The Modern Journey to the West
Exploring Key Factors Influencing Reverse Knowledge Transfer in Emerging-market Multinationals

Lingshuang Kong
As latecomers to the world economy, emerging-market multinational corporations (EMNCs) often use international expansion as a ‘springboard’ for seeking and accessing advanced knowledge from overseas, particularly from advanced markets, with the goal of offsetting their competitive weaknesses and catching up with their Western counterparts. This behavior is conceptualized as the springboard perspective formulated by Luo and Tung (2007). From this perspective, reverse knowledge transfer (RKT) from subsidiaries to home-country units is a compulsory path to achieve innovation catch-up in EMNCs. This thesis explores reverse knowledge transfer in EMNCs and its key influencing factors, an important and timely phenomenon that has so far received little attention in research.

Empirical data were collected through a combination of a qualitative case study of one Chinese state-owned multinational and a survey of Chinese multinationals. Results suggest that headquarters’ political relationships in home countries both promote and inhibit RKT practices in EMNCs. Specifically, headquarters’ political relationships are found to enhance the motivation to seek and demand knowledge from subsidiaries. However, at the same time, these political relationships hinder RKT by reducing headquarters’ absorptive capacity, subsidiary willingness and headquarters’ control over subsidiaries, and by increasing the organizational distance between headquarters and subsidiaries. Thus, this study highlights the fact that political relationships can be a liability for cross-border knowledge acquisition. These results contrast with many prior studies, which have tended to view political ties mostly as a source of competitive advantage for EMNCs during internationalization.

This study also shows how subsidiary willingness to transfer knowledge is restricted by headquarters’ political ties and a large organizational distance between headquarters and subsidiaries in EMNCs. However, the low willingness of subsidiaries to transfer knowledge can be ameliorated if expatriate managers have good-quality relationships with subsidiary local managers. Moreover, the findings suggest that expatriate managers do not engage directly in RKT through their relationship ties. Instead, their relationship ties with local managers can enhance the extent of RKT by stimulating subsidiary willingness. This finding challenges the view of expatriate social ties as channels for transferring knowledge.

By highlighting the relevance of headquarters’ home-country political relationships and expatriate managers’ relationships in the RKT practices of EMNCs, this thesis enriches the literature on reverse knowledge transfer, on the political relationships of EMNCs and on expatriation. In addition, it contributes to the view of multinationals as a differentiated network. This research also contributes to the understanding of the antecedents and difficulties behind the logic of springboard internationalization and extends the knowledge of intra-organizational agency problems in the context of expatriates and reverse knowledge transfer.

**Keywords:** Emerging-market multinational corporations, reverse knowledge transfer political relationships, expatriate managers, headquarters-subsidiary relationship.
Acknowledgement

My journey to the West in pursuit of a PhD is a milestone in my life. As I gradually reached the goal of completing the PhD, I realized that the intellectual challenge, the emotional stress and the solitary life necessary for undertaking this thesis were worthwhile. This PhD journey was not easy; on the contrary, it was highly challenging. Luckily, I obtained much support to help me to overcome the difficulties. I would therefore like to take some time to thank all those without whom this thesis would never have been possible. Although it is only my name on the cover, many people contributed to this thesis and supported me in their own particular way during this amazing journey and for that I want to give them special thanks.

First, I would like to express my deepest appreciation to my two supervisors, Professor Francesco Ciabuschi and Professor Ulf Holm. Francesco, I am very lucky and honored to have been your PhD student. I am grateful for the patience, motivation, enthusiasm and immense knowledge that has supported me in the past five years. You created the invaluable space for me to do this research and develop myself as a researcher in the best possible way. My PhD could not have been finished without your support. Every time I came to you, you always did your best to help me. I greatly appreciate you not only for your tremendous academic support, but also for giving me so many wonderful opportunities and life tips. THANK YOU!

Ulf, you are an elegant and fantastic supervisor who has encouraged me and provided me with every possible element of guidance, assistance and expertise. The joy and enthusiasm you had for the research were contagious and motivational for me. You shared insights and put things into perspective, which has been very valuable and has driven me to read more and think. I am thankful for the excellent example that you provide as a professor. Your support, excellent comments and professional feedback made my PhD journey easier and enjoyable. I appreciate your time and energy and your thoughts on this thesis. Thank you for helping me to find my own path and for the guidance and support you offered when needed.

I would also like to take this opportunity to thank Professor James Sallis. James, I greatly appreciate your support with statistical analysis and for suggesting numerous future career opportunities. I would also like to thank my co-author, Oscar Martín Martín. Oscar, you have helped me greatly and been a source of knowledge about methods. Thank you for being the best host during my academic visit to Pamplona. A warm thank you to Pao for providing
outstanding support to me and for our many fruitful discussions during my PhD life. My appreciation also goes to Professor Tony Fang who served as my opponent in my Final Seminar. Your excellent comments and professional feedback on this thesis significantly enriched its quality. Thank you for encouraging, supporting and motivating me.

Special thanks to the faculty in my department, Henrik Dellestrand for your comments on my individual papers and also the questionnaire development. I thank the following people for helpful and interesting discussions: Christine Holmström, Desirée Holm, Katarina Blomkvist, Katarina Lagerström, and Lena Zander. Many warm thanks to Alice, Amalia, Andreas, Anna, N., Annoch, Bai, Derya, Emilene, Emilia, Gundula, Hammad, Jason, Jenny, B., Matthias, Mikael, Olof, Qishen Yang, Shruti, and Siavash. In addition, I gratefully acknowledge Elisabeth, Golondrian, Inka, Annica, and Merawi for your kindesses and great administrative help.

Completion of this doctoral dissertation was possible with the generous support of many people during data collection in China. 衷心感谢唐万佑，谷宝良，林冬梅，张红星，宋云清，李栋，董吉荣，诸立清，刘涛，贾琤等慷慨支持. Very special acknowledgements to the Jan Wallander and Tom Hedelius Foundation and Anna Maria Lundins Foundation for funding the project and my research visiting fellowship.

Some special words of gratitude go to my dear friends who have been a major source of support for many years. 郭文锐，吕娟娟(Nora)，张晨，郭妍，张蓬，刘延玲，崔佳，于莹，朱迎迎，霍金星，Anna G.，Noona，Marika Yeung，Daniella，Anam，Will Redekop，thank you, my friends, for your generous help and all the emotional support, entertainment, caring and friendship you provided.

Su, my dearest sister, thank you for being so nice to me during my PhD. You are a constant source of strength and inspiration and I am extremely lucky to have you in my life. You make my life more enjoyable and exciting. Thank you for being my best friend and sister. 相知在急难，独好亦何益。

Words cannot express my feelings I have for my parents for their unconditional love and support. 爸爸妈妈，感谢你们这么多年的悉心照顾，在我求学路上给予我支持和鼓励。感谢你们给予我无私的爱。你们是我生命中最大的支撑，你们的健康顺遂幸福快乐是我最大的心愿。愿姥爷和爷爷健康长寿。

Uppsala, October 2018

Lingshuang Kong
List of Papers

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


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


Reprints were made with permission from the respective publishers.
Contents

1. Introduction .................................................................................................................. 11
  1.1 EMNCs and Their Knowledge-Seeking Journey ........................................... 12
  1.2 Research Rationale ...................................................................................... 15
  1.3 Research Questions ................................................................................. 16
  1.4 Research Process and Structure ............................................................... 20

2. Relevant Context-embedded Characteristics of Emerging-market
   Multinationals ............................................................................................................ 24
  2.1 Springboard Multinationals ........................................................................ 24
  2.2 Multiple Liabilities in Emerging-market Multinationals ............................ 26
      2.2.1 Liability of Politicalness .............................................................. 27
      2.2.2 Liability of Emergingness ............................................................ 28
      2.2.3 Liability of Newness ................................................................... 31
      2.2.4 Summary of Multiple Liabilities ................................................ 33

3. Reverse Knowledge Transfer in Multinationals .................................................. 34
  3.1 The Importance of Subsidiary Knowledge .............................................. 34
      3.1.1 Knowledge-based View .................................................................. 34
      3.1.2 The MNC as a Differentiated Network ........................................ 35
      3.1.3 Subsidiary as a Source of Knowledge ........................................... 36
  3.2 An Overview of the Research on Reverse Knowledge Transfer ................. 37
      3.2.1 The Definition of Reverse Knowledge Transfer ............................. 38
      3.2.2 Factors Involved in Reverse Knowledge Transfer in Multinationals .......................... 39
      3.2.3 Factors Involved in Reverse Knowledge Transfer in
            Emerging-market Multinationals .................................................. 41
  3.3 Reverse Knowledge Transfer as the HQ-subsidiary Relational Issue ............ 42
      3.3.1 Principal-agency Relationship between HQ and Subsidiary .......... 42
      3.3.2 Subsidiary Unwillingness to Transfer Knowledge as an
           Agency Issue .............................................................................. 43
      3.3.3 The Role of Expatriate Manager in HQ-subsidiary Principal-
           agency Relationship ..................................................................... 44
      3.3.4 Reverse Knowledge Transfer and HQ-subsidiary Relationship
           in Emerging-market Multinationals ............................................. 45

4. Research Methodology ......................................................................................... 48
  4.1 The Empirical Context .............................................................................. 48
Abbreviations

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

In the seventh century, motivated by the poor quality of Chinese translations of Buddhist scripture at the time, a Chinese Buddhist monk called Xuanzang left his country in 629 and traveled to the "Western Region" – India – to bring a set of Buddhist scriptures back to China for the purpose of spreading Buddhism in his native land. During Xuanzang's travels, he visited important Buddhist pilgrimage sites and studied with many famous Buddhist masters, especially at the famous center of Buddhist learning at Nalanda. When he returned in 646, he brought with him a large number of Buddhist sacred texts (sutras). With the Chinese emperor's support, he set up a large translation bureau in Chang'an (the capital), drawing students and collaborators from all over East Asia, and since then, Buddhism has become increasingly popular in China. Xuanzang’s perilous journey on foot from China to India and back to obtain Buddhist sutras was recorded in the classic book “Great Tang Records on the Western Regions”. Based on this historical event, novelist Wu Cheng'en wrote the famous “Journey to the West” about nine centuries after Xuanzang's death. This novel presents Xuanzang’s seventeen-year overland journey to bring original Buddhist scriptures to China, and presents the suffering and many obstacles Xuanzang endured on his trip.

In the modern era, motivated by a lack of firm-specific advantages and weak locally available strategic assets, particularly technology, emerging markets (including China) and their firms are also engaging in a journey to the West, but this time through outward foreign direct investment (OFDI). Like Xuanzang’s journey to the West that aimed to obtain original Buddhist scriptures to develop Chinese Buddhism, the journey of emerging-market firms to the West is that they go to advanced economies to seek strategic assets like technology, brand and managerial expertise, and bring these assets back to their home countries through OFDI activities. Because emerging-market firms have historically suffered from weak national innovation systems (Nolan, 2001), it is difficult for these firms to enhance innovation competence and improve overall competitiveness domestically. Hence, this journey to the West made by emerging-market firms in the modern age aims to acquire external knowledge, thereby gaining a competitive edge and catching up with Western rivals (Elia & Santangelo, 2017; Kedia et al., 2012; Luo & Tung, 2007; Mathews, 2006). Similar to Xuanzang’s Indian trip in seventh century, the current journeys of emerging-market firms to the West in search of knowledge-based assets also encounter many difficulties.
1.1 EMNCs and Their Knowledge-Seeking Journey

Emerging markets, characterized by rapid national economic growth rate and promising markets (Luo & Tung, 2007), have attained an increasingly prominent position in the world economy (Yiu et al., 2007; Luo et al., 2010). Investment has flowed from advanced markets towards emerging markets for decades, but currently, emerging markets have become not only major foreign direct investment (FDI) recipients, but also important contributors to the global OFDI (UNCTAD, 2014). For instance, in 2016, the BRICS countries (Brazil, the Russian Federation, India, China, and South Africa), which are the most active emerging economies, accounted for 22% of global GDP. In that same year, outward investments from BRICS rose by 21%, which raised the group’s outward stock to US$2.1 trillion (UNCTAD, 2017). The substantial growth of OFDI from emerging markets has led to an increasing number of multinational corporations (MNCs) from emerging markets, and many of these have become influential players in global business. Today, approximately 30% of firms on the Fortune Global 500 list are from emerging markets (in contrast, these accounted for less than 10% in 2007).

The rise of emerging-market MNCs (EMNCs) has increasingly attracted research attention, since the phenomenon has important theoretical and empirical implications (e.g., Buckley et al., 2007; Child & Rodrigues, 2005; Luo & Tung, 2007; Mathews, 2006; Ramamurti, 2009; Ramasamy et al., 2012). Research on internationalization and MNCs has traditionally focused on firms from advanced markets, thus, theoretical development is needed to capture the distinctiveness of EMNCs (Madhok & Keyhani, 2012). First, owing to the relative weaknesses in emerging markets’ legal and financial systems compared with those of advanced markets (Nolan, 2012), EMNCs are usually less developed than advanced-market MNCs, particularly in terms of their ‘soft strength’ – defined as implicit influence and attractiveness through corporate culture, value, governance, and image (Ramamurti, 2012). Second, many EMNCs are state-owned/controlled because of the substantial involvement of emerging-market governments in firms’ overseas investments. According to the United Nations Conference on Trade and Development (UNCTAD, 2017), 1500 state-owned MNCs (SMNCs) operate in the world, with more than half of these headquartered in emerging markets. Third, EMNCs experience a surprisingly rapid pace of internationalization and have a deep interest in mergers and acquisitions (M&As) as a major approach to entering advanced markets in the early stages of their internationalization (UNCTAD, 2006; Wei et al., 2015). As UNCTAD (2014) indicates, EMNCs conducted 56% of world cross-border M&As, such as Tata Motors’ (India) acquisition of Jaguar Land Rover (UK), Geely’s (China) acquisition of Volvo Cars (Sweden), Petronas’s (Malaysia) purchase of Progress Energy Resources Corporation (Canada), and ChemChina’s (China) acquisition of Pirelli (Italy) and Syngenta (Switzerland).
Table 1. Top Economies in Global Innovation Index

<table>
<thead>
<tr>
<th>Economy</th>
<th>2013 Rank</th>
<th>2014 Rank</th>
<th>2015 Rank</th>
<th>2016 Rank</th>
<th>2017 Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switzerland</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Sweden</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Netherlands</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>United States of America</td>
<td>5</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Finland</td>
<td>6</td>
<td>4</td>
<td>6</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>Hong Kong (China)</td>
<td>7</td>
<td>10</td>
<td>11</td>
<td>14</td>
<td>16</td>
</tr>
<tr>
<td>Singapore</td>
<td>8</td>
<td>7</td>
<td>7</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Denmark</td>
<td>9</td>
<td>8</td>
<td>10</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Ireland</td>
<td>10</td>
<td>11</td>
<td>8</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Canada</td>
<td>11</td>
<td>12</td>
<td>16</td>
<td>15</td>
<td>18</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>12</td>
<td>9</td>
<td>9</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Iceland</td>
<td>13</td>
<td>19</td>
<td>13</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Israel</td>
<td>14</td>
<td>15</td>
<td>22</td>
<td>21</td>
<td>17</td>
</tr>
<tr>
<td>Germany</td>
<td>15</td>
<td>13</td>
<td>12</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>Norway</td>
<td>16</td>
<td>14</td>
<td>20</td>
<td>22</td>
<td>19</td>
</tr>
<tr>
<td>New Zealand</td>
<td>17</td>
<td>18</td>
<td>15</td>
<td>17</td>
<td>21</td>
</tr>
<tr>
<td>Korea, Republic of</td>
<td>18</td>
<td>16</td>
<td>14</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Australia</td>
<td>19</td>
<td>17</td>
<td>17</td>
<td>19</td>
<td>23</td>
</tr>
<tr>
<td>France</td>
<td>20</td>
<td>22</td>
<td>21</td>
<td>18</td>
<td>15</td>
</tr>
<tr>
<td>Belgium</td>
<td>21</td>
<td>23</td>
<td>25</td>
<td>23</td>
<td>27</td>
</tr>
<tr>
<td>Japan</td>
<td>22</td>
<td>21</td>
<td>19</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td>Austria</td>
<td>23</td>
<td>20</td>
<td>18</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Malta</td>
<td>24</td>
<td>25</td>
<td>26</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>Estonia</td>
<td>25</td>
<td>24</td>
<td>23</td>
<td>24</td>
<td>25</td>
</tr>
<tr>
<td>Spain</td>
<td>26</td>
<td>27</td>
<td>27</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Cyprus</td>
<td>27</td>
<td>30</td>
<td>34</td>
<td>31</td>
<td>30</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>28</td>
<td>26</td>
<td>24</td>
<td>27</td>
<td>24</td>
</tr>
<tr>
<td>Italy</td>
<td>29</td>
<td>31</td>
<td>31</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>Slovenia</td>
<td>30</td>
<td>28</td>
<td>28</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Hungary</td>
<td>31</td>
<td>35</td>
<td>35</td>
<td>33</td>
<td>39</td>
</tr>
<tr>
<td>Malaysia</td>
<td>32</td>
<td>33</td>
<td>32</td>
<td>35</td>
<td>37</td>
</tr>
<tr>
<td>Latvia</td>
<td>33</td>
<td>34</td>
<td>33</td>
<td>34</td>
<td>33</td>
</tr>
<tr>
<td>Portugal</td>
<td>34</td>
<td>32</td>
<td>30</td>
<td>30</td>
<td>31</td>
</tr>
<tr>
<td>China</td>
<td>35</td>
<td>29</td>
<td>29</td>
<td>25</td>
<td>22</td>
</tr>
</tbody>
</table>

Data Source: The Global Innovation Index developed by Cornell University, INSEAD, and the World Intellectual Property Organization (WIPO)

The predominant traditional asset-exploitation FDI theory emphasizes the exploitation of proprietary assets, mainly knowledge-based intangible assets
that firms have possessed in host markets (Caves, 1971; Hymer, 1976). EMNCs have generally been thought to possess fewer knowledge-based firm-specific advantages to exploit (Rugman & Li, 2007), and thus they have been thought to be less able to internationalize and compete in Western markets (Yiu et al., 2007). However, in reality, EMNCs undertake numerous OFDI activities in advanced markets (Lu et al., 2011). This phenomenon, therefore, challenges traditional asset-exploitation FDI theory. In this regard, international business scholars argue that the strategic asset-seeking theoretical lens (Dunning, 1993) is a powerful explanation of the motivation behind EMNCs’ overseas investments, particularly in Western economies.

In fact, EMNCs are actively using overseas investments as a springboard to acquire the strategic assets needed to compete globally (Kedia et al., 2012; Luo & Tung, 2007). In the competitive global environment, MNCs’ proprietary assets are mainly knowledge-based assets (Caves, 1996), and creating and augmenting knowledge is of strategic importance for firms. This trend is particularly true for EMNCs (Nair et al., 2015, 2016), since as latecomers to the world economy, they still see themselves as having, at most, an average level of competitiveness (UNCTAD, 2006). Advanced economies have more mature MNCs, more educated workforces, and superior institutional infrastructures that own, promote, and protect technology and innovation (Kedia et al., 2012), and thus they have an advantage in high-tech R&D over other economies (D’Agostino et al., 2013). This trend is reinforced by the recent rankings of Global Innovation Index (Table 1), which shows that the most promising and competitive economy among emerging economies, China, was ranked 35th in terms of innovativeness in 2013 (although the ranking increased to 22nd by 2017). Other emerging economies such as Turkey, Russia, South Africa, and India were ranked much lower in the index than advanced economies. Clearly, emerging economies and their firms still have much to develop in terms of innovation and technology. Numerous scholars have demonstrated that much of OFDI engaged in by EMNCs is strategic asset-seeking in nature (e.g., Child & Rodrigues, 2005; Deng, 2009; Elia & Santangelo, 2017; Mathews & Zander, 2007; Rui & Yip, 2008) instead of being the traditional exploitation of existing firm-specific advantages (FSAs).

From the view of the strategic asset-seeking OFDI of EMNCs, strategically located subsidiaries serve as springboards for EMNCs to access superior knowledge and bridge the technology gaps, thereby catching up with their Western rivals. Foreign subsidiaries can tap into global reservoirs of knowledge and technology via their local networks (Andersson et al., 2007), which can help EMNCs enhance knowledge stocks and capabilities through transferring knowledge. Clearly, integrating the knowledge of subsidiaries is crucial if the objective is to catch up, and so acquiring knowledge becomes an important managerial priority in EMNCs. Undoubtedly, reverse knowledge transfer (RKT) from subsidiaries, particularly those in advanced economies,
to home-country units is the path to do this, and therefore RKT has become critically significant for EMNCs (Awate et al., 2015; Nair et al., 2015, 2016). Accordingly, my research focuses on reverse knowledge transfer from the foreign subsidiaries of EMNCs.

1.2 Research Rationale

The distinct characteristics of EMNCs challenge the dominant mainstream theories of international business and MNCs. As mentioned earlier, the internationalization of EMNCs, particularly in advanced markets, significantly challenges traditional asset-exploitation FDI theory. Another theory – the Uppsala Model – proposes that MNCs have an incremental learning process, during which they gradually increase commitment to a foreign market as they gain more knowledge of that market, and that inexperienced firms in the early stages of internationalization will start internationalization with markets that have a short psychic distance from them (Johanson & Vahlne, 1977, 2009). Obviously, the rapid foreign expansion of EMNCs, particularly in advanced markets in the early stage of their internationalization process, is not consistent with the Uppsala Model. Concerning post-acquisition integration, advanced-market MNCs usually consider synergy to be the key determinant for how the acquisition is approached, and hold the top-down structural integration initiated by the acquirer in high regard with the goal to realize the ‘economies of sameness’ (Haspeslagh & Jemison, 1991). In contrast, the ‘light-touch’ integration strategy and ‘partnering approach’ of EMNCs (Cogman & Tan, 2010; Liu & Woywode, 2013) aims at long-term strategic synergies, and questions structural integration with the aim of short-term economic and financial synergies.

Clearly, these conventional theories do not easily apply to this new phenomenon of the internationalization of EMNCs. The rationale is that these theoretical assumptions, which mainly reflect the experience of advanced-market MNCs, fall short in the consideration of the ‘context-embedded’ factors of emerging markets, such as home institutions and firms’ political ties (Buckley, 2010; Peng, 2012). Logically, a departure from conventional wisdom is needed. Taking Western perspectives and emerging markets’ unique ‘context-embedded’ elements together may invite a theoretical synthesis to explain which crucial factors affect EMNCs’ behaviors and performances. There is a pressing need to understand EMNCs through exploring their dynamic and complicated characteristics, and to cast some light on current research on EMNCs.

Not surprisingly, research in this field has focused primarily on the ways in which EMNCs acquire strategic assets abroad. However, reverse knowledge transfer, which is a relevant and important emerging issue in
EMNCs, has not received much attention. Following the research stream of RKT based on advanced-market MNCs, the few studies on the EMNC context attempt to explore the factors influencing RKT. For instance, in a study based on 66 subsidiaries of Brazilian MNCs, Borini et al. (2012) identify that RKT depends on the strategic orientation of the subsidiary, on strong integration between the parent firm and its subsidiaries, on the entrepreneurial orientation of the company, on the subsidiary’s age, and on the mode of establishment. The more recent study by Nair et al. (2016), based on a survey of Indian MNCs with overseas acquisitions, indicates that perceived subsidiary capability, knowledge relevance, and parent firms’ absorptive capacity positively influence subsidiary RKT to parent firms.

The shortcomings of these studies are that they investigate factors that have been extensively researched in literature on MNCs from advanced countries and fail to explore the context-embedded characteristics of EMNCs related to RKT practices. This leads these studies to making a very limited theoretical contribution to the knowledge transfer and EMNC literature. Research on RKT in EMNCs has only just begun, and this small amount of fragmented research falls short of successfully analyzing the unique perspectives of EMNCs. To address this important but underexplored research field, this research aims to better understand RKT in EMNCs by considering the context-embedded elements of EMNCs.

1.3 Research Questions

Reverse knowledge transfer from subsidiaries is strategically important for EMNCs. However, RKT is not always easily accomplished. Based on a comparative case-study of a Danish MNC (an innovation leader) and an Indian MNC (a fast-follower), Awate et al. (2015) identify that entrant knowledge-accessing of an EMNC’s headquarters (through subsidiaries) is a longer and more difficult process than that of an advanced-market MNC’s headquarters (HQ). One possible reason is that the EMNC HQ’s lower knowledge than its R&D subsidiaries leads to the high likelihood of subsidiary opportunism and rent-seeking behavior (Awate et al., 2015; Mudambi & Navarra, 2004). A study by Cogman and Tan (2010) analyzes 120 deals for controlling stakes in Asian cross-border M&As (from 2004 to 2008), and indicates that more than 43% of the Asian deals involved either limited functional integration or no integration efforts. Despite the boldness and aggressiveness of undertaking M&As worldwide, EMNCs appear to have made little effort at post-acquisition integration. Although Cogman and Tan (2010) argue that this light-touch approach to integration can be attributed to a relatively low level of absorptive capacity and cultural-specific influences, this light-touch integration to some extent also reflects the limited international experience
and managerial skills of infant EMNCs, and these limits could eventually create difficulties for cross-border knowledge acquisition.

Cross-border knowledge transfer in general is not easy for MNCs, owing to the multiple national and organizational contexts and the various distances (e.g., culture and geography) between these contexts. But this knowledge transfer is far more difficult for EMNCs in the early stage of internationalization that are strongly embedded in home institutions. Against this background, and through incorporating the context-embedded elements of EMNCs, this thesis aims to investigate the key factors affecting RKT from overseas subsidiaries in EMNCs. The overarching research question is:

Overarching research question: What are the key factors influencing reverse knowledge transfer of overseas subsidiaries in EMNCs?

In emerging markets, informal institutions and institutional voids are dominant, and government forces and undeveloped market-based mechanisms co-exist (Hoskisson et al., 2013; Meyer et al., 2009; Peng, 2003; Xin & Pearce, 1996). Therefore, one important ‘context-embedded’ element of EMNCs is their political relationships to their home governments, which are influential in their corporate strategies and behaviors (e.g., Meyer et al., 2014; Pan et al., 2014). Even when undertaking overseas investments, a substantial number of EMNCs depend on their political ties and are subject to political interests. Many studies indicate that the internationalization of enterprises from emerging markets, particularly state-owned enterprises (SOEs), is backed by increasingly powerful states and reflected in the political objectives of home governments (e.g., Buckley et al., 2007; Cui & Jiang, 2012; Kam et al., 2008; Luo et al., 2010; Pan et al., 2014). A recent example from 2013 is when the Chinese government launched the “One Belt One Road” joint initiative to build the Silk Road Economic Belt and the 21st Century Maritime Road. This initiative entails inward FDI stock of nearly US$6 trillion and outward FDI stock above US$3 trillion in more than 60 countries (UNCTAD, 2017).

An increasing number of scholars identify the impact of political factors (e.g., government involvement, state ownership and political ties) on EMNCs’ internationalization issues, such as motivations, location choices, entry modes, speed, and the value creation of M&As (e.g., Buckley et al., 2007; Child & Rodrigues, 2005; Cui & Jiang, 2012; Du & Boateng, 2015; Wang et al., 2012; Wei et al., 2015). Many of these studies tend to consider political involvement and ties as a source of competitive advantage in international expansion of EMNCs (e.g., Buckley et al., 2007; Duanmu, 2014; Luo et al., 2010; Wang et al., 2012; Wei et al., 2015). Political ties are usually thought to engender substantial government support, such as resource, information, and policy support, which can compensate for the lack of FSAs in internationalization (Luo et al., 2010; Rugman & Li, 2007). This enables
EMNCs to bear short-term losses and take greater risks during the internationalization process (Wei et al., 2015).

In contrast, few studies have touched upon the negative side of the political relationships associated with international managerial activities and governance of EMNCs, such as the management of the HQ-subsidiary relationship and cross-border knowledge acquisition (Li et al., 2014; Meyer et al., 2014). This induces an incomplete understanding of the effects of EMNCs’ home-country political relationships. Indeed, the political relationships of EMNCs create liabilities. For instance, because state-owned/connected firms are often perceived by external stakeholders as the representatives of political actors, rather than as simple business entities (Globerman & Shapiro, 2009; He & Lyles, 2008), political relationships can induce liability and legitimacy problems in host countries (e.g., Cuervo-Cazurra et al., 2014; Meyer et al., 2014; Pan et al., 2014).

The research on EMNCs to date has been limited in its focus on the impact of EMNC HQs’ political relationships on internationalization processes, neglecting the effects on EMNCs’ international knowledge acquisition. This neglect, however, does not mean that this area is not an important and valuable one in which to research. In some studies, political relationships have been found to extend the scope of knowledge acquisition and innovation in emerging-market firms (Kotabe et al., 2012; Xie et al., 2014). For example, Kotabe et al. (2012) find that Chinese firms’ political ties enhance external knowledge acquisition in the domestic market, which in turn improves the market performance of new products. In the cross-border context, several studies on the OFDI of emerging markets have confirmed that seeking and acquiring strategic assets is a declared aim of the overseas investment of state-owned or politically connected firms, particularly M&As in advanced economies (Deng, 2009; Petersen & Ivarsson, 2015; Ramasamy et al., 2012; Sutherland & Ning, 2011). The reasoning is that governments from emerging markets are eager to promote openings and integration into the global economy and to boost their countries’ national images and technological capabilities in order to become innovative countries instead of mere global factories (Wang et al., 2012). Meanwhile, state-owned/connected firms are more proactive, or are under pressure to pursue political interests and strategies due to their dependence on government. Politically connected firms dare to undertake strategic asset-seeking investments overseas through M&As and the establishment of overseas R&D centers, which are generally costly and risky.

EMNC HQs’ political relationships seem to increase the opportunities for them to seek critical knowledge and innovation, which is tightly related to international knowledge acquisition. However, research on EMNCs has not stretched far beyond internationalization research into knowledge management practices. Hence, we have a poor understanding about whether home-country political relationships play a positive role in knowledge
acquisition of EMNCs from their subsidiaries. In light of this lack of understanding, the following specific research question is investigated:

Research question 1: How do HQs’ political relationships in their home countries influence reverse knowledge transfer of overseas subsidiaries in EMNCs?

One important factor in knowledge transfer research is the individuals involved in the knowledge transfer process. Although knowledge resides at the firm, it is individual human actors who diffuse, allocate, and assimilate knowledge (Foss & Pedersen, 2004; Lenox & King, 2004). As Shariq (1999) argues, the knowledge transfer process is ultimately a human-to-human process. Successful knowledge transfer occurs when relationships are formed between the sending and the receiving units in joint problem solving (Dhanaraj et al., 2004; Reagans & McEvily, 2003), because individuals can ease transfer difficulties by setting up communication channels, allocating common knowledge, providing opportunities for dialogue, improving situations for team learning, and building informal ties (Lenox & King, 2004; Uzzi & Lancaster, 2003; Zoogah et al., 2011). Moreover, individuals can share meanings, values, and language systems between sources and recipients, thereby increasing the likelihood of successful inter-unit knowledge transfer (Fang et al., 2010). Apparently, the relationships of individuals facilitate social interactions and provide avenues for knowledge exchange and transfer (Inkpen & Tsang, 2005).

When researching conventional knowledge transfer from HQs to subsidiaries in the MNC context, expatriates, particularly expatriate managers, are key individuals to focus on (e.g., Bonache & Brewster, 2001; Doz et al., 2001; Torbiorn, 1994). Knowledge transfer is commonly viewed as a motive for relocating staff abroad (Edström & Galbraith, 1977). Many studies have acknowledged that an important aspect of the work of expatriates is dealing with potential difficulties in transferring knowledge (Chang et al., 2012; Szulanski, 1996). Specifically, expatriates act as boundary spanners that link home- and host-unit staff, thereby developing inter-unit social capital and facilitating the exchange of previously unconnected knowledge across MNC units (Kostova & Roth, 2003; Reiche et al., 2009). This view is reinforced by Björkman et al. (2004) who indicate that expatriates’ interpersonal ties offer channels through which information and knowledge flow. Thus, expatriates and their relationships are important facilitators of knowledge transfer. Surprisingly, the role of expatriates has not been appreciated in research on RKT from subsidiaries (at least not compared to the popularity of expatriates in research on conventional knowledge transfer), and there is only one published research on this issue in the context of EMNCs.

RKT-related tasks might be much harder to perform for expatriate managers, compared with conventional knowledge transfer, where expatriate
managers act as carriers of knowledge across units of MNCs (Chang et al., 2012; Fang et al., 2010) and as contributors to host units. In RKT, expatriates may need to access task-related knowledge from the subsidiary and diffuse that learning back to home and peer units (Lazarova & Tarique, 2005) in order to improve MNCs’ overall knowledge integration and competitive advantage. These knowledge-acquisition tasks may lead the subsidiary to lose its competitive advantage and power; meanwhile, as the knowledge holder, the subsidiary has more bargaining power to negotiate for its own interests within its MNC, and it may be reluctant to transfer its knowledge to home-country units so as to retain its power and influence within its MNC.

In EMNCs, expatriates may find it more difficult to become involved in subsidiary knowledge transfer to other MNC units. Compared to Western expatriates, expatriates from EMNCs face more challenges stemming from multiple hurdles of liabilities, which may include the liabilities of foreignness (Hymer, 1976), emergingness (Madhok & Keyhani, 2012), newness, or politicalness (Meyer et al., 2014) while abroad. These liabilities result from the fact that they often lack international managerial experience and skills and are often sent into acquired subsidiaries or subsidiaries in advanced markets (Ramamurti, 2012). This may easily result in expatriate managers from EMNCs being less effective when operating in foreign subsidiaries, meaning that they might also be less effective in RKT.

In light of the scarcity of research on EMNC expatriates and their effect on RKT from subsidiaries, one aim of this thesis is to investigate the relationships of expatriate managers with HQ managers and subsidiary local managers. This thesis is interested in the relationships between these managers, because expatriate managers are key boundary spanners and play an essential role in connecting with HQ managers and subsidiary local managers. The other reason is that the values and cognitive bases of powerful actors (i.e. senior executives) are much more influential on organizational outcomes such as strategies and effectiveness (Carpenter et al., 2004). Hence, the second specific research question is:

Research question 2: *How do expatriate managers through their relationships with HQ and subsidiary local managers influence reverse knowledge transfer of overseas subsidiaries in EMNCs?*

1.4 Research Process and Structure

The first task in this research will be to thoroughly comprehend the factors influencing RKT from the prior literature. The view of MNC as a differentiated network suggests that knowledge is created in different units of the MNC and transferred to inter-related units (Bartlett & Ghoshal, 1989), and increasingly, subsidiaries are being acknowledged as sources of knowledge
for other MNC units. Subsidiary knowledge outflows within MNCs become significant for maintaining the knowledge stock and competitive advantage of MNCs, and a specific focus on subsidiary knowledge outflows in MNCs has emerged in the international business field since 2000 and contributed significantly to the literature. I will therefore first conduct a systematic review of this research stream, with the goal of understanding and summarizing the factors influencing subsidiary knowledge outflows and identifying research gaps that could point to new research directions. This review phase is intended to serve as a basis for the thesis and provide guidelines for the subsequent empirical research.

Based on this review, the first and second research questions will be developed specifically to explore the possible factors influencing RKT in EMNCs that are related to context-embedded elements. To address these two research questions, empirical investigations will be conducted through a combination of both qualitative (i.e. case study) and quantitative (i.e. survey) data. This methodological approach is generally known as mixed-method research (see Chapter 4), and the logic behind it is that a richer, more in-depth understanding of an underexplored research topic can be obtained than is possible through a single method alone (Creswell, 2003). More specifically, first, an exploratory case study will be conducted in a Chinese state-owned MNC and its four subsidiaries in Germany and the Netherlands. This case study will investigate the questions of how RKT works from advanced-market subsidiaries back to the Chinese MNC, and how RKT is influenced by the HQ’s home-country political embeddedness. Based on the qualitative findings of the case study and in light of the literature review, I (along with my project colleague) will then conduct a survey of Chinese MNCs and their overseas subsidiaries to further investigate RKT in EMNCs and the factors that influence it.

To achieve the objectives of the thesis, four independent research papers are developed and included in this thesis. An overview of these four papers is presented in Figure 1 and the summary of these papers is presented in Chapter 5. Paper I presents a systematic review of the extensive literature on subsidiary knowledge outflows in MNCs, summarizing and categorizing the relevant factors influencing subsidiary knowledge outflows. It then proposes future research avenues for studying RKT in an EMNC context. This provides a research foundation and helps to formulate the research questions addressed in the empirical papers (Papers II–IV). Paper II is a qualitative paper based on the case study in a Chinese state-owned MNC, while Papers III and IV are quantitative papers based on the survey of Chinese MNCs and their overseas subsidiaries.

To go into the detail of the empirical papers (Papers II–IV), Papers II and III deal with the first research question: How do HQs’ political relationships in their home countries influence reverse knowledge transfer of overseas subsidiaries in EMNCs? Briefly, the case findings of Paper II are that HQs’
intentions to seek subsidiary knowledge, and the willingness of subsidiaries to transfer knowledge, are influenced by HQs’ home-country political embeddedness. In light of this conclusion, Paper III further investigates the influence of HQs’ political ties on the mixed motives of HQs and subsidiaries in RKT dyads through the organizational distance between HQs and subsidiaries. Moreover, Paper IV takes its inspiration from Papers I, II and III. Specifically, the analysis of the literature from Paper I suggests that few studies touch on individual-level factors (e.g., expatriates) when researching RKT. Taken together, the findings of Papers II and III are that subsidiaries have a relatively low willingness to transfer knowledge in EMNCs, although subsidiary willingness is essential for RKT. In light of this conclusion and the research gap identified in Paper I, Paper IV further investigates subsidiary willingness to transfer knowledge and RKT in EMNCs from the individual level. In particular, this paper focuses on how RKT in EMNCs is affected by expatriate managers’ relationships with HQ managers and subsidiary local managers through subsidiary willingness, which addresses the second research question.

The general research framework, visualized in Figure 2, is extracted from these four research papers. This study takes a step towards a better understanding of RKT by incorporating the context-embedded characteristics of EMNCs and taking an analysis from both organizational and individual levels. This study contends that RKT in EMNCs is reflected by HQ-subsidiary relational characteristics (i.e. mixed motives, organizational distance, and HQ control over subsidiary) which are shaped by HQs’ home-country political relationships and the relationships of expatriate managers. This study also identifies subsidiary characteristics, capturing subsidiary willingness to transfer knowledge to HQs and other home-country units, which is a core issue
in the RKT of EMNCs. Hence, reverse knowledge transfer in EMNCs can be understood as a relational issue between HQ and subsidiary.

Figure 2. The Research Framework
2. Relevant Context-embedded Characteristics of Emerging-market Multinationals

This chapter and the next comprise this thesis summary’s literature review. This chapter aims to provide theoretical underpinning needed for understanding the context-embedded characteristics of EMNCs deemed relevant in the investigated topic. The studies dealing with RKT in EMNCs generally adopt a springboard perspective (Luo & Tung, 2007, 2018) as a theoretical base for highlighting the importance of accessing and leveraging subsidiary knowledge, and to study RKT (Chen et al., 2012; Nair et al., 2016; Wu et al., 2015). Here, the springboard perspective on EMNCs is presented first, followed by three context-embedded liabilities (the liability of politicalness, the liability of emergingness, and the liability of newness) suffered by EMNCs. These three liabilities are helpful to understand the HQ-subsidiary relationship and RKT from subsidiaries. Thus, they are the fundamental theoretical lens for studying RKT in EMNCs.

2.1 Springboard Multinationals

EMNCs are always regarded as ‘springboard’ MNCs when considering their internationalization motives (Luo & Tung, 2007, 2018). Firms from emerging markets, as latecomers, generally lack firm-specific advantages and have weak locally available assets. Thus, they often use international expansion as a ‘springboard’ for accessing advanced knowledge overseas, in an effort to offset their competitive weaknesses and create a competitive position in international markets (e.g., Awate et al., 2015; Boisot & Meyer, 2008; Li et al., 2012; Luo & Tung, 2007; Mathews & Zander, 2007). The reasoning is that these emerging-market firms have difficulties in building up proprietary assets from domestic markets owing to relatively poor domestic institutions (e.g., the poor legal frameworks and intellectual property protection) (Deng, 2011). The springboard act is a deliberate strategy adopted by EMNCs for capability catch-up by benefiting from superior institutions in foreign countries (Luo & Tung, 2007, 2018). The central premise of the springboard view is to use outward investment as “a flexible board to jump (capability upgrading), augment (compensating for disadvantages at home) and re-catapult domestically and internationally to new heights” (Luo & Tung, 2018: 136).
For EMNCs, internationalization is a strategy aimed at strengthening them through the accumulation of previously unavailable assets. This view is in contrast to traditional theories adopting an asset-exploitation perspective, which highlight firms’ proprietary assets as the prerequisite for internationalization (Caves, 1971; Hymer, 1976).

The view of EMNCs as springboard MNCs is supported and highlighted by numerous studies on strategic asset-seeking investments of EMNCs. These studies recognize strategic asset-seeking as an essential motivation for overseas investment by EMNCs (e.g., Buckley et al., 2007; Elia & Santangelo, 2017; Kedia et al., 2012). For instance, in an analysis of 425 cross-border acquisitions by Indian firms from 2000–2007, Gubbi et al. (2010) show that such acquisitions facilitate the internalization of tangible and intangible resources that are difficult to trade and take time to develop domestically. A similar situation also applies in China. Based on a sample of 154 Chinese firms, Cui et al. (2014: 499) show that “strategic asset seeking FDI is a critical action accelerating competitive catch-up with global leaders.”

There are certain features inherent to springboard internationalization of EMNCs. The first is that springboard investments generally venture into advanced markets (Elia & Santangelo, 2017; Li et al., 2012), because advanced markets not only have better-protected property rights and superior institutional conditions that are more conducive to business and innovation development (Boisot & Meyer, 2008; Luo & Tung, 2018), but also have numerous mature and high-tech MNCs that can serve as learning models. The second feature of springboard EMNCs is that they are inclined to establish more solidly their competitive positions in the home-region market and fortify their domestic spring through acquiring and integrating overseas knowledge. Although the springboard view argues that EMNCs aim to catch up with, and be competitive in, both domestic and international markets (Luo & Tung, 2018; Zhou et al., 2010), Petersen and Seifert (2014) and Ramamurti (2012) suggest instead that EMNCs intend to bring technologies acquired overseas back to their home-region markets. By doing so, they can combine acquired firm-specific assets with complementary assets at home to improve their home-based assets and advantages. The rationale behind this is that the business focus of the majority of EMNCs is still in their domestic markets (Luo & Tung, 2007; Rugman et al., 2012) where they face high competition and rapid growth. Thus, they need advanced capabilities and competences to upgrade their advantage so as to compete with Western rivals in their home markets.

A third feature of springboard EMNCs is that they are more likely to be SOEs and politically connected firms (e.g., Deng, 2009; Luo & Tung, 2018; Petersen & Ivarsson, 2015; Sutherland, 2009), and that the intention of strategic asset-seeking investments overseas is to bolster their home-country’s capability portfolio and to champion its national interests. In order to integrate with the world economy, several emerging-market governments strategically encourage their firms to undertake knowledge-seeking and innovation-
enhancing types of overseas investments (Chaminade & Vang, 2008). Politically connected firms are more likely to be encouraged and supported by government through favorable rules and policies such as tax incentives and financial assistance to pursue technological development abroad. Moreover, SMNCs have unique ownership-specific advantages and enjoy more FSAs in their home countries owing to country-specific advantages (CSAs). Thus, the explanatory logic of ownership- or firm-specific advantages works well for springboard MNCs (Luo & Tung, 2018) because strategic asset-seeking OFDI requires firms to have a substantial amount of resources, particularly finance. For example, Rudy et al. (2016) demonstrates that emerging-market SOEs are eager to overpay for strategic assets overseas if doing so will secure access to an industry deemed strategically important to the state, because SOEs seek synergies and opportunities to meet their state interests.

Springboard internationalization is an entrepreneurial attempt but its implementation carries a high potential risk. Achieving the springboard strategy requires a critical and special capability, business intelligence, and entrepreneurial leadership (Luo & Tung, 2007), qualities that EMNCs generally lack. This explains the challenges to both EMNCs in general and to springboard behaviors in particular. For example, as noted by Luo & Tung (2018), poor accountability and weak corporate governance may tarnish the process and the outcome of springboard endeavors. Furthermore, the targets of springboard internationalizations are often advanced markets, which are culturally, institutionally, economically, and geographically distant from a home country’s (emerging) market. The lack of managerial capability and business intelligence in combination with huge contextual differences means that EMNCs may encounter numerous post-springboard difficulties. These difficulties may range from retaining local talent, building effective working relationships with subsidiaries and other stakeholders, organizing globally dispersed complex activities (e.g., joint R&D projects, knowledge transfer), and reconciling various national- and organizational-level differences in integrating international business operations (Luo & Tung, 2018).

2.2 Multiple Liabilities in Emerging-market Multinationals

The context-embedded elements of EMNCs include political relationships with home governments (politicalness), emerging markets as the countries of origin (emergingness), and the infant status of these MNCs in the international market (newness). Although these characteristics can be beneficial, I focus on the potential liabilities that these elements entail. These liabilities are important for understanding the difficulties faced by EMNCs in managing overseas subsidiaries and acquiring knowledge from them.
2.2.1 Liability of Politicalness

EMNCs are embedded in political relationships with home governments to varying degrees. The institutional voids of emerging markets, such as the inadequacies of formal regulatory frameworks and the mighty power of government, encourage firms to build ties with that government as a remedy for market failure and a substitute for formal institutional support, thereby achieving legitimacy (Meyer et al., 2009; Peng, 2003; Xin & Pearce, 1996). Hence, political ties can help the best-connected firms obtain various government supports (e.g., financial support, document approval and tax reduction) when they cannot be cost, differentiation, or focus leaders in product markets in emerging economies (Oliver & Holzinger, 2008).

From the resource-based view (Barney, 1991; Penrose, 1959) and social capital theory, political relationships represent a unique strategic resource and asset for firms in emerging markets (e.g., Li et al., 2008; Sheng et al., 2011; Xin & Pearce, 1996), which also applies to international expansion of emerging-market firms. Strong political ties provide EMNCs (particularly SMNCs) with privileged access to various resources and favorable policy support to compensate for their weak FSAs when conducting outward investments (Luo & Tung, 2007; Rugman & Li, 2007). For instance, government involvement fosters networking with different social, political, and economic organizations, which helps firms lower transaction costs and connect the firms with their suppliers and distributors through partnerships and alliances in both their home and host markets (Yaprak et al., 2018).

Governments have larger budgets and resources that enable EMNCs to take more risks, and they can also be more patient investors (Kaldor, 1980). Specifically, because of the implicit backing of powerful home country governments, politically connected EMNCs (particularly SMNCs) face softer budget constraints (i.e. their home governments can bail them out if they run into financial difficulties) and lower expropriation risk (Knutsen et al., 2011), which increases risk-taking. These EMNCs, therefore, are more likely and willing to make risky investments in countries with weak legislative systems or high expropriation risks and in the risk-profile of investments (e.g., large cross-border M&As). Also, these EMNCs prefer or target rapid internationalization (Yaprak et al., 2018). In short, as many studies on the internationalization of EMNCs acknowledge, political relationships are a source of sustained competitive advantage for international expansion (e.g., Buckley et al, 2007; Li et al, 2017; Luo et al., 2010).

Luo et al. (2012) posit that unbalanced investment in social capital can transform a potential advantage into a liability, and that over-embeddedness with home governments can also turn advantages into liabilities. Specifically, through intense interactions with governments, EMNCs might become more similar to government institutions in terms of organizational culture and governance. Such EMNCs are more likely to have a bureaucratic and
hierarchical culture, a centralized business style, and a less entrepreneurial orientation. This can reduce the organizational flexibility allowing adaptation to different host environments, and constraining entrepreneurial initiatives in both host countries and subsidiaries.

Furthermore, politically connected EMNCs often enjoy the benefits from a legacy of a monopolistic or dominant incumbent position in the domestic sphere (Zou & Adams, 2008), which can create a less market-oriented business environment. This may reduce their managerial capability to manage subsidiaries in host countries with a greater market orientation. As Li et al. (2007) point out, long-standing dependence on government institutions leads most emerging-market SOEs to become inefficient and lack market experience and competitive advantage. This notion has been recently reinforced by Duanmu (2014) and Rudy et al. (2016), who demonstrate that state-connected EMNCs are less able to adapt to host environments where institutions are more transparent, more predictable, and more efficient, and where market forces have dominance over government forces.

Moreover, state-owned/connected MNCs are generally perceived as the representatives of their home governments, in pursuit of political tasks and interests, rather than as business entities pursuing business interests (Meyer et al., 2014). Child and Marinova (2014) stress that the support EMNCs obtain from their home governments can become a liability in host countries. Owing to misalignment with local institutional settings, EMNCs’ political ties and alignment in home countries can become problematic and arouse political sensitivities in host countries, thereby inducing legitimacy concerns in local stakeholders and media (Cuervo-Cazurra et al., 2014; Cui & Jiang, 2012; Li & Oh, 2016; Meyer et al., 2014; Wu et al., 2016). The home-country political relationships of EMNCs, therefore, appear to be a potential source of perceived illegitimacy, depending on the political ideologies of the host market. Legitimacy concerns induced by political relationships are important not only for host national governments and their citizens, but also for subsidiaries and their employees. If legitimacy is questioned, subsidiaries and local employees (particularly those in advanced economies) may challenge the leadership of their (politically connected) HQs. For example, Tung (2007) shows that many local nationals cannot distinguish between Chinese state-owned and private firms, and are sometimes reluctant to work for what they perceive to be an arm of the government. Clearly, EMNCs’ politicalness is a double-edged sword that can bring government support and resources for promoting overseas investments, but simultaneously, it can create liabilities that will make managing overseas subsidiaries difficult.

2.2.2 Liability of Emergingness

Every MNC has the liability of foreignness, which, as introduced by Hymer (1976), describes the disadvantages of foreign firms in host countries
compared with domestic firms. Because of its foreignness, such a firm faces an unfamiliar operating environment. Administrative and cultural differences have to be navigated, and global managers have to be coordinated over substantial geographic distances, thereby inducing a set of associated costs and discriminations (Millar & Choi, 2009), which can weaken the competitive advantage of MNCs (Luo & Mezias, 2002).

EMNCs suffer not only from foreignness, but also from a liability stemming from the home country’s emerging market status (Madhok & Keyhani, 2012; Ramachandran & Pant, 2010); for the sake of brevity, this concept is generally referred to as ‘liability of emergingness’. That is, MNCs from emerging economies face the extra stigma of coming from an emerging market (Madhok & Keyhani, 2012). This burden manifests itself by EMNCs receiving unfriendly treatment in the host market (Held & Berg, 2014). Emerging markets are generally perceived as being ‘low in expert power’ (Leung & Morris, 2015: 1045) and ‘low in soft power or co-opting’. ‘Expert power’ is related to the level of economic and technological development of a country, and the national economies of emerging markets lack global dominance compared with advanced markets. The concept of ‘soft power’ or ‘co-opting’ (introduced by Nye, 1990) affects the perception of a country’s ability to lead because of its presumed legitimacy, resulting in a more favorable attitude from outsiders towards its culture and ideology. In general, many actors in advanced markets perceive emerging markets as being weak in soft power, and therefore at a disadvantage in terms of economic and technological development as well as culture and ideology.

A negative perception of emerging markets can easily transform into a negative perception of emerging-market firms and investors when they invest abroad. Chang et al. (2009) show that host-country nationals negatively associate EMNCs with home-country characteristics, such as inferior economic development, infrastructure bottlenecks, and inadequate legal rights. The liability of emergingness is actually a country-of-origin effect. That is, the generally unfavorable attitude of advanced economies towards investors from emerging economies stems from the latter’s weak expert power or weak soft power. For instance, in writing about Geely’s acquisition of Volvo Cars, Fang and Chimenson (2017) show that most Swedish media coverage between 2008–2013 was caustic and negative, with a great deal of pessimism about whether an unknown Chinese firm could save the loss-making Swedish car manufacturer. Fang and Chimenson (2017) further demonstrate that the negative comments in the Swedish media were all more or less related to the perception of China as a communist country (and therefore lacking market experience) and to a lack of confidence in Chinese firms as innovation leaders. This example clearly demonstrates liability of emergingness.

The liability of emergingness creates many problems and complexities in managing subsidiaries in advanced markets. MNCs cannot rely solely on the use of expatriates because of costs and localization strategies. Thus, MNCs
need highly qualified local nationals to work for them in their overseas subsidiaries, and this is particularly true in EMNCs, which generally lack international experience and international managerial talent. However, surveys (Leung & Morris, 2015; Tung, 2007, 2016) demonstrate that host-country nationals are often reluctant to work for bosses from emerging markets, because those markets are perceived as being weak in economic development. As a result, an inability to attract the best local talent can hinder EMNCs’ efforts to manage their overseas operations and can contribute to ongoing problems in post-acquisition integration and knowledge integration.

Emergingness also has implications for cross-border knowledge transfer. The transfer of best practice between countries is influenced by a hierarchical order between national economies, which creates dominance effects (Smith & Meiksins, 1995), and emerging-market firms generally seek to emulate practices developed in dominant developed markets (Ferner et al., 2005). By the same token, one would expect local managers and employees at subsidiaries in advanced markets to believe that they possess superior managerial and technology-related knowledge to that of their HQs in emerging markets (Wilkinson et al., 2014). Thus, these employees may question the legitimacy and validity of managerial practices originating from emerging markets. Similarly, employees in advanced-market subsidiaries may resist the leadership of, and tasks assigned by, their emerging-market HQs and expatriate managers. They may also question the managerial and learning capabilities of their expatriate managers. These problems increase the difficulties of managing subsidiaries and increase their resistance to transferring their knowledge to home-country units.

MNCs in foreign markets usually have to manage discrimination in host counties (Hymer, 1976; Zaheer, 1995). With increased cultural understanding and marketing knowledge, the liability of foreignness facing the foreign entrant can be reduced. However, unlike the liability of foreignness, which is a firm-specific problem, the liability of emergingness is based on country of origin, which is a country-specific problem. Hence, discrimination and unfavorable treatment in host countries resulting from the country of origin can be extremely difficult for EMNCs to monitor and manage. An emerging market’s attempt to build up its country’s expert and soft power is not a short-term task; rather, it is an evolutionary process that will take a much longer period of time. Building a positive image of both country of origin and of EMNCs is a consistently huge challenge.

On the other hand, emergingness of EMNCs can also bring benefits. One explicit advantage of having an emerging country as home country is that EMNCs benefit from CSAs of their home countries, which can increase their FSAs and be helpful to international expansion. It is extensively acknowledged that EMNCs do have competitive advantages that can underpin their international expansion, but these are mainly ‘non-traditional’ advantages leveraged from emerging markets’ CSAs such as economies of
scale and cheap labor, as opposed to traditional FSAs such as technology (Bhaumik et al., 2016; Williamson, 2015). As Contractor (2013) points out, the source of EMNCs’ competitiveness lies in this home country pool of technical talent and cheap labor. A recent study by Yaprak et al. (2018) shows that Turkish firms’ internationalization is driven by Turkish CSAs, which include home-government supportive policies, logistical advantages arising from geographical position, adaptability capabilities generated from former survival in national institutional voids, social ties formed through networks, and availability of low cost resources. Williamson (2015) also demonstrates that emerging markets have strong capabilities in process innovation, low cost resources, and cheap labor, which allows EMNCs to easily modify existing technologies to dramatically lower costs, or to add and subtract product features in line with local market requirements or conditions. It is noted that EMNCs enjoy more CSAs and benefits in their home emerging markets. Bhaumik et al. (2016) suggest that EMNCs are better positioned to exploit CSAs than their non-MNC domestic counterparts because of the weak networking capability and inferior marketing position of those non-MNCs.

Moreover, because of their imperfect home-country institutional markets, the challenges that EMNCs face bestow on them liabilities associated with their ‘emergingness’. This increases the urgency with which they desire to move up their value chains, which in turn motivates them to follow an ‘accelerated’ internationalization strategy (Madhok & Keyhani, 2012). To overcome the liabilities of emergingness as quickly as possible, EMNCs actively conduct M&As to acquire the strategic assets they need, such as brand names or quicker access to advanced technology and enhance opportunities for the transformation of their capability portfolios.

2.2.3 Liability of Newness

In addition to the liabilities of politicalness and emergingness, EMNCs also suffer from the liability of newness, as infant MNCs in a global business. The concept of ‘liability of newness’ was introduced by Stinchcombe (1965) to explain the struggle for survival of newborn (or infant) organizations. This concept argues that infant firms (like start-ups in the earliest stage of their existence) have a high failure rate because they lack experience and competence, they have a low level of legitimacy, and they are less able to develop strong relationships with key environmental constituencies. In contrast, mature firms have more cumulative experience, a more experienced workforce, and stronger external and internal relationships (Stinchcombe, 1965). This view is confirmed by later research, like Thornhill and Amit’s (2003) study of the death rates of Canadian firms, in which it was found that failures of newborn firms are attributable to deficiencies in managerial knowledge and financial management capabilities.
One main theoretical argument for the liability of newness is that infant firms are at a disadvantage compared with mature firms and are highly vulnerable to environmental shocks. EMNCs, despite their great stock of resources and experience in their home markets, are generally ‘infant MNCs’ only beginning to internationalize (Cuervo-Cazurra, 2012; Ramamurti, 2009, 2012). Compared to mature Western MNCs with decades of international experience, EMNCs have little global knowledge, little international experience, and limited managerial capabilities. In particular, EMNCs often struggle to manage new and different cultures. Moreover, EMNCs lack host-country-based FSAs that would allow them to respond to local markets (e.g., by adapting their products to local consumers) and to integrate knowledge from their overseas operations (Rugman & Nguyen, 2014; Wu et al., 2016). For example, in the early stages of internationalization, most EMNCs do not have management systems capable of supporting cross-border knowledge sharing or of supporting integration across geographically dispersed subsidiaries (Rugman, 2010). Because of liability of newness, EMNCs seem to have little chance of survival against international competition. As Beebe et al. (2006) show, Chinese MNCs perceive their deficit in international experience, their lack of familiarity with business norms and practices in host countries, and their inabilities to bridge cultural differences as being more significant challenges to managing OFDI. Recent news reported in Phoenix Weekly (2015) shows that, since 2005, more than US$250 billion of Chinese overseas investments have failed to meet expectations.

With their infant status in the international market, the legitimacy and capability of EMNCs will be questioned by local stakeholders in host markets, which may induce unfavorable treatment (e.g., difficulties in accessing local resources and banking finance). The liability of newness is a particularly serious problem when an infant MNC manages mature subsidiaries it has acquired, such as when China’s ChemChina acquired Italy’s Pirelli, because a mature subsidiary has defined and consolidated routines, structures, incentives, and programs and thus have a greater accumulation of resources and the capabilities to innovate (Stinchcombe, 1965). Mature subsidiaries can be powerful actors, and they may engage in rent-seeking behaviors and opportunism, particularly in terms of RKT practices. Of course the experience of EMNCs increases with time, and they may develop significant survival determinants such as the exploration and exploitation of successful routines (Hodgson & Knudsen, 2004; Nelson & Winter, 1982). Organizational learning is the key to reducing the liability of newness, but this process may take a much longer time when looking at the evolutionary process of Western MNCs as their status moves from infant to mature.

Newness can engender some advantages. The flip side of liability of newness is liability of aging, and old firms like mature western MNCs can easily suffer from organizational inertia (Autio et al., 2000; Casillas et al., 2010), becoming increasingly inefficient in responding to changes in the
external environment (Ranger-Moore, 1997). Moreover, as they age, firms’ patterns of internal communication become increasingly rigid (Barnett, 1990; Ranger-Moore, 1997). Firms’ ability to take advantage of its existing knowledge base critically depends on the patterns of communication and the distribution of knowledge within the firm (Cohen & Levinthal, 1990), and firms become increasingly unable to leverage existing knowledge and innovate as they age. Firm aging goes hand-in-hand with core rigidities and social defences and, as a result, with a decline in organizational competencies (Bain, 1998; Leonard-Barton, 1992). In contrast, younger firms have learning advantages over older firms because they have an easier time unlearning obsolete knowledge and routines (Autio et al., 2000; Barkema & Vermeulen, 1998; Casillas et al., 2010). For EMNCs, as they have infant status in terms of internationalization with little international experience, they are more likely to be proactive in learning international management skills and advanced technology in order to compete with their mature counterparts. This is why EMNCs engage in strategic asset-seeking OFDI. Thus, one advantage of newness is that firms’ learning intent and innovative capacities may increase as they are new entrants.

2.2.4 Summary of Multiple Liabilities
The politicalness, emergingness, and newness of EMNCs make them quite different from advanced-market MNCs. These three context-embedded characteristics entail both benefits and liabilities. The three liabilities outlined above are distinctive but interrelated. For instance, owing to the emergingness environment of home countries, EMNCs have to cultivate ties with home governments, becoming embedded in the home-country political system, which brings drawbacks as well as benefits. Moreover, both the politicalness and newness of EMNCs result in their poor international management skills and inexperience of managing foreign subsidiaries or of RKT activities. In addition, the politicalness, emergingness and newness background of EMNCs drives the subsidiaries, particularly in advanced markets, to question their HQs’ legitimacy and capability and this increases the possibility of their resistance to HQs’ leadership, for example in decisions related to RKT. In sum, viewing these characteristics as liabilities help us understand the challenges EMNCs face in day-to-day overseas operations and management, where management of the HQ-subsidiary overseas relationship is particularly important for RKT from subsidiaries. These liabilities and barriers form the fundamental theoretical lens for this study.
3. Reverse Knowledge Transfer in Multinationals

Chapter 2 discussed the theoretical lens relevant to EMNCs to help to understand HQ-subsidiary relationships. This Chapter is primarily a literature review of the other focus of this study, that is, reverse knowledge transfer in MNCs. Specifically, this chapter aims to demonstrate the theoretical foundation underlying the importance of RKT, to discover the theoretical gaps in this RKT research, and to provide a theoretical basis for focusing on the specific research issues of this study. I begin by stressing the importance of subsidiary knowledge via the knowledge-based view (Grant, 1996; Kogut & Zander, 1992) and the view of the MNC as a differentiated network (Andersson et al., 2007; Nohria & Ghoshal, 1997). This background is followed by a brief review of RKT in the contexts of both general MNCs and EMNCs, including the definitions of RKT and the factors influencing RKT in each context. Next, I present RKT as a HQ-subsidiary relational issue by discussing the HQ-subsidiary relationship as a principal-agency structure, and subsidiary unwillingness as an agency issue. I also look at the role of expatriation in the HQ-subsidiary relationship.

3.1 The Importance of Subsidiary Knowledge

3.1.1 Knowledge-based View

The knowledge-based view is the theoretical underpinning in the literature on knowledge transfer in MNCs. This view stresses that knowledge is the most important strategic resource that allows firms to gain a competitive advantage (Grant, 1996). Knowledge is defined as the “accumulated practical skill or expertise that allows one to do something smoothly and efficiently” (Kogut & Zander, 1992: 386), which then can be a source of competitive advantage (Gupta & Govindarajan, 2000; Kogut & Zander, 1992). For example, knowledge provides the key for developing future products if and when current products become static or obsolete (Ndofor & Levitas, 2004), which can help to create platforms from which a firm can expand into new product markets (Kim & Kogut, 1996), thereby enabling it to enhance its competitive advantages.
The core of knowledge-based view suggests that knowledge is an important asset that differentiates firms in the competitive market (Grant, 1996; Spender, 1996), and “the essence of the firm... is its ability to create, transfer, assemble, integrate, protect and exploit knowledge assets” (Teece, 2000: 29). Firms can obtain knowledge in different ways; for example, they can learn from their customers, competitors, and regulators (Day, 1994) and can also transfer that new knowledge and develop new applications based on it (Henderson & Cockburn, 1994; Kogut & Zander, 1992). Transfer of knowledge between corporate members is important for beneficial outcomes, such as spreading best practices (Szulanski, 1996), improving organizational learning (Reagans et al., 2005) and innovation (Hargadon & Sutton, 1997).

However, knowledge is complex, and difficult to imitate and transfer. The stickiness of knowledge creates issues that render its transfer costly, slow, and uncertain (e.g., Kogut & Zander, 1992; Monteiro et al., 2008; Szulanski, 1996). For example, transferring tacit knowledge requires strong and established ties between the dyadic parties (Cantwell & Piscitello, 1999; Lane & Lubatkin, 1998), which can be a process bringing high coordination costs (Gupta & Govindarajan, 2000; Jensen & Szulanski, 2004).

3.1.2 The MNC as a Differentiated Network

Relating back to knowledge-based view as theoretical underpinning, knowledge is transferable from one unit to other units within a firm, and it is an important condition for achieving sustained success (Gupta & Govindarajan, 2000; Jensen & Szulanski, 2004). In this logic, an MNC is a knowledge-sharing network whose existence is explained by its ability to create, transfer, and absorb knowledge more efficiently than markets do (Foss & Pedersen, 2004; Kogut & Zander, 1993). One priority of MNCs is to innovate through leveraging knowledge-based resources and capabilities across borders (Bartlett & Ghoshal, 1989; Gupta & Govindarajan, 1991, 2000). The rationale behind this, according to the concept of the MNC as a differentiated network (Andersson et al., 2007; Nohria & Ghoshal, 1997), is that an MNC consists of geographically dispersed subsidiaries, with each subsidiary embedded in a specific network of business relationships (Forsgren, 2008). This concept suggests that a major competitive advantage of MNCs is their ability to exploit locally created knowledge worldwide (Gupta & Govindarajan, 2000; Kogut & Zander, 1995; Nohria & Ghoshal, 1997).

Acknowledging the view of the MNC as a differentiated network, an increasing number of advocates focus on subsidiary internal network in the MNC and the external network in the host country (e.g., Andersson et al., 2001, 2002; Dhanaraj et al., 2004; Nell & Ambos, 2013; Santangelo, 2012). The common view of this research stream contends that knowledge is created in different parts of an MNC through internal and external networks and is
subsequently transferred to several inter-related units (Bartlett & Ghoshal, 1989). Specifically, the embedded relations enhance the availability of resources and knowledge residing in both subsidiaries’ internal (HQ and sister subsidiaries) and external networks (Hamel, 1991). In particular, the external relationships of subsidiaries in the host market (e.g., business relationships with local customers, suppliers, and competitors) generate different types of knowledge, because the knowledge comes from the diversity of environments and local conditions. MNCs can tap into host location-specific advantages (e.g., new knowledge, ideas, and opportunities in the host country) through multiple geographical subsidiaries (e.g., Andersson et al., 2002; Cantwell & Santangelo, 1999). Moreover, MNCs’ embedded relationships can decrease costs associated with the exchange of resources and opportunistic behavior by subsidiaries. Frost (2001) shows that the ability of subsidiaries to innovate and to contribute knowledge to their parent firms depends heavily on the embedded relations with both their parent firms and their local environment. In short, embedded relationships increase a subsidiary’s ability to develop its competence and its willingness to transfer competences to other MNC units.

Integrating knowledge from geographically dispersed subsidiaries forms a basis for enhancing an MNC’s competitive advantage. Multidirectional knowledge flows within MNCs (between HQs and subsidiaries, as well as between subsidiaries) are the key to integrating knowledge (Luo & Peng, 1999; O’Donnell, 2000), because diverse knowledge flows enable knowledge recombination, generating insights that would otherwise remain locally embedded and fragmented. Obviously, the FSAs of MNCs in their home countries are no longer a significant condition for global competitiveness as they can instead acquire strategic assets from overseas.

3.1.3 Subsidiary as a Source of Knowledge

Earlier research is based on a hierarchical perspective of MNCs, seeing an HQ as a key actor and a subsidiary as being controlled by the HQ (Bartlett & Ghoshal, 1989; Birkinshaw & Morrison, 1995; Dunning, 1995; Roth & Morrison, 1990). In this hierarchical perspective, subsidiaries are extensions of the home-country organization, established only to exploit knowledge that the home country already has, or to adapt knowledge to fit the needs of different host countries (e.g., Hymer, 1976; Kuehmerle, 1997).

However, according to the view of the MNC as a differentiated network, MNCs comprise a set of geographically dispersed subsidiaries that are combinations of heterogeneous technological competences and product-market responsibilities (Galunic & Eisenhardt, 2001; Nohria & Ghoshal, 1997). Knowledge is embedded, meaning that its development is local, contextual, and social (Birkinshaw et al., 2002), and a subsidiary can access internal and external knowledge through its embedded networks, which enables it to continuously renew its competitive advantage (Ambos et al.,
A subsidiary does not necessarily follow the bureaucratic system imposed on it by the HQ (Andersson et al., 2007). Some subsidiaries with greater competitive advantages from their external networks are more important than other units in MNCs, because by internalizing the local technological and institutional strengths of the host country, subsidiaries can develop their innovative competence and contribute knowledge to other units within the MNC network (Cantwell & Santangelo, 1999; Michailova & Mustaffa, 2012; Mudambi & Santangelo, 2016). This idea is highlighted by Gupta and Govindarajan (1991), who demonstrate that subsidiaries that have access to specialized technologies are given an important role (as givers rather than receivers) in MNCs. A subsidiary can be a source of knowledge and competence, and can play a prominent role in an MNC’s innovation and competitive advantage.

Prior research has shown that subsidiaries having great capability to develop innovation competence become less dependent on the intangible resources of their HQs (Birkinshaw & Hood, 1998; Mudambi & Navarra, 2004). The subsidiary, as a knowledge giver via its external embeddedness, may have strong bargaining power in the HQ-subsidiary relationship (Andersson et al., 2007). However, subsidiaries remain highly embedded in their MNC network (Yamin & Andersson, 2011). In a networked MNC, there is an ongoing power contest between HQs and established subsidiaries (Ambos et al., 2010; Mudambi & Navarra, 2004).

Subsidiary knowledge is of particular importance to EMNCs. As global latecomers, EMNCs often accelerate their pace of internationalization so as to catch up with that of Western MNCs. The core of this process is organizational learning and evolution. EMNCs need various kinds of knowledge and mobile assets and capabilities that can either strengthen their own competitive position or weaken that of their rivals (Buckley et al., 2007), and one way to do this is to acquire the necessary strategic assets (e.g., technology) available in the subsidiaries (Elia & Santangelo, 2017; Makino et al., 2002). Because it is difficult for EMNCs to improve the technology stock domestically owing to the weak institutional and innovation system of home regions (Deng, 2009), EMNCs have to rely on their foreign subsidiaries’ knowledge stocks, and they must absorb, internalize, and orchestrate that knowledge to fine-tune their learning, helping to bridge the latecomer disadvantage.

3.2 An Overview of the Research on Reverse Knowledge Transfer

Subsidiaries are important sources of knowledge, but MNCs need somehow to tap into that dispersed knowledge (Asakawa & Lehrer, 2003; Doz et al., 2001) and to cultivate knowledge initiatives from central as well as peripheral
locations (Dicken, 2003; Santangelo, 2009) to gain overall strategic advantages. From this perspective, subsidiary outbound knowledge transfer in MNCs (or subsidiary knowledge outflow) becomes essential for MNCs. In light of the springboard perspective and the strategic asset-seeking OFDI undertaken by EMNCs, several researchers have started to research RKT in EMNCs by looking at specific empirical contexts like India, China and Brazil. However, this research is new and incomplete, and still far from a comprehensive understanding of subsidiary knowledge outflows in EMNCs from both theoretical and empirical perspectives.

3.2.1 The Definition of Reverse Knowledge Transfer

Subsidiary outbound knowledge transfer differs from conventional knowledge transfer (which is usually thought of as an HQ’s transfer of knowledge to its subsidiaries). Based on the hierarchical position of the receiving units, a subsidiary has two types of knowledge outflow in MNCs. The first is vertical outflow, which is subsidiary knowledge transfer to its supervising units (e.g., HQs), and which is also referred to as reverse knowledge transfer in the literature (e.g., Mudambi et al., 2014; Najafi-Tavani et al., 2012; Rabbiosi, 2011). As defined by Kumar (2013), reverse knowledge transfer is the transfer of know-how and information about products, processes, technologies, markets, government agencies, competitors, and suppliers from a subsidiary to its HQ. The second type of knowledge outflow is horizontal outflow, which refers to subsidiary knowledge transfer to its peer units (Schulz, 2001). This is also known as lateral knowledge transfer (Yamin et al., 2011).

Because of the relatively large size of most emerging markets, as well as high business diversification in the home countries, EMNCs often have a complex structure of home-country business units, supervised directly by their HQs. Often, when EMNCs engage in knowledge transfers from overseas subsidiaries, the subsidiaries target the home-country HQ and/or the home-country units that are under the direct management of the HQ. This is because, when undertaking knowledge-seeking investments, one of the common objectives is to source new competence to be used in the home-country organization through RKT (e.g., Luo & Tung, 2007; Mathews, 2006; Wilkinson et al., 2014). This process can be described as direct RKT back to operations (from local subsidiaries) in the MNC home country. Similarly, this process can be described as indirect RKT if the transfer is made to HQ with the intent of applying the knowledge domestically (e.g., in the home-country subsidiaries of the MNC). Thus, RKT is conceptualized as both horizontal, if the knowledge transfer from overseas subsidiaries directly targets home-country subsidiaries of the MNC, and as vertical (through HQ) if the home-country subsidiaries serve under the direct control of the HQ. Several studies (e.g., Edwards & Tempel, 2010; Hsu & Iriyama, 2016) touch on these points, and refer to RKT to home-country operations and/or to units of MNCs.
Following this reasoning, in this thesis, from a geographical location perspective, RKT refers to the transfer of know-how and information from an overseas subsidiary back to the home-country organization (including both HQ and domestic units).

3.2.2 Factors Involved in Reverse Knowledge Transfer in Multinationals

There is a consensus that knowledge transfer is complex and inherently problematic, whether across strategic alliances (Mowery et al., 1996; Simonin, 1999), across firms (Easterby-Smith et al., 2008), or between units within a firm (Szulanski, 1996). This is particularly true in the context of cross-border knowledge transfers, where there are more uncertain issues owing to different contexts and diverse backgrounds (Gupta & Govindarajan, 2000). Knowledge transfer between MNC units is facilitated or constrained by a range of factors, such as common culture and norms, motivation, absorptive capacity, and tacitness and complexity of knowledge (Gupta & Govindarajan, 2000; Kogut & Zander, 1996). Knowledge transfer initiatives from one unit may also be prevented by corporate immune systems (Birkinshaw & Ridderstrale, 1999) or hindered by mobility barriers (Rugman & Verbeke, 2001). In light of these difficulties, prior research has paid a significant amount of attention to the factors that promote and constrain knowledge transfer within MNCs (e.g., Gupta & Govindarajan, 2000; Rabbiosi & Santangelo, 2013; Szulanski, 1996).

To investigate the key factors influencing RKT in the context of EMNCs, I first make a systemic review of RKT research so as to understand this topic in the worldwide context. Accordingly, a review paper (Paper I) is developed. A total of 102 articles (18 in the EMNC context), published between 2000 and 2016, were selected for in-depth analyses regarding treatment of subsidiary knowledge outflows to peer units and HQs/parent firms. This literature is dominated by questions about the determining factors of subsidiary knowledge outflows. Specifically, 84 of the 102 reviewed articles are about the factors that positively or negatively influence subsidiary knowledge outflows. Identified factors are at four contextual levels: macro environment level, organizational level, individual level, and knowledge level. In these four levels, organizational contexts are covered in most publications (81 out of 84), with the knowledge (transfer object) context covered in the next-most (23 publications). Very few contributions cover macro environmental contexts (12 publications) and individual contexts (7 publications)1.

Organizational-level factors affecting subsidiary knowledge outflows include characteristics of the sending and receiving units, features of the sending-receiving unit relationships, and other general characteristics of the MNC. Not surprisingly, as the knowledge sender, the subsidiary is the most

1 Note that a single article may cover more than one level.
extensively examined source in research on subsidiary knowledge outflows (61 publications). Subsidiary characteristics that have been extensively examined include subsidiary capability (e.g., knowledge creation, innovativeness, technological capability and knowledge stock), willingness to transfer, subsidiary relational characteristics (e.g., external and internal network), and subsidiary structural characteristics (e.g., role, location, age).

Compared to the substantial attention paid to knowledge senders, the knowledge receivers (i.e. HQs and peer subsidiaries) have received much less research attention (34 publications). The reason is that this research originates from the view of the differentiated network MNC, which highlights the contributing role of the subsidiary as a semi-autonomous actor with its own distinctive environment and local embeddedness, capable of making its own strategic choices. This view basically neglects the functions and roles of HQs. HQ characteristics that have been investigated are mainly related to absorptive capacity and HQs’ motivation to acquire or learn knowledge.

An MNC as a whole creates business surroundings and plays a role in shaping subsidiary knowledge outflow. However, compared to studies about senders and recipients, the characteristics of MNCs have received much less interest (10 articles). Despite the very limited contributions, the characteristics of MNCs investigated are quite diverse and fragmented. These characteristics include governance mechanisms, learning orientation, internationalization strategy, competitive advantage, and size.

Another important group of organizational-context factors centers on the relationship between sending and recipient units (45 articles). These relationship characteristics include socialization/communication/integration, recipient-sender knowledge inflows, relational characteristics (e.g., trust, shared vision and collaboration), structural characteristics (dependence, inter-unit competition, inter-trade, and organizational distance/similarity).

Compared to the abundance of research on the organizational-context factors impacting subsidiary knowledge outflows, the literature focusing on macro environment-context factors is much scarcer (12 papers). Half of the studies investigate host-market characteristics, including how innovation capability and institutional and economic environments influence subsidiary knowledge outflows (e.g., Ambos et al., 2006; McCann & Mudambi, 2005; Meyer et al., 2011). Distance or the similarity between home and host markets, such as cultural distance, institutional distance and economic distance has also been examined (e.g., Driffield et al., 2016; Kumar, 2013; Schlegelmilch et al., 2003). This research indicates that national-level characteristics play a role in subsidiary outbound knowledge transfer.

Individual-level factors in subsidiary knowledge outflows are hardly touched on, with only seven relevant articles. Obviously, there is a scarcity of knowledge about how individual-level characteristics affect subsidiary knowledge outflows. At the organizational level, staffing strategy as a corporate governance mechanism has been investigated, and these studies
mainly focus on the presence or the number of expatriates and repatriates in subsidiaries (Andersson et al., 2015; Björkman et al., 2004; Harzing et al., 2016; Miao et al., 2011). However, these studies do not analyze the traits of these expatriates and repatriates (e.g., capability, motivation and relationship) at an individual level. In short, these studies focus on the utilization of expatriates and repatriates from the strategic view of HQs, but without considering the qualitative dimensions of individuals.

Knowledge itself (as the object of transfer) was identified early in the knowledge transfer literature as affecting subsidiary knowledge outflow, and these characteristics have received considerable attention. The knowledge characteristics investigated are, for instance, tacitness, complexity, importance, relevance, type, source, and specialization. In general, the research stream has provided sufficient support for the notion that knowledge characteristics influence subsidiary knowledge outflows.

In short, this review suggests that the literature overemphasizes factors related to sending units (subsidiaries) and underemphasizes factors related to receiving units (e.g., HQs), and that some factors, like those relating to individuals, are hardly addressed at all. Although there is some insightful research into the national-environment level of factors, particularly host-country environment characteristics, this research is very limited. These gaps inspired researchers to take a deeper view of the factors related to HQs, individuals, and national environments and to consider a multi-level analysis when researching subsidiary knowledge outflows in MNCs.

3.2.3 Factors Involved in Reverse Knowledge Transfer in Emerging-market Multinationals

Eighteen studies dealing with RKT in the EMNC context have been identified in the literature review process (Paper I). Only half of these studies focus solely on subsidiary outbound knowledge transfer, in particular RKT (e.g., Borini et al., 2012; Nair et al., 2015, 2016). Meanwhile, other papers (e.g., Awate et al., 2015; Lamin & Dunlap, 2011; Silva & Fleury, 2013; Williams & Lee, 2016) focus on general knowledge transfer and other managerial issues (e.g., subsidiary autonomy, subsidiary initiatives) in EMNCs, all of which are involved in subsidiary knowledge outflows.

Here, the research focus is very similar to the literature based on advanced-market MNCs. Specifically, existing studies seem to be predominantly focused on the enabling mechanisms of subsidiary knowledge outflows and why they occur in EMNCs (15 articles). Research in the EMNC context places greater emphasis on sending-unit characteristics (10 publications), while paying less attention to the characteristics of knowledge-receiving units (e.g., HQs). Only one paper addresses individual-level factors by analyzing the motivations of repatriates (Huang et al., 2013).
Most of the investigated factors of RKT in EMNCs are similar to those for advanced-market MNCs, and, unsurprisingly, these findings are similar to other prior research. Factors include, for example, subsidiary role (Borini et al., 2012; Nair et al., 2015), subsidiary capability (Nair et al., 2016), subsidiary external embeddedness (Silveira et al., 2017), HQ absorptive capacity (Nair et al., 2016), socialization between HQ and subsidiary (Borini et al., 2012; Williams & Lee, 2016), collaboration between HQ and subsidiary (Nair et al., 2015), and knowledge characteristics such as tacitness and relevance (Nair et al., 2015, 2016; Silveira et al., 2017; Wu et al., 2015). Clearly, the current research does not thoroughly explore the context-embedded characteristics EMNCs that might be relevant to RKT, resulting in a very limited theoretical contribution to the literature. Consequently, from both the quantity and the theoretical contribution of the research on subsidiary knowledge outflows in EMNCs, this area of research is still in its early stage, and a long way from achieving a theoretical perspective.

3.3 Reverse Knowledge Transfer as the HQ-subsidiary Relational Issue

The knowledge transfer process involves a dyadic and interactive relationship between the knowledge source and the knowledge recipient (Gupta & Govindarajan, 2000; Millar & Choi, 2009; Szulanski, 1995). Hence successful knowledge acquisition requires motivation and effort from both the source and the recipient units (Gupta & Govindarajan, 2000; Lane & Lubatkin, 1998). Specifically, RKT involves a dyadic relationship between an HQ and a subsidiary. As Gupta and Govindarajan (2000) suggest, understanding the dyadic level can increase understanding of international knowledge transfer. This focus on the dyadic relationship underpins the investigation of the key factors influencing RKT in EMNCs.

3.3.1 Principal-agency Relationship between HQ and Subsidiary

As RKT reflects a dyadic relationship between an HQ and a subsidiary, it is important to understand what characterizes the HQ-subsidiary relationship. Agency theory has lately been increasingly used in MNC research, particularly research on managing the HQ-subsidiary relationship. Agency theory can help explain RKT in the HQ-subsidiary dyadic relationship and the problem of subsidiary unwillingness to transfer knowledge. The core of agency theory is that a principal delegates work to an agent, but both principals and agents are try to maximizer utility (Eisenhardt, 1989; Fama & Jensen, 1983). Agents may seek their own interests, which are not necessarily aligned with the interests of the principals (Jensen & Meckling, 1976). This goal
incongruence can induce agency problems, leading to difficulties for the principal in monitoring or verifying agent behavior (Eisenhardt, 1989; Nilakant & Rao, 1994). In MNCs, HQs delegate work, and assign roles and responsibilities to their subsidiaries, so the HQ-subsidiary relationship is considered to be a principal-agent relationship and structure (Nohria & Ghoshal, 1994; Roth & O’Donnell, 1996).

When an agent has greater specialized knowledge than the principal and a high level of managerial discretion (Gomez-Mejia & Balkin, 1992), opportunistic and rent-seeking behavior can easily occur. Given that MNCs are differentiated network organizations, a subsidiary with a high level of external network embeddedness has access to specialized information, and can assimilate and develop new technology from the host market, which increases the subsidiary’s competitive advantage and power within its MNC. In this situation, the subsidiary has more ability to conduct rent-seeking and opportunistic behavior at the expense of HQs’ interests (Nohria & Ghoshal, 1994). To reduce rent-seeking and agency costs, a principal can use design incentives for an agent to monitor its own behavior (Jensen & Meckling, 1976).

However, it is difficult to control or verify agent behavior, because the agent has information that may not be available to the principal (Gomez-Mejia & Balkin, 1992). Information asymmetry between HQs and subsidiaries can easily happen because subsidiaries are geographically distant and have their own network in local markets, and a subsidiary is more likely to have knowledge that HQ does not know or understand (Ciabuschi et al., 2017). These information asymmetries increase the agency problem in the HQ-subsidiary relationship (Roth & O’Donnell, 1996) and the difficulty the HQ will encounter when it tries to directly supervise the subsidiary (Björkman et al., 2004). HQ will be unable to make decisions effectively because HQ does not possess, and must therefore depend on, the unique knowledge of the subsidiaries. To use the terminology of Ghoshal and Nohria (1989), HQ-subsidiary relationships can be described as mixed-motive dyads with independent and interdependent interests.

3.3.2 Subsidiary Unwillingness to Transfer Knowledge as an Agency Issue

Regarding RKT, it is in HQ’s (principal) interest to have subsidiaries (agents) that can contribute knowledge to other MNC units. However, because internal competition is vital for subsidiary survival, a subsidiary may not be willing to behave according to HQ’s wishes, and might instead behave in a way to retain its competitive advantage and power within the MNC (Eisenhardt, 1989; Mudambi & Navarra, 2004; O’Donnell, 2000). Knowledge transfer is time- and resource-consuming (Najafi-Tavani et al., 2012), and if incentives from
HQs are perceived as inadequate, subsidiary willingness will be also reduced (Forsgren, 1997; Gupta & Govindarajan, 2000; Simonin, 2004; Szulanski, 1996). In this sense, the subsidiary would bargain with its HQ to maximize its benefits, rather than simply satisfy the HQ’s interests in knowledge acquisition. Given the divergent interests and the agency problem between HQs and subsidiaries, it may well be in a subsidiary's best self-interest not to transfer knowledge to HQ or to other units, even though doing so would enhance overall MNC competence and performance. A subsidiary may prefer to pursue its own interests rather than act as a mechanical instrument of its HQ (Mudambi & Navarra, 2004; O’Donnell, 2000). This means that RKT generally confronts mixed motives in HQ-subsidiary relationships (Ghoshal & Nohria, 1989). The root cause of subsidiary unwillingness to transfer knowledge is goal incongruence between HQ and subsidiary, which is a fundamental issue of agency problems (Roth & O’Donnell, 1996).

Knowledge acquisition is a sensitive process in HQ-subsidiary relationships and, without doubt, subsidiary willingness is key to achieving effective RKT. In knowledge transfer, knowledge-holders’ willingness to engage in the knowledge transfer is crucial (Gupta & Govindarajan, 2000; Minbaeva, 2007; Simonin, 2004; Szulanski, 1996). In the RKT literature, the willingness of subsidiaries to transfer knowledge has been extensively researched as a positive factor influencing the extent and the effectiveness of RKT (e.g., Blomkvist, 2012; Gupta & Govindarajan, 2000; Mahnke et al., 2009; McGuinness et al., 2013; Najafi-Tavani et al., 2012). With sufficient motivation, subsidiaries tend to provide sufficient resources and talents to knowledge transfer, and they devote more time to supporting the transfer process and to ensuring effective diffusion and adoption in other MNC units.

In contrast, as Casimir et al. (2012) identify, any indisposition to transfer knowledge and innovation may result in inaccurate, incomplete, ill-timed and, in extreme cases, false information being shared. In the absence of sufficient incentives, subsidiaries may employ defensive actions to minimize knowledge transfer, or they may engage in ceremonial behaviors to transfer a specific innovation poorly (especially when the knowledge is unique) so as not to lose an advantage or a powerful position within the MNC (Blomkvist, 2012; Gupta & Govindarajan, 2000; Simonin, 2004).

3.3.3 The Role of Expatriate Manager in HQ-subsidiary Principal-agency Relationship

Agency theorists suggest that, because principals and agents have different interests, a combination of incentive-based and control mechanisms can be employed to align agents’ behavior to the principals’ interests (Eisenhardt, 1989; Tosi & Gomez-Mejia, 1989). In dealing with the agency problems, MNCs may choose control strategies for acquiring knowledge of subsidiaries
Expatriate managers are commonly used as a control mechanism to increase HQs’ control over subsidiaries and collect relatively complete information, thereby monitoring the HQ-subsidiary relationship and strengthening the HQs’ power over the subsidiaries (Moore, 2006). This is highlighted by Edström and Galbraith (1977) who study the reasons for using expatriates in subsidiaries. One important reason which they indicate is that expatriates are a means of coordination and control within MNCs, through the development of an information network linking subsidiaries and HQs and the transmission of HQs’ values to the subsidiaries. Clearly, one important task of expatriate managers is to coordinate and smooth the HQ-subsidiary relationship, thereby reducing subsidiaries’ opportunistic behavior.

Expatriate managers are often viewed as a means for generating interpersonal linkages, because they move from one location to another and enhance their personal networks (Dowling & Welch, 2005). By utilizing their boundary-spanning networks and by having frequent, multiple, and long contacts with HQs, expatriates can build high levels of private social capital with both HQs and subsidiaries (Björkman et al., 2004, Kostova & Roth, 2003). The social relationships of expatriate managers are commonly acknowledged to facilitate social interaction and provide avenues for information and knowledge exchange between HQs and subsidiaries (Inkpen & Tsang, 2005; Kostova & Roth, 2003; Reiche et al., 2009). In this sense, expatriate managers’ good relationships with HQ and local managers can help both HQ and subsidiary to gain knowledge of the information and competences held by each other and to understand each other’s intentions and strategies. This mutual understanding can reduce information asymmetry and enhance communication between HQ and subsidiary, thereby helping in the effective monitoring of subsidiaries. The flip side is that if expatriate managers have a poor relationship with local managers, subsidiaries may erect obstacles to developing coordinating mechanisms and be reluctant to share knowledge.

Expatriate managers’ strong ties with both HQ and local managers may minimize possible dissonant effects when values, attitudes, beliefs and norms differ between HQ managers and subsidiary local managers (Maertz et al., 2009; Van Vianen et al., 2004). Having an expatriate manager as an ally can enhance local managers’ psychological alignment with its HQ, and enable local managers to accept and work towards the MNC’s goals, which can reduce HQ-subsidary goal incongruence such as mixed motives in RKT.

3.3.4 Reverse Knowledge Transfer and HQ-subsidiary Relationship in Emerging-market Multinationals

Subsidiary willingness in RKT is well-discussed in literature based on advanced-market MNCs, but subsidiary willingness is a rather unexplored area within the study of RKT in EMNCs. So far, only one study implicitly
touches upon this issue. Based on a comparative case-study of a Danish MNC and an Indian MNC, Awate et al. (2015) demonstrate that knowledge-seeking in an EMNC HQ, where HQ is attempting to acquire knowledge from advanced-market subsidiaries, is a longer and more difficult process than that experienced by an advanced-market MNC HQ trying to obtain knowledge from a subsidiary in a less advanced market. This trend may result from the lower knowledge level of an EMNC HQs than its knowledge-seeking subsidiaries, leading to a greater likelihood of subsidiary opportunism and rent-seeking (Awate et al., 2015; Ciabuschi et al., 2012; Mudambi & Navarra, 2004). Although Awate et al. (2015) did not explicitly discuss subsidiary willingness in their study, their findings to some extent reflect the fact that subsidiary less willingness is a problem for EMNCs in acquiring knowledge from their subsidiaries in advanced markets.

This brings us back to the agency theory, because subsidiary reluctance to transfer knowledge is a mirror that partially reflects agency problems. As mentioned in Chapter 2, EMNCs generally face multiple liabilities, namely those of politicalness (as politically connected MNCs), emergingness (with their home countries being emerging markets), and newness (from being infant MNCs). In this situation, subsidiaries, particularly acquired subsidiaries, might not be willing to recognize EMNC HQs’ parenting position, or to follow their leadership, because the subsidiaries might doubt that HQs’ legitimacy and capabilities, and might be concerned about home-country political ties. In such a situation, misunderstandings and conflicts will increase between EMNC HQs and their subsidiaries. The HQs of advanced-market MNCs generally do not relinquish all their decision-making rights over their subsidiaries, so that interests align between HQ and subsidiaries (Nohria & Ghoshal, 1994). However, retaining decision-making rights may be difficult for EMNCs. Because of all three liabilities listed above, EMNCs’ HQs may not be able to manage and monitor their powerful subsidiaries or exercise control over subsidiary decisions and activities. Consequently, powerful subsidiaries are likely to pursue their own interests by indulging in rent-seeking activities and resisting RKT practices that would contribute to the EMNC as a whole.

Strong relationships of expatriate managers with HQ and subsidiary can help ameliorate the agency imbalance between HQ and subsidiary. However, expatriate managers can also fail to establish good relationships and coordination between the two sides, because they confront more cross-cultural issues (conflicts between home-host) and more legitimacy issues (originating from both subsidiary and HQ). Problems with expatriate managers might be more severe in EMNCs, because expatriates face multiple liabilities and challenges stemming from EMNCs’ political background, country of origin and infant status in internationalization. As a result, their jobs and their relationship building with subsidiaries are more difficult to conduct. This
engenders more difficulties for expatriate managers in monitoring subsidiary willingness to transfer knowledge.
4. Research Methodology

This chapter presents the research designs of the empirical investigations and describes the development of the data collection process. First, this chapter illustrates the empirical context of this study, namely Chinese MNCs. Second, it presents the research design, namely a sequential mixed-method research approach. Third, it describes the first stage of the qualitative research, which was a single case study on a Chinese state-owned MNC, including background of the case firm, data collection, the analysis of qualitative data, and challenges of qualitative case study. Finally, a description of the second research stage is presented, which was a quantitative survey of Chinese MNCs and their subsidiaries. This description includes the questionnaire development process, sampling, data collection, descriptive information of the samples, data analysis, and a discussion of the challenges in the survey.

4.1 The Empirical Context

Chinese MNCs are the empirical context for researching the key factors influencing reverse knowledge transfer from subsidiaries in EMNCs. China’s economy has developed rapidly over the past three decades. Only two decades ago, China was a major recipient of FDI and a popular destination as advanced-market MNCs sought to expand. But now China has become the world’s second largest provider of international capital after the United States (UNCTAD, 2017). As the most promising source of FDI, China has by far the highest investment outflow among all emerging economies. According to the historical data, China’s OFDI flow has increased by 65 times over the past 14 years, increasing substantially from US$2.8 billion in 2003 to US$183 billion in 2017, while in 2016 the stock of China’s OFDI reached US$1,280 billion, an increase of over 45 times, compared with China’s OFDI stock (US$27.7 billion) in 2000 (UNCTAD, 2017). With this explosion of OFDI, China has given birth to a large number of MNCs and to world-class corporations like Huawei, Lenovo, Geely, Alibaba, and Tencent. In 2017, Chinese firms filled an unprecedented 115 places on the Fortune Global 500 list, ranking second in Fortune 500 firms and not far behind the US (with 132). In comparison, in 2004, only 16 Chinese firms were on that list. In short, as Buckley (2010: 1) notes: “China has become such an important element of the global economy that its influence cannot be ignored in almost any field of endeavor.”
One of the primary motives of Chinese firms in undertaking overseas investment is to access and acquire knowledge-related assets. The volume of cross-border M&A deals by China was quite sporadic before 2002, and the deal value was minor. The targets were in monopoly industries such as oil and mining in America, Canada, Hong Kong, and other countries neighboring China. Since 2002, both volume and value of Chinese M&As have risen significantly. Between 2004 and 2013, China increased its outward M&A deal value tenfold, from US$3 billion to US$33.79 billion (Ministry of Commerce of China, 2014). As UNCTAD (2017) reports, OFDI from developing countries in Asia increased by 7% to US$363 billion, primarily because of surging cross-border M&A purchases by Chinese firms. Meanwhile, Chinese MNCs have gradually manifested their interest in knowledge-intensive sectors, such as machinery, biotechnology, and information technology in advanced economies (Zheng et al., 2014). Typical examples include Geely’s acquisition of Volvo, Nanjing’s acquisition of MG Rover, TCL purchasing Thomson TV, Zoomlion’s acquisition of Compagnia Italiana Forme Acciaio S.P.A., and ChemChina’s acquisition of Pirelli and Syngenta. These M&A activities exemplify EMNC initiatives to seek strategic assets abroad, in order to upgrade knowledge stocks and offset competitive weaknesses (Child & Rodrigues, 2005; Deng, 2009; Luo & Tung, 2007). China is moving up the value chain in highly competitive manufacturing industries like high-end chemicals, information technology, and the automotive and aircraft industries (UNCTAD, 2017). However, Chinese MNCs, as latecomers, still lack certain competitive advantages, such as proprietary technology, brand development, and innovative marketing capabilities, all of which are needed to be competitive in international markets. China appears to provide a fruitful context, including a potential number of sampling firms, for this investigation.

A majority of Chinese OFDI are made by SOEs and other politically connected firms. In spite of the rapid rise of Chinese private investments in recent years, SOEs still accounted for 60% of total Chinese OFDI in 2012 (UNCTAD, 2014). According to the recent report by UNCTAD (2017), more than half of SMNCs were headquartered in developing markets in 2016, while 18% of these SMNCs were headquartered in China, placing it in first position globally. Of the 110 Chinese MNCs listed in the Fortune Global 500 in 2015, 82 were SOEs. Chinese SMNCs appear to have maintained their relative lead among EMNCs and become influential players in global business (Chen & Young, 2010; Cui & Jiang, 2012; Morck et al., 2008; Ramasamy et al., 2012; Wang et al., 2012; Zhang et al., 2011). Even private Chinese MNCs like Huawei and Geely have quite strong ties to the Chinese government. At the macro level, the Chinese government has diversified its way of holding foreign bonds and encouraged Chinese firms to invest abroad to build China into a true world-class economy (Globerman & Shapiro 2009; Hout & Michael, 2014). Thus, the internationalization of Chinese MNCs involves varying degree of government involvement. The prevalence of political ties
and government involvement in Chinese MNCs makes them a suitable context for contributing to a better understanding of the first research question, which is the impact of HQs’ home-country political relationships on RKT in EMNCs.

4.2 Research Design

This study employed a sequential mixed-method approach, starting with qualitative exploratory research via a single case study, followed by quantitative research via a survey (Tashakkori & Teddlie, 1998). The sequential mixed-method design is especially appropriate when the research topic is a relatively unexplored area (Hurmerinta-Peltomakai & Nummela, 2006), and the objective of this thesis (to investigate the key factors influencing RKT in EMNCs) is a relatively new research field. In this situation, a qualitative case study in the first stage, via semi-structured interviews, provides an ‘insider view’ and brings us closer to the data and cases (Ghauri & Grønhaug, 2005). A closer view can help obtain richer and more detailed information, and allow deeper understanding of the phenomena in focus in this relatively unexplored research area (Bryman & Bell, 2003). Furthermore, the results from the qualitative case study help identify relevant themes and constructs, and also help develop suitable hypotheses, providing an empirical foundation for more robust and contextualized questionnaires for the quantitative research in the second stage (Greene et al., 1989). In the second stage, a quantitative approach by a survey generalizes and validates the research findings in a larger sampling population, which results in a more comprehensive account of the investigated phenomenon (Bryman, 2006).

Overall, the qualitative-quantitative mixed-method strategy of combining a case study and a survey is feasible and justifiable. The case study through semi-structured interviews obtains deeper insights into the issues and aids understanding, while surveys can be standardized and conducted in a relatively large sampling, making it easier to compare and generalize the results. This procedure enables a researcher to analyze rich qualitative data collected from a case study, and supplement that information with more obtained from a survey to mitigate the potential drawbacks of a single case study (Tashakkori & Teddlie, 1998). In this case, this mixed-method strategy enables me to obtain a more complete picture of the investigated phenomenon and to ensure accuracy and reliability.

This thesis is part of a research project involving other researchers. All data collection in this thesis was conducted by my project colleague and myself. In the first stage, my colleague and I started qualitative data collection and analysis of a single case study in a Chinese state-owned MNC and its four European subsidiaries. The data in this stage were collected mainly through face-to-face semi-structured interviews at both HQ and subsidiaries of ABC.
The interviews were conducted between October 2014 and April 2015. Based on analysis of those data, a qualitative paper (Paper II) was developed partly to deal with Research Question 1 (“How do HQs’ political relationships in their home countries influence reverse knowledge transfer of overseas subsidiaries in EMNCs?”). Meanwhile, the initial findings of the case study were then used to develop questionnaires used for the quantitative research in the second-stage research. In the second stage, my colleague and I conducted a survey among Chinese MNCs and their overseas subsidiaries from October 2015 to August 2016. Based on the analysis of the subsequent quantitative data, Papers III and IV were developed.

4.3 Qualitative Approach – Case Study

In the qualitative stage of the sequential mixed-method approach, a single case-study was conducted using semi-structured interviews in a Chinese state-owned multinational (alias ABC) and its four knowledge-seeking subsidiaries in Germany and the Netherlands.

4.3.1 The Case Firm

The ABC firm, established in 1989, is an SOE and one of the leading enterprise groups in China’s construction-machinery industry. Its original factory was founded in 1943 as a regional munitions manufacturer and was controlled by the Chinese Communist Party. In 2014, ABC had 20,000 employees and 50 subsidiaries in the home market, and 13 overseas subsidiaries with active operations. ABC’s main products included truck cranes, road rollers, excavators, aerial work platforms, milling machines, and so forth. In the global market, ABC ranked among the top 10 in the construction-machinery industry in 2014 by sales. Its target international competitors were Caterpillar, Komatsu, TEREX, Hitachi, Liebherr, and Volvo. ABC was purposively chosen as the case firm. Purposive sampling, through the judgement of the researcher, can select the samplings that are most advantageously placed, or are in the best position to provide the required information and data to meet the research objectives and answer the research questions (Adams & Brace, 2006).

ABC was chosen for several reasons. First, ABC was founded as an SOE and is currently 100% owned by a city government. According to the annual report and media coverage, ABC has quite strong political networks and integrates political ideologies and values in its management and operations. Second, according to its own annual report and media coverage, ABC aims to become a world-class construction machinery conglomerate with international competitiveness, and it pays particular attention to seeking and acquiring advanced technology and other knowledge from overseas to enhance its
competitive advantage. In the course of this pursuit, it has acquired three firms in Germany and the Netherlands and established an R&D center in Germany, which gives ABC a high possibility of RKT. Among the acquired firms, two are small-medium enterprises and one is an MNC. In addition, ABC is in the heavy construction-machinery industry, which is a key strategic industry in China. This industry has many SOE players and is heavily involved with, and guided by, the Chinese government. These conditions make ABC a suitable and interesting case for this research.

Similarly, the investigated subsidiaries, shown in Table 2, were purposely selected, as we intended to ensure that there was a reasonable variance in this study. ABC has 13 subsidiaries engaged in active operations, but we chose these four subsidiaries in Germany and the Netherlands to explore RKT. The reasoning was that, as mentioned earlier, these four subsidiaries had been acquired or established with an explicit knowledge-seeking purpose (confirmed by interviews with the managers at ABC HQ). ABC had invested in these subsidiaries specifically to seek strategic assets and upgrade technological competence, and it attempted to acquire knowledge from these four subsidiaries.

<table>
<thead>
<tr>
<th>Table 2. ABC’s Subsidiaries in the Netherlands and Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entry mode</strong></td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td><strong>Year acquired</strong></td>
</tr>
<tr>
<td><strong>Year founded</strong></td>
</tr>
<tr>
<td><strong>Location</strong></td>
</tr>
<tr>
<td><strong>Ownership</strong></td>
</tr>
<tr>
<td><strong>No. of employees</strong></td>
</tr>
<tr>
<td><strong>Function</strong></td>
</tr>
<tr>
<td><strong>No. of expatriates</strong></td>
</tr>
<tr>
<td><strong>Top management composition</strong></td>
</tr>
<tr>
<td><strong>Primary FDI objective</strong></td>
</tr>
<tr>
<td><strong>Managed and coordinated by</strong></td>
</tr>
</tbody>
</table>
Among these four subsidiaries, SubA, SubB and SubC were acquired, while SubD is a greenfield R&D center. SubA, a family-owned firm before being acquired, is a small technology firm specializing in high-end hydraulic valves and hydraulic fluid power. It was the first acquired subsidiary of ABC, and has been 100% owned by ABC since 2011. Similarly, SubB is a small technology firm that has been 100% owned by ABC since 2011. It manufactures ready-to-install assemblies, such as hydraulic power packs and drives, hydraulic pumps, and complete pre-assemblies including control systems. SubC is one of the world’s largest concrete-equipment-producing firms, and is a global MNC with 3300 employees and eight manufacturing firms in Germany, Austria, Belgium, the US, Russia, China, Brazil and India. It also has a large number of marketing and service subsidiaries in other countries, and in more than 100 countries. ABC owns 90% of SubC, which it acquired in pursuit of augmenting its concrete-equipment technology and growing domestic and international markets in the concrete-equipment area. SubC cooperated with the ABC-SubC joint-venture firm (established in 2013) in terms of knowledge transfer. SubC is managed and coordinated by the International Business Department of ABC’s HQ. SubD was built as a greenfield site located next to SubB in 2013. As wholly-owned subsidiary, SubD is ABC’s European R&D center and the first overseas R&D center for ABC, with around 30 employees including 20 engineers.

4.3.2 Qualitative Data Collection

The data in the case study were collected from three sources: 1) semi-structured interviews; 2) internal documents; and 3) media coverage. I relied on semi-structured interviews as the main source of data on the HQ’s political relationships and on RKT from subsidiaries within ABC. Internal documents and media-coverage data served as important triangulation and supplementary sources, which helped us to gain a comprehensive understanding of ABC HQ’s political relationships and RKT and associated barriers from different perspectives.

The semi-structured interviews were mainly conducted face-to-face at both HQ and the four subsidiaries of ABC. Semi-structured interview can uncover rich and detailed data from individuals’ explanations (Saunders et al., 2009). This format allowed us to omit some questions, propose new ones, and change the order of questions depending on interviewees’ replies and the specific organizational context. Hence, the interview process is flexible, and we can control the research issue context, which can allow us to conduct an in-depth exploration of significant issues emerging during interviews (Bryman & Bell, 2003). My colleague and I used the face-to-face interview technique because it provides direct interaction, which can help in observing verbal and non-verbal behavior and in building trust easily with interviewees, thereby
improving the quality of the data and the information (Cooper & Schindler, 2014).

We initiated contact with two interviewees from ABC HQ in March 2014 and conducted face-to-face interviews with ABC HQ’s interviewees in October 2014. In total, we conducted 32 interviews with 14 interviewees at Chinese HQ level. These 14 interviewees at ABC HQ were Chinese, but nine interviewees had international experience by either studying or working abroad, or both. After the interviews at ABC HQ, we conducted interviews with subsidiary interviewees in Germany and the Netherlands, mainly face-to-face, between January and April 2015. At the subsidiary level, we conducted 21 interviews with 10 interviewees. These 10 interviewees included one Dutch employee, three Germans, two Germans of Chinese origin and four Chinese expatriate managers. Eight of these respondents, including two German engineers, two German engineers of Chinese origin and four Chinese expatriate managers, were substantially involved in RKT processes. Among the four subsidiaries, SubC was the only one represented by a Chinese expatriate manager, while the others had mixed respondents with diverse backgrounds. The diversity of these HQ and subsidiary interviewees with different backgrounds and job positions can help us to obtain a more comprehensive understanding of the investigated topic from different perspectives.

In total, my project colleague and I conducted 53 interviews consisting of 45 face-to-face interviews and eight interviews by phone. All 45 face-to-face interviews were conducted by my colleague and I, while six follow-up phone interviews were conducted by my colleague and two phone interviews were conducted by myself. At the beginning of each interview, we informed interviewees about the purpose of the study and what kind of questions would be asked, and also explained the specific terms that would be used during the interviews. These explanations helped to prevent bias and to ensure the same understanding between interviewees and interviewers. During the face-to-face interviews, one of us was responsible for asking the prepared questions and probing new questions reflected from interviewees’ words, while the other was responsible for keeping notes and also proposing some additional questions through the inspirations from the interviewees’ answers. Our responsibilities and roles were shifted when interviewing different people. The interviews were recorded and transcribed.

During the semi-structured interviews, we had a list of themes and questions which varied in different interviews depending on the working position of interviewees. The order of questions varied depending on the flow of conversation, and additional questions were formulated when required to explore the research questions. The main interview questions at ABC HQ related to internationalization, management issues with subsidiaries,

---

2 The interview transcription is discussed in more detail in Section 4.3.4
knowledge transfer, and sharing from the investigated subsidiaries to ABC’s Chinese units (e.g., type of knowledge, ways of transfer), factors influencing RKT, reasons for inducing these factors and relationships, and interactions with home government institutions. Examples of questions were: “What is the function and role of this subsidiary? To what extent and how did your HQ and domestic subsidiaries receive the knowledge (e.g., technology, marketing information, management experiences etc.) from this subsidiary? What benefits did your firm obtain? What difficulties did your HQ and subsidiary suffer in the transfer and absorption of this subsidiary’s knowledge and how? Were these difficulties related to the state-owned background of your HQ and, if so, how? How was your HQ’s relationship with this subsidiary in terms of cooperation, integration and communication? How did your HQ’s interaction with government or the state-owned background affect the strategies, organizational culture and internationalization of your firm?”

Interview questions at the subsidiaries were mainly concerned with knowledge transfer from the subsidiaries to ABC’s Chinese units, including factors influencing RKT, factors emerging from HQ interviews, and reasons for inducing these factors. Many of the interview questions relating to RKT were the same or similar to those asked of the HQ. In addition to these questions, typical questions for the subsidiaries include, for example: “How did the subsidiary contribute to the technological competence and innovation of your HQ? What were the benefits that the subsidiary obtained through knowledge transfers? How did your HQ motivate the subsidiary to transfer knowledge? How did the subsidiary and the HQ support subsidiary knowledge transfer? What was the perception or view of the subsidiary towards your HQ’s state-owned background or political connection? How did this perception influence HQ-subsidiary relations and the knowledge transfers of your subsidiary?”

As mentioned above, my colleague and I also collected archival data to supplement the primary research. Specifically, we collected information from ABC’s internal archives, including a book, annual reports, and slideshow presentations relating to financial, cultural, strategic, operational, and internationalization aspects of ABC. We also collected coverage from the media, including 40 news articles about the political relationships, internationalization, and innovation achievements of ABC, and 15 news articles about internationalization and strategic asset-seeking investments in the Chinese construction-machinery industry, and about ABC’s domestic competitors. This archival data provided additional information about ABC and the industry, and helped us better understand ABC’s political embeddedness and internationalization and innovation strategies. For instance, news of the cross-border M&A activities of ABC’s three domestic competitors enabled me to understand the situation of ABC’s cross-border M&As from the competition perspective, and ABC’s aim of innovation augmentation as
being at least partly due to peer pressure. We also compared archival data with the interview data to check for consistency.

4.3.3 Qualitative Data Analysis
Thematic analysis, one of the common techniques for analyzing qualitative data, was used to summarize the case data, identify constructs, and investigate relationships (Miles & Huberman, 1994; Strauss & Corbin, 2007). Thematic analysis is “a method for identifying, analyzing and reporting patterns (themes) within data” (Braun & Clarke, 2006: 79). At its core, it is a search for essential emerging themes (Miles & Huberman, 1994; Strauss & Corbin, 2007). My project colleague and I acted as coders to perform the qualitative analysis together. In thematic analysis, the process of coding had three steps. First, open coding was used to identify initial concepts in the data and group data into categories. We made common statements into first-order constructs, which were then refined by the iterative process. Iteration continued in this manner until the two coders were unable to ascertain any further distinct and meaningful constructs. After that, we conducted axial coding, wherein we searched for relationships between and among these categories, which helped us to assemble them into higher-order themes. Finally, we developed the dimensions that are aggregated by theoretical themes. Based on these analyses, Paper II was developed to address the first Research Question.

4.3.4 Challenges of the Qualitative Case Study
My colleague and I used several approaches and our own backgrounds to avoid research bias and improve the validity of the qualitative case study. First, all face-to-face interviews were jointly conducted by my colleague and myself, which ensured the effectiveness and fluency of the interview process and improving the quality of the interview data. Interviews for a case study of this type always need the first-hand experience of field research, and require experiences of interactions between managers and employees. My project colleague is from a business family and has been partly involved in her family business since 2007, while my father works in a Chinese MNC’s subsidiary as a chief manager. Our backgrounds and Chinese ‘Guanxi’ society (Luo, 2007) have given us much experience of interacting and communicating with many managers and employees in different companies. We have each previously collected qualitative data in business research, in a similar way, specifically in Chinese firms. We were therefore quite familiar with the setting, which helped us to conduct interviews more effectively.

Second, single-source data is a common limitation in most of the research in the field. In RKT literature, the data is commonly taken at the subsidiary level. However, we have avoided this issue by using multiple-source data and triangulation techniques. In the case study, we conducted interviews at both
HQ and subsidiary level. Specifically, the same questions, on such matters as the RKT situation and its drivers and barriers, were often asked of respondents at both HQ and the subsidiaries, which provided additional and complementary information and enhanced the understanding of the same issues. In addition, archival data from ABC’s internal documents and media coverage served as important triangulation and supplementary sources for understanding the background, the internationalization strategy, and the politically embedded nature of the case firm. These triangulation techniques also provided a means of gaining additional perspectives on key issues, and helped to maintain the integrity of the analysis and to enhance its credibility (Miles & Huberman, 1994).

Third, we also attempted to reduce research bias in the translation and analysis of the interview data. The risk of data errors and loss increases significantly if there is not a proper translator for the interview transcriptions. To avoid this potential problem, my colleague and I, the interviewers, were also responsible for translating the Chinese interview transcriptions into English for further analysis, instead of outsourcing the translation work. We divided the Chinese transcription into two parts and each of us translated one part. After that, each of us checked and reviewed the other’s translation. This process reduced bias and minimized the possibility of missing any data, and helped ensure that translations were correct. Similarly, we both worked together on the analyses of interview data, particularly in coding analysis and categorization, in order to reduce any research bias caused by the subjective analysis of a single researcher.

All research faces certain difficulties, and my colleague and I were frustrated in several aspects during the qualitative investigation process. First, we spent four months trying to get in contact with one of the top managers of ABC to get his permission and support to conduct the case study, which was much longer than we anticipated. Second, owing to the large size and complex management structure of ABC, it was difficult to find relevant respondents. At the beginning of the field study, we targeted the top managers and conducted interviews with them. From their interviews, we found that they knew ABC’s overall strategies well, but they had less knowledge at the operational level and about details regarding the management and RKT of foreign subsidiaries. Owing to their top positions, their answers and information were quite official and superficial. Also, they preferred to use similes and metaphors when talking about sensitive information and managerial problems. When we realized the problems, we changed our strategy and targeted middle managers and their staff involved in the management of the Dutch and German subsidiaries. The interviewees in the rest of the field study were more willing to discuss the issues and problems they faced in managing subsidiaries, providing more detailed information and examples.
Regarding the interviewees, there is another limitation. In SubC, an acquired firm in Germany, we were able to interview only the Chinese expatriate manager, the CEO of SubC, because this manager was uncomfortable introducing other colleagues at that time (for work reasons). But he tried to provide the detailed information we requested, and we had three interviews with him at different times, for a total of nine hours. He was willing to share information and to discuss operational issues with us. These interviews provided us with a quite comprehensive understanding of the RKT practices of SubC. We also compared the information he provided with that of preceding respondents, of whom we asked the same questions at other sites, and the information was consistent.

Another challenge related to the recording of the interviews. When we asked the interviewees if we could audio-record the interviewees, many of them were hesitant and expressed concerns. In order to get permission to record the interviews and to motivate the interviewees to speak more freely in the interview process, we informed them of their right to refuse to answer any question and assured them about confidentiality and privacy issues. Although they allowed the recording, the process made several interviewees a little uncomfortable. Consequently, some respondents were slightly hesitant when talking about some sensitive information, such as political ties and ineffectiveness in managing subsidiaries. Despite this, recording the interviews was still a rational choice, as reliability can be increased by recording data mechanically (Nair & Riege, 1995).

Last but not least, there was a risk of misunderstanding the Dutch and German interviewees owing to cultural differences. Cultural surrounding is highlighted as important for method bias (Welch et al., 2011). Both interviewer and interviewee might be influenced by their respective cultural backgrounds, which can affect attitudes, perceptions, and motives, and may lead to misunderstandings that could influence results. As we are Chinese, we cannot avoid this issue when interacting with Dutch and German interviewees. But our six-year studying experience in the UK and Sweden has extended our knowledge of European culture and helped us to reduce this potential problem. Besides, it was of great importance that we were aware of the cultural differences when interviewing them, and we took great care in asking them the questions, listening to their answers, and interacting with them.

4.4 Quantitative Approach – Survey

In the quantitative stage, my colleague and I conducted a survey of Chinese MNCs and their overseas subsidiaries to investigate the key factors affecting RKT within Chinese MNCs in a large number of samples. In a survey, responses can be coded, categorized, and reduced to numbers via a standardized questionnaire so that the data can be statistically analyzed.
(Cooper & Schindler, 2014). Thus, survey is an appropriate technique for capturing cause-and-effect relationships and respondents’ attitudes, opinions and descriptions through questionnaires (Ghauri & Grønhaug, 2005).

4.4.1 Questionnaire Development Procedure

To have a comprehensive understanding of RKT, which involves a dyadic relationship between HQs and subsidiaries, we designed two structured questionnaires, one for MNC HQs and the other for subsidiaries. These two questionnaires are shown in Appendix 1 and Appendix 2 respectively. The HQ questionnaire mainly deals with the characteristics of the MNC and the HQ, basic information about the investigated subsidiaries (location, entry mode, age, etc.), HQ-subsidiary relationship characteristics, and RKT. The subsidiary questionnaire mainly deals with subsidiary characteristics (function, role, top management team and performance, etc.), HQ-subsidiary relationship characteristics, and RKT. Key questions about subsidiary competence level and RKT were posed in both questionnaires in order to ensure reliability. The majority of the investigated constructs were measured by established measurements from the literature.

Based on a review of the literature on EMNCs and RKT and the case research findings in the first stage, during the period between May and July 2015, my colleague and I redeveloped and revised the HQ and subsidiary questionnaires, which were preliminarily developed in September 2014. The revisions benefited from the valuable comments and suggestions of my two supervisors in terms of developing constructs and their variables, question tenses wording, and the questionnaire format. After that, the two questionnaires were reviewed by one external professor knowledgeable about quantitative research in international management studies. With his insightful comments, we made small changes to several questions.

Both questionnaires were designed in English and then translated into Chinese, because respondents were potentially Chinese-speaking. After we translated the questionnaires, seven people (Chinese scholars and managerial professionals) helped to check the grammar and intelligibility of the questions in the Chinese questionnaires. These seven included the founder of a marketing research company who specializes in designing questionnaires and is knowledgeable about the management of Chinese firms. Their valuable suggestions and comments helped us to make the language more professional and easily comprehensible in terms of Chinese culture and managerial logistics, without changing the original meaning. Then, following the conventional and well-accepted back-translation process (Brislin, 1986), the translated Chinese questionnaires were re-translated into English by two Chinese lecturers with British Master’s degrees. We then checked the English versions that these two Chinese lecturers had translated against the English questionnaires that we had designed. Small modifications to both English and
Chinese versions were done in order to be consistent and correct. This back-translation process ensured the validity of the questionnaires through avoiding cultural bias and verifying that the meanings of the items were as intended.

Next, a pilot test of the finalized Chinese questionnaires was undertaken by inviting seven Chinese MNCs in August 2015 to participate in pre-testing. We eventually received the questionnaires from two SMNCs and two private MNCs and their four subsidiaries (one acquired and three greenfield). After reviewing the responses to the pre-tested questionnaire, we contacted each respondent to invite feedback and explore any problems they met when filling the questionnaires. Their feedback helped to clarify several ambiguous questions and items in both the Chinese and the English questionnaires, and helped to check the information sensitivity in the Chinese context. Finally, the English versions of the HQ and subsidiary questionnaires were reviewed by a language editor. Since Chinese versions had been reviewed by Chinese scholars and managerial professionals, as well as by the managers of the pre-tested Chinese MNCs, we considered the Chinese versions to be good enough in terms of grammar and wording and ready to be administered.

4.4.2 Sampling of the Survey
We set the target MNCs as Chinese MNCs with at least one subsidiary that had been operating in advanced markets for a minimum of three years, because we intended to ask the HQ respondents to provide at least one subsidiary in advanced markets operating a minimum of three years to investigate. All criteria were used to ensure that there were cases of subsidiaries in which RKT practices might possibly exist in the investigated MNC. We set a target of at least one advanced-market subsidiary, because EMNCs tend to engage in strategic asset-seeking investments in advanced markets where there is a comparative advantage in high-tech R&D (D’Agostino et al., 2013; Kedia et al., 2012). The subsidiaries’ time within the MNC were set to a minimum of three years because they had to have had some experience in the host country and in the internal MNC network (Birkinshaw & Hood, 1998; Foss & Pedersen, 2002), to serve as a proxy for organizational learning and relationship quality with other MNC units.

Given the difficulty of obtaining public information in China for non-listed companies, we selected the sampling MNCs from the 2679 Chinese firms listed on three stock exchanges: the Shenzhen Stock Exchange (1237 Chinese firms on the main board and the SME board); the Shanghai Stock Exchange (1,062 Chinese firms); and the Hong Kong Stock Exchange (380 Chinese firms). The firms in these exchanges have relatively more public information, and also represent the majority of large Chinese firms which have a high possibility of being MNCs. Gaining access to firms is known to be difficult in China, and therefore it was necessary to have a large number of potential respondents. Considering that firms must respect the sampling criteria
previously mentioned, and that we had to face time-consuming access issues (Saunders et al., 2009), we adopted a purposive sampling procedure. This approach enabled us to use judgment (based on secondary data and various information) to select the cases that met the research objective and to obtain a difficult-to-identify sample (Saunders et al., 2009). Because of the lesser availability and reliability of second-hand data (database, annual report, official website, etc.) on Chinese MNCs, it was difficult to identify Chinese MNCs that met the criteria we set. This purposive selection technique ensured that the respondent firms matched our requirements, and that we could obtain the necessary support from the sampled MNCs to complete the questionnaires.

Subsidiaries targeted for sampling were set as overseas subsidiaries belonging to the investigated Chinese MNCs, chosen by the respondent(s) to an HQ questionnaire. Three specific criteria were set to select subsidiaries: 1) they must be majority-owned (at least a 50% equity share of the subsidiary) by a Chinese MNC, consistent with the definition of Voxman (1992) of a subsidiary as a firm that is at least 50% owned by the parent firm; 2) they must have belonged to a Chinese MNC for a minimum of three years; 3) they must be recognized as relevant to the MNC’s core business so as to avoid sales offices or very tiny subsidiaries.

4.4.3 Quantitative Data Collection

The questionnaires were administered from October 2015 to August 2016. Because the sampling MNCs were very large and among the leading business groups in China, it was difficult for the questionnaires to be introduced to the firms without contacts or indirect introductions by people close to the firms’ managements. This is because informal relationships are dominant in China. Considering the importance of ‘Guanxi’ in China (Luo, 2007), my colleague and I decided to ask for help from the managers we knew in order to get introductions and gain access to the chosen MNCs. Eventually, we obtained the support of 24 managers with strong backgrounds and networks in their industries or regions. Based on the stock exchange lists, we provided these managers with a list of 370 firms that fulfilled our sampling criteria and could potentially be reached by them, based on their backgrounds and networks, to help us to build contacts and get permission for the questionnaires to be completed. We received the contact details of 157 firms with the help and commitment of these 24 managers. After communicating with these 157 firms, 106 of them agreed to participate in the survey.

This survey involved questionnaires to both HQ and subsidiary. We first collected HQ questionnaires mainly through face-to-face interviews with the top managers at Chinese MNC HQs. Before booking an interview appointment with HQ respondents, we were usually required to send the HQ and subsidiary questionnaires to the HQ respondents so that they could be inspected. The first part of the HQ questionnaire related to the background and
characteristics of the MNC and its HQ, and the second part concerned the questions about each investigated subsidiary, with the HQ respondent(s) asked to nominate up to five subsidiaries fulfilling the sampling criteria. After collecting the HQ questionnaire from each sampled MNC, we conducted the subsidiary questionnaire through online tools, such as email and other social tools, with the help of the HQ respondents. Specifically, the HQ respondents helped us to contact these matching subsidiaries so that the questionnaires could be sent to the appropriate subsidiary managers. Before and during the distribution of the questionnaire, we assured the respondents that all information in both questionnaires would be treated with strict confidentiality and used for academic research purposes only, with the results being reported in aggregate form to prevent the firms from being identified.

In total, we obtained 106 filled-out HQ questionnaires and 185 filled-out subsidiary questionnaires from those 106 Chinese MNCs. The respondents to the HQ questionnaire were mainly top managers (e.g., board secretary, vice-CEO and manager of the board office) and heads of HQ divisions (e.g., international business division). This aligned with the requirement for HQ respondents who should be senior managers at MNC HQs, with extensive knowledge about management of overseas subsidiaries. All collected HQ questionnaires were in Chinese. For the subsidiary questionnaire, subsidiaries’ top managers were required for answering the full range of questions in the subsidiary questionnaires, because they were expected to have in-depth and extensive knowledge of managing the subsidiary, and of the relationships and knowledge transfers between the subsidiary and HQ. In the end, approximately 80% of the subsidiary respondents were Chinese expatriate managers, although a few were top local managers, assistants to chief managers, or heads of functional divisions such as marketing, accounting and finance and R&D. The majority of subsidiary questionnaires collected were in Chinese, while a few had responses written in English by top local managers when the subsidiary did not have an expatriate manager assigned by Chinese HQs.

4.4.4 Information about the Samples

Of the initial sample’s 106 HQs and 185 subsidiaries, five MNCs did not meet the sampling criteria and were discarded along with their six subsidiaries. To go into detail, four of those MNCs had subsidiaries only in developing economies, while one had only one subsidiary which had been established for less than three years. For two of the subsidiaries, the Chinese parent firms had a less than 50% ownership share; thus, we dropped eliminated these subsidiaries, along with their two HQ questionnaires. The final totals for the survey sample was 99 HQs and 177 subsidiaries of those 99 Chinese MNCs.

Although the sampled MNCs were selected via the purposive sampling technique, they and their subsidiaries had good variance across key
demographic variables and were quite representative in terms of these variables. Specifically, 95 out of 99 sampled MNCs were in the manufacturing industry, with a full range from low-tech to high-tech industries, while four were in non-manufacturing industries such as banking and international wholesale. More than 85% of the Chinese MNCs in the sampling were in middle-tech and high-tech industries. This is consistent with the Chinese government’s strategy of developing high-tech industries and moving China into a higher position in the global value chain (UNCTAD 2017). The majority of the MNCs being in middle-tech and high-tech industries allowed a good opportunity to find possible RKT practices from overseas subsidiaries. The 99 Chinese MNCs were located in 20 Chinese provinces and municipalities. More than 80% of these 99 MNCs were located in eight provinces and two municipalities (Beijing and Chongqing) (Figure 3). It is worth mentioning that, as shown in Figure 3, the number of sampled MNCs located in each province/city were aligned with the economic development of their locations in terms of local GDP per capita, which to some extent reflects the representativeness of the sampled MNCs. For instance, more than half were located in Jiangsu, Zhejiang, Beijing, and Guangdong which are the most industrial and innovative regions in China.

In terms of the MNCs’ status of state ownership, as illustrated in Figure 4, 69 MNCs had state-ownership with good varieties, while 30 did not have state ownership. Half of the 99 MNCs had more than 30% state ownership, and 12 had 100% state ownership. A good distribution of private and state ownership can allow the sampled MNCs’ HQs to have a varying degree of political relationships for the investigation.

---

3 China has 27 provinces and 4 municipalities excluding Hong Kong, Macau, and Taiwan.
As for the size of the MNCs, looking at the numbers of their employees and their domestic subsidiaries (Figures 5 and 6), the 99 Chinese MNCs were very large firms. Specifically, around 30% had between 5,001 and 20,000 employees, and another 30% had more than 20,000 employees. On average, the number of the employees in the sampled MNCs was 29,668. Looking at the number of domestic subsidiaries of the sampled MNCs, approximately 34% had between 11 and 20 domestic subsidiaries in the home market, and 36%
had more than 20 domestic subsidiaries. On average, the number of domestic subsidiaries in the sampled MNCs was 26.

In contrast with the large number of employees and domestic subsidiaries, the number of overseas subsidiaries and the percentage of foreign sales in the sampled MNCs (see Figures 7 and 8) were quite small. More than 60% of the sampled MNCs had no more than five overseas subsidiaries, while only approximately 20% had more than 10. The average number of overseas subsidiaries in the sampled MNCs was 8, which was far less than the average number of domestic subsidiaries. In terms of foreign sales, 47 out of the 99 sampled MNCs had less than 20% of foreign sales in their total sales, and only 18 had more than 50% of foreign sales in their total sales. These figures, illustrated in Figures 5, 6, 7 and 8, reflect the fact that most of the sampled Chinese MNCs were in the early stage of internationalization with fewer overseas subsidiaries and lower foreign sales, but had huge operations in their home market. This aligns with the general trend of EMNCs being ‘infant MNCs’ with little international experience but with leading positions in their home-region markets.

![Figure 7. The Number of Overseas Subsidiaries in Sampled MNCs](image)

![Figure 8. The Percentage of Foreign Sales in Sampled MNCs](image)
As for the 177 subsidiaries, 49 were acquired and 128 were greenfield. Regarding host location, 141 subsidiaries were located in 20 advanced markets, while 36 were in 14 developing markets. The advanced markets were mainly in the USA, Germany, Singapore, Hong Kong, Australia, Japan, the UK, and the Netherlands, while the developing markets were mainly in Brazil, India, Thailand, and Vietnam. The imbalance in host locations between advanced markets and developing markets was, as mentioned in Section 4.4.2, because HQ respondents were required to provide at least one subsidiary in advanced markets for investigation. The rationale behind this is that EMNCs are more likely to target advanced markets for strategic asset-seeking investments (Kedia et al., 2012; Luo & Tung, 2007) owing to the relative advantage in high-tech R&D in advanced markets (D’Agostino et al., 2013). Hence, subsidiaries in advanced markets have the potential for RKT practices.

The size of the sampled subsidiaries has good variance in terms of the number of employees (see Figure 9). Specifically, half of the 177 subsidiaries were small firms with fewer than 50 employees, 24% were medium firms with 51 to 250 employees, and 26% were large firms with more than 250 employees. The average number of employees in the sampled subsidiaries was 392.
Subsidiaries also had a good distribution of ages (Figure 10). Approximately 30% of the 177 subsidiaries had belonged to their MNCs for three to five years and approximately 40% had belonged to their MNCs for six to ten years, while approximately 28% had belonged to their MNCs for more than 11 years. The subsidiary age within the MNC is on average 8.6 years.

4.4.5 Quantitative Data Analysis

Based on the quantitative data collected from the survey, the research models in Paper III and Paper IV were tested through Partial Least Squares-Structural Equation Modelling (PLS-SEM) using SmartPLS 3. Structural Equation Modelling (SEM) is defined as a “family of statistical models that seek to explain the relationships amongst multiple variables” (Hair et al., 2009: 634). One main advantage of the SEM technique is that it enables a researcher to examine more than one relationship between one or more independent and dependent variables simultaneously. In contrast, many multivariate analyses allow the examination only of a single relationship between dependent and independent variables. Furthermore, the SEM model not only provides some information on the characteristics of measurements (e.g., loading) but at the same time, this model assesses the relationships between independent and dependent variables.

I used PLS statistical programs to specify and analyze the structural equation model through SmartPLS 3 software (Ringle et al., 2005). PLS-SEM was chosen for analysis of the survey data for two reasons. First, PLS-SEM is most suitable for explorative research in the early stages of theory development (Fornell & Bookstein, 1982; Hair et al., 2012; Henseler et al., 2009). As mentioned before, there is little research on the factors influencing RKT in EMNCs in relation to HQs’ political relationships and expatriate managers’ relationships, leading to little theoretical understanding. This study intends to identify theoretically significant relationships in the hopes of developing theoretical models, instead of theory-testing per se, which focuses on confirming relationships tested by previous studies. Therefore, the research models in Papers III and IV have an exploratory nature and require a soft modelling approach such as PLS-SEM (Wold, 1975). Second, PLS-SEM has minimal requirements in terms of sample size for achieving sufficient statistical power (Hair et al., 2012; Lohmöller, 1989). Our survey database has 177 HQ-subsidiary dyadic relationships within 99 Chinese MNCs that can analyzed, while in the quantitative analysis for Paper IV, only 128 HQ-subsidiary dyadic relationships within 73 Chinese MNCs in the whole database were appropriate. Because Paper IV focuses on the relationships of expatriate managers with HQ managers and local subsidiary managers, and on technology-related knowledge transfer, it was necessary to exclude 49 sampled subsidiaries that did not fulfil the research objective, along with their
4.4.6 Challenges of the Quantitative Survey

Common method variance (CMV) bias (Chang et al., 2010) is always a concern in quantitative studies. Using self-reported data and single-source data increases the risk of CMV (Podsakoff & Organ, 1986), which may affect the estimates of the relationships observed between the investigated variables (Campbell & Fiske, 1959). In designing the questionnaires and conducting the survey, my colleague and I took the CMV issue into consideration and use a priori research design (as suggested by Podsakoff et al., 2003) to minimize any CMV problems.

First, to avoid the potential effect from the use of single-source data, we collected data using two questionnaires from both HQ and subsidiaries to explore the same object of RKT. The independent and dependent variables of the research models were also designed from different respondents and contexts. For example, in Paper IV, while the measures of expatriate managers’ relationships and subsidiary willingness were answered by subsidiary managers, the RKT construct, as a dependent variable, was based on responses from HQ managers. Second, the sets of questions referring to the investigated constructs either appeared in different sections of the questionnaire or were measured using different response formats (e.g., “strongly disagree/strongly agree”, “not at all/very much”) and scales (e.g., -3 to 3 and 1 to 7). For instance, to control for bias related to the question context, the questions regarding the relationship quality between expatriate managers and subsidiary local managers appeared two pages after the questions regarding relationship quality between that expatriate manager and HQ managers, and those latter questions were asked after questions designed to evaluate subsidiary willingness.

The pre-testing and amending of the questionnaires prior to commencing data gathering served to prevent the use of confusing, vague, or unfamiliar terms in the content and wording of questions (Chang et al., 2010). This helped to ascertain that respondents’ answers corresponded with what the individual items in the questionnaires were intended to measure. Although complete certainty about the respondents’ understandings of individual items in the questionnaires is not possible, the pre-testing should have largely reduced such problems. In addition, because personal face-to-face interviews arguably enhance the reliability and quality of the data (Podsakoff et al., 2003), my colleague and I collected HQ questionnaires through face-to-face interviews, which may also have diminished potential bias caused by a single interviewer’s verbal particularities and expectations. Consequently, we believe that CMV is of limited concern in this quantitative research.
We suffered various difficulties during the survey process. The first difficulty related to the sampling frame. As mentioned earlier, owing to Chinese MNCs being an emerging phenomenon, second-hand data, like databases, annual reports, and official websites, are less available and less reliable for these MNCs, which made it difficult to identify appropriate Chinese MNCs. Therefore, there is no comprehensive list of the population sampling frame from which to select the sampled MNCs. The incomplete sampling frame may weaken the representativeness of the sampled MNCs and may raise concerns about generalizations of the findings. The second difficulty relates to accessing the sampling firms. Because of the ‘Guanxi’ dominance in Chinese society (Luo, 2007), without private networks, it was extremely difficult to get access to the sampling MNCs. We tried to contact several securities business representatives of Chinese MNCs for the survey, but they either did not answer the phone, or they rejected our invitation to participate in the survey. Eventually, we had to depend on our own private networks to get access to these Chinese firms. Given the relative absence of sampling frames of Chinese MNCs and the reliance on private networks, it was not possible to use a random sample selection. Purposive sampling was eventually employed to select MNCs that fulfilled the sampling criterion and could be reached through our private networks. Purposive sampling is a helpful approach when the population is ill-defined and no comprehensive available sampling frame exists (Hair et al., 2006). Despite proving to be an effective way of identifying suitable research subjects, using this method may reduce the representativeness of sampled MNCs and limit the possibilities of generalizing the findings. However, from key demographic variables, such as ownership, location, size and internationalization level, 99 sampled MNCs show good variances and are quite representative.

Another difficulty concerned the collection process of subsidiary questionnaires. HQ respondents helped distribute the subsidiary questionnaires to the subsidiaries, which could have been problematic. On the one hand, this manner of distribution can encourage subsidiary managers to complete the questionnaire, as the survey research was endorsed by HQs. On the other hand, it poses the risk of having the researcher being perceived as an ‘HQ spy’ (Welch et al., 2002: 621), which may increase the possibility of bias when subsidiary managers answer questionnaires. As I am Chinese, it was crucial that it be made very clear from the outset that I had not been sent from HQ and that, on the contrary, I was an independent academic researcher. However, contacting subsidiary managers was very hard, and they were less likely to be motivated to participate in the survey without the permission of their HQs. Considering the benefits and shortcomings, as well as the limited time available, distributing the subsidiary questionnaires via HQs was still the best available reasonable choice.

Besides, we faced challenges in the selection of Chinese MNCs’ subsidiaries for investigation. Based on our requirements for the subsidiaries,
the respondents to the HQ questionnaire could nominate up to five subsidiaries for further investigation. Most of the HQ respondents only provided one or two subsidiaries because of the time issue and the length of the questionnaires. Only a small number of HQ respondents provided more than three subsidiaries. Several HQ respondents were unwilling to provide their acquired subsidiaries for the investigation for reasons of poor management or concerns about security. After several attempts to clarify our research purposes and to assure respondents that the firm’s name and information would not be identified or leak, some HQ respondents became confident enough to provide acquired subsidiaries for the investigation. However, a few retained their initial attitudes and provided greenfield subsidiaries instead.
5. Summary of the Papers

This chapter summarizes the four research papers of this thesis. Paper I is a review of published research on subsidiary knowledge outflows in MNCs, providing the fundamental base for this thesis. Research gaps discovered during its writing guide the subsequent empirical papers, Papers II, III and IV, which are based on empirical investigations of selected Chinese MNCs and their subsidiaries. Paper II is a qualitative study based on the single case study in the first stage of the sequential mixed-method (presented in Section 4.3); these results led to more fine-grained analyses in the subsequent quantitative Papers III and IV.

Two research directions suggested by Paper I are that more research is needed to explore the impact of political embeddedness of EMNCs on subsidiary knowledge outflows, and that such research should address individual-level factors, particularly expatriates. The first research direction leads to Research Question 1: How do HQs’ political relationships in their home countries influence reverse knowledge transfer of overseas subsidiaries in EMNCs?, which is addressed by Papers II and III. The second research direction leads to Research Question 2: How do expatriate managers through their relationships with HQ and subsidiary local managers influence reverse knowledge transfer of overseas subsidiaries in EMNCs?, which is addressed by Paper IV. A brief summary of the four papers is presented in Table 3.

Paper I: Subsidiary Knowledge Outflows in Multinationals: A Review and Research Agenda on Emerging-market Multinationals

This paper presents an overview of the research on subsidiary knowledge outflows in general MNCs and the specific EMNC context, with a focus on reviewing the antecedents of RKT, highlighting unexploited research potential, and proposing new research directions particularly in the EMNC context. I used the systematic review methodology to identify 102 articles on subsidiary knowledge outflows in MNCs published between 2000 and 2016. In these 102 reviewed papers, 18 studied subsidiary knowledge outflows in EMNCs context.
The research content of these 102 articles can be categorized into three general areas: as studying the antecedents of, attributes of, or consequences of subsidiary knowledge outflows in MNCs. Of those three categories, 84 of the 102 articles are about antecedents that positively or negatively affect subsidiary knowledge outflows in MNCs. Within the category ‘antecedents’, these articles can be further subdivided according to whether they related to the analytical level of the macro environment, the MNC organization and individuals, as well as knowledge itself.

Among these four contextual levels, organizational-level antecedents are by far the most extensively researched (81 publications). Organizational-level antecedents include characteristics of sending and receiving units, features of the sending-receiving unit relationship, and characteristics of MNCs. As the sending unit, the subsidiary (with its own characteristics) is the most extensively examined antecedent of subsidiary knowledge outflow (61 publications). These subsidiary characteristics include, for example, subsidiary capacity or capabilities, subsidiary motivation to transfer knowledge, subsidiary internal and external network, and subsidiary structural characteristics (e.g., role, autonomy, entry mode, and ownership structure). Receiving units, such as HQs and peer subsidiaries, have received much less research attention (34 articles). These studies mainly focus on absorptive capacity and motivations for learning. The relevant characteristics of MNCs such as governance mechanisms, learning orientation, and internationalization strategy, have also been given less attention. Another important group of organizational-context antecedents received considerable attention is that concerning the relationship between sending and recipient units (45 articles). These relationship characteristics include, for example, socialization, relational characteristics (e.g., trust, shared vision and collaboration), structural characteristics (e.g., inter-unit dependence, inter-unit competition, inter-trade), and distance/similarity.

Macro environment-context antecedents (i.e. industry-level and national-level environment characteristics) and individual-level antecedents (e.g., characteristics of expatriates and repatriates) receive less attention, with 12 publications and 7 publications respectively. Characteristics of the object of transfer (the knowledge itself) as antecedents of subsidiary knowledge outflows have been studies more (23 publications). Characteristics of knowledge include for example tacit/explicit knowledge and knowledge relevance/linkage between sending and recipient units. The examination of knowledge characteristics in this research stream seems to have reached quite a mature stage of development.

Research the antecedents to subsidiary knowledge outflow in the context of EMNCs is quite consistent with research in the general context. Specifically, research in the EMNC context also pays substantial attention to the organizational-context antecedents with a focus on characteristics of sending units, with relatively less attention paid to understanding of other contextual-
level antecedents. As a consequence, Paper I proposes that future research on EMNCs should consider their distinctive characteristics, and that the focus should be on 1) the national-environment level of antecedents; 2) the political embeddedness of EMNC HQs; 3) the characteristics of HQs as receiving units; 4) individual-level antecedents, particularly expatriates. Paper I also suggests that more research should employ qualitative approaches for studying subsidiary knowledge outflows in EMNCs.

Paper II: Knowledge Sourcing from Advanced Markets Subsidiaries: Political Embeddedness and Reverse Knowledge Transfer Barriers in Emerging Market Multinationals

Firms from emerging markets often engage in outward investments as a springboard for seeking strategic assets in advanced markets, thereby catching up with Western MNCs (Luo & Tung, 2007). Knowledge transfer from advanced-market subsidiaries back to the home country is an efficient way for EMNCs to gain competitive advantage. Paper II aims to understand RKT from advanced-market subsidiaries in EMNCs, and how it is influenced by HQs’ levels of political embeddedness in the home country. HQs’ political embeddedness is the research focus because it is a distinctive feature of EMNCs owing to the institutional environment of emerging markets, and this characteristic substantially influences EMNCs’ internationalization (Buckley et al., 2007; Luo et al., 2010). Another motivation is that there is little research on and understanding of the influence of political embeddedness on managerial and strategic processes of EMNCs, such as RKT.

A single case study of a Chinese state-owned MNC (ABC firm) and its four subsidiaries in Germany and the Netherlands was conducted. ABC with 100% state ownership is one of the leading firms in the Chinese construction machinery industry. It has four knowledge-seeking subsidiaries in Germany and the Netherlands, including three acquired subsidiaries and one greenfield R&D center. We explored RKT from these four subsidiaries and how it was influenced by ABC’s home-country political embeddedness. This case study reveals that ABC is highly politically embedded and manifests strong intentions of RKT from their German and Dutch subsidiaries back to Chinese units. However, ABC experienced a very low degree of RKT from these subsidiaries, much lower than it had expected.

The case study demonstrates that EMNCs’ home-country political embeddedness motivates them to seek and acquire technology and other advanced knowledge from their advanced-market subsidiaries; however, a high level of political embeddedness hinders RKT through inducing organizational barriers and hurting its relationship with subsidiaries.
Specifically, the political embeddedness of EMNCs can lead to the following: 1) a unique institutional heritage dominated by a hierarchical and highly bureaucratic management structure and; 2) a unique organizational culture and values for HQs; 3) a shortage of top talent. Moreover, HQs’ home-country political embeddedness leads acquired subsidiaries to challenge HQs’ legitimacy and leadership, and to have a low level of trust towards HQs. These issues further engender four specific RKT barriers: a low level of absorptive capacity of Chinese domestic units, an unwillingness of subsidiaries to transfer knowledge, a larger organizational distance between the Chinese domestic units and the subsidiaries, and HQs’ ineffectiveness at controlling the subsidiaries. These four barriers eventually impede RKT practices.

To my best of knowledge, this paper is the first attempt to integrate political embeddedness into RKT management. This paper contributes to knowledge about south-north FDI, RKT, and EMNCs, by highlighting the critical effects of EMNCs’ political embeddedness on RKT from their advanced-market subsidiaries. This paper also gives insights into the liabilities of political embeddedness by investigating international management issues such as HQ-subsidiary relationship and RKT. Additionally, this paper reveals the difficulties and barriers that EMNCs must confront in conducting RKT, and highlights that ‘catching up’ through knowledge sourcing from advanced markets is not such an easy path.

Paper III: The Paradox of Political Ties on Headquarters-subsidiary Motives for Knowledge Transfer in Chinese Multinationals: The Importance of Organizational Distance

According to the springboard perspective, Chinese MNCs have strong motivations to acquire knowledge from their subsidiaries, because by doing so they hope to develop their competences and compensate for latecomer disadvantage. However, there is very little research that has systematically and empirically investigated the motivational issue in RKT dyads of Chinese MNCs. Research on knowledge transfer in HQ-subsidiary relationships demonstrates a mix of driving and hindering incentives between the two parties. As Yamin et al. (2011) highlight, mutual motivation in a managerial relationship results in more effective knowledge transfer, compared to when only one side is highly motivated. In light of the importance of motivational issues in knowledge transfer, this paper investigates the motivations of two parties in knowledge-transfer dyadic relationships in EMNCs, and how they are affected by HQs’ home-country political ties and organizational distance. This study is interested in the relevance of HQs’ home-country political ties and organizational distance between HQ and subsidiary in RKT, because
political ties are a long-standing tradition in Chinese firms and are critically important to Chinese MNCs’ internationalization and knowledge acquisition (Luo et al., 2010). Organizational distance, meanwhile, is a key element that underpins the dyadic and interactive relationship between HQ and subsidiary.

The research model with five hypotheses is tested based on the survey data of 177 HQ-subsidiary dyadic relationships in 99 Chinese multinationals. The findings indicate that strong political ties of HQs indirectly trigger HQ demand for knowledge transfer, but simultaneously negatively influence subsidiary willingness to transfer knowledge through enhancing organizational distance between HQs and subsidiaries. The empirical results do not suggest that HQs’ political ties directly affect HQ demand and subsidiary willingness. The findings suggest that politically connected Chinese MNCs have strong demands to seek novel knowledge, which they do not have or which they have difficulties developing, from their distant subsidiaries. Because of the larger organizational distance induced by HQs’ strong political ties, those distant subsidiaries which process novel and competitive knowledge have a low level of willingness to transfer their knowledge. In sum, political ties, by creating distance, cause motivations of HQs and subsidiaries to diverge regarding to knowledge transfer, resulting in mixed motives in RKT dyads in Chinese multinationals.

This study contributes to the research on cross-border knowledge acquisition, organizational distance, and springboard perspective. First, the study extends the knowledge of the antecedents of mixed motives in RKT dyads by identifying political ties and organizational distance as the driving forces. Second, this paper gives insights into the role of organizational distance by demonstrating how it can mediate knowledge transfer. Incorporating the ‘value-in-diversity’ notion (Cox & Blake, 1991) helps reveal the positive effect that organizational distance between HQs and subsidiaries can have on HQs’ demands for subsidiary knowledge. This finding challenges the dominant view of organizational distance as a barrier and cost, and complements the understanding of the roles of organizational distance. Third, this paper enhances the understanding of springboard internationalization (Luo & Tung, 2007) in EMNCs. Specifically, HQs’ political relationships and organizational distance between HQ and subsidiary complicate the springboard strategy of Chinese MNCs by acting as both motivators and barriers. Overall, it seems that springboard strategy is not so easy for Chinese MNCs to use.
Reverse knowledge transfer from subsidiaries to home country is an important strategy for EMNCs to upgrade their knowledge and compete with global giants. However, RKT has seldom been explored in the context of EMNCs. From the principal-agency perspective of HQ-subsidiary relationship, subsidiary willingness to transfer knowledge is an agency issue and is recognized as important for initiation and successful conduct of RKT (e.g., Blomkvist, 2012; McGuinness et al., 2013; Najafi-Tavani et al., 2012). Expatriate managers are commonly used by HQs to retain social control over their subsidiaries (Edström & Galbraith, 1977), minimize agency problems (Jensen & Meckling, 1976), and manage potential difficulties in knowledge transfer (Chang et al., 2012; Szulanski, 1996). However, expatriate managers have been given little attention in RKT research. Paper IV draws on agency theory to investigate expatriate managers’ relationships with both HQ managers and subsidiary local managers, and how those relationships affect subsidiary willingness to transfer knowledge and the extent of RKT in EMNCs.

Paper IV uses the survey data from 128 subsidiaries in 73 Chinese multinationals to test the model with five hypotheses. The empirical results indicate that subsidiary willingness mediates the positive relationship between RKT and the quality of expatriate managers’ relationships with subsidiary local managers. In other words, expatriate managers’ good relationships with subsidiary local managers help to minimize and overcome the motivational barriers related to agency problems, which therefore enhance subsidiary willingness to transfer knowledge. The results also indicate that the quality of expatriate managers’ relationships with HQ managers does not significantly affect subsidiary willingness. Further, the results do not suggest a direct relationship between expatriate managers’ relationships with subsidiary local managers and HQ managers and the extent of RKT in EMNCs.

This paper breaks new ground in several areas. First, Paper IV integrates the extant literature on expatriates with the RKT literature, and advances the knowledge on RKT in EMNCs by using agency theory to uncover the impact of expatriate managers’ relationships on subsidiary willingness and RKT in EMNCs. This paper also contributes to the understanding of knowledge transfer practices by considering expatriate relationship quality, an element which has been given little attention in knowledge transfer research. Second, by highlighting the role of expatriate managers’ relationships in minimizing agency problems in the RKT process, Paper IV contributes to the understanding of intra-organizational agency problems in EMNCs, and extends agency theory application in the context of RKT. Third, this paper
highlights that the role of expatriates in stimulating subsidiary’s motivation is more relevant than their potential direct involvement in the actual RKT process. This challenges the view that expatriate managers directly convey knowledge across units of MNCs in conventional knowledge transfer literature (e.g., Argote & Ingram, 2000; Chang et al., 2012; Hocking et al., 2007).
<table>
<thead>
<tr>
<th>Paper</th>
<th>Research Question</th>
<th>Method</th>
<th>Main Research Focus</th>
<th>Main Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>What are the antecedents of subsidiary knowledge outflows in MNCs?</td>
<td>Review paper</td>
<td>Antecedents of subsidiary knowledge outflows</td>
<td>Almost all the studies dealing with antecedents focus on organizational-level antecedents rather than macro-environment levels or individual levels (e.g., expatriates). HQs’ characteristics as recipient units have received much less research attention than subsidiaries’ characteristics as sending units.</td>
</tr>
<tr>
<td>II</td>
<td>How does political embeddedness in EMNCs influence organizational barriers that hamper RKT from advanced-market subsidiaries?</td>
<td>An inductive case study of one Chinese state-owned MNC and its four subsidiaries in Germany and the Netherlands</td>
<td>Political embeddedness</td>
<td>HQs’ political embeddedness engenders a low level of HQs’ absorptive capacity, subsidiaries’ reduced willingness to transfer knowledge, larger organizational distance, and HQs’ ineffectiveness at controlling the subsidiaries. Together, these organizational barriers represent the stronger difficulties to impede RKT in EMNC.</td>
</tr>
<tr>
<td>III</td>
<td>How do HQs’ political ties and organizational distance affect HQ demand for subsidiary knowledge and subsidiary willingness to transfer knowledge in Chinese MNCs?</td>
<td>PLS-SEM analysis based on the survey data, including 177 dyadic HQ-subsidiary relationships in 99 Chinese MNCs</td>
<td>Political ties (IV)</td>
<td>HQs’ political ties exert a positive impact on HQ demand for subsidiary knowledge transfer and a negative impact on subsidiary willingness to transfer knowledge, through increasing organizational distance between HQ and subsidiary.</td>
</tr>
<tr>
<td>IV</td>
<td>How do expatriate managers through their relationships with HQ and subsidiary local managers influence RKT of overseas subsidiaries in EMNCs?</td>
<td>PLS-SEM analysis based on the survey data, including 128 dyadic HQ-subsidiary relationships in 73 Chinese MNCs</td>
<td>The quality of expatriate managers’ relationship with HQ managers (IV) and The quality of expatriate managers’ relationship with local managers (IV)</td>
<td>The quality of expatriate managers’ relationships with subsidiary local managers positively influences RKT through a positive impact on subsidiary willingness. Subsidiary willingness acts as a mediator between expatriate managers’ relationships and RKT in EMNCs.</td>
</tr>
</tbody>
</table>

IV: Independent Variable; DV: Dependent Variable.
6. Conclusion

Given the emerging phenomena of springboard internationalization engaged in by EMNCs, the overarching goal of this research is to increase understanding of reverse knowledge transfer in EMNCs. Specifically, by considering the home context-embedded characteristics of EMNCs, this thesis investigates the key factors affecting RKT in EMNCs from organizational and individual levels (see Section 1.4, Figure 2). To achieve the research objective, I proposed two specific research questions: (1) How do HQs’ political relationships in their home countries influence reverse knowledge transfer of overseas subsidiaries in EMNCs? and (2) How do expatriate managers through their relationships with HQ and subsidiary local managers influence reverse knowledge transfer of overseas subsidiaries in EMNCs?. Four research papers were developed to address the research questions. Paper I reviews the state of current research about subsidiary knowledge outflows within MNCs, to help to better understand the overarching research question. The other three papers are empirical research based on Chinese MNCs. Papers II and III address the first research question, while Paper IV addresses the second research question. This concluding chapter will summarize the findings of those empirical papers, and discuss the theoretical and managerial implications of the research, as well as its limitations and future research opportunities.

6.1 Overarching Empirical Findings

The empirical evidence put forth in Papers II and III suggests that HQs’ home-country political relationships have both positive and negative effect on RKT from subsidiaries in EMNCs. Specifically, on the one hand, an HQ’s strong relationship with its home government enhances its motivations to seek and demand subsidiary knowledge like technology, particularly in advanced-market subsidiaries, through aligning with government interests or by creating larger organizational distance between HQ and subsidiary. On the other hand, these strong political relationships have a detrimental effect on RKT practices because they reduce HQ absorptive capacity, reduce subsidiary willingness to transfer knowledge, reduce HQs’ control over subsidiary and trigger organizational distance between HQ and subsidiary. HQs’ political relationships increase demand for knowledge from subsidiaries while at the
same time those relationships lessen subsidiaries’ motivations for engaging in knowledge transfer. That is, HQs’ home-country political relationships induce conflicts between HQs and subsidiaries, engendering mixed motives in knowledge-transfer dyadic relationship.

Because the knowledge transfer process involves a dyadic and interaction relationship between the knowledge sender and recipient (Millar & Choi, 2009; Szulanski, 1995), successful knowledge transfer requires motivation and effort from both the sending and receiving units (Gupta & Govindarajan, 2000; Lane & Lubatkin, 1998). Without sufficient subsidiary willingness or HQ absorptive capacity, HQs’ strong desire and demand for subsidiary knowledge will not be enough to effectively implement RKT practices. From this point of view, it is suggested that HQs’ strong home-country political relationships play a more obstructive role in RKT from subsidiaries in EMNCs. This is contrast to prior research on EMNC internationalization, which mostly regards HQs’ home-country political relationships as a positive factor promoting an EMNC’s international expansion (e.g., Buckley et al., 2007; Duanmu, 2014; Luo et al., 2010; Wang et al., 2012; Wei et al., 2015). In my research, both qualitative results (based a case study) and quantitative results (based on surveys) indicate that HQs’ political relationships can be problematic for post-internationalization knowledge acquisition.

Apparently, HQs’ political relationships in home countries complicate RKT situation in EMNCs and cause difficulties in achieving the springboard model of internationalization. Political ties provide HQs with abundant resources and government support for investing in costly and risky strategies, acquiring assets through strategies like cross-border M&A and establishing overseas R&D centers. These assets provide EMNCs the opportunity to access and acquire knowledge and technology in order to augment competence. However, those same ties also reduce organizational legitimacy and the ability to effectively manage subsidiaries, which creates barriers for further exploiting and leveraging those investments for RKT. Without strong organizational legitimacy and superior organizational capability to back it up, a large stock of resources and government support stemming from HQs’ political relationships is not enough to acquire knowledge from overseas subsidiaries. As shown in the case study, the case firm ABC with strong political ties had the resources to acquire three firms and establish an R&D center in advanced markets within three years. However, the RKT that ABC had expected did not happen, or happened only with difficulty. Thus, it seems to be more difficult for politically connected EMNCs to undertake RKT practices and to take advantage of EMNCs’ overseas assets to achieve the springboard strategy. This aligns with the study by Awate et al. (2015) which indicates that entrant knowledge-accessing of the HQs of EMNCs by subsidiaries is a longer and more difficult process than that of the incumbent advanced-market MNC HQs’ knowledge-accessing. Similarly, Xuanzang took 17 years and had to overcome a substantial number of obstacles and much
suffering during his journey to the advanced West (India) before he could bring the original Buddhist scriptures to bring back to China in the 7th century. Apparently, international knowledge acquisition and the springboard strategy have never been easy for emerging-market entrepreneurs seeking knowledge in the West.

A key finding of Papers II and III is that subsidiary unwillingness to transfer knowledge is a key barrier for RKT in EMNCs, which corroborates previous work on RKT in MNCs (e.g., Blomkvist, 2012; Gupta & Govindarajan, 2000; McGuinness et al., 2013; Najafi-Tavani et al., 2012). However, Paper IV suggests that a partial solution to subsidiary unwillingness can be found in individual-level factors. If expatriate managers have good relationships with subsidiary local managers, subsidiary willingness to transfer knowledge can be enhanced, thereby positively influencing RKT. That is, subsidiary’s low willingness to engage in RKT induced by HQs’ political ties and larger organizational distance between HQ and subsidiary can be monitored by expatriates’ relationship ties with local managers.

In EMNCs, expatriate managers do not directly act as knowledge carriers, which challenges the view of expatriate social ties as channels for direct transfer of knowledge (e.g., Björkman et al., 2004; Inkpen & Tsang, 2005; Reiche et al., 2009). Rather, they can help to reduce agency problems between HQ and subsidiary and to smooth the HQ-subsidiary relationship through building a close relationship with local managers, thereby overcoming the motivational barriers in RKT practices. That is, the effective socialization between key managers involved in the principal-agent relationship (i.e. the HQ-subsidiary relationship) is essential for monitoring and managing agency problems. This finding supports the emerging view of agency research that the agency relation does not occur in a vacuum, but is embedded in a social context (Cuevas-Rodriguez et al., 2012; Hoenen & Kostova, 2014; Shapiro, 2005).

Although, in Paper IV, expatriate managers’ close relationships with local managers were found to enhance subsidiary willingness, expatriate managers in EMNCs may encounter more difficulties in building those desirable close relationships with local managers. EMNC HQs face a substantial number of challenges and legitimacy issues stemming from identity liabilities (political, emergingness, and newness). Because expatriate managers represent the EMNC’s HQs, they are also likely to suffer the same liabilities than the entire EMNC suffers. For example, most expatriate managers suffer from liability of emergingness, because the MNC they work for is from an emerging economy (or their nationality is that of an emerging economy). Many expatriate managers in EMNCs also face liability of newness: the EMNC is perceived of as having little international experience, and therefore the managers themselves are thought to have few managerial skills. Thus, expatriate managers are in a difficult situation to build trusting and close relationships with local nationals and achieve HQ mandates. It is no wonder
that, generally, expatriate managers can easily come into conflict with local managers (Zhu et al., 2017). Expatriate managers’ ineffectiveness in networking with local managers can decrease subsidiaries’ motivation for transferring knowledge, which will make EMNCs’ overseas journey in pursuit of knowledge even slower and more difficult.

6.2 Theoretical Implications

By enhancing the understanding of the key factors influencing reverse knowledge transfer in EMNCs in relation to HQs’ home-country political relationships and expatriate managers’ relationships, this thesis enriches the literature on reverse knowledge transfer, on the political relationships of EMNCs and on expatriation. Moreover, this thesis contributes to the view of the MNC as a differentiated network, the springboard perspective, and agency theory.

6.2.1 Reverse Knowledge Transfer and Differentiated Network MNCs

The research on reverse knowledge transfer in EMNCs is still emergent with only a small number of studies and limited theoretical contributions. This thesis takes a step forward in enhancing this research stream by analyzing both organizational-level (i.e. HQs’ political relationships) and individual-level (i.e. expatriate managers’ relationships) factors. These two factors have been overlooked in RKT research.

A central contribution of this thesis is the introduction of the political relationship as an important element of influence in the RKT process. The political relationship is acknowledged to be important in the context of EMNCs in terms of the internationalization process (e.g., Buckley et al., 2007; Child & Rodrigues, 2005; Cui & Jiang, 2012; Luo et al., 2010; Wang et al., 2012). However, it has received little attention in the research on RKT in EMNCs. This thesis points to the importance of this scarcely researched area – the relevance of HQs’ political relationships as a key factor shaping RKT in EMNCs.

This study further contributes to the view of the MNC as a differentiated network by stressing the importance and implications of HQs’ network relationships in their home countries, an aspect given little attention in previous research. Since Nohria and Ghoshal (1997) coined the theoretical concept of the MNC as a differentiated network, which focuses on intra-organizational networks and specific subsidiary local environments, a number of advocates have emphasized the relevance of subsidiaries’ different types of network embeddedness in internal and external MNCs (e.g., Andersson et al.,
2001, 2002; Dhanaraj et al., 2004; Nell & Ambos, 2013; Santangelo, 2012). But this research stream has not paid much attention to the roles of HQs or the implications of its relationships in its home market. This thesis shows that HQs’ political relationships in the home country need to be accounted for, as they are harmful to RKT. At a more general level, the findings also show that MNCs’ political network relationships in home markets are important for shaping the international strategies and behaviors of the firms (see Papers II and III). Therefore, the concept of the MNC as a differentiated network should take HQs’ different relationship networks in their home countries into greater account. Doing so would help our understanding of the ability of HQs to manage their specific subsidiary relationships.

Hence, this thesis highlights that HQs’ home-country political relationships complicate the internal dynamics of MNCs through affecting HQ-subsidiary relationships (e.g., organizational distance, trust-building, HQ control over subsidiaries), creating difficulties in integrating and building effective relationships with geographically dispersed subsidiaries. This suggests that managing a differentiated network MNC for an HQ is not easy, in particular because of the dynamics of the external environment (i.e. HQs’ political relationships) over which the MNC has little control. This finding calls for the relevance of fine-grained research on the antecedents of being an effective differentiated network MNC and how to balance different types or contexts of network relationships in MNCs.

This thesis extends the knowledge of the roles played by the different network relationships of MNCs, by showing that different contextual networks of MNCs have different effects. In contrast with prior studies made at the subsidiary level, where the external business network of subsidiaries plays a positive role in RKT (e.g., Andersson et al., 2002; Najafi-Tavani et al., 2014), my findings suggest that HQs’ home-country political relationships play a detrimental role in RKT. This means that different types of network relationships, existing at different organizational levels and in different contexts in MNCs, may generate different effects. We therefore need to extend the view of the role of the network relationships, including actors at all levels in the MNC. This is particularly important in EMNCs. On the one hand, HQs’ network relationships in their home countries might be very influential in EMNCs, as these firms generally are of more of an ‘infant’ nature and are likely to be more affected by home-country institutional factors. On the other hand, EMNCs’ subsidiaries may face challenging host environments with complicated markets and network relationships. EMNCs’ newness and emergingness might make it difficult for subsidiaries to maintain strong networks within their host markets (Held & Berg, 2014), but might also motivate them to be proactive in building local networks to compensate for their disadvantageous position. The political connections of EMNCs may also positively or negatively influence subsidiaries’ local networks, depending on local institutional settings. Clearly, EMNCs seem to have complex situations
in their network relationships at different organizational levels. Thus, to understand EMNCs’ international strategies and behaviors, it is fruitful to use a more holistic view and to study the different relationship networks of MNCs at different levels of the organization and in different contexts.

Despite the importance of subsidiary motivation in RKT practice (e.g., Blomkvist, 2012; Gupta & Govindarajan, 2000; Mahnke et al., 2009; McGuinness et al., 2013), so far, subsidiaries’ motivation to transfer knowledge has not been investigated much in the context of EMNCs. This thesis suggests that subsidiaries, particularly in advanced economies, have a relatively low willingness to transfer their knowledge within EMNCs. This situation is justified by the fact that the large organizational distance between HQ and subsidiary, induced by HQs’ home-country political ties, engenders ineffective communication and misunderstandings between them and thus poses potential difficulties in the coordination of RKT. Undoubtedly, the level of subsidiary willingness highlights a relational issue in the interactive relationship between HQ and subsidiary, which is complicated by HQs’ home-country political ties and the organizational distance (see Papers II and III). Further, this thesis suggests an approach to coping with the issue of subsidiary unwillingness in EMNCs by highlighting the positive role of expatriate managers’ relationship ties with subsidiary local managers (see Paper IV). The thesis also contributes to the antecedents of mixed motives in RKT dyads. While mixed motives in RKT dyads exist between HQ and subsidiary (Ghoshal & Nohria, 1989), traditionally explained by agency theory (O’Donnell, 2000; Roth & O’Donnell, 1996) and the notion of knowledge as power (Mudambi & Navarra, 2004), this study provides additional insights to the problems of mixed motives by highlighting that HQs’ home-country political ties and the organizational distance between HQs and subsidiaries are important drivers in mixed-motive situations in the dyadic relationship. More specifically, this study reveals that HQs’ political ties and organizational distance decrease subsidiary willingness to transfer, whilst simultaneously tending to trigger HQ demand for subsidiary knowledge.

In addition, this thesis enhances the understanding of RKT in EMNCs by showing how RKT between subsidiaries and HQs is influenced by their relationship characteristics (i.e. mixed motives, organizational distance and HQ control over subsidiaries). This highlights a high degree of internal challenges in EMNCs when engaging in RKT processes and emphasizes the importance of maintaining subsidiaries’ internal relationships in promoting RKT. In the cases of knowledge-seeking overseas investments in EMNCs, the motivations to acquire and learn subsidiary knowledge and the competence level or knowledge stock of target subsidiaries are generally not significant in terms of RKT. Rather, the quality of the HQ-subsidiary relationship is what matters when it comes to ensuring successful RKT. From the standpoint of the MNC as a differentiated network, it can be seen that HQs faces challenges in integrating with and managing their geographically dispersed subsidiaries,
because EMNC HQs and subsidiaries each have their own strong networks embedded in their home and host countries. This means that establishing a good-quality relational network platform in MNC units is an important precondition for maintaining subsidiary willingness and RKT practices in EMNCs.

6.2.2 Liability of Politicalness and the Springboard Perspective in Emerging-market Multinationals

By combining two related streams of research – political relationships and RKT, this study focuses on a relatively novel and important research area: the impact of HQs’ political relationships on RKT in established EMNCs. While the research on the effect of HQs’ political relationships is predominant in the areas of internationalization behaviors and process (e.g., Buckley et al., 2007; Child & Rodrigues, 2005; Cui & Jiang, 2012; Wang et al., 2012), this thesis contributes further to that branch of EMNC literature by studying the impact of EMNC HQs’ political relationship in relation to RKT.

By showing a problematic side of HQs’ political relationships and the effect on RKT, this thesis identifies the liability of political relationships and complements the knowledge on the positive and negative roles of HQs’ political relationships in EMNCs. Extant research on EMNCs’ internationalization tends to view political relationships in home countries as a source of competitive advantage and a contributor during internationalization (e.g., Buckley et al, 2007; Duanmu, 2014; Luo et al, 2010; Wang et al., 2012; Wei et al., 2015). I find that this is not always the case for EMNCs. On the contrary, I find that HQs’ political relationships play a negative role in terms of RKT from subsidiaries in EMNCs by creating a number of organizational barriers such as mixed-motive problems, lower HQ absorptive capacity, and large organizational distance between HQ and subsidiary. Hence, HQs’ home-country political ties pose barriers to the management of knowledge flows from subsidiaries in EMNCs, which may eventually limit their international expansion in the long run. By pointing out the problematic side and the liability of political relationships, this study gains a deeper insight into the behaviors of EMNCs and implies that we need to take a more holistic view to assess the benefits and shortcomings of political relationships in EMNCs.

This thesis also helps our understanding of the conditions for using the springboard strategy (Luo & Tung, 2007, 2018) in EMNCs, by suggesting that HQs’ political ties and the organizational distance between HQ and subsidiary are helpful in promoting springboard internationalization. The results of Paper III demonstrate that HQs’ political ties trigger demand for subsidiary knowledge transfer by increasing the organizational distance between HQs and subsidiaries. To some extent, this aligns with the observation that the
springboard strategy is more often utilized by state-owned/connected MNCs from emerging markets because of national interests (Deng, 2009; Petersen & Ivarsson, 2015; Sutherland & Ning, 2011). It seems that springboard internationalization is more likely to be used by politically connected EMNCs and when the organizational distance from HQs is high.

Findings also highlight that HQs’ political relationships are the key to the success or failure of the springboard model of internationalization in EMNCs. This situation helps to shed light on the antecedents and the difficulties in achieving the springboard model of internationalization. Most extant research on the springboard model in EMNCs has focused on the model itself and little attention has been paid to the drivers of and barriers to the implementation of this strategy for internationalization. This study examines some of the micro-processes that underlie this model (such as RKT from subsidiaries), which will help the model to predict whether EMNCs attempting to implement a springboard strategy will be able to receive knowledge and extract value from subsidiaries.

HQs’ home-country political relationships complicate the springboard logic of internationalization. Specifically, despite the fact that HQs’ political relationships motivate EMNCs to use the springboard logic of internationalization by providing abundant resources and government support, HQs’ political relationships also engender organizational barriers (e.g., reduced absorptive capacity of HQs, lack of subsidiary willingness, HQs’ inability to control and manage subsidiaries) to undertaking RKT activities and to leveraging springboard internationalization. We can speculate that the springboard model of internationalization is too optimistic. Without sufficient subsidiary willingness or superior HQ managerial capability, HQs’ demand for subsidiary knowledge is not enough to implement RKT practices effectively and to achieve a springboard strategy. Clearly, owing to the liabilities of home-country political relationships, the springboard model of internationalization is not easily implemented by EMNCs. Hence, the findings suggest that a greater understanding of the springboard internationalization requires a focus on HQs’ political embeddedness in their home countries. We need to consider the antecedents of the springboard model and how to balance and take advantage of these antecedents. This thesis touches on this point, but encourages scholars to work more on the enabling mechanisms to implement EMNCs’ springboard model effectively, such as strategies for nurturing a trusting and close relationship between HQ and subsidiary.

6.2.3 Expatriation and Agency Problems
By highlighting the pivotal role of expatriate managers and their relationships in bridging agency problems in the RKT process, this thesis not only contributes to the literature on expatriation, but also enhances the understanding of intra-organizational agency problems in EMNCs and
extends agency theory application in the context of RKT. This study shifts the focus from the direct effects of expatriate managers as knowledge carriers in knowledge transfer (Chang et al., 2012; Fang et al., 2010; Hocking et al., 2007) to the indirect effect of expatriate managers in knowledge transfer through monitoring HQ-subsidiary principal-agent relationships and subsidiary willingness. This enables us to see a more fine-grained picture of the role of expatriates in knowledge transfer.

Specifically, the findings suggest that, in the context of EMNCs, expatriate managers do not act directly as knowledge carriers, but reduce agency problems between HQs and subsidiaries and enhance subsidiary willingness by increasing the quality of their relationship with local managers. This contrasts with conventional knowledge transfer literature, where expatriate managers generally act as knowledge carriers across units of MNCs (Chang et al., 2012; Fang et al., 2010; Hocking et al., 2007). The findings are especially interesting in terms of the relevance of expatriate managers’ relationships with local managers in addressing motivational barriers related to agency problems in the RKT process. As a theoretical consideration, this thesis may offer an answer to a critical question on the role of expatriates in RKT from subsidiaries.

This thesis suggests that socialization mechanisms of key personnel involved in the principal-agent relationship (e.g., HQ-subsidiary relationship) are essential in minimizing and overcoming agency problems (e.g., mixed-motives problems in RKT dyads) and in nurturing trusting HQ-subsidiary relationships. This finding contributes to the research on how to cope with agency problems in MNCs and also reinforces the more recent development in agency research which recognizes that the agency relation does not occur in a vacuum but is embedded in a social context (Cuevas-Rodríguez et al., 2012; Hoenen & Kostova, 2014; Shapiro, 2005). The typical mechanisms used to solve agency problems are compensation or incentives (Forsgren et al., 2000; Roth & O’Donnell, 1996). It is difficult to use financial incentives to stimulate subsidiary willingness, as the level of subsidiary willingness to transfer is found to be a rational issue and to be more influenced by the HQ-subsidiary relationship quality. Thus, there is a need to stress softer and more benevolent mechanisms (e.g., encouraging good social ties of expatriate managers with local managers) to reduce agency problems and to nurture the quality of HQ-subsidiary interactive relationships in EMNCs. A softer approach may take a longer time, but can eventually cope with the agency problems compared with other incentive tools. In short, expatriate managers’ socialization with local managers can either substitute for, or complement, a compensation strategy (Forsgren et al., 2000; Roth & O’Donnell, 1996) when coping with agency problems and knowledge transfer issues in HQ-subsidiary relationships.

Moreover, this thesis contributes to the research stream on relations between expatriation and knowledge transfer, which is dominated by analysis
of the quantity aspect of expatriates. By shifting the focus from the quantity aspect to the qualitative aspect of expatriates, to the best of my knowledge, this is the first study to provide empirical evidence of the significant role of expatriate managers’ relationship quality in shaping RKT. This study therefore enhances the understanding of the effectiveness of expatriate managers in knowledge transfer by considering expatriate managers’ relationship ties. Paper IV suggests that expatriate managers’ ties with subsidiary local managers are an important aspect of the success and a precondition for the effective performance of difficult international job tasks, such as coordinating and supporting knowledge transfer. Expatriate managers’ effectiveness in networking with locals is of particular importance in EMNCs, because they face additional challenges and difficulties in building relationship ties with locals and in managing local subsidiaries, owing to the multiple liabilities that EMNCs suffer. This study stimulates future research so as to enrich our understanding of the qualitative aspects of expatriate managers in RKT activities.

6.3 Managerial Implications

This thesis suggests that subsidiary unwillingness to transfer knowledge is the main barrier to RKT in EMNCs, and so enhancing subsidiary willingness should be the priority for HQs. To achieve the springboard strategy, EMNC HQs need take different initiatives to motivate subsidiaries to contribute to MNCs’ knowledge stock and competitive advantage. As this study indicates, subsidiary willingness is reflected by HQ-subsidiary relationship. In this sense, taking a ‘light-touch’ strategy (Liu & Woywode, 2013) is not necessarily the best idea, because it can result in strong subsidiaries engaging in rent-seeking and other undesirable behaviors. However, EMNC HQs can use formal and informal approaches to increase social interactions and maintain integration with subsidiaries. Such approaches could include inter-unit trips, joint training activities, and face-to-face interactions between HQ employees and subsidiary employees, so as to enhance trust and encourage good relationships. To increase subsidiary willingness to transfer knowledge, EMNC HQs could emphasize the reciprocity in the RKT process and reward subsidiaries for RKT.

Moreover, expatriate managers’ effectiveness in relationship building with local managers is a key to enhance subsidiary willingness to transfer knowledge and the HQ-subsidiary relationship quality. However, expatriate managers can expect to be confronted with more problems in managing subsidiaries, particularly in advanced markets. When an HQ selects managers for foreign subsidiary duty, it needs be aware of the international experience and social skills of these managers, and to carefully evaluate the potential of these managers for cultivating better relationships with local nationals and for
coping with the inevitable cross cultural problems. EMNC HQs could establish a system for developing future expatriates by providing training programs and opportunities for performing short-term international tasks, with an eye towards enhancing knowledge about the host market and improving international managerial and social skills. Once in a foreign country, expatriate managers should take advantage of formal and informal ways to build close relationships with local managers, not only to help them adjust, but to help them be more effective managers of those host units.

Owing to strong political ties in home country, acquiring subsidiary knowledge and achieving a catch-up strategy seem to be a longer and much more difficult process in EMNCs. HQ managers of EMNCs need to be aware that the political relationships of the MNC might affect international knowledge acquisition at the operational level. This sort of concern might not always be visible to senior managers. These managers should make an effort to regularly and directly communicate with expatriate managers and local managers of subsidiaries to better understand subsidiary operations. If they know more about their subsidiaries’ situations, they can help find better approaches for overcoming barriers encountered during the RKT process.

HQs face the dilemma on the beneficial and detrimental effects of HQs’ political relationships. Specifically, weak political ties may result in loss of home-country specific advantages and decrease the possibilities of international expansion, owing to a lack of FSAs (Luo et al., 2010; Rugman & Li, 2007), while strong political ties hampers HQs’ managerial and learning capability, which may prevent from taking advantage of domestic and overseas resources possessed. HQ managers must carefully assess the benefits and liabilities of political relationships and figure out how to reduce the liabilities. Being over-embedded in home-country political relationships may lock an EMNC into the domestic sphere, which may result in a weaker entrepreneurial orientation and more of a domestic mindset than a global one.

EMNCs’ managers would do well to remember the story of Xuanzang and his long journey to an advanced culture to bring original Buddhist scriptures back to China. The journey can be time-consuming and difficult, but the advanced knowledge acquired can be worth the effort. Just like Xuanzang, EMNC managers must have patience, and should not rush efforts to seek knowledge.

6.4 Limitations and Implications for Future Research
This thesis is an important step forward in understanding the key factors affecting RKT in EMNCs. However, like every study, it suffers from some limitations which future studies should take into account.

To some extent, the sheer amount of knowledge transferred is not key; of far greater significance is whether the knowledge transferred is actually
beneficial to the EMNC. Unfortunately, this thesis does not specifically address the nature of the knowledge received from subsidiaries. It would be valuable to know more about the nature of reverse transferred knowledge in EMNCs in order to better understand EMNCs’ asset augmentation and springboard strategy in internationalization.

Many intriguing paths are opened up by this study. One interesting avenue to explore would be whether HQs’ home-country political relationships directly influence subsidiary willingness to transfer knowledge. Specifically, this thesis generates consistency in the negative effect of HQs’ political relationships on subsidiary willingness based on a case study and a survey in Chinese MNCs. However, this thesis does not reach a conclusion about how HQs’ home-country political relationships have, directly or indirectly, a negative effect on subsidiary willingness. More in detail, based on a case study, Paper II shows that subsidiary willingness to engage in RKT is negatively influenced by HQs’ political relationships, because subsidiaries question the legitimacy and leadership of HQs and have a low level of trust towards HQs, owing to strong political relationships of HQs. However, Paper IV does not find that HQs’ political ties directly affect subsidiary willingness. Instead, they have an indirectly negative effect on subsidiary willingness through their positive impact on the organizational distance between HQs and subsidiaries. Future studies could contribute to this unclear issue by using different empirical context.

Moreover, as Gupta and Govindarajan (2000) suggested, investigating the process of RKT from a dyadic perspective is important because this view enables further exploration of the role of the reciprocity implications for the process of RKT. Following this notion, this study investigates RKT as a dyadic relationship. However, this study does not explore the reciprocal nature of RKT, such as whether subsidiary willingness affects MNC HQ’s demand for subsidiary knowledge, or whether reciprocal activities can influence subsidiary willingness. For instance, it would be interesting to know whether an HQ’s contribution to subsidiary competence development would positively affect that subsidiary’s RKT.

There is limited research on RKT exploring the effect of the national-environment level factors, particularly home-country environment characteristics. By definition, advanced markets are nearly always stronger in institutional and economic development than emerging markets. An MNC’s home country market is therefore usually at a higher level than its host markets. In this sense, the distance between home and host country might be a topic well worth researching in advanced-market MNCs. However, when the home market is an emerging market, national characteristics tend to be at midway-point, somewhere between advanced markets and other developing markets. In this respect, both distance and position between home and host markets could be influential in EMNCs’ knowledge acquisition practices. This study did not take national-level factors into account in the empirical analyses.
Future research could focus on national-level factors that influence RKT in EMNCs, in particular emphasizing home-market versus host market positions in a variety of comparable economic qualities and characteristics.
References


101

Mudambi, R., & Santangelo, G. 2016. From shallow resource pools to emerging clusters: The role of multinational enterprise subsidiaries in peripheral areas. *Regional Studies*, 50(12): 1965-1979,


Dear Sir/Madam,

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

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

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

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

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

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

Best regards,
Cong Su and Lingshuang Kong

<table>
<thead>
<tr>
<th>0.1 MNC’s name</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>0.2 Place (city) of the MNC HQ</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>0.3 Respondent(s)</th>
<th>Name(s):</th>
<th>Position(s):</th>
<th>Contact (Email/Phone):</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>0.4 Interviewer &amp; Interview date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

## Questionnaire for Chinese Headquarters

**1 Background of the MNC and MNC HQ.**

(Mark each box. Mark -9 if you do not know or if N.A.)

| 1.1 Year of foundation of the parent firm |  |
| 1.2 MNC’s domestic subsidiaries | Number of subsidiaries | Number of provinces covered |
| 1.3 Employees in **2014** | Whole MNC (Number) | % of employees abroad |
| 1.4 Sales in **2014** | Whole MNC (RMB) | % of foreign sales (exports + foreign subsidiaries) |
| 1.5 R&D budget in **2014** | R&D budget: % total sales | % of R&D budget located outside China in total R&D budget |
| 1.6 The share of foreign ownership of the MNC’s parent firm | ____ % |
| 1.7 The share of state ownership of the MNC’s parent firm in percentage | ____ % |
| 1.8 Number of employees at the MNC HQ | Total number of employees | Number of Top managers |

**1.9 Functions of the MNC HQ**

(Choose all the relevant items)

- General management
- Strategic planning
- Finance
- Treasure and tax
- Human resource management
- Marketing
- Purchasing
- R&D
- Administration
- Audit and supervision

**1.10 Which is currently the main market your MNC focuses on in the world?**

(Please mark only one box)

- China
- Developing economies
- Developed economies

**1.11 Number of the board members of the MNC’s parent firm**

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

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

1.15 Percentage of foreign top managers at the MNC HQ

### 2 Internationalization of the MNC

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

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

2.2 The first overseas subsidiary

2.3 Is there a specific department managing overseas subsidiaries within the MNC? □ Yes □ No If yes, is it a part in the MNC HQ? Yes □ No □

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

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

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

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

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

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

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>-9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidiary’s financial result</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>Subsidiary’s market share</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>Subsidiary’s product/service innovation</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>Subsidiary’s production innovation</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>Subsidiary’s relationship with local government</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>Subsidiary’s reputation in host country</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>Subsidiary’s knowledge sharing within your MNC</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>-9</th>
</tr>
</thead>
<tbody>
<tr>
<td>The HQ intensively stimulates innovation.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>The HQ’s top managers have strong experience with innovation.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>The HQ’s innovative initiatives are hard for competitors to imitate.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>The HQ typically encourages your MNC to initiate actions in dealing with competitors.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>In dealing with competitors, the HQ often drives your MNC to be first to introduce new products/services, administrative techniques, operating technologies, etc.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>The HQ has a strong tendency to be ahead of others in the market.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>The HQ’s top managers favor initiative taking by employees.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>The HQ stresses a fully delegated policy for employees.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>The HQ gives freedom to employees to develop new ideas.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>Individual risk-takers are recognized by the HQ whether successful or not.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>Risk-taking is considered a positive attribute within the HQ.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
</tbody>
</table>

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

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

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

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

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

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

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

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

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

<table>
<thead>
<tr>
<th>Factor</th>
<th>Sub 1</th>
<th>Sub 2</th>
<th>Sub 3</th>
<th>Sub 4</th>
<th>Sub 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.1 Natural resource seeking</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.2 Market seeking</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.3 Efficiency seeking (e.g. reducing costs, taking advantage of the economies of scale etc.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.4 Avoiding barriers for international trade</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.5 Exploiting political incentives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.6 Strategic-asset seeking (e.g. acquiring critical resources or capability including technological know-how, management practices, brands, marketing and sales know-how etc.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>The subsidiary’s</th>
<th>Sub 1</th>
<th>Sub 2</th>
<th>Sub 3</th>
<th>Sub 4</th>
<th>Sub 5</th>
</tr>
</thead>
</table>

6
12.1 Management practices
12.2 Technological know-how
12.3 R&D capability
12.4 Distribution channels
12.5 Marketing and sales know-how
12.6 Contacts with business actors
12.7 Contacts with local government
12.8 Brand

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

<table>
<thead>
<tr>
<th>Sub 1</th>
<th>Sub 2</th>
<th>Sub 3</th>
<th>Sub 4</th>
<th>Sub 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.1 Product/service</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13.2 Production</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13.3 Marketing and sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13.4 Management practices</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13.5 R&amp;D</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

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

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

<table>
<thead>
<tr>
<th>Sub 1</th>
<th>Sub 2</th>
<th>Sub 3</th>
<th>Sub 4</th>
<th>Sub 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>15.1 The MNC HQ takes initiatives for developing this subsidiary.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.2 The MNC HQ provides support to the development of this subsidiary.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.3 The MNC HQ puts priority to deal with issues in this subsidiary.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.4 The MNC HQ provides career opportunities to people in this subsidiary.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.5 The MNC HQ wants to learn more about local markets of this subsidiary.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.6 The MNC HQ helps diffuse the best practices of this subsidiary across your MNC.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Sub 1</th>
<th>Sub 2</th>
<th>Sub 3</th>
<th>Sub 4</th>
<th>Sub 5</th>
</tr>
</thead>
</table>

7
### 16 To what extent, during the past 12 months, have Chinese subsidiaries of the MNC received different knowledge (listed below) from each subsidiary?

(Mark for each subsidiary: 1=not at all, 7=very much, -9=do not know/N.A.)

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

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

(Mark for each subsidiary: 1=not at all, 7=very much, -9=do not know/N.A.)

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

### 18 Please evaluate how knowledge transferred from each subsidiary has influenced the MNC in the following areas during the past 12 months?

(Mark for each subsidiary: -3=strong negative influence, 0=no influence, 3=strong positive influence, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th>Influence Area</th>
<th>Sub 1</th>
<th>Sub 2</th>
<th>Sub 3</th>
<th>Sub 4</th>
<th>Sub 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>MNC’s product/service innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MNC’s production efficiency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MNC’s R&amp;D output</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MNC’s profitability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MNC’s competitiveness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MNC’s brand</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business volume in China</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business volume in overseas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment decisions in China</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment decisions in overseas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MNC HQ’s competence</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MNC HQ’s international management skills</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationship with the MNC HQ</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationship with other subsidiaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MNC’s best practice</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix 2. Questionnaire for Chinese Multinational Subsidiaries

Dear Sir/Madam,

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

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

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

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

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

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

Best regards,
Cong Su and Lingshuang Kong

<table>
<thead>
<tr>
<th>0. 1 MNC name</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0. 2 Division of MNC</td>
<td></td>
</tr>
<tr>
<td>0. 3 Subsidiary name</td>
<td></td>
</tr>
<tr>
<td>0. 4 Respondent (s) Name</td>
<td>Position</td>
</tr>
</tbody>
</table>
**Questionnaire for Chinese Multinational Subsidiaries**

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

1.1 Industry

1.2 Subsidiary activities *(Please mark all relevant boxes.)*

| Basic and applied research | Technical development | Production of goods and services | Marketing and sales | Purchasing | Distribution | Human resource management |

1.3 Total number of employees in 2014

| Number | Growth rate (%) compared with 2013 |

1.4 Percentage of Chinese employees

| % |

1.5 Total sales in 2014 *(Please mark only one choice.)*

| Total sales (ML Dollars) | Growth rate (%) compared with 2013 |

1.6 Operating profits in 2014

| Negative | Zero | Positive |
| % |
| Growth rate (%) compared with 2013 |

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

| % |

1.8 Subsidiary’s share of business with other MNC units

| % of sales to other MNC units relative to subsidiary’s total sales | % of purchases from other MNC units relative to subsidiary’s total purchase |

1.9 Composition of top management team of your subsidiary

| Total number | Number of local nationals | Number of Chinese expatriates | Number of third-country expatriates |

1.10 Number of Chinese expatriate manager(s) with international experience *(studying or working abroad for more than one year)*

1.11 Number of local non-Chinese manager(s) with Chinese experience *(studying or working in China for more than one year)*

1.12 How frequently do local non-Chinese managers in your subsidiary have direct contacts with the MNC HQ’s top managers? *(Please mark only one choice.)*

| 1=less than yearly | 2=yearly | 3=twice a year | 4=quarterly | 5=monthly | 6=weekly | 7= daily | 9=do not know/N.A. |

1.13 Please indicate which unit(s) your subsidiary directly reports to *(Please mark all relevant boxes.)*

| MNC HQ | Chinese subsidiaries | Divisional HQ | Other overseas subsidiaries |

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

2.1 Product/service

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | -9 |
2.2 Production

2.3 Marketing and sales

2.4 Management practices

2.5 R&D

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>-9</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Organization</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>-9</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 MNC HQ</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2 Divisional HQ</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.3 Chinese subsidiaries in MNC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.4 Other overseas subsidiaries in MNC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.5 External market customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.6 External market suppliers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.7 Competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.8 Universities or research institutions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.9 Government institutions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

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

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

<table>
<thead>
<tr>
<th>Dimension</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>-9</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 Return on investment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.2 Profitability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.3 Market share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.4 Sales growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.5 Innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Decision</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>-9</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1 Hiring top managers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.2 Formulation of annual budget</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.3 Market expansion</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>----------------------</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>----</td>
</tr>
<tr>
<td>6.4 Introduction of new products/services</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>6.5 Investment in production</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
<tr>
<td>6.6 Investment in R&amp;D</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
</tr>
</tbody>
</table>

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

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

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

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

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

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

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Rating 1</th>
<th>Rating 2</th>
<th>Rating 3</th>
<th>Rating 4</th>
<th>Rating 5</th>
<th>Rating 6</th>
<th>Rating 7</th>
<th>Rating 8</th>
<th>Rating 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liaison personnel</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>Temporary task forces</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>Permanent teams</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>Joint training programs involving participants from multiple units</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>Participation of expatriates and repatriates in daily routines</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>Having a mentor at the MNC HQ</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>Inter-unit trips and visits</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Question</th>
<th>Rating 1</th>
<th>Rating 2</th>
<th>Rating 3</th>
<th>Rating 4</th>
<th>Rating 5</th>
<th>Rating 6</th>
<th>Rating 7</th>
<th>Rating 8</th>
<th>Rating 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>To what extent did your subsidiary see benefits in sharing your knowledge with the MNC HQ during the past three years?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>To what extent did your subsidiary see benefits in sharing your knowledge with other subsidiaries within the MNC during the past three years?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>To what extent did your subsidiary commit resources to transfer knowledge internally to the MNC during the past three years?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>To what extent did the MNC HQ motivate (financially or emotionally) your subsidiary to transfer your knowledge during the past three years?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>To what extent are the business practices and operational mechanisms of the MNC HQ similar to yours?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>To what extent is the corporate culture and management style of the MNC HQ similar to yours?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Question</th>
<th>Rating 1</th>
<th>Rating 2</th>
<th>Rating 3</th>
<th>Rating 4</th>
<th>Rating 5</th>
<th>Rating 6</th>
<th>Rating 7</th>
<th>Rating 8</th>
<th>Rating 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>To what extent, during the past three years, has your subsidiary developed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>products/service for the MNC?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>technology for the MNC?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>any competence for the MNC?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Statement</th>
<th>Rating 1</th>
<th>Rating 2</th>
<th>Rating 3</th>
<th>Rating 4</th>
<th>Rating 5</th>
<th>Rating 6</th>
<th>Rating 7</th>
<th>Rating 8</th>
<th>Rating 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>The MNC HQ has been important for your subsidiary through its involvement in core activities.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>The MNC HQ has transferred valuable knowledge that is useful to your subsidiary.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>The MNC HQ’s activities have led to substantial cost savings at your subsidiary.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>The MNC HQ has provided useful guidance.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>The MNC HQ is knowledgeable about the local environment.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>-9</td>
<td></td>
</tr>
</tbody>
</table>
## 14 To what extent do you agree with the following statements?  
(1 = strongly disagree, 4 = neither/nor, 7 = strongly agree, -9 = do not know/N.A.)

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

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

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

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

| 16.1 Your subsidiary is **capable of networking** with local business partners. | 1 2 3 4 5 6 7 -9 |
| 16.2 Your subsidiary **maintains relationships** with many local business partners. | 1 2 3 4 5 6 7 -9 |
| 16.3 Your subsidiary **frequently contacts** local business partners regarding important issues. | 1 2 3 4 5 6 7 -9 |
| 16.4 Your subsidiary is **closely connected** with the local business partners. | 1 2 3 4 5 6 7 -9 |
| 16.5 Your top managers and local business partners **meet face to face on a regular basis.** | 1 2 3 4 5 6 7 -9 |
| 16.6 Your subsidiary’s **management practices are highly adapted to** local business partners. | 1 2 3 4 5 6 7 -9 |
| 16.7 Your local business partners’ **management practices are highly adapted** to yours. | 1 2 3 4 5 6 7 -9 |
| 16.8 Your subsidiary has **long-term orientation** in its relationships with local business partners. | 1 2 3 4 5 6 7 -9 |
| 16.9 Your subsidiary is **capable of networking** with local government and regulatory departments. | 1 2 3 4 5 6 7 -9 |
| 16.10 Your subsidiary **maintains relationships** with many local government officials and regulatory departments. | 1 2 3 4 5 6 7 -9 |
| 16.11 Your subsidiary **frequently contacts** local government officials for issues which are important to your firm. | 1 2 3 4 5 6 7 -9 |
| 16.12 Your subsidiary is **closely connected** with the local government. | 1 2 3 4 5 6 7 -9 |
| 16.13 Your top managers and local government officials **meet face to face on a regular basis.** | 1 2 3 4 5 6 7 -9 |
| 16.14 Your subsidiary has **close relationships with Chinese government agencies in your country.** | 1 2 3 4 5 6 7 -9 |
17 To what extent, during the past 12 months, has your subsidiary transferred different knowledge (listed below) to the following organizations?  
(Please mark each box: 1=not at all, 7=very much, -9= do not know/N.A.)

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

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

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

19 With regard to the transfer of each type of knowledge during the past 12 months, to what extent was each type initiated by the following organizations?  
(Please mark each box: 1=not at all, 7=very much, -9= do not know/N.A.)

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

20 With regard to the transfer of knowledge to Chinese units (including HQ) in the MNC, please evaluate the following statements.  
(1= strongly disagree, 4=neither/nor, 7= strongly agree, -9=do not know/N.A.)

<table>
<thead>
<tr>
<th></th>
<th>Product/service know-how</th>
<th>Production know-how</th>
<th>Marketing and sales know-how</th>
<th>Management practices know-how</th>
<th>R&amp;D know-how</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.1 Organizational differences often make transfer problematic.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>20.2 Technical differences often make transfer problematic.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>20.3 Motivational issues often make transfer problematic.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>20.4 Cultural differences often make transfer problematic.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>20.5 Lack of resources often causes transfer to fail.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>20.6 The complicated characteristics of the knowledge often cause transfer to fail.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>