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THE EFFECT OF LEGITIMACY JUDGMENTS AND POST-AQUISITION ACQUIRER
MOTIVIES IN THE CONTEXT OF CHINESE INVESTMENT IN THE UK

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Abstract

Over the last two decades, there has been a significant shift in the direction of investment flows between developed and emerging economies. Whereas in the formation of the most regarded internationalization theories such as OLI and the Uppsala model focusing on the strategies of developed economies (largely western multinationals), there is now a burgeoning interest in understanding outward investment and resource integration strategies of emerging market multinational enterprises (EMMEs) into developed economies. The context of our study is the reverse dynamic between a single acquiring Chinese investor company and two acquired British subsidiaries in a defence sensitive heavy engineering sector. Our longitudinal study is built on a sample based on 40 depth interviews, supplemented by a large documentary analysis and which was conducted by embedded researchers. The study reveals real time multi-level emergence of IRKT and the strategizing that took place between the acquired firm's knowledge protection tactics and the acquiring firm knowledge transfer tactics.

1.0: Introduction

International reverse knowledge transfer (RKT) is an arrangement where knowledge contained by a subsidiary in a host country is sought by an acquiring firm. International reverse knowledge transfer (IRKT) is where this occurs across an international boundary as a part of a broader resource integration strategy (Mudambi, Piscitello, & Rabbiosi, 2014). Over the last two decades, there has been a significant shift in the direction of investment flows between developed and emerging economies (Buckley, Clegg, & Tan, 2003, Kong, Ciabuschi, & Martín Martín, 2018, Liu & Meyer, 2018). Whereas in the formation of the most regarded internationalization theories such as OLI (Dunning, 1998) and the Uppsala model (Johanson & Vahlne, 2009, Vahlne & Johanson, 2013) focusing on the strategies of developed economies (largely western multinationals), there is now a burgeoning interest in understanding outward investment and resource integration strategies of emerging market multinational enterprises (EMMEs) into developed economies. This interest has led to the development of different EM focussed models of internationalization predicated on different underlying motives. Frameworks underpinned by learning and resource/opportunity seeking motives such as *linking-learning-leveraging* (Mathews, 2017) and *strategic resource seeking* (Meyer, 2015) have been argued to better capture the strategies of EMMEs. IRKT in this context seems best explored under these resource-seeking meta-logics, yet this opportunity has not been significantly harnessed. The context of the study is that of an EMME and two DM engineering firms and the attempts to effect IRKT.

We start our analysis with a challenge to an underlying assumption that asset acquisition, ownership and transfer occurs as a natural flow. We see a number of outstanding opportunities in the IRKT literature to add nuance to the idea of the *willingness* of a subsidiary to transfer knowledge to a parent firm that challenge this assumption. We ask, how does the perception of pre-

and post-acquisition motives by a developed economy subsidiary (DES) lead that subsidiary to ‘become’ unwilling to transfer knowledge to an EMME? We further ask, in the post-acquisition phase, how do old world institutional rules impact on IRKT in an EMME-DES dynamic? We posit that legitimacy and the reverse proposition of perceived ‘illegitimacy’ of ownership and/or knowledge transfer is an underexplored tension in subsidiary unwillingness to engage in IRKT. Szulanski (2000) notes that a process perspective on knowledge transfer “allows for a closer examination of how difficulty evolves with the transfer.” We offer a processual insight into the ‘becoming’ of unwillingness with reference to perceived illegitimacy and suspicion of investor motives as aspects of difficulty in ownership flows. A third question explores the tactical ‘game’ played between knowledge protection and transfer and how this is played out distinctively between codified and tacit knowledge in IRKT. We ask, how can an acquiring parent company affect post acquisition IRKT in the presence of subsidiary unwillingness and how does this tactical game play out distinctively between reverse tacit and codified knowledge transfer? We therefore aim to offer further processual insight into the ‘becoming’ of reverse knowledge transfer in the context of a Chinese investor in a developed economy context.

We identify the following areas of theoretical contribution. First, few IRKT studies to date shine a light into the black-box of how the motives of the EMMEs play out between acquired and acquirer pre- and post-acquisition (exceptions include Ai & Tan, 2020, Kong, Ciabuschi, & Martín Martín, 2018, Liu & Meyer, 2018, Su, et al., 2021). Whilst Ai and Tan (2020) suggest that the attractiveness of an acquisition by an DES might enable willingness, we find no investigation that looks into possible revaluations of investor motives, post-acquisition that led to unwillingness. As such, we seek to unpack the strategic intent (Cui, Meyer, & Hu, 2014) of EMNE investors and offer understanding of their tactics in respect of overcoming subsidiary knowledge protection tactics that

develop due to negative perception of post-acquisition investor motives. In the context of Chinese traditions of strategizing, we offer insight into how soft-power strategizing (Liu & Meyer, 2018, Nye Jr, 2008, Shambaugh, 2015) unfolds post-acquisition to affect reverse tacit knowledge transfer.

Second, willingness in the current RKT literature is substantially presented in a dialectic with capacity (Driffield, Love, & Yang, 2016, Michailova & Mustaffa, 2012, Mudambi, Piscitello, & Rabbiosi, 2014) and we find no attempt to explain willingness de-coupled from a dichotomy with capacity, or as a reverse proposition of unwillingness. We offer insight into unexplored relationships between first, motives and second legitimation and the reverse interplay between unwillingness, suspicion of negative motives and illegitimacy judgments.

Third, currently, we are not aware of any studies the link legitimation to matters of IRKT or explicit examination of interplay between institutional; (macro) firm (meso) and actor (micro) levels of interplay in the becoming of willingness or unwillingness. Balogun, Fahy and Vaara (2019:224) recently speak of the lack of focus on legitimacy in subsidiary-HQ and to our knowledge this has not yet been brought into IRKT literature as an emergent concept. They note that “the lack of attention to legitimation processes in headquarters (HQ)–subsidiary relationships is a serious omission.” We see no deep exposition of how distrust of motives and more historical institutional level illegitimacy judgments affect unwillingness. For instance, when a DE firm is acquired by an EMME, it may provoke historical macro-level, illegitimacy judgments. We also embrace the potential highlighted by Balogun et al. (2019) by drawing on the social psychology perspective of legitimation (Tost, 2011) to address actor-level illegitimacy concerns. In doing so, we address the limited insight into agential mediation in IRKT studies and in particular, the neglect of the post-acquisition activities of expatriate and local staff in IRKT situations (Kong, Ciabuschi, & Martín Martín, 2018, Liu & Meyer, 2018).

Fourth, we explore the stickiness of both tacit and codified knowledge without an assumption that tacit knowledge is more sticky than codified knowledge. By contraposing willingness with legitimate acquisition and motives we explore the extent to which exchange parties see both tacit and codified knowledge as acquired, and therefore as legitimately owned and legitimately transferable.

The context of our study is the reverse dynamic between a single acquiring Chinese investor company and two acquired British subsidiaries in a defence sensitive heavy engineering sector. Our longitudinal study is built on a sample based on 40 depth interviews, supplemented by a large documentary analysis and which was conducted by embedded researchers – allowing for the study of the real time multi-level emergence of IRKT and the strategizing that took place between the acquired firm's knowledge protection tactics and the acquiring firm knowledge transfer tactics.

The paper is structured as follows. Our theorizing approach is abductive and included many loops between data and literature. In the literature review section, we identify only the final literature we used to underpin our theoretical and conceptual frameworks presented here. These are reverse knowledge transfer, motives and legitimation. We identify the outstanding gaps and unexploited assimilations within and between these literatures. We then outline our data collection procedures, theorizing approach and case study conditions. Using our theoretical framework (Fig. 1) to frame sections to exposure the multi-dimensional interplay, we then use a narrative strategy to explore four macro-narratives, culminating in a visual process map (Fig.4) to show both the theoretical interplay and strategizing we contest makes up we will call frictional reverse knowledge transfer. We then offer our conclusions, limitations and practical relevance of our contributions.

2.0: Literature review

We start our literature review with our primary, recipient literature body – IRKT. in which the concept of willingness is a subject of focus. We then review in turn the literature on foreign investment motives, focusing on the LLL framework, and then legitimation.

2.1: Reverse knowledge transfer

Mudambi et al. (2014:49) defines RKT as “the process through which one unit in an organization is affected by the experience of another and can be measured by changes in the knowledge of the recipient unit.” IRKT further denotes the movement of knowledge from “overseas subsidiaries to the home country and the parent firm” (Fu, Sun, & Ghauri, 2018:216). IRKT research has expanded in recent years due to a wave of post-millennium emerging market FDI (See for instance Buckley, Clegg, & Tan, 2003, Kong, Ciabuschi, & Martín Martín, 2018, Liu & Meyer, 2018) and a significant proportion of IRKT studies examine the context of an EMNE parent and a DES. Our paper joins that research thread.

The broad RKT literature has examined several important constructs and tensions in reverse exchange, the most explored being the willingness-capacity paradox (Driffield, Love, & Yang, 2016, Michailova & Mustaffa, 2012, Mudambi, Piscitello, & Rabbiosi, 2014), gaining HQ attention (Ambos & Birkinshaw, 2010, Bouquet & Birkinshaw, 2008, Bouquet, Morrison, & Birkinshaw, 2009) and subsidiary knowledge relevance (Peltokorpi & Yamao, 2017, Qin, Mudambi, & Meyer, 2008, Yang, Mudambi, & Meyer, 2008). An important issue is to understand how a parent firm persuades a subsidiary to initiate RKT and how a subsidiary interacts and responds to calls for reverse knowledge transfer from a parent (Sanchez-Vidal, Sanz-Valle, & Barba-Aragon, 2018). We suggest that to date, the principle of acquisition and ownership of knowledge has not been satisfactorily explored as a process inculcating subsidiary and actor-level willingness in which tacit and codified knowledge are treated distinctively in the IRKT process. Tacit knowledge is non

verbalizable, intuitive and unarticulatable (Polyani, 1966) and therefore, the process through which this is transferred would seem outwardly more relational than with that inculcating codified knowledge transfer. Face-to-face interactions are thought to be particularly conducive for transferring tacit knowledge, and individual employees have been found to be central in tacit RKT (Kong, Ciabuschi, & Martín Martín, 2018, Najafi-Tavani, Giroud, & Andersson, 2014, Rabbiosi & Santangelo, 2013). Given the person-centric nature of tacit knowledge, tensions with what is ‘owned’ in contractual terms may be highly ambiguous when considering the reverse transfer of ‘acquired’ tacit knowledge. In IRKT, understanding the interaction between actor-level expatriate parent company staff and local subsidiary staff, and indeed acquired company inpatriate staff in the investor’s country would seem to be of significant importance in gaining insight into tacit knowledge transfer (Kong, Ciabuschi, & Martín Martín, 2018, Liu & Meyer, 2018, Meyer & Xin, 2018). We suggest that there remains a lack of understanding as to how the relationship between home and host country staff affect willingness to engage in IRKT (Liu & Meyer, 2018, McGuinness, Demirbag, & Bandara, 2013, Meyer & Xin, 2018). Equally there is limited insight how institutional factors affect actor-level motives and willingness (Ciabuschi, Lingshuang, & Cong, 2017, Kong, Ciabuschi, & Martín Martín, 2018), hence our study undertakes a multi-level analysis.

Stickiness is a terms that denotes difficulty experienced in the process of knowledge transfer (Szulanski, 1996, Szulanski, 2000). Li and Hsieh (2009:426) suggest that “sticky information occurs when the information is part of the tacit knowledge of a skilled individual.” However, we challenge the assumption that codified knowledge is always less sticky in the context of IRKT. Concerns for IP protection in international knowledge transfer have generally concerned efforts to retain transferred knowledge within a firm and prevent external leakage or spillovers (Berry, 2017,

De Faria & Sofka, 2010, Perri & Andersson, 2014). We identify a gap in understanding of how a perception of investor motives creates unwillingness and promotes codified knowledge protection tactics by acquired subsidiary staff in the context of an acquisition. We further suggest there are inadequacies in understanding how expectations for codified and tacit knowledge transfer are tied up with imperfect contract negotiations and implicit understanding. We therefore turn next to explore ideas on investor motives.

2.2: Motives for internationalization and emerging market multinationals.

There has been significant prevalence of EMMEs using international mergers and acquisitions to effect internationalization, particularly those from China and India (Aulakh, Kotabe, & Teegen, 2000, Nicholson & Salaber, 2013). Investment by EMMEs into developed foreign markets has become of increasing interest to scholars (Buckley, et al., 2018, He, Khan, & Shenkar, 2018, Meyer & Peng, 2016). Dunning (1993) suggests there are three motives for internationalization, market-seeking, resource seeking and efficiency seeking. Seminal models such as the ownership-location-internalization (OLI) model (Dunning, 1998) have increasingly been argued to be limited in their ability to be deployed to explain the context of EMME investment strategies and their underlying logic. Within the traditions of OLI, the motives of a foreign firm may be to seek new markets in which to exploit its existing resource base and capabilities in overseas markets. In contrast, EMMEs may need to *catch-up* (Lamin & Livanis, 2013) due to their late-comer status, and may instead be motivated to pursue a resource seeking strategy (Meyer, 2015) or be argued to possess strategic asset seeking motives (Cui, Meyer, & Hu, 2014). In this logic, they may be seeking new resources and competences rather than looking to stretch existing resources and competences. Mathews (2017) argues that late comer multinationals are more inclined to follow a linkage-leverage-

learning (LLL) model rather than an OLI logic, and this has been developed in further studies EMNEs (Ray, Ray, & Kumar, 2017, Tan & Mathews, 2015). Mathews (2017) argues that LLL is a strategic framework, rather than in contrast OLI being an economic framework based on post-rationalizations of successful FDI. As such, he suggests that LLL can serve as a strategic framework for action for EEMs to catch-up. A further distinction of EMNE's internationalization strategies, is that unlike most developed market multinationals, EMNE's may have explicitly political objectives due to their embeddedness in home country institutions. Many Chinese firms for instance might be state owned enterprises (Ciabuschi, Lingshuang, & Cong, 2017) and those motivated by national policies such as the Belt and Road Initiative and Made in China 2025 (Wübbeke, et al., 2016). Liu and Meyer (2018:3) recently ask "how do willingness and motivation affect reverse knowledge transfer?" However, Su et al. (2020:298) caution that the likelihood that "mixed motives for engaging in knowledge transfer in the HQ-subsidary dyad can be expected," yet we see little exploration of motives relative to subsidiary willingness to engage in IRKT. Ai and Tan (2020) recently suggest that the perceived attractiveness of the acquisition on the part of acquired firm, agents may facilitate their willingness to transfer knowledge to the acquirer (parent firm). However, we see no exploration of how perceived pre-acquisition motives play out post acquisition, particularly where there is distrust of investor motives. For instance, if the acquired firm begins to perceive a resource-seeking logic and fear job losses as a result of acquired firm assets becoming disposable (Xing, et al., 2016) after transfer has taken place. We particularly see deficiency is understanding how organizational and actor-level motives affect willingness and also how investor tactics can overcome unwillingness in IRKT. In particular, we identify the application of Chinese soft power in achieving IRKT as a potential area of interest in IRKT studies (Nye Jr,

2008, Shambaugh, 2015) and also see the possibility of appending these insights to an LLL framework for action. We turn next to explore legitimacy and ownership.

2.3: Legitimation and illegitimacy.

In early examination of the transcripts, a theme that emerged that has only been tangentially discussed in the IRKT literature, and only to a limited extent in the broader IB literature, is that of *legitimation*. Legitimation has been discussed in the IB literature in the context of subsidiarity (Kostova & Zaheer, 1999, Nell, Puck, & Heidenreich, 2015, Rathert, 2016, Turcan, Marinova, & Rana, 2012, Vaara & Tienari, 2008, Vaara & Tienari, 2011) but we find no explicit deployment in the context of IRKT. At its basic level, legitimacy involves the right to exist and act a certain way. Suchman (1995) defines legitimacy as:

“...a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.”

...and is apparent where:

“an emerging social entity gains a taken-for-granted quality that leads it to be perceived as an objective and natural reality” (Tost, 2011:686).

Legitimacy has been argued to have both an external and internal dimension. External legitimacy (Hillman & Wan, 2005) inculcates institutional level concerns, (Balogun, Fahy, & Vaara, 2019) such as legitimizing the investment to home and host country stakeholders. In the context of Chinese investors, home country investors would include legitimacy with local and national government motives (Guo, Xu, & Li, 2017, Su, et al., 2021) as well as owners and home country, firm-level stakeholders. This form of external legitimacy has been discussed as political strategy and strategizing (Hillman & Wan, 2005, Nell, Puck, & Heidenreich, 2015) and as socio-political legitimacy (Ahlstrom, Bruton, & Yeh, 2008). Research has examined, for instance, the tension of *mode* legitimacy (Chan & Makino, 2007, Peng, 2012), which in acquisition we suggest is consistent with ownership (a) legitimacy (Eden & Dai, 2010) – the right of ownership therefore unfettered access to, and use of acquired knowledge from the subsidiary through the parent organization, but

this work has explored local external legitimacy, not internal legitimacy. We see limited exploration of the external illegitimacy of an investment by acquired company staff based on historical rules and norms.

However, there is little evidence of investigation currently available in the RKT literature investigating the perceived legitimacy in DES staff to being acquired by first, *any* firm, second, any *foreign* firm and third, specifically by an *EMME* firm. A further overlapping tension has been discussed as cognitive legitimacy (Ahlstrom, Bruton, & Yeh, 2008). This form of legitimacy may be based on perceived professional or technological superiority of one firm in the knowledge integration process over another and may reflect the relative dynamics of a EMME investor perceived to undertaking technological catch-up.

Internal legitimacy moves consideration to a micro-level, where the motives for acquisition may be assessed by individuals in the firms. We are not aware of research that has exposed the dynamics of willingness to reverse transfer assets and knowledge, alongside legitimacy and acquirer motives. Kong et al. (2018:218) suggest that “expatriate managers confront various cross-cultural and legitimacy issues as they must manage two different institutional environments (home-host).” Ethnocentrism has also been recognized by Conroy and Collings (2016) as a crucial factor in legitimization processes in inter-cultural knowledge transfer arrangements, and this may be exacerbated through feelings of superiority, national pride and perceived technological superiority where a western firm is acquired by a Chinese firm. From a more micro-level perspective, legitimacy has therefore been defined as “the evaluations of organizational members that assess specific actions or decisions as desirable or appropriate within a specific context” (Balogun, Fahy, & Vaara, 2019:224). To include both internal and external legitimacy judgments in a study requires consideration of both institutional and actor-levels of concern. This causes some strain on the use

of legitimation, as institutional theorists focus on macro collective levels of interest and have shown limited interest in the “intraindividual dynamics of legitimacy judgments” (Tost, 2011:686). Some work has assimilated the institutionalist and social psychologist perspectives on legitimation in order to achieve more multi-level insights. From the social psychology perspective, legitimacy has instrumental, relational and moral legitimacy. Instrumental legitimacy is predicted on a judgment by an individual that the acts of an interactant are promoting their material interest. Relational legitimacy exists between members of a group where they are afforded dignity and respect by those within the group, and where embedded expectations and entitlements are appreciated. A third element is moral legitimacy which is a judgement as to whether actions fit with an agent’s value system. These dimensions are argued to have significant overlaps and may have complimentary or countervailing effects (Balogun, Fahy, & Vaara, 2019, Tost, 2011).

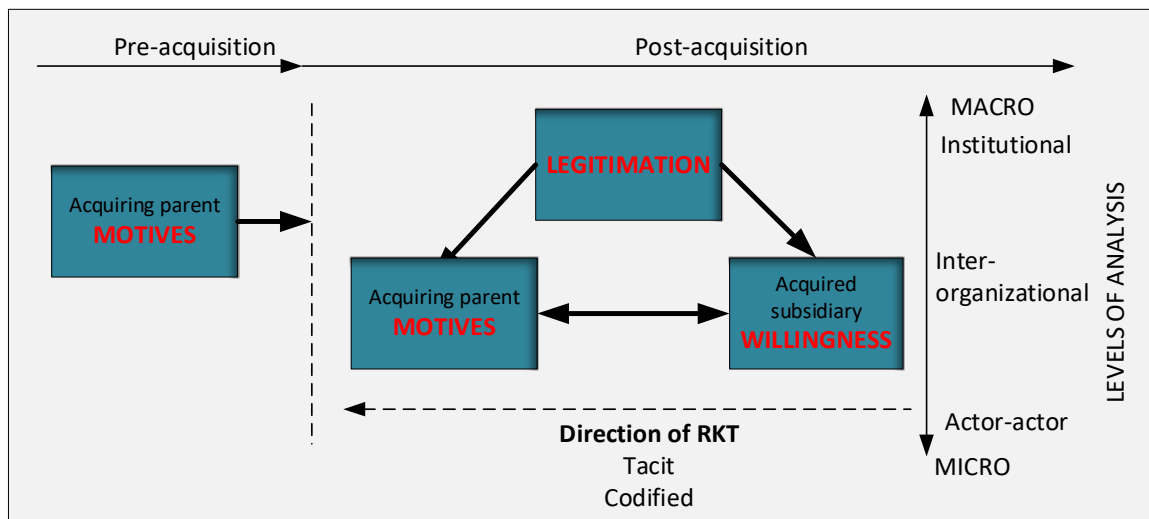


Fig 1: Theoretical Framework

We posit in Fig. 1 an overview of the theoretical concepts drawn from the literature. The potential of these concepts emerged at different points in the theory building process, with the concept of post-acquisition progress leading to identification of motives and unwillingness

becoming apparent during the interview process, and legitimacy emerging after first stage coding. We show in the framework, our intent to undertake a processual, multi-level analysis.

3.0: Research background and methodology

3.1: Case and case analysis

The main fieldwork took place between September 2015 to August 2018. During the financial crisis in 2007-2008, our focal Chinese investor had around 8000 employees, acquiring a UK engineering firm, around 350 employees. In 2012, it acquired another UK engineering firm of around 300 employees. Prior to acquisitions, both of these two UK firms were experiencing financial difficulties. The UK subsidiaries had technical specialities that the Chinese parent firm did not have at the point of acquisition. Case selection was made on the basis of data uniqueness – rarely is there an opportunity to study the temporally close acquisition in a single country by a single EMNE. To that end we treat the two acquisitions as a single case, and do not present an analysis between the two subsidiaries. We instead seek theory development using one parent and two subsidiary acquisitions.

We first gained approval from the Chinese parent company to conduct an investigation into the ongoing integration progress of the two subsidiaries and report our findings to the parent company. We then gained consent of the two subsidiaries in the UK. Between 2015 and 2018, We contacted 44 staff members from the two subsidiaries and 40 of them formally participated in our interview. These staff were both UK staff that may have been employed before the acquisition, and Chinese expatriate staff working locally that had been brought in since the acquisition. Participants were both management and technical (engineering) staff. We also approached the Strategy Development Department at Headquarters in China and invited around 10 Chinese senior officials who had been

involved in the acquisition and/or post-acquisition management; and 4 of them participated in our fieldwork. The sample was split between with 20 individuals of British nationality and 20 individuals of Chinese nationality. British participants were filtered to those who had experience before and after in the acquisition. Within the subsidiaries, we obtained 5 Senior Leadership Team (SLT) participants (executive board members) from all functions, and 15 non-SLT participants (technical staff). On the Chinese side, we secured 4 Chinese individuals serving on the UK executive board and 12 individuals working as engineers in the subsidiaries (see Table 1 for a full description). We had further access to large amounts of documents and correspondence and had multiple informal interactions with management teams. During 2015 and 2018, we also participated in activities and events onsite, such as Chinese HQ delegation visits in December 2016 and May 2017; and a series of forums and workshops on Corporate Strategy in 2017. Reports were made to the Chinese HQ and feedback received. The interviews were of an average length of duration from 90-120 minutes. Due to language restriction of the interviewees, we conducted 14 interviews in Chinese and 26 in English, which were recorded and fully transcribed and back translated to check for consistency and English checked for colloquialisms. Extensive field notes were taken at these events and typed out within 24 hours, including details of speakers and core messages.

Table 2: Demographic information of interviewees

Category	Position	Nationality	Remark
UK SLT members	CEO	UK	1UMPT
	CFO	UK	1UMBL
	Director of operations	UK	1UMKB
	CEO	UK	2UMRH
	Director of operations	UK	2UMSL
Transferred management individuals	Director of marketing & sales in subsidiary	China	1TMGG
	Director of research & development	China	1TMAD
	Deputy director of research & development	China	1TMVL
	Director of marketing & sales	China	2TMJZ
Chinese parent firm SLT members	Board member	China	CMQL
	Director of research & development in Headquarter	China	CMSG
	General manager	China	CMXL
	Board member	China	CMDL
Local employee (Technical staff)	Technical manager	UK	1UESJ
	Project manager	UK	1UELH
	Technical manager	UK	1UEID
	Operation manager	UK	1UENF
	Technical manager	UK	1UESM
	Human resource manager	UK	1UESB
	Engineer	UK	1UEMH
	H&S officer	UK	1UEIS
	Engineer	UK	2UEAP
	Engineer	UK	2UEDD
	Marketing officer	UK	2UEVB
	Technical manager	UK	2UEMK
	Operation manager	UK	2UESH
	Engineer	UK	2UENR
	Operation assistant	UK	2UEVC
Transferred floor employee	Engineer	China	1TEZZ
	Principal engineer and team leader	China	1TEZC
	Principal engineer	China	1TEWC
	Engineer and project manager	China	1TEYR
	Engineer	China	1TELH
	Engineer	China	1TESX
	Engineer	China	2TEYY
	Engineer	China	2TESF
	Engineer	China	2TETW
	Engineer	China	2TEYW
	Engineer	China	2TEWY
	Marketing Assistant	China	2TEPL

+In this paper, we use [U**] referring to a respondent from UK subsidiary; [C**] referring to a respondent from parent company management group; and [T**] referring to a respondent transferred from the parent company to UK subseries. Similarly, we use U to refer to UK subsidiaries; C to refer to the parent firm..

3.2: Data analysis and theorizing

We took a processual approach, which “examines events, activities, and choices as they emerge and sequence themselves over time” (Bizzi & Langley, 2012:225) We started our investigations from a social constructionist perspective (Cunliffe, 2008) in which we adopted an “event based human time view of processes” in which experiences and stories “are given their meaning by their human connection to past, present and/or future events” (Halinen, Medlin, & Tornroos, 2012:216). Our study conducted over a period of 3 years used both longitudinal knowledge to capture emergence, retrospective accounts (Golden, 1997) and projective discussions to access a sense of the future-loadedness of expectations in the relations between acquired and acquiring firm (Hedaa & Törnroos, 2008). In a broad investigation into integration processes, a game between knowledge protection and transfer emerged as first order-theme during open coding. We used NVivo qualitative software package to generate the first order themes. Following the principles of attaining best fit between theory and data, we developed a hunch (Sætre & Van de Ven, 2021) that there was a story to be told that could be best explained as a form of IRKT involving a resistant subsidiary. Our abductive loops then offered insight into legitimacy which led us to access this literature, and further codes then pointed to further matters we coded as motives. In considering legitimacy, we then identified the need to consider multiple levels of analysis, and this need was heightened by the identification of different narratives relating to management and technical staff in our analysis. Our starting point for beginning the analysis presented in this paper is the theoretical framework presented as Fig. 1. We then used both a visual process mapping approach and a narrative technique (Langley, 1999) to present four narratives related to the multi-level interplay between legitimacy, willingness and motives.

4.0 Findings

Our approach to presenting our findings is to offer four meta-narratives (Makkonen, Aarikka-Stenroos, & Olkkonen, 2012) that different aspects of theoretical interplay. We indicate in Fig.2, a summation of the emergent concepts and the levels of interplay that occur within each narrative.

4.1: Illegitimacy and ownership.

We first explore in this section whether unwillingness is related to macro-level, emerging market-developed market historical norms and the legitimacy of acquisition. The meta-narrative in this section exposes an interplay between external legitimacy judgements based on historical norms (Hillman & Wan, 2005) and willingness in IRKT. Willingness has been discussed as in the IRKT literature largely at the actor-level and as something that is voluntaristic whereas legitimization has been discussed as a causal mechanism and as having structural and institutional properties (Balogun, Fahy, & Vaara, 2019). From an investor's perspective, *mode* legitimacy was evident (after Peng, 2012) – *in* that the subsidiaries were acquired outright and therefore their assets were 'legitimately' owned by the parent. Here we noted some tensions between previous owners and managers who transitioned to the new ownership arrangement. Conroy and Collings (2016) suggest feelings of illegitimacy may be exacerbated through a sense of superiority and national pride where a western firm is acquired by a Chinese or other developing economy firm. We will coded this tension as *historical* illegitimacy judgements formed partially on historical, 'old-world' rules, and these seemed most evident in UK leadership. We examined the transcripts for possible dimensions of external legitimacy judgements - national, relative economic status (emerging market) and technical illegitimacy (industry lag). We examined the

transcripts for allusions to all three forms. There were several nuances in the transcripts that alluded to these forms of external legitimacy.

“It’s a bit alien to people... not only because its rapid change, but it is a Chinese company... a company from ‘China’ [emphasized].” [UMSL]

Through these transcripts we were able to detect a sense of otherness expressed as “Chinese people”, “they”, “those people”, “those Chinese people”, “them”, “the Chinese”, “those” and “those guys”. Hence *foreignness* rather than simply *otherness* seemed a factor in forming legitimacy judgments. There were significant concerns expressed on the part of UK management about the involvement of Chinese expatriate managers in subsidiary decision making which began to speak to fears about local management autonomy.

“This [strategic leadership for the parent] weakens management style here...it becomes more and more Chinese.” [UEMK]

Further nuance pointed to this tension being more in the developed-developing economy dynamic or what has been discussed as *cognitive* illegitimacy (Ahlstrom, Bruton, & Yeh, 2008) – a judgement of technical inferiority based on perceived origin country technical lagging status. Several comments from UK staff with regards to their history in certain big name global engineering firms. For instance, “I left Royce Rolls and went to work in a couple of multinational companies.” [UESB] and, “I joined the UK site for not very long after I worked in multinational companies in different countries.” [UENF]. There were also nuanced comments as to the relative inferiority of the Chinese employee’s technical knowledge in juxtaposition to their own.

“The guys [transferred Chinese engineers] who came here three years ago became senior in the technical side of this part of parent firm. They couldn’t have that progress in their career if they have not been here.” [UEMK].

The inference here seems to be about the perceived technical inferiority of the investor’s origin country rather than a matter of national origin characteristics per-se. A tension was therefore that ‘ownership’ in itself did not legitimize IRKT on the part of the UK subsidiary – a legitimacy judgment that the accumulation of knowledge within the firm was not legitimately owned by the Chinese parent. Mode legitimacy we find therefore to have considerable nuance. We identify therefore an emotional dimension to unwillingness based on old world rules, but which was further exacerbated by a more calculative assessment of underlying motives, which we will

discuss next. Unwillingness here seemed to be related to a rebuttal of ownership (a) legitimacy (Eden & Dai, 2010). Ownership illegitimacy therefore seems to form an institutional foundation to the ‘becoming’ of unwillingness.

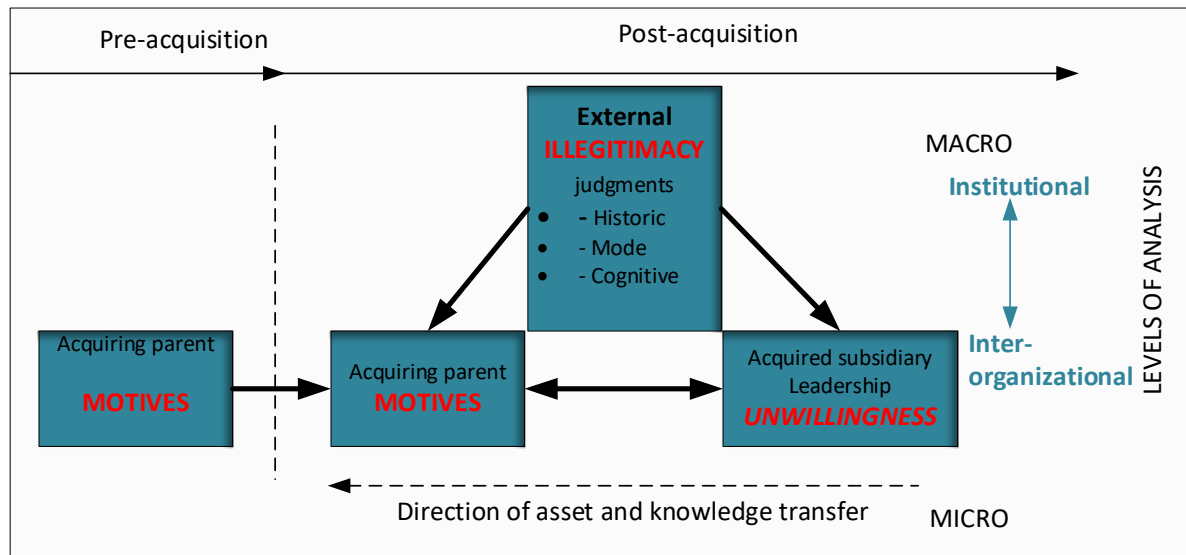


Fig 2: Legitimacy judgements affecting IRKT and their institutional foundations

4.2: What’s my motivation?

It became clear to us that there was much more nuance to legitimate ownership than the implicit elements of the purchase contract. Having established that there were institutional (macro) level legitimacy judgments at play, we next considered more calculative and implicit underpinnings of unwillingness to engage in RKT. Our next meta-narrative explores the interaction between motives and unwillingness in post-acquisition at an inter-organizational (meso) level. Ai and Tan (2020) suggest that the attractiveness of being acquired may promote a willingness on the part of the acquired firm to transfer knowledge to a new parent and indeed it seemed the evident in our case pre-acquisition. Early in our analysis, we identified that an assessment of motives was not intra-organizationally ubiquitous, with significant differences found between technical staff and leadership (Fig. 3). Explicit and implicit motives and importantly, *perception* of investor motives emerged from the data as significant in the subsidiary becoming unwilling to engage in IRKT post-acquisition. Explicitly, pre investment

the two UK firms had promoted themselves as attractive for investment as possessing unique proprietary technology with potential for growth and new product development. Explicitly, the Chinese investor promoted its plans to grow and develop the UKs locational advantages through ownership and subsidiarity. Pre-investment, it offered to make the UK firm more central in its global operations network to facilitate expansion in its international market portfolio. Consistent with its pre-acquisition motives, immediately after acquisition, the new Chinese parent company began to signal its investment plans. Early discussions revolved around enhancing production capacity for global markets. One participant from HQ in China (HQSLT) commented on an exchange with one local senior leadership team (LSLT) regarding their plans during early post-acquisition.

“We planned to have the UK site as a point of contact in Europe,” [CMQL]

“We offered them cash to build up a new office building on site so that they may accommodate more employees...we also told them of our willingness to invest in their production line as this could upgrade the current facilities to a further advanced level.”

[CMDL]

Having sent the message, HQSLT waited for what they imagined would be a quick and positive response which was not forthcoming. For “almost three months” we “heard nothing” [CMQL]. Members of HQSLT were confused by this silence and sent a second offer of investment. Almost another two months later, HQSLT the following response from LSLT.

“We very much appreciate your offer and plan for our future. When we built this building here, we did plan capacity for employees that we need to accommodate in the future... and this is how big it should be [...]. We indeed thank you for this thought.”

[Extracted from an email response]

It was reportedly quite a perplexing to the HSLT that the offer was refused. UK executives justified this stance to the research team as follows:

“I think our current facilities are doing well. We shouldn’t overly extend or accelerate our manufacturing capacity when our market has not changed too much.” [UMPT]

“It’s a fairly static market at this stage... We maintain our current accommodation which reflects our capacity. Our customers might worry about our quality if a massive expansion occurs.” [UMBL]

In our analysis we collected a number of comments we coded as ‘learn and leave.’ The implicit post-acquisition motives of the Chinese investor were present more based on an LLL logic than the exploitation of ownership advantages located in the UK based on OLI assumptions. In this sense we could see the promotion by the parent of Ownership (a) advantages (Eden & Dai, 2010) through acquisition then exclusive use of acquired assets, which were primarily in the form of knowledge. The parent then intended to internalize that knowledge through the group, through first, reverse knowledge transfer and then lateral transfer through the group. Surrendering ownership by UK management was thus judged legitimate if it led to local production commitments, and it seemed this was their reading of the acquisition agreement. At a point after acquisition, certain underlying suspicions on the part of LSLT as to contradictory implicit motives of the Chinese investors surfaced. Consistent with comments by Xing et al. (2016), comments like “job loss”, “plant shutting” and “stripping knowledge” were indeed apparent in the interviews of UK staff and which we coded as *learning and leaving (L&L)*. “There was some fear that they would strip our technology out and close us down.” [UMPT]. It seemed that in pre-acquisition communication, there was an implicit reading of OLI type motives on the part of the UK subsidiary and an implicit intent of LLL motives on the part of the investor. However, we began to note some disparity in this suspicion between the senior and middle management ranks. Whilst one senior British manager commented:

“I think they (the parent firm) would like me to leave...and get someone else to take it over ...” [UMPT]

...contrasting with British technical staff commenting:

“In fairness, they [the Chinese parent firm] did everything they could to support us... not like our previous owner, [...] a venture capitalist”. [UEIS]

It then seemed there was some issue-selling in the UK leadership to UK technical staff as to this perception of L&L motives. “We [local technical staff] did not know they [Chinese transferred individuals] were doing it...” implying they were ‘persuaded’ of this fact.... that “its [their] job to transfer information to China. [That] that’s one of the reasons why they are here.” [UELH]. The following example was offered.

“The Chinese then went and built a much bigger factory than we have to make the chip for these things. And they built their own assembly line, the [named component] line. They are [now] capable of producing the same product...” [UMBL]

This event apparently was a route cause of or burgeoning L&L perceptions as the post-acquisition period developed. A further specific example offered was where minor modification was made to a UK product to create a substitutable product.

“We manufacture as per the R&D centers designs. Then Chinese colleagues here modify it and change it, so it ends up being different to it is in UK – and then they take it to China.” [UESH]

Outwardly this seemed consistent with learning, linking and leveraging, and it seemed that this had opened up new markets and not lessened the UK firms’ sales. Therefore the ‘leaving’; aspect or even a lessening of local commitments did not come through in our cases as an explicit intent of the parent firm. There was some reflection by Chinese staff that this had been their intent pre-acquisition but had not communicated well enough. Consistent with comments as to the need for Chinese investors to develop international management capabilities (Santangelo & Meyer, 2017), one Chinese respondent reflected that, the company and Chinese business more broadly “were in an early stage” of international investment and that some of their approaches were at that time “unsophisticated.” There were reflections that being more open about LLL type motives might have increased the early willingness to participate in RKT and later strategizing discussed below attempted to incentivize IRKT. However, the Chinese parent chose initially not to use its legitimate ownership (a) rights to force RKT. As a reflection on this early episode, the Chinese SLT expressed the following.

“We had to compromise to let them to continue to do what they ‘enjoyed’ and what they are good at. It made things easier.” [CMXL]

This finding is consistent with that of Liu and Meyer (2018) who observe that Chinese investors tend to use light-touch and non-confrontational approaches. We offer as summary in Table 1 of

the apparent tensions between explicit and implicit motives which showed the mismatch in expectations.

	Chinese parent firm		UK subsidiaries	
	Resource integration expectations	Willing to offer	Resource integration expectations	Willing to offer
Explicit motives: Explicitly expressed and mutually understood.	Ownership acquisition; Locational advantages (including highly skilled technical staff). Country-of-origin (UK) brand and reputation. UK market access and customers. UK supply chain access and co-creation opportunities.	Support to get both UK subsidiaries to financial sustainability. International market access, i.e. supply goods to parent firm's value chains and customers.	Financial support. Growth of global market share.	Ownership acquisition. Firm physical assets; exchange staff members. Country-of-origin; brand and reputation. Upskilling of Chinese staff in UK subsidiaries
Implicit motives: Not explicitly; communicated to the subsidiaries but sensed by senior managers in them	Technological designs and specifications (codified knowledge). Unfettered access to designs and IT systems. Expatriate technical staff in the Expatriate managerial upskilling in UK to acquire tacit knowledge. Repatriate strategy for Chinese staff. Inpatriate strategy for UK staff in China to effect knowledge transfer. Access to UK firm value chain relationships (Intermediation) Effect broader technological catch-up in the Chinese economy Ultimate decision making over UK subsidiaries.		Senior management to remain autonomous in subsidiary decision making. Technical staff hoped for international career opportunities in a broader firm. Protect replaceable knowledge to insure against learn and lessen motives.	

Table 1: Summary of implicit and explicit motives

We suggest that our findings highlight the importance of granular communication during the pre-acquisition phase of acquisition negotiation and for both sides to be explicit about suspicions and motivations. We find that the becoming of subsidiary unwillingness may be significantly related to suspicion of investor motives which we code as L&L. We identify an implicit familiarity with internationalization logics such as OLI on the part of the subsidiary and LLL on the part of the parent, and in our cases, these remained implicit assumptions, not well communicated in the pre-acquisition discussion.

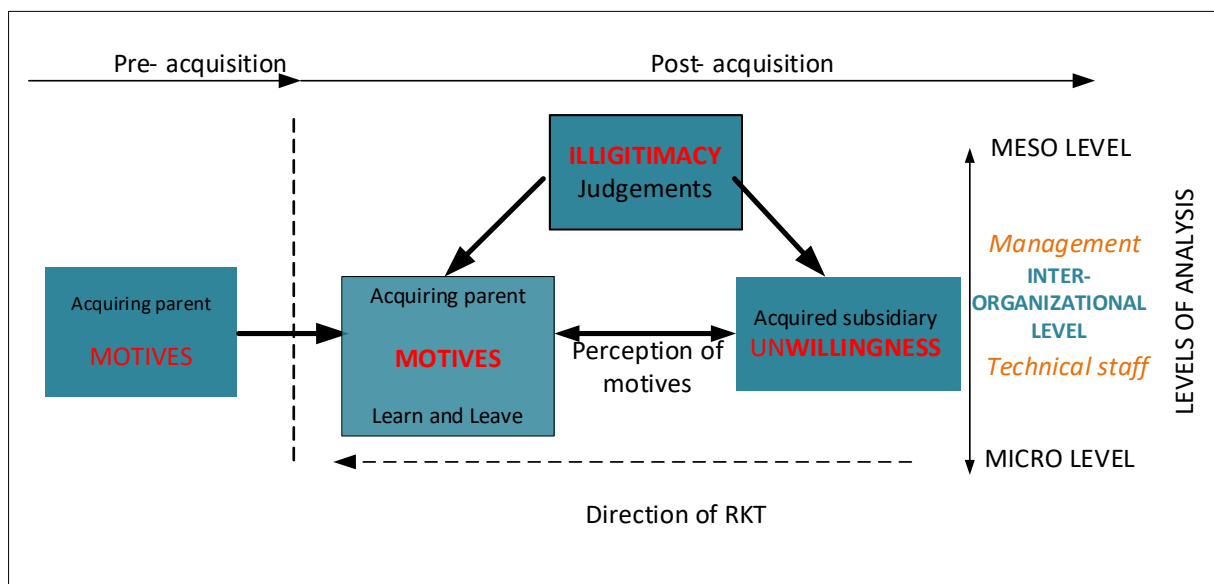


Fig 3: The interplay between perceived motives and unwillingness to engage in IRKT

4.3: The stickiness of codified knowledge!

We identified at an institutional level, historical illegitimacy and more calculative self-interest motives for the subsidiary being unwilling to transfer knowledge to the parent company. A stated motive for the acquisition by the Chinese parent company and indeed promoted prior to investment by the UK subsidiaries, was the value of their proprietary technology, such as program codes, product design and global market information. There was an assumption by the investor, that it would be relatively easier to transfer codified knowledge than tacit knowledge. We were intrigued by participants that this assumption was flawed and that codified knowledge

in contrast appeared very sticky to the Chinese investor. Stemming from legitimacy judgments, we began to examine subsidiary strategizing to protect codified knowledge.

“When we try to seek [codified] information, we needed to go through a lot of processes to gain access, and it’s not easy to obtain permission. The people in UK created barriers... such as passwords, authorization, and approval...” [TESF]

“We did not know this... This is a policy that the local Brits *set up* for us.” [TELH]

“It is slightly difficult to get those locals onboard... they have their own *agendas*.”
[TMGG]

The nuance of “set up” and “agendas” in these statements implied that the UK subsidiaries were deliberately protecting knowledge, illegitimately from the acquirer’s perspective. We suggest therefore that unwillingness as a concept needs to be further unpacked as being also potentially meaning ‘legally restricted’ when dealing with IP related matters, and as such having voluntaristic and deterministic elements. The UK subsidiaries erected technological barriers to prevent codified knowledge appropriation, for instance, IT accounts allowed the UK subsidiaries to have authority to either reject or accept any potential access requests from the Chinese parent. Expatriate Chinese engineers couldn’t for instance access any source of information before they were given an IT account from UK based senior leaders.

“The [expatriate] engineers that came here from China wouldn’t be given access to those drawings [...]. Our IT people would say, ‘No, you can’t have access to it’.” [UDD]

The UK subsidiaries erected three levels of structural protections first, a local technical system; second, a third-party agreement; and third, a national framework. It seemed that the Chinese investor was more aware of the first two, with the latter being more of a surprise after acquisition. The local technical system was embedded with IP&R protection regime in the UK subsidiaries to control specific technologies, volumes and frequencies of data access by the Chinese parent. This regime facilitated the UK subsidiaries’ the opportunity to reject any potential technical access requests to the knowledge that they claimed was protected.

“With our new system, we can actually tag each part [specification] with a different security level and we can control data access in China in this way.”
[UMKB]

“...we went through every drawing and anywhere there is a potential IP&R issue, we will substitute it with a word document basically saying ‘document removed because of IP&R consideration’.” [UEMP]

UK subsidiaries also used a geo-blocking strategy to prevent remote access from HQ, even for Chinese repatriate staff.

“We had a person went back to China... Now she asked for remote log in to our system for a project she continues doing ... I can’t actually give her it because she is not our employee.” [UEMH]

“We still retain technical governance on design. Any designs that are completed... either need our principal engineers to go to China with authority to sign them off, or they are gonna have to come back here for approval.” [UESH]

Third party commercial contracts and agreements to protect proprietary information to be transferred were also used to legitimize barriers to codified knowledge transfer. Some directly restricted the Chinese engineers to access codified knowledge. The UK subsidiaries also utilized national policies and frameworks placed by the UK government as a protection to legitimize knowledge protection.

“When contracts were set up with [a NATO military member], it came purely as whatever it was agreed in those contracts. If there is a clause saying ‘under no circumstances, we can’t pass data on even if that was bought, [UESM]

“We were working on a project with [non NATO country]...there is an embargo selling products to [that country]; and our products were included in their embargo... we’ve been told that we cannot transfer the designs to China, either” [UEVC]

“Under sanctions, the UK government can put export controls on goods and equipment technologies that aren’t normally controlled... The British government put controls on things that wouldn’t normally be controlled... we had further restrictions in place.” [UMSL]

As such the complexity of actor-level willingness reverted discussion of legitimacy from a dyadic to a triadic national consideration (Parent-subsidiary-customer) in our analysis encompassing

meso-and macro levels of analysis. We offer a dimension of unwillingness that we will call *legal illegitimacy* based on IP and national legal barriers to IRKT, even when ownership of a subsidiary passes to a new parent company. This seems particularly marked where a change in national ownership occurs, and even more marked where international tensions between home-host and customer triadic national tensions occur (such as between a NATO and non-NATO country). We wrestled in our analysis between an idea of structural illegitimacy and actor-level unwillingness and the perspective of which applied differently between the interlocutors. On the UK side, where the argument was for legal illegitimacy, on the Chinese, side they argued for UK actor's voluntary unwillingness in the guise of legal illegitimacy. The following suggests the latter was indeed at play.

“If our drawings give enough information for the Chinese engineers to build the part from the raw materials, then we can't pass it over...” [UEVB]

This voluntary unwillingness emerged as an issue of ‘need to know’ as opposed to a ‘right-to-know’ – in terms of ownership (a). From the UK side, the perspective was need-to-know:

“I work on the principle.... you tell me why you want the information, if I can understand what you are going to do with it, I can make a choice and give you the right answer. This is because we have to make sure a request for information is not against any laws and regulations. There is a legislative framework. We can't break the rules for anybody.” [UMSL]

As a practical level of considerations, it seemed that these structural issues were potentially not fully appreciated by the Chinese side in the pre-acquisition stage.

“They told us what we did not know [before the purchase]. We fully respect all kinds of policies, rules and regulations in the UK.” [TEWY]

.... and potentially not fully communicated by the British side.

“....providing our parent company was aware of those clauses when they bought us!...” [UESM]

We posit therefore that in order to prevent post-agreement unwillingness, the interlocutors needed to have had a more granular discussion of legal constraints to knowledge transfer. Without this clarity, implicit motives were suspected and barriers to IRKT created. In reverse, where expectations not fully explicated by the acquiring firm,

the legal justification for unwillingness can be perceived as voluntaristic on the acquirer's side. As a conclusion to this narrative, the Chinese parent responded by not exerting its perceived ownership legitimacy (right to know). Chinese senior managers seemed to express a form of fatalism stemming from home-country experiences.

“We came from a country with *plenty* of ‘policies’. We got used to that on the first day.” [CMQL]

“We intend to respect our subsidiary people, [...] their ways of doing things. We never want to have confrontations with them. We bought their business, but we know there is a lot to do after the merger.” [TEPL]

As a conclusion to this meta-narrative, we identify that codified knowledge can indeed be sticky and will now show how the investor shifted to a focus on acquiring tacit knowledge using soft-power (Shambaugh, 2015). It emerged in this case that it was easier for the acquired firm to erect barriers to IT system access than stop professional colleagues holding technical conversations. We discuss this observation in the following section.

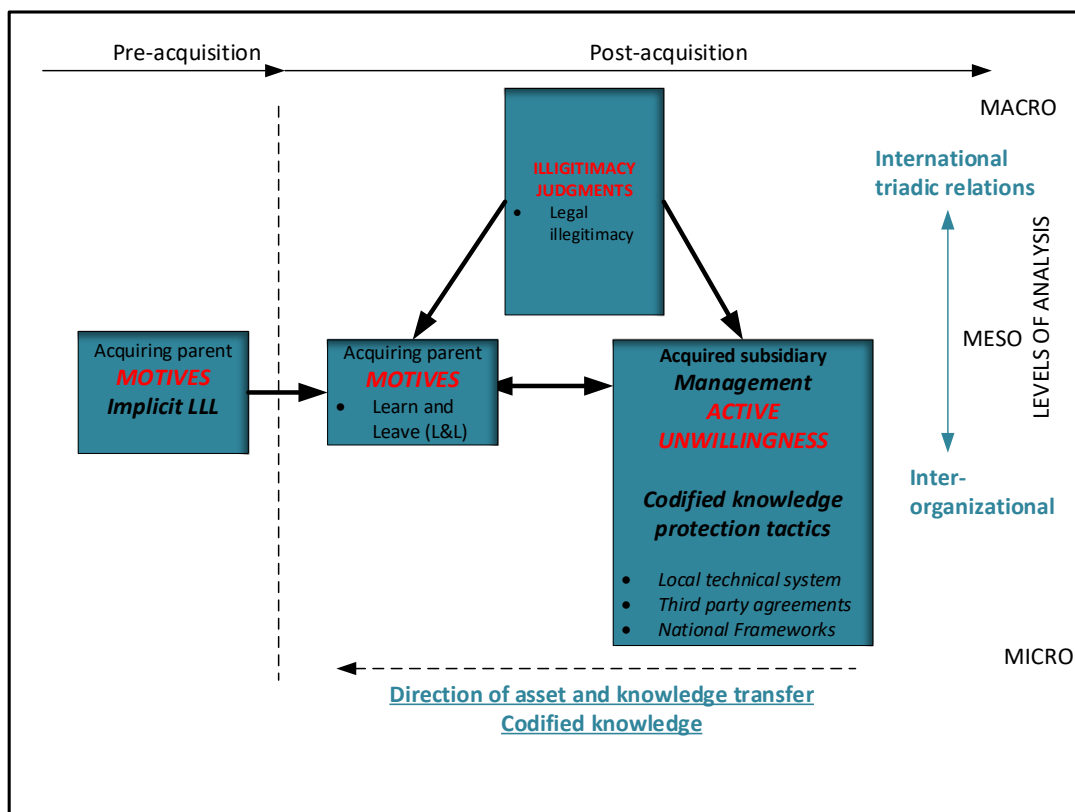


Fig 4: Subsidiary knowledge protection tactics and the perception of investor motives.

4.4: The becoming of willingness. Soft power and tacit reverse knowledge transfer

Having established that codified knowledge protection was quite achievable in the presence of subsidiary unwillingness, we next looked at the more micro-level game played out to effect reverse tacit knowledge transfer. The barriers erected to codified knowledge networks presented by the acquired UK companies became something that left the Chinese parent company disinclined to attack these barriers head-on, and instead tried to find workarounds.

“There are things not going as what we expected. We are restricted to access data due to IP protection. If we can’t do one thing, perhaps we could try other things.”
[TEYR]

We found that these non-confrontational ‘other things’ as being in line with the principles of soft power:

“We intended to respect our subsidiary people, together their ways of doing things. We never want to have confrontations with them. We bought their business, but we know there is a lot to do after the merger.” [TPL]

This took our analysis to the actor-level of consideration. This recognition of the need for a change in tactics was evident in the accounts of several Chinese participants.

“We intended to respect our subsidiary people, together their ways of doing things. We never want to have confrontations with them. We bought their business, but we know there is a lot to do after the merger.” [TMJZ]

We identify two aspects drawn from the intraindividual perspectives on legitimacy apparent in the interaction between local and Chinese technical-staff – instrumental and relational legitimacy (Balogun, Fahy, & Vaara, 2019), which we recognize as being played out during the period of study. We also return to consider management and technical staff sub-groups, this time as individuals rather than as collectives. In doing so identified a distinction between passive unwillingness in technical staff contraposed with active

unwillingness in management. However, as relational integration occurred, such comments became apparent in the accounts of UK technical staff.

“Denying access [to Chinese colleagues] is bullying, especially when it is in technology. It’s against my professional dignity.” [UEMH]

“To me, when it is in technology, it’s about my professional integrity.” [UESM]

UK technical staff pointed to such instrumental legitimacy stemming from macro-level cognitive legitimacy. It seemed therefore that relational legitimation occurred as some UK technical staff felt that the treatment of their Chinese colleagues was an affront to their shared professional integrity and identity. The contrast between senior management and a technical staff was noted by multiple Chinese expatriate participants.

“Some of them [UK engineers] are very helpful, we can’t learn this from anywhere else...” [TESF].

“I do feel there is something going on...those engineers are warmer to us than the [Local Senior Leadership Team] members are...” [TEXX]

This contrast is also apparent in the accounts from UK participants.

“My personal feeling is that they [UK SLT] are frightened that if I get involved with [staff from] our parent firm they will lose control of what is happening here...” [UEVB]

The parent company encouraged expatriates to communicate with local staff and embed themselves professionally and socially with UK staff to create local RKT. First, it launched a ‘Research and Development Center’, which was made to structurally overarch the preexisting organization boundaries. Those four original technological groups were established in one of the subsidiaries and lead of these groups used to report to LSLT. HSLT played quietly to re-direct technological groups and their lead to line management under expatriate Chinese project leaders. This project team were focusing on developing particular technologies that the parent firm did not have at the time of acquisition, therefore

by-passing pre-acquisition legal illegitimacy. It seemed apparent that at this time, UK management were unclear and potentially suspicious as to the motives behind this initiative.

“We used to have four technological groups looking after all projects, but since we were acquired, an extra group, called research center, was invented... I don’t know what’s this research center is responsible for?” [UMKB]

It seemed apparent that at a point in the case, the Chinese and British technical staff were gaining interpersonal relational legitimacy but that local managers detected this use of soft-power and responded by erecting boundaries to tacit knowledge transfer. We can discern the UK subsidiaries deploying counter disseminative tactics to even local RKT. As a first response to this, the UK subsidiary allocated expatriate staff in a newly built but temporary block, referred to as a “cube” by some respondents, at a distance from a main office building. On one of our visits, a Chinese engineer told us.

“Initially we expressed our interest to be mixed with local engineers so we could have better communications...” [TEWY]

And British engineers noted that there was a reaction in local management to create boundaries between British and Chinese technical staff.

“...we are opposite on the other side, that did create a bit of natural barrier.” [UENR]

“Rather than engage with our parent firm, they’ve [local SLT] put the barriers up.” [UESJ]

Being aware of this counter disseminative tactic, the Chinese parent created an incentive and bonus scheme for innovations that could be exploited internationally therefore directly incentivizing IRKT, which promoted further interaction between Chinese and British technical staff.

As our investigation drew to a close it was apparent that a volte-face had occurred between technical staff and that they were now seeing China as a career growth pathway, and the Chinese parent was becoming keen to pursue an inpatriate strategy going forward.

“I’d quite like to work there (China)... it would be probably a good career path for me.” [UEAP]

But the same participant councils that further barriers were being erected by local management to prevent this happening.

“I’ve asked several times to go to China and talk to my Chinese colleagues, but our [UK] boss said, ‘No’.” [UEVC]

Hence, we speak of the parent company having both expatriate and inpatriate strategies in their learning and linking motives.

By the time when we finished our investigation, the Chinese parent firm had successfully launched an upgraded manufacturing production line in China with the support of transferred technologies; and an Innovation Centre was going to be open in Shanghai to apply the newly joint developed designs and products. One HQ Executive [TMVL] told us,

“We couldn’t do anything with restrictions, so the only thing we could put is time and money. We spent a huge amount of our investment on engineering process and our people are working very hard to break through ‘bottleneck’ of technologies. I have to say, our engineers [both UK and Chinese] eventually turned those restrictions into inspired technological ideas.”

We continued to enquire effect on tacit knowledge, and he said,

“Indeed, UK engineers helped us a lot. Their thoughts and tips significantly speeded up our process... There is nothing magic, but it’s all a miracle.”

As such, RKT largely occurred in tacit form and the pursuit of soft power, rather than exerting ‘right to know’ proved highly effective in overcoming illegitimacy and countering the perception of learn and leave motives in local management.

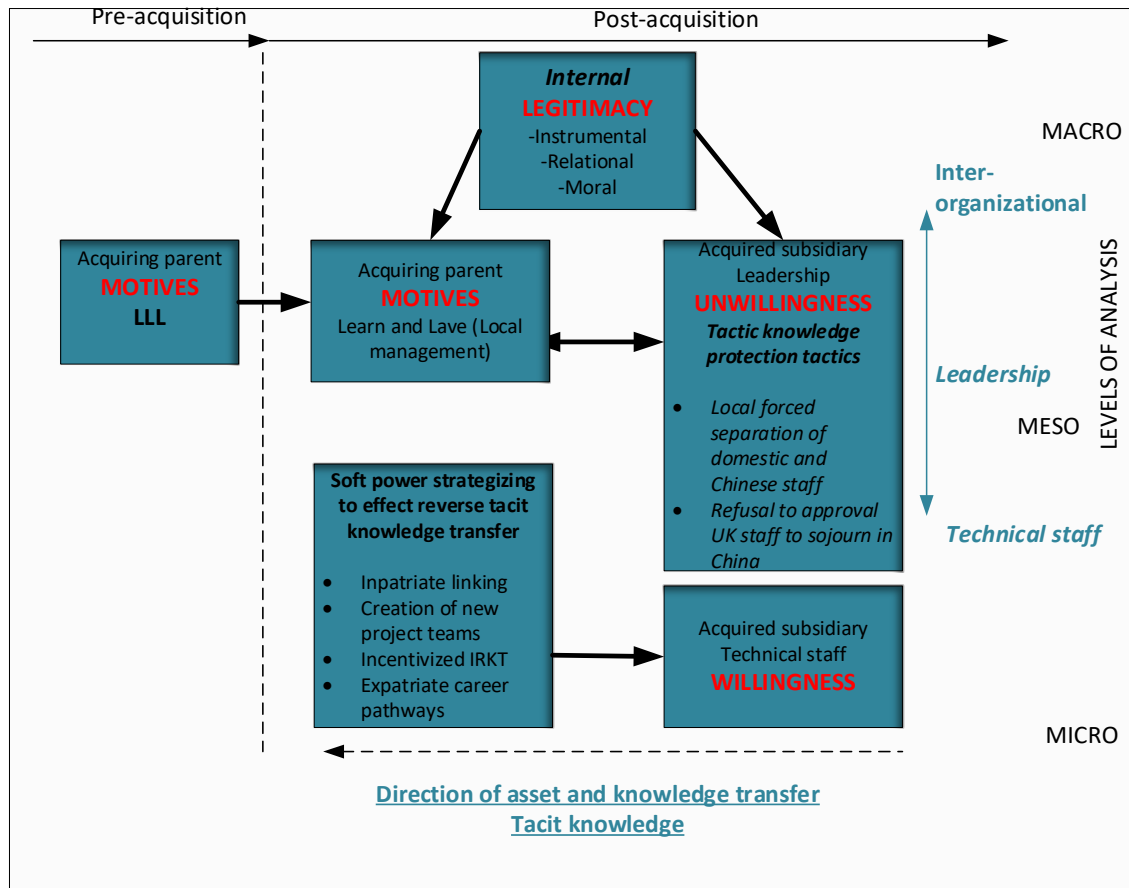


Fig 5: Achieving tacit knowledge transfer by the Chinese parent company

5.0: Discussion

Building on calls for an evolutionary view of internationalization and knowledge transfer (Santangelo & Meyer, 2017, Szulanski, 2000), our findings reveal the evolution of an integration phase between a single Chinese investor and two acquired British subsidiaries. Using a multi-level, processual analysis drawn from longitudinal data allowed us to examine the nuance of an acquired subsidiary organization and actor-levels of influence on the ‘becoming’ of willingness and unwillingness to transfer knowledge to a parent. We challenge an underlying assumption in the RKT literature that there is a natural flow between acquisition, ownership, and transfer. Our findings point to significant nuance to the idea of mode legitimacy (Chan & Makino, 2007, Peng, 2012) in the context of

knowledge in this flow – identifying a sense in our study that there was not a legitimate obligation to engage in IRKT through legitimate ownership alone. We offer nuance to the idea of mode legitimacy through acquisition and ownership.

In our analysis we break with the focus on *willingness* in contraposition to *capability* in the RKT literature (Michailova & Mustaffa, 2012, Mudambi, Piscitello, & Rabbiosi, 2014) and also consider the antonym of *unwillingness*. We offer insight into the becoming of unwillingness and willingness as influenced by perceived post-acquisition investor motives and legitimation. We thus address calls to consider legitimation in the context of parent company-subsidiary relationship (Balogun, Fahy, & Vaara, 2019). We first identify institutional-level factors relating to old world rules and norms of international business that led to legitimacy judgments (after Tost, 2011), which affect the perception of ownership (a) legitimacy. Illegitimacy judgments were first explored above at a national level. Rather than conflating tacit and codified knowledge, we treated each aspect of reverse transfer as distinctive and this led to a reverse conclusion about the stickiness of codified data. We refer to occurrences of *knowledge illegitimacy* judgments founded on China's catching-up status, therefore knowledge seeking motives, and observe a tension between a *right to know* versus a *need to know*, particularly in UK senior management. *The right to know*, we initially explored as legal illegitimacy. In the contextual specifics of a defence sensitive sector, many deliberate knowledge protection measures were put in place by the subsidiaries that were proposed as legally legitimate, for instance to support pre-acquisition contract terms preventing knowledge transfer to other countries, and national frameworks constraining transfer of defence sensitive knowledge to NATO un-aligned countries. However, there was suggestion on the Chinese side that these were barriers often

erected to prevent *all* codified knowledge transfer, regardless of legal illegitimacy. Separation of the analysis of codified and tacit knowledge transfer led us to conclude that in the presence of subsidiary management unwillingness, that deliberate knowledge protection tactics were put in place both in respect of codified and tacit knowledge, but most effectively in terms of codified knowledge. Thus, codified knowledge in our cases proved stickier than tacit knowledge. A related observation is that beyond legal illegitimacy, unwillingness has both passive (disinclination) and active (knowledge protection) dimensions. We have not identified any study that significantly examines knowledge protection between subsidiary and parent outside a concern of external knowledge leakage, substantially where knowledge transfer from parent to a subsidiary in a country with weak IP protection (see Berry, 2017, De Faria & Sofka, 2010, Perri & Andersson, 2014).

We further identified that a perception of post-acquisition investor motives on the behalf of subsidiary staff had a significant influence on firm and actor-level unwillingness. We introduce an idea of ‘learn and leave’ motives as a perception of a parent company’s motives in the becoming of unwillingness that is specifically pertinent in resource-seeking investments. The Chinese investor appeared to be using an implicit LLL logic and the British staff ‘assuming’ more of an OLI logic in that ownership implied somewhat enduring localization commitments and that internalization did not mean all knowledge and capabilities would be transferred. Learn and leave motives we identify as a fear that once learned, linked and leveraged, commitments by an investor will lessen local embeddedness. We therefore add learning and leaving motives as an addendum to Mathews (2006) LLL strategic framework to bring in a more explicit view of negative motives as seen from the acquired company.

By further disaggregating the views of UK management and UK technical staff, we were also able to identify further nuance in the becoming of willingness. Building on observations that Chinese investors lean towards soft-power strategizing (Nye Jr, 2008, Shambaugh, 2015), having being significantly frustrated in their attempts to reverse transfer codified knowledge, the Chinese parent declined to enforce legitimate ownership *right to know*, and instead used soft-power workarounds to effect reverse tacit knowledge transfer. Where UK management demonstrated active unwillingness, UK technical staff displayed at a point in time, passive unwillingness – with evidence of some lobbying by UK management to adopt passive unwillingness. We found that by considering legitimacy at a more micro-level also allowed us to identify that moral and relational legitimacy (Balogun, Fahy, & Vaara, 2019, Tost, 2011) occurred more quickly between Chinese and UK technical staff and concomitantly UK staff became more willing to transfer tacit knowledge. The attempts to use soft-power were ultimately the most successful in creating meaningful reverse knowledge transfer and tacit knowledge proved easier to transfer than codified knowledge in our case.

5.1: Future research directions

Although the focus of this paper was on theory building, a number of induced by untested relationships between willingness, legitimation and motives have been posited which would benefit from subsequent variance modelling. This would allow willingness to be decoupled from capacity in the RKT literature and explored for greater nuance. Further development of samples in industrial areas subject to sanction and embargo would further aid generalizability and transferability of the findings in respect of legal legitimacy and how acquisition-ownership and RKT play out over time in presence of these external

influences. This seems particularly urgent given ongoing events in Ukraine and the apparent re-setting of global value chains that will inevitably follow. More qualitative study of the emergence of tacit RKT would also inform tactical strategizing of EM investing firms during resource integration phases. Our findings related to actor-level strategizing may also stimulate forays into the dynamic capability literature, for instance the capabilities in soft power deployment in transferring tacit knowledge in the presence of codified knowledge protection. Taken from the perspective of acquired subsidiaries, the negotiation of the knowledge protection and transfer tension could be explored through the lens of ambidexterity (after Yang, et al., 2014) as a dynamic capability. Feeding into our practical recommendations we further call for research into the explicit and implicit expectations formations during acquisition contract negotiations in respect of ownership and knowledge transfer expectations which does not seem to have advanced since Saorín-Iborra (2008) noted a paucity of research in this area. We suggest the influence of culture in these negotiations in respect of the legitimacy of acquisition, ownership and transfer needs urgent exploration.

Practical implications

An impression offered from the Chinese parent company was that done again, they would have spent more time looking at the fine detail of ownership and transfer expectations during contract negotiations. We suggest that a greater point by point discussion of IP should form part of negotiations with separate discussion of tacit and codified knowledge transfer expectations after acquisition treated separately. In cases of active unwillingness due to legal illegitimacy, we suggest there is potential to build in third party arbitration into a contract to avoid acceleration of active unwillingness. We suggest that the use of external arbitration might also be agreed where there is tension where

unwillingness presented as legal may be suspected as knowledge protection. In the context of Chinese and more generally, investment from Resource seeking ownership, that motives are made explicit, whether contractually or through informal communications to counter any fears for learning and leaving.

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