

Emotion evolution and sustainable development: Implication for knowledge transfer in international acquisitions

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ABSTRACT

In recent years, the concept of sustainable development has become increasingly important in international business. This concept focuses on integrating environmental, social and economic considerations into decision-making. As such, it has become an increasingly important factor in the process of international acquisitions. In this respect, the role of emotion in the knowledge transfer process in these acquisitions is of particular importance. Emotions are known to play a key role in the decision-making process. However, the study examined the role of emotion and sustainable development in the context of knowledge transfer in international acquisitions. A qualitative research approach with a single case was adopted to critically investigate the role of emotion evolution in the process of knowledge transfer. A purposive sampling technique was employed in this study to select 15 CEOs of leading firms in the United Kingdom who participated in this study. Semi-structured interview was adopted for data collections. QSR NVivo 12 software was employed in this study to conduct thematic analysis. The finding of this study revealed that emotions evolution facilitates the process of multi-direction of knowledge transfer between parent and subsidiary firms. In addition, negative emotion was found to develop challenges in the process of knowledge transfer between parent and subsidiary employees. The managerial relevance which emerged from the findings of this study suggest that sustainable development is a long-term process, it is important to ensure that emotions are managed effectively in order to ensure continued progress. This can be done through the use of effective communication and the development of trust between the parties involved.

Key Words: knowledge transfer, sustainable development, emotion evolution, cross border mergers and acquisitions

Introduction

Even though, existing literature argues that most cross-border mergers and acquisitions (M&As) firms fail to achieve their objectives, cross-border M&As recognised a common strategy for many firms to enter in foreign markets (Cartwright and Schoenberg, 2006; Angwin *et al.*, 2016; Zagelmeyer *et al.*, 2018a; Hečková *et al.*, 2019; Basuil and Datta, 2017; Cheng and Yang, 2017). Recently, emerging market multinational enterprises (EMNEs) started to actively engage in cross border M&As in developed countries (Deng *et al.*, 2018; Liu and Deng, 2014; Deng and Yang, 2015; Ai and Tan, 2017; Rao-Nicholson *et al.*, 2016; Ning *et al.*, 2014). The core driver of EMNEs is to acquire strategic assets. Also, cross-border mergers and acquisitions create the opportunity to have a quicker access to strategic assets (Madhok and Keyhani, 2012; Deng *et al.*, 2018; Amal *et al.*, 2009; Li *et al.*, 2016; Ai and Tan, 2017).

Limited studies demonstrate that cross border acquisitions are highly emotional events (Hassett, Reynolds, Sandberg, 2018; Vuori *et al.*, 2018; Zagelmeyer *et al.*, 2018a; Fugate *et al.*, 2002; Kusstatscher and Cooper, 2005). The emotional aspects influence employees thinking, behaviour and attitudes. After an acquisition process, employees and manager identification and commitment are highly presumed to amend (Appelbaum *et al.*, 2000; Boudens, 2005; Moors *et al.*, 2013). The interrelated emotional event often causes lower job satisfaction, decreased commitment to the Company, reduced motivation. These emotional conditions are stated by reducing employees working output to a minimum and continue their jobs working to rules only. More recently, limited studies briefly highlighted that negative emotion could restricts knowledge sharing between parent and target firms. The challenges of knowledge transfer between parent and subsidiary companies lead to lack of sustainable development. In contrast, positive emotions could facilitate the process of knowledge transfer (Hassett *et al.*, 2018; Sinkovics *et al.*, 2011; Vuori *et al.*, 2018).

More recent studies have used Psychological Stage Model/Cognitive Appraisal Theory of emotions, examine how employees experience emotions in cross border acquisition (Zagelmeyer *et al.*, 2018c; Kusstatscher and Cooper, 2005; Bijlsma-Frankema, 2001; Gunkel *et al.*, 2015). Largely these studies have conducted at a single stage of acquisitions. Stage modules divide emotions into positive and negative and do not examine mix emotions that may coexist during cross border acquisitions (Klarner *et al.*, 2011). Also, several authors have highlighted that positive and negative emotions should rather be seen as continual and mutually informative, implying that several emotions can coexist (Klarner *et al.*, 2011; Hassett *et al.*, 2018; Vuori *et*

al., 2018). This study explores the role of emotion evolution in the process of knowledge transfer at different stages of cross border acquisitions. It considers the literature, presents the analysis of findings and conclusion.

Knowledge transfer and sustainable development in EMNCs' international acquisitions

Emerging multinational corporations (EMNCs) may lack advanced and innovative knowledge due to weak institutions at home and latecomer disadvantage. This may lead EMNCs to not being able to compete with developed countries' international companies in the global market. Emerging companies may develop knowledge endogenously, but the process of knowledge advancement or development is very slow and complex. Applying a reliable concept in the process of developing knowledge in the context of international acquisitions could be more effective and efficient. Thus, the number of cross border acquisitions by EMNCs in developed countries has been increasing. It creates the opportunity to advance their strategic resources, particularly innovative and valuable knowledge. It also helps to strengthen their competitive advantage in the global market. Recently, researchers found that Chinese international companies tend to seek complementary knowledge rather than similar knowledge (Zheng *et al.*, 2016). Multinational corporations from developed countries possess a range of product and process knowledge, management skills and highly advanced technology. In such cases, knowledge transfer creates the opportunity for EMNCs to develop new products through the combination of existing and different complementary skills. Bjorkman *et al.*, (2007) argue that the potential for value creation in acquisitions improves with transfer of complementary knowledge. Complementary skills provide the opportunity for employees to pursue their goals together, which they could not achieve on their own (Björkman, Fey, *et al.*, 2007). Similarly, the complementary skills of employees contribute to knowledge transfer, as they bridge the gaps in employees' skills.

Westphal and Shaw (2005) state that complementary skills of employees can be more valuable than overlapping and are more likely to be transferred between the firms. Complementary knowledge involves the combination of tacit and explicit knowledge. Nonaka (1994) perceives tacit and explicit knowledge as mutually complementary, not separate. While knowledge transfer is increasingly being recognised as a strategic asset, social capital is anticipated to be a mechanism associated with the extent of knowledge sharing (Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998; Adler and Kwon, 2002; Ferreira *et al.*, 2014). The next section examines the importance of social capital in the process of knowledge transfer in the context of cross border acquisitions.

The concept of social capital has become increasingly important in the field of social science. Putnam (2000) and Walker *et al.*, (1997) define social capital as “features of social organisations such as networks, norms and social trust that facilitate coordination and cooperation to pursue shared objectives.” A large number of studies have been undertaken on how social capital impacts upon inter-organisational knowledge. This is due to the growing awareness of the benefits of social capital in generating and sharing tacit/technology-based knowledge in organisations (Adler and Kwon, 2002; Inkpen and Tsang, 2005). The concept of social capital has three dimensions: ***Structural capital, cognitive capital, and relational capital***. Nahapiet and Ghoshal (1998) argue that the combination and exchange of knowledge is facilitated when individuals are connected (structural capital), have the ability to understand and apply knowledge (cognitive capital), and have strong and positive relationships with one another (relational capital).

The structural capital concept is defined as a network structure between employees or connection between actors. The key objective of structural capital is to develop an institutionalised relationship that can lead actors to mobilise social capital (Inkpen and Tsang, 2005). The relationship between actors is fundamental for the enhancement of both individuals’ and firms’ performance by two approaches: firstly, by supporting access to knowledge/information and resources; secondly, by supporting employees to coordinate task interdependencies (Walker *et al.*, 1997; Tsai and Ghoshal, 1998; Cao *et al.*, 2016). The establishment of relationships between employees creates a social process known as network ties. In response, such network ties facilitate the process of knowledge transfer among employees from the parent and subsidiary firms. The network ties strength depends on how close the relationship is between employees. The strength of network ties is a significantly fundamental determinant for the flow of knowledge transfer between parent and subsidiary employees.

The concept of cognitive capital represents collective mores, values, visions, objectives and goals. In response, it helps parent and subsidiary employees to avoid misunderstandings during the process of their interactions. Common goals and values help employees to have meaningful communication. Furthermore, common goals, values and interest help both firms’ employees to see the potential value of their resources exchange and combination (Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998). Cognitive capital develops through frequent interaction and when employees have the same background and share the same practices (Wasko, 2005).

Furthermore, Dhir *et al.*, (2004) argue that language is also an important element of the process of cognitive capital development. Based on this, frequent interaction between parent and subsidiary employees is required to deepen actors' understanding of the language. Language also plays a key role in the process of knowledge transfer and personal relationships.

Relational capital discusses the nature of the personal relationships that develop between the parent and subsidiary employees. Several authors argue that the most important element of relational capital is trust between employees. Trust can lead to cooperative behaviour among employees, groups and organisations (Cross and Lee, 2004). Vidotto *et al.*, (2008, p. 204) suggest that trust is a multi-dimensional concept that includes three dimensions: "... (a) belief that an individual or group makes good faith efforts to behave in accordance with any commitments both explicit and implicit; (b) belief that an individual or group is honest in whatever negotiations proceeded such commitment; and (c) belief that an individual or group does not take excessive advantage of another even when the opportunity is available". The importance of trustworthiness in social capital has been articulated by many scholars.

Based on the relational capital, trust is recognised as an important element in the process of knowledge transfer in the context of cross border acquisitions. (Javidan *et al.*, 2005; Graebner, 2009; Stahl *et al.*, 2011). When there is trust between parent and subsidiary employees, they are willing to support each other in the process of sharing their knowledge and have no fear of exploitation (Empson, 2001; Junni *et al.*, 2012). In addition, mutual trust builds strong ties which are necessary for the active engagement in the process of tacit and socially complex knowledge. As highlighted above, mutual trust influences the willingness of employees to actively engage in the process of knowledge transfer. Employees' willingness to lead collective learning and sharing is identified as a positive attitude towards the community, the team, and the organisation (Zhao and Anand, 2009). Employees who are willing to share their knowledge expect others to act similarly, because they value collective interest. (Nahapiet and Ghoshal, 1998; Adler and Kwon, 2002).

The existing literature argue that the concept of social capital theory play an important role in the process of sustainable development. Scholars opined that the introduction of physical and human capital through development interventions requires promotion of social capital if development projects are to be effective and institutionally sustainable (Buckland, 1998).

Nonaka and Von Krogh (2009) argue that embedded/tacit knowledge cannot be easily shared because it is personal, subjective, and a personal experience. Several scholars determine that the use of information technology is seen as a poor vehicle for tacit knowledge dissemination (Nonaka, 1994). It is evidenced that the transfer of tacit knowledge requires sharing through socialisation, physical proximity, and good relationships (Geilinger *et al.*, 2016). As knowledge sharing and creation involves human capital, these activities are social in nature. Therefore, a good understanding of the social relationships between parent and subsidiary employees in the partnership, as well as trust and effective communication, are required (Parise and Flores, 2002). Athanassiou *et al.*, (2002) find that social networks provide the vehicle for the indirect transfer of embedded/ tacit knowledge. In line with this, social networks seem to be suited for the process of knowledge transfer in the context of international businesses.

Emotions and knowledge transfer in International Acquisitions

Several disciplines have studied emotions, but still, authors have evidenced a lack of a consensual definition (Côté *et al.*, 2002; Ashkanasy *et al.*, 2002; Elfenbein, 2007). Based on the Frijda (2008, p.98) “study emotion could be defined as a mental state of (action) readiness that arises from cognitive appraisals of events, social interactions.” Previous literature has classified emotions such as happiness, excitement, love, joy, fear, anger, sadness and surprise (Bettis-Outland and Guillory, 2018; Zagelmeyer *et al.*, 2018a; Ashkanasy *et al.*, 2002). Additionally, there is an extensive body of literature on the influence of emotions on cognition, attitudes, and behaviours in the context of business work (Elfenbein, 2007). Various theoretical approaches have considered the emergence of emotions in the context of international mergers and acquisitions. Based on cognitive appraisal theory/psychological stage model, the generation of emotions relies on cognition in the form of appraisals (Frijda, 1986). In cross border acquisitions emotions triggers to a certain internal and external stimulus. Frijda (2008) states that emotional responses are closely associated with the information that individuals receive and process it. Some of that information is received from the environment; an individual’s bodily processes generate some; and some comes from the individual’s store of representations of facts, cognitive schemas, and behavioural skills (Frijda, 2008, p.69). Zagelmeyer *et al* (2018) argue that in such cases information that involves international mergers and acquisitions processes, whether organizational members have heard any rumours or organizations have agreed and confirmed their announcement on a public, such conditions can lead to emotional responses. The existed literature has identified some fundamental aspects of the role of emotions in the context of international mergers and acquisitions (Clarke and

Salleh, 2011). It has been claimed that the official announcement of acquisitions generates a highly stressful condition of distrust, fear and uncertainty (Cartwright and Cooper, 1993). Even though, if dismissals are not decided, individuals could get emotional as a consequence of position loose, status or significant changes to their established work norms (Schweiger et al., 1987). Zagelmeyer et al. (2018a); Sinkovics et al. (2011) have demonstrated that individuals' emotional states are changed when they hear the possibility of acquisitions, and the official announcement could be a highly emotional event. The emotional effects may last long after the official completion of the acquisition (Molinsky and Margolis, 2006). Sinkovics et al (2011) have pointed out that each individual experiences their own emotions, and emotion could differ significantly between the individual affected by international mergers and acquisitions. Clair and Dufresne (2004) Argue individuals could be affected in different ways, some may experience it positive and some negative or some members could be a winner and some losers. Based on this, individuals will have different coping strategies. The degree of common knowledge shared by people can be quite limited, and it inhibits knowledge transfer between acquired and acquirer firms. Relationships among the members of the acquired and acquirer firms inside and across the companies become unproductive, resulting in a negative impact on the organizational performance (Sinkovics et al., 2011; Gunkel et al., 2015). After such a big intervene, it is highly expected that employees' commitment and identification will be changed (Appelbaum et al., 2000; Covin et al., 1996). In addition, the emotional cause of international acquisitions may result in individuals in decreased motivation, less job satisfaction and job withdrawal and employees and managers performance may reduce to a minimum.

Most of the recent studies that have studied employees' emotions in cross border mergers and acquisition, have used Cognitive Appraisal Theory. According to cognitive appraisal theory (Lazarus, 1991), emotions arise from stimuli triggering an appraisal of the situation (Moors, Ellsworth, Scherer, and Frijda, 2013). Positive emotions arise from situations that an individual appraises as consistent with his or her motives. Negative emotions, on the other hand, result from an inconsistency between the appraisal of the situation and an individual's motives (Roseman, 1996). Therefore, following cognitive appraisal theory, cognition is a necessary antecedent of emotion. Emotions generated by cognitive appraisal allow an individual to move from thinking to action (Lazarus, 1999). The above findings suggest that each emotion is triggered by individual may lead to a behavioural outcome (Sinkovics et al., 2011). For example, employees who experience happiness lead them to work more and experience success. The experience of success became a trigger for more happiness. In addition, the

experience of happiness leads them to share and give ideas and suggestions to the acquirer (Behavioural outcome). In contrast, employees that experience negative emotions lead them to lack of engagement, lack of commitment and reduce performance. Emotions related to M&As often result in attitudes and behavioural outcomes such as decreased motivation, job withdrawal, lower job satisfaction and reduced commitment towards the company and even decreased well-being and deteriorating health (Kusstatscher and Cooper, 2005; Sinkovics et al., 2011). The Cognitive Appraisal Theory suggests that emotions play an intermediary role in international mergers and acquisitions.

Research design

This study employed a qualitative approach, purposive and snowball sampling techniques were applied for participants to take part in this research. Purposive sampling creates the opportunity to generate an in-depth and rich insight of an individual's emotions and knowledge transfer in international acquisitions (Matthews and Ross, 2010). Potential participants were selected based on their knowledge and experience, as it provided a deeper and clearer understanding of individuals' emotional states during different stages of acquisitions. Additionally, it enabled the researcher to discover the impact of individuals' emotional states in the process of knowledge transfer (Remenyi *et al.*, 1998). However, as an international researcher, the process of accessing potential participants was difficult, because the context of this study is in the United Kingdom looking at international companies acquired by Chinese companies. It was challenging to gain access to appropriate informants through purposive sampling. Therefore, initially, the snowball sampling technique was used. "Snowball samples are defined as a sample technique in which the researcher samples initially a small group of people relevant to the research questions, and these sampled participants propose other participants who have had the experience or characteristics relevant to the research" (Bryman and Bell, 2015, p. 434). Snowball sampling helps to find relevant participants. As this study is conducted in an international company in the United Kingdom, the first stage of approaching potential participants was through human resource directors or HR managers who agreed to take part. Also, the HR team managed to find relevant participants and arranged interviews. The HR team not only helped to introduce other colleagues that were knowledgeable and experienced in the context of international acquisitions, but also managed to arrange interviews for directors and senior managers. Fifteen employees were interviewed, including a formal Chief Executive Officer, Directors,

Senior Managers and Senior Engineers.

Semi-structured interviews were conducted for data collection. Semi-structured interviews are largely designed to find subjective responses from individuals regarding a particular situation they have experienced. Gillham (2005) argues that semi-structured interviews potentially could be an essential approach of conducting research because of its flexibility balanced by structure and the quality of the data obtained. Semi-structured interviews create the opportunity to interviewer and interviewee to discover the lack of emotions in the knowledge transfer more in-depth (Bell et al., 2018). As mentioned above that semi-structured interviews allowed to have more freedom and flexibility, it helped to become more focused, and explored the role of emotions in the process of knowledge transfer in depth.

A semi-structured interview protocol was developed to allow for open interviews with directors, top managers, middle managers and senior engineers. The interview protocol was piloted with five practitioners involved in M&A and two academics, knowledgeable in the subject-area and subsequently revised before final deployment in fifteen interviews. After pilot study, fifteen interviews were conducted including a first interview with a formal Chief Executive Officer. This was more general, but the interviewee highlighted important issues related to knowledge transfer and emotions and this first interview helped to revise the interview questions before the remainder took place. Three interviews were conducted with directors, eight interviews with senior managers and three with senior engineers, all employed by the subsidiary company, and each interview lasted approximately an hour. Due to the COVID-19 pandemic, Zoom software was used for all interviewees with an open camera to ensure effective communication. During each interview, the researcher first asked background questions, such as describing in concrete terms the primary objective of this acquisition. This was followed by asking, "how did you personally experience and what did you feel about the acquisition?" How do the members of their firm feel about the same event? How do you personally experience the learning process between the subsidiary and the parent companies? The researcher also asked several elaborate questions during each interview and followed up with specific examples. Secondary data was also collected, including company reports, and media reports. The secondary sources were useful in forming a detailed image of the firms. Codes and themes were developed based on the research aims, objectives and research questions and NVivo software was used in order to discover codes and themes.

Findings and analysis

Emotion evolution and knowledge transfer conceptual framework:

	How emotions influence knowledge transfer	
	Influence mechanisms	Evidence (quotations)
Stage 1		
Stage 2		
Stage 3		

First stage of the acquisition

The first stage focused on the first year of the acquisition. Findings identified what top managers and senior engineers experienced during the first year of the acquisition. Figure 1 showcased the themes that emerged from the first stage.

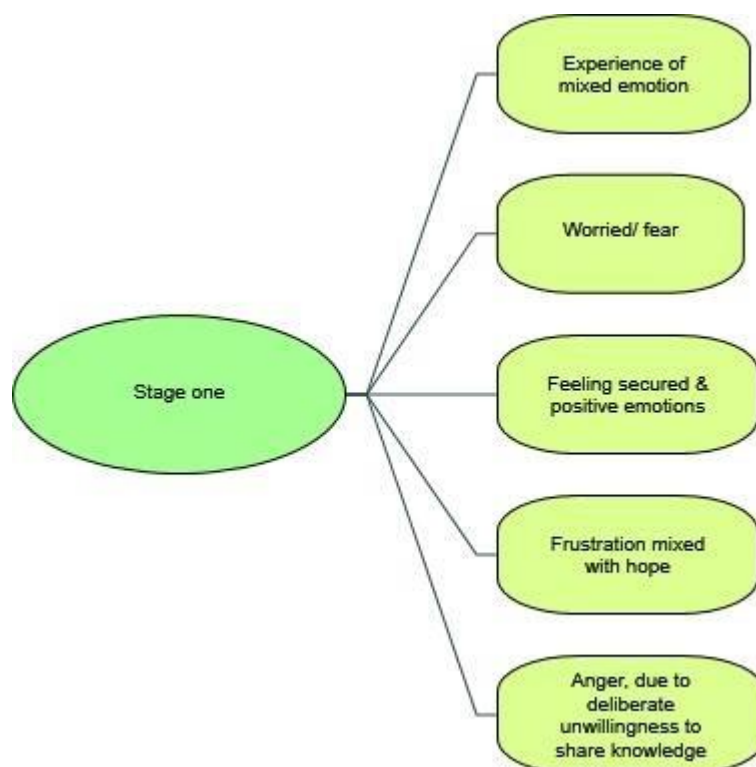


Figure 1: Stage one

During the first year of the acquisition, even though, British managers and engineers shared information through presentations, hard copies of documents and company reports through

emails. Based on the findings, it seems that the process of knowledge transfer was not very effective, particularly tacit knowledge or technical knowledge. The embedded, contextual-specific and personal nature of technical knowledge makes it more difficult to be transferred between organisations. Technical knowledge resides only in the minds of employees and its availability and sharing depends upon individual decisions and relationships. Most participants' perspectives suggest during the first year of the acquisition, the process of knowledge transfer was less effective, due to anxiety and frustration. Anxiety and frustration were caused by lack of trust, language barrier, lack of relationship and threat of job loss. Also, interviewees' perspectives signify that the process of technical knowledge transfer requires a strong social bond between two unrelated organisations' members. During the first year of the acquisition, there was lack of relationship and lack of trust, because Subsidiary employees had anxiety about the future of the company, the parent might impose several changes, might put more pressure and threat of job loss. The process of technical knowledge transfer requires active engagement, clear understanding of a subject, and trust between two members. Also, during the first year of the acquisition, if there was lack of understanding of a subject that was discussed between British and Chinese employees, Chinese employees were not willing to ask British employees to repeat again or make it simple. Few interviewees mentioned that they would be extremely delighted if Chinese employees mention that "I did not understand that, can you explain it again". It could be assumed that frustration and anxiety made the process of knowledge transfer difficult between British and Chinese employees during the first year of the acquisition. In addition, it could be perceived that there were a small number of engineers who were not actively willing to engage in the process of knowledge transfer during the first stages of the acquisition. For example, certain employees were responsible to prepare detailed presentation and detailed reports about specific tasks, but some employees did not prepare. Also, the older generation, who had worked for more than 20 years in the subsidiary company. It seems that knowledge sharing (e.g., knowledge related to technology) with Chinese employees is a threat to job security. They had anxiety of losing job, resulted in not engaging actively in the process of knowledge transfer.

In contrast, after a certain period, a small number of interviewees experienced happiness, a sense of relief and excitement about the acquisition. It seemed like the deal went better than they expected, and the acquirer felt to be the right company for the British company. There was constant physical interaction between the parent and the subsidiary company employees. The senior management team of the parent company discussed a detailed plan for the subsidiary,

and it was largely focused on the growth of the subsidiary, strategic investment in R&D, upgrading production technology facility and collaboration between both companies to develop, create and share knowledge. Also, the Parent senior management team acknowledged that there would not be any changes at the management level, and both companies would have common values, objectives and goals. The parent company not only wanted to maintain the existed employees but also recruit more engineers and employees for the research and development centre. Largely, those senior managers who experienced more positive emotions compared, they have worked in different international companies. For example, two senior managers mentioned that they have worked with Chinese people before, they understand how Chinese people work, and they have a better understanding of Chinese people. They connected emotionally and socially well from the first stages of the acquisition. The findings suggest that there was not lack of trust between them. Consequently, the process of knowledge transfer is effective, and the process of knowledge transfer will be more successful as the time goes. Few interviewees mentioned that they have experienced this during first stages of the acquisition and had a clear image for the future of the company.

In addition, interviewees felt more secure when the senior team of the parent company showed appreciation for working together in the future and becoming part of the parent company. These key steps triggered positive emotions which culminated in job security. The interviewee's perspectives suggest that those employees that had several negative emotions at the initial stages of the acquisition, they felt hope and a sense of some positive emotions after the presentation of the parent company plan for the subsidiary concerning growth for the subsidiary, strategic investment in R&D, upgrading production line facility and recruiting new employees. Subsidiary employees' that experienced more negative emotions, their emotions were slightly changed to some positive emotions. Huy (2012) argue that physical interaction between parent and subsidiary can manage employees' emotions. The objective of interactive communication is to create an atmosphere where thought, attention and assumptions can be collectively explored and where meaning flows freely. The results imply that to some extent interactive communication allowed both companies employees to create shared meanings and develop social bonds. In response to the parent company right approach, employees of the subsidiary had physical interaction with the parent company employees. Particularly, the senior management team organised and prepared detailed documents that reflected on the overall productions, included a detailed explanation of strategies that implement in the process of manufacturing high power semi-conductors' equipment (electric module). Followed up by the

active presentation of manufacturing each piece of equipment of the electric module. In addition, the subsidiary employees proposed a plan to follow in the production line of the electric module in China. However, the interviewees revealed that it seems majority employees' emotions were dominated by negative emotions during first year of the acquisition, particularly the older engineers. Because they were still unsure about the future of the company, anxiety about losing their jobs and worried that the parent company might bring several changes and put more pressure on the Subsidiary.

Second stage of the acquisition

This stage demonstrates what top managers and senior engineers experienced from the second year till fifth year of the acquisition. (This stage highlights high level of investment in the subsidiary from the parent, Chinese employees' mobility, training together, building social networks). Figure 2 illustrates the themes that emerged from stage two.

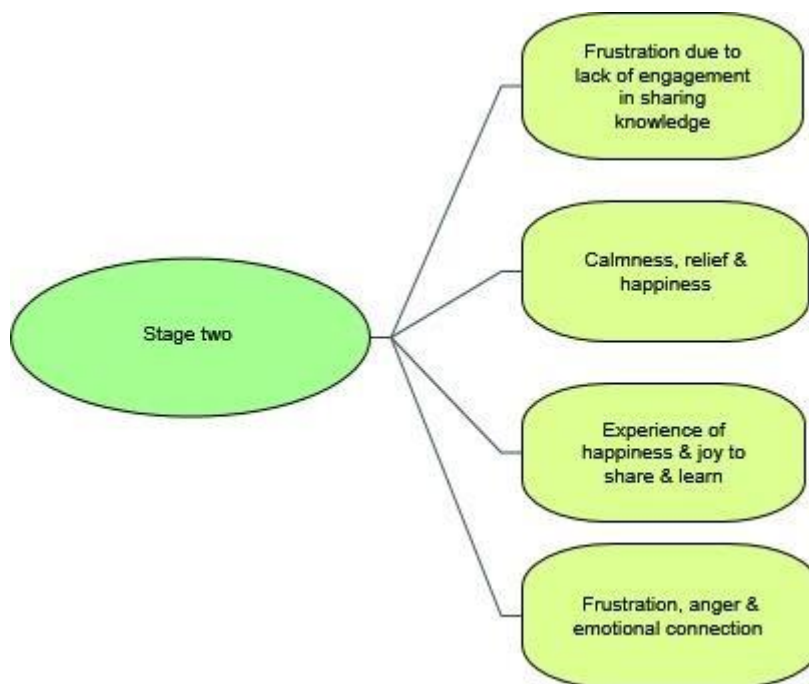


Figure 2: Stage two

Before the acquisition, the subsidiary was in good condition, but its management team had some concerns about sustaining and financing the increasing costs of R&D and advancing manufacturing facility. It recognised the need to find a strategic investment partner to better leverage its key strengths and shared facilities. After the first year of the acquisition, there was a high level of investment from the parent to the subsidiary. The main investment was in R&D and in upgrading some of the manufacturing machinery. The right plan that the Parent company presented to the subsidiary and the implementation of the plan had an increasingly important role in every individual emotional response. In turn, it could be assumed that the subsidiary employees were more committed and willing to help the parent company. For example, most interviews and published reports revealed that after the strategic investment, British employees designed and developed 8-inch electric module for the Parent company in the Subsidiary. During the process of designing and developing an 8-inch electric module, Chinese employees were actively engaged, and the process of each element was explained in detail. Subsequently, the launch of the 8-inch production line in the Parent company in China was supported by the subsidiary employees. Also, Chinese employees were trained for the process of manufacturing an 8-inch electric module. The 8-inch electric module has been successfully fabricated, qualified, and applied in the rail transportation traction system.

Also, the strategic investment indicated a long-term goal in the UK, which triggered more positive emotions among British employees. It could be perceived that most participants result suggest that the fundamental investment in the subsidiary company has influenced employees' emotions. It also demonstrates that the parent company support the subsidiary to grow. In response, the subsidiary employees were positive about the mobility of Chinese employees to the subsidiary company, and they were well received. The parent company employees were placed in different departments to be trained. Several interviewees revealed that Chinese employees were placed in the manufacturing department, research and development centre, sales and marketing section, IT and supply chain management. Also, it seems that Chinese employees role-played during their visit to the subsidiary. Role-playing allowed Chinese employees to practice real working conditions. Role-playing created the opportunity to actively involve the issues and knowledge that could be significant to develop. After the process of collaboration, knowledge transfer and training, Chinese employees were asked to provide detail information about the sharing process of knowledge, and different types of training during their visit to the subsidiary company. Based on Chinese employees' explanation, it could be assumed that the process of knowledge, skills and experience was effective. Also, those Chinese that were trained and involved in the process of knowledge transfer during their visit to the Subsidiary company, Currently, most of them are core employees in the electric module production line in China. The subsidiary employees were highly committed and willing to share the complete process of manufacturing different electrical equipment's. All participants emphasised that the regular mobility of the Chinese employees was a sensible strategy for the process of knowledge transfer.

The frequent visit of the Chinese employees to the subsidiary and the willingness of the British employees to actively engage in the process of sharing their knowledge, experience, and skills helped Chinese employees to be more open in the process of knowledge transfer. The parent company is a large corporation and manufacture high power semi-conductor devices. There are several areas that the Chinese employees have more knowledge, skills, and experiences. A good example would be supply chain management, marketing, branding, and electric module components, such as chips, and busbar. Most interviewees highlighted that Chinese employee are getting more open to share their knowledge, particularly those who frequently visited the subsidiary. For example, four interviewees mentioned that Chinese employees shared the designing and development process of electric module chips, and busbar device. Also, Chinese employees shared documents that represent detailed information about supply chain

management practices and marketing plan. Several participants highlighted that Chinese before engaging in the process of exchange knowledge, they first develop relationship. Chinese employees value relationship side. Findings indicate that if Chinese employees have positive relationship with their British employees, most likely they will be open and willing to engage in the process of sharing knowledge. The process of building positive relationship requires certain time and activities. The relationship between Chinese and British employees was developed through social activities and joint working and training. A couple of participants stated that during first few years of the acquisition, they used to do things outside of work, for example, organised football, and invited Chinese employees to their houses, these initial key steps created the opportunity to build social connection. Also, the frequent, visit of Chinese employees to the Subsidiary company to work with British employees during first few years of the acquisition helped Chinese employees to build relationship with British employees. Regular exchanges of engineers had become a routine (senior managers, subsidiary and Parent). Indeed, every year, a 40 to 50-strong team of managers and engineers from the Parent company were trained in the UK, spending a few weeks in one of British universities and a few more weeks in the Subsidiary. Managers and engineers from Subsidiary also visited the parent firm regularly. Moreover, several efforts were made to build trust and facilitate communication between the Chinese and British engineers, including dedicated team-building activities and social events. Joint activities and training created the opportunity to build emotional connection and social bonds, which lead British and Chinese employees to actively engage in the process of knowledge sharing and learning. Chinese employees who frequently visited to the subsidiary to train and learn from British employees are placed at senior positions back in China. Most participants mentioned that whenever they need any report or information from Chinese employees, they contact those Chinese who frequently visited to the Subsidiary company. Findings suggest that after 5 years of the acquisition, Chinese and British employees are had been developing better relationship. Chinese employees had been getting more open to share their knowledge and the process of knowledge transfer is getting more two directions. The frequent visit to the UK, spending a few weeks in university followed up by spending a few weeks in the Subsidiary to train and work together with British employees significantly improved their English language. Social bonds, improving of English and willingness of British employee to share their knowledge influenced Chinese employees to be more open in sharing their knowledge and experience with British employees. In turn, it seems that it has emerged more stable emotions among British employees.

Third stage of the acquisition

Third stage focused on the recent years of the acquisition, both firms' employees build stable emotions, the process of knowledge is more multidirectional. The themes that emerged from stage three are illustrated in Figure 3.

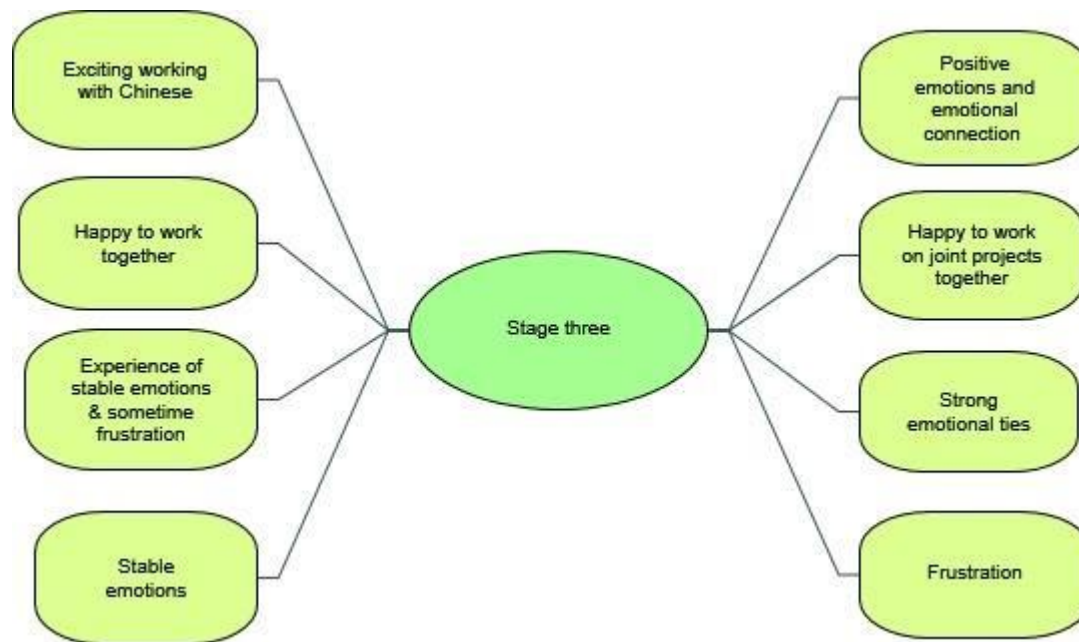


Figure 3: Stage three

At this stage, it could be perceived that most participants were emotionally stable because they experienced that Chinese employees are developing the behaviour of sharing knowledge and supporting the subsidiary company. For example, most participants mentioned that during their visit to the parent company, Chinese employees arranged a tour in different production line and departments of the parent company and provided detailed information in each department. It could be assumed that for Chinese employees to actively engage in the process of exchanging knowledge, first they wanted to build social bonds. In contrast, a small number of interviewees revealed that still there could be some Chinese employees that were not willing to share their knowledge or might take longer than expected to share. Consequently, it could trigger frustration and anger. This could be still experienced in the future. Overall, based on the interviewees' arguments, it seems the process of knowledge transfer between the parent and the

subsidiary has been growing. In response, it emerged stable emotions, and employees' emotions are more dominated by positive emotions, such as happiness, excitement, and pride.

The emotional stability led subsidiary employees to organise joint projects. The joint projects' activities were designed by certain practices. For example, the subsidiary employees recognised the importance of reshaping and changing the design of certain high power semiconductor devices for railways. Before the acquisition, the subsidiary had limited knowledge and experience in the railway sector and Subsidiary electric modules have largely been used in marine drive and industrial power control. The subsidiary needed to learn to design and manufacture electric modules specifically for the railway market and meet its special requirements. This created the opportunity for British and Chinese employees to work together as joint projects. The parent employees shared knowledge and experience to modify its electric modules for the railway market. Joint projects accelerated mutual learning process particularly after the establishment of the 8-inch electric module facility in Hunan in 2015. In addition, the process of joint working was followed by certain rules: first, the tasks were shared with each participant to work on it, before engaging in joint projects, followed up by meeting to share knowledge. The joint projects created the opportunity for everyone to share their perspectives. By the end of the meeting, all members were agreed to modify certain components. Both companies started to have several joint projects and it created the opportunity to engage in the process of sharing knowledge and experience. Also, during joint projects, the British employees were requested to design and develop "Press-pack electric module" equipment for the parent company. They did it and asked the parent company employees to provide feedback. The Chinese team came with some modification. The evidence indicates that the British employees are interested in such kind of joint projects and two-way learning and sharing. Also, a large number of the interviewees reported that the Chinese are getting more open to sharing and learning. Particularly, those who have been travelling the UK, because they have recognised the benefits of sharing knowledge and built social bonds with British employees. Two-way sharing and learning developed a more positive atmosphere between British and Chinese employees. Subsequently, it encourages both companies' employees to be more effective and efficient in the process of joint projects and knowledge transfer.

Discussion of findings

Our findings are consistent with prior research that demonstrate the process of tacit knowledge transfer cannot be forced, and it is largely relied on individual willingness" (Hislop, 2002;

Hooff et al, 2012). Graebner et al. (2017) argue that negative emotions during international acquisitions can highly affect the process of tacit knowledge transfer. Similarly, Ashkanasy et al. (2002) findings demonstrate that individuals' different types of emotions and coping strategies ultimately affect the outcome of acquisitions. Negative emotions may result in disengagement and underperformance (Avey et al., 2008). Negative emotions of an individual lead to an undesirable organisational outcome, lack of trust and commitment (Jung and Yoon, 2015; Avey et al., 2008). Several authors have found that the negative behaviour of individual during acquisitions has a negative impact on organisational performance. Information and know-how are sometimes consciously held back as a consequence of mistrust and suspicion (Hassett *et al.*, 2018; Sinkovics *et al.*, 2011; Vuori *et al.*, 2018). In such an atmosphere, cooperation becomes difficult and good teamwork almost impossible. Braebner et al (2017); Hamdoun, Jabbour and Othman (2018) argue that negative emotions influence attention and engagement. Particularly, emotional intensity makes the process of tacit knowledge transfer more difficult. Similarly, Hamdoun, Jabbour and Othman (2018) mentioned that the quality of tacit knowledge transfer or technical knowledge transfer is largely relied on employees emotional states. In contrast, Avey et al (2008); Jung and Yoon (2015) argue that individual positive emotions result in actively engaging in the process of knowledge sharing, motivate, increase the energy and give strength to share knowledge.

The findings of this study further revealed that even though employees experienced negative and positive emotions simultaneously during first year of the acquisition. The right approach from the parent company, constant physical and online communication, a detailed plan that highlighted strategic investment to upgrade facilities and investment in research and development department--- to some extent helped top managers and senior engineers emotionally. However, the interviewees revealed that it seems majority employees' emotions were dominated by negative emotions during first few years of the acquisition, particularly the older engineers. Because they were still unsure about the future of the company, anxiety about losing their jobs and worried that the parent company might bring several changes and put more pressure on the Subsidiary. The constant experience of mixed emotion developed challenges in the process active engagement in knowledge transfer during first year of the acquisition.

In second round our findings identified that during second year of the acquisition, the parent company invested a large amount, particularly in upgrading facilities and expanding research and development department. The right plan that the Parent company presented to the subsidiary and the implementation of the plan had an increasingly important role in every

individual emotional response. In turn, it could be assumed that the subsidiary employees were more committed and willing to help the parent company. For example, most interviews and published reports revealed that after the strategic investment, British employees designed and developed 8-inch electric module for the Parent company in the Subsidiary. During the process of designing and developing an 8-inch electric module, Chinese employees were actively engaged, and the process of each element was explained in detail. Subsequently, the launch of the 8-inch production line in the Parent company in China was supported by the subsidiary employees. Also, Chinese employees were trained for the process of manufacturing an 8-inch electric module. The 8-inch electric module has been successfully fabricated, qualified, and applied in the rail transportation traction system.

More recently, Hassett *et al* (2018) findings signify a clear change in negative emotions at second stage, which was conducted in fourteen to sixteen months after the acquisition. The dominated negative emotion was anger, and it was caused by the slow speed of integration, failing to deliver expected outcomes, and some employees were irritated by the change of company name. In addition, Vuori *et al* (2018) findings demonstrate that despite Subsidiary and parent employees forming positive expectation and sharing high-order strategic goals during first year of the acquisition, employees of both companies started disagreeing over several tasks how best to proceed. In contrast, our findings demonstrate that to a large extent, Subsidiary employees experience more positive emotions during second round. Positive emotions, such as excitement, happiness and relief emotions were triggered due to frequent physical interaction between Chinese and British top managers and senior engineers, recognition, and appreciation of British employees' commitment in the process of sharing their knowledge, experience, and skills. Strategic investment in R&D, upgrading production facilities and recruiting more employees. The parent company did not change management team and did not enforce any strategy or practices to implement in subsidiary. In addition, the frequent visit of Chinese engineers to the subsidiary developed the habits of engaging in the process of sharing. During second round, the process of knowledge exchanging was slightly multi-directional. These predominantly fundamental factors not only emerged more positive emotions, but it also improved the process of knowledge transfer and employees were more willing to actively engage in the process of sharing. Even though, positive emotions were more dominated, and the process of mutual learning was developing, but still few participants highlighted that sometimes some Chinese might not be interested to share their knowledge or completely ignore request for sharing information. Lack of willingness of Chinese engineers

to share their knowledge could lead to frustration. Consequently, it could make the process of knowledge transfer less effective.

In third round, our findings found that frequent visit of the Chinese employees to the subsidiary and the willingness of the British employees to actively engage in the process of sharing their knowledge, experience, and skills helped Chinese employees to be more open in the process of knowledge transfer. For example, four interviewees mentioned that Chinese employees shared the designing and development process of electric module chips, and busbar device. Also, Chinese employees shared documents that represent detailed information about supply chain management practices and marketing plan. In turn, it emerged more stable emotions among British employees. “Based on willingness perspectives, employees will expect the same if they share their knowledge.” At this stage, it could be perceived that most participants were emotionally stable because they experienced that Chinese employee are developing the behaviour of sharing knowledge and supporting the subsidiary company. For example, three directors mentioned that during their visit to the parent company, Chinese employees arranged a tour in different production line and departments of the parent company and provided detailed information in each department. It could be assumed that for Chinese employees to actively engage in the process of exchanging knowledge, first they needed to build social bonds. In contrast, a small number of interviewees revealed that still there could be some Chinese employees that were not willing to share their knowledge or might take longer than expected to share. Consequently, it could trigger frustration and anger. This could be still experienced in the future.

Hassett et al. (2018) and Vuori et al (2018) findings reveal that employees experienced strong negative emotions during third round/stage of acquisitions. Anger and frustration were caused by lack of integration, organisational changes, and a different way of doing things. Many participants were looking for jobs in new organisations, some had decided to leave the organisation and out of the thirteen panel interviewees four left the organisation shortly after the last interviews. Strong negative emotions were triggered due to tasks disagreement, and lack of flexibility. Also, strong negative emotions were caused by several tasks disagreements that were remain largely superficial and the parties did not explore the causes deeply enough to resolve the disagreements. Strong negative emotions and tasks disagreements not only lead to lack of integration, but also both firms employees were not willing to learn from each other.

In contrast, our findings not only found that top managers and senior engineers of the subsidiary experienced more positive and stable emotions during last stages of the acquisition, but also found that positive and stable emotions led both companies to work on joint projects, which created opportunity to share, create and learn from each other. In addition, stable emotions led both firms' employees to be more open in the process of sharing knowledge. The emotional stability led subsidiary employees to organise joint projects. The joint projects created the opportunity for everyone to share their perspectives. By the end of the meeting, all members were agreed to modify certain components. To a large extent, the process of knowledge transfer has been developing, but still, it is not as effective as both companies expect to be. For example, several interviewees mentioned there should be more meetings between British and Chinese employees to discuss how to improve the process of designing and developing high power semi-conductor devices. Two senior managers pointed out that they work on this. They have developed a plan, which will be discussed with Chinese employees in the next three months. It could be perceived that the Chinese would be positive about this.

Conclusion

For the practitioners, the research makes several contributions. Our findings suggest that international acquisitions are highly emotional event for top managers and senior engineers. It is important to understand what triggers negative and positive emotions in international acquisitions. Based on recent research, it is more likely that employees will experience different emotions simultaneously during first year of the acquisition (Hassett *et al.*, 2018; Vuori *et al.*, 2018). Similarly, our findings reveal that top managers and senior engineers experienced mixed emotions during first year of the acquisition. Even though employees were willing to actively engage in the process of knowledge transfer, but the process of knowledge transfer was less effective. Our findings reveal that frequent physical interaction with the parent company top managers and senior engineers and appreciating the management team of the subsidiary and not making any changes, and not putting any pressure on management team and providing detailed plan about strategic investment and expanding the subsidiary company, alleviated negative emotions. Largely, employees were relieved about the future of the company, and they felt more secure about their jobs. Such initiatives resulted in developing the process of knowledge transfer. In contrast, the lack of the parent company employees to engage in the process of sharing their knowledge with subsidiary employees triggered frustration, and anger. Consequently, a small number of subsidiary employees were not happy about the one-way direction of sharing knowledge. Regular social activities, frequent visit of Chinese 40 to 50

employees to the subsidiary to learn from British employees, helped the parent company employees not only engage in the process of learning but also sharing their knowledge with the subsidiary employees. The multidirectional sharing and learning, building social bonds, and building trust triggered stable emotions. In turn, stable emotions, strong social bonds, and trust lead both companies' employees to work on joint projects. Joint projects created the opportunity to create, share and learn new knowledge. It is significantly important for managers to consider the above key factors in managing top managers and senior engineers' emotions. Despite its contributions, there are several limitations of this study that call for further exploration. First, this study is based on a single case with directors, senior managers and senior engineers conducted in the subsidiary in the United Kingdom. The parent and the subsidiary are in the knowledge-intensive technology sector. Our findings reflect on one side and did not cover the parent employee's perspective. To capture a complete picture, future studies might consider exploring the role of emotion in the process of knowledge transfer in both firms, parent, and subsidiary. Second, this research is a qualitative single case study with a small number of interviews (15 Interviews). Although the aim of the qualitative case study is geared to theoretical generalization (Yin, 2009), the theoretical insights require further empirical testing in other international business contexts, possibly using survey data.

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