

The Role Played by Trust in Reverse Knowledge Transfer: the Case of a Chinese Acquisition in the UK

Abstract

Purpose. In this study, we examined the critical, yet underexplored role played by trust in reverse knowledge transfer (KT) in the context of cross-border acquisitions undertaken by an emerging economy (Chinese) firm. We specifically explored the antecedents and impact of trust on reverse KT between the acquiring and target firms.

Design/methodology/approach. The research involved an empirical investigation based on survey data collected from 103 employees of a Chinese acquiring firm and its British subsidiary.

Findings. The findings reveal that trust is positively influenced by distributive justice and negatively impacted by the psychic distance between the acquiring and target firms. Importantly, the negative effect of psychic distance on trust was found to diminish in the presence of high perceptions of procedural justice. Trust was found to significantly contribute to reverse KT by acting as a pivotal mechanism. Surprisingly, no direct relationship was found between the absorptive capacity of the acquiring firm and reverse KT. However, trust was found to moderate the relationship between absorptive capacity and reverse KT, highlighting its central role.

Originality/value. This study is among the first to perform an in-depth analysis of the interplay between trust, justice perceptions, and KT in cross-border acquisitions undertaken by emerging economy (Chinese) multinationals. The findings specifically reveal the key mechanisms that facilitate reverse KT and offer practical implications for managers involved in cross-border acquisitions.

Keywords. Absorptive capacity; distributive justice; procedural justice; psychic distance; reverse knowledge transfer; trust.

Paper type. Research paper

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Introduction

A substantial proportion of China's outward foreign direct investment (FDI) is concentrated on the acquisition of firms in advanced economies (e.g., Deng, 2009; Zhu & Zhu, 2016; Li *et al.*, 2019; He & Padron-Hernandez, 2024). Several prior studies have examined the motives and trends underpinning China's FDI including access to strategic assets (Peng, 2012). Making effective use of the strategic assets acquired in developed markets often requires reverse knowledge transfer (KT). In the context of mergers and acquisitions (M&As), reverse KT (Yang *et al.*, 2008) specifically occurs from the target to the acquiring firm (Junni *et al.*, 2017).

However, factors such as cultural differences, lack of absorptive capacity, and lack of motivation often make reverse KT particularly challenging. These challenges warrant an examination of the mechanisms that have the potential to facilitate reverse KT following cross-border acquisitions. Accordingly, in our study, we proposed trust as a critical, yet under-examined mechanism found in reverse KT. Trust refers to "*a psychological state that comprises the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another*" (Rousseau *et al.*, 1998: 395). Despite the recognition of the critical role played by the sociocultural factors and human resources in cross-border M&As, we still have limited insight into the role played by trust (Sarala *et al.*, 2019). Graebner *et al.* (2017) concluded that there is still a need to understand the mechanisms pertaining to the post-M&A processes, such as trust. Thus, trust is a vital yet under researched area of interest in the M&A context (e.g., Sarala *et al.*, 2016; Stahl *et al.*, 2011, 2012).

Therefore, the aim of our study was to understand the role played by trust in the reverse KT occurring in cross-border M&As. To examine reverse KT in a global context in which it is particularly prevalent and vital, we focused on an acquisition conducted by a Chinese firm in

the UK. We found the target firm's trust in the acquiring company to have been an important determining factor of reverse KT in that cross-border acquisition. Moreover, we found evidence for the moderating role played by trust in explaining the connection between the absorptive capacity of the acquirer and reverse KT. Additionally, we examined the factors influencing trust building in cross-border acquisitions—including distributive and procedural justice and psychic distance—which further explain the roles played by justice and cultural differences during the integration process following acquisitions.

Although prior studies have made progress, our knowledge of the determinants of and impact of trust on the reverse KT from developed country subsidiaries to emerging economy firms is still limited. Our paper fills these gaps by focusing on a Chinese acquisition in the UK, and offers several contributions to the extant literature. *First*, by focusing on the reverse flow of knowledge, it expands the scope of traditional knowledge management and of the strategic management literature, which has predominantly examined the KT occurring from developed country acquirers to developing economy subsidiaries (Gupta & Govindarajan, 2000). In contrast, reverse KT is inherently more complex because it requires the target firm to share strategically valuable knowledge with an acquirer that may be perceived to be less competent or institutionally distant. Our findings contribute to the literature by empirically validating that trust serves as a foundational relational mechanism that facilitates this reverse KT in post-acquisition contexts (Minbaeva *et al.*, 2014).

Second, a particularly novel contribution of this study lies in its findings pertaining to absorptive capacity. Contrary to much of the existing literature (e.g., Song *et al.*, 2018; Gupta & Govindarajan, 2000; Cohen & Levinthal, 1990), our data did not support the predicted positive relationship between absorptive capacity and reverse KT. This challenges the foundational assumption that firms with greater capacity to identify, assimilate, and apply external knowledge are automatically better positioned to benefit from reverse KT (Cohen &

Levinthal, 1990). This finding is further deepened by that pertaining to the moderating role played by trust in the relationship between absorptive capacity and reverse KT. Our findings indicate that higher levels of trust may reduce the dependency on absorptive capacity in facilitating reverse KT. This challenges the widely held view of trust and capabilities being purely complementary. Instead, our findings suggests a more complex interaction: in the presence of high levels of trust, firms may rely more on relational pathways for KT, potentially at the cost of critical evaluation or transformation through absorptive mechanisms. This adds a novel theoretical dimension to the absorptive capacity literature by introducing the idea that the efficacy of knowledge processing capabilities is contingent on the relational climate. In doing so, it echoes the calls made to incorporate social, political, and relational variables into traditional KT models (Minbaeva *et al.*, 2014).

Third, although a few studies have examined the trust dynamics that occur in M&As (e.g. Maguire & Phillips, 2008; Graebner, 2009; Stahl *et al.* 2011; Zou *et al.*, 2023), little research has been focused on the role played by trust in post-cross-border acquisition processes. Our study contributes to the literature of cross-border acquisitions by examining the role played by trust in post-acquisition processes in the context of an emerging economy firm's cross-border acquisition in the UK.

Fourth, another contribution of our study lies in its confirmation that psychic distance negatively influences trust in the acquiring firm. This is consistent with the findings of earlier studies, suggesting that greater perceived distance hinders relational integration and increases uncertainty and misinterpretation (Stahl & Voigt, 2008). This finding is particularly salient for cross-border acquisitions initiated by emerging economy MNEs. Developed-market target firm employees may perceive an emerging economy acquiring firm as unfamiliar or inferior in managerial sophistication and legitimacy, leading to a lack of trust and cooperation (Dikova *et al.*, 2010). Our study confirms that psychic distance serves as a perceptual barrier to the

establishment of trust, reinforcing the need for acquiring firms to actively manage cross-cultural perceptions in post-acquisition processes.

Fifth, our study also contributes to the growing literature on organizational justice in international M&As, particularly by examining distributive and procedural justice as antecedents and moderators of trust formation. While the effect of distributive justice on trust in the acquiring firm was found to be only marginally significant, partial support was found for the argument that perceptions of fairness in outcome allocations—such as compensation, promotions, and recognition—contribute to trust in post-acquisition contexts (Colquitt *et al.*, 2001). Interestingly, procedural justice was not found to exhibit a significant direct effect on trust. However, the moderating effect of procedural justice on the relationship between psychic distance and trust was found to be both positive and significant. This suggests that even in the presence of large perceived cultural or institutional differences, perceptions of decisions being made through fair and transparent processes can attenuate the distrust that typically accompanies high psychic distance (Ellis *et al.*, 2009). Thus, our study advances justice theory in the international business domain by showing that procedural justice is more impactful as a contextual moderator. By illustrating how procedural justice buffers the negative effects of psychic distance, this study offers a refined understanding of justice as a cultural and integrative tool in cross-border settings.

Conceptual Framework and Hypotheses

Several studies refer to the crucial role played by trust in fostering social interactions, collaboration, and effective coordination in organizations (e.g., Dirks & Ferrin, 2001; Mayer *et al.*, 1995). In disruptive periods like the post-acquisition integration one, trust enables organizational members to successfully navigate challenging changes and strengthen organizational adaptability (e.g., Oreg *et al.*, 2018). In cross-border acquisitions, reverse KT is only valuable when the acquirer has the ability to successfully use it. This is to say that KT is

only useful when knowledge is transmitted and preserved. The ways in which the receivers of knowledge utilize it in their own operations is influenced by different factors (Minbaeva *et al.*, 2003, 2014; Nair *et al.*, 2016; Sanchez-Vidal *et al.*, 2018;). In those exchanges, the factors that are important for successful reverse KT are not only related to employee motivations and abilities, but also to the ability of the receiver of knowledge to institutionalize it and to retain it within its structures (Minbaeva *et al.*, 2014; Nair *et al.*, 2016).

Trust and Reverse Knowledge Transfer

Cross-border acquisitions lead to major organizational changes that induce uncertainty (Choudhury *et al.*, 2025). In this context, the trust placed by the target's employees in the acquirer's managers is one of the most critical human aspects for post-acquisition success (Stahl *et al.*, 2012). We argued that one of the central notions of trust is that it directs employees to engage in risk taking behaviors—e.g., in the sharing of knowledge—by eliciting recognition of the vulnerability associated with them. Accordingly, trust has been shown to positively influence the degree to which knowledge is disclosed, the legitimacy of such knowledge, and the extent to which it is embraced by other members of the organization (Sié & Yakhlef, 2009). Prior studies indicate that trust enhances the extent to which information is shared (Tsai & Ghoshal, 1998), reduces the cost of information exchange (Zaheer *et al.*, 1998), and enriches collaboration with the knowledge provider (Dirks & Ferrin, 2001).

Furthermore, trust reduces knowledge hiding and raises the degree of transparency toward the receivers of knowledge (Buckley & Park, 2013). In M&As, trust in the acquirer may compel the target to share potentially strategically important knowledge with the acquirer (Sankowska, 2013). By contrast, mistrust in the acquirers elicits in the possessors of knowledge a propensity to protect it, which impedes its sharing and potentially deters any reverse KT. Therefore, we posited:

H1. Trust in the acquiring firm is positively related to reverse knowledge transfer.

Psychic Distance and Trust in the Acquiring Firm

Psychic distance, a critical construct in international business studies (Johanson & Vahlne, 1977), has been identified as a potential source of problems in M&A integration (e.g., Dow *et al.*, 2016; Sousa & Bradley, 2006). Psychic distance incorporates cultural differences as well as additional factors that affect the perceptions of individuals (Yildiz & Fey, 2016; Wang *et al.*, 2023), such as industrial development, business practices, language, and education (Johanson & Vahlne, 1977; Baack *et al.*, 2015). Following Yildiz & Fey (2016), we focused on psychic distance because it refers to a broad range of differences and offers a widespread interpretation of perceptions of distance. Yildiz and Fey (2016) defined psychic distance as “*the perceptions regarding differences between two countries*” (2016: 835). This reflects a mental process in which market players interpret and shape their understandings of themselves and of their home countries in the perspective of the ‘others’ and the host countries (Yildiz and Fey, 2016).

Psychic distance affects the formation of trust between collaborators in regard to the resources and time invested in relationship building (Lin & Germain, 1998). When individuals and firms face increased obstacles related to social interactions and influence, trust diffusion in M&A partners is hindered (Schilke & Cook, 2013; Genc *et al.*, 2020). In the presence of greater psychic distance, M&A partners have to spend more effort to understand each other. This is because limited exposure (Yan *et al.*, 2020) and limited information makes them unable to anticipate how their counterparts will act. A lack of information will lead to less familiarity and increased chances of untrustworthiness (Stahl & Voigt, 2008; Child *et al.*, 2009). We thus argued that, in M&As, trust is created and facilitated by the interactions of shared norms, ideologies, and values between partners, but it can also be eroded when perceptions and key values are not fully shared between partners due to high levels of psychic distance (Lewicki & Bunker, 1995; Kramer, 1999). Based on this discussion, we hypothesized:

H2. Psychic distance is negatively related to trust in the acquiring firm.

Perceived Distributive Justice and Trust in the Acquiring Firm

Organizational justice theory (Luo, 2007) has been used to explain the connection between distributive justice and trust. Organizational justice is one of the lenses best suited to study and comprehend employee trust—or lack thereof—in organizational contexts and relationships (e.g., Luo, 2007). Distributive justice is met when the outcome distributions of acquisition deals are perceived as fair (Luo, 2007, Melkonian *et al.*, 2011). Keeping in view the fact that M&As are among the most complex inter-firm interactions (e.g., Stahl & Sitkin, 2010), perceived distributive justice is of paramount importance in this context (Luo, 2007; Gomes *et al.*, 2017; Melkonian *et al.*, 2011).

Prior researchers have established that overcoming the fears and apprehensions of employees is a key hurdle faced by the acquiring firm in the M&A integration phase (e.g., Buono & Bowditch, 2003; Gomes *et al.*, 2017). Melkonian *et al.* (2011) suggested that, in M&As, distributive justice is primarily linked with outcome distribution fairness, either at the individual employee or group level (i.e., at that of all the employees of an acquired unit). Employee perceptions (which are linked to emotions) play an important role in the success of post-acquisition integration processes (e.g., Kusstatscher & Cooper, 2005) including, among others KT. Acquirers can positively influence their target firms' employees' perceptions of distributive justice by, for instance, developing clear incentive and reward systems (e.g., Luo, 2009). Taking all this together, we posited that greater levels of trust will ensue in the presence of positive perceptions of distributive justice—i.e., when the distributions of organizational results are deemed fair. In contrast, the absence of distributive justice perceptions may cause feelings of anger and mistrust (Saunders & Thornhill, 2003). Accordingly, we hypothesized:

H3. Perceived distributive justice is positively related to trust in the acquiring firm.

Perceived Procedural Justice and Trust in the Acquirer

Organizational justice theory (Luo, 2007) is useful to elucidate the association between procedural justice and trust in M&As, which can be defined as the perceived fairness of the procedures used in managing the acquisition and decision-making during the post-acquisition stage (Colquitt, 2001). Fair procedures and processes may alleviate any negative employee reactions and provide sufficient opportunity for the acquirers and acquirees to communicate in relation to decisions related to their post-acquisition integration. Accordingly, Lipponen *et al.* (2004) showed that perceptions of justice regarding the procedures of M&A implementation can lead to deeper post-M&A organizational identification and common in-group identity. Also, Melkonian *et al.* (2011) emphasized that the psychological mechanisms underpinning employee cooperative attitudes and behaviors, albeit being still relatively underexplored, can be influenced by procedural justice during the post-merger integration process. Furthermore, perceptions of decision-making procedural fairness have more generally been found to have positive effects on employee commitment, attachment, and trust in the leadership (Korsgaard *et al.*, 1995). Hence, we posited:

H4. Perceived procedural justice is positively related to trust in the acquiring firm.

The Moderating Role of Perceived Distributive Justice

In the presence of high levels of psychic distance, distributive justice can play a very important bridging role by ensuring outcome distribution fairness, which positively influences the emotions and motivation of the target firm's employees (Kusstatscher & Cooper, 2005). It has been argued that positive emotions and motivation ultimately lead to higher levels of trust (e.g., Buono & Bowditch, 2003). Perceived distributive justice is thus expected to positively influence the willingness of the target's employees to cooperate with their acquiring organization's counterparts, and such positive interactions can help to decrease the adverse

effect of psychic distance on trust. Hence, we argued that perceptions of distributive justice can lessen the adverse influences of psychic distance on trust during the post-M&A integration phase. Hence, we formulated the following moderation hypothesis:

H5. Distributive justice positively moderates the relationship between psychic distance and trust in the acquirer. Specifically, the negative effect of psychic distance is weaker on trust when perceptions of distributive justice are stronger.

The Moderating Effect of Perceived Procedural Justice

We argued that perceived procedural justice will enhance trust in the acquiring organization in the presence of high levels of psychic distance by ensuring fairness in M&A processes. For example, Sachsenmaier and Guo (2019) highlighted the crucial role played by transparency in information guidelines and in amalgamation-related decision-making practices in the development of trust following acquisitions made in high psychic distance contexts; namely, emerging country firm acquisitions in advanced economies. While psychic distance can lead to information asymmetry (Ellis, 2008)—which reduces trust—perceived procedural fairness can restore some faith in the acquirer in relation to the degree of decision making fairness during the integration process. As perceived procedural justice may enhance identification with the post-acquisition entity and create a positive shared in-group identity (Lipponen *et al.*, 2004), it may mitigate the adverse consequence of psychic distance on trust in the acquirer. Hence, we proposed that:

H6. Procedural justice positively moderates the relationship between psychic distance and trust in the acquirer. Specifically, the negative effect of psychic distance on trust is weaker when perceptions of procedural justice are stronger.

Absorptive Capacity and Reverse Knowledge Transfer

Absorptive capacity refers to “*the ability to recognize the value of new external information, assimilate it, and apply it to commercial ends*” (Cohen & Levinthal, 1990: 128). Cohen and Levinthal (1990: 131) argued that “*to develop an effective absorptive capacity [...] it is insufficient merely to expose an individual briefly to the relevant prior knowledge. Intensity of effort is critical.*” Minbaeva *et al.* (2003) interpreted this intensity of effort as drive, which is the *will-do* motivational factor that works in conjunction with the *can-do* ability one when absorbing knowledge. Szulanski (1996) stated that absorptive capacity is manifested in a firm’s ability to successfully value, assimilate, and apply new knowledge to commercial ends. Especially in the presence of a tacit component, the success of knowledge absorption requires the effective ability of the acquirer and target to establish a close working relationship (Wang *et al.*, 2019; Liu & Meyer, 2020).

Knowledge transfer is a prominent encounter and not “*a gradual process of dissemination*” (Szulanski, 1996: 28). We followed Szulanski’s (1996) concept that KT involves “*dyadic exchanges of organizational knowledge between a source and a recipient unit in which the identity of the recipient matters*” (1996: 28). Minbaeva *et al.* (2014) stressed that KT activities are facilitated by employee abilities and motivations, which are key aspects associated with absorptive capacity. The encoding capacity possessed by the acquirers of knowledge is an important part of communication competency, as it shows the ability to listen, be focused, and respond promptly (Monge *et al.*, 1982, Ko *et al.*, 2005). It helps to increase the likelihood that the receivers of knowledge will be able to adequately accept and process it (Swaab *et al.*, 2002).

From an organizational perspective, this outcome is determined by a firm’s absorptive capability to “*acquire, assimilate, transform, and exploit knowledge*” (Teece *et al.*, 1997). The literature indicates that absorptive capacity has a positive impact on KT because a lack of such capacity typically creates difficulties in the assimilation and application of any transferred

knowledge (Nelson & Coopride, 1996), while its effective application increases an organization's KT performance level (Oddou *et al.*, 2009). In the same vein, we hypothesized:

H7. An acquirer's absorptive capacity is positively related to reverse knowledge transfer.

The Moderating Effect of Trust

While we suggested that the acquiring firm's absorptive capacity can facilitate reverse KT, we expected trust to weaken this effect. The acquiring firm's absorptive capacity combined with a high level of trust is likely to result in the target company having fewer misgivings in regard to how their knowledge is used and adopted by the acquiring one. Colman and Lunnan (2011) used the term 'mobilizing actions' to describe the target's efforts to question and challenge the acquirer's solutions, knowledge, and technology. Mobilizing actions can benefit value creation in M&As. With a high level of trust, the target firm is less likely to scrutinize the actions and requests of the acquiring firm, as it trusts that it will do the 'right' thing and not require any active assistance in the process. This may result in the target company becoming more passive and less engaged in developing and using mobilizing actions (Colman & Lunnan, 2011) that best take advantage of the value of the target's knowledge and the acquirer's ability to absorb it.

A target firm playing an active role through mobilizing actions helps to establish boundaries around its knowledge so that such knowledge can be transferred without destroying its value (Colman & Lunnan, 2011) while making appropriate adjustments to the country context (Hong & Nguyen, 2009). A high absorptive capacity that increases the acquiring firm's ability and motivation to take on its target's knowledge combined with a high level of trust may result in hasty and premature efforts to transfer knowledge without critical target firm mobilizing actions. Such actions would ensure that the target's knowledge is transferred in ways suited to make it work in the acquirer's context while not destroying such knowledge's valuable elements. As

trust, combined with a high level of acquiring firm absorptive capacity, may replace the use of more formal organizational routines and of control and coordination mechanisms and systems around KT (Meier , 2011), it may lead to attempts to transfer too much of the target firm's knowledge too swiftly, which will ultimately end up reducing the level of KT through the destruction or misapplication of some of the valuable knowledge in the process.

Given the above considerations, we found it plausible to suggest that trust in the acquirer may negatively moderate the relationship between absorptive capacity and reverse KT in cross border acquisitions. In particular, the higher the trust placed by the acquired unit in the acquirer, the lower the degree of critical engagement and adaptation of knowledge, and the greater the reduction of the positive impact of absorptive capacity on reverse KT. Conversely, moderate levels of trust may strike a balance between openness and criticality, enhancing the effectiveness of absorptive capacity. Accordingly, we put forward the following hypothesis:

H8: Trust negatively moderates the relationship between absorptive capacity and reverse knowledge transfer. Specifically, the positive effect of absorptive capacity of the acquiring firm is lower in the presence of a higher level of trust in it.

-Insert Figure 1 about here-

Our conceptual framework is presented in Figure 1. We argued that trust is a critical relational determinant of reverse KT in cross-border acquisitions. We further posited that psychic distance and procedural and distributive justice are antecedents of trust building in cross-border acquisitions. Yet, the negative effect of psychic distance on trust is positively moderated by procedural and distributed justice. We contended that absorptive capacity has a direct effect on reverse KT, although such effect is negatively moderated by trust.

Research Methodology

Research context

Extant research on M&As has focused on deals enacted by firms in developed and advanced economies (Zhu & Zhu, 2016). However, in recent times, large numbers of emerging market firms, especially from China, have increasingly been involved in cross-border acquisitions as acquirers (Li *et al.*, 2019). We considered these kinds of cross-border M&As to be particularly suited to the investigation of reverse KT. Specifically, in our study, we focused on the acquisition of a UK firm by a Chinese state-owned company during the ‘great recession’ of 2007-2008. Between 2008 and 2017, the acquirer and target had been continuously engaged in exchanges of resources and information, alongside various other interactions. This provided us with a unique long-term perspective on cross-border M&A integration.

Research Project Design

We conducted a quantitative study via a structured survey questionnaire aimed at collecting primary information from both shop-floor employees and management team members from the acquired and acquiring company. We collected our data in two waves, in 2017 and 2018. In 2017, we contacted the human resource (HR) department of the acquired UK firm to explain the aim of our study and to provide assurances of confidentiality. With their assistance, we were able to access inside information and to contact individual employees of the UK firm. We approached around 40 individuals, including senior management team members, shop-floor engineers, and other employees—some who had been originally employed by the target firm and others transferred from the acquiring one—to explain the nature of our project and ensure them of the confidentiality of any information they might provide. We also asked them to disseminate the details of our project to a wider range of respondents. We thus secured the participation of 71 individuals—out of 350—who went on to anonymously respond to our questionnaire within the following six months.

In 2018, we contacted the headquarters of the state-owned acquiring Chinese firm. We secured the assistance of the headquarters' strategy development department and approached those executive board members and managers who were involved in the pre- and post-acquisition processes and were responsible for the UK subsidiary. Although we briefed 61 individuals about our research project, only 44 expressed an interest in participating due to time constraints and information confidentiality issues. With the help of one co-author proficient in both Mandarin and English, we created a Mandarin version of the questionnaire we had originally administered in the UK. To ensure consistency between the English and Mandarin versions of the survey questions, we then back translated them from Mandarin to English using another independent translator who was also proficient in both languages. Having sent online survey links to the acquirer's prospective respondents, we obtained 32 completed questionnaires out of 44 over seven months.

From both waves, we thus obtained a total of 103 valid questionnaires, which represented a sample size adequate for our study. The response rates for management levels in M&A studies are generally quite low due to confidentiality issues pertaining to both the acquiring and acquired firms (Cycyota & Harrison, 2006). As this is especially true in regard to studies conducted across Asian contexts, we considered our response rate of 25.1% (103/411) to be reasonable (see, e.g., Mudambi *et al.*, 2014, and, for European contexts, Melkonian *et al.*, 2011).

Measurement of variables

Following Mayer *et al.* (1995) and Stahl *et al.* (2011), we measured *Trust in the Acquiring Firm* based on eight items—e.g., “The management team of the acquiring (Chinese) firm is capable of managing the acquiree (UK)”, “The management team of the acquiring (Chinese) firm is able to meet the performance expectations of the acquiree (UK)”, and “The management team of the acquiring (Chinese) firm went out of its way to ensure that the acquiree

(UK) would not be damaged or harmed in this acquisition”. The responses for each item were graded on a Likert scale ranging from 1 = *strongly disagree* to 7 = *strongly agree*.

Reverse knowledge transfer was measured following Capron (1999), who proposed six items: a) General management expertise, b) product innovation capabilities, c) know-how in manufacturing processes, d) sales and marketing expertise, e) supplier relations, and f) distribution and logistics expertise. We asked questions pertaining to the extent and level of the knowledge that had been actually transferred from the acquiree to the acquirer. Each item was measured on a Likert scale ranging from 1 = *not at all* to 7 = *very much*.

We measured *Psychic distance* using six items adapted from Yildiz and Fey (2016). We asked our respondents to indicate how great they had perceived the differences between China and the UK to be at the time of the acquisition along the following dimensions: a) norms and values, b) political system; c) regulations/formal rules, d) level of economic development, e) relationships and ways of communicating, and f) organizational practices.

We measured *Perceived distributive justice* using three items adapted from Melkonian *et al.* (2011). We asked our respondents to indicate whether they agreed or disagreed with the following statements: a) “The decisions related to the acquisition have not harmed either of the two firms”, b) “The decisions related to the merger have been favorable to the UK acquiree”, and c) “On the whole, the acquisition deal has been fair for both firms”.

We measured *Perceived procedural justice* using four items adapted from Melkonian *et al.* (2011). We asked our respondents to indicate whether they agreed or disagreed with the following statements: a) “The management of my department has had sufficient opportunities to communicate with higher management about any decisions related to the acquisition integration”, b) “The decisions related to the acquisition integration have sufficiently taken into account any requests made by my department’s workforce”, c) “My department has been adequately informed about those decisions related to the acquisition integration that affected its

daily functioning”, and d) “The management of my department has had sufficient opportunities to challenge the decisions made in relation to acquisition integration”.

We measured *Absorptive capacity* using five items adapted from Szulanski (1996). We asked our respondents to indicate whether they agreed or disagreed with the following statements: a) “The employees of the Chinese acquiring firm have understood the goals of transferring knowledge from the UK acquiree to the Chinese acquiring firm”, b) The employees of the Chinese acquiring firm have gained a clear understanding of the division of roles and responsibilities to transfer knowledge from the UK acquiree”, c) The employees of the Chinese acquiring firm possess the technical and managerial competencies needed to transfer knowledge from the UK acquiree”, d) “The employees of the Chinese acquiring firm have been motivated to communicate their knowledge needs to the employees of the UK acquiree”, and e) “The employees of the Chinese acquiring firm have been motivated to absorb the knowledge transferred by the UK acquiree”.

Addressing survey biases

To check for the presence of any non-response bias, we compared the early and late responses together with several key descriptive variables (Ranft & Lord, 2000). We detected no statistically significant difference between the two groups, which indicated that non-response bias was not a major problem. As suggested by Podsakoff *et al.* (2003), we also made provisions against any possible consistency and priming effects to avoid common method variance issues, as well as the creation of pseudo relationships between variables caused by artefacts from the methodological and process perspectives. Furthermore, we used a large number of items to measure every construct. We checked for common method bias by performing Harman’s single-factor test (Podsakoff *et al.*, 2003), which indicated the absence of severe common method variance. Finally, the likelihood of common method variance effects was reduced by the presence of complex relationships (e.g., interaction effects) (Chang *et al.*, 2010), which, as the

prior literature suggests, would have been rather weakened in the presence of common method bias (Siemsen *et al.*, 2010).

Statistical Analysis

To test the model, we used the SmartPLS version 3.0 software (Hair *et al.*, 2012). The sample size exceeded the minimum for PLS analysis—i.e., 10 times the maximum number of paths for the six constructs in the outer model for this study. We also performed a *t*-test to check for the existence of any significant differences between the early and late responses collected in the two waves, and none were found (Armstrong & Overton, 1977). The Partial Least Square (PLS) method was an appropriate analytic tool for our data analysis for four reasons. First, it does not require any assumption of multivariate normality (Fornell & Bookstein, 1982; Reinartz, Haenlein, & Henseler, 2009). Second, it allows for the collective—as opposed to separate—weighting of the indicator loadings on the constructs in a theoretical model, which helps to analyze variables of multiple indicators (Hulland, 1999). Third, covariance-based structural equation modelling techniques would require a large sample size. Due to the size of our sample (103), we thus considered it to be reasonable to use PLS, which maximizes power whilst allowing the simultaneous estimation of path coefficients (Hulland, 1999). Last, the use of PLS-SEM in empirical studies on M&As (e.g., Strobl *et al.*, 2020) and on international marketing (e.g., Hair *et al.*, 2012) is widely accepted.

Findings

We screened our empirical data for outliers, out-of-range values, and missing data. We assessed the measurement model before testing the structural equation one. As, in PLS, latent variables are modelled as a composite factor, we checked the validity and reliability of the composite measurement model, as presented in Table 1. To test the convergent validity of the survey measurement, we calculated the values of the average variance extracted (AVE) for all latent variables and found that they all fell above the recommended threshold of 0.50 (Bagozzi & Yi,

1988). In addition, to assess construct validity, we checked the R-square values for *Trust in the Acquiring Firm* and *Reverse Knowledge Transfer*, which we found to be 0.414 and 0.1376, respectively, showing that the PLS model explained about 41.4% of the variance in *Trust in the Acquiring Firm* and about 13.76% of that in *Reverse Knowledge Transfer*. Furthermore, to check for internal consistency reliability, we calculated composite reliability (CR). All scales were found to display values above the recommended threshold of 0.70 (Nunnally & Bernstein, 1994). In addition, the factor loadings of all items (Table 2) were found to fall above 0.60, showing that the items were reliable measures of the proposed variable (Hulland, 1999).

-Insert Table 1 about here-

To evaluate discriminant validity, we checked the cross loading of the items (see Table 2) on other latent variables (Chin, 1998). The proposed latent variables were found to have discriminant validity as all items loaded highest on each. Moreover, the correlations of each latent variable were compared with the square roots of the AVEs, as recommended by Fornell and Larcker (1981). As shown in Table 3, the square roots of the AVEs were found to be greater than the corresponding latent variable correlations, suggesting discriminant validity. To investigate any potential multi-collinearity issues, we checked the correlations for latent variables as well as the variance inflation factors. These were found to be lower than 3.3 (see Table 4), and thus within the recommended range (Hair, Ringle, & Sarstedt, 2012).

-Insert Table 2 about here-

-Insert Tables 3 and 4 about here-

To test the proposed structural relationships, we ran the PLS algorithm using the SmartPLS 3.0 software. Following Hair *et al.* (2012), we assessed the significance level based on 5,000 bootstraps. The coefficient and p-values for the proposed structural relationship are presented in Table 5.

-Insert Table 5 about here-

In H1, we posited that trust in the acquiring firm would positively influence reverse KT. The coefficient on trust was found to be positive and statistically significant ($\beta = 0.311$, $p = 0.000$), thus supporting H1 and confirming that a greater level of trust in the acquirer enhances reverse KT. In H2, we suggested that psychic distance would negatively influence trust in the acquirer. The coefficient for psychic distance was found to be negative and statistically significant ($\beta = -0.234$, $p = 0.001$), thus suggesting that the perceived psychic distance between the UK and China had reduced the trust in the acquiring firm. Thus, H2 was found to be supported. In H3, we posited that distributive justice would positively influence trust in the acquirer. The coefficient for distributive justice was found to be positive and marginally significant ($\beta = 0.250$, $p = 0.098$). The findings thus suggest that perceived distributive justice enhances trust in the acquirer during the post-acquisition phase, supporting H3. In H4, we hypothesized that procedural justice would positively influence trust in the acquiring firm. Although the coefficient for procedural justice was found to be positive, it was also found to be statistically non-significant ($\beta = 0.123$, $p = 0.413$). Therefore, H4 was found to not be supported. In H5, we posited that distributive justice would positively moderate the relationship between psychic distance and trust in the acquiring firm. The coefficient was found to be negative and statistically non-significant ($\beta = -0.123$, $p = 0.371$). Therefore, H5 was found to not be supported. In H6, we proposed that procedural justice would positively moderate the relationship between psychic distance and trust. The coefficient was found to be positive and statistically significant ($\beta = 0.313$, $p = 0.013$), thus supporting H6 and confirming that the negative effect of psychic distance on trust in the acquirer is lower in the presence of stronger perceptions of procedural justice. In H7, we predicted that absorptive capacity would positively influence reverse KT. The coefficient was found to be positive but statistically non-significant ($\beta = 0.123$, $p = 0.178$), thus H7 was found to not be supported. To

test H8, we carried out a moderation analysis to assess the moderating role played by trust in the acquiring firm on the relationship between absorptive capacity and reverse KT. The coefficient was found to be negative and statistically significant ($\beta = -0.175$, $p = 0.0477$), thus H8 was found to be supported. These findings suggest that the relationship between absorptive capacity and reverse KT is moderated by the target firm's trust in the acquiring one.

-Insert Table 6 about here-

Discussion and implications

Our study contributes to the scarce literature on the role played by trust on reverse KT in the context of cross-border M&As initiated by emerging market firms. Prior studies have focused on a number of factors influencing reverse KT—such as absorptive capacity (Nair *et al.*, 2016), subsidiary innovativeness (Mudambi *et al.*, 2014; Barakat *et al.*, 2025), subsidiary willingness to transfer knowledge (Kong *et al.*, 2018), and MNE architecture (Munjal *et al.*, 2021). However, limited attention has been given to the potentially vital impact of trust on reverse KT in cross-border acquisitions, especially in the context of emerging market acquirers. Our paper thus contributes to the reverse KT literature by investigating the role played by trust in the reverse KT enacted by a UK acquiree to its Chinese acquiring firm. We established that trust in the acquirer exerts a direct and moderating effect on reverse KT.

In addition, our study makes a distinctive contribution by exploring the moderating role played by trust in explaining the relationship between absorptive capacity and trust, which had hitherto received scarce attention in the M&A literature. At first, we found no significant direct relationship between the absorptive capacity of the acquirer and reverse KT. This finding contradicts those of prior studies on KT in M&As. For instance, Junni *et al.* (2012) suggested that absorptive capacity is critical in facilitating successful reverse KT during the post-M&A

stage. Moreover, our findings contradict Nair *et al.* (2016), who found a positive association between absorptive capacity and reverse KT. One possible explanation for these contradictory findings lies in the complex nature of tacit knowledge, which is often deeply embedded in the routines, culture, and social fabric of the acquired firm (Szulanski, 1996). Even when an acquiring firm possesses high absorptive capacity, its ability to translate this capacity into actionable learning may be constrained by cultural and organizational barriers. In the context of a Chinese firm acquiring a UK firm, institutional and cultural distance may cause misunderstandings or inhibit the trust necessary for open communication (Child & Rodrigues, 2005).

However, we found strong support for the negative moderating effect of trust on the relationship between the acquirer's absorptive capacity and reverse KT. While traditional perspectives emphasize the universally beneficial role played by trust in inter-organizational relationships (Mayer, Davis, & Schoorman, 1995; Zaheer, McEvily, & Perrone, 1998), this result introduces nuance by suggesting that, under certain conditions, trust may inhibit—rather than facilitate—learning. From a theoretical perspective, this finding challenges the mainstream view that trust invariably enhances KT (Inkpen & Tsang, 2005; Tsai & Ghoshal, 1998). Specifically, it implies that *too much* target firm trust in the acquiring one may lead the former to reduce its mobilizing actions (Colman & Lunnan, 2011), resulting in it having less misgivings in relation to the acquirer's knowledge and technology and to how the target firm's knowledge can be used and adopted by the acquiring company. As a result, the target firm's knowledge will not be adequately assessed, adapted, and transformed—essential components of absorptive capacity (Cohen & Levinthal, 1990). This phenomenon aligns with the concept of *relational inertia*, whereby high levels of trust lead to complacency and passive KT (Bresman, 2013). As a result, even acquirers with high absorptive capacity may fail to fully leverage their targets'

knowledge if these take on a passive role and not help with contextualizing or reconceptualizing its knowledge for the acquirer's strategic environment.

Furthermore, our findings contribute to the literature on trust by examining the role played by psychic distance in relation to trust in the acquirer. We found that the perceived psychic distance between the UK and China had reduced the degree of trust felt by the UK acquiree's employees towards the acquiring Chinese firm. Our findings are consistent with the argument that trust is created through the interactions of shared norms, ideologies, and values between partners, and that it can be eroded when perceptions and key values are not fully shared due to psychic distance (Kramer, 1999).

Our findings suggest that distributive justice contributes to trust development. This is in line with the organizational justice literature, which posits that fair treatment enhances perceived legitimacy and fosters positive relational outcomes (Colquitt *et al.*, 2001). In M&A contexts, in which employees often experience uncertainty and loss of control, fair outcomes signal respect and consideration, which can improve employee cooperation and reduce resistance (Ellis *et al.*, 2009). However, we found that procedural justice had not directly affected trust in our study case. This contrasts with prior studies that emphasize procedural justice as a powerful antecedent of trust, especially in contexts of organizational change and integration (Greenberg, 1990). A possible explanation may lie in the limited visibility or clarity of decision-making procedures in the acquisition. The acquiring firm's employees may not have perceived the processes as sufficiently transparent or participative to influence their trust levels, or the outcomes may have been weighted more heavily than procedures in shaping employee perceptions during the early post-acquisition period.

Interestingly, Hypothesis 5, in which we posited a positive moderating effect of distributive justice on the psychic distance–trust relationship, was found to not be supported. This implies that fair outcomes alone may not mitigate the trust-eroding effect of psychic

distance. This finding may stem from the fact that distributional outcomes are interpreted through cultural lenses (Kirkman *et al.*, 2006), so that what is considered ‘fair’ in one context may not be in another. Alternatively, distributive justice may require longer periods or more concrete benefits to visibly influence trust in a cross-border setting. In contrast, Hypothesis 6 was found to be supported, highlighting how procedural justice positively moderates the effect of psychic distance on trust. This means that transparent and consistent decision-making processes can buffer the negative impact of perceived cultural distance. This finding reinforces those in the prior literature, whereby procedural fairness can act as a cross-cultural integrative mechanism, helping individuals from different backgrounds to interpret foreign managerial practices more favorably (Brockner *et al.*, 2001). By emphasizing inclusivity, predictability, and neutrality, procedural justice offers a framework suited for building trust across psychic boundaries, especially in contexts of high cultural ambiguity.

Our research also has practical implications. First, if reverse KT is an important goal in a cross-border acquisition, it is important to enhance trust in the acquiring firm. Without such trust, KT is very unlikely to occur even if the acquirer’s absorptive capacity is recognized to be strongly supportive. For practitioners, this underscores the importance of proactively cultivating interpersonal and inter-organizational trust in the early post-acquisition integration stages. Second, our findings demonstrate that psychic distance can be a significant barrier to trust-building. For managers, this finding signals the importance of proactively addressing any cultural and perceptual gaps from the outset of the cross-border acquisition process. Multinational firms from emerging countries must recognize that traditional hierarchical or top-down approaches may not resonate well with developed market employees, who often value transparency, empowerment, and open communication. Investing in cultural integration programs, cross-cultural training, and open dialogue can help narrow the psychological gap between the acquirer and the target firm. Third, our finding that perceived procedural justice

weakens the negative relationship between psychic distance and trust offers a clear and actionable pathway for managers. To that end, managers should ensure that integration processes are inclusive, transparent, and participatory. Even when cultural differences are significant, the acquired firm's employees are more likely to trust the acquiring organization if they feel that procedures are fair and that their voices are heard. This might involve establishing joint integration teams, encouraging two-way feedback mechanisms, and clearly explaining the rationale behind strategic decisions. Last, our finding that trust negatively moderates the relationship between absorptive capacity and reverse KT has important managerial implications. It advises caution in assuming that building trust is always beneficial to inter-organizational relationships. While some trust is essential to foster collaboration and reduce resistance, excessive trust may lead the acquiring firms to adopt a 'hands-off' approach, underestimating the need for structured knowledge assessment and integration mechanisms (Liu & Woywode, 2013). Firms should design post-acquisition integration strategies that combine relational initiatives with robust knowledge management systems. For example, cross-functional teams, feedback loops, and explicit knowledge validation processes can help ensure that trust does not replace the necessary scrutiny required for effective knowledge absorption.

Limitations and future research

The findings of our study need to be assessed in light of its limitations, each of which represents an avenue for future research. First, we surveyed manager and employee perceptions of trust and reverse KT based on a single cross-border acquisition. Although we received a substantial number of respondents from a real case, we recognize that, in order to generalize and validate our findings, future studies could survey a large sample of cross-border acquisitions. Second, the focal acquisition of our study involved particular economies, i.e. China and the UK. In future research, similar studies could be conducted in other emerging and developed economies to further test our conceptual framework. Third, our study examined the

role played by trust based on an acquisition made by a large state-owned firm. This role could vary depending on the types of ownership found in emerging markets, such as family-owned firms and large public listed ones. Finally, prior studies indicate that trust may vary over time, especially in long-term relationships. Future studies could employ a longitudinal methodology to investigate the dynamics of trust over time and their implications for reverse KT for emerging market firms.

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Figure 1: Conceptual Framework

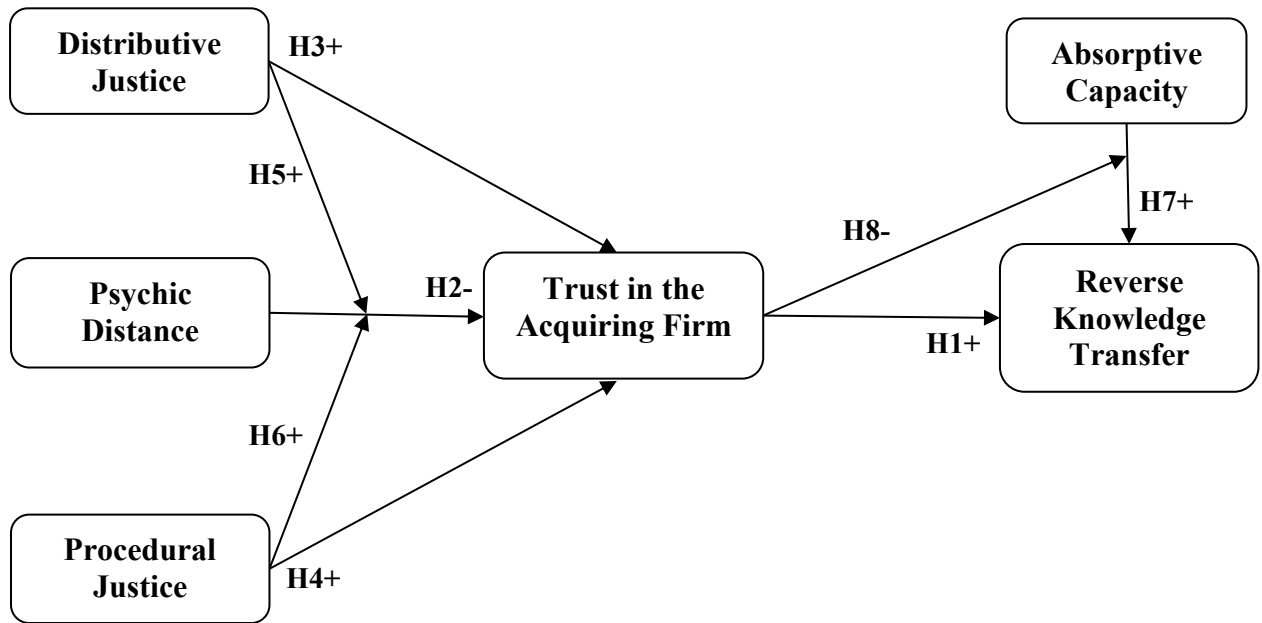


Table 1: Assessing measurement models

	Composite Reliability (CR)	Average Variance Extracted (AVE)	R Square
Absorptive Capacity	0.888	0.666	
Distributive Justice	0.849	0.659	
Procedural Justice	0.964	0.871	
Psychic Distance	0.920	0.697	
Psychic Distance x Distributive Justice	1.000	1.000	
Psychic Distance x Procedural Justice	1.000	1.000	
Absorptive Capacity x Trust	1.000	1.000	
Reverse KT	0.918	0.651	0.171
Trust in Acquirer	0.936	0.708	0.382

Table 2: Factor Loadings and Cross Loadings

	Absorptive Capacity	Distributive Justice	Procedural Justice	Psychic Distance	Reverse KT	Trust in Acquiring Firm
Absorptive Capacity 1	0.860	0.236	0.357	0.018	0.203	0.213
Absorptive Capacity 2	0.867	0.263	0.438	-0.021	0.127	0.223
Absorptive Capacity 3	0.828	0.395	0.539	-0.059	0.129	0.311
Absorptive Capacity 4	0.713	0.243	0.260	-0.057	0.195	0.196
Distributive Justice 1	0.246	0.847	0.619	-0.164	0.089	0.416
Distributive Justice 2	0.118	0.617	0.426	-0.343	0.294	0.227
Distributive Justice 3	0.428	0.936	0.802	-0.231	0.156	0.470
Procedural Justice 1	0.459	0.741	0.933	-0.190	-0.017	0.337
Procedural Justice 2	0.491	0.780	0.945	-0.256	0.110	0.425
Procedural Justice 3	0.486	0.693	0.935	-0.178	0.090	0.389
Procedural Justice 4	0.401	0.708	0.920	-0.224	-0.012	0.346
Psychic Distance 1	-0.024	-0.170	-0.123	0.847	-0.336	-0.313
Psychic Distance 2	-0.071	-0.221	-0.146	0.862	-0.346	-0.340
Psychic Distance 3	0.010	-0.154	-0.129	0.864	-0.365	-0.299
Psychic Distance 4	-0.099	-0.319	-0.316	0.771	-0.077	-0.376
Psychic Distance 5	0.058	-0.253	-0.214	0.825	-0.149	-0.275
Reverse KT 1	0.217	0.113	0.051	-0.217	0.821	0.201
Reverse KT 2	0.152	0.193	0.075	-0.225	0.729	0.259
Reverse KT 3	0.245	0.231	0.143	-0.258	0.801	0.313
Reverse KT 4	0.117	0.163	0.026	-0.268	0.802	0.268
Reverse KT 5	0.118	0.091	-0.027	-0.229	0.819	0.340
Reverse KT 6	0.115	0.120	-0.022	-0.257	0.864	0.312
Trust in Acquiring Firm 1	0.278	0.238	0.238	-0.279	0.276	0.770
Trust in Acquiring Firm 2	0.255	0.297	0.268	-0.328	0.337	0.818
Trust in Acquiring Firm 3	0.251	0.428	0.369	-0.336	0.258	0.866
Trust in Acquiring Firm 4	0.198	0.521	0.430	-0.326	0.279	0.902
Trust in Acquiring Firm 5	0.263	0.483	0.359	-0.358	0.334	0.845
Trust in Acquiring Firm 6	0.244	0.396	0.350	-0.333	0.314	0.843

Table 3: Discriminant Validity – Fornell-Larcker Criterion

	1	2	3	4	5	6	7	8	9
1. Absorptive Capacity	0.816								
2. Distributive Justice	0.337	0.812							
3. Psychic Distance x Procedural Justice	0.008	0.308	1.000						
4. Procedural Justice	0.465	0.784	0.355	0.933					
5. Psychic Distance x Procedural Justice	-0.056	0.303	0.623	0.214	1.000				
6. Psychic Distance	-0.033	-0.273	-0.155	-0.229	-0.221	0.835			
7. Reverse Knowledge Transfer	0.210	0.190	0.014	0.051	0.097	-0.301	0.807		
8. Trust in Acquiring Firm	0.280	0.480	0.258	0.406	0.431	-0.390	0.356	0.841	
9. Absorptive Capacity x Trust in Acquiring Firm	-0.002	-0.048	-0.071	0.144	-0.264	0.136	-0.196	-0.056	1.000

Note: The square root of AVE on the diagonal in bold

Table 4: Collinearity Statistics - Variance Inflation Factor (VIF)

	1	2	3	4	5	6	7	8	9
1. Absorptive Capacity							1.085		
2. Distributive Justice								2.796	
3. Psychic Distance x Procedural Justice								1.805	
4. Procedural Justice								2.795	
5. Psychic Distance x Procedural Justice								1.766	
6. Psychic Distance								1.107	
7. Reverse Knowledge Transfer									
8. Trust in Acquiring Firm							1.089		
9. Absorptive Capacity x Trust							1.003		

Table 5: Partial Least Square (PLS) Path model

	Coefficient	Standard Deviation	t Statistics	P values	Hypothesis supported
H1: Trust in Acquiring Firm → Reverse KT	0.311	0.090	3.458	0.000	Yes
H2: Psychic Distance → Trust in Acquiring Firm	-0.234	0.084	2.802	0.001	Yes
H3: Distributive Justice → Trust in Acquiring Firm	0.250	0.150	1.67	0.098	Yes
H4: Procedural Justice → Trust in Acquiring Firm	0.123	0.150	0.822	0.413	No
H5: Psychic Distance x Distributive Justice → Trust in Acquiring Firm	-0.123	0.136	0.898	0.371	No
H6: Psychic Distance x Procedural Justice → Trust in Acquiring Firm	0.313	0.124	2.520	0.013	Yes
H7: Absorptive Capacity → Reverse KT	0.123	0.091	1.356	0.178	No
H8: Absorptive Capacity x Trust in Acquiring Firm → Reverse KT	-0.175	0.087	2.004	0.0477	Yes

N = 103, p-values for 2-tail test;

The ethics review board clearance has been received.