

EMNEs' Strategic Asset Seeking M&As: A Systematic Review of Antecedents, Processes and Outcomes

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ABSTRACT

Emerging market multinational enterprises (EMNEs), especially Chinese multinationals, have consolidated their presence on the global stage over the last decade. The emergence of EMNE challenges existing theories, but also provides the opportunity to observe how infant MNEs emerge and develop themselves in today's dynamic and competitive environment. To investigate one of the most significant strategies of EMNEs—strategic asset seeking (SAS) mergers and acquisitions (M&As) in developed countries, we adopt a systematic literature review approach to review related papers between 2000 and 2019 from all academic journals. The review organises literatures on EMNE's SAS M&A into three categories in terms of 'antecedent', 'process' and 'performance outcomes'. Important factors from the three groups of papers are summarized as well as these papers' year and journal distribution, theoretical foundation, research strategy and context. Future research directions are also proposed at the end of this paper. The review aims to provide a basis for further empirical research on EMNEs' SAS M&A and to contribute to the literature on EMNEs and international business in general.

Keywords: Emerging Markets, SAS Seeking, Cross-Border Mergers and Acquisitions (M&As).

INTRODUCTION

Foreign Direct Investment (FDI) outflows from emerging economies increased from \$13.11 billion in 1990 to \$418 billion in 2018 (UNCTAD, 2019). Chinese MNEs have been key actors in this rise and China is now firmly positioned as the second-largest outward investor in the world – despite a decline in outward FDI from 2017 – investing a total of \$130 billion overseas in 2018. As part of this massive investment, there are numerous EMNEs entering the global stage such as Huawei, Geely, Lenovo and others. Chinese MNEs have been emerging as important competitors in the world, 105 Chinese MNEs entered the Fortune Global 500 list in 2017, all originally established in mainland China.

Not surprisingly, increasing studies now focus on explaining emerging market MNEs' (EMNEs') internationalization in terms of motives, location choice and entry mode because they are showing a different path of internationalization which differs from extant theories (e.g. Dunning's OLI paradigm, or the Uppsala model). This difference has also triggered a debate around whether new theories are needed for explaining EMNEs' internationalization activities (Cuervo-Cazurra, 2012). Specifically, traditional theory assumes that MNEs expand abroad to exploit their competitive advantages and usually internationalize incrementally. By contrast, EMNEs often invest in developed markets to acquire strategic assets, thereby trying to compensate for their lack of competitive advantage, as opposed to exploiting own advantages. According to EMR (2018), over 60% of Chinese M&As from 2015 to 2017 were in developed countries while nearly 40% of invested sectors were knowledge intensive or strategically important. Practically, EMNEs are demonstrating their strength with their rapid internationalization – sometimes referred to as “catch-up” strategy (Luo and Tung, 2007,

2018) - and showing that alternative internationalization approaches are viable and firms can use internationalisation as an upgrading strategy (Zheng et al., 2016).

Reflecting such EMNE internationalisation strategies, a rising number of academic studies focus on examining EMNEs' acquisition strategies and post-acquisition performance.

However, because EMNEs' strategic asset seeking strategies are fairly recent, a number of gaps in knowledge persist. Firstly, the performance not only reflects EMNEs' catch-up progress, but also the success of their strategy. In the case of EMNEs' SAS acquisition, a key uncertainty remains over what *is* post-acquisition performance for these firms. Indeed, performance is traditionally measured using different approaches and remains unclear even within the same performance dimension (e.g. stock market performance). Secondly, if the strategic aim is to add to the innovation competencies of the MNEs, then further research on the process through which such competencies are gained through M&As and how these result in wider performance – including *innovation* performance - for EMNEs is needed. Thirdly, how governance structures influence both strategies and performance outcome remains unclear. For example, state-ownership and political connections within privately owned enterprises (POE) are likely to impact SAS acquisition strategies abroad. Around 18% of state-owned MNEs are headquartered in China (UNCTAD, 2017) and some POEs are considered as connected with the government (Luo and Tung, 2018). State ownership or political connection matters because it affects firms' management, efficiency and value (Ciabuschi et al., 2017), as well as potential intra-MNE cross-border integration and knowledge transfer and post-acquisition with potential impact on performance.

This paper aims to provide a systematic understanding of the whole strategy of EMNEs' SAS acquisitions by synthesizing conceptual and empirical developments, reflecting the increasing attention given to EMNEs. It differentiates itself from previous reviews in similar domains (e.g. Li et al., 2018; Luo and Zhang, 2016) as it focuses specifically on EMNEs' SAS M&As and investigates the whole process.

The key contributions of this systematic review are, firstly, to fill knowledge gaps by understanding various steps in EMNEs' SAS acquisition. To achieve this, we follow the review of Deng (2012) and the model of antecedent, process and outcome to conduct the systematic review. The reasons why this review includes antecedents, processes and outcomes are two-fold: first, the performance outcome of SAS M&As will result from strategic decisions taken before the M&A took place and in terms of integration mechanisms and knowledge transfer processes adopted; secondly, performance outcomes vary and deserve specific attention. Secondly, this review contributes to the literature by not only summarizing and demonstrating how existing studies add understanding on stages of EMNEs' SAS acquisition but also identifying and consolidating essential factors influencing such as SAS acquisition. In doing so, a key contribution of this systematic review is therefore to inform future research.

The paper is structured as follows. First, review methodology demonstrates the process of data collection including keyword search, journal selection and review procedures. Second, different features of reviewed studies are presented such as the distribution by year and journal, theories used, country context of research, research methodology, databases adopted and the time range of analysed studies. Then, the review continues with presenting antecedent, process and outcome of EMNEs' SA-seeking M&As for further discussion. The review ends with a conclusion section which summarizes the common features of chosen papers and proposes some directions and suggestions for future research.

REVIEW METHODOLOGY

This review focuses on EMNEs' SAS acquisition, with a particular emphasis on acquisition antecedents, acquisition process and post-acquisition performance outcome. The view of investigating SA acquisition follows the process perspective in terms of antecedent, process and outcome, which is also adopted by Deng (2012). To be more specific, three initial keywords were included, namely, EMNE, SA acquisition and integration/performance. Based on the three topics, more keywords were developed to locate more complete and comprehensive search results, notably by using Google Scholar and other search engines to identify potential synonyms adopted by different scholars.

After a thorough search, keywords for gathering reviewed literature in this study were identified and this vocabulary cluster was then adopted to search in Web of Science (WoS):

TS=((("multinational" OR "international" OR "transnational" OR "global" OR "MNE" OR "MNC" OR "business" OR "Chinese" OR "emerging" OR "developing" OR "springboard" OR "dragon")) AND ("knowledge" OR "technology" OR "strategic asset" OR "know-how" OR "R&D")) AND ("M&A" OR "merger and acquisition" OR "acquisition" OR "cross-border merger and acquisitions")) AND ("innovation" OR "performance" OR "upgrade" OR "integration" OR "catch-up" OR "absorb" OR "evolutionary" OR "value creation" OR "outcome" OR "transfer" OR "imitation" OR "absorption" OR "adaptation" OR "assimilation"))

The initial search highlighted 2,784 articles. The initial search was then refined by only focusing on 'Business and Management' and 'journal articles', which highlighted a total of 981 articles. The criteria are shown in Table 1 below:

[Table 1 here]

Previous reviews (i.e. Luo and Zhang, 2016) further refine their results by focusing on a small selection of journals. For example, Luo and Zhang (2016) choose only top IB or Management journals. However, this review does not follow their criteria not only because the rise of EMNEs is a recent phenomenon but also avoids a biased selection. Then, the findings were filtered manually by checking those papers' titles first and their abstracts. After a time-consuming selection, 110 papers were initially chosen.

Here are the criteria for choosing papers for:

1. Context: multinational companies from emerging market
2. Entry mode: cross-border M&A
3. Location choice: developed countries
4. Motivation for M&As: knowledge seeking/ strategic asset seeking
5. Emphasis: integration process/mechanism, post-acquisition performance

Following above procedures and combining some useful references from other reviews (e.g. Li et al, 2018; Luo and Zhang, 2016), the final result shows 74 papers in total. Further analysis of these papers will be presented in the following section.

REVIEW RESULTS

Journal and year distribution

Figure 1 shows that papers included in this review were published between 2007 and 2019. This reflects the fact that the focal phenomenon is a recent one. Noticeably, academic interest in EMNE's SAS acquisition has been increasing since 2014, and point to the need for more studies on EMNEs' post-acquisition phase (Luo and Tung, 2018).

[Figure 1 here]

Journal distribution is shown in Figure 2. Most papers are from mainstream IB journals such as Journal of World Business (JWB), International Business Review (IBR), Asian Pacific Journal of Management (APJM) and Thunderbird International Business Review (TIBR) while there are also other papers from strategy or general management journals.

[Figure 2 here]

Theoretical foundation

Most studies combine multiple theories rather than use a single theoretical lens. The most frequently used theories (Figure 3) are resource-based view (RBV), knowledge-based view (KBV), dynamic capabilities, institution-based view (IBV), organisational learning and general EMNE theory such as ‘springboard perspective’ and ‘LLL’ model. Among these theories, RBV, KBV and institutional theory are most frequently used. This finding is also consistent with the review by Luo and Zhang (2016). In their findings, RBV, KBV, IBV, EMNE theories are also amongst the first tier of most-cited theories.

[Figure 3 here]

Research context

As presented in Figure 4, Chinese and Indian MNEs are the most researched in the context of SAS M&A. One-fifth of the studies focus on all emerging countries while only 3 studies choose Latin America, Russia and Arab countries instead of China and India. This explains the call for more research on underrepresented emerging economies MNEs (Liu and Woywode, 2013; Kale and Singh, 2017). Over 80% of papers in our review have noted a generalizability problem about their finding because their studies focus on one or two emerging countries.

[Figure 4 here]

Research strategy

As shown in Table 2, most studies are quantitative despite calls for more qualitative studies in this field (Li et al., 2017; Chen et al., 2017). A few papers use mixed methods. From those qualitative studies, data is usually collected by means of face-to-face interviews. Quantitative studies either use secondary data or data collected by means of surveys amongst EMNEs.

[Table 2 here]

Database frequently used

Figure 5 presents M&A databases frequently used by researchers either for review studies or for quantitative modelling.

[Figure 5 here]

Time range of selected studies

Papers in this systematic review were published between 2007 and 2019, and the time range covered in their research analysis of M&As spans from 1985 to 2017 (Figure 6).

[Figure 6 here]

TOPICS AND FINDINGS

This section explores in extant literature on SAS acquisition by EMNEs through SAS M&As, with a focus on antecedents, processes and outcomes. First, antecedents of EMNEs M&As are explored specifically through the lens of SAS acquisitions. Then, to provide greater detail in the analysis, “processes” and “outcomes” are divided into sub-categories. ‘Acquisition process’ is divided into integration and knowledge transfer. This is because through the acquisition process, how EMNEs transfer knowledge back home, absorb and apply it, as well

as integration mechanisms matter. Finally, this section ends with a presentation of acquisition outcomes, which are organized into: HQ innovation performance, HQ stock performance, HQ operational performance and subsidiary performance. A common evaluation in M&A literature is to examine the stock performance by calculating CAR (Cumulative abnormal return) after the acquisition (e.g. Toa et al., 2017). When investigating stock performance, an event study method is one of the mainstream approaches. The other aspect is to evaluate EMNEs' innovation performance by detecting whether patent applications increase after the acquisition. Other methods include evaluating EMNEs' profitability or productivity which is labelled as 'operational performance' in this study.

The following sub-sections will discuss papers based on the three above mentioned categories.

Acquisition Antecedents

A total of 18 studies explored EMNEs' 'acquisition antecedents'. Numerous studies focus on Chinese MNEs' M&As. Deng (2009) explains EMNEs' intents for acquiring advanced assets from institutional perspective. On the one hand, Chinese multinationals respond to the government's call for internationalization and receive governmental support. On the other hand, EMNEs are also facing institutional constraints and difficult situation to develop their own assets domestically. Other studies present EMNEs' internationalization as a 'catch-up' strategy to access advanced knowledge in developed countries (for instance, see early studies by Matthew (2006), Luo and Tung (2007) and Rui and Yip (2008)). Cui et al. (2014) test this theory and demonstrate EMNEs' strategic intents to catch-up by seeking strategic assets through exploring organisational antecedents, such as ownership structure and international experience.

By contrast, other studies explain EMNEs' SA acquisition by applying traditional theories. For example, Li (2007) suggests the LLL model and OLI paradigm can apply for all

multinationals; a view that was subsequently reflected in the ‘Goldilock’ debate (Cuervo-Cazurra, 2012) (eg. whether a new theory is needed to explain EMNEs’ internationalization).

More recently, Buckley et al (2016a) explored whether EMNEs are exploiting or augmenting assets overseas. Asset exploitation refers to the traditional view that EMNEs exploit their assets during internationalization while asset augmentation reflects the emerging view that EMNEs develop themselves by augmenting assets overseas (Luo and Tung, 2007). They find that external resources (assets from foreign countries) and technology resources are most beneficial for EMNEs’ ‘catch-up’ (Buckley et al., 2016b).

After identifying EMNE’s catch-up intents, reasons or influential factors behind such intents are explored. Jindra et al. (2016) suggest that EMNEs are more likely to be attracted by ‘agglomeration economies’, ‘intensity of localized R&D expenditures’ and ‘availability of human resources in science and technology’ in developed countries. Dau (2018) and Gaffney et al. (2016) provide additional evidence that M&A as EMNEs’ prior entry mode could facilitate knowledge transfer and integration after acquisition compared to other entry modes. When exploring EMNEs’ ownership structure, Xie and Li (2017) find that both POEs and SOEs behave differently when they follow first-movers to internationalize. For example, if the first-mover is privately-owned, both SOEs and POEs are likely to follow but POEs are less likely to follow if the mover is state-owned. In the case of Chinese EMNEs, government involvement (Wang et al., 2012), state-ownership (Cui and Jiang, 2012), *guanxi* with the government (Du and Zhou, 2019) or institutions in general (Wu and Chen, 2014) have also received attention. State-ownership or political connection not only influence EMNEs’ internationalization motivation but also the whole acquisition process (Ciabuschi et al., 2017).

Other studies explore DMNEs inward FDI in emerging markets as antecedents of catch-up. Xia et al. (2014) explain the boosting effect of resource interdependence between firms and

foreign companies on OFDI activities while state-ownership moderates this relationship. Specifically, inward FDI from DMNEs to emerging economies supports technological catch-up of EMNEs through technology spill over. Li et al. (2012) find that IFDI could affect the ‘propensity’ of EMNE’s overseas investment. Hertenstein et al. (2017) find that EMNEs’ interactions with DMNEs through IFDI act as an impetus for EMNE’s internationalization in terms of strategic asset seeking, location choice and entry mode. On the other hand, from the perspective of subsidiaries, they share the same strategic needs and complementary motivations with headquarters such as resource or market access (Knoerich, 2010).

[Table 3 here]

Acquisition Process

In this sub-section, papers focusing on the ‘acquisition processes’ in terms of ‘integration’ and ‘knowledge transfer’ are reviewed. Integration is considered as one of the major problems that EMNEs encounter in the acquisition process because of insufficient managerial capability and cultural difference. By separating knowledge transfer from integration mechanisms, emphasis is given to intra-EMNEs’ knowledge transfer. This reflects an increasing number of studies that focus on EMNEs’ SA acquisition as an essential strategy. Knowledge transfer refers to the knowledge flow from HQ to subsidiaries – as it is generally the case that HQ hold superior technological and financial resources, whilst reverse knowledge transfer refers to knowledge flows from foreign subsidiaries to HQs. In the case of EMNE’s SAS M&As, knowledge transfers between business units are attracting rising attention in the literature.

Integration

13 papers focus on EMNEs’ integration strategy after their SA-seeking M&As. Recent studies describe two mainstream integration approaches for EMNEs: ‘light-touch’ and ‘partnering’

(Marchand (2017) and Zheng et al (2016)). Based on 12 EMNEs in France, Marchand (2017) suggests that EMNEs choose ‘partnering’ as their major integration method and further extend this approach into four aspects: ‘Transfer Partnering’, ‘Springboard Partnering’, ‘Synergy Partnering’ and ‘Subjection approach’. Each approach focuses on different aims according to the motivation of EMNEs such as knowledge transfer or globalization while the last approach refers to minimum autonomy given by HQ. Zheng et al. (2016) also explore the ‘partnering approach’, focusing on Chinese investments in Europe, and find that this integration method is beneficial for CMNEs to retain strategic assets. They also find that EMNEs are more likely to acquire complementary strategic assets in a similar domain. Zheng (2016) focuses on the ‘light-touch’ integration approach (Liu and Woywode, 2013) to further explore the reasons behind this approach after EMNEs’ aggressive investment. The research not only highlights the effect of power dynamics and the significant role on integration and learning process.

Other studies explore integration through the lens of organisational learning theory. Fan et al. (2016) explore the impetus of CMNEs’ learning in Australia. Through a fuzzy-set qualitative comparative analysis, factors such as ‘market orientation’, ‘business modularization’, ‘network resources’, ‘business specificity’, ‘institutional complexity’ and ‘market competition’ are found to influence CMNEs’ localized learning. Lynch and Jin (2016) use industry-level data in the Chinese automotive industry which is a relatively mature industry. In the target industry, Chinese firms are more likely to exploit less technological resources and catch up incrementally rather than radically. Ray et al. (2017) combine ‘LLL’ model and organisational learning perspective to address the evolutionary path of Indian pharmaceutical companies. They argue that EMNEs are becoming contributors to the global innovation system rather than purely knowledge ‘seekers’ or ‘learners’. Specifically, this autonomous

learning takes place throughout the whole internationalization process, which is independent with each part of ‘LLL’ model in terms of linkage, leverage and learning.

In order to better capture the complexity of EMNEs internationalization, three papers use longitudinal data. First, Kotabe and Kothari (2016) choose 16 multinationals from China and India with a timeline of 59 years to investigate EMNEs’ process of building competitive advantages. They summarize two dimensions of this path, the first one refers to EMNEs’ capability to gain resources externally and absorb them. The other path refers to the companies’ ability to find a niche market, improve innovation capability and overcome the liability of *emerging-ness*. Park et al. (2018) – focusing on an under the researched context of Arab countries, find that the target EMNE has experienced an evolutionary process. The authors distinguish between three phases during which the focal EMNE performs differently in terms of strategy, integration and acquisition styles, and intention of competition. Just similar with the ‘upward spiral model’ by Luo and Tung (2018), EMNEs start learning from IFDI and develop incrementally then finally engage in international competition. Finally, Yakob et al. (2018) conduct an in-depth case study on Geely & Volvo through 45 interviews at the cooperation centre of these two companies—China-Euro Vehicle Technology. The authors suggest that EMNEs not only augment strategic assets but are also involved in asset creation. Studying the Geely-Volvo case over time, they provide a comprehensive understanding of EMNEs’ SA acquisition involving both knowledge absorption and new knowledge creation.

Different from previous papers, Liu et al. (2018) investigate brand management and learning in the integration process with a focus at three levels—nation, corporate and product. The authors find that EMNEs are more likely to separate acquired target brand from their own, which is a common move of emerging acquirers. Besides, they also argue that EMNEs will

benefit from acquiring brand at the other two levels through ‘country-of origin image’ and ‘brand portfolio’.

Other papers address ‘integration’ more generally, for instance, Panibratov (2017) summarizes some influential factors from Chinese and Russian CBMAs which includes multi-levels and multi-aspects, such as culture, integration speed, HRM, industry etc. The study is based on purely secondary data from official documents, news and previous case studies, but it still provides suggestions for EMNEs’ further integration.

Knowledge Transfer

As previously mentioned, knowledge transfer in the context of EMNE’s knowledge acquisition refers to the knowledge flow from subsidiary to HQ, namely, reverse knowledge transfer. All papers identified as ‘RKT’ are investigating how different factors affect this knowledge transfer process, including knowledge characteristics (tacit/ implicit), political connection, absorptive capacity, and other factors. Scholars investigate these factors in different contexts, though the majority of studies focus on China and India. In the case of India, Nair et al. (2015, 2016, 2018) use a dataset collected by means of questionnaire survey of 329 Indian MNEs which conducted their acquisitions between 2000 and 2010. In Nair et al. (2015) find that complexity of knowledge, competitive subsidiary and collaboration between companies will lead to a greater extent of knowledge transfer. Other factors such as perceived subsidiary capability, absorptive capacity (AC) and knowledge relevance are tested in Nair et al. (2016). The researchers find that perceived subsidiary capability will lead to more HQ engagement in KT while knowledge outflow from subsidiary will also be higher. The other two factors such as AC and knowledge relevance are considered as mediating and moderating RKT process respectively. In addition, benefits of RKT (measured by survey) are explored

after identifying aforementioned factors and their effect toward this process. A positive relationship is then found between the extent and benefit of KT in Nair et al. (2018) while knowledge tacitness and organisation collaboration have a positive impact on the benefits of RKT.

In the context of China, Ai and Tan (2018) found Chinese companies are more likely to transfer implicit knowledge rather than tacit one because of knowledge complementarity, home country advantages, cultural difference and lack of key staff. Furthermore, Ai and Tan (2017) also expose the significant effect of a firm's prior knowledge on KT process. Prior knowledge including 'knowledge about M&A target', 'prior IB experience', 'R&D capability' and 'industrial capabilities', which can promote knowledge transfer and contribute to the M&A success.

By looking at Chinese M&As in Germany, Haasis et al. (2018) suggest that CMNEs adopt KT as part of operational integration and apply themselves into multiple interaction activities (e.g. R&D centres) to facilitate KT. Different from developed counterparts, CMNEs engage in knowledge transfer process only with knowledge flow from subsidiary to HQ. The authors also find AC, knowledge characteristics and cultural differences are influential factors in the process. Finally, Peng et al. (2016) test significant factors established in prior theory in the case of Chinese acquisitions in America. For example, CMNEs' clear KT goals and HQ control are beneficial for KT while subsidiary age has a negative relationship with the transfer.

Ciabuschi et al. (2017) examine the role of political connections in KT and suggest that political embeddedness of CMNEs will negatively affect the process. They found interactions between acquiring companies and the government while political embeddedness affects this company's managerial capability. This unique characteristic of CMNEs will not only affect

firms' efficiency, organisational culture, retention of employees and AC, but also the legitimacy of its international operations.

Wang (2017) combine organisational unlearning and KT together to address CMNEs' M&As by strengthening the role of routine and knowledge compatibility. Although organisational unlearning does not affect knowledge transfer directly, the unlearning benefits KT by facilitating knowledge and routine compatibility. By discarding out-dated routine and integrating new knowledge, organisation unlearning could also be a way of improving innovation performance.

[Table 4 here]

Acquisition Performance Outcome

EMNEs' post-acquisition performance is attracting increasing attention in academic literature. To date, the performance remains ambiguous not only because different evaluation methods are used but also due to heterogeneity within EMNEs. To provide clarity, this review distinguishes four performance categories, namely stock performance, HQ innovation performance, HQ operational performance and subsidiary performance. A total of 31 papers evaluate EMNEs' post-acquisition performance. The majority of papers focus on stock performance and HQ's innovation performance (two-thirds of the total).

Stock performance

With regards to HQ stock performance, an event study is commonly used. Aybar and Fific (2009) show that EMNE's M&As do not create value on stock market. In contrast, Li et al. (2016) find a positive stock reaction while identifying several influential factors such as

cultural distance in Chinese M&As. Chen et al. (2017) provide empirical evidence not only for the positive reaction but also for ‘springboard’ behaviours of Chinese MNEs.

Compared to other studies, Toa et al. (2017) and Zhou et al. (2015) suggest that SOEs and POEs perform differently. Toa et al. (2017) verify the assumption that CMNEs are catching-up by acquiring strategic assets in developed countries and benefiting from advanced institutions. Although this investment will benefit EMNEs, shareholders of SOMNEs receive less CARs than their POEs’ peers. Zhou et al. (2015) find that M&A announcements bring a positive market reaction especially following a political event in China. SOEs tend to perform better than POEs because of support from political intervention.

In the context of India, Gubbi and Elango (2016) suggest that ‘resource deepening acquisitions’ benefit shareholders more than ‘resource extension acquisitions’. Besides, firms’ AC, prior experience and business group ownership structure are more likely to help EMNEs to gain more value. Based on survey and CARs, Kale and Singh (2016) investigate how EMNEs manage this acquisition and performance outcomes. They not only find evidence of the ‘light-touch’ integration suggested by Liu and Woywode (2013) but also ‘linking’ mechanisms for organising HQ-subsidary relationships. These two mechanisms are also found to improve the post-acquisition performance.

HQ innovation performance

Most reviewed papers assess HQ’s innovation performance by the number of patents, which is a commonly adopted proxy. Multiple sub-categories of patents can be used to measure innovation performance such as patent applications, patent citations, patent families and invention patent applications. Although different measures are adopted, the ultimate goal of these papers is to assess the post-acquisition performance and explore influential factors.

The first group of papers examine whether SA-seeking M&As have a positive or negative influence on innovation performance. However, the result remains ambiguous even in the same context. For instance, Anderson et al. (2015) find a two-fold result where innovation performance is enhanced at HQ level but unchanged at subsidiary level when counting patents. Furthermore, Amendolagine et al. (2018) do not find a clear positive performance of Chinese and Indian acquisitions based on patents. They state that KT is a sufficient condition which EMNEs have to meet to raise their innovation performance regardless of the target company's innovation level. Similarly, Yu et al. (2019) identify that EMNEs do not improve their technological capability significantly because the 'light-touch' integration hinders knowledge transfer between HQ and subsidiary.

On the other hand, positive results of SAS acquisition on innovation performance are found by Fisch et al (2019), Fu et al. (2018), Zhang et al. (2018a) and Zhou et al. (2019) in China. Specifically, higher differences in knowledge base between acquiring and the acquired company lead to more patent output (Fisch et al., 2019). They find CMNEs benefit more when acquired firms are located in technologically and culturally distant regions, and find little differential effect in the case of state-ownership.

By contrast, other studies find factors that negatively affect HQ's innovation performance include state-ownership and home country's industrial policy (Zhang et al., 2018a). In the study by Fu et al. (2018), innovation performance is measured by new product sales and factors such as firm characteristics, context and prior export experience will affect the innovation performance. They also argue that in-house R&D has a substitution effect on SAS acquisition. This factor should also be considered when we measure innovation performance in order to distinguish the effect of M&A only. Zhou et al. (2019) distinguish the effect of EMNE's M&As in developed countries or developing countries and then find a positive result

when investing in developed countries. Financial development and human capital are considered to negatively affect that positive relationship.

Political connections have also been found to influence KT and performance in EMNEs.

Kotabe et al. (2017) examine innovation by means of face-to-face interviews in two ways—incremental innovation and radical innovation. They argue that political networking capability cannot by itself increase innovation performance unless it is combined with AC. Furthermore, Wu et al. (2016) test host-country factors' influence on the performance in terms of institutional development, geographic diversity, entry mode and state-ownership. To be specific, stronger institutions in the host country and geographical dispersion will benefit EMNE's innovation performance. SOEs are expected to perform better in countries with weaker institutions, with little difference between entry modes such as IJV and WOS. Finally, Yoon and Lee (2015) find that EMNEs SAS acquisition is more likely when host countries have fewer trade barriers.

In the case of India, Awate et al. (2012, 2015) compare DMNEs and EMNEs by analysing two multinationals—Vestas (Danish) and Suzlon (Indian). Awate et al. (2012) find that although EMNEs catch-up in terms of output capabilities, they still fall behind on innovation capabilities. Besides, there is still a gap between EMNEs' knowledge base and their rivals. In the study of 2015, they compare the knowledge flow between HQ and subsidiary in terms of knowledge accessing and knowledge sourcing. Whilst advanced MNE's HQs tend to serve as the source of knowledge for their subsidiaries, they find that this tends to be reversed for EMNEs and their HQs tend to access knowledge from their subsidiaries. Compared with DMNEs, EMNEs experience difficulties in accessing knowledge from foreign subsidiaries which means catch-up in terms of innovation competencies takes longer pared with developed MNEs, EMNEs are experiencing a more difficult and insufficient process of innovation catch-

up by knowledge access, and their process of knowledge accession is longer and harder compared to their advanced peers.

HQ' operational performance

In this sub-section, studies that measure performance in terms of productivity or new product development are reviewed. Kotabe et al. (2011) investigate new product market performance of Chinese MNEs. They suggest that realized absorptive capacity and managerial expertise are two significant factors improving new product market performance. Furthermore, Li et al. (2017) conduct a firm-level analysis to investigate productivity growth of Chinese multinationals after OFDI. They find that EMNEs' increased productivity depends on the firm's strategy, AC and location choice. Specifically, firms with higher AC and investment in OECD countries are more likely to experience productivity growth. Although Liu et al. (2017) study is not purely about post-acquisition performance, it provides insights on alternative options for EMNEs in their innovation catch up—domestic collaborations. Specifically, EMNEs' collaborations with domestic firms and higher education institutions in the host country are beneficial for these firms' development of innovation capabilities. Zhong et al. (2013) test the effect of international collaboration on EMNEs' performance. They find that cooperation with firms from developed countries and better integration can increase the companies' internationalization performance in terms of market share, growth and profitability.

Other studies included in this systematic literature review focus on various economic performance outcomes. Zhang et al. (2018b) find technological M&As have a positive impact on the Chinese firm's performance in terms of *market value and profit margins*. Buckley and Hashai (2014) find that catching-up companies are closing the gap with their advanced

counterparts in terms of *world trade share*, *FDI* and *technology level*. Tian (2017) examines 116 EMNEs from 26 economies based on the combination of LLL model and institutional economics. The results indicate that the firms are more likely to benefit from knowledge-led gains if firms' home countries market-oriented institutions are similar to developed countries.

Subsidiary performance

Few studies focus on post-acquisition performance of acquired subsidiaries. Two studies find an increase in acquired firms' performance, while one study finds no effect on financial performance. In their study, Buckley et al. (2014) show that EMNEs' unique resources and prior investment experience are positively linked to a rise in the acquired company's performance. Similarly, He et al. (2018) argue that the acquired subsidiary is also upgrading in terms of process, product and function. In this process, EMNEs serve as 'impeller' and 'co-learner' to enable this upgrading by their 'complementary capabilities' and 'more balanced GVC power relationships'. Finally, Aureli (2015) finds whilst EMNEs' acquisitions do not have a negative impact on the organisation or the benefits of stakeholders or shareholders, M&As do not result in increased financial performance of the acquired firm.

[Table 5 here]

CONCLUSION

The aim of this systematic literature review was to explore how EMNEs increase their performance through SAS M&As, adopting a comprehensive approach and looking into antecedents, process and outcomes of M&As. In doing so, this review contributes to knowledge by exploring steps in EMNEs' SAS M&As and highlighting a number of factors

that impact upon the ability of EMNEs to benefit from such acquisition or not. By adopting a process view, this paper also fills existing knowledge gap, notably by exploring explanatory factors and various types of performance outcomes. Selected studies were grouped around the key themes of: ‘acquisition antecedent’, ‘acquisition process and ‘acquisition performance outcome’. The review of relevant studies helped in developing a list of important factors within each of categories. A major contribution of this review is therefore to better understand the motivations behind EMNEs’ SAS acquisition in developed countries, and whether and how such SAS M&As impact upon their post-acquisition performance.

Another key contribution of this review is that it adds to existing knowledge by comparing and contrasting various performance measures adopted by researchers to explore whether and how EMNEs raise performance through SAS M&As. Existing studies exploring benefits of SAS M&A have mainly measured post-acquisition performance by looking at stock performance or operational performance such as abnormal returns or productivity (e.g. Aybar & Ficici, 2009; Gubbi et al., 2010; Huang, Zhu, & Brass, 2017; Tao et al., 2017). More recently, a number of studies have focused on the innovation performance of EMNE after they engage in SAS M&As, and results remain ambiguous. Zhang et al., (2018a) argue that Chinese acquirer’s innovation performance is significantly improved by SAS M&As ; by contrast, Amendolagine et al. (2018) argue that EMNEs are often unable to benefit from such M&As. Overall, further research is needed to better understand when, whether and how, EMNEs enhance their performance - particularly *innovation* performance - by engaging in SAS M&As.

To conclude this systematic review, three key dimensions are presented below for future research on EMNEs’ SAS M&A and impact on innovation performance.

Future research directions

Reverse knowledge transfer

Reverse knowledge transfer is considered as a reciprocal process while most of extant studies are only focusing on the flow from subsidiary to HQ (Ai and Tan, 2018). It is worth investigating the knowledge flow from HQ to the subsidiary acquired by EMNEs as well. Meanwhile, will there be also knowledge spillover effect to local companies when EMNEs invest in developed countries? This assumption is also in line with propositions in a latest review article by (Luo, Zhang, & Bu, 2019) covering recent five decades of investment by developed MNEs in emerging countries. Second, knowledge transfer could be accomplished in vertical and horizontal directions, it is interesting to find out whether other directions of knowledge transfer happen. For example, does the acquired subsidiary also transfer knowledge to other subsidiaries within EMNEs' network?

Integration mechanism

Integration is often considered a challenge for EMNEs. There are two integration mechanisms discovered from EMNEs' integration: 'Light-touch' (Liu and Woywode, 2013) and 'partnering approach' (Kale and Singh, 2009). The two mechanisms were summarized at EMNEs' initial state of internationalization, but will they still choose the same integration mechanism as before or they already have sufficient managerial capability to conduct 'structural integration' or other new methods to integrate? With different paces of development within EMNEs, these companies are now at different levels. For example, some Tier 1 companies just like Huawei or Suzlon, will they choose the same mechanism after M&A with the other emerging peers? It is worth continuing to investigate their integration

mechanisms at this or later stage. Comparing mechanisms from various levels of EMNEs could provide us with a better understanding on their evolutionary path.

Ownership Structure

State-owned MNEs have shown their increasing influence in the global economy through international expansion (UNCTAD, 2017). Furthermore, the Journal of International Business Studies also published a special issue on SOE in 2014 (Cuervo-Cazurra et al., 2014). SOEs' internationalization activities have been indicated that they have the support of powerful government and political objectives of the state (Buckley et al., 2007; Cui & Jiang, 2012). Therefore, the internationalization performance of POE and SOE is still worth investigating because it still remains controversial. On one hand, it has been argued that SOEs receive more governmental support which is beneficial for the performance. By contrast, POEs may encounter discriminatory policies concerning the access to resources in the home market (Kolstad and Wiig, 2012), which would not lead to a continual investment on research and development (R&D) for POEs. On that account, privately owned firms' innovation performance may be somewhat negatively affected. On the contrary, multiple studies also find the negative effect of state-ownership on internationalization performance (e.g. Zhang et al., 2018). In addition, some SOEs have evolved to 'hybrid' organisations which some of them pose less state ownership and it may lead to the confliction between government and private block holders (Chen, Musacchio and Li, 2018). In contrast, companies with a majority of state ownership may not have the same performance with their counterparts with minority ownership. Furthermore, some POEs have political connections may also experience similar negative effect with SOEs. These undistinguished differences can all serve as future research directions.

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Table 1. Criteria used in the Journal selection process

No	Criteria	Reason
1	empirical studies	capture key features (Li et al., 2018)
2	EMNE	focal context
3	knowledge M&A	important strategy
4	between 2000 and 2019	cover EMNE's OFDI
5	no publication limitation	avoid publication bias

Table 2 – Research Methodologies Adopted

Research Method	Survey	Database	Interview	Archival data	Mixed Method	Conceptual Paper	Percentage
Quantitative Method	10	36					60%
Qualitative Method			22	3			32%
Mixed Method					2		3%
Conceptual Paper						4	5%

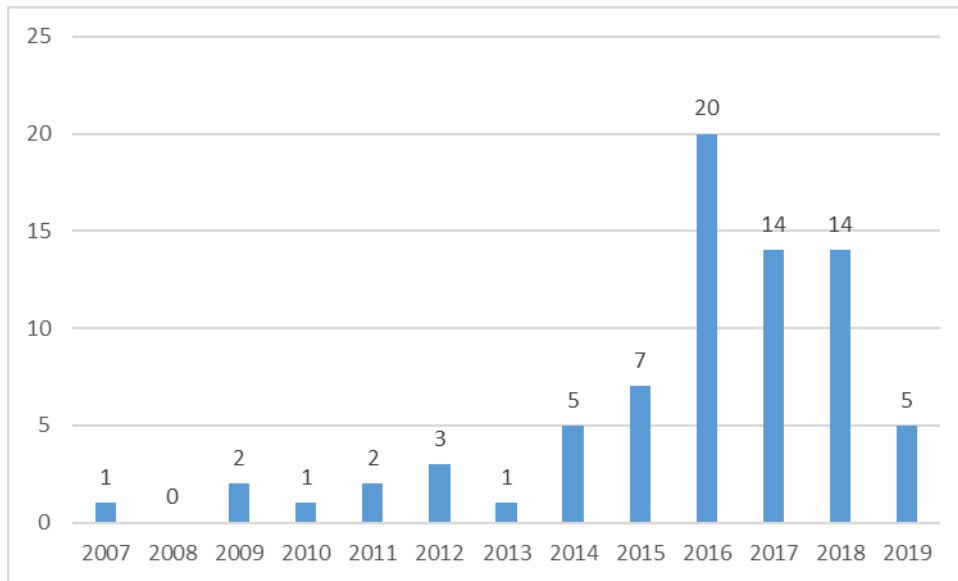


Figure 1 – Paper Distribution by Year

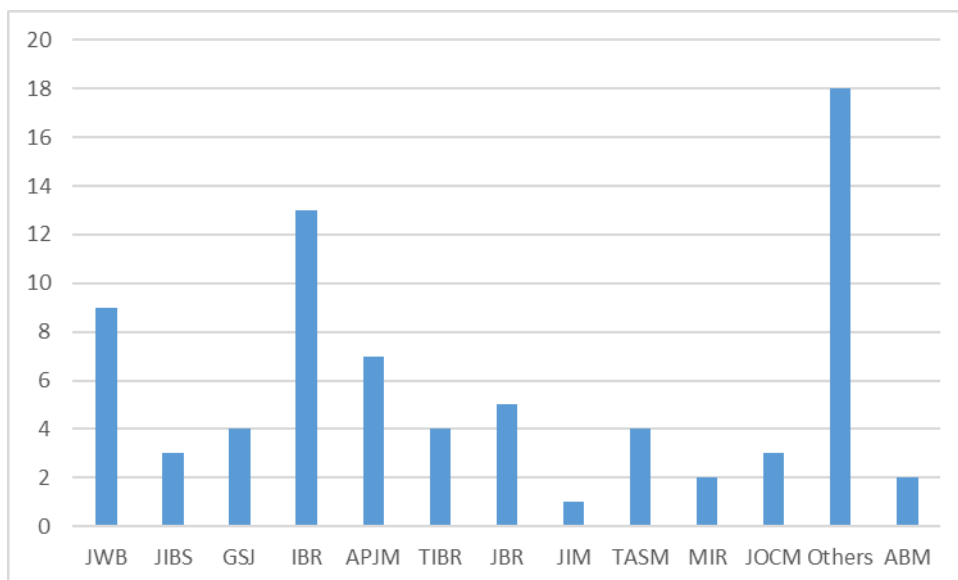


Figure 2 – Paper Distribution by Academic Journal

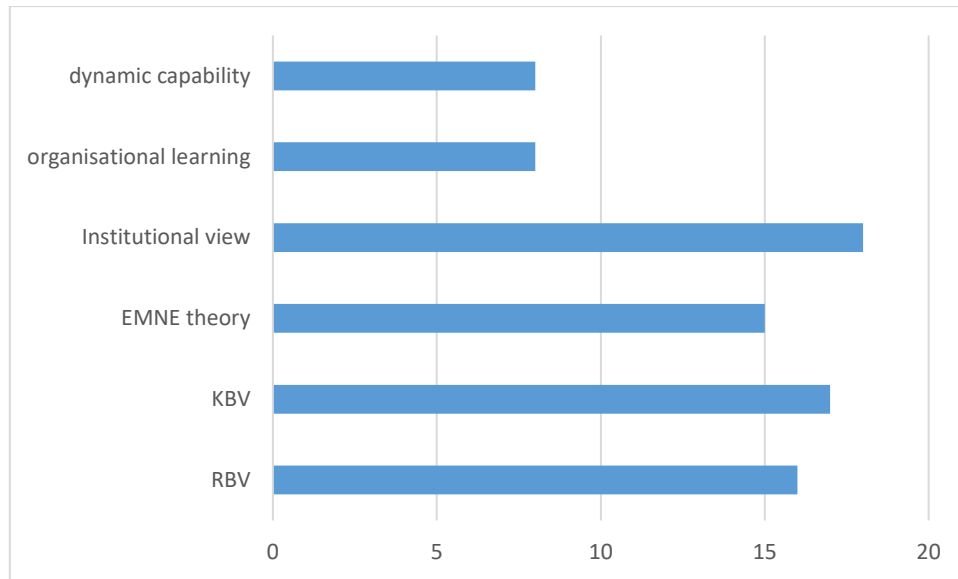


Figure 3 – Theories Used by Authors of Selected Studies

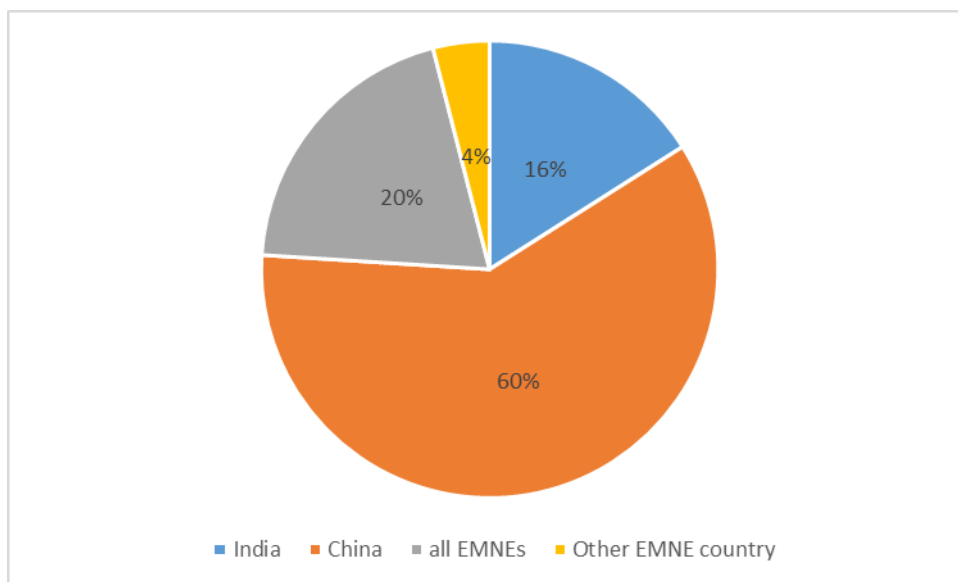


Figure 4 – Country Contexts of Research

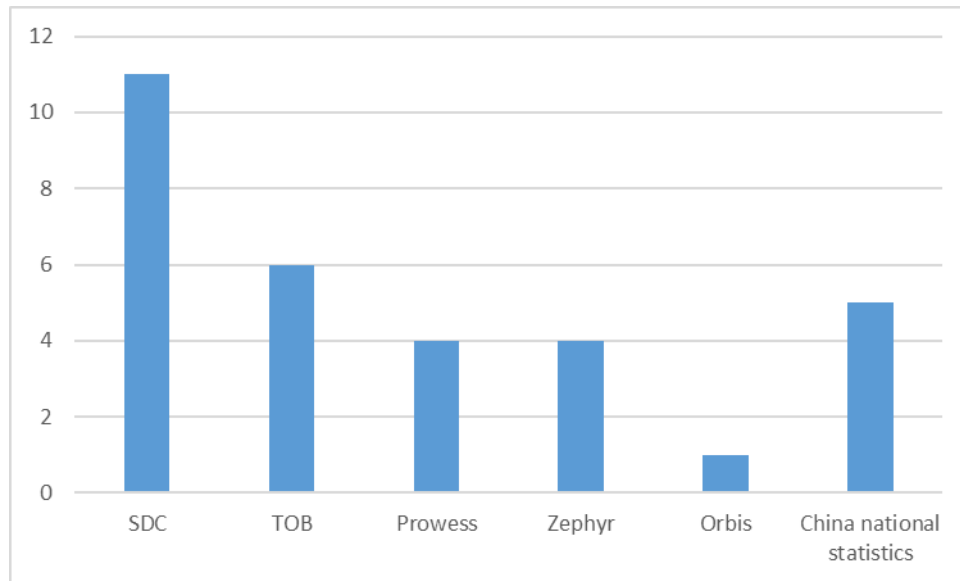


Figure 5 – Databases Frequently Used

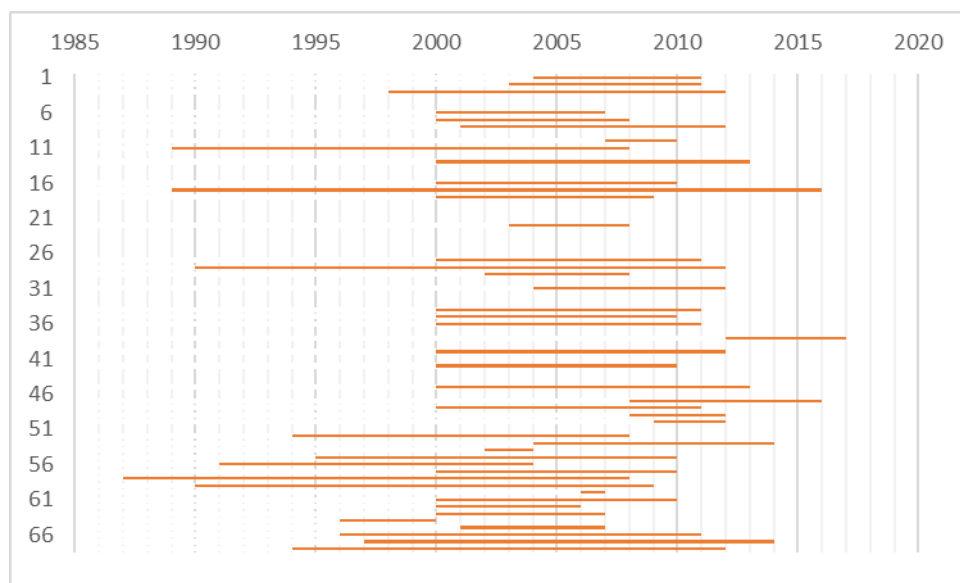


Figure 6 – Time Range of Studies Analysed in the Review

Table 3 Acquisition Antecedents: Selected Factors of importance

Category	Key Factors	Description	Key Studies
Strategic Intent	Strategic intent/ Asset augmentation activities/Likelihood or intensity of acquiring SA	SAS acquisition targets at external knowledge-based resources such as technology, brands, and managerial know-how.	(Cui et al., 2014)/(Buckley et al., 2016a)
	State-ownership	the interaction between state ownership and technological resources is crucial in increasing cross-border expansion	(Cui et al., 2014)/(Wang et al., 2012)/(Cui and Jiang, 2012)
Ownership Structure	Government Affiliation	government affiliation: state, provincial, city, county and other -levels	(Wang et al., 2012)
	Business Group Affiliation	synergy between different subsidiaries of a business group can facilitate internationalisation of the firm	(Buckley et al., 2016a)
Acquirer's Capability	Firms' financial capability/financial resources	gives firms both motivation and capability to take risk	(Cui et al., 2014)/(Buckley et al., 2016a)
	Technological capability/knowledge base/ absorptive capacity	enable firms to integrate external technological assets into its operations	(Buckley et al., 2016a)
	Internationalization capability: Export experience/ FDI experience	export/FDI intensity enhance firms' capability and awareness to strategically engage with global competition	(Cui et al., 2014)

Table 4 Acquisition Processes: Selected Factors of importance

Category	Key Factors	Description	Key Studies
Integration	Subsidiary Autonomy	the extent of decision engagement of acquirer on target firms	Marchand (2017); Zheng et al. (2016); Zheng (2016); Liu et al. (2018)
	Integration Degree	the extent of structural integration between two companies	
Knowledge Transfer	Knowledge Characteristics	knowledge tacitness/ complementarity/relevance/ complexity	Nair et al. 2015, 2016, 2018; Ai and Tan 2018; Haissis 2018;
	HQ-Subsidiary relationship	perceived subsidiary capability; collaboration;	Nair et al. 2015, 2016, Peng et al. 2016
	Acquirer's Capability	AC, prior experience/knowledge, political connection	Ciabuschi et al. 2017; Ai and Tan (2017. 2018); Haissis 2018; Nair et al., 2016
Organisational Learning	Localized learning, Organisational unlearning, Learning at home (LLL model)	organisational learning is one of the most essential ways for firms to upgrade	Wang et al., 2017; Fan et al., 2016; Ray et al., 2017; Yakob et al., 2018; Liu et al., 2018

Table 5 Acquisition Performance: Measurements and explanatory factors

Category	Measurement	Explanatory Factors	Key Studies
Stock Performance	event study/ stock price change	cultural difference, ownership structure, knowledge characteristics, integration	Negative: Aybar and Fific (2009); Li et al. (2016); Chen et al. (2017) Positive: Toa et al. (2017), Zhou et al. (2015); Gubbi and Elango (2016); Kale and Singh (2016)
HQ Innovation Performance	patent applications, patent citations, patent families and invention patent applications	geographic locations, state-ownership, industrial policy, in house R&D, political connection, acquirer's knowledge base	Negative: Yu et al. (2019); Kotabe et al. (2017) Positive: Fisch et al (2019), Fu et al. (2018), Zhang et al. (2018), Zhou et al. (2019)
General HQ Performance	productivity or new product performance	acquirer's capability (AC, managerial expertise), collaboration, market value, completion and duration of M&A deal	Positive: Kotabe et al. (2011); Li et al. (2017); Zhang et al. (2018); Tian (2017)
Subsidiary Performance	mixed measurements	EMNEs' unique resources, prior investment experience, complementary capabilities, GVC power relationships	Buckley et al. (2014); He et al. (2018); Aureli (2015)