Guest editorial

New international business theories for China goes global? The importance of institutions, innovativeness and learning

Introduction

This special issue presents a purposefully selected collection of papers submitted to the 12th and 13th China goes Global™ conference held at Kristiansand, Norway and Shanghai, China in 2017 and 2018. At the annual China goes Global™ conferences, world-class international business (IB) scholars meet to discuss current theories and approaches in the given of the globalization Chinese MNEs.

Background of this special issue

Following the rapid economic growth of China during the last four decades, Chinese multinational corporations (MNCs) have emerged as a force to be reckoned with and many of them have turned into new global giants (e.g. Huawei, Xiaomi and Lenovo and so on) in the world economic arena (Alon *et al.*, 2011; Gugler and Vanoli, 2015; Yang and Stoltenberg, 2014). Both state-owned and private Chinese MNCs successfully internationalized their business operations, and thus their presence is often considered as a formidable power in developing countries (Xiao and Park, 2018). For instance, the number of Chinese companies in the "Global Fortune 500" has more than doubled to 85 companies in 2013, vs 42 in 2010 (Fortune, 2010, 2013). By this measure, China recently overtook Japan, which has 62 companies on the Fortune list, and trails only the USA, which still holds the top spot with 132 companies.

Despite the rise of Chinese MNCs as the part of emerging market firms, our understanding of these firms still remains in its infancy (Alon *et al.*, 2012; Janssen and Söderman, 2015). While scholars have investigated diverse topics on MNCs, existing studies have developed theories by predominately focusing on MNCs from the developed (western) countries. Thus, conventional theories on IB, such as internalization perspective (Buckley and Casson, 1976, 1999; Rugman and Verbeke, 1995) and the ownership, location and internationalization (OLI) paradigm (Dunning, 1993, 2000), might not be sufficiently applicable to emerging market MNCs, such as Chinese MNCs considering the difference in culture, political and economic systems, foreign direct investment (FDI) motivations and governance structure between emerging markets and the developed countries (the challenges that Chinese MNCs may encounter, their behavioral patterns and the ways that they localize, etc., might be highly dissimilar to those of western MNCs in developed markets) (Lattemann and Alon, 2015).

For example, imbalance theory (Moon and Roehl, 2001) argues that the conventional theories (i.e. internalization perspective and OLI paradigm) are not satisfactory in providing adequate explanations for the rich variety of FDI activities observed from Chinese MNCs based on emerging markets. The imbalance theory suggests that Chinese MNCs often undertake FDI to build new assets, which will strengthen the firm's own arsenal of resources for future competition. Resource dependence theory (Pfeffer and Salancik, 1978) also points out that no one firm possesses sufficient resources to efficiently compete against other rivals in the global arena and thus the former needs to look for complementary resources that are not available internally from external environments (refer to the acquisition of IBM's personal computer business by Lenovo and Shanghai General Motors' takeover for Ssangyong Motor Company operating in South Korea). According to the Uppsala model (Johanson and Vahlne, 1977), the typical strategy of these Chinese firms is to accumulate experience from the domestic market to some extent and then gradually intensify their

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activities in foreign markets. Based on these discussions, we believe that this is an appropriate time to try to refine mainstream IB theories considering multinationalization primarily as the outcome of competitive advantage based on the possession of unique assets (Moon and Roehl, 2001). In addition, IB researchers should attempt to explore an evolution of the theoretical domains by synthesizing a variety of FDI motivations, much of which are not well explained by ownership-specific and internalization advantage approaches.

Thus, this special issue aims to improve our understanding on Chinese MNCs as well as to offer a unique opportunity to re-consider diverse extant theories on MNCs by promoting an extension to account for emerging market MNCs. Investigating Chinese MNCs can provide appropriate implications for other MNCs from emerging economies.

Structure and content of this special issue

The 13 papers presented in this special issue make considerable contributions to IB theory and extending our understanding of the impact of FDI on emerging markets in the IB domains. It starts with an introductory and overarching paper written by Peter Buckley on the provenance, projection, performance and policy concerning Chinese outward FDI.

The second section of this special issue includes two papers, both from Haasis and Liefner and Knoerich. Their essays review the existing literature on Chinese and emerging markets OFDI and come to the conclusion that existing theories cannot sufficiently explain Chinese OFDI. According to these authors, particularly institutional and asset-seeing aspects are not adequately reflected in the mainstream internationalization theories (e.g. OLI). Consequently, according to Haasis and Liefner, existing theories needs to be extended. Following Knoerich argumentation, new paradigms must be developed.

The third section of this special issue reflects one of the major issues which can presumably not be explained by mainstream IB theories: strategic asset seeking motives of Chinese MNEs. The five papers in this section focus on the point that Chinese MNEs often undertake OFDI to developed countries to seek strategic assets such as technology and managerial capabilities, and that requires learning capabilities. Hence, Chinese companies are not only exploiting their assets – as describes in mainstream (western) IB theories – but also explore assets in the host country. To include the aspect of asset exploration in the mainstream IB theory, Roh and Park propose to extend the OLI framework toward an OILL framework by integrating the learning elements from Mathews' linkage-leverage-learning (LLL) framework. Although Roh and Park indicate that Chinese MNEs might went already a long way in acquiring strategic assets, this point is taken up by Liu in that she shows that Chinese companies have acquired new technologies through technology-driven OFDI in the past years and she describes how they did that. Subsequently, He, Khan, Lew and Fallon also prove in their article that Chinese MNEs acquired competitive technology and knowledge over the past years and that Chinese companies are now able to compete on the global market on an equal footing. Consequently, they conclude – in contrast to Roh and Park – that Chinese OFDI can be explained with the OLI framework. New or extended theories are not necessary.

In a viewpoint article about the trajectory of China's innovativeness from Reid, he supports Liu's and He *et al.*'s perspective that China had already built up absorptive capacities. He argues that absorptive capacities are the precursor to innovation. In the last paper of this section, Vaccarini, Lattemann, Spigarelli and Tavoletti indirectly reflect the need for absorptive capacities for learning. A prerequisite for gaining absorptive capacities is to bridge intercultural distances in business. The authors show that the Chinese managers – who have the power to decide about entry modes – under- and overestimate cultural, institutional and other distances between their home country and, in the analyzed case, Germany. This adds to Roh and Park's, Liu's and He *et al.*'s papers in that learning about foreign technologies is a multi-dimensional challenge.

The fourth section deals with the second shortcoming of mainstream IB theory in explaining Chinese OFDI: the institutional environment. This section starts with Li's discussion on the need of rule-based governance (in contrast to relation-based governance) in East Asian countries for guaranteeing economic growth, as Li sees China just embarking in this trajectory.

Angulo-Ruiz, Pergelova and Wei depict that home government – as part of the countries governance system – influences the internationalization of Chinese firms. They show that government ownership has a direct impact on international local choices, while government promotional measures (e.g. bilateral agreements between countries) have only an indirect effect on location choices. In his paper, Gruenhagen depicts how returnee entrepreneurs interact with the institutional environment while creating and operating ventures and how this influences returnees' decision making. Hasiner and Yu show the interplay between home and host country institutions in global supply chains by exemplifying effects on meat imports to China.

This special issue ends with a viewpoint article from Söderman and Jansson on the trajectories of foreign companies' marketing investments (in networks, distribution channels, production facilities, etc.) in China. This paper shows how the elements of existing IB theories and paradigms, i.e. Dunning and Lundan's market-seeking investment motives and Johannson and Wiedersheim–Paul's internationalization theory, can be combined to describe new phenomenon in the context of China's Globalization.

Concluding, this special issue provides an up-to-date overview on the latest IB theories (including internationalization theory, OLI paradigm, LLL, springboard approach, Uppsala model, imbalance theory, resource dependence theory, dynamic capabilities, etc.) and on the discussion of their explanatory power for the globalization of China.

The discussion about IB theories in the articles from Buckley, Hassis and Liefner, Knoerich, and Roh and Park can be used to initiate vivid debates in universities' classrooms. The discussions on the acquisition of knowledge and technology (Liu, He *et al.*, Reid and Vaccarini *et al.*) and expansion strategies (Söderman and Jansson) and their presented cases can be used as ostensive examples for practitioners. The discussions on the importance of rule-based institutions for emerging countries for economic growth and institutional arrangements and their effects on business (Li, Angulo-Ruiz *et al.*, Gruenhagen, Hasiner and Yu) are illustrative showcases for decision makers in the political arena.

We wish all readers a great learning experience in reading this well-paced special issue.

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