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Uncovering neglected success factors in post-acquisition reverse capability transfer: Evidence from Chinese multinational corporations in Europe

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ABSTRACT

Based on empirical evidence of four Chinese firms' outward mergers and acquisitions (M&As) to European countries, this paper examines previously neglected key success factors in post-acquisition reverse capability transfer. We identified three such factors: home-country advantage, motivation-oriented complementary resources, and acquirers' attractiveness, and argue that post-acquisition capability transfer is affected by not only the process factors that occur during the post-acquisition phase but also by pre-acquisition status factors. In this way, the paper enriches the process perspective of M&A, thereby contributing to the international M&A literature and to studies of multinational corporations (MNCs) from emerging economies.

1. Introduction

This paper explores neglected factors influencing the management of post-acquisition reverse capability transfer in emerging-market multinational corporations' (EMNCs) outward mergers and acquisitions (M&As) in developed economies. Over the last decade, the increasing number of EMNCs buying firms in developed economies has drawn the attention of both academics and practitioners (Birkinshaw, Bresman, & Nobel, 2010). Compared with MNCs from developed countries (DMNCs), EMNCs have been depicted as lacking advanced resources and capabilities due to their latecomer disadvantage and weak institutions at home (e.g., Meyer, Estrin, Bhaumik, & Peng, 2009; Rui & Yip, 2008; Peng, 2012; Hoskisson et al., 2013). Therefore, EMNCs tend to seek strategic assets from developed economies through outward M&As, to compensate for their latecomer and competitive disadvantages (e.g., Child & Rodrigues, 2005; Deng, 2009; Luo & Tung, 2007). One particular challenge for EMNCs is their weak skills in transferring the strategic assets they have acquired abroad (Buckley, Doh, & Benischke, 2017; Luo & Tung, 2018). Yet, which factors influence the successful reverse transfer of these strategic assets in the post-acquisition stage of EMNCs' outward M&As? We explore this question in this paper.

This question is vital because there is a sizable discrepancy between the expectations motivating M&As and the difficulty in realizing the value in the post-acquisition stage (Graebner, Heimeriks, Huy, & Vaara, 2017). Given the inconsistent results in prior research, scholars have called for increased examination of the post-acquisition stage (Cartwright & Schoenberg, 2006) and for greater recognition of the process dimension of M&As, to identify factors critical to M&A success (Haleblian, Devers, McNamara, Carpenter, & Davison, 2009; Stahl, Chua, & Pablo, 2012; Steigenberger, 2017; Weber & Tarba, 2013).

Acquirers need sufficient resources and capabilities to overcome challenges arising from post-acquisition implementation that inhibit the realization of M&A potentials (Zaheer, Castañer, & Souder, 2013). As latecomers to the global marketplace, EMNCs generally lack both hard technologies and soft capacities, such as managerial competence and professional expertise (Luo & Tung, 2007). Significant national and organizational cultural differences also exist between EMNCs and their targets (Ai & Tan, 2018). These differences have added new layers of complexity to the management of post-acquisition process (Birkinshaw et al., 2010; Sarala, Junni, Cooper, & Tarba, 2016). However, the literature regarding EMNCs' acquisition of DMNCs focuses mainly on motivations and factors influencing the completion of transactions (e.g., Deng, 2009; Fuad & Gaur, 2019; Rui & Yip, 2008; Sun, Peng, Ren, & Yan, 2012). Scholars have paid little attention to post-acquisition, particularly key factors in the management of post-acquisition reverse capability transfer, which indicates a significant research gap (He, Khan, & Shenkar, 2018; Liu & Woywode, 2013; Zheng et al., 2016).

To account for EMNCs' international acquisition in developed economies, the literature on the resource-based view (RBV) and knowledge-based view of firms' growth suggests that EMNCs transfer,

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assemble, and manage externally acquired strategic assets in the post-acquisition phase (Nair, Demirbag, & Mellahi, 2016; Rui, Zhang, & Shipman, 2016). This is consistent with the process perspective of the M&A literature, which argues that value creation linked to M&A success lies in the transfer of resources and capabilities during the integration phase (Jemison & Sitkin, 1986; Björkman, Stahl, & Vaara, 2007). In addition to the capability transfer itself, creating an atmosphere that can support it is also difficult and vital in managing the post-acquisition process (Haspeslagh & Jemison, 1991; Birkinshaw, Bresman, & Håkanson, 2000; Bresman, Birkinshaw, & Nobel, 1999).

Following this value creation mechanism, we seek to identify key factors that influence successful reverse capability transfer or affect the building of a favorable organizational atmosphere in the post-acquisition stage of EMNCs' outward M&As. Based on the experiences of DMNCs, the M&A literature has identified various key factors influencing post-acquisition capability transfer (e.g., Gomes, Angwin, Weber, & Yedidia Tarba, 2013). Rather than test whether known key success factors apply in a new research context, this paper identifies neglected factors. Therefore, our research question is, what are the neglected key factors that influence post-acquisition reverse capability transfer in EMNCs' outward acquisition in developed economies?

We use Chinese firms' outward acquisitions in Europe as the study's research context. As a representative emerging economy, China has become the second largest outward foreign direct investment (OFDI) source country globally (UNCTAD, 2017). Outward M&A is the dominant global market entry mode for Chinese firms, occupying over 75 % of the total Chinese OFDI (MOFCOM, 2018). Most Chinese firms have targeted developed economies in order to seek expansion through M&As; of these economies, the EU witnessed the largest increase in 2014 and accounted for almost one-third of all Chinese outward M&As in transaction value in 2015 (Hanemann & Gao, 2016). Using case studies of four leading Chinese MNCs, we identified three previously neglected factors: home-country advantage, motivation-oriented complementary resources, and acquirers' attractiveness. These factors motivate Chinese acquirers to pursue post-acquisition reverse capability transfer, and facilitate the building of a favorable atmosphere that improves the willingness of employees at the acquired firm to transfer resources and capabilities.

This study offers several contributions to our understanding of EMNCs' internationalization and M&As. First, it provides a richer view of the post-internationalization management of EMNCs (Rui et al., 2016), by exploring and explaining the impact of pre-acquisition status factors on post-acquisition value creation. Specifically, we identify three previously neglected pre-acquisition factors and propose a framework to explain how they affect post-acquisition reverse transfer of strategic assets. Second, by applying the process perspective of M&As to the context of EMNCs' international acquisition, our findings illustrate the two major processes and mechanisms through which EMNCs can succeed in the post-acquisition stage: conducting reverse capability transfer and building favorable organizational atmospheres. Third, our study highlights the importance of pre-acquisition social integration behaviors of acquirers for post-acquisition value creation and M&A success, suggesting that EMNC acquirers should develop and implement effective social integration strategies before the M&A, to attain a level of attractiveness sufficient for maintaining a harmonious organizational atmosphere in the merged firms. This research thus builds a link between the pre- and post-acquisition stages in the research context of EMNCs' outward M&As to developed economies.

2. Literature review and theoretical foundation

2.1. The process perspective of M&As: the resource-based view of value creation

The resource-based view (RBV) regards resources and capabilities as the prime movers of a firm's competitive advantage (e.g., Barney, 1991). To maintain competitive advantage, organizations need to continually reconfigure their resources and capabilities. Yet, firms have a tendency toward organizational inertia, which makes such changes difficult. M&As can therefore create value by transferring resources and capabilities between merging firms, to provide new organizational and technical components that can be combined in novel ways (Graebner et al., 2017). In this paper, we define capability transfer as one party's "use of tacit and explicit knowledge, including tools and process" (Björkman et al., 2007, p661) that originated in the other party. Post-acquisition capability transfer often involves knowledge and capabilities flowing in either or both directions: from the acquiring to the acquired firm and vice versa (Bresman et al., 1999). Gaining strategic capabilities from the target firm is among the most important motives of EMNCs' acquisitions in developed economies (Deng, 2009; Luo & Tung, 2018). Thus, this study focuses on reverse capability transfer, which can be defined as capability transfer from acquired firms in developed economies to acquiring firms in developing countries (Buckley, Clegg, & Tan, 2003).

Building on the RBV, Haspeslagh and Jemison (1991) contribute to how M&A can create value by proposing a "process perspective," which suggests that the objective of an M&A is to improve the competitive position of one or both parties by transferring resources and capabilities between them.[2] The process perspective argues that, while pre-acquisition factors such as the strategic, organizational, and cultural fits determine the potential for synergy, the value of an M&A is created in the post-acquisition phase because the extent to which that synergy potential is realised depends on the acquirer's ability to effectively manage the post-acquisition process (Stahl, Larsson, Kremershof, & Sitkin, 2011). Two important meta-analyses (King, Dalton, Daily, & Covin, 2004; Stahl & Voigt, 2008) argue strongly for recognizing the process dimension of M&A in order to identify new factors critical to M&A success (Cartwright & Schoenberg, 2006). Following the process perspective, this study's assessment of key success factors uses the criteria of whether the factors can facilitate post-acquisition capability transfer and whether such transfer can catalyze synergy and overall positive performance of the combined entity (Zollo & Meier, 2008). This paper focuses only on the key factors influencing the post-acquisition process because this is where value is created (Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986). We do not consider factors influencing only the pre-acquisition process (the completion of M&A).

Post-acquisition is an interactive, gradual process whereby individuals from the two organizations must learn to cooperate and work together to create value through the transfer of capabilities (Birkinshaw et al., 2000). The multifaceted, dynamic post-acquisition process comprises multiple subprocesses, some involving strategic integration of resources and capabilities to create value and others involving sociocultural integration (Graebner et al., 2017). Sociocultural integration is vital to post-acquisition capability transfer, thus determining the performance of the M&A (Sarala & Vaara, 2010). This integration involves building a unified social community in the merged firm, as individuals will participate willingly in knowledge transfer and resource redeployment only when they share a sense of identity or belonging with their new colleagues (Bresman et al., 1999). Research on sociocultural integration has examined the human, social, and cultural aspects of integration (Sarala, Vaara, & Junni, 2019). A collective insight from these streams of literature is that it is important for the combined firm to build a harmonious atmosphere conducive to post-acquisition capability transfer. "Difficulties in managing the integration process…are not just the offspring of difficulties in bringing about the capability transfer itself. Creating an atmosphere that can support it is the real challenge" (Haspeslagh & Jemison, 1991, p.107). This is because employees in the acquired firm may lack a sense of security (Stahl et al.,

[2] The terms "resource" and "capability" are used interchangeably in this paper.

2011), identity (Colman & Lunnan, 2011), justice (Meyer & Altenborg, 2007), and trust (Graebner, 2009). These negative feelings may hamper their willingness to transfer resources and capabilities to their acquirers. In this research, we follow Haspeslagh and Jemison (1991) and define an organizational atmosphere conducive to reverse capability transfer as a climate in which employees from the acquired firm are willing to transfer resources and capabilities to the acquiring firm. A favorable organizational atmosphere can facilitate reverse capability transfer and help achieve successful M&A integration.

2.2. Post-acquisition capability transfer and EMNCs' international M&As

The literature based on RBV has examined how post-acquisition integration results in organizational renewal by triggering transfer of resources and capabilities, and has identified a clear connection between post-acquisition capability transfer and M&A success (e.g., Capron, 1999; Larsson & Finkelstein, 1999; Zollo & Singh, 2004; Graebner, Eisenhardt, & Roundy, 2010). For example, Capron, Dussauge, and Mitchell (1998) find that two merged firms frequently transfer R&D, manufacturing, and marketing resources. Capron and Pistre (2002) suggest that the transfer of resources and capabilities from the acquiring to the acquired firm is associated with abnormal returns. Zollo and Meier (2008) consider capability transfer to be among the most important tasks in M&A performance measurements. Other research on how capability transfer affects M&A success focuses mainly on the impact of facilitators and obstructers (e.g., Björkman et al., 2007; Capron & Guillén, 2009; Ranft & Lord, 2002; Westphal & Shaw, 2005). In general, these studies suggest that M&As create an opportunity for resource redeployment and capability transfer, which generally improve performance, but the acquirers' resources may be excessively favored (Graebner et al., 2017).

However, the experiences of DMNCs inform most of these studies. EMNCs are latecomer competitors in the global market, yet they possess MNCs' inherent advantage of acquiring and transferring capabilities across borders (Meyer et al., 2009; Peng, 2012). They may use international M&As to gain access to new capabilities that they could not obtain in their domestic markets and to broaden their resource base and decrease inertia, thus enhancing their competitive advantage (Luo & Tung, 2007). Scholars generally believe that during this capability upgrading process, the management of the post-acquisition stages is among the greatest challenges that EMNCs face. While some difficulties are common to all MNCs, EMNCS' post-acquisition difficulties can be exacerbated due to the companies' lack of international experience and organizational expertise in handling these issues (Luo & Tung, 2018). Accordingly, certain factors neglected by mainstream research on MNCs may affect EMNCs' post-acquisition management. Because so little is known about the post-acquisition management of EMNCs' outward M&As, this study seeks to fill this research gap by exploring the neglected key success factors that can influence post-acquisition reverse capability transfer in Chinese firms' outward M&As in the EU.

2.3. Key success factors influencing the post-acquisition stage

Scholars have long sought to explain M&A performance (Cartwright & Schoenberg, 2006). The disappointing results of the field's original focus on strategic fit and financial factors led to the previously ignored post-acquisition phase (Graebner et al., 2017; Weber & Fried, 2011). Although scholars have identified antecedents that appear to determine post-M&A performance, most studies have focused only on a single factor, or on a cluster of related factors, and have followed different theoretical frameworks (e.g., Dagnino & Pisano, 2008; Haleblian et al., 2009; Quah & Young, 2005). Among this literature, the work of Gomes et al. (2013) is also based on the process perspective and addresses key success factors in both the pre- and post-acquisition phases by considering different perspectives on M&A. Therefore, we mainly use their work to build a preliminary framework for this exploratory study. In addition, we consider factors adopted from the frameworks of other research discussed above, to fine-tune our proposed framework. For example, we synthesize post-acquisition leadership, post-acquisition integration team, and human resource management practices into a single factor: human resource-related problems. Fig. 1 shows four factors that we include in our framework: level of integration, integration speed, human resource-related problems, and integration process communication.

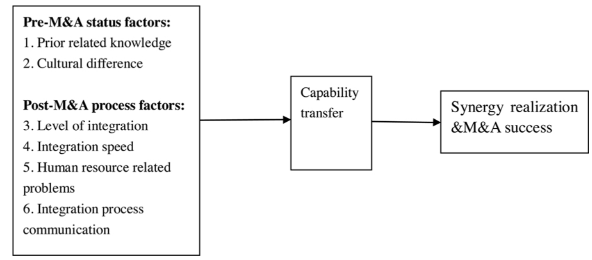

Fig. 1. The preliminary integrative framework.

Like most previous M&A research, the "post-acquisition key success factors" identified in Gomes et al. (2013) research include only the key factors that exist during the post-acquisition phase (after the deal), which are called "process factors" (Stahl et al., 2011). However, according to the process perspective, researchers should concentrate on all key success factors that affect the management of the post-acquisition process, including those that exist before the M&A deal but also those that affect the post-acquisition stage. These factors are neglected in most M&A literature. In this study we call them "status factors." Combining status factors with process factors is consistent with recent M&A literature examining pre- and post-acquisition connections in order to unravel the M&A performance riddle (Bauer & Matzler, 2013; Gomes et al., 2013). In a recent review of post-acquisition integration, Graebner et al. (2017) specifically include a status factor, prior M&A experience and learning, as a key area of post-acquisition research.

In fact, recent studies on both mainstream M&As and EMNCs' outward M&As have shown that linking the post-acquisition stages and pre-acquisition status factors, such as cultural differences and acquisition experience, may yield better M&A performance. Weber and Tarba (2013) suggest that, if acquiring firms acknowledge cultural differences before the M&A deal and take them into account in their integration approach in the post-acquisition phase, the M&A performance will be superior to those transactions that fail to consider pre-acquisition factors when making post-acquisition decisions. From an organizational learning perspective, Deng (2010) argues that the success of Chinese firms' outward M&As are determined by the acquiring firm's absorptive capability, including prior related knowledge, combinatory capabilities, and strategy implementation. Among these, the acquiring firm's prior related knowledge is considered to be a status factor of the pre-acquisition phase (Ai & Tan, 2017). Liu and Woywode (2013) propose that national and corporate cultural differences and acquiring firms' limited absorptive capacity determine the post-acquisition integration approach of Chinese firms' outward M&As in Germany (Liu & Meyer, 2018). Following the literature above, we include two status factors, cultural differences and prior related knowledge, in the preliminary framework (Fig. 1), and we synthesize six key factors in this framework that, through their impact on resource and capability transfer, affect post-acquisition synergy realization and the success of EMNCs' outward M&As in developed economies. We explore, in the sections below, some neglected key factors that can complement this framework.

3. Research methodology

3.1. Research method and justification

We employed multiple case studies to explore process-oriented and institutionally embedded research questions (Yin, 2009). The case study method is particularly suitable for developing theory (Eisenhardt & Graebner, 2007; Eisenhardt, 1989); for examining cross-culture and cross-border issues; for posing "how," "why," and "what" questions; and for research on contemporary phenomena within real-life contexts (Flick, 2009; Ghauri, 2004). Evidence from multiple case studies is often considered to be more compelling, and the overall study proves more robust, compared to studies based on single cases (Yin, 2009). In addition, previous international M&A research strongly recommends this method for studying complexity within natural settings and for generating richer insights (Cartwright & Schoenberg, 2006; King et al., 2004; Schweizer, 2005).

3.2. Case selection

Given this study's exploratory nature, we use a theoretical rather than random sampling, which is generally deemed appropriate for research designed to build theory (Sinkovics & Ghauri, 2008; Welch & Piekkari, 2017). Following Fletcher and Plakoyiannaki (2011) suggestion, we use a "multilevel approach" to choose our case sampling.

The first level focuses on the selection of the host country. We chose acquired firms from developed countries in the EU so that we could limit differences in culture and in formal institutional elements. In addition, given that China's outward M&As to the EU have accounted for almost one-third of all Chinese outward M&As in transaction value in 2015, we focus on acquired firms from the EU so that we can identify practical implications (Hanemann & Gao, 2016). The second level of our case-sampling approach refers to industrial sector selection. To reduce extraneous variation in the study, we chose cases from the manufacturing sector (Eisenhardt, 1989; Schweizer, 2005). The manufacturing sector has long been at the core of China's GDP and annual growth rate and drives the internationalization of Chinese firms through M&As (Deng, 2009).

The third level indicates the selection of the acquiring firms. We chose all cases based on three criteria: first, acquiring firms must have sought strategic resources and knowledge as one of their main motivations for their M&As. Second, all the selected acquiring firms were high-profile and among the leading companies in their industries in China, which means they likely did not select M&As for opportunistic reasons (Rui & Yip, 2008). Third, all four cases had completed their M&A deals at least one year before the first interview and two years before the second. This last criterion was set to allow sufficient time for capturing the long-term impacts of the key factors on post-acquisition capability transfer (Colman & Lunnan, 2011; Zollo & Meier, 2008).

Level four refers to the selection of the acquired firms. First, we ensured that the selected acquired firms did not consider the deal as a hostile M&A, such that the post-acquisition management did not suffer from particular difficulties. Second, to guarantee that the acquiring firms had 100 percent authority over the combined entity, all cases selected were complete rather than partial M&As. Level five regards the selection of the sources of evidence. We adopted multiple sources of data for this research, as described in detail in the next section.

We included four cases in this paper. We anonymize the four Chinese acquiring firms as Firm A, Firm B, Firm C, and Firm D. According to Yin (2009), each case in a multiple-case study must be carefully selected to serve two specific purposes, to predict a similar result (literal replication) or to predict a contrasting result for predictable reasons (theoretical replication). We deliberately selected Firm D to show theoretical replication because both academia and industry widely recognize this firm as a failed case (Deng, 2009). Table 1 shows a general description of each case and their similarities and differences regarding their selection criteria.

3.3. Data collection

We collected the primary data from February 2012 to June 2013

Table 1
Case selection criteria and variance of cases based on theoretical sampling.

	Case A	Case B	Case C	Case D
Core business of acquirers	Agricultural and power machinery manufacturing	Heavy equipment manufacturing	Shock absorber manufacturing	Consumer electronics manufacturing
Founding year of acquirers	1955	1956	1951	1980
Status of the acquirers in the home market	First tractor manufacturer in China. Number one in market share.	One of the biggest players in the heavy equipment manufacturing industry; Number one mining machinery and cement equipment manufacturer	One of the biggest vehicle shock absorber producers in China. Number one in market share.	The biggest Consumer electronics company in China. Number one in the TV industry for years.
Time of M&A	2011	2011	2011	2004
Motivation of M&A (following the sequence of strategic importance)	technology (to update the acquirer's current products); establishment of a bridgehead to explore the European market.	technology and R&D intensity; equipment and production lines; 3. the opportunity to gain access to the European market.	1. geographical strategic layout; 2. seeking markets; 3. technology and manufacturing techniques.	1. seeking R&D capability, patented knowledge, and brand name; 2. gaining access to the European and American markets.
Ownership structure of acquirers	State-owned enterprise (SOE)	SOE	Non-SOE	Non-SOE
Location of acquired firm	France	Spain	Italy	France
Acquired firm information	A professional manufacturer of transmission systems for tractors founded in the 1950s	It has more than 105 years of history and used to be Europe's largest and the world's third car shock absorber manufacturer. manufacturer.	A manufacturer of heavy industrial equipment, catering to the mining, cement and energy sectors. It was a sub-contractor of some of the world's best known mining equipment suppliers.	It has more than 100 years of history, and was one of world's largest entities in the areas of content creation, broadcasting, and TV manufacturing.
Acquirers' annual revenue before the M&A(CNY)	14.5 billion	0.544 billion	65 billion	25.4 billion

through three rounds of semi-structured interviews. In the first round, nineteen face-to-face interviews were collected at the acquiring companies' headquarters, during two research trips to China. We then conducted five in-depth telephone interviews with personnel of the acquired firms.[3] After initial data analysis, we conducted follow-up telephone interviews with several of the original interviewees, to verify the original data and collect further information. Additional open-ended communication was also conducted sporadically to contextualize and verify the data obtained from the formal interviews. We derived the list of interview questions from the research questions (listed in Appendix 1) and from the preliminary theoretical model and asked additional questions to gather background and factual data. Back translation, as detailed below, was also adopted to ensure accurate translations of the interview questions (Brislin, 1970).

We chose as interviewees the top executives and middle managers directly responsible for the acquiring and acquired units, to ensure internal consistency and to increase reliability. We interviewed at least two top executives, including the CEOs/presidents of each acquiring firm and the CEOs of two of the acquired firms. They were the main architects of each company's post-acquisition integration strategy. While the corporate governance status of most Chinese firms suggests that only the top executive makes most strategic decisions, collecting detailed face-to-face interview data from the CEOs/presidents of Chinese MNCs is tricky because they tend to be cautious and to avoid such interviews (Rui & Yip, 2008).[4] We conducted the interviews in Chinese and electronically recorded them, when permitted (Xiao, Tylecote, & Liu, 2013). We followed a set of prepared interview questions but encouraged open-ended discussions during the interviews. Table 2 summarizes specific information regarding the interview dates and interviewees.

We also collected secondary data to provide multiple sources of evidence. This includes both public data, such as website information, press releases, annual reports and TV interviews and speeches; and private archival data, such as confidential internal reports. These documents not only provided data that allowed us to reconstruct the organizations' and M&A backgrounds but also offered details on specific integration strategies and processes.

3.4. Data analysis

According to Sinkovics and Alfoldi (2012) recommendation to use a progressive focusing approach in qualitative research, neither theory nor data should take precedence during the data analysis process. Therefore, we relied on both deductive and inductive reasoning processes to interpret and structure the interview data (Patriotta, Castellano, & Wright, 2013). To minimize participant observation biases and increase inter-coder reliability (Xiao et al., 2013), the first author collected and analyzed all primary data, while the second author played the role of second coder and "devil's advocate" in the data analysis process. This was done so that the second author could take a more objective stance toward the evidence, instead of being immersed in case details (Eisenhardt, 1989). The two coders conducted the analysis independently. Coding disagreements were resolved through extensive discussions between the authors.

The data analysis involved four main steps. First, we cross-checked data from different sources for triangulation, which helped to increase the validity and reliability of the research design and to avoid internal and external bias (Eisenhardt, 1989). Second, we followed Yin (2009) data analysis procedure, starting from the transcription of raw data. All primary data was transcribed and analyzed in Chinese because the

[3] Interviews with personnel of the acquired firms, recommended by their headquarters, were conducted by telephone.

[4] Gaining in-depth access to the top management team poses major challenges that typically limit the number of cases that can be studied.

Table 2
Interview data summary.

	Case A	Case B	Case C	Case D
Interview period	Feb 2012 to June 2013	Feb 2012 to June 2013	Feb 2012 to June 2013	Feb 2012 to June 2013
Interviews conducted	Five face-to-face interviews conducted in June 2012 and two telephone interviews conducted in June 2013	Four face-to-face interviews conducted in June 2012 and two telephone interviews conducted in June 2013	Seven face-to-face interviews conducted in June 2012	Three face-to-face interviews conducted in August 2012 and one telephone interview conducted in June 2013
Top management team interviewed	General manager; General manager (Acquired firm)[a]; Chief technology officer (Acquired firm)[a]; Secretary of the Board[b].	General manager[b]; Vice general manager; General manager (Acquired firm)[a].	General manager; Vice general manager; Anonymous.	Vice CEO[b]; Anonymous (Acquired firm).
Middle managers interviewed	Director of the General office; Anonymous (A department manager); Assistant to General manager[b].	Anonymous; Secretary of the general manager; Anonymous (Acquired firm)[a].	Director of the General office[b]; Anonymous; International affairs secretary; The secretary of the general manager of the acquired firm.	Secretary of general office; Anonymous [a].
Interview length (each)	One to two hours[c]	One to two hours	One to two hours	One to two hours
Total Interviews	24			

[a] Interviewed through telephone calls in 2013.
[b] Interviewed again through telephone calls.
[c] Follow-on interviews through telephone are used to clarify particular points so that last up to 30 min.

interview data was originally collected in that language. We then analyzed the content of the transcribed data by summarizing, categorizing, and structuring meanings. By doing so, we created a rich description of each case. Third, we analyzed individual cases based on the preliminary model, focusing on emerging key issues and themes and coding them based on relevance and frequency.[5] By going back and forth among the emergent data, themes, concepts, dimensions, and the relevant literature (Gioia, Corley, & Hamilton, 2013), we refined and consolidated the first-order constructs.

Fourth, we followed Eisenhardt (1989) suggestion and moved from an in-case to a cross-case analysis. We iteratively sought constructs across cases and examined whether similar themes emerged in multiple settings, through cyclical readings of empirical data. Following a pattern-matching logic (Yin, 2009), we refined the emerging factors by revisiting the date to see whether each case demonstrated the same pattern. We used charts and tables to facilitate comparisons of cases. We then developed second-order themes to make the first-order constructs more theoretical and abstract. Organizing the second-order themes into theoretical dimensions revealed the three above-noted neglected key success factors influencing post-acquisition reverse capability transfer in Chinese firms' outward M&As to the EU. In the cross-case analysis process, we also identified favorable organizational atmosphere as a mechanism through which some emergent key factors affect post-acquisition reverse capability transfer, and social integration behaviors as a mediator of the relationship between the key factors and organizational atmosphere.

We then reached our findings and identified representative quotations from the interview data to support the analysis. The first author translated these quotations, after which a bilingual native speaker back-translated them to ensure consistency. The second author then conducted a careful review and equivalence check (Douglas & Craig, 2007). Fig. 2 summarizes the data exploration process.

4. Results and findings

After cross-analyzing all the data, we identified three key factors that are largely neglected in the literature: home-country advantage, motivation-oriented resource complementarities, and the acquirers' attractiveness. They impact post-acquisition reverse capability transfer in Chinese firms' outward M&As in Europe in two ways: by motivating acquirers to pursue post-acquisition success through reverse capability transfer and by facilitating the building of favorable atmospheres that increase the acquired-firm employees' willingness to transfer resources and capabilities.

4.1. Home-country advantage

We define the "home-country advantage" of Chinese acquirers as the positive effects and advantages of being an MNC headquartered in the Chinese market. Unlike previous research (e.g., Luo & Wang, 2012) that considers home-country effects as the influence of home-country institutional parameters, home-country advantages in this study also emphasize the impact of the huge Chinese market. Vast home markets, home-country institutional support, and home-market profit support are three important components that affect post-acquisition reverse capability transfer in Chinese firms' outward M&As.

4.1.1. The vast Chinese market

Evidence from this study suggests that the Chinese firms seeking strategic resources through outward M&As are largely driven by the opportunity to improve their competitiveness against foreign entrants in the Chinese firms' home market. As the CEO of Firm B said, "At present, our major competitors in the domestic market are international joint venture companies with partners from Germany, Japan, and Korea. [Through this acquisition,] we first need to achieve a leading position in the Chinese market. Second… we wish to expand our business in the global market." In fact, for some Chinese acquirers, attaining the resources of the acquired firms to enhance their own home-market competitiveness was the most important reason to initiate outward M&A. For example, a senior manager from Firm A commented, "[The key point of this acquisition] was to acquire and assimilate advanced technology and combine it with our existing products to upgrade our production line, so that we could improve our competitiveness in the Chinese market."

The rationale for this interest is that the vast Chinese market provides great potential for corporate growth and profit increase. Chinese acquirers would therefore not ignore their home markets when exploring mature markets in Europe, while global giants from developed economies strive to seize the fast-growing Chinese market. Further exploitation of the home market can bring acquiring firms significant direct economic benefits if they successfully transfer and use the acquired firms' advanced resources and capabilities. For example, Firm B transported part of the production lines of an acquired European firm to China for resource redeployment, which "has greatly improved its level of automation and productivity in the domestic market" (CEO of Firm B, face-to-face interview, June 2012). Considering the above analysis, we offer the following proposition[6] :

Proposition 1(a). Subject to their respective industries, the greater the home-market advantage (domestic market), the more likely EMNCs from China will focus on post-acquisition reverse capability transfer.

4.1.2. Institutional support

In addition to the huge domestic market, the home-country advantage also manifests as institutional advantages that can help Chinese acquirers make the most of transferred resources. The four case firms in this study, like most Chinese acquirers, are leaders in their industrial sectors and large taxpayers in their local areas. The relatively immature formal institutions in the Chinese market confer certain institutional advantages on these firms (Tan & Ai, 2010), such as favorable government policy, financial support, and access to government-controlled distribution channels and networks. These can help Chinese acquirers gain more profits in the Chinese market. For example, only one year after acquisition, Firm A "already successfully modified a pillar product with the advanced technology from the acquired firm" and "sold tens of thousands a year thanks to the huge increase in market demand captured through the market channel established over the years." (CTO of the acquired Firm A, telephone interview, June 2013).

Given the above findings, Chinese acquirers are motivated to transfer resources and capabilities from acquired firms to improve their own competitiveness in the domestic market, so that they can make the most of the transferred resources and increase profits in the huge Chinese markets where they possess institutional support. Hence, we offer the following proposition:

Proposition 1(b). Subject to their respective industries, the greater the home-market advantage (home-country institutional support), the more likely EMNCs from China will focus on post-acquisition reverse capability transfer.

[5] This study is a part of a larger project in which all the factors affecting post-acquisition success were investigated.

[6] While we acknowledge that home market advantages enjoyed by the four acquirers in this study can be different across industries and there is a need for further examination on this in future research based on richer data, we used home market advantage in different aspects (domestic market, institutional support, and home market profit) as the same element affecting post-acquisition reverse capability transfer, but added "subject to their respective industries" in the following propositions to reflect our consideration.

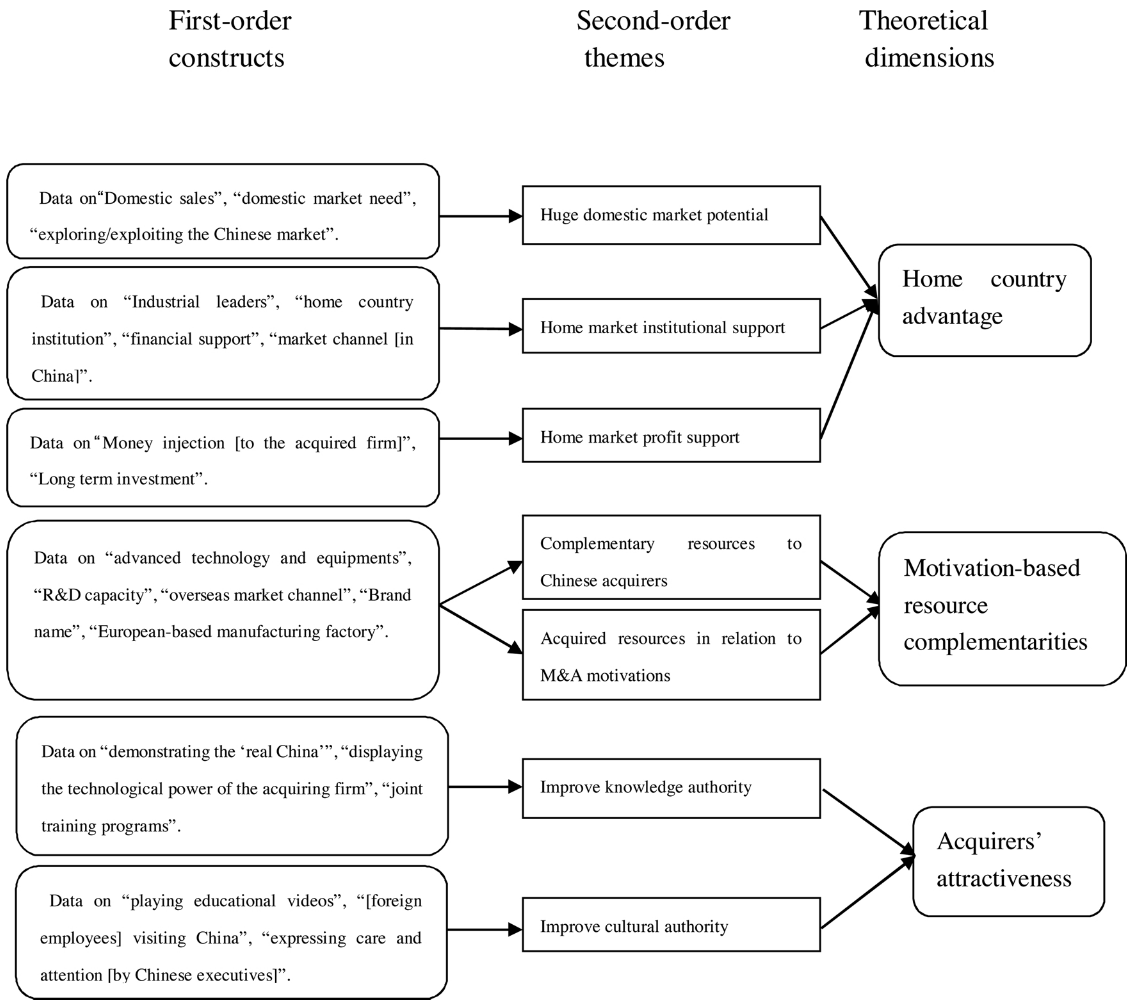

Fig. 2. Data analysis structure.

4.1.3. Home-market profit support

Vast domestic markets and home-country institutional support motivate Chinese acquirers to actively promote reverse capability transfer. Yet, the benefits of successful capability transfer can be observed only in the long term. The short-term performance of the acquired firm may be hampered if fewer efforts were made in consolidation and cost-cutting, especially when the acquired firms were mostly having significant financial problems. Good performance and profits in home markets grant Chinese acquirers a sufficient financial foundation to follow a long-term strategy for managing their post-acquisition process, so that they can focus on transferring resources and capabilities instead of seeking immediate returns from the overseas market.

Before embarking on international acquisitions, Chinese acquirers must obtain approval from government authorities. Although approval of an overseas acquisition depends on both objective criteria and subjective judgments, an acquirer's good performance in the Chinese domestic market is always a prerequisite (Tan & Ai, 2010).

With the support of home-market profits, Chinese acquirers can focus on upgrading capabilities through reverse capability transfer. The CEOs of Firms A and B both confirmed that they did not require immediate returns from their acquired firms, as they viewed outward M&A opportunities as long-term investments and cared more about reverse capability transfer. They were able to adopt such a long-term perspective in part because they had strong domestic performance that could support their operations overseas (CEOs of Firms A and B, face-to-face interview, June 2012). They also had low expectations for the acquired firms' short-term performance, because "they [previous owners of the acquired firm] won't sell it to us if it's very profitable" (CEO of acquired Firm A, telephone interview, June 2013). For example, the acquired firm in Case B sold fewer than 30 thousand products in the two years after its acquisition and survived only through the investment of headquarters. However, its operation was still considered to be very successful by both its Chinese shareholders and the Chinese provincial government because it "greatly improved the technological capabilities of the acquiring firm and enabled an increase in its product sales at home" (CEO of the acquired Firm B, telephone interview, June 2013). Similarly, although the acquired firm in Case C performed well in sales volumes, its greatest contribution was having won several large overseas orders for its acquiring firm, which "could never have been achieved without the help of the overseas subsidiary" (one manager from Firm C, face-to-face interview, June 2012). Considering the above discussion, we propose the following proposition:

Proposition 1(c). Subject to their respective industries, the greater the home-market advantage (home-market profit), the more likely EMNCs from China will focus on post-acquisition reverse capability transfer.

In addition to supporting Chinese acquirers' pursuit of capability transfer as a long-term strategy, a strong home-market performance can also facilitate the building of a favorable organizational atmosphere that increases the acquired-firm employees' willingness to transfer resources and capabilities. With the financial support of their home market, Chinese acquirers were more tolerant of the acquired firms' performance. For example, the CEO of Firm A commented, "Yes, they are still losing money (after a year of acquisition), but it's not much for us." In fact, all the Chinese acquirers in this study generously injected money into the acquired firms to maintain the latters' operations during hard times, expand production scale to create more jobs, and make follow-up investments to improve the acquired firms' competitiveness in the long run. Such long-term perspe2Q ctive facilitates the building of a favorable organizational atmosphere, in which the acquired-firm employees were willing to transfer resources and capabilities to their Chinese acquirers because they felt a strong sense of security (Liu & Meyer, 2018; Stahl et al., 2011) and were proud of the acquired firm's identity in the combined organization (Maguire & Phillips, 2008). For example, as one senior executive of Firm C recalled, "[After the acquisition,] there was a decline in the order volume [of the acquired firm], caused by uncertainty about the firm's prospect among some of its previous customers…the Spanish employees worried about the potential consequence due to decreased workloads and job losses." Nevertheless, job security among the foreign employees "was greatly improved when our CEO revealed a money-injection plan and promised not to cut salary and job opportunities" in response to decreasing product orders (Director of the General Office in Firm C, face-to-face interview, June 2012). Summarizing these findings, we offer the following proposition:

Proposition 2. Subject to the respective industries, the greater the home-market advantage (home-market profit), the more likely that a favorable organizational atmosphere will be created to foster reverse capability transfer.

4.2. Motivation-oriented resource complementarities

Complementary resources are resources and capabilities in the merging organizations that are "not identical, yet they simultaneously complement each other" (Björkman et al., 2007, p661). Prior research suggests that M&A players' resource complementarities, such as different technology, product lines, or market access, that enhance one another can provide synergy potential for post-acquisition capability transfer (Björkman et al., 2007; Larsson & Finkelstein, 1999). This study finds that different resource stock between the Chinese acquirers and their acquired firms in the EU resulted in vast resource complementarities, which are crucial for post-acquisition reverse capability transfer and for M&A success. While the Chinese acquirers had an advantage in low labor costs and specific knowledge of emerging-market institutions, they lacked brand reputation, advanced patented technology, R&D capabilities, and overseas market distribution channels. Conversely, their targets in Europe often failed to grasp the opportunities in fast-growing emerging markets even though they possessed world-class technology and established market distribution channels in Europe and the rest of the world. Among these complementary resources, those that can enhance the resource base of the Chinese acquirers are considered more important. We define these complementary resources as "acquirer-oriented." Similarly, we categorize those complementary resources originating from the acquirers but can enhance the resource base of the acqirees as "acquiree-oriented."

Among acquirer-oriented complementary resources, a specific set stands out. A senior executive of Firm A referred to the various complementary resources' degrees of importance: "[The success of the acquisition] depends on whether we can successfully absorb and utilize these resources (complementary resources from the acquired firm) that we wanted to acquire (instead of the profitability of the acquired firm)." The significance of this set of complementary resources lies in their strategic importance, as these resources are consistent with the main motivations driving the Chinese acquirers' strategic intent for the M&A. We further define the acquirer-oriented complementary resources consistent with the acquirers' main motivations as "motivation-oriented" complementary resources.[7] All of the motivations correspond to complementary strategic assets that Chinese acquirers can acquire from their target firms (see Table 1). For example, most of the Chinese case firms considered the pursuit of technology as the first priority in their acquisitions. Acquiring such knowledge-based resources can directly complement their assets and improve their products' competitiveness in both the global and domestic markets. As the CEO of Firm A explained, "The power-shift transmission system [of our French subsidiary] meets the prevailing mainstream international standards…It is a good complement to our existing product line and can significantly improve our competitiveness in the high-power segment when competing with foreign providers in the home market." Similarly, Firm B quickly applied the transferred technology from the acquired firm to its existing products. As the general manager of the acquired Firm B stated, "[After the acquisition] we set up the European R&D center. It has designed many modified products for the parent firm." In fact, several new products that benefited from the integration of the technology of both units were already launched on the Chinese market by June 2013 (CEO of the acquired Firm B, telephone interview, June 2013).

Another indication of motivation-oriented resource complementarities is that all four of the acquired firms owned established manufacturing factories in their home countries, which could help the Chinese acquirers enhance their market distribution channels in Europe. The CEO of Firm C emphasized this, even estimating the geographical location of the acquired firm's production base to be the most important motivation for the acquisition: "As an industry leader, we need to have a European manufacturing base to deal with overseas transportation problems, and also help establish distribution channels in South America and Africa."

However, post-acquisition is a dynamic and challenging process. For various reasons, the complementary resources identified in the pre-acquisition stage could fail to fulfill the Chinese acquirers' strategic intent in the post-acquisition phase, such as the influence of market changes. In other words, these complementary resources could lose their motivation-oriented value. This would lead directly to problematic post-acquisition outcomes. The failed acquisition of Firm D is a good example: the world-leading technological resources of the acquired Firm D in CRT and rear-projection TV production was quickly made obsolete by a global technological revolution based on new LED technologies. This meant that a large proportion of the motivation-oriented complementary resources, in terms of technology and production lines, simply disappeared,[8] contributing to significant financial loss and a forced change in integration plans. The vice-CEO of Firm D candidly emphasized the magnitude of the loss: "The main problem [that lead to the M&A failure] was the change in the market…All the technology-based resources of the acquired firm were in the rear-projection TVs [while it was quickly replaced by a product revolution in the global market]."

In sum, motivation-oriented complementary resources between the Chinese acquirers and their acquired firms brought enormous synergy potential. Such potential

motivates Chinese MNCs to pursue post-acquisition success through reverse capability transfer. Combining these exploratory findings on resource complementarities, we offer the following proposition:

Proposition 3. The greater the acquirers' motivation-oriented complementary resources, the more likely the resources and capabilities are to be transferred in the post-acquisition phase of Chinese MNCs' international M&As.

[7] There are also acquirer-oriented complementary resources that are not consistent with the main M&A motivations, such as certain equipment and production lines in Case A and brand name in Case B.

[8] The technology itself and its complementarities were unchanged, but they were not motivation-oriented since they were no longer world-leading.

4.3. Acquirers' attractiveness

The employees of an acquired firm welcome the M&A because of the acquirer's superiority in key determinants of acquirer attractiveness, such as innovation capability, business model, financial strength, and history of inter-firm contacts and cooperation (Hambrick & Cannella, 1993; Nahavandi & Malekzadeh, 1988; Stahl, Bjorkman, & Vaara, 2004). A recent study further suggests that the attractiveness of acquiring firms' behavior (such as communication intention) and organizational status (such as the firms' historical relationship and degree of organizational fit) has a strong predictive impact on target firms' perceptions and behavioral responses (whether they consider the acquisition as an opportunity or a threat) (Teerikangas, 2012). Therefore, acquiring firms could increase their attractiveness by cultivating these key determinants, to facilitate sociocultural integration in the post-acquisition phase and promote resource and capability transfer (Björkman et al., 2007). The findings of this study support the views outlined above and indicate that the European acquired-firm employees' perceptions of the attractiveness of Chinese acquirers as the new owners of their organizations are also a crucial factor in successful post-acquisition reverse capability transfer. Chinese acquirers' high attractiveness fostered favorable atmospheres in the combined entities, which improved the acquired-firm employees' willingness to transfer resources and capabilities to their Chinese headquarters.

As the acquiring firms in most cases are not only more powerful in organizational hierarchy, but also more innovative, equipped with superior resources and capabilities, or financially stronger than their acquired firms, it is usually not difficult for them to persuade the acquired firms to reconfigure and transfer capabilities in their preferred ways. However, for EMNCs buying firms from developed countries, things are different. In these cases, the informal and formal authority of both parties is not equal. Although Chinese acquirers formally possessed greater authority in the post-acquisition phase in terms of organizational hierarchy, their informal authority, defined as authority of knowledge-based resources and culture (Aghion & Tirole, 1997; Baker, Gibbons, & Murphy, 1999), was lower. This is not surprising, given that seeking advanced resources, especially knowledge-based ones, is among the most important motivations for Chinese acquirers' outward M&As in developed economies such as the EU. Moreover, the Chinese firms' strong demand for knowledge from the acquired firms even magnified the knowledge-authority disparity. Some European employees are, to a certain extent, prejudiced against Chinese firms in terms of technological and managerial capacities. One top executive from Firm B stated, "Initially, most of them believed Chinese firms to be rich buyers but without necessary technology and management skills."

Such asymmetries in authority could diminish foreign employees' willingness to transfer knowledge to their new owners, as the former might enjoy and wish to retain their knowledge authority. To compensate for this imbalance, the Chinese acquirers had to take measures to improve their attractiveness to create a sociocultural atmosphere better suited to capability transfer. The data from this study suggests that the Chinese acquirers adopted various socio-integration mechanisms to increase their own attractiveness. For example, educational videos were used to make the target-firm employees aware of the past and current status of their new parent company. One senior executive of Firm A reflected this: "They showed a keen interest in our history because they also have a history of more than 100 years… What many average people in most countries have in common is that they don't really know much about the conditions and cultures of other countries. Therefore, it is important for us to make them aware of our past and current status, show our goodwill, and express our willingness to be responsible for the future of the firm."

In addition, the acquired-firm employees' perceptions of the culture of the acquiring firm are also significant for improving the latter's attractiveness (Nahavandi & Malekzadeh, 1988). For instance, the CEO of Firm C visited the families of some foreign employees and presented them with Chinese gifts. When some of the French employees retired, the executive staff of Firm A invited them to dinner at high-class French restaurants. One executive of Firm A confirmed the result of these sociocultural integration mechanisms: "They were moved, and they really liked this aspect of the Chinese culture."

Furthermore, all four firms invited foreign employees to visit their headquarters in China. Some firms, such as Firm C, even arranged several such visits. The acquired-firm employees' perceptions of the Chinese acquirers changed dramatically after those employees saw firsthand the "real" Chinese sociocultural institutions. As one senior executive of Firm C said, "The understanding that most Spaniards had of China is still based on an impression dating back over 20 years or even longer … When they visited China, they were shocked to find out China's development… They attended the flag-raising ceremony with us in our headquarters. They also asked to wear our uniform and company badge. This is a strong signal that they respected and were willing to accept our culture."

Moreover, the Chinese acquirers gained the respect of their foreign employees by deliberately displaying their technological abilities. For example, during the process of transferring some production lines to China, the Chinese engineers of Firm B accomplished the installation and trial-run procedures without any direct guidance from the Italian technologists. When the Italian engineers came to China to visit the parent firm, the Chinese R&D staff posed some technological challenges for them to solve together with the Chinese team. These experiences significantly changed the Italian employees' perceptions of their acquirers' technological ability. As one senior executive of Firm C commented, "If our Chinese employees show their competencies and capabilities, the 'superiority complex' of some Italian employees could be overcome so that they become convinced of your value and respect you from their hearts."

Other approaches, such as favorable human resource management practices, were also adopted by the Chinese acquirers to improve their attractiveness. These included providing quality post-acquisition rewards, promising job security, and maintaining the good post-acquisition performance of the acquiring firm. These approaches together reduced the informal authority gap and increased foreign employees' willingness to transfer capabilities to the acquiring firms. The acquiring firms' improved attractiveness also enhanced the organizational atmosphere of the combined entity. Considering these findings, we offer the following proposition:

Proposition 4. The higher the perceived attractiveness of Chinese acquirers, the more likely it is that a favorable organizational atmosphere will be built to foster reverse capability transfer in the post-acquisition phase of Chinese MNCs' international M&As.

4.4. Framework development

This paper explored neglected key factors influencing post-acquisition reverse capability transfer in EMNCs' outward M&As to developed economies. Three key factors, namely home country advantage, motivation-oriented complementary resources, and acquirers' attractiveness, were highlighted. The study results suggest that Chinese MNCs, in line with their strategic motivations, pursued post-acquisition synergies and M&A success through effective reverse capability transfers from their acquired firms to their headquarters. They also sought to create harmonious organizational atmosphere to foster such capability transfer. The two processes, i.e., reverse capability transfer and building conducive atmosphere, work in parallel and are affected by the three key factors jointly: the home-country advantage provides Chinese acquirers significant home-market potential and institutional support (P1a, b, c) for the utilization of the acquired motivation-oriented complementary resources (P3), so that they could gain satisfactory profits from their domestic markets. This motivated them to adopt a long-term perspective by focusing on capability transfer rather than immediate returns from their acquired firms. Such reverse capability transfer can and should be facilitated by a favorable atmosphere that increases the acquired-firm employees' willingness to transfer resources and capabilities. The building of the conducive organizational atmosphere is fostered by home-country advantage (P2) and improved acquirers' attractiveness (P4).

It is worth noting that the favorable organizational atmosphere is not facilitated by the home-country advantage and acquirers' attractiveness per se, but a set of social integration behaviors (Björkman et al., 2007). Being equipped with home country advantage, which is a status factor, does not directly help foster a favorable atmosphere in the merged firm. What really works is a set of social integration behaviors adopted by the Chinese acquirers, such as less attention on redundancy and cost-cutting, production scale expansion for local job creation, and follow-up money-injection investment. The home-country advantage, such as the good home market performance, provides strong financial support for the use of these generous social integration behaviors.

Similarly, acquirers' attractiveness per se does not automatically create a favorable organizational atmosphere. Chinese acquirers studied are embedded with attributes that are attractive to their western partners: they have a good reputation, long histories, and even competitive technologies; they are willing to grant autonomy and are tolerant of their acquired firms' cultures (Liu & Meyer, 2018). However, these attractive attributes can hardly be perceived and understood by the western acquired firms due to the significant cultural and geographic distance between the two parties (Ai & Tan, 2018). Chinese acquirers thus need to adopt a set of social integration behaviors to show their attractiveness, such as headquarter visits, gifts and rewards, educational videos, and joint training programs.

Through social integration behaviors, individuals are likely to develop open, positive attitudes toward other nationalities and cultures (Björkman et al., 2007). Trust, shared vision, and cultural values can also be developed (Larsson & Lubatkin, 2001). Thus, a good organizational atmosphere can be gradually achieved (Verbeke, 2010). This discussion suggests the following propositions:

Preposition 5(a). Acquirers' social integration behaviors mediate the impact of home-market profit support on the formation of a favorable organizational atmosphere.

Preposition 5(b). Acquirers' social integration behaviors mediate the impact of acquirers' attractiveness on the formation of a favorable organizational atmosphere.

Fig. 3 shows a proposed model of the three key factors influencing post-acquisition reverse capability transfer in Chinese firms' outward M&As to the EU.

5. Discussion and conclusion

5.1. Theoretical contributions and implications

This paper contributes to both the international business literature and the M&A literature in several important ways. First, it contributes to a better understanding of the post-internationalization management of EMNCs, which is a frontier topic in the study of EMNCs (Rui et al., 2016). The extant literature focuses mainly on the antecedents of EMNCs' internationalization, whereas the real challenge for EMNCs pertains to their weak skills in transferring and integrating what they acquire abroad with what they already possess at home (Ahlstrom, Levitas, Hitt, Dacin, & Zhu, 2014; Li & Ahlstrom, 2019; Luo & Tung, 2018; Tomizawa, Zhao, Bassellier, & Ahlstrom, 2019). Our research fills this gap by exploring and explaining how the value-creating post-acquisition reverse capability transfer is affected by three previously neglected key factors, namely, home country advantage, motivation-oriented complementary resources, and acquirers' attractiveness. The three pre-acquisition status factors identified in this paper are not fundamentally new; what has been neglected is their impact on post-acquisition value creation in the research context of EMCs' outward M&As to developed economies, through facilitating reverse capability transfers and building a harmonious organizational atmosphere.

Our results suggest that motivation-oriented complementary resources for acquirers increase reverse capability transfer in the post-acquisition phase of Chinese MNCs' international M&As. This finding demonstrates that the importance of complementary resources lies not only in the synergy potential they can provide, as previous literature indicates (e.g., Bauer & Matzler, 2013), but also in their impact on the post-acquisition process. Moreover, our research suggests that not all complementary resources are equally important. Those consistent with the main motivations of the acquirers are decisive. This finding complements the strategic intent perspective (SIP) of EMNCs' outward M&As (Rui & Yip, 2008), which was developed explaining the motivation of EMNCs' international M&A. We extend the application of SIP from pre-acquisition rationales to how acquirers' strategic motivations influence their post-acquisition reverse capability transfer.

Unlike previous research that focuses on how home-country environment parameters (such as economic growth and institutional hardship) and operational characteristics influence EMNCs' overseas

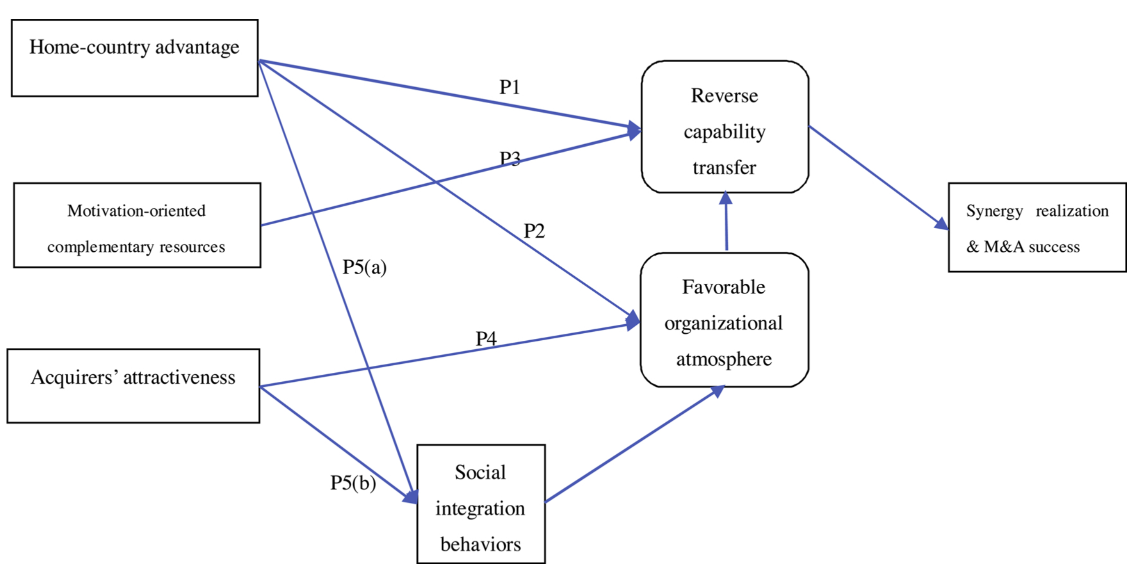

Fig. 3. The model of neglected key factors influencing post-acquisition reverse capability transfer.

investment decision-making strategies (e.g., Luo & Wang, 2012), our findings emphasize how vast home-market potential, home institutional support, and acquirers' home-market performance influence reverse capability transfer. On the one hand, vast domestic markets and home-country institutional support helped the Chinese acquirers achieve better performance by exploiting their acquired resources and capabilities. This motivated the Chinese acquirers to actively promote reverse capability transfer. Strong home-market performance and profit support of the Chinese acquirers, on the other hand, facilitated the building of favorable atmospheres that improved the acquired-firm employees' willingness to transfer resources and capabilities. Our study thus complements the emerging literature on home countries' impact on internationalization (Cuervo-Cazurra, Luo, Ramamurti, & Ang, 2018; Fernández-Méndez, García-Canal, & Guillén, 2018; Li, Liu, & Qian, 2019; Qian, Liu, & Wang, 2018) by explaining how home-country advantage, as the most important country-specific advantage of EMNCs (Ramamurti & Hillemann, 2018), influences post-acquisition reverse capability transfer. The finding on the importance of home-country endowments provides a signpost for research on international M&As by firms headquartered in other emerging economies with large domestic market potential, such as India and Brazil (Bruton, Ahlstrom, & Chen, 2019).

Moreover, our results suggest that a higher perceived attractiveness of Chinese acquirers fosters a favorable organizational atmosphere conducive to post-acquisition reverse capability transfer. This finding extends the recent growing literature on the sociocultural integration of M&As (e.g., Sarala et al., 2019; Sarala & Vaara, 2010), by providing insight into how EMNCs address their authority disparity when acquiring in developed economies. This gained insight can improve EMNCs' attractiveness to create a sociocultural atmosphere better suited to capability transfer. We also explain how acquirers' social integration behavior, which has been neglected by the sociocultural M&A literature (Björkman et al., 2007), mediates the impact of acquirers' attractiveness on the formation of a favorable organizational atmosphere.

Second, by applying the process perspective of M&As to the context of EMNCs' outward acquisition to developed economies, this paper unearths the critical role of status factors in the post-acquisition process and demonstrates two major processes and mechanisms through which EMNCs can succeed in the post-acquisition stage: by reverse capability transfer and by building favorable organizational atmospheres. Most advocates of the process perspective have focused on post-acquisition success factors (such as the level and speed of integration), while neglecting the impact of pre-acquisition status factors on the post-acquisition stage (Gomes et al., 2013). This study shows that all three neglected factors are status factors. They exist before the M&A deal but affect the post-acquisition process through their direct influence on post-acquisition reverse capability transfer and indirect influence (mediated by acquirers' social integration behaviors) on the maintenance of a favorable organizational atmosphere that fosters capability transfer. This finding brings researchers' attention back to the key factors in the pre-acquisition stage (Schweiger & Goulet, 2000; Teerikangas, 2012). A recent literature review published in *Academy of Management Annals* on post-acquisition integration also indicates the need to include literature on pre-acquisition factors such as experience and learning, as it "may offer preliminary insights into whether and how experience and learning influence PMI" (Graebner et al., 2017, pp 16).

Third, this research builds a link between the pre- and post-acquisition stages. Most M&A research to date has equated M&A integration to post-acquisition integration, which implies that integration cannot take place without achieving ownership (Gomes et al., 2013; Graebner et al., 2017). This study contradicts this mainstream view by demonstrating that M&A integration does not happen merely in the post-acquisition phase. We found that some of the social integration behaviors of Chinese acquirers were conducted in the pre-acquisition stage, such as playing educational videos and arranging foreign employee representatives to visit China. These pre-acquisition interactions are particularly important for acquirers from emerging economies because these companies' attractiveness is perceived as relatively low compared to that of acquiring firms from developed countries. Therefore, acquirers from emerging economies should develop and implement effective attractiveness management strategies before the M&A, to attain a level of attractiveness sufficient for maintaining a harmonious organizational atmosphere in the merged firms. Hence, the attractiveness of acquirers can and should be proactively improved through interactions and negotiations in the pre-acquisition stage (Zhang, Young, Tan, & Sun, 2018).

5.2. Managerial implications

Our findings have managerial implications for acquirers from emerging economies (Ahlstrom, 2015). Executives should carefully evaluate whether they have sufficient attractiveness and how their acquired firms may perceive their attractiveness, to facilitate communication and reverse capability transfer. EMNCs should adopt impression-management strategies to encourage acquired employees to recognize their attractiveness. They should also be aware of the need for pre-acquisition interaction and integration, in particular increasing interactions with top management teams and general staff members in the negotiation phase to partially open the "gray box" of post-acquisition integration (Zander & Zander, 2010), to identify potential difficulties that they may subsequently encounter. In addition, the findings also suggest that executives should carefully treat motivation-oriented complementary resources embedded in the acquired firms and recognize their dynamic nature.

Our findings also have managerial implications for acquired firms in developed economies. Executives at acquired firms should appreciate the force of internationalization and embrace the opportunities presented by EMNCs, in particular those with large domestic advantages. Indeed, the arrival of EMNCs as new owners is not a challenge but, rather, a chance for survival and even renewal for many firms in developed economies. The revival of the Volvo Car in the global automotive market is a case in point (Jiang, Gong, Wang, & Kimble, 2016). In addition, acquired firms that can successfully upgrade their motivation-oriented complementary resources and capabilities could enhance their attractiveness, thus raising their significance and status in the combined new entity in the long run (He et al., 2018).

5.3. Limitations and future research

While this study helps to clarify key success factors in the post-acquisition management process in EMNCs' outward M&As to developed economies, it does present several limitations. First, although our interviews were conducted with top executives in both the acquiring and acquired firms, most of these executives were Chinese, as these top management positions were assigned to Chinese expatriates in the post-M&A hierarchy. Including additional foreign interviewees from the acquired firms could provide a more balanced view of sociocultural issues. Second, the number of cases selected was modest. This was due to the difficulty of gaining access to and collecting detailed face-to-face interview data from the CEOs/presidents of Chinese MNCs, because of their reluctance and even avoidance of in-depth interviews. Previous studies of Chinese firms' outward M&As have faced similar problems (e.g., Rui & Yip, 2008; Deng, 2009; He et al., 2018). We believe that gaining access to the real decision-makers could greatly improve the reliability of this research. Thus, future research should seek more cases in which top managers participate in interviews. Finally, the relatively short history of Chinese acquirers' outward M&As to the EU makes a quantitative evaluation of key success factors very difficult. It also prevents the use of longitudinal case studies to explore the long-term effects of these neglected key factors on the integration process. When more data is available, future research should apply quantitative methods to test the validity of our findings, and enrich our research with longitudinal case studies.

5.4. Conclusion

In this paper, we have examined previously neglected key success factors in post-acquisition reverse capability transfer, and identified the two major processes and mechanisms through which EMNCs can succeed in the post-acquisition stage by conducting reverse capability transfer and building favorable organizational atmospheres. Our findings highlight the importance of pre-acquisition social integration behaviors of acquirers for M&A success. This research contributes to the literature on the key issues in EMNCs' outward M&As to developed economies. It also informs managerial decisions in maximizing post-acquisition value creation for both the acquirers and the acquirees.

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Appendix A. Supplementary data

Supplementary material related to this article can be found, in the online version, at doi:https://doi.org/10.1016/j.jwb.2019.101053.

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