

# *The micro-foundations of strategic ambidexterity: Chinese cross-border M&As, Mid-View thinking and integration management*

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# **The micro-foundations of strategic ambidexterity: Chinese cross-border M&As, Mid-View thinking and integration management**

## **Abstract**

Chinese cross-border mergers and acquisitions (M&As) display several unique properties in relation to the ways in which their international business operations are organised and managed. Their seemingly puzzling ‘light-touch’ integration approach can be significantly understood from a strategic ambidexterity perspective: on the one hand, the ‘light-touch’ enables the exploitation of the targets’ existing knowledge bases; on the other hand, elements of the ‘light-touch’ facilitate the exploration of the new knowledge arising from the collaboration between targets and acquirers. However, an important theoretical gap remains: why do Chinese companies deploy such a strategic ambidexterity approach in their post-acquisition integrations? This paper aims to fill this gap by proposing Mid-View thinking as a micro-foundation of strategic ambidexterity in integration management from a cultural and philosophical perspective. To illuminate our conceptualization and argument, we conducted qualitative in-depth interviews with CEOs/high-level managers of acquired German companies. Communication approach and organizational control—as two critical aspects in integration management—reveal *how* Mid-View thinking can serve as a micro-foundation of strategic ambidexterity. We conclude this paper by presenting its theoretical contributions, managerial implications, and future research directions.

**Keywords:** Cross-border mergers and acquisitions, communication, organizational control, post-acquisition integration, strategic ambidexterity, Mid-View thinking, micro-foundation

## 1. Introduction

The managerial and policy implications of the globalization of firms from emerging economies has attracted significant scholarly attention in relation to both theoretical advancement (Luo & Tung, 2018; Meyer & Peng, 2016) and practitioner interest (Hanemann, Huotari, & Kratz, 2019; UNCTAD, 2018). Emerging market multinational enterprises (EMNEs) tend to favour cross-border Merger & Acquisition (M&A) as part of their global expansion strategies (Cuervo-Cazurra, Newburry, & Park, 2016), with Chinese and Indian MNEs being particularly assiduous proponents of such activities (Buckley et al., 2018; Buckley, Elia, & Kafouros, 2014; Liu & Meyer, 2020). Given China's (re)emergence in the global economy amid the slow globalization trend, global geo-political turbulence, and uncertain economic outlook, the scholarly contributions to this field are of particular interest. Following the acknowledged paradigm shift of the world power's centre of gravity from the West to the East, business realities, the global economy, and international management practice have also gradually shifted from 'West-leads-East' to 'West-meets-East' (Chen & Miller, 2010; Xing & Liu, 2017).

Chinese cross-border M&As display several unique properties in the ways in which their international business operations are organised and managed. Although Chinese firms are strongly motivated to learn through venturing into advanced economies through cross-border M&As, they tend to adopt a 'light-touch' integration approach in the management of their acquired targets (Liu & Woywode, 2013). In line with this unique integration management approach, they prefer to manage their strategic assets without any dramatic changes or direct interventions, such as brand management (Liu, Öberg, Tarba, & Xing, 2018). Strategically, cross-border M&As can be used as an alternative approach in relation to the servitization strategies aimed at broadening the service offerings of manufacturing firms from emerging markets (Xing, Liu, Tarba, & Cooper, 2017).

The seemingly puzzling 'light-touch' integration approach can be understood through the theoretical perspective of strategic ambidexterity. For instance, even in the context of such approach, the reverse transfer of knowledge from targets to acquirers is made possible through collaborative HRM practices

and the proactive involvement of boundary spanners (Liu & Meyer, 2020). Viewed from a strategic ambidexterity perspective, on the one hand, the ‘light-touch’ enables the exploitation of the targets’ existing knowledge bases; on the other hand, elements of the ‘light-touch’ facilitate the exploration of the new knowledge derived from the collaboration between targets and acquirers, such as the adoption of collaborative HRM practices. Therefore, the strategic ambidexterity view is conducive to a reconciliation of any tensions that may stem from the motivations behind and implementation of integration management activities linked to Chinese cross-border M&As.

However, an important theoretical gap remains: why do Chinese companies deploy such a strategic ambidexterity approach in their post-acquisition integrations? We suggest that the recent microfoundation movement in management and strategy research may offer some revealing insights, especially from a cultural and philosophical perspective. For instance, in Chinese enterprises, supervisor-subordinate relationships are influenced by a combination of Confucianism and Legalism (Xing, Liu, Tarba, & Wood, 2020b). Furthermore, cultural differences and dimensions play important roles in M&A activities (Weber, 1996; Weber, Tarba, & Reichel, 2009). Relatedly, indigenous management research has highlighted the importance of incorporating the context to obtain a nuanced and contextualized understanding of international management practices (Holtbrügge, 2013; Meyer, 2015). We hereby argue that one way in which the context can be better understood is to look through the indigenous management lens, especially its cultural and philosophical foundations. In a nutshell, by building upon the cultural inquiry into strategic ambidexterity, this paper aims to fill this important gap by proposing Mid-View thinking as a micro-foundation for strategic ambidexterity in the management of cross-border M&As integration from a cultural and philosophical perspective.

As our empirical setting, we specifically focussed on Chinese cross-border M&As enacted in Germany. We did so for the following reasons: first, Germany, as a global leader in many technological areas, is home to world leading companies in specialized niche markets—the so called ‘Hidden Champions’ (Simon, 2009), while China needs to upgrade its industry’s technological capacities and move up the value chain in order to better integrate into the global value creation network. Thus, global

collaboration between China and Germany is facilitated by their complementary industry profiles. Second, the cross-border M&As conducted by Chinese MNEs in Germany are mainly asset-seeking—as opposed to resource-seeking—deals (Holtbruegge & Berning, 2018). Most importantly, such deals—which present features of strategic importance and industrial complementarity—offer a unique opportunity to investigate the creation and capture of post-acquisition integration synergy. Third, Chinese firms first entered Germany during the early 2000s, hence they offer the unique opportunity to integrate a time horizon in the investigation of the development trajectory and the dynamics of integration management issues from a temporal perspective.

This study makes three contributions to the field of strategic ambidexterity and Chinese cross-border M&As. First, while previous studies have presented the light-touch integration approach, none has investigated the dynamics of the elements involved in integration management from a temporal perspective. Thus, this study provides a more nuanced and contextualized understanding of the integration management of Chinese cross-border M&As. Second, this study contributes to the integration management literature by explicating the two salient manifestations of strategic ambidexterity—namely, communication approach and organizational control—that are intellectually rooted in the cultural and philosophical micro-foundations of Mid-View thinking. In particular, it demonstrates that communication and control, as two salient dimensions, elucidate the extent to which Mid-View thinking may serve as a micro-foundation of strategic ambidexterity. Third, it illustrates how the elements that make up light-touch integration can enable the exploration and exploitation of knowledge in Chinese cross-border M&As and highlights why and how the strategic ambidexterity lens can better explain integration management from a micro-foundational perspective.

This article is organized as follows. First, to constitute the building blocks for its arguments, the literature on integration management, strategic ambidexterity, Mid-View thinking, and microfoundations is reviewed. Then, its research design is described and its empirical findings are presented. This paper concludes with its theoretical contributions and managerial implications, and future research directions.

## **2. Theoretical Background**

### *2.1 Light-touch integration and elements in Chinese M&As*

The international business scholarly community has long devoted its attention to Chinese cross-border M&As (Buckley et al., 2018; He, Khan, & Shenkar, 2018), including the strategic motives that drive China's globalization endeavours through M&As (Luo & Tung, 2018) and the latter's performance implications (Buckley et al., 2014). Importantly, one nascent and emerging literature stream has carved out a fresh view by providing an enhanced understanding of Chinese cross-border M&As with a focus on integration management from the perspective of organization studies (Liu & Meyer, 2020; Liu et al., 2018; Liu & Woywode, 2013). This began with an early study that coined the term 'light-touch integration'; a term that denotes the rather passive way in which Chinese acquirers manage their targets after acquisition (Liu & Woywode, 2013). Simply put, the 'light-touch' refers to the practice of keeping in place the Top Management Teams (TMTs) and brands of the targets, without directly interfering in their business operations and granting them high degrees of autonomy. The targets' existing TMTs possess the knowledge bases of the product markets and are familiar with the companies and business environments (Zhou, Xu, Xu, & Barnes, 2019). Thus, the 'light-touch' enables the uninterrupted post-acquisition exploitation of the targets' existing knowledge bases.

However, capturing and realizing the synergy potential requires frequent social interactions between the target and acquirer organizations' members. Existing M&A research suggests that synergy is realised by managing the post-M&A integration of targets and acquirers (Gomes, Weber, Brown, & Tarba, 2011; Weber, Tarba, & Bachar, 2011). Organizational integration—e.g., the interaction and coordination of the two firms involved in the acquisition—is considered to be one of the most influential factors for the creation of synergy (Larsson & Finkelstein, 1999; Larsson & Lubatkin, 2001). Furthermore, the mechanisms and processes that pertain to cross-border M&A social interaction and organizational integration are conducive to the post-acquisition exchange of

capabilities (Bjorkman, Stahl, & Vaara, 2007; Graebner, Heimeriks, Huy, & Vaara, 2017), reverse capability transfer (Ai & Tan, 2020), and synergy realization (Wang, Hain, Larimo, & Dao, 2020).

However, how can a ‘light-touch’ approach to integration enable the creation of synergy? The extant research has found that the constitutive elements of the ‘light-touch’ approach can facilitate the exploration of the new knowledge arising from the collaboration between targets and acquirers. For instance, the form of brand management enacted in Chinese cross-border M&As suggests a dynamic approach in managing and leveraging the brand equity of the target. An examination from a multi-level perspective—i.e., one consisting of the national-, organizational-, and product portfolio-levels—reveals that a dynamic and strategic form of brand management can aid expansion into both the Chinese and global markets (Liu et al., 2018). Furthermore, the business operation activities of Chinese manufacturing firms can be expanded into new territory by adding to and configuring their service offerings via cross-border M&As (Xing et al., 2017). Such an alternative approach to business servitization—namely, through collaborative partnerships aimed at delivering servitization (Liu, Lattemann, Xing, & Dorawa, 2019)—benefits from the Chinese acquirers’ ‘light-touch’ integration approach. Even the reverse transfer of knowledge from targets to acquirers can occur by mobilizing boundary spanners in conjunction with collaborative HRM practices (Liu & Meyer, 2020). The abovementioned research stream indicates that a ‘light-touch’ integration approach—and especially its ‘light-touch’ elements—facilitates both acquirers and targets in exploring new knowledge bases through collaboration. In viewing the Chinese ‘light-touch’ approach, we argue that strategic ambidexterity is a theoretical lens suited to explain an acquirer’s strategic approach to exploring and exploiting a target’s knowledge bases via a cross-border M&A, as the exploration and exploitation are the most widely used concepts in ambidexterity research (March, 1991).

## *2.2 The micro-foundations of strategic ambidexterity and Mid-View thinking*

Ambidexterity research has advanced theoretical understanding and accumulated rich empirical evidence (Birkinshaw & Gupta, 2013; Junni, Sarala, Taras, & Tarba, 2013; Raisch & Birkinshaw, 2008), including cross-border M&As (Rao-Nicholson, Khan, Akhtar, & Merchant, 2016; Rao-



Nicholson, Khan, Akhtar, & Tarba, 2020). Despite the increasing body of knowledge at the nexus of ambidexterity and international business, there is still a lack of understanding of the micro-foundations of strategic ambidexterity (Christofi, Vrontis, & Cadogan, 2019); a lack that is particularly pronounced in the EMNE context (Bustinza, Vendrell-Herrero, & Gomes, 2019; Zhou et al., 2019). Some studies have begun to explore the multifaceted micro-foundations linked to psychological and sociological underpinnings. For instance, the preservation of the psychological safety of the targets' employees can influence organizational ambidexterity in EMNE M&As (Rao-Nicholson et al., 2016). In addition, in EMNE M&As, the relationship between HR practices and organizational ambidexterity is contingent upon distributed leadership (Rao-Nicholson et al., 2020). Furthermore, at the micro-foundational level, behavioural contexts regulate the knowledge transfer activities that take place between acquirers and targets in cross-border M&As, leading to organizational ambidexterity from the viewpoint of exploitative and explorative innovation (Hughes et al., 2020). Based on an inductive investigation of corporate innovation initiatives, the role played by frontline managers is found to be more central than that played by senior ones in coping with persistent exploration-exploitation tensions to the end of achieving organisational ambidexterity (Zimmermann, Raisch, & Cardinal, 2018). One recent study highlighted the tensions involved in headquarters-subsidary relationships and how hybridity can affect the performance of multinational organizations (Ambos, Fuchs, & Zimmermann, 2020).

Although these studies have highlighted the importance of individual-level engagement for organisational ambidexterity (Stokes et al., 2015), the extant research has neglected the study of the micro-foundations of strategic ambidexterity from a cultural and philosophical perspective. This study subscribes to the argument that views culture—especially traditional culture—as a resource suited to advance the understanding of strategic ambidexterity in general, and in the EMNEs context in particular. For instance, a recent study identified Confucianism and Legalism as cultural and philosophical underpinnings suited to explain the ambidextrous behaviours adopted by individuals in interacting with their supervisors while serving their organisations and aiming to progress their own careers (Xing et al., 2020b). Building upon a nascent research stream that highlights the importance of traditional culture and philosophy for contemporary management practices among Chinese managers

and leaders (Xing & Starik, 2017; Xing & Liu, 2015), this paper focussed on the Mid-View thinking notion, which is rooted in Chinese culture and has coherent theoretical linkages to paradox and ambidexterity (Chen, 2002). In the following section, we articulate the meaning of Mid-View thinking by resorting to some classical Chinese philosophers.

Mid-View thinking refers to the concept that seeking successful solutions requires an awareness of the big picture, a comprehensive comparison of any potential alternatives, and the ability to engage in bi-directional adjustments. Court historian of State Jin (Spring and Autumn, BC770-BC476) argued that “*everything has two sides*” (The Spring and Autumn Annals) and that the conflict between the two sides persists throughout the entire process involved in transitional changes. Confucius (551–479 BC) put forward the idea of “*tackling both extremes*”; i.e., making overall comparisons in order to understand both aspects of a contradiction. Through analysis and comparison, one should master the foundations of the development and find the right conditions to maintain the momentum of growth, and then practice Mid-View thinking to reach the best solution. Thus, Mid-View thinking is aimed at uncovering the underlying fundamental balance, in contrast to passively accepting and adapting to reality.

Mid-View thinking suggests that, in order to achieve reunification, things should be managed at both ends. Through the observation and cognition of social production and life, Confucius realized that objects generally contain two aspects that are both opposite and complementary to each other, and that this dichotomy is therefore universal. Its most general representation can be found in the concept of ‘Yin’ and ‘Yang’, the symbolic range of which is so broad that all the aspects of reciprocal treatment in the universe—such as heaven and earth, sovereign and minister, and husband and wife, among others—can be represented by them. In the Book of Change (Chapter Xi Ci), it is stated that “*alternating between Yin and Yang is called Dao [the rule of the Universe]*”. Confucius further developed the theory of Yin and Yang from a philosophical perspective, believing that the interaction between them would maintain a balance. Only when Yin and Yang are in balance and in a harmonious state can social relations reach their ideal development. International management scholars also refer

to the concept of Yin and Yang to explain management practices—such as international negotiation behaviours (Ghauri & Fang, 2001)—from a philosophical perspective (Fang, 2012). Therefore, we aim to better understand integration management in the context of Chinese cross-border M&As based on the notion of Mid-View thinking and on the theoretical orientation of strategic ambidexterity.

### *2.3 Communication approach and organizational control in M&A integration management*

M&A research has highlighted two salient aspects—namely, communication approach and organizational control—play critical roles in the management of post-M&A integration (Tarba, Ahammad, Junni, Stokes, & Morag, 2019). Communication is regarded as the most important ingredient of post-acquisition integration. “*A clear communication strategy aligned with the integration strategy and the desired culture of the new organization is a critical component of a successful integration strategy*” (Gomes et al, 2011: 199). Circulating an M&A announcement among employees may reduce the negative consequences stemming from ‘we versus they’ forms of antagonism (Cartwright & Cooper, 1993). The likelihood of dysfunctional outcomes is reduced for target firm employees who are given a preview of a merger announcement, in comparison to those who are only given limited information (Schweiger & Denisi, 1991). In addition, the communication practices enacted in a merger can significantly affect both employee commitment to the merged organizations’ strategies and post-merger survival (Angwin, Mellahi, Gomes, & Peter, 2016).

Besides direct communication, indirect communication can also play an important role in building trust between international partners (Outila, Mihailova, Reiche, & Piekkari, 2018). Using interaction data drawn from employee communication logs, Allatta and Singh (2011) found that communication routines persist in the presence of an acquisition event and that communication patterns are slow to change even in the presence of an active integration mode (Allatta & Singh, 2011). Another consideration that is pertinent to indirect communication involves cultural differences and the reasoning approach. Cultural differences can significantly influence intercultural business communication, knowledge transfer (Wang, Clegg, Gajewska-De Mattos, & Buckley, 2018), and

business negotiation behaviours in cross-border M&As (Ahammad, Tarba, Liu, Glaister, & Cooper, 2016). Specifically, whereas the ‘logical’ or causal reasoning style pioneered by the ancient Greeks is widespread in Europe, Australia, and North America, Asian countries seem to take a different approach to reasoning. For instance, in China, dialectical reasoning represents a more holistic approach that is linked to indirect communication (Liu & Almor, 2016). Thus, a communication approach, as a salient M&A aspect, may provide revealing insights to understand the integration management enacted in the wake of Chinese cross-border M&As.

Organizational control (Ouchi, 1979) is a fundamental concept that determines a crucial dimension of the management of post-M&A integration. The decision pertaining to the degree of autonomy that is to be granted to an acquired target is a key organizational control issue. The existing literature on the typology of integration approaches—namely, absorption, symbiosis, and preservation (Tarba et al., 2019)—illustrates the degree to which organizational control can be exercised in M&As. In relation to post-acquisition integration, the absorption mode is more likely to be associated with centralized control, whereby the organizational boundaries between acquirer and target are removed, and the acquirer imposes its own management practices to the target (Zollo & Singh, 2004). By contrast, the preservation mode involves a high propensity to grant the target the highest degree of autonomy—with decentralized control—by delegating the decision making to its management teams (Graebner, Eisenhardt, & Roundy, 2010). Ostensibly, Chinese acquirers are highly motivated by learning from their targets, which would require a high integration approach to facilitate knowledge exchange. However, the acquirers’ absorptive capacity hinders the high learning motivation with the manifestation of a low-level integration approach (Liu & Woywode, 2013). Therefore, the unique ‘light-touch integration’ approach taken in Chinese overseas M&As highlights the tensions that may arise from high-level (i.e., absorption) and low-level (i.e., preservation) integration approaches.

In addition, organizational control is not static; it is dynamic and follows an evolutionary trajectory (Das, 1989). For instance, throughout the development process of an entrepreneurial venture, the creation and evolution of formal and informal organizational control mechanisms develop over time

(Cardinal, Sitkin, & Long, 2004). Although prior research has taken a static view of ‘light-touch integration’ (Liu & Woywode, 2013), a longitudinal observation from a temporal perspective suggests a more nuanced and contextualized understanding of the organizational control and integration management enacted in Chinese overseas M&As. For instance, Liu et al. (2018) took a developmental viewpoint on brand management in Chinese M&As, revealing a dynamic approach to the redeployment of brands in the post-acquisition period.

Relatedly, trust is an important concept in determining the degree of organizational control exercised in M&As from the human side perspective (Liu, Sarala, Xing, & Cooper, 2017; Sarala, Vaara, & Junni, 2019). Importantly, understanding the role played by trust in M&As also requires a dynamic perspective (Stahl, Larsson, Kremershof, & Sitkin, 2011). In essence, a balance of trust and control is necessary to enable organizations to function and flourish (Long & Sitkin, 2018). Therefore, from the perspective of a population-level investigation conducted over time, variations may occur throughout the evolution of a ‘light-touch integration’. In other words, different Chinese companies adopt variations of the ‘light-touch integration’ in their pursuit of ‘going global’ strategies through cross-border M&As. Thus, organization control, as another salient aspect in M&As, can provide important insights suited to understand integration management in Chinese cross-border M&As.

### **3. Research Method**

#### *3.1 Case and sample selection*

Given the nascent nature of the research on integration management in Chinese cross-border M&As, an exploratory approach was deliberately chosen. A comparative case analysis design was adopted to capture the complexity and richness of the phenomenon and to search for patterns across cases. Fine-grained case studies are the preferred method in such scholarly inquiry situations (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). To identify Chinese M&A cases in Germany, the Thomson Financials SDC Platinum database, publicly available information, and the authors’ professional networks were

used. In our sample selection, given the German industrial characteristics, only strategic asset-seeking M&As were considered. The acquired German companies were privately-owned mid-sized firms (Mittelstand in German). The heterogeneity of the sample was ensured—as indicated by the organizational ownership structures of the acquiring companies, the geographical distribution of the target, and the years in which the deals were concluded—with the purpose of representing a variety of Chinese cross-border M&As.

From 2008 to 2012, in-depth semi-structured interviews were conducted with the 43 CEOs and managers of 14 German companies that had been acquired by Chinese investors. The interviewees were recruited based on the following three criteria: (1) the M&A transactions should cover the whole 2004 to 2012 period, (2) the respondents should be either senior-level or middle-level managers, (3) a diversity of industrial sectors should be included. Eight out of the 14 sample companies were in the machine tools industry, an industrial sector in which many cross-border M&As had occurred. The collected data reflect the heterogeneity of roles found among the interviewees, consisting both senior-level and middle-level managers. Besides machine tools, information from a wide range of industrial sectors was also collected, including industrial engineering (3) and machine manufacturing (3). Following a theoretical sampling approach, the selection of respondents was stopped when further interviews ceased to generate additional significant information. This balanced approach to data collection enabled the obtainment of multiple and complementary perspectives. Table 1 offers an overview of the sample in this study.

=== insert Table 1 about here ===

The interviews, which lasted from 50 minutes to two hours, were recorded, transcribed, and analysed using the NVivo qualitative research software. Information was collected from both the acquirers' and targets' viewpoints. In addition, secondary data was collected from internet websites, published books and reports, news, and press releases. To ensure the validity of the data, those drawn from secondary sources were triangulated with those collected first-hand from the interviews (Yin, 2013).

### 3.2 Data collection and analysis

A semi-structured interview guideline was designed based on the theoretical underpinnings of M&A research; this consisted of three phases covering the whole M&A process—namely, the pre-M&A activities, the M&A transaction, and the post-M&A integration. As for the focus of this present study, this section will focus on the questions pertinent to post-M&A integration. Three types of semi-structured interview questions were developed according to the theoretical orientations of this study: (1) communication approach, (2) organizational control, (3) interaction between HQ and subsidiary.

With regard to the communication approach, the most relevant communication characteristics were investigated. For instance, the following questions were asked: *“How was the M&A information made available to the target employees?”*, *“To which level in the target organization was it communicated; both senior- and employee-level or senior-level only?”*, *“Were there any communication plans or public relation events surrounding this M&A transaction?”*, *“How did you communicate with the Chinese company in both the M&A and daily business operation?”* With regard to organizational control, and following an introductory approach, the classic integration management approaches (i.e. absorption, symbiosis, and preservation) and their typical characteristics were explained to the interviewees. Then, the interview questions were oriented by exploring the events and activities, either planned or emergent, relating to integration management. For instance, the following questions were asked: *“Did you engage in any planned integration activities? If so, what were they (e.g., integration across the firm’s management and control, sales and marketing, production, R&D, and financial resources)?”*, *“Were there any emergent activities that could have hindered or facilitated integration management?”* With regard to the interaction between HQ and subsidiary, an exploration was conducted of both the new initiatives and routine activities taking place in the subsidiaries and how the HQ-subsidiary interaction could influence the development of these activities. For instance, the following questions were asked, *“How are your Chinese partners involved in your daily business?”*, *“Do Chinese partners encourage or discourage your exploration of new initiatives?”*, and *“How do cultural differences influence Sino-German cooperation?”* Relatedly, at the end of the interviews, the interviewees were also asked to name the three major challenges hindering the cooperation with their

Chinese partners. This provided the interview partners with additional opportunities to highlight the pressing issues related to integration management in Chinese cross-border M&As.

The data analysis was conducted following established techniques and procedures for qualitative case study research, which consisted in a series of steps (Yin, 2013). In the first step of the analysis, the interview transcripts were entered as text files in NVivo and coded. These comprised the phrases, terms, or descriptions offered by interviewees when taking part in the semi-structured interviews. The second step of the analysis involved looking for links among the first-order categories in order to collapse them into theoretical-oriented second-order themes. A recursive approach was followed, rather than a linear one, by moving iteratively between the first-order categories and the emerging patterns in the data until adequate conceptual themes had emerged (Eisenhardt, 1989). During this process, NVivo facilitated the organization of all the codes that emerged from the data, as the use of formalized and software-based procedures can enhance the trustworthiness of qualitative research (Sinkovics, Penz, & Ghauri, 2008). The third step of the analysis involved organizing the second-order themes into the overarching dimensions that eventually underpinned our theorizing efforts. We elucidate the data analysis process by displaying the data structure in Figure 1.

---- Insert Figure 1 about here----

## **4. Findings**

### *4.1 The communication approach in Chinese cross-border M&As*

The findings reveal that, to serve their strategic purposes, Chinese firms tend to use both direct and indirect communication approaches in the post-acquisition management of their targets. As for the direct communication approach, Chinese firms explicitly communicate the intentions underpinning the acquisitions in order to convey a positive image, build trust, and gain the confidence of their acquired targets; conversely, the indirect communication approach leaves ample space for both flexibility in integration management and multiple interpretations.



A direct communication approach can bring clarity to the targets and mitigate the fears of post-acquisition loss of control. Several German firms had been facing financial difficulties and experiencing emotional turbulence before their M&As. The manufacturing firms had especially feared that their Chinese acquirers would just take their technology and close them down, with detrimental consequences for the regional economy and the risk of local job losses. The CEO of a Chinese firm explained: *“We will not move the German manufacturing plant at all; on the contrary, we will for sure keep and grow the company in Germany.”*

This type of direct communication approach is beneficial as it enables the targets to understand the acquirers’ intentions and to curtail any pre-acquisition anxiety and emotional turbulence. Such kinds of M&A announcements can not only any reduce negative ‘we versus they’ antagonism (Cartwright & Cooper, 1993), but can also pave the way for acquirer and target to work collaboratively in defining and implementing the post-M&A strategic changes. Notably, a ‘light-touch integration’ also necessitates a certain level of direction for the acquired target to pursue strategic goals after the change of ownership. The direct communication approach serves the purpose of enabling the target to understand the strategic issues.

At the same time, the results suggest the widespread adoption of an indirect communication approach across the various waves of Chinese cross-border M&As. From a cultural and philosophical perspective, the prevalence of an indirect communication approach can be largely attributed to the differences in reasoning logics and cultures that exist between the host and home countries. The lack of a nuanced understanding of the cultural differences—alongside an indirect communication approach taken by the acquirer—may lead to less favourable outcomes for both acquirer and target. A CEO shared a hard lesson,

*“I think it is quite challenging to truly understand how the Chinese communicate. We thought that the Chinese did not want to lose face. Thus, we set out to not challenge their ideas when we communicated with them. Our previous CEO did not understand the expectations of our*

*Chinese acquirer in relation to our performance targets and forecasts, although these had not really been clearly communicated. In the end, our previous CEO was fired.”*

This case elucidates how cultural intelligence is required to interpret and respond to an indirect communication approach. Chinese culture tends to be associated with a higher level of tolerance towards ambiguity (Xing & Liu, 2015), as particularly demonstrated in the Mid-View thinking. Chinese acquirers may not explicitly state what they expect to achieve by means of the cross-border M&As; however, in terms of performance results, the misunderstanding resulting from an indirect communication approach can cause severe difficulties. Furthermore, as the Chinese economy has consistently experienced very high growth rates over the past 40 years, Chinese assumptions of growth and dynamics can diverge significantly from the social realities found in advanced economies. A lack of understanding of the acquirer’s indirect communication approach had eventually led the previous CEO mentioned in the quote above to lose his top job.

Therefore, in order to facilitate the communication approach and ensure that the process unfolds smoothly, it is important to put in place appropriate acquirer/target interfaces who can understand the cultural and functional expectations of both parties. As widely acknowledged in prior research, languages issues can become an obstacle for communication in international business in general (Tenzer, Pudelko, & Harzing, 2014) and in cross-border M&As in particular (Sarala et al., 2019). The evidence of this study suggests that the mere translation of language is not sufficient; thus, the position of interface requires proper prior professional experience and international exposure. The managing director of a German firm shared:

*“We are lucky to have Frau Wang, who supports us in our communication with the Chinese side. She graduated from our German university, but had previously worked in China for several years. She can not only speak both languages, but also translate the meanings. She is not just a translator, but an interpreter. This helps a lot to make sense of what Chinese communication is about.”*

This case demonstrates the important role played by sensitivity to cultural differences and by the ability to reciprocally communicate the implicit meanings between the acquirer and target. This finding supports the view that the employment of inpatriates can be a useful HR practice to facilitate cross-border communication (Stokes et al., 2016). However, the potential threat of ‘loss in translation’ is a reality. Some German companies tend to employ engineers to act as translators to communicate with their Chinese acquirers. Although this is aimed at facilitating communication between two partners, such an interface position is a demanding job that essentially requires the personnel assigned to it to understand the Chinese culture, organization, and communication approaches. Many new graduates, who had no prior direct experience in dealing with Chinese companies, were unable to fill such post satisfactorily. This resonates with the talent management challenges encountered by Chinese companies in their globalization endeavours in relation to recruiting, cultivating, and using talent (Meyer & Xin, 2018), so as to tackle the obstacles stemming from differing communication approaches. Direct and indirect communication approaches grant the German management teams the freedom to run their operations according to their expertise and knowledge. The co-existence of such approaches is a salient manifestation of strategic ambidexterity in Chinese cross-border M&As.

#### *4.2 Organizational control in Chinese cross-border M&As*

The findings of this study reveal that dynamics of organizational control development over time exist in Chinese cross-border M&As. Varying degrees of both formal and informal control mechanisms can be observed operating in different types of integration management approaches. With regard to formal control mechanisms, a post-acquisition functional distinction was observed between the German and Chinese partners. Differences in functional-oriented focuses give rise to different formal control mechanisms. Chinese partners tend to pay closer attention to controlling and financial reporting activities, whereas German management teams focus on R&D and marketing. A German CEO shared: *“The Chinese are very strict with numbers. Their strong monitoring and detailed reporting are unusual for our employees. Well, we will have to get used to it.”*

This indicates the prevalence of the formal control mechanisms in place in relation to monitoring and financial reporting. Because Chinese companies may possess relatively less experience in international business operations and overseas institutional contexts, their involvement may not generate value-added activities in steering the direction of the business operations of the acquired targets. Thus, they use formal organizational control mechanisms—enacted through control and financial reports—to ensure that their acquired firms are on track in meeting their financial targets. This monitoring and control is implemented through annual reporting, and sometimes involves the conversion from German accounting systems to the IFRS (International Financial Reporting System). Relatedly, another formal control mechanism used by Chinese companies involves the inclusion of local professional experts in the advisory boards of their acquired firms. For instance, tax accountants are routinely invited, as their experience in and knowledge of the local business environment may offset the acquiring firm's relatively limited familiarity. The empirical evidence of this study suggests that the inclusion of local professional experts is an effective organizational control mechanism.

As for the R&D and marketing functions, Chinese firms grant their acquired partners a high degree of autonomy in the decision making process, relying on informal organizational control mechanisms. Explicitly, Chinese firms manage their relationships with their acquired firms by building trust. In this light-touch approach, Chinese companies may gain access to the existing management teams' local knowledge, which includes market know-how and business environment knowledge. Chinese companies are not accustomed to the institutional and business environments found in developed economies—especially in regard to the complex legal and job market issues involved in M&A activities—as these differ greatly from those found in their own country; thus, trust can facilitate their exploitation of the knowledge bases held by the existing subsidiaries' management teams (Stahl et al., 2011).

Informal organizational control can also facilitate the establishment of a friendly and trusting atmosphere between acquirer and target; this, in turn, may assist in the exploration of the latter's knowledge base by combining the strategic advantages of both. For instance, being part of an

undisputed global manufacturing hub, Chinese firms have accumulated vast experience in cost optimization. Informal organizational control can pave the way while presenting the opportunity to share best practices with targets when their manufacturing processes show room for improvement. The European director of a Chinese firm stated: *“The Chinese firm is good at saving costs. So, some practices have been transferred to and accepted by the German partner. We try to convince the Germans by showing the details of our cost saving process.”*

In this case, the exploration of the knowledge base can only be realized because of the high degree of trust established between the Chinese and German partners. This stems from the ‘light-touch’ integration, whereby the Chinese companies grant their German partners high degrees of autonomy in decision making. They completely delegate the operational tasks and play a very passive role by joining the advisory board of the German firms through formal organizational control. Furthermore, the ‘light-touch’ integration gives the local management teams the freedom to deploy their knowledge base. Essentially, trust is the most effective informal organizational control mechanism in avoiding distributor opportunism in international collaborative partnerships (Wu, Sinkovics, Cavusgil, & Roath, 2007).

From the strategic ambidexterity perspective, the integration of formal and informal control mechanisms can enable Chinese acquirers to exploit their targets’ existing knowledge bases, and to simultaneously explore the new knowledge base stemming from the merger. Such an integrated theory of organizational control adds further theoretical understanding of the mechanisms by which the reverse transfer of knowledge from target to acquirer can occur (Liu & Meyer, 2020).

#### *4.3 A conceptual framework of integration management, strategic ambidexterity and performance implications in Chinese cross-border M&As*

The findings suggest two critical aspects of M&A integration management—namely, communication approach and organizational control—that can significantly affect performance implications in Chinese cross-border M&As. We propose a conceptual framework as shown in Figure 2 to better

understand the puzzle of the ‘light-touch’ integration approach from a strategic ambidexterity perspective.

=== insert Figure 2 about here ===

A ‘light-touch’ integration can enable the exploitation of the target’s existing knowledge base on the one hand; while the elements of such integration may facilitate the exploration of the new knowledge arising from the collaboration between target and acquirer on the other. Figure 2 highlights the two essential elements within a ‘light-touch’ integration. In essence, we answer the question of why Chinese companies deploy such a strategic ambidexterity approach in their post-acquisition integrations by highlighting the mechanisms associated with communication approach and organizational control. Importantly, this study reveals the mechanisms—direct vs. indirect for communication approach, and delegate vs. centralize for organizational control—that are manifestations of Mid-View thinking as a micro-foundation of strategic ambidexterity. Thus, we posit the following proposition:

*P1. Both direct and indirect communication can affect the exploitation and exploration of knowledge in the management of integration in Chinese cross-border M&As.*

Notably, having completed acquisitions in advanced economies, some EMNEs, especially those from China, tend to delegate more authority to local management teams (Wang, Luo, Lu, Sun, & Maksimov, 2014); whereas Indian and other EMNEs may impose more control mechanisms to their acquired firms (Kumar, 2009). Thus, we argue that delegation would have a stronger impact than centralised organisational control mechanisms on the exploration and exploration of knowledge in cross-border M&As. Thus, we posit the following proposition:

*P2. Delegated control mechanisms may wield stronger influence than centralised ones on the exploitation and exploration of knowledge in the management of integration in Chinese cross-border M&As.*

Furthermore, we argue that philosophical and cultural foundations may have an important bearing in generating a nuanced and contextualized understanding of integration management in Chinese cross-border M&As. From the Mid-View thinking perspective, the notion of strategic ambidexterity reflected in integration management may be elucidated by the adopted forms of its two most critical aspects: communication approach and organizational control. In relation to the performance implications of the management of knowledge enacted in Chinese cross-border M&As, a ‘light-touch’ integration approach and its elements can enable both knowledge exploration and exploitation. Thus, we posit the following proposition:

*P3. In light of strategic ambidexterity, the light-touch integration adopted in Chinese cross-border M&As may have positive performance implications in terms of the exploration and exploitation of knowledge.*

## **5. Discussion**

### *5.1 Theoretical implications*

This research makes three contributions to the fields of strategic ambidexterity and Chinese cross-border M&As. First, from a temporal perspective—and building upon the static view mainly taken by previous research—this study presents a dynamic view of elements of integration management in Chinese cross-border M&As, one that contributes to a nuanced and contextualized understanding of M&A integration management over time. The emergence of a unique integration approach—‘light-touch integration’—adds useful insights into the knowledge base of the literature on integration management in cross-border M&As. The classic view of integration management suggests only ‘absorption’ and ‘perseverance’ as stable states, and ‘symbiosis’ as a transient one (Tarba et al., 2019). The findings of this study add to this line of argument by suggesting that the ‘light-touch’ integration may also present some of the characteristics of a transient stage from a dynamic viewpoint, but with a much longer time horizon. This long-term view may be attributed to the persisting influence of Chinese traditional culture on the contemporary organizational and management practices enacted in

and exported from China. Thus, this study's findings may represent a first stepping stone suited to stimulate the debate on dynamics and temporal perspectives in M&As (Graebner et al., 2017), and Chinese cross-border M&As in particular. Furthermore, the findings also illustrate how research on emerging economies may not only extend the existing international business theories, but carry the potential for theory building and theory extension (Meyer & Peng, 2016).

Second, this study provides a novel approach to enhancing international business and management research by highlighting the value of cultural and philosophical microfoundations in advancing the theoretical understanding of strategic ambidexterity. Our nuanced illustrations of two manifestations of strategic ambidexterity—i.e., communication approaches and organizational control—offer newly assembled empirical evidence in the context of Chinese cross-border M&As from a cultural and philosophical micro-foundational perspective. Our findings suggest that Chinese acquirers use both direct and indirect communication approaches to serve their strategic purposes in the post-acquisition management of their targets. Varying degrees of both formal and informal control mechanisms are observed in the 'light-touch' integration approach, which points at the dynamics of organizational control development enacted in Chinese cross-border M&As. Importantly, communication and control—as two salient dimensions—are demonstrated to elucidate the extent to which Mid-View thinking may serve as a micro-foundation of strategic ambidexterity. We highlight the role played by Mid-View thinking as a micro-foundation to strategic ambidexterity, but also its potential to the broader micro-foundations movement in strategy and organization research (Felin, Foss, & Ployhart, 2015). Several studies have begun to shed revealing light on the importance of cultural and philosophical micro-foundations in advancing theory development and contemporary management practices; such as 'Wu Wei' (effortless action), which underpins different forms of reflexivity in Chinese leadership behaviours (Xing & Sims, 2012), and Daoist philosophy, which positively influences employee green behaviours (Xing & Starik, 2017). This research stream suggests that Chinese classical philosophy and intellectual roots have important contemporary implications for international business and management practice (Xing, Liu, Tarba, & Cooper, 2016). Our findings demonstrate the importance of appreciating and capturing the role played by context in examining



EMNEs (Liu & Vrontis, 2017; Xu & Meyer, 2013) from a cultural and philosophical perspective. This line of scholarly inquiry may give rise to many exciting and promising future research opportunities.

Third, in regard to strategic ambidexterity and performance consequences, the empirical evidence of this study illustrates how the elements of the ‘light-touch’ integration can enable the exploration and exploitation of knowledge in Chinese cross-border M&As. In their pursuit of cross-border M&As in advanced economies, Chinese acquirers are strongly motivated by the need to upgrade their knowledge base. However, the ‘light-touch’ integration approach contradicts conventional wisdom on integration management and synergy realization. The findings of this study support the argument that knowledge transfer can indeed occur in the context of ‘light-touch’ integration (Liu & Meyer, 2020) by highlighting why and how a strategic ambidexterity perspective can better explain the ‘light-touch’ integration approach from a micro-foundational perspective. Therefore, this study offers novel insights by contributing to the literature on performance implications and strategic ambidexterity. In contrast to the existing research on strategic ambidexterity, our findings addressed an important theoretical puzzle that prevails in the integration management and cross-border M&A research from a micro-foundational perspective. With regard to the management of cross-border M&A integration in the context of EMNEs venturing into advanced economies, the empirical evidence of this study suggests that the two critical aspects of M&A integration—namely, communication approach and organizational control—can lead to achieving strategic ambidexterity with regard to knowledge management in Chinese cross-border M&As. Importantly, the identified mechanisms—i.e., direct vs. indirect for communication and delegate vs. centralize for control—manifest the influences of Mid-View thinking in the integration management enacted by Chinese firms in their globalization endeavours via cross-border M&As. In essence, the elements of the ‘light-touch’ integration are underpinned by the micro-foundations of strategic ambidexterity, which, as this study shows, are culturally rooted in Mid-View thinking. In a nutshell, Mid-View thinking differs from the existing views on strategic ambidexterity in the micro-foundational perspective that stems from cultural and philosophical underpinnings; despite being largely ignored in the extant literature, this perspective

carries important contemporary implications for the understanding of performance implications and strategic ambidexterity in the context of EMNE cross-border M&As.

### *5.2 Managerial and policy implications*

This research suggests several important managerial and policy implications. First, the communication approach is a critical aspect in M&A integration management. Effective communication necessitates cultural sensitivity from both acquirers and targets to communicate, interpret, and understand the nuances of the meanings conveyed by languages in Chinese cross-border M&As (Brannen, Piekkari, & Tietze, 2014). In particular, indirect communication requires extra efforts and the appropriate personnel at the interface position in order to bridge the cultural and reasoning differences between the East and the West (Liu, 2020). Second, the dynamics of organisational control in the Chinese ‘light-touch’ integration approach require agility (Xing, Liu, Boojihawon, & Tarba, 2020a) and flexibility from the acquired target. Agility is important for and familiar to organisations operating in fast changing environments, such as emerging markets (Boojihawon, Richeri, Liu, & Chicksand, 2020). However, this may further hinder the targets’ ability to cope with the unique form of integration management enacted. Thus, building trust and sustaining long-term cooperation between targets and acquirers is crucial to the success of Chinese cross-border M&As. The implementation of workshops and training courses (Liu & Meyer, 2020) aimed at enhancing the mutual understanding of the two parties’ traditional cultures and philosophies can be conducive to building trust and navigating the dynamics of organisational control in M&As. Third, the management and transfer of knowledge between targets and acquirers is a complex undertaking. This research suggests that the ambidextrous exploitation and exploration of knowledge can be enabled by the ‘light-touch’ integration approach. The top management teams of the acquired firm can use their expertise and experience to exploit the existing knowledge bases, while the exploration of the new knowledge of the combined entity can be fostered under conditions of freedom and high autonomy. This research provides a nuanced understanding of how integration modes may impact the acquirer’s knowledge diffusion capacity in Chinese cross-border M&As (Li, Chen, & Liu, 2019).

Against the backdrop of China's Belt and Road Initiative (BRI) and globalization challenges (Huang, 2016), this research may shed some interesting light on how western managers can better interact with Chinese organizations by drawing from the philosophical micro-foundations of Chinese management practices. The seemingly puzzling 'light-touch' integration has deep philosophical underpinnings in Mid-View thinking (Xing et al., 2020b). A nuanced and contextualized understanding of international business operations and management practices may enhance mutual understanding between acquirers and targets engaged in cross-border M&As. In essence, the BRI's two most commonly used sound bites—"A *community of shared destiny*" and "*Co-prosperity*"—also have deep philosophical underpinnings (Froese, Sutherland, Lee, Liu, & Pan, 2019).

Another area with important managerial and policy implications is talent management (Liu, 2019). As this research indicates, both communication approach and organizational control require appropriate talent who can culturally, functionally, and intellectually bridge acquirers and targets (Liu et al., 2020). Such talent has become a strategic hurdle in the envisaging of global strategy and implementation of internationalization activities of Chinese firms and EMNEs (Meyer & Xin, 2018). Liu and Meyer (2020) recently highlighted the role played by boundary spanners, who can facilitate the reverse transfer of knowledge from target to acquirer. The competition for suitable talent can only become more fierce and intense for all types of organizations around the world.

### *5.3 Limitations and future research*

This investigation into the micro-foundation of strategic ambidexterity in the context of Chinese M&A integration management was explorative by nature. The proposed framework awaits empirical testing and further theoretical refinement. In addition, this study's focus was on Chinese cross-border M&As enacted in Germany, without considering those taking place among other emerging and advanced economies. A comparative international management perspective could enrich the findings of this study. One approach could involve examining Chinese cross-border M&As conducted in other advanced economies in relation to institutional differences. Another approach could involve the investigation of M&A activities conducted in Germany by EMNEs from countries other than China,

such as Indian and Brazilian FDI activities. Different institutional comparisons, especially involving emerging and advanced economies, could significantly advance our understanding of the variations of microfoundation, strategy, operation, and performance implications for EMNEs in cross-border M&As (Christofi et al., 2019; Liu & Vrontis, 2017). Thus, comparative studies on M&A integration, microfoundations, and strategic ambidexterity in the context of emerging and developed markets are a promising future direction. Furthermore, as acquired targets become subsidiaries of global MNE networks, multiple embeddedness (Meyer, Li, & Schotter, 2020), adaptive learning (Luo, 2020), and global innovation networks (Li et al., 2019) may offer useful theoretical lenses to further advance the research agenda of the global strategies adopted by EMNEs.

## **6. Conclusion**

This study investigated the role played by micro-foundation in integration management from a strategic ambidexterity perspective in the context of Chinese cross-border M&As in Germany. Two critical aspects through which ‘light-touch’ integration can enable both the exploration and the exploitation of knowledge were identified—namely *communication approach and organizational control*. This study emphasizes that the unique ‘light-touch’ integration approach adopted in Chinese cross-border M&As should be understood in a nuanced and contextualized manner and from a micro-foundational perspective. In particular, this research represents an initial attempt to elucidate Mid-View thinking as a micro-foundation of strategic ambidexterity and serves as a departure point for further theoretical refinement and empirical validation. In a nutshell, the exploration and exploitation of knowledge may be realized through the elements of integration management. The mechanisms (direct vs. indirect for communication approach, and delegate vs. centralize for organizational control) are manifestations of Mid-View thinking as a cultural and philosophical micro-foundation of strategic ambidexterity in Chinese cross-border M&As.

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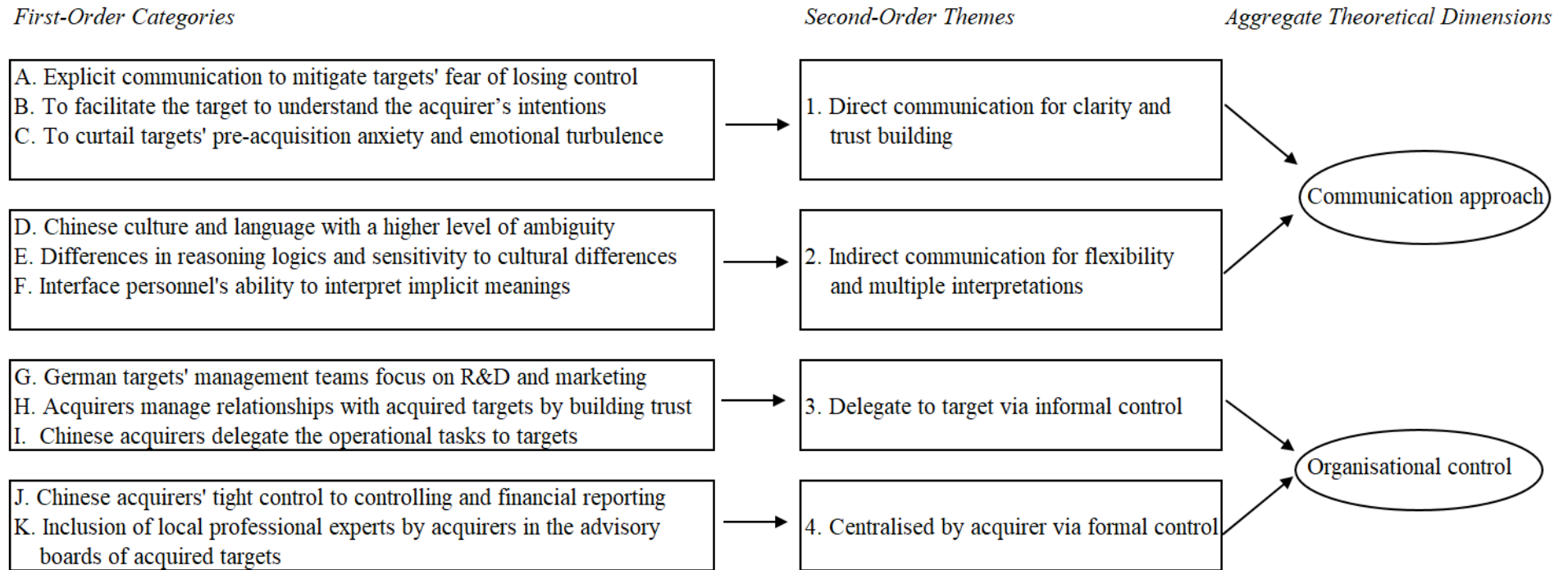


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**Table 1: Primary data collection**

<i>Industry (number of cases)</i>	<i>Number of interviewees</i>	<i>Roles and positions</i>
<u>Machine tools (8)</u>		
<i>Senior managers</i>	14	Chinese CEO ( x4), former CEO, German CEO ( x4), Managing director ( x2), CFO ( x2), Chairman
<i>Middle managers</i>	9	project manager ( x3), sales manager, marketing manager, HR manager ( x2), innovation manager ( x2)
<u>Industrial engineering (3)</u>		
<i>Senior managers</i>	6	CEO, Managing director, CFO, Director of Marketing, Director of HR, Project Management director
<i>Middle managers</i>	4	project manager, sales manager, R&D manager, HR manager
<u>Machine manufacturer (3)</u>		
<i>Senior managers</i>	7	CEO, CFO ( x2), Director of HR, European director, Director of strategy, R&D Director
<i>Middle managers</i>	3	HR manager, marketing manager, project manager

**Figure 1. Data structure**



**Figure 2. A conceptual framework of M&A integration management and strategic ambidexterity**

