The Conundrum of Home-country Political Embeddedness

Impact on Reverse Knowledge Transfer in Emerging-market Multinationals

Cong Su
Emerging-market multinational corporations (EMNCs), particularly state-owned ones, have been increasingly active players in the global arena and have become a significant feature of the global business landscape. Research on EMNCs has focused on their distinctive features, particularly on their politically embedded nature in home institutions. Another important feature in this field is the aim of knowledge-related asset augmentation overseas via strategic asset-seeking investments, conceptualized as a springboard perspective. In this vein, reverse knowledge transfer from subsidiaries to home-country organizations becomes critically significant in order for EMNCs to achieve the innovation catch-up. In response to the rise of EMNCs, this thesis focuses on the two above-mentioned core features of EMNCs by looking specifically at the impact of the home-country political embeddedness of EMNCs on reverse knowledge transfer.

The empirical investigation uses a sequential mixed-method approach that is comprised of qualitative research via a single case study of one Chinese state-owned multinational and quantitative research via a survey of 99 Chinese multinationals and their 177 overseas subsidiaries. The findings, based on empirical data, show, on one hand, that headquarters’ strong political embeddedness triggers strong intentions to seek and acquire knowledge from subsidiaries, particularly in advanced markets, through aligning with government objectives or shaping organizational distance between headquarters and subsidiaries. On the other hand, headquarters’ strong political embeddedness hampers reverse knowledge transfer practices in EMNCs by engendering a number of organizational barriers, including a low level of headquarters’ absorptive capacity, inferior performance of headquarters’ entrepreneurial role, less willingness of subsidiaries to transfer knowledge, and larger organizational distance between headquarters and subsidiaries. Consequently, headquarters’ political embeddedness acts as both a driver and a barrier to reverse knowledge transfer, which creates a paradox. This finding contrasts with those of most prior studies, where political relations were found to be a source of competitive advantage for international expansion.

By stressing the importance of home-country political embeddedness in reverse knowledge transfer, this thesis extends the literature on the subject and advances the conceptualizations of the differentiated network multinationals and the embedded multinationals, which have focused almost exclusively on subsidiary embeddedness and ignored headquarters’ embeddedness in a home context. The present thesis also contributes to the literature on the parenting role of headquarters by providing evidence in support of a pessimistic view of headquarters’ parenting advantage and identifying political embeddedness as an important element that contributes to the value-creating/destroying role of headquarters in the EMNC context.

**Keywords:** emerging-market multinational corporations, political embeddedness, reverse knowledge transfer, headquarters

**Cong Su, Department of Business Studies, Box 513, Uppsala University, SE-75120 Uppsala, Sweden.**

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Uppsala, April 2018
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List of Papers

This thesis is based on the following papers, which are referred to in the text by their Roman numerals.

A previous version of this paper was presented at the 39th European International Business Academy Conference, Bremen, Germany, December 12–14, 2013.


A previous version of the paper has been accepted for presentation at the 78th Academy of Management, Chicago, USA, August 10–14, 2018.

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Abbreviations

BRICS: Brazil, Russia, India, China, and South Africa
CEO: Chief executive officer
CMV: Common method variance
CSA: Country-specific asset
EMNC: Emerging-market multinational corporation
EM: Emerging market
FDI: Foreign direct investment
FSA: Firm-specific asset
HQ: Headquarters
KBV: Knowledge-based view
M&A: Mergers and acquisitions
MNC: Multinational corporation
PE: Political embeddedness
PLS-SEM: Partial least squares – structural equation modeling
R&D: Research and development
RBV: Resource-based view
RKT: Reverse knowledge transfer
SMNC: State-owned multinational corporation
SOE: State-owned enterprise
UNCTAD: United Nations Conference on Trade and Development
1. Introduction

1.1 The Rise of Emerging-market Multinationals

In the past two decades, the international business environment has experienced unprecedented changes related to outward foreign direct investment (FDI) from emerging markets (EMs). With the exponential expansion in FDI outflows from EMs in the past two decades, EM firms and countries have become increasingly active actors in the global arena and have contributed to shaping the global business landscape. As UNCTAD (2017) reports, investment outflows from BRICS (Brazil, Russia, India, China and South Africa) rose by 21% in 2016, pushing their outward investment stock to US$2.1 trillion, or over 8% of the world total in that year, up from 5% in 2010. Moreover, BRICS firms are proactively engaging in the global mergers and acquisitions (M&A) landscape, as UNCTAD (2017) illustrated, acquiring $100 billion of assets globally in 2016. It appears that outward FDI is no longer a one-way street from advanced economies to developing and emerging economies (Klossek et al., 2012). Meanwhile, the sharp growth of multinational corporations (MNCs) from EMs has become an increasingly significant feature of global business (Luo et al., 2010; UNCTAD, 2011). These emerging-market MNCs (EMNCs), particularly Chinese ones, are rapidly establishing themselves as influential players in global business (Deng, 2009; Mathews, 2006). For example, of the Fortune Global 500 rankings, firms based in emerging markets accounted for 24% in 2015. Apparently, MNCs are no longer a unique symbol of advanced economies.

Notably, a substantial number of these EMNCs are state-owned or state-controlled, as EM governments strongly encourage these state-connected firms to undertake outward FDI activities. As UNCTAD (2011) indicated, an essential component of outward investment from EMs is actually represented by the internationalization of large state-owned enterprises (SOEs). The most recent report from UNCTAD (2017) reveals that there are 1500 state-owned MNCs (SMNCs), with more than 86,000 overseas affiliates, operating in the world and more than half of the SMNCs are headquartered in EMs (mainly China, Malaysia, India, South Africa, and Russia). These SMNCs from EMs are typically large and play major roles in key industries in their home markets, but they also seem to have become increasingly important corporate players in the global economy. The rise of EMNCs opens up new avenues for theorizing and gaining knowledge of the business models so as to understand
Referring to EMNCs, particularly SMNCs, politically related dimensions like state ownership, political connections, and government involvement are always central topics. This is because firms’ embeddedness in political relationships and power is prevalent in EMs’ commercial environment and has a profound influence on business (Luo et al., 2012), owing to the institutional inadequacies of formal regulatory frameworks, the persistent power of government, and a predominant reliance on relationship-based connections in EMs (Child et al., 2003; Hoskisson et al., 2013; Meyer et al., 2009; Peng & Luo, 2000; Peng, 2003). Even when internationalizing, EMNCs are subject to political objectives and strategies. Many scholars have identified that the internationalization of EMs’ enterprises, particularly SOEs, is backed by increasingly powerful states (e.g., India and China) and reflected in the political objectives of home governments (e.g., Buckley et al., 2007; Cui & Jiang, 2012; Kam et al., 2008; Luo et al., 2010; Wang et al., 2012). For instance, in pursuit of its broader global ambitions, China is intent on “picking corporate champions” that, with the benefit of active and generous support from the state, are being groomed to join the ranks of the Fortune 500 (Alden & Davies, 2006). As a result, 110 Chinese MNCs were listed in the Fortune Global 500 rankings in 2015, while only 11 Chinese MNCs were listed in 2000. Notably, 82 of the 110 Chinese MNCs listed in these rankings are SOEs. Apparently, the heavy state guidance of the overseas investments of EMNCs suggests that it is an orchestrated arm of the country’s policy, motivated by the government’s strategic interests (Luo et al., 2010; Zhang et al., 2011).

Apart from these political objectives and interests that EMNCs align with in their internationalization, EMNCs obtain significant resource and policy support from their home governments to help them to expand overseas. Specifically, EMNCs’ political ties provide substantial tangible and intangible resources (Kotabe et al., 2011; Zhang et al., 2011) which have been found to be important in association with international strategies in situations where there is a shortage of global knowledge and experience (e.g., Luo et al., 2010; Ramamurti, 2012). For instance, the Chinese government’s “going-out” strategy has been directed primarily at SOEs and provides simplified approval processes, tax relief, favorable exchange rates, low-interest loans, subsidized insurance, and advice on host-country conditions (Luo et al., 2010). As highlighted by UNCTAD (2011), the international operation of SMNCs cannot be completely separated from the political aspirations and involvement of the home-country government. Hence, the distinctive feature of EMNCs is their politically embedded nature in the home country. This nature generates the differences in the international management of EMNCs compared with MNCs from advanced economies. In this sense, as Pan et al. (2014) suggested, political factors – despite often being neglected by policymakers – play a
significant role in our understanding of EMNCs’ international behaviors and management.

Another significant feature of the outward FDI of EM firms is that the search for strategic assets (technology, R&D capacity, marketing and production networks, managerial know-how, etc.) overseas is recognized as an essential driver of their overseas investment. EM firms possess a competitive advantage gained from access to home-country resources or production capabilities; however, as latecomers to the world economy, they still see themselves as having, at most, an average level of competitiveness (UNCTAD, 2006). To be globally competitive multinationals, EMNCs must fill significant resource and technology gaps. Such gaps are generally large for EMNCs, whose lack of superior innovative knowledge is a bigger constraint and disadvantage in competing globally (Huang, 2003). Due to institutional constraints in home countries (Rui & Yip, 2008), EM firms find it difficult to enhance strategic assets domestically. In order to compensate for their lack of innovation, which is critical for global competition, and to accelerate their development process to overcome “latecomer disadvantages” and to “catch up” with global giants, EMNCs have increasingly made accessing and acquiring critical technology and knowledge from overseas via internationalization a managerial priority (e.g., Awate et al., 2015; Boisot & Meyer, 2008; Child & Rodrigues, 2005; Li et al., 2012; Mathews, 2006; Mathews & Zander, 2007; Ramasamy et al., 2012). This is referred to as “springboard” internationalization (Luo & Tung, 2007). Because subsidiaries can tap into global reservoirs of knowledge and intangible resources and enhance MNCs’ entire knowledge stocks and capabilities, strategically located subsidiaries serve as a springboard for EMNCs to acquire innovative capabilities and develop organizational learning.

Apparently, strategic asset-seeking investment by EMNCs is not based on the traditional asset-exploitation model (that is, exploiting existing advantage) of outward investment, but instead tends to focus on asset augmentation and exploration (Kedia et al., 2012). These strategic asset-seeking investments made by EMNCs always target the advanced markets via M&A activities (Kedia et al., 2012; Luo & Tung 2007; Mathews, 2006). The rationale is that these advanced markets have relatively more advanced MNCs, educated workforces, and institutional infrastructures that own, promote, and protect these knowledge types (Kedia et al., 2012), and thus have a comparative advantage in high-tech R&D (D’Agostino et al., 2013). Hence, the “knowledge imbalance” between emerging and advanced markets motivates EMNCs to engage in such overseas investments for seeking and exploring innovative knowledge (Ramasamy et al., 2012; Rui & Yip, 2008). The strong intention of EMNCs to deploy increasingly activist measures to harness foreign sources of innovation and knowledge and upgrade their overall competitiveness is reflected in several ways. These include numerous examples of M&A, such as Tata’s purchase of Jaguar and Land Rover brands,
Geely’s acquisition of Volvo Cars, Chinese construction-equipment maker Sany’s purchase of German Putzmeister, and Bahrain’s Investcorp purchase of POC in Sweden. Other examples include EMNCs’ establishment of overseas R&D centers, such as Huawei’s R&D centers in eight EU countries and Changan’s automobile R&D centers in Italy, the UK, the USA, and Japan. In short, strategically leveraging knowledge from subsidiaries has become critically significant in EMNCs and reverse knowledge transfer (RKT) from subsidiaries (particularly those in advanced markets) to home-country organizations is the main facilitator of the innovation catch-up of EMNCs (Awate et al., 2015; Nair et al., 2015, 2016). The springboard and strategic asset-seeking (also referred to as asset-augmenting) internationalization of EMNCs has resulted in RKT practices no longer being common only to MNCs from advanced markets.

1.2 Research Gap

As mentioned above, the interactions and relationships with home governments are embedded in a substantial number of EMNCs and are influential in their international expansion. However, most of the internationalization and MNC theories in international business research are derived from and centered on Western-originated MNCs with the minor involvement of Western governments. This results in a lack of knowledge on EMNCs whose governance ideology has been informed by intervention to varying degrees (Child & Rodrigues, 2005). For example, as Lin (2010) pointed out, the entry strategy of Chinese SMNCs into new markets can hardly be explained by the evolutionary theory (Johanson & Vahlne, 1977), as the value of experience and step-wise internationalization is not found in most Chinese SMNCs, which tend to internationalize rapidly without much previous international experience. Therefore, EMs seem to create their own development model and business strategies, which differentiates them from Western MNCs (Boisot & Meyer, 2008; Buckley et al., 2007; Child & Rodrigues, 2005; Rui & Yip, 2008). Hence, the politically embedded nature of EMNCs is a central element to further understand their international behaviors and strategies.

Acknowledging the prevalence and importance of political relationships in EMs, an increasing number of studies have researched EMNCs and their internationalization from a political perspective and identified the impact of politically related factors such as government involvement, state ownership, and political connections (e.g., Cuervo-Cazurra et al., 2014; Kam et al., 2008; Luo et al., 2010; Meyer et al., 2014; Pan et al., 2014). However, a review of this existing literature suggests that these studies have so far limited their focus to the effects of politically related factors on EMNCs’ internationalization issues, such as motivations (e.g., Buckley et al., 2007; Child & Rodrigues,
2005), location choices (Wang et al., 2012), entry modes (e.g., Cui & Jiang, 2012), the speed and the network position of internationalizing firms (Wei et al., 2015), and the value creation of M&A (Du & Boateng, 2015). Little attention has been paid to the impact of political relationships on the international managerial and operational issues of EMNCs after undertaking outward FDI, leading to a poor understanding of this area. Since EMNCs, which are still in the early stage of internationalization, are generally “infant” MNCs that lack international managerial experience and skills (Ramasamy et al., 2012), understanding international managerial issues such as the management of the HQ-subsidiary relationship and international knowledge acquisition is very significant for EMNCs. As Shambaugh (2012) showed, 90% of China’s 300 overseas M&As conducted between 2008 and 2010 were estimated to be unsuccessful, with Chinese firms losing 40–50% of their value after acquisition. Some well-known Chinese MNCs are included in these statistics. For instance, TCL has failed to turn around the DVD and television businesses of Thomson that it acquired, and Nanjing Automobile’s acquisition of the UK’s Rover has yet to make progress in shifting the brand’s manufacturing to China. These vivid examples have indicated that overseas management is an essential issue for EMNCs. Hence, there is an increasing need to study the managerial aspects and strategies of EMNCs by considering political elements.

Furthermore, based on a review of the literature, most of these studies argue that government ownership and involvement play a positive role in the international expansion of EMNCs (Buckley et al., 2007; Duanmu, 2014; Li et al., 2017; Luo et al., 2010; Pan et al., 2014; Wang et al., 2012; Wei et al., 2015). The reasoning is that political connections provide firms with access to strategic resources, such as political support and capital from state-owned banks in EMs. These conferred-access advantages compensate for the lack of firm-specific advantages of EM firms in internationalization (Luo et al., 2010; Rugman & Li, 2007), which enables them to bear short-term losses and to afford to take greater risks in the internationalization process (Wei et al., 2015). In contrast, there has been relatively little research into the negative effects of political relations associated with the managerial and organizational activities of EMNCs, such as the ability to conduct foreign strategic asset-seeking, organizing decision-making autonomy, and innovation (Li et al., 2014; Meyer et al., 2014). Indeed, the political embeddedness (PE) of EMNCs creates problems and liabilities. Several studies have indicated that PE, as a signal, can induce liability and illegitimacy problems for EMNCs in host countries (e.g., Cuervo-Cazurra et al., 2014; Meyer et al., 2014; Pan et al., 2014) because state-owned/connected firms are often perceived by external stakeholders as the representatives of political actors rather than as simple business entities (Globerman & Shapiro, 2009; He & Lyles, 2008). For example, in October 2012, the U.S. House Intelligence Committee urged American companies not to do business with Huawei and ZTE, and stated that
these companies should not be permitted to acquire or merge with American firms on the grounds that their close linkage to the Chinese government posed a national security risk (U.S. House of Representatives, 2012). Although research into the dark side of PE remains limited, it exposes a need for a broader view on the role and impact of PE on the international management of EMNCs.

Reverse knowledge transfer – the other focus central to this thesis – is an important desired outcome of EMNCs. The reasoning is that a main motivation for EMNCs to engage in overseas investment is to seek and access superior overseas knowledge, thereby offsetting their competitive weaknesses and creating a competitive position in international markets (e.g., Awate et al., 2015; Boisot & Meyer, 2008; Child & Rodrigues, 2005; Luo & Tung, 2007; Mathews, 2006; Mathews & Zander, 2007; Ramasamy et al., 2012), while RKT from subsidiaries to home-country units is the main way for EMNC to achieve their innovation catch-up (Awate et al., 2015; Nair et al., 2015, 2016). RKT practices from subsidiaries have clearly become very important in EMNCs. RKT from foreign subsidiaries to headquarters (HQs) is believed to be an important source of competitiveness in MNCs (Ambos et al., 2006; Frost & Zhou, 2005; Håkanson & Nobel, 2001; Mudambi et al., 2014; Yang et al., 2008). RKT, and particularly its determinants, have been extensively investigated in MNCs from advanced markets (e.g., Ambos et al., 2006; Gupta & Govindarajan, 2000; Mudambi et al., 2014; Park & Vertinsky, 2016; Rabbiosi & Santangelo, 2013; Yang et al., 2008), but it is perhaps particularly interesting when considering the rise of EMNCs (e.g., Borini et al., 2012; Nair et al., 2015, 2016).

Given that strategic asset-seeking foreign investment is of great interest to those researching EMNCs, the current literature has primarily focused on the ways in which EMNCs acquire strategic assets, such as technology, R&D know-how, and brand abroad. However, an interesting issue emerging from this discussion – RKT in EMNCs – has not received much attention, despite a few recent attempts to provide insights into RKT in EMNCs in the context of Brazil and India (e.g., Awate et al., 2015; Borini et al., 2012; Nair et al., 2015, 2016, 2017; Silveira et al., 2017). However, these studies are still a long way from understanding RKT in EMNCs from both theoretical and empirical perspectives. Specifically, most of the antecedents of RKT investigated in those studies have been traditionally and extensively examined in the literature on advanced-market MNCs and these findings are, unsurprisingly, similar to previous literature, such as socialization between HQ and subsidiary (Borini et al., 2012; Williams & Lee, 2016), subsidiary role (Borini et al., 2012; Nair et al., 2015), subsidiary capability (Nair et al., 2016), subsidiary external embeddedness (Silveira et al., 2017), HQs’ absorptive capacity (Nair et al., 2016) and knowledge characteristics (Nair et al., 2015, 2016; Silveira et al., 2017; Wu et al., 2015). Those studies appear to have failed to explore EMNCs’ unique characteristics (such as political embeddedness in home markets) in
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relation to RKT and have made a very limited theoretical contribution to the literature on knowledge transfer and EMNCs.

An important study on this topic was undertaken by Awate et al. (2015). Based on a comparative case study of a Danish MNC innovation leader and an Indian MNC fast-follower, Awate et al. (2015) identified that entrant knowledge accessing of EMNC HQs from subsidiaries is a longer and more difficult process than the knowledge accessing of incumbent advanced-market MNC HQs. Following the “knowledge as power” perspective (Mudambi & Navarra, 2004), it is possible that the EMNC HQ is typically at a lower knowledge level than its R&D subsidiary in advanced markets and there is a high likelihood of subsidiary opportunism and rent-seeking behavior (Awate et al., 2015; Ciabuschi et al., 2012; Mudambi & Navarra, 2004). It seems that it is not easy to achieve RKT from subsidiaries within EMNCs, which may hamper the success of the “catch-up” strategy. However, the “knowledge as power” perspective cannot fully explain the situation of RKT from advanced markets to HQs in EMs because EMNCs face a more complex situation. Their home emerging markets and infant situation in internationalization may lead EMNCs to face challenges such as pressure from home governments, the liability of their politically embedded nature, and limited managerial capability. Hence, there is still a poor understanding of RKT and related factors in EMNCs.

1.3 Specifying Research Questions

Based on the aforementioned discussion, there is clearly a lack of scholarly understanding and knowledge about the impact of EMNCs’ politically embedded nature in the home context and about RKT in EMNCs. Given the importance of these topics in EMNCs, the objective of this thesis is to investigate the impact of home-country political embeddedness of EMNCs in relation to reverse knowledge transfer from overseas subsidiaries.

The concept of political embeddedness (PE) is rarely used in investigating the relationships and interactions between firms and political actors, although these relationships and interactions have long been the subject of debate in such management areas as firm performance, corporate governance, and internationalization. Terms such as political connections/ties/capital/interferences and government involvement/intervention are commonly adopted in the literature on firm-government relationships; such terms have literally positive or negative meanings and they generally look at a partial aspect of the firm-government relationship. Hence, these terms hardly capture a comprehensive and neutral picture of the complex and intense interactions with government. For example, the relationships and interactions between firms and governments, as an entirety, are a double-edged sword (Hillman & Hitt, 1999). This means that they simultaneously create positive and negative
effects, which makes it difficult to divide this entirety into political capital and political interference. In other words, the nature of political capital is, to some extent, expressed as political interference and government intervention in certain situations. This can be supported by the existing literature on firm-government relationships, in which similar proxies are used to indicate political capital, government involvement, and intervention in different research contexts. The term “political embeddedness” as a neutral and objective term not only covers the meanings of these terms, but also goes beyond the political relationships and interactions indicated by these terms. Therefore, PE is a more suitable lens through which to comprehensively understand EM firms’ activities and their interactions with government.

A number of studies have started employing PE as a term with which to research the relationship between firms/individuals and governments in various contexts. However, these studies have either considered PE as a weak concept or have failed to explain it. Specifically, several studies (e.g., Jacobson et al., 1993; Okhmatovskiy, 2010; Sun et al., 2010) have simply used the term PE to replace other terms (such as “government intervention” and “political connections”) instead of exploring its unique meaning. For instance, several recent studies have defined PE as the networks and ties between organizations/individuals and political actors in different contexts such as the Chinese legal system (Michelson, 2007), firms with state alliance and SOEs (Okhmatovskiy, 2010), and MNCs investing in emerging markets (Sun et al., 2010). In these studies, PE clearly has a similar meaning to that of established terms such as “political ties”, “political connections,” and “political capital”. If a new and different term refers to the same concept as established terms, adopting this new term becomes meaningless. Besides, other papers (e.g., Bengtson & Pahlberg, 2009; Choi et al., 1999) have used PE as a keyword without any clear explanation or definition of it in their research context. Reviewing these studies generates two implications. First, the existing papers have failed to reach a consensus on the concept of PE or to provide an exact or comprehensive definition of PE, since they have focused on just one aspect of the political factors – political force or political network. Second, political embeddedness is important for understanding the behaviors and strategies of firms.

While numerous papers have researched different politically related terms in dealing with firm-government relations, few have provided an authoritative definition of firms’ PE, or looked in depth into firms’ relationships and interactions with government. Hence, such questions as “What is the political embeddedness of a firm?” and “What constitutes the political embeddedness of a firm?” have yet to be clearly answered. It is clear that the term PE needs to be further elaborated and conceptualized. Meanwhile, the fundamental issue in investigating the thesis topic – the impact of the home-country PE of EMNCs – is to understand the concept of firms’ PE. Hence, this thesis attempts to conceptualize the PE of firms and to advance the understanding of
PE in the SOE and EM context. Thus, the first research question in the thesis is:

Research question 1: How can the political embeddedness of a firm be conceptualized and, in particular, what characterizes political embeddedness in SOEs and in emerging-market firms?

Following the springboard perspective (Luo & Tung, 2007) and the increasing trend of strategic asset-seeking in the overseas investments of EMNCs (e.g., Deng, 2009), I focus on RKT from subsidiaries to home-country units within EMNCs. RKT and a broader scope – subsidiary knowledge outflow – within MNCs has been well documented in the international business literature. However, as discussed in Section 1.2, there is a poor understanding of RKT in the context of EMNCs. The applicability of the ideas on, and results of, RKT generated from previous research, most of which relates to private MNCs, should be re-evaluated when looking at the context of EMNCs. This is because EMNCs in general, and particularly Chinese MNCs, present substantial differences in terms of aspects such as resource portfolio, strategic objectives, organizational culture and structure, and managerial capability because of their varying politically embedded nature.

As mentioned earlier, the home-country PE of an EMNC plays an important role in shaping the internationalization behaviors (e.g., entry mode, location choice, and speed) of the EMNC and significantly supports its international expansion. From this viewpoint, HQs’ PE is a key to understanding EMNCs’ behavior and strategies and is also important in understanding EMNCs’ cross-border knowledge acquisition. The effect of PE on knowledge acquisition and organizational innovation in EM firms is not a new area. Several studies have found that political ties extend the scope of firms’ knowledge acquisition and innovation. For example, based on a survey of 272 Chinese firms, Xie et al. (2014) found that, in the innovation-generation stage, the political network influences new product innovation advantage through acquisitive and experimental learning benefits. Similarly, Kotabe et al. (2012) found that Chinese firms’ political ties facilitate external knowledge acquisition in the domestic sphere, which enhances new product market performance. However, these studies have focused solely on domestic knowledge acquisition. Little is known about the impact of PE on knowledge acquisition in a global cross-border context, leaving unanswered questions, such as whether the home-country PE of EMNCs still plays a positive role in RKT from their subsidiaries.

On the other hand, it has been argued that strategic asset-seeking investment, particularly acquisition in advanced markets, is more likely to be conducted by politically embedded or state-owned MNCs from EMs (Deng, 2009; Petersen & Ivarsson, 2015; Sutherland & Ning, 2011). For instance, from the springboard perspective, Petersen and Ivarsson (2015) demonstrated
that home-country PE has been found to promote Chinese EMNCs’ involvement in strategic asset-seeking investments abroad, particularly in technological aspects. The rationale behind this is that EM governments tend to have an interest in promoting openings and integration into the global economy, improving the nation’s international image and upgrading national technological capabilities (Wang et al., 2012), while politically connected firms are more eager, or face pressure to achieve these political interests due to the interdependence between firm and government. In this spirit, EM governments’ ambition encourages firms with strong political ties to have a strong desire to acquire knowledge and capabilities through strategic asset-seeking investment and to pursue a leading position in the global business. Furthermore, with strong government support, politically connected firms have a stronger financial and resource base from which to engage in strategic asset-seeking activities such as M&A and the establishment of overseas R&D centers, which are quite costly and risky. Hence, PE provides more opportunities for EMNCs to seek critical knowledge and innovation. From this point of view, EMNCs’ PE in their home countries seems to play a positive role in their international knowledge acquisition. However, this is just an assumption given the small amount of research evaluating the influence of PE on cross-border knowledge acquisition in EMNCs. This is because, as mentioned, the research on EMNCs has not stretched far beyond internationalization research focus into matters of internal HQ-subsidiary relationship and knowledge management practices in EMNCs. Against this background, I will investigate the impact of home-country political embeddedness on RKT from subsidiaries in EMNCs. I am to achieve this objective by answering the following research question:

Research question 2: In EMNCs, how does the HQ’s home-country political embeddedness influence reverse knowledge transfer from subsidiaries?

To achieve the objective of the thesis and deal with the two research questions, I have produced four papers, which are included in this thesis. The overview of these four papers is presented in Table 1. Paper I is a conceptual paper and deals with the first research question, while Papers II, III, and IV are empirical studies that answer the second research question.

As PE is the independent construct in the research framework of the thesis (see Figure 1), its concept is the cornerstone of the empirical analysis of the thesis. Hence, through reviewing the literature on PE, embeddedness and firm-government relationships, Paper I aims to conceptualize the PE of a firm and highlight the strong politically embedded nature existing in SOEs and EM firms, which is to answer the first research question. From an integrated perspective of social embeddedness, cognitive embeddedness, and political embeddedness, as classified by Zukin and DiMaggio (1990), and given the different roles of governments in institutions, Paper I proposes that the
embedded nature of the firm-government relationship is multidimensional and that a firm’s PE embodies three forms of embeddedness: political-legal influence, political network and political cognition, as illustrated in Figure 1.

The objective of Paper II is to explore the RKT situation and its factors in relation to the home-country PE of EMNCs by adopting a qualitative research approach. Based on an inductive case study in a Chinese SMNC and its four knowledge-seeking subsidiaries in Germany and the Netherlands, Paper II explores the impact of the EMNC HQs’ PE on RKT barriers: a low level of absorptive capacity of Chinese units, less willingness of the subsidiaries to transfer knowledge, larger organizational distance between the Chinese units and the subsidiaries, and HQs’ lack of control over the subsidiaries.

Acknowledging the springboard perspective and the strategic asset-seeking motivation domain in EMNCs’ internationalization, Paper III focuses on the mixed motives in knowledge-transfer dyadic relationships in relation to HQs’ political ties and organizational distance in Chinese MNCs. More specifically, based on a survey of 177 HQ-subsidiary dyadic relationships within 99 Chinese MNCs that my project colleague and I conducted, Paper III assesses how HQ demand for subsidiary knowledge transfer and subsidiary willingness to transfer knowledge are influenced by the HQ’s home-country political ties and by organizational distance.

Acknowledging the importance of HQ’s managerial role in RKT practices, Paper IV investigates the impacts of HQ’s PE on HQ’s administrative and entrepreneurial role and looks at how these impacts influence the extent of RKT from subsidiary to EMNC HQ. Paper IV also employs a quantitative research analysis based on the sample of the survey comprised of 177 HQ-subsidiary dyadic relationships within 99 Chinese MNCs.

Consequently, the focuses of the four papers in this thesis comprise the general research framework visualized in Figure 1. The first block of the research framework is HQs’ political embeddedness conceptualized in Paper I, which is the independent variable in the empirical analysis of Papers II, III and IV. Papers II, III and IV analyze the different organizational factors in the second block in relation to HQs’ PE and different aspects of reverse knowledge transfer. As illustrated in the research framework (Figure 1), this thesis proposes that the HQs’ home-country PE influences RKT by affecting a number of organizational characteristics listed in the second block of the research framework. Previous research on RKT has generally placed the subsidiary as knowledge sender/source at the center of the analysis, and thus adopted a “bottom-up” perspective to investigate the antecedents of RKT. By contrast, the present research employs a “top-down” perspective to place the HQs at the center of the analysis and to emphasize the importance of the HQs’ embeddedness in the home country in RKT in EMNCs.
Table 1. Research Questions in the Four Papers

<table>
<thead>
<tr>
<th>Paper</th>
<th>Paper type</th>
<th>Paper title</th>
<th>Research question</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Conceptual</td>
<td>Conceptualizing political embeddedness: Relevance for state-owned enterprises and emerging-market firms</td>
<td>How can the PE of a firm be conceptualized and, in particular, what characterizes PE in SOEs and in emerging-market firms?</td>
</tr>
<tr>
<td>II</td>
<td>Qualitative</td>
<td>Knowledge sourcing from advanced markets subsidiaries: Political embeddedness and reverse knowledge-transfer barriers in emerging-market multinationals</td>
<td>How does PE in EMNCs influence organizational barriers that hamper RKT from advanced-market subsidiaries?</td>
</tr>
<tr>
<td>III</td>
<td>Quantitative</td>
<td>The paradox of political ties on headquarters-subsidiary motives for knowledge transfer in Chinese multinationals: The importance of organizational distance</td>
<td>How do HQs’ political ties and organizational distance influence HQ demand for subsidiary knowledge transfer and subsidiary willingness to transfer knowledge in Chinese MNCs?</td>
</tr>
<tr>
<td>IV</td>
<td>Quantitative</td>
<td>The liability of political embeddedness in emerging-market multinationals: Effects on reverse knowledge transfer</td>
<td>How does PE in EMNCs influence the extent of RKT by affecting HQs’ administrative and entrepreneurial role?</td>
</tr>
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Figure 1. The Research Framework
1.4 Empirical Context

China is arguably the most active internationalizing economy among emerging markets (Child & Rodrigues, 2005; UNCTAD, 2011, 2017), and was therefore chosen as the empirical context in which to study the impacts of the home-country PE of EMNCs on RKT. The Chinese EMNC context provides several advantages for this research.

First, since its accession to the WTO in 2001, China, as a dominant manufacturing power and the largest emerging economy, has been shaping the global economy (Xiao et al., 2013). The country has also been on a steep learning curve in terms of engaging in overseas investment. According to UNCTAD (2017), in 2016, Chinese outward FDI grew by 44% to US$183 billion, making it the second-largest home country for outward FDI after the United States. Moreover, Chinese SOEs have played a predominant role in this sharp growth of Chinese outward FDI (Chen & Young, 2010; Morck et al., 2008), which has led to an increasing number of SMNCs. For example, more than half of SMNCs were headquartered in developing economies in 2016, while 18 percent of these SMNCs were headquartered in China, placing it in first position globally (UNCTAD, 2017). Also, as mentioned above, 110 Chinese MNCs were listed in the Fortune Global 500 rankings in 2015, 82 of which are SOEs. Clearly, partially or fully state-owned Chinese MNCs have maintained their relative lead among EMNCs and have become major global players (Chen & Young, 2010; Cui & Jiang, 2012; Morck et al., 2008; Ramasamy et al., 2012; Wang et al., 2012; Zhang et al., 2011). China appears to be entering a new stage in its economic history – the birth of Chinese MNCs.

Second, the Chinese economy is becoming increasingly diverse and pluralistic (Tan & Tan, 2005; Rugman & Li, 2007). Chinese state-owned/connected MNCs are substantially located in a number of industries and vary in terms of their state ownership, political connections, and interdependency with government bodies due to reforming and listing. The prevalence of PE and the variations in its level of involvement in Chinese MNCs allow the research to capture its different impacts on, and roles in, shaping cross-border knowledge acquisition.

Third, Chinese firms have engaged substantially in investing in advanced economies via M&A activities. Taking the EU as an example, China’s direct investment stock in the EU was around 6.1 billion euros in 2010, according to Eurostate, but by the end of 2015 had increased nearly six-fold to around 35 billion euros. Notably, more than 95 percent of China’s outward investment flows to the EU consisted of acquisitions (Hellström, 2016). There is no doubt that these investments in advanced markets, particularly M&A, are driven mainly by strategic asset-seeking motives such as technology, brand and marketing network (e.g., Deng, 2009; Hellström, 2016; Kedia et al., 2012; Luo
& Tung, 2007). Hence, China provides a large number of potential sampling firms with the possibility of RKT practices to be investigated.

Moreover, it is crucial to consider institutional context when investigating the effects of PE on cross-border knowledge acquisition. The host institutional environment of Chinese MNCs is very diverse, since Chinese outward FDI has spread to more than 170 nations and areas with various institutional environments. This makes it a diverse and comparative context in which to research this topic. Consequently, China provides a suitable context for contributing to a better understanding of the research topic: the influences of political embeddedness of EMNCs on RKT.

1.5 Outline of the Thesis Summary

The remainder of this thesis summary is structured as follows. Based on extensive previous research on RKT, Chapter 2 presents the theoretical background of studying RKT and provides a brief overview of the research on the determinants of RKT. This chapter is intended to illustrate the importance and determinants of RKT within MNCs and to outline and specify the importance of the determinants of RKT that I investigated as the dependent variables used in the three empirical papers (Papers II, III, and IV) included in the thesis. Chapter 3 develops two characteristics (infant and politically embedded nature) of EMNCs and presents the definition and impacts of PE in an EMNC context. The purpose of the chapter is to position the importance of the EMNC’s HQs and their home-country PE, which serves as a basis for the thesis. Chapter 3 also serves as a basis for drawing insights into the definition and the impacts of the PE of EMNCs from the four papers included in this thesis. Chapter 4 outlines the methodological design applied in this research, together with an account of the sampling selection, data collection, sampling descriptions, and data analysis. Chapter 5 presents a short summary of the four papers included in the thesis, which emphasizes their contribution towards answering the research questions proposed in Section 1.3. Chapter 6 summarizes the main findings of the thesis and reflects upon several theoretical implications. The chapter aims to outline the contribution of the thesis regarding the emergence of EMNCs and their PE, as well as the theories on HQ parenting role and MNCs embeddedness and the literature on RKT. Chapter 7, as a concluding chapter, incorporates some managerial implications and outlines the research limitations and potential issues for future research.
2. Reverse Knowledge Transfer in Embedded Multinationals

A crucial step in studying the impacts of home-country PE of EMNCs on RKT is to review the theories underpinning the literature on RKT and to gain an understanding of the determinants of RKT in the previous literature. Drawing on the extant research, this chapter aims to present the theoretical foundation underlying the RKT literature, to discover the theoretical gap in this research stream, and to provide a brief review of the determinants of RKT in MNCs. I will also specify the relevant knowledge and importance of the determinants of RKT investigated as the dependent variables in the three empirical papers (Papers II, III, and IV) included in the thesis.

There is a moderate variation in the theoretical foundations for investigating subsidiary knowledge outflows in MNCs. However, the most common theoretical lenses through which to study RKT are: the resource-based view (Barney, 1991; Penrose, 1959); the knowledge-based view (Grant, 1996; Kogut & Zander, 1992); and the view of differentiated network MNCs (Andersson et al., 2007; Nohria & Ghoshal, 1997). The literature generally employs these three theories as foundations to open up the importance of subsidiary knowledge and its transfers. Hence, I start this chapter by presenting these key theories in order to highlight both the importance of knowledge and the subsidiary as a source of knowledge as well as the theoretical gaps. This is followed by a discussion of the definition and importance of RKT in MNCs. I then provide a brief review of the determinants of RKT based on the respective literature on advanced-market MNCs and EMNCs, and describe the specific determinants, which are analyzed in relation to the home-country political embeddedness of EMNCs in this thesis.

2.1 Resource-based View and Knowledge-based View

The resource-based view (RBV) is one of the most influential theoretical foundations in the knowledge management literature. Rooted in the early research of Penrose (1959), the RBV conceptualizes firms as heterogeneous entities consisting of bundles of idiosyncratic resources. Rumelt (1984) and Wernerfelt (1984) advanced the RBV by contending that the nature and internal development of resources, as well as different methods of exploiting
resources, are related to profitability. According to the RBV, each firm encompasses a combination of tangible (property-based) and intangible (knowledge-based or network-based) capabilities and resources. This view also emphasizes that rare, inimitable, valuable, and non-substitutable resources are the primary source of organizational competitive advantage (Barney, 1991; Easterby-Smith & Prieto, 2008; Lavie, 2006), while competitive advantage gives a firm an edge over its rivals and an ability to generate greater value for the firm and its shareholders (Barney, 1991; Lavie, 2006; Porter, 1985). Hence, owing to the differences in resource stocks, firms differ from each other in competitive advantages and performance (Ami t & Schoemaker, 1993; Barney, 1991). As Peteraf (1993) identified, firms obtain superior profits or rents through strategic resources rather than managerial resources, since the former are rare, valuable, inimitable, and non-substitutable (Barney, 1991). Thus, firms can develop isolating mechanisms or resource-position barriers that secure economic rents.

The knowledge-based view (KBV) of the firm, usually seen as an extension of RBV, is considered a fundamental theoretical underpinning the knowledge management literature. Based on the notion that value is created primarily not from tangible resources but from intangible or knowledge-based assets (Sveiby, 1997), the KBV posits that knowledge is the most strategically important resource for firms to gain a competitive advantage (Barney, 2001; Grant, 1996; Kogut & Zander, 1992; Nonaka & Takeuchi, 1995). Kogut and Zander (1992: 386) defined knowledge as “accumulated practical skill or expertise that allows one to do something smoothly and efficiently.” This view treats knowledge as a core competence, or strategic asset, which differentiates firms in a competitive market (Grant, 1996). In fact, many scholars have asserted that varied or heterogeneous knowledge is the key to determining superior business performance (Conner & Prahalad, 1996). The KBV focuses on firms’ stock of knowledge, on different typologies of knowledge, and on identifying the best way of managing knowledge (Grant, 1996; Kogut & Zander, 1992).

Since knowledge is imperfectly distributed across individuals, firms and countries (Tsoukas, 1996), firms need to transfer and acquire new knowledge in order to survive and to develop new applications (Henderson & Cockburn, 1994; Kogut & Zander, 1992; Petersen et al., 2008). Likewise, firms that are able to learn about customers, competitors, and regulators stand a better chance of sensing and adapting their products and services to cater for emerging needs, thereby reducing the liability of foreignness (Petersen & Pedersen, 2002). By intensifying and expanding knowledge creation and sharing, firms can not only develop tangible products and services that improve their market position, but also form the basis for organizational change and renewal. Hence, as many studies have confirmed, knowledge transfer can enhance organizational innovativeness and performance. Specifically, knowledge transfer stimulates the combination of existing and
newly acquired knowledge and augments organizational capacity for making novel linkages and associations (Jansen et al., 2005). This enables firms to generate new ideas for new product development (Powell et al., 1996; Tsai, 2001). Moreover, the accumulation of knowledge enables firms to understand and evaluate the nature and commercial potential of technological advances (Cohen & Levinthal, 1990). In short, according to KBV, an effective firm must excel at creating, acquiring, assimilating, and transferring knowledge throughout the corporate network (Gupta & Govindarajan, 2000; Kogut & Zander, 1992).

For MNCs, knowledge as a strategic resource is highly relevant, as MNCs are a superior organizational form for transferring and absorbing knowledge across borders (e.g., Kogut & Zander, 1993). Specifically, by virtue of its geographically dispersed structure, the MNC is more favorably positioned to innovate and compete through leveraging knowledge-based resources and capabilities across borders (Bartlett & Ghoshal, 1989; Gupta & Govindarajan, 2000; Kogut & Zander, 1992). It is also easier for an MNC to become involved in different types of knowledge transfers, since being exposed to a diversity of environments and local conditions provides it with broad learning opportunities (that is, it absorbs and exploits localized knowledge of the multiple environments in which its subsidiaries are located) (Cantwell & Piscitello, 2005).

2.2 Subsidiary as a Source of Knowledge

The RBV and KBV conceptualize MNCs as knowledge-sharing networks whose existence is explained by their ability to transfer, create, and absorb knowledge more efficiently than do markets (Foss & Pedersen, 2004; Kogut & Zander, 1993). The early research on knowledge transfer in MNCs was generally based on a hierarchical perspective on MNCs (Hymer, 1976; Vernon, 1966). By viewing HQ as a key actor and subsidiaries as controlled by HQ in MNCs (Dunning, 1995; Roth & Morrison, 1990), this perspective considered HQ or the parent company as the sole source of capabilities within MNCs (Birkinshaw & Hood, 1998). This means that knowledge development and innovative activities are primarily undertaken at HQ and transferred to subsidiaries for international expansion. Hence, a hierarchical perspective on MNCs suggests that MNCs’ home-country operations are frequently the principal contributor of knowledge for global transfer (Patel & Pavitt, 1991). It also suggests that subsidiaries – the periphery – are largely extensions of the home-country organization, primarily established to exploit firm-specific advantages developed in the home markets, or to adapt these advantages to local needs (e.g., Hymer, 1976; Vernon, 1966). Thus, this research stream emphasizes HQ as a knowledge source and thus focuses on knowledge transfer from the parent to its subsidiaries.
2.2.1 The Differentiated Network Multinationals

The alternative conception of MNCs as “differentiated network” emerged due to an increasing number of network model advocates (e.g., Andersson et al., 2007; Nohria & Ghoshal, 1997). As opposed to the hierarchical monolith that the early stream of research focused on, MNCs are viewed as a “differentiated network”, or “federation” (Andersson et al., 2007; Nohria & Ghoshal, 1997; Yamin & Forsgren, 2006) of loosely connected entities. Similar concepts include “transnational MNC” (Bartlett & Ghoshal, 1989), “MNC as a social community” (Kogut & Zander, 1993) and the “heterarchical MNC” (Hedlund, 1986, 1994). Based on KBV and the network theory, which posits that valuable knowledge is often embedded in social relations and structures (Granovetter, 1985), this research stream conceptualizes an MNC as a network of geographically dispersed but mutually linked units that possess unique locally created knowledge resources (Ghoshal & Bartlett, 1990; Ghoshal & Nohria, 1989; Håkanson & Nobel, 2001).

This concept emphasizes the diversity of roles and the responsibilities of subsidiaries and sees MNCs as knowledge networks and worldwide learning organizations (Nohria & Ghoshal, 1994). As such, some subsidiaries may evolve through HQs’ mandates, as well as through their own entrepreneurial initiatives via unique local relationships, to develop their own distinctive knowledge base and undertake a greater range of substantial creative roles within MNCs (Birkinshaw & Hood, 1998; Hansen et al., 2011). Accordingly, subsidiaries are no longer just a means of exploiting firm-specific advantages; instead, they are essential for acquiring new knowledge and capabilities and for controlling heterogeneous stocks of knowledge. Apparently, the firm-specific assets of MNCs in home countries are no longer the significant condition for global competitiveness as they can instead acquire strategic assets from overseas. In this sense, a major competitive advantage of MNCs is their ability to exploit locally created knowledge worldwide (Gupta & Govindarajan, 2000; Nohria & Ghoshal, 1997).

2.2.2 The Embedded Multinationals

Acknowledging the view of the MNC as a differentiated network that stresses a complex and varied network of relationships both inside and outside MNCs, the MNC is also characterized by “embedded multinationals” (Forsgren et al., 2005) and “multiple embeddedness” (Meyer et al., 2011). As Forsgren et al. (2005: 97) proposed, the idea of embedded MNCs refers to firms “whose subsidiaries operate in business networks that, to a notable extent, are characterized by a high level of embeddedness among the relationship actors.” This implies that an MNC has a number of subsidiaries embedded in a distinctive network of “business relationships” (Forsgren et al., 2005), both within and outside the MNC.
The views of the embedded MNC and the differentiated network MNC mainly focus on subsidiary business relationships both within and outside the MNC, suggesting that a subsidiary is simultaneously embedded in two different network contexts: an internal network consisting of relationship ties between different MNC units; and an external network consisting of relationship ties external to the MNC, such as business relationships in the local market (Yamin & Andersson, 2011). Following the relational embeddedness (Granovetter, 1985), the former context is referred to as internal embeddedness (Ciabuschi et al., 2011b; Andersson et al., 2007), while the latter is referred to as external or local embeddedness (Andersson et al., 2002).

Through the MNC network, a subsidiary is closely connected to the HQ and to sister subsidiaries through functional linkages or the role that the subsidiary holds within the MNC. The internal network provides access to resources (e.g., products, R&D skills, capital, and talent) within the MNC that are critical for performing local operations. Moreover, the subsidiary can leverage knowledge, technology, and other resources obtained from other MNC units to develop its own knowledge base and competence. Meanwhile, because of internal embeddedness, subsidiaries are willing to share the knowledge and innovation that they develop or modify, and thereby contribute to the overall competence development of the MNC (Ghoshal & Bartlett, 1990; Hansen & Løvås, 2004). Hence, internal embeddedness can increase the ability and motivation of the subsidiary to contribute knowledge to its MNC (Ciabuschi et al., 2011b; Najafi-Tavani et al., 2012). Moreover, the existence of subsidiary embedded relationships within MNC increases the learning intent and ability of HQs and sister subsidiaries to recognize and understand the value of the knowledge residing within the subsidiary.

Except for the internal network, subsidiaries are embedded in their business network ties with different counterparts in their local market. Through establishing business relationships with local business partners (e.g., customers and suppliers), subsidiaries create a position in the local business network. As Andersson et al. (2002) indicated, local embeddedness refers to the extent to which a subsidiary’s individual, direct relationship with local businesses can provide benefits (learning, information, etc.). Embeddedness is usually associated with the mutual adaptation of activities between two firms and this adaptation results not only in better performance, but also helps the MNC to penetrate further into foreign markets (Andersson et al., 2002; Forsgren et al., 2005; Saliola & Zanfei, 2009). Specifically, the relations between subsidiaries and local firms can increase the possibility of subsidiaries gaining access to new knowledge, ideas, and opportunities and can help them develop efficient information-gathering and information-processing systems (Schmid & Schuring, 2003). This can develop subsidiaries’ knowledge stock as well as their role within their MNCs and enhance MNCs’ competence (Andersson et al., 2002; Phene & Almeida, 2008). Simply put, a
subsidiary that is strongly embedded in a local network is generally more capable of identifying new knowledge and technologies and is therefore more innovative (Andersson et al., 2007). There is a broad consensus regarding the positive impact of a subsidiary’s external embeddedness on its knowledge stock and competitiveness (e.g., Håkanson & Nobel, 2001; Najafi-Tavani et al., 2012, 2014; Frost et al., 2002).

In short, embedded relations enhance the availability of resources and knowledge residing in both subsidiaries’ internal and external networks (Hamel, 1991), which enables the subsidiary to continuously create and renew its competitive advantage, thereby playing a prominent role in the MNC’s innovation and competitive advantage (Ambos et al., 2006; Bartlett & Ghoshal, 1989). As Frost (1998, 2001) found, the ability of subsidiaries to innovate and to contribute knowledge to their parent firms depends heavily on the embedded relations with both their parent firms and their local environment (dual embeddedness). Meanwhile, MNCs can rely on multiple geographical subsidiaries’ knowledge by tapping into advantages specific to host locations (e.g., Athreye et al., 2016; Park & Vertinsky, 2016), thereby gaining overall innovativeness. Hence, the competitive advantage that MNCs enjoy does not originate solely from their HQs as it can also be derived from the articulation and mobilization of competence developed by their subsidiaries (Birkinshaw et al., 1998; Cantwell & Mudambi, 2005; Foss & Pedersen, 2002, 2004). A typical example is the growing phenomenon of R&D internationalization in the last two decades, which is viewed as a key driver of MNCs’ capability to innovate (Chiesa, 1995; Kuemmerle, 1997). Hence, subsidiaries are important sources of knowledge and competence within MNCs.

Central to this perspective on the differentiated network MNC and the embedded MNC is the premise that the subsidiary exists as a semi-autonomous entity (Birkinshaw & Hood, 1997), the development of which is analogous to that of an independent firm (Penrose, 1959). The main implication of this stream is that, with the development of subsidiary resources and knowledge stock from internal and external networks, subsidiaries are better equipped to fulfill more advanced contributory roles. Acknowledging the role and importance of subsidiaries and their competence, the notions of power, influence, and dependency are central to this research stream. Subsidiaries are, by definition, dependent in a hierarchical sense on their corporate HQs. However, they also have sources of influence and power themselves and are increasingly willing and able to use this bargaining power to stimulate change, innovation, and growth within their MNCs. The rationale is that embeddedness in a host country’s local networks and the knowledge developed from embedded relationships are potential sources of strategic power and influence for subsidiaries and thus may become a serious challenge to MNCs’ monopoly over strategy (Ciabuschi et al., 2011b; Husted & Michailova, 2002; Mudambi & Navarra, 2004).
This stream of research, originating from the differentiated network MNC and the embedded MNC, emphasizes subsidiary embeddedness, power, and role within MNCs, while underestimating the role and functions of HQs. This is partly because these views assume that the HQ is merely one of the MNC units, that it has no special role, and/or that it cannot influence subsidiaries. Advocates of the view of the embedded MNC and the differentiated network MNC emphasize subsidiary internal and external embeddedness and ignore HQ embeddedness in the home country, as illustrated in Figure 2. This results in a substantial body of literature that treats the subsidiary as the center of the analysis and underestimates the role of HQ embeddedness in the home context. Although these two views acknowledge the importance of the subsidiary and its embeddedness, this does not mean that the HQ and its embeddedness are not crucial. As the corporate management center, the MNC HQ has a diverse range of embedded relationships with numerous business and political organizations in the home country. It acts as a resource allocator involved in value-adding activities (Dellestrand & Kappen, 2011, 2012) and as the network orchestrator and integrator of the intra-organizational knowledge flows amongst diverse subsidiaries with the purpose of developing innovation capabilities (Awate et al., 2015; Mudambi & Navarra, 2004). Hence, HQs still play important roles in MNCs’ competence development. With the evolution and global expansion of the MNC and subsidiaries, HQ embeddedness in the home country may become weaker in mature MNCs.
However, EMNCs, as infant MNCs at the early stage of internationalization, have fewer international experiences and little integration in the international market. In this sense, their HQs are more likely to be strongly embedded in diverse network relationships in the home country, and their behaviors are likely to be greatly influenced by the HQs and their home-country embeddedness.

2.3 Reverse Knowledge Transfer

The research stream of RKT is derived from the view of the differentiated network MNC and the embedded MNC. Given the importance of subsidiaries’ knowledge and competence in maintaining the competitive advantage of MNCs, a growing number of studies have researched the outbound knowledge transfer from subsidiaries based on advanced-market MNCs (e.g., Frost & Zhou, 2005; Gupta & Govindarajan, 2000; Håkanson & Nobel, 2001; Yang et al., 2008). As the knowledge sender, the subsidiary has two types of knowledge outflow in MNCs, based on the knowledge receivers. The first is vertical outflows, which refer to the transfer of knowledge to its supervising units (for example, HQs/parent firms); and the second is horizontal outflows, which refer to the transfer of knowledge to its peer units (Schulz, 2001). The former is known as reverse knowledge transfer (e.g., Mudambi et al., 2014; Najafi-Tavani et al., 2012; Rabbiosi, 2011). The latter focuses on inter-subsidiary knowledge transfer, known as lateral knowledge transfer (Yamin et al., 2011). Reverse knowledge transfer is commonly regarded as a subsidiary transferring its knowledge to its parent or HQ (e.g., Ambos et al., 2006; Najafi-Tavani et al., 2012; Rabbiosi, 2011). The differences in the definitions of different studies are the scope of knowledge. Following Gupta and Govindarajan (2000), the present thesis focuses on the transfer of knowledge that exists in the form of “know-how” (product know-how, production know-how, etc.) rather than knowledge in the form of “operational information” (e.g., monthly financial data).

The distinction between conventional knowledge transfer (supervising unit to subsidiary), RKT (subsidiary to supervising unit), and lateral knowledge transfer (between peer subsidiaries) has served as a useful analytical framework (Gupta & Govindarajan, 2000; Kumar, 2013; Rabbiosi, 2011; Schulz, 2001). However, much of the prior research has remained vague about who is the specific receiver of the knowledge under investigation (Michailova & Mustaffa, 2012), which has clouded our understanding of the characteristics and challenges of MNC knowledge transfer. As argued by Schulz (2001), RKT and lateral knowledge transfer differ in nature, and the purpose and factors explaining their occurrence may differ depending on their direction. Compared with relations between peer subsidiaries, the HQ is hierarchically superior to subsidiaries and may pursue a strategic aim of knowledge
integration from diverse subsidiaries, as well as exercising different types of control vis-à-vis subsidiaries (Kumar, 2013; Rabbiosi 2011). Moreover, such RKT situations differ from conventional knowledge transfer practices not only because of the hierarchical relationship amongst the source and recipient involved, but also because of the credibility of the sources and the nature of potential payoffs perceived by the source and recipient involved. Such factors often manifest themselves in cognitive barriers to knowledge transfer. For instance, because of the principal-agent relationship, RKT from subsidiaries to HQs, as a “bottom-up” transfer, goes against the normal hierarchical order (Chung, 2014). Because of HQ managers’ sense of superiority, HQs’ willingness to learn from subsidiaries will most likely be less than the subsidiaries’ willingness to learn from its HQs (Kumar, 2013). Also, because of subsidiaries’ fear of losing power, their willingness to transfer knowledge to HQs might be lower than HQs’ willingness to transfer knowledge to subsidiaries.

MNC HQs can benefit from RKT and the utilization of knowledge originating in a subsidiary. Specifically, RKT provides opportunities for HQs by finding useful applications of the geographically dispersed knowledge and capabilities that their subsidiaries create and accumulate (Teece, 2014). In turn, HQs can take advantage of subsidiary knowledge to fine-tune and coordinate a global strategy; to improve the development of new products, technologies, or services (Ambos et al., 2006); or to improve processes in their own or other units in the network (Yamin & Forsgren, 2006). An example is Samsung’s need to improve its memory-chip technology by using its R&D subsidiaries in Silicon Valley. Once the subsidiaries gained understanding and assimilated the advanced know-how, they were able to transfer this advanced knowledge back to the HQs in South Korea (Wright et al., 2005). Similarly, Chinese company Haier relied on R&D subsidiaries established in countries such as the USA, Germany, and Japan to acquire advanced foreign technology and exploit localized knowledge spillovers. This helped Haier augment home-base innovation and develop its own innovative products aimed at both Chinese home and global customers (Liu & Li, 2002). A number of empirical papers have identified how portfolios of subsidiaries tap into global reservoirs of knowledge and intangible resources and augment MNCs’ entire knowledge bases and competitiveness (e.g., Kafouros et al., 2012; Lu & Beamish, 2004). In short, subsidiaries act as “listening posts” that capture advanced knowledge from abroad and then enhance MNCs’ innovation and competence by transferring it back to the parent (Hegde & Hicks, 2008).

However, RKT is not necessarily beneficial. Subsidiaries are expected to maximize their own performance when engaging in knowledge sharing activities, which might happen at the expense of the MNC as a whole (Mahneke et al., 2009). Moreover, RKT, as a costly or sticky process, may generate high costs of coordination (Gupta & Govindarajan, 2000; Jensen & Szulanski, 2004). The costs stem partly from the inherent characteristics of the
knowledge to be transferred, such as knowledge tacitness and complexity; and partly from the motivational stances of subsidiaries towards transferring knowledge and the relational aspects of particular transfer dyads (Yamin et al., 2011). Also, excessive knowledge transfer from subsidiaries may have a negative impact on subsidiary performance. This is partly because the costs of knowledge transfer exceed the benefits (Mahnke et al., 2009). For example, knowledge transferred may lead to a subsidiary losing their competence and power.

2.4 Determinants of Reverse Knowledge Transfer: An Overview

As mentioned, RKT is important in maintaining MNCs’ competitive advantage. However, knowledge transfer is complex and inherently problematic, particularly in geographically dispersed units of MNCs with spatial, cultural and national differentiation (e.g., Kogut & Singh, 1988; Zaheer, 1995). Hence, successful knowledge transfer and acquisition is very difficult (e.g., Sunaoshi et al., 2005; Szulanski, 1996). This has driven international management scholars to extensively research the factors that influence RKT. The literature on the subject has identified one set of factors, mainly including knowledge characteristics, sender characteristics, recipient characteristics, and the relationship between sender and recipient.

The characteristics of knowledge, as the object of transfer, have been extensively researched and this examination seems to have reached quite a mature stage of development in the study of subsidiary knowledge outflows. The research has provided sufficient support for the contention that knowledge characteristics such as tacitness/explicitness (Hakanson & Nobel, 2000; Hansen, 2002; Mahnke et al., 2009; Schulz, 2001, 2003), relatedness/relevance (McGuinness et al., 2013; Jeong et al., 2016; Yang et al., 2008), observability (Håkanson & Nobel, 2000), complexity/ambiguity (Murray & Chao, 2005; Schulz, 2001; Simonin, 1999a, 1999b), and specialization (Asmussen et al., 2013; Schulz, 2001, 2003) could facilitate or hinder subsidiary knowledge transfer within MNCs.

As the knowledge sender, the subsidiary, with its own characteristics, is the most extensively examined antecedent in research on subsidiary knowledge transfer to other MNC units. Subsidiary characteristics that have been extensively studied include subsidiary capability, subsidiary role, subsidiary embeddedness, and subsidiary willingness. Subsidiary knowledge capability, such as subsidiary knowledge stock (e.g., Foss & Pedersen, 2002; Gupta & Govindarajan, 2000; Schulz, 2003), knowledge creation and development (McGuinness et al., 2013; Pak et al., 2015), subsidiary innovativeness (Håkanson & Nobel, 2001; Mudambi et al., 2014) and technological capability
(Phene & Almeida, 2003), have been researched extensively as positive factors. Moreover, subsidiary roles, classified in different ways, such as integrated players and global innovators (Ambos et al., 2006), contributors, and local implementers (Nair et al., 2015), have been found to influence subsidiary knowledge transfer. As Ambos et al. (2006) identified, compared with local innovators and implementers, the benefits of RKT are expected to be highest for integrated players and global innovators. As discussed in the section on embedded MNCs, subsidiary external embeddedness in the local market (e.g., Håkanson & Nobel, 2001; McGuinness et al., 2013; Najafi-Tavani et al., 2012, 2014) and internal embeddedness in MNCs (Hsu & Iriyama, 2016; Najafi-Tavani et al., 2012) are important determinants of subsidiary outbound knowledge transfer. In addition, subsidiary willingness to transfer knowledge, as one of the earliest antecedents to be examined, has a positive impact on subsidiary knowledge transfer within MNCs (e.g., Blomkvist, 2012; Gupta & Govindarajan, 2000; Minbaeva, 2007; Najafi-Tavani et al., 2012; Szulanski, 1996).

In addition to the sender characteristics, the receiver characteristics play a significant role in the success of subsidiary knowledge transfer. Given that corporate HQs are defined as the receivers of RKT (Kumar, 2013; Rabbiosi, 2011), HQs as the receiving units have attracted surprisingly little research attention compared with the substantial amount of research on sending units-subsidaries. The rationale behind this imbalance is that a substantial number of studies have placed the subsidiary (as the sender) at the center of examination in subsidiary knowledge outflows, following the view of differentiated network MNCs and embedded MNCs. Another reason, which Michailova and Mustaffa (2012) indicated, is that HQs have been theorized as being superior to other units and have therefore been traditionally perceived as sources of knowledge for the entire MNC rather than as knowledge recipients. Hence, the subject of HQs as knowledge recipients is under-researched and less understood. Among the limited research on recipient characteristics, absorptive capacity as a positive determinant has been a predominant focus of analysis (e.g., Ambos et al., 2006; Gupta & Govindarajan, 2000; Murray & Chao, 2005). Besides, HQs’ motivation to learn, and HQs’ requirements on knowledge transfer, have been found to strongly affect subsidiary knowledge transfer activities (Blomkvist, 2012; Gupta & Govindarajan, 2000; Kumar, 2013; Millar & Choi, 2009).

As the knowledge transfer process involves a dyadic and interactive relationship between the knowledge sender and recipient (Millar & Choi, 2009; Szulanski, 1995), the relationship between sender and recipient is very important in terms of shaping knowledge transfer, and this has been well researched from various perspectives. Characteristics such as socialization, integration, communication, and coordination between HQ and subsidiary, as positive factors, have been investigated extensively. These four constructs, to some extent, capture a similar path, or nature, of the relationship. Generally
speaking, the constructs blur the boundaries of units and promote information processing routines, mutual understanding and strategic alignment that facilitate knowledge transfer from subsidiary to HQ (e.g., Björkman et al., 2004; Miao et al., 2011; Rabbiosi & Santangelo, 2013). In addition, the relational characteristics of the sender-recipient relationship, such as trust (Millar & Choi, 2009; Murray & Chao, 2005), shared vision (Fey & Furu, 2008; Najafi-Tavani et al., 2012; Park & Vertinsky, 2016), and collaboration (Ciabuschi et al., 2011a; Nair et al., 2015; Yamin et al., 2011), have also been identified as important facilitators of subsidiary knowledge transfer. Moreover, distance and similarity between sender and recipient are other important factors that influence this transfer. Relatively, organizational and cultural distance/similarity is more popular as examined aspects. Another important element of the HQ-subsidiary relationship that influences RKT is control-autonomy between subsidiary and HQ (e.g., Gupta & Govindarajan, 2000; Noorderhaven & Harzing, 2009; Rabbiosi, 2011).

As mentioned in the Introductory Chapter, in response to the phenomenon of the strategic asset-seeking FDI engaged by EMNCs a few scholars (e.g., Borini et al., 2012; Nair et al., 2015, 2016, 2017; Wu et al., 2015) have drawn attention to RKT in the context of MNCs from emerging markets such as Brazil, India and China. Those studies have generally adopted the springboard perspective (Luo & Tung, 2007) and/or a strategic asset-seeking FDI lens (Dunning, 1993) as a theoretical base with which to highlight the importance of accessing and leveraging subsidiary knowledge and to study knowledge transfers from subsidiaries (e.g., Borini et al., 2012; Chen et al., 2012; Nair et al., 2016; Wu et al., 2015). However, this perspective cannot help us fully to understand RKT situations and practices in EMNCs. To study RKT in EMNCs, more diverse theoretical lenses or concepts are required.

Consistent with the RKT literature based on advanced-market MNCs, studies of the EMNC context have also focused on researching the antecedents of RKT, placing greater emphasis on the subsidiary (sender) characteristics and the sender-recipient relationships and paying little attention to the HQ (recipient) characteristics. Moreover, these studies are still far from understanding RKT in EMNCs because most of the determinants investigated in these studies have been traditionally and extensively examined in the literature based on advanced-market MNCs and these findings are, unsurprisingly, similar to the previous literature. For example, a study undertaken by Borini et al. (2012) is based on a survey of 66 subsidiaries of Brazilian MNCs. They found that reverse transfer of innovation depends on the strategic orientation of the foreign subsidiaries’ R&D function, strong integration between the parent firm and its subsidiaries, the entrepreneurial orientation of the MNC, the subsidiary’s age and, marginally, entry via greenfield investments. Based on a survey of Indian MNCs with acquired overseas subsidiaries, Nair et al. (2015) indicated that RKT from the acquired subsidiary is positively related to the subsidiary’s advanced role (world}
mandate or specialized contributors), the competitiveness of the host country compared with that of the home country, and collaboration between the subsidiary and the parent unit. Nair et al. (2016) showed that the absorptive capacity of parent firms, subsidiary capability, and knowledge relevance directly influence RKT from the acquired subsidiary to the Indian parent, while the learning environment and technical knowledge infrastructure of the parent firms indirectly affect RKT. These studies on RKT in EMNCs appear to investigate the factors that can occur in the general context of MNCs, and thus they fail to explore EMNCs’ unique characteristics which link with emerging-market institutions. Hence, these studies mainly contribute to the literature by extending the empirical context and make a very limited theoretical contribution to the literature on knowledge transfer and EMNCs.

2.5 Determinants of Reverse Knowledge Transfer from Headquarters Perspective

As mentioned earlier, the views of the differentiated network MNC and the embedded MNC focus on the capability and role of subsidiary and estimate the role of HQs. Because the previous research on RKT in MNCs is derived from these two strategic concepts, most of the studies have placed the subsidiary (as sender) at the center of examination in RKT by adopting a “bottom-up” perspective, and have paid less attention to the HQ. RKT is considered a “bottom-up” transfer, which does not mean that HQs and their characteristics are not important in this transfer. Corporate HQ, as defined by Collis et al. (2007: 385), is “staff functions and executive management with responsibility for, or providing services to, the whole of (or most of) the company, excluding staff employed in divisional headquarters.” As the overall orchestrator of the MNC network with holistic responsibility for managing the entire corporation, MNC HQ has a great influence on the process and effectiveness of knowledge transfer across units (e.g., Collis & Montgomery, 2005). An increasing number of scholars have identified the impact of HQ-related factors on subsidiary knowledge outflows, such as HQ’s involvement in or monitoring of knowledge transfer (e.g., Ciabuschi et al., 2011b, 2017; Dellestrand & Kappen, 2012), HQ’s incentives/compensation system (e.g., Björkman et al., 2004; Fey & Furu, 2008), and HQ managerial attention (Kumar, 2013). HQ clearly plays a dual role in the RKT process – as both corporate parent and knowledge recipient – and therefore plays a significant role in RKT practices.

By acknowledging the dual role of HQs and extending the views of the differentiated network MNC and the embedded MNC, this thesis adopts a “top-down” perspective to investigate the importance of HQ and its home-country embeddedness in RKT practices. I chose to focus on HQ-related
aspects including HQ managerial role, HQ absorptive capacity, and HQ demand for subsidiary knowledge transfer because of the research interest in the effects of home-country PE of HQs. To complement and better understand the effects of HQ characteristics on the last step, I have also investigated the characteristics of subsidiaries (as senders) and of the HQ-subsidiary relationship that might be most influenced by HQ characteristics and which are related to RKT.

2.5.1 The Managerial Role of Headquarters

The most profound insights into the HQ role build on a stream of research that dates back to Chandler (1991), who suggested that the HQ role can be perceived as that of an entity with ultimate decision rights, occupying a pivotal role and function within the organization. He classified the HQ managerial role into two functions: the “entrepreneurial function” and the “administrative function”. The former indicates that HQ has “functions governing the development, allocation, and deployment of valuable corporate resources within the hierarchy” supposed to lead to a corporate advantage (Collis & Montgomery, 1998), while the latter means that HQ has functions incorporating different governance tools (e.g., coordinative and monitoring mechanisms) between units and creating a structural context that enables HQ to manipulate and constrain actions taken at subunit level (Andrews, 1971; Chandler, 1962).

HQs generally create value through these two different roles. First, HQs can create value through entrepreneurial activities such as resource allocation, knowledge sharing, and the organization of shared services. This entrepreneurial role is referred to as the ‘positive role of parents’ (Foss, 1997), and has attracted more attention. Second, HQs can create value by preventing loss through administrative mechanisms (Foss, 1997). In other words, HQs coordinate and control subunits to ensure that, for instance, opportunistic behavior does not become problematic. For MNCs that operate in numerous environments, it is difficult for HQs to perform both the administrative (loss-preventing) and entrepreneurial (value-creating) roles, and to estimate the effects of the different actions they take (Doz & Prahalad, 1981). For instance, potential conflicts can arise in MNCs owing to the fact that the negative sides of monitoring activities and, for instance, battling opportunistic behavior, can make the task of pursuing value-creating activities and supporting subsidiaries more difficult.

The entrepreneurial role of headquarters
HQs’ entrepreneurial function is influential when dealing with knowledge transfer across units (e.g., Collis & Montgomery, 2005). It has been argued that subsidiaries are severely limited in their ability to conduct subsidiary outbound knowledge transfers in MNCs without the cooperation of HQs (e.g.,
Ciabuschi et al., 2017; Holm & Pedersen, 2000). For example, Ambos et al. (2006) indicated that RKT requires parent firms that are committed to learning from their subsidiaries and willing to recognize the potential benefits of subsidiaries’ knowledge. This is highlighted by the recent studies of Ciabuschi et al. (2011b) and Dellestrand (2011), which identified that HQ involvement significantly affects the performance of subsidiary knowledge transfer.

There are two contrasting views on HQ entrepreneurial role emerging in the literature. An optimistic view on the HQ entrepreneurial role regards HQs as value creators with “parenting advantage” (Foss, 1997; Goold et al., 1998). The parenting advantage suggests that HQ has a potential role for adding value when involving itself in subsidiary activities (Goold & Campbell, 2002; Poppo, 2003), because the optimistic view assumes that HQ is able not only to strategically direct the value-creation activities of the MNC and to make rational decisions (such as resource allocation) when managing subsidiaries, but also to contribute expertise to subsidiaries as well as control them “from above”. In other words, the HQ parenting function is based on the ability to determine which value-creating activities to support and which intra-organizational knowledge sharing to establish in order to produce synergistic effects.

However, recent research has taken a more pessimistic view of HQ parenting advantage, challenging HQs’ ability to perform the entrepreneurial role within MNCs (Ciabuschi et al., 2011c; 2017). The reasoning is that, following the views of the differentiated network MNC and embedded MNC, HQ lacks knowledge pertaining to the specific network context in which subsidiaries are embedded (Asakawa & Lehrer, 2003), which makes its parental role much more difficult to carry out (Forsgren & Holm, 2010; Ciabuschi et al., 2011c). This research stream adopts a much more skeptical stance on the actual influence of HQ (for example, the sheer ignorance perspective; see Ciabuschi et al., 2011c), to the extreme that HQ is viewed as an absentee landlord “who is not only ignorant, but who destroys rather than creates value” (Kristensen & Zeitlin, 2005), and HQ is likely to be “groping in the darkness” when managing subsidiary value-creating activities and designing its own role in these processes (Ciabuschi et al., 2011c: 962). Nevertheless, this research stream acknowledges the importance of HQ in MNC knowledge transfers.

The research stream criticizing HQs’ parenting advantage focuses on a bottom-up process in which subsidiaries’ external embeddedness affects HQs’ ability and strategy-making, where HQ managers are constrained by the amount of information and knowledge they can handle, but still attempt to add value to MNCs by their actions (Ciabuschi et al., 2017). Acknowledge the importance of HQ as a specific object of study, the recent network-focused and subsidiary-focused research has consistently employed a bottom-up approach to explore HQ activities and decisions by incorporating a subsidiary perspective (e.g., subsidiary local embeddedness, subsidiary competence and
contribution) rather than an HQ perspective (e.g., Bouquet & Birkinshaw, 2008; Ciabuschi et al., 2017; Nell & Ambos, 2013). This has resulted in research on the HQ in MNCs evolving separately from research on the HQ in the multi-business firm, and has led to a poor understanding of the effects of the HQ’s own characteristics on the HQ’s parenting role. As Alexander (1992) claimed, the potential scope of the HQ’s roles should be determined by considering its particular capabilities. Clearly, the HQ’s own characteristics (e.g., resources and capability) exert an influence on the HQ’s decision-making and behaviors to add value within MNCs. HQ is rooted in home country context, so HQ’s resources and capability might be shaped by its embeddedness in the home context. Hence, it is significant to adopt a ‘top-down’ perspective to investigate HQ’s managerial role from its own characteristics (that is, politically embedded nature) within EMNCs.

The administrative role of headquarters
The HQ – by definition, a unit that has power based on formal authority, network centrality, and the control of critical resources (Astley & Sachdeva, 1984) – builds legitimacy within a network of foreign subsidiaries. Social identity theory proposes that the MNC is characterized by a high degree of cohesiveness; hence, it functions as a social community and subsidiaries work selflessly for the good of the firm as a whole (Kogut & Zander, 1993). At the other extreme, agency theory states that the HQ–subsidiary relationship can be viewed as a principal–agent relationship, which is characterized by rent-seeking; thus, subsidiaries act in their own interests, neglecting the success of the wider MNC (Mudambi & Navarra, 2004). From both perspectives of MNC, HQ’s administrative function is necessary. When the MNC is a social community, HQ, as a central unit, must plan, coordinate, and monitor other units’ activities in order to maintain the effectiveness of society. From the view of HQ–subsidiary as a principal–agent relationship, MNC HQs must use a variety of mechanisms (e.g., reporting systems, incentives, visiting, and staffing strategies) to control and coordinate their subsidiaries in order to ensure that the subsidiary (the agent) behaves in accordance with the HQ’s (the principal) goal. This creates value through preventing loss or avoiding negatives.

The ultimate objective of HQ’s administrative function is to coordinate and gain control of the subsidiary’s decision-making and activities (Chang & Taylor, 1999). The relative aspects of HQ’s administrative role have been extensively investigated in RKT within MNCs from a subsidiary perspective (for example, subsidiary autonomy; see Foss & Pedersen, 2002; Gupta & Govindarajan, 2000; Noorderhaven & Harzing, 2009; Rabbiosi, 2011). Those studies have largely operationalized subsidiary autonomy by the dyadic level of an HQ’s relationship with a specific subsidiary by measuring the relative control exercised by HQ over the subsidiary’s decision-making (e.g., Fey & Furu, 2008; Foss & Pedersen, 2002; Noorderhaven & Harzing, 2009;
Rabbiosi, 2011). In other words, subsidiary autonomy is the opposite of and a measure of HQ’s control over the subsidiary. This is aligned with the common idea that the control loss from HQ gives a subsidiary increased autonomy (e.g., Dellestrand & Kappen, 2011; Foss & Pedersen, 2002).

HQ’s administrative role in terms of centralized control over the subsidiary is particularly important in RKT. The studies on the effect of HQ control over subsidiaries on subsidiary knowledge outflows do not achieve a consensus. Advocates of agency theory hold a positive view of HQ control on subsidiary knowledge transfers (Kurokawa et al., 2007; Noorderhaven & Harzing, 2009). Specifically, it is in the interests of HQ (the principal) that a subsidiary (the agent) with valuable capabilities contributes to the competence development of other MNC units. Subsidiaries may be unwilling to share their knowledge with other MNC units, in order to retain their competitive advantage and power within MNCs (Mudambi & Navarra, 2004) or avoid the substantial costs incurred in RKT process (Mahnke & Pedersen, 2004). Hence, owing to the potential asymmetry between the goals of the HQs and those of the subsidiary, the latter may not act according to the MNC’s interests (for example, integrating knowledge and maintaining MNC’s innovation). By adopting coordinative and monitoring mechanisms, HQ can attempt to increase control over or coordination with the subsidiary (Roth & Nigh, 1992), thereby reducing rent-seeking behaviors and increasing the alignment of goals during the RKT practices. As Noorderhaven and Harzing (2009) suggested, subsidiary autonomy – to the extent that it indicates stand-alone activities and less hierarchical coordination by HQs – makes shared RKT less likely. Similarly, Kurokawa et al. (2007) identified that there is a danger that the autonomous subsidiary run by local managers will develop into its own fiefdom, thus inhibiting vertical knowledge flows between subsidiary and HQ. In short, considering principal–agency issues between HQ and subsidiary, lack of HQ control and monitoring in subsidiaries can motivate and help subsidiaries to reassert their unwillingness to engage in RKT.

Advocates of the views of differentiated network MNCs and embedded MNCs generally consider HQ control over subsidiary as a barrier to subsidiary knowledge transfers (Foss & Pedersen, 2002; Miao et al., 2011). This view is based on the idea that too much control or monitoring of subsidiary activities might cause subsidiaries to lose autonomy in local markets and discourage subsidiary managers from tapping into local business networks and taking initiatives to develop competence and innovation (Andersson et al., 2002; Cantwell, 1995; Holm & Pedersen, 2000). This hinders subsidiaries’ knowledge creation and thus decreases the possibility of RKT (Ghoshal & Nohria, 1989; Nohria & Ghoshal, 1994; Venaik et al., 2005). However, those studies that hold a positive view on subsidiary autonomy invoke Szulanski’s (1996) findings that motivational factors are important for understanding the knowledge transfer as a partial justification for neglecting motivational issues such as subsidiary willingness to engage in RKT. However, the limited
amount of prior research on RKT in EMNCs has not touched upon this controversial factor, resulting in little knowledge about the impact of HQ control stemming from HQ administrative role on RKT.

Compared with HQs of Western MNCs, which are generally located in advanced markets with more market-oriented and well-developed institutional environments, HQs of EMNCs are located in markets with more government involvement and relatively inferior institutional environments. The home-country PE of EMNC HQs can influence HQs’ resources, capabilities and strategy, which in turn affect the type, frequency, and locus of the activities conducted by HQs (e.g., Luo et al., 2010; Wang et al., 2012; Duanmu, 2014; Pan et al., 2014) and therefore HQs’ administrative and entrepreneurial behaviors. For instance, due to strong home-country PE, EMNC HQs may pursue both economic and political interests. However, the previous literature on HQ role assumes that HQ is a purely economic actor that pursues profit maximization. As Markides (2002) claimed, HQ should add value to the firm’s business; otherwise, there will be no economic rationale for HQ’s existence. Obviously, politically embedded HQs in EMNCs have a different strategic focus and perform administrative and entrepreneurial roles differently than HQs in Western MNCs. This means that the traditional view is not applicable to evaluating and analyzing HQ managerial role in EMNCs.

2.5.2 Absorptive Capacity of Headquarters

Studies in organizational learning and knowledge transfer have identified absorptive capacity as an important determinant that influences the effectiveness of knowledge transfer and learning (Cohen & Levinthal, 1990; Minbaeva et al., 2003; Petersen et al., 2008). Cohen and Levinthal (1990: 128) defined absorptive capacity as “the ability to recognize the value of new information, assimilate it, and apply it to commercial ends.” Despite the limited attention paid to HQ characteristics, a limited number of studies that touch upon HQ characteristics in relation to RKT in MNCs (e.g., Ambos et al., 2006; Jeong et al., 2016; Murray & Chao, 2005) have predominantly examined HQ absorptive capacity and its significant role in successfully receiving and utilizing knowledge transferred by subsidiaries. As the earlier study by Gupta and Govindarajan (2000) suggested, a target unit’s capacity to absorb incoming knowledge is an essential factor in determining knowledge inflows. The limited research on RKT in EMNCs also identifies the importance of HQ absorptive capacity on knowledge transfer from acquired subsidiaries (Nair et al., 2016; Wu et al., 2015).

However, the research is very limited in the outcome (e.g., knowledge transfer) of absorptive capacity, which has resulted in the poor understanding of the determinants of absorptive capacity. Given that absorptive capacity is the key to the effectiveness of knowledge transfer, it is important to understand how to enhance absorptive capacity. This is particularly important
in EMNCs. EMNCs, as latecomers and infant MNCs, are commonly argued to have relatively low capacity and larger technological gaps compared to their counterparts in advanced markets, which may influence their absorptive capacity.

2.5.3 Headquarters Demand for Subsidiary Knowledge Transfer

HQ demand for subsidiary knowledge transfer (referred to hereinafter as “HQ demand”) is a relevant motivation-related factor. HQ demand captures the degree of desire and requirement for acquiring knowledge from subsidiaries. Motivation to learn is a component of HQ demand to acquire knowledge and motivation is central to learning. Successful knowledge transfer requires the motivation of knowledge recipients (e.g., Gupta & Govindarajan, 2000; Simonin, 2004; Szulanski, 1996). As knowledge recipients, HQs’ motivation to acquire knowledge is particularly important in the process, amount, and effectiveness of RKT (e.g., Ambos et al., 2006; Gupta & Govindarajan, 2000). Specifically, without the careful “attention” (Bouquet & Birkinshaw, 2008) and demand from HQs, subsidiaries may tend to not share their knowledge, in order to keep the competitive advantages of their own power resources for themselves (Björkman et al. 2004; Chung, 2014; Minbaeva et al. 2003).

HQ demand embodies the initiative of acquiring, learning, and creating knowledge from subsidiaries (Collins & Smith, 2006) and the willingness to participate in the knowledge acquisition process (Jasimuddin et al., 2015). Hence, HQ demand reflects HQs’ attention and efforts to foster knowledge transfer (Blomkvist, 2012). Specifically, HQ demand plays the key role in distributing resources, building up coordinating systems and communication channels, and cultivating the right social culture for RKT to take place (Chung, 2014). Also, HQ with strong demand will recognize the value of the transferred knowledge and will be better prepared psychologically to understand the knowledge that is being transferred, which increases the likelihood of successful knowledge transfer (Pérez-Nordtvedt et al., 2008). Conversely, a lack of demand may lead to “stickiness” or difficulties in the transfer process (Szulanski, 1996) and lead to foot-dragging, passivity, feigned acceptance, hidden sabotage, or outright rejection in the implementation and use of knowledge transferred from subsidiaries (Gupta & Govindarajan, 2000). Clearly, the presence of HQ demand provides the vital initial push that is needed in order to eliminate organizational barriers that impede effective learning (Kalling, 2003). As Edwards (1998) suggested, reverse transfer is the result of HQ demand for subsidiary knowledge rather than spontaneous occurrences within MNC networks. In short, the demand to acquire knowledge is a precondition and an important component of knowledge transfer (Buckley et al., 2009; Jasimuddin et al., 2015).

Previous research has discussed the potential factors affecting HQ motivation to acquire subsidiary knowledge. One popular explanation is that
HQs may be reluctant to acquire and accept knowledge from subsidiaries owing to the “not-invented-here” syndrome (Gupta & Govindarajan, 2000; Katz & Allen, 1982) and “a sense of patriotic superiority” of HQs (Edwards et al. 2005). The reluctance stemming from the not-invented-here syndrome arises due to the contextual and cultural differences; HQs prefer indigenously developed practices to ones transferred from elsewhere (Chung, 2014). Moreover, source attractiveness and the value of the knowledge possessed by the source is a driver of recipient’s demand on knowledge transfer (Pérez-Nordtvedt et al., 2008). Specifically, a superior performance, innovative capabilities, and multiple networks embedded in the local country of the subsidiary enhance its attractiveness as a source of valuable knowledge and competence from a HQ standpoint, which can increase HQ demand for subsidiary knowledge.

As for EMNCs, the not-invented-here syndrome (Gupta & Govindarajan, 2000; Katz & Allen, 1982) and the sense of patriotic superiority of HQs (Edwards et al., 2005) might not be applied. This is because, according to the springboard perspective and the strategic asset-seeking investments actively engaged by EMNCs, it is commonly assumed that EMNC HQs have a strong demand for acquiring knowledge from distant subsidiaries (Borini et al., 2012; Nair et al., 2015, 2016). However, this is just an assumption and there is scarce empirical evidence or understanding of HQ demand for subsidiary knowledge. This is because a substantial number of papers have focused on strategic asset-seeking investments undertaken by EMNCs and few have further assessed HQ demand in the knowledge acquisition practices of EMNCs.

2.5.4 Subsidiary Willingness

The knowledge transfer process involves a dyadic and interactive relationship between the knowledge sender and recipient (Szulanski, 1995; Millar & Choi, 2009); therefore, successful knowledge acquisition requires motivation and effort from both the source and recipient units. That is, only HQ demand on subsidiary knowledge is enough to achieve RKT, the knowledge sender (subsidiary) must possess the motivation to transfer knowledge. As highlighted by Björkman et al. (2004) and Gupta and Govindarajan (2000), even if a subsidiary holds knowledge that is valuable to other parts of the organization, subsidiary outbound knowledge transfer does not necessarily take place without enough subsidiary willingness. Established research on knowledge transfer has acknowledged the important role of knowledge holders’ willingness in facilitating knowledge transfer (e.g., Minbaeva, 2007; Simonin, 2004; Szulanski, 1996). With strong motivation to transfer knowledge in MNCs, subsidiaries are more likely to provide substantial resources and talent, devote more time to support the knowledge transfer process, and ensure the effective diffusion and adoption of knowledge transferred in HQs. As Casimir et al. (2012) identified, any indisposition to
transfer knowledge may result in inaccurate, incomplete, ill-timed, and – in extreme cases – false information being shared. Hence, subsidiary willingness has been extensively identified as a precondition of effective RKT (e.g., Blomkvist, 2012; Gupta & Govindarajan, 2000; Mahnke et al., 2009; McGuinness et al., 2013; Najafi-Tavani et al., 2012).

There are several reasons why subsidiaries may be reluctant to transfer knowledge in practice. According to the literature on advanced-market MNCs, subsidiaries may resist transferring knowledge due to a desire to retain their competencies and to a fear of losing their power base and supremacy (Blomkvist, 2012; Forsgren, 2008, Mudambi & Navarra, 2004; Szulanski, 1996) because they can use their intra-organizational power to appropriate rents in MNCs (Mudambi & Navarra, 2004) and internal competition is vital for subsidiary survival. Moreover, as knowledge transfer is time- and resource-consuming for knowledge senders (Najafi-Tavani et al., 2012), the reduced incentive and compensation are essential factors that negatively affect a subsidiary’s willingness to share knowledge (Gupta & Govindarajan, 2000; Simonin, 2004; Szulanski, 1996). In addition, from a knowledge-based view and a network perspective, Najafi-Tavani et al. (2012) also argued that MNCs’ internal and external embeddedness and socialization mechanisms influence subsidiary willingness. The issue of subsidiary unwillingness is reflected as a “mixed-motive dyad” between HQ and subsidiary (Ambos & Birkinshaw, 2010), in which the interests and perception of both parties are frequently not aligned with one another (Ghoshal & Nohria, 1989). To sum up, the previous literature has argued that the primary reason for a subsidiary’s reluctance to transfer knowledge is the divergence of HQ (principal) and subsidiary (agent) interests, which is a fundamental issue of agency problems (Roth & O’Donnell, 1996).

Despite the extensive recognition of subsidiary willingness, prior studies based on EMNCs have not researched subsidiary willingness in RKT. However, subsidiary willingness is particularly essential for conducting RKT because the EMNC HQ is typically at a lower knowledge level than its technology-seeking subsidiaries (Awate et al., 2015), and the likelihood of subsidiary opportunism and rent-seeking behavior is high (Awate et al., 2015; Ciabuschi et al., 2012; Mudambi & Navarra, 2004), which could negatively influence subsidiary willingness.

2.5.5 Organizational Distance

Simonin (1999a: 473) defined organizational distance as “the degree of dissimilarity between the partners’ business practices, institutional heritage, and organizational culture.” Apparently, organizational distance is a fundamental mechanism that affects the dyadic and interaction relationship (e.g., trust, shared values, communication) between the knowledge sender and recipient. The negative perspective on distance remains dominant in most
international business studies. Undoubtedly, organizational distance is commonly researched as a barrier, particularly in knowledge transfer practices (Asakawa, 1995; Buckley & Carter, 1999; Simonin, 1999a, 1999b), as most of the studies focus on the “cost” effects of distance. As identified by Szulanski (1996), an arduous (e.g., distant) relationship creates additional hardship in knowledge transfer. Similarly, studies of RKT in MNCs have argued that organizational distance between HQ and subsidiary induces more difficulties in understanding and communication during the RKT process (Ambos et al., 2006; Schlegelmilch & Chini, 2003).

A sole focus on liabilities and negative consequences of distance hinders our understanding of the processes and conditions that can help leverage the “value-in-diversity” idea in knowledge transfer practices. Despite the scarcity of research on positive outcome of distance, there are obvious benefits of knowledge sharing and synergy creation in cross-border M&As, unleashing the creative potential of diverse teams in MNCs. All of these practices point to the potential enabling role and value of distance. Moreover, although the literature is dominated by the negative effect of assumptions, the empirical results of the papers dealing with organizational distance and knowledge transfer are mixed and inconclusive. For instance, Simonin (1999a) and McGuinness et al. (2013) found that the organizational distance between knowledge sender and recipient is negatively related to the knowledge sharing between them. However, Ambos et al. (2006) did not provide supportive evidence for organizational and cultural distance to the perceived benefits of RKT from subsidiaries. Similarly, Yamin et al.’s (2011) results reveal that organizational distance has no significant effect on lateral innovation transfer between peer subsidiaries. Hence, the impact of organizational distance relating to knowledge transfer needs to be explored further.

Previous studies have restricted their analyses to the outcomes of organizational distance, which leads to a poor understanding of the determinants of organizational distance. It is commonly assumed that organizational distance exists because organizations are located in different countries with diverse national cultures (Fey & Denison, 2003; Morgulis-Yakusheva et al., 2017). However, despite the importance of national distance in shaping organizational distance, some organizational-level characteristics, such as political ties of EMNC HQs, could be investigated to enrich the insights into the antecedents of organizational distance.
3. Emerging-market Multinationals and Political Embeddedness

The objective of this chapter is to enhance the understanding of EMNCs’ unique characteristics and discuss the definition and impact of the political embeddedness of EMNCs. In doing so, I intend to position the importance of the HQ and its home-country PE in EMNCs. To achieve this, I present the characteristics of EMNCs as infant MNCs and politically embedded MNCs, followed by discussions of the definition of PE and the distinctions between PE and state ownership, as well as the impact of PE in relation to EMNCs.

3.1 Characteristics of Emerging-market Multinationals

As Cuervo-Cazurra (2012) argued, there are two reasons why possible theoretical contributions of such research are crucial when analyzing the early stages of foreign expansion of EMNCs. First, in such early stages of internationalization, resource and capability deficiencies are considered the main barrier to the internationalization of EMNCs. Second, the country of origin is very important as a source of potential advantage or disadvantage. Because the EM government, as a powerful actor in the EMNCs’ home markets, has maintained political control and also maintained its ability to reward and discipline firms for their adherence to its directives (Hitt et al., 2004), EMNC managers often rely on strong ties with government to facilitate their business transactions and expansions (Peng & Luo, 2000). In this sense, the EMNC has two distinctive characteristics: the infant nature and the politically embedded nature.

3.1.1 Infant Multinationals

EMNCs and advanced-market MNCs are at different stages of evolution as MNCs (Ramamurti, 2009). However, international business theories regarding the MNC have been substantially influenced not just by Western experience, but also by studies of mature MNCs, a fact that is not as widely recognized (Ramamurti, 2012). This is because the pioneers of international business research such as *Journal of International Business Studies* were established several decades after the globalization of Western firms.
(Ramamurti, 2012). Apparently, it was natural for pioneers of the international business research to focus on mature MNCs. EMNCs, on the other hand, are “infant MNCs” at an early stage of development, only beginning to internationalize, with little international experience or skills (Cuervo-Cazurra, 2012; Ramamurti, 2009, 2012). Thus, EMNCs provide researchers with a wonderful opportunity to study internationalization as it unfolds and to glean insights about causation that might be missed in retrospective historical research.

As infant MNCs, EMNCs, particularly Chinese ones, display one characteristic of focusing on their home markets; they are criticized as not being “true” MNCs (Rugman & Nguyen, 2014). This is because EMNCs depend on their country-specific assets (CSAs) to develop their firm-specific assets (FSAs), which motivates them to exploit their home or regional markets (Rugman, 2010; Rugman & Li, 2007). CSAs, such as natural resources, low capital costs, low labor costs, and government support, can help EMNCs to develop their FSAs in areas such as economies of scale in production. This is highlighted by Rugman et al.’s (2012) observation that Asian MNCs focused on their domestic markets in both 1999 and 2008, and that MNCs from other EMs, such as Hungary, India, Mexico, Poland, and Russia, adopted a similar approach. They further indicated that despite the economic downturns in Western economies in 2008, EMNCs continued to develop their FSAs based on their domestic CSAs and focused on their home domestic markets. Consistent with this, Luo and Tung (2007: 485) stated that “the global success of […] EMNCs is still highly dependent on their performance at home.” EMNCs’ business focus in their home markets may lead them to emphasize global markets less, in favor of developing their subsidiaries’ competence and business, because HQ managerial attention is limited (Bouquet & Birkinshaw, 2008). Concerning cross-border knowledge acquisition, Ramamurti (2012) and Petersen and Seifert (2014) claimed that EMNCs tend to bring technologies that they acquire overseas back to their home markets and can thus combine such acquired FSAs with their complementary assets at home to improve their home-based FSAs.

Another characteristic of EMNCs, as infant MNCs, is a shortage of global knowledge and experience and a lack of international managerial skills. In particular, EMNCs have a lack of host-based or non-location-bound FSAs that would allow them to respond to local markets and to benefit from economic and knowledge integration (Rugman & Nguyen, 2014; Wu et al., 2016). When expanding globally, EMNCs take advantage of their home-based CSA and FSAs such as government support and scale economies, but are incapable of adapting their products for consumers in the host markets. That is, EMNCs lack managerial skills in national responsiveness (Rugman, 2010) as well as in knowledge management and systems integration. Most of these EMNCs do not have the effective management systems to support internal knowledge sharing and integration across a federated network of subsidiaries (Rugman,
Hence, with regard to the CSA/FSA matrix for EMNCs, Rugman et al. (2012) concluded that EMNCs possess genuine FSAs that were largely home-based and weaker than those of advanced-market MNCs. Apparently, EMNCs lack non-location-bound FSAs, which are necessary to achieve the scale, scope, and exploitation of national differences (Rugman & Nguyen, 2014). This may lead EMNCs to have a low level of economic and knowledge integration from geographically dispersed subsidiaries, which can enhance their motivation to rely on their home markets and home-based CSAs to develop domestic FSA.

In short, EMNCs are “infant MNCs” that are involved in the early stage of internationalization (Ramamurti, 2012). They have little international experience or skills and lack non-location-bound FSAs. They also focus on home markets and rely on home-based CSAs and FSAs. In this case, EMNC HQs’ international strategies and behavior are more easily influenced by the conditions of home markets, such as HQ embeddedness in the home context. The rationale behind this is that an infant’s behavior is substantially influenced by its parents before it experiences the outside world and learns in school or in the external environment. Hence, as the parent, the HQ and its embeddedness in the home country, which is neglected by the view of the differentiated network MNCs and the embedded MNCs, is more likely to be influential for EMNCs’ international decisions and activities. This was highlighted by Rugman and Nguyen (2014), who identified that EMNCs are largely parent-driven firms and seldom decentralize their strategic decision-making to their subsidiary managers. From this perspective, home-country PE, as a unique feature in EMNCs, and especially in SMNCs (e.g., Meyer et al., 2014; Pan et al., 2014), definitely plays an important role in shaping EMNCs’ international management and strategy, particularly in the early stage of their global expansion.

3.1.2 Politically Embedded Multinationals

In EMs where government authority over business is still great, governments have maintained political control with the ability to reward and discipline firms for their adherence or otherwise to its directives (Deng, 2009). Hence, corporate strategic decisions in EMs are largely governed by a mix of political and economic motives (Tsui et al., 2004), which makes it difficult to separate the EM firms from the government. This is also the case in EMNCs. EM governments play an important role in the internationalization of EMNCs. Specifically, EMs are creating a supportive environment that particularly stimulates strong EM firms to invest abroad for the purpose of becoming globally competitive MNCs. For instance, EM governments have formulated a series of policies as institutional support for the acquisition of foreign knowledge in the form of value-added taxes and favorable financing (UNCTAD, 2005). With powerful support from the government, some strong
EM firms have undergone rapid modernization and many have grown to be competitive on a worldwide scale, largely through aggressive international expansion (Wei et al., 2015; Zeng & Williamson, 2003). Numerous studies have identified the importance of politically related factors (e.g., government involvement, state ownership, political ties) in different aspects (e.g., motivations, location choice, entry mode, and the speed) of EMNCs’ internationalization (e.g., Buckley et al., 2007; Child & Rodrigues, 2005; Cui & Jiang, 2012; Wang et al., 2012; Wei et al., 2015). Clearly, most EMNCs are politically embedded with home governments to a varying degree.

In contrast to their position as infants in global business, EMNCs with strong political ties generally possess monopolistic positions and substantial influence in domestic markets, which not only allows them access to privileged financial resources (e.g., below-market credit rates, soft loans, and subsidies), but also gives them the ability to influence the “rules of the game” in the home country and to obtain preferred regulatory treatment that can restrict competition. This was stressed by Meyer et al. (2014), who demonstrated that Chinese SMNCs enjoy much better home-based CSAs than do private MNCs. This motivates SMNCs to undertake relatively high-risk or large overseas investment (e.g., M&As and investment in politically unstable countries) with less concern over loan repayments (e.g., Buckley et al., 2007; Child & Rodrigues, 2005; Morck et al., 2008; Rudy et al., 2016). In such an unbalanced business environment, the motivations for going abroad among SMNCs and privately owned MNCs can be different. While SOEs may have a more strategic intent to acquire advanced knowledge when investing abroad (Deng, 2009), escape from an unsupportive business environment is a stronger motivation for privately owned MNCs with fewer political connections (Child & Rodrigues, 2005; Luo et al., 2010). This is because private firms without strong political ties still have legitimacy challenges in the domestic sphere and are sometimes subject to discriminatory policies in terms of domestic-market access and natural resources (Li & Oh, 2016; Ramasamy et al., 2012).

However, EMNCs’ PE in their home countries may not always bring beneficial effects to internationalization and international management. When enjoying government support, politically embedded EMNCs may be under extra pressure through bearing the burden of achieving the political interests and strategies of the home government in their internationalization process (Buckley et al., 2007; Cui & Jiang, 2012; Kam et al., 2008; Luo et al., 2010; Wang et al., 2012). One typical example is that, under the Chinese state objective – maintaining the positive relationship with local government – the subsidiaries of Chinese SMNCs in Africa must undertake some unprofitable or volunteer projects, such as the construction of roads and railways. Furthermore, politically embedded MNCs experience more complex host-country institutional pressures than their private counterparts (Meyer et al., 2014). As Rugman and Nguyen (2014) stated, some EMNCs – particularly those from China – that are owned or controlled by the state have more
potential conflicts with the host governments because they may pursue political objectives that will trigger national-security concerns in the host countries. Moreover, the state can provide politically embedded MNCs with monopolistic advantages or leading positions in domestic, which incurs a cost. The munificent and protected home-country environment and the state's political and social objectives can inhibit the ability of politically embedded MNCs to develop competitive advantage overseas (Rudy et al., 2016).

It is well acknowledged that EMNCs substantially engage in strategic asset-seeking investment overseas to upgrade their knowledge stock and innovation capability (e.g., Li et al., 2012; Luo & Tung, 2007; Petersen & Seifert, 2014; Rui & Yip, 2008; Wu et al., 2016). However, some scholars claim that strategic asset-seeking investments are mainly driven by state-owned/connected firms (e.g., Deng, 2009; Petersen & Ivarsson, 2015) in order to champion national interests. As Deng (2009) identified, the likelihood or intensity of undertaking strategic asset-seeking investment overseas will be higher when Chinese MNCs more actively (1) respond to the government’s national development strategy and (2) take advantage of political and financial incentives provided by the government. Specifically, as institutional theory suggests, conforming to social expectations facilitates firms’ survival (Oliver, 1991). EMs, particularly China, prioritize innovation enhancement so that firms with political ties are motivated to undertake outward FDI to seek and acquire advanced technology and R&D know-how. As Sutherland (2009) noted, a small number of Chinese large business groups were selected to become subject to a variety of special policies as the “national team,” while the most essential objective of related national-team policies was that these business groups should become internationally competitive and lead China’s integration in the world economy. Moreover, with strong government support, EMNCs with political ties have more willingness and ability to take additional risks and greater confidence in committing more to strategic asset-seeking investments. This is because these types of investments, such as M&As or the establishment of overseas R&D centers, are quite costly and risky and are therefore not affordable for every EMNC. This point was highlighted by Rudy et al. (2016), who noted that SOEs from EMs would be willing to overpay for strategic assets in an effort to gain entry into an industry deemed important to the state. This is because SOEs seek synergies and opportunities that fulfill their state objectives and are willing to pay more than the market value. Hence, the strategic asset-seeking investments of EMNCs are also, to some extent, politically embedded.
3.2 Political Embeddedness in Emerging-market Multinationals

3.2.1 The Definition of Political Embeddedness

The term “political embeddedness” has recently been used in a number of papers to investigate business-government relations. Following Granovetter’s (1985) perception of relational embeddedness, several scholars have defined PE as the network ties between organizations and political actors in different contexts, such as the Chinese legal system (Michelson, 2007), firms with state alliance and SOEs (Okhmatovskiy, 2010), and MNCs in EMs (Sun et al., 2010). These studies have focused on the relational aspect and simply regard PE as political connections and political ties, thereby failing to capture the depth of meaning of PE in firms. If PE means or is equivalent to the established terms such as political ties or connection, using a relatively new term such as PE becomes meaningless. The studies by Hardy et al. (2005) and Prechel and Zheng (2012) contend, from a negative perspective, that PE refers to the way in which firms’ behaviors are shaped by political forces. A review of these studies on PE shows that the existing papers have failed to reach a consensus on PE, and they highlight that PE of firms is inherited in one political element, either political-legal arrangements or political network, with a few exceptions (Bengtson & Pahlberg, 2009; Prechel & Morris, 2010).

Given the multiple roles played by governments, as regulators governing the functioning of the national economy (Russo, 2001; Shaffer, 1995) and as economic actors governing the allocation of government resources and government spending, political economy is concerned with the linkage between the national political system and the actions of politicians operating under these rules, including how they interact with, and what rules they establish for, enterprises (Acemoglu et al., 2012; Pagano & Volpin, 2005; Przeworski & Limongi, 1993). Besides, political institutions have an ideological dimension involving political values and beliefs. According to Foster (1982: 562), political ideology is “the sum of the commonly perceived and deeply felt values and corresponding beliefs that permeate political and governmental activities in a given society.” Political institutions generally encourage firms to follow the political ideologies they designed, since they need fans to support them and can exercise control through spreading political ideologies in an informal way. In political economy, the relationships and interactions between firm and government are dynamic, complex, and interdependent (Boddewyn, 1988; Knutsen et al., 2011; Kofele-Kale, 1992). Specifically, governments create systems of regulation and political ideology for firms to follow, thus influencing firms’ behaviors in both formal and informal ways, while firms have a degree of scope to influence policies via corporate political activities such as building ties with politicians (Boddewyn, 1988; Shleifer & Vishny, 1994). Further, governments can allocate resources
(e.g., budgets and licenses) and provide information to maintain competitive advantage and create value for firms, while firms can help governments achieve social and political goals such as increasing employment. Hence, the relationship and interaction between government and firms is very complex and embodies various forms, rather than just network ties or regulations.

Acknowledging the multiple roles played by governments, Zukin and DiMaggio’s (1990) classification of embeddedness and Dacin et al.’s (1999) view on the simultaneous existence and interplay between and among the different sources and mechanisms of embeddedness, I have employed an integrated perspective to capture the entirety of a firm’s relationships and interactions with government, which exist in multiple forms. From an integrated perspective of the multiple roles of government (that is, regulator, economic actor, and political ideology designer) and social embeddedness, cognitive embeddedness and PE, as classified by Zukin and DiMaggio (1990), I propose three political elements – political-legal arrangements and enforcements, network ties with political actors, and government ideologies (political cognition) embedded in a firm – that constitute a firm’s PE in a local context. That is, the embedded nature of firms in local political institutions is multidimensional, and HQ’s PE in the home country refers to HQ’s interactions and relationships with home-government institutions in three forms: political-legal influence, political network, and political cognition. The PE of a firm can capture the degree of interdependence, closeness and alignment between firm and government. As these three dimensions constitute firms’ PE, the extent of these three dimensions determine the strength of firms’ PE.

As Dacin et al. (1999) and Scott et al. (1999) argued, there is interplay among different forms of embeddedness, the three dimensions of firms’ PE, are exclusive and distinct in nature, but are intertwined and interrelated. For instance, as networks are crucial environments for the activation of mental structures of cognition (DiMaggio, 1997), firms’ political network can enhance the interactions, understanding and closeness between firms and government, which helps to understand and learn political ideologies and values and integrate them in firms’ organizational culture and management ideologies. Meanwhile, firms’ increased alignment with political ideologies and values can enhance legitimacy and attractiveness in eyes of government, which can help to maintain ties with government.

The concept of PE in this thesis is inherently different from subsidiary business embeddedness. In the political economy, as mentioned above, the government has the absolute authority to create systems of regulation and political ideologies for firms to follow and to govern the allocation of government resources and government spending, on which firms rely. Hence, the government is in the hierarchical and controlling position at the front of firms. In addition, the government, as an economic actor, has business relationships with firms. Firms also learn values, beliefs and knowledge from
government through embedded relations. Governments’ multiple roles determine that firms’ PE embodies different forms of embeddedness and combines vertical and horizontal. Comparatively, subsidiary business (external) embeddedness focuses only on one form of relational embeddedness (Granovetter, 1985) and is simpler, as it refers to a subsidiary’s business networks with the local business actors in a host country. As the business actors’ roles and functions are similar and at the same level, subsidiary business embeddedness is horizontal.

3.2.2 Political Embeddedness and State Ownership

There are several reasons why I focus on PE rather than state ownership. State ownership ensures that SOEs are rooted in politics and are labeled with a unique identity that distinguishes them from private firms. State ownership, as a legal authority of government, represents far greater direct, explicit, and stable ties with the government than do other political connections or linkages through various network ties. However, state ownership alone cannot completely represent a firm’s embeddedness with political institutions, since PE consists of interactions and relationships with the government in the form of political-legal influence, political network, and political cognition. The mere fact of being an SOE does not automatically translate into higher PE. Specifically, because state ownership alone cannot guarantee that SOEs will obtain all the critical resources they demand from the government, the connections with political actors through various ties could be an effective compensation tool to help SOEs gain more benefits from the power of governmental bodies in terms of resource allocation and policy. For example, Francis et al. (2009) found that, without additional political connections (e.g., politically connected board members and book runners), SOEs experience almost the same level of underpricing as do less-connected private firms during the process of going public. Consistently, Sun et al. (2010) indicated that the home-market advantage of firms in EMs is not just a matter of state ownership, but is also associated with their political ties, as strong ties with the government to some extent translate into “insidership” in the political system.

Thus, state ownership itself is insufficient to explain all the interactions and relationships between SOEs and government. One possible explanation is that, in addition to state ownership, factors such as allocation of responsibility, ownership structure and market conditions also exert an influence on government involvement in SOEs (UNCTAD, 2011). For instance, the different roles played by various government bodies (such as shareholders, regulators, suppliers, and financiers) represent the different types and means of influence that states may exercise on SOEs’ management. Another reason, as provided by Michelson (2007), is that former SOEs, even after they are privatized, will continue to enjoy preferential access to, and support from,
important public actors, because political connections are not diminishing in significance as much as they are becoming more opaque. This means that, even with reduced state ownership, firms still have significantly strong PE.

State ownership is an element that feeds into PE, but the latter is a much wider phenomenon in terms of scope. This means that SMNCs are likely to be politically embedded MNCs; however, politically embedded MNCs may not be SMNCs. For example, two Chinese MNCs, Huawei and Geely, are both privately owned, but have strong network ties with various Chinese government institutions and high alignment with Chinese political values and ideologies. State objectives and political cognition are not reserved for SOEs, as any firm with strong ties to government is eligible for this status. As Petersen and Ivarsson (2015) stated, whether a firm is state-owned or private, if it has strong political ties it may qualify as a national champion and have the burden of maintaining government objectives and interests because of its closeness to the government and its heavy reliance on government resources and support. The rationale behind this is that, according to institutional theory, organizations may obtain institutional legitimacy and maintain their survival by conforming to institutional pressures and behaving in isomorphic ways (DiMaggio & Powell, 1983; Oliver, 1991). Government involvement constitutes one of the core elements of the institutional environment in EMs, where government is a particularly important constituent that defines, diffuses, or enforces the prevailing norms and requirements of acceptable firm conduct (Sun et al., 2010). In this sense, in order to gain legitimacy and to obtain government support, cultivating political network and aligning with government interests and ideologies are essential for every firm in EMs.

3.2.3 The Impact of Political Embeddedness in Emerging-market Multinationals

The literature on the impact of firm-government relations has employed several theoretical mechanisms. These are mainly the RBV (Barney, 1991; Penrose, 1959), agency (Jensen & Meckling, 1976), resource dependency (Pfeffer & Salancik, 1978), institutional (Scott, 2005), and social capital (Burt, 1992) theories. Since there are predictive contradictions among different theoretical lenses in relations to the PE of firms (Peng & Quan, 2008), as suggested by Rajwani et al. (2013), a more integrated approach combining different theories is more fruitful for researching the impact of PE in MNCs rather than theory disintegration, since PE is highly complex and influences many aspects of firms, both positively and negatively, and the MNCs are embedded in multiple host institutions. For example, social capital theory and the RBV are mostly related to the positive outcomes of political networks, while agency theory is applied to explicate both positive and negative outcomes (Rajwani et al., 2015). Since social capital is more pronounced in
relationship-based capitalism, where favoritism and cronyism abound (Johnson & Mitton, 2003), the informal political connections enable governments to confer private benefits on firms (Fraser et al., 2006). However, with regard to agency theory, many studies identify that political ties may create an agency problem where politicians take advantage of firms’ resources to pursue political and social goals to the detriment of shareholder value (Fan et al., 2007; Hersch et al., 2008; Wu et al., 2012). The integration of multiple lenses links the different levels of analysis between the organizational and institutional levels (with the political domain revealing particular mechanisms), which can develop an assessment of power based on political resources and the control over these resources, providing a view of the firm that is institutionally embedded.

Research on the PE of EMNCs generally deals with institutional theory (e.g., Cui & Jiang, 2012; Li et al., 2014; Meyer et al., 2014). The embeddedness perspective, developed by institutionalist scholars, is derived from the institutional theory. Institutions – commonly defined as “the rules of the game” with formal and informal constraints (North, 1990) – profoundly affect organizations that are embedded in the institutional environment (Oliver, 1991) through “regulative, normative and cognitive” pillars (Scott, 2005). Due to such embeddedness, an organization inevitably presents the characteristics stemming from the specific institutional environment (Lawrence et al., 2001). As a result, the structure, strategies, and behaviors of organizations differ in diverse institutional settings. Government, as an important and powerful stakeholder in the institutional environment, shapes the institutional settings. Hence, institutional theory gives an account of how different institutional conditions and the underlying philosophy across countries affect the variation and influence of firms’ PE (Doh et al., 2012).

PE is deeply rooted in the relatively weak institutional environment of emerging markets. Specifically, EMs have the inadequacies of formal legal and regulatory frameworks (e.g., the lack of capital market regulations and transparency in information disclosure), a predominant reliance on network-based connections and are dominated by the mighty power of government (Child et al., 2003; Hoskisson et al., 2013; Meyer et al., 2009; Peng & Luo, 2000; Peng, 2003). The institutional voids encourage EM enterprises to cultivate ties with the government as a remedy for market failure and a substitute for formal institutional support, in order to achieve legitimacy and obtain key resources and sustainable competitive advantages (Xin & Pearce, 1996; Peng, 2003). Hence, the role and value of political ties cannot be separated from the institutional environment in which they are embedded. Moreover, owing to this multinational nature of MNCs, firms may be subject to influence by more than one institutional environment, such as the home environment and diverse host environments. MNCs operate affiliates in diverse, possibly conflicting institutional environments (De Jong & Van Vo, 2012). In the case of EMNCs, their home-country PE is regarded as a valuable
asset in home institutions, whilst it may not be appreciated and may induce legitimacy and liability issues depending on different host institutional settings (Meyer et al., 2014).

From the RBV (Barney, 1991; Penrose, 1959), PE represents a unique type of strategic resource and asset in EMs (e.g., Li et al., 2008; Sheng et al., 2011; Xin & Pearce, 1996). Since EM governments hold the power to allocate strategic resources to firms, EMNCs with a strong degree of PE, particularly SMNCs, have privileged access to various resources and obtain favorable support when conducting overseas activities (Luo & Tung, 2007). Specifically, PE can help EM firms gain, for instance: (1) access to financial resources such as direct subsidies and low-interest bank loans (Luo et al., 2010; Zhang et al., 2011); (2) preferential access to protected domestic markets that allow firms to generate cash flow; and (3) preferential access to information, research and technology provided by government-associated agencies and research institutes (Kotabe et al., 2011). This can compensate for the lack of firm-specific advantages of EMNCs (Rugman & Li, 2007). Also, EMNCs with strong PE can easily create more networks with different social, political, and economic organizations. Through the increased resource and network capability and various kinds of support offered by powerful states, PE can trigger the risk-taking perception and ability of EMNCs. The tendency for Chinese SMNCs to undertake large investments in African countries with high levels of political instability and substantial M&A activities in advanced markets is a good example. The view of PE as a firm resource and asset is supported by recent research, which found political relations to be a source of sustained competitive advantage for international expansion (e.g., Buckley et al, 2007; Li et al, 2017; Luo et al, 2010).

As Luo et al. (2012) suggested, unbalanced investment in social capital can transform a potential advantage into a liability. In the same vein, over-embeddedness with political institutions can also transform a potential advantage into a liability that can generate different barriers to EMNCs. Through strong interactions between government and the appointment of bureaucrats as members of top management teams and boards, EMNCs and their politically connected managers are more likely to form a bureaucratic and hierarchical culture, a centralized business style, and less entrepreneurial orientation. This type of culture and management style may trigger HQ’s organizational distance from subsidiaries, particularly those in advanced markets. It may also constrain EMNC HQs from undertaking entrepreneurial initiatives and thereby inhibit the maintenance of MNCs’ competitive advantage. Specifically, a bureaucratic and hierarchical culture and a centralized business style stemming from PE may decrease organizational flexibility, which is the ability of firms to be proactive or to respond quickly to changing competitive conditions (Hitt et al., 1998). Politically embedded EMNCs may have a lower flexibility to respond to changes in internal and external environments and to coordinate the process of change in key
operational procedures, such as dealing with subsidiaries. This, in turn, will reduce their adaptability and initiative-taking capability when operating in different host environments.

Moreover, strong PE reduces HQs’ experience and their managerial capability to operate in a more market-oriented economy from an institutional perspective. EMNCs with strong PE often enjoy the legacy of a monopolistic or dominant incumbent position in the domestic sphere (Zou & Adams, 2008). Hence, strong PE generally provides HQs with a protective and less market-oriented environment domestically, which causes EMNC HQs some difficulties in terms of understanding and managing their subsidiaries in host markets where there is no support from PE. As Duanmu (2014) and Rudy et al. (2016) claimed, MNCs with strong state backgrounds are used to protected and less market-oriented home environments, which means that these EMNCs are less able to adapt to an environment in which institutions are more transparent, predictable, and efficient and in which market forces have dominance over government forces. Also, such environments discourage politically embedded MNCs from using non-market mechanisms to build competitive advantages (Wang et al., 2012), as they do at home. This point was highlighted by Li et al. (2007), who posited that this long-standing dependence on government means that most SOEs from EMs are inefficient and lack market experience and associated competitive advantage. This comparative lack of experience in more market-oriented and competitive economies leads EMNC HQs to face more competition and have limited ability to manage subsidiary knowledge. This also renders HQs true outsiders vis-à-vis the operational context of each subsidiary, particularly in advanced markets. Clearly, institutional misalignment makes it difficult for EMNCs with strong PE to take advantage of advanced markets and to coordinate factors for knowledge transfer and innovative activities in MNCs. Home-country PE seems to create an advantage paradox, which leads EMNCs to have difficulties in creating values overseas, because the advantages of PE in home countries becomes a disadvantage overseas. In short, strong PE may increase difficulties in migrating simultaneously through both international and institutional (from a command economy to a market economy) boundaries, and may thus increase difficulties in adapting to the changing and local environment, particularly in well-developed economies.

As mentioned earlier, from an institutional perspective, to gain legitimacy and obtain government support in EMs, EMNCs face pressure to satisfy government interests and missions. Clearly, because of strong PE in home countries, EMNCs are not only commercially driven but also face the burden of meeting political preferences. Li and Xia (2008) stressed this point, arguing that state ownership is exercised on the grounds of various types of market failure and has been regarded as an instrument for the attainment of non-economic goals such as public control over natural resources, regional policies, employment, or social issues. The burden of achieving political
interests and tasks may influence HQs’ strategic priorities and intents, and also their managerial autonomy, because the attention-based view argues that paying attention to one thing automatically means paying less attention to others (Ocasio, 1997). In this sense, because of their PE, EMNCs have to fulfill politically oriented obligations, thus disrupting their normal business operations and long-term strategy implementation (Shleifer & Vishny, 1994). This may adversely influence their intention to acquire innovation and knowledge (Kotabe et al., 2011). Xie et al. (2014) reinforced this point by arguing that overly strong political ties can divert scarce managerial resources and attention away from the complex and high-risk task of acquiring and learning advanced technology. Besides, government interests, informal institutional arrangements, and the level at which they take place may influence how firms accumulate and manage knowledge and resources (Mahmood & Rufin, 2005). As Wu et al. (2016) suggested, EMNCs often have to accommodate various social concerns and government mandates (Ramamurti, 2000), which may lead to resource lock-in and a high degree of resource iteration, thereby lowering their ability to develop innovation and technology.

In addition, PE is a source of illegitimacy for EMNCs in host countries with different political ideologies (Cuervo-Cazurra et al., 2014; Meyer et al., 2014). State-owned/connected EMNCs tend to be perceived as agents of their home governments, in pursuit of political objectives and interests (Meyer et al., 2014). Hence, the home-country PE of EMNCs can induce political sensitivities and liabilities when investing overseas (particularly in advanced markets), owing to misalignment with local institutional settings, which trigger the legitimacy concerns of local stakeholders (Cui & Jiang, 2012; Li & Oh, 2016; Meyer et al., 2014; Wu et al., 2016). Child and Marinova (2014) demonstrated that support from home governments may become a liability for EMNCs in host countries. A typical example is the proposed investments by two leading Chinese communications firms, Huawei and ZTE, in the United States. The investment proposals of those firms have been rejected by the US government, which claims that their investment threatens the national security of the USA. Meanwhile, legitimacy not only happens at the national level, but also at organizational level. Subsidiaries, particularly those in advanced markets, may challenge the legitimacy and parenting leadership of their politically embedded HQs. Since legitimacy is crucial for the exercise of authority, trust-building, and the acceptance of decisions (Sitkin & George, 2005; Tyler & Lind, 1992), the illegitimacy issue eventually engenders a number of difficulties for EMNC HQs in coordinating and managing their distant subsidiaries.
4. Research Methodology

This chapter illustrates a methodological framework of the thesis through which the research objectives are achieved. I start with the research design – a sequential mixed-method research design that guides the development of this thesis. I then present the first stage of the qualitative research method – a single case study of one Chinese SMNC, which includes sampling, data collection, the analysis of qualitative data, and the validity of the case study. This is followed by the second stage of the quantitative method: a survey of Chinese MNCs and their subsidiaries, including questionnaire design, sampling, data collection, descriptive information of the sample, analysis technique and common method bias issues. The limitations of the research method are outlined in the last section.

4.1 Research Design

Research design is defined as “the blueprint for fulfilling objectives and answering questions” (Cooper & Schindler, 2014: 82). It is a complex process of selecting appropriate research methods, techniques, protocols, sampling plans, and data analysis procedures among a large variety of available options (Cooper & Schindler, 2014). In the present study I adopted a mixed-method approach; an initial qualitative exploratory phase via a case study is followed by a quantitative stage with a survey (Tashakkori & Teddlie, 1998).

The appropriateness of qualitative and quantitative research methods varies depending on the research problem, the objective, and the context. Qualitative research is “an array of interpretive techniques which seek to describe, decode, translate, and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world” (Van Maanen, 1979: 520). This method aims to obtain a deep understanding of the focused phenomenon (Cooper & Schindler, 2014). Qualitative methods are more appropriate in inductive and exploratory research as they lead the researcher to develop and explain hypotheses (Ghauri & Grønhaug, 2005). In contrast, quantitative research mainly depends on hypotheses developed deductively from theories; these are tested by way of observation and data collection, the results of which, following analysis, will support or confound the theories (Cooper & Schindler, 2014). It is suitable to conduct such research
Qualitative and quantitative research methods are different in nature and have their own features. Firstly, qualitative research focuses on the subjective “insider view” and on closeness to data, while quantitative research depends on the objective “outsider view”, which is distant from the data (Ghauri & Gronhaug, 2005). Secondly, quantitative research often collects data from structured techniques such as laboratory experiments and questionnaires in a controlled and objective environment (Bryman & Bell, 2003). Hence, the data are often objective and numerically and statistically based, providing a high level of reliability (Westerman, 2006). In contrast, qualitative research usually relies on subjective data about individual feelings, perceptions, and views, which are collected through a relatively unstructured design or a non-standardized procedure (Cooper & Schindler, 2014) such as in-depth interviews and participant observations. Thus, the qualitative data are not usually consistent and may reduce the reliability of the findings (Matveev, 2002). For example, respondents with bias may cover their true feelings and attitudes and present biased information (Saunders et al., 2009), which will pose a risk to the findings’ reliability and validity. Thirdly, one of the main problems of qualitative research is the validity of generalizing the findings among a larger population, since qualitative research usually has a smaller number of participants than quantitative research (Westerman, 2006). Despite the dichotomy between these two research methods, they are not mutually exclusive and can be combined and applied in the same study.

Mixed-method research is an emerging research methodology that “combine(s) the qualitative and quantitative approaches within different phases of the research process” (Tashakkori & Teddlie, 1998: 19). Mixed-method research can improve the validity of measures/concepts and develop a deeper understanding of the investigated phenomena through complementary views about the same phenomena and a more comprehensive analysis of the research problem (Venkatesh et al., 2013). The mixed-method procedure also makes it possible to compensate for the weakness of one approach by using another (Tashakkori & Teddlie, 1998; Venkatesh et al., 2013). For instance, qualitative data can be used to clarify and interpret quantitative data. Mixed-method research can be applied sequentially and concurrently. The concurrent process consists of simultaneous mixed-method designs: both quantitative and qualitative data are collected at the same time and analyzed in a complementary manner (Tashakkori & Teddlie, 1998: 47). In the sequential process; the qualitative method can be used to facilitate the quantitative section, or vice versa (Hurmerinta-Peltomäki & Nummela, 2006). In this research, a qualitative-quantitative sequential order is adopted. I started with qualitative data collection and analysis with a single case study in one Chinese SMNC. The initial findings were then used to design the quantitative
part of the research – a survey among Chinese MNCs and their overseas subsidiaries.

This qualitative-quantitative sequential design, consisting of a case-study and a survey, fits well with my research. As Hurmerinta-Peltomäki and Nummela (2006) suggested, if the research problem is a relatively unexplored area, this sequential design can be more appropriate. Given that the aim of this research is to explore the home-country PE of EMNCs in relation to RKT, this is a new, emerging phenomenon and research field with little existing literature and little previous understanding. A qualitative approach via case study in the first stage provides the researcher with deep insights into the issues, illustrating the development of detailed, intensive knowledge about numerous cases (Bryman & Bell, 2003). This allows me to get richer and more detailed data and to gain deeper and more practical insights into the research topic; that is, how and why PE influences knowledge transfer in the real world. The initial qualitative stage aids understanding of the new emerging phenomena. Moreover, the research findings from the qualitative research help me to identify the most relevant themes and constructs and to develop reasonable hypotheses. Hence, the first stage of the exploratory qualitative method forms an empirical foundation to develop a robust and well-contextualized questionnaire, which is the basis of the quantitative research in the second stage (Greene et al., 1989). In the second stage, a quantitative approach through use of a survey allows itself to be standardized and conducted among a larger sampling population, which can generalize and validate the research findings (Bryman, 2006). Overall, this sequential design enables the researcher to analyze rich qualitative data collected from a case study to supplement the information obtained from a survey and to mitigate the potential drawbacks of their use. This design also enables the researcher to obtain a more complete picture of the investigated phenomenon and to ensure the accuracy and reliability of the research.

Figure 3 outlines the sequential procedure of the mixed-method research and the time. This research followed the sequential mixed-method research procedure, starting with an inductive approach via a single case study and followed by a deductive approach via a survey involving two questionnaires. This two-stage data collection has been conducted by my project colleague and myself. In the first stage of the qualitative research, mainly through face-to-face semi-structured interviews, my colleague and I conducted a single case study in one Chinese SMNC and its four knowledge-seeking subsidiaries in Germany and the Netherlands, to explore the impact of home-country PE in relation to RKT barriers. The interview period lasted from October 2014 to April 2015. Based on the case study, a qualitative paper (Paper II) was developed. Meanwhile, based on the research findings of the case study and the extensive review on the relevant literature, the two structured questionnaires were developed for the quantitative research. In the second stage, we eventually conducted a survey among Chinese MNCs and their
overseas subsidiaries from October 2015 to August 2016. Papers III and IV were developed based on analysis of the quantitative data.

Figure 3. Sequential Flow of Mix-method Research

4.2 Qualitative Case Study Research

In the qualitative exploratory stage, I adopted an inductive case study strategy, mainly via semi-structured interviews, to explore the question, “How does the PE of an EMNC HQ influence RKT from subsidiaries?” This is a relatively new and underexplored research field. I chose this method because a case study is a particularly appropriate method for exploring new and emerging phenomena (Eisenhardt, 1989; Yin, 2003) and it is especially suitable for studying complex processes such as knowledge transfer and innovation across borders (Awate et al., 2015; Birkinshaw et al., 2011). The other reason is that a case-study strategy is recommended for coping with “how” and “why” questions (Yin, 2003). A case study allows an in-depth investigation of the
research issue in a real Chinese MNC and helps to gain a deeper understanding of PE and the situation of RKT practices in a politically embedded MNC and related factors.

4.2.1 Sampling
My colleague and I conducted a single case study, mainly by semi-structured interviews based on a single Chinese SMNC, the ABC Company (ABC), and its four knowledge-seeking subsidiaries in Germany and the Netherlands. The ABC firm is 100% owned by a city government and is the largest firm in that city. It is one of the leading enterprise groups in China’s construction-machinery industry, with the largest-scale and most diverse series of products. Ranked among the top 10 in the world construction machinery industry by sales in the global market, ABC came into being in 1989. The original factory was founded in 1943 as a regional munitions manufacturer, controlled by the Chinese Communist Party. In 2014, ABC had nearly 20,000 employees, with subsidiaries and branches in 169 countries and regions. More specifically, it had 50 subsidiaries in the Chinese domestic market and 13 overseas subsidiaries engaged in active operations. ABC’s main products include truck cranes, road rollers, excavators, aerial work platforms, milling machines, etc. Its international competitors are Caterpillar, Komatsu, TEREX, Hitachi, Liebherr, and Volvo.

We used a purposive sampling approach to select the case firm. This decision was made because purposive sampling involves the choice of subjects who are, in the judgment of the researcher, the most advantageously placed or in the best position to provide the required information to answer the research questions and meet the objectives (Adams & Brace, 2006). There are various reasons for choosing ABC as the case firm. First, ABC is a city government-owned firm with strong political connections to government and has been an SOE since it was founded. Second, ABC is in the heavy construction-machinery industry with many SOEs and a high level of involvement by the Chinese government, as this industry is a key strategic industry in China. Third, ABC has four knowledge-seeking subsidiaries in Germany and the Netherlands. These four subsidiaries are very diverse: three are acquired and one is greenfield; three are small-medium enterprises and one is an MNC. Moreover, ABC has been referred to in many media reports as an innovative and entrepreneurial SOE that pays particular attention to seeking knowledge and advanced technology from overseas. Meanwhile, the ABC’s annual report shows that it aims to become a world-class construction machinery conglomerate with international competitiveness that will make all of China proud. All of these points show that ABC has a strong intention of catching up with its Western competitors and recognizes the importance of acquiring knowledge from its subsidiaries. These conditions fulfill our case-
firm requirements and make ABC an interesting case for exploring the PE of HQ and RKT from its subsidiaries.

Similarly, for choosing the investigated subsidiaries, we also used a purposive sampling technique. When we investigated ABC in 2014, it had 13 overseas subsidiaries with active operations. These 13 subsidiaries include marketing and sales subsidiaries, manufacturing subsidiaries, supply subsidiaries and R&D subsidiaries. We chose the four subsidiaries with R&D functions in Germany and the Netherlands (see Table 2) because, according to media reports and initial interviews, ABC had a strong motivation to acquire advanced knowledge and technology from them and upgrade its domestic technological competence when these four subsidiaries were acquired or established. Moreover, the interviews with HQ managers at ABC confirmed that ABC had attempted to acquire technological know-how and other knowledge from these four subsidiaries. These subsidiaries all offered a high possibility of RKT practices. Hence, they turned out to be appropriate choices as I was able to explore these RKT practices with their drivers and hindrances.

Table 2. ABC’s Subsidiaries in the Netherlands and Germany

<table>
<thead>
<tr>
<th>Subsidiary A (SubA)</th>
<th>Subsidiary B (SubB)</th>
<th>Subsidiary C (SubC)</th>
<th>Subsidiary D (SubD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry mode</td>
<td>Acquired</td>
<td>Acquired</td>
<td>Acquired</td>
</tr>
<tr>
<td>Year acquired</td>
<td>2011</td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td>Year founded</td>
<td>1960</td>
<td>1952</td>
<td>1934</td>
</tr>
<tr>
<td>Location</td>
<td>Netherlands</td>
<td>Germany</td>
<td>Germany</td>
</tr>
<tr>
<td>Ownership</td>
<td>100%</td>
<td>100%</td>
<td>90%</td>
</tr>
<tr>
<td>No. of employees</td>
<td>30</td>
<td>80</td>
<td>Approx. 3300</td>
</tr>
<tr>
<td>Function</td>
<td>Manufacturer and supplier of components</td>
<td>Manufacturer and supplier of components</td>
<td>Manufacturer of products and R&amp;D center</td>
</tr>
<tr>
<td>No. of expatriates</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Top management composition</td>
<td>1 CEO (Chinese)</td>
<td>2 CEOs (one Chinese, one German). The two CEOs have equal managerial power, but in different areas.</td>
<td>2 CEOs (one Chinese, one German). The two CEOs have equal managerial power, but in different areas.</td>
</tr>
<tr>
<td>Primary FDI objective</td>
<td>Seek technology for core components</td>
<td>Seek technology for core components</td>
<td>Seek technology for concrete equipment, brand and marketing channels</td>
</tr>
<tr>
<td>Managed and coordinated by</td>
<td>ABC HQ’s R&amp;D center + ABC Hydraulic Parts Ltd + vice-CEO of HQ</td>
<td>ABC HQ’s R&amp;D center + ABC Hydraulic Parts Ltd + vice-CEO of HQ</td>
<td>International Business Department of ABC HQ + vice-CEO of HQ</td>
</tr>
</tbody>
</table>
Among these four subsidiaries, SubA, SubB and SubC were acquired, while SubD is a greenfield subsidiary. SubA, a family-owned firm before acquired, is a small technology firm that provides high-end hydraulic valves. Its customers include European military forces. Similar to SubA, SubB is a small technology firm and it manufactures ready-to-install assemblies such as hydraulic power packs and drives and hydraulic pumps. SubC, as one of the world’s largest concrete equipment manufacturers, is a global MNC with 3300 employees and many overseas subsidiaries. Specifically, it has eight manufacturing subsidiaries overseas and a large number of marketing and service subsidiaries, as well as many agents in more than 100 countries. ABC acquired 60% ownership of SubC in 2012 and has since increased this to 90% ownership. Acquiring SubC was very important for ABC’s strategy of developing domestic and international markets in concrete equipment and mastering the technology for this. SubC is managed and coordinated by the International Business Department of ABC HQ, which was established in 2013. After acquiring it, ABC built a joint-venture manufacturing firm (ABC-SubC firm) in 2013 with SubC in China. As a greenfield site, SubD was built as ABC’s European R&D center in 2013. Located next to SubB, it has approximately 30 employees, including 20 engineers.

4.2.2 Data Collection

In the exploratory case study, the data were collected from three sources: (1) semi-structured interviews, (2) internal documents, and (3) media coverage. We relied on semi-structured interviews as the main source of data. We followed Lincoln and Guba’s (1985) guidelines for purposeful sampling in choosing our interviewees. This enabled us to investigate the focus of the research in depth from the appropriate interviewees’ relevant experiences and knowledge and to develop a more robust questionnaire in the second stage (Remenyi et al., 1998). We initially chose interviewees who would be best able to help me with our main research question concerning the impact of PE of the HQ, knowledge-seeking internationalization and RKT practices in ABC. We then used a snowball technique to ask each interviewee for his or her recommendations on who might best explicate HQ’s PE and RKT from subsidiaries.

The interviews were conducted with both MNC HQ and overseas subsidiaries in two different timeframes. Interviews were mainly conducted face-to-face, which gave us the advantage of observing verbal and non-verbal behaviors of the interviewees as a result of direct interaction (Cooper & Schindler, 2014). My colleague and I conducted the face-to-face interviews with ABC HQ’s respondents in October 2014. We conducted 32 interviews with 14 interviewees, consisting of managers, directors, and engineers in the most relevant business areas at Chinese HQ level. At ABC HQ, all employees were Chinese, but nine of 14 interviewees at HQ had previous international
experience either working as expatriates or studying abroad. Between January and February 2015, we visited the four subsidiaries in Germany and the Netherlands and conducted interviews with subsidiary respondents. The follow-up interviews via phone were conducted in March and April 2015. A total of 21 interviews were conducted with 10 interviewees (including managers and engineers) at the four subsidiaries. These 10 respondents included one Dutch, three Germans, two Germans of Chinese origin, and four Chinese expatriate managers. The selection of these HQ and subsidiary interviewees enabled us to get information with different perspectives. Overall, my colleague and I collected rich qualitative data through 53 interviews, including 45 face-to-face interviews and eight phone interviews. The details of interviews and interviewees are shown in Appendix 1 and Appendix 2.

The main interview questions utilized at ABC’s HQ were concerned with internationalization, management issues with subsidiaries, knowledge transfer from subsidiaries to ABC’s Chinese units (e.g., type of knowledge, ways of transfer), factors affecting RKT, reasons for inducing these factors, and HQ’s interactions with governments. Since the interviewees at ABC’s HQ worked in diverse business areas, we selected questions on topics with which they were familiar. For the interviews at the German and Dutch subsidiaries, the main questions dealt with knowledge transfer from the subsidiaries to ABC’s Chinese units, factors affecting RKT, factors emerging from HQ interviews, and reasons for inducing these factors.

For archival data, we collected information from ABC’s internal archives and coverage from media specializing in the construction machinery industry. Specifically, these internal archives included one book, five internal and annual reports, and one slideshow presentation related to financial, cultural, strategic, operational, and internationalization aspects of ABC. We also collected approximately 40 news articles about the political connections, internationalization, and innovation achievements of ABC and 15 news articles about internationalization and strategic asset-seeking investments of the Chinese construction machinery industry and ABC’s domestic competitors. Internal documents and media coverage provided supplementary information for understanding the background, the internationalization strategy, and the politically embedded nature of ABC and helped us to gain additional perspectives on key issues from the industry level.

4.2.3 Analysis of Qualitative Data

There are various approaches for the analysis of qualitative data, all of which are complex, diverse, and nuanced. One is thematic analysis, which is defined as “a method for identifying, analyzing and reporting patterns (themes) within data” (Braun & Clarke, 2006: 79). Thematic analysis provides flexibility in analyzing rich, detailed, and complex data. It is about searching for themes
that emerge as being important for understanding and describing the investigated phenomenon (Miles & Huberman, 1994; Strauss & Corbin, 2007). Thematic analysis was adopted in the case-study phase to summarize the data, identify constructs, and investigate relationships. My colleague and I were coders and were involved in the qualitative analysis. The process of thematic-analysis coding had three steps. It started with an open coding for developing a better understanding about the investigated topic; this was followed by identifying first-order concepts and then determining which segments fit which category. This step helped us to gain a better understanding of HQs’ intention to carry out RKT activities and of subsidiaries’ attitudes and behaviors concerning RKT. It also helped us to capture the factors influencing RKT and the impact of political components. In the first-step coding, my colleague and I made common statements into first-order constructs, which were refined by the iterative process. Iteration was undertaken in this manner until the two coders were unable to ascertain any further distinct and meaningful constructs. Next, we engaged in axial coding wherein we searched for relationships between and among these categories, which helped us to assemble them into higher-order themes. Finally, we developed the dimensions that were aggregated by theoretical themes.

Overall, the qualitative data from the case study of ABC offered insightful descriptions of the main themes, which aid the understanding of the impact of HQs’ PE on RKT barriers, the situation of RKT and Chinese HQ-subsidary relationships. Paper II in the thesis was developed based on the data analysis of case ABC.

4.2.4 Validity of the Case Study

In order to prevent bias and to ensure the same understanding between respondents and interviewers, respondents were informed at the beginning of each interview about the goals of the study and what kind of questions would be asked. The specific terms that would be used during the interviews were explained to them. In addition, two interviewers (my colleague and I) informed the respondents of their right to refuse to answer any question and the respondents were assured about confidentiality and privacy issues. This may have motivated them to speak more freely in their answers to the questions. Also, the majority of interviews were jointly conducted by my colleague and I, which may have made the interview process more effective and fluent and improved the quality of the interview data. Moreover, the same questions were often asked to the interviewees at both the HQ and the subsidiaries, which helped to provide additional and complementary information and data in order to better understand the same issues. Similarly, the archival data from the internal documents and media coverage served as important triangulation and supplementary sources for understanding the background, the internationalization strategy, and the politically embedded
nature of ABC, and also as a means of gaining additional perspectives on key issues. These sources were triangulated to maintain the integrity of the analysis (Miles & Huberman, 1994). Moreover, the respondents were very diverse in terms of age, working years, position, and division of work. This may have helped to provide rich qualitative data on the investigated issues (particularly on the impact of the HQ’s PE) from different perspectives. All these elements helped us to gain accurate and comprehensive data and information about the impact of PE of the HQ in relation to RKT, thus improving the validity of the data.

Moreover, the transcription, translation and analysis of the qualitative data were also controlled in order to reduce the research bias. Specifically, all the interviews were audio-recorded and then transcribed to text to prevent data loss and bias. After that, my colleague and I translated all of the Chinese interview transcriptions into English. I translated half of the interview transcriptions, while my colleague translated the other half; then, we both reverse-checked the translation in order to ensure that it was correct and to avoid missing data. In the analysis of the interview data my colleague and I were jointly involved in coding analysis and categorization. For example, we developed the dimensions that were aggregated by theoretical themes through lots of interactive discussions together. This may also reduce any research bias caused by the subjective analysis of a single researcher.

### 4.3 Quantitative Survey Research

The survey is one of the most popular data collection approaches in the quantitative business research field (Saunders et al., 2009). The survey’s capacity for generating quantifiable data from large numbers of respondents has been cited as its main advantage for testing hypotheses and theories (Bryman, 2006; Remenyi et al., 1998). It is an appropriate tool to capture cause and effect relationships, respondents’ attitudes, opinions and descriptions through utilizing questionnaires (Ghauri & Grønhaug, 2005), because participants’ responses can be coded, categorized, and reduced to numbers so that the data can be analyzed statistically (Cooper & Schindler, 2014). In survey research, the most crucial step is developing a comprehensive and robust questionnaire.

#### 4.3.1 Questionnaire Design

The purpose of the questionnaire is to investigate the factors affecting RKT within Chinese MNCs in relation to HQs’ PE in the home country. To capture the dyadic relationship of RKT between HQs and subsidiaries, we designed two structured questionnaires: one for MNC HQs and the other for subsidiaries. The HQ questionnaire mainly includes HQs’ characteristics, HQ-
subsidiary relationship characteristics, and RKT, as well as the investigated subsidiaries’ basic information (location, entry mode, age, competence level, etc.); while the subsidiary questionnaire mainly includes subsidiary’s characteristics, HQ-subsidiary relationship characteristics, and RKT. To ensure reliability, some key questions (regarding subsidiary competence and RKT) are assessed in both questionnaires. The two questionnaires and samples are a distinctive characteristic of this study, which enables us to gain insights from both HQs (receivers) and overseas subsidiaries (senders). The HQ and subsidiary questionnaires used in this thesis are shown in Appendices 3 and 4, respectively.

Based on a review of the literature on EMNCs and RKT, we developed a very preliminary draft of the questionnaires in September 2014. Based on the case study of ABC and the case research findings in the first stage, my colleague and I made several major revisions of the HQ and subsidiary questionnaires between May and July 2015. The majority of the constructs were based on established measurements from previous studies. During this period of questionnaire revision, my two supervisors, who are experts in designing questionnaires for international management research, checked the questionnaires many times and gave us many suggestions for improving the questionnaires. These changes during this revision process mainly involved adding and dropping constructs, modifying variables of constructs, question tensions, wording, and the format of the two questionnaires. Subsequently, we also made small changes to several questions, based on a review of the questionnaires by an external professor who is very knowledgeable on quantitative research in international management studies.

The questionnaires were designed in English and then translated into Chinese because the respondents were potentially Chinese owing to Chinese MNCs being the target sampling firms. I translated the English version of the HQ questionnaire into Chinese, while my colleague translated the English version of the subsidiary questionnaire into Chinese. We both then reverse-checked the Chinese versions of these two questionnaires. Next, seven Chinese academics and managerial professionals were involved in checking the grammar and intelligibility of the questions of the Chinese versions. Based on their feedback we modified some wordings and made the language more professional and comprehensible. We made sure that the expressions in the revised versions of the Chinese questionnaires remained consistent with the English questionnaires. The translated Chinese questionnaires were then re-translated back into English by two Chinese lecturers with master’s degrees from UK universities, in order to avoid cultural bias and to verify that the meanings of the items were as intended, thereby ensuring validity. My colleague and I then checked the English versions of the two questionnaires that these two lecturers had translated against the English questionnaires we had designed. We made some final small modifications to both English and Chinese versions in order to be consistent and correct. We developed the
questionnaires following the conventional and well-accepted back translation process (Brislin, 1986).

After finalizing the translated Chinese questionnaires, we invited seven Chinese MNCs to participate in the pilot test of the questionnaires via online social tools in August 2015. We eventually received four HQ questionnaires completed by the senior managers of the four Chinese MNC HQs (two SMNCs and two private MNCs), and four subsidiary questionnaires completed by subsidiaries’ expatriate managers. These four subsidiaries include an acquired subsidiary and three greenfield subsidiaries. We reviewed the answers to the pre-tested questionnaire and called each respondent to invite feedback and explore any problems they had encountered when they answered the questionnaire. From their answers and feedback, we obtained some valuable comments, which enabled us to clarify several ambiguous questions and items in both Chinese and English questionnaires. As a result, we modified the English and Chinese questionnaires slightly with regard to layout and the wording of the questions. Any remaining difficulties or misunderstandings were resolved during the pilot test by rephrasing and polishing a few questions. For example, we changed “Number of Total Sales” to a choice from a scale of sales; we also changed “Number of Total Operating Profits” to a choice of negative, zero and positive for “Total Operating Profits”. Overall, this pre-testing helped us to check the validity and intelligibility of the questions in the questionnaires and the information sensitivity in the Chinese context. After revising both the Chinese and English versions from the pilot test, we double-checked the consistency between them. The English questionnaires were then reviewed by a language proofreader. As we had already invited several academics and managerial professionals to check the Chinese versions and had received valuable wording comments from the managers of the pre-tested Chinese MNCs, we considered the Chinese versions to be good enough in terms of grammar and wording and ready to be administered.

4.3.2 Sampling

The target sampling of the survey is Chinese MNCs with at least one subsidiary that has been operating in advanced markets for at least three years, while the target sampling subsidiaries are the overseas subsidiaries of the Chinese MNCs investigated. Three specific criteria were used to select the subsidiaries: they had to be majority-owned by a Chinese MNC (that is, the MNC had at least a 50% equity share of the subsidiary\(^1\)); they should have been part of a Chinese MNC for at least three years; and they had to be recognized has having relevance to the MNC’s business so as to avoid sales

\(^1\) In this study, a subsidiary is defined as a firm that is at least 50% owned by the parent firm (Voxman, 1992).
offices or very small subsidiaries. We also asked the HQ respondents to provide at least one subsidiary in advanced markets to investigate. We set this requirement because the strategic asset-seeking investments made by EMNCs mostly target advanced markets (Kedia et al., 2012; Luo & Tung, 2007) where there is a comparative advantage in high-tech R&D (D'Agostino et al., 2013). The subsidiaries should have had at least three years within the MNC because they must have some experience in the host country and in the internal MNC network (Birkinshaw & Hood, 1998; Foss & Pedersen, 2002). Such experience serves as a proxy for organizational learning and relationship quality with other MNC units, thus engendering better knowledge transfer (Fey & Furu, 2008). All these criteria were used to ensure that there were cases of subsidiaries in which RKT practices might possibly exist within the investigated MNC.

I chose the target MNCs from the Chinese and Hong Kong stock exchanges. There were two reasons for this. First, most of the Chinese firms that met the criterion of target sampling (mentioned above) were very large and leading firms, while the listed companies in China represented the majority of large Chinese firms, which had a high possibility of being MNCs. Second, given the difficulty of obtaining public information in China about non-listed companies, we decided to select the sampling firms from those listed on the stock exchanges, as these listed firms had more visible information, such as annual reports and media news, which could be used to check whether they fulfilled the criteria of target sampling. We chose the MNCs from 2679 firms listed on three stock exchanges: the Shenzhen Stock Exchange, the Shanghai Stock Exchange, and the Hong Kong Stock Exchange.

The purposive sampling technique was employed to select the sampling MNCs, although this method is rarely used in survey research. My colleague and I first attempted to use the random sampling approach to select the sampling MNCs, but it was extremely difficult to administer owing to two issues. First, due to the lesser availability and reliability of second-hand data (such as databases, annual reports, and official websites) on Chinese MNCs, it was difficult to identify MNCs that met the criteria. Hence, in the Chinese context, it is impossible to identify a comprehensive population frame to select the sampling MNCs randomly. Second, even for some Chinese MNCs that met the criteria, getting contacts and access to these randomly selected firms is very difficult, as Chinese culture and institutions are rather closed to external researchers without personal networks. In this situation, the random sampling approach is not an efficient way to select the sampling MNCs in China, since this approach generally requires an accurate sampling frame and easily accessible sampling (Saunders et al., 2009). Considering the research time and Chinese culture, we then used purposive sampling, which can enable us to use judgment (based on second-hand data and various information) to select firms that meet research objectives and also to reach difficult-to-identify
sampling (Saunders et al., 2009). This approach ensured that the respondent MNCs matched our requirements and that we had contacts and support from the MNCs to help complete the questionnaires. For the selection of the subsidiaries, the respondent(s) of each HQ questionnaire were asked to choose subsidiaries that fulfilled the criteria for investigation.

4.3.3 Data Collection

Based on our experience of accessing the case firm ABC, my colleague and I realized that it would be very difficult to gain access to the sampling firms, for the purpose of answering the questionnaires, without contacts or indirect introductions by people close to the firms’ management (“Guanxi” in Chinese), as the sampling MNCs were generally very large and the leading business groups in China. Therefore, in order to respect and follow Chinese culture, we decided to ask Chinese managers we already knew to gain access to the sampling MNCs. Specifically, we asked for the support of 24 managers who had strong backgrounds and networks in their industries or regions to help introduce us to a large number of the publicly-listed firms that fulfilled the sampling criteria. These people were informed about our study purpose and the criteria of the target sampling firms. Based on the stock exchange lists, we provided a list of 370 firms that we were sure fulfilled the sampling criteria based on the second-hand information, to the people who agreed to help us establish contacts. Eventually, the number of Chinese firms for which we received contacts from these people was 157. During the contact with these 157 firms, we were usually required to email them the HQ and subsidiary questionnaire documents to look at. After communication with these firms, 106 firms agreed to participate in this survey. Furthermore, to increase the legitimacy of our survey in China and achieve a good response rate, we requested a referral letter from the Nordic Center of Fudan University, which I had visited for a period of time during data collection.

The questionnaires were administered from October 2015 to August 2016. As mentioned, the overall survey involved questionnaires at two levels: HQ and subsidiary. We began by collecting HQ questionnaires mainly through face-to-face interviews with the top managers of Chinese MNC HQs. We then conducted the subsidiary questionnaire through email and Chinese online social tools (e.g., QQ). Interviewer-administered questionnaires via face-to-face interviews can improve the quality of information collected, as face-to-face interactions with respondents can help to build a relationship of trust with respondents, assure them of confidentiality, help reduce any anxiety about answering the questions (Easterby-Smith et al., 2008), and resolve problems in understanding questions and statements (Cooper & Schindler, 2014). In my case, as I had a complex and lengthy HQ questionnaire, including both HQ and subsidiary information and had to gain legitimacy and access to subsidiaries for the subsidiary questionnaire through HQ respondents, face-
to-face interviews were more appropriate. For the subsidiary questionnaires, it is extremely difficult to have face-to-face interviews, since these sampled subsidiaries are not limited to a specific country or region and they are generally located in a large number of countries and areas.

Before conducting the survey through face-to-face interviews with HQ respondents, we were trained by a founder/vice-CEO of a Chinese market research firm, who provided techniques and tips for conducting a survey through face-to-face interviews in China. We also received many tips from several senior managers of large firms on how to communicate with Chinese managers. This improved our interaction with the respondents and motivated them to give us valid answers. Before and during interviews, we assured the respondents that all information in both questionnaires would be treated as strictly confidential and the results would only be reported in aggregate form to prevent their firms from being identified; we also affirmed that all the information they provided was for academic research purposes only.

Before making an interview appointment with HQ respondents, we were usually required to email the HQ and subsidiary questionnaire documents to the HQ in advance. We then booked an appointment with each sampling firm to fill in the HQ questionnaire. The first part of the HQ questionnaire included questions about the MNC and its HQ and the second part related to each investigated subsidiary. In fact, the participating MNC HQ respondents were asked to nominate up to five relevant subsidiaries fulfilling the sampling criteria. They helped us to contact the top managers of these matching subsidiaries to complete the data collection at the subsidiary level. Specifically, after collecting HQ questionnaires from each MNC HQ, we sent the electronic Microsoft Word document of the subsidiary questionnaire by email to HQ respondents. The HQ respondents then sent the Word document to the subsidiary manager. To increase the likelihood of gaining a response and to avoid an overly time-consuming process, we asked HQ managers to remind the subsidiary managers to complete the subsidiary questionnaire. In the end, we collected 106 HQ questionnaires: 94 were collected through face-to-face interviews; 11 were collected by online social tools (e.g., email, QQ, or Wechat); and one was collected by phone interview. This was because eight firms preferred to use email for answering questionnaires, three firms gained access after the survey trip in China, and one firm’s location was too far away. Additionally, 69 HQ questionnaires were answered by one respondent, while 37 were answered by two respondents. We collected 185 subsidiary questionnaires from 106 Chinese MNCs where we collected HQ questionnaires. Most subsidiary questionnaires were received from the HQ respondents or their assistants through online social tools (e.g., email, QQ, or Wechat) and a few came directly from subsidiary managers.

The respondents to the HQ questionnaire were required to be MNC HQ senior managers who were knowledgeable about the management of overseas subsidiaries. They were mainly top managers (e.g., the Secretary of the Board,
vice-CEOs, and managers of the board office) and heads of HQ divisions (e.g., the international business division). All HQ questionnaires collected were in Chinese. For the subsidiary questionnaire, subsidiaries’ top managers were chosen as respondents. Given the broad scope of the survey, subsidiaries’ top managers were expected to have an in-depth knowledge of managing the subsidiary and the relationships and knowledge flows between the subsidiary and HQ. Thus, they were likely to be able to provide data on the full range of questions. Approximately 80% of the subsidiary respondents were Chinese expatriate managers, while a few were local top managers, assistants of general managers and CEOs, and second-tier managers within functions (head of marketing, head of accounting and finance, head of R&D, etc.). Hence, the majority of subsidiary questionnaires collected were also in Chinese, while a few were completed in English by local top managers when there was no expatriate manager in the subsidiary.

4.3.4 Descriptive Information of the Samplings

As mentioned above, we obtained an initial sample of 185 subsidiaries of 106 Chinese MNCs. However, five of the MNCs did not fulfill the criteria and were discarded with their six subsidiaries. Specifically, four MNCs had subsidiaries only in developing markets, while one MNC had only one subsidiary that had been established for less than three years. Similarly, two subsidiaries had less than a 50% ownership share by Chinese MNCs; thus, my colleague and I also dropped them along with their two HQs’ questionnaires. As a result, our survey sample includes 177 subsidiaries of 99 Chinese MNCs.

Even though we adopted the purposive sampling technique to select the sampling, our samplings are quite representative in many indices and provide a good and typical sampling with which to investigate home-country PE of Chinese MNCs and RKT from the investigated subsidiaries. Specifically, the 177 MNCs are located in 20 provinces/cities across China. They are mainly located in Jiangsu, Zhejiang, Beijing and Guangdong, the most developed regions with substantial numbers of Chinese MNCs (see Figure 4). Clearly, the number of sampling MNCs in each province/city is quite consistent with the economic development of their location. In terms of MNCs’ state ownership, as shown in Table 3, 69 firms have state ownership with good varieties, while 30 firms do not have state ownership. A total of 95 MNCs are in manufacturing, with a full range from low-tech industries to high-tech industries, while four are in non-manufacturing industries such as banking and international wholesaling. Eighty-six of the 99 Chinese MNCs in the sampling domain are in middle-tech and high-tech industries, which shows the potential possibility of RKT practices, particularly technology transfer, from their overseas subsidiaries. The number of employees and domestic

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2 The industry classification follows the guidelines established by the OECD (2011).
subsidiaries of the 99 Chinese MNCs indicates that they are very large firms, while the number of overseas subsidiaries and the percentage of foreign sales indicates that most are still in the early stage of internationalization with a small number of overseas subsidiaries and a low proportion of foreign sales (see Table 3). This is also consistent with the general trend of EMNCs to be “infant MNCs” with a huge operation in the domestic market.

Figure 4. Top 10 Locations of Sampled MNCs’ HQs

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number</th>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>State ownership (%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacture industries</td>
<td>95</td>
<td>0</td>
<td>30</td>
</tr>
<tr>
<td>High-technology industries</td>
<td>17</td>
<td>1–10</td>
<td>2</td>
</tr>
<tr>
<td>Medium-high-technology industries</td>
<td>53</td>
<td>11–30</td>
<td>17</td>
</tr>
<tr>
<td>Medium-low-technology industries</td>
<td>16</td>
<td>31–50</td>
<td>21</td>
</tr>
<tr>
<td>Low-technology industries</td>
<td>9</td>
<td>51–70</td>
<td>12</td>
</tr>
<tr>
<td>Non-manufacture industries</td>
<td>4</td>
<td>71–100</td>
<td>17</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No. of employees</th>
<th></th>
<th>No. of domestic subsidiaries</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1200–3000</td>
<td>15</td>
<td>1–10</td>
<td>29</td>
</tr>
<tr>
<td>3001–5000</td>
<td>21</td>
<td>11–20</td>
<td>34</td>
</tr>
<tr>
<td>5001–10,000</td>
<td>20</td>
<td>21–30</td>
<td>13</td>
</tr>
<tr>
<td>10,001–20,000</td>
<td>12</td>
<td>31–40</td>
<td>9</td>
</tr>
<tr>
<td>&gt;20,000</td>
<td>31</td>
<td>41–50</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt;50</td>
<td>9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Foreign sales (%)</th>
<th></th>
<th>No. of overseas subsidiaries</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0–10</td>
<td>18</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>10.1–20</td>
<td>29</td>
<td>2–5</td>
<td>54</td>
</tr>
<tr>
<td>20.1–30</td>
<td>17</td>
<td>6–10</td>
<td>17</td>
</tr>
<tr>
<td>30.1–50</td>
<td>17</td>
<td>11–15</td>
<td>13</td>
</tr>
<tr>
<td>50.1–70</td>
<td>11</td>
<td>16–20</td>
<td>3</td>
</tr>
<tr>
<td>70.1–100</td>
<td>7</td>
<td>&gt;20</td>
<td>5</td>
</tr>
</tbody>
</table>
As for the 177 subsidiaries, 141 are located in 20 advanced markets (mainly in the USA, Germany, Singapore, Hong Kong, and Australia) and 36 in 14 developing markets (mainly in Brazil, India, Thailand, and Vietnam), as shown in Figure 5 and Table 4. The reason for the imbalance in the host locations (advanced versus developing markets) is that I asked the HQ respondents to provide at least one subsidiary in advanced markets. This was because, as mentioned above, the strategic asset-seeking investments made by EMNCs, mostly target advanced markets (Kedia et al., 2012; Luo & Tung, 2007) where there is a comparative advantage in high-tech R&D (D’Agostino et al., 2013). A substantial number of the subsidiaries in advanced markets may help to capture the pattern and the factors of RKT practices within the investigated MNC. Overall, the sampled subsidiaries exhibit good variance across key demographic variables (see Table 4). Among these 177 subsidiaries, 49 are acquired, accounting for 28% in total, while 128 are greenfield, constituting the remaining 72%. In addition, the size and age (within MNCs) of the 177 subsidiaries exhibit good variation, with 392 subsidiary employees on average, with an average of 8.6 years of service.

![Figure 5. Top 10 Host Markets of Sampled Subsidiaries](image)

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of employees</td>
<td></td>
<td>Age within MNCs</td>
<td></td>
</tr>
<tr>
<td>&lt;20</td>
<td>47</td>
<td>3–5</td>
<td>60</td>
</tr>
<tr>
<td>21–50</td>
<td>41</td>
<td>6–10</td>
<td>68</td>
</tr>
<tr>
<td>51–250</td>
<td>43</td>
<td>11–15</td>
<td>32</td>
</tr>
<tr>
<td>251–500</td>
<td>18</td>
<td>16–20</td>
<td>11</td>
</tr>
<tr>
<td>&gt;500</td>
<td>28</td>
<td>&gt;20</td>
<td>6</td>
</tr>
<tr>
<td>Entry mode</td>
<td></td>
<td>Host location</td>
<td></td>
</tr>
<tr>
<td>Greenfield</td>
<td>128</td>
<td>Developed markets</td>
<td>141</td>
</tr>
<tr>
<td>Acquired</td>
<td>49</td>
<td>Developing markets</td>
<td>36</td>
</tr>
</tbody>
</table>
4.3.5 Analysis of Quantitative Data

The data obtained from 177 subsidiary questionnaires and 99 Chinese MNC HQ questionnaires was analyzed with PLS-SEM (Partial Least Squares-Structural Equation Modeling) through SmartPLS software. The rationale for employing PLS-SEM in quantitative data analysis is outlined below, although the details of analysis and the results are presented in the quantitative data analysis of Papers III and IV.

SEM is a collection of statistical techniques that allow analysis of relationships between one or more independent and dependent variables by taking a confirmatory approach (Byrne, 2001; Ullman, 2001), compared with many multivariate analyses that allow estimation of only a single relationship between dependent and independent variables. SEM provides two important aspects: (i) it enables representation of causal processes through a series of structural equations; and (ii) a clearer conceptualization of theory can be achieved through modeling these structural equations pictorially (Byrne, 2001). Once a hypothesized model is developed, it can be “tested statistically in a simultaneous analysis of the entire system of variables to determine the extent to which it is consistent with the data” (Byrne, 2001: 3).

The PLS statistical program was applied to specify the structural equation model for the survey data analysis through SmartPLS software (Ringle et al., 2005). PLS-SEM has been increasingly applied in marketing, management, and strategy research (Hair et al., 2012; Henseler et al., 2009; Ringle et al., 2012). The following key features make PLS-SEM the most appropriate choice for this study. First, PLS-SEM is considered one of the most suitable techniques for explorative studies that are in the early stages of theory development (Fornell & Bookstein, 1982; Hair et al., 2012; Henseler et al., 2009). To the best of my knowledge, the relationship between HQs’ PE and RKT has not been previously researched, and importing PE into the cross-border knowledge transfer in the MNC context is quite novel. Following Henseler et al. (2009), the present thesis aims to identify theoretically significant relationships and to develop a theoretical model (theory building), rather than confirming relationships tested by previous research (theory testing). Therefore, the conceptual models in Papers III and IV have an explorative nature and require a soft modeling approach, such as PLS-SEM (Wold, 1975). Secondly, PLS via variance-based structural equation models has proven useful when models include formative and second-order constructs (Becker et al., 2012; Hair et al., 2012) and typically has no identification problems. Because the main term “political embeddedness” in this research is a formative second-order construct, PLS can enable me to apply the “two-stage” approach (e.g., Henseler et al., 2007) to obtain latent variable scores that can be used as indicators of the second-order construct. Hence, the qualitative analysis in this research is more suitable for the use of PLS-SEM.
4.3.6 Common Method Variance

Common method variance (CMV) bias (Chang et al., 2010) is of limited concern in the second-stage quantitative research. Self-reported data and single-source data may be a source of CMV problems, as the single respondent may be influenced by consistency motifs, temporary mood state and social desirability when answering questions (Podsakoff & Organ, 1986). As a result, CMV effects may influence the empirical estimates of the relationships observed between the investigated variables (Campbell & Fiske, 1959). There is an ongoing discussion in the literature as to whether or not CMV “is often a problem and researchers need to do whatever they can to control for it” (Podsakoff et al., 2003: 900) or whether it is an “urban legend” that is “both an exaggeration and oversimplification of the true state of affairs” (Spector, 2006: 230). Nevertheless, the CMV issue is considered in the survey research.

A priori research design, recommended by Podsakoff et al. (2003), is used to minimize CMV problems. First, my colleague and I collected the quantitative data using two questionnaires from both HQ and subsidiary to explore the same object of RKT to avoid using single-source data. In the research models of Papers III and IV, we used the measurement of investigated constructs from different sources. For example, in Paper IV, while the measures of PE and RKT were answered by HQ managers in China, the questions dealing with HQ entrepreneurial and administrative roles were answered by overseas subsidiary managers. In other words, I alternated HQ responses for the exogenous variable (PE) with subsidiary responses for the two constructs (HQ entrepreneurial and administrative roles) explained by the exogenous variable before again using HQ responses for the extent of RKT. Second, the questionnaire pre-test was useful for avoiding the inclusion of confusing, vague, or unfamiliar terms in the wording of questions and the content of items (Chang et al., 2010). Third, the sets of questions and items referring to the investigated constructs and the controls either appeared in different sections of the questionnaire or were measured using different response formats and scales. For example, a variety of Likert-scale type response anchors (e.g., “strongly disagree/strongly agree”, “not at all/very much”, “the MNC HQ decides alone/subsidiary decides alone”) were employed in the questionnaires. Also, scales ranging from -3 to 3 and from 1 to 7 were used. Moreover, personal face-to-face interviews arguably enhance the reliability and quality of the data (Podsakoff et al., 2003) and the majority of the HQ questionnaires collected were answered by two respondents. In addition, my colleague and I collected the HQ questionnaires using face-to-face interviews, which may have diminished potential biases caused by a single interviewer’s verbal particularities and expectations.
4.4 Limitations of the Research Method

One methodological limitation is the focus on Chinese MNCs as the empirical context of both survey and case study. It may not be possible to generalize the findings to other emerging economies, such as Brazil and India, because of the peculiarity of government structure and actions and/or the institutional setting associated with China. For example, in the Chinese government one single political party – the Chinese Communist Party – has absolute power. This may lead Chinese MNCs to have different PE and to suffer different effects compared with EMNCs from other EMs where their governments contain several powerful parties. Moreover, the Chinese government has been emphasizing innovation and technology augmentation and engaging substantially in supporting Chinese firms to acquire and learn advanced technological innovation by launching different policies and incentives, as well as other initiatives. This may result in Chinese MNCs having different specific attitudes and conditions towards innovation augmentation compared with other EMNCs.

Moreover, because Chinese MNCs are an emerging phenomenon, second-hand data (e.g., databases, annual reports, and official websites) is scarce and reliability is relatively low. Also, there is a little reliable public data and information on Chinese non-listed companies. Hence, my colleague and I were not able to identify a full population frame to select the sampling MNCs. We eventually selected the sampling firms from 2679 listed firms in the stock exchanges, because of the relatively higher availability of public information and data on the listed firms. Still, we were not able to identify a complete population frame that met the criteria of sampling MNCs from the listed firms manually, because the public information and data of the listed firms is not very reliable or updated. That is why five of the MNCs we collected the questionnaires from did not fulfill the criteria, even though we carefully checked the sampling MNCs that fulfilled the criteria of sampling MNCs based on the various sources of public information. This is because their subsidiaries in advanced markets closed down or had been operating for less than three years – information that did not appear in public sources. The incomplete sampling frame may weaken the representativeness of sampling MNCs and raise concerns about the generalizations of findings in the full sampling. To avoid this issue, we tried to select the representative firms with good heterogeneity in terms of state ownership, size, industry, internationalization level, and HQ location.

In addition, as mentioned in Subsection 4.3.3, we collected the subsidiary questionnaires via online social tools (instead of the face-to-face interviews we undertook for collecting HQ questionnaires) because of the geographically dispersed sampled subsidiaries (located in 34 countries and areas). This may raise concerns about the quality of data collected at the subsidiary level. However, to improve the quality of the data, around 25% of the sampled
subsidiaries were contacted directly in order to clarify some of the answers and review the collected information together.

Finally, there are some limitations related to respondent population. First, in SubC one of the overseas subsidiaries of the case MNC (Paper II), we were only able to interview the Chinese expatriate manager, the CEO of SubC. The issue was that this manager was uncomfortable introducing other colleagues at that time, for work reasons. However, to comprehensively understand the RKT practices of SubC and their motivators and barriers, we conducted three interviewees with the manager at different times for a total of nine hours. The information he provided was consistent with that of the preceding respondents whom we asked the same questions at other sites.

Second, in the quantitative survey research, the majority of the respondents of the subsidiary questionnaires were Chinese expatriate managers. This is because Chinese expatriate managers were more easily contacted by HQ respondents, which helped to distribute subsidiary questionnaires. Most importantly, expatriate managers were more suitable for completing the subsidiary questionnaire, which was mainly about HQ-subsidiary relationships, as they were generally key personnel who interacted with both HQ and subsidiary, and in many cases local managers did not have frequent direct contact with HQ managers, as shown in the survey data. Because of the different backgrounds and positions, the local managers may have different perceptions or ideas about the questions compared to the expatriate managers that were not totally captured. While it would have been beneficial to collect data from additional local managers, this was not always possible because it was difficult to collect the subsidiary questionnaires from both expatriate and local managers. Also, comparably, local managers may not have comprehensive knowledge of the relationships and interactions between HQ and subsidiary, which is the focus of the questionnaire, due to their minimal direct contact with HQ.
5. Summary of the Papers

The following sections summarize the four papers included in the thesis. An overview of each individual paper, including the specific research question, research method, the main focus or variables and the main findings, is provided in Table 5. Paper I, as a conceptual paper, develops the concept of the PE of firms in a local context from a broad perspective, responding to the first research questions proposed in the introductory chapter. Based on the concept of PE developed in Paper I, Papers II, III, and IV address the second research question – “In EMNCs, how does the HQ’s home-country political embeddedness influence reverse knowledge transfer from subsidiaries?” – using the empirical context of Chinese MNCs. In more detail, Paper II is a qualitative research paper based on the case study of one Chinese SMNC in the first stage of the sequential mixed-method presented in Section 4.2. This paper provides the qualitative foundation for the subsequent quantitative papers (III and IV), which are based on the survey collected among Chinese MNCs in the second stage presented in Section 4.3.

Paper I: Conceptualizing political embeddedness: Relevance for state-owned enterprises and emerging-market firms

Governments play multiple roles, as regulators governing the functioning of the national economy (Russo, 2001; Shaffer, 1995), as economic actors governing the allocation of government resources and government spending, and as the designers of political ideologies. Therefore, political economy is concerned with the linkage between the national political system and the actions of politicians operating under the rules, including how they interact with, and what rules they establish for, enterprises (Acemoglu et al., 2012; Pagano & Volpin, 2005; Przeworski & Limongi, 1993). Hence, the relationships and interactions between firm and government are dynamic, complex, and interdependent (Boddewyn, 1988; Knutsen et al., 2011; Kofele-Kale, 1992). These studies on the relationships and interactions between firms and government have made extensive use of terms such as “political connections/capital” and “government involvement/intervention” to investigate firm-government relationships. Such terms have literally positive
or negative meanings and are generally used to describe one aspect of the relationships (such as network ties or government forces). Hence, they hardly capture the comprehensive and neutral picture of the complex relationships between government and firms in which they are embedded. Against this background, “political embeddedness”, a neutral term, is suitable to, and introduced to, capture a comprehensive picture of the diversity and intensity of relationships and interactions between firms and government. The objective of Paper I is to conceptualize the PE of firms in a local context by identifying its three dimensions and to present the distinct subject of the PE of SOEs and emerging-market firms.

In order to conceptualize PE, I reviewed studies on the use of the term PE and the research on embeddedness. A new definition of PE is inspired by Zukin and DiMaggio’s (1990) definition and classification of embeddedness and the view of Dacin et al. (1999) on the simultaneous existence and interplay between and among the different sources and mechanisms of embeddedness. Given the multiple roles played by government institutions, and from an integrated perspective of social embeddedness, cognitive embeddedness and PE, as classified by Zukin and DiMaggio (1990), Paper I proposes that the embedded nature of the firm-government relationship is multidimensional and a firm’s PE embodies three forms of embeddedness: political-legal influence, political network, and political cognition.

Political-legal influence, relating to Zukin and DiMaggio’s (1990) concept of PE, refers to the strength and constraints of political-legal arrangements and enforcement (that is, government policies and regulations) to which a firm is subjected. This dimension focuses on the regulator role of government and is consistent with the studies that view PE as the influence of political authority power (e.g., Choi et al., 1999; Hardy et al., 2005; Prechel & Morris, 2010; Prechel & Zheng, 2012). Political network, following social (structural) embeddedness proposed by Zukin and DiMaggio (1990), refers to a firm’s ties with political actors at personal and organizational levels. This dimension focuses on the government roles of regulator and economic actor. Political cognition, relating to Zukin and DiMaggio’s (1990) cognitive embeddedness and focusing on the government’s role as political ideology designer, refers to a firm’s behavior and cultural alignment with political/government ideology. This dimension is, to some extent, aligned with the view of Frenkel et al. (1997) on PE as the fact that managerial ideologies are embedded in ideologies of nationalism including both political and cultural fields of symbols.

In sum, PE refers to firms’ interactions and relationships with government in the form of political-legal arrangements, network ties, and
political/government ideology. These three dimensions determine the variation of a firm’s PE, which can capture the degree of interdependence, closeness, and alignment between firm and government. I also argue that SOEs and firms from EMs generally have stronger political embeddedness. For SOEs, state ownership ensures that SOEs are rooted in politics and labeled with a unique identity distinguishing them from private firms. Hence, SOEs are insiders of the political systems and are guided and controlled by political institutions. Moreover, the variation of PE in firms differs across the institutional environment. EMs have relatively weak institutional environments, which are dominant in the co-existence of government forces and undeveloped market-based mechanisms (Hoskisson et al., 2013; Meyer et al., 2009), and predominantly rely on relationship-based connections (Peng, 2003). This strengthens the influences and significance of PE of firms in EMs.

Paper I contributes to the literature on firm-government relations by providing a multidimensional concept of PE. By conceptualizing the term “PE”, I offer a new approach that seeks to examine the comprehensive picture of firms’ relationships with government in a local context. This bridges the gap in the literature that uses terms such as “political connections”, “political capital”, and “government intervention” to look at a partial aspect of the firm-government relationship. PE can be employed in future research for a more fine-grained analysis of political influence on the management of firms, particularly SOEs and emerging-market firms. The variation of PE can help us think about firms as differentiated, as firms each have their own situation in terms of three dimensions of PE. Thus, PE may be a suitable indicator with which to categorize enterprises or SOEs.

Paper II: Knowledge sourcing from advanced markets subsidiaries: Political embeddedness and reverse knowledge transfer barriers in emerging-market multinationals

To obtain strategic assets such as technology, brand, and advanced management skills, the target of an EMNC is always to invest in advanced markets (Kedia et al., 2012; Luo & Tung 2007). Transfer of knowledge from advanced-market subsidiaries back to HQs has been an efficient way for EMNCs to gain competitive advantage. The established research on RKT shows that the organizational characteristics influencing RKT have not been studied deeply in EMNCs, which are generally characterized by home-country PE. It is extensively acknowledged that home-country PE can help EMNCs to obtain governmental support, such as financial support, and therefore promote their international expansion (Luo & Tung, 2007); however, PE can also bring more constraints and control from government (Zhang et al., 2011). Given the
importance of PE and RKT within EMNCs. Paper II explores the influence of PE on organizational-level characteristics, which are critical for the possibilities of RKT from advanced-market subsidiaries in EMNCs.

Data for Paper II were collected through an inductive case study of a Chinese SMNC (referred as ABC) and its four knowledge-seeking subsidiaries in Germany and the Netherlands. SMNC was chosen as a case firm because it presents a certain degree of PE owing to its state ownership. ABC is 100% owned by a city government and is one of the leading enterprise groups in China’s construction machinery industry, while the investigated subsidiaries include three acquired subsidiaries and one greenfield R&D center. This case study shows that ABC, which is highly politically embedded, manifests clear intentions of RKT from European subsidiaries back to China. However, in contrast to its expectations, it experiences a very low degree of RKT.

The research findings indicate that the strong home-country PE of ABC brings specific organizational barriers that hinder the possibility of RKT. Specifically, through intense interactions and ties, as well as constraints of government regulations and ideologies, the home-country PE of EMNCs creates a unique institutional heritage that is dominated by a hierarchical and highly bureaucratic management structure, HQ’s unique organizational culture and values, reduced risk-taking orientation, short-term and less strategic insights, and a shortage of top talent. Also, PE engenders low legitimacy of HQs when managing acquired subsidiaries and reduces subsidiaries’ trust towards HQs. These aspects are linked and further enhance four specific RKT barriers identified in the case study: a low level of absorptive capacity of HQs and Chinese units, subsidiaries’ decreased willingness to transfer knowledge, larger organizational distance between the Chinese domestic units and the subsidiaries, and HQs’ low effectiveness at controlling the subsidiaries. Together, these four factors represent the strongest factors impeding RKT in the case MNC. In conclusion, on one hand, ABC’s strong PE in the home country drives the quest for strategic assets, such as technology and competence in advanced-market subsidiaries. On the other hand, it deteriorates RKT practices, as it shapes the home-country organization and its relationship with subsidiaries, further accentuating the problems related to subsidiaries’ engagement in RKT.

Paper II contributes to the literature on knowledge sourcing within the context of south-north knowledge sourcing, RKT, and SMNCs from emerging markets. Specifically, the paper explores RKT from a political perspective and identifies that home-country PE of EMNCs can engender organizational barriers that impede RKT practices. This opens up a new area of investigation of RKT and south-north knowledge sourcing. Moreover, Paper II extends the knowledge of the dark side of PE on international management issues of SMNCs. This paper shows that PE has a negative effect on the SMNC’s capability to coordinate and control subsidiaries, and it also influences
subsidiaries’ attitudes to their HQs. From the case, it is found that it is difficult for SMNCs from emerging markets to undertake RKT from advanced-market subsidiaries, particularly acquired ones. This means that achieving a “catch-up” strategy through knowledge sourcing in advanced markets is not such an easy path in politically embedded EMNCs.

**Paper III: The paradox of political ties on headquarters-subsidiary motives for knowledge transfer in Chinese multinationals: The importance of organizational distance**

Acknowledging the springboard perspective, it is widely accepted that Chinese MNCs have strong motivation to acquire knowledge from their subsidiaries to develop their firm-specific advantage (e.g., Deng, 2009; Luo & Tung, 2007; Rui & Yip, 2008). However, this notion is merely an assumption, as few studies have explicitly investigated HQs’ demand for subsidiary knowledge in Chinese MNCs. Mutual motivation in a managerial relationship is commonly believed to provide for a stronger effectiveness of knowledge transfer (Yamin et al., 2011), compared to when only one of the parties is highly motivated. Clearly, there are mixed motives in the knowledge-transfer dyads, which have been under-researched. To gain an understanding of motivational issues in knowledge-transfer dyads in Chinese MNCs, Paper III investigates HQ demand for subsidiary knowledge transfer and subsidiary willingness considering HQs’ political ties and organizational distance.

HQ demand for subsidiary knowledge transfer is a relevant motivation-related factor. It captures the degree of desire and requirement for acquiring subsidiary knowledge. HQ demand embodies the initiative of acquiring, learning, and creating knowledge from subsidiaries (Collins & Smith, 2006) and the willingness to participate in the knowledge acquisition process (Jasimuddin et al., 2015). HQ demand is an important component of knowledge transfer. Subsidiary as a knowledge sender, its willingness to transfer knowledge is extensively acknowledged as having a positive influence on the extent and effectiveness of RKT to HQs (e.g., Blomkvist, 2012; Gupta & Govindarajan, 2000; Mahnke et al., 2009; McGuinness et al., 2013; Najafi-Tavani et al., 2012). Two other focuses of Paper III are the HQ’s political ties in the home country and the organizational distance between HQ and subsidiary. Political ties, as a distinctive feature of Chinese MNCs, are a key to understanding Chinese MNCs’ knowledge acquisition and learning from overseas and domestic subsidiaries (Kotabe et al., 2012; Petersen & Ivarsson, 2015; Xie et al., 2014). Organizational distance is a fundamental mechanism affecting the dyadic and interactive relationship (e.g., trust, shared
values, and communication) between the knowledge sender and recipient. Paper III is particularly interested in establishing how political ties of HQs affect the motivations in knowledge-transfer dyadic relationships and why. To this end, the paper investigates the role of organizational distance between HQs and subsidiaries as a mechanism by which strong political ties drive or hamper the motivations in knowledge-transfer dyads.

The empirical analysis is based on 177 HQ-subsidiary dyadic relationships within 99 Chinese MNCs. The research model with six hypotheses is analyzed through PLS path modeling. The empirical findings show that HQs’ political ties in the home country do not have direct effects on HQ demand for subsidiary knowledge and subsidiary willingness. Instead, HQs’ strong political ties indirectly enhance HQ demand for knowledge transfer, but simultaneously hamper subsidiary willingness through their positive impact on organizational distance between HQs and subsidiaries. This means that Chinese MNCs with political ties have strong demands for new and novel knowledge and innovation, which they do not have or have difficulties developing, from their distant subsidiaries. However, due to larger organizational distance stemming from strong political connections, these distant subsidiaries that process novel and competitive knowledge have less willingness to transfer their knowledge. Hence, HQs’ political ties and organizational distance create tensions in the motivations of parties involved in a knowledge-transfer dyad and drive mixed motives in this dyad.

This study represents a step toward integrating political embeddedness on the motivations of dyadic knowledge transfer. As part of this effort, this study assessed and identified the role of organizational distance as a critical and mediating mechanism underlying the relationship between political ties and motivation of parties in knowledge transfer. The identified paradox of organizational distance partly challenges the dominant view of organizational distance as merely a barrier to knowledge transfer practices (Ambos et al., 2006; Asakawa, 1995; Schlegelmilch & Chini, 2003; Simonin, 1999a, 1999b). By incorporating the “value-in-diversity” notion (Cox & Blake, 1991) and Zaheer et al.’s (2012: 26) view that distance provides an opportunity for arbitrage, complementarity or creative diversity, Paper III extends the knowledge of and provides the empirical evidence on the “positive” side of organization distance, which is underexplored in the distance literature. Moreover, the paper study provides some insight into a structural situation that causes mixed motives for knowledge transfer by identifying the political ties and organizational distance as the drivers. This enhances the understanding of the antecedents of mixed motives in knowledge-transfer dyads in Chinese MNCs. Furthermore, Paper III advances the springboard perspective, which stresses the aim of catching up with Western-oriented MNCs through the acquisition of knowledge from foreign operations (Luo & Tung, 2007; Deng, 2009; Petersen & Ivarsson, 2015; Sutherland & Ning, 2011). Paper III suggests that the knowledge acquisition of EMNC HQs is
more likely to target the organizationally distant subsidiaries. However, the springboard strategy is not easy to be achieved in Chinese MNCs, as the organizationally distant subsidiaries have less willingness to transfer their knowledge.

Paper IV: The liability of political embeddedness in emerging-market multinationals: Effects on reverse knowledge transfer

The importance of political relations to EMNCs has been researched extensively in the last decade. Most of the studies on this subject have found that political involvement and governmental ownership are positively associated with the level, type, and performance of international expansion (e.g., Buckley et al., 2007; Duanmu, 2014; Li et al., 2017; Luo et al, 2010; Pan et al., 2014). In contrast, few studies have observed the negative effects of political relations on managerial and organizational activities of EMNCs (Meyer et al., 2014; Wu et al., 2016). To fill this gap, Paper IV aims to investigate how HQs’ PE influences RKT in EMNCs by affecting HQ administrative and entrepreneurial roles.

As the overall orchestrator of the MNC network, with holistic responsibility for managing the entire corporation, MNC HQs’ managerial role is of great influence in the process and effectiveness of knowledge transfer across units (e.g., Collis & Montgomery, 2005). Chandler (1962) classified the role of HQ based on two functions: the “administrative (integrative) function” and the “entrepreneurial (value-creating) function” (Foss, 1997; Markides, 2002). The former refers to the HQs having functions incorporating different tools for governance (e.g., coordinative and monitoring mechanisms) with which to create a structural context that enables them to manipulate and constrain actions taken at the subunit level (Chandler, 1962). The latter role means that HQs govern the development, allocation, and deployment of valuable resources in HQ-subsidiary relations (Collis & Montgomery, 1998). The previous literature has assumed that HQ is a purely economic actor that pursues profit maximization. As Markides (2002) claimed, HQs should add value to the firm’s business; otherwise, there will be no economic rationale for HQs’ existence. However, this might be not applied in politically embedded EMNCs. With strong home-country PE, EMNC HQs may pursue both economic and political interests, and may therefore perform HQs’ administrative and entrepreneurial roles differently.

Paper IV investigates the HQ administrative role by focusing on HQs’ centralization of subsidiary decision-making, and on the HQ entrepreneurial role by focusing on HQs’ value-adding to subsidiary. The reasoning is that the ultimate objective of HQs’ administrative function is to gain control of
subsidiaries’ activities, which battles opportunistic behaviors to achieve alignment of goals (Nohria & Ghoshal, 1994; Roth & O’Donnell, 1996), while the HQ entrepreneurial role, referred to as an effect of “parenting advantage” (Foss, 1997; Goold et al., 1998), highlights that HQs have the potential to contribute expertise to subsidiaries by involving themselves in subsidiary activities, such as innovation projects (Ciabuschi et al., 2017; Goold & Campbell, 2002; Nell & Ambos, 2013). On this basis, a structural model is formed. One path designates PE to be positively related to the HQ administrative role in terms of HQ centralization of subsidiary decision-making. In turn, HQ centralization is argued to have a negative impact on RKT. The second path designates PE to be negatively associated with the intention and ability of the HQ to perform an entrepreneurial role vis-à-vis its subsidiaries. In turn, an entrepreneurial role in terms of value-adding to subsidiary is argued to have a positive association with RKT.

Based on a sample of 177 HQ-subsidiary dyadic relationships in 99 Chinese MNCs from the survey, the research model with four hypotheses is tested through SEM-PLS. The multidimensional concept of PE proposed in Paper I is adopted in this paper. PE is a second-order construct with three reflective first-order constructs. The empirical results indicate that HQs’ PE seems to make HQs less able to conduct entrepreneurial activities vis-à-vis individual subsidiaries that are essential for RKT. However, the results also show that while centralization of HQ over subsidiaries hampers the extent of RKT, this is not significantly associated with the PE of those HQs.

In short, the research findings suggest that home-country PE hinders RKT by hampering the international attention and capability that HQs can undertake in terms of entrepreneurial roles. This suggests that PE is a liability that constrains knowledge integration within the EMNC context. This contrasts with prior research, which found political relations to be a source of competitive advantage for international expansion (e.g., Buckley et al., 2007; Li et al., 2017; Luo et al., 2010). It also contrasts with earlier studies conducted at the subsidiary level, which found external embeddedness to be conducive to intra-MNC knowledge transfer (e.g., Andersson et al., 2002; Najafi-Tavani et al., 2014). By identifying the importance of EMNC HQs’ home embeddedness, Paper IV extends the literature on MNC embeddedness and advances the views of the differentiated network MNC and the embedded MNCs, which emphasize subsidiary embeddedness within and external MNC. Paper IV also contributes to what Penrose (1959) labeled the nature of managerial limits to expansion by identifying the antecedent of firms’ managerial limitation. Specifically, this paper identifies that the presence of strong home-country PE delimits HQs’ managerial capability to perform their entrepreneurial roles and therefore develop the relationship with individual subsidiaries.
Table 5. Summary of Individual Papers

<table>
<thead>
<tr>
<th>Paper</th>
<th>Research question</th>
<th>Method</th>
<th>Main focus/variables</th>
<th>Main findings</th>
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<tr>
<td>I</td>
<td>How can the PE of a firm be conceptualized and, in particular, what characterizes PE in SOEs and in emerging-market firms?</td>
<td>Conceptual paper</td>
<td>Political embeddedness, Political-legal influence, Political network, Political cognition</td>
<td>A firm’s PE is multidimensional and refers to the firm’s interactions and relationships with government in three forms of embeddedness: political-legal influence, political network, and political cognition. It suggests that SOEs and EM firms have a relatively strong degree of PE in the local context.</td>
</tr>
<tr>
<td>II</td>
<td>How does PE in EMNCs influence organizational barriers that hamper RKT from advanced-market subsidiaries?</td>
<td>A inductive case study of one Chinese SMNC and its four knowledge-seeking subsidiaries in Germany and the Netherlands</td>
<td>Political embeddedness, HQ absorptive capacity, Subsidiary willingness, Organizational distance, HQ control over subsidiary, Reverse knowledge transfer</td>
<td>HQs’ PE engenders a low level of absorptive capacity of HQs, subsidiaries’ reduced willingness to transfer knowledge, larger organizational distance and HQs’ low effectiveness at controlling the subsidiaries. Together, these organizational barriers represent the stronger difficulties to impede RKT in EMNC. HQs’ political ties exert a positive impact on HQ demand for subsidiary knowledge transfer and a negative impact on subsidiary willingness to transfer knowledge through its positive effects on organizational distance between HQ and subsidiary.</td>
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<tr>
<td>III</td>
<td>How do HQs’ political ties and organizational distance influence HQ demand for subsidiary knowledge transfer and subsidiary willingness to transfer knowledge in Chinese MNCs?</td>
<td>PLS-SEM analysis based on the survey data, including 177 dyadic HQ-subsidiary relationships in 99 Chinese MNCs</td>
<td>HQ demand for subsidiary knowledge transfer (DV), Subsidiary willingness (DV), HQ control over subsidiary (IV), Organizational distance (DV), HQ absorptive capacity (IV)</td>
<td>HQs’ political ties exert a positive impact on HQ demand for subsidiary knowledge transfer and a negative impact on subsidiary willingness to transfer knowledge through its positive effects on organizational distance between HQ and subsidiary.</td>
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<tr>
<td>IV</td>
<td>How does PE in EMNCs influence the extent of RKT by affecting HQs’ administrative and entrepreneurial role?</td>
<td>PLS-SEM analysis based on the survey data, including 177 dyadic HQ-subsidiary relationships in 99 Chinese MNCs</td>
<td>HQ administrative role (DV), HQ entrepreneurial role (DV), Reverse knowledge transfer (DV)</td>
<td>HQs’ home-country PE hampers RKT by negatively affecting the HQ entrepreneurial role in terms of its value-adding to subsidiary. HQ administrative role in terms of HQ centralization of subsidiary decision-making hampers RKT. However, it is not significantly influenced by the PE of HQs.</td>
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IV: Independent Variable; DV: Dependent Variable.
6. Findings and Theoretical Implications

The increasing importance of emerging-market multinationals, particularly state-owned multinationals, has resulted in renewed research interest in the firm-government relationship, which has also become a central issue in EMNC literature. The other feature of EMNCs is the aim of asset exploration and augmentation overseas via strategic asset-seeking FDI. This thesis aims to shed light on the rise of EMNCs and to look at the home-country PE and strategic asset-seeking in internationalization of EMNCs. In doing so, I seek to enhance understanding of the impact of HQs’ home-country PE on RKT in EMNCs, based on the empirical context of Chinese MNCs. To fulfill this purpose, I propose two research questions at the beginning of the thesis: (1) “How can the political embeddedness of a firm be conceptualized and, in particular, what characterizes political embeddedness in SOEs and in emerging-market firms?” and (2) “In EMNCs, how does the HQ’s home-country political embeddedness influence reverse knowledge transfer from subsidiaries?” The thesis contains four individual papers dealing with these two questions (see Table 1 and Papers I–IV). The main findings and the research contributions of each paper are presented in Chapter 5.

One of the main contributions of this thesis is manifested in the research framework (see Figure 1), focusing on a “top-down” perspective to research RKT in EMNCs in relation to HQs’ PE in their home country. This perspective is initially constructed in the introductory chapter, where the contribution of this thesis goes beyond the understanding of the subject per se to the development of politically embedded MNCs and HQ embeddedness perspectives. Based on such a research framework, the results obtained also advance the theoretical understanding of the views of differentiated network MNCs and embedded MNCs. The research findings and theoretical implications of the thesis are discussed in more detail below.

6.1 Main Findings

Given the multiple roles played by government institutions, Paper I of this thesis employs an integrated perspective of political, social, and cognitive embeddedness, as classified by Zukin and DiMaggio (1990), to conceptualize a firm’s PE as multidimensional and as embodying three forms of embeddedness: political-legal influence, political network, and political
cognition. The PE of a firm refers to its interactions and relationships with government in the form of political-legal arrangements, political network ties, and political ideology. This thesis advances the multidimensional concept of the PE, which acknowledges Dacin et al.’s (1999) notion of an integrated perspective to study how multiple forms of embeddedness simultaneously affect organizational behaviors. This multidimensional concept can capture the degree of interdependence, closeness, and alignment between firm and government. Given that firms each have their own situation in terms of three dimensions of PE, the variation in firms’ PE can help us to think about firms or EMNCs as differentiated. By highlighting the different characteristics of the political and business environments, this thesis also achieves an understanding of the differences between the PE and the business embeddedness of firms. Specifically, a firm’s PE is both vertical and horizontal and embodies different forms of embeddedness, while a firm’s business (external) embeddedness focuses on only one form of relational embeddedness (Granovetter, 1985) and is horizontal. This multidimensional concept of PE is further assessed in Papers II and IV using the empirical context of Chinese MNCs, while Paper III focuses on the network dimension of PE in the investigation of motivation of parties in knowledge-transfer dyads in Chinese MNCs.

The empirical findings of Papers II, III, and IV suggest that a high level of HQs’ PE triggers strong intentions to seek and acquire strategic assets such as technology and competence from subsidiaries, particularly in advanced markets, by aligning with government objectives or policies or by shaping organizational distance between HQs and subsidiaries. On the other hand, HQs’ PE reduces HQs’ absorptive capacity, HQ entrepreneurial role, and subsidiary willingness to transfer knowledge, and increases the organizational distance between HQ and subsidiary, which hinders RKT practices. In other words, HQs’ PE acts as both motivator and hindrance to RKT, which creates an advantage paradox in cross-border knowledge acquisition. Despite its positive impacts on HQs’ intentions to acquire subsidiary knowledge, HQs’ home-country PE engenders many more organizational-level barriers that impede RKT. More specifically, strong home-country PE of EMNC HQs creates a unique institutional heritage, which is dominated by a hierarchical and highly bureaucratic management structure, HQs’ unique organizational culture and values, reduced risk-taking orientation, short-term, and less strategic insights and shortages of top talent. Also, HQs’ PE affects the managerial autonomy, managerial capability, strategic intent, and priority as well as resource stock of HQs. Apart from this, HQs’ PE also induces legitimacy issues and reduces subsidiaries’ trust towards HQs. All of these aspects are linked and influence specific antecedents of RKT, including HQs’ absorptive capacity, HQ entrepreneurial role, HQ demand for subsidiary knowledge, subsidiary willingness, and organizational distance between HQ and subsidiary.
The paradox of HQs’ PE in the home country is found in relation to RKT practices in EMNCs. This paradox is highlighted in relations to motivation issue of knowledge-transfer dyads in Paper III. Focusing on the network dimension of political embeddedness, Paper III suggests that HQs’ political network ties trigger HQ demand for subsidiary knowledge transfers and, simultaneously, engender a restricting force in subsidiary willingness to transfer knowledge through increasing organizational distance between HQ and subsidiary. In other words, politically connected HQs are more likely to have a stronger demand for knowledge transfer from organizationally distant subsidiaries, while those distant subsidiaries are less willing to transfer their knowledge. Hence, HQs’ political network ties create a tension in motivations between HQ and subsidiary and induce the mixed motives in knowledge-transfer dyadic relationship via organizational distance. In contrast to previous literature, which mostly considers political relations and government involvement as positive factors influencing EMNCs’ international expansion (e.g., Buckley et al., 2007; Duanmu, 2014; Li et al., 2017; Luo et al., 2010; Pan et al., 2014; Wang et al., 2012; Wei et al., 2015), the present thesis identifies a darker side of PE in relation to EMNCs’ cross-border knowledge management.

Moreover, the thesis suggests that HQs and their home-country PE are very influential in the management of RKT in EMNCs. Specifically, the case finding of Paper II indicates that strong PE of HQs decreases their absorptive capacity to utilize knowledge transferred and their capability to manage advanced-market subsidiaries. Furthermore, Paper IV demonstrates that HQs’ PE hinders HQs’ intention and ability to perform their entrepreneurial functions (such as resource allocation or joint R&D), which are particularly important in augmenting subsidiary competence development and developing closeness to subsidiaries. In turn, there is a negative influence on the extent of RKT.

From this point of view, owing to a relatively low capability stemming from a high level of home-country PE, HQs play an important but damaging role in RKT from subsidiaries in EMNCs. This research extends the RBV and Penrose’s (1959) view on managerial limits to firms’ expansion by emphasizing the importance of HQ’s capability. The RBV argues that organizational capability manifests in organizational routines and practices that are regularly performed so as to configure firms’ resources for value creation and therefore enhance firms’ competitive advantage (Knight & Cavusgil, 2004). For politically embedded EMNCs, PE provides EMNCs with substantial resources and government support to undertake costly strategic asset-seeking overseas investments, thereby increasing the opportunities to acquire advanced knowledge to maintain EMNCs’ competitive advantages. Meanwhile, HQs’ PE reduces their capability (that is, their managerial capability, absorptive capacity, ability to act as an entrepreneur) to manage subsidiaries and undertake RKT. Thus, HQs somehow fail to leverage from
their strategic asset-seeking investments, which are regarded as HQs’ resources and assets. Therefore, without strong managerial and operational capabilities, only substantial resources (e.g., finance and information) stemming from PE are not enough to implement knowledge acquisition from overseas and achieve EMNCs’ catch-up strategies. This suggests both resources and capability are important for firms to enhance the firm’s knowledge stock and maintain the firm’s competitive advantage.

In sum, PE creates an advantage paradox in which the assumed strength stemming from resources and knowledge generated through home-country PE are ineffective when managing knowledge integration across multiple contexts at different organizational levels within the MNC. This is because HQs’ PE simultaneously hampers their capability to leverage and to take advantage of the resources and knowledge that EMNCs process in host markets. Apparently, with relatively low capabilities, the pursuit of cross-border knowledge integration and implementing a “catch-up” strategy is not an easy path to take and may result in a longer process in politically embedded EMNCs, even if they have more resources and government support to establish or acquire knowledge-seeking subsidiaries. This implies that, owing to the strong PE in the home country, it is more difficult for EMNCs to practice RKT from their subsidiaries.

6.2 Implications for Theoretical Development

This thesis enriches the understanding of the importance and role of PE in EMNCs and HQ parenting role, and extends the views of differentiated network MNCs and embedded MNCs, while also contributing to the literature on MNC embeddedness. Also, by linking PE with RKT, this thesis contributes to the research on RKT.

6.2.1 Political Embeddedness and Emerging-market Multinationals

This thesis generates an understanding of PE in EMNCs by identifying an advantage paradox related to cross-border knowledge acquisition. Most studies of political factors still limit the research focus to the internationalization issues of EMNCs (e.g., Buckley et al., 2007; Child & Rodrigues, 2005; Cui & Jiang, 2012; Wang et al., 2012). The present thesis, by contrast, investigates RKT from subsidiaries and touches upon HQ-subsidiary relationships relating to HQs’ PE, which extends current studies to include the impact of EMNCs’ home countries on international management issues (that is, knowledge acquisition). Moreover, the overarching results from Papers II, III, and IV suggest that PE acts as both asset and liability in
managing international knowledge transfer within EMNCs. This contrasts with prior studies, which have found political relations to be a source of competitive advantage for international expansion (e.g., Buckley et al., 2007; Duanmu, 2014; Li et al., 2017; Luo et al., 2010; Pan et al., 2014; Wang et al., 2012; Wei et al., 2015). Most of these studies regard PE as a firm’s resource and asset, but this present thesis suggest that HQs’ PE engenders many difficulties (larger organizational distance and HQs’ legitimacy issue) and reduces their managerial capabilities to undertake RKT. This situation induces more barriers in leveraging the advantages from overseas assets, although HQs’ PE provides EMNCs with abundant resources to undertake costly knowledge-seeking overseas investments (e.g., M&As and the establishment of R&D centers), which increases the opportunities to access advanced knowledge and innovation globally. The paradox effects of PE illustrated in this thesis align with the view of political relations as a double-edged sword in research in firms’ corporate governance (Hillman & Hitt, 1999; Rajwani et al., 2015; Mellahi et al., 2016).

Taking a “top-down” perspective to the study of RKT, as illustrated in the research framework (see Figure 1), this thesis identifies the importance of the HQ and its home-country PE in cross-border knowledge acquisitions. Papers II, III, and IV support and extend the view of EMNCs as “infant MNCs” (Ramamurti, 2009; 2012) and contribute to the literature on EMNCs. As Pauly and Reich (1997) suggested, MNCs’ organizational and international strategies are shaped by their home countries’ socio-cultural and institutional legacies. This is particularly true in EMNCs. EMNCs and advanced-market MNCs are in different stages of MNC evolution (Ramamurti, 2009). As “infant MNCs” involved in early-stage internationalization with a shortage of global knowledge and experience (Ramamurti, 2012), EMNCs’ behaviors and strategies are more easily influenced and reflected by HQs’ home-context factors. The rationale behind this is that an infant’s behavior is heavily influenced by its parents before it experiences the outside world and/or enters the early stage of so doing. From this perspective, the present thesis suggests that HQs’ home-country PE, as a unique feature in EMNCs and especially in SMNCs (e.g., Meyer et al., 2014; Pan et al., 2014), definitely plays an important role in shaping EMNCs’ international management and strategy. Obviously, understanding EMNCs’ international behaviors and strategies needs more consideration in the light of HQs and their home-context factors.

This thesis also contributes to the springboard perspective on EMNC by considering the impact of PE and organizational distance on RKT. Paper III indicates that political ties enhance HQ demand for subsidiary knowledge transfer by triggering organizational distance between HQs and subsidiaries. To some extent, this highlights the view of the springboard strategy of state-owned/connected MNCs from EMs. Several studies have found that state-owned/connected background drives Chinese MNCs to engage in internationalization to acquire knowledge from aboard and compensate for
“latecomer disadvantage” in order to achieve a “catch-up” strategy (Deng, 2009; Petersen & Ivarsson, 2015; Sutherland & Ning, 2011). However, this springboard strategy is more likely to be conducted by Chinese MNCs in subsidiaries that have a larger organizational distance from HQs. Based on the findings of this thesis, it seems that this springboard strategy is not easily achieved because the PE of HQs reduces HQs’ managerial capability to manage and contribute to subsidiaries, but simultaneously enhances the organizational distance between HQs and subsidiaries, which translates into less motivation to transfer their knowledge. Without sufficient subsidiary willingness and strong HQ’s managerial capabilities, strong HQ demand for subsidiary knowledge alone is not enough to support the success of RKT from subsidiaries.

6.2.2 Headquarters Parenting Role
This thesis contributes to the literature on HQs’ roles in several ways. The empirical results of Paper IV clearly indicate that the entrepreneurial and administrative roles of HQs both have a strong influence on subsidiaries’ knowledge management. Through entrepreneurial activities, the HQs can directly support the subsidiary in innovating and developing competence, thereby enhancing its knowledge portfolio and improving RKT. In contrast, excessive administrative activities that HQs engage in limit the subsidiary’s ability to take entrepreneurial initiatives by tapping into the local market for business and technological opportunities. Therefore, these administrative activities hinder subsidiary knowledge acquisition and innovation development locally. Hence, HQs’ centralization hampers RKT practices, while the entrepreneurial activities of HQs in relation to subsidiaries enhance RKT. This suggests that the position of the HQs in an MNC has some potential to stimulate knowledge integration through entrepreneurial activities. This stresses knowledge of the importance of the roles of HQs in cross-border knowledge management, which is under-researched in the literature. This presents new evidence supporting the ideas in the parenting literature that HQ roles are becoming increasingly involved and hands-on, especially in complex organizations (Goold & Campbell, 2002; Poppo, 2003).

Moreover, this thesis adopts a top-down perspective and identifies how the home-country PE of EMNC HQs is a barrier that influences HQs’ ability to create benefits through performing the entrepreneurial role. This adds a new perspective to what Goold and Campbell (2002) referred to as “parenting in complex structures” by demonstrating that PE of HQs is an important attribute of parenting theory when applied to the EMNC context because it helps to explain the value-creating/destroying role of the HQs. This thesis enhances the understanding of HQs’ roles and behaviors from an HQ level, thereby complementing previous studies (e.g., Bouquet & Birkinshaw, 2008; Ciabuschi et al., 2017) that employed a bottom-up approach to explore HQs’
roles by incorporating a subsidiary perspective (e.g., subsidiary local embeddedness, subsidiary competence, and contribution). For example, by acknowledging the concept of the differentiated network MNC (Nohria & Ghoshal, 1997), Ciabuschi et al. (2011c, 2017) criticized HQs’ parenting advantage and argued that subsidiary local embeddedness renders HQs less knowledgeable, while HQ managers without sufficient knowledge still attempt to add value to MNCs by their actions (Forsgren & Holm, 2010). By demonstrating the liability of PE of EMNC HQs, this thesis presents evidence in support of the limitation of HQs’ parenting advantage by challenging their ability to perform entrepreneurial functions and add value within MNCs (e.g., Ciabuschi et al., 2011c, 2017; Forsgren & Holm, 2010) from an HQ embeddedness perspective. This suggests that both subsidiary embeddedness in local context and also HQ embeddedness in home context are important mechanisms to underlie the performance of HQ parenting role. In short, the present thesis provides grounds for critically reconsidering the value-creating role and parenting advantage of HQs when HQs have strong PE in the home country, and enriches the insights into HQs’ role in EMNCs.

6.2.3 The Embeddedness of Multinationals

Moreover, by conceptualizing PE and identifying the importance of HQs’ home-country PE in cross-border knowledge transfers, this thesis advances the concepts of the differentiated network MNC and the embedded MNC. While research into inter-organizational relationships from the embeddedness perspective has flourished (e.g., Dacin et al., 1999; Granovetter, 1985; Uzzi, 1997), few studies have applied the idea of embeddedness to relationships between firms and governments (e.g., Michelson, 2007; Sun et al., 2010), and those studies have only look at part of the firm-government relationship. The present thesis employs an “embeddedness” perspective to study the complex relationships and interactions between firms and governments. It develops a multidimensional concept of PE to capture firm-government relationships and interactions in multiple forms. Because the actors involved in firms’ PE have a hierarchical relationship and the government plays multiples roles, PE embodies different forms of embeddedness (that is, legislative, network, and cognitive embeddedness), which is inherently different from the internal and external embeddedness of subsidiaries. The latter two focus only on the network embeddedness. Moreover, it is suggested that different types of embeddedness have different impacts on knowledge transfer. Specifically, this thesis suggests that, to some extent, HQs’ PE hampers RKT. This argument contrasts with earlier studies made at the subsidiary level, which found subsidiary external embeddedness to be conducive to intra-MNC knowledge transfer (e.g., Andersson et al., 2002; Najafi-Tavani et al., 2014). Therefore, the research findings of this thesis suggest a more complex view of
the role of embeddedness of the MNC, where different types of embeddedness exist at different organizational levels.

MNC embeddedness literature, stemming from the concepts of the differentiated network MNC and the embedded MNC, has focused almost exclusively on subsidiary embeddedness within MNCs and in the host country (e.g., Ciabuschi et al., 2011b; Najafi-Tavani et al., 2014). By identifying the impact of the home-country PE of the HQ on RKT from a “top-down” perspective, this thesis shows that HQ embeddedness in the home country is also an important variable in understanding the international behaviors of EMNCs, one which has been neglected in the research on MNC embeddedness. Similarly, the concepts of the differentiated network MNC and the embedded MNC observe the importance of intra-organizational networks and subsidiary local networks. Therefore, these concepts place too much emphasis on subsidiary internal and external embeddedness, but underestimate the role of HQs (e.g., Forsgren, 2008) and its relationships and embeddedness in the home-country context. HQ embeddedness in home countries and subsidiary embeddedness in host countries are not necessarily substitutes (Dacin et al., 1999), so we must consider both embeddedness and relationships in home and host countries, as well as their dual effects in the evolution of MNCs’ external relationships and in the understanding of MNCs’ behavior and strategy. By identifying the importance of PE of EMNC HQs in the home country in international knowledge management, this thesis highlights the importance of HQ home-country embeddedness in international strategies and behaviors of EMNCs and suggests that their MNC embeddedness should incorporate HQ embeddedness in the home context. This advances the literature on MNC embeddedness with a sole focus on subsidiary embeddedness.

In short, the concepts of the differentiated network MNC and the embedded MNC should take the external relationships of HQs into account. HQ embeddedness in home countries is of particular importance in EMNCs. EMNCs, as infant MNCs, have little international experience and knowledge in terms of managing overseas subsidiaries and rely on domestic business; hence, their international strategies and behaviors are more likely to be affected by HQ embeddedness in the home context. Also, EMNCs, particularly those with strategic asset-seeking investments overseas, generally have a superiority position and strong relationships with political and business organizations in home country. In this case, EMNC HQs’ home-country embeddedness is more influential in their internationalization and behaviors. For example, following the “go global” and “building a powerful country in science and technology” strategies of the Chinese government, ABC (the case SMNC) undertook several knowledge-seeking investments through acquisitions and the establishment of R&D centers overseas. More recently, following the “One Belt One Road” initiative, ABC has established production subsidiaries in Uzbekistan, Malaysia, Poland, and Kazakhstan and
exported to 48 of the 65 countries along the belt and road. This thesis suggests that using an embeddedness concept that captures external relationships at different levels of the organization could be fruitful for understanding EMNCs. This is because the rise of EMNCs serves as a valuable natural experiment in terms of probing the impact of a firm’s home context on its international strategy and behavior (Ramamurti, 2009).

6.2.4 Reverse Knowledge Transfer

This thesis also contributes to the research on RKT, in several ways. First, by identifying the impact of PE of HQs on RKT, this thesis links RKT to PE and finds a new factor influencing RKT. This is a new area of investigation and opens up a new and potential research topic on international knowledge management in relation to political factors. Second, the thesis provides evidence of the importance of the PE and managerial role of HQs in RKT. This extends the RKT literature derived from theoretical concepts of the differentiated network MNC and the embedded MNC, which over-emphasizes the subsidiary’s local network and power. The prior literature on RKT focuses primarily on the antecedents related to sending units (subsidiaries), ignoring HQs’ characteristics and functions. However, from a “top-down” perspective, the thesis identifies that HQs play a dual role (knowledge receiver and parent), with important implications for RKT practices. Third, this thesis contributes to knowledge on mixed motives in RKT dyads in MNCs, which are predominantly explained by agency theory and KBV. This research identifies that HQs’ political ties and organizational distance between HQ and subsidiary are a hindrance to subsidiary willingness, but are simultaneously a motivator of HQ demand for subsidiary knowledge transfer. This suggests that political ties and organizational distance create a paradoxical effect and drive mixed motive issues in RKT dyads.

This thesis also enriches insights into the positive side of organizational distance in RKT. The paradox of organizational distance in the motivations of parties of knowledge-transfer dyads challenges the dominant view of organizational distance being a barrier to RKT practices (Ambos et al., 2006; Schlegelmilch & Chini, 2003; Simonin, 1999a, 1999b). In a similar way to how this research stream holds a pessimistic view on organizational distance, I find that the problems and costs induced by organizational distance lead subsidiaries to have less willingness to transfer knowledge. However, by incorporating the “value-in-diversity” notion (Cox & Blake, 1991) and Zaheer et al.’s (2012: 26) view that distance provides an opportunity for arbitrage, complementarity, or creative diversity, I identify a positive role of organization distance in knowledge transfers, which is underexplored in the literature. This positive role highlights that organizational distance has an enabling role and creates value.
7. Concluding Remarks

This chapter presents the managerial implications of the research findings, research limitations, and areas for future research.

7.1 Implications for Practice

The paradox of PE identified in this thesis suggests that, with substantial government support, politically embedded EMNCs have large resource stock to engage in strategic asset-seeking investments, particularly in advanced economies, enhancing the opportunities for them to gain access to advanced knowledge and to catch up with their Western rivals. However, HQs’ home-country PE induces a number of organizational barriers and reduces HQs’ capability to manage subsidiaries, which hinders RKT processes. Clearly, PE creates complexities in EMNCs and makes it difficult to achieve a higher level of competence. That is, owing to strong PE, leveraging subsidiary knowledge and achieving a “catch-up” strategy seems to take longer and be a much more difficult process for EMNCs. HQs’ PE appears to act as a resource and an asset for EMNCs to exploit, but it also acts as a liability. However, PE may not be an autonomous choice by HQ managers in EMNCs, particularly SMNCs, and it may not always be avoidable in private firms. It may even be a necessary condition for some MNCs operating within emerging-market conditions that need to secure resources and utilize the power of political actors. Still, it may be unclear to many managers that there could be a liability effect and that the problems in integrating international knowledge may increase when PE is strong.

The findings from Paper IV also suggest that excessive PE and excessive dependence on resources stemming from PE results in EMNCs having less motivation and ability to act as entrepreneurs to innovate from subsidiaries. High levels of PE within the home-country “lock” EMNCs into a room – a protected and less-market-oriented business environment in the domestic sphere by providing policy and resource support. This eventually hampers HQs’ managerial capability and autonomy, leading to a loss in value of the resources possessed. Moreover, overly high levels of PE may lead to over-embeddedness in terms of repetitive learning from domestic context, and to too little attention being paid to managerial activities in subsidiary relationships and to value-adding activities to further develop subsidiaries. On
the other hand, previous studies suggest that too low levels of PE of EMNCs may hamper the possibilities of expanding internationally, due to a lack of firm-specific advantages (Rugman & Li, 2007; Luo et al., 2010). Hence, EMNCs’ HQs face a dilemma. HQ managers need to balance the firm’s degree of embeddedness vis-à-vis political actors by considering the benefits and drawbacks of PE in relation to the firm’s situation. This implies that PE should vary across HQ organizations, depending on the level of available resources, experience, and managerial choice. EM governments could reduce their involvement (e.g., resource and policy support) in politically connected EMNCs to some extent, because this direct involvement can only help these EMNCs expand overseas temporarily. Instead, EM governments should provide a more competitive environment for EMNCs to operate and compete in domestic and global markets, in order to help them exercise their managerial capability and initiative-taking capability to gain the resources and knowledge from the market by themselves. This can help EMNCs maintain a good learning environment from which to access and learn knowledge from subsidiaries, and thus grow sustainably in the global market for a longer time.

The research findings of Papers II and III imply that EMNCs perceive organizationally distant subsidiaries to have more novel innovation and to be more attractive, and that EMNCs therefore have more interest in demanding knowledge from these distant subsidiaries. However, the larger organizational distance stemming from political ties hampers shared visions and mutual understandings between HQs and subsidiaries, reducing the willingness of subsidiaries to transfer knowledge. That is, organizationally distant subsidiaries might be very valuable and attractive in the eyes of EMNCs, but they are not easily integrated and managed, particularly for politically embedded EMNCs. Obviously, engaging in strategic asset-seeking investments overseas does not guarantee the success of advanced knowledge acquisition. The dream is beautiful, but the reality is cruel and painful. Indeed, cross-border knowledge acquisition is not easy for advanced-market MNCs and more difficult for infant MNCs such as EMNCs. Hence, when investing abroad, particularly when conducting cross-border M&A activities, senior managers of EMNCs must carefully consider the organizational differences between HQs and the acquired subsidiaries and evaluate their diverse capabilities to integrate and manage the subsidiaries that they will invest in. They must also evaluate and balance the benefits and risks in knowledge acquisition from subsidiaries. In short, EMNCs would benefit by slowing down and be more careful when making decisions concerning strategic asset-seeking investments overseas.

Subsidiary willingness to transfer knowledge is a key to determining RKT in EMNCs. However, subsidiary willingness becomes relatively low when EMNC HQs’ PE is stronger, as demonstrated in Papers II and III. Hence, HQs should take some initiative in terms of increasing subsidiaries’ motivation and commitment to contributing knowledge in EMNCs. As suggested in this
thesis, performing the HQ entrepreneurial role effectively is essential for facilitating the harmony and closeness between HQs and subsidiaries and thereby enhancing RKT. HQ managers should take the initiative to contribute to subsidiary development through various entrepreneurial activities (e.g., allocating resources to innovation, providing guidance and information, gaining understanding of subsidiaries, and joint technical development). These entrepreneurial activities and HQ value-adding to a subsidiary can enhance subsidiary innovativeness and knowledge creation, as well as improve the trust and closeness between HQ and subsidiary, thereby enhancing subsidiary motivation to share knowledge. Furthermore, HQs need to take advantage of such socialization mechanisms as developing opportunities for face-to-face interaction between their employees and subsidiaries’ employees in order to support the development of communal relational capital with subsidiaries. This may enhance the emotional attachment of subsidiary employees and thus motivate them to contribute to MNCs’ knowledge stock. Also, HQ managers can develop incentive and compensation systems to reward subsidiary knowledge sharing practices, thereby motivating subsidiaries to share their knowledge in the EMNC. Cross-border knowledge acquisition is a long and difficult journey, particularly for EMNCs, because they are infant MNCs with less international experience, more or less embedded in political involvement, and suffer from a certain knowledge gap between them and their subsidiaries, particularly those in advanced economies. Hence, EMNCs need to take more initiative to deal with their organizationally distant subsidiaries in order to successfully implement the springboard strategy.

7.2 Limitations and Directions for Future Research

This thesis is a step toward creating a better and more in-depth understanding of the impacts of home-country PE of EMNCs in relation to cross-border knowledge acquisition. It suffers from several limitations in addition to the methodological limitations presented in Section 4.4, although these limitations could provide avenues for future research.

Firstly, the research findings of this thesis do not reach a consensus on the impact of PE on HQ control over subsidiaries, which is an important factor influencing RKT. Specifically, Paper II shows that strong PE of EMNC HQs decreases HQs’ control over subsidiaries in advanced markets. However, Paper IV does not find that the PE of EMNC HQs has a significant impact on HQ administrative role in relation to HQs’ control over subsidiaries. This could be due to different empirical contexts and different research methods. Paper II investigates this issue based on the case study of one Chinese state-owned MNC and its one greenfield and three acquired subsidiaries in advanced markets, while Paper IV is based on a large sampling of Chinese
state-owned and privately-owned MNCs and their subsidiaries in both developing and advanced markets, and more than 60% of the sampled subsidiaries are greenfield. The host location of subsidiaries and the mode of the establishment exert effects on HQs’ control over subsidiaries. These controversial results also justify the choice of the mixed-method approach by identifying that qualitative and quantitative research may not generate the same results, as the quantitative research via PLS-SEM considers the effects of control variables (subsidiary size, subsidiary age, the mode of the establishment, etc. in Paper IV), which do not apply in qualitative research. The other possible reason for the different results is that strong PE results in HQs having a low capability to coordinate and exercise control over subsidiaries abroad, particularly in advanced markets. On the other hand, EMNC HQs with strong PE, particularly SMNCs, have a strong hierarchical and vertical relationship, both within and between firms (Schuler-Zhou & Schuller, 2013). This may lead to these HQs tending to have a hierarchical and centralizing strategy when managing subsidiaries and therefore being willing to exercise control over subsidiaries. HQs’ PE results in the complications in the “motivation-ability” towards HQs’ control, inducing difficulties in generating a consensus of the impact of PE on HQs’ control. Future studies should attempt to explore this issue via different research methods or empirical contexts and by considering moderators such as subsidiary location. This would allow for a better understanding of how EMNC HQs’ PE influences control over subsidiaries.

Secondly, this thesis generates consistency in the negative impact of HQs’ PE on subsidiary willingness to transfer knowledge using different research methods. However, this thesis does not reach a conclusion about how HQs’ PE in the home country has, directly or indirectly, a negative impact on subsidiary willingness. Specifically, the findings of the case study (Paper II) identify the direct effects of HQs’ PE on subsidiary willingness, because strong PE in an HQ results in its lack of legitimacy and leads subsidiaries to have a low level of trust towards the HQ. However, Paper III, based on a survey of 99 Chinese MNCs, shows that HQs’ political ties have an indirectly negative effect on subsidiary willingness through increasing organizational distance between HQs and subsidiaries, although they are not found to have direct effects on subsidiary willingness. An interesting finding from this study is that HQs’ PE does have a negative impact on subsidiary willingness in EMNCs, but in different ways and theoretical underpinnings. This might be because, at the case-study stage, although organizational distance and subsidiary willingness have been investigated in relation to HQs’ PE, the relationship between organizational distance and subsidiary willingness is ignored. In the survey stage, Paper III investigates the role of organizational distance as a mechanism by which political ties drive mixed motives in knowledge-transfer dyads. Future research could work on this issue by employing other empirical contexts to clarify how HQs’ home-country PE
influences subsidiary willingness. Moreover, organizational distance, as a key mechanism and element in knowledge-transfer dyadic relationship, has received little attention in the literature on cross-border knowledge transfer. It would be interesting and valuable to make additional investigations into organizational distance in relation to the characteristics of knowledge-transfer dyadic relationships (e.g., integration, trust, and control-autonomy) and to the extent and effectiveness of inter-organizational knowledge transfer in EMNCs.

This thesis has focused only on the mixed motives in RKT dyads and on the extent of RKT in EMNCs. While RKT is surely beneficial to HQs, Ambos et al. (2006: 306) argued that “the quantity of knowledge inflows is by no means equal to the benefits... research has to consider the value of the knowledge transferred.” Specifically, the effectiveness and benefits of RKT depend on HQs’ absorptive capacity (Ambos et al., 2006; Jeong et al., 2016; Minbaeva et al., 2003), while HQs’ absorptive capacity is relatively low in politically embedded EMNCs, as demonstrated in Paper II. Moreover, to protect their competitive advantage and power in MNCs, subsidiaries may transfer knowledge with less value rather than knowledge with high value to their HQs. For this reason, knowledge transferred may not generate greater effects on MNCs’ innovativeness. Given that the gaining of beneficial effects by acquiring knowledge from subsidiaries is critical to Chinese MNCs achieving their “catch-up” strategy, it would be rewarding to study the beneficial effects of RKT in EMNCs in order to understand what kind of benefits are gained and to discover the factors influencing the beneficial effects of RKT in EMNCs. This would allow for a better understanding of EMNCs’ knowledge-related asset augmentation and “catch-up” strategies. A further gap in the study of RKT in EMNCs is the limited understanding of their effects on subsidiary knowledge senders. Unlike knowledge receivers and MNCs, knowledge senders may experience both benefits and losses from knowledge transfers. Future research should also focus more on the beneficial and detrimental effects of RKT at the subsidiary level in EMNCs.

Political factors are a central focus in EMNC literature. However, most of these studies into political factors have limited their research focus to the internationalization issues of EMNCs. Most of these studies have identified political relations as a source of competitive advantage for internationalization (e.g., Buckley et al., 2007; Duanmu, 2014; Li et al., 2017; Luo et al., 2010; Pan et al., 2014; Wang et al., 2012; Wei et al., 2015). However, the overarching findings of this thesis suggest that PE acts as both an asset and a liability in managing knowledge acquisition within EMNCs. It seems that PE exerts different effects in different aspects of EMNCs. To enhance the understanding of the different impacts of political actors, future research on political factors in EMNCs could shift the focus from internationalization to more corporate international management and governance issues, such as the management of HQ-subsidiary relations, subsidiary competence development, and knowledge integration.
References


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Appendices

### Appendix 1. The List of Interviewees in ABC HQ

<table>
<thead>
<tr>
<th>Working year &amp; nationality</th>
<th>Company &amp; positions</th>
<th>Interview times/total hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 3 years, Chinese</td>
<td>ABC HQ: Manager of the Securities Department</td>
<td>5 times /10 hours</td>
</tr>
<tr>
<td>2. 16 years, Chinese</td>
<td>ABC HQ: Board Secretary, ABC HQ: CEO of Investment Department</td>
<td>1 time /1.5 hours</td>
</tr>
<tr>
<td>3. 4 years, Chinese</td>
<td>ABC HQ: Manager of Strategic Planning</td>
<td>3 times/5 hours</td>
</tr>
<tr>
<td>4. 12 years, Chinese</td>
<td>ABC HQ: Assistant of CEO, ABC Imp. and Exp. Co., Ltd.: CEO</td>
<td>2 times /4 hours</td>
</tr>
<tr>
<td>5. 6 years, Chinese</td>
<td>ABC Imp. and Exp. Co., Ltd.: Director of Central Asia Department</td>
<td>2 times /3.5 hours</td>
</tr>
<tr>
<td>6. 3 years, Chinese</td>
<td>ABC Imp. and Exp. Co., Ltd.: Vice CEO</td>
<td>4 times /7 hours</td>
</tr>
<tr>
<td>7. 8 years, Chinese</td>
<td>ABC HQ’s R&amp;D Center: Vice Director, senior engineer</td>
<td>1 time /2 hours</td>
</tr>
<tr>
<td>8. 4 years, Chinese</td>
<td>ABC HQ’s R&amp;D Center: R&amp;D Engineer</td>
<td>1 time /1.5 hour</td>
</tr>
<tr>
<td>9. 24 years, Chinese</td>
<td>ABC HQ: Director of International Business Department</td>
<td>1 time /2 hours</td>
</tr>
<tr>
<td>10. 36 years, Chinese</td>
<td>ABC HQ: Vice Director of International Business Department, senior engineer</td>
<td>3 times/7 hours</td>
</tr>
<tr>
<td>11. 3 years, Chinese</td>
<td>ABC HQ: Overseas Project Manager of International Business Department</td>
<td>2 times/3 hours</td>
</tr>
<tr>
<td>12. 1.5 years, Chinese</td>
<td>ABC HQ: Overseas Project Associated Manager of International Business Department</td>
<td>4 times/10 hours</td>
</tr>
<tr>
<td>13. 1.5 years, Chinese</td>
<td>ABC HQ: Overseas Project Associated Manager of International Business Department</td>
<td>2 times/3 hours</td>
</tr>
<tr>
<td>14. 4 years, Chinese</td>
<td>ABC HQ: Senior Manager of Investment Department</td>
<td>1 time /1 hour</td>
</tr>
</tbody>
</table>
### Appendix 2. The List of Interviewees in ABC’s Subsidiaries

<table>
<thead>
<tr>
<th>Working year &amp; nationality</th>
<th>Company &amp; positions</th>
<th>Interview times/total hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>15. 7 years in HQ, 4 years in SubB, Chinese</td>
<td>SubB: CEO, senior engineer</td>
<td>4 times /10 hours</td>
</tr>
<tr>
<td>16. 8 years in SubB, German</td>
<td>SubB: HR Director</td>
<td>1 time /2 hours</td>
</tr>
<tr>
<td>17. 11 years in HQ, 2 years in SubD, Chinese</td>
<td>SubD: CEO, engineer</td>
<td>2 times /5 hours</td>
</tr>
<tr>
<td>18. 4 years in SubB, 2 years in SubD, German</td>
<td>SubD: CEO, engineer</td>
<td>2 times /5 hours</td>
</tr>
<tr>
<td>19. 2 years in SubD, German</td>
<td>SubD: Project Manager, engineer</td>
<td>3 times /5 hours</td>
</tr>
<tr>
<td>20. 2 years in SubD, German with Chinese origin</td>
<td>SubD: Engineer</td>
<td>1 time/2 hours</td>
</tr>
<tr>
<td>21. 1 year in SubD, German with Chinese origin</td>
<td>SubD: Engineer</td>
<td>1 time/1 hour</td>
</tr>
<tr>
<td>22. 10 years in HQ, 1.5 years in SubA, Chinese</td>
<td>SubA: CEO</td>
<td>3 times/7 hours</td>
</tr>
<tr>
<td>23. 25 years in SubA, Dutch</td>
<td>SubA: HR Director</td>
<td>1 time/2 hours</td>
</tr>
<tr>
<td>24. 18 years in HQ, 3 years in SubC, Chinese</td>
<td>SubC: CEO, senior engineer</td>
<td>3 times/9 hours</td>
</tr>
</tbody>
</table>
Dear Sir/Madam,

This research project focuses on the relationships between Chinese headquarters (HQs) and overseas subsidiaries and the knowledge transfer occurring between them. A core step of the project is this survey, which is structured into two questionnaires: one questionnaire is for HQs, and the second questionnaire is for its overseas subsidiaries. These two questionnaires contain the following topics:

1. The background of the firm
2. The characteristics of HQs and overseas subsidiaries
3. The relationship between HQs and overseas subsidiaries
4. The knowledge transfer between HQs and overseas subsidiaries

This research project is being conducted by Uppsala University with support from Fudan University Nordic Centre. Professor Francesco Ciabuschi and Professor Ulf Holm are leading this project and are responsible for its implementation. Other participants include Cong Su (a PhD student) and Lingshuang Kong (a PhD student).

We would be very grateful if you can take some time to cooperate with us and complete this questionnaire on behalf of your firm. It should take around 40 minutes. Please note that all information will be treated with strict confidentiality and the results will only be reported in aggregate form so that your firm cannot be distinguished. Furthermore, all information is for academic research purposes only.

Before starting, please note the following:
1 This questionnaire is for the multinational HQ.
2 In the questionnaire, the expression ‘subsidiary’ refers to the overseas subsidiary.
3 Please mark the alternative, -9, when you do not know the answer or when the question is not relevant to your firm.

Thank you very much for your help and participation. If you have any questions, please contact us.

Best regards,

Cong Su and Lingshuang Kong

<table>
<thead>
<tr>
<th>0.1 MNC’s name</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0.2 Place (city) of the MNC HQ</td>
<td></td>
</tr>
<tr>
<td>0.3 Respondent(s)</td>
<td>Name(s):</td>
</tr>
<tr>
<td>0.4 Interviewer &amp; Interview date</td>
<td></td>
</tr>
</tbody>
</table>
# Questionnaire for Chinese Headquarters

**1 Background of the MNC and MNC HQ.**  
*Mark each box. Mark -9 if you do not know or if N.A.*

<table>
<thead>
<tr>
<th>1.1 Year of foundation of the parent firm</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.2 MNC’s domestic subsidiaries</td>
<td>Number of subsidiaries</td>
</tr>
<tr>
<td>1.3 Employees in <strong>2014</strong></td>
<td>Whole MNC (Number)</td>
</tr>
<tr>
<td>1.4 Sales in <strong>2014</strong></td>
<td>Whole MNC (RMB)</td>
</tr>
<tr>
<td>1.5 R&amp;D budget in <strong>2014</strong></td>
<td>R&amp;D budget: % total sales</td>
</tr>
<tr>
<td>1.6 The share of foreign ownership of the MNC’s parent firm</td>
<td>____ %</td>
</tr>
</tbody>
</table>
| 1.7 The share of state ownership of the MNC’s parent firm in percentage | ____ % | Please indicate how the state ownership is divided between the following three levels.  
____ % Central government and its entities  
____ % Provincial government and its entities  
____ % City government and its entities and below levels |
| 1.8 Number of employees at the MNC HQ | Total number of employees | Number of Top managers |

**1.9 Functions of the MNC HQ**  
*Please choose all the relevant items*  
- General management  
- Strategic planning  
- Finance  
- Treasure and tax  
- Human resource management  
- Marketing  
- Purchasing  
- R&D  
- Administration  
- Audit and supervision

| 1.10 Which is currently the main market your MNC focuses on in the world?  
*Please mark only one box* |  |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.11 Number of the board members of the MNC’s parent firm</td>
<td></td>
</tr>
<tr>
<td>1.12 Percentage of the board members who are or have been government officers/members of the Chinese People’s Congress/members of the Chinese People’s Political Consultative Conference at county and above levels</td>
<td></td>
</tr>
</tbody>
</table>

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1.13 Percentage of top managers who are or have been government officers/members of the Chinese People’s Congress/members of the Chinese People’s Political Consultative Conference at county and above levels

1.14 Percentage of top managers with international experience (studying or working abroad for more than one year)

1.15 Percentage of foreign top managers at the MNC HQ

2 Internationalization of the MNC

(Mark each box. Mark-9=do not know/N.A.)

<table>
<thead>
<tr>
<th>2.1 Number of overseas subsidiaries</th>
<th>Total Number of subsidiaries</th>
<th>Number of subsidiaries in developed economies</th>
<th>Number of subsidiaries which have been part of your MNC at least for three years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2.2 The first overseas subsidiary

<table>
<thead>
<tr>
<th>Year</th>
<th>Country</th>
<th>Acquired Greenfield</th>
<th>Joint-venture</th>
</tr>
</thead>
</table>

2.3 Is there a specific department managing overseas subsidiaries within the MNC?

- Yes
- No

If yes, is it a part in the MNC HQ?

- Yes
- No

3 To what extent have the MNC HQ’s decisions in the following areas been influenced by the regulations and policies of Chinese government or government agencies during the past three years?

(1=not at all, 7=very much, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th>3.1 Pricing decisions</th>
<th>1 2 3 4 5 6 7 -9</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2 Investment decisions</td>
<td>1 2 3 4 5 6 7 -9</td>
</tr>
<tr>
<td>3.3 Financing decisions</td>
<td>1 2 3 4 5 6 7 -9</td>
</tr>
<tr>
<td>3.4 Employment policy</td>
<td>1 2 3 4 5 6 7 -9</td>
</tr>
<tr>
<td>3.5 Selection and dismissal of key personnel</td>
<td>1 2 3 4 5 6 7 -9</td>
</tr>
<tr>
<td>3.6 Selection of business partners</td>
<td>1 2 3 4 5 6 7 -9</td>
</tr>
<tr>
<td>3.7 Formulation of a strategic plan</td>
<td>1 2 3 4 5 6 7 -9</td>
</tr>
<tr>
<td>3.8 Formulation of a long-term development plan</td>
<td>1 2 3 4 5 6 7 -9</td>
</tr>
<tr>
<td>3.9 Entry into new industry</td>
<td>1 2 3 4 5 6 7 -9</td>
</tr>
<tr>
<td>3.10 Entry into new market</td>
<td>1 2 3 4 5 6 7 -9</td>
</tr>
</tbody>
</table>

4 To what extent has the MNC HQ received support from the Chinese government or government agencies in the following areas during the past three years?

(1=not at all, 7=very much, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th>4.1 Providing technical support</th>
<th>1 2 3 4 5 6 7 -9</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.2 Providing financial support</td>
<td>1 2 3 4 5 6 7 -9</td>
</tr>
<tr>
<td>4.3 Providing market information</td>
<td>1 2 3 4 5 6 7 -9</td>
</tr>
<tr>
<td>4.4 Implementing policies that has been beneficial to business operations</td>
<td>1 2 3 4 5 6 7 -9</td>
</tr>
<tr>
<td>4.5 Identifying business partners</td>
<td>1 2 3 4 5 6 7 -9</td>
</tr>
<tr>
<td>4.6 Helping to enter new markets</td>
<td>1 2 3 4 5 6 7 -9</td>
</tr>
</tbody>
</table>
5 To what extent does the MNC HQ measure subsidiary performance according to the following factors?
 *(1=not at all, 7=very much, -9=do not know/N.A.)*

<p>| | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 Subsidiary’s financial result</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>5.2 Subsidiary’s market share</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>5.3 Subsidiary’s product/service innovation</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>5.4 Subsidiary’s production innovation</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>5.5 Subsidiary’s relationship with local government</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>5.6 Subsidiary’s reputation in host country</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>5.7 Subsidiary’s knowledge sharing within your MNC</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

6 To what extent do you agree with the following statements?
 *(1=strongly disagree, 4=neither/nor, 7=strongly agree, -9=do not know/N.A.)*

<p>| | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1 The HQ intensively stimulates innovation.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>6.2 The HQ’s top managers have strong experience with innovation.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>6.3 The HQ’s innovative initiatives are hard for competitors to imitate.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>6.4 The HQ typically encourages your MNC to initiate actions in dealing with competitors.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>6.5 In dealing with competitors, the HQ often drives your MNC to be first to introduce new products/services, administrative techniques, operating technologies, etc.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>6.6 The HQ has a strong tendency to be ahead of others in the market.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>6.7 The HQ’s top managers favor initiative taking by employees.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>6.8 The HQ stresses a fully delegated policy for employees.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>6.9 The HQ gives freedom to employees to develop new ideas.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>6.10 Individual risk-takers are recognized by the HQ whether successful or not.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>6.11 Risk-taking is considered a positive attribute within the HQ.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

7 To what extent do you agree with the following statements?
 *(1=strongly disagree, 4=neither/nor, 7=strongly agree, -9=do not know/N.A.)*

<table>
<thead>
<tr>
<th>During the past three years,</th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1 the MNC HQ has been capable of networking with government and regulatory departments in China.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>7.2 the MNC HQ has maintained relationships with many Chinese government officials and regulatory departments.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>7.3 the MNC HQ has frequently contacted Chinese government officials for issues which are important to your MNC.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>7.4 the MNC HQ has been closely connected with Chinese government.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>
7.5 your top managers and Chinese government officials have met face to face on a regular basis.

<table>
<thead>
<tr>
<th>Rating</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>9</th>
</tr>
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<tbody>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8 To what extent do you agree with the following statements?
(-3= strongly disagree, 0=neither/nor, 3=strongly agree, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th>Statement</th>
<th>Rating</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1 Your subsidiaries share close ties among themselves.</td>
<td>-3</td>
<td>-2</td>
<td>-1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>8.2 There is very little interaction between your subsidiaries.</td>
<td>-3</td>
<td>-2</td>
<td>-1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>8.3 Relations among your subsidiaries are very close.</td>
<td>-3</td>
<td>-2</td>
<td>-1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>8.4 Your subsidiaries communicate frequently.</td>
<td>-3</td>
<td>-2</td>
<td>-1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>8.5 Your subsidiaries discuss common problems frequently.</td>
<td>-3</td>
<td>-2</td>
<td>-1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>8.6 The MNC HQ has a clear vision of what it is trying to achieve through knowledge transfer from your subsidiaries.</td>
<td>-3</td>
<td>-2</td>
<td>-1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>8.7 The MNC HQ has a clear division of responsibilities to implement knowledge transferred from your subsidiaries.</td>
<td>-3</td>
<td>-2</td>
<td>-1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>8.8 The MNC HQ has the necessary skills to implement knowledge transferred from your subsidiaries.</td>
<td>-3</td>
<td>-2</td>
<td>-1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>8.9 The MNC HQ has the technical competence to absorb knowledge transferred from your subsidiaries.</td>
<td>-3</td>
<td>-2</td>
<td>-1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>8.10 The MNC HQ has the managerial competence to absorb knowledge transferred from your subsidiaries.</td>
<td>-3</td>
<td>-2</td>
<td>-1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>8.11 Within the MNC HQ, it is well known who can best exploit new information about knowledge transferred from your subsidiaries.</td>
<td>-3</td>
<td>-2</td>
<td>-1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>8.12 It is well known who can help solve problems associated with knowledge transferred from your subsidiaries.</td>
<td>-3</td>
<td>-2</td>
<td>-1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>-9</td>
<td></td>
</tr>
</tbody>
</table>

9 Please answer the following questions.
(1=not at all, 7=very much, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th>Question</th>
<th>Rating</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.1 How frequently have the MNC HQ’s top managers attended government or government agencies-organized meetings and conferences during the past three years?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>9.2 How frequently have the MNC HQ’s top managers organized meetings and training regarding Chinese government’s ideologies and principles for employees during the past three years?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>9.3 To what extent have the MNC HQ’s top managers aligned the MNC’s management and business operations with the Chinese government’s ideologies and principles during the past three years?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
</tbody>
</table>
10 Please indicate up to 5 overseas subsidiaries which have been part of your MNC at least for three years and most important for your MNC’s business.
(Please start by listing at least one subsidiary in developed economies)

<table>
<thead>
<tr>
<th>No.</th>
<th>Subsidiary Name</th>
<th>Location (country)</th>
<th>Entry Mode (mark: 0=greenfield, 1=acquired, 2=joint-venture)</th>
<th>Ownership held by the MNC</th>
<th>Year of establishment as a firm</th>
<th>Years of establishment in MNC</th>
<th>Contact person &amp; Phone/Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub 1</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub 2</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Sub 3</td>
<td></td>
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</tr>
<tr>
<td>Sub 4</td>
<td></td>
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<tr>
<td>Sub 5</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

In relation to each subsidiary listed above, please answer the following questions.

11 To what extent have the following factors been the initial drivers for establishing each subsidiary?
(Mark for each subsidiary: 1=not at all, 7=very much, -9=do not know/N.A.)

11.1 Natural resource seeking
11.2 Market seeking
11.3 Efficiency seeking (e.g. reducing costs, taking advantage of the economies of scale etc.)
11.4 Avoiding barriers for international trade
11.5 Exploiting political incentives
11.6 Strategic-asset seeking (e.g. acquiring critical resources or capability including technological know-how, management practices, brands, marketing and sales know-how etc.)

12 To what extent does currently the MNC HQ look for the following assets from each subsidiary?
(Mark for each subsidiary: 1=not at all, 7=very much, -9=do not know/N.A.)

The subsidiary’s:  

| Sub 1 | Sub 2 | Sub 3 | Sub 4 | Sub 5 |
12.1 Management practices
12.2 Technological know-how
12.3 R&D capability
12.4 Distribution channels
12.5 Marketing and sales know-how
12.6 Contacts with business actors
12.7 Contacts with local government
12.8 Brand

13 Which is the level of competence held by each subsidiary concerning the following activities?
(Mark for each subsidiary: 1=not at all, 7=very much, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th>Sub 1</th>
<th>Sub 2</th>
<th>Sub 3</th>
<th>Sub 4</th>
<th>Sub 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.1</td>
<td></td>
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<tr>
<td>13.2</td>
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<td>13.3</td>
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<tr>
<td>13.4</td>
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<tr>
<td>13.5</td>
<td></td>
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</tr>
</tbody>
</table>

14 How closely does the MNC HQ follow each subsidiary in terms of _____?
(Mark for each subsidiary: 1=not at all, 7=very much, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th>The subsidiary’s:</th>
<th>Sub 1</th>
<th>Sub 2</th>
<th>Sub 3</th>
<th>Sub 4</th>
<th>Sub 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.1 Local market potential</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.2 Performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.3 Innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.4 Strategic planning</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

15 To what extent do you agree with the following statements related to each subsidiary?
(Mark for each subsidiary: -3=strongly disagree, 0=neither/nor, 3=strongly agree, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th>Sub 1</th>
<th>Sub 2</th>
<th>Sub 3</th>
<th>Sub 4</th>
<th>Sub 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>15.1</td>
<td></td>
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<tr>
<td>15.2</td>
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<tr>
<td>15.3</td>
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<tr>
<td>15.4</td>
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<tr>
<td>15.5</td>
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<tr>
<td>15.6</td>
<td></td>
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</tr>
</tbody>
</table>

16 To what extent, during the past 12 months, has the MNC HQ received different knowledge (listed below) from each subsidiary?
(Mark for each subsidiary: 1=not at all, 7=very much, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th>Sub 1</th>
<th>Sub 2</th>
<th>Sub 3</th>
<th>Sub 4</th>
<th>Sub 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.1</td>
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<tr>
<td>16.2</td>
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<tr>
<td>16.3</td>
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<td>16.4</td>
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<td>16.5</td>
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<tr>
<td>16.6</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
16.1 Product/service know-how
16.2 Production know-how
16.3 Marketing and sales know-how
16.4 Management practices know-how
16.5 R&D know-how

17 To what extent, during the past 12 months, have Chinese subsidiaries of the MNC received different knowledge (listed below) from each subsidiary?
(Mark for each subsidiary: 1=not at all, 7=very much, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th>Knowledge Topic</th>
<th>Sub 1</th>
<th>Sub 2</th>
<th>Sub 3</th>
<th>Sub 4</th>
<th>Sub 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>17.1 Product/service know-how</td>
<td></td>
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<tr>
<td>17.2 Production know-how</td>
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<td></td>
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<tr>
<td>17.3 Marketing and sales know-how</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>17.4 Management practices know-how</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>17.5 R&amp;D know-how</td>
<td></td>
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</tr>
</tbody>
</table>

18 To what extent has the MNC HQ asked for transferring different knowledge (listed below) from each subsidiary during the past 12 months?
(Mark for each subsidiary: 1=not at all, 7=very much, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th>Knowledge Topic</th>
<th>Sub 1</th>
<th>Sub 2</th>
<th>Sub 3</th>
<th>Sub 4</th>
<th>Sub 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.1 Product/service know-how</td>
<td></td>
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<tr>
<td>18.2 Production know-how</td>
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<td></td>
<td></td>
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<tr>
<td>18.3 Marketing and sales know-how</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>18.4 Management practices know-how</td>
<td></td>
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<tr>
<td>18.5 R&amp;D know-how</td>
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</tbody>
</table>

19 Please evaluate how knowledge transferred from each subsidiary has influenced the MNC in the following areas during the past 12 months?
(Mark for each subsidiary: -3=strong negative influence, 0=no influence, 3=strong positive influence, -9-do not know/N.A.)

<table>
<thead>
<tr>
<th>Area of Influence</th>
<th>Sub 1</th>
<th>Sub 2</th>
<th>Sub 3</th>
<th>Sub 4</th>
<th>Sub 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.1 MNC’s product/service innovation</td>
<td></td>
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<tr>
<td>19.2 MNC’s production efficiency</td>
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<tr>
<td>19.3 MNC’s R&amp;D output</td>
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<tr>
<td>19.4 MNC’s profitability</td>
<td></td>
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<tr>
<td>19.5 MNC’s competitiveness</td>
<td></td>
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<tr>
<td>19.6 MNC’s brand</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>19.7 Business volume in China</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>19.8 Business volume in overseas</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>19.9 Investment decisions in China</td>
<td></td>
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<tr>
<td>19.10 Investment decisions in overseas</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>19.11 MNC HQ’s competence</td>
<td></td>
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<td></td>
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<tr>
<td>19.12 MNC HQ’s international management skills</td>
<td></td>
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<tr>
<td>19.13 Relationship with the MNC HQ</td>
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<tr>
<td>19.14 Relationship with other subsidiaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19.15 MNC’s best practice</td>
<td></td>
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</tr>
</tbody>
</table>
Appendix 4. Questionnaire for Chinese Multinational Subsidiaries

Questionnaire for Chinese Multinational Subsidiaries
(Management of Chinese Multinationals)

Dear Sir/Madam,

This research project focuses on the relationships between Chinese headquarters (HQs) and overseas subsidiaries and the knowledge transfer occurring between them. A core step of the project is this survey, which is structured into two questionnaires: one questionnaire is for HQs, and the second questionnaire is for its overseas subsidiaries. These two questionnaires contain the following topics:

1. The background of the firm
2. The characteristics of HQs and overseas subsidiaries
3. The relationship between HQs and overseas subsidiaries
4. The knowledge transfer between HQs and overseas subsidiaries

This research project is being conducted by Uppsala University with support from Fudan University Nordic Centre. Professor Francesco Ciabuschi and Professor Ulf Holm are leading this project and are responsible for its implementation. Other participants include Cong Su (a PhD student) and Lingshuang Kong (a PhD student).

We would be very grateful if you can take some time to cooperate with us and complete this questionnaire on behalf of your firm. It should take around 30 minutes. Please note that all information will be treated with strict confidentiality and the results will only be reported in aggregate form so that your firm cannot be distinguished. Furthermore, all information is for academic research purposes only.

Before starting, please note the following:
1. This questionnaire is for overseas subsidiary of the multinational.
2. In the questionnaire, the expression ‘subsidiary’ refers to the overseas subsidiary.
3. Please mark the alternative, -9, when you do not know the answer or when the question is not relevant to your firm.

Thank you very much for your help and participation. If you have any questions, please contact us.

Best regards,
Cong Su and Lingshuang Kong

<table>
<thead>
<tr>
<th>0.1 MNC name</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.2 Division of MNC</td>
</tr>
<tr>
<td>0.3 Subsidiary name</td>
</tr>
<tr>
<td>0.4 Respondent(s)</td>
</tr>
</tbody>
</table>

Questionnaire for Chinese Multinational Subsidiaries

1 Background of your subsidiary.
(Mark each box. Mark -9 if you do not know or if N.A.)

<table>
<thead>
<tr>
<th>1.1 Industry</th>
<th>Basic and applied research □</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Technical development □</td>
</tr>
<tr>
<td></td>
<td>Production of goods and services □</td>
</tr>
<tr>
<td></td>
<td>Marketing and sales □</td>
</tr>
<tr>
<td></td>
<td>Purchasing □</td>
</tr>
<tr>
<td></td>
<td>Distribution □</td>
</tr>
<tr>
<td></td>
<td>Human resource management □</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.2 Subsidiary activities</th>
<th>□ Basic and applied research</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Please mark all relevant boxes.)</td>
<td>□ Technical development</td>
</tr>
<tr>
<td></td>
<td>□ Production of goods and services</td>
</tr>
<tr>
<td></td>
<td>□ Marketing and sales</td>
</tr>
<tr>
<td></td>
<td>□ Purchasing</td>
</tr>
<tr>
<td></td>
<td>□ Distribution</td>
</tr>
<tr>
<td></td>
<td>□ Human resource management</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.3 Total number of employees in 2014</th>
<th>Number</th>
<th>Growth rate (%) compared with 2013</th>
</tr>
</thead>
</table>

| 1.4 Percentage of Chinese employees | % | |

<table>
<thead>
<tr>
<th>1.5 Total sales in 2014</th>
<th>Total sales (ML Dollars)</th>
<th>Growth rate (%) compared with 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ 0–1</td>
<td>□ 1–3</td>
<td></td>
</tr>
<tr>
<td>□ 10–20</td>
<td>□ 20–50</td>
<td></td>
</tr>
<tr>
<td>□ 50–100</td>
<td>□ more than 100</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.6 Operating profits in 2014</th>
<th>Negative □ Zero □ Positive □</th>
<th>Growth rate (%) compared with 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>If positive, please indicate % of operating profits in total sales</td>
<td>%</td>
<td></td>
</tr>
</tbody>
</table>

| 1.7 Percentage of R&D budget in total sales in 2014 | % |

<table>
<thead>
<tr>
<th>1.8 Subsidiary’s share of business with other MNC units</th>
<th>% of sales to other MNC units relative to subsidiary’s total sales</th>
<th>% of purchases from other MNC units relative to subsidiary’s total purchase</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>1.9 Composition of top management team of your subsidiary</th>
<th>Total number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of local nationals</td>
<td></td>
</tr>
<tr>
<td>Number of Chinese expatriates</td>
<td></td>
</tr>
<tr>
<td>Number of third-country expatriates</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.10 Number of Chinese expatriate manager(s) with international experience</th>
<th>Total number</th>
</tr>
</thead>
<tbody>
<tr>
<td>(studying or working abroad for more than one year)</td>
<td></td>
</tr>
<tr>
<td>Number of Chinese expatriates</td>
<td></td>
</tr>
<tr>
<td>Number of third-country expatriates</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.11 Number of local non-Chinese manager(s) with Chinese experience</th>
<th>Total number</th>
</tr>
</thead>
<tbody>
<tr>
<td>(studying or working in China for more than one year)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.12 How frequently do local non-Chinese managers in your subsidiary have direct contacts with the MNC HQ’s top managers?</th>
<th>Total number</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Please mark only one choice.)</td>
<td></td>
</tr>
<tr>
<td>1=less than yearly</td>
<td>2=yearly</td>
</tr>
<tr>
<td>4=quarterly</td>
<td>5=monthly</td>
</tr>
<tr>
<td>7=daily</td>
<td>-9=do not know/N.A.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.13 Please indicate which unit(s) your subsidiary directly reports to</th>
<th>Total number</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Please mark all relevant boxes.)</td>
<td></td>
</tr>
<tr>
<td>□ MNC HQ</td>
<td></td>
</tr>
<tr>
<td>□ Chinese subsidiaries</td>
<td></td>
</tr>
<tr>
<td>□ Divisional HQ</td>
<td></td>
</tr>
<tr>
<td>□ Other overseas subsidiaries</td>
<td></td>
</tr>
</tbody>
</table>

2 What is the level of competence held by your subsidiary concerning the following activities?
(1=not at all, 7=very much, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th>2.1 Product/service</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>-9</th>
</tr>
</thead>
</table>

134
2.2 Production
1 2 3 4 5 6 ? -9
2.3 Marketing and sales
1 2 3 4 5 6 ? -9
2.4 Management practices
1 2 3 4 5 6 ? -9
2.5 R&D
1 2 3 4 5 6 ? -9

3 How important have relationships with any of the following organizations been for the development of your subsidiary’s competences during the past three years? (1=not at all, 7=very much, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th></th>
<th>MNC HQ</th>
<th>Chinese subsidiaries</th>
<th>Other overseas subsidiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 MNC HQ</td>
<td>1 2 3 4 5 6 ? -9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2 Divisional HQ</td>
<td>1 2 3 4 5 6 ? -9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.3 Chinese subsidiaries in MNC</td>
<td>1 2 3 4 5 6 ? -9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.4 Other overseas subsidiaries in MNC</td>
<td>1 2 3 4 5 6 ? -9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.5 External market customers</td>
<td>1 2 3 4 5 6 ? -9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.6 External market suppliers</td>
<td>1 2 3 4 5 6 ? -9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.7 Competitors</td>
<td>1 2 3 4 5 6 ? -9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.8 Universities or research institutions</td>
<td>1 2 3 4 5 6 ? -9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.9 Government institutions</td>
<td>1 2 3 4 5 6 ? -9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4 To what extent is your subsidiary’s relationship to the following counterparts characterized by the following aspects? (Please mark each box: 1=not at all, 7=very much, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th></th>
<th>MNC HQ</th>
<th>Chinese subsidiaries</th>
<th>Other overseas subsidiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Cooperation in product development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.2 Cooperation in production</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.3 Cooperation in marketing and sales</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>4.4 Mutual technical adaptation</td>
<td></td>
<td></td>
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<tr>
<td>4.5 Knowledge and information exchange</td>
<td></td>
<td></td>
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<tr>
<td>4.6 Informal communication</td>
<td></td>
<td></td>
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<tr>
<td>4.7 Common goals</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>4.8 Long-term orientation</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>4.9 Interdependence</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.10 Mutual trust</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>4.11 Communication problems</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.12 Cultural barriers</td>
<td></td>
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</tr>
</tbody>
</table>

5 Relative to your competitors in the industry, how is your subsidiary’s performance in the following dimensions. (1=much lower, 4=average, 7=much higher, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th></th>
<th>1 2 3 4 5 6 ? -9</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 Return on investment</td>
<td></td>
</tr>
<tr>
<td>5.2 Profitability</td>
<td>1 2 3 4 5 6 ? -9</td>
</tr>
<tr>
<td>5.3 Market share</td>
<td>1 2 3 4 5 6 ? -9</td>
</tr>
<tr>
<td>5.4 Sales growth</td>
<td>1 2 3 4 5 6 ? -9</td>
</tr>
<tr>
<td>5.5 Innovation</td>
<td>1 2 3 4 5 6 ? -9</td>
</tr>
</tbody>
</table>

6 Please indicate the relative influence that your subsidiary versus the MNC HQ has in affecting the following decisions regarding your subsidiary. (1=the MNC HQ decides alone, 4=equal influence, 7=subsidiary decides alone, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th></th>
<th>1 2 3 4 5 6 ? -9</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1 Hiring top managers</td>
<td></td>
</tr>
<tr>
<td>6.2 Formulation of annual budget</td>
<td>1 2 3 4 5 6 ? -9</td>
</tr>
</tbody>
</table>
## 6.3 Market expansion

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>-9</th>
</tr>
</thead>
</table>

## 6.4 Introduction of new products/services

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>-9</th>
</tr>
</thead>
</table>

## 6.5 Investment in production

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>-9</th>
</tr>
</thead>
</table>

## 6.6 Investment in R&D

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>-9</th>
</tr>
</thead>
</table>

### 7 To what extent do you agree with the following statements?

* (1 = strongly disagree, 4 = neither/nor, 7 = strongly agree, -9 = do not know/N.A.)

<table>
<thead>
<tr>
<th>7.1 Your subsidiary benefits from the local legal environment.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>-9</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.2 The local government hinders to your subsidiary’s activities.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>7.3 Your subsidiary receives strong support from the local government.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>7.4 Your subsidiary faces a high level of competition in the local market.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
</tbody>
</table>

### 8 To what extent do you agree with the following statements?

* (1 = strongly disagree, 4 = neither/nor, 7 = strongly agree, -9 = do not know/N.A.)

<table>
<thead>
<tr>
<th>8.1 Your subsidiary’s Chinese managers have good informal relations with the HQ’s top managers.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>-9</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.2 There is a great deal of trust between your subsidiary’s Chinese managers and the HQ’s top managers.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>8.3 Your subsidiary’s Chinese managers maintain close social relationships with the HQ’s top managers.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>8.4 Communication between your subsidiary’s Chinese managers and the HQ’s top managers is very easy.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
</tbody>
</table>

### 9 To what extent do you agree with the following statements?

* (1 = strongly disagree, 4 = neither/nor, 7 = strongly agree, -9 = do not know/N.A.)

<table>
<thead>
<tr>
<th>9.1 Your subsidiary intensively stimulates innovation.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>-9</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.2 Your subsidiary’s top managers have strong experience with innovation.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>9.3 Your subsidiary’s innovative initiatives are hard for competitors to imitate.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>9.4 Your subsidiary typically initiates actions in dealing with competitors.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>9.5 In dealing with competitors, your subsidiary is often the first to introduce new products/services, administrative techniques, operating technologies, etc.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>9.6 Your subsidiary has a strong tendency to be ahead of others in the market.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>9.7 Your subsidiary’s top managers favour initiative taking by employees.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>9.8 Your subsidiary stresses a fully delegated policy for employees.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>9.9 Your subsidiary gives freedom to employees to develop new ideas.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>9.10 Individual risk-takers are recognized by your subsidiary, whether successful or not.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>9.11 Risk-taking is considered a positive attribute within your subsidiary.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
</tbody>
</table>
10 To what extent are the following mechanisms used for coordination of activities between your subsidiary and the MNC HQ? 
(1=not at all, 7=very much, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>-9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liaison personnel</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>Temporary task forces</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>Permanent teams</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>Joint training programs involving participants from multiple units</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>Participation of expatriates and repatriates in daily routines</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>Having a mentor at the MNC HQ</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>Inter-unit trips and visits</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
</tbody>
</table>

11 Please answer the following questions. 
(1=not at all, 7=very much, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th>Question</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>-9</th>
</tr>
</thead>
<tbody>
<tr>
<td>To what extent did your subsidiary see benefits in sharing your knowledge with the MNC HQ during the past three years?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>To what extent did your subsidiary see benefits in sharing your knowledge with other subsidiaries within the MNC during the past three years?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>To what extent did your subsidiary commit resources to transfer knowledge internally to the MNC during the past three years?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>To what extent did the MNC HQ motivate (financially or emotionally) your subsidiary to transfer your knowledge during the past three years?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>To what extent are the business practices and operational mechanisms of the MNC HQ similar to yours?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>To what extent is the corporate culture and management style of the MNC HQ similar to yours?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
</tbody>
</table>

12 Please answer the following questions. 
(1=not at all, 7=very much, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th>Question</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>-9</th>
</tr>
</thead>
<tbody>
<tr>
<td>To what extent, during the past three years, has your subsidiary developed</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>products/service for the MNC?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>technology for the MNC?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>any competence for the MNC?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
</tbody>
</table>

13 To what extent do you agree with the following statements? 
(1=strongly disagree, 4=neither/nor, 7=strongly agree, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th>Question</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>-9</th>
</tr>
</thead>
<tbody>
<tr>
<td>The MNC HQ has been important for your subsidiary through its involvement in core activities.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>The MNC HQ has transferred valuable knowledge that is useful to your subsidiary.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>The MNC HQ’s activities have led to substantial cost savings at your subsidiary.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>The MNC HQ has provided useful guidance.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>The MNC HQ is knowledgeable about the local environment.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
</tbody>
</table>
14 To what extent do you agree with the following statements?  
(1= strongly disagree, 4= neither/nor, 7= strongly agree, -9=do not know/N.A.)

| 14.1 In your subsidiary, the Chinese managers have good informal relations with local non-Chinese managers. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |
| 14.2 In your subsidiary, there is a great deal of trust between the Chinese managers and local non-Chinese managers. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |
| 14.3 In your subsidiary, the Chinese managers maintain close social relationships with local non-Chinese managers. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |
| 14.4 In your subsidiary, communication between the Chinese managers and local non-Chinese managers is very easy. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |

15 With regard to the transfer of the knowledge, please answer the following questions.  
(1=not at all, 7=very much, -9=do not know/N.A.)

| 15.1 To what extent has the MNC HQ instructed your subsidiary to share the knowledge with a specific counterpart within the MNC during the past three years? | 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |
| 15.2 To what extent has the MNC HQ been heavily involved in conducting knowledge transfer processes during the past three years? | 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |
| 15.3 To what extent has the MNC HQ taken complete responsibility for transferring knowledge from you to other counterparts within the MNC during the past three years? | 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |

16 To what extent do you agree with the following statements?  
(1= strongly disagree, 4= neither/nor, 7= strongly agree, -9=do not know/N.A.)

| 16.1 Your subsidiary is capable of networking with local business partners. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |
| 16.2 Your subsidiary maintains relationships with many local business partners. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |
| 16.3 Your subsidiary frequently contacts local business partners regarding important issues. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |
| 16.4 Your subsidiary is closely connected with the local business partners. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |
| 16.5 Your top managers and local business partners meet face to face on a regular basis. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |
| 16.6 Your subsidiary’s management practices are highly adapted to local business partners. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |
| 16.7 Your local business partners’ management practices are highly adapted to yours. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |
| 16.8 Your subsidiary has long-term orientation in its relationships with local business partners. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |
| 16.9 Your subsidiary is capable of networking with local government and regulatory departments. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |
| 16.10 Your subsidiary maintains relationships with many local government officials and regulatory departments. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |
| 16.11 Your subsidiary frequently contacts local government officials for issues which are important to your firm. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |
| 16.12 Your subsidiary is closely connected with the local government. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |
| 16.13 Your top managers and local government officials meet face to face on a regular basis. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |
| 16.14 Your subsidiary has close relationships with Chinese government agencies in your country. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |
17 To what extent, during the past 12 months, has your subsidiary transferred different knowledge (listed below) to the following organizations?

(Please mark each box: 1=not at all, 7=very much, -9= do not know/N.A.)

<table>
<thead>
<tr>
<th>Product/service know-how</th>
<th>Production know-how</th>
<th>Marketing and sales know-how</th>
<th>Management practices know-how</th>
<th>R&amp;D know-how</th>
</tr>
</thead>
<tbody>
<tr>
<td>MNC HQ</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chinese subsidiaries</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Other overseas subsidiaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Your subsidiary</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

18 To what extent has the MNC HQ asked for transferring different knowledge (listed below) from your subsidiary during the past 12 months?

(1=not at all, 7=very much, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th>Product/service know-how</th>
<th>Production know-how</th>
<th>Marketing and sales know-how</th>
<th>Management practices know-how</th>
<th>R&amp;D know-how</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.1</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>18.2</td>
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<td>18.3</td>
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<tr>
<td>18.4</td>
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<tr>
<td>18.5</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

19 With regard to the transfer of each type of knowledge during the past 12 months, to what extent was each type initiated by the following organizations?

(Please mark each box: 1=not at all, 7=very much, -9= do not know/N.A.)

<table>
<thead>
<tr>
<th>Product/service know-how</th>
<th>Production know-how</th>
<th>Marketing and sales know-how</th>
<th>Management practices know-how</th>
<th>R&amp;D know-how</th>
</tr>
</thead>
<tbody>
<tr>
<td>MNC HQ</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chinese subsidiaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other overseas subsidiaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Your subsidiary</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

20 With regard to the transfer of knowledge to Chinese units (including HQ) in the MNC, please evaluate the following statements.

(1= strongly disagree, 4=neither/nor, 7= strongly agree, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th>Organizational differences often make transfer problematic.</th>
<th>Technical differences often make transfer problematic.</th>
<th>Motivational issues often make transfer problematic.</th>
<th>Cultural differences often make transfer problematic.</th>
<th>Lack of resources often causes transfer to fail.</th>
<th>The complicated characteristics of the knowledge often cause transfer to fail.</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.1</td>
<td>20.2</td>
<td>20.3</td>
<td>20.4</td>
<td>20.5</td>
<td>20.6</td>
</tr>
<tr>
<td>1 2 3 4 5 6 7 -9</td>
<td>1 2 3 4 5 6 7 -9</td>
<td>1 2 3 4 5 6 7 -9</td>
<td>1 2 3 4 5 6 7 -9</td>
<td>1 2 3 4 5 6 7 -9</td>
<td>1 2 3 4 5 6 7 -9</td>
</tr>
</tbody>
</table>
36 Gunnarsson, Elving, 1988, Från Hansa till Handelshögskola: Svensk ekonomi-
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