seeking
SBV	Springboard view
SME	Small and medium sized enterprise
SOE	State-owned enterprise
VRIN	Valuable, rare, inimitable, and non-substitutable

1. Introduction

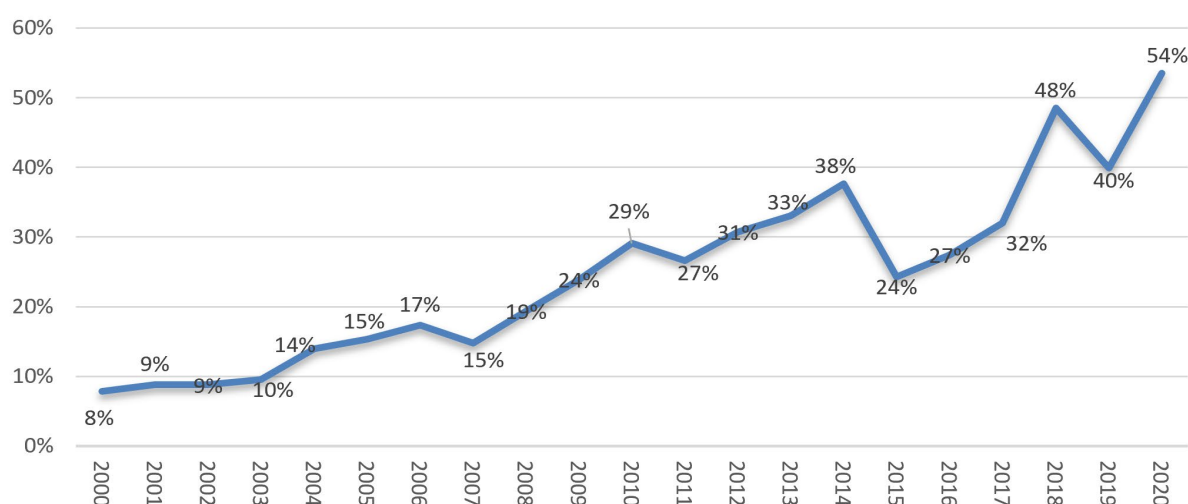
1.1 Relevance of the Topic

The overarching aim of this thesis is to add to the current literature on how emerging market¹ multinational enterprises (EMNEs) seek, acquire, and integrate Western strategic assets. To this end, 14 cross-border acquisitions (CBAs) by 10 Chinese multinational enterprises (CMNEs) in 6 Western countries are examined over a period of eight years.

Over the past three decades, the rapid internationalization of EMNEs has fundamentally transformed the international business (IB) landscape and reshaped the global economy (Luo and Tung, 2018a; Luo and Zhang, 2016). In particular, the proactive pursuit and acquisition of strategic assets in developed economies (DEs) by EMNEs have garnered significant attention from economic, business, and academic communities. These activities have empowered numerous EMNEs to transition from peripheral investors into formidable global competitors.

Since the early 2000s, emerging economies (EEs), totalling 41 countries as of today, have actively participated in global Foreign Direct Investment (FDI). Their share of the global outward capital flow saw a significant increase, rising from 7.83% in 2000 to 37.65% in 2014. Following a brief decline, this share rebounded, reaching its peak at 53.52% in 2020 (see Figure 1.1). As FDI continued to rise, a multitude of EMNEs entered the global competitive arena. Some of these, such as Tata, Cemex, Huawei, and Lenovo, even achieved world-class status (Luo and Zhang, 2016).

Figure 1.1: Capital outward flow from emerging-market countries in % of global capital outward flow

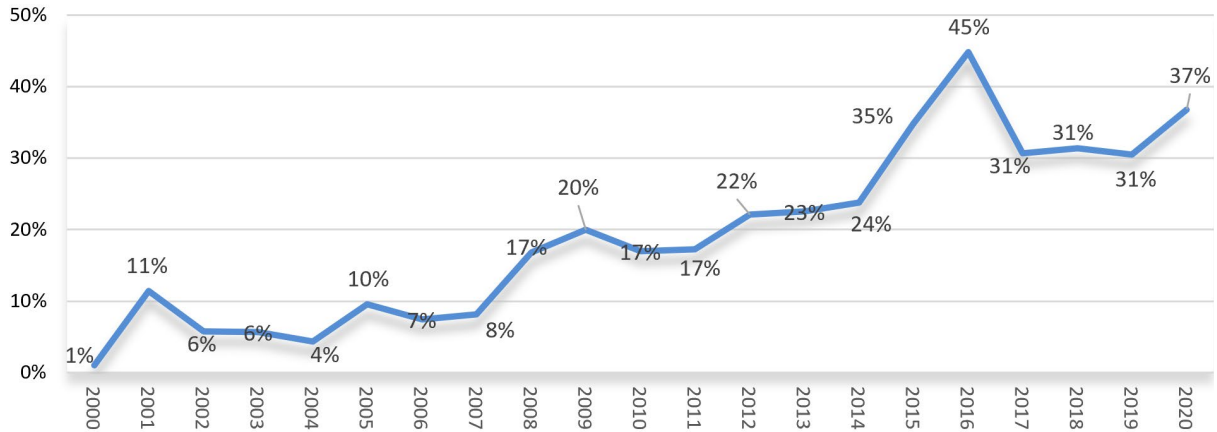


Self-made figure. Data source: UNCTADSTAT (2022)

¹ The United Nation's definition "emerging market" is adopted, which refers to the low-income, rapid-growth countries using economic liberalization as their primary engine of growth. All together there are 41 emerging-market countries: 3 in Africa, 9 in America, 18 in Asia, and 11 in Europe and Middle East (UNCTD 2022).

Chinese Overseas Foreign Direct Investment (OFDI) constitutes the largest share of the emerging-market economy (see Figure 1.2), encouraged by the ‘Go Global’ strategy of the Chinese government.

Figure 1.2: China's capital outward flow in % of the capital outward flow from the entire emerging-market economy



Self-made figure. Data source: UNCTADSTAT (2022)

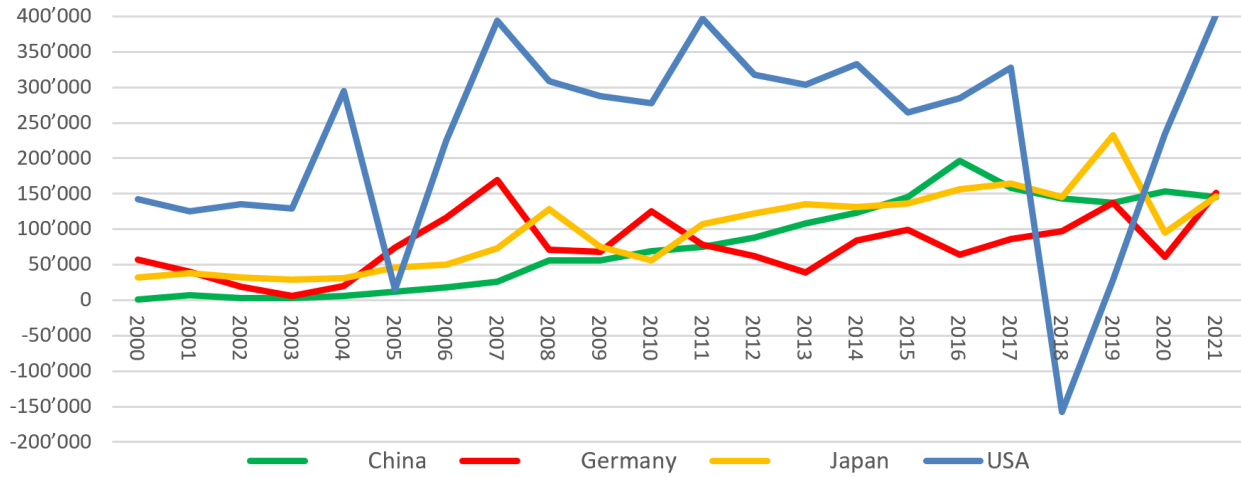
OFDI by CMNEs has been increasingly guided towards the acquisition of strategic assets (Chen et al., 2021; Deng, 2009) rather than natural resources, in contrast to other emerging countries. The global financial crisis in 2008 and subsequent years hit China relatively little and therefore brought historic opportunities for Chinese businesses to expand their global footprint, specifically to attack underpriced strategic assets (Jansson and Söderman, 2013; Sauvant et al., 2010). In 2015, China overtook Japan as the second largest cross-border investor behind the USA for the first time, reached its peak in 2016 (USD 196 billion), and stayed amongst the top 3 thereafter (see Figure 1.3).

At the end of 2019, 27'500 Chinese investors owned more than 44'000 companies in 188 countries/regions outside China across the globe (MOFCOM, 2020). The ‘Belt and Road Initiative’ has significantly strengthened China’s international appearance. CMNEs are considered important sources of OFDI (Alon et al., 2018), including numerous high-profile acquisitions such as Nanjing Automotive’s acquisition of Rover UK, ChemChina’s acquisition of the Swiss firm Syngenta, and Haier’s acquisition of the US firm General Electric Appliances (Cooke et al., 2018).

The rapidly increasing OFDIs by EMNEs, especially in DEs, has ignited a vigorous academic debate regarding whether the three major IB theories (OLI model, internalization theory, Uppsala model) can comprehensively elucidate this phenomenon. In fact, EMNEs' OFDI has served as a new testing ground for further refining existing IB theories and formulating new ones, such as the linkage-leverage-learning framework (LLL) (Mathews, 2006) and the springboard

view (SBV) (Luo and Tung, 2007). Consequently, the number of published articles in this field more than doubled between 2007 and 2016 (Luo and Tung, 2018a) and continues to grow.

Figure 1.3: Capital outward flows (Millions of USD)



Self-made figure. Source: UNCTADSTAT (2022)

1.2 Overview of the Research Questions and the Three Studies

Whilst numerous studies specifically refer to EMNEs' strategic asset acquisition, the research on how and why some EMNEs have been able to catch up with Western global players although they lacked the typical resources and capabilities associated with multinational enterprises (MNEs) in DEs, is still in its infancy (Buckley et al., 2017). The studies broadly cover three areas of asset acquisition - antecedents, processes, and outcomes, the most strongly weighted being antecedents.

Most studies on the antecedents of asset acquisition are not designed to answer this question. They argue that acquiring and integrating global strategic assets play a key role in EMNEs' rapid development as fastest approach to reach the catch-up goals (Boateng et al., 2008; Qian, and Tianle, 2008) and as an effective way to gain legitimacy and prestige in the global marketplace (Deng, 2007), what in turn raises the question why EMNEs with poor technology are able to acquire strategic assets from their rivals whilst at the same time competing with them in their home market. Hennart (2012, 2018) answers insofar that 'ownership' of non-tradable country-specific assets (e.g., market access, special permissions, licenses, and governmental support) provides the opportunity for EMNEs to successfully bundle complementary strategic assets from DEs. Luo (2007, 2018) suggests that EMNEs systematically and recursively use international expansion to capture strategic assets that facilitate the acquisition of resources critical to compete successfully with rivals and to minimize institutional and market constraints at home.

However, existing research tends to treat strategic assets in generic terms and as an abstract concept, missing out on specific contexts but providing a wide range of exemplified resources and capabilities (such as technology, R&D, human capital, brand name, buyer-supplier relationship, and management capabilities) (Lu et al., 2011; Stucchi, 2012). There is little research that explores the combined set of acquired assets and EMNEs' prior country- and firm-specific assets, which assumably could reveal sources of strength and ownership advantages. Consequentially, Luo and Zhang (2016) call for EMNEs' typology or taxonomy that influence their concrete catch-up strategies.

In the area of processes, the extant studies differentiate between EMNEs' exploitation and exploration behaviours and see aggressive risk-taking strategic asset seeking as an important part of the overall catch-up strategy (Bae et al., 2013; Chen and Han, 2020; Deng, 2009; Kedia et al., 2012; Luo and Bu, 2018; Rui and Yip, 2008). Multiple studies deal with EMNEs' catch-up strategies/business models (Luo and Tung, 2007; Ramamurti, 2009; Tsai and Eisingerich, 2010). Later on, the focus shifted to post-acquisition integration. It is widely held that EMNEs largely apply a light-touch integration approach (LTIA) characterized by granting the acquired firms considerable autonomy whilst engaging in selective business coordination (Kale and Singh, 2012; Liu and Woywode, 2013; Yang and Lütge, 2020; Zheng et al., 2016).

A series of meaningful questions, though, remain open, such as how EMNEs manage to catch up with the incumbent Western global players and to compete on the global stage (Buckley et al., 2017), from where to where they spring, how they morph from their initial business model/corporate strategies to the new ones, how they integrate and utilize the acquired strategic assets (Luo and Tung, 2018a; Luo and Zhang, 2016), and, more specifically, how they manage to apply LTIA—an integration approach that does not seem to strongly facilitate EMNEs' bold global ambition and still achieve their goal?

Within EMNEs, CMNEs have become the dominant research object (Luo and Zhang, 2016; Paul and Benito, 2018) as China emerged as the fastest growing (major) economy in the world for more than two decades (Warner, 2013). The rapid internationalization of CMNEs has been closely observed and energetically discussed (Blomkvist and Drogendijk, 2013, 2016). Their aggressive CBAs have drawn academic attention from different disciplines (Ai and Tan, 2018; Blomkvist and Drogendijk, 2016; Deng, 2009; Liu and Woywode, 2013; Rouziès et al., 2019; Rugman and Li, 2007; Rui and Yip, 2008; Zheng et al., 2016). Scholars mainly debate the antecedents and varieties of the internationalization as well as the implications on China's economic catch-up process and the global economy (Alon et al., 2012; Deng et al., 2017; Lattemann and Alon, 2015). In contrast

to the internationalization patterns of MNEs from DE, the prominent role of the Chinese government stands out by laying the foundation for CMNEs' going abroad and strategic asset exploration in DEs (Child and Rodrigues, 2005; Li et al., 2017; Luo et al., 2010; Yang and Stoltenberg, 2014). Extant research claims that CMNEs' strategic asset takeover aims at offsetting their lack of firm-specific advantages (FSA) (Peng, 2012; Wei, 2010) and building up global competitive positions (Alon et al., 2018; Deng, 2012; Lattemann et al., 2012; Peng, 2012; Rui and Yip, 2008), applying LTIA in a particularly consistent way. Overall, the studies on CMNEs encounter the same unanswered questions as those found in the broader context of EMNEs. Alon et al. (2012) and Jansson and Söderman (2013) see empirical evidence of CMNEs' internationalization process being in its nascent stages and fragmented, particularly due to the absence of longitudinal datasets and observations (Alon et al., 2018).

Aiming at shedding further light on the EMNEs' catch-up internationalization process and particularly increasing the understanding of how they combine and integrate acquired strategic assets, this thesis investigates strategic acquisitions by CMNEs in Europe and the USA. Over the past 30 years, China has cultivated a unique domestic business environment, making CMNEs a remarkable context for testing the applicability of established MNEs and IB theories (Alon et al., 2018). The author leverages her extensive network among CMNEs and global M&A service institutes, which she built through professional activities spanning more than a decade before commencing the PhD thesis. Data collection spans eight years and is based on a multitude of interviews with decision-making managers from acquiring and acquired companies, clients and external experts, field observation in China, Europe, and the USA, and secondary sources.

Following up on the research gaps and particularly responding to Buckley et al.'s (2017) call for more detailed studies on the mechanisms of CBAs by EMNEs, **Study 1**² explores three research questions:

- What strategic assets do CMNEs aim to obtain through acquisitions of Western firms?
- What assets do CMNEs possess prior to these acquisitions that create potential for effective use of acquired assets?
- How do CMNEs bundle the acquired assets with their existing resources to create competitive advantages?

The results confirm that CMNEs typically target Western companies with resources that are complementary to their own (Luo and Tung, 2007; Deng, 2009; Cui et al., 2014), and that

² Study 1 was published as Wu, J., & Morschett, D. (2023). M&As by Chinese multinational enterprises in developed economies: strategic asset seeking and bundling. *European Journal of International Management*, 21(3), 460-488.

interplay between existing country specific advantages (CSAs) and FSAs enables CMNEs to bundle their own assets with complementary Western assets (Hennart, 2012). They enrich Hennart's (2009, 2012, 2018) bundling theory by specifying the asset profiles of CMNEs prior to their CBAs and further clarifying the role of CSAs and FSAs in the asset bundling process. 45 pairwise combinations of asset bundling in three categories—'horizontal asset bundling' (asset combination within the same asset category, 'vertical asset bundling' (asset combination across a given business process) and 'other asset bundling' (all remaining asset combinations)—are identified and thus reveal that technology transfer between CMNEs and their acquired firms from DEs occurs in both directions, and that acquirers and acquired companies employ joint innovation to upgrade technology and enhance product offering. The study reveals, too, that bundling activities can create 'private synergy' (Barney, 1988), which is inimitable and unique and benefits both the acquirers and the acquired companies. Across all cases, private synergy proved to be a winning factor for CMNEs in their bids for acquisition targets against Western bidders. Furthermore, Study 1 supports and extends the composition-based view of CBAs (Luo and Child, 2015; Zhou et al., 2019) confirming the capability of CMNEs to combine and leverage newly acquired resources and extending this view from ordinary assets only to intangible FSAs assets, too.

The Springboard View (SBV) provides a fresh perspective for studying the radical internationalization behaviour of EMNEs (Kumar et al., 2020). While numerous studies have supported, validated, or further developed this theory (Bae et al., 2013; Chen and Han, 2020; Deng, 2009; Kedia et al., 2012; Kumar et al., 2020; Li et al., 2012; Rui and Yip, 2008; Su and Kong, 2020; Wu and Chen, 2014; Xue et al., 2013), EMNEs' springboard trajectories remain inadequately explored. Luo and Tung (2018a) propose a general *five-step upward spiral path* that emphasizes 'capability transfer to home' and 'home-centred capability upgrading,' and thus provide an initial understanding of springboard internationalization. However, there has been no longitudinal study to validate and advance this proposal. It is reasonable to infer that springboard trajectories could be heterogeneous within and outside the general spiral path due to the diversity of EMNEs' initial asset portfolios and the strategic assets they acquire. Capability transfer may not flow exclusively from acquired Western firms to acquiring EMNEs, and asset utilization and capability upgrading activities may occur both at home and/or abroad.

In order to fill this gap, to echo Luo and Zhang's (2016) call for further research that comprehensively capture the complexity and heterogeneity of springboard firms, and to shed light on

EMNEs' springboard process, **Study 2**³ utilizes the longitudinal data set of CMNEs' cross-border strategic asset acquisitions to answer two research questions:

- How do Chinese multinational enterprises springboard?
- And why?

This study unveils the heterogeneity of springboard trajectories by identifying four distinct paths and elucidates the reasons for this variety through a multilayer enabling system. These contributions represent substantial extensions to the SBV.

Only one of these trajectories aligns with Luo and Tung's (2018a) upward spiral path, while the other three develop outside this path. In the first and second trajectories, we observe a bidirectional transfer of capabilities, challenging the conventional idea of a one-way transfer from acquired Western firms to CMNEs' home. As post-acquisition integration deepens and both parties gain a better grasp of each other's capabilities, Western firms actively learn and absorb knowledge from the acquiring CMNEs, fostering further mutually beneficial exchanges. Furthermore, the study identifies cases of co-innovation practices, emphasizing the collaborative nature of capability upgrading. The location of capability upgrading varies depending on the characteristics of the acquired strategic assets and CMNEs' existing assets. Tacit capabilities, deeply rooted in national and corporate cultures, as well as closely tied to specific individuals and teams, are not easily transferable. Consequently, learning and upgrading often occur in the country where these tacit capabilities are situated—be it CMNE's home country, the host countries, or in both. The multilayer enabling system demonstrates that these trajectories are not determined sequentially; rather, they are shaped by unique catch-up strategies influenced by global ambition, the inward internationalization strategy and industry-specific characteristics.

It is widely held that EMNEs apply LTIA subsequently to their acquisitions. An increasing number of empirical studies supports this notion (Kale and Singh, 2012; Liu and Woywode, 2013; Zheng et al., 2016; Marchand, 2017; Torres de Oliveira et al., 2019). However, due to the short observation time frame, extant studies can only provide snapshots of the integration process. Post-acquisition integration (PAI) approaches change over time, and so does LTIA, whose evolution is clearly under-researched (Yang and Lütge, 2020; Zhang et al., 2020). Two open research questions seem to be of particular interest:

- How does LTIA evolve over time, in what directions?

³ Study 2 will be submitted to an international journal. An earlier version of the study was accepted and presented at the 49th Annual Conference of the European International Business Academy (EIBA 2022) and was honoured with the Best Paper Award in Track 8—Emerging Markets.

- And why?

Through a long real-time observation from a processual perspective, **Study 3**⁴ not only confirms the transitory status of the initial LTIA (Cogman and Tan, 2010; Kale and Singh, 2012; Chen et al., 2017) but also identifies three evolution paths, each starting with a specific form of LTIA and evolving in significantly different directions—either another form of light touch or absorption. The differing paths can be explained by a driving system. The determinant of the evolution is the catch-up strategy—the strategy to catch up with the Western incumbents. Resource dependency and cultural distance are the steering drivers through which the transition from the preliminary integration form towards the target model is managed. Four distinct forms of light-touch integration and three types of catch-up strategies are identified. ‘Light touch’ is confirmed as EMNEs’ favourite integration model (Kale and Singh, 2012; Liu and Woywode, 2013; Zheng et al., 2016; Marchand, 2017) to start with. However, extant literature gets extended in two respects: (1) by refining the conceptualization of LTIA through six different light-touch practices—business coordination in production only (‘production partnering’), business coordination in specific projects only (‘project partnering’), focus on technology transfer (‘technology partnering’), multi-dimensional business coordination (‘multi-dimensional partnering’), cooperation in group strategy setting (‘strategic partnering’), and the ‘almost no integration’ approach (‘preservation’); and (2) by advancing Haspeslagh and Jemison’s (1991) integration framework through a multi-level driving system that manages the need for strategic interdependence and the need for organizational autonomy, and thus shapes the evolution of the integration approach.

This PhD thesis is structured into seven chapters. Following this introduction, the literature review in Chapter 2 digs into extant research, terminology and significant research gaps. Chapter 3 unfolds the methodology, including research design, case selection, data collection and data analysis. Chapters 4 through to 6 display the three studies conducted and published within the scope of the thesis. The final Chapter 7 concludes the doctoral thesis by discussing its main findings, contributions, limitations, and implications for further research.

⁴ Study 3 was published as Wu, J., Wang, D., & Morschett, D. (2023). Light touch goes where? A longitudinal study of the post-acquisition integration paths adopted by Chinese multinational enterprises. *Journal of International Management* (2023). <https://doi.org/10.1016/j.intman.2023.101063>

References

- Ai, Q., & Tan, H. (2018). The intra-firm knowledge transfer in the outward M&A of EMNCs: Evidence from Chinese manufacturing firms. *Asia Pacific Journal of Management*, 35(2), 399-425.
- Alon, I., Anderson, J., Munim, Z.H., & Ho, A. (2018). A review of the internationalization of Chinese enterprises. *Asia Pacific Journal of Management*, 35(3), 573-605.
- Alon, I., Molodtsova, T., & Zhang, J. (2012). Macroeconomic prospects for China's outward FDI. *Transnational Corporations Review*, 4(2), 16-40.
- Bae, K.-H., Purda, L., Welker, M., & Zhong, L. (2013). Credit rating initiation and accounting quality for emerging-market firms. *Journal of International Business Studies*, 44(3), 216-234.
- Barney, J.B. (1988). Returns to bidding firms in mergers and acquisitions: Reconsidering the relatedness hypothesis. *Strategic management journal*, 9(S1), 71-78.
- Blomkvist, K., & Drogendijk, R. (2013). The impact of psychic distance on Chinese outward foreign direct investments. *Management International Review*, 53(5), 659-686.
- Blomkvist, K., & Drogendijk, R. (2016). Chinese outward foreign direct investments in Europe. *European Journal of International Management*, 10(3), 343-358.
- Boateng, A., Qian, W., & Tianle, Y. (2008). Cross-border M&As by Chinese firms: An analysis of strategic motives and performance. *Thunderbird International Business Review*, 50(4), 259-270.
- Buckley, P.J., Doh, J.P., & Benischke, M.H. (2017). Towards a renaissance in international business research? Big questions, grand challenges, and the future of IB scholarship. *Journal of International Business Studies*, 48(9), 1045-1064.
- Chen, W., Ding, Y., Wang, G., Xin, R., & Yang, G. (2017). *The Road to Globalization - Cross border M&As and Integrations of Chinese Companies* (First edition ed.). CITIC Press Group.
- Chen, F., Liu, H., & Ge, Y. (2021). How does integration affect industrial innovation through networks in technology-sourcing overseas M&A? A comparison between China and the US. *Journal of Business Research*, 122, 281-292.
- Chen, Q., & Han, B.-S. (2020). To Escape or Not: How Does Institutional Constraints and Support Affect Chinese Firms' OFDI? *Journal of China Studies*, 23(3), 103-140.
- Child, J., & Rodrigues, S.B. (2005). The internationalization of Chinese firms: a case for theoretical extension? *Management and Organization Review*, 1(3), 381-410.
- Cogman, D., & Tan, J. (2010). A lighter touch for postmerger integration. *McKinsey Quarterly*, January. <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/a-lighter-touch-for-postmerger-integration> (accessed 12th September 2023)
- Cooke, F.L., Wu, G., Zhou, J., Zhong, C., & Wang, J. (2018). Acquiring global footprints: Internationalization strategy of Chinese multinational enterprises and human resource implications. *Journal of Business Research*, 93, 184-201.

- Cui, L., Meyer, K.E., & Hu, H.W. (2014). What drives firms' intent to seek strategic assets by foreign direct investment? A study of emerging economy firms. *Journal of World Business*, 49(4), 488-501.
- Deng, P. (2007). Investing for strategic resources and its rationale: The case of outward FDI from Chinese companies. *Business Horizons*, 50(1), 71-81.
- Deng, P. (2009). Why do Chinese firms tend to acquire strategic assets in international expansion? *Journal of World Business*, 44(1), 74-84.
- Deng, P. (2012). The internationalization of Chinese firms: A critical review and future research. *International Journal of Management Reviews*, 14(4), 408-427.
- Deng, P., Yang, X., Wang, L., & Doyle, B. (2017). Chinese Investment in Advanced Economies: Opportunities and Challenges. *Thunderbird International Business Review*.
- Hennart, J.-F. (2009). Down with MNE-centric theories! Market entry and expansion as the bundling of MNE and local assets. *Journal of International Business Studies*, 40(9), 1432-1454.
- Hennart, J.-F. (2012). Emerging market multinationals and the theory of the multinational enterprise. *Global Strategy Journal*, 2(3), 168-187.
- Hennart, J.-F. (2018). Springing from where? How emerging market firms become multinational enterprises. *International Journal of Emerging Markets*, 13(3), 568-585.
- Jansson, Hans, & Söderman, Sten. (2013). How large Chinese companies establish international competitiveness in other BRICS: The case of Brazil. *Asian Business Management*, 12(5), 539-563.
- Kale, P., & Singh, H (2012). Characteristics of emerging market mergers and acquisitions. In David Faulkner, Satu Teerikangas, & Richard J Joseph (Eds.), *The Handbook of Mergers Acquisitions* (pp. 545-565): Oxford University Press.
- Kedia, B., Gaffney, N., & Clampit, J. (2012). EMNEs and knowledge-seeking FDI. *Management International Review*, 52(2), 155-173.
- Kumar, V., Singh, D., Purkayastha, A., Popli, M., & Gaur, A. (2020). Springboard internationalization by emerging market firms: Speed of first cross-border acquisition. *Journal of International Business Studies*, 51(2), 172-193.
- Lattemann, C., & Alon, I. (2015). The rise of Chinese multinationals: a strategic threat or an economic opportunity? *Georgetown Journal of International Affairs*, 16(1), 172-179.
- Lattemann, C., Alon, I., Chang, J., Fetscherin, M., & McIntyre, J.R. (2012). The globalization of Chinese enterprises. *Thunderbird International Business Review*, 54(2), 145-153.
- Li, J., Li, Y., & Shapiro, D. (2012). Knowledge seeking and outward FDI of emerging market firms: The moderating effect of inward FDI. *Global Strategy Journal*, 2(4), 277-295.
- Li, J., Xia, J., & Lin, Z. (2017). Cross-border acquisitions by state-owned firms: How do legitimacy concerns affect the completion and duration of their acquisitions? *Strategic management journal*, 38(9), 1915-1934.
- Liu, Y., & Woywode, M. (2013). Light-Touch Integration of Chinese Cross-Border M&A: The Influences of Culture and Absorptive Capacity. *Thunderbird International Business Review*, 55(4), 469-483.

- Lu, J., Liu, X., & Wang, H. (2011). Motives for outward FDI of Chinese private firms: Firm resources, industry dynamics, and government policies. *Management and Organization Review*, 7(2), 223-248.
- Luo, Y., & Bu, J. (2018). When are emerging market multinationals more risk taking? *Global Strategy Journal*, 8(4), 635-664.
- Luo, Y., & Child, J. (2015). A composition-based view of firm growth. *Management Organization Review*, 11(3), 379-411.
- Luo, Y., & Tung, R.L. (2007). International expansion of emerging market enterprises: A springboard perspective. *Journal of International Business Studies*, 38(4), 481-498.
- Luo, Y., & Tung, R.L. (2018a). A general theory of springboard MNEs. *Journal of International Business Studies*, 49(2), 129-152.
- Luo, Y., Xue, Q., & Han, B. (2010). How emerging market governments promote outward FDI: Experience from China. *Journal of World Business*, 45(1), 68-79.
- Luo, Y., & Zhang, H. (2016). Emerging market MNEs: Qualitative review and theoretical directions. *Journal of International Management*, 22(4), 333-350.
- Marchand, M. (2017). Do all emerging-market firms partner with their acquisitions in advanced economies? a comparative study of 25 emerging multinationals' acquisitions in France. *Thunderbird International Business Review*, 59(3), 297-312.
- Mathews, J.A. (2006). Dragon multinationals: New players in 21st century globalization. *Asia Pacific Journal of Management*, 23(1), 5-27.
- MOFCOM (2020). *2020 Statistical bulletin of China's outward foreign direct investment*: China Statistics Press.
- Paul, J., & Benito, G.R.G. (2018). A review of research on outward foreign direct investment from emerging countries, including China: what do we know, how do we know and where should we be heading? *Asia Pacific Business Review*, 24(1), 90-115.
- Peng, M.W. (2012). The global strategy of emerging multinationals from China. *Global Strategy Journal*, 2(2), 97-107.
- Ramamurti, R., & Singh, J.V. (2009). Indian multinationals: generic internationalization strategies. In: Ramamurti & R., Singh, J.V. (Eds.), *Emerging Multinationals in Emerging Markets*. Cambridge University Press, pp. 110-166
- Rouziès, A., Colman, H.L., & Angwin, D. (2019). Recasting the dynamics of post-acquisition integration: An embeddedness perspective. *Long Range Planning*, 52(2), 271-282.
- Rugman, A.M., & Li, J. (2007). Will China's multinationals succeed globally or regionally? *European Management Journal*, 25(5), 333-343.
- Rui, H., & Yip, G.S. (2008). Foreign acquisitions by Chinese firms: A strategic intent perspective. *Journal of World Business*, 43(2), 213-226.
- Sauvant, K.P., Maschek, W.A., & McAllister, G. (2010). Foreign direct investment by emerging market multinational enterprises, the impact of the financial crisis and recession, and challenges ahead. In *Foreign direct investments from emerging markets* (pp. 3-29): Springer.
- Stucchi, T. (2012). Emerging market firms' acquisitions in advanced markets: Matching strategy with resource-, institution-and industry-based antecedents. *European Management Journal*, 30(3), 278-289.

- Su, C., & Kong, L. (2020). The challenge of Chinese state-affiliated multinationals in benefiting from foreign subsidiary knowledge transfer: A criticism of light-touch integration. *Thunderbird International Business Review*, 62(3), 305-321.
- Torres de Oliveira, R., Sahasranamam, S., Figueira, S., & Paul, J. (2019). Upgrading without formal integration in M&A: The role of social integration. *Global Strategy Journal*, 10(3), 619-652.
- Tsai, H., & Eisingerich, A.B. (2010). Internationalization strategies of emerging markets firms. *California Management Review*, 53(1), 114-135.
- Warner, M. (2013). *Understanding management in China: Past, present and future* (1st ed.): Routledge.
- Wei, Z. (2010). The literature on Chinese outward FDI. *Multinational Business Review*, 18(3), 73-112.
- Wu, J., & Chen, X. (2014). Home country institutional environments and foreign expansion of emerging market firms. *International Business Review*, 23(5), 862-872.
- Xue, Q., Zheng, Q., & Lund, D.W. (2013). The internationalization of service firms in China: A comparative analysis with manufacturing firms. *Thunderbird International Business Review*, 55(2), 137-151.
- Yang, X., & Stoltenberg, C. (2014). A review of institutional influences on the rise of made-in-China multinationals. *International Journal of Emerging Markets*.
- Yang, Y., & Lütge, C. (2020). Dynamic integration paths of emerging multinational enterprises in advanced markets. *Review of International Business Strategy*, 30(1), 1-23.
- Zheng, N., Wei, Y., Zhang, Y., & Yang, J. (2016). In search of strategic assets through cross-border merger and acquisitions: Evidence from Chinese multinational enterprises in developed economies. *International Business Review*, 25(1), 177-186.
- Zhang, X., Liu, Y., Tarba, S.Y., & Del Giudice, M. (2020). The micro-foundations of strategic ambidexterity: Chinese cross-border M&As, Mid-View thinking and integration management. *International Business Review*, 29(6), 101707
- Zhou, S.S., Li, P.P., Zhou, A.J., & Prashantham, S. (2019). The cultural roots of compositional capability in China: balanced moderation. *Asia Pacific Journal of Management*, 1-21.

2. Literature Review

2.1 Internationalization Driven by Strategic Asset Seeking

According to the resource-based view (RBV), companies can be conceptualized as a bundle of resources and capabilities (Wernerfelt, 1984). Due to heterogeneity in asset composition and limited mobility of specific assets, distinct resource bundles set companies apart (Amit and Schoemaker, 1993; Barney, 1991; Crook et al., 2008; Penrose, 1959; Peteraf and Barney, 2003). In RBV literature, one group of scholars considers ‘resources’ as an overarching concept encompassing assets, capabilities, organizational processes, and knowledge controlled by a firm (Barney, 1991; Daft, 1983). Another group regards ‘assets’ as the overarching concept, encompassing resources and capabilities owned by a company (Amit and Schoemaker, 1993; Dunning, 1980; Rugman, 2007). A third group uses ‘assets’ and ‘resources’ interchangeably (Caves, 1980; Hennart, 2009; Hennart, 2012). The present thesis aligns with this third perspective.

Strategic assets refer to resources valued by a firm for their potential to contribute to a competitive advantage (Amit and Schoemaker, 1993). According to Barney (1991), strategic assets meet the VRIN criteria, signifying that they are valuable, rare, inimitable, and non-substitutable. Leveraging such assets leads to sustained competitive advantages, subsequently resulting in superior performance. Strategic assets include a wide range of resources and capabilities, such as technology (explicit and tacit), R&D, human capital, brand names, buyer-supplier relationships, and management capabilities (Barney and Arikan, 2001; Lu et al., 2011; Stucchi, 2012; Teece et al., 1997). They may be obtained through mergers and acquisitions (M&As) (Barney, 1986) or built up through cumulative firm experience and ‘learning by doing’ (Dierickx and Cool, 1989). Amongst various options for globalizing firms to access and source strategic assets, OFDI is arguably the most effective way (Chung and Alcácer, 2002; Wesson, 2000).

Strategic asset seeking (SAS), first proposed by John Dunning (Dunning, 1993; Dunning and Narula, 1995), is one of four FDI motives, along with market-, efficiency- and natural resource-seeking motive. In Dunning's original work (Dunning 1991, p. 135), SAS is defined as the pursuit of resources and capabilities that complement the investing firm's existing core competencies. Subsequent literature has refined these definitions, focusing on the impact of such assets beyond the scope of foreign operation. Dunning and Narula (1995) connect the purpose of SAS with the resulting competitive advantage. In contrast, other scholars emphasize that the objective of SAS is to "advance global competitiveness" rather than "improve local competitiveness" (Cui et al., 2014; Dunning and Lundan, 2008).

SAS has received heightened attention from international business scholars due to the extraordinarily fast-paced internationalization of EMNEs (Cui et al., 2014; Deng, 2009; Luo and Tung, 2007; Rui and Yip, 2008; Xu and Meyer, 2013). In the extensive literature on EMNEs, the concept of SAS, or related terms, has frequently been employed to elucidate why FDIs by EMNEs appear different from DEs' MNEs. Specifically, most OFDIs from EEs involve the acquisition of firms with superior technology, skills, and management capabilities compared to the investing firm (Cui et al., 2014; Deng, 2009; Li et al., 2012a; Rui and Yip, 2008). These acquired assets are strategic in the sense that they enhance the EMNEs' competitive position globally, but also vis-à-vis its competitors back home—be it through advanced technology, international brands, or other valuable assets. Successful examples include the Tata Group's series of acquisitions of technologically advanced businesses in the UK, such as Corus Steel, Tetley Tea, and Jaguar Land Rover, Lenovo's takeover of IBM's PC business, and Embraer's acquisition of EDEA, which all significantly enhanced the acquirer's global competitiveness.

Encouraged and fuelled by the government's 'Go Global' initiatives, Chinese companies have become vital sources of strategic asset investments (Buckley et al., 2018; de Oliveira and Rottig, 2018). The motives for Chinese SAS in DEs include compensating for competitive disadvantages and building new competencies by acquiring intangible assets such as technologies, innovation capabilities, management competencies, and brand names (Ai and Tan, 2020; Liu and Meyer, 2020). Several Chinese companies such as Huawei, Haier, and Geely, have transformed from peripheral players into global contenders through strategic asset acquisitions in DEs.

2.2 Do We Need New Theories for EMNE Internationalization? The Debate and Related Theories

EMNE's enormous SAS activities in DEs have been closely observed and energetically discussed in the academic sphere. Moreover, they have prompted the call for a re-assessment of established MNE theories (Meyer and Thaijongrak, 2013), as some patterns of EMNEs' internationalization seem to defy conventional wisdom (Deng, 2012; Luo and Tung, 2007; John A Mathews, 2006; Ramamurti, 2009a, 2012b). EMNEs faced substantial asset gaps in technology, brand and management capabilities when they entered the global market. It seems like they internationalized without 'ownership advantages' (or FSAs) that could offset their disadvantages in competing on the global stage (Madhok and Keyhani, 2012; Ramamurti, 2012b). Furthermore, EMNEs appear to violate some core tenets in IB literature on developed market multinational enterprises (DMNEs). First, their strategic asset acquisitions, aimed at rapid international expansion, do not follow the incremental learning path (Madhok and Keyhani, 2012; Mathews, 2006) but a 'leapfrog' strategy. Second, EMNEs target countries in the 'wrong' sequence, that is, they

expand into physically and psychically distant countries before entering more proximate and similar countries (Ramamurti, 2012b). These and other observations have triggered the debate (Henart, 2018; Ramamurti, 2009b) on whether EMNEs' FDI in DEs requires new theories or whether they can be explained within the three theoretical frameworks that were developed over the last decades of the 20th century to explain the rise of DMNEs, i.e. (1) the OLI paradigm of Dunning (Dunning, 1980, 1988a); (2) the internalization model developed by Buckley and Casson (1976) and popularized by Rugman (1981) and Rugman and Verbeke (1990); and (3) the Uppsala model developed by Johanson and Vahlne (1977).

2.2.1 The Three Big Theories

Following the **OLI model** as one of the most impactful theories in IB, there are three necessary and sufficient conditions for MNEs undertaking value-adding activities in a foreign country (Dunning, 1980, 1988a, 1988b): (1) 'Ownership advantages' (O) or FSAs such as unique property rights or other intangible assets, new product and process technologies, or strong brand names (Dunning and Lundan, 2008); (2) 'Location advantages' (L) containing a country's endowment of natural resources, labour, pool of customers, investment environment, trading protection, or institutional strength; and (3) 'Internalization advantages' (I) enabling MNEs to exploit their ownership advantages rather than being exposed to the imperfections of the international market for FSAs.

Internalization theory explains the existence and functioning of the MNEs (Rugman, 1981), stating that an MNE internally organizes bundles of activities to develop and exploit FSAs in knowledge and other types of intermediate products. The proprietary ownership of such FSAs serves to overcome the externality of knowledge as a public good. Internalization means steering mechanisms within the MNEs for the development and employment of selected FSAs. This theory allows to assess the relative efficiency and effectiveness of alternative governance mechanisms to manage economic interdependencies, providing clear criteria for the choice of international entry mode. International expansion through wholly owned subsidiaries takes place when the benefits of internalization in terms of developing, deploying, exploiting, and augmenting FSAs outweigh the costs of doing business abroad and when the resulting net benefits are higher than those associated with alternative entry modes (exporting, licensing, or JVs) (Rugman, 2010).

In Rugman's (1982) two-by-two matrix (Figure 2.1), cell 1 explains the current expansion of inward FDI for manufacturing in EEs that is largely driven by relatively cheap labour. In contrast, cell 4 is a resource-based view, where CSAs are largely irrelevant and FSAs alone are sufficient for success, representing the cases if a company possesses absolute leading technological knowledge, world famous brands, etc. Cell 3 represents the scenario uniquely suitable to identify

and analyse the various patterns of resource recombination where extant FSAs are melted with the targeted CSAs and FSAs, resulting in new or augmented asset bundles. The MNE's ability to engage in such continuous recombination of FSAs and CSAs represents a higher-order FSA (Rugman, 2010).

Figure 2.1: Firm-specific/country-specific advantage matrix

		Firm specific advantage	
		Weak	Strong
Country specific advantage	Strong	1	3
	Weak	2	4

Source: Rugman (1982)

The **Uppsala Model** has been developed based on empirical observation (Johanson and Vahlne, 1977, 2009; Vahlne and Johanson, 2013) and presents a sequential approach, meaning that MNEs internationalize incrementally and predicting that change in a firm's internationalization process occurs through (1) intermittent decision processes related to committing resources and relationships; and (2) changes in continuous knowledge development processes through learning, creating, and trust building. The original model suggests that a firm (1) should firstly establish itself in its domestic market, and then increase its commitment and resources in the target country in stages, progressing to the next stage once sufficient understanding and knowledge of the foreign market conditions have been attained; and (2) should begin its operations abroad in nearby markets and gradually penetrate more distant markets. The revisited version views the business environment as a web of relationships—a network. Outsidership is the root of uncertainty, more so than psychical distance. Internationalization is seen as the outcome of activities to reduce uncertainty, outsidership and to strengthen networks by what is traditionally referred to as improving or protecting market position. Overall, the Uppsala model implies path dependence in internationalization (Johanson and Vahlne, 2009).

OLI model and internalization theory are related to each other. Dunning's location advantages are entirely consistent with CSAs in the internalization theory. Indeed, given that many MNEs largely operate within their home region (e.g., EU-region) and thus national borders seem

less important than regional borders, it would make sense to replace CSAs through location-specific advantages. Equally, in the area of technological knowledge related advantages, clusters often arise at the sub-national level, implying again that the concept of location-specific advantages is to be preferred. Ownership and internalization advantages represent firm-level strategic decisions and their resulting outcomes, collectively constituting FSAs. Rugman (2010) argues that both advantages are integrated features of the MNE's management that cannot be decoupled from strategic decision-making. Underlying assumption of both theories is market imperfection which has to be bypassed by the organizations.

Vahlne and Johanson's (2013) Uppsala model is alternative to the OLI and internalization theory in its assumption and perspective. Whilst the latter two are grounded in neo-classical economics primarily designed for macroeconomic interests, the Uppsala model is based on empirical studies, rooted in assumptions consistent with behavioural and evolutionary theory and meant to be used at company- and organizational level. Correspondingly different is their view on the fundamental purpose of MNEs. OLI and internalization theory primarily see MNEs reacting on market failure, while the Uppsala model interprets MNEs as business networks.

2.2.2 The Opponent Arguments

As a staunch opponent of new theories, Rugman (2008) states that EMNEs' expansion abroad is largely based on home-country advantages, such as access to natural resources and cheap labour, rather than knowledge-based firm advantages, and, therefore, he considers their success in IB not sustainable. 15 years later, it is hard to support this view as EMNEs have gained steam rather than sputtered (Ramamurti, 2012b). Some EMNEs such as Tata, Cemex, Huawei, and Lenovo have become world-class corporations (Luo and Zhang, 2016), moving from imitation to innovation.

Other opponents argue that EMNEs may lack traditional advantages of DMNEs, like cutting-edge technology, brand or international management capabilities, but possess different ones (Cuervo-Cazurra and Genc, 2008; Ramamurti, 2009b), including the deep understanding of customer needs in emerging markets, the ability to run business in difficult environments, the skills to deliver products and services at low costs and to ensure operational excellence, the capability of developing products with the right feature-price mix for mid-range and low-end customers, etc. Dunning himself was open to the idea that ownership advantages could take other forms than traditional ones, and confirmed that at least some EMNEs had valuable ownership advantages.

Although DMNEs and EMNEs may have different asset profiles, Narula (2012) argues that the principles behind a firm becoming an MNE have not changed. There is a threshold level of

knowledge advantages that a MNE must possess for international expansion as well as ability to acquire, maintain and develop these advantages, what holds for both DMNEs and EMNEs.

Successful internationalization can be explained by the dynamic interplay between ownership, location, and internalizing advantages. Initial FS(D)As tend to be shaped and constrained by home-country advantages. There is not only a strong interdependence between the two but also a dynamic interaction that depends on the extent to which firms are able to internalize home-country advantages. MNEs' initial asset portfolios can change through internalization of target-country and target-firm advantages or through development of own advantages. EMNEs' aggressive acquisition of strategic assets in DEs is exemplary for the internalization of target-firms and target-countries advantages within a short period of time. Narula (2012) and Ramamurti (2012a) predict that, as EMNEs further evolve, the observable differences between the EMNEs and DMNEs will diminish. Cuervo-Cazurra's (2012) review of traditional FDI theories highlights how they may be extended to adequately explain the behaviour of EMNEs.

Regarding the high speed of EMNEs' internationalization, Ramamurti (2012b) argues that this phenomenon may well be the result of the global economic context in which EMNEs have been internationalizing—as the world has become flatter and industries have been deverticalized, making it easier for firms to obtain the resources and help needed to internationalize (Williamson and Zeng, 2009). In other words, rapid internationalization by EMNEs may be a reflection of changes in the global business environment rather than any innate organizational trait of EMNEs. Support for this viewpoint is provided by the fact that firms in DEs also increased the speed of their internationalization in recent years, and by the 'born global' phenomenon (Knight and Cavusgil, 2004). Ramamurti (2012b) therefore considers unfair to question the explanatory power of the classic while ignoring the 'period effect'.

2.2.3 The Proponent Arguments and the New Theories

On the contrary, the proponents of new theories stress that EMNEs do not possess (sustainable) FSAs but still expand abroad, especially, often by conducting disruptive CBAs to capture strategic assets in psychically distant DEs, which may indicate that the OLI model cannot fully explain the EMNEs' internationalization and should be replaced by new theories.

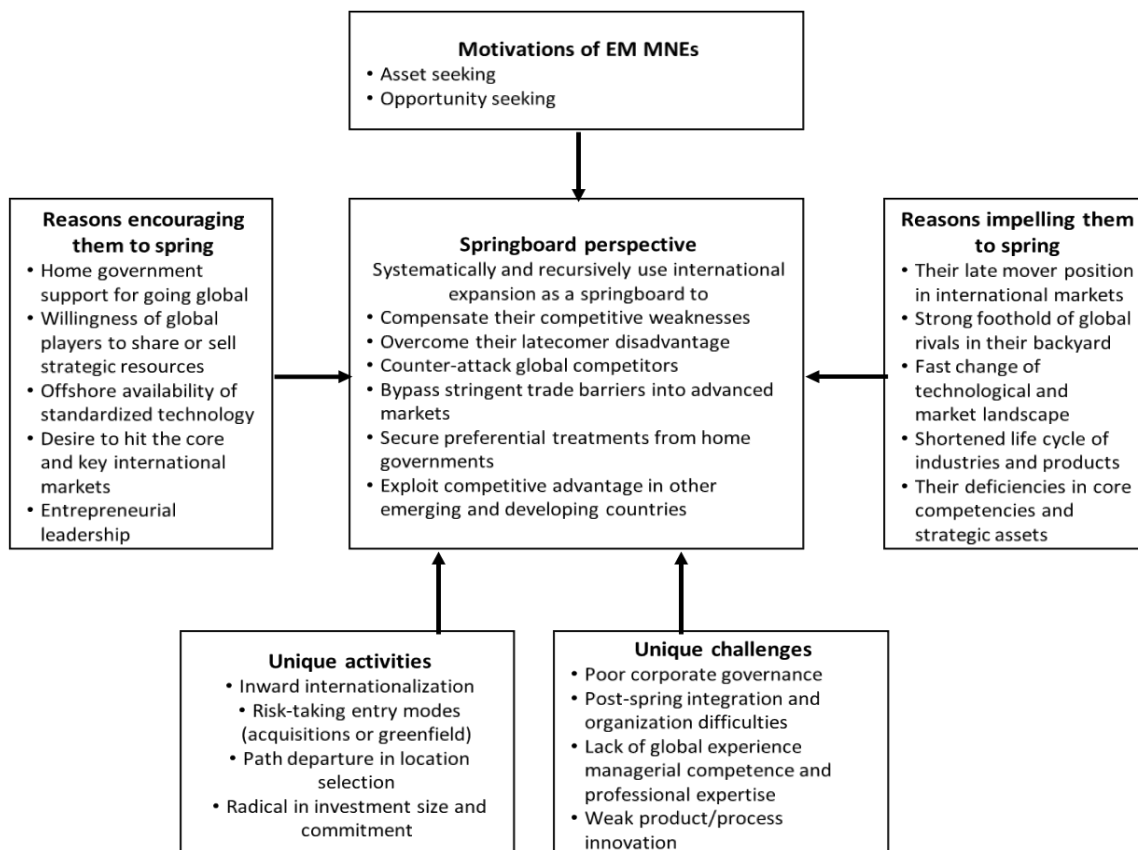
As an important proponent, Mathews (2006) argues, contrary to the predictions of OLI that MNEs possess superior resource and venture abroad to exploit their FSAs, the Dragon Multinationals (Asian EMNEs) have expanded abroad without such FSAs. Rather than simply occupying the space vacated by Western incumbents, catch-up EMNEs are creating new economic space through their own organizational and strategic innovations. Indeed, the Dragon Multinationals help

to expose the weaknesses and limits to traditional accounts of MNEs and to existing theories and frameworks of IB. Changing the perspective from Western incumbents, which see the world full of competitors, to the perspective of catch-up latecomers, which see the world full of resources to be tapped provided the appropriate complementary strategies and organizational forms can be devised, Mathews (2006) proposes the **LLL-framework** to address the accelerated internationalization. According to this strategic framework, Dragon MNEs' international expansion does not focus on the exploitation of own advantages but on the search for external resources. *Linkage* refers to connecting with and making use of technology-rich companies or companies already active in target markets, taking advantage of the interlinked character of the global economy. *Linkage* can be affected through multiple channels—e.g., joint ventures, supply chain contracts, technology licensing agreements, M&As. *Leverage* means gaining access to technologies and/or market positions as resources that lie outside companies and which can be incorporated. *Learning* addresses repeated application of linkage and leverage as means to build dynamic capabilities and global reach and equipping them with the capabilities needed to withstand the competitive challenges imposed by incumbents (Mathews, 2017). Aiming to turn disadvantages into competitive advantages, latecomers have to do it quickly because they are tapping into transient advantages. They are not concerned with establishing solid international structures applying stage internationalization, as the Uppsala model suggests (Johanson and Vahlne, 1977), but rather with quickly developing flexible and 'lattice-like' structures spanning diverse countries and markets. Mathews (2017) emphasizes the major difference between OLI model and LLL model namely, that the former focuses on timeless microeconomic reasoning on efficiency and bypassing market failure, while the latter is a strategic framework that depicts strategic choices.

Another impactful new theory is the **springboard view** (Luo and Tung, 2007, 2018a) which introduces a framework to analyse the particularity of EMNEs, including rationale and motives for international expansion, strategies and activities, propelling and facilitating forces, and risks and challenges (see Figure 2.2). At the core of this framework is the observation that EMNEs use FDI as springboard to more effectively compete against global rivals and to bypass the institutional and market constraints they face at home. Their 'springboard' behaviours are mostly characterized by aggressively acquiring critical assets from mature MNEs to compensate for competitive weaknesses on global stage. They are often not path-dependent nor evolutionary—be it in entry modes or project location—but attributed to pressures such as latecomer disadvantages, strong presence of global rivals in their backyard, rapid changes in technological and product development, and domestic institutional constraints. At the same time, EMNEs 'springboard' approach is often encouraged by their respective home governments, particularly in China, as well

as by the willingness of global players in DEs to sell or share strategic resources, and by the increasing integration of the world economy and global production. While benefiting from significant opportunities, 'springboard' activities can inherently involve major risks and challenges, as EMNEs often suffer from poor international management, governance, and accountability, lack of global experience and professional expertise, and inferior technological and innovation capabilities. When Luo and Tung (2007) originally developed the SBV, they focused on EMNEs. Later on, they extended the scope of their model to MNEs in general given that some of these firms aggressively seek strategic assets through FDI to improve their competitive global positioning (Luo and Tung, 2018). However, EMNEs are still the large majority of springboard firms. Similar to Mathews (2017), Luo and Tung (2018a) see 'international springboard' related to catch-up firms' global strategy.

Figure 2.2: International expansion of EMNEs from a springboard perspective



Source: Luo (2007)

Although LLL and SBV acknowledge that many FDIs by EMNEs are not aimed at exploiting their own FSAs but at acquiring new specific advantages, they do not provide an explanation for how EMNEs are able to acquire new strategic assets from their rivals while also competing with them in their home market (Hennart, 2018). To shed light on this open question, Hennart (2018) has extended his transaction cost model and created an asset bundling model. **Transaction**

cost theory has long been an important conceptual lens for examining IB phenomena and particularly for the study of MNEs' entry mode choices and location selection (Hennart, 1982, 2010). The core of transaction cost theory is the existence of market imperfections (Ferreira et al., 2014) caused by information asymmetry, asset specificity, behavioural uncertainties, and environmental uncertainties, which generate two main costs—market transaction costs and internal control costs—that firms should simultaneously consider when making governance choices.

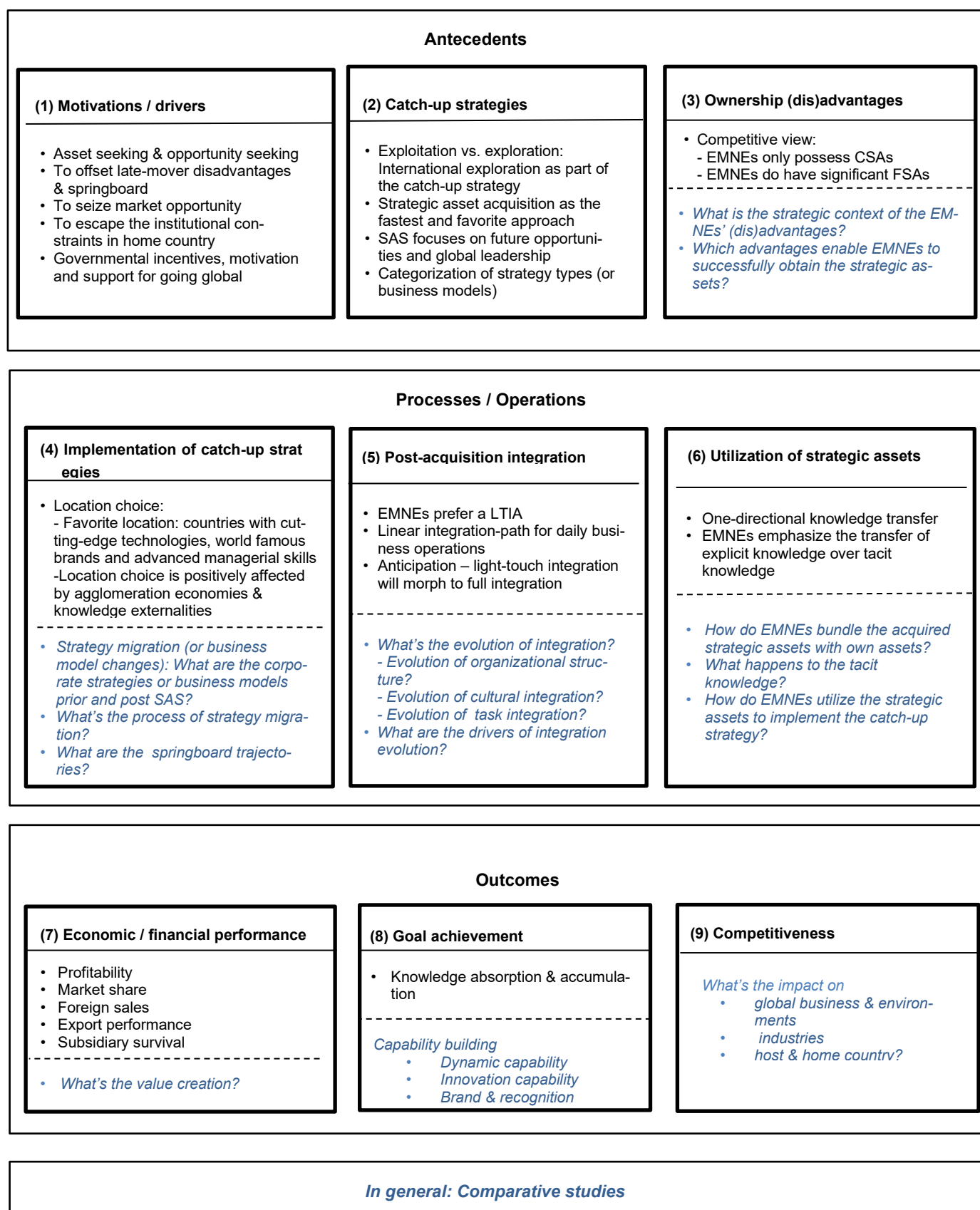
When companies expand abroad, they choose between two organizational structures: markets (non-equity modes) and hierarchies (equity modes), depending on which one is more efficient compared to the other. Hennart's **asset bundling model** shows that EMNEs often have control over complementary local resources that have high transaction costs or are even non-tradable, such as market access, special permissions, licenses, and governmental support. In contrast, DMNEs usually possess intangible assets like cutting-edge technology, valuable brand names, and project management skills that are tradeable and negotiable in competitive markets. EMNEs' control over scarcely or non-tradable local resources gives them an advantage in successfully acquiring and bundling complementary strategic assets from DEs.

The debate is still ongoing. This thesis represents the opinion that the classical and new theories are not mutually exclusive but complement each other. Both the macro-level market efficiency perspective and the micro-level corporate strategy perspective can contribute to a deeper understanding of the EMNEs' internationalization, as well as static *and* dynamic observation, general *and* contextual studies. This work benefits from the strengths of classical and new theories.

2.3 State of Research

Research on the strategic asset acquisition of EMNEs can be broadly categorized into three areas: antecedents, processes/operations, and outcomes. Among these, studies on antecedents, such as motivation/drivers and catch-up strategies, are by far more numerous than studies on process, such as the implementation of catch-up strategies or PAI, and on outcomes, such as the capability building of EMNEs or the impact of their FDIs. Figure 2.3 provides an overview of the current state of research (represented in black) and the research gaps (represented in blue) in these three areas.

Figure 2.3 State of research and research gaps reg. ‘EMNEs’ strategic asset acquisitions’



2.3.1 Antecedents of EMNEs' Strategic Asset Acquisitions

Studies regarding the antecedents cover topics such as EMNEs' motivations/drivers, catch-up strategies and ownership (dis)advantages.

Extant research indicates that EMNEs' internationalization is motivated by asset- and opportunity-seeking (Cui et al., 2014; Deng, 2009; Elango and Pattnaik, 2007; Lattemann et al., 2012; Luo and Tung, 2007). CBA driven by SAS as the predominant catch-up strategy has been confirmed in numerous studies (Deng, 2009; Kumar et al., 2020; Li et al., 2012b). EMNEs have strong motives and abilities to build and leverage organizational ambidexterity and resilience to offset their late-mover disadvantages in global competition (Luo and Rui, 2009). Ambidexterity is manifested in internal and external co-adaptation, coopetition with partners, and use of relational capabilities.

Regarding internationalization, March (1991) differentiates between two fundamental strategic behaviours: exploitation and exploration. International 'exploiting' includes investing abroad to increase the benefits from FSAs. International 'exploration' is considered part of an overall 'catching-up' strategy to build up global competitive positions (Deng, 2009; Luo and Bu, 2018; Rui and Yip, 2008). Strategic asset acquisition is viewed as the fastest approach to reach the desired goal (Boateng, Qian, and Tianle, 2008), a springboard to overcome competitive disadvantages and to catch up with Western incumbents (Kedia et al., 2012; Luo and Tung, 2007; Rui and Yip, 2008), an alleviation of domestic institutional and market constraints (Bae et al., 2013; Chen and Han, 2020; Wu and Chen, 2014), and an effective way to earn legitimacy and prestige in the marketplace (Deng, 2007). Rui and Yip (2008) state that FDI driven by SAS refers to manager's mentality of focusing on future opportunities and long-term objectives for global leadership beyond short-term strategic planning, concretely transforming EMNEs' competitive disadvantages into advantages and catch up with, or even overtake, incumbent global leaders as overarching ambition.

Catch-up strategies differ much amongst the EMNEs. A typology approach is well suited to elucidate the big variances and to understand the plurality and diversity of EMNEs by illuminating strategic, organizational, and operational behaviours within each category (Luo and Zhang, 2016). Some studies have categorized EMNEs' strategy types or business models.

Based on ownership and international markets coverage, Luo and Tung (2007) categorize EMNEs in four strategy groups:

- 1) *Niche enterprises* are non-state-owned MNEs whose geographical and product coverage in international markets is narrowly focused. Examples of this type include China's ZTE, India's Patni Computer Systems Ltd, or Russia's Kamaz.
- 2) *World-stage aspirants* are non-state-owned MNEs that are relatively diversified in their product offerings and geographical coverage in the international marketplace. Examples include Russia's Lukoil and China's Haier.
- 3) *Transnational agents* are state-owned MNEs that have invested extensively abroad for their business expansion, while still being subject to home government instructions or influences. Examples include China's International Trust / Investment Corp., Brazil's Petrobra and Companhia Vale do Rio Doce or India's Hindustan Petroleum Co. Ltd.
- 4) *Commissioned specialists* are state-owned or one-state-owned MNEs, whose outward investments focus on a few foreign markets in which they leverage their competitive strengths while at the same time implementing governmental initiatives. Examples include China's Minmetals and Sinopec, Malaysia's Petronas, and South Africa's AngloGold Limited.

Tsai and Eisingerich (2010) adopt a cluster analysis of companies from South Korea, Taiwan, Hongkong and India and choose R&D and marketing intensity as the two dimensions to categorize. They come up with six strategy types:

- 1) *Regional exporters* have low levels of R&D intensity and limited geographical coverage and expansion commitments. However, they have strong product strategies that are specific to neighbouring countries and invest significantly in sales and distribution.
- 2) *Global market niche players* have high R&D expenditures and pursue fast market entry strategies, with a wide geographical coverage and modest sales expenditures. They adopt niche market strategies and thus pursue a narrow product range.
- 3) *Global exporters and importers* invest heavily in sales and distribution but spend little on R&D. They have the widest scope of international expansion and are characterized by a focus on product quality rather than mass production and price competition. Additionally, they primarily focus on global distributions and supply-chain management.
- 4) *OEM/ODM technology leaders* generally rely heavily on innovation to succeed and commit significant resources to R&D efforts. They also tend to adopt fast market entry strategies but do not invest heavily in sales and marketing activities.
- 5) *Multinational challengers* pursue the most advanced and sophisticated product and marketing strategies, and are the most aggressive in terms of market selection and targeting decisions.

- 6) *OEM/ODM technology fast-follower* have a relatively low commitment to internationalization in terms of resources invested. They focus more on applying mature technologies to produce standardized products for global markets.

After analysing CSAs and FSAs, Ramamurti (2009) posits that EMNEs adopt one of five generic internationalization strategies:

- 1) *Natural-resource vertical integrator* comes either from a country with rich natural resources or with a big domestic appetite for natural resources.
- 2) The *local optimizer* strategy follows an internationalization strategy by optimizing products and production processes for the distinctive conditions of its home market. Specifically, this includes designing products that meet two unique conditions of emerging markets—namely, low-income consumers who prefer products that offer a different price-feature mix than high-income consumers in the rich countries, and underdeveloped hard and ‘soft’ infrastructures that require unique product or service features.
- 3) The *low-cost partner* strategy is an arbitrage strategy. EMNEs arbitrage the low-cost human resource of their home country to become supply-partners to companies from high-wage countries. The most notable Indian examples are in the field of services, such as IT support, software development, R&D outsourcing, call centre operations, and many other forms of business process outsourcing and knowledge process outsourcing. Regarding China, the well-known examples are Chinese manufacturing firms active in OEM (original equipment manufacturer) or ODM (original design manufacturing) business.
- 4) The *global consolidator* strategy is likely to be pursued by firms that build global scale in mature mid-technology industries such as cement, steel, aluminium, auto parts, etc. Many of these industries use globally standardized products and processes which makes it easier to expand internationally.
- 5) The *global first-mover strategy* involves the operation either of an EMNE at the global technology frontier or a trailblazer in an emerging industry rather than a late-follower in a mature industry. Firms adopting this strategy create a global business in a new industry or segment. Their first-mover status could result from spotting a new business opportunity before other firms, or from pursuing a novel business model in an existing industry, or even from technological innovation.

EMNEs’ home environment often lacks market-supporting institutions, and non-market factors (e.g. government ownership, connections to the government) may be much more critical in determining their internationalization (Kim and Aguilera, 2016; Luo and Tung, 2007). Institutional

factors have been consistently recognized by scholars as important variables in examining EMNEs' motivation and internationalization process. Home-country institutions can be a double-edged sword for EMNEs, providing them with advantages and potentially hindering their development at the same time. 'Institutional voids' (e.g., lack of legal protection for property rights, poor enforcement of laws, underdeveloped market mechanisms, inefficient market intermediaries) push firms global (Deng, 2009). Thus, outward FDI can be seen as an escape response to misalignment between the firms' needs and their home-country institutional conditions in which they are embedded. On the other hand, home-government support in various forms such as tax break and financing spurs EMNEs to go global (Andreff, 2016; Luo et al., 2010).

A considerable number of studies in this field focuses on the role of the Chinese government in CMNEs' SAS. Some argue that motivation for FDI is based on national pride or industrial policy (Chen and Young, 2010), such as enhancement of Chinese technological competency through acquisition of intangible assets abroad (Anderson et al., 2015). For others, SAS only becomes a strategic intention once a governmental initiative is established for Chinese firms to acquire strategic assets abroad (Luo et al., 2011), primarily in developed markets (Deng, 2009). Luo et al. (2010) reveal important governmental support mechanisms, while Zhang et al. (2022) elaborate on the connection between government policies and firm-level decisions.

What kind of ownership advantages EMNEs possess is a controversial topic as there are conflicting opinions on the ownership (dis)advantages EMNEs have prior to their strategic acquisitions. Hennart (2012) argues that EMNEs' ownership of local resources enables them to acquire complementary strategic assets from DEs. Rugman (2008, 2009) and Bhaumik et al. (2016) claim that EMNEs possess only few assets that represent FSAs but benefit from a broad range of assets providing CSAs. Other researchers challenge this view and argue that without significant own FSAs, EMNEs such as Huawei and Tata would have never been able to integrate their acquired strategic assets and become successful in highly sophisticated markets like the US and Europe (Fan, 2011; Luo and Zhang, 2016), whilst Ramamurti (2009) sees FSAs only suited to EEs (e.g., operational excellence and product development). Marinova et al. (2011) observe that the development of intangible FSAs like innovation capability by CMNEs is rooted in their CSAs (e.g., government financial support for R&D). While there is disagreement regarding EMNEs' asset profiles, even those scholars who argue that EMNEs possess significant FSAs prior to their springboarding see these assets as reliant on CSAs. However, catching up with Western incumbents requires breaking from old paths, transcending domestic roots, and transitioning from CSA- to FSA-based business models. That's what EMNEs intend to do through seeking, acquiring, and integrating strategic assets.

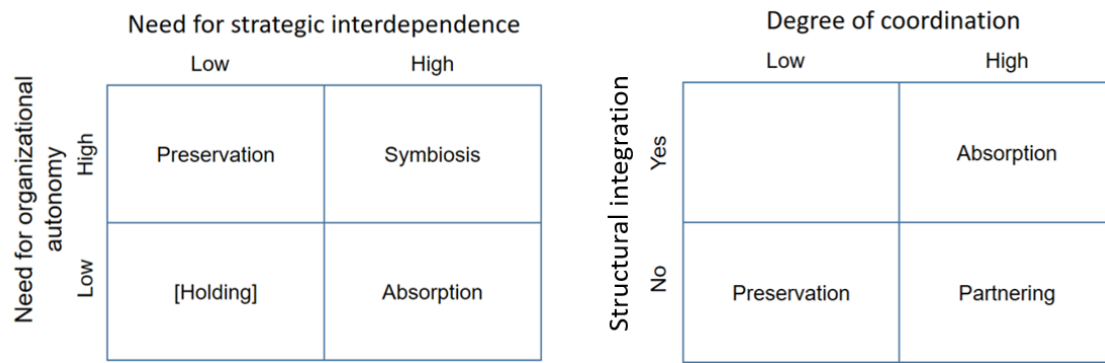
2.3.2 Processes of EMNEs' Strategic Asset Acquisition

Process-related studies mainly cover implementation of catch-up strategies, PAI and utilization of strategic assets.

Location choice is the most widely researched topic in the implementation of EMNEs' catch-up strategies. The selection of location is based upon targets with cutting-edge technologies, world famous brands and advanced managerial skills (Buckley et al., 2007; Cui et al., 2014; Deng, 2009; Li et al., 2012a; Luo and Tung, 2007, 2018a), mostly in geographically and culturally distant DEs, positively affected by agglomeration economies and knowledge externalities (Jain et al., 2013; Jindra et al., 2016). The acquisition of the British Jaguar Land Rover by the Indian Tata Group (Bajaj, 2012; Gribben, 2015), the takeover of the Swedish carmaker Volvo as well as the British Manganese Bronze by the Chinese Geely Group, and the acquisition of the German Dürkopp-Adler by the Chinese SGSB (Meyer, 2015) exemplarily mirror the rationale behind location choice.

PAI has two main research streams, the first being the general integration approach and the second the utilization of strategic assets or asset bundling activities. It is widely held that EMNEs, notably CMNEs, prefer a light-touch integration approach (LTIA) characterized by granting the acquired firms considerable autonomy whilst engaging in selective business coordination. An increasing number of empirical studies support this notion (Kale and Singh, 2012; Liu and Woywode, 2013; Zheng et al., 2016; Marchand, 2017; Torres de Oliveira et al., 2019) and provide snapshots of the integration process. LTIA is rooted in the typology of PAI from Haspeslagh and Jemison (1991) who marry the needs for strategic interdependence and organizational autonomy (Angwin and Meadows, 2015). This typology contains three integration models (Figure 2.4): (1) 'Absorption', where the target's strategies and practices gets aligned with the acquirer's ones; (2) 'Preservation', where the target maintains its strategy and organization; and (3) 'Symbiosis', where the two firms learn from each other and share their original assets. Each model represents a rational choice aiming at strategic value creation (Angwin and Meadows, 2015).

EMNEs use a distinctive PAI approach (Kale and Singh, 2012) and rewrite the traditional PAI rules and integration theories (Aharoni, 2014). What Cogman and Tan (2010) called 'light touch' sparked a stream of studies on LTIA (Kale and Singh, 2012; Liu and Woywode, 2013; Yang and Lütge, 2020; Zhang et al., 2020; etc.). Kale and Singh (2012) replace the term 'symbiosis' with 'partnering'. Liu and Woywode (2013) conclude that LTIA essentially synthesizes preservation and symbiosis.

Figure 2.4: Types of post-acquisition integration models

Source: Haspeslagh and Jemison (1991)

Source: Kale and Singh (2012)

In this thesis, LTIA is defined as an integration approach that includes preservation, symbiosis/partnering, and any combination thereof.

Separate organizational structures and limited business coordination—characteristics of light touch—appear to run counter to the ambitious strategic goals. Numerous scholars assume that LTIA will transform into a target integration form more conducive to resource orchestration, synergy capturing and building of specific competitive advantages (Cogman and Tan, 2010; Kale and Singh, 2012; Sun, 2018). Kale and Singh (2012) even see full absorption as inevitable. To the best of our knowledge, Yang and Lütge's (2019) multi-case study on PAIs of CMNEs in Germany is the only work that examines the evolution of LTIA. It focuses on daily business operations and is based on acquirer-centric primary data through one-time retrospective interviews. The authors show three linear integration paths driven by the acquiring CMNE aiming at developing dynamic capabilities.

How do EMNEs utilize the acquired strategic assets and bundle their own existing assets with the acquired strategic assets? The current literature focuses on asset transfer from the acquired firms in DEs to the acquiring EMNEs' home bases. The proponents of Haspeslagh and Jemison's (1991) process perspective state that the value creation resulting from M&As and a firm's competitive advantage are achieved through knowledge transfer between the combined firms (Bresman et al., 2010; Ranft and Lord, 2002). Ai and Tan (2018) reveal that Chinese acquiring firms emphasize the transfer of explicit knowledge over tacit knowledge in the PAI process. Zheng et al., (2016) argue that in general EMNEs are keen to acquire and utilize strategic assets that complement their existing resources.

2.3.3 Outcomes of EMNEs' Strategic Asset Acquisition

A firm's ability to successfully implement catch-up strategies is closely intertwined with improving its performance (Buckley and Ghauri 2004). Outcomes of strategic asset acquisition

can be measured in three ways: (1) economic and financial performance; (2) goal achievement; and (3) overall competitiveness. The extant discussion of outcomes is still largely based on anecdotal evidence or self-framed interview results (Alon et al., 2018) although scholars pay increasing attention to the effect of acquisitions on performance and some of them manage to do it more objectively.

By analysing 27 CBAs between 2000 and 2004, all conducted by Chinese companies listed on the Shanghai and Shenzhen stock markets, Boateng et al. (2008) find that the deals created value for the acquirers. Chen and Young (2010) use event-study methods to show that CMNEs announcing a CBA experience an abnormal positive return which is, however, significantly reduced when the government is the majority owner of the acquiring company. Aureli's (2015) case study evidences that only one out of eight target Italian private firms acquired by Indian MNEs records post-acquisition profit and exploitation of the synergy potential arising from the acquisition seemingly encounters difficulties. Nevertheless, the acquisitions do not reduce shareholder value. Based on large samples of Indian MNEs' overseas acquisitions, Kale and Singh (2017) observe that the acquired firms which keep their organizational structure untouched and retain their senior managers achieve better performances.

Anderson et al. (2015) reveal that the number of patents held by Chinese companies in their home country increases significantly after CBAs in DEs whilst those of the acquired companies does not significantly change. They conclude that Chinese acquirers meet their knowledge-seeking intentions. Chen et al. (2012) observe CMNEs increasing their R&D spending in China after venturing to DEs and call it reverse knowledge transfer. Equally, Edamura et al. (2014) find that intangible assets of CMNEs significantly increase after acquisitions in Western markets, implying that Chinese companies obtain access to knowledge through CBAs. Wu et al. (2016) investigate the effect of the host country's advanced institutional environment on the innovation performance of Chinese acquirers and see an overall positive impact, which is stronger for Chinese firms with high absorptive capacity and firms that have chosen a broad geographical diversification path. However, Chinese companies, to a significant extent owned by the state, can also prosper in weak institutional surroundings.

2.4 Research Gaps

The current research gaps in the field of EMNEs' strategic asset acquisition are also summarized in Figure 2.3, highlighted there in blue text and elaborated upon as follows.

2.4.1 Gaps in Antecedents of EMNEs' Strategic Asset Acquisition

The extant studies inform that EMNEs internationalize to compensate for their competitive disadvantages and leverage their competitive advantages abroad. Specification of what exactly these advantages and disadvantages are is still patchy (Luo and Zhang, 2016). If EMNEs mainly possess CSAs and FSAs which are based on their CSAs, as it is currently understood, this would not be sufficient to explain the success of some of them in most advanced markets like the USA and Europe. Furthermore, 'strategic assets' are still dealt with as an abstract concept devoid of context. In reality, even companies in the same industry seek different strategic assets, and a specific external asset is considered strategic by one company but not by another. Hence, the notion—'strategic assets'—is in fact idiosyncratic and contextually defined. These considerations trigger the question of what kind of assets and advantages enable EMNEs to successfully capture strategic assets in DEs. Sources of strength and ownership advantages of EMNEs have to be looked at. EMNEs often follow an upward spiral in global competition by transforming their disadvantages into advantages. It is essential to better understand how they do that, what the traits are, the nature and processes of their non-traditional FSAs and CSAs and how these FSAs are deployed, utilized, and bundled with the acquired strategic assets. There is still plenty of space for further examining EMNEs' competitive (dis)advantages within given frameworks. Asset acquisition is not EMNEs' ultimate strategic goal, it is a means to develop competitive advantage.

Also, EMNEs differ on matters of ownership, organizational structure, motivational factors, experience, resource endowment, global scale, destinations, geographic dispersion, and home-host-country links. Only few studies categorize EMNEs, and they cannot fully explain the heterogeneity of EMNEs. Therefore, Luo and Zhang (2016) call for research that can delve into EMNEs' typology or taxonomy.

Study 1 of this doctoral thesis investigates which specific strategic assets EMNEs search for, based on the assets that they already possess, and how assets from the acquiring and the acquired companies are bundled. Study 2 and 3 elaborate on EMNEs' typology, amongst other subjects.

2.4.2 Gaps in Processes of EMNEs' Strategic Asset Acquisition

Post-acquisition processes, particularly the catch-up process, leave much room for further exploration. Becoming competitive on the global stage is the prevailing intent of most EMNEs. Their catch-up process—capability building through acquisition, capability augmentation through integration, and capability redeployment through global orchestration—emerges as one of the most demanding research topics in the field (Luo and Zhang, 2016). There is a myriad of questions to

be answered, such as how EMNEs use strategic asset acquisitions to catch up, what specific measures they employ to bundle acquired assets with their own, how they utilize global resources to create unique advantages, what the mechanisms are that facilitate creative utilization, and how their original strategy for the home market evolves towards the global strategy.

Driven by SAS, EMNEs' overseas acquisitions aim at integrating and utilizing the acquired strategic assets, yet LTIA does not seem to facilitate such goals (Liu and Meyer, 2020). PAI approaches change over time, and so does the LTIA whose evolution from initial approach towards adjusted approaches is clearly under-researched (Liu et al., 2019; Zhang et al., 2020). Kale and Singh (2012) suggest that LTIA changes dynamically in certain situations and, once the acquirer has removed obstacles and gained a better understanding of the potential synergies, it may change to full absorption. However, empirical evidence is lacking. Two open research questions particularly have to be addressed: (1) Does LTIA evolve over time, and if so, in which direction? (2) What are the key drivers of its evolution? There are open further questions related to the post-acquisition period: How do EMNEs accelerate learning while avoiding traps and management failure? What are the integration practices uniquely developed by EMNEs?

There is a dearth of longitudinal studies with real-time data suitable for capturing key characteristics of strategic and management processes (Alon et al., 2018).

Study 2 and Study 3 are both longitudinal process studies. The former addresses the catch-up process, investigating sample CMNEs' springboard trajectories and how they realize strategy migration. The latter observes the evolution of CMNEs' LTIA and identifies a common driving system across different evolution paths.

2.4.3 Gaps in Outcomes of EMNEs' Strategic Asset Acquisition

This research field is in a piecemeal state and strongly weighted to CMNEs and Indian MNEs. The lack of systematic public data makes it difficult to draw credible conclusions on the overall performance of the EMNE's internationalization (Buckley et al. 2008).

While studies exist on profitability, market share, foreign sales, export performance, and subsidiary survival (Buckley et al., 2014; Gubbi et al., 2010; Kothari et al., 2013; Rana et al., 2021; Schüler-Zhou and Schüller, 2009), there is a notable absence of research on the overall value added through strategic asset acquisition.

Studies on knowledge transfer suffer from two common shortcomings: They only measure the transmission of explicit knowledge and focus on one-directional knowledge transfer from West to East. EMNEs aspire to transfer tacit knowledge too, once major obstacles (e.g., cultural barriers, lack of ability to absorb tacit knowledge) have been removed. By extending the observation period,

there is a good chance to measure tacit knowledge transfer. EMNEs possess not only CSAs but also FSAs (such as cost efficiency and innovation ability specialized for mass market) which they might want to transfer to the acquired subsidiaries. Studies from both the acquirer's and the acquired firm's perspective are rare but needed to analyse two-directional asset transfer. Equally under-researched is the EMNEs' capability to develop innovation capabilities as well as the extent to which strategic asset acquisition increases the recognition of EMNEs' brands.

Finally, the existing studies on the outcomes of EMNE's strategic acquisition predominantly have a national or regional focus. Considering today's close interrelationship of countries as well as industries, the research focus appears narrow and may be broadened towards a global view which could contribute to questions like what the impact of EMNE's strategic acquisition is on the global economic environment, industries and on host and home countries.

References

- Ai, Q., & Tan, H. (2018). The intra-firm knowledge transfer in the outward M&A of EMNCs: Evidence from Chinese manufacturing firms. *Asia Pacific Journal of Management*, 35(2), 399-425.
- Ai, Q., & Tan, H. (2020). Uncovering neglected success factors in post-acquisition reverse capability transfer: Evidence from Chinese multinational corporations in Europe. *Journal of World Business*, 55(3), 101053.
- Aharoni, Y. (2014). To understand EMNEs a dynamic IB contingency theory is called for. *International Journal of Emerging Markets*, 9(3), 377-385.
- Alon, I., Anderson, J., Munim, Z. H., & Ho, A. (2018). A review of the internationalization of Chinese enterprises. *Asia Pacific Journal of Management*, 35(3), 573-605.
- Amit, R., & Schoemaker, P. J. (1993). Strategic assets and organizational rent. *Strategic management journal*, 14(1), 33-46.
- Anderson, J., Sutherland, D., & Severe, S. (2015). An event study of home and host country patent generation in Chinese MNEs undertaking strategic asset acquisitions in developed markets. *International Business Review*, 24(5), 758-771.
- Andreff, W. (2016). Outward foreign direct investment from BRIC countries: Comparing strategies of Brazilian, Russian, Indian and Chinese multinational companies. *The European Journal of Comparative Economics*, 12(2), 79-131.
- Angwin, D. N., & Meadows, M. (2015). New integration strategies for post-acquisition management. *Long Range Planning*, 48(4), 235-251.
- Aureli, S. (2015). Performance of unlisted Italian companies acquired by multinationals from emerging markets: The case of Indian acquisitions. *Journal of Organizational Change Management*, 28(5), 895-924.
- Bae, K.-H., Purda, L., Welker, M., & Zhong, L. (2013). Credit rating initiation and accounting quality for emerging-market firms. *Journal of International Business Studies*, 44(3), 216-234.
- Bajaj, V. (2012, 30 August). Tata Motors finds success in Jaguar Land Rover. *New York Times*.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management*, 17(1), 99-120.
- Barney, J. B. (1986). Strategic factor markets: Expectations, luck, and business strategy. *Management Science*, 32(10), 1231-1241.
- Barney, J. B., & Arikan, A. M. (2001). The resource-based view: Origins and implications. *Handbook of strategic management*, 124188.
- Bhaumik, S. K., Driffield, N., & Zhou, Y. (2016). Country specific advantage, firm specific advantage and multinationality—Sources of competitive advantage in emerging markets: Evidence from the electronics industry in China. *International Business Review*, 25(1), 165-176.
- Boateng, A., Qian, W., & Tianle, Y. (2008). Cross-border M&As by Chinese firms: An analysis of strategic motives and performance. *Thunderbird International Business Review*, 50(4), 259-270.

- Bresman, H., Birkinshaw, J., & Nobel, R. (2010). Knowledge transfer in international acquisitions. *Journal of International Business Studies*, 41(1), 5-20.
- Buckley, P. J., & Casson, M. (1976). *The future of the multinational enterprise*. Springer.
- Buckley, P. J., Clegg, L. J., Cross, A. R., Liu, X., Voss, H., & Zheng, P. (2007). The determinants of Chinese outward foreign direct investment. *Journal of International Business Studies*, 38(4), 499-518.
- Buckley, P. J., Clegg, L. J., Voss, H., Cross, A. R., Liu, X., & Zheng, P. (2018). A retrospective and agenda for future research on Chinese outward foreign direct investment. *Journal of International Business Studies*, 49, 4-23.
- Buckley, P. J., Cross, A. R., Tan, H., Xin, L., & Voss, H. (2008). Historic and emergent trends in Chinese outward direct investment. *Management International Review*, 48(6), 715-748.
- Buckley, P. J., & Ghauri, P. N. (2004). Globalisation, economic geography and the strategy of multinational enterprises. *Journal of International Business Studies*, 35, 81-98.
- Buckley, P. J., Elia, S., & Kafourous, M. (2014). Acquisitions by emerging market multinationals: Implications for firm performance. *Journal of World Business*, 49(4), 611-632.
- Caves, R. E. (1980). Industrial organization, corporate strategy and structure. In *Readings in Accounting for Management Control* (pp. 335-370). Springer.
- Chen, Q., & Han, B.-S. (2020). To Escape or Not: How Does Institutional Constraints and Support Affect Chinese Firms' OFDI? *Journal of China Studies*, 23(3), 103-140.
- Chen, Y. Y., & Young, M. N. (2010). Cross-border mergers and acquisitions by Chinese listed companies: A principal-principal perspective. *Asia Pacific Journal of Management*, 27(3), 523-539.
- Chung, W., & Alcácer, J. (2002). Knowledge seeking and location choice of foreign direct investment in the United States. *Management Science*, 48(12), 1534-1554.
- Cogman, D., & Tan, J. (2010). A lighter touch for postmerger integration. *McKinsey Quarterly*, January. <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/a-lighter-touch-for-postmerger-integration> (accessed 10th september 2023)
- Crook, T. R., Ketchen Jr, D. J., Combs, J. G., & Todd, S. Y. (2008). Strategic resources and performance: a meta-analysis. *Strategic Management Journal*, 29(11), 1141-1154.
- Cuervo-Cazurra, A., & Genc, M. (2008). Transforming disadvantages into advantages: Developing-country MNEs in the least developed countries. *Journal of International Business Studies*, 39(6), 957-979.
- Cuervo-Cazurra, A. (2012). Extending theory by analyzing developing country multinational companies: Solving the Goldilocks debate. *Global Strategy Journal*, 2(3), 153-167.
- Gubbi, S. R., Aulakh, P. S., Ray, S., Sarkar, M., & Chittoor, R. (2010). Do international acquisitions by emerging-economy firms create shareholder value? The case of Indian firms. *Journal of International Business Studies*, 41(3), 397-418.
- Cui, L., Meyer, K. E., & Hu, H. W. (2014). What drives firms' intent to seek strategic assets by foreign direct investment? A study of emerging economy firms. *Journal of World Business*, 49(4), 488-501.
- Daft, R. L. (1983). *Organization theory and design*. New York: West.

- de Oliveira, R. T., & Rottig, D. (2018). Chinese acquisitions of developed market firms: home semi-formal institutions and a supportive partnering approach. *Journal of Business Research*, 93, 230-241.
- Deng, P. (2007). Investing for strategic resources and its rationale: The case of outward FDI from Chinese companies. *Business Horizons*, 50(1), 71-81.
- Deng, P. (2009). Why do Chinese firms tend to acquire strategic assets in international expansion? *Journal of World Business*, 44(1), 74-84.
- Deng, P. (2012). The internationalization of Chinese firms: A critical review and future research. *International Journal of Management Reviews*, 14(4), 408-427.
- Dierickx, I., & Cool, K. (1989). Asset stock accumulation and the sustainability of competitive advantage: Reply. *Management Science*, 35(12), 1504-1511.
- Dunning, J. (1993). *Multinational Enterprises and the Global Economy* (C. Elgar, Ed.). Edward Elgar Publishing, UK.
- Dunning, J. H. (1980). Toward an eclectic theory of international production: Some empirical tests. *Journal of International Business Studies*, 11(1), 9-31.
- Dunning, J. H. (1988a). The eclectic paradigm of international production: A restatement and some possible extensions. *Journal of International Business Studies*, 19(1), 1-31.
- Dunning, J. H. (1988b). The theory of international production. *The International Trade Journal*, 3(1), 21-66.
- Dunning, J. H. (1991). The eclectic paradigm of international production. In C. N. Pitelis & R. Sugden (Eds.), *The nature of the transnational firm*. Routledge, London and New York, pp. 121-141.
- Dunning, J. H., & Lundan, S. M. (2008). *Multinational enterprises and the global economy*. Edward Elgar Publishing, UK.
- Dunning, J. H., & Narula, R. (1995). The R&D activities of foreign firms in the United States. *International Studies of Management & Organization*, 25(1-2), 39-74.
- Edamura, K., Haneda, S., Inui, T., Tan, X., & Todo, Y. (2014). Impact of Chinese cross-border outbound M&As on firm performance: Econometric analysis using firm-level data. *China economic review*, 30, 169-179.
- Elango, B., & Pattnaik, C. (2007). Building capabilities for international operations through networks: A study of Indian firms. *Journal of International Business Studies*, 38(4), 541-555.
- Fan, P. (2011). Innovation, globalization, and catch-up of latecomers: Cases of Chinese telecom firms. *Environment and Planning A: Economy and Space*, 43(4), 830-849.
- Ferreira, M. P., Pinto, C. F., & Serra, F. R. (2014). The transaction costs theory in international business research: a bibliometric study over three decades. *Scientometrics*, 98(3), 1899-1922.
- Gribben, R. (2015, February). Jaguar Land Rover: £1.3bn Tata gamble pays off as big cat purrs at last. *The Telegraph*.
- Haspeslagh, P. C., & Jemison, D. B. (1991). *Managing acquisitions: Creating value through corporate renewal* (Vol. 416). Free Press New York.
- Hennart, J.-F. (1982). *A theory of multinational enterprise*. Univ of Michigan Press.

- Hennart, J.-F. (2009). Down with MNE-centric theories! Market entry and expansion as the bundling of MNE and local assets. *Journal of International Business Studies*, 40(9), 1432-1454.
- Hennart, J.-F. (2010). Transaction cost theory and international business. *Journal of Retailing*, 86(3), 257-269.
- Hennart, J.-F. (2018). Springing from where? How emerging market firms become multinational enterprises. *International Journal of Emerging Markets*, 13(3), 568-585.
- Hennart, J.-F. (2012). Emerging market multinationals and the theory of the multinational enterprise. *Global Strategy Journal*, 2(3), 168-187.
- Jain, N. K., Hausknecht, D. R., & Mukherjee, D. (2013). Location determinants for emerging market firms. *Management Decision*.
- Jindra, B., Hassan, S. S., & Cantner, U. (2016). What does location choice reveal about knowledge-seeking strategies of emerging market multinationals in the EU? *International Business Review*, 25(1), 204-220.
- Johanson, J., & Vahlne, J.-E. (1977). The internationalization process of the firm—a model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23-32.
- Johanson, J., & Vahlne, J.-E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, 40(9), 1411-1431.
- Kale, P., & Singh, H. (2012). Characteristics of emerging market mergers and acquisitions. In; Faulkner, D., Teerikangas, S., & Joseph, R.J. (Eds.), *The Handbook of Mergers Acquisitions*. Oxford University Press, pp. 545-565.
- Kale, P., & Singh, H. (2017). Management of overseas acquisitions by developing country multinationals and its performance implications: the Indian example. *Thunderbird International Business Review*, 59(2), 153-172.
- Kedia, B., Gaffney, N., & Clampit, J. (2012). EMNEs and knowledge-seeking FDI. *Management International Review*, 52(2), 155-173.
- Kim, J. U., & Aguilera, R. V. (2016). Foreign location choice: Review and extensions. *International Journal of Management Reviews*, 18(2), 133-159.
- Knight, G. A., & Cavusgil, S. T. (2004). Innovation, organizational capabilities, and the born-global firm. *Journal of International Business Studies*, 35(2), 124-141.
- Kothari, T., Kotabe, M., & Murphy, P. (2013). Rules of the game for emerging market multinational companies from China and India. *Journal of International Management*, 19(3), 276-299.
- Kumar, V., Singh, D., Purkayastha, A., Popli, M., & Gaur, A. (2020). Springboard internationalization by emerging market firms: Speed of first cross-border acquisition. *Journal of International Business Studies*, 51(2), 172-193.
- Lattemann, C., Alon, I., Chang, J., Fetscherin, M., & McIntyre, J. R. (2012). The globalization of Chinese enterprises. *Thunderbird International Business Review*, 54(2), 145-153.
- Li, J., Li, Y., & Shapiro, D. (2012a). Knowledge seeking and outward FDI of emerging market firms: The moderating effect of inward FDI. *Global Strategy Journal*, 2(4), 277-295.

- Liu, Y., & Woywode, M. (2013). Light-Touch Integration of Chinese Cross-Border M&A: The Influences of Culture and Absorptive Capacity. *Thunderbird International Business Review*, 55(4), 469-483.
- Liu, Y., Deng, P., Wei, J., Ying, Y., & Tian, M. (2019). International R&D alliances and innovation for emerging market multinationals: Roles of environmental turbulence and knowledge transfer. *Journal of Business Industrial Marketing*, 34(6), 1374-1387.
- Liu, Y., & Meyer, K. E. (2020). Boundary spanners, HRM practices, and reverse knowledge transfer: The case of Chinese cross-border acquisitions. *Journal of World Business*, 55(2), 100958.
- Lu, J., Liu, X., & Wang, H. (2011). Motives for outward FDI of Chinese private firms: Firm resources, industry dynamics, and government policies. *Management and Organization Review*, 7(2), 223-248.
- Luo, Y., & Bu, J. (2018). When are emerging market multinationals more risk taking? *Global Strategy Journal*, 8(4), 635-664.
- Luo, Y., & Rui, H. (2009). An ambidexterity perspective toward multinational enterprises from emerging economies. *Academy of Management Perspectives*, 23(4), 49-70.
- Luo, Y., & Tung, R. L. (2007). International expansion of emerging market enterprises: A springboard perspective. *Journal of International Business Studies*, 38(4), 481-498.
- Luo, Y., & Tung, R. L. (2018a). A general theory of springboard MNEs. *Journal of International Business Studies*, 49(2), 129-152.
- Luo, Y., Xue, Q., & Han, B. (2010). How emerging market governments promote outward FDI: Experience from China. *Journal of World Business*, 45(1), 68-79.
- Luo, Y., & Zhang, H. (2016). Emerging market MNEs: Qualitative review and theoretical directions. *Journal of International Management*, 22(4), 333-350.
- Luo, Y., Zhao, H., Wang, Y., & Xi, Y. (2011). Venturing abroad by emerging market enterprises. *Management International Review*, 51(4), 433-459.
- Madhok, A., & Keyhani, M. (2012). Acquisitions as entrepreneurship: Asymmetries, opportunities, and the internationalization of multinationals from emerging economies. *Global Strategy Journal*, 2(1), 26-40.
- March, J. G. (1991). Exploration and exploitation in organizational learning. *Organization science*, 2(1), 71-87.
- Marchand, M. (2017). Do all emerging-market firms partner with their acquisitions in advanced economies? a comparative study of 25 emerging multinationals' acquisitions in France. *Thunderbird International Business Review*, 59(3), 297-312.
- Marinova, S., Child, J., & Marinov, M. (2011). Evolution of firm-and country-specific advantages and disadvantages in the process of Chinese firm internationalization. In: *Dynamics of globalization: Location-specific advantages or liabilities of foreignness?* Emerald Group Publishing Limited, pp. 235-269
- Mathews, J. A. (2006). Dragon multinationals: New players in 21st century globalization. *Asia Pacific Journal of Management*, 23(1), 5-27.
- Mathews, J. A. (2017). Dragon multinationals powered by linkage, leverage and learning: A review and development. *Asia Pacific Journal of Management*, 34(4), 769-775.

- Meyer, K. E. (2015). What is “strategic asset seeking FDI”? *The Multinational Business Review*, 23(1), 57-66.
- Meyer, K. E., & Thaijongrak, O. (2013). The dynamics of emerging economy MNEs: How the internationalization process model can guide future research. *Asia Pacific Journal of Management*, 30(4), 1125-1153.
- Narula, R. (2012). Do we need different frameworks to explain infant MNEs from developing countries? *Global Strategy Journal*, 2(3), 188-204.
- Penrose, E. (1959). *The Theory of the Growth of the Firm*. Wiley: New York.
- Peteraf, M. A., & Barney, J. B. (2003). Unraveling the resource-based tangle. *Managerial and decision economics*, 24(4), 309-323.
- Ramamurti, R. (2009a). *Emerging multinationals in emerging markets* (R. Ramamurti & J. V. Singh, Eds.). Cambridge University Press.
- Ramamurti, R. (2009b). What have we learned about emerging—market MNEs? In: Ramamurti & R., Singh, J.V. (Eds.), *Emerging Multinationals in Emerging Markets*. Cambridge University Press, pp. 399-426
- Ramamurti, R. (2012a). Competing with emerging market multinationals. *Business Horizons*, 55(3), 241-249.
- Ramamurti, R. (2012b). What is really different about emerging market multinationals? *Global Strategy Journal*, 2(1), 41-47.
- Rana, S., Prashar, S., Barai, M. K., & Hamid, A. B. A. (2021). Determinants of international marketing strategy for emerging market multinationals. *International Journal of Emerging Markets*, 16(2), 154-178.
- Ranft, A. L., & Lord, M. D. (2002). Acquiring new technologies and capabilities: A grounded model of acquisition implementation. *Organization science*, 13(4), 420-441.
- Rugman, A. (1981). *Inside the multinationals: the economics of internal markets*. Columbia University Press.
- Rugman, A. (2007). Multinational enterprises from emerging markets. In *Securing the Global Economy* (pp. 81-100). Routledge.
- Rugman, A., & Verbeke, A. (1990). *Global corporate strategy and trade policy*. Routledge.
- Rugman, A. (2008). *Do we need a new theory to explain emerging market multinationals?* Paper presented at the Thinking Outward: Global Players from Emerging Markets, Columbia University, New York.
- Rugman, A. M. (2009). Theoretical aspects of MNEs from emerging economies. In: Ramamurti, R. & Singh, J.V. (Eds.), *Emerging multinationals in emerging markets*. Cambridge University Press, pp. 42-63.
- Rugman, A. (2010). Reconciling internalization theory and the eclectic paradigm. *Multinational Business Review*.
- Rui, H., & Yip, G. S. (2008). Foreign acquisitions by Chinese firms: A strategic intent perspective. *Journal of World Business*, 43(2), 213-226.
- Schüler-Zhou, Y., & Schüller, M. (2009). The internationalization of Chinese companies: What do official statistics tell us about Chinese outward foreign direct investment? *Chinese Management Studies*.

- Stucchi, T. (2012). Emerging market firms' acquisitions in advanced markets: Matching strategy with resource-, institution-and industry-based antecedents. *European Management Journal*, 30(3), 278-289.
- Sun, J., Wang, S. L., & Luo, Y. (2018). Strategic entry or strategic exit? International presence by emerging economy enterprises. *International Business Review*, 27(2), 418-430.
- Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 509-533.
- Torres de Oliveira, R., Sahasranamam, S., Figueira, S., & Paul, J. (2019). Upgrading without formal integration in M&A: The role of social integration. *Global Strategy Journal*, 10(3), 619-652.
- Tsai, H.-T., & Eisingerich, A. B. (2010). Internationalization strategies of emerging markets firms. *California Management Review*, 53(1), 114-135.
- Vahlne, J.-E., & Johanson, J. (2013). The Uppsala model on evolution of the multinational business enterprise—from internalization to coordination of networks. *International Marketing Review*.
- Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, 5(2), 171-180.
- Wesson, T. (2000). *Foreign direct investment and competitive advantage*. Elgar.
- Williamson, P. J., & Zeng, M. (2009). Chinese multinationals: Emerging through new global gateways. *Emerging multinationals in emerging markets*, 81-109.
- Yang, Y., & Lütge, C. (2020). Dynamic integration paths of emerging multinational enterprises in advanced markets. *Review of International Business Strategy*, 30(1), 1-23.
- Zhang, C., Zheng, W., Hong, J., & Kafouros, M. (2022). The role of government policies in explaining the internationalization of Chinese firms. *Journal of Business Research*, 141, 552-563.
- Zhang, X., Liu, Y., Tarba, S. Y., & Del Giudice, M. (2020). The micro-foundations of strategic ambidexterity: Chinese cross-border M&As, Mid-View thinking and integration management. *International Business Review*, 29(6), 101710.
- Zheng, N., Wei, Y., Zhang, Y., & Yang, J. (2016). In search of strategic assets through cross-border merger and acquisitions: Evidence from Chinese multinational enterprises in developed economies. *International Business Review*, 25(1), 177-186.

3. Methodology

3.1 Research Design

The three essays of this doctoral thesis are based on an eight-year observation of 14 CBAs conducted by 10 CMNEs. Aiming to capture CMNEs' springboard trajectories (study 2), their dynamic asset bundling process (Study 1 and 2) and integration evolution (Study 3), they are all of exploratory and context-rich nature and highly interrelated, and, therefore, largely share commonalities in their methodology. First, they all apply a *multi-case approach*, which is useful when cross-cultural and cross-border issues are involved, and when research addresses a contemporary phenomenon within a rich, real-life context (Eisenhardt and Graebner, 2007; Flick, 2014). Furthermore, a multi-case study facilitates replication and pattern comparison (Eisenhardt, 1989; Yin, 2013). Second, they all employ a *longitudinal process analysis* which is appropriate for capturing the main characteristics of strategic and managerial processes (Miller and Friesen, 1982), and when a deep understanding of dynamics and evolution is expected (Morris and Wood, 1991; Eisenhardt and Graebner, 2007), in particular when phenomenon boundaries are not clearly evident in advance (Eisenhardt and Graebner, 2007; Flick, 2014; Langley, 1999). An eight-year observation period provides ample time to comprehend the strategic changes and processes in the sampled cases (Miller and Friesen, 1982; Schendel, 1996). Finally, all studies apply a dual perspective from both the acquirer and the acquired firm in observation and analysis, as the interaction between the two in asset bundling and integration process is essential. Due to different topics, methodologies differ in detail, such as the cases chosen, the coding structure, and the theory development processes (see sub-chapter 3.2 and chapters 4, 5 and 6).

3.2 Case Selection and Data Collection

In order to get cases that are rich in information and particularly suited for the research questions, theoretical sampling was employed (Eisenhardt and Graebner, 2007; Patton, 2002). Chinese private-owned enterprises (POEs) were chosen to represent EMNEs. Over the past 30 years, China has become the world's second-largest economy, SAS in DEs being an important activity on this remarkable growth path and a major motivational factor for CBAs (Child and Rodrigues, 2005; Deng, 2009; Rugman and Li, 2007; Rui and Yip, 2008). Chinese POEs have been a vibrant force in internationalization, their CBAs are more likely to be market-oriented and motivated by entrepreneurship (Child and Rodrigues, 2005; Zhang et al., 2021) than those by state-owned enterprises (SOEs), and they tend to be more transparent (Liu and Woywode,

2013). Consequently, Chinese POEs provide an appropriate empirical setting for our study, although it has to be further discussed, to what extent they can represent EMNEs in general (see chapter 7).

Case selection within the entirety of internationalizing Chinese POEs followed four criteria. First, the samples were limited to firms that are publicly listed on a stock exchange and do not have governmental investors among the top ten shareholders. Second, to maximize the chance to identify best practices, industry leaders in China with strategic CBAs were chosen. Third, acquisitions of companies were narrowed down to Europe and the USA, as prior studies had demonstrated that most acquisitions by CMNEs in these regions were driven by SAS (Aoki et al., 2014; Blomkvist and Drogendijk, 2016; DealGlobe and HurunReport, 2017). Fourth, both acquiring and acquired firms must be willing to cooperate with us for at least four years to ensure sufficient observation time. Fifth, since the authors wanted to gain strategic insights, the companies' top decision-makers had to be involved. Finally, we wanted diverse domiciles to be amongst the case companies.

Case selection started in 2012 with a list of 32 cases, supported by CBA-experts from UBS Investment Bank, E&Y, PWC, KPMG, and specialized law firms. The list was narrowed down to 18 cases by strictly adhering to the criteria mentioned above. Eventually, 14 cases were thoroughly examined, as a few had to be excluded due to bankruptcy or internal managerial conflicts, while some additional ones could be added.

Primary data include transcripts of 118 interviews with 35 decision-makers (founders and executives) and six external experts (consultants, lawyers, and one officer of a Chinese high-tech park), frequent email exchanges, and communication via WeChat and WhatsApp. Table 3.1 presents interview statistics. Secondary data were drawn from archive data, media reports, company press releases, blogs, and annual reports. There were also 46 onsite visits paid to all acquiring and acquired firms to get a solid understanding of each company and business.

The interviews were conducted in May–August 2012, November 2014–February 2015, July 2017–April 2018, August 2019, and June–September 2020. They were semi-structured and based on a question list which mainly covered the following subject areas: 1) personal information about the interviewee; 2) general information about the acquirer and acquired firm; 3) strategic intent and motivation for the acquisition; 4) initial asset endowments of acquiring and acquired firms and corresponding corporate strategies; 5) target asset endowment and target

corporate strategies; 6) utilization of the acquired assets as well as concrete asset bundling activities by the combined firms; 7) business and cultural integration between the acquiring and acquired firms; 8) performance of the combined firms over the observation period.

All interviews were tape-recorded, transcribed in the original language (Chinese, English, or German), and sent to the interviewees for verification. Subsequently, the Chinese and German transcripts were translated into English. The primary data were triangulated with secondary data which provided additional background information.

Table 3.2 presents key data on the sample firms. To ensure confidentiality, each firm was assigned a pseudonym. The sizes of the sample CMNEs range from 3,000 to 18,000 employees, the acquired firms from 36 to 3000 employees. 12 acquisitions occurred in the manufacturing industry, the other two in IT & telecommunication. The overall 14 acquired firms are located in five countries (6 in Switzerland, 1 in Austria, 3 in Finland and 4 in USA).

Table 3.1: Interview statistics for the entire thesis

	Company	Interviewee	2012	2014–2015	2017–2018	2019	2020
1	Sino Outdoor	CFO, founder			x	x	x
2	West Outdoor	CFO			x	x	x
3	West Outdoor	Head of HR			x	x	
4	West Outdoor	CEO			x		x
5	Sino Tool	Vice president	x	x	x		x
6	Sino Tool	Head of sales	x		x		x
7	West Tool 1	CEO	x	x	x		x
8	West Tool 2	General manager			x	x	x
9	West Tool 3	CEO				x	x
10	West Tool 4	CEO			x	x	x
11	Sino Knitting	CEO	x	x	x		x
12	Sino Knitting	CTO		x	x		x
13	West Knitting	CEO	x	x	x		x
14	West Knitting	Project manager		x			x
15	Sino Textile	CFO		x		x	x
16	West Textile	President		x	x	x	x
17	West Textile	CFO		x	x		
18	Sino Metal	Vice president		x	x		
19	West Metal	CEO		x	x		
20	Sino Copper	Head of overseas investment			x	x	x
21	West Copper Retail	General manager		x	x		x
22	West Copper Process	CTO			x	x	x
23	Sino Motor	Vice president of sales / president of sales and board member since 2014	x	x	x		x
24	Sino Motor	CIO		x	x		x
25	West Motor	CEO (fired in 2016)	x	x			
26	West Motor	Head of marketing		x	x		x
27	Sino Construct	Chairman	x				
28	Sino Construct	Head of technique department	x	x	x		x
29	West Construct	CEO and head of design	x	x	x		x
30	Sino Soft	Vice president		x	x		x
31	Sino Soft	Head of department for overseas market & operations support		x			
32	West Soft	Head of Marketing		x	x		x
33	Sino ConstructSoft	General Manager of the department for overseas marketing and operation		x	x		x
34	Sino ConstructSoft	Vice president		x			
35	West ConstructSoft	Board member, former owner		x	x		x
	Interviews with external experts						
36	Legal consultant for a law company		x				x
37	M&A expert for KPMG		x	x			x
38	M&A expert for Deloitte		x				x
39	M&A expert for PWC		x	x			x
40	M&A expert for E&Y		x		x		x
41	Investment banking expert for UBS		x	x	x		x
Total number of managers interviewed			37				
Total number of external experts interviewed			6				
Total number of managerial interviews			107				
Total number of expert interviews			17				
Total interviews			124				

Table 3.2: Key data of sample cases for the entire thesis

Case	Acquirer / Acquired	Industry	Foundation acquirer / acquired	Employees of acquirer / acquired	Transaction price in million USD	Origin country of target	Targeted strategic assets	Status of acquirer in the industry	Status of acquired in the industry	Year of acquisition
C1	Sino Outdoor / West Outdoor	Manufacturing (consumer goods)	1996 / 1909	1500 / 70	16	Switzerland	Country image, brand, design skill	The biggest water bottle producer in China	The most famous water bottle supplier in German speaking countries	2016
C2	Sino Tool / West Tool 1	Manufacturing (consumer goods)	1993 / 1929	6600 / 350	125	USA	Country image, brand	The largest home tool producer in Asia and one of top 500 firms in the world, with a revenue of USD 3 billion	One of the most famous tool brands in the USA	2010
C3	Sino Tool / West Tool 2	Manufacturing (consumer goods)	1993 / 1885	6600 / 50	1.3	USA	Country image, brand		One of the most famous tool brands in the USA	2016
C4	Sino Tool / West Tool 3	Manufacturing (consumer goods)	1993 / 1903	6600 / 60	3.57	USA	Country image, brand		One of the most famous tool brands in the USA	2017
C5	Sino Tool / West Tool 4	Manufacturing (consumer goods)	1993 / 1945	6600 / 500	1.85	Switzerland	Country image, brand		A famous Swiss brand for furniture and furniture tool	2018
C6	Sino Textile / West Textile	Manufacturing (machinery)	2000 / 1853	12000 / 4000	Unknown	Switzerland	Brand, technology	One of the most famous brands of carding machines	Famous textile machine brand in Europe with a long tradition	2013
C7	Sino Knitting / West Knitting	Manufacturing (machinery)	1988 / 1947	1612 / 100	Unknown	Switzerland	Brand, technology	Number one knitting machine producer in China	One of the four most famous knitting machine brands in the world	2010
C8	Sino Metal / West Metal	Manufacturing (raw material processing)	2002 / 1855	3000 / 200	65	Switzerland	Brand, technology, sales channel	Top 3 provincial manufacturing firm in China	World most famous firm in the niche market of copper processing for precise instruments	2013
C9	Sino Copper / West Copper Retail	Manufacturing (raw material processing)	1989 / 1947	12000 / 120	32	USA	Sales channel	The largest copper processing company in Asia	Famous retailer for copper processing product in the USA with a broad network	2016
C10	Sino Copper / West Copper Process	Manufacturing (raw material processing)	1989 / 1939	12000 / 400	80	Finland	Production base, technology, sales channel		Big copper processing company in Europe	2017
C11	Sino Motor / West Motor	Manufacturing (machinery)	1984 / 1908	18000 / 3500	136	Austria	Country image, brand, sales channel, production base	The largest electric motor supplier in China	Famous electric motor brand with factories in Germany, the Netherlands and Austria	2011
C12	Sino Construct / West Construct	Manufacturing (construction)	1993 / 1936	12000 / 36	Unknown	Switzerland	Sales channel, design team	The largest façade construction firm in China	A famous Swiss façade design company	2008
C13	Sino Soft / West Soft	IT	2008 / 2009	3,000 / 50	68	Finland	Technology	World-leading provider of smart terminal operating systems and platform technologies	Highly innovative start-up in smart cockpit technology	2016
C14	Sino ConstructSoft / West ConstructSoft	IT	1998 / 1983	4,000 / 120	25	Finland	Technology, sales channel	Top construction information modelling software provider in China's construction industry	Leading Northern European provider of design software with mechanical and electrical plans in the industry	2014

3.3 Case Description

3.3.1 Case 1 (C1): *Sino Outdoor* and *West Outdoor*

Sino Outdoor

Established in 1996 by a family of blacksmiths, *Sino Outdoor* began as a manufacturer of mechanical pencils. It wasn't until 2001, when the company obtained an export-and-import certificate from the government and its first original equipment manufacturer (OEM) contract from a world famous Japanese firm, that it decided to focus on stainless steel production for Western brands. The management team was impressed by the Japanese sample products, the craftsmanship and quality, and, as a result, committed themselves to develop *Sino Outdoor* to a reputable brand for all customer segments, from high-end to mass market. The catchphrase 'Develop *Sino Outdoor* to a century-old brand firm' can be found in almost every room of the company buildings.

Sino Outdoor continuously improved its productivity and product quality, managed to win further OEM orders from brands in Germany, the USA, Sweden, Switzerland, and Spain, and, by 2012, became the manufacturer of stainless-steel outdoor products for almost all major international brands, including *West Outdoor*, and the world's largest manufacturer in its field.

However, as an OEM partner, *Sino Outdoor's* financial success remained limited being built upon large-scale cheap-labour production. Although the company created its own brands, they were only accepted by the low-end Chinese market where the cutthroat price war prevails. To break the cycle and build up the capabilities required for a rapid internationalization beyond OEM (mainly internationally recognized brand, product design, innovation), *Sino Outdoor* decided to acquire a Western brand firm. Its successful initial public opening (IPO) on the Shanghai Security Exchange in 2011 and steep business growth thereafter filled the war chest for the acquisition of *West Outdoor* in 2016/17.

West Outdoor

Established in 1908, 88 years before its acquirer, *West Outdoor* is one of the world's three century-old stainless steel outdoor product manufacturers. Initially a Swiss craftsman's workshop, the firm is renowned for unique designs and outstanding functionalities. One of its water cups even became a permanent exhibit at the Museum of Modern Art in New York. *West Outdoor's* products are particularly popular in German-speaking countries, Japan, and the USA. In 2008, it reached its peak when even three-shift production failed to meet the high market

demand. Due to a major lawsuit, *West Outdoor* faced losses for five years in a row (2011 – 2015) with five CEOs and five CFOs taking the helm in this period. Subsequently, the company was for sale through a bidding process spanning from end 2016 to beginning 2017.

The acquisition

Sino Outdoor emerged as the winner among five other bidders from Europe and the USA, although it didn't offer the highest price, for three reasons. First, there was a six-year OEM cooperation which had made the two companies deeply understand each other's business practices. Second, *Sino Outdoor* made a commitment to not only preserve the century-old *West Outdoor* brand but also to heavily invest into it. Third *Sino Outdoor* pledged to avoid layoffs and promised to further develop the product design and marketing teams by recruiting top talents from the market.

The combined firm

Despite these favourable conditions, the PAI process started bumpy. *Sino Outdoor* proposed to rebrand its products by *West Outdoor*'s brand in order to increase profits in the short term. This proposal encountered fierce resistance from *West Outdoor* which saw its brand integrity at risk. It was the newly appointed CFO and the assistant to the Chairman, both Chinese who did their studies in Europe and possessed strong intercultural competence and communication skills, who convinced *Sino Outdoor*'s Chairman to refrain from these plans to ensure the integrity of the Swiss brand's heritage and to uphold the Swiss team's independence and decision-making authority.

Over the following years, the combined firm implemented a multi-brand strategy with the *West Outdoor* brand targeted to the high-end market, the *Sino Outdoor* brand to the low-end market, and the newly developed joint brand to the mid-range market. By 2020, *West Outdoor* increased its workforce by 30% and gained a significant market share in the Chinese premium market. Simultaneously, *Sino Outdoor*'s products penetrated the European market, and the combined firm's sales went significantly up, even during the COVID-19 crisis.

3.3.2 Case 2 (C2) – Case 5 (C5): *Sino Tool* and *West Tool 1, 2, 3 and 4*

Sino Tool

In 1993, *Sino Tool* was founded by a mechanical engineer who quit his job in a SOE specialized in machinery import and export. During the start-up stage, the company positioned itself as an OEM partner to domestic SOEs and Western brand firms, amongst them well-known

US and German hardware tool suppliers. By the end of its first full financial year in 1994, *Sino Tool* had already generated revenues exceeding two million USD. The company continued to experience rapid growth and invested heavily in the latest production equipment, benefitting from its latecomer advantage over many traditional Western tool producers.

The IPO on the Shenzhen Stock Exchange in 2010 provided *Sino Tool* with a solid financial foundation. Shortly after the IPO, a large German tool distributor asked *Sino Tool* to imitate tools from a famous German brand firm at the same quality and functions, slightly adjusted design but much cheaper price and labelled with the distributor's name. Later, other large tool distributors from the USA and Europe approached *Sino Tool* with similar requests. Subsequently, *Sino Tool* shifted to a more lucrative business model—original design manufacturer (ODM) —and sold self-designed (although largely imitated) products to wholesalers. The ODM business quickly made *Sino Tool* the largest Asian tool producer.

However, *Sino Tool* had little pricing power in the world market as it was still mediocre in initial design and marketing in overseas markets. The founding Chairman targeted Western brand tool firms as the quickest way to catch up. *Sino Tool* took over *West Tool 1*, *2*, *3* and *4* in 2010, 2016, 2017, and 2018 respectively.

West Tool 1

Founded by a Russian immigrant in a small US city in 1885, *West Tool 1* became a leading manufacturer and distributor of hand tools on the North American continent offering high-quality products at affordable prices including masonry trowels, concrete floats, drywall tools, tile installation tools, and painting tools. In the 1960s, the company changed hands from family ownership and was subsequently acquired by several private equity owners before *Sino Tool* took over in 2010.

West Tool 2

The story of *West Tool 2* began in 1903 when a former female professional opera singer, together with a cabinetmaker and a salesman, established a company for high-quality wood-working tools with superior performance. In the 1960s, the firm reached its peak and its brand was the most favoured among wood craftsmen across the American continent. High reputation could be preserved until the company was acquired by *Sino Tool* in 2016. At that time, the fourth-generation family members who controlled the firm opted to initiate a bidding process aiming at a strategic investor who would commit to continue the company's brand.

West Tool 3

West Tool 3 is a staple gun manufacturer that was founded by a craftsman in the USA in 1929. The company has built a high reputation for its innovation in tool design and work processes. In the early 1950s, *West Tool 3* introduced a staple gun that became a favourite among customers and a registered trademark in 1984. By 1994, over 40 million units were sold, making it the world's best-selling staple gun. Almost every American family has at least one piece of *West Tool 3*'s product at home. In 1999, the third generation sold the family firm to one of the largest tool firms in the USA. In 2017, the company was acquired by *Sino Tool*. At that time, *West Tool 3* had a market share of nearly 60% in the major US retail supermarkets and 38% in the professional industry.

West Tool 4

Established as a workshop by a workbench craftsman in 1945, *West Tool 4* became a leading global designer and manufacturer of workspace and storage equipment. Headquartered in Switzerland, the company insists on European production and maintains three facilities in Switzerland, Germany, and Italy, and it operates a comprehensive European distribution service system. Its client basis includes prestigious high-end brands, such as leading European car manufacturers, major airlines, aircraft companies, and other top-tier industrial customers. In 2006, a private equity firm acquired a majority share of the company from the founding family's second generation. However, in the aftermath of the global financial crisis 2008, sales significantly dropped and a large number of employees had to be laid off. Finally, the firm was taken over by *Sino Tool* in 2017.

The acquisition

Sino Tool's series of acquisitions targeted reputable Western brands. Starting in the 80s, most of these firms gradually outsourced their production to Asia. Western countries faced a hollowing-out of their manufacturing industry. *Sino Tool* used to be OEM partner to *West Tool 1*, 2, and 3 and knew their business well. The goal was not only to obtain strong brands but also distribution channels. All targeted companies were sceptical against the acquisition by a Chinese company as they were afraid of losing the company's heritage, quality, craftsmanship spirit, and business operations. *West Tool 1* and 2 required *Sino Tool*, but not the European and US bidders, to submit a detailed business plan for the post-acquisition period. The acquisitions could not proceed until employees and key customers were persuaded. At the end, *Sino Tool* won the four biddings by repeatedly emphasizing the importance of maintaining the purity of

Western brands, maintaining and even developing the local production basis and R&D as part of the deals.

The combined firm

West Tool 1-4 continued operating as a single entity under almost the same executive team. *Sino Tool* hired a manager with cross-cultural management experience to act as a boundary spanner between China and the acquired firms, and it introduced staff exchange programs to reduce cultural distance and enable Chinese and Western staff to learn from each other.

Initially, collaboration was limited to production, and later expanded to other areas including purchasing, product design, and marketing. *Sino Tool* established an R&D centre for *West Tool 3* in the USA and sent Chinese product designers to work together with their US counterparts. By combining the initial innovation power of the US designers with the incremental innovation abilities of the Chinese designers, product innovation was significantly accelerated. *Sino Tool* set up a multi-channel sales system including the sales channels of all US daughter firms, its own sales channels (flagship stores and cooperation with famous tool distributors), a newly created e-commerce platform where not only the combined firm's tools but also tools from competing companies were sold, and well-known e-commerce platforms such as Amazon, eBay, and Jingdong. In 2019, the combined firm increased its revenues by 30%, and in the years following the COVID-19 pandemic, it experienced an even steeper sales increase due to the 'do-it-yourself boom' and 'the home office trend' caused by lockdowns. COVID-19 also highlighted the importance of retaining the Western production facilities as regional production diversification paid off in times of changing lockdown waves.

3.3.3 Case 6 (C6): *Sino Textile* and *West Textile*

Sino Textile

Sino Textile was founded in 2000 as a textile machine manufacturing firm. The founder maintained good relationship with the local and central government which gave him cheap land and bank loans, and advantageous governmental contracts, all essential factors for the continuous growth of the firm and its expansion into international markets. In 2005, *Sino Textile* established two joint ventures with *West Textile*, a Swiss textile machine producer, and it was awarded the title 'Advanced Open Economy Enterprise' in China, 2012.

However, *Sino Textile* found its limitations in developed markets as it was not able to deliver the high-quality machines requested by the high-end customers. That's why it targeted

Western companies and again benefitted from the Chinese government which encouraged Chinese companies to ‘go out to bring in’, meaning to seek strategic assets abroad, particularly in developed countries, and to transfer them to China. *Sino Textile* received state funding and intercultural training to facilitate acquisitions. CBAs were also badly needed as *Sino Textile* planned for an IPO in the mid-term and had to upgrade its asset portfolio, particularly with prime technology and brands, to that end.

West Textile

West Textile was founded in 1853 as an iron foundry but soon began to produce textile machines which turned out to be pathbreaking for the company’s further development. With over 150 years of uninterrupted operation, it evolved into a highly prestigious global brand. *West Textile* had a constant strong focus on R&D and repeatedly launched innovative high-end machinery for a widening range of applications. In 2007, financial constraints coerced the founding family to sell the firm to the largest Swiss textile company which, due to an ongoing cash drain, put *West Textile* on the market in 2012.

The acquisition

Sino Textile was able to win the bid for *West Textile* against the three largest European textile machine producers for two reasons. First, *Sino Textile* had established two joint ventures with *West Textile* some years before, and although the cooperation did not go as planned, both firms recognized each other’s complementary resources. *West Textile* possessed cutting-edge technology and excellent product design, while *Sino Textile* had access to the Chinese market and cheap production. Second, the former CEO of *West Textile* had been working for *Sino Textile* since 2007 and played a prominent role in the negotiations. The deal was closed in 2013.

The combined firm

West Textile’s management remained in charge, and the acquirer assured the organizational structure as it was. That is why the appointment of a Chinese board member did not encounter resistance. *Sino Textile* monitored *West Textile’s* financial performance closely but let them run the business independently. A staff exchange program was established in each department. Later on, the combined firm expanded its offering beyond machine sales and provided turnkey solutions for entire factories, made possible by collaboration between the Chinese team providing standardized common mechanical equipment and the Swiss team contributing customized equipment designs. In 2018, the group went public through a ‘backdoor listing’, and by 2020 it became an industry leader.

3.3.4 Case 7 (C7): *Sino Knitting and West Knitting*

Sino Knitting

The history of *Sino Knitting* dates back to 1988, when a textile mechanic registered *Sino Knitting* in the Yangtze Delta and started producing a self-invented manual knitting machine. Seven years later, the firm achieved a market share of 80% and had a well-known brand in Southern China. In the late 1990s, computerized flat knitting machines from Western countries—ten times as productive as manual machines—entered the Chinese market. *Sino Knitting's* founder invested his entire capital into R&D—basically reverse engineering of Western machines—and into the production of these new machines. Every employee was familiar with his motto ‘becoming the worldwide knitting king’.

In 2007, *Sino Knitting* achieved a milestone by becoming the first Chinese company to produce computerized flat knitting machines and the number one domestic provider of knitting machines. However, the company faced two significant challenges. First, due to its reputation as an imitator of Western machines, its products were not accepted by the high-end market. Second, *Sino Knitting's* machines were copied and infringed upon by its peers in China. It became a crucial and urgent task for *Sino Knitting* to develop into a well-known brand while maintaining the leading position in the Chinese mass market. Furthermore, the founder envisaged the listing on the Shenzhen Stock Exchange. He concluded to acquire Western assets as a shortcut towards his multiple goals.

West Knitting

Established in 1947 and based in Switzerland, *West Knitting* became a renowned manufacturer of flat knitting machines (one of the four ‘world knitting kings’), known particularly for its cutting-edge technology for the fashion industry and for non-wearable products. Its stitch and intarsia machines were unrivalled. European luxury fashion design and medical firms were amongst their key customers. The company remained family-owned till 2006, when it was sold to the largest Swiss textile firm. A few years earlier, the European textile industry migrated to China. Being a boutique in a high price niche market was not an option for *West Knitting*, which subsequently lost its client base to producers in China.

After 2006, *West Knitting* underwent another change in ownership. Initially, it transitioned to an Italian multinational textile giant, which faced significant challenges during the global financial crisis. Eventually, in 2010, ownership shifted from the Italian company to *Sino Knitting*.

The acquisition

It coincided in time that the owner of *West Knitting* badly needed to cash out that business unit and *Sino Knitting* sought strategic Western assets. It did not take long for the two parties to find each other and to recognize the complementarity of their assets: advanced technology, high-end market, marketing resources, and world-famous brands on the one side, and efficient production, sales channels, and financial funds on the other side.

The combined firm

West Knitting stayed largely independent, all its employees and managers kept their given roles, Chinese supervision was marginal, and goal setting fairly discussed. Trust building, however, turned out to be difficult. In the first two years, brain drain was a serious problem for *West Knitting*, and numerous prestigious customers believed that it would move to China. To mitigate the concerns, *Sino Knitting* bought an office building and a factory in Switzerland thus sending a strong signal to Swiss employees and European customers that the Chinese would not close down the Swiss location but further invest in *West Knitting*.

Hence, the grim situation was eased, mutual understanding and communication deepened. A staff rotation program was established particularly for engineers. Product development and R&D activities became a two-way practice combining engineer-driven innovation capabilities of the Europeans, who focused on functions and scenery, and the more client-driven pragmatic innovation capabilities of the Chinese. As a result, the Chinese team was able to improve their machines and thus maintained the lead in the mass market. The Swiss team simplified their machines by removing functions that were not typically used by Asian customers and thus managed to enter the mid-range market. Together, the teams invented a 3-D knitting machine that quickly got first orders from global sportswear brands.

In 2012, the company completed its IPO, followed by strong growth, which led to a 60% market share in China and a 30% market share globally in 2019.

3.3.5 Case 8 (C8): *Sino Metal* and *West Metal*

Sino Metal

Founded in 2002, *Sino Metal* initially focused on producing standard copper products with low profit margins. The founder maintained a good relationship with the local and central governments, which provided the company with cheap land and bank loans, and also paved the way for the acquisition of a series of low-performing state-owned firms. Over time, *Sino Metal*

made it to a leading player in copper processing and high-performance copper alloys for power generation equipment in China, where it became particularly known for being the only capable manufacturer of 3500M deep well submersible pump cable and 1000M extra-long logging cable. Later on, *Sino Metal* used the ‘One Belt One Road Initiative’ of the Chinese government to seek advanced technology in developed countries.

West Metal

West Metal was founded in Switzerland by a craftsman. The company specialized in manufacturing copper and copper alloys for global markets and served the electronic, telecommunication, aerospace, military, oil and gas exploration, automotive, and consumer goods industries among others. *West Metal* invested heavily in R&D to constantly innovate its copper alloy processing. To this day, it remains the sole manufacturer in the world capable of pressing thin-walled hollow copper profiles with hard alloys.

Although *West Metal* was able to put higher prices on its products than its competitors due to superior quality and brand, it repeatedly experienced serious crises from the early 1990s to its takeover 2013 caused by poor investment decisions and business strategies and a lack of customer-centricity. After a number of not very successful restructuring programs with worrying consequences on the financial structure, sales figures, and staff morale and loyalty, *West Metal* began searching for new investors, and in 2012 it entered the solvency process.

The acquisition

West Metal caught the attention of *Sino Metal* because it was the exclusive producer of some components used in the promising industry of high-speed trains and airplanes. China's high-speed rail industry was rapidly expanding at that time and had excellent prospects, as China planned to further advance this industry through its ‘One Belt One Road Initiative’. Furthermore, the Chinese government made significant investments in the aircraft manufacturing industry aiming at catching up with the United States and Europe.

Supported by the Chinese government, which ensured the credit lines, *Sino Metal* offered the best conditions of all interested investors and successfully closed the acquisition in 2013. As part of the deal, it confirmed to maintain *West Metal's* independent business operations and its remaining workforce, and to take responsibility for *West Metal's* social obligations including defaulted social security, pending remunerations, and benefits.

The combined firm

PAI proved to be highly challenging, rough and not very successful within the period of observation. *West Metal* had lost many of its skilled managers and employees during the solvency process and had to hire new talents in a dry market. *Sino Metal's* engineers reviewed *West Metal's* product documents, which covered more than 2'000 items, yet the firm only produced a few dozen of them. Some of the products in the clogged pipeline appeared promising for the Chinese market, but the Swiss management was reluctant to share their know-how and resisted to the idea. Significant differences in equipment and technology between the Chinese and Swiss companies made synergies hard to achieve too, all the more so since the Swiss team was apprehensive about losing their job and therefore did not train their Chinese counterparts for high-end products.

3.3.6 Case 9 (C9) and Case 10 (C10): *Sino Copper, West Copper Retail and West Copper Process*

Sino Copper

Sino Copper was founded by two siblings, both engineers, in 1989. The company focused on copper processing, mainly on R&D, manufacturing, and sales of copper tubes, tube connectors, and conductors widely used in air conditioning, house heating systems, water pipes, and infrastructure construction. In 2003, *Sino Copper* became listed on the Hong Kong Stock Exchange, and by 2016, it had grown from a small workshop to one of the most competitive players worldwide in its field.

There are various reasons for this strong upturn. A key role was played by the rapid growth of the Chinese refined copper consumption, which increased at a compounded annual rate of 11.6% between 2006 and 2016, making China the largest market in the world. *Sino Copper* rode the wave successfully and invested a large portion of its profit into equipment to keep it at prime level. Even in times of crisis such as the global financial crisis 2008 and the Asia Crisis in 1997, it kept its long-term investment strategy up while some competitors exited the business. Acquisitions of Chinese firms—mainly SOEs—in the wake of the Asia crisis made *Sino Copper* number one in China. Furthermore, *Sino Copper* was a role model in cost and risk management. They applied an effective copper price warning system to manage the risk of material price and currency fluctuations, followed a close-to-zero-stock strategy to minimize turnover period, and strictly kept customer credit lines under control.

However, *Sino Copper* faced trading barriers. The USA, Canada, and Brazil imposed anti-dumping measures on Chinese copper products, while Europe taxed them heavily. Moreover, the company lacked its own distribution network outside Asia. CBAs were taken into consideration to fill these gaps.

West Copper

Established in Finland 1939, *West Copper* became a world leader in metal fabrication, component manufacturing, and related engineering and design services. At its peak in 2011, the company employed over 7,500 people and had production facilities across Europe, the USA, and Asia. When metal processing industries shifted to emerging markets and numerous Western players like Hitachi and Woverine withdrew from the market, *West Copper* could not buck the trend and tendered its shares to a private equity institution in 2013.

West Copper Retail

Founded in 1947, *West Copper Retail* became a leading supplier in the USA for plumbing, heating, ventilation, and air conditioning, providing over 12,000 parts across 18 product categories. It was famous for its global-sourcing capabilities, which enabled the company to offer products in more sizes and configurations than any other supplier in the USA and to use the claim ‘Your Single Source Solution’. In 2016, the three owners of *West Copper Retail*, a member of the founding family, and two involved investors put the firm up for sale.

The acquisition

When *West Copper's* private equity owner decided to divest, it reached out to various potential buyers, including *Sino Copper*, which once was its competitor and business partner. Exorbitant price expectations scared off all candidates but *Sino Copper*, which negotiated three years to finally acquire the two business units that were most complementary to its own resources at a price less than one-third of the initial quotation. The acquisition was finalized in 2016, granting *Sino Copper* access to the coveted continuous casting process technology, thus enhancing productivity. Additionally, as part of the deal, *Sino Copper* obtained production bases outside China in Thailand and Vietnam. This strategic move enables *Sino Copper* to navigate trading barriers imposed by the EU and the USA.

West Copper Retail invited its most important suppliers to make a takeover bid, amongst them *Sino Copper*, which again emerged as the only remaining candidate after a few

negotiation rounds. In 2017, the deal was closed and helped *Sino Copper* complete its global distribution network.

The combined firm

Although most of *West Copper*'s factories were equipped in the 1980s or 1990s and considered outdated, *Sino Copper* still recognized some advanced technologies embedded in different production bases, such as the continuous casting production process, patented technology for special alloys, and the special packaging technology TIAC. *Sino Copper* consolidated the most advanced production technologies in China and assigned the most skilled engineers and production workers of the combined firm to redesign production procedures and standards based on the company's latest technology. Subsequently, it implemented these updated production procedures and standards globally. By centralizing and standardizing, the group was able to serve its customers at better quality and lower price level.

The production bases were aligned to different market segments. The European base targets the highest-end market, the Thailand base the European market except the highest end, the Vietnam base the US market, and the Chinese base all other markets. This global layout helps the group bypass trade barriers and address regional and segment-specific demands.

At the same time, the combined firm established its global distribution network. Leveraging *West Copper Retail*'s knowledge, they created their own European and Middle East sales channels, and *West Copper* received funds to expand its distribution network to the entire American continent. To get prepared for continuing deglobalization trends, the group planned to build a factory in the USA.

3.3.7 Case 11 (C11): *Sino Motor* and *West Motor*

Sino Motor

As the very first private-owned firm in Zhejiang Province, *Sino Motor* was established in 1984 by a young electrician who had served a village-owned enterprise as technology supervisor. With an astute understanding of the massive potential of the electric motor market in China, he took the decision to build up his own enterprise from scratch—*Sino Motor*. The firm specialized on the production of electric motors, transformers, and batteries, and, in the early 1990s, set its sights on becoming the 'Oriental Siemens.' Towards this vision, *Sino Motor* became listed on the Shanghai Stock Exchange in 2002 and grew from a small partnership factory to an 18,000-employee company in 2010.

The rapid growth of *Sino Motor* mirrored the fast development of the Chinese electric motor market, which soared within a decade and a half from nowhere to a 55% global share (Freedonia group, 2013). Furthermore, *Sino Motor* benefitted from the ownership reform carried out by the Chinese government to privatize non-performing SOEs, and thus acquired high-quality resources—factory equipment, management and technology talents, and a good relationship with the government—at low prices. Once embedded in a vital private company, these resources brought their qualities to effect. After absorbing the largest state-owned transformer and electric motor producer in 2009, *Sino Motor's* products gained not only popularity in the Chinese market but also a foothold in emerging Asian markets.

However, there were still some obstacles to overcome on the global stage. The company was only able to produce small- and mid-size motors but lacked the technology for large-size motors. It also could not meet the global high-efficiency standards and suffered from the *Made in China* liability. *Sino Motor* was not yet ready for the high-end markets.

West Motor

The history of *West Motor* dates back more than 100 years. The company developed to a leading global supplier of electric drive systems for both industrial and home appliances. It provided standard, customized, and design-to-order drive systems ranging from small-size to large-size applications. Its products were popular for their high-efficiency standards and solid quality. From the 90s to the early 2000s, *West Motor* acquired several European electric motor manufacturers and gained ownership of dozens of famous brands. By 2010, it owned more than 10 manufacturing bases across five European countries and China. Around 70% of its products were sold to Germany.

A large funding project failure in 2010 triggered a financial disaster, which forced the company to search for new investors.

The acquisition

Sino Motor won the bid for various reasons. The founding chairman, who personally represented the company's interests throughout the negotiations, promised to establish an R&D centre in Europe, to retain all employees of *West Motor* in the first three years, and to keep the brands, and he shared these messages with local media. PAI plans were presented to key owners and to the labour union, showcasing the synergy potential through combined technology and products, bundling prestigious European brands with the Chinese market and European craftsmanship with abundant financial resources in China. All these efforts changed the stereotypical

Western views on Chinese acquirers only seeking assets to transfer them to China. Furthermore, *Sino Motor* leveraged its favourable relationship with the Chinese government and received a long-term loan from the Chinese Development Bank to finance the acquisition.

The combined firm

West Motor retained its independency but, in exchange, it committed itself to double sales within three years.

To build bridges, *Sino Motor* invited all labour union members of *West Motor* to China, established a staff exchange program initially for senior engineers and then for purchasing, production, and sales teams. These initiatives made both sides understand each other's assets and competitive advantages, particularly, the advanced production facilities of *Sino Motor*, the huge market potential in China, and the superior Western sleeping products, which could subsequently get adapted for the Asian market and sold there at considerable margins.

However, three years later, when *West Motor* failed to meet its sales targets, *Sino Motor* replaced the entire executive team (CEO, CFO, COO, CTO, etc.) with managers poached from famous Western multinationals, centralized the purchasing, sales, and marketing departments, and it built a new global R&D centre in Germany to maximize combination benefits. *West Motor*'s employees accepted this radical integration change as a result of missed goals. The reorganized group standardized production worldwide and introduced a global product offering system which could address as many customer segments as never before, finely aligned at the clients' willingness and ability to pay for the products ranging from the top ranked 'designed and made in Western Europe', to 'designed in Western Europe and made in China', to 'designed and made in China', and finally to 'designed in China and made in Vietnam'.

Sino Motor continued its global consolidation journey by acquiring an Italian firm, and by 2019, it became the third-largest player in the electric motor industry.

3.3.8 Case 12 (C12): *Sino Construct* and *West Construct*

Sino Construct

Sino Construct was established in 1993 by two brothers who were both façade designers. The focus was on the design, production, installation, and maintenance of curtain walls. The company became one of China's top 500 manufacturers and a significant façade provider globally within less than two decades.

Sino Construct's rapid development can be attributed to various factors. Just one year after its inception, it hired a renowned German expert who built up a professional design and

production team including more than 10 further experts from Europe, which was extraordinary in China at that time, and enabled *Sino Construct* to develop and maintain high quality and meet international standards from the very outset. At an early stage, too, *Sino Construct* was eager to gain international project experience and served well-known Western general contractors as a subcontractor at only cost-covering prices. Cost-efficiency thus became one of the company's formative characteristics. Lastly, China's immense economic growth, the urbanization wave, rapid infrastructure, and real estate development over the past three decades provided unique opportunities to construction firms. *Sino Construct* seized the opportunities particularly in the skyscraper market. When the boom flattened out a bit, the company strengthened its business outside China through the acquisition of a European firm.

West Construct

West Construct was established in Switzerland in 1936 and became one of the world's leading companies in façade designing. Its services were highly regarded across Europe, where the company had several subsidiaries, in the Middle East with a subsidiary in the UAE, and in Asia, with numerous spectacular buildings featuring unique façades designed by the company.

In 2004, the company suffered significant losses on two major European projects due to failed cost projections. The investors lost faith in its ability to recover, and *West Construct* was left with no choice but to file for bankruptcy in 2007.

The acquisition

In 2004 and 2005, *Sino Construct* and *West Construct* successfully collaborated as subcontractors in a project in the Middle East. *Sino Construct* was impressed by *West Construct's* unique design capabilities while *West Construct* praised *Sino Construct's* efficient project management.

When *West Construct* went through its restructuring process, it involved *Sino Construct* which ultimately acquired *West Construct's* entire design team. The deal was finalized in 2008.

The combined firm

Sino Construct mandated the newly acquired design team to set up an independently operational subsidiary covering designing, engineering, project management, and IT, provided the necessary funds and established an equity ownership program for all 15 members of the team. *West Construct* was supposed to handle high-end design and European markets, *Sino Construct* Asian market design and production for all markets.

However, integration did not go as smoothly as expected, mainly due to cultural gaps in mentality and working styles. The Chinese team found fault with the Swiss team's lack of flexibility and rigidity, while the Swiss side criticized the Chinese partners for not fully adhering to the rules and being too pragmatic. There were also varying interpretations of quality, safety, and client relationship management. Particularly challenging for Swiss executives was their Chinese counterparts' custom not to disagree in front of them, yet not consistently to follow the pre-agreed plan.

Consequently, a three-year intercultural training and talent-exchange program was implemented. These efforts seemed to pay off as Swiss quality standards and Chinese agility could be reasonably combined for successful joint project achievements, supported by a Chinese financial officer who ensured rigid cost management and calculation. The equity ownership program was replaced by a straight-forward bonus program.

In 2018, the group acquired an Italian construction company to become the world's leading provider of façades.

3.3.9 Case 13 (C13): *Sino Soft* and *West Soft*

Sino Soft

In 2008, a computer scientist from the 80s generation noticed a gap in the market. While there were numerous IT firms as software developers for special applications and operating systems in smart devices, companies as developers for middleware—the 'software clue'—were largely lacking. To fill this gap, he established *Sino Soft* in a Chinese science park to serve large IT firms as a middleware outsource company. Due to its cutting-edge technology, the company was highly profitable from the outset. When two outsource contractors, US IT giants, invested in *Sino Soft* and formed a strategic alliance with it, the founding CEO repositioned the company to become a total solution provider of smart device operating systems and platform technology, significantly invested in R&D, and expanded business to mobile phones, smart cars, and internet of things. Between 2012 and 2016, the company went through the roof with an average annual sales growth rate of 34% and a profit growth rate of 40%. In 2015, the company became listed on the Shenzhen Stock Exchange.

As a next step, *Sino Soft* reached out to become a total solution provider by integrating up- and downstream technologies.

West Soft

In 2009, *West Soft* was founded by a group of young software engineers in a Finnish high-tech park with a focus on automotive graphics software tools and services. Its application software for smart cockpit was well-received by many renowned car companies, and in 2015, *West Soft* was recognized as one of the ‘Global 50 New Innovation Enterprises’.

However, being an automotive software company in the downstream value chain, *West Soft*’s products had to be adapted to the operating systems used by car producers, associated with high costs. The rapid business expansion led to capital and talent scarcity and urged the owners to search for new partners and/or investors.

The acquisition

The high-tech parks of *Sino Soft* and *West Soft* became sister technology parks, and they jointly organized entrepreneurial exchange forums on a regular basis. The founding CEOs of the two companies met in one of those forums, were impressed by each other's technology and concluded that by combining their companies, they could become a total solution provider for smart automobile cockpits and thus sharply increase their hit ratio and pricing power in bidding for projects. *West Soft* counted on *Sino Soft*’s substantial financial resources and the vast potential of the Chinese automobile market, and agreed to the acquisition in 2017.

The combined firm

Following the acquisition, *West Soft* continued to operate as an independent subsidiary with its own brand and software. Both companies developed their products separately in a modularized manner, while also cross selling each other's products and services. However, they also worked closely together to integrate middleware and application software interfaces to become total-solution providers. They established a joint marketing and sales team to attract customers across all car producers in China. In addition, they sought image processing capabilities and acquired a start-up from Bulgaria with unique technology in this field. During the COVID-19 pandemic, the combined firm successfully applied its smart cockpit solution for remote intelligent medical treatment, resulting in a significant increase in revenue and profit. In 2020, the combined firm achieved an 87% increase in profit compared to the previous year.

3.3.10 Case 14 (C14): *Sino ConstructSoft* and *West ConstructSoft*

Sino ConstructSoft

Sino ConstructSoft was founded by a university research team in a science park in Beijing in 1994. Initially, the firm developed software for project budget planning and cost control which turned out to be a reliable source of revenue due to its efficient algorithm. The company became a preferred software provider in the construction industry worldwide within five years of its inception, as first mover in this field. After its listing on the Shenzhen Stock Exchange in 2010, it further developed to a high-tech enterprise with 3,000 highly educated employees and 32 subsidiaries in just a few years.

Despite its rapid growth, *Sino ConstructSoft* quarreled with its business model as it relied solely on unique technology and only had a role as a subcontractor in global bidding processes, resulting in smaller profit margins compared to general contractors. The founding CEO envisioned, therefore, *Sino ConstructSoft*'s transformation from a software provider to a total solution provider by integrating up- and downstream cutting-edge technologies. With this in mind, the company formed a scouting team to search for advanced technologies globally.

West ConstructSoft

Established in 1983, *West ConstructSoft* was a Finnish provider of construction design software applications which gave access to more than one million intelligent 3D product models from leading manufacturers in the construction industry and were popular among European and North American customers. Although *West ConstructSoft* had been growing at an annual rate of 5% since the beginning of the 20th century, its founding CEO was keen to capitalize on China's exploding growth. However, he could not find a viable market access model.

The acquisition

Sino ConstructSoft's scouting team identified *West ConstructSoft* as a potential candidate following recommendations from its own project and sales team, which had previously partnered up with *West ConstructSoft* in an international project and, furthermore, planned to support them for their market entry in China. First exploratory talks quickly revealed complementarity in technologies and markets. Combining their software would enable them to act as a general contractor in large projects, and through cross selling, they could reach out for all continents. The deal was closed in 2014.

The combined firm

PAI was smooth, based upon common goals and complementary resources. *West ConstructSoft* retained its decision-making authority, and its founder resigned as CEO but remained in the board. *Sino ConstructSoft* sent a Chinese financial expert to assist the CFO in Finland.

In the first place, cross-selling and joint bids were done, with both firms still acting as subcontractors. At the same time, they worked on integrating their software interfaces for total solutions by combining the software used in construction design applications with the software of the construction bidding system. Due to the integrated interfaces, the two firms could continue to develop products separately. Within two years, they completed deep system integration and moved beyond pure project cooperation into the role of a general contractor.

As the COVID-19 pandemic caused a significant drop in the construction industry in 2020, many construction workers were temporarily jobless or put on short-time work. The two firms jointly provided low-fee online training programs for designing and tendering based on their web platform and software. They also transformed their ‘software selling business model’ into a ‘subscription model of cloud computing’, which allowed them to link construction practitioners to their cloud computing system. When the construction industry resumed work in China in late summer 2020, sales rebounded strongly. By the end of 2020, the combined firm's annual sales surpassed 2019 by 41%.

3.4 Case Analysis

Data were grouped into interviews, financial reports, archival data, and email contacts. Analysis started with synthesizing all data using MAXQDA and thereafter followed the methodology recommended by Miles et al., (2014), including full transcription of the interviews, translation of the interviews from Chinese and German into English, case description, development of a coding frame that fits into the theoretical background, a pilot test, revision of the codes, assessment of the reliability of the codes, and coding. Detailed within-case analysis was followed by cross-case analysis. Three research studies include the cases that best fit the respective research focus, as summarized in Table 3.3.

Table 3.3: Case distribution across the three studies

	Study 1	Study 2	Study 3
Case 1	x	x	x
Case 2	x	x	x
Case 3	x		
Case 4	x		
Case 5	x		
Case 6	x	x	
Case 7	x	x	x
Case 8	x		
Case 9	x	x	x
Case 10	x		
Case 11	x	x	x
Case 12	x	x	x
Case 13		x	x
Case 14		x	x

Coding process started case by case. Open coding was applied and primary and secondary data were broken into discrete events (Miles et al., 2014) relevant for strategic intent, corporate strategies, country-specific advantages (CSAs) and disadvantages (CSDAs), firm-specific advantages (FSAs) and disadvantages (FSDAs), resource reconfiguration activities, integration phase, business coordination, etc. To ensure the accuracy of the codes, terms closely resembling the interviewees' own words were used. Cross-case analysis and patterning of the first-order codes into more abstract second-order codes followed as second step (Corbin and Strauss, 2008). Finally, the aggregate theoretical dimensions were derived by using selective coding. Coding structure is revealed in chapters 4, 5 and 6 for each single project.

References

- Aoki, Y., Liu, D., Sun, S., Wang, T., Wang, X., & Zhou, A. Yang. (2014). Chinese Foreign Direct Investment in the United States. *Business Horizons*, 56(4), 443-451.
- Blomkvist, K., & Drogendijk, R. (2016). Chinese outward foreign direct investments in Europe. *European Journal of International Management*, 10(3), 343-358.
- Child, J., & Rodrigues, S.B. (2005). The internationalization of Chinese firms: a case for theoretical extension? *Management and Organization Review*, 1(3), 381-410.
- Corbin, J., & Strauss, A. . (2008). *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory Book USA*: Sage Publication, Inc.
- DealGlobe, & HurunReport. (2017). *The 2017 special report for cross border M&A of Chinese companies*. Retrieved from
- Deng, P. (2009). Why do Chinese firms tend to acquire strategic assets in international expansion? *Journal of World Business*, 44(1), 74-84.
- Eisenhardt, K.M. (1989). Building theories from case study research. *Academy of management review*, 14(4), 532-550.
- Eisenhardt, K.M., & Graebner, M.E. (2007). Theory building from cases: Opportunities and challenges. *The Academy of Management Journal*, 50(1), 25-32.
- Flick, U.. (2014). *An introduction to qualitative research*: Sage, UK.
- Freedonia Group. (2013). Global Electric Motors. *Freedonia Focus Reports*.
- Langley, A. (1999). Strategies for theorizing from process data. *Academy of management review*, 24(4), 691-710.
- Liu, Yi., & Woywode, M.. (2013). Light-Touch Integration of Chinese Cross-Border M&A: The Influences of Culture and Absorptive Capacity. *Thunderbird International Business Review*, 55(4), 469-483.
- Miles, M.B., Huberman, A.M., & Saldana, J. (2014). *Qualitative data analysis*: Sage, UK.
- Miller, D., & Friesen, P.H. (1982). The longitudinal analysis of organizations: A methodological perspective. *Management Science*, 28(9), 1013-1034.
- Patton, M.Q. (2002). Two decades of developments in qualitative inquiry: A personal, experiential perspective. *Qualitative social work*, 1(3), 261-283.
- Rugman, A.M., & Li, J. (2007). Will China's multinationals succeed globally or regionally? *European Management Journal*, 25(5), 333-343.
- Rui, H., & Yip, G.S. (2008). Foreign acquisitions by Chinese firms: A strategic intent perspective. *Journal of World Business*, 43(2), 213-226.
- Schendel, D. (1996). Evolutionary perspectives on strategy. In: Wiley Online Library.
- Yin, R.K. (2013). *Case Study Research, Design and methods*, 4th edition, Sage publications.
- Zhang, Z., Xie, X., & Qian, T. (2021). Why do half of the cross-border M&As conducted by Chinese MNCs fail? Government affiliation and cross-border M&A completion. *European Journal of International Management*, 15(1), 79-111.

4. Study 1: M&As by Chinese Multinational Enterprises in Developed Economies—Strategic Asset Seeking and Bundling⁵

4.1 Introduction

The global financial crisis of 2008 had relatively little impact in China, and thus brought historic opportunities for Chinese businesses to compete on the global stage (Sauvant et al., 2010). Numerous Chinese multinational enterprises (CMNEs) emerged and began actively participating in cross-border mergers and acquisitions (CBMAs).

Concerns have emerged in developed economies (DEs) that Chinese acquisitions have unilateral benefits and threaten the competitiveness of the West, particularly as China restricts mergers & acquisitions (M&As) of Chinese enterprises by foreign investors. This has triggered a political debate about whether the West should regulate Chinese acquisitions (Ewing, 2020; Swanson, 2020). Existing research has broadly found that strategic asset seeking (SAS) is among the most important motivations for Chinese CBMAs (Rugman and Li, 2007; Deng, 2009; Blomkvist and Drogendijk, 2016; Zheng et al., 2016; Ai and Tan, 2018), as CMNEs work to overcome latecomer disadvantages and address competitive weaknesses in world markets (Luo and Tung, 2007; Deng, 2009; Nicholson and Salaber, 2013).

However, the literature tends to discuss strategic assets in generic, abstract terms and ignore their contexts (Zheng et al., 2016). The reality is more complicated: Different acquiring firms seek different strategic assets (Capron et al., 1998b; Nicholson and Salaber, 2013) to complement their existing country-specific advantages (CSAs) and firm-specific advantages (FSAs) and create value for the acquired firms as well as for themselves. There is little research that systematically examines the nature of the strategic assets that CMNEs acquire through CBMAs and how these assets are bundled with the firms' existing resources to create shared economic value.

Buckley et al. (2017) called for more detailed studies of the mechanisms of CBMAs by firms based in emerging markets. Our paper explores three research questions: What strategic assets do CMNEs aim to obtain through acquisitions of Western firms? What assets do CMNEs possess prior to these acquisitions that create potential for effective use of acquired assets? And

⁵ Study 1 was published as Wu, J., & Morschett, D. (2023). M&As by Chinese multinational enterprises in developed economies: strategic asset seeking and bundling. *European Journal of International Management*, 21(3), 460-488.

how do CMNEs bundle the acquired assets with their existing resources to create competitive advantages?

This study examines case studies of 12 acquisitions by eight CMNEs, investigating them from the perspectives of both the acquiring and the acquired companies. These case studies reveal that, prior to the acquisitions, these CMNEs already possessed substantial FSAs in addition to CSAs, and that their acquisitions targeted Western firms with complementary asset profiles. It also reveals that these CMNEs engaged in acquisitions of Western companies based on the potential for value creation through asset bundling, and used both their CSAs and their FSAs in combination with newly acquired Western strategic assets to achieve synergies and create value on both sides.

This paper offers several contributions. First, it extends Dunning's (1993, 2001) concept of SAS by examining the variety and relevance of asset sets sought by internationalising companies, thereby providing a deeper understanding of the critical role these assets play in CMNEs' internationalization. Second, it enriches Hennart's (2009, 2018) bundling theory by detailing the asset profiles of CMNEs prior to CBMAs and further clarifying the role of both CSAs and FSAs in the asset bundling process. Third, it supports and extends the composition-based view of CBMAs (Luo and Child, 2015; Zhou et al., 2019), confirming the capability of CMNEs to combine and leverage newly acquired resources, and extending this view to account for intangible FSAs as well as ordinary assets. Fourth, it confirms that the bundling activities of CMNEs can create 'private synergy' (Barney, 1988), which is inimitable and unique and benefits both the acquirers and the acquired companies. Across the case studies described in our research, private synergy proved a winning factor for CMNEs in their bids against Western competitors.

4.2 Theoretical Background

4.2.1 Strategic Asset Seeking

Within the resource-based view, a company is conceptualized as a bundle of resources (Wernerfelt 1984). Companies are differentiated from one another by the heterogeneity of their assets and the imperfect mobility of certain assets (Barney, 1991; Amit and Schoemaker, 1993). Following several authors (Caves, 1980; Hennart, 2009), we use the terms 'assets' and 'resources' interchangeably. Strategic assets are resources which make vital and unique contributions to sustainable competitive advantages because they are valuable, rare, inimitable, and non-

substitutable (VRIN) (Barney, 1991). Examples of strategic assets include proprietary technologies, R&D capabilities, buyer-supplier relationships, and brand names (Teece and Pisano, 1994).

Dunning (1993) identifies SAS as one of four foreign direct investment (FDI) motives for EMNEs, alongside market seeking, efficiency seeking, and natural resource seeking. He defines SAS FDI as creating or gaining access to assets that complement existing core competencies and promote long-term strategic objectives—especially that of sustaining or advancing global competitiveness (Dunning, 1991; Dunning and Lundan, 2008). As EMNEs lack traditional ownership advantages (Lattermann et al., 2012; Bose et al., 2021), SAS is often considered as an accelerator for internationalization when EMNEs act as investors (Cui et al., 2014; Meyer, 2015). Acquiring and bundling strategic assets from advanced markets is viewed as the fastest approach to reach desired goals (Boateng et al., 2008), a springboard to catch up with Western incumbents (Luo and Tung, 2007), and an effective way to earn legitimacy and prestige in the marketplace (Deng, 2007).

‘Strategic assets’ have conventionally been understood as an abstract concept devoid of context. We observe, however, that companies in the same industry seek different strategic assets, and that a specific external asset is considered strategic by one company but not by another. Hence, the notion of ‘strategic assets’ is in fact idiosyncratic and contextually defined. Trends in the copper processing industry during the global financial crisis provide an excellent example: As profit margins shrank, large players such as Wolverine and Hitachi Cable withdrew from the market and the industry largely moved to developing countries. R&D expertise in copper processing technology thus ceased to be a strategic asset for Western firms, but it became highly desirable for EMNEs.

4.2.2 Asset Bundling

The purpose of SAS is not to obtain the asset *per se*, as possessing assets alone does not guarantee the development of competitive advantage (Barney, 1991; Barney and Arkan, 2001). Assets must be accumulated, bundled, leveraged, and exploited. The full value of acquired strategic assets can be realized only when the acquiring firm bundles them with its own assets and manages the combined asset portfolio effectively (Sirmon et al., 2007; Sirmon et al., 2011; Wang et al., 2018), a process which relies on alignment between the acquirer’s assets and the target assets.

The ‘Ownership, Location, Internalization’ (OLI) model offers a strong explanation of the asset-exploiting FDIs of multinational enterprises from DEs (Dunning, 1988), but fails to

interpret the asset seeking FDIs of EMNEs. The prominent ‘Linkage, Leverage and Learning’ (LLL) model (Mathews, 2006) and the ‘Springboard’ model (Luo and Tung, 2007) address the aggressive internationalization of EMNEs. The key foundation of the LLL model is the outward linkages through which so-called ‘dragon multinationals’ access and leverage global resources for accelerated internationalization. The Springboard model, meanwhile, describes how EMNEs use international expansion as a springboard to acquire strategic resources and to overcome their institutional and market constraints. However, neither of these two models explains why EMNEs are able to acquire strategic assets from their Western rivals while simultaneously competing with them in their home markets.

Hennart’s (2009, 2018) bundling theory accommodates both asset exploiting and asset seeking FDIs, which the OLI model fails to do. Hennart argues that many EMNEs control local resources which have high transaction costs or are entirely non-tradable (market access, special permissions, governmental support, etc.); in contrast, many intangible assets controlled by firms from DEs (cutting edge technology, valuable brands, etc.) are tradeable and negotiable in competitive markets. Ownership of local resources provides the opportunity for EMNEs to successfully bundle complementary strategic assets from DEs. Rugman (2008, 2009) and Bhaumik et al. (2016) share Hennart’s view, and claim that EMNEs possess few FSAs but a range of CSAs that enable them to benefit considerably from internationalization. However, underestimating EMNEs’ FSAs could make a complete view impossible and may only lead to a partial picture of EMNEs’ internationalization.

The composition-based view (Luo and Child, 2015; Zhou et al., 2019) claims that, in general, EMNEs only possess ordinary assets, but many have the compositional capability to combine and leverage ordinary internal and external resources to produce extraordinary results—a capability which has enabled EMNEs to grow very rapidly. However, this perspective fails to account for EMNEs’ prior possession of VRIN assets.

Recent studies on the rise of some globally competitive CMNEs, including Haier (Meyer, 2017) and Huawei (Fan, 2011), indicate that this view is unable to fully explain rapid internationalization. Luo and Rui (2009) and Luo and Tung (2017) state that several CMNEs have dynamic and ambidextrous capabilities. Ramamurti (2009) points out that EMNEs possess FSAs suited to emerging markets, such as operational excellence and product development. Marinova et al. (2011) reveal that the rapid internationalization of many CMNEs is driven by effectively combining their home country CSAs and FSAs.

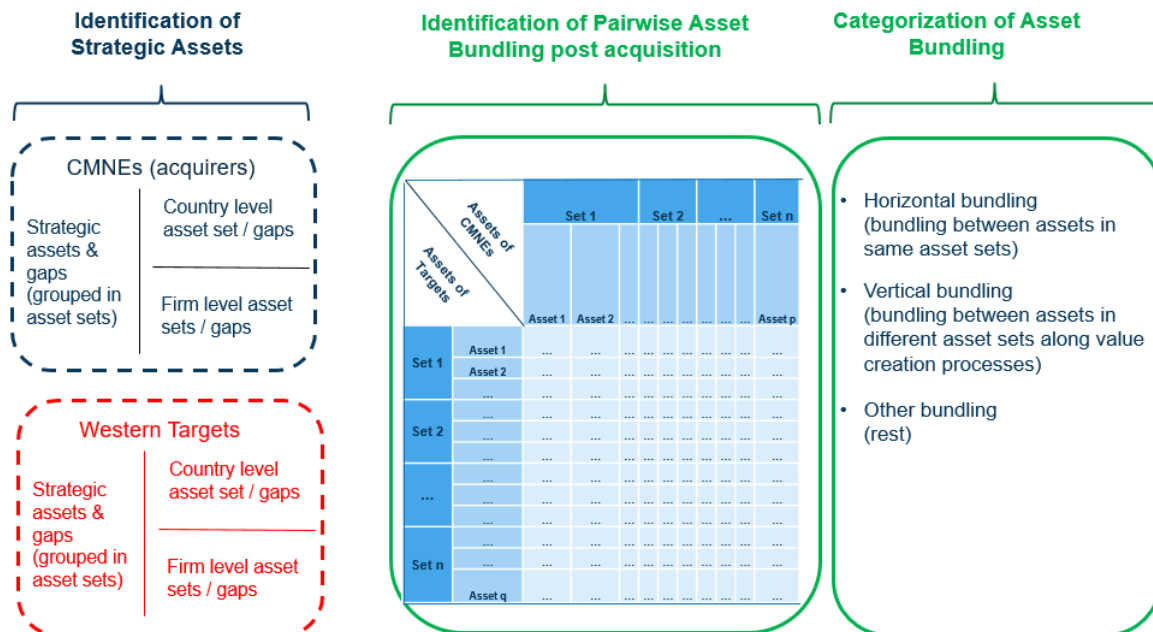
Assessing CMNEs' CSAs and FSAs and investigating their specific asset bundling activities through in-depth case studies can shed greater light on these diverging views. Asset bundling plays a key role in the SAS M&A process. In the pre-acquisition phase, acquiring firms screen and evaluate their own assets to identify missing resources and to determine what to develop internally and what to acquire externally (Sirmon et al., 2010; Miao et al., 2017). In the negotiation phase, they consider the future use of the targeted assets.

The sellers' choice of buyer is often based on convincing asset bundling plans, in addition to the purchase price offered. Only acquirers with the potential to create 'private synergy' by bundling the target assets can earn an 'abnormal return' in M&A deals (Barney, 1988). Synergy is considered 'private' if competing bidders cannot achieve similar synergies. Post-acquisition integration involves implementing asset bundling and realizing synergies to create economic value.

4.2.3 Conceptual Framework of Asset Bundling

Based on the nature of the above-mentioned asset bundling process in CBMAs, we propose an analytical framework (Figure 4.1) consisting of three components: (1) identification of strategic assets; (2) identification of pairwise asset bundling; and (3) categorization of asset bundling.

Figure 4.1: Conceptual framework of asset bundling



We begin our analysis by identifying the asset profiles of the acquiring and target firms. Building on the categorization scheme developed by Rugman (2007), we first divide assets into

two general categories: CSAs and FSAs. We then adopt the asset subdivision approach used by Capron et al. (1998b) to further group FSAs into R&D, manufacturing, marketing, and managerial and financial assets, resulting in the following 6-set asset classification:

Set 1 - Country-level assets: Country image, home market, cheap and/or highly skilled labour, and government-created advantages.

Set 2 - R&D assets: Technological and product development capability.

Set 3 - Manufacturing assets: Production ability and efficiency.

Set 4 - Marketing assets: Brand, brand management, distribution channels, buyer-seller relationship, customer service, and business reputation.

Set 5 - Managerial assets: Leadership, reporting systems, planning tools, and other general management skills that firms require as part of their ongoing administration.

Set 6 - Financial assets: All financial means for operating and developing the business.

Using these categories, we put the identified assets of the acquirers and targets into a matrix and depict the pairwise asset bundling from both sides, which helps us understand how CMNEs reconfigure their resources through strategic asset seeking and bundling.

Finally, we use the categorized pairwise asset combinations to investigate value creation mechanisms. Inspired by Capron and Mitchell (1998a), we discuss bundling results within three categories—horizontal asset bundling (pairwise combinations of resources that fall within the same asset sets), vertical asset bundling (pairwise combinations of resources that commonly link vertically with each other in the commercialization process), and other asset bundling (pairwise combinations which cannot be categorized as horizontal or vertical).

4.3 Methodology

Given the exploratory nature of this study, we employ a multiple case study approach based on qualitative, semi-structured interviews and secondary data. The multiple case study is a highly useful approach when cross-cultural and cross-border issues are involved, when ‘how’ and ‘why’ questions are posed, and when the research addresses a contemporary phenomenon within a rich, real-life context (Eisenhardt and Graebner, 2007; Flick, 2014).

4.3.1 Data Collection

To maximize internal validity, we employ theoretical sampling by purposely selecting cases which are particularly suitable for addressing our research questions (Eisenhardt and Graebner 2007).

In selecting cases, we limited our search to those in which CBMAs have been motivated by SAS and the acquired assets have been thought to serve the long-term objectives and global strategies of the acquirer. We also preferred CBMAs driven primarily by entrepreneurial motives. In addition, we limited our sample to those cases with sufficient data on detailed asset bundling activities from both the acquirer and acquired sides.

We focus on Chinese private-owned enterprises (POEs) because in recent years, they were responsible for the majority of CBMAs by CMNEs. They accounted, e.g., for 76% of the 489 Chinese acquisitions in 2015 (KPMG 2016). POEs are latecomers in international business and, therefore, are more likely to seek strategic assets overseas using CBMAs (Cui et al. 2014, Quer et al. 2020). Furthermore, acquisitions by POEs are more likely to be driven by entrepreneurial and market-oriented motives compared to state-owned enterprises (SOEs) (Child and Rodrigues 2005). Zhang et al. (2021) confirm that government affiliation of Chinese companies has a strong influence on their international acquisition behaviour which we want to exclude from this study. Lastly, POEs tend to be more transparent than SOEs (Liu and Woywode 2013).

We applied the following criteria to narrow our case selection:

- 1) Owing to the limited availability of reliable information about non-listed companies and the limited transparency of SOEs, we chose SAS acquisitions conducted by listed Chinese firms which have identified themselves as POEs with no governmental investors among the top ten shareholders.
- 2) We focused on the manufacturing sector to avoid strong heterogeneity which might result from differing sector contexts (Eisenhardt 1989). The manufacturing sector has played an important role in China's economic growth and underpins the drive of Chinese firms' internationalization through M&A (Deng 2009).
- 3) We focused on acquisitions with target firms in Europe and the USA because previous studies have shown that most acquisitions by CMNEs in these regions are SAS (Aoki et al. 2014, Blomkvist and Drogendijk 2016, DealGlobe and HurunReport 2017).
- 4) Acquisitions had been legally completed at least one year prior to the first round of data collection to ensure sufficient time to initiate asset bundling activities.

Chinese acquisitions in Switzerland, a small but highly innovative market with high labour costs (Schwab 2018), are very likely to be motivated by asset seeking. Since the authors are based in Switzerland, we started our case search there. To enhance validity, we asked CBMA-experts from UBS investment banking, E&Y, PWC and KPMG to recommend CMBA cases from European countries and the USA. Based on our selection criteria, we reduced the list

of 65 potential cases to 25 using an outside-in perspective (excluding cases with SOEs or firms with significant governmental influence as acquirer; selecting out cases with motivations other than SAS). Of course, retrieving information from the case study firms using interviews requires the consent of the company; therefore, in the last step, after approaching the remaining companies, we further ruled out cases in which we could not interview both sides (acquirer and acquired). This left the 12 cases detailed in this paper.

For these 12 cases, we have conducted interviews with 27 high-level decision-makers from both the acquiring and acquired firms and with six external experts (lawyers, consultants, and investment bankers) who have been involved in the acquisition processes (see Table 4.1). We have collected detailed primary (interviews and emails) and secondary (financial reports, internal and external reports, etc.) data on eight Chinese manufacturing POEs (with firm sizes between 3,000 and 18,000 employees) and 12 of their target firms. Data was gathered in two rounds between 2017 and 2019. In total, we conducted 30 interviews in the first round and 17 in the second. The interviews took between 90 minutes and four hours. We have personally visited all acquiring and acquired firms in Europe and China.

All interviews were tape-recorded, transcribed in the original language (Chinese, English, or German), and sent to the interviewees for verification. Subsequently, the Chinese and German transcriptions were translated into English by the first author and reviewed by a professional translation service.

All cases are listed in Table 4.2. The eight Chinese POEs cover four sectors – consumer goods, machinery, raw material processing and construction. The 12 acquired firms are located in four countries (6 in Switzerland, 4 in the USA, 1 in Austria, and 1 in Finland).

To ensure confidentiality, we refer to all Chinese and target firms using pseudonyms.

Table 4.1: Statistics of interviewees (Study 1)

	Company	Interviewee	1 st round	2 nd round
1	Sino Outdoor	CFO, founder	x	x
2	West Outdoor	CFO	x	
3	West Outdoor	Head of HR		x
4	Sino Tool	Vice president	x	x
5	Sino Tool	Head of sales	x	
6	West Tool 1	CEO	x	
7	West Tool 2	General manager	x	x
8	West Tool 3	CEO		x
9	West Tool 4	CEO	x	
10	Sino Textile	CFO	x	
11	West Textile	President	x	x
12	West Textile	CFO	x	
13	Sino Knitting	CEO	x	x
14	Sino Knitting	CTO	x	x
15	West Knitting	CEO	x	x
16	West Knitting	Project manager		x
17	Sino Metal	Vice president	x	x
18	West Metal	CEO	x	x
19	Sino Copper	Head of overseas investment	x	x
20	West Copper Retail	General manager	x	x
21	West Copper Process	CTO	x	
22	Sino Motor	Vice president of sales	x	x
23	Sino Motor	CIO	x	
24	West Motor	Head of marketing	x	
25	Sino Construct	Chairman	x	
26	Sino Construct	Head of technique department	x	x
27	West Construct	CEO and head of design	x	x
Interviews with external experts				
28	Legal consultant of a law company		x	
29	M&A expert of KPMG		x	
30	M&A expert of Deloitte		x	
31	M&A expert of PWC		x	
32	M&A expert of E&Y		x	
33	Investment banking expert of UBS		x	

Table 4.2: Key data of sample cases (Study 1)

Case	Acquirer / Acquired	Industry	Foundation acquirer / acquired	Employees of acquirer / acquired	Transaction price in million USD	Origin country of target	Targeted strategic assets	Status of acquirer in the industry	Status of acquired in the industry	Year of acquisition
C1	Sino Outdoor / West Outdoor	Manufacturing (consumer goods)	1996 / 1909	1500 / 70	16	Switzerland	Country image, brand, design skill	The biggest water bottle producer in China	The most famous water bottle supplier in German countries	2016
C2	Sino Tool / West Tool 1	Manufacturing (consumer goods)	1993 / 1929	6600 / 350	125	USA	Country image, brand	The largest home tool producer in Asia and one of top 500 firms in the world, with a revenue of USD 3 billion	One of the most famous tool brands in the USA	2010
C3	Sino Tool / West Tool 2	Manufacturing (consumer goods)	1993 / 1885	6600 / 50	1.3	USA	Country image, brand		One of the most famous tool brands in the USA	2016
C4	Sino Tool / West Tool 3	Manufacturing (consumer goods)	1993 / 1903	6600 / 60	3.57	USA	Country image, brand		One of the most famous tool brands in the USA	2017
C5	Sino Tool / West Tool 4	Manufacturing (consumer goods)	1993 / 1945	6600 / 500	1.85	Switzerland	Country image, brand		A famous Swiss brand for furniture and furniture tool	2018
C6	Sino Textile / West Textile	Manufacturing (machinery)	2000 / 1853	12000 / 4000	Unknown	Switzerland	Brand, technology	One of the most famous brands of carding machines	Famous textile machine brand in Europe with s long tradition	2013
C7	Sino Knitting / West Knitting	Manufacturing (machinery)	1988 / 1947	1612 /100	Unknown	Switzerland	Brand, technology	Number one knitting machine producer in China	One of the four most famous knitting machine brands in the world	2010
C8	Sino Metal / West Metal	Manufacturing (raw material processing)	2002 / 1855	3000 / 200	65	Switzerland	Brand, technology, sales channel	Top 3 provincial manufacturing firm	World most famous firm in the niche market of copper processing for precise instruments	2013
C9	Sino Copper / West Copper Retail	Manufacturing (raw material processing)	1989 / 1947	12000 / 120	32	USA	Sales channel	The largest copper processing company in Asia	Famous retailer for copper processing product in the USA with a broad network	2016
C10	Sino Copper / West Copper Process	Manufacturing (raw material processing)	1989 / 1939	12000 / 400	80	Finland	Production base, technology, sales channel		Big copper processing company in Europe	2017
C11	Sino Motor / West Motor	Manufacturing (machinery)	1984 / 1908	18000 / 3500	136	Austria	Country image, brand, sales channel, production base	The largest electric motor supplier in China	Famous electric motor brand with factories in Germany, the Netherlands and Austria	2011
C12	Sino Construct / West Construct	Manufacturing (construction)	1993 / 1936	12000 / 36	Unknown	Switzerland	Sales channel, design team	The largest façade construction firm in China	A famous Swiss façade design company	2008

4.3.2 Data Analysis

As suggested by Yin (2013), we began our data analysis by synthesizing all interview and secondary data using the MAXQDA statistical analysis tool. We then followed the methodological procedure recommended by Miles et al. (2014), beginning with entering case descriptions and establishing a coding frame, and progressing through pilot test, revision of codes, assessment of code reliability, and finally coding of all data.

We iterated between the conceptual framework (Figure 4.1), the empirical data, and related literature to identify first-order codes, second-order constructs, and aggregate dimensions (see Table 4.3). The first step involved open coding, consisting of breaking data into discrete named categories of events or acts (Miles et al. 2014). The second step was axial coding (Corbin and Strauss 2008), whereby first-order codes were grouped into sets of more abstract second-order codes, from which aggregate theoretical dimensions were derived using selective coding. The codes related to asset types are static (describing the asset profiles of the acquirers and target firms at the time prior to the acquisitions) and those related to asset bundling are dynamic (delineating the dynamic combination among different assets). To improve the validity of the coding, data analysis with MAXQDA was done by two people independently. In case of discrepancies, a discussion was held to reach consensus.

Table 4.3: Coding structure (Study 1)

First-order categories	Second-order themes	Aggregate dimensions
Swiss-made, made in Germany Traditional craftsman spirit	Country image	CSAs of acquirer/acquired
Cheap salary for manufacturing labour Highly qualified technical labour	Labour market	
Market breadth and depth in different segmentation	Market	
Financial support from the government Consulting support by governmental expert	Government-created advantage	
Product design R&A endowment Innovation resources and mechanism	Technology asset	FSA of acquirer/acquired
Production basis in home country and foreign countries Efficiency of production	Production asset	
Brand Sales channels Marketing resources	Marketing asset	
Leadership, managerial vision, entrepreneurship Operation management HR management International experience	Managerial asset	
Funding resources Capital base Networking in finance market	Financial asset	
Liability of country of origin Lack of qualified labour	Lack of CSA from an advanced economy	Gaps in CSA of acquirer/acquired
Lack of certain technology Lack of design capability Lack of R&D and innovation resources	Lack of technology asset	Gaps in FSA of acquirer/acquired
Lack of production facilities outside home country	Lack of alternative production resource	
Lack of brand Lack of sales channel Lack of marketing resources in home / foreign market	Lack of marketing asset	
Lack of international marketing experience Lack of international projecting knowledge Succession problem	Lack of managerial asset	
Insufficient capital for R&D Insufficient capital for market development	Lack of financial asset	
Mutual technology support and upgrading Promote acquired brand with Chinese marketing resources Combine production resources from both sides Joint R&D and innovation	Horizontal bundling	Bundling strategic assets with existing assets
Combine acquired technology with own product Combine acquired brand with own production Combine design from target with own production Promote acquired brand in home market Using target's sales channel for Chinese product	Vertical bundling	
Promote acquired brand in home market Promote craftsman spirit in home market Invest into target's R&D by acquirer Strengthen marketing team in Europe/USA	Other bundling	

4.4 Empirical Findings

Tables 4.4 and 4.5 present the results of the 6-set analysis of the asset profiles of the case study CMNEs and their target firms. Table 4.6 presents an asset bundling matrix, which shows all pairwise asset combinations identified in this study. These tables provide a complete overview of the strategic assets which CMNEs' targets and those they possess prior to the CBMAs, and how they bundle the acquired assets with their existing resources to create competitive advantages. In this chapter, we highlight our major findings.

Table 4.4: Assets/Gaps of CMNEs (Study 1)

Assets / Gaps of CMNEs			Cases	Total
Assets related to CSA ⁶		Big home market	C1,C2,C3,C4,C5,C6,C7,C8,C9,C10,C11,C12	12
		Cheap labour	C1,C2,C3,C4,C5,C6,C7,C8,C9,C10,C11,C12	12
		Government-created advantage	C6,C7,C8,C11	4
Gaps due to CSDA ⁷		Bad country image, country of origin, trading barrier	C1,C2,C3,C4,C5,C8,C9,C10,C11	9
		Lack of craftsmanship spirit	C4,C5,C6,C7,C8,C9,C11,C12	8
Assets related to FSA ⁸	R&D resources	Technology	C1,C2,C3,C4,C5,C6,C7,C9,C10,C11,C12	11
		Product and product development	C1,C2,C3,C4,C5,C6,C7,C8,C9,C10,C11,C12	12
		R&D and innovation	C1,C2,C3,C4,C5,C6,C7,C9,C10,C11,C12	11
	Manufacturing resources	Efficient production & cost management	C1,C2,C3,C4,C5,C6,C7,C8,C9,C10,C11,C12	12
	Marketing resources	Marketing skill, channel	C1,C2,C3,C4,C5,C6,C7,C8,C9,C10,C11	11
	Managerial resources	Talents	C1,C2,C3,C4,C5,C7,C10,C12	8
		Effective risk management	C10,C11	2
	Financial resources	Financial resource	C1,C2,C3,C4,C5,C6,C7,C8,C9,C10,C11,C12	12
Gaps due to FSDA ⁹	Gap in R&D resources	Lack of original innovation	C1,C2,C3,C4,C5,C6,C7,C8,C11,C12	10
		Technology gap	C1,C5,C6,C7,C8,C9,C11	7
	Gap in marketing	Lack of brand & market recognition	C1,C2,C3,C4,C5,C6,C7,C8,C10,C11	10
		Weak position in Western market	C1,C2,C3,C4,C7,C8,C10,C11,C12	9
	Gap in management	Lack of talent, lack of internationalization	C1,C6,C8,C12,C14	5
		Lack of internationalization experience	C1,C6,C8,C11,C12	5

⁶ CSA for country-specific advantage

⁷ CSDA for country-specific disadvantage

⁸ FSA for firm-specific advantage

⁹ FSDA for firm-specific disadvantage

Table 4.5: Assets/Gaps of Western target firms (Study1)

Assets / Gaps of Target firms			Cases	Total
Assets related to CSA		Country image, country of origin	C1,C2,C3,C4,C5,C6,C7,C8,C9,C11,C12	11
		Highly skilled labour	C5,C6,C7,C8,C9,C11,C12	7
		High-end market	C1,C2,C3,C4,C5,C7,C8,C10,C11,C12	10
		Craftsman spirit	C1,C2,C3,C4,C5,C6,C7,C8,C9,C11,C12	11
Gaps due to CSDA		High labour cost	C1,C2,C3,C4,C5,C6,C7,C8,C10,C11,C12	11
Assets related to FSA	R&D resources	Technology	C1,C2,C3,C4,C5,C6,C7,C8,C9,C11,C12	11
		Product	C1,C2,C3,C4,C5,C6,C7,C8,C9,C11	10
		R&D and innovation	C1,C2,C3,C4,C5,C6,C7,C8,C9,C10,C11,C12	12
	Manufacturing resources	Production	C1,C2,C5,C6,C7,C8,C9,C11	8
	Marketing resources	Brand, reputation, long tradition	C1,C2,C3,C4,C5,C6,C7,C8,C10,C11	10
		Marketing skill, channel	C1,C2,C7,C8,C10,C11,C12	7
	Managerial resources	Good manager, talent	C2,C3,C6,C9,C10,C12	6
Gaps due to FSDA	Gap in R&D resources	Bad in innovation cost control, bad in market oriented innovation	C1,C2,C3,C4,C7	5
	Gap in production	Old fashioned equipment/plant	C2,C3,C4,C9,C10	5
	Gap in marketing	Marketing problem (weak position in Asia and/or in other markets)	C1,C2,C3,C4,C5,C6,C7,C8,C11,C12	12
	Gap in management	Managerial problem (bad incentive system, no diversification strategy, bad cost controlling, lack of vision & ambition, lack of dynamics)	C1,C2,C3,C4,C6,C8,C9,C10,C11,C12	10
		Former owner problem	C1,C2,C3,C6,C7,C8,C9,C10,C11,C12	10
	Gap in finance	Finance problem	C1,C2,C3,C4,C5,C6,C7,C8,C9,C10,C11,C12	12

4.4.1 Bundling of the Acquired Strategic Assets with the CMNEs' Assets

In manufacturing industries, the CMNEs and Western firms went in opposite directions. The former positioned themselves in the mass market, fighting for quantity and price, and the latter in high-end markets with shrinking customer numbers. The CMNEs were first-class manufacturers (all eight CMNEs), ingenious imitators (*Sino Textile* and *Sino Knitting*), excellent process and cost optimizers (all but *Sino Metal*), and customer-oriented incremental innovators (all but *Sino Metal*), whilst their targets were long-tradition brands (all but *West Copper Retail* and *West Construct*), first-class designers with craftsmanship spirit, and original innovators. The significant differences

in asset profiles between the Chinese and Western firms created significant potential for resource optimization via asset bundling.

Of the 121 potential pairwise combinations of asset type bundling, 45 pairs are empirically found in our cases. On the level of asset type sets, there are 36 potential pairwise combinations of asset set bundling, of which 17 are empirically evidenced in our cases (see Table 4.6). This clearly shows that CMNEs intensively used their CSAs and FSAs to bundle target strategic assets.

The 45 asset type bundling pairs are split into 15 horizontal, 10 vertical, and 20 other asset type combinations. While vertical asset bundling, such as the combination of Western R&D and product design with Chinese production or the pairing of Western products with the Chinese home market, is widely recognized in the literature, horizontal asset bundling practices, such as bilateral technology transfer and cooperation in R&D and innovation, provide new insights.

Table 4.6: Matrix of asset bundling (Study 1)

		Set 1			Set 2			Set3	Set 4	Set 5		Set 6
CMNEs' Asset Types	Target Firms' Asset Types	Big home market	Cheap labour	Government-created advantage	Technology	Product	R&D and innovation	Efficient production & cost management	Marketing skill, channel	Good manager, talent	Effective risk management	Financial resources
		1	2	3	4	5	6	7	8	9	10	11
Set 1	Country image, country of origin	A	C1,C2,C3,C4,C5, C6,C7,C8,C11, (9 cases)						C1,C2,C3,C4,C5, C6,C7,C8,C10 (9 cases)			C1,C2,C3,C4,C5,C6, C7,C8,C9,C10,C11 (10 cases)
	Highly skilled labour	B	C6,C7,C11, (3 cases)	C5,C6,C7,C8, (4 cases)								C5,C6,C7,C8,C11,C12 (6 cases)
	High-end market	C	C1,C2,C3,C4,C5, C6,C7,C8,C9, C10,C11 (11 cases)									C1,C2,C3,C4,C5,C6, C7,C8,C11,C12 (10 cases)
	Craftsman spirit	D	C1,C2,C3,C4,C5, C6,C7,C8,C9,C11 (10 cases)					C1,C2,C3,C4,C5, C6,C7,C8,C11,C12 (10 cases)				C1,C2,C3,C4,C5,C6, C7,C8,C9,C11,C12 (11 cases)
Set 2	Technology	E	C1,C2,C3,C4,C5, C6,C7,C8,C9, C11 (10 cases)	C1,C2,C3,C4, C5,C6,C7,C8 (8 cases)	C6,C7,C8 (3 cases)	C1,C2,C3,C4,C5, C6,C7,C9,C11, C12 (10 cases)	C1,C2,C3,C4, C5,C6,C7,C8, C9,C11,C12 (11 cases)		C1,C2,C3,C4,C5, C6,C7,C8,C9,C11 (10 cases)			C1,C2,C3,C4,C5,C6, C7,C8,C9,C11,C12 (11 cases)
	Product	F	C1,C2,C3,C4,C5, C6,C7,C8,C9, C11 (10 cases)	C1,C2,C3,C4, C5,C6,C7,C8, (8 cases)		C6,C7,C9,C11 (4 cases)	C1,C2,C3,C4,C5, C6,C7,C8,C9, C11 (10 cases)	C1 (1 case)	C1,C2,C3,C4,C5, C6,C7,C8,C9,C11 (10 cases)	C1,C2,C3,C4,C5, C6,C7,C9,C11 (9 cases)		C1,C2,C3,C4,C5,C6, C7,C8,C9,C11 (10 cases)
	R&D and innovation	G	C1,C2,C3,C4,C5, C7,C8 (7 cases)				C1,C2,C3,C4, C5,C6,C7,C9, C10,C11 (10 cases)	C1,C6,C7,C8,C9, C11,C12 (7 cases)	C1,C2,C3,C4,C5, C6,C7,C11 (9 cases)			C1,C2,C3,C4,C5,C6, C7,C8,C9,C10,C11,C12 (12 cases)
Set	Production	H						C1,C2,C5,C6,C7, C8,C9,C10,C11 (9 cases)				C1,C2,C6,C7,C8,C9, C11 (7 cases)
Set 4	Brand, reputation, long tradition	I	C1,C2,C3,C4,C5, C6,C7,C8,C10, C11 (10 cases)		C6,C7,C8, C11 (4 cases)	C1,C2,C3,C4,C5, C7,C8,C10, C11,C12 (10 cases)	C1,C2,C3,C4, C5,C7,C10 (7 cases)	C1,C2,C3,C4,C5, C6,C7,C8,C10 (9 cases)	C1,C2,C3,C4,C5, C6,C7,C8,C10,C11 (10 cases)			C1,C2,C3,C4,C5,C6, C7,C8,C10,C12 (10 cases)
	Marketing skill, channel	J				C1,C2,C7,C8, C10,C11,C12 (7 cases)	C2 (1 case)		C1,C2,C3, C5, C6,C7,C8,C11 (8 cases)			C1,C2,C7,C8,C10,C11, C12 (7 cases)
Set 5	Good manager, talent	K								C1,C2,C3,C4, C5,C6,C7,C8, C9, C10, C11,C12 (12 cases)		
S	Financial resource	L										

Set 1: Country level assets; Set 2: R&D assets; Set 3: Manufacturing assets; Set 4: Marketing assets; Set 5: Managerial assets; Set 6: Financial assets

4.4.1.1 Horizontal Asset Bundling

The horizontal asset bundling combinations are found in or near the diagonal in Table 4.6. Horizontal asset bundling is seen within all categories of assets apart from financial due to the Western target firms' lack of significant financial resources.

Horizontal bundling of country-level assets (set 1 ← set 1)

There is empirical evidence for five pairwise *country asset combinations (set 1 ← set 1)*¹⁰, with the strongest evidence being for the combinations of 'country image ← big home market' (A1)¹¹, 'high-end market ← big home market' (C1), and 'craftsman spirit ← big home market' (D1).

Positive country image and craftsman spirit in particular were bundled with large home markets in order to exploit the market potential of the target firms' products in China.

'If a manufacturing tool is labelled with 'Made in Germany' or 'Swiss Made', Chinese consumers will like it. We don't even need to invest big money in marketing it. That is why we like to target German and Swiss firms, e.g., we acquired West Tool.'
(Vice president, Sino Tool)

Horizontal bundling of R&D assets (set 2 ← set 2)

At the firm level, there are six empirically evidenced *R&D resource combinations (set 2 ← set 2)*. The most strongly evidenced combinations are 'technology ← technology' (E4), 'product ← product' (F5), 'R&D and innovation ← R&D and innovation' (G6) and 'technology ← product' (E5). Our interviewees strongly emphasized bilateral resource redeployment in R&D, which benefits both sides.

Our data show that Chinese acquirers used the technological advantages of their targets to rapidly improve their own technology in order to maintain their front-runner status in their home market against Chinese competitors. At the same time, they helped the targets adapt their technology to become more customer-oriented and cost-optimized (observed in nine cases). *West Knitting's* engineers helped *Sino Knitting* to efficiently upgrade its knitting machines for large-scale factory production, while *Sino Knitting's* engineers encouraged *West Knitting* to simplify its machines by abandoning rarely used features in machines used to produce for Asian markets, thus lowering costs and improving global market positioning. This cooperation resulted in a win-win

¹⁰ We put the assets of the target firm before the arrow, and the assets of the Chinese POE behind the arrow, indicating the direction of the acquisition.

¹¹ The combinations of letter and number in brackets indicate the coordinates of the cells in Table 4.6.

situation: *Sino Knitting* kept its technology lead against imitators and *West Knitting* was able to serve a broader clientele globally.

In addition, CMNEs also combine products from both sides to comprehensively serve all market segments.

'Since the takeover, we now have the West Outdoor series for high end customers and Sino Outdoor's own brands for mid-market and low-end clients. Together, we can cover the whole Chinese market.' (CFO, West Outdoor)

After their respective acquisitions, *Sino Outdoor* and *Sino Motor* increased their investments into both low-end products in China and the high-end products of their acquired firms.

The initial innovation power of Western firms bundled with the cost optimization and customer-oriented innovation of Chinese firms created positive results. All CMNEs except *Sino Metal* cooperated closely with their targets. *Sino Outdoor*, *Sino Tool*, *Sino Textile*, and *Sino Knitting* had extensive experience in co-innovation, and interviewees explained that combined innovation was more creative, cost-saving, and customer-oriented.

'We Swiss used to design very complex machines ... the Chinese told us to remove several functions because they were superfluous... Together, we can make machines cheaper and more appropriate to customers' needs.' (CEO, West Knitting)

Sino Outdoor and *West Outdoor* launched more than 100 new products with three new materials. Together with the acquired brand firms, *Sino Tool* created customized toolboxes for different industry sectors, such as car repair centres and furniture installation firms.

Horizontal bundling of manufacturing assets (set 3 ← set 3)

Combinations of *manufacturing assets (set 3 ← set 3)* appear in nine cases. Many of the Western managers feared that their existing factories would be closed following the acquisitions. However, in many cases, CMNEs not only kept the Western factories operating but made efforts to improve and increase local production. They bundled the Western production with their own, rather than moving all production to their home country facilities, for several reasons: First, to serve high-end markets and thus to become a brand and full-range provider; second, to avoid 'liability of origin' and trade barriers; and finally, to solve the high production cost problem of the targets.

All Western target firms with production facilities except *West Tool 4* increased their production through mutual exploitation of the Chinese middle and high-end markets. *Sino Textile*, *Sino Knitting*, and *Sino Motor* organized joint production with their target firms, whereby key components of specific machines were produced by the targets and other, more standard components by Chinese firms. Thus, they obtained the desirable country labels of the target firms and

reduced the costs of high-end products. *Sino Copper* and *Sino Metal* used the acquired production facilities to serve customers in countries which imposed anti-dumping taxes on Chinese products, while their Chinese factories produced for customers in the rest of the world.

'We kept all West Copper Process's factories (in Europe and Thailand). We need them to produce for European and US markets so that we can avoid trading discrimination. Our factories in China serve the rest of the world.' (Head of overseas investment, Sino Copper)

Horizontal bundling of marketing assets (set 4 ← set 4)

Our case CMNEs and their target firms bilaterally redeployed *marketing resources* (set 4 ← set 4) to open new markets for each other's products. They aimed to exploit the potential value of Western brands by bundling them with the acquiring firms' own marketing skills and distribution channels in their home market (observed in 11 cases). The promise of protecting the traditional brands and paving the way for their entry into the Chinese market was one of the most convincing arguments throughout the bidding and acquisition process. *West Outdoor*, *West Tool 1*, *West Tool 2*, and *West Textile* all faced Western competitors which were eager to acquire them and to extinguish their traditional brands. Preserving these brands was a decisive factor in favour of the Chinese bidders in these cases.

'We were West Tool 1's OEM-partner, not a competitor. If West Tool 1 had been sold to their competitor Big Tool, it might only survive for a few years; in the long run, Big Tool would have had no rivals in the market after the merger and would have assimilated West Tool 1 into their own brand—a taboo for a century-old brand. Sino Tool's brand is too weak. After the merger, West Tool 1's brand can continue. For the inheritors of family companies with century-old brands, the first concern is not money, but the continuation and positive development of the brands.' (Vice President, Sino Tool)

Along with the mutual reconfiguration of existing marketing resources, CMNEs and their targets also jointly explored new markets. Since *West Outdoor*'s brand was only well known in the German-speaking areas of Europe, *Sino Outdoor* decided to 'Europeanise' the *West Outdoor* brand by promoting it in other European countries such as France, Italy, and the UK. *Sino Tool* and its acquisitions *West Tool 1* and *West Tool 2* also jointly entered various new European markets.

Horizontal bundling of managerial assets (set 5 ← set 5)

Bilateral redeployment of personnel and managerial capabilities (set 5 ← set 5) is often observed; personnel exchanges between CMNEs and their targets were frequent.

4.4.1.2 Vertical Asset Bundling

Vertical asset bundling refers to resource combinations across business processes. The most common vertical combinations seen in our case studies were those of R&D resources and manufacturing resources (set 2 \leftarrow set 3), R&D resources and marketing resources (set 2 \leftarrow set 4, set 4 \leftarrow set 2), and manufacturing resources and marketing resources (set 4 \leftarrow set 3).

Vertical asset bundling is seen between the products of Western target firms and Chinese production and between the R&D and innovation of Western targets and Chinese production. This combination is the logical result of the reorganization of global supply chains triggered by the industrialization of emerging market economies. All case CMNEs applied this kind of asset bundling. *Sino Tool*, *Sino Copper*, and *Sino Metal* reintroduced numerous retired products that their targets had once successfully produced for mass markets but later suspended due to fierce price competition, to help them return to the medium and lower market segments.

'West Metal has more than 3000 products in its catalogue. Due to rising labour costs, it has recently only been producing around 30 products. Since the takeover, we have reactivated dozens of sleeping products with our Chinese factories. The market feedback shows the combination of Swiss design and Chinese production is competitive. Thus, we plan to revive an additional 1000 products.' (Vice president, Sino Metal)

Bundling these assets enhanced the efficiency and competitiveness of the target firm and enriched the product range of the combined business.

Vertical bundling between R&D resources (set 2) and marketing resources (set 4)

The bundling of R&D and marketing resources was common in both directions—that is, R&D resources from targets were bundled with marketing resources from CMNEs (set 2 \leftarrow set 4) and R&D resources from CMNEs were bundled with marketing resources from targets (set 4 \leftarrow set 2). This symmetrical redeployment of resources suggests that acquiring and acquired firms exchanged resources to build upon their respective strengths.

By combining Western technology, products, and innovation with the marketing resources of CMNEs, Western targets gained opportunities to enter the Chinese market and other Asian markets. This is consistent with Hennart's (2009, 2018) theory that control over untradeable local assets—such as market access and customer relationships—enables CMNEs to bundle technologies from Western firms. *West Outdoor*, *West Textile*, *West Knitting*, and *West Construct* all benefitted from this sort of asset bundling, while *Sino Outdoor* and *Sino Tool* used the sales channels of their targets to enter higher-end markets and climb to higher levels in the value chain.

'We rent extra-large stands at various trade fairs in Asia and Europe to promote the products of our US daughter firms. The sales manager of West Tool 1 told me, the former shareholder had never invested so much money for such events outside America. Now the brands of all these daughter firms are available on Asian markets.' (Vice president, Sino Tool)

Vertical bundling between marketing resources and manufacturing resources (set 4 ← set 3)

All case CMNEs and ten Western targets were involved in the bundling of long-lasting traditional Western brands with Chinese production and cost management. This combination of assets frequently predated acquisitions, in the form of outsourcing contracts (OEM/ODM contracts) in which Western firms took the lead and CMNEs played the role of low-cost partners. After the acquisitions, CMNEs internalized Western brand firms through CBMAs and took the lead as integrators. Reviving Western brands and keeping them valuable, maintaining efficient production, and maximizing margins were the overarching bundling goals.

4.4.1.3 Other Types of Asset Bundling

Outside the categories of either horizontal or vertical asset bundling, we find combinations of the country-level resources of Western targets and Chinese manufacturing resources (set 1 ← set 3), particularly the bundling of Western craftsmanship spirit with Chinese production (10 cases) through which the production quality of CMNEs has improved.

Combinations of the country-level resources of the targets and the marketing resources of the CMNEs (set 1 ← set 4) is clearly documented by this quote:

'Our Chinese marketing team initialized an online program by which we introduced the history, customs, technologies, and innovative spirit of Switzerland via multi-media. The 'Quiz about Switzerland' was very popular, since winners could obtain our outdoor products as rewards. Such activity helps to promote the 'Swiss DNA' in our group.' (CFO, Sino Outdoor)

There is significant evidence for the bundling of Western technology with the Chinese home market (set 2 ← set 1), in particular Western technology with Chinese labour, Western products with the Chinese market or with Chinese labour, and Western R&D and innovation resources with the Chinese market.

The combination of Western marketing resources with Chinese country-level resources (set 4 ← set 1) is evidenced, too, particularly the bundling of Western brands, reputation, and established tradition with the Chinese market (10 cases). Through this bundling, CMNEs developed the value of Western corporate brands for the Chinese market.

Finally, there are combinations of diverse resources of the Western targets with financial resources from China (sets 1, 2, 3, 4 ← set 6). *Sino Motor* helped *West Motor* build a new research centre in Germany to speed up the industrialization of R&D products. Keeping up on financial promises turned out to be the most convincing way to provide new perspectives to the target company, to build up trust between CMNEs and the target firms, and to avoid brain drain.

'The most important is to gain the trust of acquired firm and vice versa... In our industry, people have witnessed a few acquisitions conducted by Asian firms. They closed down European factories once the technologies had been transferred. Many local people lost jobs. That's what people are afraid of. I convinced the chairman of Sino Knitting to buy additional land for the extension of the R&D and local production. He also granted more money for marketing and sales in Europe. This action stopped the resignation wave... Each year, Sino Knitting keeps pumping resource to Swiss daughter. Finally, local newspapers reported very positively about this Chinese takeover.' (CFO, *West Knitting*)

4.4.2 The Asset Profiles of the CMNEs

The case CMNEs all possess national-level resources linked with commonly recognized advantages, including a large home market and access to cheap labour. Government-created advantages are seen in half of the cases in the form of low-interest loans, governmental orders, and soft support (e.g., consulting and training).

At the firm level, in all 12 cases, the target firms' managers confirm that their Chinese acquirers possess good or even excellent competitive products and efficient production. In all cases but one, the target firms expressed appreciation for the R&D and innovation capacities and marketing skills of the acquiring CMNEs. In the cases of *Sino Outdoor*, *Sino Tool*, and *Sino Copper*, Western managers stated that the Chinese acquirers possessed more modern plants and production facilities than their Western competitors. In other cases, such as *Sino Textile* and *Sino Knitting*, they emphasized the Chinese firms' R&D and innovation abilities, especially in terms of time-to-market of new products and information on customer needs. By quickly adopting big data and social networking technology, Chinese companies have built up dynamic customer relationships which drive accelerated innovation and product upgrading.

'Commissioned by global retail dealers, [Sino Tool] produces tools with 90% of the functionality of tools from the most famous brands but at only 60% of the price. Its product line is extremely broad. It has continued investing in its production facility and R&D. Recently, it has established the most advanced plants in China.' (Managing Director, *West Tool 1*)

The CMNEs had, and still have, leading positions in their home market, particularly in the lower and middle market segments. *Sino Outdoor*, *Sino Knitting*, *Sino Textile*, and *Sino Metal* are highly active in practice-oriented and cost-saving-oriented product development

and incremental innovation. They have built solid customer bases and broad distribution networks across China. Seven of the eight CMNEs had previous experience cooperating with Western firms, as either OEM/ODM producers (in the cases of *Sino Outdoor* and *Sino Tool*), joint venture partners (*Sino Textile* and *Sino Knitting*), or co-contractors (*Sino Copper*, *Sino Motor*, and *Sino Construct*). These partnership experiences enabled them to develop and accumulate technology and other capabilities, and mitigated information asymmetry problems in CBMAs.

However, all these CMNEs noted that they struggled to enter the high-end market, partly due to a lack of design ability and technologies for this market (e.g., the capacity for initial innovation of entirely new products). They also suffered from low customer recognition in high-end markets, and from a lack of comprehensive international experience among management.

4.4.3 The Asset Profiles of the Western Targets

At the country level, the positive image of the Western target firms' home countries as well as the 'craftsmanship spirit' perceived as part of their home countries' working culture were sought by the CMNEs in 11 cases.

At the firm level, the case CMNEs saw technologies and products for high-end markets (in 11 cases), R&D capacity (in 12 cases), and brands (in 10 cases) as desirable strategic assets. *Sino Copper*, *Sino Motor*, and *Sino Construct* also value alternative production bases as means of avoiding trade barriers.

Despite their possession of advanced technologies, reputable brands, and excellent customer bases, none of the acquired Western companies was able to continue business without additional investment. They were under pressure from competitors in emerging markets mainly due to those competitors' cheap labour advantages and incremental innovation capabilities. The Western firms had responded to this competition by positioning themselves as upscale brands, gradually giving up lower-end and medium markets. As a result, they ultimately found themselves at the peak of the segmentation pyramid serving a small group of customers in niche markets. This was especially true for *West Outdoor*, *West Tool 2*, *West Tool 3*, *West Knitting*, and *West Metal*. Although they achieved high margins per unit in this segment, shrinking sales volumes meant that earnings could no longer cover fixed costs and investments, and left them unable to finance further development. In addition, managerial problems such as poor cost management, unfavourable investment decisions, and limited product diversification were observed in 10 target firms, while ownership issues like succession problems, unwillingness to invest further, or the desire of former owners to cash out were seen in 10 target firms.

4.5 Discussion

These 12 case studies provide insight into how CMNEs systematically leverage and realign their own and their targets' assets to meet the requirements of the global market.

Our research confirms that CMNEs possess the commonly recognized CSAs such as a large home market, availability of cheap labour, and governmental support (Hennart 2009, Luo et al. 2010, Wang et al. 2012, Bose et al. 2021). However, it contradicts common assumptions that CMNEs do not have significant FSAs (Rugman 2009) or that they possess only ordinary resources (Luo and Child 2015, Zhou et al. 2019). Our findings instead indicate that each of the case CMNEs possessed well-developed knowledge-related FSAs prior to their acquisitions of Western firms (He et al. 2019); their production efficiencies allowed them to deliver competitive products for mass markets, and some were also able to succeed in high-end markets. They were also highly successful in incremental innovation and in customer-driven innovation. Thus, while we do not dispute the accuracy of recent findings that EMNEs may on average still have fewer FSAs than their Western counterparts (Bose et al. 2021), our research does show that CMNEs do have their own well-developed FSA bases.

CMNEs source strategic assets through CBMAs in DEs to gain international competitiveness. They typically target Western companies with resources that complement their own (Luo and Tung 2007, Deng 2009, Cui et al. 2014), including (1) technologies and brands that gave them an edge over their competitors in China; (2) an upgraded product range; and (3) access to the Western and global markets. The interplay of their CSAs and FSAs enables them facilitate asset bundling activities in DEs. This asset bundling not only addresses the competitive disadvantages of CMNEs, but also helps the target Western firms to reduce production costs, enhance technology for broad markets, and succeed in the Chinese market. Bids from Western competitors can rarely offer this kind of combination of CSAs and FSAs.

Three categories of asset bundling were seen in our case studies: 'Horizontal asset bundling', 'vertical asset bundling', and 'other asset bundling' (Capron and Mitchell (1998a).

Horizontal asset bundling was observed to create synergies in operations and growth, enhancing efficiency and market power and leading to the expansion of the combined business. For example, several case study firms optimized production lines using horizontal bundling of production facilities, either using acquired Western firms and CMNEs' own facilities to produce different components for the same products or using the combined capacity to standardize production of the same components for different products serving different customer segments. Production cooperation of this kind enables the integrated companies to efficiently cover a broader range of customer

segments. Several case firms achieved increases in market power by combining the image of Western countries, and specifically of Western craftsmanship, with a big home market and the ability to combine products to serve both markets. By integrating Western and Chinese products, the combined manufacturing firms were able to serve a broader range of customer segments, increase their market influence, and move toward becoming full-range providers. Synergies in growth were similarly created through joint marketing, mutual technology support, and joint innovation. Combining Chinese and Western markets and marketing resources enables both the acquirer and acquired firms to support each other's entry into new markets and to jointly enlarge their customer bases.

Our study also provides evidence that technology integration and transfer between CMNEs and Western targets, in contrast to the academic consensus and mainstream perceptions, occurs in both directions. Case CMNEs appeared to be flexible and dynamic experts in mass-market production, with substantial customer-driven and cost-optimized innovation power. Western manufacturing targets stood out for their craftsmanship, specialized high-end and niche products, and capacity for initial innovation. These two sets of advantages complement each other, allowing the combined business to optimize technology and accelerate product development. Together, Chinese and Western firms developed cutting-edge new products, as seen in the mutual product development and joint innovation undertaken by *Sino Knitting* and *West Knitting*.

Vertical asset bundling, meanwhile, results in cost savings, business stabilization, and enhanced brand and product competitiveness. The combination of Western products with Chinese marketing skills and sales channels enables Western companies to either enter the Chinese market or enlarge their market share in China.

Other asset bundling creates operational synergies. Western country image, technology, and products combine with efficient Chinese manufacturing skills to grant the combined businesses improved reputation and cost-efficiency.

The operational, collusive, and growth synergies created by Chinese companies through CBMAs cannot easily be copied by Western competitors standing alone.

4.6 Conclusion

While existing literature has noted that Chinese companies are motivated to acquire and integrate strategic assets (Child and Rodrigues 2005, Deng 2007, Rugman and Li 2007, Rui and Yip 2008, Deng 2009, Zheng et al. 2016), our study sheds light on what specific assets they are looking for, what kind of initial asset profiles enable them to fruitfully make use of these assets in

combination with their own existing resources, and how they bundle the acquired assets with their own assets to create economic value.

4.6.1 Theoretical Contributions

We contribute to the existing literature in four key areas. First, we concretize the concept of ‘SAS’, initially proposed by Dunning (1993), by introducing a refined 6-set, dual-perspective asset analysis. This framework provides a complete picture of the asset profiles of firms on both sides of the acquisition process. Putting SAS into the context of the specific CSAs, FSAs, and asset bundling activities of CMNEs, our study provides evidence for the individual nature of the ‘strategic asset’, helping to explain the critical role of SAS in internationalization. Second, we confirm and extend Hennart’s (2009, 2018) bundling theory by showing that the interplay of CMNEs’ CSAs and FSAs, rather than their CSAs alone, determines effectiveness in the acquisition and bundling of Western assets (Ramamurti 2009, Marinova et al. 2011). Third, we identify how CMNEs are able to move beyond leveraging ordinary resources (Luo and Child 2015, Zhou et al. 2019) and create their own advanced technologies and bundle VRIN assets in DEs. Fourth, we provide empirical evidence for CMNEs’ ability to create private synergy (Barney 1988) through asset bundling activities. CMNEs in our case studies bundled Western brands not only with the large Chinese market, but also with their own financial, production, cost-optimization, innovation, and marketing resources. They revitalized Western brands through product line extension and market development. Bidding competitors from DEs often had asset profiles similar to those of the target firms and therefore could not present a bundling case as complementary as the one offered by the Chinese counterpart.

4.6.2 Managerial Implications

Our study has managerial implications for companies from DEs as well as those from emerging countries. Patterns in the asset bundling activities of CMNEs can help Western managers better understand the internationalization approaches of Chinese companies. In contrast to widespread assumptions that Chinese acquirers conduct one-way know-how transfer to China (Di Minin et al. 2012, Ciabuschi et al. 2017, Peng et al. 2017) and close down Western business bases to reduce their labour cost (Raess 2019), our study provides evidence that technology exchange, joint innovation, and additional investment in target companies occurred in almost all cases. The Chinese companies maintained the acquired Western companies as their centres for high-end markets in product design, R&D, marketing, and production. They also kept and used Western brands for marketing purposes. We find strong evidence that CMNEs often combine resources from both

sides to reconfigure the business and create mutually beneficial results, rather than simply obtaining resources from the targets for their unilateral benefit. Managers of EMNEs may also find helpful insights, including the importance of highlighting potential for private synergy and mutual benefits when making bids to acquire Western companies. This finding may also contribute to current political discussions regarding the question of whether Western countries should regulate Chinese acquisitions.

4.6.3 Limitations and further research

This study has some limitations, which also indicate avenues for further research. First, there might be a success bias. Almost all cases were successful in acquisition and asset bundling. Of the 12 cases, 11 resulted in combined revenue and profit growth and customer base expansion. Other studies have shown that CBMAs of CMNEs often fail (Zhang et al. 2021). It is expected that managers of successful businesses are more willing to participate in interviews than managers of less successful businesses, but to get a more complete picture, an analysis of acquisition failures would be highly beneficial. Second, we only investigated Chinese manufacturing firms. CMNEs in other industries, such as IT and communication or finance, may have different asset profiles and different asset bundling behaviours. Furthermore, because our case studies covered manufacturers in four different industries, our sample size in each industry is too small to identify possible differences in bundling strategies between the industries. Third, we did not connect the case firms' overall corporate strategies with their SAS and asset bundling activities. Similarly, we also ignored dynamic development in the case firms' asset bundling activities over time. Finally, we only investigated POEs, based on the assumption that these are more transparent and driven more by entrepreneurial motives and less by political motives. However, we believe a systematic investigation of the differences between POEs' and SOEs' asset bundling practices is a worthwhile question for further study.

Future research should put SAS into its strategic context and investigate the link between the corporate strategies of EMNEs and their asset acquisition and bundling. It should also examine the dynamic evolution of CMNEs' post-acquisition integration which only few studies have touched upon (Yang and Lütge 2019, Zhang et al. 2020).

References

- Ai, Q., & Tan, H. (2018). The intra-firm knowledge transfer in the outward M&A of EMNCs: Evidence from Chinese manufacturing firms. *Asia Pacific Journal of Management* 35(2): 399-425.
- Amit, R., & Schoemaker, P. J. (1993). Strategic assets and organizational rent. *Strategic Management Journal*, 14(1), 33-46.
- Aoki, Y., Liu, D., Sun, S., Wang, T., Wang, X., & Zhou, A. Y. (2014). Chinese Foreign Direct Investment in the United States. *Business Horizons*, 56(4), 443-451.
- Barney, J., (1991). Firm resources and sustained competitive advantage. *Journal of Management* 17(1): 99-120.
- Barney, J.B., (1988). Returns to bidding firms in mergers and acquisitions: Reconsidering the relatedness hypothesis. *Strategic Management Journal* 9(S1): 71-78.
- Barney, J.B., & Arian, A.M. (2001). The resource-based view: Origins and implications. In: M. A. Hitt, R. E. Freeman & Harrison, J.S. (Eds), *Handbook of Strategic Management*. The Blackwell publishing: 124 - 188.
- Bhaumik, S. K., Driffield, N., & Zhou, Y. (2016). Country specific advantage, firm specific advantage and multinationality—Sources of competitive advantage in emerging markets: Evidence from the electronics industry in China. *International Business Review*, 25(1), 165-176.
- Blomkvist, K., and R. Drogendijk (2016). Chinese outward foreign direct investments in Europe. *European Journal of International Management* 10(3): 343-358.
- Boateng, A., Qian, W., & Tianle, Y. (2008). Cross-border M&As by Chinese firms: An analysis of strategic motives and performance. *Thunderbird International Business Review* 50(4): 259-270.
- Bose, T. K., Uddin, M. R., Bristy, J. F., & Haque, M. E. (2021). Country-and firm-specific positions of different multinational enterprises: who is having what? *European Journal of International Management* 15(1): 112-134.
- Buckley, P. J., Doh, J. P., & Benischke, M. H. (2017). Towards a renaissance in international business research? Big questions, grand challenges, and the future of IB scholarship. *Journal of International Business Studies*, 48(9), 1045-1064.
- Capron, L., Dussauge, P., & Mitchell, W. (1998b). Resource Redeployment Following Horizontal Acquisitions in Europe and North America. *Strategic Management Journal* 19(7): 631-661.
- Capron, L., & Mitchell, W. (1998a). Bilateral resource redeployment and capabilities improvement following horizontal acquisitions. *Industrial and Corporate Change* 7(3): 453-484.
- Caves, R.E. (1980). Industrial organization, corporate strategy and structure. Readings in Accounting for Management Control, Springer: 335-370.
- Child, J., & Rodrigues, S. B. (2005). The internationalization of Chinese firms: a case for theoretical extension? *Management and Organization Review* 1(3): 381-410.
- Ciabuschi, F., Kong, L., & Su, C. (2017). Knowledge sourcing from advanced markets subsidiaries: political embeddedness and reverse knowledge transfer barriers in emerging-market multinationals. *Industrial Corporate Change* 26(2): 311-332.

- Cui, L., Meyer, K. E., & Hu, H. W. (2014). What drives firms' intent to seek strategic assets by foreign direct investment? A study of emerging economy firms. *Journal of World Business* 49(4): 488-501.
- DealGlobe and HurunReport (2017). The 2017 special report for cross border M&A of Chinese companies: 1-24.
- Deng, P. (2007). Investing for strategic resources and its rationale: The case of outward FDI from Chinese companies. *Business Horizons* 50(1): 71-81.
- Deng, P. (2009). Why do Chinese firms tend to acquire strategic assets in international expansion? *Journal of World Business* 44(1): 74-84.
- Di Minin, A., Zhang, J., & Gammeltoft, P. (2012). Chinese foreign direct investment in R&D in Europe: A new model of R&D internationalization? *European Management Journal* 30(3): 189-203.
- Dunning, J. (1993). *Multinational Enterprises and the Global Economy*, Edward Elgar Publishing, UK.
- Dunning, J.H. (1988). The eclectic paradigm of international production: A restatement and some possible extensions. *Journal of International Business Studies* 19(1): 1-31.
- Dunning, J.H. (1991). The eclectic paradigm of international production. In: Pitelis, C.N. & Sugden, R. (Eds.), *The Nature of the Transnational Firm*. Routledge, London and New York: 121-141.
- Dunning, J.H. (2001). The eclectic paradigm of international production. In: Pitelis, C.N. & Sugden, R. (Eds.), *The Nature of the Transnational Firm*. Routledge, London and New York: 121-141.
- Dunning, J.H. & Lundan, S.M. (2008). *Multinational enterprises and the global economy*, Edward Elgar Publishing, UK.
- Eisenhardt, K.M. (1989). Building theories from case study research. *Academy of Management Review* 14(4): 532-550.
- Eisenhardt, K.M. & Graebner, M.E. (2007). Theory building from cases: Opportunities and challenges. *The Academy of Management Journal* 50(1): 25-32.
- Ewing, J. (2020). Europe Takes Steps to Block Chinese Bargain Hunters. The New York Times <https://www.nytimes.com/2020/06/17/business/european-union-china-deals.html>. (access 27. Aug. 2023)
- Fan, P. (2011). Innovation, globalization, and catch-up of latecomers: Cases of Chinese telecom firms. *Environment and Planning A: Economy and Space* 43(4): 830-849.
- Flick, U. (2014). *An introduction to qualitative research*, Sage, UK.
- He, S., Khan, Z., & Lew, Y. K. (2019). Technological innovation as a source of Chinese multinationals' firm-specific advantages and internationalization. *International Journal of Emerging Markets* 14(1): 115-133.
- Hennart, J.-F. (2009). Down with MNE-centric theories! Market entry and expansion as the bundling of MNE and local assets. *Journal of International Business Studies* 40(9): 1432-1454.
- Hennart, J.-F. (2018). Springing from where? How emerging market firms become multinational enterprises. *International Journal of Emerging Markets* 13(3): 568-585.

- KPMG (2016). China outlook: <https://home.kpmg/xx/en/home/insights/2016/2003/china-outlook-2016.html>.
- Lattemann, C., Alon, I., Chang, J., Fetscherin, M., & McIntyre, J. R. (2012). The globalization of Chinese enterprises. *Thunderbird International Business Review* 54(2): 145-153.
- Liu, Y. & Woywode, M. (2013). Light-Touch Integration of Chinese Cross-Border M&A: The Influences of Culture and Absorptive Capacity. *Thunderbird International Business Review* 55(4): 469-483.
- Luo, Y. & Child, J. (2015). A composition-based view of firm growth. *Management Organization Review* 11(3): 379-411.
- Luo, Y. & Rui, H. (2009). An ambidexterity perspective toward multinational enterprises from emerging economies. *Academy of Management Perspectives* 23(4): 49-70.
- Luo, Y. & Tung, R.L. (2007). International expansion of emerging market enterprises: A springboard perspective. *Journal of International Business Studies* 38(4): 481-498.
- Luo, Y. & Tung, R.L. (2017). A general theory of springboard MNEs. *Journal of International Business Studies* 49(2): 129-152.
- Luo, Y., et al. (2010). How emerging market governments promote outward FDI: Experience from China. *Journal of World Business* 45(1): 68-79.
- Marinova, S., Child, J., & Marinov, M. (2011). Evolution of firm-and country-specific advantages and disadvantages in the process of Chinese firm internationalization. In: Dynamics of globalization: Location-specific advantages or liabilities of foreignness? Emerald Group Publishing Limited: 235-269.
- Mathews, J.A. (2006). Dragon multinationals: New players in 21st century globalization. *Asia Pacific Journal of Management* 23(1): 5-27.
- Meyer, K.E. (2015). What is “strategic asset seeking FDI”? *The Multinational Business Review* 23(1): 57-66.
- Meyer, M.W. (2017). Going out by going in: business model innovation with Chinese characteristics. *Thunderbird International Business Review* 59(4): 473-482.
- Miao, C., Coombs, J. E., Qian, S., & Sirmon, D. G. (2017). The mediating role of entrepreneurial orientation: A meta-analysis of resource orchestration and cultural contingencies. *Journal of Business Research* 77: 68-80.
- Miles, M. B., Huberman, A. M., & Saldana, J. (2014). Qualitative data analysis, Sage, UK.
- Nicholson, R.R. & Salaber, J. (2013). The motives and performance of cross-border acquirers from emerging economies: Comparison between Chinese and Indian firms. *International Business Review* 22(6): 963-980.
- Peng, Z., et al. (2017). Towards a framework of reverse knowledge transfer by emerging economy multinationals: Evidence from Chinese MNE subsidiaries in the United States. *Thunderbird International Business Review* 59(3): 349-366.
- Quer, D., et al. (2020). FDI drivers and establishment mode choice of emerging-market MNEs: the role of state ownership. *European Journal of International Management* 14(1): 144-172.
- Raess, D. (2019). Die Ängste werden unterschätzt. *Neue Zürcher Zeitung* April 03. 2019.

- Ramamurti, R. (2009). What have we learned about emerging—market MNEs? In: Ramamurti, R. & Singh, J.V., *Emerging Multinationals in Emerging Markets*, Cambridge University Press: 399-426.
- Rugman, A. (2007). Multinational enterprises from emerging markets. In: *Securing the Global Economy*, Routledge: 81-100.
- Rugman, A. M. (2008). *Do we need a new theory to explain emerging market multinationals?* Thinking Outward: Global Players from Emerging Markets, Columbia University, New York.
- Rugman, A.M. (2009). Theoretical aspects of MNEs from emerging economies. In: Ramamurti, R. & Singh, J.V., *Emerging Multinationals in Emerging Markets*. Cambridge University Press: 42-63.
- Rugman, A.M. & Li, J. (2007). Will China's multinationals succeed globally or regionally? *European Management Journal* 25(5): 333-343.
- Rui, H. & Yip, G.S. (2008). Foreign acquisitions by Chinese firms: A strategic intent perspective. *Journal of World Business* 43(2): 213-226.
- Sauvant, K. P., Maschek, W. A., & McAllister, G. (2010). Foreign direct investment by emerging market multinational enterprises, the impact of the financial crisis and recession, and challenges ahead. In: Sauvant, K.P., McAllister, G., Maschek, W.A. (Eds), *Foreign Direct Investments from Emerging Markets*, Springer: 3-29.
- Schwab, K. (2018). The Global Competitiveness Report 2017-2018. World Economic Forum: <https://www.weforum.org/reports/the-global-competitiveness-report-2017-2018> (access 27.August 2023)
- Sirmon, D. G., Hitt, M. A., Arregle, J. L., & Campbell, J. T. (2010). The dynamic interplay of capability strengths and weaknesses: Investigating the bases of temporary competitive advantage. *Strategic Management Journal* 31(13): 1386-1409.
- Sirmon, D. G., Hitt, M. A., & Ireland, R. D. (2007). Managing firm resources in dynamic environments to create value: Looking inside the black box. *Academy of Management Review* 32(1): 273-292.
- Sirmon, D. G., Hitt, M. A., Ireland, R. D., & Gilbert, B. A. (2011). Resource orchestration to create competitive advantage: Breadth, depth, and life cycle effects. *Journal of Management* 37(5): 1390-1412.
- Swanson, A. (2020). U.S. delivers another blow to Huawei with new tech restrictions. *New York Times*, May 15th, 2020.
- Teece, D., & Pisano, G. (1994). The dynamic capabilities of firms: an introduction. *Industrial Corporate Change*, 3(3), 537-556.
- Wang, C., Hong, J., Kafouros, M., & Wright, M. (2012). Exploring the role of government involvement in outward FDI from emerging economies. *Journal of International Business Studies* 43(7): 655-676.
- Wang, D., Sørensen, O. J., & Moini, H. (2018). Disentangling the value creation mechanism in cross-border acquisitions: A process-oriented approach. *Thunderbird International Business Review* 60(3): 387-409.
- Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal* 5(2): 171-180.

- Yang, Y., & Lütge, C. (2020). Dynamic integration paths of emerging multinational enterprises in advanced markets. *Review of International Business Strategy*, 30(1), 1-23.
- Yin, R.K. (2013). Case study research: Design and methods, Sage publications.
- Zhang, X., Liu, Y., Tarba, S. Y., & Del Giudice, M. (2020). The micro-foundations of strategic ambidexterity: Chinese cross-border M&As, Mid-View thinking and integration management. *International Business Review* 29(6): 101710.
- Zhang, Z., Xie, X., & Qian, T. (2021). Why do half of the cross-border M&As conducted by Chinese MNCs fail? Government affiliation and cross-border M&A completion. *European Journal of International Management* 15(1): 79-111.
- Zheng, N., Wei, Y., Zhang, Y., & Yang, J. (2016). In search of strategic assets through cross-border merger and acquisitions: Evidence from Chinese multinational enterprises in developed economies. *International Business Review* 25(1): 177-186.
- Zhou, S. S., Li, P. P., Zhou, A. J., & Prashantham, S. (2019). The cultural roots of compositional capability in China: balanced moderation. *Asia Pacific Journal of Management*: 1-21.

5. Study 2: Springboard Trajectories of Chinese Multinationals —A Longitudinal Study of Their Strategic Asset Acquisition¹²

5.1 Introduction

The springboard view (SBV) offers a novel lens for studying the radical internationalization behaviour of emerging market multinational enterprises (EMNEs) (Kumar et al., 2020) and has become one of the most impactful theories in this field. Numerous studies support, validate, or further develop the SBV. Some have confirmed cross-border acquisitions (CBAs) as the predominant catch-up strategy (Deng, 2009; Kumar et al., 2020; Li et al., 2012). Others have examined EMNEs' motivations, such as compensating for capability voids, overcoming competitive disadvantages (Kedia et al., 2012; Li et al., 2012; Rui and Yip, 2008), or alleviating domestic institutional and market constraints (Bae et al., 2013; Chen and Han, 2020; Wu and Chen, 2014). Furthermore, several papers have advanced the SBV by exploring aspects such as springboard timing (Kumar et al., 2020), willingness for knowledge transfer (Su et al., 2020), differences in internationalization between and within certain industry sectors (Xue et al., 2013), and the integration of the compositional view into the SBV (Li et al., 2021).

However, the longer-term development of the multinational companies' springboard internationalization has not been sufficiently addressed so far by the extant literature, which only gives a vague outline of the development paths, indicating three major characteristics: The EMNEs' inferior initial position prior to their springboard internationalization (the absence of significant technological or managerial resources), their high ambitions (achieving global competitiveness), and their radical internationalization approach (seeking and acquiring strategic assets in developed economies (DEs) whose local cultures and institutions are at a great psychic distance from their own) (Deng, 2009; Kumar et al., 2020; Pradhan, 2010; Rui and Yip, 2008; Zheng et al., 2016).

Luo and Tung (2018a) propose a five-step *upward spiral path* including 'inward internationalization', 'radical OFDI', 'capability transfer to home', 'home-centred capability upgrading' and 'global catapulting with stronger capability'. As the global landscape shifts and the era of 'de-globalization/slowbalization' starts, Luo and Witt (2021) adjust the upward spiral path mainly to explain how 'inward internationalization' gets handled under circumstances that do not favour

¹² Study 2 will be submitted to an international journal. An earlier version of the study was accepted and presented at the 49th Annual Conference of the European International Business Academy (EIBA 2022) and was honoured with the Best Paper Award in Track 8—Emerging Markets.

outward foreign direct investments (OFDIs). Both the original and the adjusted approach provide a rather generic springboard path and thus a first understanding of springboard trajectory.

Luo and Tung (2018a) hypothesize that the development paths may exhibit significant differentiations across springboard multinational enterprises, which implies heterogeneity within the generic path at any stage of the development or even outside the suggested spiral. For instance, EMNEs adopting a low-cost partner strategy (Ramamurti and Singh, 2009), focusing on efficient production and serving as production partners for Western firms would arguably follow a different springboard trajectory than EMNEs pursuing a global consolidator strategy (Ramamurti and Singh, 2009) aimed at industry consolidation on a global scale. Furthermore, capability transfer may not only flow in one direction from acquired Western firms to acquiring EMNEs, and asset utilization and capability upgrading activities may occur in the home country and abroad.

Indeed, it can be assumed that springboard trajectories are heterogeneous within and outside the spiral path proposed by Luo and Tung (2018a), although there has been no evidence for it so far. Buckley et al. (2017) emphasize the need for more detailed studies on the mechanisms of cross-border acquisitions by EMNEs, Luo and Zhang (2016) advocate for research that investigates the catch-up process of EMNEs, and Luo and Tung (2018a) call for further expansion and contextualization of the SBV to comprehensively capture the complexity, heterogeneity, and vulnerability of springboard firms. Shedding light on EMNEs' springboard process aligns with all these calls.

Specifying the trajectories of springboard EMNEs necessitates a longitudinal, process-oriented research approach, which has hardly been applied in this field, primarily due to the relatively recent emergence of springboard EMNEs, the requirement for long-term observations (Alon et al, 2018), and the challenges to collect corresponding data. Moreover, as springboard internationalization must be viewed as a long-range plan for improved competitiveness (Luo and Tung, 2007), a strategic view on the process may add significant insights.

Aiming to fill this research gap, we investigate nine strategic asset seeking (SAS) acquisitions in five DEs by nine Chinese multinational enterprises (CMNEs) across eight years to answer two research questions: How do Chinese multinational enterprises springboard? And why?

As a pioneering longitudinal study exploring springboard trajectories, this research makes several valuable contributions. Firstly, it extends the SBV by uncovering four distinct trajectories. Interestingly, only one trajectory aligns with Luo and Tung's (2018a) *upward spiral path*, while the other three trajectories develop outside of this spiral path. In the first and second trajectories, we observe a bidirectional transfer of capabilities, challenging the notion of a one-directional transfer from Western acquired firms to CMNEs. As the post-acquisition integration deepens and both

the acquiring and acquired parties gain a better understanding of each other's capabilities, the Western acquired firms also actively learn from and absorb knowledge from the acquiring CMNEs, fostering a mutually beneficial exchange. Additionally, we have identified several cases that exemplify co-innovation practices between the acquiring and acquired parties, highlighting the collaborative nature of capability upgrading. The location of capability upgrading varies depending on the characteristics of the acquired strategic assets and the CMNEs' existing assets. It can occur in the CMNE's home country, the host country, or both, reflecting the contextual nature of capability upgrading. When capabilities are tacit, implicitly embedded in national and corporate cultures, and inseparable from specific individuals and teams, they are not easily transferable; thus learning and upgrading often take place in the country where the capabilities are located.

Furthermore, we have unveiled a multilayer system that elucidates the rationale behind the diversity of springboard trajectories. It is important to note that these trajectories are not determined sequentially; rather, they are shaped by unique catch-up strategies. These strategies, in turn, are influenced by global ambition, the inward internationalization strategy moulded by the initial asset endowment, and the characteristics of the industry. Thus, we extend the SBV and provide a deeper understanding of the dynamics at play in the springboard phenomenon.

Lastly, the springboard process represents a transformative journey for EMNEs as they shift from their initial inward internationalization strategies to catch-up strategies. Our study also contributes to the advancement of knowledge in the typology of EMNEs' strategies by identifying four distinct inward internationalization and three catch-up strategies, each linked to specific country-specific advantages (CSAs) and firm-specific advantages (FSAs). This deepens our understanding of the dynamics involved in EMNEs' ability to make path-breaking strategic changes.

5.2 Theoretical Background

5.2.1 The Springboard View

‘International springboard’ refers to a global strategy aimed at rapidly improving a late-comer’s global competitiveness and allowing it to catch up with incumbent leaders in its industry through the aggressive acquisition of strategic assets from companies in DEs and thanks to favourable institutions in foreign countries (Luo and Tung, 2007, 2018a). The SBV sheds light on internationalization behaviours, motives, activities, and challenges in the context of strategic asset acquisitions. When Luo and Tung (2007) originally developed the SBV, they focused on EMNEs. More recently, they have extended the SBV to multinational enterprises in general to the extent that these firms aggressively seek strategic assets through OFDIs to improve their competitive

global positioning (Luo and Tung, 2018a). However, EMNEs still comprise the majority of springboard firms.

In the past decade, the SBV emerged as one of the most influential theories in EMNEs' internationalization. Numerous studies have contributed to the further development of SBV, exploring aspects such as springboard motivations (Bae et al., 2013; Chen and Han, 2020; Kedia et al., 2012; J. Li et al., 2012; Rui and Yip, 2008; Wu and Chen, 2014), timing (Kumar et al., 2020), knowledge transfer (Su et al., 2020), and industry-specific aspects (Xue et al., 2013). However, the exploration of the longer-term process of springboard internationalization is still in its initial stages.

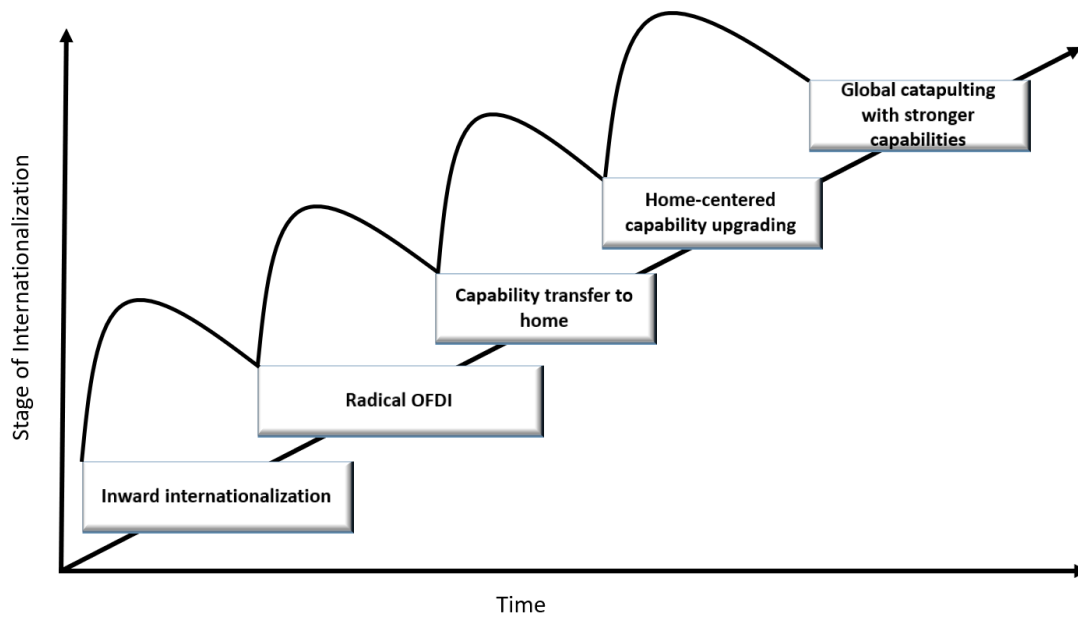
5.2.2 Hypotheses of Springboard Trajectory

The extant literature gives a an initial, somewhat generic outline of the trajectory of springboard internationalization as the quick move from an inferior latecomer to a global competitor through the radical acquisition of strategic assets in advanced markets (Deng, 2009; Kumar et al., 2020; Pradhan, 2010; Rui and Yip, 2008; Zheng et al., 2016). Kotabe and Kothari (2016) see EMNEs' development as a continuous process of competitive advantage building in the home market, reaching internal maturity, and strategic partnership building with firms in DEs. Luo and Tung's (2018) *five-step upward spiral path* (Figure 5.1) makes it a self-reinforcing, multi-stage process of improvement that consolidates and fortifies the essential capabilities required to achieve global competitiveness, later on adjusted by Luo and Witt (2021) who drill down on 'inward internationalization', which became more significant under the de-globalization regime.

Whilst all these models describe a common generic springboard path, this study addresses the heterogeneity of paths across different types of enterprises by considering their specific contexts.

Heterogeneity can emerge at each stage of the springboard process. Referring to Luo and Tung (2018a) model (Figure 5.1), at stage 1, EMNEs lay the groundwork for subsequent radical OFDIs by developing fundamental skills and capabilities through inward internationalization.

Figure 5.1: The upward spiral model



Source: Luo and Tung (2018a)

Ramamurti (2009a) identifies four different strategy types among Indian multinational companies that mirror distinct combined country-specific and firm-specific advantages (CSAs and FSAs) and may have already emerged in the inward internationalization phase. Strategy 1—low-cost partner—focuses on offshore production for Western firms, leveraging their country-specific cost advantages, particularly in terms of labour (Ramamurti and Singh, 2009), and their production excellence. Notable examples of this strategy type include Infosys and Wipro, which are prominent IT support firms, along with other companies involved in various forms of business process outsourcing and knowledge process outsourcing. Strategy 2—local optimizer—aligns their products and processes to the specific demands of the domestic market with a different price-to-features mix compared to Western countries and to the underdeveloped infrastructure of their country. Numerous examples of this strategy can be found among Indian pharmaceutical firms that built their capabilities during a time when India had a weak intellectual property regime. This allowed them to replicate Western drugs before they reached the end of their patent terms in the USA or Europe. Similarly, many leading Indian IT firms emerged shortly after IBM was encouraged to exit the country in the mid-1970s. Strategy 3—global consolidator—displays operational excellence in global resource management. They actively engage in worldwide horizontal and vertical integration in mature industries, benefitting from a large domestic market and easy access to capital. The global consolidator builds on the fact that in some industries growth had matured in developed countries but was booming in emerging markets such as India. The competitive advantage of EMNEs arose partly from this difference in market momentum. EMNEs such as Cemex, TCL,

Hindalco, and Tata Steel exemplify this strategy type. Strategy 4—global first-mover—identifies new business opportunities (novel business models or technology) ahead of other firms and establish an innovative global business. Suzlon Energy, the Indian pioneer in wind-power, represent this strategy type.

Whilst inward internationalization occurs in all EMNEs in one or another way in the first place, its variety of characteristics most likely triggers distinct further courses of internationalization.

At stage 2, EMNEs undertake radical acquisitions to get the desired strategic assets, which are usually valuable, rare, inimitable, and non-substitutable (VRIN) (Barney, 1991) and include a wide range of resources and capabilities, such as technology, talents, brand names and buyer-supplier relationships. (Luo and Tung, 2007; Stucchi, 2012). Different EMNEs arguably seek different strategic assets (Capron et al., 1998b; Nicholson and Salaber, 2013) to complement their existing asset profile and to create value for the combined firms. However, there is little research that explores the nature of acquired strategic assets and how they are linked to the acquirer's existing asset portfolio and catch-up strategy. At the stages 3 and 4, Luo and Tung (2018a) emphasize the significance of the home base as acquired capabilities go from foreign countries to the EMNE's home country and capacity upgrading is primarily organized there. However, we question whether knowledge/capability transfer is unidirectional and whether capability upgrading is solely based on the home country.

There are some empirical studies that support this view, such as Nair et al. (2016), Ai and Tan (2018), and Steinberg et al. (2021). Hennart (2012) argues that ownership of local non-tradable resources, such as market access, special permissions, or government support, enables EMNEs to acquire tradable complementary strategic assets, such as cutting-edge technology or valuable brands, from DEs. Similarly, Rugman (2008, 2009) and Bhaumik et al. (2016) assert that, while EMNEs possess only few FSAs, they benefit from a range of CSAs.

However, some researchers argue that without significant FSAs, EMNEs such as Huawei and Tata would never have been able to integrate acquired strategic assets and achieve success in highly sophisticated markets such as the US and Europe (Fan, 2011; Luo and Zhang, 2016). Ramamurti (2009b) observes that EMNEs possess FSAs suited to emerging markets (e.g., operational excellence and product development). Marinova et al. (2011) see CMNEs develop their own innovation capability supported by specific CSAs, such as government's active support for R&D.

Assuming that the acquiring companies have their own FSAs, avenues for further research on capability transfer open up. Analyses can shed even further light when the four types of capability upgrading are considered: product upgrading (firms move to more sophisticated product

lines, resulting in increased unit values), process upgrading (firms improve efficiency through re-organization of production processes or the adoption of superior technologies), functional upgrading (firms expand into new functional areas in the value chain, such as design or marketing), and inter-sector upgrading (firms horizontally expand into new sectors that involve new production activities, leveraging their existing competences) (Giuliani et al., 2005; Humphrey and Schmitz, 2002).

Stage 5 completes the transformation of EMNEs' asset profiles, which significantly enhances their global competitiveness ('global catapult'). However, we know little from the current literature about the specific asset portfolios, their transformation, and the strategic intentions at the stage.

In summary, heterogeneity can emerge at each stage of the springboard process, triggering deviations in the process and leading to varying outcomes. This study considers the company-specific context to unveil heterogeneity and, consequently, advances the theory of internationalization paths in a new direction.

5.3 Methodology

5.3.1 Research Design

We run a longitudinal multi-case process study from a dual—acquiring and acquired company—perspective. Studying multiple cases is particularly useful when cross-cultural and cross-border issues are involved and when the research addresses a contemporary phenomenon within a rich, real-life context (Eisenhardt and Graebner, 2007; Flick, 2014). Furthermore, it facilitates replication and pattern comparison (Eisenhardt, 1989; Yin, 2013). A longitudinal process approach is necessary to capture characteristics of strategic and managerial processes (Miller and Friesen, 1982) and when a deep understanding of dynamics and evolution is pursued (Morris and Wood, 1991; Eisenhardt and Graebner, 2007), notably when a phenomenon's boundaries are not clearly evident in advance (Eisenhardt and Graebner, 2007; Flick, 2014; Langley, 1999). Our eight-year observation period ensures a sufficient time frame to understand the traits of springboard trajectories, their processes, and the strategic changes associated with the sample cases, as Miller and Friesen (1982) and Schendel (1996) suggest. Observations from a dual perspective are essential, as the analysis includes interactions in asset bundling, capability upgrading, and global catapulting between the acquiring CMNEs and their acquired Western firms.

5.3.2 Case Selection and Data Collection

We conducted a theoretical sampling by selecting information-rich cases particularly suited to the exploration of our research questions (Eisenhardt and Graebner, 2007; Patton, 2002) and limited ourselves to Chinese private-owned enterprises (POEs). Over the past 30 years, China has become the world's second-largest economy and a massive international player. Strategic asset seeking has been among the most important motivations for the countless Chinese M&As in DEs (Child and Rodrigues, 2005; Deng, 2009; Rugman and Li, 2007; Rui and Yip, 2008) of which the Chinese POEs have taken a significant part. Having obtained governmental permission for outward FDIs in 2002, they are latecomers in international business even compared to Chinese state-owned enterprises (SOEs). Their acquisitions are more likely to be market-oriented and motivated by entrepreneurship (Child and Rodrigues, 2005; Zhang et al., 2021) than those by SOEs, and they also tend to be more transparent (Liu and Woywode, 2013). Overall, Chinese POEs seem to provide an appropriate empirical setting for our study.

We applied six criteria to select our cases. First, we limited our sample to acquisitions conducted by firms that are listed on a stock exchange and have no governmental investors among the top ten shareholders. Second, to maximize our chances of identifying successful practices, we chose industry leaders in China. Third, we picked CBAs with target firms located in Europe and the US, as prior studies had demonstrated that most acquisitions by CMNEs in these regions are driven by SAS (Aoki et al., 2014; Blomkvist and Drogendijk, 2016; DealGlobe & HurunReport, 2017). Fourth, both acquiring and acquired firms had to be willing to cooperate with us for at least four years to ensure sufficient observation time. Fifth, since we wanted to gain strategic insights, the companies' top decision-makers had to be involved. Sixth, we wanted diverse domiciles to be represented among the case companies.

We started case selection in 2012, using the first author's professional network in the M&A business, and asked CBA experts from UBS Investment Bank, E&Y, PWC, KPMG, and specialized law firms to propose cases. Based on the selection criteria, we reduced the initial 25 cases to 12. Between 2012 and 2016, we added newly closed CBAs, consistently applying the same selection criteria. We also had to stop tracking a few cases due to bankruptcy and internal conflicts when company managers did not want to continue the cooperation. Ultimately, we ended up with rich data from nine cases.

The primary data for this study consists of transcripts from 101 interviews conducted with 31 decision-makers, including founders and executives, as well as six external experts, such as

consultants, lawyers, and an officer from a Chinese high-tech park. Communication with the interviewees was not only limited to the interviews but also involved frequent email exchanges and communication via platforms such as WeChat and WhatsApp. In order to gain a comprehensive view, we also reached out to clients of both the acquiring and acquired firms through phone calls or emails. More specific details regarding the interviews can be found in Table 5.1. Secondary data were drawn from archive data, media reports, company press releases, blogs, and annual reports. In order to gain firsthand knowledge and develop a solid understanding of the companies' operations, we conducted 42 onsite visits to all acquiring and acquired firms. During these visits we talked to employees at different levels—e.g., middle managers, technicians, designers, and workers. By interacting with individuals across different roles and hierarchical levels, we were able to obtain a well-rounded view and to validate the information provided by top decision-makers.

The interviews were conducted in five research phases: August 2012–March 2013, November 2014–February 2015, July 2017–April 2018, August 2019, and June–September 2020. They followed a semi-structured approach and were based on a question list containing six sections: (1) personal information about the interviewees; (2) general information about the acquirer and the acquired firm; (3) strategic intent and motivation for the acquisition; (4) initial asset endowments of the acquirer and the acquired firm and the corresponding corporate strategies in inward internationalization; (5) knowledge transfer, utilization of the acquired assets and capability upgrading; and (6) target asset endowment, target catch-up global strategies and activities. It is important to note that sections 3 and 4 solely addressed retrospective information, while sections 5 and 6 encompassed both retrospective and real-time data. The external experts were primarily asked about their perspectives on the motivations for the acquisitions and the asset bundling to obtain additional insights as well as to cross-check the managers' views.

All interviews were tape-recorded, transcribed in the original language (Chinese, English, or German), and sent to the interviewees for verification. Subsequently, the Chinese and German transcripts were translated into English. We triangulated the primary data with secondary data, which provided additional background information.

Table 5.1: Interview statistics (Study 2)

	Company	Interviewee	2012	2014–2015	2017–2018	2019	2020
1	Sino Outdoor	CFO, founder			x	x	x
2	West Outdoor	CFO			x	x	x
3	West Outdoor	Head of HR			x	x	
4	West Outdoor	CEO			x		x
5	Sino Tool	Vice president	x	x	x		x
6	Sino Tool	Head of sales	x		x		x
7	West Tool	CEO	x	x	x		x
8	Sino Knitting	CEO	x	x	x		x
9	Sino Knitting	CTO		x	x		x
10	West Knitting	CEO	x	x	x		x
11	West Knitting	Project manager		x			x
12	Sino Textile	CFO		x		x	x
13	West Textile	President		x	x	x	x
14	West Textile	CFO		x	x		
15	Sino Copper	Head of overseas investment			x	x	x
16	West Copper	CTO			x	x	x
17	Sino Motor	Vice president of sales / president of sales and board member since 2014	x	x	x		x
18	Sino Motor	CIO		x	x		x
19	West Motor	CEO (fired in 2016)	x	x			
20	West Motor	Head of marketing		x	x		x
21	Sino Construct	Chairman	x				
22	Sino Construct	Head of technique department	x	x	x		x
23	West Construct	CEO and head of design	x	x	x		x
24	Sino Soft	Vice president		x	x		x
25	Sino Soft	Head of department for overseas market & operations Support		x			
26	West Soft	Head of marketing		x	x		x
27	Sino ConstructSoft	General manager of the department for overseas marketing and operation		x	x		x
28	Sino ConstructSoft	Vice president		x			
29	West ConstructSoft	Board member, former owner		x	x		x
Interviews with external experts							
27	Legal consultant for a law company		x				x
28	M&A expert for KPMG		x	x			x
29	M&A expert for Deloitte		x				x
30	M&A expert for PWC		x	x			x
31	M&A expert for E&Y		x		x		x
32	Investment banking expert for UBS		x	x	x		x

Total number of managers interviewed	31
Total number of external experts interviewed	6
Total number of managerial interviews	92
Total number of expert interviews	17
Total interviews	101

Table 5.2 presents key data on the sample firms. To ensure confidentiality, each firm was assigned a pseudonym. The size of the sample CMNEs ranged from 3,000 to 18,000 employees and the acquired firms from 36 to 3,000 employees. Seven acquisitions occurred in the manufacturing industry and the other two in IT & telecommunication. Four of the acquired firms are located in Switzerland, three in Finland, one in the USA, and one in Austria.

Table 5.2: Key data of sample cases (Study 2)

Case	Acquirer/Acquired	Industry	Year of foundation for acquirer / acquired	Number of employees of acquirer / acquired	Transaction price in million USD	Origin country of target	Targeted strategic assets	Status of acquirer in the industry	Status of acquired in the industry	Year of acquisition
C1	Sino Outdoor/ West Outdoor	Manufacturing	1996 / 1919	1,500 / 70	16	Switzerland	Country image, brand, design skill	Biggest water bottle producer in China	Most famous water bottle supplier in German-speaking countries	2016
C2	Sino Tool/ West Tool	Manufacturing	1993 / 1929	6,600 / 350	125	US	Country image, brand	Largest home tool producer in Asia and one of top 500 firms in the world	One of the most famous tool brands in the US	2010
C3	Sino Textile/ West Textile	Manufacturing	2000 / 1853	12,000 / 4,000	Unknown	Switzerland	Brand, technology	One of the most famous brands of carding machines	Famous textile machine brand in Europe with a longstanding tradition	2013
C4	Sino Knitting/ West Knitting	Manufacturing	1988 / 1947	1,612 / 100	unknown	Switzerland	Brand, technology	Top knitting machine producer in China	One of the top four knitting machine brands in the world	2010
C5	Sino Copper/ West Copper	Manufacturing	1989 / 1939	12,000 / 400	80	Finland	Overseas production base, technology, sales channel	Largest copper processing company in Asia	Large copper processing company in Europe	2017
C6	Sino Motor/ West Motor	Manufacturing	1984 / 1908	18,000 / 3,500	136	Austria	Country image, brand, sales channel, production base	Largest electric motor supplier in China	Well-known electric motor brand with factories in Germany, the Netherlands, and Austria	2011
C7	Sino Construct/ West Construct	Manufacturing	1993 / 1936	12,000 / 36	Unknown	Switzerland	Sales channel, design team	Largest façade construction firm in China	Famous Swiss façade design company	2008
C8	Sino Soft / West Soft	IT	2008 / 2009	3,000 / 50	68	Finland	Technology	World-leading provider of smart terminal operating systems and platform technologies	Highly innovative start-up in smart cockpit technology	2016
C9	Sino ConstructSoft / West ConstructSoft	IT	1998 / 1983	4,000 / 120	25	Finland	Technology, sales channel	Top construction information modeling software provider in China's construction industry	Leading Northern European provider of design software with mechanical and electrical plans in the industry	2014

5.3.3 Data Analysis

We began our data analysis by synthesizing the interview data and secondary data using MAXQDA. Following Miles, Huberman, and Saldana (2014), we then compiled case descriptions, developed a coding frame that fit the theoretical background, conducted a pilot test, revised our codes, assessed the codes' reliability, and coded all the interview data.

A case-by-case analysis was conducted first. Open coding was applied, and primary and secondary data were broken into discrete events (Miles et al., 2014) relevant to strategic intent, corporate strategies, country-specific (dis-)advantages (CS(D)As), firm-specific (dis-)advantages (FS(D)As), capability transfer, asset bundling, capability upgrading, and global activities among others. To ensure the accuracy of the emerging codes, we used terms closely resembling the interviewees' own words. In the second step, we performed a cross-case analysis and patterned the first-order codes to develop more abstract second-order codes (Corbin and Strauss, 2008). To categorize and label corporate strategies at different stages of development, we focused on the firms' CS(D)As and FS(D)As, applying Ramamurti's (2009) typology. We confirmed several of Ramamurti's strategic types and detected new ones. Moreover, we summarized and classified the value-adding asset-bundling and capability-upgrading process which the case companies used for their catching-up strategies. As a final step, we derived aggregate theoretical dimensions using selective coding.

Table 5.3 presents the coding structure. Two authors conducted the data analysis independently using MAXQDA. Open discussions were held regarding any discrepancies, based on insights gained from the literature, and we revised our code framework as needed.

Table 5.3: Coding structure and results (Study 2)

1 st -order categories (selective)	2 nd -order themes	Aggregate dimensions
“Be a century-old brand company” “Be the king of knitting machines” “Become the oriental Siemens” “Beat Motorola”		Strategic intent
CS(D)As + Large home market + Cheap manufacturing labour – Poor country image	Low-cost partner	
FS(D)As + Process excellence and production efficiency + Production facility for overseas market + Successful OEM/ODM production partner – Lack of own brand – Lack of product design capability – Poor profit margin and limited pricing power		
CS(D)As + Large home market + Cheap manufacturing labour and brainpower – Poor country image – Lack of highly skilled workers	Local optimizer	
FS(D)As + Process excellence and production efficiency + Strong imitation and reverse engineering ability + Innovation driven by cost optimization + Product with special price-to-features mix fit for emerging market + Strong marketing in home market – Lack of own brand – Lack of product design capability – Poor profit margin and limited pricing power - Lack of experience for global market		
CS(D)As + Large, high-growth home market in mature industry + Cheap manufacturing workers + Barriers to acquisition of local firms by foreign firms + Access to capital – Poor country image – Trading barriers in EU and/or US	Regional consolidator	
FS(D)As + Excellent production facilities applying advanced technologies + Very efficient in production and process optimization + Restructuring/turnaround capabilities in home country – Lack of experience in restructuring/turnaround capabilities in global market - Trading barrier		
CS(D)As + Large, high-growth home market in emerging industry + Cheap brainpower + Governmental support in high-tech park + Governmental promotion for innovation	First mover in a specific technology	
FS(D)As + Control of a specific cutting-edge technology + High level of skill in initial and incremental innovation + Skilful marketing in home market and global market – Hindrance of total solution by lack of upstream/downstream technology		

1 st -order categories (selective)	2 nd -order themes	Aggregate dimensions
CSAs + Good country image + Rich in highly skilled labour + Strong spirit of craftsmanship	Brand and full-range provider	Catch-up strategy
FSAs + Famous brands; global marketing excellence + Design excellence + Strong R&D + Production excellence; products cover all market segments		
CSAs + Large, high-growth home market in mature industry + Rich in highly qualified technical labour + Good country image	Global consolidator	
FSAs + Leading technology in industry + Excellent production facilities applying most advanced technologies + Highly standardized products serve global clients + Global operational excellence; restructuring/turnaround capabilities in global market + Professional in horizontal and vertical integration		
CSAs + Large, high-growth home market in emerging industry + Abundance of both cheap brainpower and high-quality labor + Access to capital	Total solution provider	
FSAs + Excellence in global technology sourcing + Control of cutting-edge technology across the whole value chain + Marketing excellence		

Notes: “+” indicates country-specific advantages (CSAs) or firm-specific advantage; (FSAs) “–” indicates country-specific disadvantages (CSDAs) or firm-specific disadvantages (FSDA)

5.4 Findings and Discussion

Eight years of longitudinal observation uncover significant heterogeneity in the trajectories of EMNEs’ springboard internationalization. Across the nine cases under scrutiny, there are four distinct springboard trajectory patterns, one of them in sync with the upward spiral model proposed by Luo and Tung (2018a), while the other three show notable deviations from it.

The four trajectories exhibit distinguished inward internationalization strategies, which are transformed into three catch-up strategies. In total, we identify seven strategy types, each corresponding to a specific combination of certain CS(D)As and FS(D)As (Table 5.3). Additionally, CMNEs within the same group exhibit similar patterns in terms of strategic asset acquisition, capability transfer and upgrading.

Furthermore, it stands out that all CMNEs in our sample established their underlying global ambitions early in their development. *Sino Knitting* aimed to be the knitting king worldwide, *Sino*

Motor aspired to become the oriental Siemens, and *Sino Soft* embarked on a mission to be a one-stop shop for digital smart solutions when they still were small family firms or start-ups with humble resources. The ambition for global leadership persisted throughout the entire development of the sample companies, and their ultimate decision-making authority remained with the founding shareholders up until the end of the observation period.

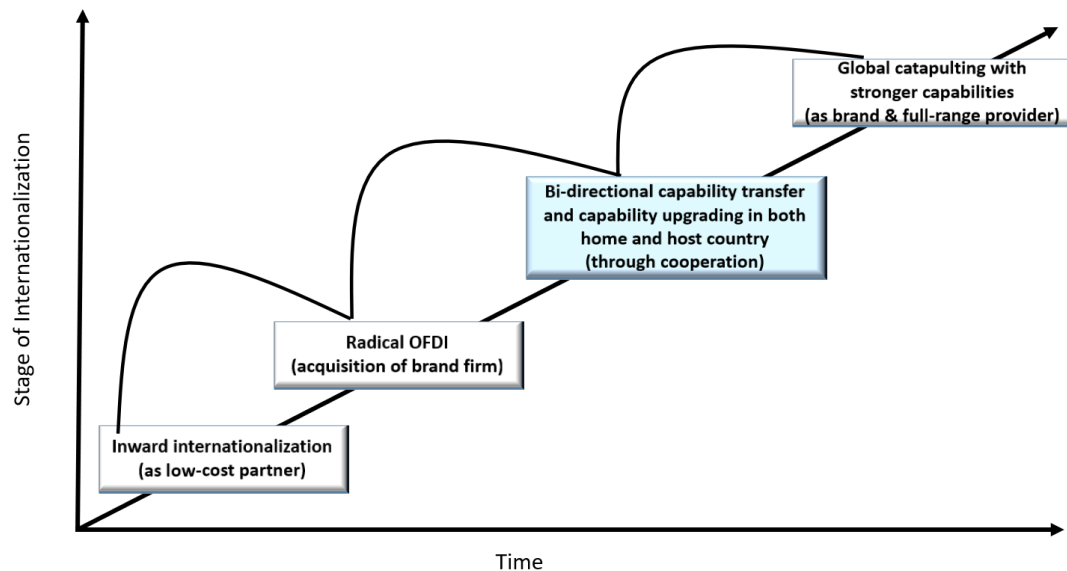
Below, the four springboard trajectories are presented and discussed.

5.4.1 Springboard Trajectories

5.4.1.1 Group 1: From ‘Low-Cost Partner’ to ‘Brand Firm and Full-Range Provider’ by Acquiring Brand Firms (Cases 1 and 2)

Figure 5.2 illustrates the first springboard trajectory, which deviates from Luo and Tung (2018a) spiral model in three key aspects. Firstly, capability transfer occurs bi-directionally, i.e., not only from West to East but also from the acquiring CMNE to the acquired Western company. Secondly, capability upgrading takes place in both the home and host country. Thirdly, capability transfer and upgrading are interconnected and inseparable components of the cooperation process between the acquiring and the acquired party.

Figure 5.2: The upward spiral model for the group ‘from low-cost partner to brand firm and full-range provider’



Stage 1: Inward internationalization as low-cost partners

Originally family workshops, *Sino Outdoor* (Case 1, C1) and *Sino Tool* (C2) pursued a ‘low-cost partner’ strategy (Ramamurti and Singh, 2009) manufacturing products via ODM/OEM contracts for global brands, including their future acquisition targets *West Outdoor* and *West Tool*,

respectively. For their home market, they developed own brands to cover the low-end market, but were caught in a price war with their domestic counterparts. This strategy enabled them to accumulate initial capital and familiarize with international production standards, project management, and design skills. Their distinctive ownership advantages were low manufacturing costs, production efficiency, and process excellence.

However, the lack of a globally recognized brand and a negative country image prevented the low-cost partners from serving global markets on their own. They suffered from poor margins and limited pricing power, having at the same time the ability to produce for all international client segments.

'As an ODM/OEM partner, we have to respond to brand companies' demands and compete with Chinese counterparts on price. We are horribly squeezed by brand firms, because they define market prices and swallow the lion's share of the margin.' (Head of sales, Sino Tool)

The more capital these CMNEs accumulated over time, the stronger their desire for a path-breaking change.

'We need to create and possess our own international brand, or we will stay invisible in the global market despite our hard work... We also intend to offer a broader product line to cover both the mass market and the high-end segment.' (CFO, Sino Outdoor)

We coin the resulting catch-up strategy 'brand firm and full-range provider', which aims to build up successful brands and a full range of products for all client segments under one umbrella to increase scale and improve margins.

Stage 2: Radical OFDI: Acquisition of brand firms

The strategic shift represents a significant leap. While being a 'low-cost partner' builds upon efficient production enabled by China's CSAs, a 'brand firm and full-range provider' requires FSAs such as skilful design, marketing, R&D, production, and a strong brand for all client segments, along with a good country image and craftsmanship spirit. Both CMNEs in this group made it clear that bridging the resource gap would have been impossible within a reasonable time frame through organic development or external partnerships such as alliances or joint ventures. Path-breaking change through strategic asset acquisition was the way to accelerate development.

Severely damaged by the financial crisis in 2008, numerous Western companies sought new investors, and strategic assets became cheap. *Sino Outdoor* and *Sino Tool* took this opportunity to acquire their ODM/OEM contractors—*West Outdoor* in Switzerland and *West Tool* in the USA, respectively. Both targets were century-old companies with world-famous brands.

'Combining West Outdoor's centennial brand, excellent country image, and unique design capability with our production capability, the combined firm has the potential to expand to all market segments in China and in the rest of the world.' (CFO, Sino Outdoor)

Stage 3: Bi-directional capability transfer and capability upgrading in both home and host country through cooperation

The asset transfer was made through systematic and continuous cooperation. Both the acquiring and acquired party deepened their understanding of each other's resources and established trust. The acquired firm mainly shared its expertise in brand building and design with the CMNE which in turn imparted knowledge of the Chinese market, including client data and marketing tactics.

Due to significant differences in national and corporate culture, and due to the fact that the core assets of the acquired companies (brand and design capabilities) are tacit assets embedded in their cultures, integration was based on the light-touch model, characterised by leaving considerable autonomy with the acquired firm whilst engaging it in selective business coordination (Kale and Singh, 2012; Liu and Woywode, 2013; Marchand, 2017; Torres de Oliveira, Sahasranamam, Figueira, and Paul, 2019; Yang and Lütge, 2020; Zheng et al., 2016).

'Shortly after the acquisition, Chinese managers were eager to brand West Outdoor on Chinese mass market products. Our executives warned that this would destroy the century-old brand. I even threatened to resign, along with two middle managers, if it happened... Our rebellion made the Chinese chairman reconsider. To address the conflict, Sino Outdoor hired a cross-cultural talent in charge of communication and coordination between both sides. Many Chinese managers were invited to Switzerland for a month to immerse themselves in our culture, values, and product design philosophy. Eventually, they abandoned their idea and recognized the importance of preserving and developing our brand's heritage in Switzerland.' (CFO, West Outdoor)

Prior to the acquisition, the Western firms had multiple production partners, which they now consolidated to their acquirer. To manage the resulting bulk risk and to ensure production quality and craftsmanship spirit, they sent technicians and quality supervisors to China for on-site training of the production staff.

Based on the mutual benefit in scale and quality from production cooperation, the parties explored new fields of cooperation. To enhance *West Outdoor's* market presence in China, *Sino Outdoor* shared market data and experiences as well as insights gained from its partnership with other brand firms. Subsequently, *West Outdoor* successfully broadened its product range by developing products particularly designed for Chinese women and children. *Sino Tool* assisted *West Tool* in providing modified household tools of different sizes tailored to the Chinese market, recognizing the relatively smaller hand sizes of Asian consumers. Additionally, *Sino Tool* supported *West Tool* in establishing a digital marketing team responsible for online sales and client interac-

tion via social media platforms such as WeChat. Both CMNEs also introduced the ‘client-participating-innovation’ in the acquired firms, an innovation process for consumer products that systematically involves clients and enjoys high popularity in China.

‘With the training of our parent firms, we gained valuable insights on how to adapt our products to resonate with the Chinese market, thereby increasing their popularity. WeChat not only functions as an effective sales channel, but also serves as an ideal platform for collecting client data and involving them in product refinement and innovation endeavours.’ (CEO, West Tool)

On the other hand, both CMNEs planned to enter the USA and European mass markets and were therefore eager to improve the design and the functionality of their products. They sent product designers to the acquired firms to redesign their products in cooperation with their Western peers to gain insights and ultimately to become ready for own brands in developed markets.

‘After a year of on-site training in Switzerland, Sino Outdoor’s designers broadened their horizons and developed a profound appreciation for Swiss culture and craftsmanship spirit... Look at this piece (a product of Sino Outdoor)! With just two small modifications recommended by the Swiss team, the redesigned product captures the essence of West Outdoor’s simple and elegant style while enhancing its functionality. By adding an extra buckle to the lid, clients can effortlessly use it with one hand. It’s no surprise that this product quickly won European clients.’ (CFO and Founder, Sino Outdoor)

To cater to the midrange market, *Sino Outdoor* and *West Outdoor* collaborated for a new brand offering a segment-specific range of global products. In order to foster groupwide innovation, *Sino Tool* established R&D centres in both the USA and China.

‘We regularly bring together key product designers from the USA and China at one of our R&D centres to collaborate on designing new products. This approach has significantly accelerated our innovation and product development process. In 2014, we were able to develop over 200 new tool designs within just three months, setting a new record!’ (Vice President, Sino Tool)

When the combined firm became competitive in the global house tool market, *Sino Tool* and *West Tool* expanded their presence into the professional tool sector and to this end, they collaborated on the development of products such as toolboxes for construction and automotive repair.

In summary, the combined firms in both cases achieved groupwide capability upgrading through cooperation, particularly product upgrading (enhanced product quality and design), process upgrading (increased production efficiency and quality), and market coverage upgrading (broadened client segments and new client groups).

Stage 4: Global catapulting with stronger capabilities as brand and full-range provider

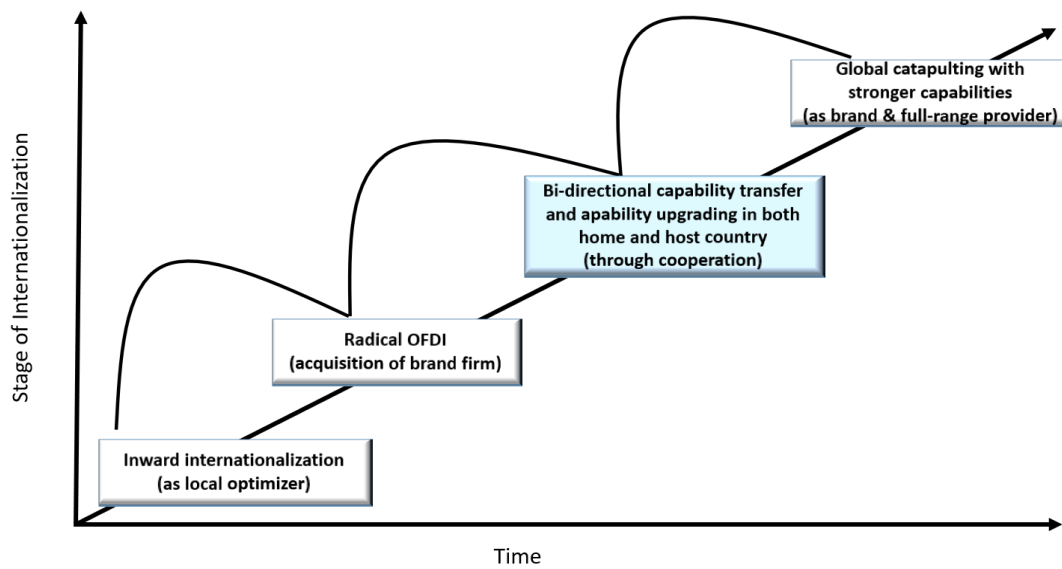
‘Global catapulting with stronger capabilities’ was achieved in a three to four years’ time when resources were aligned to the asset profile required for the catch-up strategy. This involved the development of global brands and a comprehensive range of products tailored to different client segments. To address the diverse global market demands, a multi-brand business model was applied. Western brands were positioned for the high-end markets, Chinese brands for the low-end markets, and either Chinese brands or jointly created brands for the mid-range markets. All products had to meet the quality standards set by Western brands, while investments were made in advanced production technology to maintain high production efficiency in China. The development of Western brands continued to be advanced in the acquired firm, while that of Chinese brands and joint brands partly in China and partly in the host countries. Market expansion efforts were jointly coordinated, with the Western team leading the high-end market development and the Chinese team the mid-range and low-end market.

‘The Chinese accorded us a high level of authority, treating us as strategic partners rather than a subsidiary. The separate and collaborative brand development and client acquisition safeguard the integrity of our century-old brand while bringing new perspectives’. (Head of HR, West Outdoor)

Both combined firms are continuing their global expansion. *Sino Outdoor’s* and *West Outdoor’s* ambitions include France, the most significant European market outside the German region, Japan, and the USA, all within a few years. *Sino Tool* and *West Tool* are strengthening their position in the European market, after they have established themselves as the leading tool suppliers in the US and Asian markets.

5.4.1.2 Group 2: From ‘Local Optimizer’ to ‘Brand Firm and Full-Range Provider’ by Acquiring Brand Firms (Cases 3 and 4)

The springboard trajectory of group 2 (Figure 5.3) is equal to group 1 (Figure 5.2) but starts with inward internationalization as local optimizer rather than low-cost provider.

Figure 5.3: The upward spiral model for the group ‘from local optimizer to brand firm and full-range provider’

Stage 1: Inward internationalization as local optimizer

Starting as small family workshops, *Sino Textile* (C3) and *Sino Knitting* (C4) targeted the Chinese and neighbouring markets. They effectively utilized the advantages of China's expansive domestic market and low-cost labour advantages, combined them with their expertise in efficient production and process optimization, accomplished functional integration across product design, production, marketing, and distribution. Above all, they excelled as top-notch imitators of Western products and services with strong reverse-engineering capabilities, thus maintaining a technological edge over domestic competitors while capturing market share from Western peers through imitated products with similar functionalities at significantly lower prices.

'Before Sino Textile acquired our company, it was our competitor in Asia. It copied some of our machines and sold them at a much lower price. Although its machines were less sophisticated, they met the needs of Chinese cloth producers for mass markets.' (President, West Textile)

However, this initial strategy, largely based on reverse product engineering, wasn't the one to meet global ambitions, and it made the two companies vulnerable to intellectual property issues as well as fierce domestic competition as product imitation turned out to be easily copyable. 'Brand firm and full-range provider' became the strategy to implement global ambitions.

'Without a well-known brand in the global market, we could only compete in China. We had to break through these obstacles to become a brand enterprise... not only to climb up the value chain, but also to strengthen ourselves in mass markets. Margin and scale are both important.' (CTO, Sino Knitting)

Stage 2: Radical OFDI: Acquisition of brand firms

The two ‘local optimizers’ lacked a positive country image and had insufficient experience in designing and producing for the global market, especially high-end markets, and there was a fundamental lack of disruptive innovation capabilities. CBAs were considered the quickest way to transform.

In 2010, *Sino Knitting* acquired the global brand firm *West Knitting*, which previously had focused on higher-end textiles and tried to enter the Chinese market. In 2012, *Sino Textile* acquired its former joint-venture partner *West Textile*, a global leader in the designing and processing of fibre and yarn with a 150-year history and a strong reputation in the European, American, and Asian markets. Through these acquisitions, the two CMNEs gained world-famous brands, cutting-edge technologies, innovation capability, and global experience, prerequisites for entering overseas markets and integrating their processes on a global basis.

Stage 3: Bi-directional capability transfer and capability upgrading in both home and host country through cooperation

As in group 1, it was systematic and continuous cooperation which ensured bi-directional capability transfer and upgrading in home and host country in group 2.

However, the starting point was particularly challenging, as the Western firms were acquired by the imitators of their products and were apprehensive about their technology being transferred to China and their clients fearing a decline in product and service quality.

‘We were frustrated and humiliated—West Knitting, one of the Big Four brands in knitting machine, was taken over by a Chinese company that used to copy our products... Many of the young technicians I had trained myself quit. Those who remained feared that the Chinese would take our technology away and shut down our factories. Also our clients worried about product quality and brand dilution.’ (CTO, West Knitting)

To address the significant mistrust, both CMNEs in this group opted for a light-touch integration approach. They clearly communicated their global ambitions and catch-up strategy while taking symbolic actions to reassure employees and clients of the acquired firms. *Sino Textile* made a commitment through local media that there would be no layoffs for three years and no forced hostile knowledge transfer. The chairman of *Sino Knitting* heeded the suggestion of *West Knitting*’s CEO and purchased two adjacent parcels of land to expand the production and R&D capacity of *West Knitting*, as well as to enlarge the staff parking lot.

The combined companies captured easy-picking synergies first through production cooperation. *Sino Knitting* and *West Knitting* implemented a two-way production collaboration. The

former produced standard components for all machine types on both sides while the latter specialized in precision components. Knowledge transfer naturally occurred within this production partnership. *West Textile* sold production licenses for obsolete product designs from the European market to *Sino Textile*.

'Our managers initially rejected the idea of transferring the technical data of the 'sleep products' to the Chinese. However, when the Chinese proposed the 'license idea' as a win-win solution, most managers were on board... Both sides are satisfied with the arrangement—the Chinese can maintain their lead in the mass market, and we earn money from each machine sold.' (Project manager, *West Textile*)

The quality of the production in China was closely monitored and improved by the Western firms. *West Knitting* invited Chinese technicians to their Swiss production floor and sent personnel to China on a regular basis. *West Textile* not only oversaw the production process in China but also involved Chinese team members in client-faced communication.

The initial success in production cooperation motivated the parties to explore technical collaboration. Both Chinese companies invited engineers from the acquired firms to support product development in China, which in turn made the Western engineers better understand the Chinese product design, consistently aligned to the specific and primary needs of the client segments. *West Knitting* even invited Chinese engineers to Switzerland to adjust their product designs accordingly, to remove features not commonly used, and to lower complexity and improve stability of production and products as well as price-feature ratio. *West Textile* involved Chinese engineers in the design process to cater to the mid-range market.

'As our engineers assisted in improving Chinese imitated machines, they made a significant discovery. Through simplification and reinvention, the Chinese had modified our machines, allowing them to be sold at a much cheaper price. With the textile production industry shifting to East Asia, where 80% of manufacturers are now located, the Chinese have a better understanding of customer requirements due to their proximity. It is important for us to benefit from Chinese knowledge as well. We regularly invite the Chinese to help us simplify our machines in order to enhance our competitiveness.' (CTO, *West Knitting*)

Technical collaboration significantly enhanced global competitiveness of Chinese companies and improved Western product prices and margins.

Subsequently, cooperation was extended to include innovation. *Sino Textile* and *West Textile* joined forces to invent a production machine for medical textile materials, *Sino Knitting* and *West Knitting* collaborated on designing a machine capable of producing seamless knitwear based on 3D technology.

Through cooperation, the combined firms in both cases achieved groupwide product upgrading (in quality, design, and price), process upgrading (production efficiency and quality), and market coverage upgrading (new client groups).

Stage 4: Global catapulting with stronger capabilities as ‘brand and full-range provider’

It took four to five years for the two combined firms in this group to achieve global catapulting as ‘brand firm and full range providers’. Similar to the firms in the first group, they employ a multi-brand business model, with Western brands addressing the high-end markets and Chinese brands the low-end markets, while the mid-range market is covered by Swiss brands in C3 and mutually created brands in C4.

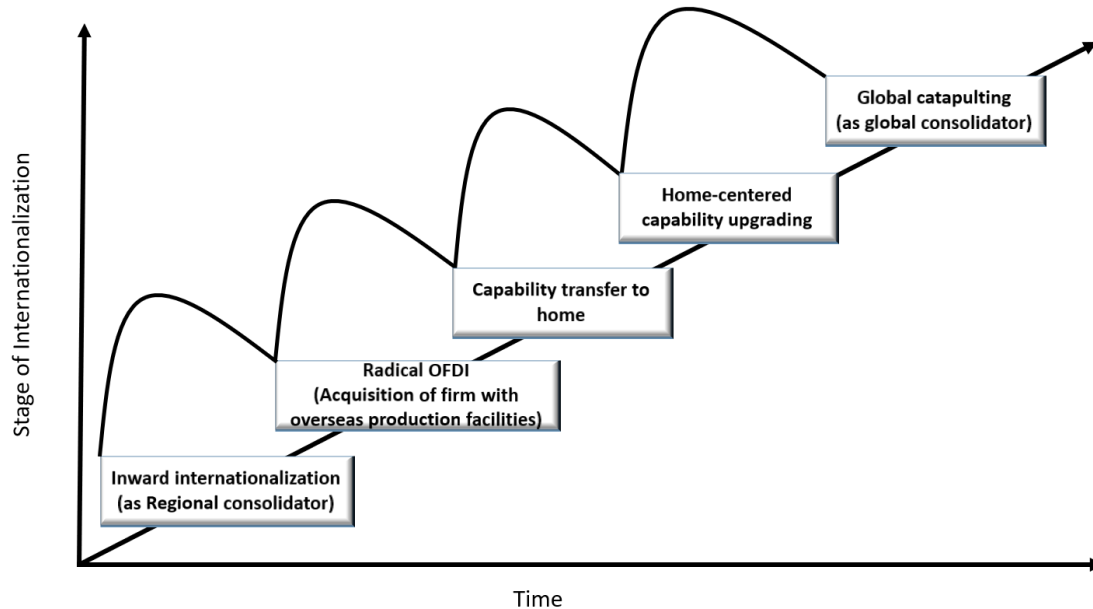
Moreover, *Sino Textile* and *West Textile* were able to build together ‘turn-key-textile factories’ for their clients.

‘With West Textile providing high-end customized machinery and Sino Textile offering standardized machinery, we are able to provide a comprehensive garment factory solution at an attractive price. We have successfully completed three turn-key projects on two continents using this approach.’ (President, West Textile)

5.4.1.3 Group 3: From ‘Regional Consolidator’ to ‘Global Consolidator’ by Acquiring Western Firms with Overseas Production Facilities (Cases 5, 6 and 7)

Figure 5.4 depicts the springboard trajectory of group 3, which is the only one to fully align with the upward spiral model proposed by Luo and Tung (2018a).

Figure 5.4: The upward spiral model for the group ‘from regional consolidator to global consolidator’



Stage 1: Inward internationalization as regional consolidator

Originating from family workshops again, *Sino Copper* (C5), *Sino Motor* (C6), and *Sino Construct* (C7) started their business as outsourcing partners for Chinese SOEs. They consistently reinvested their profits into state-of-the-art production equipment from Western countries and benefited from the government providing successful POEs with easy access to capital to take over

underperforming SOEs while restricting acquisitions of local firms by foreign companies. From the late 1990s to 2010, all three companies in this group engaged in multiple acquisitions, effectively integrated resources both horizontally and vertically, and established themselves as industry leaders in China in their fields. We coin this strategic approach as ‘regional consolidation’, which serves as a preliminary stage towards global consolidation.

‘Our chairman previously held the position of CTO at a SOE, which provided him with a deep understanding of SOEs’ needs. In 1984, he made the decision to leave his job and establish his own company, focusing on the production of transformers and other electronic components for SOEs. This decision was driven by the realization that these SOEs were producing electronic components with low efficiency and poor product quality... With the chairman’s vision to develop our firm into an Oriental Siemens, we made significant investments in state-of-the-art equipment... As a firm with technology lead in the small- and mid-sized motor market, our firm could successfully take over five large SOEs.’ (Vice president of sales, Sino Motor)

International expansion was limited to neighbouring emerging countries in Southeast Asia and in the Middle East as the three CMNEs faced two major obstacles. First, they were exposed to trade barriers in global markets. Three of the WTO’s heavyweights (the US, the EU, and Japan) classified China as a ‘non-market economy’ (Griswold, 2019) and imposed duties on Chinese goods. *Sino Copper* encountered anti-dumping measures in the EU and the US, as *Sino Motor* did in the EU. Second, complying with Western standards and obtaining Western certifications were significant challenges for *Sino Motor* and *Sino Construct*, alongside with the negative perception of ‘Made in China’, particularly in the labor-intensive industries in which these CMNEs were active. At firm level, they lacked products for global markets, alternative production facilities outside China to bypass trade barriers, international marketing resources, globally recognized brands, and competitive technology.

The three CMNEs considered acquisitions as the fastest and most effective way to implement their global consolidation strategy against all odds (Ramamurti, 2009b).

Stage 2: Radical OFDI: Acquisition of firms with overseas production facilities

In 2017, *Sino Copper* acquired the copper processing business of the Finnish metal processing giant *West Copper*, to obtain production plants in Thailand, Vietnam, and Eastern Europe as well as advanced technology and experience in international marketing. In 2011, *Sino Motor* successfully bid for *West Motor* which suffered from a failed restructuring, and *Sino Construct* acquired *West Construct* in 2008, primarily for its positive country image, production plants, and R&D centres in Asia and Europe.

Stage 3: Capability transfer to home and home-centred capability upgrading

Unlike group 1 and 2, this group clearly separates capability transfer from capability upgrading. All three CMNEs in group 3 possessed technology comparable or partly superior to the acquired firms due to their latecomer advantages in mature industries. Nonetheless, it took them three years to transfer the acquired assets, as the Western firms—which had acted as global integrators prior to their takeover and had played hard to eliminate redundancies and reduce workforce at that time—took a defensive stance against integration. As a result, a light-touch integration approach was initially applied, which focused on some key performance indicators and common measures to bypass tariff barriers through co-manufacturing as needed, but postponed resource reconfiguration plans.

'They (the managers of West Copper) are unaware that Chinese companies have caught up. Their factories were equipped in the 1980s or 1990s, while ours were equipped in the 2000s... The firm (West Copper) only has two material suppliers who demand high prices, and their production is inefficiently organized... The managers consistently seek excuses to reject our integration plans. Furthermore, they foster a negative and confrontational attitude among their employees... We have to postpone our resource reconfiguration plan.' (Head of overseas investment, Sino Copper)

Once it became evident that the acquired companies were unable to meet their committed goals (*West Copper* and *West Construct* oscillating around breakeven, while *West Motor* consistently missed its goals for three years) and were fully reliant on financial support from the acquiring CMNEs, the decision was made to absorb them and to launch the resource reconfiguration process.

Since all case companies belonged to industries with highly standardised products and low margins, efficiency was key. As a principle, all combined firms applied key asset centralization, capability upgrading, and global process standardisation and execution. *Sino Copper* centralised superior technologies and processes in China, upgraded and recombined them to a new comprehensive value creation system from procurement to production and marketing, and finally implemented it globally as a standard.

'In the copper processing industry, fierce competition, high fixed asset investment, and low profit margins are common challenges. Achieving sustainable development necessitates global expansion and consolidation of superior technologies, production capabilities, and market resources... To accomplish this, we have centralized key resources such as the continuous casting technology from the Vietnam team, the efficient packaging system from the Thai team, streamlined procurement process from Chinese team, and the savvy global marketing approach from the Finnish team at our headquarters in China. By assembling a global team, we have redesigned standardized operating processes, leveraging the collective resources of our combined group for optimal efficiency and effectiveness in a global context.' (CTO, West Copper)

Sino Construct first centralised design, purchasing, production, and marketing in China, then upgraded, and finally reallocated them, with the Chinese focusing on purchasing and production, the Swiss team on design, and the British team on sales and marketing.

Sino Motor introduced a global multi-level product offering system to address specific customer preferences:

'M1 products are 'designed and made in Germany'; M2 'designed in Germany and made in China', M3 'designed and made in China', M4 'designed in China and made in Vietnam', etc. We can therefore rapidly gain customers with different budgets.' (Global sales VP, the combined organisation of West Motor & Sino Motor)

The combined firms in this group achieved product upgrading (quality), process upgrading (efficiency), and market coverage upgrading (broader customer base).

Stage 4: Global catapulting with stronger capabilities as 'global consolidator'

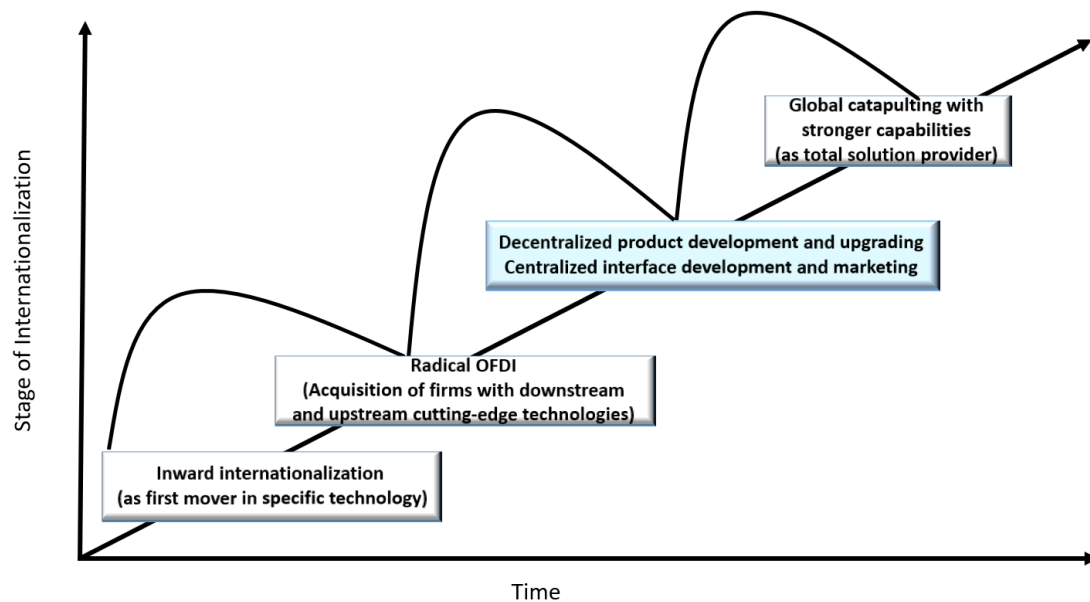
After completing resource centralization, upgrading, standardization, and reallocation (*Sino Construct*), the three combined firms became the most competitive ones in their industries and were able to catapult as global consolidators. They continued their global consolidation journey—*Sino Copper* acquired a US firm, *Sino Motor* and *Sino Construct* one Italian firm each—and made it to the world's leading companies in their field.

In 2019, *Sino Copper* is amongst the World Top 500, and *Sino Construct* and *Sino Motor* are number one and three in sales respectively in their industries worldwide.

5.4.1.4 Group 4: From 'First Mover in a Specific Technology' to 'Total Solution Provider' by Acquiring Firms with Up- and Downstream Cutting-Edge Technology (Cases 8 and 9)

The springboard trajectory of group 4 distinguishes itself by centralized interface development and marketing and decentralized product development and upgrading processes (Figure 5.5).

Figure 5.5: The upward spiral model for the group ‘from first mover in specific technology to total solution provider’



Stage 1: Inward internationalization as first mover in specific technology

The CMNEs in this group were founded by young scientists from Chinese universities in high-tech parks—areas designated as innovation zones and benefiting from large investments from the Chinese government and private venture capital funds. They served the global market with a unique and highly competitive technology from their inception: *Sino Soft* (C8) created a world-leading middleware system that integrates and optimizes the coordination between operating and terminal systems; *Sino ConstructSoft* (C9) designed software for bidding processes in the construction industry with superior calculation speed. We term the initial strategy of this type of CMNEs ‘first mover in a specific technology’, as each of these CMNEs created a business around a specific cutting-edge technology in a niche of the industry’s value chain. With global value chains being sliced into ever-finer pieces (Williamson and Zeng 2009), space was created for this strategy. This strategy fits into the ‘global first mover’ of Ramamurti and Singh (2009).

These two CMNEs mainly grew as subcontractors for the Western high-tech companies in China. They aimed to integrate up- and down-streaming cutting-edge technology along the industry value chain to become ‘total solution providers’, because this catch-up strategy may enable them to increase profitability and improve their chance to win project biddings.

‘With control limited to just one facet of cutting-edge technology in the digital construction solution, we have found ourselves compelled to collaborate with general contractors for project bidding. This not only involves adapting our software to their specifications but also necessitates sacrificing a significant portion of our profit margin. The recent IPO on the Shenzhen Stock Exchange has provided us with substantial financial resources for a strategic

transformation. Currently, we are exploring upstream and downstream mergers and acquisitions globally to assemble a repertoire of technologies for digital solutions in design, implementation, supervision, and maintenance. Our ultimate aspiration is to evolve into a total solution provider.’ (General manager of the department for overseas marketing and operation, Sino ConstructSoft)

Stage 2: Radical OFDI: Acquisition of firms with overseas production facilities

Both firms extended their integration upstream along the value chain by CBAs. In 2017, *Sino Soft* acquired the Finnish firm *West Soft*, a pioneer startup in human–machine interface software for cockpits; in 2014, *Sino ConstructSoft* acquired the Finnish construction planning software company *West ConstructSoft*.

Stage 3: Decentralized product development and upgrading, and centralized interface development and marketing

Integration was smooth in this group. High-level collaboration, such as cross-selling and common participation in international projects, commenced almost immediately after the acquisition was finalized. Four reasons account for this outstanding phenomenon. First, decentralized product development and upgrading aligned with the modular and fragmented nature of the IT industry. Second, the acquired firms shared the global ambitions of their acquirers and recognized the high potential for mutual benefits through close cooperation and increased parent company investment. Third, language barriers were significantly reduced, as the majority of employees on both sides were highly educated software engineers between the ages of 25 and 35, with bachelor's, master's, or even PhD degrees, and possessed strong English language skills. Fourth, both the acquiring and acquired firms had experience in international bidding projects as subcontractors, enabling them to establish relationships with international clients, to engage in cross-selling and joint bids.

‘West Soft and Sino Soft have a lot in common—both were born in high-tech parks at almost the same time, have unique technologies, and share the same ambition. Before the acquisition, West Soft also dreamed of collecting upstream and downstream technologies to become a total-solution provider. However, driven by China’s large capital market, Sino Soft’s development speed far exceeds that of West Soft...Sino Soft’s international ambitions and willingness to invest heavily in R&D have won the hearts of West Soft’s employees.’ (Head of marketing, West Soft)

‘We collaborate on a modularized basis, with the Finnish team responsible for the application software and the Chinese team responsible for the operation system (middleware) in each project. Decentralized product development proves to be the most efficient approach, allowing us to leverage our local resources effectively. Ultimately, we only need to integrate both parts through system interface integration.’ (Vice president, Sino Soft)

With decentralized product development came the centralized system interface integration to provide total solutions. *Sino Soft* and *West Soft* integrated middleware with application software

to develop a smart cockpit solution for car manufacturers. Similarly, *Sino ConstructSoft* and *West ConstructSoft* integrated construction design software with the construction bidding system. In both cases, mixed IT architecture teams were formed, comprising selected talents responsible for system integration. To complete their desired total solution offering, the combined firms actively pursued new target firms. *Sino Construct* and *West Construct* sought acquisitions in digital solutions for project management and maintenance, while *Sino Soft* and *West Soft* focused on image processing.

'Together, we approached an upstream start-up with expertise in image processing applications. I am confident that we will be able to finalize the deal soon.' (Head of department for overseas marketing & operation, *Sino Soft*)

Stage 4: Global catapulting with stronger capabilities as 'total solution provider'

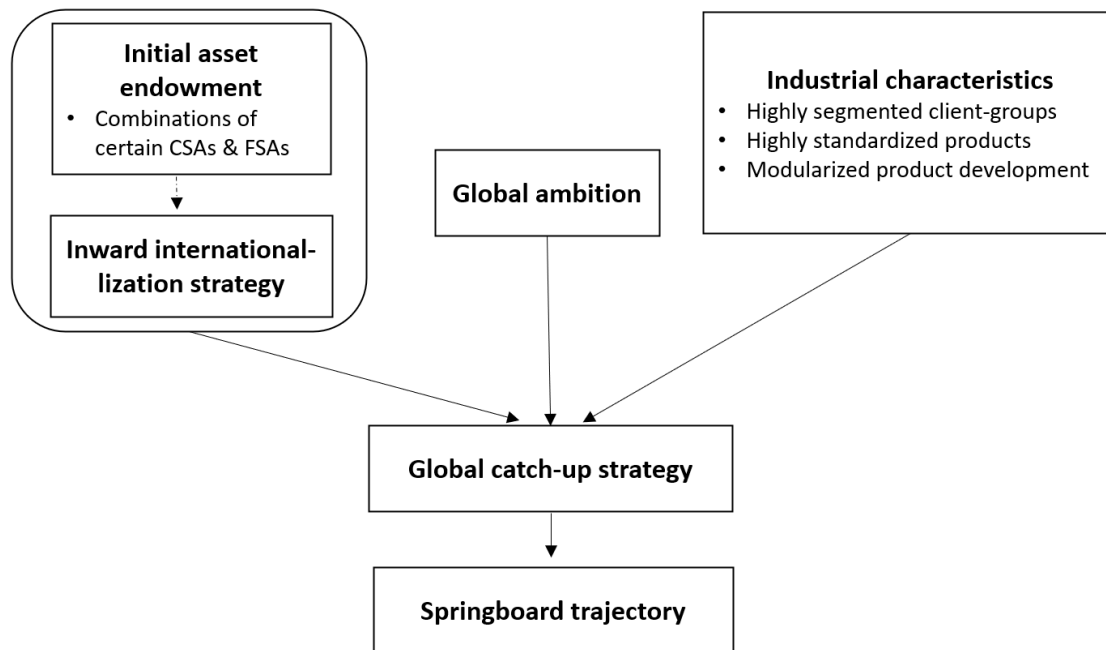
It took only two years in both cases to become total solution providers, expand the business scope, and achieve accelerated growth. *Sino Soft* and *West Soft* successfully applied the underlying principles of their total solution for car manufacturers to high-speed train control systems and telemedicine control systems. *Sino ConstructSoft* and *West ConstructSoft* transitioned their total solution on the cloud and transformed their business model from 'selling software systems' to a 'subscription-based cloud computing model'. As a result, *Sino Soft* and *Sino ConstructSoft* achieved substantial profit increases of 87% and 41% respectively in 2020.

5.4.2 Rationale Behind the Heterogeneity of Springboard Trajectories

5.4.2.1 Multilayer Driving System of Springboard Internationalization

The four distinct trajectories reveal a common multilayer driving system, which explains the heterogeneity of springboard internationalization (Figure 5.6).

Figure 5.6: The multilayer driving system of springboard internationalization



The springboard trajectory is determined by the catch-up strategy, which in turn is largely driven by three factors: global ambition, initial asset endowment—which shapes the companies’ inward internationalization strategy, and industry characteristics.

Global ambition

The global ambition that all nine CMNEs in our sample set in their early stage of development is equally visionary and groundbreaking, as it represents the entrepreneurial obsession of the founders and triggers pioneering corporate behaviour throughout the journey of internationalization. It is at a comparable level for all companies and therefore cannot be seen as differentiating factor on its own, but rather as a basic prerequisite and primary driving force motivating management to overcome initial resource constraints and to set-up and pursue the path-breaking catch-up strategy.

Initial asset endowment and inward internationalization strategy

The inward internationalization strategy of the case companies is shaped by the specific composition of their initial ownership endowment and the individual combination of CS(D)As and FS(D)As. ‘Low-cost partners’ have cheap labour force advantages and production excellence while lacking reputable brands and design capability; ‘local optimizers’ have strong imitation capability, production efficiency, and marketing capability in domestic market, yet face the challenges in brand development and product design capability, as well as in accessing global marketing resources; ‘regional consolidators’ have the capacity to consolidate and restructure regional

resources, yet suffer from limited experience in restructuring in global market and face international trading barriers; ‘first movers in specific technologies’ have cutting-edge niche-technology but insufficient up- and downstream technologies for holistic solutions.

Initial asset endowments represent the starting point of the companies and thus determine their very first stage of development—the inward internationalization which lays the ground for the further expansion on a global scale. All types of inward internationalization strategy are designed to maximize the utilization of the corresponding initial asset endowment.

By implementing this strategy, all sample companies successfully emerged as leaders in their domestic markets and were able to accumulate substantial initial capital. However, they found themselves stuck in an organizational path that aligned with their inward internationalization strategy but not with their global ambition. To pursue further international expansion, a significant upgrade of their asset portfolio was required, which involved path-breaking changes such as exploring new resources and developing core competitiveness beyond traditional practices and routines (Karim and Mitchell 2000, Lynch and Smith 2006, Sydow et al. 2009). All types of catch-up strategy found in this study address the specific initial asset endowment and the related inward internationalization strategy and imply path-breaking change.

Industry characteristics

Industry characteristics play a significant role in determining the appropriate catch-up strategy, too. The CMNEs in group 1 and 2 run businesses in highly segmented industries that necessitate a multi-brand approach to effectively cover multiple market segments. Group 3 represents the basic raw-material processing industry or mature manufacturing industries with a high degree of product standardization and a strong emphasis on production efficiency and economies of scale. Group 4 CMNEs belong to the fast-growing IT and communication industry which is characterized by modularity and fragmentation of technology, where superior profit margins rely on up- and downstream technology integration.

Multi-branding (group 1 and 2), production efficiency (group 3), up-and downstream technology integration (group 4) are cornerstones of the respective catch-up strategies.

Catch-up strategy

Being determined by global ambition, initial asset endowment/inward internationalization, and industry characteristics, the catch-up strategy in turn determines the springboard trajectory.

In contrast to the inward internationalization strategy, which aims to align with a firm’s initial asset endowment, the catch-up strategy is designed to create a mismatch to the initial asset

profile, resulting in a significant gap between the initial and target asset endowment. This mismatch and asset gap drive path-breaking change.

The different groups of CMNEs targeted different strategic assets to respond to their asset gaps associated with their catch-up strategies. ‘Brand firms’ were acquired by ‘low-cost partners’ and ‘local optimizers’ to enhance profit margins and provide a full-range of products. ‘Regional consolidators’ hunted alternative production facilities and technology outside of China to overcome international barriers and improve efficiency on a global scale. ‘First movers in specific technologies’ sought up- and downstream technologies to create comprehensive solutions.

The desired asset profile aligned with the respective catch-up strategy is accomplished through the integration of the initial asset endowment and the acquired strategic assets. The specific composition of the initial asset endowment and the acquired strategic assets determines the specific process of capability transfer and upgrading. Our empirical findings evidence that springboard trajectories vary and may deviate from the generic upward spiral model proposed by Luo and Tung (2018a) in the process of capability transfer and upgrading.

5.4.2.2 The Heterogeneity in the Process of Capability Transfer and Upgrading

One-directional vs. bi-directional capability transfer and upgrading

Luo and Tung’s (2018a) *upward spiral path* (Figure 5.1) solely considers a one-way capability transfer to the home countries of springboard firms. This aligns with the prevailing view that capabilities flow from the acquired firms in DEs with abundant FSAs to EMNEs with limited FSAs and heavy reliance on CSAs (Ai and Tan, 2018; Hennart, 2012; Nair et al., 2016; Rugman, 2009).

This study observes bi-directional capability transfer within group 1 and 2. The acquired firms shared their brand building capability, product design, and quality control with the acquirers, while the CMNEs in these groups contributed their home-market-related expertise, strict customer orientation, and production efficiency. CMNEs had significant FSAs of their own, most of them complementary to the Western firms’ capabilities, which presented a great opportunity for mutual capability transfer and upgrading through cooperation and learning from each other. Even the product imitators (local optimizer), which further developed Western products by optimizing them for the local market, were able to share their specific product development capabilities with the acquired firms being interested in improved price-feature product ratios.

The IT niche players in group 4 did not even aspire to ‘capability transfer’ as such, but built up a global interface to be used anywhere for the common development of high-end solutions.

Home centred vs. home and host centred capability transfer and upgrading

Luo and Tung's (2018a) *upward spiral path* emphasizes the home base of springboard EMNEs where novel capabilities from the West flow to and capability upgrading takes place. This study shows that capability upgrading can take place in home countries (group 3), but also in home and host countries (group 1 and 2), or even on a decentralized basis in various locations simultaneously (group 4).

The catch-up strategy of the CMNEs in group 1 and 2 is geared towards 'brand and full-range provider'. To safeguard and comprehensively leverage brand, design, production capabilities, and market-specific knowledge—all tacit assets embedded in local cultures, systematic and continuous cooperation between the acquiring and acquired firm is indispensable. Capability transfer and capability upgrading come as a natural result of this kind of cooperation, and they occur synchronously, in both parties' direction, and in the home and the host country.

Group 3 strives at global consolidation and contains firms in mature manufacturing industries. The acquired firms' knowledge is explicit (codable, clearly documented in a tangible form) and can be easily transferred to the acquirer's home-base and upgraded there. Global orchestration and standardization are essential to achieve highest efficiency in an economies-of-scale business.

Group 4 is heading towards highly innovative total solutions, pulling together unique expertise in IT niches wherever the specialists are located. Due to the modularity and fragmentation of the IT industry, it is not capability transfer in this set-up but global technology interface management that facilitates the protection and bundling of decentralized specific know-how for total solutions in demanding segments.

5.5 Conclusion

With an eight-year longitudinal observation, this study offers a comprehensive depiction of the dynamics involved in the springboard internationalization of four distinct types of CMNEs.

Before delving into the implications of the findings, it is crucial to acknowledge the limitations of our study. Firstly, our focus was exclusively on CMNEs' strategic acquisitions, which narrows the generalizability of our results. To enhance the applicability of our findings to emerging markets as a whole, it will be important to conduct similar studies involving multinational companies from emerging markets other than China. By expanding the sample in this manner, there is potential to identify additional strategy types and springboard trajectories across a broader range of industries.

Secondly, our study is susceptible to a success bias stemming from the criteria employed for case selection. It should be noted that not every EMNE adopting a springboard approach (as

defined by Luo and Tung, 2018) possesses the capability to effectively leverage acquired strategic assets and develop global competitiveness. To gain a more nuanced understanding of patterns and relationships, it would be beneficial to conduct comparative ‘polar type studies’, as suggested by Eisenhardt (2021). This approach would involve examining both successful and unsuccessful cases of springboard internationalization, enabling us to discern insights that may remain hidden when solely studying successful cases.

Despite these limitations, we believe that our paper makes significant contributions to the emerging market literature and to IB theory.

First, the study identifies four distinct springboard trajectories, which involve the transformation from ‘low-cost partner’ or ‘local optimizer’ to ‘brand and full-range provider,’ from ‘regional consolidator’ to ‘global consolidator,’ and from ‘first mover in a specific technology’ to ‘total solution provider.’ These trajectories start with four inward internationalization strategy types and end with three catch-up strategy types. Our findings confirm Luo and Tung’s (2018) *upward spiral path* for the springboard trajectory of group 3, whilst all other trajectories (group 1, 2, 4) deviate from it. In these cases, capability transfer does not occur one- but bi-directionally, and capability upgrading takes place not only in the CMNEs’ home country but also in the host country, or it can be organized in a decentralized manner. The *upward spiral path* turns out to depend on specific contexts. Our study, therefore, reinforces Luo and Tung’s (2018a) call to contextualize the springboard view.

Second, we disclose a multilayer driving system which explains the rationale behind the heterogeneity of springboard trajectories. Trajectories are determined by the companies’ specific catch-up strategy, which in turn is driven by the global ambition, the inward internationalization strategy shaped by the initial asset endowment, and industry characteristics. The driving system responsible for the diversity of trajectories offers fresh insights into the various factors, dependencies, and influences at play in the springboard process. This expanded perspective enhances our understanding of the dynamics inherent in the springboard phenomenon and provides a deeper comprehension of its complexities.

Third, our study advances knowledge of EMNEs’ internationalization in general. Building upon Ramamurti’s (2009) strategy categories of ‘low-cost partner,’ ‘local optimizer,’ and ‘global consolidator,’ we expand the typology to include additional classifications such as ‘regional consolidator,’ ‘first mover in a specific technology,’ ‘brand and full-range provider,’ and ‘total-solution provider.’ Both inward internationalization strategies and catch-up strategies play pivotal roles in the springboard process. The former involve leveraging and capitalizing on the strengths of EMNEs’ initial assets to prepare them for springboard internationalization. The latter intuitively

create a gap between the initial and target asset profiles, driving EMNEs progressively towards their global ambition of eventually catching up with incumbents in the developed world. The typology extension aligns with Luo and Witt's statement (2021, p. 12) that 'developing a typology of EMNEs and attendant success factors may represent a major contribution to our understanding of the strategic options available to EMNEs'. The study confirms that a more detailed typology can deepen the analysis and understanding of internationalization processes.

This study also has managerial implications for companies from emerging and developed markets. Understanding the global ambition and springboard processes of EMNEs helps Western managers interpret the activities and behaviours of upcoming competitors more accurately and make informed decisions. Western managers seem to primarily react on product imitation and price battles but less on the longer-term objectives of the EMNEs, which require strategic rather than tactical responses.

Managers of EMNEs may find it inspiring to see cases of effective strategy development, resource utilization, and capability transfer and upgrading in the cross-border business. Springboard success requires global ambition, careful strategic planning, and the willingness to embrace path-breaking changes.

As we now enter an era marked by deglobalization, we are continuously observing these nine combined firms to examine how they further organize capability transfer and upgrading in a changing environment.

References

- Ai, Q., & Tan, H. (2018). The intra-firm knowledge transfer in the outward M&A of EMNCs: Evidence from Chinese manufacturing firms. *Asia Pacific Journal of Management*, 35(2), 399-425.
- Alon, I., Anderson, J., Munim, Z. H., & Ho, A. (2018). A review of the internationalization of Chinese enterprises. *Asia Pacific Journal of Management*, 35(3), 573-605.
- Aoki, Y., Liu, D., Sun, S., Wang, T., Wang, X., & Zhou, A. Y. (2014). Chinese Foreign Direct Investment in the United States. *Business Horizons*, 56(4), 443-451.
- Bae, K.-H., Purda, L., Welker, M., & Zhong, L. (2013). Credit rating initiation and accounting quality for emerging-market firms. *Journal of International Business Studies*, 44(3), 216-234.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management*, 17(1), 99-120.
- Bhaumik, S. K., Driffield, N., & Zhou, Y. (2016). Country specific advantage, firm specific advantage and multinationality—Sources of competitive advantage in emerging markets: Evidence from the electronics industry in China. *International Business Review*, 25(1), 165-176.
- Blomkvist, K., & Drogendijk, R. (2016). Chinese outward foreign direct investments in Europe. *European Journal of International Management*, 10(3), 343-358.
- Buckley, P. J., Doh, J. P., & Benischke, M. H. (2017). Towards a renaissance in international business research? Big questions, grand challenges, and the future of IB scholarship. *Journal of International Business Studies*, 48(9), 1045-1064.
- Capron, L., Dussauge, P., & Mitchell, W. (1998b). Resource Redeployment Following Horizontal Acquisitions in Europe and North America. *Strategic Management Journal*, 19(7), 631-661.
- Chen, Q., & Han, B.-S. (2020). To Escape or Not: How Does Institutional Constraints and Support Affect Chinese Firms' OFDI? *Journal of China Studies*, 23(3), 103-140.
- Child, J., & Rodrigues, S. B. (2005). The internationalization of Chinese firms: a case for theoretical extension? *Management and Organization Review*, 1(3), 381-410.
- Corbin, J., & Strauss, A. (2008). *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory* Book USA: Sage Publication, Inc.
- DealGlobe, & HurunReport. (2017). *The 2017 special report for cross border M&A of Chinese companies*. Retrieved from
- Deng, P. (2009). Why do Chinese firms tend to acquire strategic assets in international expansion? *Journal of World Business*, 44(1), 74-84.
- Eisenhardt, K. M. (1989). Building theories from case study research. *Academy of management review*, 14(4), 532-550.
- Eisenhardt, K. M. (2021). What is the Eisenhardt Method, really? *Strategic Organization*, 19(1), 147-160.
- Eisenhardt, K. M., & Graebner, M. E. (2007). Theory building from cases: Opportunities and challenges. *The Academy of Management Journal*, 50(1), 25-32.

- Fan, P. (2011). Innovation, globalization, and catch-up of latecomers: Cases of Chinese telecom firms. *Environment and Planning A: Economy and Space*, 43(4), 830-849.
- Flick, U. (2014). *An introduction to qualitative research*: Sage, UK.
- Giuliani, E., Pietrobelli, C., & Rabellotti, R. (2005). Upgrading in global value chains: lessons from Latin American clusters. *World development*, 33(4), 549-573.
- Griswold, D., Parks, D., 2019. Is China a non-market economy? <https://www.mercatus.org/economic-insights/expert-commentary/china-non-market-economy/> (accessed 24th August 2023).
- Hennart, J. F. (2012). Emerging market multinationals and the theory of the multinational enterprise. *Global Strategy Journal*, 2(3), 168-187.
- Humphrey, J., & Schmitz, H. (2002). How does insertion in global value chains affect upgrading in industrial clusters? *Regional Studies*, 36(9), 1017-1027.
- Kale, P., & Singh, H. (2012). Characteristics of emerging market mergers and acquisitions. In D. Faulkner, S. Teerikangas, & R. J. Joseph (Eds.), *The Handbook of Mergers Acquisitions* (pp. 545-565): Oxford University Press.
- Karim, S., & Mitchell, W. (2000). Path-dependent and path-breaking change: reconfiguring business resources following acquisitions in the US medical sector, 1978–1995. *Strategic Management Journal*, 21(10-11), 1061-1081.
- Kedia, B., Gaffney, N., & Clampit, J. (2012). EMNEs and knowledge-seeking FDI. *Management International Review*, 52(2), 155-173.
- Kotabe, M., & Kothari, T. (2016). Emerging market multinational companies' evolutionary paths to building a competitive advantage from emerging markets to developed countries. *Journal of World Business*, 51(5), 729-743.
- Kumar, V., Singh, D., Purkayastha, A., Popli, M., & Gaur, A. (2020). Springboard internationalization by emerging market firms: Speed of first cross-border acquisition. *Journal of International Business Studies*, 51(2), 172-193.
- Langley, A. (1999). Strategies for theorizing from process data. *Academy of management review*, 24(4), 691-710.
- Li, J., Li, Y., & Shapiro, D. J. G. S. J. (2012). Knowledge seeking and outward FDI of emerging market firms: The moderating effect of inward FDI. *Global Strategy Journal*, 2(4), 277-295.
- Li, P. P., Prashantham, S., Zhou, A. J., & Zhou, S. S. (2021). Compositional springboarding and EMNE evolution. *Journal of International Business Studies*, 1-13.
- Liu, Y., & Woywode, M. (2013). Light-Touch Integration of Chinese Cross-Border M&A: The Influences of Culture and Absorptive Capacity. *Thunderbird International Business Review*, 55(4), 469-483.
- Luo, Y., & Tung, R. L. (2007). International expansion of emerging market enterprises: A springboard perspective. *Journal of International Business Studies*, 38(4), 481-498.
- Luo, Y., & Tung, R. L. (2018a). A general theory of springboard MNEs. *Journal of International Business Studies*, 49(2), 129-152.
- Luo, Y., & Witt, M. A. (2021). Springboard MNEs under de-globalization. *Journal of International Business Studies*, 1-14.

- Luo, Y., & Zhang, H. (2016). Emerging market MNEs: Qualitative review and theoretical directions. *Journal of International Management*, 22(4), 333-350.
- Lynch, R. L., & Smith, J. R. (2006). *Corporate strategy*: FT/Prentice Hall Harlow, England.
- Marchand, M. (2017). Do all emerging-market firms partner with their acquisitions in advanced economies? A comparative study of 25 emerging multinationals' acquisitions in France. *Thunderbird International Business Review*, 59(3), 297-312.
- Marinova, S., Child, J., & Marinov, M. (2011). Evolution of firm-and country-specific advantages and disadvantages in the process of Chinese firm internationalization. In: Geisler Asmusen, C., Pedersen, T., Devinney, T.M. and Tihanyi, L. (Eds.), *Dynamics of globalization: Location-specific advantages or liabilities of foreignness?* Emerald Group Publishing Limited, pp. 235-269.
- Miles, M. B., Huberman, A. M., & Saldana, J. (2014). *Qualitative data analysis*: Sage, UK.
- Miller, D., & Friesen, P. H. (1982). The longitudinal analysis of organizations: A methodological perspective. *Management Science*, 28(9), 1013-1034.
- Morris, T., & Wood, S. (1991). Testing the survey method: continuity and change in British industrial relations. *Work, Employment and Society*, 5(2), 259-282.
- Nair, S. R., Demirbag, M., & Mellahi, K. (2016). Reverse knowledge transfer in emerging market multinationals: The Indian context. *International Business Review*, 25(1), 152-164.
- Nicholson, R. R., & Salaber, J. (2013). The motives and performance of cross-border acquirers from emerging economies: Comparison between Chinese and Indian firms. *International Business Review*, 22(6), 963-980.
- Patton, M. Q. (2002). Two decades of developments in qualitative inquiry: A personal, experiential perspective. *Qualitative social work*, 1(3), 261-283.
- Pradhan, J. P. (2010). Strategic asset-seeking activities of emerging multinationals: Perspectives on foreign acquisitions by Indian pharmaceutical MNEs. *Organizations markets in emerging economies*, 1(02), 9-31.
- Ramamurti, R. (2009a). *Emerging multinationals in emerging markets* (R. Ramamurti & J. V. Singh Eds.): Cambridge University Press.
- Ramamurti, R. (2009b). What have we learned about emerging—market MNEs? In *Emerging multinationals in emerging markets* (pp. 399-426): Cambridge University Press.
- Ramamurti, R., & Singh, J. V. (2009). Emerging multinationals in emerging markets. In R. Ramamurti & J. V. Singh (Eds.): Cambridge University Press.
- Rugman, A. M. (2008). Do we need a new theory to explain emerging market multinationals? Paper presented at the Thinking Outward: Global Players from Emerging Markets, Columbia University, New York.
- Rugman, A. M. (2009). Theoretical aspects of MNEs from emerging economies. In R. Ramamurti & J. V. Singh (Eds.), *Emerging multinationals in emerging markets* (pp. 42-63): Cambridge University Press.
- Rugman, A. M., & Li, J. (2007). Will China's multinationals succeed globally or regionally? *European Management Journal*, 25(5), 333-343.
- Rui, H., & Yip, G. S. (2008). Foreign acquisitions by Chinese firms: A strategic intent perspective. *Journal of World Business*, 43(2), 213-226.

- Schendel, D. (1996). Evolutionary perspectives on strategy. In: Wiley Online Library.
- Steinberg, P. J., Urbig, D., Procher, V. D., & Volkmann, C. (2021). Knowledge transfer and home-market innovativeness: A comparison of emerging and advanced economy multinationals. *Journal of International Management*, 27(4), 100873.
- Stucchi, T. (2012). Emerging market firms' acquisitions in advanced markets: Matching strategy with resource-, institution-and industry-based antecedents. *European Management Journal*, 30(3), 278-289.
- Su, C., Kong, L., Ciabuschi, F., & Holm, U. (2020). Demand and willingness for knowledge transfer in springboard subsidiaries of Chinese multinationals. *Journal of Business Research*, 109, 297-309.
- Sydow, J., Schreyögg, G., & Koch, J. (2009). Organizational path dependence: Opening the black box. *Academy of management review*, 34(4), 689-709.
- Torres de Oliveira, R., Sahasranamam, S., Figueira, S., & Paul, J. (2019). Upgrading without formal integration in M&A: The role of social integration. *Global Strategy Journal*, 10(3), 619-652. Retrieved from <https://doi.org/10.1002/gsj.1358>
- Williamson, P. J., & Zeng, M. (2009). Chinese multinationals: Emerging through new global gateways. In: Ramamurti & R., Singh, J.V. (Eds.), *Emerging Multinationals in Emerging Markets*. Cambridge University Press, pp. 81-109.
- Wu, J., & Chen, X. (2014). Home country institutional environments and foreign expansion of emerging market firms. *International Business Review*, 23(5), 862-872.
- Xue, Q., Zheng, Q., & Lund, D. W. (2013). The internationalization of service firms in China: A comparative analysis with manufacturing firms. *Thunderbird International Business Review*, 55(2), 137-151.
- Yang, Y., & Lütge, C. (2020). Dynamic integration paths of emerging multinational enterprises in advanced markets. *Review of International Business Strategy*, 30(1), 1-23. Retrieved from <https://doi.org/10.1108/RIBS-05-2019-0052>
- Yin, R. K. (2013). *Case study research: Design and methods*: Sage publications.
- Zhang, Z., Xie, X., & Qian, T. (2021). Why do half of the cross-border M&As conducted by Chinese MNCs fail? Government affiliation and cross-border M&A completion. *European Journal of International Management*, 15(1), 79-111.
- Zheng, N., wie, Y., Zhang, Y., & Yang, J. (2016). In search of strategic assets through cross-border merger and acquisitions: Evidence from Chinese multinational enterprises in developed economies. *International Business Review*, 25(1), 177-186.

6. Study 3: Light Touch Goes Where? A Longitudinal Study of Post-Acquisition Integration Paths Adopted by Chinese Private-Owned Enterprises¹³

6.1 Introduction

Active seeking and acquiring of strategic assets in developed economies (DEs) by emerging market multinational enterprises (EMNEs) have reshaped international business theories (Deng, 2009; Luo and Tung, 2007, 2018a) because they defy conventional wisdom in two aspects: First, acquiring EMNEs do not follow the gradual learning model suggested by the Uppsala school (Johanson and Vahlne, 1977, 2009); second, EMNEs' use of mergers and acquisitions (M&As) as an entry mode in psychic distant DEs is not based on a clear, firm-specific ownership advantage (Buckley, 2018), which deviates from the eclectic paradigm (Ramamurti, 2012).

Recently, post-acquisition integration (PAI) has become a research focus. Traditional theories have once again been challenged, this time by a newly observed integration model termed the light-touch integration approach (LTIA) —widely applied by EMNEs in general and in particular by Chinese multinational enterprises (CMNEs) and characterised by granting the acquired firms considerable autonomy whilst engaging in selective business coordination (Kale and Singh, 2012; Liu and Woywode, 2013; Marchand, 2017; Torres de Oliveira et al., 2019; Yang and Lütge, 2020; Zheng et al., 2016). EMNEs' overseas acquisitions are typically driven by strategic-asset-seeking (SAS) intents and aim to integrate and utilise the acquired strategic assets to build competitive capabilities. It is clearly understood that integration strives at seizing synergy opportunities, leveraging acquired strategic assets, and bundling them with pre-existing assets to compensate for competitive disadvantages and build up new competences (Ai and Tan, 2020; Liu and Meyer, 2020). LTIA does not seem to facilitate such goals (Liu and Meyer, 2020). Faced with this apparent paradox, some scholars predict that LTIA serves as a transitory state only and inevitably evolves towards full integration (Cogman and Tan, 2010; Kale and Singh, 2012; Sun, 2018).

¹³ Study 3 was published as Wu, J., Wang, D., & Morschett, D. (2023). Light touch goes where? A longitudinal study of the post-acquisition integration paths adopted by Chinese multinational enterprises. *Journal of International Management* (2023). <https://doi.org/10.1016/j.intman.2023.101063>

However, we do not know much about the evolution of LTIA. Furthermore, its outcomes, particularly the success in achieving the SAS ambitions, are insufficiently understood. An increasing number of empirical studies shed some light on the light-touch integration process, delivering snapshots of it (Kale and Singh, 2012; Liu and Woywode, 2013; Marchand, 2017; Zheng et al., 2016), but they are mostly not designed to provide evidence on the integration process and thus leave the evolution of LTIA under-researched (Yang and Lütge, 2020; Zhang et al., 2020). Longitudinal studies are particularly lacking (Alon et al., 2018).

Among the scant literature which contributes to the understanding of EMNEs' integration evolution are Yang and Lütge (2020), who explore, based on four German firms acquired by CMNEs, the integration of daily business operations, as well as Zheng et al. (2022), who find, based on a single case analysis (Geely's acquisition of Volvo), that external and internal legitimacy issues and pressure for value creation are among the main factors of the process. However, like the strategic asset acquisitions themselves, PAI paths may follow a strategic logic which cannot be grasped from operational perspectives solely, and a single-case study cannot capture the full range of possible integration paths.

To fill this research gap, we aim to explore the following question: How does LTIA evolve over time, in what direction, and why?

We apply a longitudinal multi-case study to comprehensively capture the dynamics of PAI including eight cross-border strategic asset acquisitions by CMNEs in four DEs and observing each case over at least four and up to eight years between 2012 and 2020. Unlike the mainstream studies which are dominated by an acquirer-centric view (Sun, 2018), we track both the acquiring and the acquired firms and their interactions.

This study contributes to the understanding of PAI by strategic asset seeking EMNEs in three key ways. First, it advances the current literature on LTIA by revealing the significant heterogeneity of integration approaches and identifying three clearly differing integration evolution paths. Second, it extends integration theory by disclosing the catch-up strategy (the strategy chosen by the EMNEs to catch up with Western incumbents and to become global leaders) as path-differentiating factor, as well as cultural difference and resource dependency as the two main factors to steer the integration process. Third, it adds to the research on EMNEs' internationalisation by enriching the strategy typology, contextualising strategic asset bundling, and refining the concept of LTIA through differentiating its sub-forms.

6.2 Theoretical Background

6.2.1 Post-Acquisition Integration Typology and Light-Touch Integration Approach

Several PAI typologies have been proposed for developed market MNEs (Haspeslagh and Jemison, 1991; Marks and Mirvis, 2011; Nahavandi and Malekzadeh, 1988), the most influential and enduring one coming from Haspeslagh and Jemison (1991) who marry the needs for strategic interdependence and organizational autonomy: (1) “Preservation” grants the acquired firms the highest autonomy to maintain their original structures and operations (high need for autonomy, low need for interdependence); (2) “Absorption” dissolves the boundaries between the acquiring and acquired firms and consolidates operations, organization, and culture fully into the parent firm (high need for interdependence, low need for autonomy); (3) “Symbiosis” enables co-existence between acquired and acquiring firm, both becoming increasingly susceptible to a broad range of interactions as inter-firm boundaries dissolve (high need for both, autonomy and interdependence).

EMNEs use a distinctive PAI approach which challenges traditional integration theories (Aharoni, 2014). What Cogman and Tan (2010) called ‘light touch’ sparked a stream of studies on LTIA (Kale and Singh, 2012; Liu and Woywode, 2013; Yang and Lütge, 2020; Zhang et al., 2020). These studies are all rooted in Haspeslagh and Jemison’s (1991) theory and mostly based on cases with CMNEs as acquirers. Kale and Singh (2012) replace the term ‘symbiosis’ by ‘partnering’, and Liu and Woywode (2013) propose that LTIA essentially synthesizes preservation and symbiosis. LTIA is not so much about choosing either autonomy or control but how to combine the two, accepting that both are necessary and have their advantages and disadvantages (Dao and Bauer, 2021; Zaheer et al., 2013). We define LTIA—based on this literature synthesis—as any one of multiple integration approaches that balance autonomy and control, including preservation, symbiosis/partnering, and any combination thereof.

6.2.2 Evolution of the Light-Touch Integration Approach

Strategic acquisitions by EMNEs reflect latecomers’ obsession of becoming global leaders through active and rational management processes and by focusing on emerging opportunities (Cui et al., 2014; Hamel and Prahalad, 1989; Rui and Yip, 2008). EMNEs see the acquisition of strategic assets as a springboard to catch up with Western incumbents (Boateng et al., 2008; Luo and Tung, 2007). LTIA with its ongoing organizational segregation and limited business coordination appears to run counter to the ambitious strategic goals what has made scholars

doubt the LTIA's durability and assume that it will transform into a target integration form more conducive to resource orchestration, synergy capturing, and building of specific competitive advantages (Cogman and Tan, 2010; Kale and Singh, 2012; Sun, 2018). Kale and Singh (2012) even see full absorption as inevitable.

Among the limited literature on the evolution of LTIA, Yang and Lütge (2020) and Zheng et al. (2022) make a noteworthy contribution in our context, both related to cases with CMNEs as acquiring firms.

Yang and Lütge's (2020) multi-case study examines the integration of four German firms, focusing on daily business operations through retrospective interviews. The paper identifies three operation-integration paths driven by dynamic capabilities of the acquiring CMNEs. However, since acquiring and bundling strategic assets from advanced markets represent the corner piece of EMNEs' catch-up strategy (Choi et al., 2020; Luo and Tung, 2007), PAI paths do not only follow an operational optimisation logic but primarily a strategic intent like the strategic-asset acquisitions themselves. Therefore, Yang and Lütge's (2020) work can be enriched from more strategic perspectives.

Different strategy types may drive heterogeneity of integration paths. Ramamurti and Singh (2009) argue that EMNEs possess a serial of significant firm-specific advantages (FSAs) that are suited to emerging markets (operational excellence and product development, amongst others). They list four strategy types of EMNEs (low-cost partner, local optimiser, global consolidator, and global first-mover), each with a distinct combination of country-specific advantages (CSAs) and FSAs. For example, low-cost partner refers to offshore production partnering with Western firms, through which the EMNE leverages its country-specific cost advantages, particularly in terms of labour and efficient production capability; local optimizer aligns products and processes to the specific demands of the home market, where customers request products with a different price-to-features mix than in high-income Western countries, and where the underdeveloped infrastructure requires different product features.

Concluding from Ramamurti and Singh (2009), different EMNEs with different asset endowments target different strategic assets, including a wide range of resources and capabilities like technology, R&D, human capital, brand names, buyer-supplier relationships, and management capabilities (Luo and Tung, 2007; Stucchi, 2012). Given these heterogeneities in initial asset endowment and acquired assets, we surmise the evolution of LTIA also being heterogeneous across the enterprises and concealing an underlying driving system beyond some scattered influential factors.

In their analysis of Geely's acquisition of Volvo, Zheng et al. (2022) propose a four-stage integration process and identify external and internal legitimacy issues along with pressure for value creation as the primary influential factors in the integration process. In combination and over time, these factors result in different configurations of symbolic management (geared to address legitimacy concerns) and substantive management (aimed at realising synergies). However, by its very nature, a single-case study cannot capture the variety of integration paths that CMNEs might follow.

6.2.3 Drivers of Light-Touch Integration Evolution

Referring back to Haspeslagh and Jemison's (1991) framework, integration models are a strategic choice addressing needs for interdependence (needs to interact to add value) and autonomy (mainly the acquired firm's needs to stay autonomous and to protect its assets). These needs can change over time. By elaborating on the factors which influence these needs, we may better understand the drivers behind the evolution of LTIA.

Strategic interdependence determines how and to what extent combined firms engage in capability transfer and resource sharing (Haspeslagh and Jemison, 1991) and thus forms the basis for value capturing (one-time, transaction-related, shifting value from one to the other side) and/or value creation (a longer-term approach based upon managerial action and capability building through resource orchestration) (Angwin and Meadows, 2015). Such value creation does not occur if the firms operate separately as the related capabilities are often immobile (Barney, 1991) and not easily exchangeable on the markets (Capron et al., 1998b; Dierickx and Cool, 1989). Integration of organisational structures, functional activities, systems, and cultures is required to create a functioning entirety (Pablo, 1994).

Recent literature identifies a series of antecedents that determine the EMNEs' choice of LTIA, such as asymmetric information (Yang and Lütge, 2020), capability gaps (de Oliveira and Rottig, 2018; Kale and Singh, 2012), EMNEs' insufficient management experience in international business (Liu and Woywode, 2013; Marchand, 2017), cultural distance (Liu and Woywode, 2013), informal institutional differences and challenges in host countries (Zheng et al., 2016), and legitimacy deficit (Zheng et al., 2022). These antecedents as well as the negotiation power of the target firm make acquiring EMNEs suppress their need for strategic interdependence and opt for LTIA in the first place. How EMNEs manage these obstacles to create room for strategic integration deserves research attention.

Organisational autonomy describes the extent to which an organisation's decision power, routines, processes, and culture are maintained or dissolved (Angwin and Meadows, 2015;

Haspeslagh and Jemison, 1991; Puranam et al., 2009). Its core is the extent to which managers of acquired firms can allocate resources to achieve strategic goals in their operating environment. Such leeway may be emergent and not necessarily explicitly granted by the acquirer (Cavanagh et al., 2017). Subsidiaries commonly strive for greater independence (Ambos et al., 2011). Demands for organisational autonomy and ‘no change’ are present in almost every acquisition (Haspeslagh and Jemison, 1991). Granting a high degree of organisational autonomy is often an important competitive factor that helps EMNEs bid successfully for Western strategic assets (Kale et al., 2009; Knoerich, 2010). A key component of understanding the evolution of LTIA is identifying the factors that produce change in organisational autonomy over time.

In summary, the evolution of LTIA is a dynamic trade-off process continuously balancing interdependency and autonomy. Following Birkinshaw et al. (2000), who see integration occurring at two levels—task integration (creation of synergy and shared value) and social integration (creation of a shared identity)—we assume that LTIA evolves at these two levels and that there might be a system of inter-related drivers behind this evolution.

6.3 Methodology

6.3.1 Research Design

A multi-case study is useful when cross-cultural and cross-border issues are involved and when the research addresses a contemporary phenomenon within a rich, real-life context (Eisenhardt and Graebner, 2007; Flick, 2014). A process-oriented view is the best way to explore change, adaptation, and transformation (Bansal et al., 2018; Langley, 1999). Thus, to examine LTIA evolution, we adopt an inductive, multi-case procedural study with a longitudinal data set which addresses a strategic and managerial process (Miller and Friesen, 1982) and supports the development of related theories (Gioia et al., 2013).

6.3.2 Case Selection

Our study focuses on Chinese private-owned enterprises (POEs) as the empirical context. In 2015, China overtook Japan as the second largest cross-border investor, and, remaining amongst the top 3 thereafter, constitutes the largest share of the emerging-market economy. Among strategic asset-acquiring CMNEs, POEs are particularly conspicuous. In fact, Chinese POEs accounted for 76% of the 489 cross-border agreements closed by CMNEs in 2015 (KPMG, 2016). While Chinese POEs were initially established in markets monopolized by Chinese state-owned enterprises (SOEs) and Western companies, they entered the international business scene relatively late compared to Chinese SOEs. They must catch up quickly, making

traditional slow-paced step-wise models inappropriate (Zheng et al., 2022). Instead, Chinese POEs jump into foreign direct investment to hunt strategic assets (Lyles et al., 2014). They also provide an interesting research context because they are less influenced by the Chinese government and more driven by entrepreneurial and market-oriented motives than SOEs (Child and Rodrigues, 2005; Liu and Woywode, 2013; Zhang et al., 2021).

The professional network of the first author turned out to be a fertile source for cases as well as related CBA expertise ultimately stemming from two investment banks, four M&A service firms and one M&A law agency. From 2012 to 2016, we built a long list of the closed and ongoing deals involving CMNEs as acquirers from the above-mentioned organizations. Based on this list, we selected cases particularly appropriate for our research to maximise internal validity (Eisenhardt, 2021; Eisenhardt and Graebner, 2007). First, we limited our sample to strategic asset acquisitions conducted by firms that were listed on stock exchanges and had no governmental investors among the top ten shareholders, primarily to ensure reliable information and transparency and to minimize governmental influence. Second, to maximise our chances of identifying successful practices, we chose cases in which the acquirers were industry leaders in China. Third, we picked CBAs with target firms located in Europe and the USA as prior studies had demonstrated that most acquisitions by CMNEs in these regions are driven by strategic asset seeking (Aoki et al., 2014; Blomkvist and Drogendijk, 2016; DealGlobe and HurunReport, 2017). Fourth, both acquiring and acquired firms had to be willing to cooperate closely with us, with top decision makers agreeing to provide strategic insights over at least four years. Information had to be real-time as well as retrospective.

6.3.3 Data Collection and Analysis

Data collection and data analysis evolved simultaneously and we continuously moved between the empirical and theoretical worlds. Case selection and observation began in 2012 and ended in 2020. Based on our selection criteria, we cut our initial long list down to 12 cases. We added new cases as observations progressed, but also had to stop tracking some cases due to bankruptcy or internal conflicts which led to termination of cooperation. By the end of the data collection period, we had gathered rich data from eight cases.

Our primary data include the transcripts of 97 interviews (69 face-to-face and 28 by phone) with 26 top decision-makers (founders and executives from acquiring and acquired firms) and seven external experts (investment bankers, consultants, and lawyers involved in the deals), along with frequent email exchanges and communication via WeChat and WhatsApp. Furthermore, we reached out to clients of acquiring and acquired firms via telephone or email.

Secondary data encompassed archives, media reports, company press releases, blogs, and annual reports. To deepen our understanding, we conducted a total of 38 onsite visits to acquiring and acquired firms, including R&D centres, factories, headquarters, and flagship locations. During these visits, we engaged with employees at various levels within the case firms, such as middle managers, technicians, product designers, and workers, to enhance and evaluate the information gathered from top decision-makers.

The interviews were conducted in five timeframes: August 2012–March 2013, November 2014–February 2015, July 2017–April 2018, August 2019, and June–September 2020. They were guided by semi-structured question lists. The initial question list was based on Haspeslagh and Jemison's (1991) theory, Kale and Singh's (2012) hypothesis, and later on Liu and Woywode's (2013) 'light touch' concept. Topics included the motivation for acquisition, long-run strategy, the initial integration model and its rationale, any alterations to the model, and the reasons for change.

As we analysed the data from the first round of interviews, we sharpened our understanding of PAI and considered the sample Chinese POEs' different asset endowments, their FSAs and CSAs, and their resulting catch-up strategies, which had a major influence on how they integrated. Aware of the mutual dependencies between asset profile, catch-up strategy, acquisition, and integration model, we returned to the literature and refined and improved our question list for later interviews.

In the second round of interviews, resource dependency and cultural difference emerged as the major factors influencing the evolution of integration models. These factors had to be integrated into the analytical system ahead of the third interview round. We sought further insights into the key assets on both sides and each party's dependence on them, and into major cultural conflicts, how they handled them, and any relevant outcomes. The external experts were primarily asked about the motivation for the acquisition and their perspectives on the integration process to obtain additional insights and to cross-check the managers' views.

The interviews were held in Chinese, English, and German, and initially transcribed in the original language. To ensure accuracy, we sent each interview transcript to the interviewee for factual verification (Koelsch, 2013). Thereafter, Chinese and German interviews were translated into English. Since all authors are multilingual (first author Chinese, English, and German, second author Chinese and English, and third author English and German), we first translated the interviews ourselves and later used a professional translation service to check the accuracy.

We used MAXQDA to manage data analysis. Although we coded the data manually, the software was useful for fragmenting and recoding the data and for managing the codes to generate findings iteratively.

We conducted both individual case and cross-case analysis. First-order codes were mostly derived from individual case analysis, whereby we applied initial open coding and broke primary and secondary data down into discrete themes—global ambitions, strategies, integration stages and approaches, key resources, task integration, social integration, resource dependency, and cultural difference in each integration stage. Codes close to the informants' own words were used. After first-stage coding was complete, we conducted cross-case analysis to identify patterns among the case companies, grouping them by their catch-up strategies and initial and target integration models. We summarised the impacts of catch-up strategies, changes in resource dependency, and cultural difference. Based on the first-order codes, we developed more abstract second-order codes. We classified integration models based on Haspeslagh and Jemison (1991), Kale and Singh (2012), and Liu and Woywode's (2013) work. Thereafter, we refined the concept of LTIA by identifying its sub-forms. To categorise the firms' catch-up strategies, we adopted Ramamurti and Singh's (2009) typology based on CSAs and FSAs. We were able to confirm several of their strategy types and to detect and define new ones. From the second-order codes, we derived aggregate theoretical dimensions (Corbin and Strauss, 2008; Miles et al., 2014) and identified three evolution paths for LTIA and a driving system explaining the evolution. Table 6.3 presents the coding structure. To ensure the coding's validity, two authors conducted the data analysis independently. Open discussions were held when discrepancies appeared, based on insights from existing literature.

Table 6.1 provides key data on the case companies; Table 6.2 gives an overview of the interviews. For confidentiality reasons, we refer to all firms by pseudonyms. The size of the sample CMNEs ranged from 3,000 to 18,000 employees and that of the acquired firms from 36 to 3,000 employees. Six acquisitions occurred in the manufacturing industry and the other two in IT & telecommunications. Three of the acquired firms are located in Switzerland, one in the United States, three in Finland, and one in Austria.

Table 6.1: Basic data on case companies (Study 3)

Case	Acquirer / Acquired	Industry	Foundation acquirer / acquired	Employees of acquirer / acquired	Transaction price in million USD	Origin country of target	Targeted strategic assets	Status of acquirer in the industry	Status of acquired in the industry	Year of acquisition
C1	Sino Outdoor / West Outdoor	Manufacturing (consumer goods)	1996 / 1908	1500 / 70	16	Switzerland	Country image, brand, design skill	The biggest water bottle producer in China	The most famous water-bottle supplier in German speaking countries	2016
C2	Sino Tool / West Tool	Manufacturing (consumer goods)	1993 / 1885	6600 / 350	125	USA	Country image, brand	The largest home tool producer in Asia and one of the top 500 firms (Financial Times) in the world, with a revenue of USD 3 billion	One of the most famous tool brands in the US	2010
C3	Sino Knitting / West Knitting	Manufacturing (machinery)	1988 / 1947	1612 / 100	Unknown	Switzerland	Brand, technology	Number-one knitting machine producer in China	One of the four most famous knitting machine brands in the world	2010
C4	Sino Copper / West Copper	Manufacturing (raw material processing)	1989 / 1939	12000 / 400	80	Finland	Production base, technology, sales channel	The largest copper processing company in Asia	Big copper processing company in Europe	2016
C5	Sino Motor / West Motor	Manufacturing (machinery)	1984 / 1908	18000 / 3500	136	Austria	Country image, brand, sales channel, production base	The largest electric motor supplier in China	Famous electric motor brand with factories in Germany, the Netherlands and Austria	2011
C6	Sino Construct / West Construct	Manufacturing (construction)	1993 / 1936	12000 / 36	Unknown	Switzerland	Sales channel, design team	The largest façade construction firm in China	A famous Swiss façade design company	2008
C7	Sino Soft / West Soft	IT	2008 / 2009	3000 / 50	68	Finland	Technology	World leading smart terminal operating system and platform technology provider	The most innovative start-up in smart cockpit technology	2016
C8	Sino ConstructSoft / West ConstructSoft	IT	1998 / 1983	4000 / 120	25	Finland	Technology, sales channel	Number-one 'construction information modelling' in China's construction industry	Leading provider of 'design software' with mechanical and electrical plan (MEO) in the industry. Very famous in North Europe	2014

Table 6.2: Interview statistics (Study 3)

	Company	Interviewee	2012	2014–2015	2017–2018	2019	2020	Language
1	Sino Outdoor	CFO, founder			x	x	x	Chinese
2	West Outdoor	CFO			x	x	x	German
3	West Outdoor	Head of HR			x	x		German
4	West Outdoor	CEO			x		x	German
5	Sino Tool	Vice president	x	x	x		x	Chinese
6	Sino Tool	Head of sales	x		x		x	Chinese
7	West Tool	CEO	x	x	x		x	English
8	Sino Knitting	CEO	x	x	x		x	Chinese
9	Sino Knitting	CTO		x	x		x	Chinese
10	West Knitting	CEO	x	x	x		x	English
11	West Knitting	Project manager		x			x	English
12	Sino Copper	Head of overseas investment			x	x	x	Chinese
13	West Copper	CTO			x	x	x	English
14	Sino Motor	Vice president of sales / president of sales and board member since 2014	x	x	x		x	Chinese
15	Sino Motor	CIO		x	x		x	Chinese
16	West Motor	CEO (fired in 2016)	x	x				English
17	West Motor	Head of marketing		x	x		x	English
18	Sino Construct	Chairman	x					Chinese
19	Sino Construct	Head of technique department	x	x	x		x	Chinese
20	West Construct	CEO and head of design	x	x	x		x	German
21	Sino Soft	Vice president		x	x		x	Chinese
22	Sino Soft	Head of department for overseas market & operations support		x				Chinese
23	West Soft	Head of marketing		x	x		x	English
24	Sino ConstructSoft	General manager of the department for overseas marketing and operation		x	x		x	Chinese
25	Sino ConstructSoft	Vice president		x				Chinese
26	West ConstructSoft	Board member, former owner		x	x		x	English
Interviews with external experts								
27	Legal consultant for a law company		x				x	German
28	KPMG M&A expert		x	x			x	English
29	Deloitte M&A expert		x				x	English
30	PWC M&A expert		x	x			x	German
31	E&Y M&A expert		x		x		x	English
32	UBS investment banking expert		x	x	x		x	German
33	Credit Suisse investment banking expert		x	x	x	x	x	German

Total managers interviewed	26
Total external experts interviewed	6
Total managerial interviews	78
Total expert interviews	23
Total interviews	97

Table 6.3: Coding system (Study 3)

1 st -order categories (selective)	2 nd -order themes	Aggregate dimensions
<ul style="list-style-type: none"> Decision authority <ul style="list-style-type: none"> - Target: high decision-making autonomy - Acquirers: financial investors - Retention of executive team Task integration: <ul style="list-style-type: none"> - Production cooperation Social integration: <ul style="list-style-type: none"> - Symbolic social integration - Mutual visits - Clarity about strategic intent 	Production partnering	Integration model
<ul style="list-style-type: none"> Decision authority <ul style="list-style-type: none"> - Target: high decision-making autonomy - Acquirer: no intervention - Retention of executive team Task integration: <ul style="list-style-type: none"> - Irregular cooperation and coordination Social integration: <ul style="list-style-type: none"> - Chinese executives selected as coordinators - Symbolic social integration 	Preservation	
<ul style="list-style-type: none"> Decision authority <ul style="list-style-type: none"> - Target: high decision-making autonomy - Acquirer: no intervention - Retention of executive team Task integration: <ul style="list-style-type: none"> - Project cooperation - System interface integration Social integration: <ul style="list-style-type: none"> - Staff rotation - Team building 	Project partnering	
<ul style="list-style-type: none"> Decision authority <ul style="list-style-type: none"> - Target: high decision autonomy - Minor replacements on executive team Task integration: <ul style="list-style-type: none"> - Multi-dimensional business coordination and cooperation Social integration: <ul style="list-style-type: none"> - Staff rotation - Tandem programme - Team building 	Multi-dimensional partnering	
<ul style="list-style-type: none"> Decision authority <ul style="list-style-type: none"> - Target: high decision-making autonomy - Acquirer: no intervention Task integration: <ul style="list-style-type: none"> - Internal market system - Technology transfer Social integration: <ul style="list-style-type: none"> - Staff rotation 	Technology partnering	
<ul style="list-style-type: none"> Decision authority <ul style="list-style-type: none"> - Target: high decision-making autonomy plus active participation in group strategy development Task integration: <ul style="list-style-type: none"> - Implementation of multi-brands strategy and “brand and full-range provider” catch-up strategy Social integration: <ul style="list-style-type: none"> - Shared value 	Strategy partnering	
<ul style="list-style-type: none"> Decision authority: <ul style="list-style-type: none"> - Partial or full loss of autonomy for target - Domination of combined business by acquirer's strategy and business model - Major replacements on executive team Task integration: <ul style="list-style-type: none"> - Centralized standardization 	Absorption	

<ul style="list-style-type: none"> - Operation consolidation - Implementation of “global consolidator” strategy • Social integration: <ul style="list-style-type: none"> - Inclusive culture 		
<ul style="list-style-type: none"> • Initial, intermediary, target integration model • Turning point 		Integration stage
<ul style="list-style-type: none"> • Seeking targets with good country image, brand design capability, craftsman spirit • Providing products and services across different segments 	Brand firm and full-range provider	Catch-up strategy
<ul style="list-style-type: none"> • Serial takeovers within China • Ambition of global resource consolidation 	Global consolidator	
<ul style="list-style-type: none"> • Evidence of seeking out up-streaming and down-streaming technologies • Ambition to become a general contractor with turn-key project 	Total solution provider	
<ul style="list-style-type: none"> • Resource changes of acquirers (technology, marketing, production, learning ability, financial assets, etc.) • Resource changes of targets (technology, marketing, production, etc.) • Changes in dependence on each other’s key resources: <ul style="list-style-type: none"> - The true understanding of Western craftsmanship by Chinese team - The true understanding of Chinese efficiency and marketing style by Western teams - Cross selling - cooperation in technology improvement, purchasing, marketing, etc. 	Changes on re-source dependency	Steering driver
<ul style="list-style-type: none"> • Changes in mutual trust, mentality difference, management style difference, etc.: <ul style="list-style-type: none"> - Team building - Understanding of each other’s mentality and culture - Enhanced mutual respect - Intensified communication 	Changes on cultural difference	

6.4 Empirical Findings and Discussion

6.4.1 Integration Paths

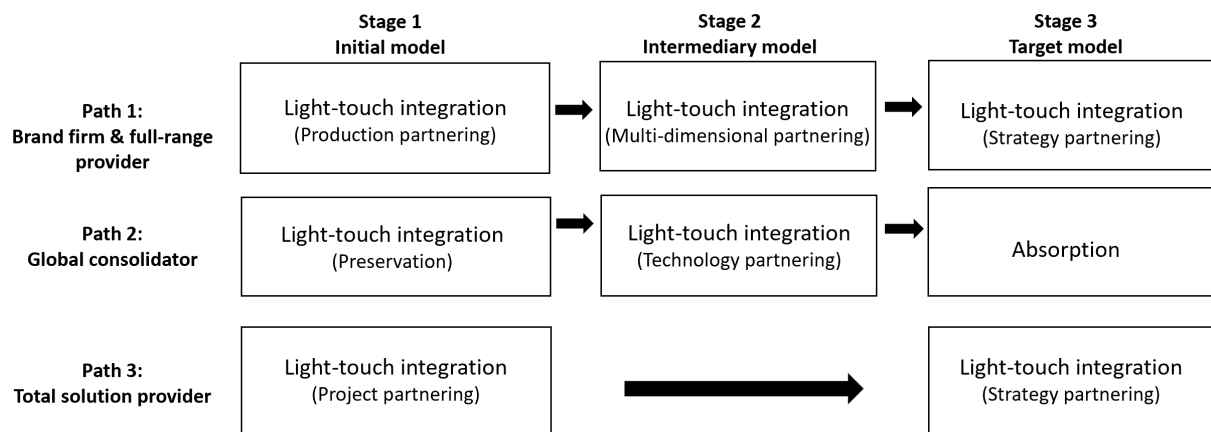
All sample CBAs are motivated by the acquiring CMNEs' global ambition. For example, *Sino Outdoor* (Case 1) strives to build a 'world-renowned century-old business group', *Sino Knitting* (C3) seeks to be the global 'knitting king', *Sino Motor* (C5) embarks on 'being the oriental Siemens', and *Sino Soft* (C7) aspires to occupy the global market as an 'unbeatable one-stop total solution provider', to name but a few.

'In 1997, one year after the foundation, we received our first ODM contract from a well-known brand company. While analysing the samples of this company, my father kept marvelling at the novelty of product design and exquisite workmanship, and vowed to develop our company into a world-famous, centuries-old business group like this brand firm. From this day on, the slogan defining this vision could be seen in every room of the firm... It has penetrated into the hearts of every employee.' (CFO, *Sino Outdoor*)

Sharing the same kind of highest global ambitions, the sample CMNEs follow different types of catch-up strategy. The catch-up strategy outlines the approach to surpass home-market counterparts, to catch up with Western incumbents and to transition from a peripheral to a global player. It determines the targeted asset profile, therefore, naturally creates a gap to the firm's initial asset endowment and thus drives the EMNEs' pursuit of strategic assets.

'Brand firm and full-range provider' denotes the catch-up strategy of the acquirers in group 1 (C1–C3), 'global consolidator' in group 2 (C4–C6), and 'total-solution provider' in group 3 (C7–C8). All groups start with a certain form of LTIA but evolve in different directions, depending on their catch-up strategy. The companies in groups 1 and 2 exhibit a three-stage path, from production partnering via multi-dimensional partnering to strategy partnering in group 1, from preservation via production partnering to absorption in group 2. The companies in group 3 pursue a two-stage path from project partnering to strategy partnering (Figure 6.1).

Figure 6.1: Integration paths



Unlike Yang and Lütge (2020), who find the same sequences of integration evolution path in all their cases, we see heterogeneous integration paths with diverging sequences as well as differing timetables. All start with a form of LTIA but end with either a different form of LTIA or absorption. With one exception only (C3), the commitment of the acquiring CMNEs to provide a high degree of autonomy to the acquired company emerged as a pivotal factor for the successful bid. In the following sections, we discuss the three integration paths alongside with the respective catch-up strategies as they are related with each other. Inspired by Haspeslagh and Jemison (1991), Birkinshaw et al. (2000), and Kale and Singh (2012), we analyse the integration paths in the dimensions of organizational structure, task integration, and social integration.

6.4.1.1 Integration Path Towards ‘Brand Firm and Full-Range Provider’

Originally family workshop operations, *Sino Outdoor* (C1), *Sino Tool* (C2) and *Sino Knitting* (C3) strive to become global brands offering full product ranges, aiming to bring successful brands and a full range of product offerings across all client segments under one umbrella.

At their early stage, *Sino Outdoor* and *Sino Tool* applied the strategy of ‘low-cost partnering’ (Ramamurti and Singh, 2009) and became original design manufacturers (ODMs) and original equipment manufacturers (OEMs) for well-known Western brands, including *West Outdoor* and *West Tool*, which they would later acquire. Their products were designed by Western firms and labelled with Western brands. *Sino Knitting* implemented the ‘local optimizer’ strategy (Ramamurti and Singh, 2009) by imitating *Western knitting* machines, adapting them to the price expectations and feature demands of the Chinese market and thus becoming the leader in the medium- and low-end customer segments in China and neighbouring emerging countries.

However, all three firms suffered from poor margins and limited pricing power. Without their own brands and design skills, *Sino Outdoor* and *Sino Tool* were unable to compete globally. Lacking initial innovation capabilities and branding, *Sino Knitting* was only able to compete with Chinese peers in mass markets through a cutthroat price war. Furthermore, it faced intellectual property rights issues and was sued by Western companies whilst its own products were imitated by domestic competitors.

These three firms pursue the same catch-up strategy of becoming a brand firm and full-range provider to address their strategic issues.

'As an ODM and OEM partner, our profit margin is limited to 5%, with the majority of the profit going to Western brand firms. However, their focus on high-margin markets has created an opportunity for Chinese companies to grow. After more than 20 years of dedication, we have accumulated sufficient resources to compete with Western brand firms... Becoming a brand and full-range provider—owning famous brands and at the same time strengthening our position in the mass market—is the best counterattack strategy.' (Vice President, Sino Tool)

Becoming a 'brand firm and full-range provider' was not achievable through organic development. Severely hit by the global financial crisis 2008 - 2010, numerous Western companies reached out for new investors. Assets became cheaply available. *Sino Outdoor* and *Sino Tool* targeted their ODM/OEM partners—the century-old brand firms *West Outdoor* in Switzerland and *West Tool* in the USA, respectively. *Sino Knitting* acquired *West Knitting*, a long-established firm that controlled the most advanced technology in the industry.

Stage I: Production partnering

The integration process in this group begins with a form of light touch that we term 'production partnering' as it is characterised by the coordination of production whilst the organisational independence of the acquired firm stays untouched.

The subsidiary retains decision-making authority in everything but budget. There is no executive reshuffling nor layoffs of employees. The acquiring firm acts like a strategic investor. *Sino Outdoor* and *Sino Knitting* provide funds to their acquired firms to implement long-abandoned product-innovation ideas, while *Sino Tool* helps *Western Tool* broaden its product range. Meanwhile, all three CMNEs support the acquired firms to enter the Chinese market.

'In the first three years, the Chinese and Swiss sides were like two parallel lines looking at each other without intersecting. The Swiss team ran their business as before...each year, we proposed a budget plan to the parent firm and they have always approved it... The chairman has kept his promise of continuous investment in R&D, funding us to develop a Chinese sales team.' (CEO, West Knitting)

The organisational segregation protects Western brands against potential reputation issues and helps retain international customers.

'At the beginning, West Tools' employees perceived the acquisition as a disgrace, as an American brand known by every grandma is now in the hand of an unknown Chinese firm. Some employees chose to resign, and others reacted with passive wait-and-see attitude... Shortly after the acquisition, we lost 10% of our customers, as they expressed concerns about quality deterioration and brand dilution under Chinese ownership... We shared these concerns with the Chairman, who promptly took action to distance the parent firm from the US firm. He assured West Tool's employees and the local media of significant autonomy... Even in international exhibitions, West Tool and Sino Tool were not represented together.' (CEO, West Tool)

Corporate cultures differ, with Chinese firms defined by hierarchical thinking and a top-down approach in contrast to Western firms' empowerment approach and bottom-up leeway to

boost innovation. Consequently, whilst clearly communicating the global vision and catch-up strategy, the CMNEs engage in symbolic activities to bridge the gaps and build up trust. At the first Christmas party in the combined company, the Chairman of *Sino Outdoor* promises that not only will there be no layoffs but more than 30 new employees recruited in the coming year to strengthen *West Outdoor's* design and marketing team. *Sino Tool* announces heavy investments in marketing and R&D to make the century-old brand even more prosperous. *Sino Knitting* buys two parcels of land adjacent to the factory to expand *West Knitting's* production and R&D capacity and enlarge the staff parking lot.

Task integration progresses quickly. In C1 and C2, production coordination replaces the former OEM/ODM partnership. In C3, two-way production cooperation is set up: *Sino Knitting* produces standard components for all machines on both sides and *West Knitting* produces precision and specialised components.

'When Sino Knitting proposed moving the production of standard parts to China, our employees rejected it, fearing that the Chinese just wanted to take our brand and technology away, gradually transfer production to China, and eventually close the Swiss factory... It wasn't until Sino Knitting finally relocated its production of high-precision components to Switzerland that our people stopped complaining... The result is a win-win situation: Swiss products are more price-competitive in the high-end market, and Chinese products are more quality-competitive in the mass market.' (CEO, West Knitting)

'Production cooperation' creates early synergy as the partners bundle their existing assets such as Western product design and Chinese production facility, without any adjustments needed. Task integration creates early success and mutual resource dependence.

Stage II: Multi-dimensional partnering

Roughly a year later, 'production partnering' widens to 'multi-dimensional partnering' as coordination and cooperation extend to marketing, R&D, and other areas. The organisational autonomy of the acquired firms remains untouched. No changes occur at the executive level with the exception of the resignation of *West Outdoor's* CEO who is replaced by a newly recruited European manager with strong branding expertise.

Based on the well-received symbolic social integration and the positive impact of production partnering in the first stage, social integration becomes more tangible in stage II. The acquirers establish 'boundary spanners'—either managers with intercultural experience (C2 and C3) or newly recruited experts (C1)—who commute between China and the host countries to smoothen communication.

'We seized a one-in-a-million opportunity in the talent market and hired an overseas Chinese professional who is highly proficient in Chinese, German, and English, and possesses extensive practical experience in accounting. He is in charge of the communication between the chairman and the Swiss team' (CFO, Sino Outdoor)

Boundary spanners play an important role in further bridging cultural differences and mitigating misunderstandings.

'Steve [boundary spanner] convinced the chairman to respect work-life balance and never expect a US employee to have his cell phone on standby 24 hours a day, seven days a week like a Chinese employee ... He also explained to the Chinese board why a double-digit growth rate in the USA and Europe is not realistic.' (CEO, West Tool)

The boundary spanner in C1 manages to persuade *Sino Outdoor* not to put the Swiss brand on the products designed and manufactured in China as this would ruin *West Outdoor's* international reputation.

Another impactful measure is 'staff rotation' whereby the CMNEs and their acquired firms exchange key employees in design, engineering, production, and/or marketing & sales on a regular basis. This creates opportunities on both sides to gain a deeper understanding of each other's resources and competitive advantages. Chinese staff learn about the local culture, design and craftsmanship embedded in Western branded products, while Western teams learn from their Chinese peers about manufacturing excellence, customer orientation, cost-awareness, and online marketing. Furthermore, regular staff rotations lay the ground for building multinational teams.

'For the first 6-month staff rotation, we sent 12 Swiss employees to China. They all returned excited. They saw Chinese colleagues as hospitable, hard-working people with strong cost-driven and customer-oriented creativity...many of the participants have teamed up with Chinese in product design, engineering or marketing. Some even made great friends in China.' (CEO, West Knitting)

In fact, boundary spanners and staff rotation drive new forms of multi-dimensional co-operation like mutual redeployment of marketing and sales resources and bi-directional support in product design.

To upgrade from one-dimensional to multi-dimensional cooperation, various assets from both parties get bundled, and many of them have to be adjusted, improved, or even transformed before bundling. This form of task integration requires an advanced understanding of each other's assets and promotes trust.

When both *Sino Tool* and *Sino Knitting* work on entering the USA and European mass market segments with their own products through their acquired firms' sales channels but struggle with the mismatch between Chinese products and Western demands, the acquired firms help customise these products and improve quality.

'Thanks to the staff exchange, the selected Chinese engineers and designers could live and work with us, learn the culture and customer demand here, and thus gain the opportunity to grasp the logic behind the design of Western home tools.' (CEO, West Tool)

Likewise, the CMNEs help the acquired firms adapt to Chinese customers' price-value expectations as they prepare to enter the Chinese market. *West Knitting's* CEO orders the reengineering of Chinese production machines for Western markets and asks Chinese engineers to adjust Swiss machines for the mid-range Asian market.

'We helped Chinese upgrade their machines, while they helped us simplify our machines by abandoning technical functions not required by Asian customers, thus reducing costs and attracting the mid-range client segment. With this cooperation, Sino Knitting keeps its technological lead in China and can even enter Europe, while West Knitting broadens its global customer base. A win-win situation!' (CTO, West Knitting)

Stage II takes two to three years. Boundary spanners and staff rotation significantly decrease cultural difference and build social ties between Chinese and Western teams. Multi-dimensional cooperation unlocks significant synergy potential, creates greater economic value, and broadens, deepens, and strengthens resource interdependence between the two parties.

Stage III: Strategy partnering

Finally, the case firms in this group transition to their target integration model: 'Strategy partnering'. The acquired firms still keep their organisational independence, but fully participate in the acquirers' global catch-up strategies. This stage begins four to five years after the acquisition and comes with a big symbolic event such as the co-organised 'Swiss Week' to promote the Swiss national image and *West Outdoor's* brand in C1, the solemn establishment of a joint product design team in C2, and *West Knitting's* initiative calling on the parent company to send more Chinese employees to Switzerland.

'As the Swiss design officer asked me whether Sino Knitting could send more Chinese employees to Switzerland for staff rotation, I was surprised. When we sent the first Chinese group three years ago, it was rumoured that the Chinese were coming to copy everything... His request delighted me to believe that our integration could move to the strategic level.' (CEO, Sino Knitting)

CMNEs still do not interfere with the internal management of the acquired firms but involve Western executives in group-wide decision-making processes, especially in R&D and global marketing. Both sides hire more multilingual and multicultural talents.

In the first integration stage, communication between China and the West was mostly limited to the executive level. In the second stage, it spread down to the middle management. In the third stage, a multi-dimensional communication network including top and middle management as well as key frontline employees is institutionalised, meaning that communication

and cooperation are no longer driven by specific initiatives but become standard processes. Cross-cultural product design teams (C1, C2, C3), marketing and sales teams (C1, C2), and production teams (C2, C3) are set up, and staff rotation becomes standard practice.

The catch-up strategy translates into specific action plans and milestones. C3, for instance, sets out to consolidate the European high-end market and enter the US high-end market, and at the same time strengthens its position in the mass market in China and Southeast Asia.

Strategy implementation picks up speed, especially the multi-brand strategy which positions Chinese brands in the low-end and medium markets and Western brands in the premium market.

'As the brand and full-range strategy was declared, we have adopted a multi-brand approach—Sino Outdoor's brand for the mass market, West Outdoor's for the premium market, and the joint created new brand for the medium market... Sino Outdoor sees us not as a 'daughter', but as a strategic partner.' (CFO, West Outdoor)

The acquired firms recover from a long period of losses. *West Outdoor* and *West Knitting* turn losses into profits, *West Tool* significantly increases its revenues and thus its previously modest profit. All three acquired firms expand their workforce. Strategy partnering proves to be a successful integration model for this group of CMNEs which all declare that they want to stick to this model for the foreseeable future as it seems the best way to protect brand value, to combine the interests of both parties and to implement their global catch-up strategy.

6.4.1.2 Integration Path Towards 'Global Consolidator'

Sino Copper (C4), *Sino Motor* (C5) and *Sino Construct* (C6) were domestic consolidators which aimed to become global consolidators (Ramamurti and Singh, 2009), building global-scale businesses with standardised products and processes in mature mid-technology industries.

Using their state-of-art product design and production technology, the three case firms grew rapidly, fuelled by government initiatives which provided successful POEs with access to capital to consolidate low-performing SOEs and prevented foreign companies from acquiring local firms. After acquiring its largest state-owned competitor, *Sino Copper* dominated the home market and other emerging Asian markets. Between 2002 and 2009, *Sino Motor* acquired five Chinese SOEs in the electric motor industry and took the lead in the small- and mid-sized motor market. *Sino Construct* also became a national leader after acquiring various state-owned competitors.

However, they all encountered multiple challenges in their international endeavours—trading barriers, unfamiliar global standards, lack of Western certifications, and country-of-

origin liability including the negative perception of ‘Made in China’. Three of the WTO heavy weights (USA, EU, and Japan) classified China as a ‘non-market economy’ (Griswold, 2019) and imposed duties on Chinese goods. *Sino Copper* and *Sino Motor* faced anti-dumping measures in the EU and *Sino Copper* in the USA.

The industries in which these companies operate entered a consolidation phase. When most Western players exited the copper-processing industry in the aftermath of the global financial crisis, *Sino Copper* conducted CBAs to gain strategic assets. In 2017, it acquired the copper processing unit *West Copper* of a Finnish business group to obtain production plants in Thailand, Vietnam, and Eastern Europe as well as advanced technology and experience in international marketing. In 2011, *Sino Motor* made a successful bid for *West Motor* which had multiple production plants in Europe and Asia and enjoyed a strong reputation in Europe. In 2008, when *West Construct* filed for bankruptcy protection, *Sino Construct* acquired its patents and the entire design team.

Stage I: Preservation

Prior to the 2008 financial crisis, the acquired firms in this group pursued global integration through global M&A. To improve efficiency, they eliminated redundancies and downsized their workforce after each acquisition. However, the financial crisis led to significant cash flow challenges, leading these firms to seek new investors. When they themselves were acquired, they adopted a defensive stance against tight integration to avoid the difficulties faced by their previous targets. As a result, the CMNEs apply the softest LTIA (preservation) to start integration.

The acquired firms successfully negotiate the takeover deal to keep all strategic and operational decision rights, but, in exchange, commit themselves to ambitious sales and profit goals.

‘We guaranteed West Motor the highest autonomy, but it committed to double its sales within three years.’ (VP for sales, Sino Motor)

Chinese executives communicate their global visions and catch-up strategies but perceive resistance from their Western peers and sense their doubts about the competence of the parent company.

‘Nobody from West Motor took the long-term ambition of Sino Motor seriously. The executive team even refused to implement its 5-year action plan.’ (Head of marketing, West Motor)

‘Western executives are stuck in old ways of thinking and use old-fashioned management method. They don’t know that Chinese companies have caught up. Their factories were

equipped in the 1980s or 1990s, our factories in the 2000s... We sense their arrogance and inner resistance' (Head of overseas investment, Sino Copper)

Facing such difficulties, the CMNEs choose to keep social integration purely symbolic in the first place. *Sino Copper* provides a fund for *West Copper* to enlarge its production base in Southeast Asia; *Sino Motor* invites *West Motor's* labour union members to visit the parent company in China and takes them to some famous scenic spots; *Sino Construct* gives shares of the parent company to all *West Construct* employees as Christmas gift. Overall, the symbolic social integration activities ease some of the tensions and fears.

There is almost no task integration apart from some internal procurement contracts at this stage. The overriding goal is to avoid conflicts and build up goodwill for the future.

Stage II: Technology partnering

After about a year of preservation, partnering takes off emphasising technological cooperation. This period lasts one to three years.

There are no formal changes regarding the decision-making authority of the acquired firms. However, a Chinese manager is charged with coordination and communication on site and attends the executive meetings, though without intervening. It can be assumed that this manager has some informal influence on decision making but it is difficult to evaluate to what extent.

Social integration makes substantial progress, primarily through staff rotation, which involves product designers, engineers, and workshop managers and helps overcome Western resistance to the acquirers in general and their capabilities in particular. Likewise, Chinese key employees gain a better understanding of the products and technologies of the acquired firms and meet their peers, the senior engineers of *West Motor*, the master craftsmen of *West Copper* who control continuing casting technology, and *West Construct's* product designers.

'The best outcome of staff rotation is that many Chinese and European staff teamed up, searching for opportunities to cooperate.' (CTO, West Copper)

To further promote cooperation, an internal market mechanism is established, which specifically facilitates technology transfer in both directions: *West Copper* transfers continuing casting technology to *Sino Copper*, *West Construct* the design and production of eco-friendly façades to *Sino Construct*, and *Sino Motor* various motors to *West Motor*, all through internal purchasing contracts. Subsequently, cross-border cooperation clearly improves, exemplified by participants in *Sino Motor's* staff-rotation programme who learn of some *West Motor* products that are no longer on sale, adjust them for the Asian market, and generate considerable profit for both sides.

The overall outcome of stage II is narrowed cultural difference and strengthened mutual resource dependence in middle and lower front related functions.

Stage III: Absorption

When it becomes obvious that the three acquired companies are not even close to achieve the results they have committed to, and that they are resource dependent on the acquirer (requesting additional financial support (C4, C5, C6), assistance in cost optimization (C4, C6) and customer acquisition (C4, C5)—the time has come to absorb them: C4 in the third year after the acquisition, C5 and C6 in the fourth year.

The acquired firms lose their autonomy. Operations and organisational structures are globally consolidated, not necessarily in China, and the acquired firms' executive teams are mostly replaced by newly recruited managers with cross-cultural experience who accept the changed decision paths and instructions from the headquarter. *Sino Motor* completely replaces *West Motor*'s executive team with managers poached from Western multinational companies, centralises the purchasing, sales and marketing departments, and builds a new global R&D centre in Germany to maximise combination benefits. *Sino Copper* replaces *West Copper*'s executives with the second-level managers from the same house. *Sino Construct* transforms *West Construct* into a design unit and establishes a global project development centre in the UK and diverse sales and service centres in Europe and the USA. All these changes do not cause any unrest among the employees of acquired firms.

'Within a few months, the CEO, CFO, CTO and COO were all replaced. Three consecutive years of losses for West Motor led European staff to accept this radical change, since the old executive team had lost its legitimacy. The combined organisation was restructured, resources consolidated...' (Head of marketing, West Motor)

Furthermore, staff rotation gets institutionalised and extended to a wider range of employees. *Sino Copper* even aims to have every technician and engineer experience all its production centres around the globe.

All case firms adopt a similar task integration approach defined by centralisation, upgrading and standardisation. Superior technology and resources from both sides are centralised in China, upgraded by a joint team and globally recombined to a new comprehensive and standardised value creation system from procurement to production and marketing.

'The copper processing industry has fierce competition with expensive investment in fixed assets and low margins, confronting diverse risks—raw material price volatility, exchange rate fluctuation, trade protectionism, etc. Only with a global reach and consoli-

...ation of the best resource can we achieve sustainable development. We have to continuously improve efficiency through resource integration, technology upgrading and overall process standardisation.' (Head of overseas investment, Sino Copper)

Sino Motor and *West Motor* introduce a global multi-level product offering system to address specific customer preferences.

'M1 products are 'designed and made in Germany'; M2 'designed in Germany and made in China', M3 'designed and made in China', M4 'designed in China and made in Vietnam', etc. We can therefore rapidly gain customers with different budgets.' (Global sales VP, the combined organisation of *West Motor* & *Sino Motor*)

Successful integration under the target model 'absorption' enables all three case CMNEs to continue their global consolidation journey—*Sino Copper* acquires a US firm, *Sino Motor* and *Sino Construct* Italian firms. In 2019, all three combined firms become big global players.

6.4.1.3 Integration Path Towards 'Total-Solution Provider'

Sino Soft (C7) and *Sino ConstructSoft* (C8) share the same catch-up strategy 'total-solution provider', aiming to integrate up- and downstream cutting-edge technologies in industry value chain and establish themselves as general contractor.

Incubated in Chinese science parks, funded by the Chinese government and venture capital funds, they were 'born global' and invented and controlled cutting-edge niche technologies within their specific fields of IT industry, which rapidly developed and whose global value chain was cut into ever-finer slices (Williamson and Zeng, 2009), creating space for specialised niche players. *Sino Soft* created a world-leading operation system for smart terminals. *Sino ConstructSoft* designed a software which facilitates information modelling for construction project bidding. Both companies were typical 'global first-movers' in Ramamurti and Singh's (2009) typology. They built global businesses around these unique technologies, initially taking the role of subcontractors in global biddings and developing from there to general contractors to improve their success ratio in bids and their profitability. Providing total solutions was a pre-requisite for that move.

'Our cutting-edge technology covers a part of the industrial chain. We can only participate in bids that are attached to a general contractor. As a subcontractor, we have to adjust our product to meet the requirements of the general contractor, which often results in a reduction of our profit margin. With the successful completion of our IPO, we now have sufficient resources to implement our new strategy. Our goal is to expand our presence upstream and downstream along the value chain and become a total-solution provider.' (Vice president, *Sino Soft*)

To broaden their technology bases along the industrial value chains and adjust their marketing accordingly, *Sino ConstructSoft* acquired the Finnish upstream high-tech firm *West*

ConstructSoft, a provider of construction design applications. *Sino Soft* acquired the Finnish downstream start-up *West Soft*, which offered solutions for human–machine cockpit interfaces. Unlike the first two groups, the integration path of this group contains two stages only (Figure 6.1).

Stage I: Project partnering

Project partnering involves close cooperation at the project level while maintaining organizational independence. The firms in this group can collaborate on international projects right after the acquisition because they have previously worked together as subcontractors.

The acquired firms largely keep their decision-making authority. *West Soft* retains its full management team while the *West ConstructSoft* CEO, one of the company's founders, is replaced by a former general manager in an internal reshuffle. Both firms accept a Chinese financial expert as associate to the CFO. The acquiring firms propose budget and key performance indicators subject to discussion and negotiation.

'We typically negotiate with our parent firm regarding budgets and KPIs, presenting arguments to increase the budget for hiring new staff and supporting product development. Additionally, we need to explain why achieving a 50% growth rate in Europe was not feasible. Fortunately, most of our requests were accepted. For instance, we were able to hire 20 additional software engineers and secure funding for product development three months after the acquisition.' (Head of marketing, *West Soft*)

Intensive staff rotation is set up among the software engineers immediately after the acquisition, with the goal of learning each other's technologies and developing system interface integration.

'There are four areas in digital solutions for construction: design, bidding, construction, and maintenance. West ConstructSoft specializes in design, while Sino ConstructSoft in bidding. Our aim is to become a general contractor by merging both systems and further integrating systems in the remaining areas.' (Vice president, *Sino ConstructSoft*)

Compared with the other groups, the case companies in this group rapidly implement a higher level of substantial social integration for two reasons. First, the acquired firms share the global vision of their acquirers in principle and believe in the great potential for mutual benefits (Knoerich, 2010) through close cooperation and additional investment from the parent company.

'We have a lot in common—both were born in high-tech parks at almost the same time, have unique technologies, and share the same ambition. Before the acquisition, West Soft also dreamed of collecting upstream and downstream technologies to become a total-solution provider. However, driven by China's large capital market, Sino Soft's development speed far exceeds that of West Soft...Sino Soft's international ambitions and willingness to invest heavily in R&D have won our hearts... They all welcome the personnel exchange and team building program initiated by Sino Soft.' (Head of Marketing, *West Soft*)

Second, the firms hardly face language barriers and share similar backgrounds. The majority of employees on both sides are software engineers, aged between 25 and 35, highly educated with a bachelor's or master's degree or even a PhD, and possess substantial English skills.

Prior to the acquisitions, the acquirers and their targets bid separately as subcontractors and in cooperation with large general contractors and other subcontractors. After the acquisitions, they 'cross-sell each other', making joint bids.

Beyond cross-selling, the case firms also push IT interface integration to prepare for providing total solutions. *Sino Soft* integrates its middleware with *West Soft's* software to develop a smart cockpit solution for car manufacturers, *Sino ConstructSoft* its construction bidding system with *West ConstructSoft's* construction design application.

'Through staff exchange, integration of system interfaces and cross-recommendation, both sides could increasingly work on different projects together. The more we cooperate, the better we understand each other.' (Head of marketing, *West Soft*)

In these two cases, the acquiring and acquired parties share their high needs for strategic interdependence and their mutual resource dependency whilst cultural difference is relatively small.

Stage II: Strategy partnering

Two years later, the case firms move beyond pure project cooperation towards comprehensive cooperation. The target integration model—strategy partnering—emerges, whereby the acquiring and acquired firms further refine interface integration and mutually expand the scope of their shared business. The two parties jointly determine the business expansion strategy including marketing and product development, and the scouting and selecting of new targets with up- and downstream technologies to complete the offering for total solutions in the given industrial value chains. Joint teams are created to complement the retained independent organizational structure, going far beyond the staff rotation program established in stage I.

'In the third year, we aimed to accelerate the pace of system interface integration by forming a mixed team comprising selected software engineers from both sides. Additionally, recognizing that many renowned automobile companies have established joint ventures and factories in China, we formed a marketing and sales team consisting of members from both sides to target new customers right here. As a result, we won new Japanese, German, and US clients.' (Vice president, *Sino Soft*)

Interface and system integration becomes particularly vital as total solution providers and general contractors are expected to bring a comprehensive IT architecture to their projects. Therefore, in both cases, the combined firms select its best talents and team them up as group IT architects.

To add the missing pieces to the desired total solution offering, the strategically inter-dependent partners jointly reach out for new target firms. *Sino Construct* and *West Construct* seek asset acquisitions in digital solutions for projection and maintenance, *Sino Soft* and *West Soft* in image processing.

At the same time, the CMNEs and their acquired firms jointly extend their business scope and upgrade their business model for accelerated growth.

'With our European subsidiaries, we expanded our total solution to other fields: videoconferencing, remote intelligent medical treatment systems, etc. The rapid development has forged us together for integrated R&D and client acquisition. I believe that co-development of business is the best way to promote strategic partnership.' (Vice president, Sino Soft)

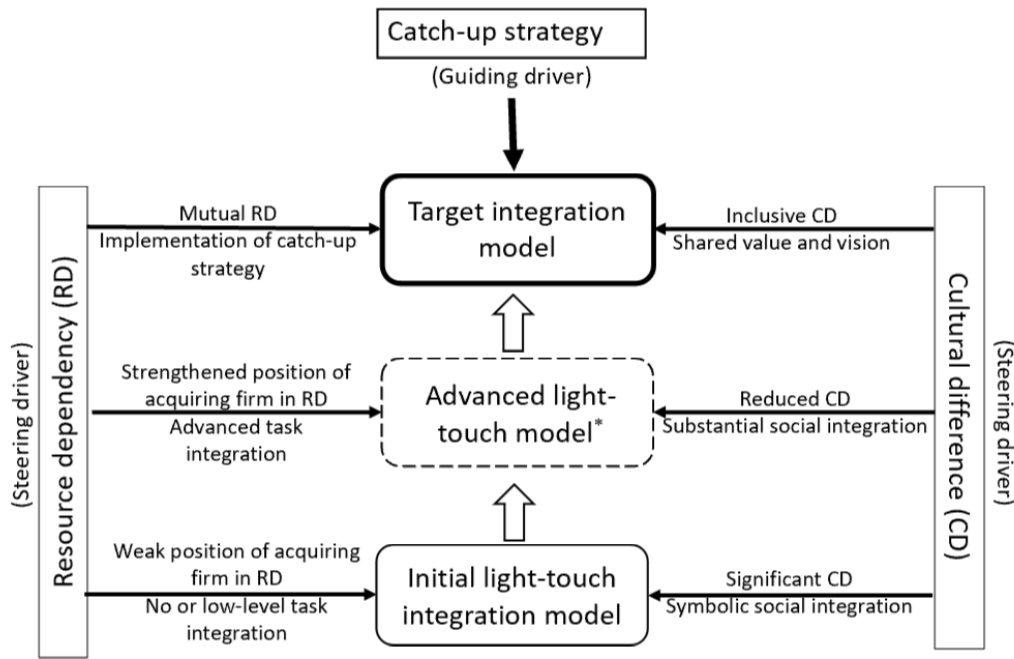
Strategy partnering proves successful in terms of cooperation, growth, and profitability. When the construction industry experiences a cliff-like drop in 2020 due to the COVID pandemic, numerous construction workers lose their jobs or are on short-time work. To address this challenge, *Sino ConstructSoft* and *West ConstructSoft* collaborate to swiftly offer low-cost online training programs for construction professionals, focusing on design and tendering through their web platform. They also transition their business model from software sales to a subscription-based cloud computing model, bundling construction practitioners to their cloud computing system. When the construction industry resumed operations in China in late summer 2020, the combined firms in C7 and C8 experience a strong rebound in sales, resulting in a significant profit increase of 87% and 41% respectively in 2020.

Strategy partnering, a sub-form of light-touch model, appears as an effectively integrated target model. Both parties are at eye level, sharing equal authority in strategy definition, and jointly making purely strategic decisions, leaving much space for operational autonomy.

6.4.2 Driving System

We identify a driving system (Figure 6.2) behind the three distinct paths of integration. The catch-up strategy proves to be the guiding force and explains the heterogeneity of the integration paths as the strategies vary. At tactical level, resource dependency and cultural difference are the steering levers to manage the transition from the initial model to the target integration model. Figure 6.2 illustrates the interrelations between these factors and their influence on the integration path.

Figure 6.2: Drivers of light-touch integration evolution



* Intermediary model for path 1 and 2 only

6.4.2.1 Catch-Up Strategy—the Determinant of the Target Integration Model

Global ambitions took root in the very beginning of the CMNEs' history as family workshops or high-tech start-ups and evolved from an entrepreneurial obsession to the motivating factor for path-breaking catch-up strategies. Strategic asset acquisitions addressed the gaps between their initial asset endowment and the asset profile required to implement the catch-up strategy. They all aimed to compensate for their country- and firm-specific disadvantages by developing new competitive advantages through SAS acquisitions. However, their catch-up strategies are as unique and specific as their initial asset endowment and target asset profile.

The heterogeneity of PAI paths can be explained by the heterogeneity of the catch-up strategies, which determine the target asset profile and thus the assets to be acquired to complement the own asset endowment. The target integration model is supposed to make the most effective and sustainable use of the specific assets acquired, taking into consideration the given need for strategic interdependence and organisational autonomy.

The brand firms and full-range providers adopt a target integration model titled strategy partnering, primarily aimed at safeguarding the acquired tacit assets such as brands and design skills which are deeply rooted in local cultures and embedded in teams. Therefore, this model

grants subsidiaries substantial organizational autonomy while building up permeability to maximize the utilization of the acquired assets, notably through the implementation of a multi-branding approach for a comprehensive product offering.

The 'global consolidators' represent the industries characterized by highly standardized products and low margins, where efficiency is crucial. Therefore, the most suitable model for value creation is to ultimately absorb their acquired firms, maximizing efficiency through resource centralization, product and service upgrading, and global-scale standardization.

The 'total-solution providers' aim to combine specific advanced technologies on both sides and therefore apply 'strategy partnering', on the one hand to protect cutting-edge technological capabilities and local innovation power by retaining rare talent pools, and on the other hand to commonly integrate independently developed sophisticated systems for holistic solution that benefit demanding global clients.

In all our cases, significant financial problems were amongst the main reasons for the takeover of the Western entities, which were bankrupt or quasi-bankrupt (C1, C6), sold as non-core business unit by the financially troubled parent company (C3, C4, C5), or financially too weak to further develop their business (C2, C7, C8). One may intuitively assume that financial difficulties would weaken the negotiation power of the target companies and favor a tighter form of integration. However, in no case of our findings played this a significant role in determining the integration model. The relevance of the acquired assets for the acquirer's catch-up strategy clearly outweighed any possible thoughts of putting pressure on the target. It was predominantly about how to ensure that the acquired strategic assets, in particular the critical locally embedded tacit assets, could be retained and made sustainably useful for the implementation of the catch-up strategy in the longer run. Taking short-sighted 'advantage' of financial superiority or the 100% ownership status was considered too risky for the longer-term intents and not necessarily expedient. Furthermore, there were bidding competitions for the targets and commitments had to be made by the bidders on how integration should look like in the first stage. So, in group 1 and 3, the integration models evolved within LTIA as 'absorption' would jeopardize the culture embedded in brands and cut the local innovation capabilities. Best use of acquired assets does not necessarily come from the tightest integration models. Even in group 2, where the acquired firms were finally absorbed, financial problems did not drive the integration path, but the economic rationale behind the catch-up strategy. Standardisation and centralisation are key for consolidators to maximize efficiency.

Proposition 1: *Post-acquisition integration paths are heterogeneous and determined by the acquirers' catch-up strategies.*

Proposition 1a: *CMNEs which intend to become brand firms and full-range providers via strategic asset-acquisitions in developed markets stay within light-touch integration but move from production partnering towards strategy partnering.*

Proposition 1b: *CMNEs which intend to become global consolidators via strategic asset-acquisitions in developed markets move from preservation—the lightest light-touch integration approach—towards absorption.*

Proposition 1c: *CMNEs which intend to become total-solution providers via strategic asset-acquisition in developed markets stay within light-touch integration but move from project partnering towards strategy partnering.*

6.4.2.2 Resource Dependency and Cultural Difference—the Steering Drivers of Light-Touch Integration Evolution

None of the case CMNEs implements its target integration model right away but establishes temporary solutions through a dynamic steering process in which the needs for organizational autonomy and strategic interdependence are continuously and thoughtfully balanced. The target model is only introduced once resource dependency and cultural differences seem to be ready for it. Thus, these two factors are the control levers in the progression toward the target integration model.

According to resource dependency theory, the party with access to superior resources holds the most power in a given relationship (Nienhüser, 2008; Pfeffer and Salancik, 1978). However, resource dependency can change, affecting the negotiation power during the cooperation process. Extant literature rarely discusses mutual resource dependency between EMNEs and their acquired firms, instead emphasising the EMNEs' resource dependency on acquired Western firms and the corresponding one-way knowhow transfer (Di Minin et al., 2012; Peng et al., 2017). Our findings demonstrate that EMNEs and Western incumbents possess different and highly complementary asset endowments (as also noted by Ramamurti and Singh, 2009), resulting in mutual resource dependency.

EMNEs' assets include CSAs such as market access and government support, which cannot easily be traded or transferred, and a range of FSAs suited to emerging markets such as operational excellence and regional product development. Western firms, on the other hand, possess positive country image and numerous intangible assets such as cutting-edge technology and valuable brands. This complementarity creates mutual resource dependency.

Managing resource dependency involves balancing power and access to resources that are seen as essential for implementing the firms' catch-up strategy. In our case studies, this

balance is achieved by enhancing awareness on both sides regarding the other party's CSAs and FSAs and their potential contribution to mutual benefit. Additionally, quick learning from the new partner, which Chinese companies excel at, is also crucial. In Group 2 (global consolidators), the Western firms' evident failure stems from their misjudgement of CMNEs' resources while overestimating their own capabilities.

Cultural difference is a well-researched factor in PAI. There is empirical evidence that it is a double-edged sword that can impose major obstacles to integration whilst also representing a source of value creation and learning (Reus and Lamont, 2009), depending on how it is managed and under what conditions (Wang et al., 2020). However, little is known about how managing cultural differences influences the evolution of integration. Our data suggests that the most effective approach is a combination of social integration, promoting shared goals, and positive attitudes (Birkinshaw et al., 2000; King et al., 2020), and task integration for common success.

We also find that social and task integration foster each other, and both together effectively reduce cultural difference and strengthen resource interdependence. However, it is crucial to complete certain basic social integration steps and establish a degree of mutual trust before task integration can be successful. In cases where the companies attempted task integration without a solid social foundation, the tasks often failed due to the need for cross-cultural cooperation and disruption of operational routines. This led to insecurity and resistance, especially when cultural differences were still prominent and social integration was lacking.

Our data reveals how companies evolve towards a target integration model by combining task and social integration to establish resource interdependence and reduce cultural differences. Initially, the case firms prioritize symbolic social integration and low-level task integration due to perceived one-sided resource dependency and significant cultural differences. However, it is important to note that in the immediate period following the acquisition, the perceived resource dependency outweighs the actual dependency. The acquired Western firms are aware of the acquirers' CSAs (large home market, cheap labour) but unaware of their FSAs, such as cost management, incremental innovation power, and customer-oriented service capabilities. Conversely, the CMNEs recognize the targets' CSAs (country image, skilled labour) and FSAs (brand, technology, market access) but may overlook their shortcomings, such as poor cost management and negative management legacies. These misperceptions grant the acquired company a stronger negotiation position and create an imbalance in dependency, leading to psychological resistance from Western managers and employees, as perceived by Chinese managers.

Perceived or real resource dependence and cultural differences boost the need for autonomy and make LTIA an appropriate integration model to start with. Initially, our case firms focus on low-level task integration activities and only combine resources if feasible without adjustments, leveraging existing production, technology, or project partnerships established prior to the acquisition. In groups 1 and 2, the acquiring firms prioritize symbolic social integration, which includes additional capital injection and share participation programs, to demonstrate their commitment to the acquired firm and mitigate potential resistance from employees.

High-level task integration and substantial social integration are applied once cultural difference is significantly reduced and resource interdependency sufficiently increased. Staff rotation programmes provide both parties with a deeper understanding of each other's resources and capabilities, narrow cultural differences, and foster the belief of win-win synergies. In particular, the CMNEs improve their understanding of tradition and craftsmanship in Western brands whilst the subsidiaries start recognising the CMNEs' latecomer advantages, big-data-based market development capabilities and cost- and customer-oriented innovation. Substantial social integration enables high-level task integration like joint marketing and innovation that come with higher value-creation potential but are more demanding in execution since existing assets have to be adjusted before getting combined.

In summary, the initial form of LTIA serves the best interests of both sides, with the acquired firm advocating for autonomy and asset retention, while the acquirer safeguards and utilizes strategic assets needed for their global ambitions. As cultural differences narrow and become compatible, mistrust diminishes and resource dependency is balanced, leading the integration model to evolve towards the target integration model. This model supports the catch-up strategy and benefits both sides.

Hence, we propose:

Proposition 2: *The initial light-touch integration models shift to the next step towards the target integration model only if*

- a) mutual resource dependency has increased and*
- b) cultural difference has decreased.*

6.5 Conclusion

6.5.1 Theoretical Implications

From a methodological point of view, our study has undertaken an approach that has been rarely used in the research field of EMNEs' strategic asset-acquisition and post-acquisition integration. It draws on an eight-year longitudinal multi-case study and takes a dual view from

both the acquiring and the acquired companies. This comprehensive approach enables us to add to the extant literature, place it in practical contexts, challenge its accuracy, uncover new insights, and present a novel theory—the driving system of post-acquisition integration. This theory reveals that integration is heterogeneous by nature, explains why it is heterogeneous, and demonstrates how it is managed.

We provide five contributions to the literature:

First, our findings enrich the knowledge about LTIA by revealing the significant heterogeneity of its evolution. We identify three differing integration evolution paths corresponding with distinct types of catch-up strategy: ‘brand and full-range provider’, ‘global consolidator’, and ‘total solution provider’. Each starts with a form of LTIA but transitions to a distinct target model, either another form of light touch or absorption. Kale and Singh (2012) hypothesise that LTIA will finally be replaced by absorption. Our findings instead imply that absorption is only one of several possible target models.

Second, we extend Haspeslagh and Jemison’s (1991) observations about ‘the need for strategic interdependence’ and ‘the need for organisational autonomy’ by identifying a driving system behind integration evolution (Figure 6.2). The catch-up strategy, supposed to achieve the global ambition, determines the target integration model which combines the needs for strategic interdependence and organisational autonomy to ensure optimal synergies, sustainable value creation and the accomplishment of the long-term key objectives. At tactical level, resource dependency and cultural difference are the steering levers used to efficiently and effectively manage the transition from the initial form of integration towards the target model.

Third, the assumption made by Luo and Tung (2018a) and the common belief that EMNEs transfer crucial resources and knowledge from acquired firms to their home operations do not align with our findings in paths 1 and 3. Instead, protecting brand and design skills rooted in local tradition and corporate culture, as well as developing global markets through strategic partnerships, are essential for the brand firms and full-range providers (path 1), while securing the innovation capabilities of local IT engineers and collaboratively developing modular solutions are crucial for the total solution providers (path 3). Unilaterally transferring acquired key resources to China has never been a viable option for these CMNEs. In these cases, strategy partnering, rather than absorption, emerges as the superior approach for achieving sustained synergies.

Fourth, we extend the extant strategy typology (Ramamurti, 2009; Tsai and Eisingerich, 2010) by identifying different catch-up strategies and thus advance the understanding of EMNEs and their internationalisation.

Fifth, we extend the extant literature by refining the conceptualisation of LTIA to include multiple light-touch practices: business coordination in production only ('production partnering'), business coordination in specific projects ('project partnering'), coordination in technology ('technology partnering'), and multi-dimensional business coordination and cooperation in group strategy setting ('strategy partnering'), alongside the well-known 'almost no integration' approach ('preservation').

6.5.2 Managerial Implications

There are multiple prejudices and a seemingly 'common understanding' among managers on both sides that our study proves wrong or only partly applicable. These include one-directional knowledge transfer, an unavoidable move towards the absorption model, and short-term profit-orientation of the Chinese acquirers, among others. However, such occurrences are not observed in successful cases like ours. Our study holds significant managerial relevance for companies from both emerging and developed markets. As all of our cases can be considered successful and we contextualize theories in practical settings, valuable lessons and 'best practices' can be drawn, as demonstrated by the following key ones.

Acquiring EMNEs should be particularly careful with the integration of the acquired tacit assets, since they are mainly embedded within the local context of Western firms, residing in culture, individuals, groups, and specialized practices and processes. Considering the presence of cultural gaps, mistrust, and (perceived or real) resource dependence, EMNEs may employ subtle approaches to guide integration, so that tacit assets could be protected. This can be achieved through actively managing resource dependence and cultural differences, such as making further investments in the acquired firm to foster trust, implementing staff rotation and exchange programs to promote mutual understanding and learning, engaging in joint projects to create shared successes, and maintaining transparent communication. It is not wise to forcefully absorb a financially struggling, yet tacitly knowledgeable acquired company. None of our successful CMNE case studies have solely relied on financial superiority or ownership status when approaching integration.

Western incumbents must comprehend the acquirers' ambition and catch-up strategy in order to grasp the rationale behind the strategic asset-acquisition and the integration path. With-

out this understanding, they may only perceive the acquirer's short-term behaviours and therefore react tactically rather than strategically. The integration paths are guided not only by operational optimization logic but primarily by a strategic intent, similar to the strategic asset-acquisitions themselves.

It is crucial for both the acquiring and acquired companies to understand each other's asset portfolios in order to achieve synergies rapidly and effectively. Integration aims to capture synergy opportunities by combining acquired strategic assets with existing assets to offset competitive disadvantages and develop new capabilities. In our cases, Western managers tend to underestimate EMNEs' FSAs and overlook the interplay between their CSAs and FSAs. Similarly, EMNEs often disregard specific disadvantages of Western target firms.

6.5.3 Limitations of the Study and Implications for Future Research

The limitations of this study create directions for future research. First, Cogman and Tan (2010) find that most CBAs by EMNEs fail to capture synergies. We focus on successful cases with companies that were willing to cooperate with us. Further research, therefore, could conduct comparative analyses of successful and less successful post-acquisition integrations. Second, as we investigate cases related to eight Chinese POEs, caution needs to be exercised when generalising the findings to other contexts. Future research may test our findings across other emerging countries, industries, and ownership structures. Third, we discuss the driving system for integration paths and its impacts qualitatively, future studies could try to quantify the impacts of the drivers and integration models. Fourth, we believe that the driving system we observe can be applied to integration paths related to strategic acquisitions by multinational enterprises in general. However, this assumption requires testing.

We expect that this study can inspire scholars to further investigate EMNEs' integration and asset orchestration process and, furthermore, provides theoretical implications to scholars as well as practical implications to managers.

References

- Aharoni, Y., (2014). To understand EMNEs a dynamic IB contingency theory is called for. *International Journal of Emerging Markets*, 9(3), 377-385.
- Ai, Q., & Tan, H. (2020). Uncovering neglected success factors in post-acquisition reverse capability transfer: Evidence from Chinese multinational corporations in Europe. *Journal of World Business*, 55(3), 101053.
- Alon, I., Anderson, J., Munim, Z. H., & Ho, A. (2018). A review of the internationalization of Chinese enterprises. *Asia Pacific Journal of Management*, 35(3), 573-605.
- Ambos, B., Asakawa, K., & Ambos, T. C. (2011). A dynamic perspective on subsidiary autonomy. *Global Strategy Journal*, 1(3-4), 301-316.
- Angwin, D.N., & Meadows, M. (2015). New integration strategies for post-acquisition management. *Long Range Planning*, 48(4), 235-251.
- Aoki, Y., Liu, D., Sun, S., Wang, T., Wang, X., & Zhou, A. Y. (2014). Chinese Foreign Direct Investment in the United States. *Business Horizons*, 56(4), 443-451.
- Bansal, P., Smith, W. K., & Vaara, E. (2018). New ways of seeing through qualitative research. *Academy of management journal*, 61(4), 1189-1195.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management*, 17(1), 99-120.
- Birkinshaw, J., Bresman, H., & Håkanson, L. (2000). Managing the post-acquisition integration process: How the human integration and task integration processes interact to foster value creation. *Journal of Management Studies*, 37(3), 395-425.
- Blomkvist, K., & Drogendijk, R. (2016). Chinese outward foreign direct investments in Europe. *European Journal of International Management*, 10(3), 343-358.
- Boateng, A., Qian, W., & Tianle, Y. (2008). Cross-border M&As by Chinese firms: An analysis of strategic motives and performance. *Thunderbird International Business Review*, 50(4), 259-270.
- Buckley, P.J. (2018). Internalisation theory and outward direct investment by emerging market multinationals. *Management International Review*, 58(2), 195-224.
- Capron, L., Dussauge, P., & Mitchell, W. (1998b). Resource Redeployment Following Horizontal Acquisitions in Europe and North America. *Strategic management journal*, 19(7), 631-661.
- Cavanagh, A., Freeman, S., Kalfadellis, P., & Cavusgil, S.T. (2017). How do subsidiaries assume autonomy? A refined application of agency theory within the subsidiary-headquarters context. *Global Strategy Journal*, 7(2), 172-192.
- Child, J., & Rodrigues, S.B. (2005). The internationalization of Chinese firms: a case for theoretical extension? *Management and Organization Review*, 1(3), 381-410.
- Choi, Y., Cui, L., Li, Y., & Tian, X. (2020). Focused and ambidextrous catch-up strategies of emerging economy multinationals. *International Business Review*, 29(6), 101567.
- Cogman, D., & Tan, J. (2010). A lighter touch for postmerger integration. *McKinsey Quarterly*, January. <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/a-lighter-touch-for-postmerger-integration> (accessed 9th September 2023)

- Corbin, J., & Strauss, A. (2008). *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory Book*. Sage Publication, Inc.
- Cui, L., Meyer, K. E., & Hu, H. W. (2014). What drives firms' intent to seek strategic assets by foreign direct investment? A study of emerging economy firms. *Journal of World Business*, 49(4), 488-501.
- Dao, M. A., & Bauer, F. (2021). Human integration following M&A: Synthesizing different M&A research streams. *Human Resource Management Review*, 31(3), 100746.
- de Oliveira, R. T., & Rottig, D. (2018). Chinese acquisitions of developed market firms: home semi-formal institutions and a supportive partnering approach. *Journal of Business Research*, 93, 230-241.
- DealGlobe and HurunReport (2017). The 2017 special report for cross border M&A of Chinese companies: 1-24.
- Deng, P. (2009). Why do Chinese firms tend to acquire strategic assets in international expansion? *Journal of World Business*, 44(1), 74-84.
- Di Minin, A., Zhang, J., & Gammeltoft, P. (2012). Chinese foreign direct investment in R&D in Europe: A new model of R&D internationalization? *European Management Journal*, 30(3), 189-203.
- Dierickx, I., & Cool, K., (1989). Asset stock accumulation and the sustainability of competitive advantage: Reply. *Management Science*, 35(12), 1504-1511.
- Eisenhardt, K. M. (2021). What is the Eisenhardt Method, really? *Strategic Organization*, 19(1), 147-160.
- Eisenhardt, K.M., & Graebner, M.E. (2007). Theory building from cases: Opportunities and challenges. *The Academy of Management Journal*, 50(1), 25-32.
- Flick, U. (2014). *An introduction to qualitative research*. Sage, UK.
- Gioia, D.A., Corley, K.G., & Hamilton, A.L. (2013). Seeking qualitative rigor in inductive research: Notes on the Gioia methodology. *Organizational research methods*, 16(1), 15-31.
- Griswold, D., Parks, D., 2019. Is China a non-market economy? <https://www.mercatus.org/economic-insights/expert-commentary/china-non-market-economy/> (accessed 24th August 2023).
- Hamel, G., & Prahalad, C. (1989). Strategic intent. *Harvard Business Review*, 67(3), 63-76.
- Haspeslagh, P.C., & Jemison, D. B. (1991). *Managing acquisitions: Creating value through corporate renewal* (Vol. 416). Free Press New York.
- Johanson, J., & Vahlne, J.-E. (1977). The internationalization process of the firm—a model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23-32.
- Johanson, J., & Vahlne, J.-E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, 40(9), 1411-1431.
- Kale, P., & Singh, H. (2012). Characteristics of emerging market mergers and acquisitions. In D. Faulkner, S. Teerikangas, & R. J. Joseph (Eds.), *The Handbook of Mergers Acquisitions* (pp. 545-565). Oxford University Press.

- Kale, P., Singh, H., & Raman, A.P. (2009). Don't integrate your acquisitions, partner with them. *Harvard Business Review*, 87(12), 109-115.
- King, D.R., Bauer, F., Weng, Q., Schriber, S., & Tarba, S. (2020). What, when, and who: Manager involvement in predicting employee resistance to acquisition integration. *Human Resource Management*, 59(1), 63-81.
- Knoerich, J. (2010). Gaining from the global ambitions of emerging economy enterprises: An analysis of the decision to sell a German firm to a Chinese acquirer. *Journal of International Management*, 16(2), 177-191.
- Koelsch, L.E. (2013). Reconceptualizing the member check interview. *International journal of qualitative methods*, 12(1), 168-179.
- KPMG. (2016). *China outlook*.
- Langley, A. (1999). Strategies for theorizing from process data. *Academy of management review*, 24(4), 691-710.
- Liu, Y., & Meyer, K.E. (2020). Boundary spanners, HRM practices, and reverse knowledge transfer: The case of Chinese cross-border acquisitions. *Journal of World Business*, 55(2), 100958.
- Liu, Y., & Woywode, M. (2013). Light-Touch Integration of Chinese Cross-Border M&A: The Influences of Culture and Absorptive Capacity. *Thunderbird International Business Review*, 55(4), 469-483.
- Luo, Y., & Tung, R.L. (2007). International expansion of emerging market enterprises: A springboard perspective. *Journal of International Business Studies*, 38(4), 481-498.
- Luo, Y., & Tung, R.L. (2018a). A general theory of springboard MNEs. *Journal of International Business Studies*, 49(2), 129-152.
- Lyles, M., Li, D., & Yan, H. (2014). Chinese outward foreign direct investment performance: The role of learning. *Management Organization Review*, 10(3), 411-437.
- Marchand, M. (2017). Do all emerging-market firms partner with their acquisitions in advanced economies? a comparative study of 25 emerging multinationals' acquisitions in France. *Thunderbird International Business Review*, 59(3), 297-312.
- Marks, M.L., & Mirvis, P.H. (2011). A framework for the human resources role in managing culture in mergers and acquisitions. *Human Resource Management*, 50(6), 859-877.
- Miles, M.B., Huberman, A.M., & Saldana, J. (2014). *Qualitative data analysis*. Sage, UK.
- Miller, D., & Friesen, P.H. (1982). The longitudinal analysis of organizations: A methodological perspective. *Management Science*, 28(9), 1013-1034.
- Nahavandi, A., & Malekzadeh, A.R. (1988). Acculturation in mergers and acquisitions. *Academy of management review*, 13(1), 79-90.
- Nienhüser, W. (2008). Resource dependence theory-How well does it explain behavior of organizations? *Management Revue*, 9-32.
- Pablo, A. L. (1994). Determinants of acquisition integration level: A decision-making perspective. *Academy of management journal*, 37(4), 803-836.
- Peng, Z., Qin, C., Chen, R.R., Cannice, M.V., & Yang, X. (2017). Towards a framework of reverse knowledge transfer by emerging economy multinationals: Evidence from Chinese MNE

- subsidiaries in the United States. *Thunderbird International Business Review*, 59(3), 349-366.
- Pfeffer, J., & Salancik, G. (1978). The external control of organizations: A resource dependence perspective. Harper & Row.
- Puranam, P., Singh, H., & Chaudhuri, S. (2009). Integrating acquired capabilities: When structural integration is (un) necessary. *Organization science*, 20(2), 313-328.
- Ramamurti, R. (2012). What is really different about emerging market multinationals? *Global Strategy Journal*, 2(1), 41-47.
- Ramamurti, R., & Singh, J.V. (2009). Indian multinationals: generic internationalization strategies. In: Ramamurti & R., Singh, J.V. (Eds.), *Emerging Multinationals in Emerging Markets*. Cambridge University Press, pp. 110–166.
- Reus, T.H., & Lamont, B.T. (2009). The double-edged sword of cultural distance in international acquisitions. *Journal of International Business Studies*, 40(8), 1298-1316.
- Rui, H., & Yip, G.S. (2008). Foreign acquisitions by Chinese firms: A strategic intent perspective. *Journal of World Business*, 43(2), 213-226.
- Stucchi, T. (2012). Emerging market firms' acquisitions in advanced markets: Matching strategy with resource-, institution-and industry-based antecedents. *European Management Journal*, 30(3), 278-289.
- Sun, Z. (2018). Chinese reverse M&A: the Wu Wei paradigm of post-M&A integration process. *Chinese Management Studies*, 12(4), 774-794.
- Torres de Oliveira, R., Sahasranamam, S., Figueira, S., & Paul, J. (2019). Upgrading without formal integration in M&A: The role of social integration. *Global Strategy Journal*, 10(3), 619-652.
- Tsai, H.-Ting, & Eisingerich, A.B., (2010). Internationalization strategies of emerging markets firms. *California Management Review*, 53(1), 114-135.
- Wang, D., Hain, D.S., Larimo, J., & Dao, L.T. (2020). Cultural differences and synergy realization in cross-border acquisitions: The moderating effect of acquisition process. *International Business Review*, 101675.
- Williamson, P.J., Zeng, M., 2009. Chinese multinationals: emerging through new global gateways. In: Ramamurti, R., Singh, J.V. (Eds.), *Emerging Multinationals in Emerging Markets*. Cambridge University Press, pp. 81–109.
- Yang, Y., & Lütge, C. (2020). Dynamic integration paths of emerging multinational enterprises in advanced markets. *Review of International Business Strategy*, 30(1), 1-23.
- Zaheer, A., Castañer, X., & Souder, D. (2013). Synergy sources, target autonomy, and integration in acquisitions. *Journal of management*, 39(3), 604-632.
- Zhang, X., Liu, Y., Tarba, S.Y., & Del Giudice, M. (2020). The micro-foundations of strategic ambidexterity: Chinese cross-border M&As, Mid-View thinking and integration management. *International Business Review*, 29(6), 101710.
- Zhang, Z., Xie, X., & Qian, T. (2021). Why do half of the cross-border M&As conducted by Chinese MNCs fail? Government affiliation and cross-border M&A completion. *European Journal of International Management*, 15(1), 79-111.

- Zheng, N., Wei, Y., Zhang, Y., & Yang, J. (2016). In search of strategic assets through cross-border merger and acquisitions: Evidence from Chinese multinational enterprises in developed economies. *International Business Review*, 25(1), 177-186.
- Zheng, Q., Noorderhaven, N., & Du, J. (2022). Making the unlikely marriage work: The integration process of Chinese strategic asset-seeking acquisitions. *Journal of World Business*, 57(3), 101305.

7. Conclusion

7.1 Main Findings and Contributions

This thesis on cross-border strategic asset acquisitions by CMNEs comprises three studies that delve into (1) strategic asset seeking and bundling, (2) springboarding, and (3) post-acquisition integration. Utilizing a longitudinal dataset spanning eight years, all three studies adopt a multi-case approach to address the central question of how EMNEs manage to catch up with Western incumbents (Buckley et al., 2017). They aim to fathom the unconventional internationalization behaviours of CMNEs and thus to advance existing theories. While sharing a common theme and research approach, each study has its own focus.

Table 7.1 provides an overview of the research gaps, corresponding research questions, and key conclusions and contributions across the three studies.

Study 1 introduces a refined 6-set, dual-perspective asset analysis. It examines the original asset profiles of both the acquiring CMNEs and the acquired Western firms prior to the acquisitions and reveals significant complementarity in the realms of FSAs and CSAs. This constitutes ample room for private synergies that are typically unattainable in M&As involving firms solely from either emerging or developed markets. The detailed asset-bundling matrix uncovers 45 relevant asset combinations. Specifically, Study 1 identifies:

- 15 pairwise horizontal asset bundling packages—that is, combinations of resources within the same set of assets—such as the bundling of Western country image and vast Chinese market, the collaboration between Western and Chinese R&D teams, and the cooperation between Western and Chinese marketing teams.
- 10 pairwise vertical asset bundling packages—that is, combinations of resources that commonly link vertically with each other in the commercialization process—such as the bundling of Western R&D resources with Chinese production and marketing resources, and the integration of Western marketing resources with Chinese production facilities.
- 20 pairwise other asset bundling packages—that is, asset bundling that cannot be categorized as horizontal or vertical—such as the amalgamation of Western craftsmanship with Chinese manufacturing capability, and the synergy of diverse resources from Western targets with financial resources from China.

Table 7.1.: Overview of the research gaps, research questions, conclusions, and contributions of the three studies

Study	Underlying Research Gaps	Research Questions	Conclusions	Contributions
Study 1	<p>Gaps related to strategic assets:</p> <ul style="list-style-type: none"> Strategic assets are discussed in generic and abstract terms and their contexts are ignored. What kind of strategic assets EMNEs acquire and to what end they do it are more assumed than explored. Only very few studies explore what assets on the acquiring and acquired side are bundled and how they are bundled. to create economic value. 	<ul style="list-style-type: none"> What strategic assets do CMNEs aim to obtain through CBAs in DEs? What assets that create bundling potential do CMNEs possess prior to the CBAs? How do CMNEs bundle the acquired assets with their existing resources to create competitive advantages? 	<ul style="list-style-type: none"> Prior to the acquisitions, CMNEs already possess substantial FSAs in addition to CSAs. CMNEs target Western firms with complementary asset profiles. The interplay between existing FSAs and CSAs enables CMNEs to bundle their own assets with complementary Western assets. CMNEs conduct multi-dimensional asset bundling activities in order to achieve synergies and create value. 	<ul style="list-style-type: none"> Concretizing and clarifying the concept “strategic asset” by putting it into the context of the specific CSAs, FSAs, and asset-bundling activities of CMNEs. Extending Hennart’s bundling theory by revealing the interplay of CMNEs’ CSAs and FSAs which makes strategic asset acquisition and bundling effective. Providing empirical evidence on CMNEs’ ability to create private synergy and the bi-directional technology transfer between CMNEs and acquired Western companies.
Study 2	<p>Gaps related to springboard view:</p> <ul style="list-style-type: none"> Springboard trajectories (from where to where) and the corresponding context are barely explored. Understanding is lacking in how EMNEs integrate and utilize acquired strategic assets to implement their springboard strategy. Longitudinal studies to explore springboard trajectories are missing. 	<ul style="list-style-type: none"> How do CMNEs springboard? And why? 	<ul style="list-style-type: none"> CMNEs' springboard trajectories exhibit heterogeneity, aligned with their unique catapulting strategies, as evidenced by the identification of four distinct trajectories. Among these springboard trajectories, only one adheres to Luo and Tung's (2018) five-step upward spiral model, whereas the remaining three diverge considerably from it. The underlying reasons for springboard trajectories are illuminated by a multilayer enabling system. 	<ul style="list-style-type: none"> Providing an empirical account and explanatory insight into CMNEs’ catch-up process and strategy change dynamics. Extending the springboard view by identifying four distinct springboard trajectories and developing a multi-layer enabling system to explain the rationales of the trajectories. Challenging the general upward spiral model's premise of one-directional capability transfer and home-centric capability enhancement by highlighting instances of mutual capability transfer and upgrading across both home and host countries. Advancing the broader understanding of EMNEs’ internationalization by pinpointing novel strategy categories for EMNEs, such as regional consolidator, brand firm and full-range provider, and total solution provider.
Study 3	<p>Gaps related to PAI:</p> <ul style="list-style-type: none"> The evolution of integration is under-researched. Only a very limited number of studies address the heterogeneity of LTI evolution and the drivers for evolution. Longitudinal studies are missing, particularly from both the acquiring and the acquired perspectives. 	<ul style="list-style-type: none"> How does LTIA evolve over time, and in what direction? And why? 	<ul style="list-style-type: none"> CMNEs’ evolution paths of LTIA are heterogeneous (proved by the identification of three distinct integration paths). Only one path takes the initial light-touch model to absorption, whereas the other two stay with light touch although different ones. A common driving system explains how CMNEs determine the target integration model and how they move from their initial integration model to the target model. 	<ul style="list-style-type: none"> Developing an asset integration theory by revealing the heterogeneity of LTIA and its evolution. Extending Haspeslagh and Jemison’s (1991) integration theory by identifying a driving system behind integration evolution. Enriching the dynamic perspective on integration theory by making evolution and processes visible.

The asset matrix indicates that CMNEs not only bundle Western brands with own CSAs such as the vast Chinese market and the cost-effective Chinese labour, but also with their FSAs such as financial capacity, production efficiency, cost optimization talent, innovation power, and marketing resources. This enables CMNEs to revitalize Western brands through product line extension and market development. In contrast, bidding competitors from DEs often had asset profiles similar to those of the target firms, and, therefore, couldn't build a bundling case as complementary as the ones from their Chinese counterparts.

Lastly, Study 1 uncovers significant heterogeneities in initial asset profiles, acquired strategic assets, and asset bundling activities across the case CMNEs, thus paving the way for the subsequent studies.

Following up on these heterogeneities, **Study 2** extends the springboard view (Luo and Tung, 2007; Luo and Tung, 2018a) by exploring the dynamic nature of the springboard process and contextualizing it from a strategic angle.

First, expanding the strategy types identified by Ramamurti (2009a, 2012) such as low-cost partner, local optimizer, global consolidator, and global first mover, Study 2 unveils three additional strategy types for EMNEs:

- Regional Consolidator

This strategy type represents the initial approach pursued by a CMNE before transitioning to the 'global consolidator' strategy suggested by Ramamurti (2009a, 2012). The primary distinction lies in scope and focus. A regional consolidator engages in both horizontal and vertical integration within a mature industry but confines these activities to the domestic or regional market. In contrast, a global consolidator extends its reach to global resource consolidation, leveraging operational excellence on the global stage.

- Brand Firm and Full-Range Provider

This strategy aims to build successful brands and offer a comprehensive range of products to all client segments under a single umbrella, simultaneously targeting scale and margin improvement. A key motivation for firms adopting this strategy is to avoid the pitfalls encountered by certain Western brand companies. These companies shifted their focus from lower market segments to concentrate on higher ones, aiming for higher margins. This shift inadvertently provided Chinese companies with the opportunity to enter the market from the bottom and subsequently ascend to the high-end sector.

- Total Solution Provider

This strategy involves integrating up- and downstream cutting-edge technologies in the industry value chain to position itself as a general contractor, thereby improving profitability and the chance to win contract bids.

Second, it reveals four distinct springboard trajectories starting from four initial strategy types heading towards three catch-up strategy types:

- Trajectory 1: from ‘low-cost partner’ to ‘brand firm and full-range provider’ by acquiring brand firms;
- Trajectory 2: from ‘local optimizer’ to ‘brand firm and full-range provider’ by acquiring brand firms;
- Trajectory 3: from ‘regional consolidator’ to ‘global consolidator’ by acquiring firms with overseas production facilities; and
- Trajectory 4: from ‘first mover in a specific technology’ to ‘total solution provider’ by acquiring firms with up- and downstream cutting-edge technology.

This finding challenges the hypothesis of Luo and Tung (2018a) who consider a generic *five-step upward spiral path* that emphasizes one-directional capability transfer and EMNEs’ home-country-centred capability upgrading. While trajectory 3 closely follows Luo and Tung’s five-step path, trajectories 1 and 2, in contrast, uncover bidirectional capability transfer and capability upgrades occurring in both host and home countries. Trajectory 4 represents a shortcut as the respective CMNEs and their acquired firms apply decentralized product development whilst centralizing interface development and marketing.

Third, Study 2 discloses a multilayer system which explains the rationale behind the heterogeneity of springboard trajectories. Trajectories are determined by the companies’ specific catch-up strategy, which in turn is driven by the global ambition, the inward internationalization strategy shaped by the initial asset endowment, and industry characteristics. This enabling system provides fresh insights into the various factors, dependencies, and influences at play in the springboard process.

Study 3 also reveals heterogeneity in the post-acquisition integration process. It delves into the paradox of EMNEs using acquired strategic assets to catch up with Western incumbents while at the same time applying a light-touch integration approach. Opening up the black box of integration evolution, the study challenges the hypothesis that LTIA will inevitably be replaced by full absorption, as proposed by Kale and Singh (2012). Instead, it identifies three distinct integration evolution paths, which are all determined by the CMNEs’ catch-up strategies, starting with some form of LTIA (production partnering, preservation, and project partnering) but morphing into different target models, either another form of LTIA (strategic partnering) or absorption:

- Path 1: CMNEs that intend to become ‘brand firms and full-range providers’ via strategic asset acquisitions in DEs stay within light-touch integration but move from production partnering via multi-dimensional partnering towards strategy partnering.
- Path 2: CMNEs that intend to become ‘global consolidators’ move from preservation—the lightest LTIA via technology partnering towards absorption.
- Path 3: CMNEs that intend to become ‘total-solution providers’ stay within light-touch integration but move from project partnering towards strategy partnering.

Moreover, Study 3 uncovers the driving system behind the heterogeneous integration evolution. The catch-up strategies of CMNEs shape the target integration models. Resource dependency and cultural difference are the factors to steer the initial integration model towards the target integration model.

The main contributions of the thesis are as follows:

First, existing theories are further developed. Hennart’s asset bundling theory (2009; 2018) emphasizes that EMNEs’ ownership of CSAs enables them to bundle Western intangible assets. Study 1 reveals that it is the interplay of EMNEs’ CSAs and FSAs, rather than their CSAs alone, that makes asset bundling effective. Study 2 provides empirical evidence on the generic *five-step upward spiral springboard path* (Luo and Tung, 2018a). Besides, it identifies three alternative springboard paths and develops a multilayer enabling system to explain the rationale behind the heterogeneity of springboard paths. Study 3 advances the *post-acquisition integration theory* by revealing three highly different integration evolution paths and their driving system. Integration evolution stays within the light-touch concept or moves towards absorption which turns out to be anything but unavoidable.

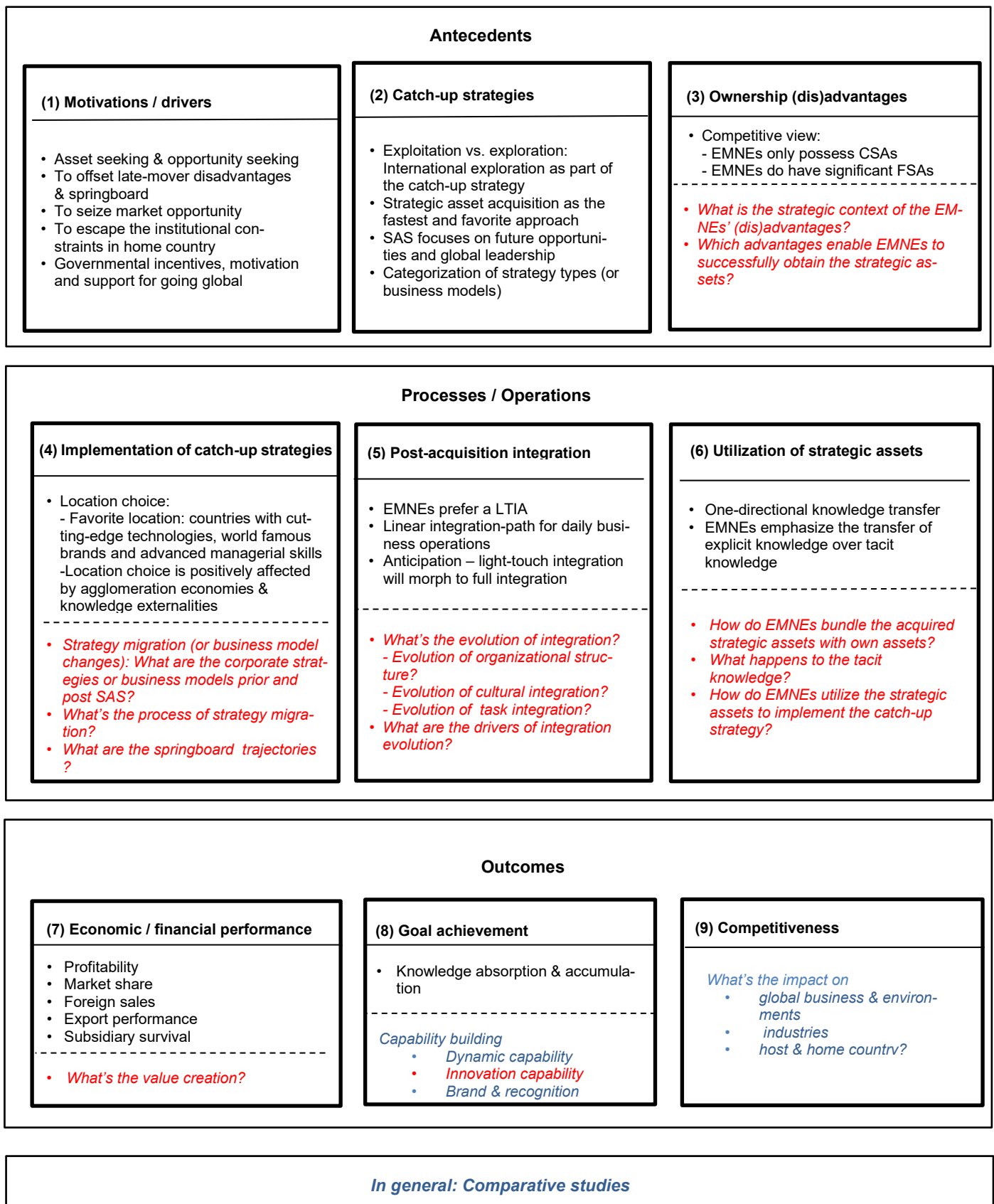
Second, this thesis contextualizes concepts such as strategic assets, springboard view, and light-touch integration, which all have been abstract so far, thus significantly enriches our understanding of these notions. By specifying the asset profiles of the case CMNEs and the firms they acquired, and by putting strategic assets into the context of strategic ambitions, asset-seeking endeavours, and bundling activities, both Studies 1 and Study 2 shed light on the pivotal role of strategic assets in EMNEs’ capacity development on the global stage, in line with Luo’s (2016) call to pinpoint EMNEs’ distinct ownership advantages and unveil their catch-up process. Furthermore, the identification of four distinct springboard trajectories in Study 2 highlights the pronounced heterogeneity of springboard activities. The recognition of six different forms of light-touch integration in Study 3 underscores the array of methods for balancing the imperatives of autonomy and interdependence.

Third, this thesis advances the general knowledge of EMNEs' internationalization in two ways. In contrast to the widespread assumption that SAS EMNEs conduct one-way know-how transfer (Di Minin et al., 2012; Hennart, 2018; Luo and Tung, 2018a) and close down acquired Western business operations to reduce labour costs (Raess, 2019), the thesis provides evidence on bidirectional technology exchange, joint innovation, and investments in the acquired firms in almost all cases. Confirming Ramamurti's (2009) three strategy types, the thesis adds four other strategy types and differentiates between initial and post-acquisition target strategies.

In summary, the longitudinal multi-case approach in this thesis, a rarity in existing literature, contributes to the development, contextualization, advancement, differentiation, and, in some instances, correction of existing theories.

Figure 7.1 provides an overview of how this doctoral thesis contributes to the research field 'strategic asset acquisitions by EMNEs'. In response to Table 2.3, which outlines the state of research and identifies research gaps, Table 7.2 highlights in red the gaps addressed by the thesis. Overall, the thesis advances the understanding of the evolution and processes of catch-up strategies (Studies 2 and 3), post-acquisition integration (Study 3), and utilization of strategic assets (Studies 1, 2 and 3). Regarding antecedents, the thesis helps fill the gaps related to 'ownership (dis)advantages' (Studies 1 and 2). There is still much ground to explore in the realm of 'outcomes', an area that the thesis only selectively covers (reg. 'value creation' and 'innovation capability').

Figure 7.1 How this thesis contributes to EMNEs' strategic asset acquisitions



* red marked texts indicate the contributed areas of my PhD thesis

7.2 Limitations

This thesis has some limitations that should be taken into consideration ¹⁴.

The transferability of the findings may suffer from the generalization problem in four aspects. First, all three studies solely employ data from CMNEs. MNEs from emerging markets other than China may vary in their catch-up strategies, springboard trajectories, or/and integration paths. Second, since the thesis focuses on successful acquisitions and enterprises willing to cooperate, it may have a success bias. Other studies observe that cross-border acquisitions by CMNEs often fail (Zhang et al., 2021). Third, the thesis investigates Chinese POEs, assuming that they are more transparent than SOEs and driven by entrepreneurial rather than political motives. It remains to be seen whether Chinese SOEs act differently. Fourth, the thesis investigates CMNEs from the manufacturing and IT & communication industries. Firms from other industries may have different asset profiles and catch-up processes. Any results drawn from certain industry sectors in emerging economy should not be generalized without caution and restriction (Ai and Tan, 2018).

Studies that closely track post-acquisition integration processes in real-time are rare (Monin et al., 2013). Whilst this thesis is fortunate to include rich real-time data from 2012 to 2020, the analysis of the few cases where the acquisitions had been done prior to 2012 partially rely on retrospective data. The perception of the corresponding interviewees may have a hindsight bias-addressed by using internal and external documents, relevant published articles, and additional interviews with external experts.

In addition, although the thesis pays attention to external stakeholders, such as external experts, in relation to CMNEs strategic asset acquisition, its main focus is on the acquiring and acquired companies. However, recent research has indicated that external stakeholders can also play a significant role in achieving synergy (Feldman and Hernandez, 2022).

With the exception of Study 1, which considers multiple Western companies acquired by the same CMNE, the thesis only covers the first strategic asset acquisition of each CMNE. Therefore, the interactions between sequential acquisitions and their combined impact on catch-up processes are out of scope. The thesis also neglects connections between strategic asset-acquisition and other internationalization activities such as joint ventures and green field internationalization.

¹⁴ This discussion relates to the overall limitations of the thesis. Limitations related to the individual studies can be found in the respective studies.

Although the thesis delivers brief, scattered reports on the outcomes of the post-acquisition asset bundling and integration activities related to key performance indicators, this clearly can be done in a more systematic way to evidence the relationship between input and output.

7.3 Implications for Further Research

This thesis aims to add to the big question how EMNEs build up competitive capabilities to catch up with Western incumbents (Buckley, 2018). To this end, three multi-case process studies address asset bundling processes, springboard trajectories, and PAI evolution, all based on a rich longitudinal dataset. However, there is still much room for further research on this prominent but complex phenomenon. In this chapter, the limitations of this thesis are used to show some avenues for future research.

7.3.1 Expand the Scope of Cases

Further research could expand the sample cases across different emerging market countries, industries, and ownership structures.

EMNEs from different countries have different initial asset profiles, in terms of CSAs and FSAs. China as well as India possess a large and rapidly growing domestic market and a significant, skilled, and low-cost labour force, while Brazil and Russia as divergent examples are endowed with abundant natural resources. Each country has its own areas of specialization. China, besides being the world's manufacturing hub, has a sophisticated high-tech industry and substantially invests in areas such as artificial intelligence and renewable energy, whereas India a well-established IT outsourcing services worldwide. Russia has large oil and mining industry, while Brazil strong industries in agriculture, mining, and manufacturing. These home-country characteristics shape the EMNEs' initial asset portfolios. The external validity of present results could be enhanced through the inclusion of emerging market economies other than China.

Studies 2 and 3 reveal the impact of industrial characteristics on EMNEs' catch-up strategies, springboard trajectories, and integration paths. Future studies could widen the range of industries beyond manufacturing and IT to uncover additional ways of strategic asset seeking, bundling, and integration and further substantiate the high heterogeneity found in this thesis.

Moreover, further studies could include SOEs to improve transferability of the findings. A significant number of studies see state ownership as a double-edged sword as it can either support or restrict market expansion (Gao et al., 2015; García-Herrero and Xu, 2022). On the one hand, SOEs benefit from an easier access to government resources, such as subsidies, low-interest loans, and preferential bureaucratic treatment; on the other hand, they often face additional scrutiny from

foreign governments as well as political and social challenges, posing significant hurdles to enter international markets. The rapid internationalization of CMNEs has sparked a political debate whether the West should regulate Chinese acquisitions, particularly by SOEs (Ewing, 2020; Swanson, 2020). The ongoing Sino-US trade war and decoupling (Farrell and Newman, 2020; Johnson and Gramer, 2020; Luo and Witt, 2021; Wei, 2019) reflect the West's serious concern about the influence of the Chinese government. It remains unclear, to what extent the Chinese SOEs' internationalization strategies and behaviour differ from the POEs.

Lastly, examining unsuccessful cases would be highly rewarding, albeit more challenging than studying successful ones. This is because understanding the reasons for failure in the catch-up process could serve as a double-check of the findings and provide valuable insights from both a research-related and managerial point of view.

7.3.2 Employ Quantitative Studies and a Mixed Method Strategy

Further research may conduct large-scale surveys and employ quantitative methods to test the findings and propositions of the thesis. Combining both qualitative and quantitative data in a mixed method strategy could enrich the understanding of the phenomenon being studied (Onwuegbuzie et al., 2009). Qualitative studies may identify key factors that are most relevant to the research question and generate hypotheses, while quantitative studies may test these hypotheses and quantify the relationship between key variables. Combining the strengths of both approaches, further studies could contribute to a more nuanced and robust understanding of the topic at hand.

7.3.3 Employ Comparative Studies

Further research can also conduct comparative studies, which emphasize the analysis and synthesis of similarities, differences, and patterns across two or more cases, primarily related to home-country environments, ownership (POE/SOE), and outcome (success/failure).

In terms of home-country environments, there is a predominance of comparative studies that utilize a quantitative approach. However, there is a scarcity of in-depth comparative case studies that provide rich contextual information. Pradhan (2011) employs UNCTAD time series data to compare OFDIs carried out by Chinese and Indian multinationals and examine the determinants of such investments. Similarly, Andreff (2016) conducts a comparative study of OFDIs from BRIC countries and the strategies of the investing enterprises, using historical UNCTAD macro data.

Although these studies have enhanced our understanding of several country-specific features, they do not delve into the concrete strategies and success factors of EMNEs from different home countries. It is recommended to conduct qualitative studies that can provide insights into

whether EMNEs from different home countries but in the same industries design and follow similar catch-up strategies and share the same success factors, or whether they pursue different springboard trajectories and post-acquisition integration paths.

A comparative study on POEs and SOEs could address the questions what the differences in their asset endowments are, what challenges they face in their internationalization process, and how they differ in their catch-up strategies, targeted assets, springboard trajectories, and integration paths.

A third possible approach is to conduct comparative case studies using polar types, as suggested by Eisenhardt (2021), involving cases with extreme outcomes: for instance, successful asset bundling versus mismatched asset bundling, role model cases in the springboard process versus cases that fail to complete the springboard, and fruitful integration versus integration that ends up in divorce (divestment). Polar comparison can help identify key success factors, best practices as well as common pitfalls. It can also provide a more nuanced understanding of patterns and relationships that may not be apparent when only studying successful cases.

7.3.4 Research on the Outcomes

As stated in 2.4.3, the research on the outcomes of strategic asset acquisition by EMNEs is in a piecemeal state with numerous un- or underresearched fields of interest. Future research on the outcomes could address the impact of strategic asset seeking on:

- the financial performance and value creation through capability building, brand recognition, etc.;
- the global business environment, the competitive landscape in respective industries, other market players, trade flows, investment patterns, and global economic growth;
- the environment, natural resources, climate; and
- the host and home economies, labour markets, and social and political development.

This thesis applies a dual view from the acquirers' as well as the acquired firms' perspective what is rarely done in the extant literature, which mostly focuses on the acquirers. However, the dual view could even be extended by including external stakeholders such as customers and shareholders, particularly to gain a more comprehensive and accurate understanding of the outcomes of strategic asset acquisition and integration. Such an extended approach would not only open up new research avenues but also further increase the practical relevance for managers in their traditional roles and in new areas of responsibility (corporate social responsibility, sustainability, etc.).

7.3.5 Investigate EMNEs' Strategic Asset Acquisition and Integration in the New Era of Deglobalization and Slowbalization

The three studies of this doctoral thesis were done when globalization was approaching towards its peak, China opened its economy to unprecedented levels and Chinese enterprises speeded up internationalization. However, significant incidents have recently shifted the world's political and economic landscape, including the Sino-US trade war, political and economic changes in China, the outbreak of the COVID-19 pandemic in 2020, and the war in the Ukraine started in 2022. The era of deglobalization or slowbalization has taken off (Balsa-Barreiro et al., 2020; Gupta and Kumar, 2022; Irwin, 2020) with significant implications for businesses, governments, and individuals as they navigate a changing global landscape and seek new opportunities for development and innovation.

Previously, EMNEs could benefit from an open, globalizing environment that facilitated the implementation of their catch-up strategies through strategic asset acquisition and integration. Deglobalization makes it significantly harder for them to acquire global resources and to continue their springboard journey. To address these new challenges, Luo and Witt (2021) propose a 'double-loop springboard' that involves doubling down on inward internationalization and treats inward internationalization as a series of iterative, continuous, and transformative resource acquisition loops.

The changing world opens new fields of research.

References

- Ai, Q., & Tan, H. (2018). The intra-firm knowledge transfer in the outward M&A of EMNCs: Evidence from Chinese manufacturing firms. *Asia Pacific Journal of Management*, 35(2), 399-425.
- Andreff, W. (2016). Outward foreign direct investment from BRIC countries: Comparing strategies of Brazilian, Russian, Indian and Chinese multinational companies. *The European Journal of Comparative Economics*, 12(2), 79-131.
- Balsa-Barreiro, J., Vié, A., Morales, Morales, A.J., & Cebrián, M. (2020). Deglobalization in a hyper-connected world. *Palgrave Communications*, 6(1), 1-4.
- Buckley, P.J. (2018). Internalisation theory and outward direct investment by emerging market multinationals. *Management International Review*, 58(2), 195-224.
- Buckley, P.J., Doh, J.P., & Benischke, M.H. (2017). Towards a renaissance in international business research? Big questions, grand challenges, and the future of IB scholarship. *Journal of International Business Studies*, 48(9), 1045-1064.
- Di Minin, A., Zhang, J. & Gammeltoft, P. (2012). Chinese foreign direct investment in R&D in Europe: A new model of R&D internationalization? *European Management Journal*, 30(3), 189-203.
- Eisenhardt, K.M. (2021). What is the Eisenhardt Method, really? *Strategic Organization*, 19(1), 147-160.
- Ewing, J. (2020). *Europe Takes Steps to Block Chinese Bargain Hunters*. The New York Times. <https://www.nytimes.com/2020/06/17/business/european-union-china-deals.html> (accessed 11th September 2023)
- Farrell, H., & Newman, A. (2020). The folly of decoupling from China. *Foreign Affairs*, 21.
- Feldman, E.R., & Hernandez, E. (2022). Synergy in Mergers and Acquisitions: Typology, Life Cycles, and Value. *Academy of management review*, 47(4), 549-578.
- Gao, L., Liu, X., & Lioliou, E. (2015). A double-edged sword: The impact of institutions and political relations on the international market expansion of Chinese state-owned enterprises. *Journal of Chinese Economic and Business Studies*, 13(2), 105-125.
- García-Herrero, A. & Xu, J. (2022). How to handle state-owned enterprises in EU-China investment talks. In: Chaisse, J., Górski, J., Sejko, D. (Eds), *Regulation of State-Controlled Enterprises: An Interdisciplinary and Comparative Examination*. Springer, pp. 585-601.
- Gupta, S., & Kumar, N. (2022). Globalization Versus Slowbalization: A Perspective on the Indian Economy. *Journal of South Asian Development*, 17(1), 84-107.
- Hennart, J.-F. (2009). Down with MNE-centric theories! Market entry and expansion as the bundling of MNE and local assets. *Journal of International Business Studies*, 40(9), 1432-1454.
- Hennart, J-F. (2018). Springing from where? How emerging market firms become multinational enterprises. *International Journal of Emerging Markets*, 13(3), 568-585.
- Irwin, D. A. (2020). The pandemic adds momentum to the deglobalization trend. Peterson Institute for International Economics, 23.
- Johnson, K., & Gramer, R. (2020). The Great decoupling. *Foreign Policy*.

- Kale, P., & Singh, H. (2012). Characteristics of emerging market mergers and acquisitions. In: Faulkner, D., Teerikangas, S., & Joseph, R.J. (Eds.), *The Handbook of Mergers Acquisitions*, Oxford University Press, pp. 545-565.
- Luo, Y., & Tung, R.L. (2007). International expansion of emerging market enterprises: A springboard perspective. *Journal of International Business Studies*, 38(4), 481-498.
- Luo, Y., & Zhang, H. (2016). Emerging market MNEs: Qualitative review and theoretical directions. *Journal of International Management*, 22(4), 333-350.
- Luo, Y., & Tung, Rosalie L (2018a). A general theory of springboard MNEs. *Journal of International Business Studies*, 49(2), 129-152.
- Luo, Y., & Witt, M.A. (2021). Springboard MNEs under de-globalization. *Journal of International Business Studies*, 1-14.
- Monin, P., Noorderhaven, N., Vaara, E., & Kroon, D. (2013). Giving sense to and making sense of justice in postmerger integration. *Academy of management journal*, 56(1), 256-284.
- Onwuegbuzie, A.J., Johnson, R.B., & Collins, K.M.T. (2009). Call for mixed analysis: A philosophical framework for combining qualitative and quantitative approaches. *International journal of multiple research approaches*, 3(2), 114-139.
- Pradhan, J.P.. (2011). Emerging multinationals: A comparison of Chinese and Indian outward foreign direct investment. *Institutions and Economies*, 113-148.
- Raess, D., (2019). The Demand-Side Politics of China's Global Buying Spree: Individual Attitudes toward Chinese Inward FDI Flows in Comparative Perspective.
- Ramamurti, R., & Singh, J.V. (2009). Emerging multinationals in emerging markets. In Ravi Ramamurti & Jitendra V Singh (Eds.): Cambridge University Press.
- Swanson, A. (2020). U.S. delivers another blow to Huawei with new tech restrictions. *New York Times*, May 15th, 2020.
- Wei, Li. (2019). Towards economic decoupling? Mapping Chinese discourse on the China-US trade war. *The Chinese Journal of International Politics*, 12(4), 519-556.
- Zhang, Z., Xie, X., & Qian, T. (2021). Why do half of the cross-border M&As conducted by Chinese MNCs fail? Government affiliation and cross-border M&A completion. *European Journal of International Management*, 15(1), 79-111.

Closing Remarks

The past eight years have been a journey of hard work and personal growth. PhD journal entries testify one's determination, patience, observation and listening skills, and strictly analytical creativity. Challenges have made this process, which I never had to go through alone, remarkably rewarding. What remains a key part of oneself is humbleness.

During these years, China and Chinese companies have benefited from an open, globalizing context that facilitated springboard strategies. China experienced unparalleled economic growth, marked by its bold entrepreneurs' forays into overseas resources and global markets. From end 2011 to 2020, coinciding with my data collection period, China's GDP doubled according to the data from World Bank 2023. In 2016, China became the world's largest outward investor, overtaking the United States of America. The Chinese government launched initiatives such as 'Go Global', 'One Belt, One Road', and 'Made in China 2025', encouraging Chinese enterprises to acquire cutting-edge technology and premium overseas assets. Developed countries became increasingly concerned but most of them kept their markets more or less open to Chinese investments as they were involved in the success.

The success of the sampled CMNEs in strategic asset acquisition, bundling, and integration can be associated with this golden era of China's economy. They capitalized on vast opportunities to acquire technologies, brands, and markets, positioning themselves as formidable competitors to Western firms in numerous sectors. My involvement in studying China's best private companies during this period has been a privilege. The deep insights gained from closely observing these success stories value both the emerging market firms and their counterparts in developed countries. I could absorb the spirit of entrepreneurship firsthand and on both sides.

As my PhD journey was nearing its conclusion, the global landscape underwent a profound transformation. The trade war between the US and China, and China's unwavering adherence to Zero-Covid policies resulted in the nation's increasing isolation from the world and inflicted significant damage on its economy. Recent political developments within China, including the extension of the National Security Law to Hong Kong in June 2020 and the enactment of the Counter-Espionage Law in July 2023, have significantly eroded the confidence of Western governments and entrepreneurs in their engagements with China. In response, Western companies are swiftly divesting from China, with the aim of restructuring the global value chain. At the same time, initiatives such as 'Made in China 2025' appear to have taken a backseat. Chinese New Year 2023 gave me the opportunity to reach out to all the Chinese entrepreneurs I had interviewed over the last eight years. The majority of them expressed pessimism regarding China's future. They allowed

me to continue investigating their businesses, and I will closely observe how the combined case companies navigate this volatile landscape, and how entrepreneurs navigate political risks in China and liberate themselves from the constraints imposed by the government.

Reflecting on my journey, I now stand as a seasoned academic, equipped with invaluable experience. If I were to embark on this research anew, I would expand the scope of the samples to include state-owned enterprises engaged in overseas mergers and acquisitions. I would not confine my study solely to the firms themselves but delve into the perspectives of the companies' customers, suppliers, and competitors. I would also study the impact of Chinese strategic asset acquisition on the host countries of the acquired firms.

While the zenith of China's prosperous era may lie in the past, let us remain hopeful that the nadir of times remains averted.