Journal of International Management 29 (2023) 101063

Contents lists available at ScienceDirect

Journal of International Management

journal homepage: www.elsevier.com/locate/intman

Light Touch Goes Where? A Longitudinal Study of the Post-Acquisition Integration Paths Adopted by Chinese Multinational Enterprises

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ARTICLE INFO

Keywords:
Post-acquisition integration
Light-touch integration
Catch-up strategy
Chinese multinational enterprises
Cross-border acquisitions
Emerging market multinationals

ABSTRACT

This study explores the evolution of post-acquisition integration drawing on an eight-year longitudinal multi-case study of eight strategic-asset-seeking acquisitions of Western firms by globalizing Chinese private owned enterprises and taking a dual view from both the acquiring and the acquired companies. In contrast to the extant literature, it reveals significant heterogeneity by identifying three differing post-acquisition integration evolution paths. All three start with a form of light-touch integration as proposed by existing research but transition to different target models, either another form of light touch or absorption. A driving system has been developed to explain these differing evolution paths which are largely determined by the catch-up strategy (strategy to catch up with Western incumbents) whilst resource dependency and cultural difference working as the steering drivers for transition. Overall, seven distinct forms of integration (six distinguished forms of light-touch integration plus absorption) and three types of catch-up strategy are identified and explained in this study.

1. Introduction

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

Recently, post-acquisition integration (PAI) has become a research focus. Traditional theories have once again been challenged, this time by a newly observed integration model termed the light-touch integration approach (LTIA) - widely applied by EMNEs in general and in particular by Chinese multinational enterprises (CMNEs) and characterised by granting the acquired firms considerable autonomy whilst engaging in selective business coordination (Kale and Singh, 2012; Liu and Woywode, 2013; Marchand, 2017; Torres de Oliveira et al., 2019; Yang and Lütge, 2020; Zheng et al., 2016). EMNEs' overseas acquisitions are typically driven by strategic-asset-seeking (SAS) intents and aim to integrate and utilise the acquired strategic assets to build competitive capabilities. It is clearly understood that integration strives at seizing synergy opportunities, leveraging acquired strategic assets and bundling them with pre-

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https://doi.org/10.1016/j.intman.2023.101063
Received 27 March 2022; Received in revised form 21 July 2023; Accepted 23 August 2023
Available online 26 August 2023
1075-4253/

existing assets to compensate for competitive disadvantages and build up new competences (Ai and Tan, 2020; Liu and Meyer, 2020). LTIA does not seem to facilitate such goals (Liu and Meyer, 2020). Faced with this apparent paradox, some scholars predict that LTIA serves as a transitory state only and inevitably evolves towards full integration (Cogman and Tan, 2010; Kale and Singh, 2012; Sun, 2018).

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

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

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

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

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

2. Theoretical background

2.1. Post-acquisition integration typology and light-touch integration approach

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

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

2.2. Evolution of the light-touch integration approach

Strategic acquisitions by EMNEs reflect latecomers' obsession of becoming global leaders through active and rational management processes and by focusing on emerging opportunities (Cui et al., 2014; Hamel and Prahalad, 1989; Rui and Yip, 2008). EMNEs see the acquisition of strategic assets as a springboard to catch up with Western incumbents (Boateng et al., 2008; Luo and Tung, 2007). LTIA with its ongoing organisational segregation and limited business coordination appears to run counter to the ambitious strategic goals what has made scholars doubt the LTIA's durability and assume that it will transform into a target integration form more conducive to resource orchestration, synergy capturing and building of specific competitive advantages (Cogman and Tan, 2010; Kale and Singh, 2012; Sun, 2018). Kale and Singh (2012) even see full absorption as inevitable.

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

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

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

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

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

2.3. Drivers of light-touch integration evolution

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

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

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

Organisational autonomy describes the extent to which an organisation's decision power, routines, processes and culture are maintained or dissolved (Angwin and Meadows, 2015; Haspeslagh and Jemison, 1991; Puranam et al., 2009). Its core is the extent to which managers of acquired firms can allocate resources to achieve strategic goals in their operating environment. Such leeway may be emergent and not necessarily explicitly granted by the acquirer (Cavanagh et al., 2017). Subsidiaries commonly strive for greater independence (Ambos et al., 2011). Demands for organisational autonomy and 'no change' are present in almost every acquisition (Haspeslagh and Jemison, 1991). Granting a high degree of organisational autonomy is often an important competitive factor that helps EMNEs bid successfully for Western strategic assets (Kale et al., 2009; Knoerich, 2010). A key component of understanding the evolution of LTIA is identifying the factors that produce change in organisational autonomy over time.

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

3. Methodology

3.1. Research design

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

3.2. Case selection

Our study focuses on Chinese private-owned enterprises (POEs) as the empirical context. In 2015, China overtook Japan as the second largest cross-border investor, and remaining among the top 3 thereafter, constituting the largest share of the emerging-market economy. Among strategic asset-acquiring CMNEs, POEs are particularly conspicuous. In fact, Chinese POEs accounted for 76 % of the 489 cross-border agreements closed by CMNEs in 2015 (KPMG, 2016). While Chinese POEs were initially established in markets monopolized by Chinese state-owned enterprises (SOEs) and Western companies, they entered the international business scene relatively late compared to Chinese SOEs.. They must catch up quickly, making traditional slow-paced step-wise models inappropriate (Zheng et al., 2022). Instead, Chinese POEs jump into foreign direct investment to hunt strategic assets (Lyles et al., 2014). They also provide an interesting research context because they are less influenced by the Chinese government and more driven by entrepreneurial and market-oriented motives than state owned enterprises (SOEs) (Child and Rodrigues, 2005; Liu and Woywode, 2013; Zhang et al., 2021).

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

3.3. Data collection and analysis

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

Our primary data include the transcripts of 97 interviews (69 face-to-face and 28 by phone) with 26 top decision-makers (founders and executives from acquiring and acquired firms) and seven external experts (investment bankers, consultants and lawyers involved in the deals), along with frequent email exchanges and communication via WeChat and WhatsApp. Furthermore, we reached out to clients of acquiring and acquired firms via telephone or email. Secondary data encompassed archives, media reports, company press releases, blogs, and annual reports. To deepen our understanding, we conducted a total of 38 onsite visits to acquiring and acquired firms, including R&D centres, factories, headquarters, and flagship locations. During these visits, we engaged with employees at various levels within the case firms, such as middle managers, technicians, product designers, and workers, to enhance and evaluate the information gathered from top decision-makers.

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

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

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

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

English and third author English and German), we first translated the interviews ourselves and later used a professional translation service to check the accuracy.

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

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

Table A provides key data on the case companies; Table B gives an overview of the interviews. For confidentiality reasons, we refer to all firms by pseudonyms. The size of the sample CMNEs ranged from 3000 to 18,000 employees and that of the acquired firms from 36 to 3000 employees. Six acquisitions occurred in the manufacturing industry and the other two in IT & telecommunications. Three of the acquired firms are located in Switzerland, one in the United States, three in Finland, and one in Austria.

4. Empirical findings and discussion

4.1. Integration paths

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

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

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

'Brand firm and full-range provider' denotes the catch-up strategy of the acquirers in group 1 (C1–C3), 'global consolidator' in

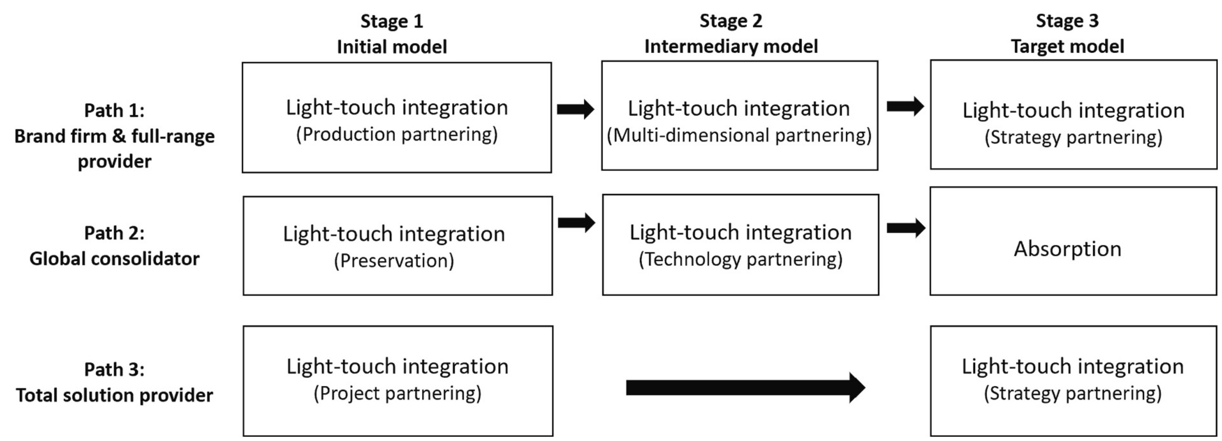

Fig. 1. Integration paths.

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

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

4.1.1. Integration path towards 'brand firm and full-range provider'

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

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

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

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

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

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

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

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

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

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

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

(CEO, West Tool)

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

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

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

(CEO, West Knitting)

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

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

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

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

(CFO, Sino Outdoor)

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

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

(CEO, West Tool)

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

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

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

(CEO, West Knitting)

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

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

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

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

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

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

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

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

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

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

In the first integration stage, communication between China and the West was mostly limited to the executive level. In the second stage, it spread down to the middle management. In the third stage, a multi-dimensional communication network including top and middle management as well as key frontline employees is institutionalised, meaning that communication and cooperation are no longer driven by specific initiatives but become standard processes. Cross-cultural product design teams (C1, C2, C3), marketing and sales teams (C1, C2), and production teams (C2, C3) are set up, and staff rotation becomes standard practice.

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

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

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

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

4.1.2. Integration path towards 'global consolidator'

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

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

However, they all encountered multiple challenges in their international endeavours – trading barriers, unfamiliar global standards, lack of Western certifications, and country-of-origin liability including the negative perception of 'Made in China'. Three of the WTO heavyweights (US, EU and Japan) classified China as a 'non-market economy' (Griswold and Parks, 2019) and imposed duties on Chinese goods. *Sino Copper* and *Sino Motor* faced anti-dumping measures in the EU and *Sino Copper* in the US.

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

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

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

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

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

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

> *'Western executives are stuck in old ways of thinking and use old-fashioned management method. They don't know that Chinese companies have caught up. Their factories were equipped in the 1980s or 1990s, our factories in the 2000s… We sense their arrogance and inner resistance'*
>
> (Head of overseas investment, Sino Copper)

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

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

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

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

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

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

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

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

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

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

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

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

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

> *'The copper processing industry has fierce competition with expensive investment in fixed assets and low margins, confronting diverse risks – raw material price volatility, exchange rate fluctuation, trade protectionism, etc. Only with a global reach and consolidation of the best resource can we achieve sustainable development. We have to continuously improve efficiency through resource integration, technology upgrading and overall process standardisation.'*
>
> (Head of overseas investment, Sino Copper)

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

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

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

4.1.3. Integration path towards 'total-solution provider'

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

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

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

To broaden their technology bases along the industrial value chains and adjust their marketing accordingly, *Sino ConstructSoft* acquired the Finnish upstream high-tech firm *West ConstructSoft*, a provider of construction design applications. *Sino Soft* acquired the Finnish downstream start-up *West Soft* which offered solutions for human–machine cockpit interfaces.

Unlike the first two groups, the integration path of this group contains two stages only (Fig. 1).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

West Soft in image processing.

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

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

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

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

4.2. *Driving system*

We identify a driving system behind the three distinct paths of integration. The catch-up strategy proves to be the guiding force for the entire system and explains the heterogeneity of the integration paths as the strategies vary. At tactical level, resource dependency and cultural difference are the steering levers to manage the transition from the initial model to the target integration model. Fig. 2 illustrates the interrelations between these factors and their influence on the integration path.

4.2.1. *Catch-up strategy – The determinant of the target integration model*

Global ambitions took root in the very beginning of the CMNEs' history as family workshops or high-tech start-ups and evolved from

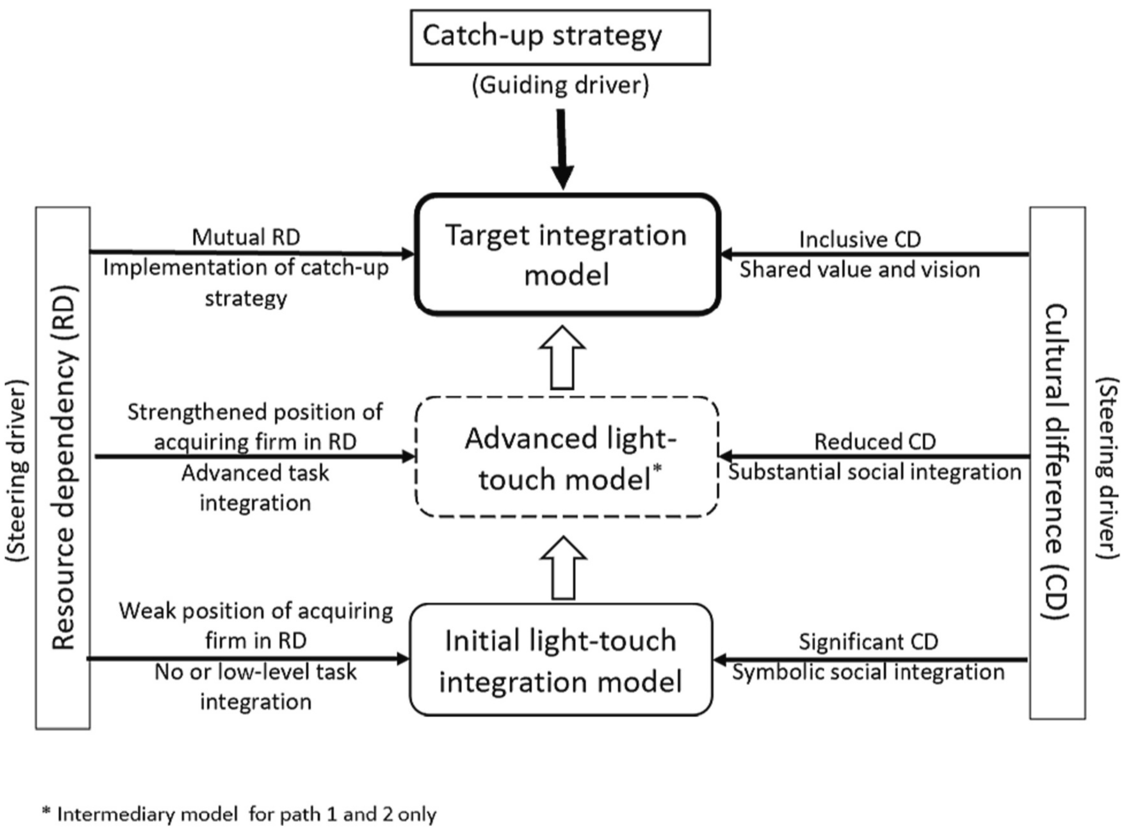

Fig. 2. Drivers of light-touch integration evolution.

an entrepreneurial obsession to the motivating factor for path-breaking catch-up strategies. Strategic-asset acquisitions addressed the gaps between their initial asset endowment and the asset profile required to implement the catch-up strategy. They all aimed to compensate for their country- and firm-specific disadvantages by developing new competitive advantages through SAS acquisitions. However, their catch-up strategies are as unique and specific as their initial asset endowment and target asset profile.

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

The "brand firms and full-range providers" adopt a target integration model titled "strategy partnering," primarily aimed at safeguarding the acquired tacit assets such as brands and design skills which are deeply rooted in local cultures and embedded in teams. Therefore, this model grants subsidiaries substantial organisational autonomy while building up permeability to maximise the utilization of the acquired assets, notably through the implementation of a multi-branding approach for a comprehensive product offering.

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

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

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

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

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

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

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

4.2.2. Resource dependency and cultural difference – The steering drivers of LITA evolution

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

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

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

Managing resource dependency involves balancing power and access to resources that are seen as essential for implementing the firms' catch-up strategy. In our case studies, this balance is achieved by enhancing awareness on both sides regarding the other party's CSAs and FSAs and their potential contribution to mutual benefit. Additionally, quick learning from the new partner, which Chinese companies excel at, is also crucial. In Group 2 (global consolidators), the Western firms' evident failure stems from their misjudgement of CMNEs' resources while overestimating their own capabilities.

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

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

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

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

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

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

Hence, we propose:

Proposition 2. The initial light-touch integration models shifts from the initial light-touch integration to the next step towards the target integration model only if

a) Mutual resource dependency has increased and
b) Cultural difference has decreased.

5. Conclusion

5.1. Theoretical implications

From a methodological point of view, our study has undertaken an approach that has been rarely used in the research field of EMNEs' strategic asset-acquisition and post-acquisition integration. It draws on an eight-year longitudinal multi-case study and takes a dual view from both the acquiring and the acquired companies. This comprehensive approach enables us to add to the extant literature, place it in practical contexts, challenge its accuracy, uncover new insights, and present a novel theory - the driving system of post-acquisition integration. This theory reveals that integration is heterogeneous by nature, explains why it is heterogeneous, and demonstrates how it is managed.

We provide five contributions to the literature:

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

Second, we extend Haspeslagh and Jemison (1991)'s observations about "the need for strategic interdependence" and "the need for organisational autonomy" by identifying a driving system behind integration evolution (Fig. 2). The catch-up strategy, supposed to achieve the global ambition, determines the target integration model which combines the needs for strategic interdependence and organisational autonomy to ensure optimal synergies, sustainable value creation and the accomplishment of the long-term key objectives. At tactical level, resource dependency and cultural difference are the steering levers used to efficiently and effectively manage the transition from the initial forms of integration towards the target model.

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

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

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

5.2. Managerial implications

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

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

Western incumbents must comprehend the acquirers' ambition and catch-up strategy in order to grasp the rationale behind the strategic asset-acquisition and the integration path. Without this understanding, they may only perceive the acquirer's short-term behaviours and therefore react tactically rather than strategically. The integration paths are guided not only by operational optimization logic but primarily by a strategic intent, similar to the strategic asset-acquisitions themselves.

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

5.3. Limitations of the study and implications for future research

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

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

Data availability

The data that has been used is confidential.

Appendix A

Table A
Basic data on case companies.

Case	Acquirer / Acquired	Industry	Foundation acquirer / acquired	Employees of acquirer / acquired	Transaction price in million USD	Origin country of target	Targeted strategic assets	Status of acquirer in the industry	Status of acquired in the industry	Year of acquisition
C1	Sino Outdoor /West Outdoor	Manufacturing (consumer goods)	1996 / 1908	1500 / 70	16	Switzerland	Country image, brand, design skill	The biggest water bottle producer in China	The most famous water-bottle supplier in German speaking countries	2016
C2	Sino Tool /West Tool	Manufacturing (consumer goods)	1993 / 1885	6600 / 350	125	US	Country image, brand	The largest home tool producer in Asia and one of the top 500 firms (Financial Times) in the world, with a revenue of USD 3 billion	One of the most famous tool brands in the US	2010
C3	Sino Knitting /West Knitting	Manufacturing (machinery)	1988 / 1947	1612 /100	Unknown	Switzerland	Brand, technology	Number-one knitting machine producer in China	One of the four most famous knitting machine brands in the world	2010
C4	Sino Copper /West Copper	Manufacturing (raw material processing)	1989 / 1939	12,000 / 400	80	Finland	Production base, technology, sales channel	The largest copper processing company in Asia	Big copper processing company in Europe	2016
C5	Sino Motor /West Motor	Manufacturing (machinery)	1984 / 1908	18,000 / 3500	136	Austria	Country image, brand, sales channel, production base	The largest electric motor supplier in China	Famous electric motor brand with factories in Germany, the Netherlands and Austria	2011
C6	Sino Construct /West Construct	Manufacturing (construction)	1993 / 1936	12,000 / 36	Unknown	Switzerland	Sales channel, design team	The largest façade construction firm in China	A famous Swiss façade design company	2008
C7	Sino Soft / West Soft	IT	2008 / 2009	3000 / 50	68	Finland	Technology	World leading smart terminal operating system and platform technology provider	The most innovative start-up in smart cockpit technology	2016
C8	Sino ConstructSoft / West ConstructSoft	IT	1998 / 1983	4000 / 120	25	Finland	Technology, sales channel	Number-one ‘building information modelling’ in China's building industry	Leading provider of ‘design software’ with mechanical and electrical plan (MEO) in the industry. Very famous in North Europe	2014

Table B
Interview statistics.

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

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

Table C
Coding system.

1st-order categories (selective)	2nd-order themes	Aggregate dimensions
• Decision authority - Target: high decision-making autonomy - Acquirers: financial investors - Retention of executive team • Task integration: - Production cooperation • Social integration: - Symbolic social integration - Mutual visits - Clarity about strategic intent	Production partnering	
• Decision authority - Target: high decision-making autonomy - Acquirer: no intervention - Retention of executive team • Task integration: - Irregular cooperation and coordination • Social integration: - Chinese executives selected as coordinators - Symbolic social integration	Preservation	
• Decision authority - Target: high decision-making autonomy - Acquirer: no intervention - Retention of executive team • Task integration: - Project cooperation - System interface integration • Social integration: - Staff rotation - Team building	Project partnering	Integration model
• Decision authority - Target: high decision autonomy - Minor replacements on executive team • Task integration: - Multi-dimensional business coordination and cooperation • Social integration: - Staff rotation - Tandem programme - Team building	Multi-dimensional partnering	
• Decision authority - Target: high decision-making autonomy - Acquirer: no intervention • Task integration: - Internal market system - Technology transfer • Social integration: - Staff rotation	Technology partnering	
• Decision authority Target: high decision-making autonomy plus active participation in group strategy development • Task integration: - Implementation of multi-brands strategy and "brand and full- range provider" catch-up strategy • Social integration: - Shared value	Strategy partnering	
• Decision authority: - Partial or full loss of autonomy for target - Domination of combined business by acquirer's strategy and business model	Absorption	

(*continued on next page*)

Table C (*continued*)

1st-order categories (selective)	2nd-order themes	Aggregate dimensions
- Major replacements on executive team • Task integration: - Centralized standardisation - Operation consolidation - Implementation of “global consolidator” strategy • Social integration: - Inclusive culture • Initial, intermediary, target integration model • Turning point		Integration stage
• Seeking targets with good country image, brand design capability, craftsman spirit • Providing products and services across different segments	Brand firm and full-range provider	Catch-up strategy
• Serial takeovers within China • Ambition of global resource consolidation	Global consolidator	
• Evidence of seeking out up-streaming and down-streaming technologies • Ambition to become a general contractor with turn-key project	Total solution provider	
• Resource changes of acquirers (technology, marketing, production, learning ability, financial assets, etc.) • Resource changes of targets (technology, marketing, production, etc.) • Changes in dependence on each other's key resources: - The true understanding of Western craftsmanship by Chinese team - The true understanding of Chinese efficiency and marketing style by Western teams - Cross selling - Cooperation in technology improvement, purchasing, marketing, etc.	Changes on resource dependency	Steering driver
• Changes in mutual trust, mentality difference, management style difference, etc.: - Team building - Understanding of each other's mentality and culture - Enhanced mutual respect - Intensified communication	Changes on cultural difference	

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