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CHINESE FOREIGN DIRECT INVESTMENT IN EUROPE:

A Delphi Study on Obstacles, Threats and Opportunities

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A Delphi Study on Obstacles, Threats and Opportunities

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Declaration of Research Work Integrity

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature of any degree. This thesis is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by giving explicit references. A bibliography is appended.

By signing the present document I confirm and agree that I have read RU's ethics code of conduct and fully understand the consequences of violating these rules in regards of my thesis.

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ABSTRACT

This thesis tries to answer the questions related to what Chinese companies should do to improve their success factor when conducting Foreign Direct Investment in Europe. This thesis proposes that Chinese companies are being pushed immaturely into Outward Foreign Direct Investment as well as receiving fair amount of suspicion when doing so; that the biggest reason for their success in merger and acquisitions is prior synergies, trust and interconnectedness; and finally for them to run a successful cross-border firm, they would need to bridge the cultural gap between Chinese and European employees and to choose an appropriate management style. The research study was conducted with a Two Round Delphi study, where a panel of eight experts on Chinese outward investments were asked series of open-ended questions to test the propositions and formulate recommendations. This thesis concludes that Chinese companies should be more cautious when conducting Foreign Direct Investment in Europe and should engage in proper due diligence beforehand. Furthermore, this thesis finds that Chinese companies could improve their image in Europe by engaging in more public relations campaigns, especially by utilizing the media to educate the public on their investment intentions. Additionally, if a Chinese firm is looking to acquire a European company, it should have prior synergies and trust with its European partner to have a better chance at success. Lastly this thesis concludes that Chinese companies that want to operate in Europe, should either maintain the same corporate culture and system in the European company, or have a mixed culture management style.

Keywords: *Chinese, MNE, FDI, Europe, Delphi Study*

TABLE OF CONTENTS

Declaration of Research Work Integrity	iii
ABSTRACT.....	i
LIST OF TABLES & FIGURES.....	vi
1.1 List of Tables.....	vi
1.2 List of Figures	vi
PREFACE.....	vii
1 CHAPTER 1 — INTRODUCTION.....	1
1.1 Introduction	1
1.1.1 Background of the problem.....	1
1.2 Statement of the problem.....	3
1.3 Purpose of the Study	4
1.4 Significance of the Study.....	4
1.5 Research Questions	4
1.6 Definition of Terms	5
1.7 Assumptions	6
1.8 Organization of the Study.....	7
2 CAPTER 2— REVIEW OF THE LITERATURE.....	8
2.1 Chinese OFDI	8
2.1.1 The "Go Out" plan	8
2.1.2 Chinese FDI in Europe.....	8
2.1.2.1 Push factors.....	9
2.1.2.2 Mistakes made by Chinese companies in FDI	10
2.1.2.3 Pull factors	11
2.1.2.4 Gaining competitive advantage at home	11
2.2 Chinese MNE Shortcomings in FDI	12
2.2.1 Mistakes made in FDI.....	12
2.2.2 Inexperience in FDI	13
2.3 European Perception of Chinese Investments	14
2.3.1 Unjust or warranted suspicion?.....	14
2.3.2 Grand scheme set by Beijing?.....	14

CHINESE FDI IN EUROPE: OBSTACLES, THREATS AND OPPORTUNITIES

2.3.3	Strings attached?	15
2.3.4	Western perception of Chinas globalization	15
2.3.5	Separation between government and private sector	16
2.3.5.1	Huawei's Cyber Security Review.....	18
2.3.6	Learning from the past	19
2.4	Political & Country Reception	19
2.4.1	The importance of European IPA	20
2.5	FDI options.....	20
2.5.1	Foreign direct investments & Dunning's classification	20
2.6	Merger and Acquisitions.....	21
2.6.1	Prior synergies.....	21
2.6.2	Interconnectedness	22
2.6.3	Economic ties	23
2.6.4	Mergers and acquisitions drawbacks	23
2.7	Greenfield Investments	24
2.7.1	Greenfield investments drawback	24
2.7.2	M&A and Greenfield greater China outbound investments.....	24
2.8	Culture & Management	25
2.8.1	Difference in culture and management styles	25
2.8.1.1	The failed TCL venture.....	26
2.9	Management.....	27
2.9.1	Maintaining the original corporate culture and system.	28
2.9.1.1	Drawbacks	28
2.9.2	To intergrade the original corporate culture with the headquarter culture.	28
2.9.2.1	Drawbacks	29
2.9.3	Combining elements of the two other options.	29
2.9.3.1	Drawbacks	29
2.9.4	Case study of a Chinese acquisition of an Italian firm:.....	29
2.9.5	Finding a common ground	30
3	CHAPTER 3—METHODOLOGY	32
3.1	Research Design.....	32
3.2	Phase One: Gathering of the data.....	32
3.3	Phase Two: Analyzing the Data and Forming Propositions.....	33
3.4	Phase Three: Conducting a Modified Delphi Study.....	34

3.4.1	The Delphi method.....	34
3.4.2	Typical Delphi study design.....	35
3.4.3	Selection of the participants	36
3.4.3.1	Participants	37
3.4.4	The instrument	38
3.4.4.1	First round questionnaire	38
3.4.4.2	Second round questionnaire	38
3.4.5	Data collection	39
3.4.5.1	Round one data collection.....	39
3.4.5.2	Round two data collection	39
3.4.6	Interpretation of the feedback	39
4	CHAPTER 4—ANALYSIS OF THE DATA	41
	Results of the Delphi Study: Round One	41
4.1.1	Push or Pull	41
4.1.1.1	Research question	41
4.1.1.2	Research answers	42
4.1.2	European perception on Chinese inbound FDI	45
4.1.2.1	Research question	45
4.1.2.2	Research answers	45
4.1.3	M&A	50
4.1.3.1	Research question	50
4.1.3.2	Research answers	50
4.1.4	Culture and Management	53
4.1.4.1	Research question	53
4.1.4.2	Research answers	54
4.2	Results of the Delphi Study: Round Two	58
4.2.1	Push or Pull	58
4.2.1.1	Research question	58
4.2.1.2	Research answers	58
4.2.2	European perception on Chinese inbound FDI	60
4.2.2.1	Research question	60
4.2.2.2	Research answers	60
4.2.3	M&A	68
4.2.3.1	Research question	68
4.2.3.2	Research answers	68
4.2.4	Culture and Management	70

CHINESE FDI IN EUROPE: OBSTACLES, THREATS AND OPPORTUNITIES

4.2.4.1	Research question	70
4.2.4.2	Research answers	70
5	CHAPTER 5—DISCUSSION	74
5.1	Discussion & Conclusions	74
5.2	Limitations of the Study.....	77
5.3	Recommendations for Further Research	77
6	List of References.....	78
7	APPENDICES.....	90
7.1	Appendix A. Letter of Introduction to Potential Panelists	90
7.2	Appendix B. Round One. Short Literature Review & Questionnaires	92
7.3	Appendix C. Friendly Reminder.....	97
7.4	Appendix D. Round Two Letter of Instruction	98
7.5	Appendix E. Friendly Reminder	99
7.6	Appendix F. Round Two Questionnaires	100
7.7	Appendix G. Friendly Reminder.....	102
7.8	Appendix H. Table A.....	103

LIST OF TABLES & FIGURES

1.1 List of Tables

Table 2: List of participants and their professions. _____	37
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1.2 List of Figures

Figure 1: Beliefs that EU and Chinese or US interest are aligned in dealing with globalization _____	16
Figure 2: Chinese FDI in the EU becoming private _____	17
Figure 3: Greater China Outbound Investments (2005 - 2014) _____	24

PREFACE

This thesis constitutes the final assignment towards a M.Sc. degree in International Business from Reykjavik University and was written from January to May, 2015.

China has been a big part of my life for a decade now, where I lived in Beijing for five years studying Chinese and business, and then later worked in Hong Kong for another two years. When it came to deciding on a research topic for this thesis, China was an obvious contender. I had observed in recent years a certain opposition towards Chinese investments in Europe and couldn't figure out if they were unwarranted or legitimate suspicions. This got me interested in the topic and thus I decided to investigate if there was indeed some form of misconception towards these Chinese investors but also what factors could help them improve their success rate when investing in Europe.

This thesis could not have been done without the help of my supervisor, Gerhard Apfelthaler who assisted me throughout the process. Furthermore I'd like to extend my gratitude to all eight of the participants this research to which this thesis would not have been made possible without their contribution.

1 CHAPTER 1 — INTRODUCTION

1.1 Introduction

Chinese companies have in recent years started expanding their businesses by strategically acquiring assets, creating subsidiaries or engaging in Joint ventures in Europe and America, but when all is said and done, a lot of these Chinese cross-border companies have also failed in their ventures (Francoise Nicolas & Thomsen, 2008).

Some of the reasons for their failures have been attributed to the Chinese investors being neophytes in international business, while others have theorized the reason being culture conflicts or lack of managerial talent.

This thesis aims to identify these points, and also analyze which are the factors that can contribute to a successful venture by Chinese companies investing in Europe. The Researcher will cover these issues in the literature review, but will first elaborate a bit further on the background of the problem.

1.1.1 Background of the problem.

With the global economy growing bigger by the day and the world consequently shrinking, companies start to look outward from the comforts of their local saturated markets and head to new territories to be competitive. Today Multinational Enterprises (MNEs) around the world are becoming increasingly more common and some of them come from emerging markets such as China.

Chinese enterprises started going global in more magnitude at the beginning of the millennium, where the share of Chinese MNE's at the Fortune Global 500 list rose from zero in 1990 to 46 firms in 2009 (Peng, 2012). However, since the year 2010 the main increase in China's Foreign Direct Investment (FDI) was in Europe with 102% increase compared to developing and emerging economies with 15% increase (Gong, Godement, Le Van, & Vendryes, 2012). Furthermore, in 2010 the total FDI of Chinese firms in the European Union (EU) was just over €6.1 billion, which is less than what was held by Iceland at the time (Anderlini, 2014). However in just two years time, by 2012 Chinese investment stock had quadrupled to €27bn (Deutsche Bank Research, 2014).

With this relative increase in China's FDI into the EU, it is important to understand the motives and strategies behind these investments, as well as their obstacles and factors for success, seeing that a lot of these companies have also failed in their foreign ventures (Francoise Nicolas & Thomsen, 2008; Buckley, Elia, & Kafourous, 2014).

A variety of authors state that Chinese MNEs will move abroad to avoid competitive disadvantages incurred by operating exclusively in the domestic market (Rui & Yip, 2008; Deng 2003; Yang 2003; Cui & Jiang, 2009). This is an opinion that is also shared by Cheng & Stough (2007) who consider overcapacity and falling prices as the main motive for market-seeking overseas direct investment by Chinese MNEs. Furthermore, research shows that at least half of the Chinese companies that conduct cross-border mergers are pushed to do so, because of their need for quick solutions to acquire strategic resources to compensate for their competitive disadvantages (Rui & Yip, 2008; McKinsey 2008). This goes to show, that by conducting FDI immaturely; some of these companies might not have the necessary skillset in conducting these scopes of investments as well as managing cross-border companies.

When it comes to the media perception regarding the Chinese expansion, the reception in Europe has been at best lukewarm, with handful of examples from the media such as: "Who's afraid of Huawei?" (The Economist, 2012) How "China is 'taking over' Europe" (Wroe, 2011) and "This one number explains how China is taking over the world" (Irwin, 2013). The repeated concerns reported in the press over the Chinese investments in Europe, might even have an effect on host countries receiving inbound FDI from China, and possibly lead to a protectionist drift within the host country (Nicolas, 2014).

According to Francoise Nicolas & Thomsen (2008), Chinese firms are encouraged to go abroad to acquire new skills and technology. However, these companies are still at the trial and error stage in their foreign ventures. They do not have the necessary experience in assessing the cost benefits in cross-border acquisitions (Ramamurti, 2012), and their managers are often over reliant on their own skills and capabilities, which can lead to failures (Klossek, Linke, & Nippa, 2012).

Furthermore, Chinese MNEs seem to be playing catch-up when it comes to international management, lacking internationally savvy managers that are fluent in either the native tongue of the host country or at the very least in English to communicate

effectively with local managers, employees and politicians. Research indicates that a lot of these Chinese managers are ignorant of the norms and regulations in international business; they tend to play by different rules at home and often bring the same mindset into the international business (Peng, 2012).

What's more, the current literature can be slightly contradicting. According to Françoise Nicolas (2014) the author concludes that challenges the EU is faced with by FDI inflows from Chinese companies are wildly overblown, however when it comes to Kolstad & Wiig (2012) they claim that China is indeed as public fears "a ravenous dragon" exploiting countries with large natural resources. Nicolas (2014) further notes that there has not been a single case where an acquisition made by a Chinese investor may have posed a risk to national or European security, and further argues that favoritism in China towards SOE's to go global is fading, partly because of a policy called 整齐分开 (zhenqi fenkai) meaning separation between government and private sector. However Chinese companies still receive fair amount of distrust—Huawei, one of China's biggest MNE's faced a cyber security review over Chinese spying fears in the United Kingdom in 2013, resulting in the company receiving more oversight by the Government Communication Head Quarters (U.K National Security Adviser, n.d.).

The above mentioned facts such as: lack of knowledge, political or social hurdles, prejudice and managerial hubris can all certainly attribute to Chinese's investment failures in international territories. Even so, European analysts still seem to agree that the continent can expect large deals to trickle in from China in the coming years, with investments increasing significantly this decade (Deutsche Bank Research, 2014). This adds to the significance of researching further this area within the field of International Business as well as the importance of identifying which factors can contribute to a successful as well as unsuccessful venture, an area within International business which seems to be lacking significantly, in regards to Chinese FDI in Europe.

1.2 Statement of the problem

China's GDP has been growing at fast pace in the last decade with OFDI also increasing exponentially, and in recent years steadily growing in Europe. However, given China's relatively young age in the international business sphere, especially in Europe, they are bound to make first-mover mistakes. Their cross-border mergers have often ended in

failures (Accenture, 2007; Peng, 2012; Buckley et al., 2014) as well as running into management and cultural problems in foreign markets (Spigarelli, Alon, & Mucelli, 2013). The available research today regarding Chinese companies investing in Europe is scarce and does not go into detail of what might be a contributing factor to their success or failures in the European market, as such there is evidently a gap in knowledge, and thus a clear need to research this subject.

1.3 Purpose of the Study

The primary purpose of this study is to contribute to the existing knowledge of Chinese firms investing in Europe. In particular, this study aims to identify factors of success and failure regarding Chinese FDI in Europe, and consequently gather all available research data and formulate a proposition; as to which might be the primary factors leading to successful or failed ventures. The propositions are then modified into statements in the form of open-ended questions. These open-ended questions are then sent to a panel of research participants, which are experts in various fields regarding Chinese investments in Europe. A modified Delphi study is then used to find a consensus among the participants to formulate recommendations.

1.4 Significance of the Study

This study attempts to identify which are factors leading to success or failure of Chinese companies conducting FDI in Europe. If this study turns out successful, it can contribute to existing knowledge on this subject by helping Chinese companies better avoid mistakes when investing in Europe, as well as helping European companies better understand their Chinese counterparts, and as such hopefully enhance the business relations between the two cultures and regions.

1.5 Research Questions

1. Are Chinese MNE's being pushed into OFDI - perhaps immaturely - because of market conditions in their home country? Or are they rather being pulled into FDI in Europe for strategic purposes such as enhancing their competitive advantage?
2. Is there misconception regarding Chinese MNEs investing in Europe? Should Chinese MNEs perhaps engage in more positive communication and public relation

campaigns? Is there also enough support from European host countries assisting Chinese MNEs investing in their country?

3. Are prior synergies, trust and interconnectedness the most important factors for success when Chinese MNEs merge and acquire European companies? Are they more important factors e.g. than strong economic ties between the two countries?
4. Which management alternatives is the best way for Chinese MNEs investing in Europe? Are different management approaches needed for mergers and acquisitions (brownfield investments) compared with wholly owned subsidiaries (greenfield investments)?

1.6 Definition of Terms

Many of the terms frequently used throughout this study are listed and defined in this section of the chapter. This is done to help the reader better understand the context in which they are used. Most of the terms are borrowed from the website investopedia.com.

MNE: Global multinational enterprises or entities are companies that operate on a global scale, as opposed to MNEs that are regionally focused.

EMNE: Emerging Market Multinational Enterprises or Entities, are Multinational Enterprises from emerging markets or economies.

OFDI: Outward Foreign Direct Investment is a business strategy where a domestic firm expands its operations to a foreign country either via a Green field investment, merger/acquisition and/or expansion of an existing foreign facility.

FDI: Foreign Direct Investment, is an investment made by a company or entity based in one country, into a company or entity based in another country

M&A: Merger and Acquisitions, is a general term used to refer to the consolidation of companies. A merger is a combination of two companies to form a new company, while an acquisition is the purchase of one company by another in which no new company is formed

Greenfield investment: Is a form of foreign direct investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up. In addition to building new facilities, most parent companies also create new long-term jobs in the foreign country by hiring new employees.

WOE: Wholly Owned Enterprise, is a company whose common stock is 100%

owned by another company, called the parent company.

Corporate Culture: The beliefs and behaviors that determine how a company's employees and management interact and handle outside business transactions. Often, corporate culture is implied, not expressly defined, and develops organically over time from the cumulative traits of the people the company hires. A company's culture will be reflected in its dress code, business hours, office setup, employee benefits, turnover, hiring decisions, treatment of clients, client satisfaction and every other aspect of operations.

Cultural dimension: Is a dimension theory framework developed by Geert Hofstede, generally used for cultural communication. It describes the effects of a society's culture on the values of its members, and how these values relate to behavior, using a structure derived from factor analysis.

Delphi Method: Is a forecasting method based on the results of questionnaires sent to a panel of experts. Several rounds of questionnaires are sent out, and the anonymous responses are aggregated and shared with the group after each round. The experts are allowed to adjust their answers in subsequent rounds. Because multiple rounds of questions are asked and because each member of the panel is told what the group thinks as a whole, the Delphi Method seeks to reach the "correct" response through consensus.

POE: Private Owned Enterprise, is a privately owned enterprise refers to a commercial enterprise that is owned by private investors, shareholders or owners (usually collectively, but they can be owned by a single individual), and is in contrast to state institutions, such as publicly owned enterprises and government agencies.

SOE: State Owned Enterprise, is a legal entity that is created by the government in order to partake in commercial activities on the government's behalf. A state-owned enterprise (SOE) can be either wholly or partially owned by a government and is typically earmarked to participate in commercial activities.

Europe: In this thesis, Europe constitutes the European Union and the European Economic Union.

1.7 Assumptions

It was a fundamental assumption in this study that the selected participants in this research had expert knowledge in this field and that they could provide valuable insight into the economic and business factors, as well as management and cultural issues

pertained in the propositions. Moreover, it was assumed that the participants in this study were able to interpret the instructions correctly and be qualified to address the research questions by virtue of their experience. Therefore, the participants should have provided a response that reflects their beliefs and presents accurate information about each issue raised in the propositions.

1.8 Organization of the Study

This study is organized into five chapters, followed by a list of references and appendices.

Chapter one, presents the introduction to the study, including: Background of the problem, Statement of the problem, Purpose of the study, Significance of the study, Assumptions, Definition of relevant terms, the Research Questions and Organization of the study.

Chapter Two, Review of the literature, reviews all gathered literature related to this study. Included in this review are: examinations why Chinese companies invest in Europe; what misconception there might be regarding Chinese investments in Europe; what types of investments they engage with focus on what determines their success; and finally what cultural barriers Chinese and Europeans can expect, as well as which management practice they could use.

Chapter Three, Methodology, explains the instruments and procedures conducted in this study, as well as the selection of the study participants and administration of the study.

Chapter Four, Analysis of the Data, goes into details explaining and citing from the literature review each participant's answer to a specific research question.

Chapter Five, Discussions, Conclusions, Limitation of study and Recommendations, provide a summary of the research findings. Then the limitations are explained, followed by recommendations for future research.

2 CHAPTER 2— REVIEW OF THE LITERATURE

2.1 Chinese OFDI

2.1.1 The "Go Out" plan

In the years between 1984 - 1991, China witnessed governmental legislation changes which were designed to motivate State Owned Enterprises also known as SOEs to invest abroad. Throughout the 90s up until the end of the decade, Chinese investments were moderate until the "Going out" strategy was implemented at the beginning of the millennium. In the year 2000 the Chinese government announced the "Going out" strategy or "走出去" in Chinese. The government implemented series of policy tools such as favorable exchange rates, low interest financing, subsidized insurance for expatriates to facilitate OFDI and reduced taxation (Peng, 2012), with the aim to improve their competitive positions abroad and become more present on the international market. This resulted in a surge of Chinese firms expanding their reach outside of their local markets with Outward Foreign Direct Investments (OFDI), consequently resulting in Chinas OFDI increasing a staggering 413% between the years 2001 and 2004 (Kling & Weitzel, 2011).

What followed were new government policy changes and additions to the "Go out" plan every five years, with the 2005 "Go out" being changed to "Actively and steadily going out" and the subsequent plan in 2010 being changed to "Going further outwards". The current plan initiated in 2015 is called "Accelerating the implementation of the strategy for going out" (Gong et al., 2012). These government policies evidently had a huge impact with large number of Chinese firms utilizing these incentives to invest abroad. The total outbound investments from China went from US\$2.85 billion to \$100 billion between 2003 and 2013, which translates to staggering 3400% (Ramasamy, Yeung, & Laforet, 2012). Following the economic expansion, Chinese policymakers have proclaimed that OFDI is a vital process as the next step in the growth stage for Chinese companies, and a necessity to compete in the global markets. (Deng, 2007).

2.1.2 Chinese FDI in Europe

Chinese companies are relatively young when it comes to OFDI all things considered, which might explain why many of their buy outs and cross-border mergers end

up in failure (Buckley et al., 2014). One of the variables that can be related these failures might be the push/pull factors for the Chinese firms. Could it be that they are being pushed too abruptly and unprepared out on to the international market scene because of government incentives and policies? Or perhaps local market saturation is so great, that they need to go abroad to seek other markets? Another option is that they are not being pushed at all, but being pulled into these host countries to attain foreign technology to be more competitive in their home markets as well as on the global market. We will explore these questions down below.

2.1.2.1 Push factors

The majority of the existing literature of Chinese EMNEs investing in Europe seems to agree that the main reasons for Chinese FDI in Europe is primarily Market seeking objectives followed by strategic seeking assets such as intellectual and R&D resources (Clegg & Voss, 2012; Françoise Nicolas, 2012; Filippov & Saebi, 2008). The main theory for the market seeking objective by Chinese firms is simply put: the local markets they operate in have become increasingly saturated, resulting in firms to look outwards to simply survive the economic onslaught, or in short they don't go abroad to exploit a competitive advantage that was developed in the domestic market, but rather try to avoid a number of competitive disadvantages incurred by operating exclusively in the domestic market (Filippov & Saebi, 2008; European Champer, 2013; Spigarelli, Alon, & Mucelli, 2013). In addition, Chairman Li of TCL explained in 2004 that the oversupply was endemic in China and that profit margins were therefore perennially thin (Khavul, Bruton, & Wood, 2007), leading to firms such as TCL to look abroad. Apart from local saturated markets in China, further push factors can be attributed to factors such as wage inflation, labor shortages and rapidly aging population, limited access to skilled human resources, limited access to state-of-the-art technologies and because regional markets are fragmented by provincial and municipal protectionism (Meunier, Burgoon, & Jacoby, 2014; Joe Zhang, 2005). With glowing government incentives that keep getting better by the decade (Peng, 2012) and rapidly thinning profit margins for Chinese local firms, one might wonder if these Chinese local firms might be jumping the gun in their foreign investments, and venturing out of their comfort zone without the necessary experience to tackle such a feat.

Furthermore, according to Child & Rodrigues (2005) the Chinese firms might find themselves compelled to acquire certain technologies or simply looking survive in their home market, but because of multitude of reasons, there are institutional restrictions on domestic acquisitions, while international acquisitions are encouraged, but according Buckley, Elia, & Kafourous (2014) emerging country environments such as China, have different characteristics in comparison to developed markets, which can lead to increase in probability of making pre- and post-acquisition mistakes.

Knowing that, the below numbers come as no surprise, and it becomes quite clear that a lot of these companies are simply not up to the task. According to Zhang Fei as seen in (Gong et al., 2012) it can be said that between the year 2007 - 2012 up to 60% of buy outs and staggering 75% of cross-border mergers by Chinese firms, had ended in failure. According to Francois and Ramamurti (2012), the explanation lies with the underestimation of the risks and difficulties involved in the acquisition and the overestimation of the potential gains. In other words, Chinese investors often failed to identify and assess their targets appropriately—that these Chinese MNEs are still at the trial and error stage in their foreign ventures, and that they lack the necessary experience in assessing the cost benefits in cross-border acquisitions (Françoise Nicolas, 2012). There are many other variables that can be attributed to the "buy outs" and "cross-border merger" failures which will be proposed later in the thesis, but it can be said with some certainty that a lot of the Chinese firms that have been conducting OFDI have done so immaturity, or in other words; been pushed into the deep pool in regards to OFDI, because of local market saturation with cut thin profit margins, and promises of government support (Gattai, 2012; Luedi, 2008). This ultimately has made them engage in FDI globally, and among other things in Europe, without necessary experience and capabilities, resulting in said failures.

2.1.2.2 Mistakes made by Chinese companies in FDI

According to Hope, Thomas and Vyas (2011) overpayment in bidding is one of the biggest problems for Chinese companies leading to acquisition failure. They find that Emerging Multinational Enterprises (EMNEs) like the ones from China have a systematic tendency to bid higher in order to acquire assets in developed economies. When investors from developed economies compete against investors from emerging economies in bidding for a target firm, the bidders from developed economies back off but the ones from

emerging economies keep increasing the offering price. Some authors suggest this might be the result of severe managerial hubris, which might be related to national pride and poor corporate governance (Peng, 2012). However the reason why these firms conduct such reckless acquisitions might also be because the Chinese firms desire and need to augment their ownership advantages that they lack is so great, that they are willing to adopt aggressive, high risk targets (Child & Rodrigues, 2005; Cui & Jiang, 2009), further emphasizing on the fact that they often tend to engage in acquisitions without the necessary skillsets.

With all the above mentioned factors leading to failed investments, Chinese firms should perhaps engage more in professional consultation when investing abroad. According to Jianhong Zhang & Ebbers (2010) research, they find that advisors play a positive role in the pre- acquisition activities for Chinese firms, which implies that the hiring an international advisors would most likely help them increase their success factor.

2.1.2.3 Pull factors

Having covered the general factors that might be pushing Chinese companies on to the international business scene such as saturated markets and government incentives; we will now examine the factors that might be pulling them towards investing in the European market. As mentioned earlier, given the saturated market conditions, some of these companies are either looking to expand their market share by being pushed into other markets or they decide to seek strategic assets like technology and brands, and intangible assets such as marketing expertise and "managerial know how" (Deng, 2007). With these assets they can then use and leverage in their home market, in turn gaining competitive advantage against local competitors (Liu & Scott-Kennel, 2011; Rui & Yip, 2008) or to leverage these new assets against other MNEs in the European market (Gattai, 2012; Liu & Scott-Kennel, 2011). Ultimately, the primary idea is to seek out European markets and/or firms that possess certain resources/assets that would complement their companies needs in order to upgrade their capabilities (Deng, 2007; Rui & Yip, 2008).

2.1.2.4 Gaining competitive advantage at home

This is further indicated when two major Chinese MNEs Lenovo and Huawei realized that they both lacked certain strategic assets to prevent them from losing

competitive advantage back home in China. They concluded that the types of competitive assets they needed were only accessible to them in developed markets, such as Europe (Rui & Yip, 2008). Lenovo and Huawei are not the only ones, Chinese firms at large believe that international expansion can eventually allow them to gain competitive advantage in global markets and to overcome their disadvantages by learning through MNEs and thus accumulate new knowledge and experience. (Xiao, Jeong, Moon, Chung, & Chung, 2013; Rui & Yip, 2008).

It is therefore evident that Chinese firms FDI pull factors are market expanding, strategic seeking, and with the financial crisis in the Eurozone in recent years pulling them even at a faster pace to invest in the Europe to gain a strong foothold in the global economy (Meunier et al., 2014).

2.2 Chinese MNE Shortcomings in FDI

These Chinese companies look to exploit their domestic resources in order to move abroad, and with the fierce competition, increasing on daily bases in the local markets in China and with the fast pace at which China is opening various sectors, the time allowing these local Chinese companies to develop properly is fairly limited (Luo & Tung, 2007; Mathews, 2006) and thus they are often unprepared and prematurely pushed into OFDI. Similarly with Chinese firms being attracted (pulled) to invest in Europe, might be newcomers and latecomers who venture abroad to access resources that would otherwise be unavailable, to avoid competitive disadvantage back in their home country and thereby create a global position for themselves. (Liu & Scott-Kennel, 2011; Rui & Yip, 2008; Mathews, 2006). It would be curious to see how their investments have worked out for them.

2.2.1 Mistakes made in FDI

Looking at the numbers, less than half (47%) of overseas acquisitions deals announced by Chinese MNEs between 2000 - 2008 were completed. (Jianhong Zhang, Zhou, & Ebbels, 2011). The reason why so many deals were abandoned is murky, but looking at the data, one might easily theorize that these companies or investors got cold feet once they realized the scale and complexity of the investment (Françoise Nicolas, 2012) or that they simply misestimated the target company in pre-acquisition and decided to

abandon the deal (KPMG, 2010). Furthermore problems can present themselves at the acquisition phase, such as overbidding during pre-acquisition (Hope et al., 2011) or the Chinese firm realizing they misestimated the asset they acquired in post-acquisition (Françoise Nicolas, 2012).

Once these firms have been acquired the problems start to arise. Most of the investment/acquisition targets that the Chinese firms invest and/or merge with are problem-ridden companies which at first sight seem like a good bargain, but turn out to need much more involved managing than companies in good shape (Françoise Nicolas, 2012); Françoise Nicolas, 2009). Furthermore, when assessing the companies to invest in, the Chinese firms tend to overestimate the potential gains and underestimate the risks and difficulties involved in the acquisition (Françoise Nicolas, 2012), which often leads to financial loss or bankruptcy. When these pre- and post-acquisition problems are taken into account, they come hardly as a surprise when put into perspective.

2.2.2 Inexperience in FDI

China's first cross-border acquisition deal was carried out in 1986, which gives it just over 25 years worth of OFDI experience, whereas western firms have had substantial cross-border acquisition experience in the last decade or so. With such a short-lived experience in OFDI it's only natural that a big portion of these Chinese firms lack managerial expertise as well as management competence, are inexperienced in brand management, have poor knowledge of the local business attitude and the specific knowledge of the local market (Françoise Nicolas, 2012; Gong et al., 2012). All these factors consequently result in post merger integration challenges and thus supposedly leading to above mentioned high failure rate.

This can be exemplified with the TCL joint venture with Thomson Electronics, which resulted in huge financial loss for TCL. The widely held consensus for TCL huge financial loss during that time, is that the company was not equipped well enough to manage such an ambitious joint venture as the two firms got into. Another example is the Chinese MNE Haier, which had poor sales in Germany. Their shortcomings in Germany were that they overly misestimated German consumer preferences, because they thought that if one of their product sold well in one European country, then it would sell well in all of them (Klossek et al., 2012)

2.3 European Perception of Chinese Investments

2.3.1 Unjust or warranted suspicion?

In 2010 the total FDI of Chinese firms in the European Union was just over €6.1 billion, which is less than what was held by Iceland at the time (Anderlini, 2014). However in just two years time, Chinese investment stock had quadrupled to €27bn in 2012. Looking at the growth, one could easily assume Chinese FDI in Europe has become substantial in recent years. However, although the number of deals have been increasing exponentially, the value is still minuscular compared to many other countries investing in Europe, but that doesn't stop some of the resistance observed in the media such as: Who's afraid of Huawei? (The Economist, 2012) How China is "taking over" Europe (Wroe, 2011) and "This one number explains how China is taking over the world" (Irwin, 2013), which might point to resistance to number of deals rather than the absolute amount being invested (Françoise Nicolas, 2014).

2.3.2 Grand scheme set by Beijing?

Some academic literature hypothesizes that Europeans may suspect that these Chinese firms are acting to fulfill a strategic agenda; some grand scheme set by Beijing, rather than the firms pursuing market, developing, profit-maximizing goals like any other MNE (Meunier et al., 2014). Some of this resistance has also been attributed to the fear of loss of sovereignty, as a case in point, when the Chinese investor Huang Nubo wanted to invest in a plot of land in Iceland to build a mountain park and luxury hotel, he was rebuffed by the government (Bonnie, 2014). From the authors personal experience, big part of the reason for the rejection and the overall suspicious climate, was that a lot of Icelanders believed that Nubo was somehow connected with the Chinese government, and that him and the Chinese government had ulterior motives for the investment, such as building a harbor for incoming Chinese shipping vessels.

However, the climate of distrust might have some relevance to it. Many research papers complain about no one knowing the true amount of Chinese investment coming into Europe because of underreported investment activities by intermediaries of Chinese affiliates based in offshore financial centers such as Hong Kong, Macao or Cayman Islands, and overstate FDI to countries serving as investment gateways. Luxembourg is known as

an important gateway for Chinese FDI into Europe with the largest pool of Renminbi deposits in Europe by the year 2013 (Deutsche Bank Research, 2014). However Luxembourg does not appear as investment targeting destination in reports such as the ones made by Eurostat.

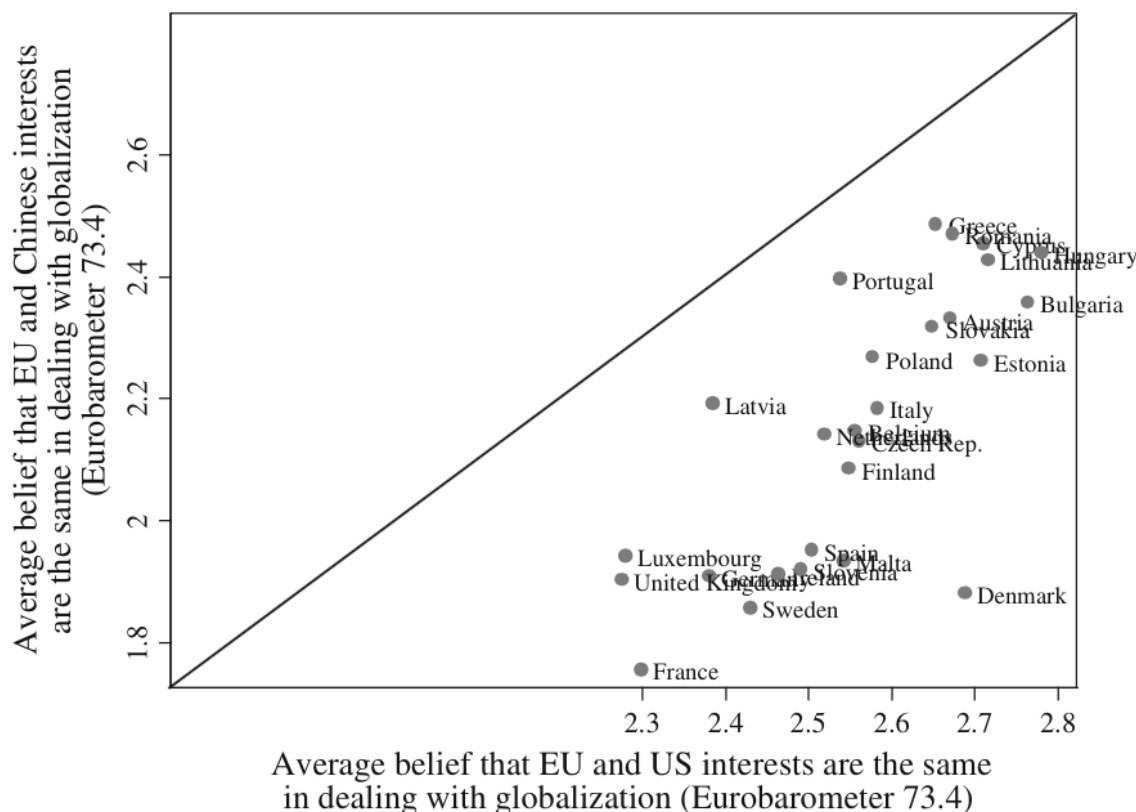
2.3.3 Strings attached?

Meunier (2014) also states in regards to Chinese FDI in developed markets that the public perception of these investments might be derived from the difference in political ideology *"investments might come with some strings attached, because of the distance between the Chinese authoritarian market capitalism and the democratic and "social" Europe"* (p.110). This can be observed in country relations between China and Norway, in the case of Norway awarding the Nobel peace prize to the Chinese dissident Liu Xiao Bao, which resulted in serious repercussions for Norway's fishing industry, with Chinese imports of Norwegian salmon decreasing roughly 68% in the years between 2010 and 2013 (Milne & Correspondent, 2013).

2.3.4 Western perception of Chinas globalization

In terms of western perception of China, CNN opinion research corporation poll, conducted in 2009 found that 50% of Americans considered China to be an economic threat (Stewart, 2010). In addition, if we then look at how the perception of Chinese investments is in Europe, the graph below is a good indicator of the underlying prejudice that Chinese firms can expect to meet in Europe in regards to globalization.

Figure 1: *Beliefs that EU and Chinese or US interest are aligned in dealing with globalization*



Note: Retrieved from (Meunier et al., 2014)

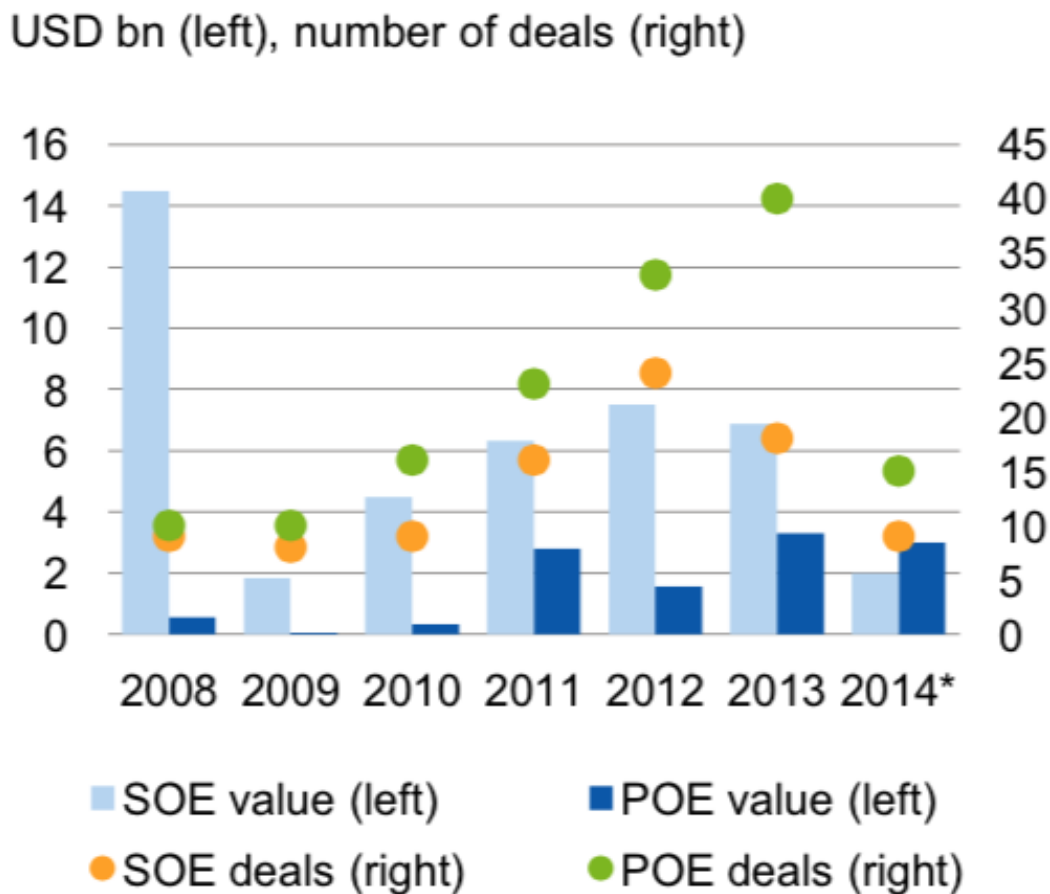
Furthermore, according to European public and their reaction, in a French poll 65% of French respondents see China as a threat while only 23% in the Netherlands (Meunier et al., 2014). Although both numbers are substantial, the social resistance might not be equally consistent across Europe.

2.3.5 Separation between government and private sector

The more interesting part is that if the public prejudice against the Chinese incoming FDI is supposed to hold any ground, then the anger or resistance should in theory, be focused on State Owned Enterprises or (SOEs) rather than Private Owned Enterprises (POEs). SOEs are partially or fully owned by the Chinese government whereas POEs are in most cases completely private. The unfound prejudice according to literature, seems to derive partially from the idea that the government of China has some grand strategy,

investing in Europe (Meunier et al., 2014), but the POEs seem to be collateral damage in this media hobble. The graph below will show an interesting trend developing.

Figure 2: *Chinese FDI in the EU becoming private*



* 2014 Jan-May. Data include investments through Chinese companies' subsidiaries in HK.

Note: Retrieved from (Deutsche Bank Research, 2014)

According to Deutsche Bank Research, (2014) the value and number of deals from Chinese SOEs in Europe is declining, while opposite can be said regarding POEs for most parts. This is most likely the result of recent policy shift in China, whereas once the state-owned national champions which have reaped the most benefit from the Chinas "Going out" policy are now slowly declining in OFDI, now that the policy is shifting more towards

promoting private investments abroad. The fact that the support from the government for the Chinese SOEs to go global is fading is partly because of the policy 整齐分开 (zhēnqí fēnkāi) meaning separation between government and private sector. Furthermore, since May 2014, the National Development and Reform Commission (NDRC)'s new 2014 Outbound Investment Measures took effect, simplifying approval procedures and lifting the investment value requiring full review by the body to USD 1 bn. Previously, any outbound investment above USD 100 m (or USD 200 m for resource-related investment) was subject to official approval, meaning we can expect much more investments coming into Europe from China in the coming decade (Deutsche Bank Research, 2014).

2.3.5.1 Huawei's Cyber Security Review

A good example of a company facing some level of prejudice in the United States and Europe is the Chinese POE firm Huawei. Shareholders finance Huawei, which according to them does not include the Chinese government nor the Peoples Liberation Army as some have stated. Furthermore, in their company statement, they declared that they had never researched, developed, manufactured or sold any technology product for military applications (Arnold & Kirchgaessner, 2011). The company receives tax breaks for high-tech research & development from the state, which according to Huawei Deputy Chairman Ken Wu as seen in (Wu, Hoon, & Yuzhu, 2011) is pretty much the only relation they have with the government. However, Huawei none the less faced a cyber security review over Chinese spying fears in the United Kingdom in the year 2013, resulting in the company receiving more oversight by the Government Communication Head Quarters (U.K National Security Adviser, n.d.).

Huawei's Chief Marketing Officer Xu Zhijun put it in terms with this statement: "*Cisco's equipment is everywhere in China, who should be more concerned?*" (Parker & Taylor, 2008, p. 8), which is a well-founded claim, given recent U.S spy allegations.

Finally in an interview, Jin Canrong a professor at Renmin University said "*When the Western countries themselves went abroad, they brought their gunboats with them, and when companies from other Asian countries took to the international markets, they were tightly controlled by their states and governments, unlike Chinese companies*" (Gong et al., 2012, p. 5).

2.3.6 Learning from the past

When all is said and done, this "resistance" trend is nothing new. Looking back at history, the U.S and Japan, received a similar reception when they entered the European market for the first time, but the perception of them improved with time. The Japanese firms overcame some of the negative sentiments in the western countries by fostering more positive image of their companies. They worked with third parties to produce studies demonstrating the economic benefits their investments brought, and built support at the local level by integrating into local communities (Graham & Marchick, 2006), which begs the question, might more public relations campaigns by Chinese firms in Europe, perhaps ease the public sentiment, and perhaps educate European companies and media more about their investment intent?

2.4 Political & Country Reception

Looking at political climate of hosting Chinese investments, Meunier (2014) goes into depth how the Chinese investments might be perceived in Europe:

... the actual or potential hosting of Chinese investment is viewed in Europe with ambiguity and trepidation. The investment represents simultaneously opportunity and menace, the influx of Chinese capital portrayed alternatively as salvation or predation, perhaps more starkly than elsewhere in the world because of the European Union's distinctive economic, political, and institutional context. On the one hand, European polities can be expected to welcome Chinese FDI as a source for much-needed jobs and economic recovery, perhaps even more attractive than investment from elsewhere given the ties it fosters with the world's fastest growing economic region. On the other hand, those same polities can be expected to fear Chinese FDI for the (further) loss of sovereignty it might manifest if investment comes with conditional strings attached, particularly given the distance between the Chinese authoritarian market capitalism from democratic and "social" Europe (p. 110).

Furthermore, in interviews some articles have noted that the Chinese interviewees haven't mentioned any particular incentives that the local European governments might

have provided, leading to their investments in that specific region. In addition, as noted in the paper by Shixue (2014) in the year 2011 during a European commission, there was a consultation for EU firms regarding stand-alone investment agreement with China. During the commission, there were twenty four questions asked about EU investment in China but not more than three questions enquiring about the impact of Chinese investment in the EU, of those three, one question was concerned with human rights and another about potential environmental impact (Shixue, 2014).

2.4.1 The importance of European IPA

When it comes to what European countries are doing for Chinese inbound investments, there is a list (See Appendix H, table A) of EU countries and their national investment promotion agencies (IPAs). The authors Clegg & Voss (2012) set up the list with detailed description on which country offers what when it comes to promoting and helping Chinese FDI in Europe.

When the list is analyzed it comes as a surprise that of the 30 investment promotional agencies (IPAs) mentioned, only 14 of them offer their website in Chinese and 37% of the agencies don't have any offices in China. Research suggests that some of the EU member states report that they have been involved in 75 - 90% of all Chinese investments, further indicating the importance of these IPAs for inward investment into the EU as a whole. He further suggests that Member States individually, could benefit from having a greater Union-wide consistency in policy and business environment, and if the host country would simply put more effort into assisting experienced as well as inexperienced EMNEs, in their investments in Europe (Clegg & Voss, 2012; Buckley et al., 2014).

2.5 FDI options

2.5.1 Foreign direct investments & Dunning's classification.

The definition for Foreign Direct investment according to Organization for Economic co-operation and development is that (FDI) flows can include three components: equity investment, reinvested earnings, and other capital flows. A direct investment relationship starts with an equity injection into an overseas subsidiary, either for the establishment of a new overseas subsidiary (greenfield investments) or to acquire a

controlling stake (greater than 10%) in an existing company (mergers and acquisitions). Once such a direct investment relationship begins, subsequent capital flows between the parent company and foreign subsidiary are counted as direct investment.

(Organisation for Economic Co-operation and Development, International Monetary Fund, Organisation for Economic Co-operation and Development, OECD Group of Financial Statisticians, & SourceOECD (Online service), 2008).

John H. Dunning developed a widely acknowledged classification of four main motives for investment: resource-seeking, market-seeking, efficiency-seeking, and strategic asset seeking FDI. Depending on which motive a company seeks; M&A or Greenfield investment might be appropriate (Dunning & Lundan, 2008).

Both options have their pros and cons and are appropriate depending on the company, industry and location, or in short; is driven by a combination of motives rather than by a single one (Filippov & Saebi, 2008). Because of this, distinguishing which of the two is the "better" type of investment option completely conditional. As such, elaborating on which are the pros and cons of each option for Chinese firms investing in Europe, would be more appropriate.

2.6 Merger and Acquisitions

The main motive for Merger and Acquisitions (M&A) among non-primary producing Chinese companies, has been to gain faster access to market, increasing market strength, acquiring technology, research and development of skills and international brands as well as intangible assets such as managerial know how, technology assets, and international networks of subsidiaries and distribution channels (Child & Rodrigues, 2005; Clegg & Voss, 2012). In short, it is mainly an attempt to add differentiation and brand advantages to existing cost advantage.

2.6.1 Prior synergies

The prevalent theory states that for a Chinese company to engage in a successful mergers and acquisitions is for the two merging companies to have prior synergies often resting on relationship of trust between the two companies through a prior strategic alliance, a joint venture or other means (Kale and Singh, 2009; KPMG, 2010; Knoerich, 2010; Françoise Nicolas, 2012). In other words, the Chinese firm should have a partnering

approach to acquisitions by finding European firms that would also gain from the merger of improving the acquired firms competitive position (Knoerich, 2010), which would result in a mutual benefit and success.

A good example of prior synergies is China Bluestar's joint venture with Rhodia, a French chemistry company. The two firms had close ties with each other for some years, which subsequently lead to a successful merger some years later. Same can be said regarding Tianshui Spark-Somab and Weichai Motors-Moteurs Baudoin mergers, where the Chinese acquirer and the target company had been in cooperation for some time before the acquisition, leading to a fruitful relationship (Cui & Jiang, 2009).

2.6.2 Interconnectedness

One prominent theory for success for Chinese firms investing in Europe is finding a firm to invest in that not only compliments their disadvantage, but if the Chinese firm can compliment the European firm disadvantages, the two firms could achieve much better harmony and consequently success (Knoerich, 2010; Value Partners, 2008). This idea can be found in literature such as (Knoerich, 2010), where the author Dr. Knoerich points out how in a certain instance, a Chinese firm invested in a German company which was bound by a niche market in the German market. By investing in the German company the two companies, one from emerging economy and the other from industrialized country, found a strategic arrangement, which was mutually beneficial. The arrangement allowed the German firm to expand their business by entering the Chinese market with the guidance of the Chinese firm, assuring the German firm kept its future competitiveness. On the other hand, the Chinese firm gained access to technological advancements and access to the low cost market in Germany, which did not cross the market section, which the German firm was selling to. Given time, the two firms relationship would increase incrementally, where the German firm would learn from the Chinese firm and vice versa, leading to improvement in overall competitiveness of the two firms, consequently meaning the Chinese firm could reap further success.

Another high profile example is the case with the Chinese MNE Lenovo and it's successful integration of IBM personal computer division. In this case, IBM had a strong product design, customer service and branding, while Lenovo had competitive production, supply chain management and procurement. By acquiring IBMs personal computer

division, Lenovo gained access to global corporate client computer market and was quickly able to access its target markets and customer segments because of IBM's long established market position. In the meantime IBM could focus on providing IT solutions by giving up their non-strategic business to Lenovo. In the end, the two firms did not compete against each other, instead they complemented each others talents and assets, and thus became more successful (Value Partners, 2008). These two cases are among many, which have shown and proven that the success of the two merging companies derived from interconnectedness, or mutually beneficial mergers.

2.6.3 Economic ties

Jianhong Zhang & Ebbers (2010) argue that economic relation between host and home country influence M&A deal completion. The rational behind this is that the better two countries integrate, and the better a firm from one country understands the business environment in another country, then the better the chance that a deal is completed. They found that trade intensity between China and the host countries are a significant factor influencing the outcome of acquisition deals, implying that experience and recognition accumulated from international trade plays a role and that Chinese firms should be cautious when conducting acquisitions in a country in which China has weak economic ties.

2.6.4 Mergers and acquisitions drawbacks

However, when all is said and done, as much as M&A can bring to the table, it can also be destructive depending on the success of the integration process and cultural synergies. The consulting firm KPMG did a research regarding Chinese investments, and by conducting interviews with 150 Chinese firms, concluded that two biggest reasons for potential failure in M&A according to the interviewees, was the dangers of not generating enough synergies between the two merging parties as well as cultural/managerial issues (KPMG, 2010). Furthermore, there was also the risk of over-paying for the acquisition, not conducting enough due diligence making sure the acquired asset was not failing or tarnished, and finally being able to properly manage the asset (Child & Rodrigues, 2005).

2.7 Greenfield Investments

The EU is the primary location for greenfield investment by Chinese MNEs (Deutsche Bank Research, 2014). The Chinese firm can build a new subsidiary and/or headquarters, establish trade representative office or trading company, to gain global brand recognition, or develop a R&D center. In short; the reason for Chinese companies to conduct Greenfield investments is mainly to facilitate international expansion (Françoise Nicolas, 2012).

With all these options, the Chinese firm would be better able to access and customize its products for the target market, keep their corporate culture within the new subsidiary or hire locals and integrate them into the home offices corporate culture, keeping high degree of global integration and consistency throughout the enterprise (Zaheer, 1995; Françoise Nicolas, 2012).

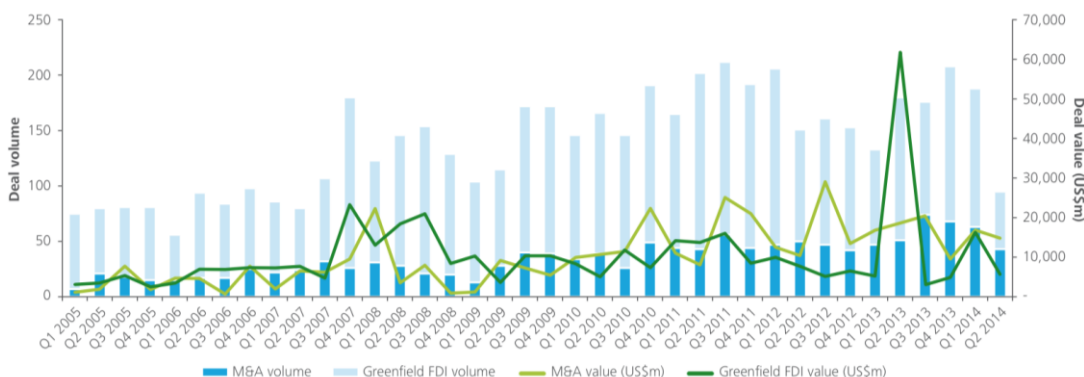
2.7.1 Greenfield investments drawback

The downside to this option though is that the Chinese firm creates the subsidiary from ground up, making market entry much slower compared to M&A option and can lead to financial risk and strain on the company. Another risk for the Chinese firm is that it either needs to hire local staff, which is a delicate and risky process; or the firm brings in Chinese expatriates that might not be able to navigate the target market sufficiently (Zaheer, 1995).

2.7.2 M&A and Greenfield greater China outbound investments

The picture listed below gives a comparison which of the two FDI types Chinese firms are mostly conducting internationally.

Figure 3: *Greater China Outbound Investments (2005 - 2014)*



Note: Retrieved from (Deloitte, 2014)

With European numbers reflecting this graph, It's quite evident that although Greenfield FDI volume is higher than M&A volume, M&A value is much higher than that of the Greenfield investments in relation to volume, and has also been steadily growing since 2008 (Deutsche Bank Research, 2014). This shows the scale of each M&A and the importance of conducting the merger successfully.

2.8 Culture & Management

It is argued that the greater the cultural difference between two countries, the greater the value destruction (Du & Boateng, 2014). When that fact is taken into account, it might not be of any surprise that Chinese OFDI is highly concentrated in other Asian countries compared to rest of the world, especially Hong Kong, South Korea, Singapore and Malaysia (Wong & Chan, 2003; Yang, 2003), which is mainly due to their similar institutional, social, and cultural backgrounds.

2.8.1 Difference in culture and management styles

Asian and European cultures differ quite substantially. This can be observed in cultural dimension models such as the Hofstede model and the Globe model (Franke, Hofstede, & Bond, 1991; House & Global Leadership and Organizational Behavior Effectiveness Research Program, 2004), meaning employees from Asia and Europe working together can introduce series of difficulties, whereas one country culture might focus on deliberateness, extensive analysis and even risk avoidance, the other country culture might be attentive to global market realities and thus be more inclined to have fast

decision making, resilience and calculated risk taking (Cook & Yanow, 1993). In the case of Europe, there is a high degree of individualism whereas in China there is a high degree of collectivism where Hofstede (1980) states: "The Individualism – Collectivism Index, implies a loosely knit social framework in which people are supposed to take care of themselves and their immediate families only, while collectivism is characterized by a tight social framework in which people distinguish between in-groups and out-groups; they expect their in-group (relatives, clan, organizations) to look after them, and in exchange for that they feel they owe absolute loyalty to it." (p. 48).

Just these two differences in cultural dimension can introduce a lot of management problems. Therefore, naturally for Chinese firms investing in Europe, implications and confusion might arise. Suddenly these Chinese employees don't understand the country and culture they are trying to operate in, and often have no idea how the international business norms are in the West (Peng, 2012; Value Partners, 2008). Peng (2012) further states: *When lecturing in China, I have found many executives are not aware that when entering the United States they cannot talk to competitors and discuss pricing—otherwise they could go to jail for antitrust violations.*" (p. 99). An appropriate analogy in this case would be that while Europeans are playing chess, the Chinese are playing Mahjong. The two games are strategic in nature but are incompatible when played together.

This is partly why, when Chinese firms invest in Europe, they often run into cultural walls, which often leads to lack in management competence, cultural and administrative difference, poor internal communications, which can contribute to above mentioned problems (Gong et al., 2012; Spigarelli et al., 2013). This is further emphasized by Du & Boateng (2014): "The larger the cultural difference is between the two firms that end in M&A, the more difficulty acquiring firms may have in gaining normative legitimacy as measured by informal institutions in the host country" (p. 40), and China is no exception in that case. A World bank study found that difference in managerial styles and corporate cultures were regarded by 85% of Chinese chief executives with experience in failed OFDI as the main reason for the investment failure (Tan, 2005).

2.8.1.1 The failed TCL venture

One of the more famous botched attempts at Chinese acquisitions in Europe was TCL acquisition of Thomson in France. Due to difficulties in integrating its acquired overseas

operations, including the TV business of Thomson, in the two years of 2005–2006, TCL lost approximately €570 million and had withdrawn most of its overseas investment by the end of 2006 (Françoise Nicolas, 2012). The reasons given for these integration failures was in large part the unfamiliarity with the European business operations, according to Deng (2010) as cited in (Du & Boateng, 2014) "the new company did not work well with people from different cultures, with different experiences, and with different routines."

Furthermore, one of TCL's principals explained to the media just three months after the acquisition of Thompson Electronics Corp: *In China, if a leader says something is right; then even if he is wrong, the employees should obey. But in foreign companies, this kind of situation will not happen. We have two different cultures* (Tan, 2005, p 20).

This is further mentioned in a separate case study done about Haier in the U.S with one Chinese's manager being quoted saying: *In China the leader decides, and the staff do. Here the leader decides, and the staff responds with questions and suggestions* (Wu et al., 2011, p. 511).

2.9 Management

China also suffers from evident skill gap in management practices, with shortage of competent managers and their lack of international experience ranking last in 57th place, as well as ranking 51st for Management practices, according to International Management Development (Rosselet-McCauley, 2009).

Another reason stated by Françoise Nicolas (2009) is poor corporate governance among Chinese investing firms, stemming from a lack of transparency, poor accountability, and close ties with the Chinese government.

Furthermore, the reason why many Chinese companies FDI end in failure or the very least in profit loss is because the lack of global management experience with managers that have the ability to build teams and take initiatives (Accenture, 2007; Peng, 2012). Other factors include; differences in social and economic environments between the two cultures as well as the lack in knowledge of the industry in managing European operations (Jianhong Zhang & Ebberts, 2010; Rosselet-McCauley, 2009).

It is therefore evident that a lot of these problems will arise in the management styles and operations between the Chinese and European firms, which leads to the question, which management option is the ideal way when Chinese companies that are operating in

Europe?

Traditionally, when it comes to managing their operations in Europe, the Chinese firms have mainly three options, which will be covered individually below.

2.9.1 Maintaining the original corporate culture and system.

This option seems to be the way favored by the Chinese and other EMNEs. The buyers allow the target firm to remain structurally separate and by keeping senior executives. With this method, the buyer hopes to keep the acquired company's identity and structure intact, in return acquiring certain intangible assets such as routines, expertise and knowledge (Zollo and Singh, 2004; Alon and Higgins, 2005; Spigarelli, Alon, & Mucelli, 2013).

2.9.1.1 Drawbacks

When the Chinese firm leaves the corporate structure intact of the acquired firm, can also have its drawbacks. A good example case is the TCLs acquisition of Thomson electronics in France. All of Thompsons French and international executives were invited to stay after the acquisition, however most of them had already left within two to three years, and TCL consequently did not learn enough to navigate the French and European market, on average changing CEO every year for the next four years thereafter (Peng, 2012). In the case such as the TCL acquisition of Thomson Electronics, western employees will in most cases, likely have low familiarity with the cultural and institutional background of the acquiring Chinese firm, and might easily suspect the investment activities of the acquiring firm to have some grand scheme relations with the Chinese government (Antkiewicz & Whalley, 2006; Morck, Yeung, & Zhao, 2008) Which could lead to distrust and eventually departure of said employees.

2.9.2 To intergrade the original corporate culture with the headquarter culture.

This option is basically a structural-integration, that is to replace the managerial resources and senior executives in the purchased firm with Chinese employees, and thus to a certain extend, the acquired firm loses its identity and assimilates with the acquiring firm (Alon & Higgins, 2005; Zollo & Singh, 2004).

2.9.2.1 Drawbacks

In case of a structural-integration, replacing the managerial resources and senior executives in the purchased firm, the acquiring firm risks losing competitive intelligence and strategy in the target market, making it much harder for the Chinese acquirer to navigate the target market (von Keller & Zhou, 2003) because Chinese MNEs lack of availability of many professional managers who have solid overseas business experiences and local background (Value Partners, 2012). Furthermore, problems can arise if the Chinese company hires foreign employees within their subsidiaries in Europe such as in Greenfield investments with the intent of introducing them to their Chinese corporate culture. If the foreign employee were asked to change his or her values to better align with the Chinese corporate culture, resistance to change would be very likely. Leading to potential incongruence between the two value systems, possibly leading to some serious implications (Zahra, Abdelgawad, & Tsang, 2011).

2.9.3 Combining elements of the two other options.

You would have Chinese and Europeans working alongside each other, with essentially combining Chinese culture and world-class western management system (Alon and Higgins, 2005; Rui & Yip, 2008).

2.9.3.1 Drawbacks

Combining the two cultures and having them work together can also lead to serious problems if not done correctly. In case of the Chinese acquisition a European firm, some of potential downsides would be lack of trust between Chinese and the Europeans that would be working together. Another factor would be the Chinese firm not developing sufficient mechanisms to manage and coordinate the human resources, which could lead to key employees leaving the firm (Spigarelli et al., 2013).

2.9.4 Case study of a Chinese acquisition of an Italian firm:

Spigarelli, Alon, & Mucelli, (2013) use a case of a Chinese acquisition of an Italian firm, to form analysis on how the two cultures work together, and what they could do to improve the relations by finding a potential common ground between the Chinese and Italian employees. They find that after an initial phase of enthusiasm between the two cultures, a growing discomfort emerges.

Trust was difficult to built between the Italian and Chinese employees, with the biggest hurdles being different attitudes and lifestyles, especially in terms of business approaches. Both the Italian and Chinese employees felt each others decisions and actions were often times irrational as well as Italians and Chinese perception of time and punctuality were not the same.

The communication language between the two cultures was English, however neither culture was fluent which often would lead to misunderstandings and occasional conflicts. Apparently the Chinese employees were not particularly capable of dealing directly with conflicts, and instead would work around the problem, such as not replying to e-mails or answering direct questions, which they disagreed on. Furthermore, during meetings, when they would disagree with their Italian colleagues they would occasionally switch to their native language.

The Italian employees were accustomed to more communication unlike their Chinese colleagues. However, the Chinese workers with their collectivist culture, would have strong commitment to the success of the firm, while the Italian individualistic culture would weaken any sense of belonging. The Chinese would be willing to work at night and on Sundays, while the Italians would find that absurd, even in case of an urgent deadline.

In the end, there was no formalized authority and levels of responsibilities, as well as there was lack of international management skill and coordination of human resources and information was poorly handled. Finally the Italian technical director left because of his opposition to the way the Chinese were running the firm, which was a big blowback for the firm.

Spigarelli, Alon, & Mucelli, (2013) suggest to mitigate the risk of failure, companies with dual-culture work place, should provide bridge programs for cultural integration, as well as the need to hire well trained Chinese professionals, in the field of management, opened to Western standards.

2.9.5 Finding a common ground

In all three management styles mentioned earlier, there are potential barriers deriving from habits, language, orientation and cultural approaches. It seems there is a need to promote synergy, as well as assuring two way dialogue between home office and foreign office, to improve cross-cultural understanding between the two companies, and thus

finding a common ground between the two cultures (Spigarelli et al., 2013; Kale and Singh, 2009).

3 CHAPTER 3—METHODOLOGY

3.1 Research Design

To answer the questions raised in this study, the following research design was developed and implemented. It consisted of the three phases described below.

- Phase One: Gathering all the research available on Chinese investments in Europe and related subjects and structuring it properly.
- Phase Two: Reading and analyzing all the research material gathered for this paper and formulating propositions.
- Phase Three: Conducting a modified Delphi study with expert participants, analyzing their answers and formulating recommendations.

The following sections will provide details for the methods and procedures employed in this three-phase study, describing each phase independently.

3.2 Phase One: Gathering of the data

This research topic, determining failure and success factors pertaining Chinese FDI in Europe is a really wide topic to cover. Because of this, in the first part of Phase One, approximately 125 documents were collected for research purposes. These documents included Peer reviewed Journals, Academic papers, Company profiles, Data sets, News paper articles, government documents books, presentations, consultancy reports, transcripts and other data. Once all data had been gathered, then started the second part of Phase One, which was the structuring. Each document was thoroughly read. In each document, factors leading to success or failure in regards to Chinese investments in Europe were highlighted and transferred to a second document. Once all documents had been read and highlighted, the second document had accumulated roughly 93.400 words. The second part of the first phase of the research design was to better identify and relate these factors, so all notes were reorganized into a third document, with chapter names relevant to each factors, e.g. Chinese FDI policy or Government regulations went into a chapter called "Chinese Government OFDI". With the restructure of relevant factors put together into individual chapters, and

with minor edits, the third document contained 88.400 words. What came next was to change this massive 88.400 word document, into a smaller, more condensed and concise version. The third iteration became half the size of the original with 44.200 words in total with the most important sentences highlighted.

3.3 Phase Two: Analyzing the Data and Forming Propositions

The second phase consisted of extracting these highlights and inserting them into a fourth document. The fourth document then contained roughly 12.000 words with 18 chapters such as; Emerging Market Multinationals latecomers, lack of Foreign Direct Investment incentives attracting Chinese investment into Europe, Cultural barriers etc. At this point, reading through all the highlighted data and developing propositions as to which have been the factors for these Chinese companies failures and successes was more structured. Of the original 18 chapters connected to success and or failures, some got deleted; other got reorganized depending on the significance and relation to the study. The final chapters were thus:

1. Are Chinese companies being pushed or pulled to invest in Europe and does that better determine if they are successful or unsuccessful?
2. Is there negative perception in Europe towards Chinese investments? Is there a media bias that might affect the Chinese investments?
3. When acquiring European companies, are prior synergies and interconnectedness the most important factors leading to a successful merger?
4. Which cultural/management approach is the best approach when Chinese and European firms merge?

In each chapter, factors were identified regarding success and failure for Chinese firms and propositions were developed which are the following:

1. Majority of Chinese firms are being pushed into OFDI without the necessary skillset, which leads to high failure, especially in merger and acquisitions of foreign entities.
2. There is a negative bias towards Chinese companies because of their "supposed" relation

with the communist party, and a lot of the confusions and resentment is directed at the Private Owned Enterprises, which have no direct affiliation with the Chinese government. Because of this, some Chinese companies might not be able to get necessary assistance within the European market.

3. In Merger and Acquisitions, there is a lot of room for error in pre- and post merger, but mergers and acquisitions that have been based on prior synergies and cooperation usually have worked out better.

4. Of all the management styles available, the one that seems to be the most successful is when Chinese and Europeans work together with some sort of a cultural bridge, giving both cultures the chance to learn from each other and work in harmony.

When each research question was composed, another proposition was created and introduced against the proposition favored by the researcher and the overall research from the literature review. This was done to get better and more dynamic responses from the participants instead of a simple yes or no replies as well as avoiding the questions being too leading towards the Researchers agenda. Furthermore, this was also implemented to possibly introduce new angles to the research questions, which the Researcher might not have realized or discovered during his research into existing literature, to which the participants might then contribute to the overall study.

3.4 Phase Three: Conducting a Modified Delphi Study

3.4.1 The Delphi method

In order to evaluate and validate the propositions, the researcher employed a modified Delphi technique, a procedure that has been used successfully by many researchers for this purpose. Description of the technique is provided below, followed by a detailed discussion of specific procedures utilized in this phase of the study.

The Delphi method belongs to the subjective-intuitive methods of foresight. It is a methodology where it uses a designed program of sequential individual questionnaire rounds, with feedbacks including the opinions expressed in the previous rounds (Helmer, 1977). The method consists of a survey conducted in two or more rounds and provides the

participants in the second round with the results of the first so that they can alter the original assessments if they want to change, or stick to their previous opinion. What makes the Delphi method different from others is that it allows the freedom to express anonymous opinions among the participants, controlled feedback, formal group judgment and by creating collaborative relationships between the participants and the researcher (Linstone & Turoff, 1975).

The Delphi method has a history of being useful in seeking group consensus in solving problems and examining major issues. It was originally used in the 1950s at the Rand Corporation for a study of expert group opinions concerning various technological forecasts (Boberg & Morris-Khoo, 1992; Vázquez-Ramos, Leahy, & Hernández, 2007). Later in the 1950s and early 1960s, this methodology was still used as a research method for technologic forecasts, as well as management science and operations. In the 1970s, the Delphi methodology was then further utilized for planning project evaluation and cost-benefit analysis. Later on this method quickly expanded into various fields such as psychology, education, health, environmental, and science issues (Vázquez-Ramos et al., 2007). The rationale for using the Delphi method was to secure the understanding and insight of relevant experts, in addition to spotlighting what is called a converging consensus concerning the topic under examination (Boberg & Morris-Khoo, 1992).

The selection criteria for candidates selection on a Delphi panel varies depending on context, scope and the aim of the study. The very least, a participant needs to be knowledgeable with the issue, be willing to contribute and explore the particular problem, and have a good written communication skills (Akins, Tolson, & Cole, 2005).

3.4.2 Typical Delphi study design

The Delphi study typically begins with a set of open-ended questions, usually not exceeding five questions for experts to consider. Adler & Ziglio (1996), described this initial phase as exploration because it gives experts opportunities to freely respond to open-ended questions; in addition to giving researchers a multitude of non-prescribed responses to analyze. However, according to Adler and Ziglio researchers should explain the purpose and goals of the research, otherwise the participating experts might lose interest in completing the study. Responses are then categorized using content analysis techniques (Stemler, 2001). Then in the second round, a revised questionnaire with results of the

previous round are sent to the experts and they asked to respond. Hasson, Keeney, & McKenna (2000) recommend ideally not exceeding two or three rounds since the challenge to researchers is to avoid premature conclusions as well as to avoid expert attrition and diluting information by initiating too many rounds. The research can then end depending on the judgment of the researchers conducting the study, with final results then summarized and disseminated (Adler & Ziglio, 1996).

3.4.3 Selection of the participants

When faced with experts on a particular topic, but coming from different social and professional background, a Delphi panel of five to ten experts is generally recommended (Clayton, 1997). Furthermore, the original Delphi experiment used panel of seven experts (Dalkey & Helmer, 1963). The researchers found that small number participants for a Delphi panel can bring good results. Because of this, ten participants were chosen for this particular study, with the anticipation of one or two participants dropping out for various reasons, resulting in total of eight to nine participants.

Seeing that the research topic has four main questions, which differ, substantially in an expert field, a panel of experts in wide range of professional fields was needed. First a list of potential candidates was compiled through research. Professors that had been involved at one point with academic journals regarding Chinese investments were picked out. Furthermore, consultants and employees were chosen by referrals. The final list of candidates ranged from Professors, lawyers and consultants knowledgeable about Chinese Outwards Foreign Direct Investments, to Mid- and high-level employees at Chinese Multinational Enterprises. Once the list of candidates had been shortened down to ten potential participants, an email invitation was sent to potential participants asking if they were willing to participate in this study. Five potential participants answered within four days agreeing to participate. Two potential participants responded that they felt they weren't knowledgeable enough, or that they had not been involved with Chinese Investments for some time. However, both candidates referred to other potential participants knowledgeable in the field. Of the two new potential candidates, one accepted to partake in this study. The remaining four participants that had received an invitation by email, had not responded within 5 days, and therefore were contacted by phone. All five agreed by phone to participate in this study. Following the agreement of all ten participants,

a second email was sent to all participants explaining the nature of the study. Of the ten participants, two did not complete the first round of questions, and were therefore not included in this study. The experts that participated in the Delphi panel are the following:

3.4.3.1 Participants

Table 1: *List of participants and their professions.*

Name	Nationality	Profession	Specialization
Jón Ormur Halldórsson	Iceland	Associate Professor and Author	Jón Ormur specializes in globalization and international business with focus on South-east Asia and China.
Magnús Björnsson	Iceland	Director of the Confucius Institute in Iceland	Magnús is the director at the Confucious institute at the University of Iceland, as well as teaching Chinese Humanities and Politics.
Anthony Bailey	England	Product and Market Strategic Director	Anthony works at a large Chinese investment firm in Mainland China, with extensive experience managing Chinese employees and overseeing investments.
Hans U. Krug	German	Professional Consultant	Hans is a professional consultant that has worked closely with as well as consulting Chinese companies on FDI in Europe.
Niek op 't Ende	Holland	Commercial Contract Manager	Niek op 't works as a commercial contract manager at the Chinese MNE Huawei stationed within Europe.
Agatha Kratz	France	Associate Policy Fellow at the ECFR's	ECFR is an institute that specializes in publishing journals on China's

		China and Asia Program	current affairs, with Agatha's expertise being China's economy, politics and investments.
Name withheld	Italy	Senior Law Associate	This participant is a senior associate at a European law firm within China, working for over a decade assisting Chinese firms in their outbound FDI.
Name withheld	Spain	Professional Consultant	This participant is part of the "Global Experts of the United Nations" specializing in China-EU relations.

3.4.4 The instrument

The instrument (Appendix B) was developed and composed by the researcher after researching all available literature on the matter as previously described in Phase One. The format for the open-ended questionnaire was developed after reviewing examples from other Delphi studies, as well as receiving input from the Researchers supervisor. The core questions from the open-ended questionnaire from Round One and Two are outlined below:

3.4.4.1 First round questionnaire

1. Do you believe that Chinese MNE's are pushed or pulled into OFDI
2. Do you believe there is misconception regarding Chinese FDI in Europe?
3. In terms of M&A for Chinese firms investing in Europe, which factors can determine a successful merger?
4. Which cross-border management approach do you think is the best way for Chinese MNEs investing in Europe?

Once all answers had been collected, a second open-ended questionnaire was created which delved a bit deeper into the reason for each answers.

3.4.4.2 Second round questionnaire

1. Why do you think Chinese Companies are being pushed and/or pulled into investing in Europe?

2. Why do you believe there is misconception regarding Chinese FDI in Europe and what can be done to alleviate that misconception?
3. Why do you think Chinese firms are more successful with prior synergies or strong economic ties and government involvement?
4. Why do you believe that Chinese and Europeans should work along side each other?

3.4.5 Data collection

3.4.5.1 Round one data collection

On January 30th, 2015, an invitation was sent via email to all 17 potential participants. The invitation (Appendix A) was in the form of a general introduction letter inviting the experts to participate in the study. Some participants confirmed by email, while others needed to be contacted by phone. Another email was sent on March 11, 2015 along with the Delphi Study attached. Each participant was asked to send in his answers within 10 days; with one reminder email sent the day before the deadline, asking the participants to kindly respect the deadline. Two participants could not send in their answers before the designated deadline, and got a three day extension to complete the questionnaire.

3.4.5.2 Round two data collection

On April 1st, 2015, the second Round of open-ended questionnaires was sent to the participants with the request of completing their answers and sending back to the Researcher before April 8th. Before the deadline had approached, three participants had already sent their answers. Three other participants had asked for a three to five day deadline extension and one participant promised to send his answers on the day of the deadline. One participant had not answered his email. By the end of the extended deadline all eight participants had sent back their answers. After finishing the collected data in Round Two, the analysis of the data then commenced.

3.4.6 Interpretation of the feedback

After collecting all the answers from Round One and Round Two, then started the analysis. Each participant's answers were thoroughly analyzed and certain trends were identified. Participants answers were then gathered into a ordinal scale, with the ranking of:

Yes/No/Both/Depends/Not Sure/No Answer. After sorting participant's answers into these categories, it became clear what was the general consensus to each research question. What followed was thematically structuring all the participants answers and comments.

The second Round of questions included similar questionnaire from the previous Round, but with addition the general consensus from the last round to educate the participants of previous results. With the participants exposed to the other participants general consensus from the last round, they were then asked to clarify their answer and position in the Round Two questions, with the idea that indecisive respondents would either answer the same as from Round One or lean more towards the general consensus. Finally after analyzing the answers, recommendations were proposed.

4 CHAPTER 4—ANALYSIS OF THE DATA

A two-phase Delphi technique research design was employed to carry out the purpose of this study and to provide answers to the research questions. First, four essay questions along with four shortened literature reviews (Appendix B) were sent to ten participants, which had already agreed to partake in this study. Of the ten participants, eight responded in Round One. After carefully analyzing all the answers, a second questionnaire was sent to the eight panelists in round two with 100% retention of participants. This chapter includes examination and interpretation of the round one and round two answers with small summaries at the end of each research statement along with bullet points summarizing the answers. Finally, at the end of Round one and two analysis, there is a results section with the findings presented.

Given that a Delphi panel consists of panelists, the previously mentioned participants will be referred to as panelists in the results section. Additionally, each panelist's answer is shown without revealing his or her identity. This is done to avoid any possible bias as well as to give each respondent an equal weight in the feedback process.

The analyses of the data and the presentation of the findings in this chapter are organized into the following sections: Results of Delphi Study Round one: Push or Pull, European Reception, M&A Success factors and Culture and Management, and results of Delphi Study round two followed by the same subheading names as in round one. Finally, this chapter is followed by the final chapter, which is Discussion of the Findings and Conclusions.

Results of the Delphi Study: Round One

4.1.1 Push or Pull

4.1.1.1 Research question

Do you believe that Chinese MNE's are pushed into OFDI - perhaps immaturely - because of market conditions in their home country? Or would you rather say that they are being pulled into OFDI for strategic purposes such as enhancing their competitive advantage?

4.1.1.2 *Research answers*

When analyzing the data of the panel members, in total four panelists believed that Chinese firms were rather being pushed than pulled while the other four panelists believed it was a combination of both. However, although four participants seemed to agree that Chinese companies were being pushed into OFDI, they also hinted at the idea that there were some pull factors involved, so in the end, most participants seemed to agree that it was a combination of both being pushed because of market conditions at home and/or being pulled to acquire strategic assets that could then assist them in competing at home or in the global market place.

One panelist puts it this way:

Companies that have gained maturity in the Chinese market might attempt to cross the border because it's the only way to keep growing and stay ahead of Chinese competitors these companies had to prove themselves before being able to gain any significant market share. Therefore, most companies that did not have extensive recourses and funds obtained from business in China did not make it overseas. So in that regard, many companies were pushed into OFDI immaturity.

Another panelist elaborates on this issue by saying that historically Chinese MNEs when dealing with highly saturated markets due to domestic market conditions have sought expansion overseas:

...in the wind and solar energy, initially the domestic market was centered around manufacturing for many of the top ten OEMs via government backed JVs. This led to a drastic increase in the number of domestic supply chain companies that then became squeezed on price by the OEMs and ultimately led to profit cannibalism to stay competitive. In order to get around this (after a period of technology transfer via the JVs) many Chinese companies, (again backed by government policy/subsidies or credit lines) sought expansion overseas.

It is quite evident that majority of the panelists seem to agree that in many cases, Chinese firms are pushed into OFDI to survive the economic onslaught back at home.

However, they also mention that Chinese companies can also be attracted to invest in Europe, with three panelists commenting on Chinese companies acquiring European brand names to leverage back in the Chinese home market. These findings reflect what was previously covered in the literature review that a lot of these Chinese companies go abroad to try to avoid a number of competitive disadvantages incurred by operating exclusively in the overcrowded domestic market (European Chamber, 2013; Filippov & Saebi, 2008; Spigarelli, Alon, & Mucelli, 2013).

One panelist comments about why Chinese companies might be attracted to invest in Europe:

China has a lot of production technology but it lacks competence at both ends of the value chain, namely the conceptual, design and development end and the distribution end. In addition to technology and upstream investment in resources it seems likely that Chinese companies are interested in distribution channels and valuable brand names, which they lack at the moment.

Another panelist also comments on the issues with acquiring European brands and says that in his line of work a lot of Chinese companies seemed to be looking for brand names to use back in China:

...a way of using the label “made in Germany” as a feature to promote their products in the home market and therefore to use this label as a competitive advantage in their home country.

The third panelists also elaborates on this phenomenon saying:

We can see many brands in China’s domestic market claiming that they’re international companies (mostly beauty, health and other luxury products), while they’re really just Chinese companies that have been registered abroad in order to claim an international image.

These comments align with the literature which talks of how these companies often go to developed markets to gain technology and brands, and then how they often leverage

these assets back in China against their competitors (Deng, 2007; Liu & Scott-Kennel, 2011; Rui & Yip, 2008).

In conclusion, while a lot Chinese companies are being pushed into OFDI, some are also pulled to Europe to acquire strategic assets which they can then use as a competitive advantage back in China.

The third issue also raised by couple of the panelists is financial investments and capital flight, which would be an interesting area for further research:

Financial investment available for savings in China are limited and risky, so some Chinese investors look for placements and long term, stable investment opportunities outside China: infrastructures, hotels, real estate in general, etc. Fiscal evasion and capital flight are another reason behind Chinese investments in Europe.

Another panelist mentions that some of these investments are Chinese firms hedging against potential future threats:

A noticeable change to this has been observed recently as a growing number of Chinese firms look to overseas as a form of hedge against current and potential future challenges in China (including China's anti-corruption investigations), accepting lower than typically sought after returns and even paying a significant premium as a way of safeguarding assets.

Looking at the comments, the panelists seem to agree that it is a combination of push and pull factors. They tend to agree that some of these firms have been forced to go overseas because of saturated market conditions in China, but they also talk of Chinese firms going abroad to acquire strategic assets such as brands and technology to better compete back in China or in the global market place. Furthermore, some panelists mention that some of these FDI are Chinese companies / investors trying safeguard their assets against potential future challenges and threats within China.

4.1.2 European perception on Chinese inbound FDI

4.1.2.1 Research question

Do you believe there is misconception regarding Chinese MNE investing in Europe? Do you think that Chinese MNEs should engage in more positive communication and public relation campaigns? Do you feel there is enough support from European host countries assisting Chinese MNEs investing in their country?

4.1.2.2 Research answers

Six out of eight panelists seem to think that there is misconception among Europeans when it comes to Chinese FDI in Europe, whereas two out of those six panelists point out that some of the suspicion might be justified. The two remaining panelists did not comment on this particular issue.

One panelist points out that Chinese FDI in Europe is quite small compared to other countries:

Currently, most major countries in the West invest far more overseas than China, and foreign holdings in China are at least three times bigger than the total stock of Chinese FDI.

He then points out that some of these fears might be related to the declining power of the West and the growing might of Asia:

The West fears the growing might of China. Part of that is probably a larger problem of the West's understandable perception of the ongoing erosion of Western power and economic advantage. The second side to this fear is also very understandable.

He further elaborates:

...the opacity of China. Its opaque political system and its relatively closed cultural universe, means that fears of "real" as opposed to stated Chinese intentions are bound to rise.

This comment is interesting to say the least, and partially reflects what was covered in the literature review about the unfound idea that the government of China has some grand strategy, investing in Europe and the different political ideologies of China and Europe (Meunier et al., 2014). Another panelist also mentions that some of the misconception towards Private Owned Entities might not be justified:

...it should be noted that most (in number, not value) of the deals made in EU by Chinese companies are by private companies, which are sometimes not well equipped, and which can encounter difficulties.

These statements were also covered in the review of the literature (Françoise Nicolas, 2014). Another panelist further comments on the fears among European countries and companies of becoming dependent or influenced by Chinese investments, which was covered in the literature review about possible perception of Chinese investments coming with some strings attached and some European politicians possibly being afraid of Chinese investments (Meunier et al., 2014):

China and the Chinese industry is still pretty much influenced if not directly guided by Chinese governmental and political institutions it is comprehensible that Chinese investments produce certain fears of becoming dependent on and influenced by China.

Another panelist goes to some length explaining that some of the misconception might be derived from the fact that even today there is no telling exactly how much Chinese FDI there is in Europe as was previously covered in the literature review (Deutsche Bank Research, 2014):

Misconception: Yes, some of those misconceptions come from a clear lack of reliable statistics on Chinese inward investment: no one is capable today of saying exactly how much Chinese investment enters Europe every year, and from what source (sectors, SOE vs private, etc.) Fears also come from a few high publicity acquisitions: Volvo, real estate, Piraeus port, etc. Those make it seem like “China is buying up Europe” (and for cheap, due to the crisis). Besides, in cases of SOE

investment, it might be hard or even dangerous to welcome an investor that does not rely solely on market principles when bidding for procurement/public projects or company acquisitions.

Some of these points raised have been previously covered in the literature review, such as Chinese firms investing in Europe in increasing number because of the Eurozone crisis (Meunier et al., 2014)., as well published articles of how the Chinese are taking over Europe (Bordet 2011).

Looking at all the answers, the consensus seems to be that there is indeed misconception regarding Chinese FDI in Europe, however some of it might be related to unreliable data regarding Chinese FDI in Europe, meaning some of the suspicion might not be entirely unwarranted.

In terms of Chinese companies engaging in more PR, five panelists agreed that PR tactics on the Chinese behalf could be beneficial and might help alleviate some of these misconceptions, while one panelist believed it would not help them in this manner. The two remaining panelists did not comment on this particular issue. One of the panelists who agrees PR would help, commented that Chinese companies are still relatively inexperienced in this industry:

Positive communication and PR is something that many Chinese companies still have to learn, as they're developing from an economy mainly focused on manufacturing to one focused on services as well.

Another panelist points out that Chinese firms need to adapt much better to the European environment:

The Chinese MNEs need to do much more PR Work and show much more adaption to the environment in Europe.

Another panelist mentions that Chinese companies are well aware of this fact, and discusses what some of them have done so far in terms of PR in Europe:

This is something the Chinese have been aware of for some time. In order to get around this Huawei (as is the case with many other Chinese firms) delved

into their large marketing budget and sought to improve public sentiment by investing in areas that boast much public interest and support such as football (sponsored Atletico Madrid). This has also been seen with companies like Canadian Solar, Yingli, and JA Solar etc.

A third panelist also comments on this issue stating he does not feel well informed regarding Chinese MNEs intentions when investing in Europe, which gives rise to further misunderstanding and suspicion:

... I agree that more positive communication by Chinese companies and public relations campaigns would be useful. Communication in general about their ideas, purposes, ambitions and objectives should be improved by Chinese investors. In most relations with Chinese companies I as a consultant don't feel well informed.

The consensus seems to be that Chinese firms could do more PR to better inform the public and European companies of their intentions and to better sell their image as was covered in the in the review of the literature by Graham & Marchick (2006).

Finally in terms of European countries showing enough support for Chinese investments the participants were a bit divided with two panelists saying Europeans could do more, while three panelists felt that either there was enough support, or that support from the European side was not important or even needed. The final three panelists did not comment on this particular issue. In regards to Europe not doing enough to support Chinese investors, the answers were sparse with comments such as:

Certainly, so far there is not enough support from European host countries.

With a second panelist saying:

Europeans are not doing enough for Chinese companies.

However, one panelist has a slightly more pessimistic look at things saying that European countries can certainly do more to assist Chinese firms at alleviating unwarranted suspicion towards Chinese MNE, but that it might not work in the long run:

Western countries can undoubtedly do more to ally suspicions of Chinese intentions and Chinese interests but the overall context of a high degree of reservations, mistrust and unease is likely to continue.

One panelist argues that Chinese companies are used to much better treatment back in China compared to Europe:

Most of these Companies and Investors are treated like kings at home, especially at the local level but arriving in Europe meet considerable resistance and even, to some point, hostile attitude by some agents.

These comments seem to reflect the issue in the literature review, that EU Member States should put more effort into assisting Chinese companies investing in the EU (Clegg & Voss, 2012; Buckley et al., 2014). However, a second panellist also sheds light on this matter by saying that he feels European countries are doing enough for Chinese investors, but that there is a possibility that the Chinese companies might perceive European regulations and business standards as not particularly welcoming:

My feeling is that – looking at Germany or in particular North Rhine Westfalia – Chinese MNEs receive a great deal of assistance when investing in these regions. Chinese investors might evaluate this support differently. Considering the political, economic and legal background and the Chinese mentality which has developed before this background, Chinese investors might expect more flexibility of European governmental and communal institutions regarding subsidy's/benefits.

It could a fascinating research subject if the perceived assistance versus the actual assistance that the Chinese firms get in Europe differs greatly.

Looking at the answers, although being split, the idea remains that perhaps European countries are in fact doing enough for Chinese inbound FDI, while Chinese firms might perceive it differently because of how they are used to preferential treatment in China.

When analyzing all the panelists' responses, there seem to be rather large consensus that there is a misconception regarding Chinese FDI in Europe. Some of this misconception is derived from Europeans fearing the growing might of China and the fear of becoming too dependent on them, as well as cultural distance between Europe and China. Some of the misconception however can be justified because there is a clear lack of reliable statistics of Chinese FDI in Europe. That being said, some of the misconception is also unwarranted, especially in regards to Chinese POE investments in Europe. When it comes to PR tactics, the majority of the panelists feel that Chinese firms could certainly do more PR to inform the European public as well as the European companies on Chinese investment intentions. Finally, on the issue of European countries doing more to assist Chinese companies in their inbound FDI, the opinions seem to be split somewhere in between, but what Europeans think is "assisting", might not mean the same to the Chinese.

4.1.3 M&A

4.1.3.1 Research question

What are your views on factors such as prior synergies, trust and interconnectedness being the most important factors for success when Chinese MNEs merge and acquire European companies? Do you think they are more important e.g. than strong economic ties between the two countries?

4.1.3.2 Research answers

When it comes to M&A six out of eight panelists clearly stated prior synergies between the two merging companies being very important in terms of a successful merger while one commented that overarching economic ties were important. The final panelist did not believe prior synergies were of high importance.

The panelists that believed prior synergies and trust were important for a successful M&A had comments such as:

...the more prior synergies, trust and interconnectedness, the better ... My feeling is that most of the mergers and acquisitions so far only happened due to existing ties between the Chinese partner and the target.

Furthermore, one panelist says that prior synergies are a deep-rooted cultural phenomenon in China, and is something that must exist before business deals, he puts it quite eloquently:

It's part of Chinese culture to establish a certain relationship before actual business takes place. It's a deep-rooted custom, which is just as important as strong economic ties. Culture and Economics might be two entirely different concepts to westerners, but to Chinese, they go hand-in-hand. This principle is equally present at multi-billion dollar MNE investments as it is at a local Chinese flea market. The only difference is the level of formality.

Another panelist agrees, but with some reservations:

Yes ties are important, but certainly depends on nature of merger and industry concerned.

All of the above comments align with the prevalent theory that prior synergies is an important factor when Chinese and European companies engage in M&A (Kale and Singh, 2009; Knoerich, 2010; Françoise Nicolas, 2012). Furthermore, KPMG (2010) conducted a survey which included 150 Chinese firms and concluded that one of the biggest reasons for potential failure in M&A according to the interviewees, was the dangers of not generating enough synergies between the two merging parties, which further emphasizes the point of prior synergies. Finally one panelist argues that Chinese firms have yet to fully grasp the art and science of M&A which relates to the fact that Chinese MNEs are newcomers when it comes to OFDI as stated in the literature review (Françoise Nicolas, 2012):

Very few Chinese firms have so far mastered the art and science of M&As and there are many examples of a somewhat muddled logic behind their efforts in this respect.

This begs the question if Chinese firms are getting enough professional help when engaging in M&A as one panelist puts it:

In particular the willingness to engage professional firms for the identification of targets combined with their usual fees and additional acquisition expenses is as yet not very distinct.

This was covered by Jianhong Zhang & Ebbbers (2010) in the literature review of how Chinese firms should hire advisors when engaging in FDI in Europe. One panelist raises again the subject of suspicion and mistrust, and that if the two companies can overcome this mistrust among other things, it would increase the chances of a successful merger:

Chinese firms may also have to contend with an overall climate of suspicion, although this should not necessarily affect their chances of success if trust and understanding is established with the target or partner firm.

This was also covered in the literature review, where it is said that there is a need to improve cross-cultural understanding between the merging Chinese and European companies, in the hope to find a common ground between the two cultures. Only then will they hope to build trust and relational capital between the two cultures (Alon & Higgins, 2005; Spigarelli et al., 2013). However, one panelist does not believe prior synergies is a fundamental concern for the decisions on whether to perform an acquisition or not, but follows in the footsteps of the previous panelist regarding mistrust, but particularly on the Chinese side which can lead to a failed M&A:

I do think that Chinese MNEs are always diffident regarding the management of the target companies and they fear to be cheated by the foreign company and such fear drives them to request absurd and very unacceptable conditions.

This comment is fairly interesting and could be an interesting subject for further research.

In terms of economic ties, one panelist did not specifically say that prior synergies

and trust were not an important part of M&A, but he instead commented that the success rate of Chinese M&A could improve if the two governments of the European host country and China would have economic connections and financial interest in the M&A:

If you compare M&A advisors deal books and contrast them with that of other developed countries it becomes obvious that the high failure rate of deals without government backing and strong economic ties is typically greatly influenced from Chinese MNE's side. This is due to a number of reasons such as an irrational capital market structure, lack of legal transparency, inflated company valuations and of course cultural barriers the biggest determinant of success is likely to be the overarching economic ties between the two countries. Needless to say if the countries are behind the merger and view the acquisition as a bigger part the economic relationship, there is a lot less scope for a conflict of interest or cross purposes to arise (an example would be the 400bn USD Gazprom- CNPC deal for a long term gas contract).

Most of the above mentioned facts are already covered in the literature review, where Françoise Nicolas (2009) comments on Chinese investing firms often having lack of transparency and poor accountability, while Jianhong Zhang & Ebberts (2010) in the literature review talk of how strong economic ties can improve M&A success rates.

The majority of the panelists seem to agree the prior synergies and trust are very important factors in terms of a successful M&A. While couple of panelists argued that strong economic ties and government backing would help the M&A to become successful.

4.1.4 Culture and Management

4.1.4.1 Research question

What are your views with regards to the role of cultural differences and differing management practices? Which of the three management alternatives would you agree is the best way for Chinese MNEs investing in Europe? (1) to maintain the original culture and system, (2) to integrate the local operation with the headquarter culture, or (3) to develop a “third culture” that combines elements of the two. Do you think that different approaches

need to be followed for mergers and acquisitions (brownfield investments) compared with wholly owned subsidiaries (greenfield investments)?

4.1.4.2 Research answers

In terms of what management culture should be used in companies or subsidiaries owned by Chinese companies in Europe, the answers by all eight panelists were that Chinese firms should either adopt the first or third management approach, with four panelists stating that whichever management approach they would adapt would really depend on the nature and manner of the investment and the company.

Some panelists commented on the cultural differences, with one pointing out that the Chinese MNEs are new to the game and are bound to make mistakes when it comes to cultural differences:

Chinese companies and Chinese policy makers have often displayed a limited understanding of the West, both its societies in general and also of prevailing cultural norms in Western companies and industries. This is natural, they are new to this game and the cultural and political differences are very real.

This is also stated in the literature review where Chinese managers often might not understand the cultural difference and the other business norms in the foreign country that they are trying to operate in (Value Partners, 2008; Peng, 2012). Another panelist then points out the dangers of forcing Europeans to adopt Chinese corporate culture as was covered in the review of the literature regarding the dangers of acquired European firms having low familiarity with the cultural and institutional background of the acquiring Chinese firm, as did with TCL acquisition of Thompson Electronics (Antkiewicz & Whalley, 2006; Morck, Yeung, & Zhao, 2008):

When one company forces its own culture on another company after an acquisition, the local staff will most probably have difficulty adapting to the company's new culture.

Furthermore, one panelists points out the importance of cultural bridges:

If both sides find a way of exchanging ideas and different views in constructive discussions so that either side can communicate their ideas/expectations/hopes for synergies, chances are fair for a successful joint venture.

Looking at the answers above, and the general trend in the other answers, cultural understanding and communication is incredibly important in maintaining and establishing a healthy relation between the two companies.

Of the eight panelists, four believe that it depends on the nature of the investment what management style should be used with one panelist saying:

It is very difficult to generalize about such matters; each case has it own merits.

With another panelist stating:

In regards to which of the management approaches are selected, it would depend heavily on the structure of the foreign-based organization and ownership.

With one more panelist saying:

I don't think there is only a correct answer to this question. The approach really depends on the industry and on the peculiarity of the investment itself.

However, although most participants seemed to lean towards the "third culture" of management approach, two panelists felt that the "first" management culture would be the most beneficial for a cross-border Chinese company:

In general a polycentric strategy serves best, as one is able to act quickly and be sensitive to the market, leveraging local competence.

While the second panelist stated that for Chinese companies to absorb managerial talent as is mentioned in the literature review with the acquiring firm (Alon & Higgins, 2005; Zollo & Singh, 2004), the first management culture would be the best option:

One of the reasons why Chinese companies should go overseas is to gain managerial experience outside China.

Two panellists commented specifically against using the second model, which according to them would mean it would be harder to navigate the target market as stated in the literature review (von Keller & Zhou, 2003), one panellist puts it this way:

The second model is likely to lead to a loss of local talent and to limit sensitivity to local markets and overall environment.

With the second panelist saying:

...ethnocentric style of management in most countries (a good example is large American MNEs going to China) leads to more problems than it solves.

Finally, in terms of adapting the third management culture, with Chinese and Europeans working alongside each other as stated in the literature review (Alon & Higgins, 2005; Rui & Yip, 2008) one panelist puts it this way:

I am convinced that the best way is to develop a “third culture” that combines elements of the two, thus maintaining the original culture and system while integrating the local operation with the headquarter culture.

With another panelists stressing the importance of the two cultures feeling comfortable around each other:

I do believe that Chinese firms (or any firms investing in overseas markets for that matter) have to either adapt to the local culture or create a “third culture” or “mixed culture”, where most employees will feel comfortable. As the only way of being accepted, is by accepting.

Another panelist talks of the importance of two-way communication and having a mutual understanding:

There certainly needs to be an adaptation to the destination culture from Chinese investors, but also, communication goes two ways, so there will need to be adaptation towards some elements of Chinese management culture.

These points were covered in the literature review on how Chinese and European employees need to find a common ground when working together, if they want to be successful (Spigarelli et al., 2013). A third panelist commented that the third management culture might be the ideal way, but not necessarily achievable as of yet by Chinese firms which could give rise to further research:

The third model may so far be beyond the capacity of most Chinese firms although it is likely to seem the most attractive.

Most of the panelists seemed to think that the first management model (where local talent is retained) or the third management culture (were there is a combination of both cultures) were the best options depending on the nature of the investment; with two panelists speaking specifically against the second management culture. Some of the panelists felt that the first management culture was necessary for Chinese companies entering European markets, to better absorb managerial talent and to utilize local talent. However, most panelists seemed to agree that the ideal

choice in the long run would be the third management culture, where both locals and Chinese would work side by side.

4.2 Results of the Delphi Study: Round Two

4.2.1 Push or Pull

4.2.1.1 Research question

Why do you think these Chinese firms are being Pushed and/or Pulled into OFDI?

4.2.1.2 Research answers

All eight panelists agree that there are push and pull factors involved when it comes to Chinese companies OFDI and elaborate on why that is.

Most of the answers relating to why they are pushed echo the answers from the first Delphi round, or in short, over contested domestic markets with low margins as one panelist puts it, he further states:

Highly saturated domestic markets with heavy competition on price/quality has lead to greatly squeezed margins and has also driven OFDI.

With another panelist weighing in:

Pushed by lack of profitable investment opportunities at home due to market saturation in many sectors.

These factors were covered in the literature review by authors such as Rui & Yip (2008) and Cheng & Stough (2007) who consider overcapacity and falling prices as the main motive for market-seeking overseas direct investment. However, the reasons for the pull factors are more diverse in nature. One panelist has doubts if it's an important aspect for the Chinese companies to seek competitive advantage in the global market saying:

This aspect would be really relevant if Chinese products were the result of their own development and innovation and if the products were therefore

competitive by their own features.

He then states that Chinese companies mainly invest abroad, to better compete at home as most of the other panelists agreed on (Deng, 2007; Liu & Scott-Kennel, 2011; Rui & Yip, 2008):

Since the Chinese (home) market is still one of the fastest growing markets and will eventually be the biggest market worldwide, it is this market Chinese companies focus on. And it is their objective to improve their competitiveness at home.

With a second panelist stating which are the attractive factors for Chinese companies investing in Europe:

Pulled by access to technology, management expertise, brand names, market positions and distribution channels (Deng, 2007).

Another panelist points out that by acquiring known European brands; they will have a better competitive position at their home market as was previously covered in the literature review (Deng, 2007; Liu & Scott-Kennel, 2011; Rui & Yip, 2008):

They do it to get technical and managerial knowhow from companies in the EU. Case in point would be the acquisition of a Chinese company of the Swedish carmaker Volvo. They also do it to strengthen their position in their local markets.

One panelist mentions how the Chinese government incentivizes these local companies to acquire strategic assets as mentioned in the literature review (Peng, 2012):

Chinese foreign policy backed by cheap credit lines and supportive foreign policies (monetary and fiscal policies) such as Feed in Tariffs, place the Chinese in a strong competitive position and act as major catalysts for OFDI.

The final panelist brings up some interesting points that could warrant further research:

I do think that the exigency to be pushed out is both political (in terms of China understanding that foreign involvement means domestic strength and a way for the colonialism in the era after the cold war) and economical (Chinese SOEs which are in need to have foreign assets and reserve in case something bad happen back home).

As was before, the consensus is that Chinese companies are pushed because of saturated market conditions, but also pulled to increase their strategic competency to compete back at home. Reasons for why Chinese companies are pulled are mainly because of access to technology, management expertise, brand names, market positions and distribution channels.

4.2.2 European perception on Chinese inbound FDI

4.2.2.1 Research question

Do you think there is misconception in regards to Chinese FDI in Europe? In your opinion, what kind of PR should they engage in to alleviate some of the suspicion?

4.2.2.2 Research answers

In this round all panelists seem to agree that PR could most likely help Chinese companies investing in Europe and again, the answers regarding the European perception and their reception of Chinese inbound FDI are very diverse. One panelist addresses this issue saying that there certainly is a dual discourse with European politicians when it comes to Chinese investments at the political level:

... governments are rushing and competing to get Chinese investments and money, however, political leaders have a different discourse when addressing their national constituency, explaining that not too much openness should be granted, that strategic industries and investments should be kept national or European, and should be sheltered from outside (and Chinese investments).

He further elaborates that some of the opposition might stem from fear of Chinese investors acquiring valuable companies that might be strategically important or even traditional:

The high visibility of some of the acquisition (Pireus port, Club Med, renown vineyards in France, etc.) may have played a role in the misconception: some Europeans might be fearing a Chinese ownership on “strategic” or “traditional” sectors.

Another panelist further addresses this issue of opposition, saying that not all Chinese investment is necessarily beneficial, and as such might potentially garner some resistance:

It is important to keep in mind that from the perspective of host countries not all Chinese investment is necessarily beneficial ... It is not unnatural for countries to be wary of investment that could potentially undermine or erode established national advantage based on technological edge or brand name lead...Because of this, European political leaders don't necessarily view all Chinese investment as beneficial to their country and as such, fear Chinese future ownerships of some of their strategic or traditional sectors, and thus want strategic industries and investments to be kept national or European to maintain national advantages.

Comments from all three panelists was previously covered in the literature review (Meunier et al., 2014) about how European polities can be expected to fear Chinese FDI for the (further) loss of sovereignty it might manifest if investment comes with conditional strings attached, particularly given the distance between the Chinese authoritarian market capitalism from democratic and “social” Europe. However, the previous panelist further states that Japanese companies went through the same period, or fear of the unknown “other” as he puts it:

At the same time it is clear that Western public opinion is far more suspicious of Chinese firms than companies from most other countries. This is partly a replication of similar attitude shown to Japanese companies during the era of rapid Japanese industrial ascendancy. As such it is a fear of the unknown “other” and probably also an adverse reaction to a very rapid change.

These factors were covered to some extent in the literature review (Graham & Marchick, 2006) about how Japanese companies also faced some prejudice in the west around the 50. However, another panelist explains that the reason for this fear is the different political ideological systems of China:

Compared to Japan as a capitalist and democratic country, China still suffers from its image as an ideologically inflexible country with limited human rights and distinct influence of governmental institutions and the Communist party on political and economic life. This political system does not produce sufficient confidence in the Western world.

These issues were partially covered in the literature review by Meunier (2014), that the public suspicion towards China might be derived from the difference in political ideology.

Three panelists however, believe that the misconception lies with the Europeans and their stagnant political system, xenophobia and economic decline, one panelist puts it this way:

The misconception is led mainly by the stagnant political situation in Europe, according to which is better to push for nationalism and demonize the extra-communitarian interference.

A second panelist talks of the Chinese being the new kids in town in the international business scene, and as such will make headlines, as is always when a new player

enters the stage saying:

...questions are asked about motives and hidden agenda. Some are valid others are pure xenophobia.

A third panelists believes the problem is simply psychological and stems from the fear of dominance, which might cause the negative perception of Chinese inbound FDI:

Whenever a strong new player on the international market emerges, other players will feel threatened. The same happens when certain economies grow, while others face problems. China grows, Europe suffers from economic decline. Therefore, to some Europeans, Chinese FDI might be unwanted.

As stated in the literature review, Meunier et al. (2014) mention that the financial crisis in the Eurozone in recent years, has been pulling Chinese companies to invest in Europe at a faster pace than usual and to gain a strong foothold in the global economy. Some of the panelists further explain “why” Europeans might fear the Chinese.

One panelist explains that how little transparency there is in the Chinese corporate world, which really makes them in the sense of the word; “unknown” (Françoise Nicolas, 2009):

...problem for Chinese investors is the opacity of the Chinese corporate world and its intimate links and assumed control by an authoritarian government.

This comments reflects what was covered in the literature review by Françoise Nicolas (2014). He talks of how Chinese firms’ opacity and close ties with the government often leads to poor corporate governance. Another panelists

contemplates that Europeans might fear that the Chinese companies might bring some unwanted practices to Europe:

... some think that in view of widespread corruption in China a corrupted practice could be exported to Europe.

A third panelist further explains how Europeans might perceive Chinese investments:

... Chinese are seen as those who buy companies to lay down workers and spreading counterfeit products in our markets. They represent the new money coming to suck out from the old world economies and certainly are not as welcome as American investments.

These are interesting points of views that could be further researched. However, according to the same panelist, when it comes to stakeholders in European companies that can benefit from Chinese investments, then the Chinese money is more than welcome:

For those companies wishing to cash from an acquisition they are very welcome, same as for the companies going bankrupt, in severe restructuring and so on.

In terms of PR, one panelist says that they should use a diverse approach when engaging in PR:

...PR should be focused on a multidimensional scale, not only focusing on specific investment potential, but also offering a wide arrange of potential businesses.

In terms of different PR approaches, one panelists brings an interesting idea to the table:

... local people do not like to see a foreign firm make money in their area, without that area benefitting from it. So in my opinion, large companies engaging in FDI should always invest in the area, community and its citizens that they do business in, in order to uphold a positive image.

However, another panelist believes that Chinese should engage in more PR through the media if they want alleviate some of the bad publicity:

The Chinese often complain about bad publicity they get in the West. There is only one way to deal with that which is more PR work and get more accustomed to the reality in an open democratic society with a free press ... Chinese tend to rely too much on political channels but ignore the press and general public. This is something they are used to do at home but only works to a limited extend in Europe. Much more should be done to reach out to media and the public.

A second panelist goes into more detail on of how exactly these Chinese companies should utilize the media to improve their image:

The media plays a large role in shaping consumer perception of global brands. For the most part the Chinese have done little to engage with the end user in a meaningful way for FMCG. This has meant the creation of little to no brand identity beside what is mentioned in the general media (usually that the quality of Chinese produce is low and cheap).

He further states that Chinese brands should associate themselves more with quality and not quantity:

... more should be done to create brand identity that is closely associated with quality and value for money. This in turn would lead to higher levels of

bankability of Chinese goods. Companies like Yingli etc have engaged with sports, but have done little to fully leverage the opportunity and create brand identity.

A third panelist further contributes to the idea of Chinese engaging more brand building through the media:

... just getting known, responding to interviews in magazines and newspapers, doing more advertisement on their products (TV, magazines, events), emphasizing on quality, showing more “transparency”, etc. People need to be used to seeing those brands around, and need to have a quality and reliability feeling towards them.

One panelist claims that some of the negative perception towards Chinese investments in Europe might stem from ignorance and lack of influence, and as such that the Chinese investments might be perceived as potential threat to the freedom and the wellbeing of the national economy:

PR agencies could certainly do a good job as well as that China does not really have “soft power” , compared to the US, since, the language barrier and the difficulty in understanding such distant cultures. If we think about what Hollywood has done for US in terms of soft power, we could easily realize that the misconception is the result of ignorance and fear for the unknown.

Finally one panelist states that Chinese could well do with PR exercises, but that cultural barriers might be too great:

...another problems is a mutual cultural incomprehension. Chinese investors may alleviate some of these problems through clever PR exercises but the most important thing in this regard for the Chinese investors is probably to

understand very clearly two unrelated things, namely their own intentions and the cultural and political environment they are stepping into.

All these comments about how the Chinese companies could engage more in PR are very interesting, however in the literature review, only the suggestion of engaging in more PR was covered, which is why these comments would be an interesting research subject in the near future.

Couple of panelists further mention the importance of Chinese companies explaining their intent, if they want improve Europeans perception of them:

The lack of real or credible transparency of intentions will remain a problem for Chinese investors, however purely commercial their intentions may be.

With another panelists commenting on the issue:

Chinese companies have to be clear about real motives and put it forward in a more honest way.

These factors were covered in the literature review by Graham & Marchick (2006) in regards how the Japanese companies earned the trust of the western nations by explaining their intentions before investing. The final panelist points out that the Chinese investors should also make clear that their investments are in compliance with international rules which could be argued falls under investment intent:

Both, companies and the Chinese government should put more efforts in measures to build up the confidence that Chinese OFDIs are in compliance with international accepted rules.

He also revisits the issue if European countries are doing enough to help Chinese investments and points out that if the Chinese would hire consultants from the beginning of the investment process, they might perceive the assistance differently:

Regarding the assistance of European governments I feel that Chinese companies have the same chance as companies from any other country. If they would realize that investing in adequate consultants and developing a consistent concept before starting the actual ODI produces better results, official assistance (or the feeling of a lack of assistance) wouldn't be of relevance.

When analyzing all the panelists responses, there is an agreement that there is a misconception regarding Chinese FDI in Europe with the consensus this time being that the misconceptions is both the fault of the Europeans as well as the Chinese. When it comes to PR, the general consensus is that Chinese firms could certainly do more PR, especially through the media by projecting clearly what their real motives are, alleviating some of the suspicion held by the European public. Furthermore, they should associate themselves more with quality and brand building as well as investing in local areas of their operations to increase public trust in them.

4.2.3 M&A

4.2.3.1 Research question

Which of the two would you rank as more important when Chinese and European firms engage in M&A and why: Prior synergies and trust or strong economic ties with government backing.

4.2.3.2 Research answers

Six of the eight panelists believe that prior synergies and trust are more important than economic ties and government backing, while one panelist believes they are equally important. The eight panelist believe that economic ties and government backing is more important, but also believes prior synergies and trust to be important:

...the overarching economic ties between the two countries are a more substantial determinant of success than solely prior synergies (although prior

synergies are obviously a significant factor). Needless to say if the countries are behind the merger and view the acquisition as a bigger part of the economic relationship, there is a lot less scope for a the relationship to turn sour and both governments can look to leverage national assets to create new synergies.

A second panelist also believes that economic ties and government backing might be of some help, but prior synergies and trust are more important:

During earlier stages, I believe that strong economic ties could surely be of some help as well as government backing but in the end I would think prior synergies and trust are bigger issues for success.

With a third panelist agreeing that strong economic ties and government backing being important, but not nearly as important as prior synergies and trust:

Strong economic ties with government backing are important, but there still needs to be a foundation of synergy and trust before the merger or acquisition can even be considered

Another panelist believes that government backing might help if done right, and also depending on the industry, however as with the previous panelists, he believes prior synergies and trust are more important:

Government backing can certainly work but not in all sectors, and it should not look like “interventionism”; it should be purely business oriented, involving business representatives (mandated by the government) rather than political representatives. However, prior synergies and trust will always be more efficient.

While the first panelist believes that economic ties and government backing can be a factor for success in M&A, the next panelist is at the other side of the spectrum:

Synergy and trust is by far the more important factor, no amount of government backing will help a project where these two basic factors are missing.

The final panelist states that backing by Chinese or European governments is not of importance, but rather that the two parties develop trust between each other and their respective future.

It is quite common in the “western” world that companies engage professional M&A consultants to identify potential targets (European companies) and to approach these targets in a confidential way that allows European targets to develop the trust required for a successful merger. This is to my mind the essential aspect. In this respect Chinese companies should adopt a more “Western” approach.

The results reflect the same opinions from the first round, where majority of the panelists believe that prior synergies and trust are a crucial factor for Chinese firms engaging in M&A in Europe. (Kale and Singh, 2009; Knoerich, 2010; Françoise Nicolas, 2012; KPMG 2010), while government backing and economic ties seem to be beneficial (Jianhong Zhang & Ebberts, 2010), but not a deciding factor.

4.2.4 Culture and Management

4.2.4.1 Research question

Why do you think that Chinese companies should choose a management style where Chinese and Europeans work alongside each other?

4.2.4.2 Research answers

All eight panelists seem to agree that the third management style would be the most practical, with three panelists saying there is not really any other alternative

to the third management approach. One panelist points out the negative effects if Chinese corporate culture is introduced into a Western firm. He uses an example of the Chinese company Lenovo's acquisition of the laptop department of the American firm IBM:

The example of IBM acquisition by Lenovo has been a lousy clash for Chinese firms going abroad importing their headquarter management. Working alongside seems to be a sort of wise choice in order not to screw up the investment from day one.

The second panelist points out that there is no alternative to the two cultures working alongside each other, seeing that otherwise there wouldn't be any significant collaboration:

...to my mind there is no alternative to a collaboration of both nationalities in the European Company. How else can communication be intensified for a better understanding of mentality, the respective markets and the different conditions/circumstances of the various production sites?

The third panelist simply states:

Out of necessity, in a complex and integrated operation there is no other way.

With the above panelists stating the negative sides of not adapting the third management approach, one panelist points out the benefits. He feels that Western management style is more effective, and by working side by side, the Chinese can learn a lot from the Western style of management as was covered in the literature review (Alon & Higgins, 2005; Zollo & Singh, 2004):

...it prepares them for a wider scenario, namely a global one, where Western style (s) are still ideally followed by various entrepreneurial cultures.

Another panelist says that for the two cultures to work alongside each other is the natural way of doing things when people from two different cultures work with each other, and although these Chinese companies are operating in a Western culture, doesn't necessarily mean they should completely follow a Western management style:

...there are several problems to that approach: The top of the management team will in many cases have strong Chinese influence and it would be very unrealistic to ask them to fully adapt to Western ways of doing things.

He further states that if the cooperation would be successful, it would be advantageous for both parties to learn from each other:

Chinese companies entering European market must adapt to survive but some ways of Chinese style management could be adopted making the companies stronger in the end. Westerners tend to think that there is not much that can be learned from Chinese way of running companies or doing things. I believe there is much we can learn and should consider that with more open mind.

Another panelist further elaborates on this issue and emphasizes that neither party should enforce their way of doing things, but they should try to find a compromise that works for both parties, in return having better employee satisfaction:

...the Chinese company will most likely be accepted by Europeans if they accept the European ways of working and do not enforce Chinese working methods onto European employees. It's an important way to keep employees happy. And the other way around, Europeans should accept that their Chinese expat colleagues have their own ways of working and the company, with its headquarters in China, probably wouldn't function properly if they were forced into a European way of working.

When analyzing the answers, the consensus seems to be that it would be unrealistic to expect Chinese managers to fully adapt to western ways of doing things, just as it would be to expect western employees to adapt to Chinese ways of doing things. In both cases enforcing work methods on either culture would be counterproductive, but instead accepting both cultures, and employing cultural bridges as seen in the literature review (Spigarelli et al., 2013) as an intermediary, could bring the two cultures together avoiding a lot of confusion and mistakes, leading to a more successful collaboration.

5 CHAPTER 5—DISCUSSION

5.1 Discussion & Conclusions

The aim of this study has been to identify which are the factors leading to success or failure of Chinese companies conducting FDI in Europe by identifying their obstacles, threats and opportunities. The literature review brought about four propositions that could either be said to contribute towards success or a failure of a Chinese company investing in Europe. The first proposition was that many of the Chinese firms are pushed immaturely into FDI in Europe, leading to their failure, while others might pulled to invest in Europe for various reasons, gaining a competitive advantage over their competitors. The second proposition was that Chinese firms entering Europe might run into some form of political, social or media resistance, possibly affecting them in a negative way, especially when it comes to POEs. The third proposition was that Chinese companies that will engage in M&A in Europe, should have prior synergies, trust and interconnectedness with their European partners to have more chance at a successful merger. The fourth and last proposition was that for Chinese firms to run successful cross-border company in Europe, they would need to choose an appropriate management style as well as hiring certain employees as cultural bridges between the Chinese and European employees.

The questions now is, what have we learned throughout this thesis? For one, Chinese companies are a new player in the international business scene and as such, are bound to make mistakes. Some of these companies will move abroad to avoid competitive disadvantages incurred by operating exclusively in the domestic market while others will acquire strategic advantages in Europe such as technology, management expertise, brand names, market positions, to leverage back in China or in the global market. It does seem like a lot of these companies engage in OFDI without the proper experience or due diligence and as such make a lot of first-mover mistakes, points which were already suggested in the literature review, and also

supported in the research study. However, what can be done to improve these factors? One of the obvious answers to that question would be to hire consultant agencies; a point corroborated by the literature review and in the research results. These agencies could assist and guide these Chinese MNEs in their ventures in Europe and theoretically improve their success rates.

The second issue is the European perception and reception of Chinese investments in Europe. This topic by itself could warrant a thesis in it's own right, given the rich feedback by the research participants. The question is how: are these companies welcomed when entering Europe? They are the new players in town, the new "unknown" as was mentioned in the research study, and because of the perceived close ties they have with the Chinese government they receive a fair amount of suspicion. However, because of this perception, POEs might also attract some negative attention that might not be completely justified. Furthermore, by being the new players in town, they are sure to get mixed receptions. Some European companies might welcome their investments because otherwise those same companies might run into severe financial distress, while others might view them with severe trepidation. As such, some of this tension might be alleviated by engaging in PR campaigns as was suggested in the literature review and also corroborated in the research study. Some of the suggestions were that they should further utilize the media by better informing the public on their firms investment intentions, although some of the participants seem to think that because of cultural distance, this distrust will be hard to overcome. In the literature review the research seemed to suggest that European governments were not necessarily doing enough to help Chinese investments in their host countries, however in the research part, given the diverse nationalities of the participants it might not come as a surprise that the opinions diverged on the matter, seeing that some of participants native countries might be doing more than others and vice versa. However, some participants did suggest that European governments do not favor one country over the other, so be it an investment from China or any other country, they would get the same treatment. Some participants suggested that the Chinese might be used to different treatment in China and thus might expect the same in Europe, and therefore might perceive what

the Europeans think is adequate help, as being insufficient. This issue could be an interesting topic for further research. Other participants also brought up the matter that China is usually not associated with quality and brands, which might give Europeans negative perception of them.

When it comes to Chinese M&A of European companies, the literature clearly states that without prior synergies and trust, there is not much hope for success. The research part does support these findings, but what can be done to improve these factors? Trust usually requires synergies, and for two companies to have synergies there needs to be time to form those synergies. However, as previously stated, a lot of these Chinese companies are pushed into OFDI, which means they might not have had enough time to properly form those synergies with potential European partners, if at all. There could be a correlation between these two factors and would be a fascinating subject for further research. The second part researched was the economic ties between a Chinese country and a European nation. Although some participants did hint at economic ties being beneficial in some ways, a majority consensus was not reached and as such, can not be said to be a defining factor for success in Chinese M&A of European firms. Furthermore, there was not enough response to form a consensus in regards to whether interconnectedness was a defining factor for a successful merger.

Last but not least is the cultural aspect of it all, and how two different cultures approach different management practices. In the literature review, no “one” approach was favored over the other, seeing that different circumstances require different approaches. However, three different approaches were suggested with them being; to keep the local culture intact, to replace the corporate culture with the headquarter culture, or to have a combination of both. The research found that Chinese and Europeans working along side each other would be the ideal choice, this way they could learn from each other and the Chinese could slowly adapt to the local market. Another style of management, which was also favored in the research study, was to mainly use locals when operating in European countries. This way the Chinese firm would be able to learn from the Europeans, their management practices and routines as well as having a better sensitivity to the market by utilizing local talent. However,

hiring employees, as cultural bridges between the two cultures did not get enough feedback to constitute as a defining factor.

5.2 Limitations of the Study

The research field in regards to Chinese firms and their investment in Europe is quite small, when all things are considered, and thus the data and analysis is limited to that scope.

The four propositions formulated after the data collection and analysis are very broad in their own right. Each proposition could warrant a thesis by itself and thus finding experts that are knowledgeable in all four areas was extremely difficult. As such some experts answers might have been limited for some of the questions.

The study was limited to the instruments that were used to achieve the consensus of the respondents who participated in this study.

The results of the study provided a basis for discussion and recommendations for future research, however, it is important to realize that the implications are limited because a Delphi study uses a small sample size of experts.

5.3 Recommendations for Further Research

- Research if Chinese firms get enough consultation when they conduct FDI in Europe.
- Research if there is a positive correlation between Chinese firms engaging in PR in Europe and European positive perception towards them.
- Research if there is a higher success rate in M&A among Chinese companies that have had prior synergies with their European partners, than those that have not.
- Research which management style works best for Chinese firms in Europe, and what can be done to better reach a common ground among the two cultures.

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7 APPENDICES

7.1 Appendix A. Letter of Introduction to Potential Panelists

Good day, I would very much want you to be part of my study.

Let me explain a bit.

My name is Thor Matthiasson, and I'm writing my Master thesis at the moment at Reykjavik University in Iceland.

The content of the Thesis is within your sphere of expertise, namely: Chinese Multinational Entities, and their entry into the European market. What I'm researching is their strategic intent, the failure/success of their Greenfield investments, M&A as well as the managerial and cultural challenges they might be facing etc.

There is some literature available in this area as you might know, but some of the conclusions are not particularly aligned. What I want to achieve with my thesis is to try and see if I can get a broad consensus from experts such as yourself, on these above mentioned issues, and I intend to research it with a Delphi panel. Further explanation how the Delphi panel works: <http://betterevaluation.org/evaluation-options/delphitechnique>

This is where you would come in. I would send you a very short questionnaire, which would be mainly comprised of open-ended questions.

I've contacted professors, consultants as well as professionals within some of the Chinese companies situated in Europe. This is to try and get as broad of a group with different backgrounds.

CHINESE FDI IN EUROPE: OBSTACLES, THREATS AND OPPORTUNITIES

I think it would be very interesting to see if there is a consensus within the professional community, and look forward to seeing the results.

Please let me know if this works for you and I'll send you a link with the questions in the next few days.

Kind regards

Thor

7.2 Appendix B. Round One. Short Literature Review & Questionnaires

Delphi Panel

Chinese FDI in the EU

Name:

Job title/description:

Can your name be included in the paper?:

If left blank it is assumed the participant does not want his/her name to be disclosed

Push or Pull

Contrary to the notion of competitive advantage, a variety of authors (Rui & Yip, 2008; Deng 2003; Yang 2003; Cui & Jiang, 2009) state that Chinese multinational enterprises (MNEs) will move abroad to avoid competitive disadvantages incurred by operating exclusively in the domestic market. An opinion that is also shared by Cheng & Stough (2007) who consider overcapacity and falling prices as the main motive for market-seeking overseas direct investment (ODI) by Chinese MNEs. Furthermore, research shows that at least half of the Chinese companies that conduct cross-border mergers are pushed to do so, because they needed **quick** solutions to acquire strategic resources to compensate for their competitive disadvantages. (Rui & Yip, 2008; McKinsey 2008). Quite a few papers (e.g. Filippov & Saebi, 2008; (Françoise Nicolas, 2014); Deng, 2007) however seem to suggest that the primary motivation behind Chinese MNEs investment in industrialized regions such as the EU is mainly to enhance their competitive advantage in the global market place. Therefore, there is an alternative view that Chinese MNEs are being pulled into Europe to enhance competitive advantage in the global marketplace and/or at home. ((Morck et al., 2008); European Chamber, 2013).

Therefore, do you believe that Chinese MNE's are pushed into OFDI - perhaps immaturity - because of market conditions in their home country? Or would you rather say that they are being pulled into OFDI for strategic purposes such as enhancing their competitive advantage? Please comment and provide details on the context and the reasons for your views.

Panelist response:

Reception

Chinese investments in Europe have increased in recent years, but the amount invested is still very small compared to other countries. (Françoise Nicolas, 2014). For example, In 2010, China's investment stock in the Europe was only EUR 6.1 billion which is less than what was held by India, Iceland or Nigeria at that time. (Deutsche Bank Research, 2014). This misconception might have led to articles such as: China "buying up the world" (The Economist 2010), "taking over Europe" (Bordet 2011), and "invading Europe" (L'Express 2011). Some existing literature suggests that the underlying prejudice derives from host-country concerns about the perceived influence that the Chinese government may exert on the operations and activities in the host country via the Chinese investor (Clegg & Voss, 2012). Peng (2006) believes that this is because the international business community has not done enough research to inform the public debate about the nature of Chinese cross-border M&A. The Japanese firms overcame some of the same negative sentiments in Western countries when they first arrived by fostering a more positive image of their companies. They worked with third parties to produce studies demonstrating the economic benefits their investments brought, and they built support at the local level by integrating into local communities (Marchick & Graham, 2006; Wu et al., 2011). It is further discussed that Chinese investors are still cautious about the European market because they do not have the skills to deal with it properly and suggest that host-country governments within Europe should set up policies that attracts Emerging Market Multinational Enterprises (EMNE) and assist them in their

investments (Shixue, 2014; (Buckley et al., 2014); Di Minin, Zhang, & Gammeltoft, 2012).

Therefore, do you believe there is misconception regarding Chinese MNE investing in Europe? Do you think that Chinese MNEs should engage in more positive communication and public relation campaigns? Do you feel there is enough support from European host countries assisting Chinese MNEs investing in their country? Please comment and provide details on the context and the reasons for your views.

Panelist response:

M&A

The prevalent theory (Kale and Singh, 2009; KPMG, 2010; Knoerich, 2010; (Françoise Nicolas, 2012) states that for a Chinese company to engage in a successful mergers and acquisitions is for the two merging companies to have prior synergies and interdependence, often resting on relationship of trust between the two companies through a prior strategic alliance, a joint venture or other means. In other words, the Chinese firm should have a partnering approach to acquisitions by finding European firms that would also gain from the merger of improving the acquired firms competitive position (Knoerich, 2010), which would be resulting in a mutual benefit and success. Then there are those who say that stronger economic ties between China and host country can foster a stronger political and cultural ties (European Chamber, 2013) and research has shown that the stronger the economic tie is between the two countries, the more chances there are for success in M&A (Zhang & Ebbers, 2010

Therefore, what are your views on factors such as prior synergies, trust and interconnectedness being the most important factors for success when Chinese MNEs merge and acquire European companies? Do you think they

*are more important e.g than strong economic ties between the two countries?
Please comment and provide details on the context and the reasons for your
views.*

Panelist response:

Culture / Management

Large number of Chinese FDI end in failure or in profit loss (Accenture, 2007; Peng, 2012) and according to some authors, the reason for a lot of the failures are differences in the social and economic environments, a lack of global experience; and the knowledge of the industry (Jianhong Zhang & Ebbbers, 2010) in managing European operations. It is therefore imperative to maintain and improve cross-cultural understanding between the European and Chinese actors (individuals or organizations) by finding a common ground between the two cultures, and to remove barriers deriving from habits, language, orientation, or cultural approaches to business and management. In managing European operations, Chinese firms have mainly three options, (1) to maintain the original culture and system, (2) to integrate the local operation with the headquarter culture, or (3) to develop a “third culture” that combines elements of the two (Alon and Higgins, 2005; (Spigarelli et al., 2013). Quite a few authors agree that the best course of action for the Chinese firm when engaging in M&A, would be to keep the corporate culture of the target firm, intact for better chance of success (Kale and Singh, 2009; KPMG, 2010; Knoerich, 2010(Françoise Nicolas, 2012). Others argue that the best course of action would be to hire local employees, and employ cultural bridges (Hirt & Orr, 2006; Spigarelli et al., 2013).

Therefore, what are your views with regards to the role of cultural differences and differing management practices? Which of the three management alternatives would you agree is the best way for Chinese MNEs investing in Europe? Do you think that different approaches need to be followed for

CHINESE FDI IN EUROPE: OBSTACLES, THREATS AND OPPORTUNITIES

mergers and acquisitions (brownfield investments) compared with wholly owned subsidiaries (greenfield investments)?

Panelist response:

7.3 Appendix C. Friendly Reminder

Hi [NAME],

Hope all is well.

I was wondering if you think you will be able to answer the questions I sent to you by tomorrow? If you think you might not be able to finish it in time, please let me know and I'll see if I can't extend the deadline.

Thanks!

Kind regards

Thor

7.4 Appendix D. Round Two Letter of Instruction

Greetings everyone. I have completed the first part of the data analysis from all the answer collected, which means now the second phase starts, with final Round of questions. Attached are four questions with slightly different emphasize, along with the participants general consensus.

If you could send in the answers by next Wednesday (8th of April) I would be ecstatic! If not then please let me know and I'll see if I can extend it a bit longer.

Thanks!

Kind regards

Thor

7.5 Appendix E. Friendly Reminder

Hi,

I just wanted to check in to see if you will be able to send me the answers by tomorrow? If not please let me know and I'll see if I can extend the deadline.

Thanks!

Kind regards

Thor

7.6 Appendix F. Round Two Questionnaires

Push or Pull

Second Round question: In regards to Chinese FDI in the EU, all participants in this study seem to agree that there is a combination of push and pull factors to a varying degree. They tend to agree that some of these Chinese firms have been forced to go overseas, but they also talk of Chinese firms going abroad to acquire strategic assets to better compete back in China or in the global market place.

Therefore, why do you think these Chinese firms are being Pushed and/or Pulled into OFDI?

Panelist response:

European reception

Second Round question: There seem to be rather large consensus among the participants that there is misconception regarding Chinese FDI in Europe, and that some of it might be unwarranted, especially in regards to POEs. When it comes to PR tactics, the majority of the participants feel that Chinese firms could certainly do more PR to inform the public as well as European companies on their investment intentions. However, a consensus was not reached in terms of whether European countries are doing enough for Chinese investors.

Therefore, why do you think there is misconception in regards to Chinese FDI in the EU? In your opinion, what kind of PR should they engage in to alleviate some of the suspicion?

Panelist response:

M&A

Second Round question. The majority of the panelists seem to agree the prior synergies and trust are very important factors in terms of a successful M&A between Chinese and European firms. However, couple of panelists argued that strong economic ties along with government backing would help the M&A become more successful.

Therefore, which of the two would you rank as more important when Chinese and European firms engage in M&A and why?: Prior synergies and trust or strong economic ties with government backing.

Panelist response:

Culture and Management

Second Round question: Most of the participants seemed to think that the first management model (where local talent is retained) or the third management culture (were there is a combination of both cultures) were the best options depending on the nature of the investment; with couple of participants speaking specifically against the second management culture (to integrate the local operation with the headquarter culture). However, when the numbers are compared, the majority of the participants seemed to agree that the ideal choice in the long run would be the third management culture, where both locals and Chinese would work together.

Therefore, why do you think that Chinese companies should choose a management style where Chinese and Europeans work alongside each other?

Panelist response:

7.7 Appendix G. Friendly Reminder

Hi,

I just wanted to check in to see if you will be able to send me the answers by tomorrow? If not please let me know and I'll see if I can extend the deadline.

Thanks!

Kind regards

Thor

7.8 Appendix H. IPAs offerings

Agency name	Pre-investment decision								Post-investment decision			Post-investment
	Chinese webpage	Office in China	Benchmarking service	Events/ trade missions	Fact-finding visits	Country and business opportunity	Government and research linkage	Existing business support	Professional services (finance, tax, legal)	Partners and suppliers networking and joint	Setup location assistant	
Invest In Austria	Yes	1	-	Yes	-	Yes	-	-	Yes	Yes	Yes	Yes
Brussels invest and export	No	1	Yes	Yes	-	Yes	Yes	-	Yes	Yes	Yes	Yes
Flanders Investment and Trade	Yes	2	-	-	-	Yes	-	Yes	Yes	Yes	Yes	Yes
Wallonia Foreign Trade and Investment Agency	Yes	4	-	-	-	-	-	Yes	Yes	Yes	Yes	
Invest Bulgaria Agency	No	No	-	-	-	Yes	-	Yes	Yes	Yes	-	-
Cyprus Investment Promotion Agency	No	No	-	-	-	-	-	-	-	-	-	-
CzechInvest	No	1	-	-	-	Yes	-	Yes	Yes	Yes		Yes
Invest in Denmark	Yes	1	Yes		Yes	Yes		Yes	Yes	Yes	Yes	
Estonian Investment and Trade Agency	No	1	-	-	Yes	Yes	-	-	Yes	Yes	Yes	-
Invest in Finland	Yes	1	-	-	-	Yes	-	-	Yes	Yes	Yes	Yes
Invest in France	Yes	3	-	-	-	-	-	Yes	Yes	Yes	-	Yes
Germany Trade and Invest	Yes	1	-	-	Yes	Yes	-	Yes	Yes	Yes	Yes	Yes
Invest in Greece Agency	Yes	No	-	-	-	Yes	-	-	Yes	-	-	Yes
Netherlands Foreign Investment Agency	Yes	4	-	-	Yes	Yes	-	-	Yes	Yes	Yes	Yes
Polish Information and Foreign Investment Agency	No	No	-	-	-	Yes	-	Yes	Yes	Yes	Yes	-
Agência para o Investimento e Comércio Externo de Portugal	No	3	-	-	-	Yes	-	-	Yes	Yes	Yes	-
Romanian Agency for Foreign Investment	No	No	-	-	Yes	-	-	-	-	Yes	Yes	-
Slovak Investment and Trade Development Agency	No	No	-	-	-	-	-	-	Yes	Yes	Yes	-
Public Agency of the Republic of Slovenia for Entrepreneurship and Foreign Investments	No	No	-	-	Yes	Yes	-	-	Yes	Yes	-	-
Invest in Spain	No	4	-	-	Yes	Yes	-	Yes	Yes	Yes	Yes	Yes
Invest in Sweden Agency	Yes	1	-	-	-	Yes	-	-	Yes	Yes	Yes	Yes
UK Trade and Investment	Yes	5	-	-	-	-	-	-	-	-	-	-
ITD Hungary Investment and Trade Development Agency	No	3	-	-	-	-	-	-	-	-	-	-
Industrial Development Agency of Ireland	Yes	2	-	-	-	Yes	-	Yes	Yes	Yes	Yes	-
Invitalia	No	No	-	-	Yes	Yes	-	Yes	Yes	-	-	Yes
Investment and Development Agency of Latvia	Yes	No	-	-	-	Yes	-	-	Yes	Yes	Yes	-
Invest in Lithuania	No	No	-	-	Yes	Yes	-	Yes	Yes	Yes	Yes	Yes
Invest in Luxembourg	Yes	1	-	-	-	-	-	-	-	-	-	-
Malta Enterprise Corporation	No	No	-	-	-	-	-	Yes	Yes	-	-	-
WestHolland Foreign Investment Agency	Yes	1	-	-	Yes	-	-	-	Yes	Yes	Yes	Yes

Table A: EU Member state National Investment Promotion Agencies and their offerings.

Note: a dash (-) denotes that data is not available. Retrieved from (Clegg & Voss, 2012)