International Business Review 24 (2015) 331–343

Contents lists available at ScienceDirect

International Business Review

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

The conscious and unconscious facilitating role of the Chinese government in shaping the internationalization of Chinese MNCs

Tian Wei [a,*], Jeremy Clegg [b,1], Lei Ma [c]

[a] Department of Business Administration School of Management Fudan University, Siyuan Building, 670 Guoshun Road, Shanghai 200433, PR China
[b] Leeds University Business School, Maurice Keyworth Building, University of Leeds, Leeds LS2 9JT, UK
[c] School of Humanities and Social Sciences, Nanjing University of Science & Technology, Nanjing 210094, Jiangsu Province, PR China

ARTICLE INFO

Article history:
Received 12 June 2013
Received in revised form 15 June 2014
Accepted 12 August 2014
Available online 8 September 2014

Keywords:
Chinese firms' internationalization
Chinese government role
State-owned enterprises
Privately owned enterprises
Host institutional context

ABSTRACT

The main focus of this study is the contrasting mechanisms through which the Chinese government influences the internationalization of Chinese state-owned enterprises (SOEs) and of privately owned enterprises (POEs). The different circumstances created by the Chinese government at the outset of internationalization are found to affect the speed of internationalization and the network positions of the internationalizing firms. The research design is an in-depth multiple-case study comprising two SOEs and two POEs in the process of entering into both developed and developing host countries. The value of this study lies in its identification, theorization and analysis of, on the one hand, the Chinese governmental promotion of SOEs and, on the other hand, the institutional escapism on the part of the POEs. This contributes to a new understanding of the process through which the government takes on the role of ecological management, to which is applied self-theory. This study also identifies the limits of the Uppsala model with regard to the paths to internationalization and proposes a mechanism to explain why these limits exist. The four network positions identified in the study indicate how firms are embedded in the network of the foreign markets and in so doing contributes to filling a gap in the research on the concept of network position as outlined in the revised Uppsala model (of 2009).

© 2014 Elsevier Ltd. All rights reserved.

1. Introduction

The rapid pace of economic development at home and the liberal market policies implemented by the Chinese government have contributed to the internationalization of Chinese firms (Deng, 2012; Luo & Tung, 2007; Rui & Yip, 2008). Apart from policy initiatives, institutional factors in China have played an important role in shaping internationalization behaviour and in encouraging local firms to "go global" (Ramasamy, Yeung, & Laforet, 2012). According to some, the differential depth and nature of the involvement by the Chinese government in the businesses of Chinese SOEs as opposed to POEs makes their internationalization processes distinct (Luo, Xue, & Han, 2010).

On the other hand, a number of recent empirical studies suggest that Chinese SOEs and POEs respond differently when faced with the institutional environments of host countries (Blonigen, 2005; Gani, 2007; Kolstad & Wiig, 2012; Wei, 2000). At the aggregate level, total FDI flows have been found to exhibit a positive relationship with the level of development of host-country institutions (Asiedu, 2006; Globerman & Shapiro, 2002; Harms & Ursprung, 2002). It has been recently documented that both the Chinese government and host-country institutional environments affect the internationalization of Chinese firms, but none of these studies take into account the role of the Chinese government in the internationalization of Chinese firms in the presence of different host institutional environments (Cui & Jiang, 2012; Luo et al., 2010). This is a significant omission, given the extent of the Chinese government's role and the external institutional pressures from host countries.

This study aims to explore the contrasting mechanisms through which the Chinese government influences the internationalization of Chinese state-owned enterprises (SOEs) and of privately owned enterprises (POEs). Specifically, we investigate the differences in the internationalization process between the Chinese SOEs and POEs with regard to the various levels of support from the governments for three essential decisions: incentives, paths, and

* Corresponding author. Tel.: +86 0 21 25011125; fax: +86 0 21 65643920.
E-mail addresses: weitian1983@gmail.com, weitian@fudan.edu.cn (T. Wei), ljc@lubs.leeds.ac.uk (J. Clegg), maryma1932@gmail.com (L. Ma).
[1] Tel.: + 44 (0) 113 3434512.

http://dx.doi.org/10.1016/j.ibusrev.2014.08.008
0969-5931/© 2014 Elsevier Ltd. All rights reserved.

approaches; these decisions consist of different strategies in the host countries and have various levels of development. Our research question therefore is: "How does the Chinese government affect the internationalization of Chinese SOEs and POEs?" Four Chinese MNCs were selected to explore the motives and details of each international activity. These firms are commonly viewed as the leading Chinese MNCs in the representative industrial sector in Chinese outward FDI. Two of them are SOEs, and two are POEs. Significant access to the staff and records allowed the detailed capture and tracking of the strategies and their corresponding approaches for implementation in each case.

2. Internationalization of Chinese SOEs and POEs

2.1. Home-country institutional context and the role of the Chinese government

The field of political economy has long maintained that the interaction between business and government is dynamic, complex, and interdependent (Boddewyn, 1988; Knutsen, Rygh, & Hveem, 2011; Kofele-Kale, 1992; Moran, 1985). Governments create systems of regulation for businesses to follow, while businesses have a degree of scope to influence the policies via representation and lobbying (Boddewyn, 1988). In China, the interdependence between government and business has been noted as particularly strong. Accordingly, government has the latitude to play a more significant role in the development and implementation of business strategies (Meyer & Peng, 2005; Wright, Filatotchev, Hoskisson, & Peng, 2005; Santangelo & Meyer, 2011).

The different ownership structures of Chinese SOEs and POEs are a determinant of this degree of interdependence (Amighini, Rabellotti, & Sanfilippo, 2013). The higher degree of interdependence between the SOEs and government is a strong reason to differentiate them from POEs with respect to the implementation of (national and ownership-neutral) policy toward internationalization (Song, Yang, & Zhang, 2011). First, SOEs face different business and economic conditions in the domestic market, regardless of the industry of activity. Governments provide SOEs with access to strategic resources such as political support and capital from state-owned banks, and SOEs often enjoy a legacy monopolistic or dominant incumbent position at home (Amighini et al., 2013; Zou & Adams, 2008). It has been argued that these conferred access advantages compensate for the lack of firm-specific advantages of SOEs in internationalization (Luo et al., 2010; Rugman & Li, 2007). Second, due to strong ties with the government, when making decisions, managers in SOEs are mindful of the possibility that further support will be either formally or informally available in contingencies (Cui & Jiang, 2012). Such managerial cognition leads managers to underestimate the risks in internationalization and induces a bias towards outward FDI (Buckley et al., 2007). Third, SOEs have the scope to pursue a broader set of objectives in their international expansion, including both economic and political ones (Cui & Jiang, 2012; Globerman & Shapiro, 2009; Zhang, Zhou, & Ebbers, 2011). It follows that with actual and anticipated governmental promotion, SOEs are able to bear short-term losses and can afford to take greater risks in the internationalization process.

In contrast, POEs are largely motivated by commercial objectives alone in internationalization due to the lower degree of interdependence with the government (Child & Rodrigues, 2005; Luo et al., 2010). First, POEs are typically constrained by limited capital, explaining the recourse to devices such as "round tripping" and tax havens to overcome their financial shortcomings (Sutherland & Ning, 2011). In addition, prior to 2004, POEs were not encouraged to invest overseas, so any investments had to be circuitous by their nature (Ramasamy et al., 2012). Second, due to questions over legitimacy, POEs have experienced discriminatory policies in the domestic market and with regard to the access to natural resources (Kolstad & Wiig, 2012; McMillan & Woodruff, 2002). As a result, they may be prompted to seek out foreign markets where policy discrimination against POEs and the institutions of discrimination are absent (Ramasamy et al., 2012).

The majority of studies on the impact of the Chinese government on the internationalization of Chinese firms focus on the incentives *per se* for internationalization (Deng, 2012). Generally, due to the governmental promotion afforded to SOEs and the institutional escapism driving the POEs, the strategic asset-seeking motive is more important for SOEs, while the technical superiority of host-country industries is less of an attraction for POEs (Luo et al., 2010; Ramasamy et al., 2012).

However, there has been little research that places emphasis on the processes involved compared with the preponderance of studies aimed at better understanding the role of internal resources and capabilities and the impact of the external institutional environment on the implementation of the internationalization of Chinese firms (Deng, 2009; Oliver, 1997). Many important processual and implementation elements – including, for example, the speed of internationalization and the network position in host countries – which are critical within the Uppsala Model (Johanson & Vahlne, 1977; Johanson & Vahlne, 2009), are ignored by a large number of studies (Deng, 2012).

2.2. Host country institutional context: Overcoming institutional legitimacy

The influence of the Chinese government on internationalization is also apparent in the variation in investment by SOEs and POEs across the host countries. First, once abroad, Chinese firms are subject to the regulatory provisions of host-country governments (Gome-Casseres, 1990; Kesternich & Schnitzer, 2010). Various host-country discriminatory and restrictive policies create difficulties for (inward) internationalization, for example, limiting foreign investors' access to local resources, requiring mandatory exporting, and interfering with other operational matters (Meyer, Estrin, Bhaumik, & Peng, 2009). In addition to this, Chinese SOEs are suspected of having political objectives that substitute for the commercial benefits to their shareholders (the Chinese state), therefore reducing or eliminating by implication the potential for direct and indirect economic benefits to the host economy (Chen & Young, 2010; Zou & Adam, 2008). The political dimension associated with Chinese SOEs can induce political sensitivities and public concern within the host countries (Cui & Jiang, 2012). In contrast, Chinese POEs are more at liberty to obtain institutional legitimacy in terms of local regulations due to their relatively weak political associations.

Second, the internationalization of Chinese firms should take into consideration the social expectations within host countries. These are the normative systems comprised of the shared norms, values, beliefs, and cultures of a country (DiMaggio & Powell, 1983; Francis, Zheng, & Mukherji, 2009). The level of normative pressure exerted varies with the degree to which foreign cultures and practices are embraced or, indeed, resisted by inward investors (Francis et al., 2009; Ghemawat, 2001). Chinese SOEs are associated with the state power of China and carry an image of bureaucratic practices and inefficiency in the mind of host-country societies (Cui & Jiang, 2012; Zou & Adams, 2008). The bureaucratic stereotype connotes a lack of transparency and codified information, making the operations of Chinese SOEs difficult to understand and to be appreciated by individuals and organizations within host countries (Zhang et al., 2011; Zou & Sun, 1996). By comparison, Chinese POEs are more likely to conform to host-country

Download English Version:

https://daneshyari.com/en/article/1001523

Download Persian Version:

https://daneshyari.com/article/1001523

Daneshyari.com