Home Country Effects on Internationalization: Chinese Agrifood Investment in Advanced Economies

This thesis is submitted in fulfilment of
the requirements for the degree of

Doctor of Philosophy

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The University of Sydney Business School
Discipline of International Business

2018

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Submitted on 12 January 2018

Statement of Originality

This is to certify that, to the best of my knowledge, the content of this thesis is my own work. This thesis has not been submitted to any other institution, higher education or equivalent, towards the award or completion of any degree other than what is stated in this document.

I certify that the intellectual content of this thesis is the product of my own work and that all the assistance received in preparing this thesis and sources have been acknowledged.

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Publications related to the thesis

The following sections of the thesis are updated and improved from earlier publications.

Chapters 6 and 7 from:
· Chan C and Pattnaik C 2017 Contextualizing Internationalization of emerging market firms: Cases of Chinese agrifood value chain target decisions, *10th Asia Academy of Management Conference*, Fukuoka, Japan, 20th June 2017

Chapter 2 from:
· Chan C and Pattnaik C 2017 'Home Country Dynamics and Internationalization', *Australia New Zealand International Business Academy ANZIBA Conference*, Adelaide, Australia, 17th February 2017

Chapter 5 from:
· Chan C and Pattnaik C 2016 'Coevolution of Chinese Home Institutions and MNEs: Balancing Deregulation and Government Support', *International Business Review* Paper Development Workshop, 42nd *European International Business Academy EIBA Conference*, Vienna, Austria, 4th December 2016

I certify that:

* Authorship of all the published articles is listed by contribution.

* I designed the study, conducted fieldwork, analyzed the data, wrote the initial drafts and amended subsequent drafts of the manuscripts. The co-author advised me on paper development, revisions and editorial changes.

* I was the corresponding author for all the published articles.

* Permission has been granted by the co-author to include published content in this thesis.

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Abstract

Home country effects on internationalization has been conventionally conceived as a contrast to the pull of host countries determinants. While scholarship acknowledges that home country support matters more to internationalizing emerging market multinational enterprises, the focus of extant literature has been underpinned by assumptions of stable macro-level and unidirectional institutional support for the internationalization of firms. This thesis contrasts with previous studies by repositioning the conversation to incorporate the temporal dimension, and investigate the multi-level relationships across institutions, industries and markets in the home country and the varied effects on internationalization.

Chinese agrifood investment to advanced economies from 2008 to 2017 against the backdrop of rebalancing and consumption-led growth economy is the phenomenon and research context. The overarching research question is "*How do home country effects shape the internationalization of Chinese firms?*". This is addressed in four contextual and case study chapters. Drawing on interdisciplinary literature and applying an abductive research process, I developed a dynamic home country relational model to study the internationalization process of Chinese firms that enriches existing process and institutional frameworks.

There are four central findings presented in this thesis. First, home country support engenders different meanings constructed by heterogeneous dispensers and recipients who adopt discretionary selection in a competitive environment. Second, experienced agrifood firms have learned to deliberately avoid controversial farmland purchases and targeted downstream businesses in advanced economies to access resources and gain management skills. Third, wealthy non-agricultural Chinese groups lacking in specialized industry knowledge, face compounded challenges diversifying into agrifood sector and internationalizing simultaneously. Fourth, risk perception and risk mitigation have accentuated as internationalization of Chinese firms evolved, shifting from self-checking to tightening of regulatory controls and reinforced by businesses' confirmation of support.

This study has enhanced the understanding of evolving institutions, and the nuances and irregularity of internationalization processes through the explanation of complex interactions and responses from the perspective of home country actors.

Acknowledgement

Foremost, I acknowledge my supervisor Chinmay for his patient guidance and encouragement. He posed challenging questions that have enabled me to grow as a researcher. I would also like to thank Prof Hans for his time and advice. I am grateful to Catherine for her inspiring coursework. She has instilled confidence in applying qualitative methods. I extend my sincere gratitude to the former and current IB discipline chairs, Profs Sid Gray and Vikas Kumar for supporting my attendance of conferences. I am grateful to the Business School for awarding a research scholarship for my PhD candidature.

I am appreciative of then Director of the Business School Doctoral studies Prof Deborah Bunker for priming us for the rigor of the doctoral program. To the HDR team, Sophia, Andre, Maryanne and Deretta, thanks for helping to make my PhD journey pleasant and organized. I am grateful to Bronte, Frank, Megan and Whitney for their efficient administrative support. I thank the librarians and IT support for their prompt response to my requests.

I am indebted to academics based in China, notably Prof Wei for imparting his knowledge on Chinese management. I am especially grateful to Dr Chu for opening the doors to high level sources. I thank Associate Professors Li and Jin for their guidance on agricultural economics. Many thanks to Louis and Haiyue for facilitating my fieldwork. The warm hospitality shown by the East Asia Institute at the National University of Singapore is greatly appreciated. I wish to thank Prof Gungwu Wang, Prof John Wong and Dr Sarah Tong for sharing their valuable insights. I am also grateful to Profs Peter Buckley, Peter Drysdale and Lin Cui, and IB journal editors for their constructive advice at the initial stage of the study.

I am deeply grateful to all the anonymous participants who have kindly contributed their time, wealth of knowledge and experience to this research project. I will always cherish the company of my peers, especially Estee and Peilin, for being there to cheer me on. I am grateful to Ali, Linh, Jacqui, Ella and Hayley for sharing their motivational stories.

My husband James has been a pillar of strength and source of inspiration for this adventure. Thanks for your patience, consideration, encouragement and all-round support. I am thankful for my daughter’s keen involvement beyond discussions and proofreading. For my parents who show understanding and support for my endeavors, I am eternally grateful. I thank my sister for proving that the challenges of pursuing a PhD could be overcome.

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Acronyms, Definitions and Abbreviations

Austrade	The Australian Trade and Investment Commission
BRI	Belt and Road Initiative
Chairperson	The highest position usually occupied by the owner of the private enterprise or publicly listed corporate group.
CPPCC	Chinese People's Political Consultative Conference is an advisory body comprising academics, professionals, businessmen, social organizations and small parties
CSA	Country specific advantages (Rugman and Li, 2007)
Director	A member of the Corporate Board of Directors. Membership includes the Chairperson, Group CEO, executive and non-executive directors.
EMNEs	Emerging Market Multinational Enterprises
FIRB	Foreign Investment Review Board (Australian)
FSA	Firm specific advantages (Rugman and Li, 2007)
GFC	The Global Financial Crisis of 2007-2008
Go Global Policy	China's formal globalization policy was announced in 1999 in preparation for accession to WTO.
POEs	Privately-owned enterprises
IB	International Business
IDP	International Developmental Path
IPO	Initial Public Offer (of shares on the stock exchange)
MOFCOM	Ministry of Commerce (China)
NDRC	National Development Reform Commission
OFDI	Outbound Foreign Direct Investment
OLI	Ownership, Location, Internationalization (eclectic model)
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
SAFE	State Administration of Foreign Exchange
SOEs	State-owned enterprises including central, local and hybrid firms
TVE	Township and Village Enterprises (1978 – 1998)
VOC	Varieties of Capitalism

1 Chapter One: Introduction

"IB research has become detached from new phenomena in the globalizing world."
– Delios (2017: 391)

"How do institutional entrepreneurship and co-evolution affect the home country of the MNE?" – Cantwell, Dunning & Lundan (2010: 581)

1.1 Overview

This thesis begins with lingering puzzles and paradoxes surrounding what constitutes home country effects and how it works in the internationalization of Chinese firms. Despite an increase in media attention and studies in international business (IB) literature on the effects of home country institutional support or constraints (Voss, Buckley, & Cross, 2010), many questions on heterogeneity, micro-level foundations and multi-directional relationships of home country effects on internationalization have not been adequately addressed. Most studies focus on home country resources and the impact on motivations and performance relationship (Marano et al., 2016).

China is an emerging market that is transitioning through multiple political and economic reforms. Evolving home country developments are changing the dynamics of interaction between different stakeholders that have implications for internationalization. Policy changes, different interpretations, implementation by different levels of governments and firms, responses of businesses, and burgeoning markets are happening concurrently. In this context, it is pertinent to conceptualize the real-world phenomena to develop our understanding on the roles of complex home country actors in the internationalization of Chinese firms.

The quotes in the introductory vignette of this chapter are taken from renowned IB scholars. Delios (2017) underlines the concern that research has become distant from new phenomena and changes in the real world. Cantwell et al (2010) highlight the future direction for research into how home country institutions coevolve with internationalization. These calls are perceptive, and it is opportune for research to focus on China's transitioning to provide new insights of home country effects on internationalization. Prior studies of home country determinants of internationalization emphasized on measurement of institutional factors.

However, most studies rarely address and explain momentous events, anomalous cases and changing circumstances. The sources, levels and scope of home country factors and actors are interesting topics which are hardly examined in depth. The research agenda of this thesis is to investigate and ascertain what constitute home country effects, how this influence internationalization and how the processes have evolved.

China's globalization has been studied extensively during a time of rapid growth but not in the context of recent home market rebalancing and a consumption driven economy. Interest in the study of internationalization of Chinese firms started prior to China's formal promulgation of Go Global policy in 1999 and accession to WTO in 2001. Seminal works on MNEs based on the internalization model (Buckley & Casson, 1976) informed us of how motivations shape a country's decisions on internationalization (Buckley et al., 2007). Another stream of literature paid attention to knowledge-based drivers of OFDI (Kogut & Zander, 1993) The focal and starting points of these works are the host country determinants of OFDI.

Though studies of home country institutions are gaining prominence, empirical studies are preoccupied with formal and informal institutions or "rules of the game" (North, 1990). Extant literature is inclined to accept the assumption of direct linkage between institutional factors and internationalization (Peng, Sun, Pinkham, & Chen, 2009). Causality is also applied to firm-specific advantages and country-specific advantages (Rugman & Li, 2007). The latecomer perspective of EMNEs (Luo & Tung, 2007; Mathews, 2002a) has improved our understanding of how their internationalization experience deviated from the traditional path taken by MNEs of advanced economies. Special country-specific advantages (Buckley et al., 2007; Rugman, Verbeke, & Quyen, 2011) enable EMNEs to internationalize without the typical firm ownership advantages (Ramamurti, 2012) and competitive advantages (Child & Rodrigues, 2005; Luo & Tung, 2007; Mathews, 2002a). From earlier resource-seeking (Wang, Carr, & Liu, 2016; Williamson & Raman, 2013) and technology-seeking motivations (Rui & Yip, 2008), Chinese overseas investment has expanded to agrifood ventures in advanced economies over the past decade. I argue for the integration of the process model (Johanson & Vahlne, 1977) with institutional frameworks to understand home country effects and the dynamics of internationalization.

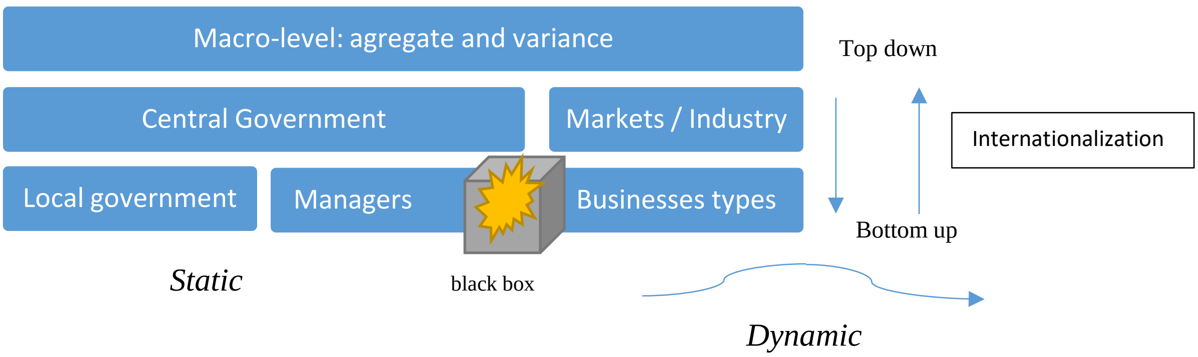
This thesis is situated in the context of China's transition to rebalancing, consumption-led growth and increasing protectionism. Taking a bottom-up approach would enable and facilitate the discovery nuances often missed in broad overviews. The well-established approaches are safer but tend to reinforce longstanding assumptions and merely test existing frameworks, rather than generate new insights to enrich theoretical constructs. The view from outside considers the home country institutions as stable, smooth, and having a direct impact on internationalization. The home country context of emerging markets is often associated with the government policy impact on businesses and internationalization. The assumptions are usually top-down, static and aggregated abstraction and neat categorization of entities. However, capturing real world complexities is more challenging. It is unclear what goes on inside the proverbial black box. The search does not stop at the mere finding and opening of the black box but should uncover the meanings and the intricacies that make the system tick or falter. The behavior of the founders, entrepreneurs, managers and professionals in the firm influence their assessment and decision-making process. Besides fixed resources and capabilities (Barney, 1991), moderators and mechanisms could alter the course and results of internationalization.

In this dissertation, I will be writing in the first person. The use of 'I' is intentional with an understanding that the research is my personal research journey. The first person also supports an abductive analysis grounded in Peircean pragmatism. As an interpreter, investigator, analyst and writer of this research involving people, I am present in the inquiry and my view will be represented in the development of the narratives as writers are not detached and disengaged in the real world. Writing in the first person has been well accepted in qualitative research as an expression of authenticity (Coghlan, 2008; Riad & Elmes, 2008) as a way to present emic creativity (Chilcott et al., 2016).

I adopt a process rather than a variance approach (Van de Ven, 2007) as this would be appropriate for studying change in the Chinese context. The process framework encompasses interconnections and roles of actors at an intermediate and ground level of analysis (Langley, Smallman, Tsoukas, & Van De Ven, 2013). Though the Uppsala model emphasizes the role of the firm (Johanson & Vahlne, 1977), it would be as important to understand the trees level and how this relates to the overall forest (Sayles, 1999). There appears to be a mismatch between a static perception of the home country when the Chinese context is evolving at multiple levels, rather than unidirectional top down imposition of directives on local governments and firms. While internationalization presents opportunities, investors also face risks and uncertainties notwithstanding support from the home country. This study will go further to explore how emerging market government and firms formulate and influence policies that support internationalization (Yan, Zhu, Fan, & Kalfadellis, 2018).

Figure 1.1 represents the multilevel and temporal dimensions that are explored in this thesis. The conception of the home country is fragmented comprising broad central policies and flexible implementation by local government officials who forge relationships with industry and entrepreneurs-investors. The black box captures the micro-level interactions among actors of firms, industry, markets and government. I aim to track the effects of evolutionary home country factors on the dynamic internationalization process instead of taking a snapshot approach.

Figure 1.1 Multilevel and temporal dimensions of the black box



This chapter provides a synopsis of the journey undertaken in the study. After grounding the research context, I shall discuss the background, motivation, research strategy and theoretical framing of the research inquiry in IB knowledge. This is followed by the structure of the chapters on context, conceptualization, methodology and four case study chapters. The final section of this chapter summarizes the reconceptualization gleaned from the findings and theoretical contributions.

1.1.1 Background

Food security has long been a key and longstanding concern of China, as the government needs to ensure sufficient grain supplies at affordable prices to feed its 1.4 billion population. Food shortages have negative repercussions on the economic, social and political well-being of the Chinese. For the past three decades, the Chinese government managed to achieve self-sufficiency in grains. Since the late 2000s, China had to import more food especially soybeans and corn. Concurrently, food safety has emerged as a growing concern when the contamination of meat and dairy products came to light. Moreover, demand for better quality food by the burgeoning Chinese middle class has encouraged investment interest in a variety of premium products from different international sources. A McKinsey study estimated that by 2022, the upper middle class will account for 54 percent of urban households and 56 percent of urban private consumption or 550 million people (Barton, Chen, & Jin, 2013).

Agricultural investment accounted for one percent of Chinese total global investment in 2005 but increased to four percent in the last three years (Scissors, 2017). However, investment projects below $100 billion are not captured in this dataset. This means that cumulative small-scale projects by the same investor over time are not tracked by American Enterprise Institute (AEI). Traditionally Chinese investment and developmental aid were directed at developing economies such as Africa and mainland Southeast Asia and emerging markets in South America. Since the global financial crisis (GFC) and food crises 2007 – 2008 and tainted food scandals, Chinese OFDI in agrifood sector has begun to move towards advanced economies. Being an emergent trend, Chinese OFDI in agrifood sector has scarcely been studied. Nonetheless, agrifood OFDI is an important research setting to inform scholarship of the dynamics of China's globalization efforts. This study is conducted during China's shift from a rapid growth in manufacturing and export economy to consumption-led rebalancing. Agrifood OFDI continues to receive encouragement and endorsement from the Chinese government, unlike some speculative sectors that have been discouraged in the current mood of deleveraging credit.

China's transition from a socialist command economy to mixed and capitalist market forms have resulted in unclear and overlapping demarcation of boundaries. China has implemented pro-market reforms since the 1980s, with the most extensive restructuring of SOEs effected from 1998 to 2003. The two SOE case companies studied in this thesis are majority state-owned and publicly listed. They are among the more important and better performing SOEs that have undergone restructuring under the pro-market reforms and most are considered hybrids (Fan & Hope, 2013; Putterman & Li, 2008). POEs that have capitalized on pro-market reforms and deregulation to prosper and prevail in the Chinese economy. Prior to the recognition of POEs as legal entities in 1999, POEs collaborated with government-linked bodies to gain legitimacy. Though most POEs started as family-owned small businesses, they comprise a diversity of organizations of varying sizes, ambitions, management styles and political connections (Milhaupt & Zheng, 2015a).

Home country institutions are not limited to regulative forms, but include normative and cognitive elements and their relationships to organizational change (Scott, 2001). The Weberian model touted as the ideal bureaucracy for the growth of Western advanced economies is absent in China's political economy, where individuals and relationships matter more (Ang, 2016; Scott, 2014). As change is the norm in Chinese political economy, this thesis embraces change and uncertainties to consider the multidimensional influences of different home country elements on internationalization. This study focuses on agrifood OFDI to advanced economies undertaken by Chinese firms from 2008 to 2017. During the period of study, China has undergone further reforms in the domestic economy and witnessed parallel leadership changes within the firms and growing nationalism and protectionism in the international environment.

1.1.2 Motivation for the study

This study is prompted by the lack of consistent explanation on the influence of transitional home country actors on internationalization process. My aim is to move beyond broad applications and get into the protagonists' minds (Doz, 2011) to find how and why they influence decisions over time. The complexities of relationships and change are neglected areas in IB scholarship and has not caught up with theoretical developments in political economy literature. In view of the disparity between phenomenal development and theorizing, I am motivated to address three main dimensions in this thesis: temporal, multi-level and interdependencies.

There is preponderant interest in IB scholarship on the direct connection between antecedents and outcomes. However, scant consideration is given to complexities in the development process. Process framework which has been utilized in the study of European firms, has largely been downplayed or simplified in studies on emerging economies. The cumulative progression posited in the Uppsala model (Johanson & Vahlne, 1977) does not fully explain observations of irregular growth spurts and patterns in Chinese internationalization. The institutional stream of IB knowledge has offered explanations of home country influence on internationalization at certain points of economic development. Heeding calls to incorporate change and integrative institutional research (Peng, 2003), I strive to study continuity and interruptions of institutions in a holistic way.

The Chinese home country context includes different levels of institutions as well as the weakness of institutions. The central and local authorities play respective roles in guiding and implementing policies related to internationalization (Li, Cui, & Lu, 2014). Macro-level aggregate analysis has offered a broad and comprehensive overview of internationalization patterns and causation. Interaction among local stakeholders that lead to individual managerial and entrepreneurial decisions are not captured in most studies. The conventional assumption adheres to strict boundaries of firms and institutions. The conventional view of home institutional support tends to be restrictive and dualistic, focusing on state-supported ownership advantages (Ramamurti, 2012; Rugman et al., 2011) bestowed on SOEs to acquire overseas resources and strategic assets. In contrast, enterprises that are not politically connected are assumed to be constrained by market imperfections. However, this does not offer convincing explanation of the phenomenal rise of POEs in market-driven OFDI. Chinese firms are characterized by heterogeneity. Among the SOEs, there are varying degrees of government involvement, private shareholders, professional management, national and local level supervision.

Existing home country structures cannot be assumed to be stable and enduring as actors and policies adapt or foster further changes. Following calls for new directions and agenda for IB scholarship, I hope to bring relevance by re-engaging with the real world to develop knowledge that incorporates novelty and complexity (Delios, 2017). Participants of internationalization are negotiators, collaborators and competitors in active, responsive and coevolving relationships (Child, Rodrigues, & Tse, 2012). Reductionism and high levels of abstraction overlook two sides of institutional change and the negative side effects of globalization (Meyer, 2017). Considering that changes are prevalent in emerging market institutions, a study that integrates the transition (Peng, 2003) and roles of multiple parties would provide greater insights than stable and unchanging institutions. Theorizing on a veneer of evenness belie the complexities of the political economy comprising various dimensions, layers, overlapping connections and paradoxes. The aim of this exercise is to produce interesting theories that engage with problems of the world (Kilduff, 2006), incorporating adaptive changes and using ends-in-view as guidance (Dewey, Boydston, & Hickman, 2003).[1]

1.2 Research Strategy

This thesis adopts a qualitative (Doz, 2011) multiple case study approach guided by abductive logic. Though less prevalent than quantitative studies in IB, a qualitative approach has potential to generate novel findings and enable a conceptual leap (Klag & Langley, 2013). In the article celebrating 40 years of the Uppsala model, the founders urge for more micro-based qualitative research (Vahlne & Johanson, 2017). The research design of this thesis moves away from a macro-level perspective to focus on multilevel and multidimensional interactions and processes. This is a bottom-up and inclusive approach that considers the perspectives of central-local government, business owners/ managers and industry/market dynamics. The research strategy that I have chosen is conducive to shifting the conversation based on conventional assumptions at the country level to reflect nuances and relationships (Kostova & Roth, 2002), managerial behavior and decision-making (March & Shapira, 1987). The use of qualitative case study methods can be justified as an effective way to address the research problems on a recent phenomenon and transitions that have not been adequately studied.

Studying China poses both methodological and practical challenges. Theoretical exploration is consistent with the Chinese context and history of experimentation and adaptation. I am inclined to apply abductive logic in analyzing case studies to search for answers to surprises in the phenomena. Instead of choosing either positivist or interpretivist ontology, I am persuaded toward Peircean pragmatist ontology (Peirce, 1955; Peirce, Fisch, Moore, & Klousel, 1982) that offers alternative explanations and articulate meanings of practice. Induction is data-driven reduction while deduction is hypotheses-driven data analysis (Brinkmann, 2014). Abduction is different from induction and deduction in that it does not require a statement of *a priori* determinants and fixed entities. Applying abductive logic allows flexibility in iterating empirical material with theories to expand and develop insights and novel theoretical constructs (Timmermans & Tavory, 2012).

[1] The Blackwell reference defines ends-in-view as a plan or a hypothesis that guides present activity and is to be evaluated by its consequences and revised throughout the activity guided by it. Its appraisal springs from the fact that there is something lacking or wanting in the existing situation.

I incorporate a temporal dimension by considering political, economic and historical developments (Buckley, 2016) in response to recent calls by eminent IB scholars. Drawing on biological sciences, evolution is the natural selection of organisms in the environment while coevolution encompasses more complex interplay of internal and external forces and adaption of organizational forms (Lewin, Long, & Carroll, 1999). The evolution of institutions and human adaptability are uncertain (North, 2005) and should not be taken for granted. The acceptance of non-linear and uneven development in the study could be represented as systematic combining as events unfold and warrant reconsideration (Dubois & Gadde, 2002; Timmermans & Tavory, 2012). I argue that the international process model is a suitable initial framework to study the development towards the current state of play in the internationalization of Chinese firms. Apart from being a true blue IB framework built from empirical research and not borrowed from other disciplines, the internationalization process model (Johanson & Vahlne, 1977) accepts variations at the micro levels and change over time. Learning from experience is key to improvement and boosts the confidence of managers to expand international commitments (Johanson & Vahlne, 2003). Internationalization process is neither regular nor linear but an evolutionary process which may include discontinuous dynamics (Santangelo & Meyer, 2017; Vahlne & Johanson, 2017).

In line with the pragmatist epistemological inclination of this study, I have adopted a reflexive approach (Alvesson & Sköldberg, 2009; Finlay, 2016) to problematize conventional assumptions to generate interesting inquiry (Alvesson & Sandberg, 2011; Golden-Biddle & Locke, 2007; Sandberg & Alvesson, 2011). Widely accepted and longstanding assumptions on internationalization based on dichotomous support versus constraint associated with ownership types, trade-off between domestic and international diversification, land-based agrifood investment and risk propensity of Chinese investors, need to be re-examined and explained.

Knowledge gained from literature, field work, follow up research and reflexivity contribute to the development of this thesis. Following the lead of multiple puzzles, I investigate and uncover the mystery behind the surprises and inconsistencies (Alvesson & Kärreman, 2011; Brinkmann, 2014; Hoffmann, 2013) and build an interesting narrative that helps in advancing the theoretical frames. This process entails iteration and sense-making (Weick, 1995a) of the empirical and practical world, reviewing analyses to reach eureka moments, leading to discovery of novel insights.

1.2.1 Situating the study in IB knowledge

Questions remain over the meaning of home country dynamic effect, the scope it encompasses and the manner it shapes internationalization. Policy changes from pro-market reforms, deregulations to recentralization and rebalancing are often seen as being paradoxical and a reversal of past reforms. Though multinationals are social constructions developed from institutional context that shape how they internationalize, institutions are diverse, shifting, contingent and across boundaries (Morgan, 2007). The strict categorization and adherence to entity boundaries of SOEs, POEs and government have impeded studies in change and collaboration. Moreover, most firms do not start at zero, but would have acquired some prior forms and levels of international experience such as import/export and cooperation with foreign companies.

While country specific advantages (Rugman et al., 2011) facilitate selective enterprises to internationalize with enormous speed and scale, such firms may suffer from liabilities of country of origin (Child & Rodrigues, 2005; Ramachandran & Pant, 2010) associated with state support. The country of origin liability is not limited to trade and perception of product quality. SOEs are typically viewed as less efficient and uncompetitive, and their links with the Chinese government undermine legitimacy, and may be viewed with suspicion by host countries (Cui & Jiang, 2009). The predominant statement of advantages accrued to SOEs from home country institutional support is not clear cut. The restructuring of central SOEs into "national champions" paradoxically exposes them to stronger institutional pressures from home and host country governments than local SOEs (Li et al., 2014).

Mainstream IB scholarship has presented the tip of the iceberg of complex multi-layered and multi-dimensional home country processes. The limitation of the institutional frame is the preoccupation with a unidirectional influence between home country state policy on firms. The tendency to focus on a country-level of analysis neglect critical details that may tilt the balance among different actors in the home country. It would be unrealistic in practice to hold constant either managers, industry, or market in internationalization. The institutional frame has been critiqued as static (Peng, 2003) but the challenge is to incorporate change in a study of home country effects on internationalization.

The Uppsala model has been interpreted as a progressive path towards higher commitments as the firm overcomes liability of foreignness (Johanson & Vahlne, 1977).

Network relationships and learning are posited as positive factors that would boost internationalization commitment levels (Johanson & Vahlne, 2003). However, the assumption of a cumulative process may not work in practice as the model leaves open the prospect of reduction in commitments. Internationalization of firms could be irregular, with dormant, active, surge and decline periods. Home country effects have commonly been studied in isolation from process in international business. Integrating home country institutional with the internationalization process of firms would overcome the limitations of a static perspective, and enhance the explanatory power of existing models.

Evolutionary and coevolutionary models are more appropriate to study the internationalization of Chinese firms and explain paradoxes not addressed in extant literature. Moreover, the interactions of actors and combined effects that are not captured in the institutional frame could be compensated by using a dynamic framework. An interdisciplinary approach that draws on strategy and political economic literature would enrich and expand the process framework. Eminent IB scholars have called for an multidisciplinary perspectives to create meaningful special theories (Buckley, Doh, & Benischke, 2017). Using the coevolutionary lens (Garnsey & McGlade, 2006; Lewin & Volberda, 1999) can be justified as an appropriate way to study complexities and change in the context of Chinese internationalization. The coevolution of MNEs with host country institutions have been studied recently (Cantwell, Dunning, & Lundan, 2010). Political economy literature has studied coevolution of business and levels of government within the home country context extensively (Ang, 2016; Chen & Naughton, 2017; Child et al., 2012; Krug & Hendrischke, 2015) but there is a missing link with internationalization. My aim is to tap the body of interdisciplinary knowledge on home country developments and the mechanisms that shape internationalization.

Following preliminary research and pilot project on the ground, I developed an initial conceptual framework and an overarching research question:

How do home country effects shape the internationalization of Chinese firms?

Throughout the study, taking the cues from empirical material, I generated more related questions to address how and why inquiries that are relevant to the themes of the four content chapters. I searched for alternative framing for the data elicited from progressive rounds of fieldwork, analysis of archival published material and recent developments. By analyzing the detailed processes and counterbalances, I aim to find out the reasons, opportunities and challenges of individual actors in the internationalization process.

1.3 Outline of The Thesis

Following the abductive approach, I present this thesis according to how my research has advanced and developed. The content chapters are documented according to the main themes of the narrative of home country dynamics in the discovery process. Relevant literature will be addressed in the conceptual and content chapters instead presenting as an entirety in a separate chapter. It would be clearer and more meaningful to discuss specific literature and concepts according to the themes of the relevant cases. The content chapters (5, 6, 7 and 8) are presented in article format as they have been improved and developed from earlier drafts that were published as conference papers.

Chapter 2 shows the development of the initial conceptual framework towards integrating the coevolutionary perspective and learning process models. While mainstream literature focuses on government support and weak institutions (Voss et al., 2010), I integrate leveraging of institutions by business and institutional actors (Cuervo-Cazurra, 2015; Landau, Karna, Richter, & Uhlenbruck, 2016). The other framework to be employed is the Uppsala model to capture the temporal dimension. Time is a critical element in conceptualizing Chinese internationalization, owing to the rapid changes and complex relationships of the context. I conceive home country dynamics to comprise: (1) how officials interpret and implement regulations and policy directives; (2) industry standing and connections of business actors and (3) home market developments. Two of the contextual case study chapters (5 and 8) fit the coevolutionary framework while learning process was found to be the dominant framework and more suited to analyze the other two chapters (6 and 7) on value chain targets.

Chapter 3 provides the context and historical background of this study. Inclusion of the context would lend credence to generating multifaceted and profound meanings and in turn enhance theorizing. For a large country steeped in history and frequent policy changes, it is essential to understand the evolution of policies and responses that impact internationalization. The heterogeneity of Chinese firms such as hybrid SOEs and differences among POEs are clarified. SOEs are increasingly commercially oriented but also have national social responsibilities to fulfil. I identified at least five stages of pro-market reforms, some with intersecting and corrective objectives. In the review of how political economic developments shape internationalization, it is common to find concurrent progress, adjustments and redirection of policies and practice by different parties in the state, non-state and official roles. I also provide the background on the agrifood sector, which is a focal area of this thesis. Agriculture value added as a percentage of China's GDP was at 8.99 per cent in 2015 according to the World Bank data, showing a downward trend since 2004 (at 13.5 per cent). Deficiencies in China's natural endowment and rapid industrialization forced Chinese firms to look to more diverse overseas destinations to make up for shortfalls and meet food security and food safety needs.

In Chapter 4, I discuss the philosophical basis and paradigmatic underpinnings of abduction (Bertilsson, 2004; Brinkmann, 2014; Martela, 2015) and why this is the appropriate approach for the study of Chinese home country dynamics on the emergent internationalization of the agrifood sector. I adopt the holistic and processual casing research strategy for this study due to the changes and heterogeneity of actors involved. The methodological process involves the selection of cases, preparation of semi-structured questions and protocol, fieldwork process, analysis of empirical material and published sources and perspectives from industry experts. The study comprises a total of eight companies, two SOEs and six POEs. Four companies (two SOEs and two POEs) are full-fledged agricultural and agrifood core businesses. I justify the adoption of case-oriented instead of variable-oriented approach (Ragin, 1999), and utilize process rather than variant research (Van de Ven & Poole, 2005). Case study methods are useful for investigating contemporary phenomenon in depth with the real world (Yin, 2014). I conducted rigorous within-case analyses to find common and different patterns from cross-case analyses (Eisenhardt, 1989b). The casing process involves finding out what the case is about and the causal mechanisms (Ragin, 2014) that shape the patterns of behavior.

Chapter 5 is the first content chapter aimed at illuminating the meanings of home country support. Existing literature assumes duality of support for SOEs versus constraints on POEs that lack political connections (Voss et al., 2010). I question this assumption by examining the effects of ongoing pro-market reforms, deregulation and recentralization. Policies coevolve with the roles played by local officials and businesses. SOEs have come under increasing pressure to perform and need to justify state support for internationalization. On the other hand, the claim that POEs face constraints and escape overseas (Witt & Lewin, 2007) needs finetuning as some may not require or yearn for state support. Some POEs may not trade off autonomy in global strategic decisions and divulge their plans to gain state support.

Using the experience of eight case companies that have received varying degrees of home country support for internationalization, I reconceptualized home country support from different perspectives and the evolving discretionary approach adopted by stakeholders.

Chapter 6 examines the reasons why and how four leading Chinese agrifood corporations (two SOEs and two POEs) have invested in downstream agrifood businesses. The pre-emptive strategy to avoid land purchases suggests that the management has learned vicariously from negative experience in developing countries. They reasoned that access to global resources and value chain could be achieved by acquiring established processors and distributors instead of farmland purchases. Industry leaders also aim to gain management skills and avoid controversies from nationalist backlash over sensitive foreign land ownership issues. However, integrating acquired assets have been uneven, resulting in some level of divestment and de-commitment of international assets. Attempts to fulfil food safety and food security needs are complicated by difficulties of infiltrating the China market, even from the perspective of model Chinese firms. The objective to supply the China market may not always work out because of the uncompetitive prices of beef products from advanced economies like Australia. Chinese consumers are unmoved to wean off traditional food for unfamiliar foods. Moreover, increased home country governance has constrained expansion while recent import restrictions would undermine importing products from overseas assets to the China market.

Chapter 7 showcases four selected case companies (all POEs) that target upstream land-based farming in OFDI ventures targeting land-based OFDI. I label these firms as *diversifier-internationalizers* owing to their wealth accumulated from non-agricultural core businesses and current expansion into the agrifood sector at home and overseas. There are elements of opportunism, but the investors claimed to be prepared to stake for the long haul. The main finding is the gap between intentions and actual achievement due to the lack of knowledge of specific host country environmental factors and specialized industry management skills. The realization of ‘mistakes’ was only evident from hindsight and sense-making by senior executives and managers of companies concerned. The aspiration to access agrifood resources directly from its source did not pan out because of shortages and high operating costs. Two of the companies were locked in upstream segment and detached from supplying to the hyped China market. Despite their status as POEs, one company failed in its bid due to host country regulatory changes and nationalist public campaigns. The interesting insight shows that OFDI could be derailed contrary to assumptions of stability in advanced countries as main drivers.

In the final content Chapter 8, I examine the evolution of the concept of risk management in Chinese OFDI. Extant literature finds that earlier Chinese internationalization has been associated with destinations that are politically unstable developing countries (Buckley et al., 2007). Chinese are overpaying in part due to inexperience and willingness to pay higher prices for coveted brands (Child & Rodrigues, 2005). The notions of risk, viability and sustainability of internationalization have rarely been addressed relative to aggressive acquisitions supported by increasing pro-market reforms and deregulation. However, Chinese investors and government increasingly acknowledge the need to deal with different types of risks and has intervened against overleveraging more actively in the past year. The term "come back" emerged as an afterthought over a decade after launching China's "go out" or globalization policy in 1999. Firms were initially entrusted to put in place risk mitigation control mechanisms to ensure commercial viability and long-term sustainability of their OFDI ventures. As official policy moved strongly against high risk internationalization, businesses explicitly showed support for the government's risk management priorities.

Chapter 9 concludes this thesis by presenting a coherent overview of the major themes, findings and contributions of the study. I address the research questions pertaining to how Chinese invest in agrifood businesses in advanced economies in the past decade and from there explain why events took these courses. Using dynamic frameworks and drawing on multi-disciplinary literature I enriched the process and institutional frameworks in IB scholarship. The use of case studies is less common in empirical work but rewarding in terms of eliciting inside narratives and reasoning offered by participants on what really happens in the practical world. Internationalization is a non-linear process fraught with uncertainties and challenges that national level studies and may not uncover. I recapitulate the conceptual framework and findings in the case studies, and identify the contributions of this thesis to theories, methods, practice and policy. The limitations and agenda for future research are recognized.

1.4 Summary

I have introduced the overview, background, definitions, motivations, research strategy, positioning of the research, concepts, methodology, chapter outline and synopsis of the thesis. The above discussion prepares for the exploration of complex phenomena of Chinese OFDI to agrifood sector in advanced economies. The three key areas of the research focus are defining what constitutes home country factors and effects, the selection of the agrifood sector against the backdrop of China's move to consumption economy, and the timeframe covering a surge in agrifood OFDI to advanced economies. The aim of this thesis is to delve into the subtleties and nuances of relationships among actors to address puzzles of diverse and concurrent phenomena of China's globalization. The case study selection of SOEs and POEs complemented by official and industry perspectives improve our understanding of the complexities of home country effects on internationalization.

I will be revisiting the concepts, literature, definitions and methodology in the following chapters. Through the study of interactions of home country actors over time using abductive logic, I gradually discovered the missing links that illuminate the evolution of state support, diversification of non-agrifood firms, pre-emptive strategies of downstream investors, and development of risk control mechanisms. These themes are important but have rarely been addressed in extant IB literature. Reconceptualization of home country effects as dynamic connections contributes to the extension and enrichment of institutional and process frames in the study of international business.

2 Chapter Two: Conceptualization of Home Country Dynamics in Internationalization

"Interdependence is and ought to be as much the ideal of man as self-sufficiency. Man is a social being." - Mahatma Gandhi

"The first step toward change is awareness. The second step is acceptance."
- Nathaniel Branden (Canadian-American psychotherapist)

2.1 Introduction

The home country has significant influence on the internationalization strategies and performance of emerging market MNEs (Luo & Wang, 2012; Peng, Wang, & Jiang, 2008; Tolentino, 2010; Xu & Meyer, 2013). Studies of home country IB literature has been dominated by institutional frame and linkage between country-specific advantages (CSA) and firm-specific advantages (FSA). The main discourses are underpinned by shared assumptions of stability and support for favored firms. IB research has focused on the motivation of firms, their resources and capability, pitched at macro-level analysis and deterministic linkage to outcomes. While there is agreement on the importance of home country factors on internationalization, it is uncertain how the influence is operationalized among different actors. The main aim of this thesis is to find out what goes on in home country dynamics. I reconceptualize home country influence on internationalization as a multilevel, interactive, dynamic and non-linear process, and illuminate the mechanisms and contingencies that may moderate the outcomes and development.

The institutional stream has gained prominence as the third pillar (Peng et al., 2009) by including context that is lacking in the conventional industry-based (Porter, 1980) and resource-based views (Barney, 1991). Institutions may provide firms with direct or indirect resources to enhance global expansion (Cuervo-Cazurra, 2011; Wei, Clegg, & Ma, 2015). SOEs are seen as the primary beneficiaries of state support while small private firms are less likely to receive help from home institutions (Voss et al., 2010). However, close association with the home country government pose a liability and negative image for MNEs in the host countries (Cui & Jiang, 2012; Ramachandran & Pant, 2010). EMNEs could compensate for the weakness of formal institutions by cultivating informal networks (Child & Tsai, 2005).

Networks have helped SMEs in emerging markets to gain knowledge and resources, enabling them to expand to new markets (Chetty & Blankenburg Holm, 2000). Institutions in resource-rich environments may foster competitive or collaborative internationalization strategies among firms in the industry (Hobdari, Gammeltoft, Li, & Meyer, 2017). Just as coopetition exists in international markets (Luo, 2007), home country actors may collaborate or compete for resources and influence given the right opportunities. Besides conforming to institutional guidance, firms may proactively manage relationships with actors in the socio-political environment (Hadjikhani, Lee, & Ghauri, 2008). Business groups in China (Yiu, 2011) operating in conditions of market imperfections could generate OLI advantages (Dunning, 2001). Contrary to Porter’s argument that a nation’s firms must be robust before they could compete globally (Porter, 1990). However, EMNEs may internationalize to overcome competitive disadvantages (Child & Rodrigues, 2005) as latecomers could use the springboard strategy (Luo & Tung, 2007, 2018) and compound the advantages gained from acquiring international assets and capabilities (Mathews, 2002a).

The Uppsala model is the foundation of process research (Johanson & Vahlne, 1977) in IB scholarship. The model subsequently incorporates networks (Forsgren, 2015; Johanson & Mattsson, 1988; Johanson & Mattsson, 2015) to explain emerging market firms’ entry to new foreign markets. The assumption inherent in the Uppsala process framework is positive progression. Learning from home country networks enhance firms’ ability to build capabilities for international operations (Elango & Pattnaik, 2007). However, firms may learn from positive (Casillas & Moreno-Menéndez, 2014; Johanson & Vahlne, 2003) as well as negative experiences (Madsen & Desai, 2010) or vicariously (Huber, 1991; Jiang, Holburn, & Beamish, 2014; Jiménez & de la Fuente, 2016; Pellegrino & McNaughton, 2015; Posen & Chen, 2013; Yang, Li, & Delios, 2015) from earlier examples unrelated to the firms’ direct acquisition of knowledge.

While existing studies provide a useful guide and overview of the composition of home country effects, the relative degrees and impact on internationalization remain ambivalent and inconclusive. Economic and social changes in emerging economies raise questions on the adequacy of applying specific frames in isolation. Institutions and process streams have been studied separately in extant literature. In the latest augmented version of the Uppsala model, the authors proposed to include evolution, from early internationalization to the global firm (Vahlne & Johanson, 2017).

China has transitioned from a full state command economy over the past four decades, increasing the proportion of market mechanisms (Hall & Soskice, 2001; Jackson & Deeg, 2008a; Wank, 1999) which consequently impact internationalization. Continuous pro-market reforms have narrowed the management gap between SOEs and POEs (Estrin, Meyer, Nielsen, & Nielsen, 2016) and presumably the economic and institutional distance between home and host countries (Contractor, Lahiri, Elango, & Kundu, 2014; Kostova, Roth, & Dacin, 2008). An increasing number of Chinese POEs investing in advanced economies draw attention to new areas of research interests, in contrast to previous preoccupation with government support for SOEs. Integrating internationalization process with institutional frameworks would deepen our understanding of home country effects on internationalization. As relationships often evolve in complex and interlocking ways, it is important to trace the dynamics of home country factors on internationalization. The continuous interactions of actors and stakeholders in government, business, industry, markets and networks. What these relationships mean to internationalization would be the focus of this study.

This conceptual chapter initiates an overarching problematization of common assumptions of home country effects. IB research rarely address concurrent multilevel and concurrent multifaceted changes (Cuervo-Cazurra, 2015). Relevant frameworks that capture the actions and reactions among the diversity of actors with changes is scarce. Mainstream studies tend to treat home country effects as unidimensional, stable and linear, based on the premise of rationality, efficiency and causal impact guided by neo-classical economics. Yet, dynamic relationships matter because in the practical world, complex interactions coexist among of managers in firms, industry associations and agents of government. The pace and scale in which EMNEs internationalize (Luo & Tung, 2007) calls for integrating different perspectives, multilevel interactions and temporal dimensions. Alternatively, qualitative studies may generate novel theoretical constructs. The emergent analytical framework should portray interdependencies among economic and political actors, institutional changes, industries networks and markets. The construction of a *dynamic home country framework* is conducive to investigating and addressing the ‘how’ and ‘why’ questions of home country effects on internationalization.

The research setting of this study is the internationalization of Chinese firms in the agrifood sector to advanced economies. The agrifood sector is chosen because of the importance of food security that has pervaded the Chinese history and political economy and recent concerns over food safety issues. Another unique characteristic of the agrifood sector is that farmers and corporations receive subsidies and protection in the domestic market but support for internationalization varies widely. While resource-seeking motives have largely been shaped earlier agrifood OFDI to developing economies, investment targets in advanced economies in recent years are more diverse. OFDI in agrifood business is imperative to the current domestic context of growing middle class demands for food safety, rebalancing policy towards qualitative growth, consumer-oriented economy, fine-tuning market reforms and recentralization. Institutional and process frames can be enriched by adopting a dynamic home country framework developed from inter-disciplinary political economy and economic sociology literature discussed in this chapter.

This conceptual chapter begins with a synopsis of the conceptual framing process. Instead of having a separate chapter on literature review, I provide an overview of relevant literature that conceptualize the main themes in this thesis. Specific literatures are discussed in greater detail in the relevant content chapters and case studies. I problematize extant literature by questioning conventional assumptions in mainstream literature, providing alternative groundings from interdisciplinary sources and analysis, in the lead up to generating research questions. Using abductive reasoning to analyze empirical material, I develop an outline of the emergent framework to provide guidance for the research agenda of this project. Finally, I discuss how continuous iteration with data would help in the construction of an integrated, bottom-up, multi-relational and coevolutionary conceptual frame to conduct in-depth study of home country dynamics and internationalization. This study aims to theorize through multi-dimensional and temporal lenses to enrich institutional and process frames, and synergize nuanced conversations in IB research.

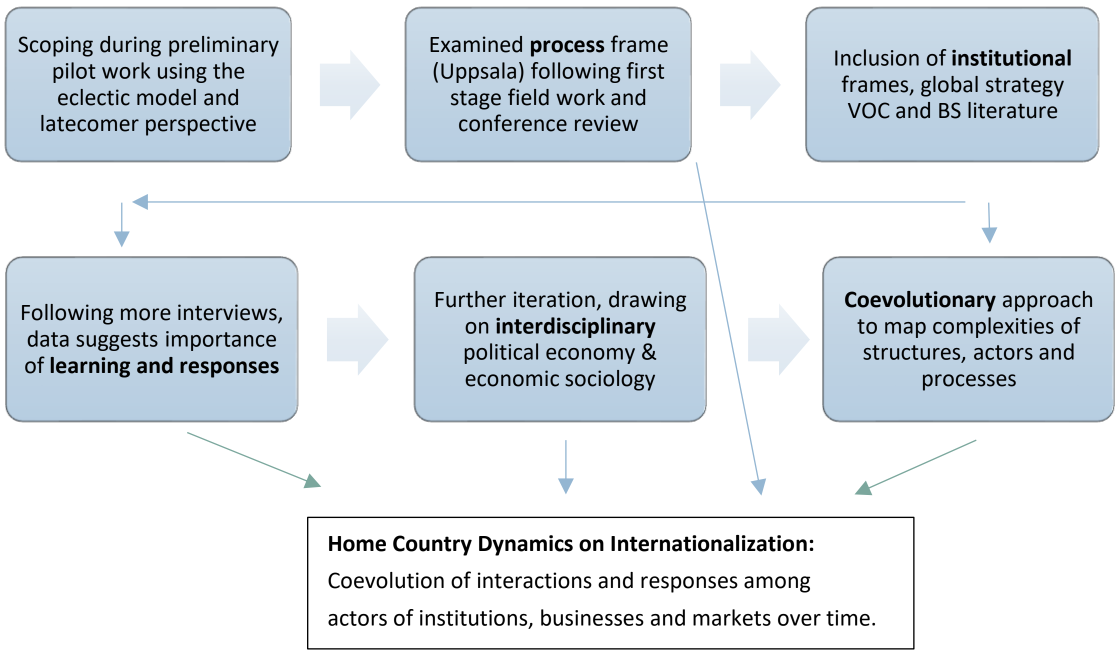
2.2 Conceptual framing process

This thesis has evolved organically, undergoing various phases of iterating theories with empirical material. The construction of an emergent framework runs in parallel to my personal research journey. The abductive process, graphically depicted in Figure 2.1, adopts a continuous iteration between theories and data. I have outlined seven stages to refine the conceptual construct over three years. The first step involves a broad approach to finding the main conversations in literature relevant to my research topic. Prior to fieldwork, I scanned the broad IB literature related to emerging markets to find a tentative working framework. The two initial working models derived from scoping the expanse of IB literature are the eclectic model or OLI (Dunning, 2001) and the latecomer perspective (Luo & Tung, 2007; Mathews, 2002a, 2002b). The OLI is well-established while the latecomer angle seems relevant to studying EMNEs. As part of my pilot project, I visited senior academics in IB, economics and management disciplines in various Chinese and Australian universities. However, both frameworks struggle to explain agrifood OFDI setting. Data generated from fieldwork shows certain discrepancies that are not explained by mainstream theories in extant IB literature.

Following the first round of interviews in late 2015 and feedback given by senior academics attending the EIBA conference, I was persuaded that the process frame was more suitable to study the context chosen. To enrich the process frame and find an appropriate framework for the interview data, my supervisor and I discussed the institutional frame extensively to present home country perspectives informed by field knowledge. The second round of interviews with participants of four Chinese companies in mid-2016, concurrent discussions with business executives of Chinese firms and subsidiaries based in Australia as well as consultants and officials in Australia threw more light on some puzzles. After going through interview and secondary data, I included learning and feedback responses to highlight the interactive nature of relationships and the dynamic internationalization process. Figure 2.1 shows the journey of developing a conceptual framework for this study taking a reflexive approach. It is not plausible to apply a single theoretical framework from extant literature for the study. In the process of iterating data with theories, I would draw on interdisciplinary literature to reflect the coevolution of home country actors on internationalization.

The recent update of the Uppsala model (Vahlne & Johanson, 2017) was timely and welcomed as I was editing the thesis. The authors call for the inclusion of four features: firm-level heterogeneity and milli-micro level bounded rationality; possibility of innovation; performance outcomes due to managerial intent and actions taken by others; and coevolution between behavior of actors at different levels of analysis (2017:1090). Firstly, to follow up requires deeper insights into managerial behavior and relationships to enrich the conventionally firm-centered analysis which the U-model is originally based. Secondly, the path is irregular rather than incremental and cumulative. Chinese investors may increase commitment, expand geographically, diversify into different sectors, sustain, hold back or de-internationalize. Thirdly, learning is not limited to experiential learning but may include vicarious learning and adjustment and recovery from setbacks. Fourthly, the main counterargument to the 2017 version of the Uppsala model (Santangelo & Meyer, 2017) is that "path-breaking resource commitments" create novelty and deviate from a gradual path of growth, exposing firms to both opportunities and higher risks (2017: 1115). In a nutshell, this thesis will follow a non-linear research, reflexive and iterative approach to investigating phenomena.

Figure 2.1 Reflexivity in an abduction process: iteration of theories and empirical material



In addition to building an integrative and evolutionary framework, I incorporated interdependencies and changes in the home country. I draw on the wealth of multidisciplinary literature from strategy, political economy and economic sociology to make sense and explain the rich and diverse empirical material. The findings that encapsulate the coevolution of among actors of institutions, business and markets will contribute to developing an emergent framework. Mere incremental extension of extant IB theories would be inadequate to explain the complex and dynamic phenomenon (Garnsey & McGlade, 2006), and irregular patterns of internationalization. Following the guidance that good qualitative research involves abductive engagement of multi-theory debate (Doz, 2011), I aim to derive the most plausible explanation from the iteration of data with theory.

I conceive *home country effects on internationalization* to comprise structured and informal interactions and responses involving key actors in institutions, firms, industry and markets. Home country factors are not limited to formal institutions with well-defined boundaries. While IB literature on emerging economies institutions has broadened prior firm-centric view, questions remain over the composition and diverse effects of home country institutions (Peng, 2003). Firms may proactively leverage institutions to create conditions that are more favorable to achieving their objectives (Child & Tsai, 2005; Landau et al., 2016; Wang, Hong, Kafouros, & Wright, 2012). Using the institutional work lens firms provide feedback to the home country government to develop favorable OFDI regulations (Yan et al., 2018). A coevolutionary lens used in this study is not limited to adaptation to the environment but mutual adaptation of the main actors in the home country.

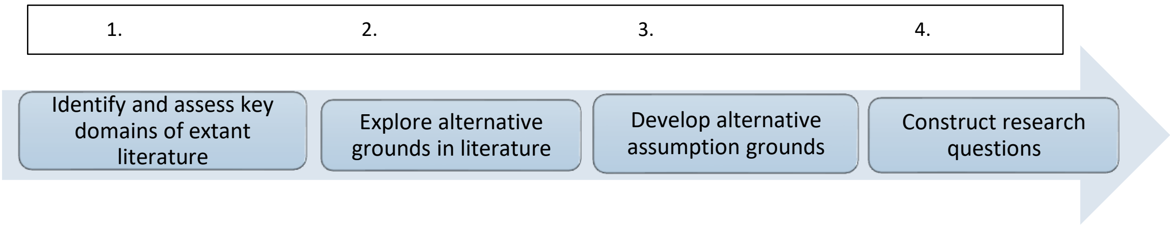
Owing to the inadequacies of stable institutions and progressive process in conventional frameworks, my proposed model will include interactions of businesses, officials, industry and markets. I incorporate industry and market factors in the home country dynamics because the complexities emanating from domestic environment need to be addressed. That firms interact in a community justify the adoption of various strategies specific to industries and situations. Markets are important in the context of the agrifood sector because of China's huge population of 1.4 billion and a growing middle class that demand both quantity and quality. While central agrifood SOEs have traditionally fulfilled the responsibility of providing sufficient supplies of grains and basic ingredients at affordable prices, local and hybrid SOEs and POEs are capitalizing on the potential growth in demand for premium quality food resources from advanced economies.

2.3 Problematization Steps

To achieve a "conceptual leap" towards discovery entails arbitraging dialectical tensions and collaborative relations in the reasoning and research process (Klag & Langley, 2013). Instead of following and rehashing the well-trodden paths of finding research gaps, I have designed and developed a conceptual framework by problematizing and inquiring current assumptions of relatively controlled home country environment. As with most studies, I attempted gap spotting initially to identify interesting and emergent areas not covered in the body of knowledge or tested by existing theories. However, gap spotting was found to be constraining during the pilot project and fieldwork in designing the research questions. To move beyond incremental contribution to theorizing, I problematized assumptions in related extant literature in the hope of innovating theoretical construction supported by empirical material. Problematization entails a critical approach to deepen inquiry and extend existing research parameters. Constructing interesting theories involve denying some of the assumptions of the domain and some taken-for-granted world in routinized living (Davis, 1971). How economic management and coordination is conceptualized and explained is underpinned by ontological and epistemological assumptions (Whitley, 1999).

The first part of the conceptual development process follows steps suggested in problematization: identifying the assumptions in mainstream literature, generating alternatives, evaluating the alternatives, grounding new assumptions and constructing research questions (Alvesson & Sandberg, 2013). To instill clarity, rigor and reflexivity in the theorizing process, I follow developments in IB knowledge that challenge the dominant assumptions, before proceeding to the next stage of developing alternative assumptions in this thesis. My objective is to extend and integrate problematization to a deeper level of analysis to frame the domain and direction of the investigation. Questioning assumptions improves the conditions for interesting contribution and developing paradigmatic shift than testing, amending and extending existing conceptual frames. Figure 2.2 is adapted from Alvesson & Sandberg (2013).

Figure 2.2 Problematization: Steps towards research inquiry



I begin by examining the main assumptions or conventional wisdoms applied in extant IB literature and the cause for reconsideration. (A summary of the literature covered is presented in Table 2.1). Problematization helps to develop the foundation for alternative approaches to address key issues. The next section will detail the process leading to the construction of pertinent research questions (Alvesson & Sandberg, 2013).

2.3.1 Review of Literature: Equilibrium and Change

Early IB literature has been strongly influenced by neo-classical economic assumptions based on the development experience and standards of advanced economies. Balance, stability and equilibrium in the economic system hinders exploration of change and continuity. It is often taken for granted that emerging market progress in regular and unidirectional course. The proposition of a cumulative, incremental and linear path by neo-classical economists (Casson

& Lundan, 1999) is underpinned by following an exemplary template of functioning markets in capitalist systems served by efficient Weberian institutions and stable regulatory framework (North, 1990). It is assumed that any changes to institutions would be incremental, as the past would impose constraints on transforming and constructing new institutions that are workable (North, 2005). The pursuit of economic objectives is underpinned by stable structures and rational organization seen in developed economies. It is assumed that the prerequisite of marketization involves strengthening of institutions to align with the ideal bureaucracy. Yet China accomplished rapid economic development and globalization through a combination of industrial governance policies and reconfiguration of markets and institutions. The latecomer perspective (Luo & Tung, 2007; Mathews, 2002a) acknowledges the speed of successive acquisitions during a certain period of high growth. Nevertheless, relationships, institutional changes (Luo, Xue, & Han, 2010) and evolution of innovative systems in physical and social technologies (Nelson, 2008) have not been given due attention in extant IB literature.

2.3.2 Firms, Industry and Country

Early studies examine value generation by the firm at the micro-foundation level. The resource-based view (RBV) studied the process by which firms grow (Penrose, 1960) using multiple resources available. RBV has influenced the development of evolutionary theory (Nelson & Winter, 2002) and the Uppsala model (Steen & Liesch, 2007). This was extended to linking firm resources with sustained competitive advantage (Barney, 1991) and getting inside the black box to study the behavior of the firm (Cyert & March, 2011)[2]. The independence and pivotal control of firms in internationalization has been well-accepted in economics tradition. However, redirection to focus on opportunities and threats in keeping with industry capabilities (Vernon, 1997; Porter & Wayland, 1995) departed from the prevailing view of given and constant availability of resources.

The linkage between macroeconomic national level home country factors to OFDI decisions (Buckley et al., 2007; Tolentino, 2010) has dominated IB scholarship. The OLI eclectic model links internationalization decisions with internalization of the firm's competitive advantages (Dunning, 2001). Entities in the market are viewed as impersonal and homogeneous, driven by efficiency and rationality. Studies have sidestepped explanation of idiosyncratic and nuanced characteristics shaped by different actors in situational decision-

[2] First published in 1992.

making. Emerging markets tend to adopt multi-prong and seemingly conflicting policies to deal with a host of economic, political and social challenges (Whitley, 2003). In contrast to classical models predicated on Western MNE experience based on competitive advantages, Chinese OFDI has sought to redress latecomer disadvantages (Child & Rodrigues, 2005). Firms may gain competitive advantage by linking, learning and leveraging acquiring assets, skills and technology internationally to consolidate their gains (Mathews, 2002a). The notion of balancing competitive advantages (Dunning & Narula, 2004b) suggests that some disadvantages among the elements in OLI could be counterbalanced and compensated by other advantages (Buckley & Hashai, 2009). Access to credit and industrial support constitute ownership-specific advantages that enable less efficient firms to compete with rival foreign firms (Dunning & Lundan, 2008; Voss et al., 2010).

2.3.3 Institutions

Early institutional theories drawn from economics discipline, focused on the functional aspects of institutions. Formal rules and regulations (North, 1990) are ostensibly created for governance purpose, such as to reduce transaction costs and improve efficiency. North subsequently extended his analysis to include adaptive efficiency, suggesting that changes in the quality of institutional infrastructure that support markets, would also improve economic performance (North, 2005). Consistent with this line of argument, empirical findings show that high governance quality of home country regulatory institutions would facilitate the MNE's strategic decision for international expansion (He & Cui, 2012). However, using the criteria of governance in institutional development instead of the level of economic development still does not explain the trajectory of emerging markets that have developed alternative channels and pathways to overcome the weakness of formal institutions.

The definition of institutions varies across disciplines. Sociological conceptualization of institution is broader and includes normative and cognitive aspects (Scott, 2014). The institution-based view provides context to the study of IB strategy EMNEs. Institutions could be combined with the industry- and resource-based views to illuminate the trajectory of EMNEs (Peng et al., 2008). Home country resources and support would improve the ownership and competitive advantages of internationalizing firms (Ramamurti, 2012). However, literature has neglected consideration for moderating role of home country effects on internationalization performance (Marano et al., 2016).

2.3.4 CSA and FSA

Embodied in the study of country specific advantages (CSA) are factors that would enhance firm specific advantage of (FSA), lifting competitiveness and reducing liability of foreignness (Rugman & Li, 2007; Rugman et al., 2011). CSA in emerging markets, such as low cost of production, access to resources and scale economies, could arguably be transformed into firm-specific advantages. The firm-country linkage provides explanation that financial resources would make up for capability and competitive deficiencies. Emerging economies gain atypical ownership advantages (Sun, Peng, Ren, & Yan, 2010) by tapping unique conditions of their home market. Comparative time series analyses of emerging economies, China and India, show that unique national characteristics and factors other than macroeconomic home country specific national determinants, offer more nuanced explanation of internationalization (Tolentino, 2010).

FSAs of EMNEs are bolstered by home country CSAs for resource-seeking and strategic asset seeking objectives and may dilute the liability of foreignness (Rugman & Li, 2007). However, positive effects may be attenuated by practical difficulties in implementation and overreliance on government protection. The Uppsala model suggests that firms initially enter geographically proximate countries that may have similar CSAs and could expand to distant markets when firms learn to overcome the liability of foreignness. However, latecomers are able to develop competitiveness in the home base and offset the distance with advanced host countries through springboard strategy (Luo & Wang, 2012). The latest development of springboard (Luo & Tung, 2018) continues theorizing an upward spiral model, suggesting linear development path. Another view contends that EMNEs weak in FSA are constrained in developing absorptive capacity and knowledge management capabilities to learn from alliance partners and acquired companies in advanced economies (Li & Oh, 2016). Effective managerial planning and coordination would optimize the benefits attributed to CSA and FSA. MNEs require complementary assets for the development of requisite location-bound FSAs and effective asset bundling and recombining of CSA and FSA (Hillemann & Gestrin, 2016).

2.3.5 Economic and Business systems

The assumptions posited in neo-classical capitalist frameworks have been countered by empirical research in business systems, varieties of capitalism (VOC) and process frames. The growth of Asian Dragon or Tiger economies has been attributed to unique characteristics of business systems in Asian countries and regions (Whitley, 1991, 1998). The debate between scholars is grounded on different epistemological assumptions, with traditional economics focusing on industry efficiency and equilibrium (Casson & Lundan, 1999). Shifting from previous preoccupation with economic rationality, economic sociologists find "choices are constructed according to varied cognitive norms and values entrenched in different societies at particular times" (Whitley, 1999: 115). A multi-dimensional frame includes managerial coordination and responses towards economic and social realities such as lobbies from labor unions, professional associations, regional or international organizations (Whitley, 1999). Nevertheless, Whitley qualified that qualitative changes in the business system would not happen at a rapid pace or displace the prevailing global business system (Whitley, 1998). While early business systems theories add to knowledge on economic development, studies have been ambivalent about transitioning, and the direction of change from societal structures steeped in culture and history. Though it has been argued that normative and cultural-cognitive systems are more stable (Scott, 2014), societal norms do evolve with varying impetus for internal and environmental changes.

Expanding on Whitley's seminal work, management strategy studies inform literature that mainland Chinese managers focus on personal connections. Businesses make deals in the absence of stable institutional procedures and independent intermediaries (Boisot & Child, 1988, 1996). In contrast to earlier research that suggests stability, Boisot and Child (1996) embrace transition explicitly, tracing the shift from state command economy towards decentralization, that has given rise to a distinctive institutional form of "network capitalism". The change allows for managerial discretion through the delegation of administrative power from central government to local officials (Boisot & Child, 1996). This narrative argues that spectacular growth is possible despite the weakness of conventional codification seen in Weberian bureaucracy. Hence, changes need not be costly and unsettling as emerging markets are able to improvise and adapt to existing conditions towards personalized institutional order (Hamilton & Biggart, 1988). Moreover, institutions in emerging markets evolve and shape dynamic internationalization strategies through changes in regulatory foundations (Child & Rodrigues, 2005). While the concept of networks capitalism captures important milestones, it would be opportune to construct a framework to study continuity of changes.

The varieties of capitalism (VOC) stream of literature explains varying competitive advantage of advanced economies (Hall & Soskice, 2001) such as Germany and Japan. VOC is inclined towards economic rationality similar with traditional economics. However, instead of examining unidimensional summary of indicators employed in traditional economies, VOC sought to compare institutional landscapes (Jackson & Deeg, 2008a) to better understand diversities and clusters in comparative capitalism. As research of VOC was originally based on mixed systems in Europe, capitalism remains the principal benchmark that unique nationalist traits are compared with. The main types of economic systems are capitalist liberal market economies, coordinated market economies and mixed market economies (Hall & Soskice, 2001). However, Hall and Soskice have been reticent regarding the dynamic roles of actors. Given that actors follow institutional logics and continuity at the national level (Hall & Soskice, 2001), change is presumed to be gradual. Macro-level observation adopted by VOC gives a semblance of stability and may neglect in detecting subtle political reconfigurations contributing to institutional change (Jackson & Deeg, 2008b; Langley et al., 2013). A main criticism of the VOC is its inadequacy in addressing complex institutional changes (Hay, 2005). Internal diversity, attributed to history, regulation, regional and sectoral dynamics, are addressed within specific national contexts as different degrees of commitment to capitalist features (Lane & Wood, 2009).

In more recent business systems models, scholars argue that the VOC frame is not applicable to studying Asian economies (Witt & Redding, 2013). China would retain its unique configuration of capitalist business system that is workable, adaptable and sustainable (Redding & Witt, 2009). Expanding from Whitley's research of embeddedness (1999), recent business systems theories highlight multi-level analysis of different types of firms, networks and societal environment (Witt & Redding, 2013). Nevertheless, the interaction between informal and formal institutions (Jackson & Deeg, 2008b) remains unclear in the field of business systems research. Comparative business systems theory (Morgan, 2007) also criticized VOC for its preoccupation with macro-level regulatory context at the expense of exploring multiple logics, rationale of actions and relations among organizations and variations in vested interests and affiliations (Redding, 2005).

Limitations of incremental and sequential models fall short of explaining paradoxes and surprises in emerging market economies' transition and globalization experience. Though clustering in VOC and business system frames delves into prevailing structures and conditions of special cases, political dimensions in complex relationships and continuous changes are not adequately addressed. We should be mindful that the end goal of reforms undertaken by the

Chinese leadership since the 1970s is not intended to achieve capitalism and liberal democracy but rather capitalize on marketization to achieve economic modernization and improved governance (Goodman, 2009). Historian Wang assessed that China's pursuit of modernity did not envisage an end-point (Kwok, 2018). Adhering to stability suggested in VOC or business systems framework hinders exploration of changes taking place in emerging markets. The debate would not take off beyond labelling whether the macro-level observation is half empty or half full against economic or cultural benchmarks. Indeed, attention should not be on *what* the system is and the changes that have taken place, but rather *how* and *why* home country effects influence internationalization. Table 2.1 summarizes the preceding discussion of various streams of literature on home country effects.

Table 2.1 Composition of Home Country Effects in Extant Literature

Industry, Firms, Country	**Institutions**
Resources of the firm (Penrose, 1960; Barney, 1991)	Neo-classical market equilibrium
Managerial behavior (Cyert & March, 1992)	Weberian bureaucracy
Firm Resources and Industry (Porter, 1990; DiMaggio & Powell, 1983)	Formal and Informal (North, 1990)
Firm-specific and Country-specific Advantages (Rugman & Li, 2007)	Cognitive and relationships (Scott, 2014)
	Integration of institutions and change (Peng, 2003)
Network capitalism and institutional change (Boisot & Child, 1988; 1996) Varieties of capitalism (Hall & Soskice, 2001) Business systems (Whitley 1991; Morgan, 2007; Witt & Redding, 2013)	

Despite accepting the transitory nature of institutions, most scholars tend to avoid transition (Peng, 2003) and address the implications of institutional changes. The process approach questions the assumptions implicit in the *status quo* and enduring traits proposed in neo-classical and VOC frames. Yet, it has been shown that more developed home institutions tend to encourage emerging market firms to venture overseas (He & Cui, 2012; Huang, Xie, Li, & Reddy, 2017; Luo et al., 2010). The "Go Global" policy (Luo et al., 2010) and deregulation of approval procedures facilitated POEs to internationalize and forced firms to be more competitive in preparation for China's accession to WTO in 2001. Concurrently, policies had been progressing to streamline large and inefficient firms (Bruton, Peng, Ahlstrom, Stan,

& Kehan, 2015; Estrin et al., 2016). Home country reforms and deregulation gained momentum and augmented support for firms in general as they became more marketized (Luo et al., 2010). This underscores the importance of studying the effects institutional changes and specific economic transformation have on internationalization (Li et al., 2014). The temporal dimension warrants deeper analysis and limelight in IB scholarship. Documenting a point in time could not claim to represent a phenomenon as internationalization is fluid and involve multi-dimensional interactions.

2.3.6 Development paths

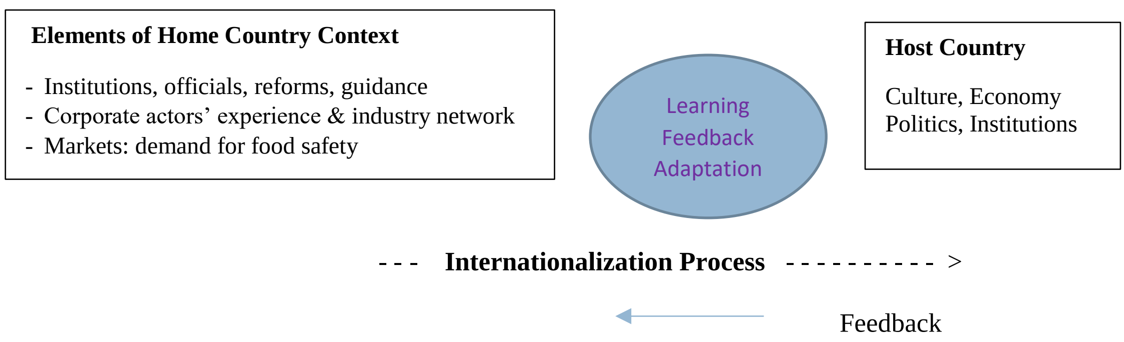
Investment development path (IDP) literature examines macro-level internationalization stages (Dunning & Narula, 2003). IDP preconceives stages tied to the state of development and resources of countries. At the final stage of development, the country has high stocks of inward and outward FDI, and net OFDI is low. This scenario does not explain the complexities of contemporary emerging market phenomenon, or ascertain that transition economies have not reached the high level of development. It has been argued that idiosyncratic characteristics of Chinese companies and institutional factors may limit multi-nationalization; as progress to the next stage requires higher economic growth and investment (Marton & McCarthy, 2007). This scenario seems incongruent with rapid growth and internationalization of Chinese firms. Though empirical study on European emerging markets show OFDI to be positively associated with both GDP per capita and inward FDI, broad rather than specific institutional reforms are necessary to move up the development path (Stoian, 2013). Nevertheless, such prescriptive models are constrained in explaining irregular paths. In practice, investors are often challenged by uncertainties instead of smooth, predictable, linear internationalization experience. Continual adjustment to the environment is a necessary part of firms' internationalization process (Johanson & Vahlne, 1977, 2006).

2.3.7 Temporal dimension

The process framework would help to explain adaptation to the dynamic nature of emerging market economic development and internationalization. The Nordic tradition of IB research (Johanson & Vahlne, 1977) offers a dynamic perspective of internationalization that explicitly addresses transition. The process lens has contributed to the study of path dependent internationalization. Moving beyond variance-based research (Klag & Langley, 2013), process theories acknowledge that firms face uncertainties in international expansion. Experiential learning increases knowledge and competencies and in turn increases the speed and scale of internationalization and reduce uncertainties (Johanson & Vahlne, 2006). Departing from the structure of production internalization theories and the eclectic model, the subsequent Uppsala models focused on business relations and the coordination of networks (Johanson & Vahlne, 2009). The learning process entails acquiring, dissemination, diffusion and accumulation of knowledge, and applying this to internationalization (Welch, Nummela, & Liesch, 2016).

Process could be integrated into the home country context to study how managers learn to navigate and respond in unfamiliar host country institutions (Scott, Levitt, & Orr, 2011). Some firms may learn vicariously in anticipation of needs, and make adjustments (Langley et al., 2013). As new and small internationalizing firms have limited resources, capabilities and influence, opportunities are often discovered through networks to ensure the firm's survival in the initial stages (Crick & Spence, 2005; Meyer & Skak, 2002). Investors may turn liability of newness or inexperience in internationalization (Zou & Ghauri, 2010) into advantages by learning from experienced incumbents and predecessors (Huber, 1991; Posen & Chen, 2013). Process frame is portrayed as an evolutionary model (Johanson & Vahlne, 2006; Meyer & Skak, 2002) that expands from the largely stable and firm-centric view to networks. Figure 2.3 represents the integration of home country factors with process frames.

Figure 2.3 Adding Process to Home Country Context



2.4 Questioning Conventional Assumptions

Four main areas of assumptions in extant literature will be problematized in this section. In contrast to gap spotting, the research strategy questions underlying assumptions and provide alternative framing emerging from empirical material to uncover original insights than theoretical extensions.

2.4.1 Home Country Support Versus Constraints

In chapter 5, I aim to develop multiple and nuanced explanation of the meanings behind home country support and how these may have changed. The research process begins by revisiting the basic assumptions on home country institutional role in internationalization of different types of Chinese firms. IB literature tends to portray high level of home country support for SOEs (Luo & Tung, 2007; Ramamurti, 2012) and constraints faced by POEs (Witt & Lewin, 2007). China has been identified as one of the unique cases for extending direct and substantial support (Kornai, Maskin, & Roland, 2003) to enhance international competitiveness of selective SOEs (Buckley, Cross, Tan, Xin, & Voss, 2008; Hall & Soskice, 2001; Peng et al., 2008; Ramamurti, 2012). Emerging economies gain atypical ownership advantages (Ramamurti, 2012; Sun et al., 2010) in low cost financing, industry information, local knowledge and selective waiver of approval process to engage in serial acquisitions (Luo & Tung, 2007).

EMNEs globalize to alleviate domestic institutional constraints and voids in the domestic legal system and imperfect markets (Luo & Tung, 2007; Voss et al., 2010). Case studies show that Chinese SMEs are pushed out or forced to escape, relocate and venture overseas (Boisot & Meyer, 2008; Cuervo-Cazurra & Ramamurti, 2014; Luo & Tung, 2007; Voss et al., 2010; Witt & Lewin, 2007). SOEs that have received "conscious" support, are encouraged to embark on aggressive international expansion, while POEs would escape and adopt more cautious strategy (Wei et al., 2015). SMEs that did not receive direct support would internationalize through alternative channels encouraged by the government and business-initiated industry networks (Chetty & Blankenburg Holm, 2000; Child & Tsai, 2005). However, some firms are more adept at proactively managing relationships with industry and institutions in the socio-political environment (Landau et al., 2016).

The preoccupation with contrasting favored SOEs and deprived POEs has neglected the effects of pro-market reforms. The restructuring of SOEs have closed some gaps between firms of ownership types. Hybrid SOEs that result from pro-market reforms (Bruton et al., 2015) increasingly operate like POEs (DiMaggio & Powell, 1983; Estrin et al., 2016). Large Chinese private corporate groups that are gaining prominence in domestic markets and OFDI. Most studies tend to avoid the evolving political economy. An exception is the study on the coevolution of deregulation with the internationalization of Chinese firms (Luo et al., 2010). Local officials and businesses collaborate to advance common interests (Redding & Witt, 2009) and expedite approval. Institutions are not monolithic authority, but comprise multilevel actors engaging with businesses (Hoskisson, Wright, Filatotchev, & Peng, 2013) in view of the complex structures, relationship cultivation and overlapping goals. Moreover, home country support could have double-edged effects on internationalizing firms. Close association with home governments could work against firm's image in the host country environment. SOEs operating in host countries that are vastly different from home country may face greater liability of origin (Bartlett & Ghoshal, 1998; Ramachandran & Pant, 2010) and distrust by foreigners (Meyer, Ding, Li, & Zhang, 2014). Though SOEs may enjoy initial ownership advantages, liability by association may constrain expansion (Wu & Chen, 2014), especially in sensitive sectors (Hong, Wang, & Kafouros, 2015).

I explore the coevolution of various actors interacting within the home country over time instead of following the support versus constraint dichotomy. Home country institutions affect internationalization of Chinese firms depending on the nature and level of their affiliations (Wang et al., 2012). Stakeholders may have common and diverse interests, contingent on the cost-benefit assessment at certain points in time. The relationships may move from collaboration, competition, or indifference across fuzzy entity boundaries. In a "moving theory", entities are seen in their use, meaning, situations and embeddedness in the tasks (Weick, 1999).

2.4.2 Sensitivity of Land-based Investment

In Chapters 6 and 7, I question conventional assumptions that agrifood sector investments are usually land-based and unfair to host countries. Chinese invested in Southeast Asia, Africa, Latin America and Central Asia. Notably, Chinese investors recently chose Western advanced economies as OFDI destinations to secure clean and green food resources. Conventional wisdom suggests that resource-seeking OFDI is often associated with land acquisitions (Kaag & Zoomers, 2014) to satisfy home food security needs. Media hype and NGO campaigns (Grain, 2016a) against Chinese 'land grab' has given investors a negative image and allusion of 'neo-colonialism'. The sensitivity towards foreign land ownership have resulted in nationalist backlash and host government tightening investment regulations. Agrifood OFDI is motivated by strategic asset-seeking and resource-seeking objectives

(Dunning, 1992) to achieve food security and safety needs in the home country (Lam, Remais, Fung, Xu, & Sun, 2013; Zhou, 2010).

The assumptions of land acquisition as a necessity for the agrifood sector is incongruent with multiple ways of achieving access to resources. Agricultural economics literature found flexible models adopted by Chinese investors in resource-rich developing economies: developmental aid (Bräutigam & Zhang, 2013) outsourcing (Hofman & Ho, 2012), contracting (Co, 2014), forming partnerships (Alden, 2008), experimenting with demonstration farms and special economic zones (Smaller, Qiu, & Liu, 2012). Moreover, Chinese investors have committed to developing infrastructure and logistical support (Myers & Guo, 2015) for agrifood supply chain. Chinese investors' contribution to agricultural output and employment are obscured by reports of competition with host country farmers and neglect of social responsibility (Chen & Guo, 2017). Chinese MNEs have more opportunities to acquire food processing businesses in advanced economies that have been downsizing since the 1990s (Anastassopoulos & Rama, 2004) and divesting after the GFC. IB research should not be confined to studying entry modes but to examine value chain targets in cases of agrifood sector.

Preliminary research in this project showed that SOEs and POEs with abundant resources and specialized agrifood sector knowledge (Liang, Lu, & Wang, 2012) are inclined towards downstream value chain targets in advanced economies. Investing in downstream agrifood business requires more financial resources and industry knowledge and management capabilities than land-based and upstream OFDI. IB research could gain more by studying the rationale for internationalization decisions. Managerial decisions are often made with consideration of the past and current conditions (Levitt & March, 1988). Actors are flexible and adaptable to the environment. Learning extends to gaining insights from others' experience or vicarious learning (Jiang et al., 2014; Jiménez & de la Fuente, 2016). Investors could turn liability of newness (Zou & Ghauri, 2010) to an advantage by learning from incumbents and predecessors (Posen & Chen, 2013) within and outside their organizations.

2.4.3 Diversification

Successful private corporate groups in China whose core businesses are in non-agricultural sectors are diversifying into agrifood sectors and investing in farmland and upstream businesses overseas. Chapter 6 shows that diversifying firms face a multitude of challenges (Gaur & Kumar, 2009; Knecht, 2014; Wan & Hoskisson, 2017a) despite being backed by discretionary funding from parent companies in China and performing due diligence. Well-designed strategies of resource-rich firms may not always work according to plans and expectations. High risk ventures undertaken by non-agricultural firms diversifying into non-core agrifood sector and internationalizing concurrently defy findings in extant literature on trade-off in domestic and international diversification (Kumar, Gaur, & Pattnaik, 2012) and profit motivated strategy (Ansoff, 1958). The anomalous calculations warrant further investigation.

2.4.4 Home and Host Context

The notion of distance has dominated extant IB literature in terms of how differences between home and host country affects the incidence, entry mode ownership choice and successful completion of cross-border M&A transactions (Xie, Reddy, & Liang, 2017). Distance is viewed negatively as a cause of increased costs (Buckley & Casson, 1976; Hennart & Larimo, 1998) and uncertainties from liability of foreignness (Johanson & Vahlne, 1977, 2009). Distance can be broadly categorized into physical geographical and psychic distance (Johanson & Vahlne, 1977, 2009). The notion of cultural distance (Kogut & Singh, 1988) and Hofstede's measurement[3] focus on country level differences (Hofstede, 2001). Cultural distance has been critiqued on conceptual and methodological grounds, in terms of unrealistic assumptions of asymmetry, stability and linearity (Shenkar, 2001). Instead of a positivist treatment of culture (Shenkar, Luo, & Yeheskel, 2008) critics suggest that research should develop a more dynamic distance construct (Shenkar, 2012). Empirical findings on distance have been inconclusive (Brouthers & Brouthers, 2001; Gatignon & Anderson, 1988). It is possible for knowledge understanding to be higher across linguistically distant locations (Schomaker & Zaheer, 2014).

China is an emerging market undergoing multiple reforms within a short time and using a fixed distance may not fully account for complex and changing relationships. Cultural distance could be bridged through foreign experience, acculturation, cultural attractiveness and staffing (Shenkar, 2001). Moreover, cultural distance is a double-edged sword that may lead to positive learning and negative burden on the acquirers' integration capabilities (Reus & Lamont, 2009). Home and host country differences could be addressed by unpacking, expanding and disaggregating and recombining the broad categorical measures of distance.

[3] First published in 1980

The impact of distance varies with sectors, with primary industries being more vulnerable and sensitive to cultural and administrative distance (Ghemawat, 2001). Shifting the conversation to cultural friction would sidestep problems encountered in allocating distance measure (Luo & Shenkar, 2011). Besides cultural intersection (Shenkar, 2012) it is crucial to examine business interests, attitudes and values (Ronen & Shenkar, 2013). Research should be sensitive to the both the home and host country contexts (Child & Marinova, 2014) as the home country perspective comprises perceptions and responses to host countries and could not be artificially separated.

The institutional distance lens (Kostova, 1999) is another approach to studying home and host country differences. When dealing with exceptions, IB research tends to look at host country's resources and developed institutions to explain moderation of distance from less developed home countries (Xie et al., 2017). It is accepted that EMNEs operating in developing economies could turn prior home country disadvantage into advantage when they face familiar and similar environmental constraints of host countries that are at the same level of development (Cuervo-Cazurra & Genc, 2008). Others find that the quality of institutional development in the home country of the MNE is more important in facilitating international expansion than the level of economic development (He & Cui, 2012; Wu & Chen, 2014). Chinese MNEs are attracted to advanced economies with strong investment fundamentals, lower levels of domestic competition and property rights protection to capitalize on institutional arbitrage (Boisot & Meyer, 2015). However, moderating and disrupting influence may change the internationalization process.

SOEs are less welcomed than POEs by host country due to distrust of foreign government ownership (Cui & Jiang, 2012; Li et al., 2014). SOEs could leverage the home government depending on the bilateral political relations and economic dependency with host countries (Duanmu, 2014). Host governments may show preferential treatment to firms from certain home countries that have friendly historical relationships or signed trade and investment agreements with (Cuervo-Cazurra, 2011) but are prejudicial towards others. Wider institutional distance would increase risks and prompt firms to tend towards minority stake acquisitions except in deals involving industry affinity (Contractor et al., 2014). Institutional distance increases the likelihood of failed acquisitions and the time taken for the completion of deals (Reis, Ferreira, Santos, & 2013).

The shortcoming of the conventional focus on distance is the avoidance of discussing change. Scholars have called for a shift from the longstanding preoccupation with the negativity of distance and differences to common interests and advantages (Stahl, Tung, Kostova, & Zellmer-Bruhn, 2016). Drawing insights from firms' resources, institutional, and political perspectives, firm-level learning and adaptation would enhance understanding of the permutations of Chinese and host country characteristics (Child & Marinova, 2014). The home-host perspective can be expanded by incorporating explicit depiction of continuous interactions and feedback. Distance and liability of foreignness could possibly be reduced through corporate social responsibility activities, and confer social legitimacy benefits to foreign firms in host countries (Campbell, Eden, & Miller, 2012). The concept of relational proximity is highlighted in a study on co-location and low cultural distance, where proximity are outcomes of sourcing strategy, rather than predictors for sourcing in the supply chain decisions (Schmitt & Biesebroeck, 2013). More critical to managerial decisions are perhaps the constant communications and adaptation of responses to political developments and new situations (Welch & Wilkinson, 2004). Feedback and lessons from previous dealings may modify strategies for subsequent entries. In a dynamic market environment (Jan Johanson & Vahlne, 1977), changes are not limited to economic cycles and may include tactical policy shifts at different levels of bilateral relations. Feedback from the host country relations should be part of the calculations in home country effects on internationalization (Figure 2.3).

2.4.5 High Risks

In Chapter 8, I address the emergent risk awareness and management mechanisms in the internationalization of Chinese firms., Chinese firms were investing in politically unstable host countries in the early phases of globalization (Buckley et al., 2007; Duanmu, 2014) and in the recent Belt and Road Initiative. Chinese investors have paid high premium to acquire resources, energy, learn high technology or gain management skills (Phillips, 2012). Risk avoidance are also linked to financial viability and sustainability of OFDI. While risk is regarded as inevitable for entrepreneurs to exploit higher returns (Knight, 1921), the amount of risk absorbed by Chinese investors appeared extremely high from purely commercial calculations. Businesses operating in uncertainties have to confront unavoidable risks (Vahlne, Hamberg, & Schweizer, 2017). Individual managers may not always perceive or handle risk in the conventional conception of rational decision-making (McDougall, Shane, & Oviatt, 1994) but would look for alternatives to improve the odds for expected values of return (March & Shapira, 1987).

Inexperienced Chinese firms with limited relevant knowledge may be oblivious and try to accommodate risk (Liesch, Welch, & Buckley, 2011). Risk tolerance has been attributed to low cost of capital for internationalizing SOEs (Buckley et al., 2007; Duanmu, 2014; Ramamurti, 2012; Rugman et al., 2011). SOEs especially the national champions (Landau et al., 2016; Li et al., 2014; Thun, 2004a) have greater flexibility in meeting returns to investment and repayment (Kornai et al., 2003). In the early part of internationalization, such losses are probably seen as affordable (Vahlne et al., 2017) as entrepreneurs 'make do' with given knowledge and available resources, and accept affordable loss in effectuation strategy (Sarasvathy, 2001). However, overpaying by inexperienced Chinese acquirers for coveted brands (Child & Rodrigues, 2005) may not be sustainable in the long run. Though advanced economies with strong institutions (Cui & Jiang, 2009; Henisz & Delios, 2004) may lower risk, Chinese investors have encountered liability of country of origin (Child & Rodrigues, 2005; Ramachandran & Pant, 2010). Nationalism and regulatory changes could affect international commitments and future managerial decisions (Kobrin, 1979).

The rapid pace and scale of internationalizing from the latecomer perspective seem at odds with the process stream of IB literature of moderating risk through gradual commitment (Figueira-de-Lemos, Johanson, & Vahlne, 2011; Johanson & Vahlne, 1977). Nevertheless, the springboard narrative admits to the knowledge gap for expansion to different sectors (Luo & Tung, 2007; Williamson & Raman, 2013), distant locations, industries and markets (Petersen, Pedersen, & Lyles, 2008; Shenkar, 2012). Against the backdrop of economic rebalancing and deleveraging, firms are urged to be more mindful of different types of risks and how to mitigate risks (Liesch et al., 2011).

I proceed to track how policy priorities coevolve with risk perception and mitigation over time. That Chinese subjects in the study show concern over the viability of OFDI and conscientiously conduct due diligence show that existing theoretical frames may not fully explain the changes on the ground. The study would consider disparities in the awareness, aspirations and realizable goals in risk mitigation among actors and their evolving strategies.

2.5 Alternative Grounds

In the third stage towards conceptualizing the initial framework, I develop alternative grounds by exploring different multiple relationships and changes. There are alternative assumptions to the conventional dichotomy between support versus constraint, land-based agrifood investment, trade-off between product and market diversification, and high risk aggressive serial acquisitions. This thesis follows an inclusive coevolutionary model that maps interconnections of businesses, institutions and markets. As discussed in the earlier section of this chapter, actors in pluralistic and multi-level organizations respond to external environment as well as proactively engage in negotiation and bargaining. The view that pro-market reforms reduce institutional imperfections, increase domestic competition and encourage international expansion has been well accepted. Alternative narratives examine effects on private firms responding to institutional changes and limited opportunities (Dau, 2012). Political dynamics that is often neglected in VOC perspective (Hall & Soskice, 2001; Jackson & Deeg, 2008b; Pontusson, 2005; Whitley, 1998) could be addressed using a coevolutionary frame.

Distinguished IB scholars have called for the study of coevolution across individual MNEs and institutions. This is a worthy but challenging task. A more innovative approach entails studying how micro-processes of decentralized experimentation and variety generation in MNEs and international corporate networks coevolve with the institutional environment (Cantwell et al., 2010). Others have similarly called for greater emphasis on temporal observations (Welch et al., 2016) by taking a historical approach (Buckley, 2016; Jones & Khanna, 2006). Concurrent interaction and changes in personalities, organizations, policies and market forces and mutual relations would inevitably result in different configurations and combination of effects. Managerial decision-making is a continuous process. As history unfolds, past decisions will impact on present and future decisions (Buckley, 2016). De-institutionalization is a possibility (Scott, 2014) along with change, balancing the new and residual elements. When prevalent factors gain currency, they create momentum for changes and subsequent trajectory to reinforce common objectives.

Coevolution at macro and micro levels could happen at different pace and would have implications for the firm's competitive advantage (Madhok & Liu, 2006). A power relational evolution framework between the organization and government institutions shows how interdependencies could gain legitimacy for the firm and support for the sector (Child et al., 2012). The same has been witnessed in gradual convergence of corporate interest with the political regime (Dieleman & Sachs, 2008). Beyond the conventional notion of top down pro-market reforms that spur learning and spillover, bottom-up lobbying by MNEs (Cuervo-Cazurra, 2015) is thriving in the context of economic reforms in emerging markets. Coevolution entails selective adaptation that strengthens different parties' ability to survive, deal with crises and improve their positions. "Such a hybridized system is characterized by the embodiment and integration of multiple institutional logics reflecting the mixing of old and new modes of coordination which engender coevolution and increasing plurality in the institutional environment" (Li, Cui & Lu, 2015: 983).

The home country dynamics model that I aim to construct would overcome preoccupation with a snapshot of general economic equilibrium. Concurrent multi-dimensional actions may generate varieties of outcomes and subsequent responses. Original preferences may change with practical, tactical and situational requirements, and shape long-term strategic relationships. An in-depth analysis necessitates the identification of the original, continuity and future points of reference. Problematization of development paths can redirect attention to internationalization decision processes of evolving institutions, managerial resources, different experience and networks for the research agenda. The research inquiry generated from the discussion of transition domain would hopefully shift the conversations to embrace complexities such as paradoxical policies, competitive-collaborative dynamic relationships, imitation across boundaries, proactive-reactive actions, outcomes from designed, chance or concurrence in the internationalization process. Empirical material from fieldwork suggests that home country effects are temporal and multi-dimensional. An emergent integrative coevolutionary approach to study multi-level (central and local) government with industry, firms, markets, internationalization will be discussed in greater detail in subsequent sections.

2.6 Research Questions

Having discussed the main premises in extant IB literature, and recent attempts that question their underlying assumptions, I move on to generate research questions for this project. In contrast to research gap spotting that center on addressing *what*, I aim to address *how* and *why*. The research setting is Chinese OFDI in agrifood business to advanced economies from 2008 to 2017. The home country factors and actors comprise institutions, industry and markets. From the alternative assumption grounding, I develop a main overarching research question:

* *How do home country effects shape internationalization of Chinese firms?*

The main question can be further subdivided into four areas of inquiry which will be addressed in the content and contextual chapters 5, 6, 7 and 8 of this thesis.

- What is the meaning of home country support to key players and how this has shaped internationalization in the light of evolving pro-market reforms, deregulation and recentralization? (Chapter 5)
- Why and how do established Chinese agrifood investors select downstream targets in advanced economies? (Chapter 6)
- Why and how do some Chinese firms choose to diversify and internationalize concurrently? (Chapter 7)
- How do home country actors perceive and manage risks? (Chapter 8)

In the preceding section, I discussed alternatives to four domains in extant literature by questioning conventional assumptions on stability, duality of support, risks of rapid and incessant internationalization and managing host sensitivities. The alternative grounding questions underlying assumptions in conventional models that define the boundary of institutions and firms as largely monolithic, homogenous and stable entities rather than dynamic subsystems.

A summary of the four steps in problematization of different perspectives, finding alternative grounds and generation of research questions is shown in Table 2.2. The alternative assumptions embrace time, change, irregularity, complexities, uncertainties, challenges, and different ways to achieve objectives. Case studies are useful for building knowledge of how the home country factors and actors shape the internationalization process. Progressive theoretical construction is consistent with abductive analysis and theorizing through increasing awareness, clarification and explanation. The following section draws on interdisciplinary knowledge to develop an emergent evolutionary framework that would enrich institutional and process theories in IB research.

Table 2.2 Alternative Positions Leading to Research Inquiry

Common Assumptions	Different Streams	Problematization / Alternatives	Research Inquiry
Stability of systems and paths - homogenous entities - market or state influences - unidirectional progress	- Varieties of capitalism - Business systems - Networks - Process learning	◦ Temporal dimension ◦ Irregular paths ◦ Interactions of multiple actors, loose boundaries, responses	How and why do home country actors interact and influence internationalization of Chinese firms?
Institutional support versus constraint - Defined ownership boundaries - Support for selected SOEs - Disadvantaged escape	- SOEs face liabilities in host country diminish advantages - Firms can leverage institutions - Hybrids / reformed SOEs similar with POEs	◦ Complex alternatives to duality ◦ Different types and levels of support ◦ Small firms lack means to escape overseas ◦ Collaboration and competition	What is the meaning of home country support? How does home country support impact key actors and shape internationalization?
Host Country Context - Resource-seeking motivations - Distance - Land grab discourse Negative responses	- Management and Competency seeking - Cultural friction - Institutional distance - Political changes - Process: experiential, cumulative learning and commitments	◦ Different types of learning for different situations ◦ Different ways of achieving resource seeking objectives ◦ Uneven development path of internationalization and responsiveness	Why and how do established agrifood investors select downstream targets?
Diversification - Competitive advantage and profit motives - Related products and markets	- Process and implementation - Diversification of home inversely related to international markets	◦ Anomaly of concurrent diversification and internationalization ◦ Low margins and long-term gestation	Why and how do non-agricultural firms choose to diversify and internationalize into upstream agrifood targets?
Risk and Rapid internationalization - High risk destinations - Latecomer perspective	- Risk awareness - Control mechanisms	◦ Challenges to relentless expansion ◦ Adaptation of policy, firms, industry and environment	How do home country actors perceive and manage risk?

2.7 Integration of Interdisciplinary Knowledge

The above discussion justifies the integration of context into process and institutional frames. This study would avoid simplifying matters, imposes restrictions, averaging the interaction parameters within an equilibrium state and mechanical representation of changes (Allen, 2001). Reflexivity and avoidance of pre-judgement would be more conducive to developing theoretical constructs that reflect the realities on the ground. From multiple interviews with executives and managers and discussions with industry experts, I realized that an interdisciplinary approach would be useful to enhance our understanding of the internationalization process. Using the co-evolutionary lens would elucidate the interplay of different actors, multilevel, responses and changes over time. Buckley et al (2017) proposed a redirection of IB research towards ‘‘grand challenges’’ in global business by adopting interdisciplinary research methods, multilevel approaches and phenomena-driven perspectives to address research questions (Buckley et al., 2017)

Though emerging economies are not new frontiers of research, what is known is probably only the tip of an iceberg viewed through prisms, and puzzles remain unsolved. To accommodate non-conventional paradigmatic assumptions necessitates discovery of relevant frameworks beyond IB in other social science disciplines. Three domains are repositioned:

(1) Multi-level interdependencies and conditional boundaries across time and space;
(2) Coevolution of business managers, institutions, networks, markets and environment;
(3) Responses, learning, feedback and adaptation to home and host country contexts

I reflect on alternative assumption grounds through systematic combining (Dubois & Gadde, 2002) of divergent interests and change in courses. A dynamic model maps the synthesizing process, allows for comparative analysis and is better equipped to cope with complexities (Cohen & Axelrod, 1984). Studying complexity which is increasingly appealing to scientific fields, entails shifting from reductionist and stable state to systemic and dynamic approach (Garnsey & McGlade, 2006). The proposed framework should be flexible, and develop with multifaceted emerging empirical material, rather than to fit data into a set framework. Research findings should embrace negative cases and idiosyncrasies so as not to be caught by surprises that nullify propositions and previous findings.

Just as it is unrealistic to expect pure economic rationality, pure serendipity in business deals would not be possible without incorporating the inclinations, preferences and objectives of influential actors adapting to procedural, situational and external factors (Simon, 1985). Studies of sophisticated decision-making and problem-solving demands continuous painstaking empirical investigation (Simon, 1985). Though the specific interim results are uncertain, intentions drive processes in preferred directions. In line with my epistemological approach of pragmatism, inquiry and reflexive routines are oriented towards an ends-in-view (Dewey et al., 2003). Accordingly, experience is not a one-off knowledge acquisition, but adaptation continues from the past to the current moment and the future. There is a practical result regardless of whether actors are conscious as they have deliberately selected and paid attention to certain experiments in their pursuits. If the results turned out to be different from original intended or expected, what are the reasons and possible responses? Institutional changes in emerging economies in turn shape the dynamics of subsystems in the home country and the overall picture over time. Even within the same country, a central policy may have diverse effects on different players and industries depending on their readiness to accept changes. To map the complexities and create *home country dynamics* construct, I draw on literature in economic sociology and political economy to extend IB theories. It is conceivable that business actors take initiatives to negotiate for more favorable terms and sustainability.

IB literature has incorporated valuable insights from political science and sociology (Jackson & Deeg, 2008b; Witt & Redding, 2013). Strategic management studies recognized the interplay among different institutions and within similar establishments would collectively deliver change (Zenger, Lazzarini, & Poppo, 2000). Understanding institutions could be enhanced through holistic comparative studies to reflect heterogeneity as institutions. This avoids presenting institutions as separate monolithic entities independent of the environmental forces at work. Social norms prevail when institutions are weak or undeveloped. An inclusive depiction should embody not just visible symbols of institutions, but informal and underground operations in transition economies that circumvent formal structures as well. Low levels of institutional trust encourage higher levels of family ownership because relationships are more effective in enforcing contracts when formal legal and regulatory institutions are weak (Nolan, Rowley, & Warner, 2016).

The dichotomous discourse of support versus constraint in IB literature could be challenged by studies on the fuzzy boundaries of firm ownership structures and institutions.

SOEs can be placed on a spectrum of controls relative to their economic, social and national objectives. The decade from late 1990s emphasizing economies of scale was geared towards grooming identified national champions (Lin & Milhaupt, 2013) in 'pillar' and 'strategic' industries into powerful business groups modelled after the Korean *chaebol* and Japanese *keiretsu* (Thun, 2004a). Despite rapid growth, industrial policy has fallen short of building competitive and innovative MNEs (Nolan, 2014). Though the agrifood sector has not been identified as a 'strategic' industry, food security has historically been a key national objective, and firms continue to receive domestic subsidies and encouragement to internationalize. Economic reforms have resulted in various shades of ownership and economic management. The growth of the non-state sector needs to be reconciled and elaborated (Fligstein & Zhang, 2015) in the context of home country effects on internationalization.

Despite reservations regarding recent recentralization, the Chinese government continues to play a significant role in managing OFDI as enabler and protector of globalization (Yang & Stoltenberg, 2014). The government tries to balance the demands of managing SOEs and encouraging entrepreneurship in the private sector. An example of efficiently run government-owned company is the Singapore Airlines which is a majority government-owned public listed company that has performed well in a competitive industry. Norwegian companies with government co-ownership show better performance on the stock market than similar companies in Europe because the government differentiates between its role as owner and regulating authority, follows good management, and treats all shareholders as equals (Claes, 2002; Post, 2016). Reforms undertaken by South Korea and Sweden in the 1980s have led to improvement in the performance and value of the companies concerned (Hahm, 2013).

More weight should be given to research on POE perspective. The coexistence of shared goals and incompatible vested interests or priorities requires a combination of top-down and bottom-up analyses in the implementation process (Thomann, Lieberherr, & Ingold, 2016). Nee and Opper (2012) noted that "bottom- up institutional innovations in the private sector initially enabled the development of a dynamic capitalist economy, and then the political elite followed up with institutional change legitimizing what already had taken place on the ground to enable the gains in productivity to be channeled into taxable revenue" (202). The non-state sector in China has grown faster and sometimes independently, now accounts for more than half of the total economic activity and shows greater efficiency in output terms (Lardy, 2014a).

In 1999, the private sector was recognized in the Chinese constitution and government declared support for private firms to globalize in 2003.

While pro-market reforms have resulted in the ascendancy of the non-state sector, the Chinese government professed that the goal of pro-market reforms is to achieve socialism (Goodman, 2009; Wong & Bo, 2010) with Chinese characteristics and not pure capitalism. Expecting a 'big bang' implementation of reforms is impractical due to the destabilizing effects. A decline in small businesses epitomized by TVEs at the early stage of liberalization (Huang, 2008) does not imply the shrinking non-state sector, but the reconfiguration of market dynamics. A growing number of overseas educated are inheriting family businesses. Some have held professional positions in foreign consultancies and MNEs would help to modernize the management of POEs and adopt increasingly global outlook, yet retaining some traditional ways of managing businesses.

The importance of contextual subsystems and identities of players and interactions at the individual levels should not be obscured. Individuals organize collectively in different structures such as unions, profession, ownership and social position (Greenwood & Hinings, 1996; Walder, 2011) with a range of vested interests. Their priorities and concerns may vary, with possibilities of conflict or overlap in different situations and projects. I focus on business networks and relational capital building and systemic changes rather than culture *per se*. The economic landscape of emerging economies exhibits a complex mixture and overlapping stakes across conventional sectoral categorization. Walder (2011) identified more categories than the simple state and non-state sectors in the Chinese economy as: SOEs, privatized SOE, transactional enterprises and entrepreneurial enterprises.[4] Phenomenon-based research is not limited to collaboration among firms, but include the industry, institutions and markets. Reformed SOEs and hybrids may follow successful POEs under intense competitive pressure to become more efficient to keep up with globalization. Other than strategic SOEs, majority of SOEs have been reformed and largely privatized or merged with larger and more efficient holding groups in the sector.

Overlapping interests between SOEs and POEs (Xie & Li, 2017) could lead to situational collaboration or formalized public-private ownership promoted by the current Chinese

[4] Transactional firms were headed former government officials or individuals with close relationships with government offices; entrepreneurial enterprises grew from exploiting exploited new products and technologies after the onset of reform.

leadership. Reformed hybrids SOEs undergoing isomorphism would imitate 'successful' examples and structure internal changes accordingly (DiMaggio & Powell, 1983; Jiang et al., 2014) to legitimize their position in the industry. Opportunities to cogenerate, adjust and negotiate could result in circumvention of conventionally accepted processes that distinguish clearly the public and private domains. With the burgeoning of collaborative and public-private partnership (PPP) arrangements, merger of public goals and private standards could erode the weight accorded to institutions. The government engages with private actors to deliver projects to ensure economic viability and public good although these may be peripheral objectives of the partners. Firms that could overcome differences and envisage long term benefits (Etienne & Schnyder, 2014) would be induced into tactical collaboration.

POEs that are strong in entrepreneurship initiate alternative institutions that the state comes to accept and implement subsequently (Nee & Opper, 2012). But these alternative channels created out of frustration with limitations of under developed institutions have been synchronized and harmonized with the larger ecosystem. POEs proactively leverage and legitimize favorable policies to enhance the competitiveness of the firm and industry (Ahlstrom, Bruton, & Yeh, 2008). Through commercial and industry associations, entrepreneurs share best practices and strengthen relations with state actors (Nee & Opper, 2012). Recent literature on international political economy examines three-dimensional interactions among the state, market and society (Wong & Bo, 2010). This perspective extends the current global strategy literature on institutional competitive advantage (Martin, 2014) that focuses on POEs reacting to opportunities and leveraging existing institutions for survival and improving their competitiveness (Dau, 2013; Landau et al., 2016).

2.8 Conceptualizing Home Country Effects

This study incorporates coevolution, multi-dimension, multi-level and reflexive approach. The political economy is focused on domestic coevolution of local authorities and entrepreneurship and attraction of inbound foreign investment (Ang, 2016) but did not explore the impact on outbound investment. Political economy incorporates market and cultural factors, and highlight authority patterns and legitimation strategies that best explain organizational structure (Hamilton & Biggart, 1988). One stream focused on interaction between political and economic strategy over three successive generations of China model (Chen & Naughton, 2017) by strengthening modern economic management without a concurrent move towards rule of law (Naughton, 2016). However, a nuanced view of changes in emerging markets allow for firms and government to bargain, negotiate, adjust relationships to achieve common goals and consequent strengthening of weak institutions to protect their gains (Ang, 2016). The aim of this exercise is to extend the political economy perspective to establish the connection between home country dynamics with internationalization. On the other side of the equation, global strategy literature informs us of learning and adaption as a strategic logic (Koza, Tallman, & Ataay, 2011). Faced with additional institutional pressures in host countries, SOEs actively build legitimacy to gain acceptance (Meyer, Ding, Li & Zhang, 2014). The feedback process would nudge change in home country institutions, as suggested by Jackson and Deeg (2008).

2.8.1 The meanings of home country support

I shift the attention from stringent institutional support versus constraint to nuanced and diverse interactions of organizational actors. The long-held support versus constraint paradigm can be critiqued on intentional, relational and temporal grounds. The notion of support evokes different connotations for managers, firms and institutional agents and the meaning may change over time. The calculation of what investors wish for the state to support internationalization and the trade-offs involve, are pertinent questions that have not been addressed directly but are nonetheless important to IB research. As reforms deepen, SOEs come under increasing pressure to operate more like private enterprises in the marketplace. On balance, deregulation and opportunities encourage and facilitate POEs to internationalize. The assumption that POEs are disadvantaged could be challenged by research of POEs' preferences for the types and levels of government support. Some POEs may not yearn for direct government financial support and prefer autonomy in their internationalization plans even though some had benefited from government assistance in the home country. Other types of non-financial assistance may be more relevant for firms. Prior understanding of direct financial support to SOEs would need to be modified to suit changing circumstances.

Institutional mechanisms and effects, contrary to common perceptions, do not merely flow from the state. Nor is institutional support a binary construct of support versus constraint. Indeed, complexities and change show causal ambivalence (Ang, 2016; Chen & Naughton, 2017). To redress the dominance of institutional formalities and top-down directives in previous research on institutional effects, multiple influences during economic transition should be discussed. State capitalism or developmental state (Haley & Haley, 2013; Knight, 2014; Li et al., 2014; Milhaupt & Zheng, 2015b) should be viewed in conjunction with the historical developments, relationship cultivation and evolution of political relations. Delegation of authority from central to local Chinese officials have encouraged business initiatives while conforming with general national and central level directives (Thun, 2004a). Firms beholden to higher authorities would be seen as compliant implementers who meet the targets spelt out by state sponsors, but they have some flexibility to pursue parallel strategic agenda that may not be fully aligned with the sponsors' (Lange, 2009).

Conceptualization of the role of the state (Knight, 2014; Thun, 2004a) could be enhanced by analyzing increasing political co-optation (Walder, 2011) of businesses and professionals, such as party recruitment, and involvement in policy recommendations through the Chinese People's Political Consultative Conference (CPPCC). Former SOE managers or party cadres who become entrepreneurs could benefit from their connections to the local and/or central government and former collectives. POEs also build political capital by offering company stakes to local cadres in exchange for protection and favors, and collectively lobby for policies beneficial to the industry and community (Ahlstrom et al., 2008).

The proactive behavior and accomplishments of POEs should be highlighted in contemporary research. Purposive action by individuals initiate change in organizations (McGaughey, Kumaraswamy, & Liesch, 2016). The process encompasses actors' responsive, reflexive monitoring and reciprocal actions, integrating social relations with strategies and vice versa. That POEs which do not enjoy a level playing field in the protected domestic market would escape overseas (Witt & Lewin, 2007) tells only part of the story behind POEs' overseas expansion. A bottom-up view challenges the assumption that advantages are afforded only to those having political capital. Actors find niche and complementarity to leverage heterogeneity among institutions and businesses and overcome obstacles (Ang, 2016). While entrepreneurs could choose from different sources of financing, Chinese state-owned banks have come under market pressure to operate as commercial entities (Garnaut, Song, Yao, & Wang, 2012). Nevertheless, business to government (B2G) connections at the local levels are still important for POEs to access financial resources (Zhao & Morgan, 2016).

Contrary to conventional wisdom, POEs are increasingly connected with the national government (as with some western democracies) to serve as additional and steadfast protection against governance intervention and anti-corruption investigation, though membership does not result in immediate benefits for the business (Wang, 2016). Interactions between managers and government officials have become routine exercise to expedite approval or bypass red tape.

A further step of cultivation may be undertaken over the long term for support of major commercial projects in the future, or to gain approval and insurance protection for businesses (Nee & Opper, 2012). However, not all POEs partake in cultivating officials (Nee & Opper, 2012) as they prefer to keep a low profile. While political connections, financial donations and party position could be exchanged for access in regulated sectors, it does not always offer clear advantages in improving private firms' financial performance and obliges businesses to return favors, and subject enterprises to closer government scrutiny (Nee & Opper, 2012).

2.8.2 Irregular internationalization paths

The second domain in the emergent conceptual framework addresses the uneven development paths of emerging economies. Internationalization process is like a moving picture rather than a snapshot of a glimpse at a point in time. Changes do not happen suddenly but evolve over time with the participation of different actors and the environments. Location advantages could be multiple fold in the case of China, which is a global factory as well as a huge market for international goods and services. Chinese management and internationalization is closer to the business systems of East Asian economies than varieties of capitalism in Europe. Nevertheless, labels are less important than studying how things work, the rationale for decisions and whether it served the actors' objectives.

This study departs from the assumption of stability, replicability and predictability of home country factors. Although industry-specific learning in different cultures could have varied implications on firm strategies and responses (Xu & Meyer, 2013), managers may not have full knowledge when making decisions. Most actors may not have the capabilities or full understanding of the environment to optimize business strategies (Cohen & Axelrod, 1984; Nelson & Winter, 2002). Managers and entrepreneurs often make decisions under time pressure, lack business information and may be oblivious to risks that could contribute to miscalculations. Strategies are ideally planned with available knowledge and skills but managers must deal with the unplanned and unintended results (Crick & Spence, 2005).

Process is not necessarily smooth, and could proceed in irregular pace and pattern, experiencing growth spurts, slowdown, reversal and de-commitment. From the impetus of change, implementation may encounter difficulties, and the end-point may not be in accordance with the original plan. Organizations may retain, adapt and discard templates to exercise incremental or radical shifts of value commitments (Greenwood & Hinings, 1996). The main protagonists undergo trial and error, responding to policy changes and feedback from consumers and host countries, and try to adapt, modify and refine strategies over time.

A coevolutionary model is appropriate for studying how changes in the home country impact on internationalization. Adapting from political science literature would enhance analysis of multi-level and concurrent relationships. Decentralization in China opened opportunities for regional governments. Having the advantage of local knowledge, officials are empowered with economic authority that may result in some unintended and incongruous outcomes from centralized plans (Caulfield, 2006). Despite this, the targets and general direction of policy directives would have to be met, in meandering ways. In the absence of institutional trust, firms in less developed regions rely more on informal financial institutions and their business partners to solve financial problems (Zhao & Morgan, 2016).

The Chinese political economy has been described as a thriving entrepreneurial bureau-franchising, where stakeholders supported the institutionalization of good governance to preserve markets that have emerged in the process (Ang, 2016). Relationships operate in multidimensional and multilevel dimensions. Intangible resources could be turned into social capital but the boundaries between positive relationships and corruption are not clearly identifiable (Robison & Ritchie, 2010). Social capital derived from networks not only builds trust (Witt & Redding, 2013) but help to sustain institutions (Robison & Ritchie, 2010). In organizational theory literature, coevolution is the preferred choice to study interactions between multi-level organizations and the larger population of organizations in the environment (Volberda & Lewin, 2003). Dynamic relationships enable research to transcend the ongoing debate over whether the capitalism-socialism configuration is half empty or half full. Relationships hinge on relative bargaining strength, and the roles of the provider and the recipient may be switched in another situation. The symbiotic relationships seen in Korean and Japanese business and political interests that wield immense influence on policy matters are cases in point. Even in advanced economies, revolving doors are a common feature in American pharmaceutical industry, with managers moving into official appointments, and the influence of business lobbies on policy matters.

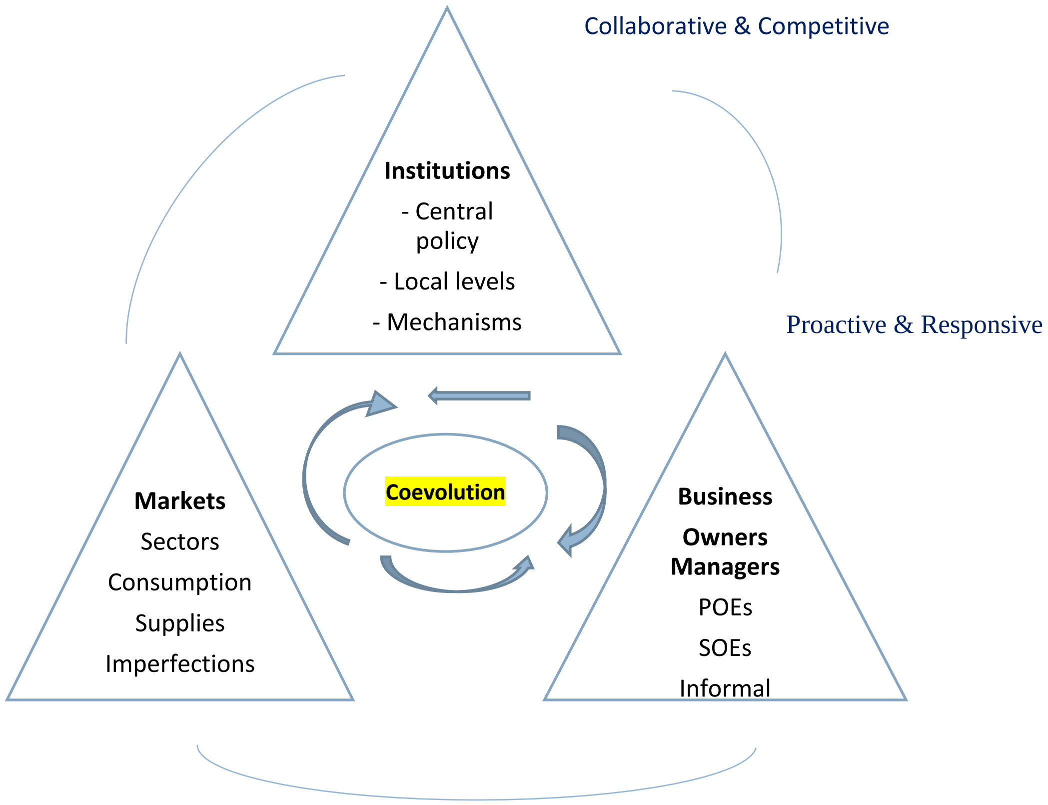
Unlike a unidirectional development path model, political connections do not fade away with institutionalization. Relationships and institutions are not trade-offs that would displace each other in the development process. A coevolutionary model accommodates concurrent existence of relationships and an evolving regulatory system. Marketization does not spell the end of patron-client relationships, but may reinforce some forms of mutual dependency between officials and entrepreneurs connected through interpersonal networks (Wank, 1999). Relationships and political connections among businesses, local officials and central governments that endure market reforms in transition economies are not addressed in the Weberian model (Ang & Jia, 2014). Though networks would not be the focus of this thesis, it is acknowledged as an integral part of the context.

2.8.3 Response, Learning, Adaptation

The third domain in conceptual building is the multidirectional interactive feedback loops (Weick, 1979) between home and host contexts. Instead of calculating the distance between home and host countries in the political, cultural, economic, institutional arenas, it would be more pertinent to examine how home country institutions, managers, officials and industries respond to evolving host country developments towards OFDI. This is presented as a continuity of relations, not limited to calculations of fixed distance or proximity, nor is this a one-off condition.

During the period under study (2008 – 2017), many twists and turns have occurred, and the process is still unfolding. The case studies show that home country actors have to manage the fluidity of the home and international environment. Apart from structural changes, cyclical factors in home and host countries, international markets and regulatory changes could influence internationalization in the short-term. Resource sectors, such as mining and agriculture, are especially vulnerable to volatile prices in the commodity markets. Agrifood business is susceptible to weather conditions and fluctuation in demand and output. Home country economic and political conditions such as volatility and risks influence decision process and the levels of OFDI (Tallman, 1988). While market factors may explain the rational behavioral aspect, I would venture further to examine how and why businesses could react agilely or deliberately under pressure by switching among different sets of logics to justify their decisions. The following Figure 2.4 shows how the main elements in the home country influence each other in different directions. The three main factors are institutions, markets and industry/firms where the actors interact across overlapping boundaries in contingent collaborative-competitive relations and adopt proactive and responsive approaches to advance their interests.

Figure 2.4 A Dynamic Home Country Model



2.9 Summary

This chapter traced the conceptualizing process of home country dynamics on internationalization through problematization consistent with abductive logic. The research subject of study is Chinese agrifood outbound investment to advanced economies between 2008 and 2017. Though OLI model and latecomer perspective were not a perfect fit to match empirical material and the phenomenon, they were considered in the initial construction of an integrated institutional and process model. IB scholars have problematized in varying degrees the notion of institutional support and different business and capitalist systems. I will go further by establishing alternative assumption grounding to create opportunities for generating new findings. Rather than continuing preoccupation with longstanding categorization of conventional assumptions, I iterate theory with data and vice versa.

I have reconstructed an alternative *dynamic home country model* comprising institutions, markets and businesses, operating in changing environments. I have reconceptualized the research approach to offer different ways of looking at home country support, unique characteristics of individual transitioning experience and adaptation to home and host country changes. This is aimed at providing alternative explanations that are more convincing and closer to the experiences of business and official actors. Highlighting key actors in a coevolutionary model would illuminate momentous events when personalities capitalize on prevailing socio-economic and political conditions that culminate in a phenomenon. Acknowledging that internationalization is not a smooth, predictable and regular process, my conceptual model envisages and embraces complexities. This necessitates a shift in the notions of conventional resources and capabilities in political, economic and institutional frames to examine multi-level relationships, multiple logics of action and irregular development paths. An emergent model would try to capture the interactions among heterogenous actors in collaborative-competitive and proactive-responsive ways. I also explore the adaptation, learning, experience and interdependencies of multi-faceted relationships using a combination of lenses within the nexus of path dependent internationalization.

A coevolutionary model would enhance our understanding of seemingly incongruent policies and concerns of regression. Recent recentralization and deepening of pro-market reforms may not be incompatible as multi-prong strategies shape different businesses and levels of authorities on internationalization. Chinese globalization experience provides lessons and feedback on the home country and the process continues. Weak institutions can coexist with functional markets as it is in the interest of the actors to find ways to make things work. I embrace outliers, deviant cases, challenges and alternatives as this will strengthen explanations of practical experience. While macro empirical studies address "*why*" questions in longitudinal studies, there are limits to exploring complexities at the individual level and systems in a holistic fashion. Addressing the "*how*" questions are important as this would help us to understand "*why*" things happened the way they did.

The purpose of this study is not to find statistical significance but to provide insights to a phenomenon of Chinese agrifood OFDI to advanced economies which coincide with the move to consumption-driven economic growth. While responses to host countries are considered, the focus of this framework is based on home country effects on internationalization. The aim is to shed light on the process of negotiating discretionary arrangements and cultivation of relationships that provide alternatives and nuanced explanation to exemplars, outliers and idiosyncrasies.

3 Chapter Three: Context of the Chinese Political Economy

"History cannot give us a program for the future, but it can give us a fuller understanding of ourselves, and of our common humanity, so that we can better face the future." -- Robert Penn Warren (American poet, novelist and literary critic)

3.1 Overview

Current developments are invariably shaped by earlier decisions and experience of organizations and the environment. In the context China and the agrifood sector, developments in the political economy influence firm behavior, internationalization strategies and responses. Extant literature tends to relegate context to the background. However, scholars increasingly recognize the importance of interactions within the home country context (Landau et al., 2016; Peng & Luo, 2000; Rugman et al., 2011). This chapter aims to provide the historical background and context for the study of home country effects on internationalization.

3.1.1 An Inclusive Approach

A holistic approach that incorporates multilevel and multidimensional relationships among home country actors would deepen our understanding of home country context. In emerging economies such as China, policy changes in the home country have significant effects on internationalization of firms. I draw on literature from political economy, history and sociology to inform an emerging area of interest in IB. Though leadership transition in China has been stable, economic policies are largely experimental. Operating in uncertain environment, it was ambiguous how policy implementation would pan out. Deng Xiaoping, credited for modernizing and opening China, has notably been cited for his analogy of "crossing the river by feeling the stones". This suggests that despite guidance and general directives from the central government, the Chinese bureaucracy and industry must be cautious and steadfast and be prepared to acclimatize and alter directions. Rather than unleashing comprehensive reforms all at once, the Chinese leadership took small steps and confined experimental pilot projects in special economic zones to buffer risks of major failure that may affect political instability.

I argue for process to be incorporated in the study of Chinese internationalization. Rather than focusing on what is relevant to a point in time, a coevolutionary approach incorporates complex interactions of different actors over time. A snapshot approach would freeze what is relevant at a juncture in history but discounts continual transformation, whether initiated or adjusted. With reference to Heraclitus' analogy "no one could ever step into the same river twice", we should be mindful of the temporal dimension. Contextualization is crucial to the understanding of transition economies. Commonly applied reductionist models would be predisposed to a static and deterministic perspective. Such a portrayal is problematic because business systems are contingent on various social, organizational, institutional and environmental influences (Zhao & Morgan, 2016).

This chapter will be structured according to historical developments, focusing on pro-market reforms. Reforms cover both the state and non-state sectors. As reforms deepen, boundaries of entities, sectors and institutions may overlap. Next, I will address the importance of agrifood sector in the Chinese economy and aims of internationalization. The final section shows the connection between progressive deregulation to facilitate globalization of agrifood business.

3.1.2 Evolution of Pro-Market Reforms

Since China embarked on pro-market reforms and an open-door policy in 1979, the government adopted multi-prong strategies with different emphases at different stages of development. A key priority has been the massive restructuring of SOEs that pervaded the Chinese economy since new China was established. Varieties of capitalism model (Coates & Palgrave, 2005; Hall & Soskice, 2001; Jackson & Deeg, 2008b; Lange, 2009; Whitley, 1998; Witt & Redding, 2013) adapted from western capitalist systems are useful for comparative studies but do not fit the Chinese developmental process. Scholars debate the pace and degree of privatization. Industrial policy has been a part of developing state capitalism. Debates over how capitalist or socialist, or whether economic transformation must necessarily be accompanied by political reforms, have not led to fruitful understanding of "socialism with Chinese characteristics". It is more important to recognize that the goals is socialism and not capitalism (Goodman, 2009). The Chinese leadership does not have a clear vision of the endpoint in history (Kwok, 2018). The definitions of private and public have been debated due to the lack of clear divisions in the informal networks and the criteria for determining the categories (Scissors, 2016). Different shades of SOEs have emerged - some are more competitive, organized like private enterprises, while strategic SOEs fulfil key social goals and are more important than peripheral SOEs. There are limitations of relying on China's National Bureau of Statistics and Ministry of Commerce statistics due to incomplete reporting by firms and difficulty of verifying publicized data. A diversity of sources would overcome information gaps and provide a holistic overview.

It would be more meaningful to focus on the temporal dimension of Chinese political and economic reforms. Within each phase, the roles of different sectors will be discussed in greater detail. There are broadly five phases of Chinese multi-faceted pro-market reforms:

(1) initial experimentation with socialist modernization;
(2) top down restructuring of SOEs through guided capitalism;
(3) transformation to make SOEs more competitive;
(4) further pro-market reforms and encouragement of POEs; and
(5) deregulation, recentralization and collaboration of state and private.

Initial experimentation with limited market-oriented reforms were focused on rural markets and contractual arrangements. Though farm income increased, ineffective coordination resulted in imbalances, rural-urban divide and distribution inefficiencies. From 1989 to 1991, reforms were brought to a temporary halt due to the crisis of state capacity. There was a pressing need to search for future policy direction. With reformers gaining the upper hand, reforms were revitalized. In 1992, the Chinese leadership pushed ahead with implementing a *socialist market economy*. The first goal was to reduce the number of SOEs through a policy of '*grasping the big, releasing the small*'. In the late 1990s as China was preparing for entry to the World Trade Organization (WTO), the Chinese government stepped up support for SOEs to become more competitive internationally. Concurrently, the government encouraged entrepreneurship and private firms to compete with SOEs to improve their performance. While pro-market reforms imposed higher standards on SOE management, the post-GFC stimulus favored SOE's continued dominant role in the domestic economy. Under Xi's leadership, recentralization and anti-corruption campaigns took off ostensibly to improve governance over state-managed assets. Overseas deals by Chinese companies hit a record US$170bn (£132bn) in 2016, prompting the Chinese government to tighten controls of overleveraged credit in foreign investment. Table 3.2 shows the evolution of China policy priorities over the years.

3.2 State Sector

Since the formation of new China, SOEs undertook the important responsibility of national reconstruction, providing not just employment, but also a range of social services, such as education, medical care and healthcare and retirement protection for their employees (Fan & Hope, 2013). SOEs continue to dominate mining, steel, telecommunications and energy. SOEs may be supervised by central or local (provincial or municipal) governments. Each SOE has been assigned certain areas of priority and specialization to fulfil, whether in strategic, pillar or other less essential portfolios. Central SOEs receive direct government funding and their performance is slightly below those of regional SOEs. Despite decades of pro-market reforms, China's state sector continues to account for more than 30 per cent of total GDP (down from 70 per cent in the late 1990s) and 20 per cent of total employment (down from 60 per cent in the 1990s).

The first significant milestone of SOE reforms was the '*grasp the big, release the small*' policy from 1992 to 1997. After SOEs were corporatized in 1994, their numbers were reduced. Large SOEs came directly under central government control but smaller SOEs relinquished their management to local governments which restructured, privatized or closed. In the 1990s the Chinese leadership looked to the Japanese *keiretsu* and Korean *chaebol* for inspiration to achieve economies of scale and develop into global competitive conglomerates quickly (Kroeber, 2016).

The next wave of change to SOEs could be considered the most massive transformation of SOEs in Chinese history. From 1998 to 2003 Premier Zhu Rongji launched a huge transformation of SOEs to boost their competitiveness in preparation for accession to the WTO. The State-owned Assets Supervision and Administration Commission of the State Council (SASAC) was set up to hold state assets on behalf of the state and evaluate managerial appointments. Pillar industries that have been identified (equipment manufacturing, automobile, information technology, construction, iron and steel, nonferrous metals, chemicals, and surveying and design) must have significant government ownership but the government need not be a majority stakeholder. According to SASAC, strategic industries are those that the state must maintain at least a fifty percent ownership stake of existing firms (defense, electric power and grid, petroleum and petrochemical, coal, telecommunications, civil aviation, and shipping). State-owned financial institutions are owned by Central Huijin. However, SASAC and Central Huijin are not involved in day-to-day operations of individual SOEs.

The policy of promoting national champions continued well into the late 2000s. China adopted the "*guojin mintui*" policy, meaning that "the state advances as the private sector retreats" in order to promote national champions. SOEs' share of market capitalization increased from 70 percent in the 1990s to 83 percent in 2007 (OECD/CSMAR, 2009). The target was to promote 30 to 50 SOEs as national champions to become multinationals in the league of Samsung and General Motors. SOEs were again given preference in domestic stimulus projects after the GFC. Some profitable subsidiaries of SOEs have been listed on the stock exchange. Nevertheless, national champions are not strictly limited to SOEs. One such private company is Huawei. Additionally, innovative and successful POEs, identified as award-winning domestic "*dragonheads*" have received government encouragement and tax incentives to internationalize.

Within a decade since SASAC was set up in 2003, the profits of its assets quadrupled but the share of profits of state-owned non-financial corporations underperformed (Lardy, 2014b). This did not necessarily mean that national champions were more successful. Despite the "*release the small*" policy in the 1990s, SOEs have multi-layered structures with uneven performance, where some efficient companies may subsidize loss-making subsidiaries. The return on assets (ROA) of SOEs in three highly state monopolized sectors (tobacco, oil extraction, and electricity) have performed very well during the last decade but those in sectors where POEs are competitive have been lagging behind by 4 percentage points on average (Xu, 2010). Competition has intensified among firms of various ownership structures in the mixed market economy (Wu, 2006). As a result of institutional reforms, Chinese firms regardless of state-owned, hybrid or private ownership, are subject to increasing market pressure, and strive for efficiency and delivery of performance targets (Zhou, Cai, & Li, 2006). However, SOEs have additional responsibilities which include social objectives on top of profit maximization. SOEs have been more aggressive in adjusting prices and marketing new products that would benefit Chinese consumers (Wu, 2006).

The period 2004 to 2012 witnessed mixed policies to manage globalization and the global financial and food crises. As more central SOEs are corporatized, a third of central SOEs recruited external professionals as directors (Fan & Hope, 2013). Previous management teams were principally filled with bureaucrats and political appointees who would be promoted or moved to other ministries and SOEs after a few years' stint. The number of central government-owned enterprises has been reduced over the years while smaller SOEs continue to be owned and managed by local governments. Most studies showed that pro-market reforms led to productivity growth, with the performance gap and formal ownership distinction between SOEs and non-SOEs gradually being reduced since the late 1990s (Putterman & Li, 2008).

Table 3.1 Decline in the number of Central SOEs

Time	Number of Central SOEs
1998	127
2003	196
2013	115
2016	106
December 2017	98

Source: China Daily; Xinhua; China Statistical Yearbook; OECD; Fan & Hope (2013)

Chinese SOEs have been favored over POEs to undertake key domestic infrastructural projects. China expanded rail, highway, telecommunications and water management systems in the aftermath of the 1997 Asian financial crisis, enabling connections of previously separate domestic markets in a huge country (Lieberthal & Lieberthal, 2003). The move to the interior provinces to take advantage of low cost labor in manufacturing and attracted joint ventures with private and foreign businesses. Similarly, SOEs undertook investments of overseas projects to capitalize on the post-GFC stimulus funding.

China's pro-market reforms capitalized on its decentralized organization owing to the size of the country. Local SOEs have displayed greater flexibility and are outperforming central SOEs. In the first three quarters of 2017, centrally-administered SOEs made about 1.09 trillion yuan in profit, up 17.3 percent year-on-year, while locally-administered SOEs made over 575 billion yuan, up 35.8 percent year-on-year (Zhong, 2017b). In this respect, improved performance of SOEs bode well for Chinese banks as half of the credit are made to SOEs.

3.2.1 Strengthening SOEs

The recent shift towards rebalancing the economy and recentralization of political monitoring may seem paradoxical, but it is a continuation and deepening of the reform process.

Some observers wonder if changes amount to reversal of pro-market reforms. Strong SOEs may seem incompatible with pro-market reforms and consumption-based economic growth. However, policy adjustments are consistent with improving the efficiency of SOEs. The current leadership is concerned with improving the governance and competitiveness of SOEs. An estimated 345 "zombie companies" with weak core businesses and excessive bureaucracy subsidized by central SOEs would be reorganized and streamlined. Central SOEs are required to shrink the number of management levels from the existing five to nine to lower than three or four, while stripping off 20 percent of their subsidiary legal entities within three years. The decision was unveiled during the State Council's executive meeting on May 2016 chaired by Premier Li Keqiang (State-Council, 2016).

> "Central SOEs have played an indispensable role for China's social and economic development, and we should give them full credit in that regard…Yet crucial problems exist with them as well, and now we must tackle them step by step, which is in fact deepening the SOE reform" - - Premier Li.

The 'Made in China 2025' strategy is aimed at helping Chinese SOEs to excel globally and increase the value of exports. To create competitive global MNEs out of SOEs, the government sought to deepen supply-side structural reforms. The number of SOEs have been reduced through consolidation, mergers and disposal of non-core SOE assets. Majority of the central SOEs focus on strategic industries and natural monopolies. Other industries are open to competition between SOEs, hybrids and POEs.

The government's encouragement of private-public partnership (PPP) since 2013 was a way to improve the performance of SOEs. At the beginning, PPP was supported in major infrastructural projects, but gradually expanded to other sectors. In October 2017, the first batch of 19 central SOEs have undergone mixed-ownership reforms in areas of power generation, oil and gas, railway and telecommunications (Zhong, 2017b). Local SOEs in high growth regions such as Shenzhen, are taking initiatives to promote ownership diversification. SOEs would continue to feature as key players in both the domestic economy and international markets, fulfilling social goals in addition to commercial targets.

3.3 Non-State Sector

The non-state and subsequently the private sector emerged from the policy shift of allowing diverse forms of ownership to operate side by side in the post-Mao era (Wu, 2005). The development of the non-state and private sector has come a long way. Marketization of firms has been guided by central government directors, implemented by local officials and leveraged by entrepreneurs. The notable milestones are: (1) household contract system; (2) corporatization; (3) recognition and legitimization; (4) government support for innovation and internationalization; and (5) collaboration. A summary of the evolution of China's non-state sector policies and the political and economic environment is shown in Table 3.2.

POEs have grown in numbers and are the engine of rapid growth of China's domestic economy. The rising prominence of POEs is evident in their contribution to two-thirds of China's GDP and three-quarters of Chinese industries (Lardy, 2014a). The private sector's share in GDP was already 33 per cent in 1998 (Garnaut et al., 2012; Tsui, Bian, & Cheng, 2006) prior to China's accession to the WTO. By 2006, the number of POEs were five times more than SOEs. Though the majority of POEs lack scale in comparison with SOEs, they are the leaders in the manufacturing sector. POEs have even moved into pillar industries such as airlines services and automobile manufacturing, through partnerships and encouragement of the central government (Thun, 2004a).

3.3.1 Legitimization process

Township-village enterprises (TVEs) in the 1980s were experimentation models of entrepreneurship and the free enterprise system. TVEs were more efficient than SOEs despite inherent disadvantages in technology and modern management skills and limited access to bank loans and government support (Perotti, Sun, & Zou, 1999). Some private entrepreneurs even surpassed the performance of SOEs in urban areas (Thun, 2004b). While the non-state sector spearheaded economic growth, SOEs continued to play important social functions. Huang argued that the 1980s to 1990s were the height of entrepreneurial growth and lamented the demise of spontaneous and vibrant small POEs in favor of ubiquitous state control which stifled entrepreneurship (Huang, 2008). However, history has shown that imbalances in the economy led to discontent, necessitating further reforms and adaptation toward a new equilibrium. The non-state sector played an important role of absorbing surplus labor and laid off workers from restructured SOEs (Garnaut et al., 2012).

A significant milestone was limited liability afforded to registered private firms when the Company Law was enacted in 1994. Prior to private enterprises gaining recognition or legitimacy, firms put on a "red hat" to masquerade as a collective firm or local government branch (Garnaut et al., 2012). Hence, many private firms formerly disguised as *collectives* formally took on the POE label. Many previously unknown enterprises also registered as companies. In 1999, private firms were recognized by the Constitution and were allowed to apply for foreign trade licenses. Domestic market protection was lifted to encourage competition among firms, in preparation for China's accession to the WTO. Foreign investors in China also pushed for adherence to international benchmarks which POEs were more capable of meeting in a short time (Thun, 2004a). Further liberalization of state controls, deregulation and institutional changes were conducive to the growth of POEs.

Economic sociologists have studied the context of policy changes in depth. Decentralization gave rise to 'network capitalism' that facilitated industrial governance in the absence of strong institutions (Boisot & Child, 1996). Though incremental, the bottom-up evolution of economic institutions helped to legitimize private enterprise as an organizational entity (Nee & Opper, 2012). The lack of enforceable 'institutionalized trust' has been compensated by informal and social trust (Witt & Redding, 2013). Firms that proactively leverage political connections (Landau et al., 2016) are likely to benefit than "*takers*" of policy changes. The pace of private firms gaining legitimacy through organic environmental change would be slower than firms that proactively build legitimacy for their business and industry (Ahlstrom et al., 2008). Initial reforms may trigger local governments and businesses to respond or initiate change because of their complementary interests (Krug & Hendrischke, 2015). Chinese actors coevolve by harnessing weak institutions to build markets, stimulate strong institutions and preserve markets (Ang, 2016). Contrary to conventional assumption that Weberian rule of law and formal property rights are prerequisites to achieve growth, Chinese enterprises and local governments collaborate and coevolve to develop new markets and norms (Ang, 2016). POEs worked more closely with local officials on specific business deals than with the central government that primarily set general directives. Regulations helped POEs to secure rights and gain legal, social, economic and political legitimacy (Nee & Opper, 2012).

At the same time, some POEs have been co-opted by the central government for mutual benefits. From 2001, owners of private business could join the Chinese Communist Party. The profile of the Chinese elite has been changing from the previous bureaucrat and party model to a more heterogeneous base. Business leaders, professionals and academics are welcomed to join the Chinese People's Political Consultative Conference (CPPCC) and provide inputs for policies. It was estimated there were 185,000 members with postgraduate engineering degrees (Yearbook, 2014). However, other scholars argue that the Chinese government exerts considerable influence over large POEs. Like SOEs, POEs that enjoy market access, state subsidies and are close to political power, arguably carried out the national policy objectives, similar to the functions of SOEs (Milhaupt & Zheng, 2015a). These narratives suggest overlapping objectives across entity boundaries.

3.3.2 Financing POEs

The People's Bank of China functions as the central bank. The Agricultural Development Bank of China, China Development Bank (supervised by the State Council) and EXIM Bank of China were set up in the 1994 to serve as policy banks. Of the 10 Central government-owned commercial banks, five are among the top international banks (Agricultural Bank of China, Bank of China, Industrial and Commercial Bank of China, People's Bank of China and China Construction Bank Corporation). The "Big Four" state-owned banks represent 60 to 70 percent of the domestic banking business.

The liberalization of the Chinese financial sector has opened opportunities for non-state funding sources. The China Merchants Bank, founded in 1987, was the first share-holding commercial bank wholly owned by corporate legal entities in China. Large publicly-listed joint-stock private commercial banks include Minsheng Bank (the first to be set up in 1996), China Zheshang Bank and Ping An Bank. Privately-owned banks include the Bank of Shanghai, Taizhou and Taian. In 2014, five new trial private banks have been approved, and Sanxiang Bank in Hunan started operations in 2016. MYbank of Alibaba Group Holding and WeBank of Tencent Holdings make microloans to individual clients and small enterprises.

Officially, commercial banks are not supposed to discriminate against private firms. In 1998 the central bank lifted the credit cap on commercial banks and let each to be responsible for profit and losses. Though the Chinese central bank forbids differential rate, banks mitigate higher credit risk and charges higher interest on POEs that are less transparent on ownership structures and accounting records (Garnaut et al., 2012). However, wealthy POEs could "borrow the shell for the egg" through back door listing (Garnaut et al., 2012). There are cases where larger unlisted POEs purchased a smaller listed company to improve their credit rating and access to diverse funding sources.

While SOEs have direct access to the state banking system, private entrepreneurs with connections to local government (Sun, Peng, Lee, & Tan, 2015)could facilitate loan processing time and request for a higher loan amount if these clients meet the basic loan criteria (Zhao & Morgan, 2016). The success rate of POEs getting loans from four state-owned commercial banks was 83 per cent but the bureaucratic processes and expenses of making a formal loan application was time consuming and financially costly (Garnaut et al, 2012). Informal connections are important for POEs seeking capital. According to the data released by the People's Bank of China, private firms received 52 per cent of all credit flowing to firms from 2010–2012, while the share of state firms was only 32 per cent. This should not be surprising considering the higher return on assets generated by private industrial firms, and their interest coverage ratio, which are common measures of credit worthiness (Lardy, 2014).

POEs may find it worthwhile to get long term and substantial loans from established formal banking institutions. However, it would be more convenient to obtain short-term working capital, one-off bridging and operational liquidity financing from their own resources, informal connections (family and friends) and semi-formal avenues (credit associations) that charge higher interest rates but overlook documentary and collateral backing and allow flexible repayment terms (Garnaut et al., 2012).

3.4 Overlapping Boundaries

Debate over the definitions of entities and inconclusive findings of Chinese economic development could be attributed to the lack of clear divisions of sectors and responsibilities. It is difficult to provide strict definition and categorization of what constitutes state and private. Dominant literature tends to take a dualistic state "ownership bias" view of state capitalism rather than a blurred boundary conceptualization (Milhaupt & Zheng, 2015a). POEs have acquired non-performing SOEs, and recruited former SOEs managers, or have close connections to the local and/or central government officials. POEs are heterogeneous businesses, former collectives, start-up or experienced entrepreneurs. Huawei is considered a private company despite the founder's military background and political connections cultivated as the company expanded. In China where most entrepreneurs or a family member would have worked for a state organization, it would be difficult to completely dissociate connections to the government. Marketization may not spell the end of relationships as mutual dependency between officials and entrepreneurs are conducted through interpersonal networks (Wank, 1999).

Table 3.2 Evolution of Chinese policy priorities

Economic Context	Summary	State sector Reforms	Non-state sector policies	Political Context
1978 – 1980s First stage of economic reforms	Experimented with "socialist modernization" Bottom-up growth	SOEs given greater autonomy and responsibilities for profits/loss. Performance-based incentives. Contract-based collaboration of all levels of SOEs. Licenses to selected SOE to export.	Farm household contract responsibility Township-village enterprises (TVE) modernize farms & industrialize rural. 1983: two tier pricing and distribution 1980 – 84: Special economic zones	Post Cultural Revolution Party rejuvenation under Hu-Zhao leadership. 1989-1991: reforms halt; crisis of state capacity
1992 – 1997 Market liberalization	"Socialist market economy" declared Top down institutional reforms Large corporations	1994: SOEs registered as companies. Reduce SOE numbers (500): "grasp the big, release the small" (lease or sell). SOE as vehicles of guided capitalism. Study Japan & Korea models to develop identified national / provincial champions.	1994: Company Law - limited liability Decentralization favor urban firms. Incentives for private and foreign joint venture in technology sectors.	1992: Deng's southern tour Local officials given more powers (e.g. real estate) Cadre reforms: emphasis on professionalism
1998 – 2003 Develop global competitiveness	Accelerated reforms 1999: Go Out Policy announced 2001: Accession to WTO	Premier Zhu Rongji: huge transformation of loss-making large & medium SOEs in three years. Industrial ministries were abolished. 2003: SASAC set up to evaluate SOE managerial appointment process, invest and hold assets on behalf of the state.	1999 Constitution recognized private firms. Allowed to be issued foreign trade licenses. Deepening of local entrepreneurship. 1998: foreign investors allowed to buy state assets.	Jiang Zemin's three represents to re-establish inclusiveness. Long term plans for economic and social development.
2004 – 2012 Dealing with global crises and sustainable growth	Top down revamp of bureaucracy Sustain reforms but at slower place Post-GFC stimulus	2005: external directors to fill half of SOE boards – introduced individual accountability. 2006: state continues to dominate seven strategic & five pillar industries. 2010: "state advance, private retreat". SOEs favored in domestic projects.	2004: private asset and capital ownership were recognized by the Constitution. 2006: Limited personal liability company law. Support innovation through domestic R&D. Intellectual property protection laws. MOFCOM supports POE globalization.	Hu Jintao: harmonious society. Policy consultation and co-optation of businesses.
2013 – 2016 Rebalancing Mixed policies	Centralization Deepen reforms Restrict capital outflow	Improve management of capital through "mixed ownership" reform. SASAC to reform selected SOEs to promote efficiency and governance. Tightened monitoring and forex controls.	Deregulation of approval requirements for internationalization but increased firm responsibility and checks. Encourage PPP (public-private partnership).	Xi Jinping: China Dream Quality & sustainability Anti-corruption Direct supervision "Belt and Road initiative"

3.5 Agrifood Sector

China is the world's largest producer and consumer of food. Between the 1990s and mid-2000s, China was able to produce sufficient food for its domestic consumption and was a net exporter of agricultural products (Ghose, 2014). However, the Chinese government struggles to feed its 1.4 billion population with only one-fifteenth of the world's arable land. Since agro-economist Lester Brown published the popular and controversial book "*Who Will Feed China?*" in 1994, global attention and concern has turned to China's food consumption needs. Though agriculture accounts for only nine percent of China's gross domestic product (GDP), a third of the national workforce engaged in farming activities (Kroeber, 2016).

3.5.1 Food Security

Agriculture commands an important place in the Chinese economy. That the Communist Party Central Number One Document is dedicated to the agricultural policies shows the importance of this sector. Food security has been a key concern of policy makers, having suffered three years of natural disasters and the great famine in 1958 to 1961 following the Great Leap Forward. Despite its huge land mass, only seven percent of China's land is cultivable land. For three decades China managed to achieve self-sufficiency in grains but the ratio has been revised to 90 per cent excluding soy bean since 2011. The current 166 million hectares under active agricultural usage (though above the 120 million hectares "red line") falls short of consumption needs by 30 percent (Cheng & Zhang, 2014). The rise in demand for meat has also put pressure on grain supply for both human consumption and animal feed. The cropping structure has been changing, with farmers diversifying from grains into higher-valued crops, aquaculture and off-farm employment. Since 2011, China has become the largest importer of food, surpassing the US (Cheng & Zhang, 2014).

Though agriculture was not identified as a strategic or pillar industry, sustaining food security in terms of sufficient supplies and stable pricing have always been important goals. Since 2003 the government has encouraged grain growing by offering subsidies or higher prices to farmers. However, grain production has only increased marginally by less than five percent in the past decade. Land and water shortages and soil degradation are serious resource limitations. The effects of growing urbanization, rural-urban migration, aging population and climate change have put strains on farm productivity. Rapid urbanization and industrialization have depleted natural resources and reduced the availability of surplus cheap rural labor.

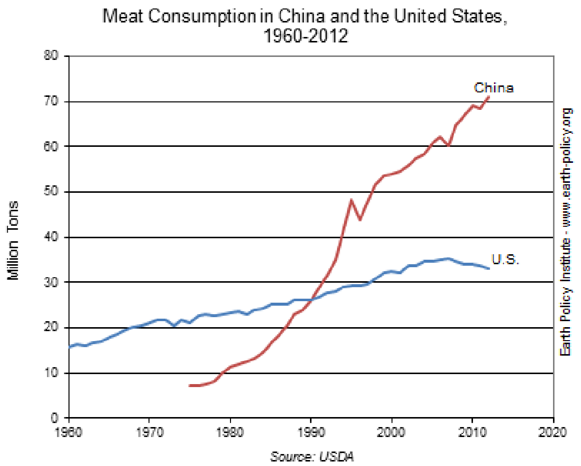
The government responded to the global food crises of 2007 – 2008 by intervening in consumer pricing protection, applying trade measures and encouraging domestic production (Yu & Jensen, 2014). Food prices soared in the international and domestic markets from late 2006, negatively impacting low-income households in China. Increase in food prices previously maintained below three percent a year, registered more than 12 per cent price rise in 2007. The price of pork and poultry rose by 30 percent (Foodsecurityportal, 2014). The government increased the minimum support prices for different varieties of rice and pays higher than market prices. In 2008, China increased export duties on major crops, such as wheat, barley and rice, to ensure sufficient supplies for the domestic market. Domestic investment in rural areas increased by 21 percent from 2007 to 2008, 27 percent from 2008 to 2009 and 20 percent from 2009 to 2010 (China Statistical Yearbook). The Chinese government supported producers by tripling subsidies for fertilizer between 2004 and 2007 (Maetz et al., 2011). During the food security crisis in 2008, China ensured adequate supply of fertilizer to domestic farmers by discouraging exports through tariffs (Maetz et al., 2011).

As agrifood prices eased in recent years, Chinese food security policy turned to long-term plans to capitalize on global markets rather than direct *ad hoc* intervention in times of crises. Chinese chief agricultural economic policy adviser urged Chinese investors to become global traders rather than farmers (Cheng & Zhang, 2014). Agriculture Minister Han Changfu said that China's agriculture sector needs to undertake supply-side reform in view of the bumper harvests and surplus corn stockpiles which put a financial burden on the government to pay artificially high prices to support farm incomes (Stanway, 2016). As Chinese agricultural management academic Wei noted, prices of imported agricultural products have remained low and domestic prices are falling. Chinese policy makers are persuaded to address China's food security needs through internationalization. China could coordinate global resources by increasing imports from diversified suppliers and forging long-term partnerships and overseas investment to ensure China's food security (Wei & Chen, 2016).

The shift to higher protein diet has driven the diversification of the agrifood sector. Increasing meat consumption has partially displaced grains as the staple food of the rising Chinese middle class. Between 1985 and 2005 meat consumption in China quadrupled, reaching 59.5 kilos per person a year, according to the United Nations Food and Agriculture Organization (FAO, 2012). Meat consumption is likely to continue to increase in coming years as more Chinese become affluent and exposed to consumption patterns of advanced economies.

By 2020, meat consumption is expected to grow by 35 percent from current levels. There is also a growing market for wine, olive oil and exotic fruit such as cherries and berries (Z. Zhou, 2017). The decline in meat consumption in the US (Figure 3.1) opens investment opportunities for Chinese firms seeking to import a variety of food sources to the home country.

Figure 3.1 Meat Consumption in China and the USA



3.5.2 Food Safety

Food safety issues have become a major concern in China in recent years. Following the global food crises of 2007 – 2008, Chinese consumers were hit by a spate of food contamination scandals over tainted milk, chemical additives in pork and supply chain lapse (Lam, Remais, Fung, Xu, & Sun, 2013). It was not until 2015 that the government explicitly enunciated the importance of food safety in public statements. This has prompted the search for "clean and green" food sources from global markets.

In the past, agricultural firms diversified into non-agricultural sectors mainly to increase profits (Wei, Fang, & Wu, 2017). However, successful non-agricultural corporate groups have diversified into agricultural business to tap the growing middle-class consumers, and to secure long-term stream of stable income. EverGrande, a real estate company in Guangzhou expanded into tourism and agriculture in 2011. Its agrifood subsidiaries sell organic rice, oil, dairy and animal husbandry sectors to Chinese consumers (Qiu, 2014). Alibaba founder Jack Ma set up Yunfeng Capital with Citic Private Equity and spent US$360 million to acquire a majority stake in Chinese dairy group Yili. Internet game company NetEase invested in an 80-hectare pig farm in Zhejiang province. Computer maker Lenovo invested in a blueberry and kiwi distributor through its agricultural subsidiary, Joyvio. (Murray, 2014). Leading technology firms Alibaba and JD.com have started selling imported farm products on e-commerce platforms to Chinese consumers.

3.6 Internationalization

China's open-door policy evolved from import substitution in 1972-1978 and export orientation in 1978-2001 (Wu, 2005). In transitioning to global trade, China adopted a gradual policy with special economic zones at the forefront for expansion. In 1990, China led the world in the production of cotton textiles and televisions. After China joined WTO, it became a key manufacturing center of Asia and a major exporter of white goods and electronics, bicycles, motorbikes, and subsequently cell phones and computers.

When China opened its economy to inbound foreign investment in the 1980s, tight restrictions were imposed on the locations, sectors, and types of participation available to inbound foreign investment. However, regulations were gradually relaxed. By 2006, foreign financial service firms were permitted to provide a full array of banking services (Garnaut et al., 2012). Foreign MNEs have been leveraging mainland Chinese workers for international competitive advantage and the growing China market. Since 2000, Japanese firms have increasingly committed to high-end investments in China (Lieberthal & Lieberthal, 2003).

China's agricultural sector is fast losing its comparative advantage in land intensive agriculture. Nevertheless, niche labor intensive agrifood production such as aquaculture, horticulture and processing in China may still enjoy cost advantages in the short-term. Chinese firms have been known for specializing in producing food inputs for developed countries. SOE COFCO Tunhe manufactures tomato paste destined for international brands such as Heinz, Nestle, Unilever and McDonalds (Lin, 2007). China's cost advantage is gradually eroded due to rising cost of production for cash crops such as sugar and fruit.

Prior to post-Mao modernization, Chinese outbound investment was mainly in the form of developmental aid to developing countries. In the 1990s, Chinese firms invested on large scale projects or formed joint ventures with Southeast Asian, African and Latin American countries (Table 3.3). The common perception is that Chinese funded projects in developing economies were motivated by resource-seeking and market seeking objectives. The Chinese government was also keen to transfer of Chinese farming technology, self-sufficiency model and infrastructure development. The strategic thinking behind enabling populous developing countries in large continents to feed themselves would to alleviate global food scarcity and competition for resources in the world markets. Recent projects in developing regions are geared towards diverse, smaller scale and profitable entrepreneurial ventures (Cook, Lu, Tugendhat, & Alemu, 2016).

China's food security policy has evolved towards sophistication, encompassing multi-prong strategy of domestic self-sufficiency by increasing productivity (through seed research, mechanization and chemicals), subsidies for domestic producers, storage and cost controls, moderate import dependency and encourage Chinese investment in different agrifood resources and supply chain (Wei & Chen, 2016). Home country food strategy has shown changing priorities, from concerns over food security to incorporating food safety needs. Following the GFC and global food crises of 2007 - 2008, the government encouraged large agrifood firms to invest overseas to have better control over supplies and global prices. Inductive observations of smaller scale investments in developing countries claimed that food security has not been achieved as produce was not shipped to China (Chen & Guo, 2017). This discourse neglects to give due recognition to the indirect achievement of food security as a long-term strategy. In the broader context, POEs and regional SOEs complement overseas investment by larger SOEs that acquire global trading and logistic firms.

In 2007, Beijing issued the Central party number one document, calling for the rapid implementation of "go global" policy for the agricultural sector. As global agricultural prices fell in the past decade, attention shifted to the high cost of subsidizing domestic production to compete with cheaper imports. Historically, China's agrifood investment have been focused on developing and emerging market economies. Official data showed 589 of the 1356 enterprises in agriculture related enterprises (including forestry and fisheries) are in Asia. Increasingly, Chinese OFDI destinations have diversified to advanced economies as it sought premium quality resources, management skills and technology. The balance between state and private players has even out gradually. The value of China's outbound M&A for POEs grew from US$5 billion in 2010 to US$35 billion in 2015 compared to US$53 billion and US$39 billion for SOEs during the same period (Barber, 2016).

Table 3.3 Evolution of Chinese Involvement in Overseas Agrifood Projects

Timeline	**Significant Events**
1950s – 1960s	Development aid to newly independent and third world countries driven by diplomacy
1978 – 1980s	Shift to business-oriented model, commercial medium sized farming and demonstration projects in developing countries
1980s – 1990s	Joint venture with foreign partners and revival of defunct projects of other investors and sponsors
1990s	Government level and state / provincial involvement: • African countries (Zambia, Mali, Guinea, Ghana, Mauritania, Tanzania, Tongo, Gabon, South Africa) • Latin American countries (Cuba, Mexico)
1992	Deng Xiaoping encouraged regional authorities to engage in international business under supervision and regulation
Mid 1990s 2000 – 2008	Chinese government provided host countries and Chinese investors with machinery and credit • Investment in land and infrastructure in Africa (Mozambique and Ethiopia) • Mekong river basin infrastructure and rice (Laos and Cambodia) • Demonstration farms and transfer of technology to developing countries • Investment in raw materials from Indonesia (palm oil, rubber, timber) • Large scale farming in Russia, Ukraine, Central Asia (soy, corn, vegetables)
2001	Encouragement of “Go Out” globalization policy formalized by a directive to relax controls on ODI.
2001	China’s accession to WTO opened domestic economy to global competition
2006	Agriculture was listed as one of the priority sectors of the Chinese economy
2006	China African Summit cemented and deepened ties of the two regions
2007	Central No. 1 Document of the Chinese Communist Party on Agriculture called for the rapid implementation of agricultural “Go Out” policy
2008	Food security strategy was issued by the Ministry of Agriculture
2009	Food safety law was implemented. Chinese agricultural firms began to explore investment opportunities in advanced economies.
2010	Document No. 1 urged development of trade, supervision of quality imports and cooperation in agricultural technology. Surge in food imports to meet growing demand not be met by domestic production. Minister of Agriculture Han Changfu said time was ripe for Chinese agrifood companies to invest overseas.
2012	NDRC policy guideline identified agriculture as a priority sector for financial support.
2016	Document No. 1 called for green development in domestic grain output. Production structure must meet diverse consumption demand. Enterprises encouraged to "go overseas" to balance exports and imports.
2017	Document No. 1 offered favorable taxation policies for business startups in China’s rural areas; encourage college graduates, entrepreneurs and returned students from overseas to start businesses and bring technological and managerial expertise to rural areas. SASAC adopted a negative list to crack down on overleveraging in overseas investment. Agriculture was encouraged and excluded from the list.

Sources: China Daily; Ministry of Agriculture (http://english.agri.gov.cn); Financial Review; Reuters; Bräutigam & Tang (2009); Hofman & Ho (2012)

The turning point arose from negative reports on food contamination which motivated more Chinese firms to invest in advanced economies. The focus of this thesis is on advanced economies as the host destinations as a recent phenomenon. The food security strategy and food safety law were passed consecutively in 2008 and 2009. Nevertheless, the need to ensure 'food safety' besides domestic regulation (2009) was not officially and publicly acknowledged until 2016. Prior to public admission of problems with safe food production in China, the justification for internationalization was for food security needs. In 2010, Chinese Minister for Agriculture Han Changfu said, "The time is ripe for the country's agricultural companies to embark on a go outward strategy." Ensuring the quantity and quality of agrifood products for Chinese consumers involved coordination of domestic and foreign policies.

Following years of encouraging agrifood OFDI and careful management of imports, policies shifted back to balancing sustainable domestic agrifood development and internationalization since 2016. Internationalization was not mentioned in the Document number one issued in 2009, 2011, 2013, 2014, 2015 and 2018, focusing instead on domestic rural development. The extent and ways in which home country support and market drivers play in internationalization warrant further investigation.

Apart from central SOEs, Chinese provincial SOEs, POEs and migrants have invested in Africa, Central Asia and Latin America (Horta, 2014). There have been allegations of land grab by Chinese investors in developing countries (Grain, 2016b) though some transactions were done through leasing and contracts with farmers (Hofman & Ho, 2012). Foreign land ownership is a sensitive issue that touches on basic human instincts of ownership and belonging. While there were complaints that Chinese investors were not sympathetic and caring towards locals in Mozambique and Angola, locals acknowledged that Chinese have invested in research centers to increase crop yields and alleviate food shortage (Horta, 2014). Chinese investors also invested in costly transportation and major infrastructural projects to support agrifood investments (Bräutigam & Zhang, 2013; Myers & Guo, 2015).

The largest of the Chinese agrifood companies are mainly state-owned such as COFCO, Chongqing Grain, Heilongjiang Beidahuang and privately-owned WH Goup (Shuanghui). High profile and high value agrifood acquisition and integration are seen in ChemChina's bid for Syngenta, WH Group's acquisition of Smithfield and COFCO's acquisition of Noble and Nidera. A diversity of players whose core business is non-agricultural, have emerged to capitalize on growing demand for safe and premium quality food. Legend Holdings' acquisition of Pizza Express and joint venture with Australia's Kailis Seafood supplier are prominent examples of this trend. The AEI China Global Tracker collates deals above US$100 million while Rhodium monitors Chinese investment in the US by states, sectors and time. However, majority agricultural transactions that are smaller than resources and energy acquisitions, and some private deals are either not captured or publicized. Table 3.4 shows a selection of high profile Chinese agrifood OFDI.

Table 3.4 Selection of recent high profile Chinese OFDI in Agrifood Sector

Year	Country	Chinese Company Name	Amount (US$ million)	Target Project
2011	Brazil	Chongqing Grain	1,410	Food processing and Port
2011	Argentina	Heilongjiang Beidahuang Nongken	1,510	Soy and corn cultivation, irrigation and port development
2011	Argentina	Chongqing Grain	2,400	Soy processing and animal feed
2012	UK	Bright Foods	1,940	Weetabix (60%)
2013	US	Shuanghui (WH Group)	4,700	Smithfield Meat
2014 - 2015	Netherlands	COFCO	1,500 + 750	Nidera traders
2015	UK	Hony and Legend	1,540	Pizza Express (80%)
2016	Switzerland	ChemChina	43,000	Syngenta

Sources: AEI China Global Tracker; Financial Times; Bloomberg

Internationalization offers both opportunities and risks for Chinese companies intending to invest in agrifood business. In November 2010, Premier Li Keqiang urged businesses to fully utilize "two resources, two markets" strategy. Government support for priority projects may facilitate Chinese companies to acquire overseas assets. However, internationalization is fraught with uncertainties. The Chinese government indicated that the scorecard of agrifood OFDI has been neither satisfactory nor optimistic (Jiang, 2017). In a joint study by the Ministry of Agriculture International Cooperation and Outbound Economic Cooperation Centre issued in 2015, the stock of agriculture related investment comprises less than one per cent of total OFDI. According to a senior authority who is research director on agricultural policy for the State Council, China's increasing dependence on imports of food is a passive response to rising demand (Ye, 2016). Agriculture sector (including forestry)

4 Chapter Four: Methodology

"There is no logical path leading to new ideas. They can only be reached by intuition based upon something like an intellectual love of the objects of experience" – Albert Einstein

"How to make our ideas clear -
Consider what effects, which might conceivably have practical bearings, we conceive the object of our conception to have. Then, our conception of these effects is the whole of our conception of the object." – Charles Sanders Peirce (1878)

4.1 Introduction

In this chapter, I explain how qualitative reflexive techniques are applied to achieve a holistic and processual research strategy in this thesis. This research design uses abduction underpinned by pragmatism which complements the coevolutionary theoretical framing of home country dynamics in this study. As discussed in Chapter 2, the initial framework of my research explored the latecomer perspective, eclectic model, Uppsala model and the role of institutions in emerging market outbound foreign direct investment (OFDI). I problematized three main assumptions that prevail in extant literature: institutional support and constraint, stable systems, entry mode determinants and high risk undertaken by Chinese investors. I develop an emerging theoretical framework by examining tensions between conceptual frames and empirical data (Alvesson & Kärreman, 2011; Van Maanen, Sørensen, & Mitchell, 2007). I argue that my use of abductive logic encourages creativity, innovation and enriches IB scholarship.

This chapter is organized into three main sections. I begin by discussing the philosophical basis and paradigmatic underpinnings of abduction (Van de Ven & Poole, 2005). I then explain why this is an appropriate approach for studying home country dynamic effects on the emergent internationalization of Chinese firms in the agrifood sector. Firms have different core competencies and learn continuous learning from the environment. I then explain the necessity and appropriateness of adopting a holistic and processual casing research strategy. Next, I detail the methodological process in this undertaking and justify the selection of cases, fieldwork process, various sources of data with interviews forming the core, and the analysis of empirical material. I then discuss the broader criteria for good qualitative research. This chapter concludes by bridging methodology and theoretical development.

4.2 Pragmatist epistemology and Abductive logic

In view of competing perspectives of the world presented in social sciences, positioning and reflecting of ontological commitments about the nature of reality (Tsoukas & Chia, 2011) are important before embarking on the research project. Philosophical assumptions would influence decisions on the boundaries of the study, interpretations and representation of data (Creswell, 1998; Denzin & Lincoln, 2011). While positivism involves clearly defined and widely accepted criteria for research methods, it is imperative to clarify the philosophical foundations for non-positivist research. A pragmatist epistemology breaks away from the conventional choices between positivist or interpretivist approaches and offers an alternative to explaining a phenomenon and construct innovative theories through inference, meaning, and action (Timmermans & Tavory, 2012). The different philosophical underpinnings and methodological positions are shown in following Table 4.1.

Table 4.1 Framing Ontological and Epistemological Positions

Positions	**Positivism**	**Pragmatism**	**Interpretivism**
Ontology – view of reality	External objective truth, independent of social actors	Experientialism, Instrumentalism, Fallibilistic	Subjectivism
Epistemology – study of knowledge	Acontextual Correspondence	Contextual Practical consequences	Constructed meanings of the social world.
Logic	Deductive Inductive	Abductive	Interpretive
Methodology	Quantitative and/or Qualitative	Qualitative and/or Quantitative	Mostly qualitative in-depth and focused study.
Role of the Researcher	Detached and value-free. Focus on causation, reductionism and generalizability.	Prompted by surprise or puzzle. Understanding different perspectives to find the best explanation.	Value laden; researcher is part of the research, observing and interacting with the subjects.

Adapted from: Timmermans & Tavory 2012; http://research-methodology.net/research-philosophy/ontology/

This dissertation is underpinned by Peircean pragmatist ontology and aims at articulating meaning through inquiry. Philosopher Charles Peirce (1905) who coined the term pragmaticism and articulated retroduction or abduction (Peirce, 1955; Peirce et al., 1982), with ideas originating from Kant, Hegel and Darwin . Peirce took the natural sciences as his model, the basic logical model of abduction has a wider application. Scholars in organizational theory link pragmatism to the construction of disciplined imagination and sensemaking (Weick, 1989, 2015). While the researcher may come with some theoretical frames, pragmatism does not require *a priori* determinants and fixed entities, but focuses on the creation of meaning from the interplay of various influences relative to a situation and the bigger picture. The epistemology of pragmatism is fallibilistic, asserting claims of absolute certainty about knowledge is not achievable. Following pragmatism, I aim to find practical ways of explaining human conduct, meaning-making and consequences in its dynamic and social complexity (Elkjaer & Simpson, 2011).

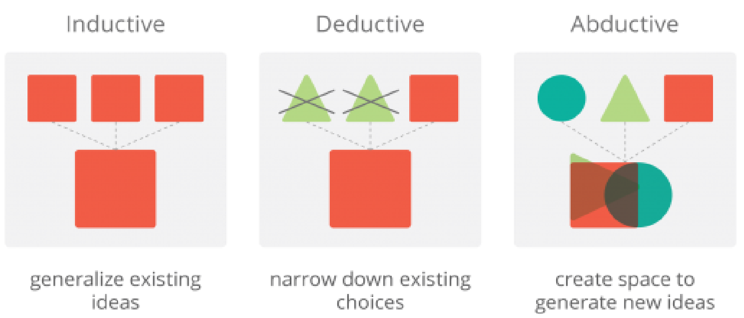
Compared to various intellectual and philosophical persuasions, pragmatism is not bound by the absolute objectivity characteristic of positivism. This provides room to explain paradoxes, ironies and hidden meanings in real life. Unlike interpretivism, pragmatism approximates the unification of external and internal coherence (Tohmé & Crespo, 2013). An eclectic combination of experimental, instrumental and anticipatory aspects of pragmatism as living philosophy bodes well for finding inspirational research themes (Elkjaer & Simpson, 2011). In my context-rich and historically path-dependent study of internationalization of Chinese firms addressing food safety and food security concerns, a creative rather than reductionist approach would extend the boundaries for discovery.

Abductive epistemology is the underlying logic of pragmatism. Situating abduction, Peirce argued that "deduction proves that something must be; induction shows that something actually is operative; abduction merely suggests that something may be" (5:171). As an alternative approach, abduction is neither induction nor deduction but driven by mystery and seeks understanding (Alvesson & Kärreman, 2011; Brinkmann, 2014). Departing from prevailing rationalism, pragmatists thought abduction was the method of inquiry that would be empirically grounded to gain fresh insights into real problems and offer potential for theorizing (Elkjaer & Simpson, 2011). Unlike strict adherence to ‘logic’-following procedures, Peirce’s idea of abduction is a process of critical reasoning. New knowledge could be constructed without imposing certainty demanded of deductive exploration in detached, controlled and variable-guided experiments. In contrast to induction, abduction is not constrained by exploratory and experimental paths, but is mainly interested in introducing creative models. To study my research topic that is complex and filled with uncertainties and paradoxes, applying abductive logic was appropriate to find the best explanation for change and deviant cases.

Abductive logic would avoid vulnerability of inductive method that could be challenged by surprise and negative observations (Timmermans & Tavory, 2012).

Abduction is a process of reasoning from evidence to offer the best explanation to a puzzling or surprising observation (Figure 4.1 and Table 4.2). While abduction is commonly understood as inference by best available explanation (IBE), abductive logic incorporates multiple perspectives of the factual, empirical, observable and unobservable (Schurz, 2008; Tohmé & Crespo, 2013). Driven by an inquiry of doubts to our beliefs generated by surprise, abduction has the potential for daily imaginative work and theorizing (Locke, Golden-Biddle, & Feldman, 2008). Abduction does not preclude causal mechanisms, but aims to unify the interconnections in more complex settings with conditional and functional dispositions (Schurz, 2008). Abduction entails coherent explanation, justification, discovery and predictability (Aliseda, 2006; Bertilsson, 2004; Schurz, 2008). While inductive logic builds greater certainty with more cases, it has less explanatory power than abduction that starts with consequences and then constructs reasons. Abduction requires familiarity with existing theories in literature throughout the research process and continuously ask new questions (Timmermans & Tavory, 2012).

Figure 4.1 Comparisons of Expansive thinking in abductive reasoning



Source: http://www.pivotdesigngroup.com/2013/02/design-as-a-strategic-driver-of-business-5-part-series/

I argue that abduction is appropriate for investigative research to unveil multiple layers, overlaps and concurrent developments. Shifting from the types of qualitative positivism prevalent in IB research (Piekkari, Marschan-Piekkari, & Welch, 2011), my approach embraces complex non-linear evolutionary paths of home country effects on internationalization. New knowledge is more likely to be generated through non-positivist methods. Moreover, inductive case studies that dominate IB literature runs the risk of falsification by subsequent negative cases (Aharoni, 2011; Popper, 2002). Acknowledging that flexibility and explanatory power of abduction (Hobbs, Stickel, Appelt, & Martin, 1993) is appropriate to track evolving processes, I seek to untangle complex issues that shape the actions of Chinese investors. I try to make sense of dynamic engagements and problem-solving (Elkjaer & Simpson, 2015) by applying abductive logic to analyze multilevel, heterogeneous actors and circumstances, and continuously develop and reconstruct concepts during the investigative and reflexive processes.

To address the dilemma of treating coding data as either data-driven (induction) nor hypothesis driven (deduction), I followed the abductive approach driven by surprise (Brinkmann, 2014) and reiterative process to construct theories. Table 4.2 shows the dimensions and outcomes of the three main types of logics – abduction, deduction and induction. Each type of logic displays different strengths and weaknesses and should be chosen depending on the research objectives.

Table 4.2 Dimensions and outcomes of different logics

Traits	Abduction	Deduction	Induction
Certainty	Situational and conditional	High, always true	Medium, may be true
Innovativeness	High	Low	Medium
Epistemology	Pragmatist; Critical realist	Positivist	Positivist or Interpretivist
Objectives	Perception and Explanation	Formalization	Confirmation
Reasoning	Best explanation through logical inference, instinct and insight	Solid theoretical finding	Generalize existing ideas
Context	Context is important	Context is peripheral	Context sensitive
Stages	Practical results, inquiry, explore multiple theories, data analysis, refine constructs, continuous iteration of data & conceptualizations	From general to specific: theory, hypothesis, testing, observation, operationalize	From specific to general: observations of patterns, hypothesis, theory

Author's adaptation from Timmermans & Tavory 2012

This study of multiple cases using abductive logic entails critical reasoning to elucidate the impact of coevolving Chinese home country effects on internationalization. Theoretical narrative is best constructed through comparisons between cases (Eisenhardt, 1989b). I maintain that integrating multiple case studies with abductive logic and a coevolutionary frame (Ang, 2016; Cantwell et al., 2010; Krug & Hendrischke, 2015) would strengthen the conceptual constructs. Redirecting research, and matching theory and reality enabled the discovery of alternative dimensions of addressing research problems, and sculpt and reframe the case with evolving theoretical insights (Dubois & Gadde, 2002; Ragin & Becker, 1992). This was not a smooth path of discovery, and entailed the application of the logics of generation and evaluation (Aliseda, 2006).

This study started by observing the phenomenon of the surge in Chinese OFDI to agrifood business in advanced economies. My initial attempts at theorizing was to match observations with the latecomer perspective and OLI eclectic model, but it did not offer adequate explanation for variations. After pursuing fieldwork, consulting academics and engaging with multiple sources of information, I became more confident to take theorizing to unchartered areas. I appreciate that good qualitative research involves abductive engagement of multi-theory debate (Doz, 2011). Analysis can be enriched through careful methodological process of revisiting, de-familiarization, and alternative casing towards conceptual innovation (Timmermans & Tavory, 2012). Despite the efficiency and reward of borrowing well accepted partial theories to address research questions, the contribution to theorizing would be limited (Doz, 2011). Theory building is a slow process. Using active and reflexive theorizing, I drew on interdisciplinary literature from IB, global strategy, political economy and economic sociology to enhance my understanding of the subject. This enabled me to reconstruct the conceptual frameworks.[5]

4.3 Research Strategy

The research design of this study is aimed at producing good and interesting theories that engage with problems of the world (Kilduff, 2006). This is a qualitative case study guided by abductive logic, taking into consideration holistic and temporal dimensions. Driven by missing explanation in existing static models, I aim to be adaptive to changes, guided by ends-in-view (Dewey et al., 2003), to assess the present as consequences, and revise the analysis towards more convincing explanations. As theory and method are interrelated, capturing the interplay requires sensitive iteration between evidence-based theorizing to intuition from experience, habits of mind and research context (Van Maanen et al., 2007). Diverse forms of qualitative research are legitimate ways of theorizing beyond conventional exploratory undertakings (Welch, Plakoyiannaki, Piekkari, & Paavilainen-Mäntymäki, 2013). Qualitative research is uniquely suited to "opening the black box" of organizational processes (instead of entities) to

[5] Details of the conceptualization process are discussed in Chapter 2 of this thesis.

address the '*how*' and '*why*' questions over time (Doz, 2011). Deep research inquiry into complexities cannot be easily addressed by conventional means that impose boundaries on entities (Elkjaer & Simpson, 2011). Embarking on a qualitative research is a learning journey that entails understanding interdisciplinary literature, having discussions with managers, uncovering contradictions, building stories from rich empirical data and documentary evidence, and presenting the write up clearly (Doz, 2011). Detailed and colorful narratives (Katz, 2001, 2002)including surprises (Sandberg & Alvesson, 2011) would be useful to inform and construct theories.

4.3.1 Holistic design

I adopted a holistic approach to be better equipped to address and capture the complexities and changes (Cohen & Axelrod, 1984; Garnsey & McGlade, 2006; Ragin, 1987) in Chinese home country context and the effects on internationalization of firms. Empirical data from the social world is unstructured and contains 'irregular, disorderly and unpredictable "clouds"' and 'regular, orderly and predictable "clocks"' according to the metaphor used by Popper in 1972 (Almond & Genco, 1977; Popper, 1972). My role was to organize and create value from the data. Stability and conventional wisdom should not be taken for granted. Instead of applying orderly standard criteria and theorizing based on internal logic (Van Maanen et al., 2007), I sought to explore multiple perspectives and provide interesting insights to emerging trends in the consumption-led growth of Chinese internationalization and expand opportunities for theory building. Using multiple sources of evidence (Yin, 2003) enhances the understanding of complex and context sensitive phenomena (Ragin, 1999; Yin, 1994). This method is inclusive, encompassing factual, theoretical, empirical laws, analogical, micro level, intuition, hidden, evolution, interconnections and externalities (Schurz, 2008).

Contextualization and a multi-disciplinary approach to theoretical construction in this thesis would transcend the vicious cycle of self-reinforced and perpetuated theorizing within the same framework. Contextualization of the research problem is essential to develop a convincing thesis. Moreover, presenting multiple perspectives resists pure speculation (Schurz, 2008). Reflexivity would enable the research to moderate biases and explore different explanations. Systematic combining which entails an evolving framework of the empirical and model worlds, redirection of the case study using abductive reasoning, could potentially illuminate the dynamic and complex interdependencies among activities (Dubois & Gadde, 2002). Due to the heterogeneity of participants and complex empirical material, this study is less suited to reductionist solutions that reject negative results, as evidence may unfold to reveal unique and outlier cases. Instead of setting *a priori* assumptions, procedural and bounded rationality, understanding the perceptions and preferences of actors with the context could uncover intentions and expectations of outcomes (Simon, 1985).

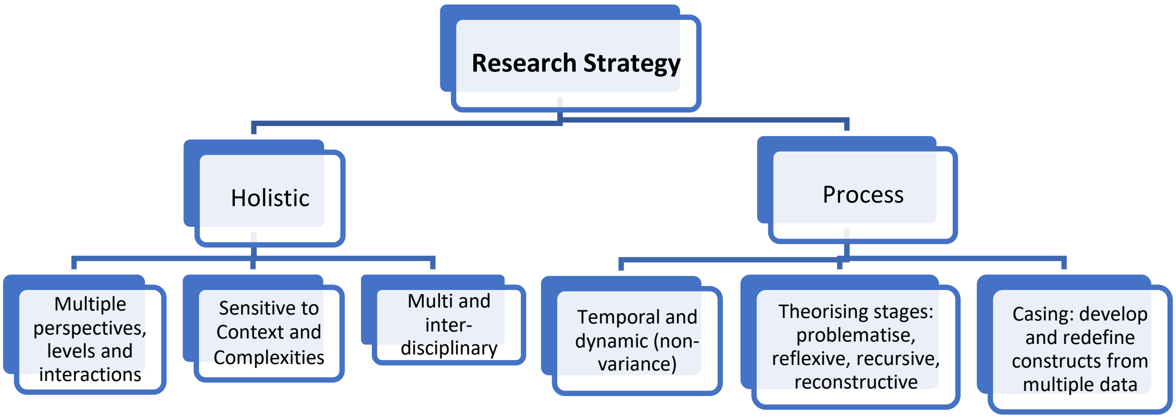
4.3.2 Process of the Study

I adopted a processual approach to explore the nature and sequences of events (Langley, 1999). A process-based study captures changes, in contrast to variance-oriented linkages. Time sensitivity helps to explain how and why changes occurred (Van de Ven & Poole, 2005). Abduction as inference to the best explanation (IBE) is conceived as a complex process with stages of reasoning and selection to improve explanatory power (Cresto, 2006). The concept of "becoming" is significant to highlight the temporal dimension (Tsoukas & Chia, 2002) of policies, activities and interactions. The philosopher Hercalitus views a river not as an object but as an everchanging flow, since it is not possible to step into the same river twice. This resonates with the research process in this study. The strategy of 'temporal bracketing' (Langley, 1999) was employed to map the sequence of events in domestic and external environments as coevolutionary, rather than a cumulative or independent metamorphic progress. I sought to elicit information of times and places to understand a phenomenon and interpersonal context. Just as the same event may not be replicated exactly, the research of the same topic carried out by another person later may elicit a changed understanding of stories and nuanced findings (Finlay, 2006). This research process is appropriate for studying non-linear developments seen in the uneven developments of internationalization. Tracking the progress of research boosts confidence in the theory building (Vennesson, 2008). Empirical material that seems irrational and contradictory initially could be explained with alternative lenses (Aharoni, 2011).

As detailed in Chapter 2, I began by problematizing assumptions in extant theory (Alvesson & Sandberg, 2013) to form an initial working framework. The route to good theory is through engagement with problems in the world that we find interesting rather than gap spotting (Alvesson & Sandberg, 2013). In line with pragmatism, the research starts with a mystery or puzzle (Kuhn, 1996), motivating the search for a preliminary and tentative framework, using empirical material to refine theory, going back to data and empirical work, reflecting and engaging in reflexivity and reiteration, and constantly challenging existing knowledge (Popper, 2002). My research strategy and process have been summarized in Figure

4.2. In the past three years, I have been revisiting the empirical material, returning to sources and reading literature. The iterative process has helped to strengthen the analysis and construct theoretical frames to deliver more convincing explanations the phenomenon.

Figure 4.2 Components of Research Strategy



4.4 Case Studies

While there are various definitions of case study, the choice of what to be studied is perhaps an accurate depiction of researchers' goals (Stake, 2006). I follow casing (Ragin & Becker, 1992), a process by which the outcomes reveal what the research is a case of (Ragin, 2009). Casing involves sifting through empirical material including surprises and puzzles to find explanations. The use of the first-person voice where appropriate has been accepted in qualitative writing to reflect the active scholar's responsibility for the interpretations (Given, 2008). I would present the voices of participants by adopting a reflexive apparoch. Researchers are prompted to inquire, critique and interpret different sources of data, and develop conceptual understandings inspired by empirical material (Alvesson, 2011). Theorizing entails acceptance of intuition and conjecture, where products that claim to be theory are approximations towards the final goals (Weick, 1995b). In the absence of a blueprint, cases need to be found and applied to refine or refute the initial theory (Ragin & Becker, 1992).

In line with abduction, I developed cases using a continuous process of theorization (Byrne & Ragin, 2009) to reflect change. Incorporating a coevolutionary perspective is consistent with a process-oriented research design to throw light on empirical conundrums and offer plausible explanations among alternatives (Locke et al., 2008). Causal mechanisms are studied rather than extricated as distinct correlations and causal effects (Ragin, 2009). In 'systematic combining' an evolving case (Ragin & Becker, 1992) could be a tool as well as a product (Dubois & Gadde 2002). Cases could offer both explanatory and instrumental powers through an interplay of proposals and counter-proposals in the abductive process (Tohmé & Crespo, 2013). As there are no predetermined template, criteria or patterns for qualitative methodology, I match theories and evidence and concede to redirection to build a case (Dubois & Gadde, 2002). Reflexivity is applied during the research process, considering contingent, emergent, tentative, open-ended, intersubjective, and socially situated influences (Finlay, 2016).

Casing enables me to manage the challenges of capturing inherent complexity, specificity, uniqueness and contextuality of social phenomena (Ragin, 2009). Case study methods to investigate contemporary phenomenon in depth with the real world (Yin, 2014) are suitable for studying complex issues. How and why things emerge, develop, grow or terminate are shaped by the interaction of multiple forces. However, dynamic activities may be camouflaged by a semblance of stability and some actors may learn and adapt better than others (Langley et al., 2013). Chinese outbound agrifood investments in advanced economies have seeds in a range of domestic historical and economic self-sufficiency policies, to more recent resource-seeking, strategic assets and efficient management enhancing motivations. Investors define 'strategic' differently, with some perceiving it as long-term national interests, while others are preoccupied with diversification and long-term profitability. The characteristics, scope and scale of home country elements and influence on internationalization may shift over time.

4.4.1 Case selection

I employed a multiple case design (Piekkari et al., 2011; Robison & Ritchie, 2010). The focus is not on the number of cases but in-depth study of the causal mechanisms and processes. Unlike random selection in quantitative studies, purposive case selection and shortlisting from a larger pool is justified in terms of relevance to the topic of study (Fletcher & Plakoyiannaki, 2011). Following initial background data gathering and application of extant theories over 20 months, I identified key players involved in Chinese OFDI in agrifood sectors in advanced economies. Evidence emerging from purposive selection of individual and cross-case comparisons would strengthen theoretical constructs (Ritchie, Lewis, McNaughton Nicholls, & Ormston, 2014).

Departing from the conventional preference for exploratory case studies with large *N* and using aggregate macro data, I analyzed empirical material in depth. Sampling cases for qualitative case study differs from statistical sampling in quantitative research, as the goal is not to represent a large population but to shed empirical light on theoretical concepts (Yin, 2014). There is a trade-off between seeking rich data and complying with the recommended number of cases and prescriptive procedures of four to eight (Eisenhardt, 1989b). Having a small number of cases does not constrain theorizing since multiple units of analyses could be drawn from each case (Piekkari et al., 2011). Qualitative research would enhance our understanding of diverse capabilities and idiosyncratic behavior of Chinese managers responding to rapidly changing environments. The boundaries of cases and the eventual number of cases could shift in accordance with abductive analysis. Hence, the same events could be 'cased' in different ways. In this study, the construction of relevant cases is more useful than adhering to fixed large population, randomly or expediently selected (Ragin, 2009).

Purposive sampling and selection are guided by criteria and denominators to enable comparisons. Firstly, case companies invested in agrifood businesses of developed countries regardless of their domestic home business. The subsectors covered include raw materials, staples, dairy, meat, ready to consume meals and beverages. The business activities span the entire value chain from farming, processing, distribution, to services.

Secondly, participants come from large publicly-listed companies or conglomerates based in first and second tier cities in the Yangzi delta regions, western region and the north-eastern capital region. Companies C, D and E originate from Zhejiang province that is well-known for entrepreneurship. Each corporate group has assets and capitalization well above US$1 billion. This eliminates small-sized transient migrant investors and hobby farmers from the sample. Also excluded are equity investment funds that are fluid and reap quick returns from a choice of mixed assets in the portfolio. Not only have case companies achieved some degree of domestic and global integration, all are well recognized industry leaders, having previously received national business awards for their core businesses (though not necessarily in agrifood sector). Temporal markers are established among firms with varying industry and internationalization experience.

Thirdly, for cross-case comparisons, I have chosen companies of different ownership types, two SOEs and six POEs. Some cases and participants had been dropped from this study as they were not suitable for casing but served as valuable expert opinions. The final selection was filtered to focus on subjects who were articulate and had insights to offer. Case selection is a dynamic process as cases evolved from initial purposive sampling to eventual theoretical sampling of exemplars or outliers shaped by emerging concepts (Fletcher & Plakoyiannaki, 2011). A summary of the case companies is shown on Tables 4.3, 4.4 and 4.5.

Fourthly, I included perspectives of officials and industry experts to gather deeper and more comprehensive information and assessments. The Chinese officials interviewed were based in first tier coastal cities and municipalities (Table 4.4). Other sources included business and industry experts, consultants, agricultural economic researchers, senior academics and government officials. They were based in Australia, China, the UK, Singapore and Hongkong (Table 4.5).

Table 4.3 Participants from Chinese Firms (2015 - 2016)

Monikers	Position	HQ / Bases	Core Businesses	OFDI Host Countries
A1 A2	General Manager Vice President	Shanghai and regional	Agrifood production; Retail Distribution; Trading; Brands	Australia, New Zealand, Europe
B1 B2 B3 B4	President of Company Vice President of Group Deputy to CEO Manager, Overseas Investment *	Shanghai and regional	Real estate; construction; Agrifood (pastoral and dairy); Retail distribution	Australia, New Zealand, South America
C1 C2 C3	Founder of Company (HQ) Senior Manager (HQ) * Managing Director (HQ)	Zhejiang province	Heavy industry; Retail distribution	Australia
D1 D2 D3 D4	Vice President (HQ) * Director, Strategy (HQ) Chairman (overseas subsidiary) General Manager (overseas) *	Zhejiang province	Heavy industry; Real estate; Services; Agrifood production; retail distribution	Australia, North America
E1 E2	General Manager Senior Manager *	Zhejiang province	Heavy industry; Manufacturing; Services; Agrifood production	Australia, North & South America, Europe, Asia
F1 F2	Vice Chairman CEO (overseas subsidiary)	Western and Northern regions	Agricultural production and manufacturing; Services	Australia, Southeast Asia, North America
G1 G2 G3	Vice President Manager (HQ) Manager (overseas subsidiary) *	Northern region and provinces	Agricultural production; Global distribution; Trading	South America, Europe, Oceania, Central Asia, Southeast Asia
H1 H2	Founder and Chairman CEO of Australian subsidiaries	Northern regions	Pastoral and meat processing; Seafood trading	Australia and South America

Table 4.4 Interviews with Government Officials

Moniker	Position	Portfolios	Geographical Region
Q1*	Principal Consultant	Foreign, Economic	Guangzhou
Q2	Director	Foreign, Economic	Guangzhou
Q3	Deputy Director	Economic, Business, Foreign, Agricultural	Shanghai
Q4 *	Supervisory Manager	Investment Promotion	Zhejiang
Q5	Director	Productivity, Investment	Zhejiang
Q6	Deputy Director	Economic, Business, Foreign	Zhejiang

Table 4.5 Subject and Industry Experts

Moniker	Expertise	Country / Region
X1	Senior scholar, East Asian economies	Canberra
X2	Owner of a Chinese multinational corporate group	Australia
X3	Senior analyst from research institute	Beijing
X4	Business broker and consultant	Sydney
X5	Manager, private commercial bank	Beijing
X6	Senior academic in business management and economics	Zhejiang
X7	Academic in rural development economics	Zhejiang
X8	Academic in agricultural economics	Guangzhou
X9	Senior researcher on political economy	Singapore
X10	Chinese investor in beef processing	Asia Pacific region
X11	Marketing manager for beef products	Australia
X12	Senior trade and investment official	Australia
X13	Supply chain expert	Australia

The process of getting willing participants for this project was fraught with trials and challenges. Access was achieved through careful deliberation, diligent networking and navigating officious and political hurdles. The initial advice to approach Australian subsidiaries seemed logical and practical. However, the assumed convenience was not to be, as corporate administrative gatekeepers among scores of companies invariably turned down cold calls by telephone, email and formal written requests. Only Australia-based business consultants and brokers agreed to share their views without identifying their clients or details of the projects. I managed to speak to prominent Chinese investors in Australia by sheer goodwill cultivated from friends' network, but they asked to be excluded from the case studies. Personal introduction by company insiders and close associates is crucial for a junior academic to meet business top management and gather a glimpse of their views.

I rejected the questionnaire approach from the start in favor of case studies both for practical and judicious calculations despite the supposed convenience of conducting surveys (Aharoni, 2011; Buck, 2011). Foremost, surveys are more relevant for quantitative and mixed methods. As there were less than 30 Chinese companies invested in agrifood business in Australia and New Zealand in 2015, it would not yield significant results and offer depth of coverage even if I was able to obtain responses from the entire population. The choice to use case studies over surveys was backed by two academic advisers on my dissertation proposal defense committee. I was convinced that doing a small number of case studies would make a meaningful contribution. Moreover, during my fieldwork, a senior executive of Company B frankly confided that he was glad that I requested for face-to-face discussions. Had researchers sent him a survey form and questionnaire, he claimed that he would have let his assistant clerk tick the boxes. Having multiple insiders and informed observers enables me to compare field material with the macro phenomenal developments, create new data points, strengthen the analysis and provide alternative perspectives.

The challenge was finding suitable companies willing to be interviewed. Two senior academics from whom I sought advice elucidated the channels to launch fieldwork. An avid case study researcher based in the UK advised that cooperation with another researcher based in China working on a similar research is the most feasible course, or else it would be time-consuming and tricky to network the web of contacts to reach companies. Another professor in Canberra said that his peers who conducted case studies started with gaining access to parent companies in China which wielded authority and confidence to share business information that overseas subsidiaries lacked.

The timing of conducting interviews could affect the ability to gather information. It was difficult to get interviewees in Australia during the run-up to the 2016 Australian federal elections given the sensitivity of right-wing nationalist backlash on land sales to foreign companies. Not only were businesses reluctant to engage, requests for information and discussions with relevant government departments were turned down. The agrifood sector is one of those topics deemed too delicate to divulge or share, in view of the watchful media, intense business competition and negative public reactions. Nevertheless, I collected information and assessments by attending seminars where Australian bankers, agrifood managers and The Australian Trade and Investment Commission (Austrade) officials gave presentations and information updates. Australian officials covering trade, foreign affairs and agriculture portfolios and local government agencies I met at business council events were approachable and interested to share their views on those occasions.

The breakthrough came in the second year of my PhD candidature. A Chinese visiting scholar offered to put me in touch with an alumnus presently based in the Ministry of Agriculture. The researcher was working on project funded by a western ABCD agricultural commodity trading corporation to study the progress and prospects of Chinese OFDI to Australia and New Zealand in the agricultural sector. Although my Chinese colleagues were inclined towards quantitative research, we agreed that exchanging resources and assessments would improve our respective research outcomes. Collaboration with Chinese official and academic networks had certainly opened doors and expedited the data collection process. My academic contacts are based in top ranking Chinese universities that are highly regarded by the business community. Moreover, companies are usually cooperative with government-sanctioned research, so as not to give reason for the state to be suspicious. Research is held in high regard in China, with government and industry trying their best to support, but like everywhere else, the key to accessing companies is introduction. While the research environment in China is increasingly conducive, conducting fieldwork in an emerging economy, steeped in history and cultural heritage, presents both opportunities and challenges (Scoggins, 2014; Tan & Nojonen, 2011). Having contacts in the government and academia enabled me to navigate internal regulations and access high level sources (Tan & Nojonen, 2011).

4.5 Data Collection Process

4.5.1 Interviewing

In my qualitative study, empirical materials elicited chiefly from face-to-face interviews formed the core building blocks of the thesis. The prelude leading up to fieldwork required a year of preparation: questions, scheduling and background readings. Interviews were conducted in October 2015 and June 2016 with senior executives and managers of parent companies in China and followed up with subsidiaries in Australian cities through to 2017. In total, I conducted 30 formal interviews of companies and officials. These involved 41 individuals: 22 were from businesses and six were local government officials, and another 13 industry and subject experts. Each contributed substantive knowledge and insights for this study but some were more articulate and willing to share. I interviewed eight participants twice or more, and maintained written communications with them. Each formal interview lasted between one and two hours. Discussions with industry experts, officials and scholars contributed different perspectives and enriched the research findings. Prior to conducting interviews, groundwork preparation included scoping the research, familiarization with the facts of the topic, preparation of paperwork, ethics approval procedures, discussions with senior academics, liaising and coordinating with networks (Table 4.7).

In the first round of fieldwork (late 2015) where the bulk of interviewing was done, I was part of a Chinese Ministry of Agriculture researchers-led delegation that called on seven companies. The second round of interviews scheduled eight months later, narrowed down to companies that were amenable to continue the dialogue as they saw benefits in receiving feedback from researchers. Some declined the second round of interviews due to organizational changes such as rotation and promotion in SOEs and appointment of new management to satisfy shareholders. Some parent companies even introduced me to managers of overseas subsidiaries. Meanwhile, my request to interview another agrifood business was granted and I had to opportunity to meet the owner and the CEO of the overseas subsidiaries in Australia. Through deepening of knowledge and tracking new developments, I found that some participants toned down their sanguine assessment as they learned more about the host country context and challenges in managing overseas investments (Johanson & Vahlne, 2003).

In follow-up telephone conversations, email correspondence and messaging, I sought to clarify questions upon reflecting on the initial interview and recent developments with participants whom I have built a good rapport. Subsequent meetings with the same managers and officials often drew interesting insights on the latest developments. Meanwhile, I found more opportunities to talk to business investors, business consultants and industry experts at business events held in Australia. However, I could not follow up with participants from SOEs due to their stringent adherence to officious procedures. My primary contact and collaborator's project was completed by then and was not involved in subsequent rounds of interviews. Some senior managers had left their previous posts. In those cases, I tracked developments and counterchecked with secondary sources, other former employees and industry experts.

My role as a researcher was to be perceptive, keen to learn, and build relationships and trust (Coplan & Goldie, 2011) depending on the attitude and responses of different participants. I acquired knowledge through a bottom-up approach by eliciting divergent insider perspectives in the contextual dynamics and selected the criteria to present the narratives (Gertsen & Søderberg, 2011). Though my role was not dominant and deeply involved initially, I was empathic and engaged (Adler & Adler, 1987). However, it was difficult to be an active and participatory member given the officious nature of our dealings with larger companies especially the SOEs. When opportunities arose, I followed up with relevant questions and showed sensitivity and understanding to participants' concerns. For instance, two participants lamented there was a lack of industry information. I took the initiative to send them extracts from books on farm management and internet links to professional associations. To provide a spectrum of perspectives for the study and generate potential for rich data and insights I categorized participants according to companies, government officials and experts (in research, industry, business consultancy). I adopted an open attitude towards forming overlapping rather than precise categories and challenged my interpretation and discourse with interdisciplinary theories (Alvesson, 2011).

Table 4.6 Stages of data collection and construction

Milestones	**Activities**
First 12 months July 2013 - 2014 Preliminary Scoping	- Read literature, and followed media and industry reports for updates - Attended Nanjing university summer school symposium and international students exchange - Prepared trial questions with assistance from a Chinese academic - Visited academics in Hangzhou and Guangzhou and their contacts - Met with associates in banking sector in Shanghai and Fuzhou
Second year 2015 Authorization to proceed	- Academic defense and confirmation of PhD candidature - Call on academics in Canberra - Ethics application and approval - Network with Australian business community and attend industry events - Interviews with consultants and industry experts
Third year Late 2015 Fieldwork	- **First round of formal interviews in China** ° Visits to business investors' headquarters in Shanghai and Hangzhou ° Discussions with academics in Shanghai and Hangzhou ° Visit officials and industry researchers in Beijing - **Industry sources in Australia** ° Call on executives and managers in overseas subsidiaries ° Attend industry events and cross-checking industry publications
Mid 2016 Fieldwork and Exchange	- **Second round of formal interviews in China** ° Coordination with academics and officials in China ° Visits to business investors' headquarters in Hangzhou ° Discussions with academics in Hangzhou - Visiting scholar at East Asia Institute, Singapore
2017 Fieldwork, Fact checking and Thesis drafting	- Discussions with overseas subsidiaries and agrifood industry in Australia and Asia - Follow up communications with sources by email, telephone calls and messaging - Attendance of China studies forums and business events

Semi-structured questions were used for the first batch of interviews to lay a strong foundation. These were refined from an earlier set of preliminary trial questions drafted with the help of a Chinese academic who then asked a business contact to respond and offer feedback (but he did not become a participant of this study). Separately, another Chinese academic arranged for me and his doctoral students to speak to the international manager of a well-known dairy company that had been importing and planned to invest overseas. Based on the feedback from the pilot project, I modified the interview questions to achieve exploratory objectives, and allow for depth of inquiry, rather than to seek affirmative or negative answers. The language used in the questions was targeted towards business practitioner, and toned down on academic terminology. I shared 28 semi-structured questions comprising factual, overview and general business assessment inquiry with my Chinese colleagues.

Table 4.7 Protocol of Topics Covered in semi-Structured Interviews

Basic facts beyond public domain of the company
◦ Core businesses, diversification and consolidation of corporate group. ◦ OFDI values, sectors and destinations ◦ National recognition and awards (e.g. dragon heads, industry leadership, efficiency) ◦ How does parent company develop core competencies in agrifood business to invest overseas
Timelines of the company
◦ Milestones and turning points of company's diversification, integration and internationalization. ◦ The process of finding investment targets and what factors shape decision making.
Home Country Factors
◦ Types and scale of support received in home country (e.g. financing, subsidies, tax benefits) ◦ Regulatory host environment and support given by governments and business partners ◦ Views on support for OFDI and rationale or justification ◦ Areas that are positive and satisfactory and any suggestions for changes
Market Analysis and Strategies
◦ Firms' competitive advantages in internationalization and compared to others in the industry ◦ Is land purchase in host country necessary? Horizontal and vertical integration of GVC. ◦ Pros and cons of value chain target, integration and pace of OFDI. ◦ Main challenges faced when investing overseas and issues of concern ◦ Why certain targets are chosen (country, type, sub-sector, value chain segments). ◦ Valuation of a good investment and pre-OFDI preparations ◦ Additional investment (e.g. infrastructure and community)
Review and Prospects
◦ Personal and company experience and lessons learned from globalization. ◦ Post entry business operations and experience. Transfer of knowledge between parent and subsidiaries. ◦ Coordination between parent and overseas subsidiaries, localization and integration of staff ◦ Short term plans on internationalization and assessment of the future ◦ Views on effects of signing of China-Australia Free Trade Agreement ◦ Long term projections of the company's investment destinations and sectoral weightage

An English version of semi-structured questions is shown on Table 4.7. Chinese counterparts who organized the interviews added five more questions to my list during the interviews. My principal Chinese contact who organized the first round of interviews sent the list of questions to business participants a few days before the scheduled meetings. She reasoned that giving participants a preview of our research would be reassuring, and they would have more time to ponder and assemble relevant experts to address the answers.

After introductions to various participants, individuals were asked more specific questions that pertained to their area of specialization. Interviews with government officials followed formal procedures as well as informal settings over dinner. Proceedings began with factual briefings and commentaries by the interviewees addressing the broad questions asked. Interviewers followed up with free flow discussions and clarification and elaboration of specific issues. To encourage participants to speak candidly, the conversations were neither video- nor audio-recorded. I took detailed notes which were corroborated with officials and academics after the sessions. I went through my written records to note finer points in verbal and body language of the interviewees and add comments for reference when revisiting the data for analysis later.

As some companies were concerned with disclosure, I anonymized all the interviewees and companies and refrained from using explicit and distinctive descriptions that may reveal their identities. Being a bilingual third generation overseas-born ethnic Chinese was advantageous, as I did not require an interpreter and could respond to opportunities spontaneously and elicited more information. Being situated at a confluence of cross cultures could be double-edged but I managed to overcome obstacles and learned from these exchanges. Time-scarce business executives were unenthusiastic if interviewers were unable to communicate well. Initial meetings involved larger numbers of interviewers and interviewees. Subsequent exchanges with individual managers were less formal. I was personally more involved in the organization of the second round of fieldwork with the help of an academic and an official in the background. Some participants who were more interested in my research project, were more articulate and receptive to informal exchanges.

Following Alvesson and Skoldberg's reflexive (2009) approach to interviews, I allowed interviewees to complete their narrative and speak freely about the issues at heart before following up on interesting ideas (Alvesson & Sköldberg, 2009). I am persuaded that interviewers should not expect or encourage coherence (Pfeffer, 1982) or show reassurance as these cues from the interviewer may divert attention and steer the conversation to different directions (Alvesson & Sköldberg, 2009). During formal and informal meetings, I was given ample time for questioning. Moreover, in Asian culture, interrupting the interviewee who is the host, could be misconstrued as lack of respect. I raised specific events to understand a phenomenon and interpersonal context, and let them convey their lived experience and self-reflection (Finlay, 2006). While I was aware of the strengths of active interviewing (Holstein & Gubrium, 1995), I joined and followed a resultant comment instead of guiding the interviewee.

I was mindful of the need to strike a delicate balance between making the best of interview opportunities and keeping participants at ease. I was fortunate that interviewees were cooperative once they agreed to participate. What constitutes sensitive information is subjective and varies across individuals and organizations. I treaded carefully and showed respect to interviewees who obviously had leverage in the power relationship, but simultaneously assessed if there was room to inquire further. Asking safe, preconceived, well-known, self-confirmative and politically correct questions would not have advanced my search for novel findings. I found that company directors with strong professional credentials were more confident to share the challenges they faced. With business owners and political appointees of SOEs, I took a softer approach to test the waters and boundaries to sense the cues on the extent they were willing to share insights. Though some middle managers adhered to the *party line*, senior manager participants were more confident to add their personal views. Self-made owners were candid in sharing industry developments and comparisons with their associates and rivals. Managers based in overseas subsidiaries and former employees involved in key investment projects were more willing to share their experience after establishing that I had spoken to senior executives of the parent company. As the interviewer, I had to be flexible and play by ear to reap optimal benefits from rare and precious opportunities.

Reflexivity in interviewing entails awareness of the object of study in the research process, without *a priori* favoritism towards a single focus, to consciously and consistently view different angles of the detailed text to find the most interesting interpretation among alternatives (Alvesson & Sköldberg, 2009). I used generic terms in the introductory questions and moved on to empathize with language and metaphors (Alvesson, 2011) used by interviewees to learn more and interpret the meanings. Phrasal verbs emerging from the participants paved the way for deeper analysis of risk mitigation in Chinese internationalization that has largely been neglected in extant literature. The value of interview data lies in the meanings and how meanings are constructed and should not be an exercise to fulfil certain theories. Reflexivity is an interplay between 3Ds (deconstruction, defensiveness and destabilization) and 3Rs (reconstruction re-presentation and rethinking) to interpret the plurality of meanings and find the best explanation (Alvesson & Sköldberg, 2009).

4.5.2 Secondary Sources

Documentary and archival data was useful for acquiring background knowledge before fieldwork and continuous learning after fieldwork. Aware of some limitations of interview data, I relied on other sources to bridge the information that were not discussed or reflect on different dimensions. I consulted company statements, websites, financial reports, policy research papers in Chinese language, press reports and industry news and commentaries. I also found parliamentary research and policy directives useful as these were authoritative sources of information that SOEs must at least show support and compliance. Between completion of fieldwork and the final writeup, I engaged the expertise of a Master of Accounting graduate to analyze and summarize the financial performance of the business groups studied. Details of references from various types of secondary resources are shown in Table 4.8.

Alternating checks between field and archival sources was part of a successive theory building process. Documentaries and news of prominent publicly-listed companies that are featured in the media could be used as reference. Though public statements are more carefully crafted than interviews, they served as useful reference points for comparisons. I conducted searches in public domains, including newspapers from different countries, the internet, photos, videos of interviews with business leaders, country and international industry sources and government statistics. As for business leaders whom I did not have a chance to meet, interviews covered in the print media and television were useful sources of information on their thinking and personalities. Though China is far from the American ‘interview society’ typified by Oprah and Dr Phil, TV hostess Jin Xing asks prominent celebrities some tough questions that provides a window to their thoughts. Nevertheless, I was aware of the hagiographical nature of interviews published in the mass media and utilized this information with care. In contrast, my fieldwork interviews are more candid and holistic. Without any vested interests in the participants’ organizations, I did not have an agenda to portray the companies or officials in a certain light.

Table 4.8 Sources of archival data

Evidence Types	Description
Corporate Documents	• Company annual reports (all the case companies are publicly listed) • Media releases and announcements of companies examined • Company websites and advertisements • Speeches and interviews of business owners and senior managers • Attached documents to emails and messages from interviewees and academics
News Reports	• Australian media coverage: Australian Financial Review, The Australian, Age • New Zealand media coverage; New Zealand Business Review, NZ Stuff. • Chinese media coverage: SCMP, China Daily and Chinese language media • International media: Financial Times, Forbes, Wall Street Journal, Bloomberg • WeChat links to subscription on management training and host countries
Databases	• American Enterprise Institute China Investment Tracker (formerly Heritage) • Rhodium Group - China Investment Monitor (US) • UNCTAD, FAO, Thomson Reuters • CSMAR, Shanghai Stock Exchange
Industry sources	• Industry: Rabobank, Beef Central, Stock & Land, Agrimoney, Wine Australia • Business associations: Dairy Australia, Meat and Livestock Australia
Government sources	• China: Ministry of Commerce and Ministry of Agriculture • Parliamentary research on industry and policy directives announcement • Australian government reports: ABARES, DAFF, Austrade, DFAT, FIRB • New Zealand government investment statistics
Consultant reports	• Ernst & Young, PwC, KPMG reports
Photos and Videos	• Interviews of business leaders, government advisers, academics on YouTube • TV programs featuring company activities

Databases from public and paid resources complement empirical material and provide a basic overview but are insufficient to be used for meaningful statistical analysis. The Chinese Ministry of Commerce (MOFCOM) statistics rely on self-reports by businesses willing to share information. Chinese officials and consuls acknowledge that the data is not comprehensive and there are gaps in information of firms that transit or make round trips to leverage financial advantages. The US-based American Enterprise Institute (previously sponsored by the Heritage Foundation) managing China Investment Tracker (CIT) has a decade of OFDI records. Its shortcoming is omitting smaller scale yet significant investments below the US$100 million threshold. It is also lacking in details of projects and company affiliations. Hence, incremental and cumulative investments which could amount to substantial levels over time are often not captured. The criteria CIT uses for categorizing agriculture and related infrastructural investment are unclear. Nonetheless, this is useful for collation and tracking purposes. Rhodium China Monitor, also based in the US, provides aggregate data with sectoral breakdown, number of projects, mode of entry and location by American states. However, the details of investors, target companies and value of individual projects are not published. Occasional topical data could be gleaned from Thomson Reuters, Agrimoney, The Australian and AFR, but these reports are brief and need to be complemented by other sources.

4.6 Analytical Process

In this section, I discuss the guidance and technicalities followed by this research. As discussed in the research strategy of this chapter, the study will adopt holistic and processual approaches to investigate the puzzles using mainly interview material as evidence and guidance. Reflexivity is part of the research process of open-minded, creative interaction between theoretical frameworks and empirical research (Alvesson & Skoldberg, 2009) to interprete interviews. The researcher is involved in explicit theory construction (Weick, 1989). Cases are not 'out there', clearly defined, waiting to be researched and harvested. While boundaries need to be identified by the researcher, it should be approached without prior deterministic guidance towards regularities or direction of casing process. I analysed the data during and following the interviews. Being reflexive is to be receptive to a spectrum of positions, acknowledging uncertainty of empirical knowledge and exploring alternative interpretations (Alvesson, 2011; Alvesson & Sköldberg, 2009). In the theoretical construction process (Alvesson & Kärreman, 2011; Brinkmann, 2014), relevant material is selected for critical analysis (Alvesson, 2010). Reflexivity requires critically self-aware evaluation (Finlay, 2002a, 2006; Finlay, Gough, & Wiley, 2003) from the preparation for case studies to analysis of empirical material (Alvesson & Sköldberg, 2009). This research experience shows reflexivity to be a potentially powerful tool in promoting rich insights through examining personal responses and interpersonal dynamics that could unlock unconscious motivations and implicit biases in the researcher's approach.

4.6.1 Intensive Coding

Coding of data using software serve as popular modern conveniences for inductive research. I commenced with open coding and did not impose restrictions and prerequisites on categorization. Computerized coding programs may be efficient at mechanical sorting of occurrences and connections (Alvesson & Sköldberg, 2009) from transcripts but tend to generate themes that are separate from the context and holistic experience. My initial experimentation with NVivo proved to be unsuited for abductive research. I resolved to manually sorted out the subjects of importance and critically examine empirical and published materials from micro and comparative perspectives. Initially, cases were constructed on broad emergent themes, as following the context of the phenomenon and terminology and metaphors of the participants could generate profound interpretations (Alvesson, 2011). The transient files created are subject to changes when more data is analyzed over time. Recognizing the limitations of arbitrary coding, I explored alternatives such as time, hierarchy (Ragin 1992) and multiple sites (Barton 2006). This provided space for changes, sequencing, constructing linkages and relate to the context at the expense of theorizing.

I engaged in recursive iteration of data and theories by charting the patterns, underlying assumptions and implied meanings. I analyzed and attached interpretation to quotes by referring to relevant theoretical concepts (Finlay 2006). I argue that themes can be integrated with processes and actions in the research strategy, and need not be independently coded according to categories (Charmaz, 2014). New and different themes may emerge from initial broad umbrella themes observed (Lincoln & Guba, 2013). The cases were analyzed according to relational patterns and temporal dimensions. Textual analysis requires transcending the obvious statements to offer the most probable explanation. At every stage, it was crucial for me to conduct sensibility checks and watch for blind spots. I inquired about the meanings and the context when casing exemplars and outliers. Advice and feedback to conference papers were also useful in shaping the cases.

4.6.2 Units of analysis

Cases may contain multiple units of analysis (Yin, 2009) constructed from corporate stakeholders and relationships with institutional and market actors even though a small number of cases are studied. In qualitative studies, analysis of levels and the system as a whole are more important than having a large number of observations of different entities (Aharoni, 2011). When constructing stakeholders' roles, cases are more suitably viewed as enactments rather than entities (Tsoukas & Chia, 2011). Moreover, there are several cases embedded in each entity where overlapping social, temporal, locational categories could be examined (Fletcher & Plakoyiannaki, 2011). Instead of branding cases nominally based on entities, this study continually inquires what is the case(s). The unit of a firm is not the basis of the puzzle but the subject matter to be addressed. Clusters of companies were reconfigured according to commonalities and contrasting themes. The rationale for pursuing internationalization strategies may overlap across managerial and official boundaries. Tracking the casing process (Ragin & Becker, 1992) and progression from ideas to a case would deepen our understanding of the cases and linkages. Moreover, the same participants and managers within the same firms and locality may change their perception and assessment over time. I refrained from uncritical and repetitive attempts to seek a harmonious ensemble that would neglect to explain paradoxes and reject deviant results.

4.6.3 Knowledge building process

Discovery of exceptional cases transcend the standard classification of categories. The role of the researcher in casing is pivotal to theory building from problematization and reflexivity. Passive data is factual and there is not much scope for variations in interpretation but active data is associated with discovery (Dubois & Gadde, 2002). Consistent with abductive logic, I allowed for flexible conceptual categorization (Doz, 2011), evolving provisional concepts concurrently and collectively with data and emerging concepts. Besides exemplary cases, I embraced outliers to shed light on undercurrents and nuances of unnoticed tendencies (Aharoni, 2011). This is consistent with the abductive process to examine the surrounding including those causes and effects that are not obvious (Timmermans & Tavory, 2012). Among the cases studied, commonalities and divergence cut across apparent structural demarcation. In these cases, I would explain how and why certain cases exhibit idiosyncrasies and their stakeholders took certain courses of action.

Casing incorporates the temporal dimension and necessitates construction of the sequence of events and coevolution of business actors, institutions and markets. In Chapter 3, contextualization lays the foundation of historical perspective and this is elaborated in the content chapters. Temporal bracketing (Langley, 1999) enables tracing the sequence of concurrent developments in the home country that impacts internationalization. Unlike variant oriented study, in the process view, performance measures are ephemeral transition points (Langley et al., 2013). Process tracing research designs for within-case and cross-case comparisons could uncover diversity and causal mechanisms (Vennesson, 2008). Metaphors cited by interviewees were useful guidance for analysis because these were time-bound, representing certain periods, or may inspire new interpretations over time (Alvesson, 2011). Social engagements linking the past and future with the current state, would be continuously constructed and reconstructed through experimental and reflexive processes (Elkjaer & Simpson, 2011).

4.7 Broadening the validity criteria

The meaning of rigor for qualitative studies is not clearly defined and is often measured in terms of the quality of social sciences research rather than procedural precision and strictness. Qualitative researchers are urged to move beyond criteria focusing on established forms of rigor that confirms the status quo rather than generate creativity (Finlay, 2006). To address the lack of consensus on the evaluation criteria of heterogeneous qualitative research, I discuss various steps undertaken in this study. Conventional standards of appraising qualitative research that hails from deductive and inductive traditions continue to dominate IB scholarship even though there exist diverse approaches to qualitative case studies (Bluhm, Harman, Lee, & Mitchell, 2011; Piekkari et al., 2011; Welch et al., 2013). Qualitative scholars have called for assessing the value and integrity of qualitative research using different criteria instead of producing mediocre and pseudo-scientific qualitative research aimed at seeking credibility and legitimacy (Finlay, 2006).

I question the preoccupation with specified methods and theories, and argue that research methods should be appropriately cast as practical philosophy of reasoning (Schwandt, 1996) in keeping with pragmatist ontology and abductive logic. In this section, I will discuss the position of this thesis in assessment of rigor in the continuum of research, in comparison with the quantitative research paradigm and positivist criteria of reliability, validity and generalizability (Ballinger, 2004; Finlay, 2006). Consistent with my ontology and epistemology stated at the start of this chapter, there are alternative criteria to assess the value of research. Diverse forms qualitative research are legitimate ways of theorizing beyond conventional exploratory undertakings (Welch et al., 2013). Linear paths and generalization that neglect complexities and contexts are deemed untrustworthy (Stiles, 1993). The common understanding of the criteria to assess various paradigmatic positions are shown in Table 4.9.

Validity in the positivist persuasion of qualitative research guided by testability and generalizability required of quantitative methods may seem at odds with my research objectives. On the other hand, naturalist research paradigms use a different set of criteria. A recent term that has emerged is “criteriology” which suggests that evaluation can reflexively focus on managing research and choosing methodologies that suit the philosophical assumptions (Johnson, Buehring, Cassell, & Symon, 2006; Schwandt, 1996). The appraisal of qualitative research entails a balance between well-accepted guidelines with appropriateness to ontological basis, epistemological assumptions and methods of study (Dixon-Woods, Shaw, Agarwal, & Smith, 2004; Finlay, 2006). Evidence in qualitative method does not equate to adhering to stringent rule-based and systematic methodological procedures but allows space for creativity. Central to qualitative approach is the quality of analytical inference (Dubois & Gadde, 2002, 2014). Metaphors cannot be translated into more precise, objective language and thus elude rigorous measurement and testing (Alvesson, 2011). It is possible to move beyond the ambit of common impression of rigor, and reflect on clarity, credibility, contribution, communicative and caring qualities (Finlay, 2006).

Table 4.9 Criteria for rigor across four research paradigms

Positivist term	Naturalist term	Alternatives	Means to check
Internal Validity Repeatability	Credibility Accuracy Confirmability	Meaning Rationale Resonance (quotes) Relevance	Prolonged involvement, persistent observation, data triangulation, members check, feedback
External Validity Generalizability	Transferability	Interdisciplinary theorizing Multiple perspectives	Robustness checks Thick description of setting and /or participants Reflexivity Deviant cases
Reliability	Dependability Trustworthiness	Transparency, clarity, documentation trail	Audit: researcher's documentation of data, methods and decisions; researcher triangulation
Objectivity	Confirmability	Contextualization Conditions Situations	Statistical or analytical rigor Reflexivity Fresh eyes and peer review

Author's adaptation from Alvesson 2009; Ballinger 2006; Finlay 2006; Lincoln & Guba 2013; Madill et al 2000

I also considered sensemaking as a relevant analytical tool for studying processes. Sensemaking calls for a move away from preoccupation with validation that may exclude discovery and broaden the notions of methodology to incorporate flexible processes of discovery and theorizing (Locke et al., 2008; Van Maanen et al., 2007; Weick, 1989). An abductive sensemaking process (Kolko, 2010) involves filtering, grouping relationships, combining patterns and coherent structures leading to a synthesis of complex relationships. Validated knowledge does not necessarily translate into theorizing. I was inclined to find plausible connections and relationships that have not been considered or found in extant frameworks (Van Maanen et al., 2007). Active construction from interesting and complex data with representations such as metaphors (Alvesson, 2003) demonstrate reflexivity in the evolution of theorizing (Weick, 1989).

4.7.1 Relevance and rationale

I sought relevant meanings rather than internal and external validity in positivism and credibility in naturalism. Starting with a puzzle suggests that an earlier assumption has been falsified and needs investigation using different frames (Alvesson & Sandberg, 2013; Davis, 1971; Weick, 1989). Constructionists argue that internal coherence and transferability are unrealistic as research is inherently subjective and researchers should study deviant cases and include interdisciplinary perspectives (Madill, Jordan, & Shirley, 2000). Rather than applying pure economic rationality, abductive logic is synchronized within an iterative methodology for theory development. I focus on the *rationale* provided by actors of their actions and responses. The interview experience showed that participants from the same organizations may not speak with one voice and some were willing to share their personal assessments. Instead of generalizability, plausibility is a more suitable criteria because theorizing from qualitative data cannot be simple, accurate and general at the same time (Weick, 1999). Reflexive practices can function as both creative interpretation and evidence for rigor to develop coherence between the aims and methods of research (Ballinger, 2004). Providing verbatim quotes resonate with readers (Finlay, 2006) and generate more persuasive arguments. The primary purpose of research is to address relevant (Elkjaer & Simpson, 2011; Kilduff, 2006) and current phenomenal issues than to produce rigorous works that is academic and esoteric, sacrificing on practical and actionable issues.

It would be more important that the researcher declares biases rather than attempt to be perfectly objective. Having an agenda of engagement, processing, interpretation, and self-critique would clarify and communicate ideas well (Stige, Malterud, & Midtgarden, 2009). A frequent question regarding repeatability stems from positivist expectations. Firstly, transcripts would not be understood at the same level as those involved. Among interviewers, each may have different preferences for theoretical frames and nuanced interpretations. My collaborators view the same data from a domestic economic policy lens rather than the IB perspective. Secondly, it would be impractical to replicate the same research due to heavy commitment of time and resources. The “romantics” (Alvesson, 2003) suggest replicability and sharing of transcripts, but it is difficult to imagine how anyone could beg, borrow or steal raw qualitative data from the original interviewers and their co-authors and the ability to inject objectivity in different contexts.

4.7.2 Theorizing from interdisciplinary and multiple perspectives

Utilizing a fine-grained dataset optimally was a skill developed in the research journey. The traditional view of qualitative research considers ‘less is more’, rendering over descriptiveness as not getting to the point and ending up with a weak theory (Eisenhardt, 1989b). I tried to strike a delicate balance of providing participants’ quotes that resonate with readers. I searched for individuals’ perceptions and relationships that stand out and drive decisions. I cross-checked field data with their actions and documentary sources (Vaughan, 1996) and industry sources to gain better understand their meanings, relationships and justification for certain actions and decisions. Multiple perspectives could be a way to cross-check and ‘triangulate’ field data (Woodside & Wilson, 2003). Unlike most previous case studies of MNEs, I present multiple perspectives of government officials, academics, business consultants and industry experts. Company documents, industry commentaries, business analyses, public statements and news reports are referenced for reliability and plausibility checks. While this could be considered a form of validation, analyzing social behavior requires more complex tools to bounce, weigh and deliberate on ideas to understand the rationale and reasoning behind these interactions and decisions.

Continuing communications with participants who were amenable to provide updates and clarification helped in the construction and reconstruction of theories. By following up on some interviewees, I found that their views were not static as they learned lessons from previous actions before making the next moves. Reflexivity and iteration of field data with theories overcome dependency on participant’s transient mood, retrospective meaning making and knee-jerk reaction of interviewers (Eisenhardt & Graebner, 2007). Reflexivity raises the researcher’s involvement and subjectivity to the level of consciousness to produce more conscientious scholarship (Prasad, 2014). I did not take the statements at face value but explored deeper into the thinking behind the articulation of the participants’ position. Adopting an interdisciplinary approach to analysis and theorizing, interview data is seen through complex social situations that bear imprints of a multitude of social logics, mechanisms or social forces that are addressed (Alvesson, 2011).

Theorizing with a robust and emerging framework (Dubois & Gadde, 2002, 2014) would improve the explanatory power of case studies dealing with non-linear (a mathematical term) causality and chaotic systems of human behavior and experience (Stiles, 1993). The merit of iterative process of moving "back and forth" is the ability to check theories with empirical evidence and returning to the field for confirmation for further theorizing. Abduction could rely on extant theories and similar studies and develop new concepts concurrently with data. Instead of starting on a blank slate and rely solely on matching field data with a single framework, familiarity with multidisciplinary theories would strengthen the process of conceptual construction. Using within-case and cross-case comparisons, this study deepens our understanding of different types of trees but does not claim to represent the forests in the world. Replication and generalizable objectives are not in line with the study of human behavior and social sciences (Dubois & Gadde, 2014). Ultimately, evaluation should include discovery since this study uses abductive analysis aimed at generating novel theoretical insights (Weick, 1995b) that reframe empirical findings in contrast to existing theories (Timmermans & Tavory, 2012). My attempts to explore outlier cases that may challenge existing theories are motivated by developing more persuasive arguments and constructs (Aharoni, 2011). Falsification in the scientific research has generated new discoveries and theories (Popper, 2002).

4.7.3 Clarity

Transparency in information gathering and analysis are ways to instill rigor (Bluhm et al., 2011) and discipline in the absence of clearly defined steps. I demonstrate that in a qualitative approach, detailing the research journey and justifying the approaches taken would help to build up the cases. In qualitative scholarship, realist tales have given way to confessional tales that offer transparent account of research (Finlay, 2002a). Trustworthiness is the criteria used in interpretivist paradigm, implemented by member checking, triangulation and negative cases (Lincoln & Guba, 2013). The intention is to uphold reliability (Miles & Huberman, 1994) rather than replicability across different cases over time. A theoretical frame could be applied to other cases with similar characteristics and conditions, and offer guidance for future research.

Abduction requires exercising discipline, conscientious documentation and continuous reflexivity. I started with a mystery consistent with pragmatist Dewey's 'ends-in-view' and the objective was to solve the puzzle through investigation (Hoffmann, 2013). Though 'rich' rigor demands carefully considered research questions and approach, appropriate process, detailed and accurate data to support theoretical constructs, it is insufficient to guarantee qualitative quality (Tracy, 2010). Hence, quality research does not preclude telling a good story (Dyer, Wilkins, & Eisenhardt, 1991; Gubrium & Holstein, 2009) and conveying vividly the lived experience (Finlay 2006). The process of reflexivity from preliminary theoretical frames, interviews, analysis, casing and conclusion are detailed in this thesis.

4.7.4 Contextualization

Contextualization is a strength of qualitative case study. Sometimes an obvious and compelling finding may not be relevant to the historical, political and macro-economic context. Yet certain findings that defy conventional wisdom may be meaningful if viewed in a larger context. Reflexivity involves not only self-awareness, but continuous self-reflection (Finlay 2002, 2006) throughout the learning process from interviews, memo reviews and analysis. Inferring from multiple clues, distributed cognition and mediated activity with the environment would enhance abductive processing (Paavola & Hakkarainen, 2005). Qualitative research demands stamina and willingness to take risks (Doz, 2011) but is compensated by the rewards of holistic and novel findings.

4.8 Summary

In this chapter on methodology, I have outlined the paradigmatic basis for abduction and justified the advantages of the approach undertaken to strengthen findings towards theorizing. I provided an overview of the research strategy, which is holistic and processual, incorporating the contextual and temporal dimensions. Evolving casing of multiple levels of analysis that examine dynamic interactions rather than fixed entities at a point in time is an appropriate approach to studying the deeper meanings behind a phenomenon. Chinese agrifood OFDI in advanced economies grew in tandem with the transition to balancing and consumption-driven economy. Reflexivity is adopted in problematization of the research question, purposive selection, interviewing and data collection process, analysis of various sources of information and theorizing. I tried to make sense and meanings (Weick, 1989, 2006, 2015) from the research and conceptual development which are presented in subsequent four content chapters of this thesis. In the long run, these case studies could potentially provide a good basis for future longitudinal investigations of related topics. Ultimately, methodology serves as tools to construct better narratives for theorizing rather than as an end in itself. Finally, I explained that this study meets the criteria of quality in qualitative case study using abductive reasoning.

5 Chapter Five: Coevolution of economic reforms and agrifood industry development in support of internationalizing firms

"It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change." — Charles Darwin

5.1 Introduction

Home country support for internationalization is commonly conceived as state institutions and policies such as tax and subsidies that facilitate firms' overseas investment. Home country support may encompass formal, informal, direct, indirect, persuasive, organic and spontaneous growth with enterprises over time. Convention focuses on unidirectional causal link with institutions as the centrality of study. This chapter seeks to address the neglect of the dynamic and mutual effects of policies and industry towards internationalization. In this context, home country policies that impact on internationalization include pro-market reforms, deregulation of approval processes for OFDI and recentralization. Policies are response to requirements on the one hand, and in turn elicit responses and feedback for further reforms. The research setting is Chinese agrifood OFDI to advanced economies in the past decade against the backdrop of consumption-driven growth and post-GFC acquisition opportunities. I aim to clarify the meanings of home country support from different perspectives, extending to relationships among actors, and assessing the relative needs of businesses.

Home country support for emerging market firms is often seen in a positive light, promoting competitive advantages and coveted by firms. Departing from the typical and predictable division between support for selective firms and constraints on disadvantaged firms that escape overseas, I reconceptualize a dynamic framework to capture the complexities and changes of multiple level interactions among actors. Moving beyond institutions to interaction among business actors using a coevolutionary lens, I offer alternative insights and explanations of dynamic home country effects. The findings show home country support is not limited to unilateral financial backing or unconditional uplift, but might require negotiation, adjustment and compromises among actors.

This chapter begins with an overview of the context of Chinese agrifood OFDI to advanced economies from 2008 to 2016. Guided by inquiry of home country support, I try to find out the different meanings conveyed by giver and diverse recipients over time. Home country support should not be limited to direct financial support for internationalization. In the initial conceptual framing and research investigation process, I problematized long-held assumptions in extant IB literature on the duality of support versus constraint which suggests SOEs typically receive preferential support while less prominent POEs fend for themselves.

The eight Chinese corporations examined here comprise different ownership structures (two SOEs and six POEs) and their core businesses vary from agrifood, real estate, metals manufacturing to services sectors. I gained different perspectives from the local officials, central government researchers and industry experts and referred to secondary published reports. The study will question and explore further how home country reforms conducive to internationalization coevolve with business actors' selective needs.

The main finding from the research is that resources for institutional support should not be taken for granted. Even state-owned enterprises (SOEs) face increasing pressure on to deliver and perform. Across a spectrum of business perspectives on useful and relevant home country support, confident privately-owned enterprises (POEs) would not trade off autonomy in internationalization decisions for state support but appreciate past support for domestic industry development and regulations on imports from Chinese overseas assets. This multiple case study enables the development of nuanced insights towards a "*discretionary adaptation model*" that contributes to the enrichment and explanatory power of process and institutional frames.

5.2 Contextualization

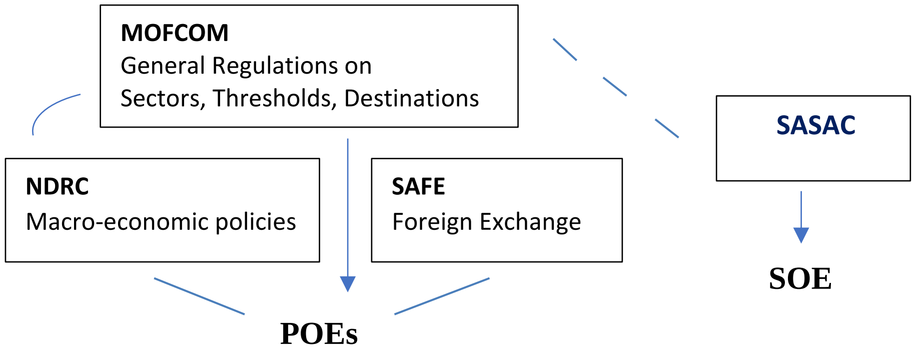
Chinese economic reforms have been exploratory and experimental to overcome institutional inadequacies. In the process of transitioning to market economy, adjustments were made to create an environment conducive to domestic, inward and outbound foreign investments. Subsequent economic reforms intensified marketization, changed priorities and consolidated previous policies (Refer to Chapter 2). SOE reforms which began in the 1990s entailed the restructuring and privatization of most SOEs, and identified national champions (Fan & Hope, 2013) to prepare large Chinese enterprises for globalization. When China acceded to the World Trade Organization, OFDI was geared towards accessing resources, energy, technology and strategic assets (Lu, Liu, & Wang, 2011; Meyer, 2015b) were encouraged to supply home country manufacturing and infrastructural development and improve competitive advantages (Williamson & Raman, 2013). The combination of pro-market reforms and deregulation (Fligstein & Zhang, 2015; Hall & Soskice, 2001; Jackson & Deeg, 2008b; Li et al., 2014; Whitley, 1998; Witt & Redding, 2013), enabled POEs to capitalize on streamlined administrative procedures and adopted a less stringent list of prohibited destinations to expand overseas at a shorter time (Luo et al., 2010). In the absence of strong coordinating mechanisms, local governments were free to adopt flexible interpretation of central policies and improvised *ad hoc* channels to support investment (Ang, 2016).

China has instituted multiple overlapping regimes to regulate OFDI under a basic official structure of reporting governing internationalizing firms (Figure 5.1). SOEs are governed by the Assets Supervision and Administration Commission of the State Council (SASAC). SOEs could invest overseas in areas that are within their primary business sector by merely *reporting* to SASAC with the investment plan and financing sources. SOEs would only require *approval* from SASAC in special circumstances or if OFDI falls outside their non-core business (Lumsden & Knight, 2012). Such flexibility and freedom provide advantages for SOEs over POEs. Meanwhile, local SOEs, subject to less stringent supervision than central SOEs, may compete against each other or with private firms (OECD, 2016).

POEs need to seek approval from the National Development Research Council (NDRC). The NDRC's main role is to ensure that POEs align their OFDI with China's domestic economic development. The NDRC may allow multiple businesses to bid for overseas assets that are below the $US300 million threshold and are not supposed to favor certain companies over others. Technically, potential investors must satisfy the requirements set by State Administration of Foreign Exchange (SAFE) on the amount of foreign currency and bank procedures for OFDI. Chinese enterprises can use either their own foreign currency holdings or government foreign exchange reserve loans for OFDI. In 2009, SAFE relaxed qualification requirements for offshore lending, expanded sources of funding and simplified verification and remittance procedures, facilitating more POEs to invest overseas.

The Ministry of Commerce (MOFCOM) formulates regulations on OFDI and coordinates the activities of the commercial counsellors in China's embassies. The primary objective is to protect and advance the interests of Chinese companies overseas. More recently, the regulation of OFDI thresholds and sectors has been delegated to provincial-level MOFCOM for assessment. In principle, local MOFCOM officials used the '*economic and* *technical feasibility'* criteria to approve OFDI applications (Ma, 2014). After 2014, MOFCOM further relaxed approval review requirements to let Chinese firms conduct their own economic and technical feasibility of an overseas investment project.

Figure 5.1 Regulatory Authorities of Chinese OFDI



Deregulation of internationalization procedures have benefited POEs considerably as modest OFDI commitments no longer require detailed documentary support on financing and business plans. Internationalization regimes were progressively simplified and included raising the thresholds requiring approval, streamlining and shortening approval procedural times. A milestone achieved is the availability of financial services to more customers. Initially there were only two main private banks, Minsheng and Ping An, compared to the dominance of state-owned commercial banks. In December 2016, the Chinese media announced that the State Council banking regulator approved another five private banks to provide capital for SMEs, bringing the current total to 16.

However, the concurrent priorities towards economic rebalancing and recentralization policies have apparently offset some of the advances made in deregulation and pro-market reforms. Capital outflow was tightened in 2016 to stem the falling yuan. Since early 2017, overseas money transfers of US$5 million (previously US$50 million) required pre-approval by SAFE. Restrictions were further extended to POEs that borrowed from state banks. Concurrently, the SASAC proposed to apply a negative list to regulate OFDI by SOEs to increase returns to investment (State-Council, 2017). In August 2017, the NDRC criticized "irrational" overseas investment and advocated restrictions to be extended to unproductive sectors (Zhong, 2017a). OFDIs undertaken by SOEs are scrutinized more closely while POEs are restrained from overleveraging through financial institutions.

5.3 Assumptions in Extant Literature

I problematize commonly accepted assumptions in literature and offer alternative assumption bases to construct research questions that will more likely generate interesting and influential theories (Alvesson & Sandberg, 2011; Sandberg & Alvesson, 2011). The conventional approach that seeks to find research gaps, creates narrow spaces and contributes primarily to theoretical testing, confirmation and extension. While static efficiency concepts are advantageous in studying constant causal links, complexities and interconnections are downplayed. There is a wealth of scholarship on institutional support, but untapped knowledge on what happens in *home country support* has yet to be clarified and discovered. Flexibility in theorizing would enable expansion of research parameters to capture the realities in the empirical world. Inquiries that embrace diversity and paradoxes are more likely to stimulate creative insights (Hayes, Hopkinson, & Taylor, 2016).

This study of agrifood OFDI commenced in late 2013, when Chinese investment in Australian mining resources peaked and agrifood investment interests increased in tandem with higher consumption of better quality food in Chinese domestic markets (Stacey, 2015). Relying on extant literature on early waves of SOE led OFDI in resource-seeking ventures, I expected to inquire along the lines of institutional support. The empirical material, however, raised questions on the suitability of existing frameworks and opened the way for insights into the composites of multifaceted actors interacting concurrently in a transitional institutional environment. Systematic combining (Dubois & Gadde, 2002) is appropriate for studying dynamic systems as actors and organizations inevitably have to revise their strategies when requirements and relationships change over time. That theories and practice operate in ever-shifting contexts needs to be addressed at the fore. A formula that is relevant to a case and point in time may not be applicable as societies coevolve.

Complex regulatory regimes facilitate the internationalization process (Cuervo-Cazurra, 2015; Garnsey & McGlade, 2006; Lewin et al., 1999; Redding & Witt, 2009) and while players may learn (Cuervo-Cazurra, Luo, Ramamurti, & Ang, 2018), respond or create further changes (Ahlstrom et al., 2008; Child & Tsai, 2005; Dieleman & Sachs, 2008; Oliver, 1991). Ramamurti and Hillemann (2018) argue that the government bolstered the international competitiveness of Chinese firms in many ways through "government-created advantages." While this has been prevalent in the early part of internationalization, home country effects may not lead to clear cut advantages but could be 'double-edged'. Domestic inefficiencies, restrictions, lack of protection for property rights and corruption may drive disadvantaged firms to invest overseas to escape constraints imposed on smaller private businesses in the domestic economy (Witt & Lewin, 2007). Emerging market governments create policies shaped by domestic companies that facilitate foreign direct investment (Yan et al., 2018).

5.3.1 Change: incorporating the temporal dimension

Research on factors for rapid internationalization of EMNEs (Luo & Tung, 2007; Mathews, 2002a) contributed to our understanding of a phenomenon. It has been well recognized that home country government support for higher value production and skilled services are key drivers of early internationalization (Aggarwal & Agmon, 1990; Ramamurti, 2012). Research on institutions augment and complement existing resource-based and organizational theories, but transition and temporal adaptation (Peng, 2003) have been relegated to the background. The snapshot approach of studying internationalization of Chinese firms tends to neglect changes of the stakeholders in the home country environment over time.

The focus on direct causal links also downplays the role of moderating mechanisms and the temporal dimension within unique national characteristics (Tolentino, 2010). Multiple institutional reform processes, such as decentralization, industrial restructuring and market liberalization, contributed to variations in SOEs' strategies (Li et al., 2014). Similarly, POEs adapted to different regulatory and political economic environments since pro-market reforms and subsequent globalization policies gathered momentum. Luo et al (2010) provide insights to the gradual transformation of Chinese institutions, tracing the simplification of monitoring mechanisms and broadening support for OFDI up to 2007. These measures included tax and financial policies, insurance subsidies for expatriates in overseas subsidiaries, information services, and preferences to MNEs that meet the direction guidance catalogue. The narrative of an influential government progressively transforming undeveloped institutions to complement promotion of OFDI policies continues to dominate IB literature.

Alternative perspectives challenge longstanding assumptions of entity boundaries and stability of the home country environment. Incorporating political economy and strategic management help to enrich the framing of home country effects. China accomplished rapid economic development through a combination of industrial governance, network capitalism (Boisot & Child, 1996) and bureau-franchising (Ang, 2016) rather than the ideal Weberian model. SOEs seem anomalous from the perspective of non-interventionist and free enterprise system. Yet, in comparison, there are over 200 SOEs across capitalist economies in Europe and Asia involved in a range of sectors such as transportation, power generation, energy, financial institutions and partly privatized telecommunications companies (Jackson & Deeg, 2008a). Chinese pro-market reforms do not necessarily follow the conventional path and projection of depersonalization of institutions and firms. It is assumed that marketization requires the strengthening of institutional authorities towards the Western codified Weberian conception of bureaucracy (Boisot & Child, 1996). However, ongoing personal relationships and political connections have endured during transition from exploratory to the deepening pro-market reforms (Ang & Jia, 2014). While most Chinese firms would have connections with local governments, publicly-traded Chinese SOEs and POEs are increasingly connected with the national/central government (Wang, 2016). Additional political connections to central authorities serve as additional insurance and contingent protection against centralization and the government's anti-corruption drive (Wang, 2016). The mainstream IB literature has been relatively reticent regarding dynamic advantages afforded to internationalizing SOEs and POEs operating in an environment prone to policy shifts.

After decades of reforming SOEs, hybrid Chinese firms are behaving increasingly like POEs but retain key SOEs objectives (Bruton et al., 2015). While SOEs benefit from government support in the foundation years, the restructuring of strategic and pillar central SOEs into 'national champions' has exposed these selected beneficiaries to increased pressure to improve their performance in the home (Redding & Witt, 2010) and host countries (Li et al., 2014). The internationalization strategies of listed SOEs have become more similar to private companies when home country institutions assert effective corporate controls (Estrin et al., 2016).

SOEs have dominated the economic history of post-war nation building. SOEs provided employment, social services, education, medical care, healthcare and retirement protection for Chinese citizens (Fan & Hope, 2013). While retaining control over certain strategic industries, most SOEs have been merged, streamlined and engaged in partial private shareholding (Wang et al, 2015; Leutert, 2016) ostensibly to improve governance (Ho & Young, 2013). The number of central-level SOEs has fallen from 196 in 2003 to 115 in March 2013, and fallen further to

98 by December 2017 (Mengjie, 2017). Some publicly-listed SOEs holding companies may own many unlisted and less efficient subsidiary companies that receive support if they serve important social functions. The SASAC (as mentioned earlier) is responsible for managing SOEs, including appointment of top executives and approving mergers or sales of stock or assets, and drafting laws related to SOEs. However, once appointed, individual SOE managers are accountable to the shareholders. The performance of appointees in business management affects their future promotion in the bureaucracy and SOEs.

I argue that business actors are heterogeneous community and the distinction of the business management between SOEs and POEs is gradually narrowing. Large POEs in China share many similarities with SOEs in aspects such as market dominance, receiving state subsidies for key domestic sectors, forging proximity to state power and supporting government policy objectives (Milhaupt & Zheng, 2015b). There are variations among strategic SOEs, transformed hybrid SOE, and POEs with varying resources, their experience and connections. Most POEs that started as small family or partnership businesses in the 1980 - 1990s, are the main drivers in the non-state sector but continue to navigate discreetly with the bureaucracy. POEs are increasingly recognized for China's globalization as more opportunities have emerged post-GFC. SOEs have been the front runners of OFDI, accounting for 60 per cent of the total value of outbound M&A deals in 2014, but the share is down from 90 per cent in 2010 (Barber, 2016). While SOEs continue to dominate higher value global deals, OFDI by the POEs are gaining prominence since the past decade.

Chinese MNEs grew in a rapidly changing home environment over three decades. Regardless of the level of direct support, developed home institutions would be more conducive for firms to internationalize (Huang et al., 2017). Deregulation has reduced tedious approval procedures and facilitated POEs to commit to overseas investment without much delay. Pro-market reforms also improved SOE efficiency, corporate governance and market competition. In the 1990s, SOEs were tasked with internationalization to seek resources, technology and brand names (Rui & Yip, 2008), as POEs were not well-established then. As China has higher savings and foreign reserves, SOE borrowers had more resources than predecessors of the Asian tiger economies (Gallagher & Irwin, 2014). At the same time, decentralization and deregulation have unlocked and extended opportunities to successful POEs.

5.3.2 Support versus Constraint Duality

The mainstream literature has been informative on competition for resources by Chinese firms (Buckley et al, 2008; 2014 Luo, et al; 2010; Wei et al, 2015). Seminal studies have been based largely on macro-level analysis during high economic growth (Buckley et al, 2007; Tolentino, 2010). Owing to China's experimentation with capitalist practices (Boisot & Child, 1996; Gu, Zhang, Vaz, & Mukwereza, 2016; Nee & Opper, 2012; Redding & Witt, 2009), the scale and pace of emerging market internationalization have been attributed largely to the role of direct government support (Ramamurti, 2012). Country-specific advantages (CSA) in turn boost firms' specific advantages (Rugman & Li, 2007) and reduce the liability of foreignness (Rugman & Li, 2007; Rugman et al., 2011). However, questions remain over the diverse effects of home country institutions on internationalization (Peng, 2003) of SOEs and non-SOEs.

Institutions may determine the playing field for companies with an incentive system that either fortuitously or intentionally creates market imperfections (North, 1990; Voss et al., 2010). Direct institutional support manifested in low cost financing, industry information, local knowledge and selective waiver of the approval process, enabled latecomers to engage in serial acquisitions (Luo & Tung, 2007). The ability of firms to harness resources and leverage global assets reinforced ownership advantages (Mathews, 2002a). EMNEs gain atypical ownership advantages (Sun et al., 2010) by tapping unique conditions of their home market. The institutional frame extends the "ownership" element in the eclectic model (Buckley, Forsans, & Munjal, 2012) to reconcile how firms that do not possess competitive advantages could be enabled to internationalize.

Institutional support and domestic capital market imperfections (Voss et al., 2010) allow investors to broaden their strategic options (Luo & Wang, 2012; Ramamurti, 2012) to overcome latecomer disadvantages. Home government support for firms entering a host country with well-developed institutions reduces the importance of having prior entry experience and increases the likelihood of commitment (Lu, Liu, Wright, & Filatotchev, 2014). Strategic asset-seeking and market-seeking overseas investment were encouraged by the home government (Lu et al., 2011). Besides direct support provided by the state, firms are incentivized to pursue specific global strategies that meet national objectives (Cuervo-Cazurra, 2011).

State financial support has helped firms to compensate for competitive disadvantages and mitigate risks of investing in politically unstable host destinations (Buckley et al., 2007). Home country support may facilitate internationalization by promoting market efficiency through transparency enhancing and uncertainty reduction mechanisms (Hobdari et al., 2017). Though institutions remain weak in emerging markets, policies geared towards internationalization could help inexperienced EMNEs to overcome challenges of internationalization. More recently, scholars try to unpack the contingency factors of home country advantages. It was found that only SOEs with requisite internal technology and marketing resources in specific industries that are prioritized by the state would benefit from institutional support for internationalization (Hong et al., 2015).

On the other hand, POEs that lack political connections face difficulties accessing capital for international expansion. Constrained by restrictive domestic regulations and institutional voids, POEs are pushed out or forced to "escape", relocate and venture overseas (Boisot & Meyer, 2008; Cuervo-Cazurra & Ramamurti, 2014; Luo & Tung, 2007; Voss et al., 2010; Witt & Lewin, 2007). POEs that operate on a small scale, and are uncompetitive in the domestic market, would be deemed as non-strategic. Firms that are not politically connected would not receive institutional support to internationalize, and would have to find their own means to venture overseas (Witt & Lewin, 2007). Smaller firms may internationalize as a way of attracting overseas venture capitalists (Voss et al., 2010). Emerging market MNEs globalize to alleviate domestic institutional constraints and voids in the legal system and imperfect markets (Luo & Tung, 2007). Discriminatory support depends largely on affiliation and confidence of relationships with different levels of the home government (Dau, 2012). SOEs receive what is termed as "conscious" support that encourages aggressive international expansion while "unconscious" support forces POEs to adopt a more cautious approach (Wei et al., 2015).

The binary conceptualization portrays SOEs as beneficiaries of the institutional perspective in contrast to constraints faced by POEs. A longstanding assumption is that home state-centered intervention has discriminatory effects based on ownership types, favoring SOEs and hindering POEs. However, in practice, political connections could be double-edged. Protection in the domestic market could entrench firms into dependency and managers would not be incentivized to venture overseas (Huang et al., 2017). It is even argued that intense market competition in the home country, rather than encouraging conditions, may have been the main driver behind firms' internationalization (Huang et al., 2017).

While institutional support has been widely accepted as a positive asset that enhances the firm's capabilities in the home environment and international competitiveness (Hall & Soskice, 2001), it has given unfair advantage to favored recipients at the others' expense. The conventional perception supposes that well-connected SOEs enjoy privileges and preferential policies, such as quotas, subsidies, tax incentives and soft budget constraints (Kornai et al., 2003). Buckley et al (2007; 2008) and Ramamurti (2012) have also suggested that SOEs received preferential government to facilitate access to low cost capital and improve their comparative advantages.

Granted that support conferred initial advantages to firms entering host countries, linkage to the home country government may work against firms targeting host countries that are vastly different. Firms' close association with home governments seen as authoritarian by liberal democratic countries, could constrain SOE's subsequent market expansion and higher ownership of host country assets (Gao, Liu, & Lioliou, 2015). SOEs tend to face greater liability of country of origin and distrust by foreigners who are wary of their close relations with the home government (Child & Rodrigues, 2005; Meyer et al., 2014; Ramachandran & Pant, 2010). A high degree of government ownership may backfire and weaken the positive institutional effects for EMNEs expanding to advanced economies (Wu & Chen, 2014).

Challenging the notion of beneficiaries based mainly on ownership criteria, alternative streams in state capitalism argue that home country institutions may have more influence over POEs through their close political connections (Milhaupt & Zheng, 2015b). Some proactive POEs may circumvent disadvantages in the home country, utilizing substitutes, or improvising new channels to fill the gaps of weak institutions (Ang, 2016). Influential firms negotiate and exert "institutional leverage capability" on institutions to their advantage (Landau et al., 2016).

Business systems scholarship acknowledges that complexities shape the course of weak firms (Morgan, 2007). Institutions are not monolithic, homogenous or static entities. Local officials and entrepreneurs have been drivers of adaptation while adhering to broad central directives. National champions are not limited to SOEs. Model POEs with proven track record also receive subsidies, incentives and rewards. Home institutional support is not confined to allowing direct access to resources and could extend to collaboration with firms that share government objectives on specific investment targets (Wang et al., 2012). Private businesses in developing countries could grow into entrepreneurial crony institutions of the regime

(Dieleman & Sachs, 2008). POEs navigate and capitalize on weak institutions by creatively tapping informal channels to improve their access to various forms of home country support.

In more munificent home country environments such as developed economies, abundant resources and institutional means permit multiple firms to compete and share benefits, add value and improve efficiency (Castrogiovanni, 1991; Wang et al., 2012). Though China is an emerging market, it is unique in that SOEs have access to abundant state resources. POEs that are well-connected to provincial and municipal level authorities could leverage influence to support policies that promote the expansion of their businesses. Local officials have also coopted supporters from businesses to reap mutual benefits from economic growth (Redding & Witt, 2009). Where the interests converge between central and local governments, managers and industry associates, there are incentives to reduce institutional constraints and expedite the approval process for Chinese firms to invest overseas (Luo et al., 2010).

5.4 Alternative Positioning

Having considered and consolidated the main conversations of change in home country effects on internationalization, I proceed to outline alternative positions for the research inquiry. Exploring complex relationships and alternative perspectives would stimulate debate on the power play of divergent interests across entity divisions. To address the multifaceted realities of internationalization, the sources, level and types of institutional support need clarification and refinement. Table 5.1 shows the conventional assumptions in mainstream literature and alternative positions for this study, addressing the dynamism and relevance of support.

First, my alternative assumption is a dynamic home country environment. Instead of economic equilibrium, continuous adaptation is the norm in emerging economies. Chinese economic and social policies have been experimental and formulated to achieve multiple goals and shifting priorities. Central directives are interpreted and adjusted by local level officials and interactions with business actors. The extant IB literature assumes stability using resource-based and institutional lenses. Studies attribute rapid internationalization during the late 1990s and 2000s to macro-level home country support for selected firms. The alternative assumption incorporates policy changes, firms' idiosyncrasies and responses to institutions, industry and markets. By highlighting the temporal nature of home country developments and internationalization, I could explore deeper explanations for multi-dimensional and irregular trajectory of home country support.

Second, I revise the conventional notion of dichotomous support and constraints. EMNEs are not mere recipients of policies of an all-powerful state but are active players in the home country and internationalization process. The distinction of internationalization strategies pursued by listed firms of different ownership types may not be clear cut (Estrin et al., 2016). Chinese firms overcome ambiguity in hierarchically-nested systems and manage indefinite boundaries by exploiting new market opportunities to gain strategic advantage (Meyer & Lu, 2005). Questioning the assumption of unconditional home country support, I explore the conditions, expectations, levels and types of support.

In subsequent process of theorizing, I substantiate that firms may internationalize with substantial, moderate or limited support from diverse home country conditions. Moreover, support does not engender definite benefits and may even result in trade-offs and negative perceptions by foreigners. The majority of POEs rely primarily on self-financed initial capital but established firms with a good track record and business credentials may collaborate with industrial, local government and financial networks (Garnaut et al., 2012). In the portrayal of a “quiet revolution”, Garnaut et al (2012) noted that POEs have found various avenues of raising capital and are not dependent on state support for expansion.

Deviating from the narrative of disadvantaged POEs that escape overseas, I focus on how POEs navigate and leverage institutional connections and market mechanisms. Business stakeholders and state agents function in interdependent relationships (Wang et al., 2012). POEs may select appropriate channels and the timing to engage home country institutions for support, just as SOEs would contingently capitalize on internal resources to leverage institutional support for internationalization (Hong et al., 2015). Firms continually adjust to the external environment as a necessary part of their internationalization process (Johanson & Vahlne, 1977). This calls for greater attention to map the continuous interactions involving official and business actors. Addressing the proposition of disadvantaged firms being forced to escape overseas, I argue that small firms with limited means have difficulty escaping and succeeding overseas. Large, asset-rich corporations may not be in dire need for state support, but SMEs seeking unofficial industry and entrepreneurial funding channels need to pay a higher cost on capital.

Table 5.1 summarizes the problematization steps to position this study. The two alternative positions include exploration of change and complexities in home country support for Chinese firms to internationalize. I also consider different perspectives to assess *how* firms' needs are met by relevant support for internationalization.

Table 5.1 Problematization of Existing Assumptions to Explore Alternative Assumption Positions

Assumptions in Mainstream Literature	**Alternative Positioning**
Resource-based and institutional lenses. Phenomenal OFDI during high domestic economic growth and strong support for internationalization of selected firms, mainly SOEs.	Dynamic, holistic, complex relationships exist among home country actors. Continuous change in emerging economies is the norm.
Dichotomy between support and constraints. Disadvantaged firms constrained by weak institutions and lack of support escape overseas.	It is more important to focus on firms' needs and the relevance of support. Firms that possess resource capabilities may leverage institutions, industries and markets. The question remains how they undertake this.

5.5 Conceptual Framework

This study would encompass multilevel and temporal perspectives to theorize and extend boundaries. Despite pro-market reforms and deregulation, studies continue to highlight SOEs as the main beneficiaries of Chinese government support while POEs contend with multiple domestic constraints and are disadvantaged. Integrating institutional and evolutionary dimensions, this study aims to finetune the meaning of home country support to different business actors, and incorporate the mixed effects of overlapping reforms on internationalizing firms. I incorporate context and political behavior as an integral part of economic production (Boddewyn & Brewer, 1994). Though the Chinese government continues to play a significant role as enabler and protector (Yang & Stoltenberg, 2014), there are various types and levels of support for different target beneficiaries with the growth of hybrid SOEs and POEs. The notion of home country support has evolved and should be constructed as a contingency based on the needs of individual actors and their responses to the evolving environment.

Chinese SOEs have long benefited from direct government support in domestic business, international trade and investment. Privileges included subsidies, preferential finance, advantages in major projects. SOEs may still enjoy priority for domestic projects and receive special treatment to achieve political in addition to commercial goals (Du & Boateng, 2014). However, SOE managers have come under increasing pressure to focus on returns on capital for overseas investment (Gao et al., 2015). The bar has been raised with the recent recentralization policy and anti-corruption campaigns in the domestic political economy.

It would be arbitrary to define POEs as these are heterogeneous and diverse players in the non-state sector that could transverse boundaries. Large POEs may gain institutional advantages while smaller firms internationalize under constraints (Voss et al., 2010). POEs that have technology-based advantages and export experience are more likely to benefit from Chinese government support (Luo et al., 2010). POEs may leverage domestic policies to their advantage through adaptation, negotiation, informal channels and avoidance (Landau et al., 2016; Li et al., 2014) Disadvantageous firms may find ways to capitalize on institutional arbitrage of transaction costs to plan their strategic entry and exit decisions (Boisot & Meyer, 2008).

5.5.1 A Coevolutionary Perspective

The term "coevolution" is borrowed from science where wo or more interdependent species (e.g., predators and prey or hosts and parasites) interact symbiotically and mutually adapt and drive change, diversification in communities and organization of life (Thompson, 1999). March (1999) studied firm-level exploration with exploitation and adaptations to environmental changes. Multiple interactions produce new forms and different directions that actors may operate (Lewin et al., 1999) with the industry and larger market environment. In this study, the species of coevolution comprises multi-level government policies and Chinese firms of different structures and competencies. The communities operate respond to the market environment and industry developments.

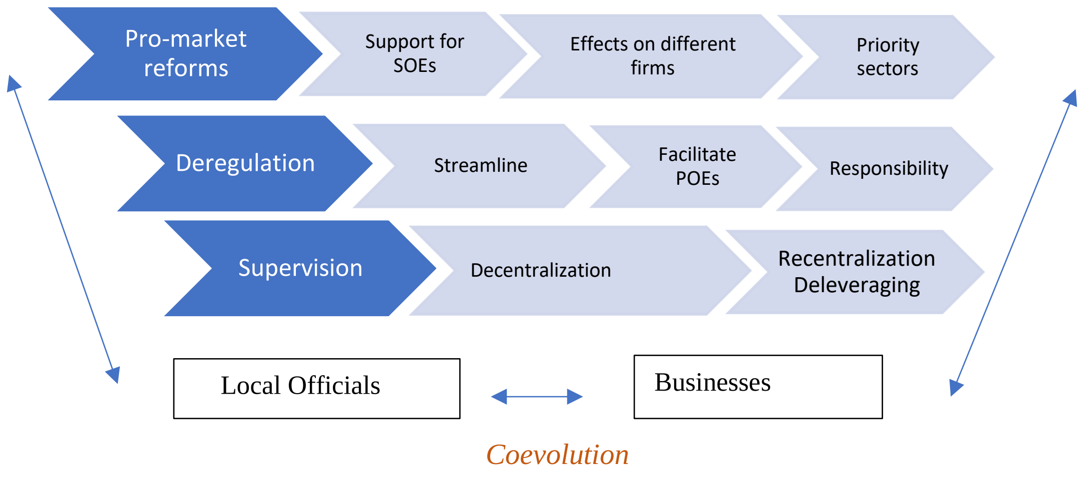
There is strong justification for developing a coevolutionary model involving multiple stakeholders in the home country that have an interest in obtaining institutional support for internationalization. Emerging markets are diverse and regulatory regimes are changing at different pace, depth and coverage. Internationalization ought to be conceived as multi-dimensional and temporal. Extant literature on home country focus on the institutional perspective neglect the combined effects of pro-market reforms and deregulation and recent recentralization on different levels of government, industry and markets. The perspectives of SOEs and POEs would be considered together with the implementation of central policies by local officials. POEs are gaining prominence in both the domestic and international markets with deregulation and streamlining of approval guidelines.

Though SOEs continue to receive government support for OFDI in priority sectors and strategic assets, the same level and types of support for SOE internationalization cannot be taken for granted. Due to EMNEs' varying degrees of affiliation with the home country government, individual firms may experience different levels of institutional pressure and capitalize on their ability to internationalize according to preferred locations and resource seeking or market seeking motivations (Wang et al., 2012). Incorporating the temporal dimension, pro-market reforms put SOE managers under evaluation based on profitability and adherence to government policy directions (Du & Boateng, 2014). Moreover, the government has raised expectations of the financial performance and accountability of SOE's overseas investment (Gao et al., 2015) exacerbated by the domestic debt pressure in recent years. The flexibility afforded by years of decentralization that spurred local entrepreneurship has been restrained with recentralization and deleveraging.

I aim to enrich IB scholarship using multi-disciplinary perspectives. Drawing inspiration from political economy literature, I learn that Chinese firms and local level officials negotiate and develop business networks (Ang, 2016). Coordinating mechanisms are developed at macro and micro levels in the absence of clear and specific guidelines from the central government (Krug & Hendrischke, 2008; 2012). The boundaries demarcating institutions, SOEs and POEs are less distinct in practice as the latter is known to cultivate close relations with officials (Milhaupt & Zheng, 2015b). A coevolutionary model is an appropriate tool to analyze complexities and change (Garnsey & McGlade, 2006). Distinguished scholars have encouraged the adoption of a coevolutionary perspective to improve our understanding of interrelationships between MNEs and public policy (Cantwell et al., 2010). While addressing changes within firms, it is equally important to study coevolution among firms (Volberda & Lewin, 2003). A coevolutionary approach incorporates the sequence of decisions (Buckley, 2016) that prevail in emerging markets and how they impact on internationalization.

An initial conceptual framework presented in Figure 5.2 explores how dynamic institutional impetus broadly defined as pro-market reforms, deregulation and supervision. Concurrent home country policies may have mixed influence on the internationalization different Chinese business actors. The aim of this exercise is to open the black box of how interactions take place and investigate evolving relationships in the internationalization process.

Figure 5.2 Coevolutionary model of dynamic home country effects on internationalization



5.5.2 Research Inquiry

The main research question in this chapter aims to find out how home country reform policies and various actors in industry and markets coevolve, and impact internationalization. *What is the meaning of home country support to key players and how this has shaped internationalization in the light of evolving pro-market reforms, deregulation and recentralization?* I argue that home country factors are complex, changing and continuous. While previous studies on ownership-defined dichotomous support have been informative of early Chinese globalization, theorizing has not caught up with the effects of pro-market reforms, deregulation and recentralization. A coevolutionary lens may help to unearth the interplay of various stakeholders capitalizing on the home country developments to internationalize. Integrating multiple perspectives and temporal dimensions would enrich conventional IB theoretical frameworks on home country institutions.

5.6 Data Generation

The primary sources of information are from face-to-face interviews of 22 company owners/managers/executives and six local officials. I also included conversations with researchers and industry experts, company reports, archival material, videos of interviews with business executives and commentaries. The cases are purposively selected from those involved in high profile deals in advanced economies as they could be tracked and validated with multiple sources. Each company may reveal multiple companies relevant to the theme (Ragin,

1992) to develop existing theoretical constructs. I adopt multiple cross-case analyses of two SOEs and six POEs and perspectives of officials and industry to substantiate the changing relationships and responses among institutions, managers, industry and market.

The decision to use semi-structured questions was to generate deeper meanings from the participants' experiences. A survey was ruled out after the trial pilot project because some participants would not commit to addressing a range and complexity of questions in writing even though provisions were made in the questionnaire. For this component of a larger research project, Table 5.2 lists four main questions that are relevant to addressing specific questions in this chapter.

Table 5.2 Protocol of semi-structured questions on home country support

- What are the types of and degree of government support that you have received? Are these in the form of capital financing, subsidies and tax benefits for overseas investment? Or are there other forms of support?
- What types of support and encouragement would be helpful for your OFDI plans?
- Why do you need home country support? What are the processes involved?
- In which areas would you like to see improvement that would facilitate your company to Go Global?

Following a pragmatist ontology and applying abductive logic, I iterated theories with the data generated from two rounds of formal interviews, follow-up communications and informal conversations with individual managers, officials and industry experts. There are three main abductive points (Aliseda, 2006; Dubois & Gadde, 2002; Klag & Langley, 2013; Timmermans & Tavory, 2012) in the research learning and discovery process that are worth noting. Prior to field study, I relied on frameworks for studying internationalization of emerging economies from extant IB literature such as the latecomer perspectives (Luo & Tung, 2007; Matthew 2002) and institutional theories (North, 1990; Scott, 2008; Peng et al, 2008). I was encouraged to investigate further after consulting two senior Australian economics professors who noted that SOEs only had a slim advantage over POEs in accessing low interest credit. During the pilot project trip, local officials appeared supportive of businesses, regardless of ownership type, to invest overseas. Significant discoveries after the first stage of fieldwork steered the research towards examining evolving multi-dimensional interactions. Further conversations with businesses and industry experts uncovered complementary factors and comments of pro-market reforms, recentralization, new industry standards and adjustment in the post-GFC environment. The initial conceptual position that changes in the political economy would have significant bearing on internationalization is developed further. More interesting discoveries unfolded with the inclusion of multiple perspectives and the evolving manifestation of varieties of home country support for the internationalization of Chinese firms.

5.7 Analytical Process: Multiple voices and overlaps

The coevolution of economic reforms, stakeholders' responses and internationalization captures complexities and changes in the Chinese home context. In the early days of internationalization when SOEs dominate the Chinese economy, central SOEs were identified as the primary beneficiaries of institutional support. More than two decades after POEs established themselves in the domestic markets, connections have been forged with local and central governments, and industry associates. The Chinese government's stimulus policy in the post-GFC period witnessed a return of benefits to SOEs in domestic markets, giving them priorities to secure licenses and contracts for infrastructural projects. The popularity of President Xi Jinping's leadership has helped to build some semblance of legitimacy and mandate to carry out further reforms. Nevertheless, current deepening of pro-market reforms could not match the scale of massive shakeup of SOEs undertaken in the late 1990s by Premier Zhu Rongji. Recent measures to tighten governance and curb local authorities have tempered OFDI and would have some impact on agrifood investments which surged from 2011 to 2015.

I characterize home country support institutional effects from different perspectives. Home country support can be wide-ranging and may include direct financial support, domestic subsidies, loans, technical support, encouragement, conscious/unconscious (Wei et al., 2015) reward for performance, directives to fulfil priorities and preferences, and other indirect forms of support. Individual firms may not benefit from various forms of support in the same way and degree. How each type of support or a combination of support impact on internationalization would be of research interest. From the business perspective, certain types or level of government support are welcomed but others may not be necessary or advantageous. Chinese local officials offered flexible interpretations and appeared willing to adapt and respond to business needs for internationalization.

Table 5.3 Steps in Coding

Initial Categorization from fieldwork	*Explanation*	*Subsequent Coding*
Local officials claim abundant funding Capitalist practices and reduce dependency Fairness regardless of forms and links Deregulation facilitate POEs to globalize Willing to listen and respond to needs	Effective use of resources Promote competition Compatible with Go Global Encourage disclosure	Defining evolving criteria Discretionary support for deserving firms. Definition of fairness by giver and receivers (A, B)
SOEs prove savvy, efficiency and diligence Do not receive direct support for OFDI Commercial loans at best rates Envy over POEs receiving support	Justification for support Leverage for support Freer banking practices: flexible funding choices	Question assumption of CSA-FSA Pressure to be competitive Reward and entitlement Anti-corruption scrutiny
POEs engagement with officials, portraying a positive image. Not demanding or pushy. Varied requests (tax delay, cheap loans, deep research on host country, training in non-core areas, diplomatic, overseas support)	Open to potential networks Carefully crafted modest requests. Access to various funding sources and networks	Selective, specific and contingent. Reward and entitlement Only support that is relevant to needs
Preferred not to receive direct support Extreme case: POE (F) declined state support But appreciated domestic subsidies and post-acquisition support	Autonomy, self confidence Differentiate from SOEs Support comes with state involvement and less independence	Counter-intuitive to positivity and desirability of support.
Home Country support for domestic agrifood businesses in the form of subsidies enabled agrifood firms to grow.	Benefited established SOEs and POEs.	Giver and potential recipients pick and choose.

Following abductive process used in sociology (Katz, 2001, 2002) as most IB studies applied the inductive approach. Manual coding and analysis is the preferred approach to mechanical categorization through software as the author is personally involved. First order coding involves sorting from dense data and description. Giving structure to the datasets would enhance explanations progressing from addressing how to why (Katz, 2001, 2002). Table 5.3 tracks the steps involved in deriving deeper analysis from rich field data, manual coding and theorizing on the coevolution of pro-market regulation and deregulation of processes with industry developments of SOEs and POEs. The emergent '*discretionary*' framework enables givers and recipients would cautiously '*pick and choose'* the types and levels of support that match their needs for internationalization. Subsequent coding is complemented by references to secondary sources, publications, literature and industry experts. The next section of this chapter will detail the deconstruction and gradual revelation of discretionary selection and adaptation by official and business actors in a competitive and leveraged environment. Multiple perspectives of home country perspectives are explored to present the "multivocality" of empirical material (Golden-Biddle & Locke, 2007).

5.7.1 Emerging Official Criteria of Home Country Support

The dispensers of support are entrusted to evaluate who gets what and how much. Local officials in commerce, foreign trade and investment, industry related portfolios have wide discretionary powers to interpret and allocate various forms of support if their decisions could be justified. With a strong historical precedent of favoring strategic and pillar industries led by SOEs, the Chinese central authorities increasingly displayed even-handed support for both SOEs and POEs. While encouraging state-owned commercial banks to extend more credit to POEs, Chinese commercial banks are progressing slowly to broaden the base of extending credit to POEs (Leutert, 2016). The officials in this study applied a broad definition of support for firms to internationalize, putting a positive spin on the government's role. They tried to impress that government support for OFDI was exercised carefully and prudently. Only enterprises that satisfied stringent government criteria would receive approval, encouragement and financial support. It was not for the lack of state funding considering China's huge reserves, but the difficulty of identifying which firms deserved support and preferential treatment.

Specific to agricultural sector context, Chinese firms received subsidies for domestic investment in agricultural activities that meet national food security needs. However, support for OFDI in the agrifood sector is not guaranteed. This view is shared by participants from SOEs and POEs. China's State Council research policy center put forward recommendations to support agrifood OFDI, including for smaller firms. The government acknowledged that commercial entities tend to focus on short-term corporate performance, but this evaluation method is not appropriate for agricultural investment. Agricultural investments typically require long gestation for returns on capital should not expect profits in the first 10 years. While agricultural more medium-sized firms are becoming important players in OFDI projects in foreign countries, they lack funds and have limited access to financial support. Considering that financing through bond and share offering is not well-developed, and smaller companies have limited securities to obtain loan approval, they are unable to raise sufficient capital. The central government is aware of the predicament, and is keen to provide funds and improve tax and trade tariffs to support its agricultural "Going Global" policy to meet China's food security needs (Cheng & Zhang, 2014).

According to a provincial deputy director Q3 based in a Yangzi delta region, though funds were available, it was difficult to determine who were the needy and deserving recipients. Q3 denied that the government favored SOEs. He claimed that selective MNEs that presented a convincing proposal would be successful in applying for government support.

> "The government has money but faces a dilemma. Enterprises must apply for government assistance. How does the government assess that firms would use the money for OFDI carefully? We strongly support M&A but this requires much capital. We should support those promising companies with good strategy and innovation." - - Q3 (2015)

All the officials interviewed assured that POEs that met the "benchmark" would be recognized and rewarded. Some officials specifically identified "efficiency" as the criteria and that allocation decisions were based on merit. Q1 from another municipal economic authority in south China said that inefficient firms should not expect government subsidies to keep them afloat. This view was also shared by provincial officers tasked with promoting investments. Q2 and Q4 likened support for uncompetitive Chinese firms as "protectionism" and argued that this was incompatible with the government's policy of "free and fair markets".

Chinese officials portrayed changes as positive and progressive, from earlier restrictive policies to more enabling and facilitating roles of the government. Prior to the 1990s, only SOEs such as Companies A and G were issued licenses for international trading. Q4 argued that deregulation itself was a form of support for internationalization. Q4 explained that reduced supervision and faster approval process were down to the bare minimum. He did not think that complaints of insufficient government support for internationalization were valid.

A senior municipal official in charge of international and economic portfolios Q2 justified the stringent approval process for financial support to internationalizing firms. Funding resources would be made available to aspiring Chinese MNEs in terms of attractive interest rates and initial capital outlay. However, it was up to these firms to convince government officials to support their application for initial bridging expenses to start up overseas ventures. Q2 has processed many applications from POEs but only a selected few were awarded assistance to get cheaper loans and cover expenses but there is an absence of tax incentives and subsidies that directly support firms' internationalization.

> "How could the government help businesses? There are three ways: firstly, assistance in the form of favorable interest rates; secondly, pre-investment and initial expenses; and thirdly, transportation expenses.
>
> Currently, the Chinese government is not doing much or enough in terms of tangible support to encourage businesses to invest overseas, e.g., in the form of tax incentives and subsidies. Most enterprises that "Go Out" did not receive government financial support. If there is more assistance, OFDI would likely be higher than current levels.
>
> We do have lots of national reserves to invest overseas but there is a gap between intention of these enterprises and actual amount available for them to invest." - Q2 (2014)

The private narrative by local officials that most Chinese enterprises did not receive sufficient support to internationalize was subsequently confirmed publicly by a higher level official. In 2017, Ye Xingqing (the current Director-General of the Research Department of Rural Economy of the Development Research Center of the State Council), said that majority of POEs were not receiving as much support for agrifood OFDI compared to SOEs (Jiang, 2017).

Nonetheless, some local officials had disagreed with businesses purporting insufficient government attention and support to "deserving" internationalizing firms. Two officials attributed their rejection of applications to businesses' reluctance to share detailed business plans. Provincial bureau manager Q4 said that businesses, regardless of size and experience, were obliged and encouraged to keep the government informed. Officials were concerned that opportunities for making money would likely to be risky. Q4 defended that if certain OFDI projects were unsuccessful, the government was absolved of the blame because firms wanted to pursue their ambitions independently rather than consulting the government. Q2 (2014) disclosed that more than half of Chinese businesses that invested overseas did not file reports of OFDI activities and utilized illicit channels of funding. Officials were keen to find out what businesses needed and tried to oblige. Q4 (2016) cited the example of a "private personalized business pilot project" set up to help MNEs in his provincial jurisdiction. However, the project was abandoned within a year due to the lack of interest from enterprises.

5.7.2 SOE's Perspective of Financial Support

Challenging the common belief that SOEs continue to receive generous credit terms from state banks, the two SOEs studied, Companies A and G, clarified that they had to meet stringent conditions. Government support in the past had helped SOEs to establish financial resources and credit worthy credentials to access bank loans. The government's rationale for supporting MNEs whose goals were in line with national policy was understandable as SOEs have been at the forefront of China's globalization (Voss et al., 2010). This provided SOEs with a head start over newer and emergent POEs in the early phases of going global. According to officials Q1 and Q2, SOEs were in an advantageous position as all the required documents were in place before seeking approval to invest overseas. SASAC provided a fast track to internationalizing SOEs, in contrast to higher requirements and procedures that POEs had to satisfy prior to 2010.

Some SOE managers asserted their entitlement to more government support than they currently received and cautioned against even distribution of support that may benefit more POEs. Manager A1 tried to convince the team of researchers and three officials present at the interview that the government could do more to help SOEs acquire higher value foreign assets. SOEs were not complacent and did not take government support for granted. There were hints of envy expressed by SOEs over competition with POEs. Vice President A2 expressed concern with the Chinese government's eagerness to help some POEs in accessing low interest loans, but it was uncertain whether these companies would be profitable. Manager A1 was more direct when highlighting the disadvantages and uncertainties of providing financial support for POEs.

> "Personally, I feel that the policy [of financial support] can be improved, to utilize government finance for new overseas investments [by SOEs], mainly in M&A and greenfield projects. Greenfield is very costly, especially those involving mechanization. Most private companies cannot afford it. If our government assists POEs, they can't exert much influence on POEs; they are not governed by stringent regulations [unlike SOEs]." - A1 (2015)

While SOEs have indeed built up its current level of resources with longstanding government support, they are under increasing pressure to become more accountable for OFDI funding. A1 claimed that the company had "discretionary funds" but the Chinese government's support for internationalization was "insufficient". Though Chinese SOEs traditionally have easier access to state-owned banks, they are increasingly seeking alternative sources of funding from the markets. The gradual liberalization of the financial sector has unlocked opportunities for cheaper financing from smaller financial institutions. A third or more of Company A's financing for OFDI were from its own funds or sourced from the free market that offered the best rates. The amount involved was significant as Company A acquired an average of two projects a year over eight years totaling over US$5 billion. In the same vein, A1 justified more support for SOEs to invest in higher value overseas projects to reduce the burden of loan repayments.

> "OFDI is growing rapidly and traditional ways of support cannot cope. Government support is only helpful in the short term. Different from early days of Going Out, nowadays branding and technology are more important uses of capital … We go to the free market for credit to finance overseas investment. Initially the ratio was 3:7 but much more now. Our company has both soft and hard loans; some private commercial banks even offer lower interest than state-owned banks." - A1 (2015)

Pro-market reforms have mixed effects on SOEs. Foremost, it moderated some privileges previously reserved for SOEs that spearheaded early internationalization. While SOEs benefited from government support in terms of access to resources and early internationalization, marketization entailed that SOEs deliver on financial performance. A senior executive of Company G impressed that they looked out for quality investments and patiently waited for opportunities and business downturn to acquire overseas assets at a good price. Senior executive G1 emphasized that they were cautious with expenses. They ensured due diligence was conducted prior to acquiring assets overseas. Industry contacts confirmed that Company A and G hired Big Four accounting firm for preparatory investment work and managing ongoing business financial reports. In its more recent overseas acquisitions, Company G followed the example of large private conglomerates and sought multinational consortium funding to mitigate risks and share management expertise.

Unlike SOEs in the early phases of internationalization that were saddled with huge repayment for costly assets, current SOEs need to constantly prove their competencies. Company A examined potential projects carefully and had been known to walk away from negotiations of unsuitable or unfavorable deals. A1 claimed that the company did not seek the cheapest overseas assets but targeted those that offered good value and potential for growth. Companies A and G tried to create more value in its overseas subsidiaries and aimed for public listing to earn higher returns to capital. According to an overseas subsidiary manager G3, investors hoped to get good returns on capital from IPO in international financial hubs and reinvest in coveted higher value international assets.

Pro-market reforms opened more opportunities for SOEs to tap free market loans. Well-resourced firms such as Company A drew on discretionary funds for OFDI and was not dependent on state-owned banks. As the loan rate between state-owned and private commercial bank narrows, the benefit of state bank credit is marginalized, unless the sum borrowed is substantial. Local official Q3 confirmed that Company A did not really need preferential capital support because it already possessed many avenues of getting funds. An industry source X10 believed that Company A "did not face shortage of funds" as it had a wealth of assets backing. Company A had 50 years of experience as a well-integrated and dominant industry player in the domestic market and was involved in international trading long before China opened its doors.

Another form of pressure ironically stems from the state's lingering supervision and the recent tightening of monitoring systems over mixed and hybrid SOEs. While some observers view recentralization as a reversal of pro-market reforms, closer scrutiny could induce SOEs to improve their efficiency and move closer to the privatized model. The central government intervenes intermittently through legal and industrial mechanisms despite increasing private equity in SOEs. X10 disclosed that some managers in Company A who were negotiating a potential deal had been called up for "interview", a euphemism for investigation into irregularities. According to X10, central authorities wanted to determine whether the transaction price in the most recent deal was excessive. A former senior executive of Company A investigated for embezzlement was forced to resign and sentenced to long jail term. While Company A has been delegated much autonomy and influence in its municipality and provincial bases, it has halted and curbed overseas expansion with the onset of recentralization and lackluster performance of some overseas assets. Indeed, over the past year, Company A has slowed down its pursuit of planned serial acquisitions. The complex interaction of pro-market reforms and state supervision to strengthen governance and accountability further moderated strong support for internationalization previously accorded to prominent SOEs.

5.7.3 Pressure on Lenders

To further unpack the notion of dualistic preferential support for privileged SOEs and disadvantaged POEs, I examine the perspective of creditors. Interview data from SOE and POE perspectives on government financial support for OFDI has been cross-checked with officials, industry experts and scholars. According to a banker based in Beijing (X5), state-owned banks have come under increasing pressure to justify good governance and grant credit to feasible and profitable projects. The exceptions are strategic and pillar industries which receive preferential treatment. The “big four” state-owned banks (Industrial and Commercial Bank of China and Bank of China, China Construction Bank, Agricultural Bank of China and Bank of China) hold large assets but face slower growth in profits and bad loans (Cendrowski, 2015; EIU, 2016). Like SOEs, state-owned financiers have also undergone pro-market reforms. Managers of a state banking school in southern China informed that state-owned banks are geared towards professionalism. In the initial years, cadre schools conducted basic training for political appointees who had little formal education. Since the 1990s, training was tailored to improve technical and operational skills. More recently, positions have become more competitive, and having an overseas post-graduate degree would improve the chances of promotion to managerial positions in state banks.

While individual bankers may accelerate approval procedures for favored customers, borrowers must meet the banks’ commercial requirements. The size and performance of the borrowers’ business influence the credit risk assessment. By the same token, poor performing SOEs are poised to face more obstacles and require strong political intervention to smoothen the process. Though backroom political bargaining remains, it would be too simplistic to assume that politicians could blatantly impose directives on commercial banks to follow. Attempts to circumvent due procedures are less common in recent years, and face greater resistance from professional bankers (Elliott & Yan, 2013). Following my discussion with a senior academic X1, I asked a financial manager based in Beijing (X5) what advantages SOEs had over POEs in accessing financing for internationalization. X5 confirmed that the main advantage SOEs had was their higher credit rating and ability to repay debts, given their larger assets base and assumed government support. Smaller POEs and start-ups have greater difficulties in securing substantial loans due to their lower credit rating and inability to furnish long-term strategic plans to financiers. On balance, Chinese formal financial institutions face pressures from interest rate liberalization and the rise in non-performing loans, prompting bank managers to adopt greater transparency and efficiency measures (Chan, 2015).

5.8 POEs’ perspective of support

The belief that POEs have been overlooked for state support requires reconsideration to reflect practice. I found that large POEs have adequate resources and capabilities and therefore need not depend on government support to internationalize. POEs with good connections may seek advantages from institutions, but this is not limited to funding. POEs demonstrated ease of engaging with local officials in frank exchanges. Researchers and local officials were keen find out what the POEs needed for internationalization. As the POEs studied here are large and publicly listed, with a good track record, it would not be difficult for them to obtain credit approval and raise capital.

To impress central government researchers and local officials, interviewees from POEs presented their OFDI portfolio as the result of well-thought strategies, having conducted due diligence by reputable consultants. However, most POEs are not interested in receiving direct and substantial state support to internationalize. Moreover, Companies D and F have financial services in the corporate groups' portfolio that could help them to expand overseas. As an award-winning enterprise in heavy machinery China, Company E secured favorable domestic loans for initial OFDI in agrifood business in Australia and planned to increasingly leverage its overseas assets to secure favorable credit terms and loans from overseas financiers to expand and consolidate its portfolio.

> "Currently our projects are financed by Chinese banks such as EXIM which offers preferential interests. Funding sources are diversified to include host countries such as the National Australian Bank. After M&A, the company has to pay wages, interest repayment and forex. Australian banks mainly service cash flow." - E1 (2015)

Most POEs participants were not enthusiastic about direct government support (except Company B executives who were keen on support for soft credit for OFDI). However, they kept an open mind to various other forms of government support. Implicit in their hesitation was possible conditions attached that would interfere with their business plans. This narrative is consistent with local officials' observations that some POEs guarded their plans closely and were not keen to seek home institutional support prior to internationalization.

Company F was content for the Chinese government to continue adopting a hands-off policy. F1 preferred autonomy of investment decisions and did not think that efficient and competitive POEs would need any home country institutional support for OFDI. He implied that SOEs needed support because they were less efficient and not mindful of risks.

> "It is enough if the government could educate the young well, improve the country's image and foreign relations. Deep thinking is the responsibility of enterprises, not the government. The government does not own the business, so entrepreneurs don't expect much help." - F1 (2015)

While Company F's founder publicly acknowledged that the business benefited from subsidies for its domestic agribusiness, its foray to developing countries since the 1990s was funded by soft credit through international organizations. Nevertheless, the management was appreciative of previous government support to help the company grow into one of the largest integrated agrifood company in China. As Company F expanded, OFDI to advanced economies targeting high value M&A ventures was funded by its own financial resources and international consortia. Company F had been accustomed to being independent and self-sufficient in investment capital and was therefore not interested in government support for its OFDI. More recently, the owners of Company F realized and expressed the need for government support to allow high value meat imports from its overseas assets to the China market.

Company B stood out among the other companies, in its open request for government financial support for its OFDI. Company B was the only POE that was critical of the longstanding unfair treatment and favoritism towards SOEs. The President of its agricultural business, B1, impressed upon local officials that his company deserved stronger support. Company B executives joined the chorus to nudge the state for more financial support and level the playing field for POEs. B1 said that POEs needed both "material and moral support" to internationalize. He emphasized that the government's role at the pre-investment stage would be crucial. B1 said that since the government already gave unfair advantage to SOEs in the domestic market, controlling quotas and supplies, it should offer more help to POEs to internationalize. The Deputy to the CEO (B3) claimed that financial support from the government would make a big difference to improving POEs' performance, citing MNEs in Japan and EU countries. Vice President B2 specifically suggested that the government could help by raising the proportion of soft loans available for internationalization.

> "Most of the capital for our outbound investment are self-sourced, 50% of own capital and 50% bank loan. The government can help POEs to increase the loan ratio to 60% by providing better interest rates. In our investment research, we focus on three areas: loan, insurance and subsidy." - B2 (2015)

POEs were interested in other forms of non-financial government support. Company B was willing to pay for micro-level research reports covering industry analysis, country specific market research and competitive intelligence data. Company B hoped that government research institutes could provide in-depth research to support internationalizing firms.

> "Macro & mid-range government reports should be given free to businesses. We are willing to pay for micro analysis. Government researchers could tailor their research to our needs. Information is crucial for investment in high risk developing countries." - B1 (2015)
>
> "For smooth investment to proceed, we need information that is not available in the public domain. Though our company is a POE, it is a Chinese company representing Chinese internationally [and deserve to receive support]. Soil and water resources data in host country would be important to us." - B3 (2015)

Company C wished that the Chinese government would foster better relations with host countries and expedite the approval process for OFDI. The owner C1 was satisfied that the government had tried to facilitate internationalization process in recent years. C1 hinted that subsidies and low interest loans would be helpful but he did not push strongly.

> "It is already quite convenient for businesses. I will personally research for business information. In the initial stage, government subsidies would be helpful. Easier credit will lighten the investor's load especially in terms of repayment.
>
> Chinese state-to-state relations with host countries are very important and will impact on our investment. Improving state relations will benefit China. Government could help businesses to establish contacts.
>
> Application for investment approval that takes one to two years compared to two weeks makes a lot of difference to enterprises' pace of going out ... Some approvals could be removed or simplified. Provincial level approval would be sufficient. The processes of replying and resubmitting documents can be time consuming and tedious. Faster approval times would be appreciated." - C1 (2015)

The Vice President D1 was modest in its request for government assistance, suggesting that it would suffice to delay tax on profits. Overseas subsidiary manager D4 was satisfied that their agrifood OFDI was approved quickly by the home government. Given the company's healthy financials and vast resources, Company D executives and managers did not expect or request for direct financial support to POEs.

> "If the Chinese government allows six months delay in taxation, businesses will have more flexible cash flow during the turnaround time. For a company registered in Australia, a surcharge applies. China's pre-tax regime impose added pressure on MNEs." – D1 (2015)

Company E received guidance from a provincial SOE to launch its first sheep breeding venture in northern China. As it did not have prior experience in agricultural business, assistance from a local SOE was important for its diversification from non-agricultural core business in China. Technical advice, local knowledge and manpower resources from the local SOE helped Company E to familiarize with pastoral farming, develop domestic production bases and local markets prior to internationalization. Home country support enabled Company E to gain confidence to invest in similar projects in Central Asia, Australia and South America.

Like Company B, Company E also wished for better market data. E1 said the Chinese government databases were not comprehensive or up-to-date and did not serve the Company well.

The conventional narrative of POEs escaping from weak institutions to strike out on their own overseas may be applicable to some disadvantaged SMEs. POEs that failed to meet the government's benchmark and credit rating by formal banking channels would have to resort to underground funding. Almost 60 per cent of SMEs in a survey used the informal credit market and many paid annual interest rates as high as 20 per cent (Yang & Mitchell, 2016). However, another study found that interest rates charged by credit unions and even state-owned commercial banks are surprisingly moving closer to the informal market, deviating from the central bank regulation of uniform rate (Garnaut et al., 2012). Nevertheless, none of the participants needed informal banking because they had internal resources and good credit rating to access loans. Table 5.4 shows a diverse range of home country support that POEs are currently receiving and hope to receive for internationalization.

Table 5.4 Comparison of current support for POEs and 'wish list' for more support

Companies	**B**	**C**	**D**	**E**	**F**	**H**
Existing support received	Basic information	Convenience to internationalize	Expedite approval for OFDI	SOE helped to start up farms in China	Subsidies for domestic businesses	Contingency
Ideal: additional support	Low interest loans; Business research at the micro level	Subsidies Cheaper credit Expedite approval Improve relations with host countries	Delay tax by six months	Better database that is detailed and current	Financial help is not required. Education and diplomacy. Facilitate imports.	Chinese officials based in host countries should engage with businesses

The owners of Companies C and H and the director of Company F believed that the Chinese government could do more to improve diplomatic relations with host countries. Improving the country's image would be conducive to Chinese investors making inroads to unfamiliar destinations. The owner of Company H felt that Chinese consulate officials based in Australia did not show much interest bonding with Chinese investors and try to understand the challenges they faced.

The narrative of diverse and independent POEs that are apprehensive about institutional support is consistent with the Chinese government's concerns. Provincial officials tried to entice businesses to approach government agencies, share their business plans and receive advice and facilitation for funding. Officials Q2 and Q4 spoke candidly about thriving illicit channels, implying difficulty in breaking the impasse of shadow financing and leveraging. Reforms to relax foreign exchange since 2003 and proposals to waive letters from financiers point to implicit acknowledgement of the limitations of foreign exchange controls. Doing away with approval process which requires the presentation of supporting bank documents may encourage more POEs to report their OFDI activities. According to Q2 and Q4, OFDI undertaken by legal entities are tracked by MOFCOM but underground financing "based on relationship and trust, leave no trail" and would not be captured in the statistics. Q2 estimated that over half of the money invested overseas from his province were facilitated by underground channels. Some firms reinvest back to China through round-tripping and exploitation of OFDI approval formalities. As a matter of performing their duty, Chinese government officials maintained that smaller investors in need of capital, would gain by reporting to the government to seek advice and avoid costly mistakes. However, smaller POEs that are most in need of financial support struggled to prove potential profitability.

5.8.1 Leveraging Institutions

I investigated and analyzed further the extent well-connected Chinese firms have benefited from institutional support and how they leverage and extract benefits to support internationalization. While deregulation facilitated POE internationalization, some firms have been more proactive or adept at exploiting the power play to their advantage. However, this study did not find direct linkage between political connections and support for internationalization. Even some POEs with party connections preferred not to receive financial support from the government for internationalization. Contingent factors may influence the extent and timing of realizing the benefits from formal and informal connections with institutions. Businessmen could become party members, serve in local administration, industry associations and social initiatives. In recent years, academics, private entrepreneurs, celebrities have been coopted by the Chinese government to serve as advisers in the Chinese People's Political Consultative Conference (CPPCC) committees. The multi-party conference comprising members from related industries, could raise questions and provide information before submitting their policy recommendations. In 2016, MOFCOM requested the public and businesses to comment on proposed amendments to OFDI measures.

Field and archival sources suggest that political connections are initiated by businesses as a form of *insurance*. Businesses cultivate personal relations with local officials for advice and business collaboration. Being party members may not lead to direct and immediate benefits, but could be a useful long-term investment to protect their business interests when the need arises in the future. Approximately half of SOE management are political appointees who serve for a short term before being promoted in the political hierarchy.

Most publicly-listed POEs have strong industry as well as political connections. Large POEs that are industry leaders and model firms have greater leverage in requesting for government support. While some POE owners, such as Companies C and D, have party connections, they did not receive direct financial support for internationalization. C1 defended the government owning a small stake in his company as purely driven by the markets.

> "SOE has bought 10% of our company stocks but this is something we the owners can't control. The stock market is fluid and things could change." - C1 (2015)

The founder of Company F is a member of the CPPCC, but he is not a party member. He once told the press that he was fortunate to have thrived for decades, unlike some of his business associates who had either failed in their business or were put in jail for flouting state regulations. Political connections may buffer and safeguard against effects of policy changes and uncertainties.

Company H is backed by a reputable Chinese private equity investment fund for its domestic operations. The political connections of Company H owner evidently helped him to gain market intelligence. He was *au fait* with political and economic developments in China. Companies D and H are prominent in philanthropy and social responsibility activities. This has helped to portray a positive image for their businesses. The Chinese government and public hold favorable views of businesses that give back to society. Though Company E did not have clear political ties with the party, its managers gained the support of a regional SOE to jointly start up sheep farming in northern China before its foray into international markets.

The majority of Chinese POEs are family-owned businesses but some have recruited professionals to top management positions in recent years. Though the owner of Company B has no known political connections, he recruited former SOE managers to join his board of directors and senior management. This ensured that the company was familiar with domestic economic objectives and regulations. As former insiders of the system, the senior management of Company B, pushed for more financial support for the firm to expand internationally. The younger generation who are poised to succeed the family business, have received overseas tertiary education. The POEs I interviewed maintained close interpersonal relations with local officials and were cooperative in providing information. However, they were also candid and persuasive in pointing out the types of institutional support that are relevant and useful. Table 5.4 summarizes the connections of POE owners and ways firms leverage institutions.

Table 5.5 POE Owners' Political Connections

Firms	CCP *	CPPCC *	Local	Diverse Connections
B	No known connection	-	Municipal Provincial	Recruited former SOE managers and overseas Chinese to the board.
C	Founder is a Party member	-	Provincial	Critical of red tape. Government investors bought 10% stakes
D	Founder is Party member	-	Provincial	Metal processing industry awards. Management team of overseas Chinese. Philanthropy and CSR in China.
E	No known formal political membership	-	Multiple provinces	Recipient of multiple industrial awards. Sought local SOE help to start farms in remote regions.
F	No known formal political connection	Founder is a member	Multiple provinces	Benefited from government subsidies for years to set up domestic operations. Preferred autonomy from government support for OFDI
H	Owner is a Party member	-	Provincial	Industry association leader. Philanthropy and support for education. Overseas ethnic Chinese networks.

* Chinese Communist Party (CCP); Chinese People’s Political Consultative Conference (CPPCC)

- Author’s collation from Chinese media, industry news and company reports

5.9 Sectoral Priorities

The Chinese agrifood sector has long received government support to achieve self-sufficiency and food security objectives. Though the agrifood sector was not formally named as a strategic or pillar industry for internationalization, there is tacit government support for firms who invest in food resources and distribution networks. The agrifood sector is unique in that food security and food safety concerns affect the well-being of the population and has ramifications for political, economic and social stability. Due to China’s shortcomings in natural endowment, shrinking pool of arable land and worsening pollution, overseas resources are needed to maintain domestic self-sufficiency in food production and control over the supply chain. This has benefited both agrifood POEs and SOEs. Firms justified the necessity for subsidies because China lacked the competitive advantage for land-based agricultural production. Company A has been receiving more than US$100 million a year to support its domestic operations. A1 justified that without government subsidies, its domestic agrifood businesses could not survive because of high costs of production in China. Due shortages in land, water, rural labor, and depletion of soil quality, agrifood businesses have to invest in irrigation facilities and chemical fertilizers to sustain agricultural output.

> "Every year, our company receives 800 million CNY (US 123.5 million) of government subsidies to assist domestic agriculture business. Because agricultural sector is highly risky and less profitable, government assistance is necessary." - A2 (2015)

Though not a SOE, Company F had gained support from government subsidies, tax incentives and monetary support in the 1990s to grow its domestic business. Despite varying degrees of home government financial support for SOEs to invest overseas, domestic subsidies had helped agrifood firms to develop competitiveness and free up resources for internationalization. However, Companies B, C, D, E and F did not benefit government financial support for more recent OFDI in agrifood resources. The managers, except Company B's, are reluctant to request for direct financial support for its OFDI projects. This is because their core businesses were in non-agrifood areas and their OFDI focused on high-end Chinese market to meet food safety needs. In comparison, support for investment that satisfy food security requirements are easy to justify. Figure 5.4 shows previous direct support in the form of subsidies that helped to boost domestic agrifood industry has indirectly strengthened the resources and capabilities of firms for internationalization.

Figure 5.3 Firms' Funding and Institutional support for Internationalization

5.10 Discussion

This study reexamines the concept of home country support by tracking the coevolution of policies and interactions with agrifood industry development that impact on internationalization. In the process, I have uncovered multiple and nuanced meanings of home country support for internationalization from the perspectives of the giver and recipients. Support is not limited to direct financial support and included collaboration, facilitation of procedures, micro-level industry information and conducive investment environment. This study offers deeper analysis by considering the perspectives of multilevel government agencies, heterogeneous enterprises and industry views. An emergent framework that transpired from the study is a '*discretionary*' model where actors from official and enterprises involved in internationalization would negotiate and navigate relationships to '*pick and choose*' suitable types of aid that suit their needs and decline support that would undermine independent investment decisions. Firms that are keen on government support for internationalization view this as a reward for previous good performance and view this as an entitlement if Chinese firms were to be more competitive.

The coevolutionary model developed in this chapter is appropriate for studying dynamic home country support for internationalization that involves transitioning, deepening and overlapping central government policies, local government interpretation and implementation of policies, and interaction between enterprises and government officials. Instead of focusing on institutions imposing policies on businesses, or recipients proactively leveraging officials (Child & Tsai, 2005; Landau et al., 2016) or respond to policies, multiple actors are involved in shaping the types, level and direction of internationalization. The confluence and succession of pro-market reforms, deregulation of internationalization procedures has helped to accelerate OFDI but recentralization may have slowed expansion. Despite quicker response of centralized decision-making authority (Scheffer, Westley, & Brock, 2003), delays in activities and implementation, time lag between recognition and responses could be significant (Johanson & Vahlne, 1977). Connecting the narratives with references to the historical developments of the firms, industry and policies enhance our understanding of the context of home country support. Table 5.5 shows the changing priorities and intersecting policies and responses by integrating policies and processes that impact stakeholders.

Table 5.6 Coevolution model of home country support for internationalization

Pro-market reforms	**Non-state sector**	**Alternative mechanisms**
Early 1990s: Support for large SOEs and identified national champions to become MNEs.	**Decentralization** Local governments given discretionary powers.	**Agrifood Domestic Subsidies** support for domestic policies to ensure food security.
1998 – 2003 Removal of inefficient SOEs Encourage global competitiveness	1999: Recognition of POEs by the Constitution. Allowed to get trade licenses.	Growing emphasis on professionalism and accountability
2005: external directors appointed to SOE boards. Hybrid SOEs under increasing pressure as reforms deepen	**Deregulation on OFDI** 2003, 2006, 2009 Relax foreign exchange controls 2006: MOFCOM encouraged POEs to invest overseas	2004: Government encourages businesses to join party, coopt professionals to provide inputs.
State-owned commercial banks adhered to commercial practices, assessed credit worthiness and debt repayment ability of borrowers.	2008: relaxation of financing sources POEs and SOEs have more avenues to get funding.	Small enterprises seek industry funds or illicit channels. Officials are aware but could not do much.
2015: Local officials claim to follow fair criteria of support for eligible firms with good business plan.	2014 Simplification and faster approval of OFDI application. Low level of investment needs only to file reports and are not required to obtain approval.	**Recentralization** 2014: increased supervision. Anti-corruption campaigns. Investigation of irregularities and excessive commitments.
Fairness: SOEs express concern and envy over increasing government support for POE internationalization.	2016: Request for all parties to comment on proposed amendments to OFDI measures.	Local governments and SOEs tread carefully and put investments on hold. Some executives were jailed.
POEs are reluctant to divulge plans. POEs need data but not financial support. Prefer autonomy in OFDI decisions.	POE owners establish political connections for long term assurance and contingencies.	2016: Restriction of capital outflow and overleveraging.

+ Key: Official policies and implementation are presented in dark font.
Effects and responses to enterprises are presented in violet font.

The findings of this study are four-fold. First, home country support is not limited to direct funding but extends to information, process facilitation, non-material collaboration and conducive investment environment. Support for internationalization of firms can be gained through indirect means. Agrifood firms including some POEs that have received subsidies for domestic industry over the years, have developed assets, capabilities and resources, credit worthiness to access commercial loans, rather than to depend on direct government funding for OFDI. Non-agrifood firms new to the industry such as Company E was able to seek guidance to enter unfamiliar area of pastoral enterprises before seeking investment opportunities overseas.

Second, home country institutional support for SOEs should not be taken for granted. With progressive pro-market reforms and scrutiny of recentralization, SOEs face mounting pressure to demonstrate greater commercially viability, financial accountability, good governance and sustainability similar to POEs (Estrin et al., 2016). Some SOE managers complain they need to compete share resources with POEs that are eligible for state support. Years of SOE reforms have moderated expectations of soft budget constraints (Kornai et al., 2003) and unconditional financial backing for SOEs to expand internationally at a rapid pace. Preferential support towards SOEs is gradually being eroded, sufficient to cause envy, concern and apprehension. More recently, SOEs comes under closer supervision by the government, as seen in investigations of irregularities and high cost of acquisitions. Reforms and supervision may coexist through rationalization and consolidation to improve efficiency and governance objectives.

The findings underscore the dynamism of home country support which encompasses adaptation and facilitation to meet policy goals and the needs of internationalizing businesses. By addressing the simultaneous and combined effects of encouraging OFDI and imposing exacting standards on who "deserves" support, this study shows mixed responses to home country support. The definition of fairness varies from the perspectives of officials, SOEs and individual POEs. Officials at local levels and related portfolios responsible for dispensing support for firms' internationalization claim to adopt stringent criteria of assessment based on merit. Marketization standards flowed to banking and financing for overseas investments, reinforcing criteria and creating opportunities for firms to seek varied funding sources. More experienced POEs and SOEs are increasingly inclined to finance OFDI with a combination of private credit and consortium funding. Poorly resourced firms are most in need of government support but face greater challenges in obtaining capital for internationalization.

Third, home country support is not necessarily positive, beneficial and desirable (Rugman & Li, 2007) for business actors in general. Support is very much contingent on specific needs and preferences. The usefulness and relevance of support relative to firms' needs are not uniform and may change over time. While deregulation has benefited a broader base of enterprises, home country support has not kept up with much needed knowledge on industry and host countries. Despite the Chinese government's established policy of offering preferential financial support to SOEs in the early days of internationalization, the increasing prominence and important role of POEs require a suite of different support items to meet the needs of heterogeneous firms. As heterogeneous POEs have various means of financing OFDI, they welcome conducive policies that facilitate processing but value autonomy of business decisions over conditional financial support. Company B is the outlier in openly requesting for assistance with low interest loans. Most POEs studied prefer autonomous decision-making and self-sufficiency in funding international ventures. The findings challenge the conventional dichotomous assumption between positive home country institutional support versus escapism from constraints. Consistent with the processual insights provided by the study's coevolutionary approach, some firms that have declined direct support are nevertheless appreciative of past government support for domestic businesses and requested for continuous support after overseas acquisition to tap the home country markets. This study offers an alternative frames of viewing support. The usefulness and types of state support are valued differently across firms. Home country support would be beneficial for firms targeting friendly host destinations, but it may constrain expansion post-acquisition (Gao et al., 2015) due to the liability of country of origin (Child & Rodrigues, 2005; Ramachandran & Pant, 2010). For this reason, some Chinese firms downplayed their association with the home country government and institutions.

5.11 Contributions

This study enriches the institutional and process frames by providing a nuanced insights and changes in the political economy on the internationalization of Chinese firms. A coevolutionary model captures the non-linear, uneven and changing nature of home country support. A dynamic lens helps to elucidate the paradoxical and concurrent effects of the multiple levels and dimensions of changes in the home country support for internationalization. The emergent '*discretionary*' model developed in this research illuminates the in the current state of play in the gradual maturing of Chinese globalization efforts. This model is applicable to the studying the relationships between official and business players in the internationalization of emerging market firms.

An alternative lens overcomes the binary confines of conceptualizing positive support and negative constraints and challenge assumptions in extant IB literature. Assumptions of unconditional support for state-associated firms to pursue relentless overseas acquisitions (Luo & Tung, 2007) should not be taken for granted in the current environment. Under increasing pressures from pro-market reforms and recentralization, SOEs have to compete for funding and convince officials of their excellent performance. IB literature addressed the effects of pro-market reforms and deregulation in specific episodes but not as a continuous trajectory.

The value POEs placed on '*autonomy*' and preference for '*selective*' support that are specific and relevant to their needs has not been covered in extant literature. Alternative insights of support contribute to conceptualizing beyond the conventional dualistic conception of institutional support and constraints. POEs have many options, preferences and heterogenous requirements for internationalization, some of which are not met by home country institutions. While certain firms with a clear business plan proactively seek collaboration to receive industry and management guidance, most POEs prefer limited government involvement. Their requests are specific to the needs of individual companies and contingent on new requirements to expand their distribution in the China market.

The main contribution to management practice is a reassessment of the stark distinction between SOEs and POEs. The primacy of commercial interests has been articulated by SOEs and local officials. Financial support for SOEs could not be taken for granted as they are increasingly pressured to be more accountable and efficient for their investment decisions. The policy implication is to reconsider ownership bias of home country blanket support for SOEs. More firms could potentially benefit from deregulation and broader support options if they meet the official criteria.

Though this is not a macro-level study that promises abstraction and broad application, the findings and theoretical contributions are generalizable to more recent developments as the home country transitions and consolidates pro-market reforms and recentralization. Future research agenda could followup with longitudinal studies. Another proposal is to focus on a single case study to deepen the analysis of each internationalization experience. Following the exploratory and theoretical construction in this chapter, future research could expand the sample size and conduct empirical studies to test home country effects on internationalization. Incorporating host government perspectives would help to understand the challenges faced by MNEs when expanding international commitments and integrating overseas assets post-acquisition. This would provide feedback for the home country and consequently alter the nature of support for the internationalization of firms.

6 Chapter Six: The Role of Learning in Chinese Agrifood Firms' Downstream Targeting Strategy

"Farming looks mighty easy when your plow is a pencil and you're a thousand miles from the corn field." - - Dwight D. Eisenhower

"The line between disorder and order lies in logistics." - - Sun Tzu

6.1 Introduction

The recent phenomenon of Chinese OFDI in higher value downstream agrifood business of advanced economies has prompted interest to investigate and understand agrifood investors' business strategy. Western food processing sector has been downsizing since the 1990s, divesting and consolidating previously acquired assets to concentrate on core food businesses (Anastassopoulos & Rama, 2004). This has opened more opportunities for Chinese MNEs to seek potential deals in advanced economies. However, with the growing demand for better quality food in emerging markets, western agrifood MNEs are investing again and this intensified competition among investors. This study examines four Chinese firms: two SOEs, a well-integrated agrifood private business conglomerate and a decade-old POE. Regardless of ownership type, actors are learning to be sensitive to the home and host contexts despite their varying degrees of internationalization experience. This study supports a growing narrative of Chinese agrifood leaders shifting to invest across industry and global value chains to gain better control of supply and pricing rather than commit to land investment (Myers & Guo, 2015). Chinese investors are enticed to seek second tier well-managed brand names to access resources indirectly instead of gaining land ownership.

In this chapter, I aim to develop the learning aspect of the process frame (Johanson & Vahlne, 1977, 2006). Empirical material is analyzed through the lens of prior learning, considering firm resources, home country reforms and markets. I address the seemingly counterintuitive behavior of Chinese OFDI motivated by food security and food safety needs but refrained from pursuing land ownership. First, the aim is to uncover the reasons behind investment decisions by identifying the rationale provided by the main players in business and government. Through individual case study, I present *how* the process was undertaken. This would further elucidate *why* the internationalization of Chinese firms took distinctive courses and shared experience.

This study offers fresh perspectives and enrich existing conversations on land purchases associated with Chinese agrifood investment overseas. Questions are raised on established preoccupations with entry modes, land-based resource seeking, firm ownership differences, rapid acquisitions by emerging markets and achieving ideals of global value chain integration. I explicate a less explored area of seeking higher reputational value as part of strategic assets seeking to improve competitive advantage and sustainability. A process approach would uncover disparity between motivations and implementation, aspirations and realization, perceptions and knowledge, form and substance. Though SOEs and POEs have different resources and priorities, their strategies overlap in terms of ensuring commercial viability, risk mitigation and responsiveness to markets (Estrin et al., 2016). Despite their wealth of resources and due diligence, managing acquired international assets and integration could be fraught with difficulties and impede further expansion.

The chapter begins by discussing mainstream IB literature on Chinese internationalization and questioning the assumptions on conventional resource-seeking motivations and institutional support. An initial conceptual framework will be utilized to analyze actors' rationale for pursuing downstream targets. This is followed by case studies generated from field interviews and archival sources. In the concluding section, I discuss the findings on economic and political drivers towards avoidance of land purchases. I then explain the theoretical contribution to the process and institutional frames by drawing on interdisciplinary literature.

6.2 The Context

Chinese agrifood OFDI is a recent phenomenon at a time of domestic economic rebalancing and consumption led growth. Early waves of Chinese OFDI were mainly motivated by strategic assets seeking targeting branded manufacturing, technology and new markets (Luo & Tung, 2007) to address the lack of competitive advantage (Deng, 2009) when China joined the WTO. Acquirers used intangible overseas assets such as technology to improve their businesses in China, before trying to win market share abroad, and looked for ways to leverage new competitive advantages in global markets (Williamson & Raman, 2013). Concurrently, resource-seeking OFDI (Alon, Fetscherin, & Gugler, 2011) was driven by demand for energy and raw materials to support rapid infrastructure construction and economic growth. Early internationalization mainly spearheaded by SOEs received strong institutional support. Country specific advantages (Rugman & Li, 2007; Rugman et al., 2011) boosted firms' knowledge and capabilities for internationalization. Institutional support help firms to develop ownership advantages that enabled them to broaden strategic choices and develop comparative advantages (Ramamurti, 2012).

Chinese OFDI in agrifood business of advanced economies calls for a different lens from earlier phases of internationalization. Downstream agrifood businesses include processing of farm produce and distribution chains. This segment is more costly than upstream farmland purchases, though less costly than energy and technology acquisitions. That Chinese OFDI actors have grown more diverse, necessitate a more nuanced presentation of previous applications of soft budget constraints (Kornai et al., 2003) and support for strategic assets seeking. The 1990s saw radical elimination of small and inefficient SOEs, streamlining to hybrid SOEs (Thun, 2004b) and the growth of POEs in numbers and scale (Lardy, 2014a). Pro-market reforms and restructuring of government-owned assets increased pressure on SOEs to demonstrate greater financial responsibility, though not necessarily delivering high profits. Generally, divisions between ownership structures of SOEs and POEs have narrowed (Estrin, Nielsen & Nielsen, 2016). This is a significant consideration in the context of Chinese pro-market reforms.

Potential investors would have noted from previous failures attributable to inadequate industry experience in managing agrifood business with complex value chains and inadequate support systems. A Chinese POE Longyuan acquired a dairy farm in Victoria in 2008 but had to sell off in 2014, alluding to complex operations and huge losses. A state-owned investment corporation CITIC gave up Metro Meat Australia in 1999, five years after acquiring the processing business, citing poor financial performance. These lessons served as reminders to subsequent Chinese investors to be well prepared, conduct due diligence and ensure that a capable management team could continue to maintain and create value after the takeover.

6.3 Problematization of assumptions in mainstream literature

Two dominant premises from extant IB literature will be addressed. Firstly, conventional wisdom suggests that resource-seeking agrifood OFDI is often associated with land acquisitions (Kaag & Zoomers, 2014) to satisfy home food security needs. Secondly, institutions and firms of the home country have been treated as stable and homogeneous entities. Problematization opens the doors to conceptualize beyond a single theoretical framework.

The popular view regards agricultural investment by foreign companies as government-endorsed and orchestrated “land grab” in developing countries (Grain, 2016a; Kaag & Zoomers, 2014). Populist perception of undeserving ownership by an emerging market investor has given rise to saliency bias against Chinese investors. However, narratives in political economy and agricultural economics illustrate flexible and diverse resource seeking modes. Since the 1960s, Chinese have sent developmental aid (Bräutigam & Zhang, 2013) to developing countries in Africa. Chinese firms have been outsourcing (Hofman & Ho, 2012), contracting (Co, 2014), forming partnerships (Alden, 2008), experimenting with demonstration farms and special economic zones (Smaller et al., 2012) in resource-rich developing countries. When Brazil and Argentina passed new legislation and guidelines to restrict foreign ownership of rural land in 2010 and 2011 respectively, Chinese investors (ranging from Chinese migrants, provincial SOEs and small businesses) resorted to contracting with local farmers and leasing land (Chatelard, 2014).

Bottom up studies show relationships being forged between investors and host country officials, managers and staff (Taylor & Xiao, 2009). Development economics literature depicts informal and decentralized relationships of Chinese agrifood ventures to developing countries (Gu et al., 2016). Chinese state-owned and private farm operators work independently to supply mainly local markets (Cook et al., 2016). Moreover, Chinese investors have committed to developing infrastructure and logistical support (Myers & Guo, 2015) for agrifood supply chain. In non-agricultural sectors, firms engaged in sectoral specialization, with upstream firms in extractive business seeking natural resources, whereas downstream firms targeted strategic assets (Lai, O'Hara, & Wysoczanska, 2015). Whether the same adaptive behavior could be applied to host countries in advanced economies needs further investigation.

Secondly, I examine the alternative to stability and try to capture the dynamic nature of internationalization through learning. Institutions are evolving and may impact the choices of entry modes and commitment decisions (Peng, 2003; Luo et al, 2010). Deregulation and pro-market reforms address shortcomings in previous regulatory regimes and could promote or moderate China’s global strategy. Concurrently, Chinese investors develop depth and sophistication in assessing potential deals, gain knowledge and awareness, and recognize what to select and commit, as well as when to withdraw and move on (Williamson & Raman, 2011).

Despite accepting some risk taking in earlier OFDI (Buckley et al., 2007), a more recent study shows that only half of the Chinese firms are more inclined towards experimental learning and risk taking (Lyles, Li, & Yan, 2014). Actors across firms, institutions and industries did not start on a blank slate even in their first OFDI entries, but would have gained varying degrees of experience from trading, franchising and licensing (Vahlne et al., 2013). Mature MNEs emerging at later stages of the country's internationalization would be better equipped to take precautionary measures. Managerial decisions are often history dependent and not made in isolation based exclusively on current conditions (Levitt & March, 1988). The firm's international experience shapes its selection of markets, entry modes and pace of internationalization (Casillas, Moreno, Acedo, Gallego, & Ramos, 2009). Besides practical experience (Buckley, Munjal, Enderwick, & Forsans, 2016; Liu & Woywode, 2013), firms could gain insights from others' experience or vicarious learning (Jiang et al., 2014; Jiménez & de la Fuente, 2016). Investors could turn liability of newness (Zou & Ghauri, 2010) to advantage by learning from incumbents and predecessors (Posen & Chen, 2013) who have relevant international experience within and outside their organizations.

Firms may also learn effectively from major failures (Madsen & Desai, 2010; Yang et al., 2015), prompting reflection, critique, search and adoption of divergent ideas to find solutions to previously undetected problems. Aspiring EMNEs tap personal and industry networks (Crick & Spence, 2005; Johanson & Vahlne, 2003) to reduce the formal and informal gaps in the host environment (Johanson & Vahlne, 2009). Though firms may attempt to emulate successful industry examples (Jiang et al., 2014), in reality it would be difficult to replicate the circumstances as changes occur over time. Some risks and failures may be difficult to avoid if evaluation processes lacked professionalism and independent analysis of issues clouded by management's priorities (Ghauri & Hassan, 2014). Learning is continuous, iterative, coevolving as organizations' learning modes and knowledge usage shift irregularly during different stages of internationalization (Pellegrino & McNaughton, 2015).

Agrifood OFDI is ostensibly motivated by strategic asset-seeking and resource-seeking objectives (Dunning, 1992). Home institutions that favor designated industries would support their internationalization (Deng, 2009). Concerns over food security beyond staples and grains (Lam et al., 2013; Zhou, 2010) gained traction following the global food crises in 2007 and 2008. Though agriculture is neither classified as pillar nor strategic industries, food security has continually dominated the Chinese leadership's agenda. Food security is a priority in the political economy because of China's huge population. Historically, food shortages in China had led to social unrest. Demand for safe food increased following a spate of high profile scandals involving tainted infant milk and chemical additives to meat in 2008. Rising expectations of the growing middle class portend huge potential markets in China and regional emerging economies.

Alternative conversations on value chain targets would add new perspectives to the current focus on determinants of location and entry strategies (Canabal & White, 2008) which dominate IB publications. Literature on global value chain (GVC) integration of MNEs tends to focus on the attractiveness of supply chain capabilities (Alam & Bagchi, 2011) in host location and good governance criteria (Gereffi, Humphrey, & Sturgeon, 2005). The intentions and effects of OFDI decision making and implementation process are rarely addressed. It is crucial to study the temporal dimension and understand why and how certain firms choose to direct its resources to certain destinations, value chain targets and strategic directions. MNEs typically work towards vertical and horizontal integration (Buckley & Ghauri 2004). Firms presumably learn from internationalization and integrate with subsidiaries to improve competitive advantage (Luo & Peng, 1999; Cuervo-Cazurra, 2013).

Advanced economy host destinations for Chinese agrifood OFDI is under-researched in IB largely because the phenomenon took off after the global financial and food crises. It is conceivable that in modern agriculture, Chinese investors do not have to acquire farmland, given the connectivity of global supply chain. The fastest way to learn management skills is to target higher value-added industries to capitalize on advantages of the latecomer (Luo & Tung, 2007). This enables investors to skip incremental progression and avoid certain mistakes made by predecessors. EMNEs could leverage learning from overseas acquisitions (Mathews, 2002a) to synergize and consolidate capabilities to catch up with advanced technologies and management systems of established firms. Studies of EMNEs in the past two decades support the finding that latecomer Chinese firms engaged in repetitive, serial and rapid acquisitions (Luo & Tung, 2007). However, the development process is not necessarily incremental as posited by the Uppsala model as the internationalization of Chinese firms face ups and downs.

I focus on the dynamic learning process and reconfiguration of value chain (Sun et al., 2010) of the case companies studied. Besides acquiring knowledge of the industry, markets and host countries, firms need to be flexible and innovative to deliver optimal performance (Cohen & Levinthal, 1990). Downstream investors are familiar with opposition to Chinese resource-seeking ventures encountered in developing and emerging economies which has dominated popular media, and this could be repeated in advanced host countries as well. Foreign acquirers face lower rate of success if the target industry is sensitive to national security and if the investor is an SOE from a country of lesser institutional quality (Zhang, Zhou, & Ebbers, 2011). As agrifood sector may evoke controversy and nationalist backlash in host countries, experienced Chinese investors are learning to approach such projects delicately.

I also depart from conventional focus on EMNEs' relentless international expansion and integration (Luo & Tung, 2007). Investors who target advanced economies as host destinations often have preconceived notions of strong institutions and stability afforded by their overseas assets. However, smooth transitioning should not be taken for granted as investor objectives may not pan out. Given the complexities of agrifood sector, successive acquisitions and integrations may not be as easy as investors had hoped for. Apart from commercial factors, political developments beyond the control of investors pose challenges during and after acquisition. Success stories of integrating niche technology firms in Europe through light touch integration (Liu & Woywode, 2013) remains to be seen in Chinese agrifood OFDI. Table 6.1 shows a summary of the above discussion that problematize extant literature to create space for constructing alternative perspectives for this research.

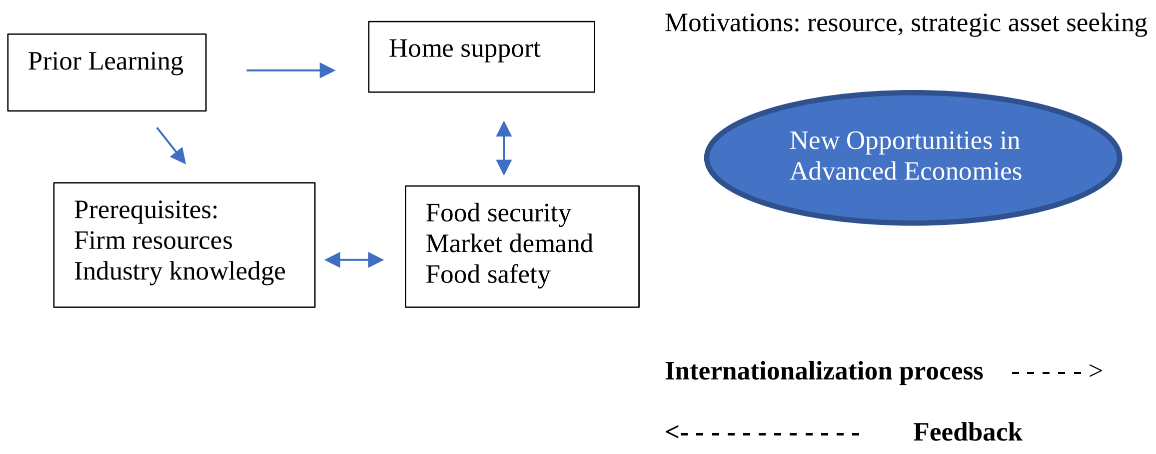
Table 6.1 Questioning Assumptions in Mainstream Literature and Addressing Why and How

Conventional Assumptions	**Alternative Perspectives**
Organized resource-seeking and land investment overseas to achieve food security in China.	Access and end results are more important than the means. Investors need not acquire land to obtain quantity and quality. Actors are receptive to various modes and global targets (turning to advanced economies).
Stability of advanced economies host countries	Uncertainty of negative views towards investors' home country. Learning from earlier examples to redirect strategy by circumventing land ownership to ensure better outcomes in future.
Stable progression and rapid internationalization and integration seen in the past two decades.	Challenges to relentless international expansion and integration.

6.3.1 Research Inquiry and Conceptual Development

The research question addressed in this chapter is: *Why and how do established Chinese agrifood investors select downstream targets in advanced economies?* The process approach that emphasizes learning is appropriate for mapping changes. The basic inquiry starts with matching the attributes and motivations of investors. Relationships among actors turned out to be more complex after conducting preliminary background research and interviews. Using an abductive approach necessitates initializing with the observation of an anomaly and ends with a coherent resolution (Van de Ven, 2007). I present alternative explanations (Table 6.1) that differ from existing assumptions to unlock disparities and puzzles. Firstly, I examine why certain firms pursue downstream targets and avoid land purchases from the reasons given by the participants, industry and publications. To unpack and make sense of rich data, I went on to identify the characteristics, requisites and rationale of certain businesses that exploit opportunities for downstream agrifood business in advanced economies. I then proceeded to investigate how the internationalization processes were implemented and the challenges faced by different companies. I compared SOEs and POEs to find changes over time rather than assume and predetermine their differences. I will be guided by the analysis of empirical material to reflect on the meanings and relationships with theoretical frameworks.

Figure 6.1 Initial Conceptualization of Alternative Positions on Home Country Support for Agrifood OFDI



An initial conceptual framework is constructed from selective adaptations from the body of IB knowledge. Antecedents, prior learning (through direct experience or vicariously), home country policies and firms' perception of assessment of potential business objectives would influence firms' initial foray to new destinations. Figure 7.1 shows that internationalization is a continuous process of learning and feedback from experience.

6.4 Case Selection

This study examines four corporate groups. Two SOEs (Companies A and G) and two POEs (Companies F and H) are identified as experienced home country industry agrifood leaders that have invested in downstream agrifood business in advanced economies from 2008 to 2017. These downstream investors have been purposively selected from a larger list to represent different types of ownership structures and international experience. Semi-structured questions were prepared to address general questions on the motivations of these firms. Initially, all the participants in this research were not asked specific questions on downstream business though background research has indicated their preference. During the interviews, it became evident that only certain firms carefully chose to invest in downstream agrifood business in advanced economies. Interviewees justified their decisions and explained why they did not invest in land-based investments in advanced economies. Industry experience, knowledge and lessons from previous internationalization shape OFDI decisions. When analyzing the data generated by interviews, I will discuss how and to what extent home country factors overlap with firms' perceptions. Finally, I will show how opportunities and significant political and economic developments shape the scale, level and directions of OFDI commitments. Table 6.3 shows the background and 6.4 details the case companies' levels and types of commitments.

Table 6.2 Background of Agrifood Downstream Investors

Firms	Domestic Business	Internationalization Experience
A (SOE)	Established domestic production, processing and distribution ingredients, dairy, packaged convenient food.	More than 50 years of international trading. OFDI in late 1990s. Invested in dairy, wine, cereal, confectionery, fruit and sauces, gourmet and well-known brands, processing and distribution in advanced economies (Europe, Australia, New Zealand).
G (SOE)	Grains, cooking ingredients, wine, processed food. Well integrated production and distribution.	Produces high quality inputs for western MNE processing. Previous land concession and contracts in developing economies. Minority shares in US meat processing. Subsequent OFDI in processing in Australia and Europe. Global trading and distribution in Europe and Asia. Concurrent expansion of supply chain in South America.
F	Breeding and white meat production and processing, chemicals, animal feed. Finance, Real Estate, Infrastructure	Early OFDI to Southeast Asia. Benefited from world bank financing and advice. More than 30 factories worldwide. Subsequent investment in Australia and North America meat processing, research and distribution.
H	Pastoral farming, meat processing plants and distribution in northern and central China. Cropping, seafood and trading	Owner had international trading experience as manager of large agrifood companies. Meat processing in Australia and South America.

6.5 Addressing the 'Why' Question

During the pilot research project and subsequent fieldwork, I gained background knowledge and updates from in-depth conversations with Chinese researchers. The Chinese government had long been concerned with achieving food security through combined strategies to increase domestic productivity and diversify import sources (Wei & Chen, 2016). My contacts based in premier Chinese institutions are well-informed on agrifood policy and developments. They included senior academics of the Zhejiang University and Center for Agricultural and Rural Development (CARD) and South China Agricultural University, as well as researchers in the Ministry of Agriculture. Before embarking on the study of Chinese OFDI to advanced economies, it is pertinent to understand the motivations of previous investment in developing economies and the lessons learned.

Investing in developing economies such as African and Southeast Asia had been closely aligned with increasing world supplies and fostering diplomatic relations. Commercially driven projects are gaining prominence with the internationalization of Chinese firms since the 1990s. Chinese state-owned investors first ventured to Southeast Asia and Africa, and subsequently invested in South America and Central Asia. Reality is more complex than the conventional 'land grab' narrative of exporting increased agrifood output from host countries back to China. Chinese food security strategy includes enabling Africans and Southeast Asians to feed themselves. This would in turn pose less competition with China for global food resources. Moreover, owing to the distance between Africa and China, it made sense for Chinese investors sell to host countries and third countries and save on transportation costs. In selecting advanced host destinations for exporting food to China, Australia and New Zealand are geographically more convenient and shared the same time zone.

Despite the contributions to host countries development, frictions that emerged include structural issues, communication barriers and negotiations between locals and investors (Buckley, 2013a, 2013b). Chinese investment, management skills and technology have helped Africans and Asian economies to reduce dependency on food imports and do not have to compete with the Chinese for grains in the international markets, indirectly ensuring China's food security needs. However, these policies come at some financial and relational costs. China continues to import soy and corn but strives to attain continuous self-sufficiency in staple grains that had meet met over three decades.

As consumption of rice declines as the population becomes more affluent, food security entails greater diversity and higher protein diets. Food safety has become increasingly important following a spate of serious food contamination incidents in 2008. The explicit reason given by interviewees for targeting downstream business was to meet Chinese consumer demand for better quality food. Additionally, owing to its size and importance, a central/national level SOE like Company G, has been tasked to achieve national food security needs as well.

A foundation is understanding China's food security and food safety and further readings helped me to gain confidence when preparing for fieldwork to conduct further investigations. Analysis of the companies' history, resources and industry position provide useful insights of their objectives and responsiveness to changing circumstances. Why do certain business actors gravitate towards downstream targets? There are perceived advantages of acquiring downstream business and reasons for avoiding land purchases. Home country policies and markets may shape and reinforce their decisions. Managerial reasoning goes deeper than conventional firm and country level of analysis. Subsequently, I address the '*how*' questions using process framework and individual case studies in the next sections.

6.5.1 Requisite Competitive Advantages and Core competencies

Large successful Chinese agrifood firms aspire to integrate with the downstream segment of the global value chain. Having discretionary funding, industry knowledge and experience in domestic supply chains enable these firms to undertake the scale and complexity of similar or more sophisticated downstream agrifood businesses in advanced economies. OFDI in downstream agrifood business requires more financial resources, industry knowledge and management capabilities (Liang, Lu, & Wang, 2012). The media tends to portray Chinese investors, especially SOEs, targeting farmland investment based on previous projects in developing countries. I argue that sufficient funding and sectoral knowledge influence the choice of higher value downstream targets.

Companies A, F and G distinguished themselves as experienced agricultural leaders in China (Companies F and H were POEs while A and G are SOEs). Though A, F and G have branched out to non-agricultural sectors such as real estate and finance, its subsidiaries have been designed to complement and support their core business of integrated agricultural systems in China. Several well-known agricultural units of Companies A, F and G have frequently been named as model companies or "dragonheads" in China and are publicly listed. Company G is a reputable producer for leading western multinational food processors. Companies A, F and G each have assets above US$1 billion with G being the largest. Though less than a decade old and smaller, Company H has seen rapid growth in the China market. All four have established production, processing and distribution networks in domestic operations before their foray into advanced economies. These companies already had land-based investments in China and benefited from government subsidies for key domestic agrifood businesses. However, subsidies were not linked to support for internationalization. Table 7.3 shows an estimate of the strength of funding resources, sectoral knowledge and international experience based on the narratives of managers and company reports.

Companies F and G have extensive internationalization experience, mainly in developing countries. F established processing plants in Southeast Asia for two decades while G had long-term contracts for grain resources, and leased and owned land holdings in Africa, South America and Central Asia. This enabled F and G to invest in a wide range of reputable brands and trading companies in advanced economies and different regions. Owing to its responsibility for food security, Company G was the first to enter advanced economies a decade ago, when it first acquired minority stakes in an American meat processor. Company A had engaged in international trading but not OFDI. Company H focused on meat supply chain. All four did not consider direct access and ownership of resources in advanced economies as a priority. SOEs and POEs are motivated by profits, though the former has added responsibilities to fulfil national social objectives as well. Table 6.3 summarizes the relative strengths of individual companies.

Table 6.3 Summary of Requisite Core Competencies of Case Companies

Advantages and Core Competencies	**High**	**Moderate**
Funding (Discretionary funds, Soft Credit, Equity)	A, G, F	H
Sectoral Knowledge & Integration (Domestic)	A, G, F, H	-
Internationalization Experience	F, G (investment)	A, H (trading)

6.5.2 Acquire Management Skills Rapidly

A primary motivation of companies targeting downstream segments was to gain management skills quickly. The managers set ambitious goals and affirmed that learning management skills from acquired assets in advanced economies was important and could be achieved more easily by moving up the value-added ladder in the supply chain than managing farms. According to Company A, potential targets must have "a good management team in place". Company A considered its strategy of pursuing well-managed businesses and improvement on its performance as achievable than managing farms. Its manager in charge of internationalization hoped to hone the company's management skills and global competitiveness by learning from acquired downstream targets.

> "We hope to complete the global value chain integration, not by purchasing land but to find distributors that are well-known, those that will facilitate learning and help to achieve our objectives." - A1 (2015)

Midstream to downstream value chains are typically more expensive, running into several hundreds of millions of US dollars, more than 10 to 20 times the capital required for investing in large-scale farming. However, cost was no barrier to well-resourced firms. Chinese investors have selected second-tier strategic assets that were available because top commodities traders in the league of ABCD and global brand names would be reluctant to sell their premium assets. This view has been supported by government officials whom I spoke to during the field trips. A municipal official who headed a commerce portfolio believed that:

> "buying land would be too slow compared to acquiring an agrifood business" - Q3 (2015)

6.5.3 Commercial Viability and Potential Gains

Returns from downstream agrifood businesses are generally perceived to be higher and more stable despite higher initial capital outlay. According to industry sources that have invested in both upstream and downstream businesses, the higher transaction price of acquiring downstream business is worthwhile. In comparison, land acquisition was deemed less attractive unless they could generate scale economies and count on long-term capital appreciation. Participants showed preference for acquiring a few good selective investments in advanced economies rather than amass real estate. From my collation and study of industry reports, several prominent Japanese MNEs had been investing in Australian downstream agrifood businesses since the 1970s.

Chinese agrifood firms have accelerated the process of gaining MNE status and expanded their global presence by acquiring downstream businesses. The strategy of ensuring commercial viability and resource seeking objectives could be met without purchasing land was clearly articulated and echoed by POEs. The founder of Company H shunned "highly speculative" real estate investment. H1 advised small players to invest in "equity funds" instead of land. Companies F and H indicated that from a purely business perspective, there was no necessity to acquire land. It was more important to ensure an excellent supply chain and access to agrifood resources. A business consultant affirmed that the key to success was finding a well-managed business with competent staff. F1 who was the Director providing financial advice to the company said that he would not consider farmland as premium quality investments compared to more profitable downstream targets.

> "Why do Chinese investors think that they can manage better than previous local farm owners? Buying farmland is a passive reaction. If others don't want to invest, why should we? There are more farm sellers than buyers. Chinese investors' knowledge is limited, always thinking about scarcity of land and capital appreciation based on their experience in China. This is not relevant for overseas investment ... Global players ABCD manage supply chains and do not own land." - F1, HQ (2015)

SOEs expressed tacit acknowledgement of preference for downstream targets in advanced economies. Of all four companies, only Company G had the resources and scale to invest concurrently in upstream and downstream agrifood businesses globally. G was able to complement with land-based cropping investments in emerging economies in South America and developing economies in Central Asia. Driven by high cost and falling productivity of cropping due to natural endowment deficiencies in China, Company sought resources from international markets. The Vice President of a commodities unit G1 said that it was more cost effective to access overseas resources and process farm produce in the host countries to obtain adequate supplies at reasonable prices.

> "The cost of production in China is high for [certain essential food crops] and we are concerned with the quality of products. In China, plants take three years to grow. It is labor intensive to grow and harvest [these crops]. In contrast, the suppliers to our Australian operations have adopted mechanized methods, and it only cost a quarter of the price to harvest (compared to China) … Food prices in China are set by government, but we cannot keep up with global price fluctuations" - G1 (2015)

The senior manager of another SOE (A1) dismissed greenfield land-based investment as too costly and did not think that SOEs should consider undertaking such projects. A1 stressed that SOEs could not afford to develop farms from scratch as this would incur "additional costs of mechanization". However, A1 presumed that some POEs might calculate that it would be worthwhile for long-term investment. Vice President A2 also viewed land-based investment as unattractive as it would lead to more capital expenses.

> "Investing in land would entail "payback" to host countries. They (host countries) expect additional investment to improve infrastructure such as transportation and irrigation facilities." - A2, HQ (2015)

Firms with extensive experience in agrifood business and regional markets such as Company F claims to be adept at valuing targeted assets as it had built up a huge database on trading prices. Investors in downstream assets are able to take over from existing business operations, capitalize and expand on established global channels. In their initial calculations, downstream investments would yield quick returns and offer higher potential for growth. Company A sought brand names with potential for growth as it had planned for public listing in the future to improve the parent company's ability to raise finances for expansion and reduce credit exposure. In its public statements, Company A executives acknowledged that internationalization would help to "securitize assets for further expansion".

Participants justified that downstream investments were safer options because farming was characteristically vulnerable to weather and volatile markets. Agricultural production typically assumes greater uncertainties than processing. Downstream businesses closer to the consumer end of the value chain are deemed less risky than upstream segments. Two Chinese investors in Australian farmland acknowledged that downstream businesses would command stronger bargaining position than producers in the supply chain. Though the phenomenon was prompted by a food security and food safety needs in China, participants recognized that the acquired downstream assets would continue to serve primarily the global and affluent markets.

6.5.4 Pre-empt negative responses from prior learning

Negativity associated with previous land purchases by foreigners have discouraged large Chinese corporations to refrain from following the precarious path. Earlier OFDI undertaken mainly by some SOEs were largely exploratory and experimental involving land purchases that resulted in nationalist backlash and host government restrictions on foreign land ownership. Prior to Company G's acquisition of two global agricultural processing, trading and supply chain companies, it had tried to invest in farmland to produce soy beans in South America. However, according to financial commentaries, Company G's plan to set up grains production bases was hindered by some global agricultural suppliers who had dissuaded the host governments in South America from approving the mega farm projects. Subsequently, another Chinese provincial SOE also encountered roadblocks in getting their land purchases and certification approved by the Brazilian government despite their commitment of millions of dollars in initial crop cultivation. Even though Argentina has recently revoked policies restricting foreign land ownership, large integrated Chinese agrifood corporations are cautious about investing in land overseas.

Companies that did not directly encounter negative responses in host countries such as Companies A, F and H, have learned vicariously (Jiménez & de la Fuente, 2016; Posen & Chen, 2013; Yang et al., 2015) to stay clear of land-based investment and the production stage. Chinese investors in downstream agrifood businesses demonstrated sensitivity to host country responses by refraining from committing to land purchases for production activities. Despite their lack of experience investing in agrifood sector in advanced economies, examples of rejection and incomplete investment in strategic resources (Zhang & He, 2014) served as warning to Chinese investors to be more sensitive and cautious.

The founder and owner of a pastoral/meat processing/distribution business H1 was critical of some Chinese investors purchasing more land than they required, causing alarm in host countries. Inexperienced investors wanting to own land for the sake of possessing tangible assets could be seen as greedy and cause misunderstanding in the host countries.

> "It would not make sense to overextend. Why purchase more land than is required? Then lease surplus land to other farmers?" - H1 (2016)

Company F, another POE, also shared similar sentiments. Reflecting on the negative responses to Chinese investment in farmland in developing countries, the company director felt that future investment strategy must be mindful of sensitivity of host country government and citizens and try to preserve the reputation of Chinese investors in general.

> " Two SOEs that had invested in agricultural resources in South America were unsuccessful. Instead of benefiting, they earned a bad name." - F1, HQ (2015)

In its public relations, Company F also demonstrated keen understanding of adapting to the strengths and needs of host countries. In early June, Chinese media reported that Company F Director of Strategy Development stating that the company positioned itself to develop infrastructural agrifood projects in developing countries. However, for advanced host countries, Company F would be interested in their management, brand, talent and resources.

Chinese investors strived to build a positive image overseas. According to H1, Chinese investors should focus on businesses that were considered "beneficial and productive" by host countries. H1 added that downstream industries would provide more employment to rural communities compared to farming which only required a manager, two assistants and seasonal workers. Companies A and H did not partake in earlier phase of OFDI in developing countries, hence they were free from historical baggage and the land grab label linked to some early investors. Company A adopted a preemptive strategy to avoid farmland purchases overseas. Unlike larger SOE Company G which has a mission to achieve self-sufficiency in grains and land intensive activities, Company A held a diverse portfolio of investments in cropping, processing and marketing, and an extensive product range. According to A1, "we deliberately avoided land purchases overseas". This position is matched by public statements by senior executives. Moreover, A2 corroborated and affirmed that it was preferable to obtain supplies by controlling the supply chain.

> "accessing essential resources need not entail tangible possession as long as there are legal safeguards to ensure supply and reduce risk … It is more important to secure the processing, storage, supply chain and logistics system" - A2 (2015)

As agrifood investment tended to attract public attention, most Chinese agrifood companies preferred to maintain a low profile and avoided public attention in host countries. The exception was Company F which did not hesitate to publicize its contribution to employment creation and revitalizing the host country's agrifood businesses. SOEs A and G were cagey and avoided unnecessary exposure. Its public faces fronting the media were managers who stayed on from previous local ownership or locals of host countries. Though a publicly-listed company, Company A did not announce the monetary values and details of some of their smaller private acquisitions made through foreign subsidiaries. Company H also tried to stave off public attention, preferring to limit press statements to essential information just to avoid speculation. The CEO of Company H's Australian subsidiaries alleged that the mainstream media and industry news were not familiar with Chinese investors and often misreported business news.

> "The limelight and high profile could be detrimental for Chinese investors. The media has too much freedom but not all that is reported is believable." - H2 (2016)

6.5.5 Home Country Support and Advisory

Central government policies provide general guidelines that have persuasive influence and are interpreted loosely and implemented by local officials and enterprise to suit their respective objectives. Chinese local officials said that policies governing agricultural and OFDI were constantly adapting to the needs of MNEs. Official directives, guidance, recommendations and encouragement are informal forms of support (Scott, 2001) that would impact SOEs than POE investors. Deregulation overlaps with pro-market reforms and have been revised to support internationalization strategies and suit the changing needs of businesses in the changing global environment.

> "Government policy is not inflexible because we still don't have a clear picture or understanding. Enterprises must think of the long-term returns to investment in agriculture, not just monetary gains. From the national perspective, agriculture is the foundation." - Q3 (2015)

The government encouraged OFDI in downstream agrifood business to meet commercial objectives, national food security needs and build a positive image of Chinese investors for sustainability. Senior parliamentary researcher and policy advisor Cheng Guoqiang is an influential adviser for agricultural policies, holding concurrent positions as Secretary-General of Academic Committee and Director-General of Department of International Cooperation of Development Research Center of the State Council. He urged Chinese investors to aspire to become leading global commodity traders like Cargill instead of farmers in another country (Cheng & Zhang, 2014). Cheng noted that instances of land purchases had led some host countries to view Chinese investors as "neo-colonialists". Cheng advocated government support for global agricultural production, processing, logistics, marketing and trade to achieve stable, safe and sustainable supplies (Cheng, 2013).

Upgrading the scale and variety of China's global supply management would enhance China's pricing power to compete more effectively with agricultural multinationals (Myers & Guo, 2015). Unable to acquire companies in the league of global traders ABCD, which are either too expensive or unwilling to sell, Chinese SOEs targeted second-tier reputable global distributors. To reap benefits of the global value chain, it would be easier to firstly integrate from within existing MNEs than to build an entirely new system from scratch or fragmented parts (OECD, 2013). In the past, Chinese firms tried to ride on global brand names to build manufacturing capabilities in the home country (Child & Rodrigues, 2005; Deng, 2009; Liang et al., 2012; Luo & Tung, 2007). More recently, Chinese agrifood firms appreciate the higher value of acquiring reputable global processors and distributors.

Though China managed to achieve almost self-sufficiency in grain staples in the past three decades, imports of grains and legumes have increased since 2012 and the composition of the Chinese diet has a higher proportion of protein than carbohydrate. Longstanding concerns over food security in grains have been broadened to encompass a range of food products and food safety concerns. It was only in 2015 that China officially acknowledged the priority on food safety in its annual Number One Central Document[6], pressing suppliers to improve traceability (Lu, 2015). This policy was reinforced by Premier Li Keqiang's speech to the National People's Congress on food safety. Previously, China expressed concerns under the food security theme to evade the embarrassment associated with tainted food scandals. The public admission of food safety issues consequently led to the passage of the Food Safety Law in October 2015. Improved coordination of China Food and Drug Administration, the Ministry of Agriculture, the National Health and Planning Commission, and the General Administration of Quality Supervision, Inspection and Quarantine, raised the bar for local producers and importers of food into China.

Building competitive advantage of Chinese agrifood is another goal endorsed and encouraged by the government. Central government urged market-driven innovation to solve food safety issues and improve agricultural competitiveness (Zhong, 2015). A Chinese provincial official based in a region known for private entrepreneurship believed that SOEs should take the lead in facilitating POEs to internationalize by avoiding controversies related to foreign land ownership.

> "Most companies from our province that have ventured overseas are private enterprises. Impressed by the fertile land and potential for cropping, they started buying land, invested in infrastructure projects, and employed consultants and local workers. However, when they purchased more land, the host government responded to local opposition and imposed restrictions.
>
> Should SOEs compete with POEs to support [Premier Li's] 'two resources, two markets' policy? Land purchases by SOEs will cause public backlash; people in the host countries will be afraid of Chinese investors. This may hinder other Chinese businesses from operating overseas in future." - Q3 (2015)

SOEs would be expected to adhere closely to government recommendations so as to gain continued support. Official guidance would have greater impact on SOEs and persuasive effect on some POEs. Company G received substantial formal institutional support such as preferential credit from state-owned banks to achieve food security and food safety goals. As a national level SOE, Company G has the responsibility of ensuring adequate food supplies at reasonable prices for the Chinese population, unlike mainly market-driven provincial SOEs and POEs.

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[6] China's Number One Central Document is published by the Central Committee of the Communist Party of China and the State Council). Since 2004, China has emphasized that reforms of the domestic agricultural sector would be a key goal. Proposals include farmland and water resource management, mechanization, training and improving the livelihood of farmers.

Despite claims by POE participants of adopting autonomous strategy of targeting downstream agrifood business driven mainly by market dynamics, their justification was spontaneously aligned with national policy, but underpinned by market assessments. This narrative echoes the independence of POEs and provincial SOEs that have invested in Africa earlier (Cook et al., 2016). They gave similar arguments for acquiring downstream business in advanced economies for commercial reasons and the need to avoid political controversies arising from land purchases. Some executives of POEs such as F1 continued to be critical of SOEs buying land even though some SOEs have become more cautious and avoided farmland acquisitions.

6.6 Casing: Addressing the How Questions?

A deeper level of analysis entails constructing the cases from the meanings that emerge from the research (Ragin, 1999). Casing considers exemplars and outliers that represent the dynamics and complexities of practical management (Cohen & Axelrod, 1984). While OFDI levels (Table 6.4) and investment destinations (Table 6.2) provide an overview of the scale and geographical scope of the companies' internationalization commitments, these do not address the *how* question.

Table 6.4 Level of Commitments and Integration in Advanced Economies (2008 - 2017)

Companies	Total OFDI	No. of Projects	Characteristics of Recent Investment
A (SOE)	US$5 billion +	> 10 in five countries	Aggressive serial acquisitions owning range of processors and distributors of farm products. Range between ½ to ¾ majority stakes.
G (SOE)	US$6 billion +	> 6	Acquired branded processors to global trading companies incrementally through subsidiaries and consortium funding.
F (POE)	US$1 billion +	4	Controlling stakes in Australian beef processing. Joint venture in dairy processing Minority stakes in US in feed mills and meat processor. Consortium funding for selective agrifood projects in dairy, meat and health food.
H (POE)	US$20 million + (US$10 million invested in Australia)	2	Processing of premium grade Australian beef for the China market.

The effects of antecedents, concurrent developments, mechanisms and feedback could be presented using a process approach. Non-linear developments, combinative strategies and adaptation by managers and officials to home and host country conditions will be considered as well. The initial aims set out by managers may not pan out as projected when unexpected developments thwart original plans. Firms' confident advances and tactical de-commitments would shed more light on the reasons behind these moves.

6.6.1 Company A: Relentless acquisitions abated by home market and policy shift

Company A's initial track record showed it was an exemplar of springboard (Luo & Tung, 2007) until it changed tack in 2017. Financial resources enabled Company A to embark on aggressive acquisitions despite lack of experience in OFDI. The total amount invested exceeded US$5 billion in eight years, spread over more than five countries, involving projects in branded confectionery, fruit, dairy, sauces, meals and wine. Company A appeared to have taken all the right moves following closely the clear guidelines its management stipulated. The "core principles" for OFDI are to achieve "food safety objectives", "target profitable businesses" with "good management team", "avoidance of risk" and invest only in "friendly countries". Company A is known to have hired international consultants including one of the top five accounting firms, legal and financial advisers to conduct due diligence prior to commitments.

Manager A1 professed that the company sought "reasonable purchase price, though not the cheapest" to acquire good quality businesses. It held the majority controlling stake from 51 to 80 percent share in a number of global distributors. True to the Vice President's expressed misgivings about the US, Company A showed preference by investing first in Australia and New Zealand before expanding to Europe, as these were seen as friendlier host countries. Company A's initial focus on dairy was an extension of their core competencies in the home country. Another early acquisition was in wine distribution and trading in view of the growing demand for imported wines in China. To compensate for the lack of expertise, Company A recruited directors from among overseas Chinese and international professionals to form its OFDI negotiating team. While meeting the number of targeted projects, the negotiators were also cautious and ensured favorable terms, or else walked away from potential deals. However, there were instances of paying high premiums for reputable distributors which subsequently impeded future expansion plans.

Bolstered by its initial smooth acquisition trail, Company A made higher commitments, of over US$1 billion deals to acquire higher value brand names in the UK and South Europe. By investing rapidly into global agrifood distributors, Company A gained access to producers and quality resources as well as skills in managing supplies in a wide range of agrifood products: dairy, wine, oil, sauces, cereals, gourmet meals. The parent company entrusted overseas subsidiaries to purchase more assets and expand its influence on the supply chain. However, the momentum of incessant global expansion could not be sustained as seen in the short-lived acquisition spree over eight years. The main factors that had hindered its further expansion were lackluster financial performance of some of its acquisitions, slow development of home markets for certain products and home country political developments which constrained persistent overseas acquisitions. In the past decade, Company A's European and Australian subsidiaries showed relatively flat revenue growth. Though revenue from foreign subsidiaries made up more than 20 percent of revenue, this was not translated into increase in profits.

Despite the oft touted narrative of a huge home market supported by a growing middle class, venturing into products beyond the habits and comfort zone of Chinese consumers was highly risky. The Chinese market's response to cereal in cold milk, cheeses and expensive western culinary ingredients had been lukewarm. Success for Company A was confined to fruits, wine and olive oil that Chinese consumers embraced readily. A1 said that currently the company imported only "some popular sauces" from distributors in advanced economies to retail in China. Even though Company A has a developed and sophisticated production system, processing, logistics, wholesale and retail distribution networks for its domestic operations, infiltrating the huge China market with new and unfamiliar products proved challenging.

Continual delays in the planned timeframe of offering shares through public listing of acquired foreign subsidiaries suggests that their performance did not meet original expectations. Despite earlier announcements of another 10 projects in the pipeline over five years, Company A recently slowed down its acquisition spree and delayed acquiring majority stakes in overseas assets in the past year. Instead, it chose to scale back certain international commitments. Just as Company A had walked away from unfavorable deals, it was prepared to divest assets (Berry, Guillén, & Zhou, 2010) that performed under expectations, regroup and move on (Williamson & Raman, 2011). A significant development was the divestment of a trophy European asset held for barely five years at a loss of almost US$20 million. The acquisition performed mediocrely in both the host country and international markets. In another host country, the media disclosed that disagreements ensued among board members over the falling value of assets and earnings post-acquisition. It was ironic that Vice President A2 who had earlier cautioned other firms against undertaking relentless OFDI, but did not recognize that his company was a serial global acquirer.

> "Large POEs are representatives of the country's industry if they meet the criteria and benchmark. ODI should not be undertaken like fairies scattering flowers. When it is too abundant and easily available, it is taken for granted." - A2 (2015)

Incorporating the home country political economy lens would help to explain the slowdown of Company A's international acquisitions. Ambitious expansion plans were deterred or put on hold following closer government scrutiny and anti-corruption investigations of SOEs since 2014. Though a hybrid and publicly-listed SOE, domestic political pressure forced Company A to be more circumspect and avoid overleveraging. The unceremonious removal, arrest and jail term sentence meted to Company A's former senior executive symbolized a crisis of confidence and spurred reflection and moderation of the pace and scale of OFDI. An industry expert X10 who owned agrifood businesses in several countries and well-informed about domestic developments, disclosed that the Chinese government questioned Company A's recent OFDI projects. X10 said that a handful of senior managers involved in negotiating a recent deal had been queried for offering a high price for a marginal controlling stake of the potential target. Company documents discreetly erased from the Board of Directors chart the profile of a former financial adviser involved with negotiating many acquisition deals.

In his parting statement, A2 highlighted the need to improve domestic horticulture by learning from Netherlands' success story. He envisioned more relaxed atmosphere when Chinese farmers could supply fresh vegetables to the local markets every day. This shows that improving domestic production and productivity by employing advanced technology and mechanization was still foremost on the minds of SOE senior executives as internationalization would only address part of the food security and safety concerns. Unlike POEs, management of SOEs expressed strong commitment to holistic agricultural reforms to ensure home country stability.

6.6.2 Company F: Steady expansion and integration through alliances

This large and well-integrated Chinese private corporate group has established meat production, processing, chemicals, finance and real estate in the China market (Table 6.2). Company F is a "dragonhead" in China's agricultural sector and has won many awards for its past achievements. From earlier investments in developing economies, Company F made inroads to premium agrifood business in advanced economies only seven years ago, but it has already established strong presence in established meat and dairy businesses and R&D in advanced economies. Company F has achieved vertical and horizontal integration across agrifood sectors in four continents. Its success could be attributed to its management's flexible attitude towards business alliances. Company F appreciated that acquiring majority controlling stakes would entail higher capital commitment and assume greater risks and responsibilities. Since 2012, Company F has been forming partnerships with experienced industry specialists in host countries and multinational wealth fund consortium to mitigate risks and overcome shortfalls in new areas of investments. Unlike the other three case companies that preferred to acquire majority stakes or full ownership, Company F shared financing and management roles with business partners. Company F was able to develop trust for partners (Inkpen & Currall, 2004). The CEO of Company F's Australian subsidiary testified that all the partner companies were constantly communicating and collaborated well. Company F has integrated meat processing businesses in Australia and the US, and showed confidence of growing its international assets steadily. Company F's profits from OFDI (in both developing and advanced economies) contributed to more than 10 percent of the group's profits.

The founder of Company F shared his global vision with the media. The plan was to leverage and coordinate acquisitions in different regions, such as processing and marketing with research technology, packaging and distribution in the Asia Pacific and Americas. Company F formulated a clear and open market strategy of not to limiting its markets to China and the producing host countries. Instead, it would continue to rely on traditional affluent markets of US, Japan and South Korea, while growing its presence in Asia to tap the burgeoning middle class. According to the CEO of Company F's Australian subsidiary,

> "Australia is a good location rich in resources, but we need to diversify the markets. US processing business would require experience and higher standards for branding, labelling. The next distribution layout would require balancing US, Australia, Korea, Japan markets. The high cost of doing business in Australia discouraged us from investing in an earlier opportunity. Retail price is suppressed by Woolies and Coles. This would not be a good business model to expect reasonable returns to farming. Farm production cost is high." - F1 (2015)

Company F acknowledged that high quality Australian grass-fed beef should be aimed at the niche high end *global* markets because it could not compete on price and quantity which South American producers command. China is the fourth-largest market and Australia's beef exports to China were worth more than $600 million in 2016. Fine dining would not be affordable on a regular basis to the majority of Chinese middle class yet. Chinese authorities' clamp down on ostentatious spending billed by officials would likely delay the growth of premium wine and meat sectors in the domestic markets. The CEO of Company F's Australian subsidiary understood that it could not count on the China market in the short term as the market takes time to grow. Company F was also vulnerable to policy changes in China when a partial temporary ban was imposed on some of the largest Australian meat processors in 2016 to 2017. Chinese ownership did not exempt Company F's factory from the ban.

> "Chinese consumers are not very discerning because good chefs can make poorer quality beef taste good. China would want to spread risks and won't be overly dependent on Australian beef … Exporting live cattle is going to be tough because Chinese consumers really want a clean and green source. Once the cattle go on board the ship, it is no longer Australian. They won't trust the processing system in China. We have to provide industry training for importers and distributors in China. There was no infrastructure for chilled beef market in China previously. Our company had to take the initiative to develop these systems." - F2 (2016)

Company F's continuous OFDI expansion has been facilitated by carefully crafted public relations exercise. Its executives participated in high-profile business events associated with distinguished businessmen in the host countries. Unlike the other companies, Company F wanted to be in the limelight and tried to build its image as a benign investor that has contributed much-needed capital and employment to the host country.

6.6.3 Company G: Plans hindered by host country politics and slow integration

The largest and earliest to internationalize, Company G has more cumulative OFDI value than most Chinese agrifood companies. From earlier developmental aid to developing countries and modest commercial projects in the 1990s, Company G is the leader of China's agrifood sector, and was one of the first to explore opportunities in advanced economies. It took minority stakes in North American meat processors but did not participate actively in the running of the business and gave up its shares within five years. Company G also invested in South American grains and beans cropping and processing but was constrained by nationalist backlash.

Company G's international expansion was largely hastened by the global food crises (2007 – 2008), the GFC and domestic market demand. Company G managers claimed to be avid at monitoring world markets for investment opportunities. Like Company A, it was involved in the distribution of a wide range agrifood products. However, owing to the scale of its operations, Company G was also involved in processing and production facilities in Europe and South America. Company G had acquired crop processing plants in Australia due to chronic shortages, high cost and inefficient production in China. The Vice President for a commodities unit G1 was proud that the parent company capitalized on the economic downturn to acquire established businesses at reduced prices in Australia and Europe. That agrifood businesses in advanced economies needed more capital and markets presented opportunities to Chinese investors in the post-GFC period.

Departing from its early exploratory strategy, Company G was more confident and aimed at gaining full ownership of global companies. After studying the market, Company G engaged renowned international consultants to study potential OFDI targets. However, subsequent politicking by Australian suppliers and high operating costs of global trading houses depreciated the original calculations. This led to the reassessment of expansion plans. Though an SOE, Company G had followed the example of POE Company F by forming multinational consortia with financial backers and experienced agrifood companies to manage large projects (DiMaggio & Powell, 1983). However, unlike Company F which is mainly a consumer of commodities and distributor, Company G's large-scale global trading business and combination of scattered portfolio carried higher risks.

Initially G1 boasted about its acquisition of an inexpensive and well-managed Australian crop processing business, even though further millions of dollars were spent to replace old machinery, upgrade plant equipment and improve facilities and infrastructure. Company G justified its Australian subsidiary as a good investment. Since investing in Australian crop processing business, G1 claimed that the corporate unit extended its influence to cover "half of the global commodity market", thereby boosting its "voice and bargaining position" considerably. According to G1, the Australian subsidiary was generating good profits within the first two years, and management expected to fully recover its capital in less than 10 years, an excellent prognosis by agricultural sector benchmark. However, Company G could not fully exploit synergies due to the gaps between home and host country technical and management expertise.

> "Some machines used in Australia are not compatible with Chinese-made turbines. Shortage of technical expertise was also a challenge. Steel bars and parts can be imported from China, but we cannot transfer the whole suite." - G1 (2015)

Moreover, politicking in the host country negated most of the gains from a supposedly good investment. Minority politicians agitated vested farming interest groups to change regulations governing processing choices and pricing. Company G spent much time and resources to get legal advice to break the impasse and negotiate for a favorable outcome. G1 spoke candidly about thinking carefully whether or not to invest in problematic host countries in the future which contrasted to the company's more amenable corporate press statements.

> "We are concerned that even a minority party that has few seats in the state is able to whip up strong opposition in the industry. Farmers want the power to choose their processors. Who should determine the price and quality of the commodity?" - G1 (2015)

For large global operations, asymmetry of information between the vendor and buyer of businesses unfairly biased the acquirer's calculations of the value and potential earnings. Company G was eager to complete the purchase of global trading firms promptly without full knowledge of the severity of financial difficulties the previous owners faced. According to a manager in Company G's overseas subsidiary (G3), the parent company lacked specialist knowledge on global operations and the detailed earnings of its most recent acquisitions of second-tier global traders.

> "One of the vendors was only willing to sell 51% at first and hoped to sell the rest when the share price increased, but this was not happening, and the financial situation was getting worse. Company G must have regretted. Accounts of trading transactions are not as transparent and easily understood as financial equities because of multiple trading. Grain sellers face intense competition and negative margins! For instance, in one deal the trader could lose $30,000 but had to continue trading, hoping to make some profits in future through arbitrage. This business is not based on speculation, but requires more skills and patience. One must be good in psychology. I think the parent company realizes this now." - G3 (2016)

As the negative picture unfolded, Company G responded with tough actions. Despite having a wealth of assets and state support, Company G had to restructure, streamline and cut costs. Integration of its global commodities trading businesses has been slow. Contrary to light touch integration of German high technology companies and brand names (Liu & Woywode, 2013) in previous takeover deals by Chinese niche technology investors, Company G implemented massive retrenchments similar to typical American takeovers. Not only was the top management of two large acquired trading firms restructured every year, drastic cuts were implemented across middle level managers and staff.

> "Half of my team was cut. Now the rest of the team is probably leaving … The other subsidiary had a huge staff retention problem in its European hub. Every year, the management changed." - G3 (2017)

As post-acquisition integration gained traction, it became apparent to Company G that the integration and consolidation of global assets were fraught with difficulties. Company G even considered divesting peripheral parts of its acquired assets that did not match its main objectives barely three years after the takeover. Company G was steadfast in focusing on essential basic food commodities of grain and soy, which may compete with biofuels for resources, but was prepared to let go of niche products to the private sector. As a national SOE, Company G was more concerned with meeting food security objectives when it had to choose between different units in the streamlining exercise.

6.6.4 Company H: Costs and shortages prompted de-commitment

Though new to internationalization, Company H was initially poised for successful investments in Australia to coordinate and integrate with the company's global value chain. Being a well-integrated pastoral, meat processing and distribution group in China, the founder H1 was confident to source for high quality beef to supply China and the regional markets to complement its range of fresh Chinese lamb produce and frozen South American beef for the mass market. The pre-investment due diligence and approval process in the home and host countries proceeded smoothly. The owner claimed that fees for consultants and service providers came up to a million Australian dollars, but it was worthwhile. Unlike the experience of Company G, Company H felt that the host country regulatory environment was supportive and favorable.

> "We received (Australian) FIRB approval within three days for one of the projects. Our company provides employment for locals and promote beef exports. Australian farmers are cooperative. Our company applied for visas and did not encounter any problems." - H1 (2016)

Backed by a leading Chinese asset management firm and private equity investors, Company H was initially upbeat and self-assured after acquiring full ownership of profitable meat processing businesses in a region known for producing high quality beef.

> "We are in for the long term and won't sell off quickly unlike some equity funds and partnerships. Others had invested in US beef, but we would not, because of import tariffs in China. A managed fund can have small stake in the investment, but for direct investment in our case, we must have 100 percent controlling stake. Even 1 percent of other shareholders can disrupt the plan." - H1 (2016)

Company H made efforts to localize its management and factory floor staff. H1 understood that foreign investors would have to adapt to the host country regulations and practices in Australia and South America. In China, Company H had built up a reputation for its involvement in charity events. Internationally, the company balanced local with expatriate managers.

> "At cattle auctions, local companies are welcomed and receive more support than foreign-owned ones.
>
> In South America, we only need two mainland Chinese staff to be based overseas. They shuttle, coordinate and oversee projects. The stock buyer is a Chinese, so he knows the Chinese market well. It is inevitable to employ some local staff, so we need to build trust. How many relatives does the owner have that he could employ in the company? Not many.
>
> Australia functions on rule of law and good governance. Chinese executives make decisions, it does not matter what nationality the manager is." - H1 (2016)

However, Company H encountered serious challenges one year after operating the acquired business became apparent. Even though H1 cautioned that Chinese investors should only invest in profitable businesses managed by retiring entrepreneurs, the post-acquisition problems it encountered were unexpected. Cost overruns stemmed from shortages, resulting in high price paid to cattle stock suppliers and operating expenses. Industry reports said that Company H's Australian subsidiaries grappled to make outstanding payments. However, the management put up a brave and reassuring front when interviewed. From hindsight, it became clearer what the CEO of its Australian subsidiaries (H2) meant when he said that high beef prices may not necessarily benefit the company. Industry experts noted that while beef processing could be highly profitable, businesses must have abundant resources to survive transitional tight cash flow. However, few businesses have strong staying power to live through price fluctuation. Though the parent company transferred funds to pay overdue bills in its overseas subsidiaries, it was forced to divest some of its loss-making assets.

At one time, H1 had even considered buying Australian pastoral farms to relieve supply shortages for processing despite his aversion to land-based investment. The challenge of marketing premium Australian beef to Chinese consumers was heightened when China lifted the ban on cheaper South American beef in 2015 and US beef in 2016. Nevertheless, Company H took advantage of relaxation of foreign investment regulations in South American countries to expand its operations in emerging markets and focus on medium quality beef for the Chinese market.

Sharing lessons from his experience investing in Australia, Company H's owners had earlier cautioned potential investors to be prudent, watchful and thoughtful because conditions might not be as optimistic as it seemed. Despite Company H's cautious approach, due diligence, localization of staff, cultivation of good relations with host country networks, it was not financially viable due mainly to market shortages and price spikes. Company H's three year venture of processing beef cattle in Australian was among the minority of unsuccessful investment in downstream agrifood ventures in advanced economies. This experience served as a lesson to moderate Chinese investors' rush for high value assets that require specialized skills to manage and are susceptible to market volatility tied to upstream supplies.

> "It would be good if potential Chinese investors are better informed and avoid rushing in. Many are inexperienced and believed in intermediaries who present a rosy picture. We try to caution the other Chinese investors, but most people misunderstood our good intentions. One investor came back to us after a year and regretted he had not listened." - H1 (2016)

6.7 Discussion

The study started with a conceptual model using learning process frame to offer alternative explanations to conventional focus and assumptions on institutional support, rapid internationalization of EMNEs, entry modes and land-based resource-seeking OFDI. The inquiry has generated insights on the objectives, learning, challenges and adaptation to internationalization. SOEs and POEs specializing in agrifood business are inclined towards downstream value chain targets in advanced economies. Individual firms have different priorities on food security and profitability. However, plans, aspirations and implementation may diverge. Though leading Chinese agrifood firms are vertically and horizontally integrated in the domestic market, large corporate groups have yet to achieve global integration and develop into full-fledged MNEs. Chinese firms combined the economic benefits of higher value chain targets and political considerations to defuse tensions in the overall strategy. The case studies highlight the importance of learning in established Chinese firms when expanding to advanced economies and the need for sensitivities to host country context (Child & Marinova, 2014).

6.7.1 Rationale

To address the question '*why*', the necessary conditions for firms to embark on OFDI in downstream agrifood business were analyzed. As OFDI in downstream agrifood business involves higher level of commitment than land purchases, it attracted mostly large enterprises with financial resources, industry knowledge and management capabilities (Liang et al., 2012). Case participants shared the common assessment that downstream investment was more profitable, had greater potential value and could meet long-term food security and food safety needs.

As with earlier OFDI, Chinese investors hoped to acquire management skills in managing global value chain quickly in conjunction with resource-seeking objectives. All the participants resolved not to invest in land-based agrifood businesses to avoid nationalist backlash in host countries. They shared commonalities in adopting pre-emptive measures to sidestep controversies associated with land purchases. They are confident of accessing resources indirectly through processing and distribution. POEs and Chinese officials referred to unfavorable consequences of farmland acquisitions from the experience of earlier agrifood SOEs. Though the POEs (F and H) claimed to have independently decided to avoid farmland, their internationalization strategies are congruent with the state's encouragement of downstream OFDI targets. The official position was explicit in reversing negative perception of Chinese OFDI as "neo-colonialist", to promote a better image and gain acceptance by host countries.

Table 6.5 Why certain firms targeted downstream agrifood business in advanced economies

Home Country Effects and Prior Learning	**Why: Professed Objectives**	**Operationalization – Alternative Explanation**
Pre-requisite: Domestic Integration Industry knowledge Financing	Acquire management skills quickly Commercial viability, potential, profitability and risk	- Rapid acquisitions and presence over Europe and Oceania. Majority controlling stake but not full ownership. (A) - Evaluation of potential assets, due diligence, capitalize on business cycles (F, G)
Internationalization experience or vicarious learning	Preempt negative reactions to foreign land ownership. Access resources indirectly (processing & distribution)	- Deliberately avoided land purchase (A, F) - Provided employment and capital to hosts - Low profile (A, G, H) - Proactive reputational promotion (F)
Chinese government advisory and encouragement	Influence global supply of commodities and prices Access resources indirectly through downstream value chain Improve the image of Chinese investors	- Invest in key traders and processors to develop clout in commodities price setting (G) - Downstream investors either consciously followed directives (A, G) or inadvertently implemented similar strategies (F, H). - Uneven results of financial and reputational value creation within and across firms.

The professed and underlying objectives of targeting downstream value chain agrifood businesses in advanced economies through different types of learning addressed the '*why*' question (Table 6.5). The arguments comprise creating commercial and reputational value to ensure sustainable access to quality and quantity of food supply that match home market demand. Some companies were able to boost its image by hiring local managers with local knowledge and gained public acceptance as well.

6.7.2 Process of investing in downstream targets

The case studies showed the uneven internationalization paths taken by each of the companies. The common trait shared by the case companies was their cautious approach to OFDI through pre-emptive strategy of avoiding farmland investment based on prior learning. Regardless of ownership structures, agrifood business leaders in China have tailored the pursuit of downstream targets in advanced countries to avoid controversies. The downstream investors adopted amicable negotiations rather than hostile takeover. SOEs consciously followed directives while POEs inadvertently implemented similar strategies. Improving Chinese investors' image is important for commercial and long term strategic goals. This could mitigate some degree of liability of origin in the host countries (Ramachandran & Pant, 2010). Disruptions by supplier campaigns reversed the fortunes of Company G's profitable processing plants in Australia. Company H's relations with suppliers and employees were dented due to overdue payments and stock shortages rather than bias against foreign investors. Nevertheless, episodic disagreements post-acquisition may reinforce mutual apprehension of future Chinese investments in these host countries.

While Company A had only trading experience, it embarked on incessant acquisitions to gain majority controlling stakes in a wide range of businesses located in Oceania and Europe However the strategy was not sustainable. Despite taking precautions, tough negotiations and due diligence, some of its acquired overseas assets resulted in value destruction. It had hoped to leverage foreign assets as securitization for further international expansion, moderate credit risk and earn capital gains by offering shares to the public. Encouraged by positive experience from early success of acquiring valuable second-tier distributors, Company A management invested in higher value assets in Europe. This is consistent with theorizing that boards with prior premium experience continue to pay higher premiums (Zhu, 2013). Two main factors contributed to the divestment of some acquired assets. One difficulty is popularizing unfamiliar and cold food in the China market. The hype of burgeoning middleclass demand for western food should not be a blanket application without considering hardcore dietary habits and choices available to consumers. Secondly, international expansion halted following tighter government scrutiny of unfavorable deals and anti-corruption investigations. Like MNEs from advanced economies that streamlined and decommitted after years of expansion

(Anastassopoulos & Rama, 2004), Company A had a similar experience except within a compressed timeframe of rapid expansion followed by rationalization.

Company F could be considered exemplar and outlier of steady international expansion. The corporate group was at ease with establishing its global footprint through partnerships in China, multinational equity management funds and host country industry specialists and business leaders. This enabled Company F to overcome its lack of special management skills and experience in more complex dairy and beef processing. Company F gained significant reputational value through engaging in flexible modes of business alliance. In addition to partnering with well-regarded businesses (Stevens, Makarius, & Mukherjee, 2015) Chinese investors have been urged by business consultants to engage with and gain acceptance by the local communities in order to earn a “social license” (Nicholas & Yang, 2017) . Trust and common interests (Inkpen & Currall, 2004) exist because partners see advantages (Stahl et al., 2016) in financing, synergy of diverse management expertise and access to emerging markets. Table 6.6 provides a summary of the internationalization processes of the four case companies, addressing *how* Chinese firms target downstream targets.

The case studies also showed that experience in home country industry may not be sufficiently translated into competencies in coordinating and integrating international assets. In contrast, geographically dispersed organizations could harness different sources of learning from their network of experts in the local environment to complement experiential and organized learning (Erkelens, Hooff, Huysman, & Vlaar, 2015). Managing overseas subsidiaries especially in modernized dairy and meat sectors can be challenging, requiring specialized skills to coordinate complex networks of overseas subsidiaries with domestic operations. While acquisition mode is often favored by Chinese investors, partnership could be explored as a way to allay concerns of foreign dominance, build legitimacy and gain acceptance by host countries (Ahlstrom et al., 2008). SOEs were receptive to forming consortia practiced by large POEs (DiMaggio & Powell, 1983; Estrin et al., 2016) to mitigate risks.

Value chain integration has been a rhetorical ideal that many Chinese agrifood companies hope to achieve. However, the path may be gradual and slow, or even challenging as seen in the examples of Companies A and G. They had to resort to streamlining and cutting less profitable assets. Chinese investors realized from hindsight that the high cost of operating overseas businesses and integrating units with the parent company. Internationalization is fraught with uncertainty. Firms with the advantages of industry knowledge, networks, institutional influence and past learning experience would be able to invest in downstream value chain, but are not guaranteed of smooth transition due to contingent conditions in the home and host countries.

Table 6.6 Summary of Internationalization process of case companies

Company A (SOE)

Initial ventures late 1990s to mid-2000s	Higher commitments early 2000s	Slow down, scale back from 2016
- Geographical proximity host countries - Harness core competencies in dairy - Tap high demand for European wine	- Single deals over billion USD - Expanded range of dairy products - Expanded to western gourmet food - Lengthy negotiations - Differences with foreign managers	- Anti-corruption investigations - Slow demand for foreign cold foods - IPO of key subsidiaries delayed - Divested assets that fell short

Company F

Domestic and regional markets	Partnership inroads to Oceania 2010 - 2015	Expansion to US & Europe 2014 -
- Registered private company - Set up factories in neighboring developing countries	- Meat processing - Dairy production, processing, distribution - Fortune Top 500 Chinese company - E-commerce	- Minority stakes in US meat processing, animal feed and distribution - R&D

Company G (SOE)

Exploratory after food crises 2007 – 2009	Market driven investment	Global value chain integration aims
- Minority stakes in US meat processing - Bid to invest in land for cropping blocked by nationalist policies in South America	- Wineries in advanced and emerging markets - Crop processing in Australia and South America	- Acquisitions of tier 2 global traders - Cropping and infrastructure development in South America - Infrastructure in Central Asia - Consolidation and streamlining

Company H

Access premium quality products	Diversify sources to satisfy mass market	Reduced commitment
- Low returns and cash flow squeeze from paying suppliers as price of beef cattle rose after takeover of Australian meat processors.	- Concurrently bought processing businesses in South American countries. - Expanded access to quality beef - Invested and improved logistics and supply chain facilities in South America	- Sold one of the meat processing assets in Australia

6.8 Why did internationalization happen the way they did?

To deepen the analysis, I explored unexpected events and challenges during OFDI and post-acquisition that could lead to change of plans, further expansion or de-commitment. There are four main dimensions of asymmetry in the findings: (1) knowledge of the acquirer and target (2) industry management of home and host countries (3) perceptions of home and host countries (4) expectations and achievable markets.

Company G was unaware of the risks of arbitrage in global trading and huge losses in some transactions. The vendors were willing to sell after sustaining prolonged losses and volatile global prices. Due diligence may not uncover information that the vendor was deliberately conceal from the buyer and investment consultants. Given its status as a leading SOE in the industry, Company G tried to achieve food security and food safety needs through acquisition of high value targets for the long haul. Industry experts interviewed did not believe that Company G would divest grains that directly addressed China's food security needs, even as it trimmed non-core niche units. While firms could gain competitive advantages by targeting complementary rather than identical resources, synergy between the acquirer and the target is necessary (Hitt, Ireland, & Harrison, 2006). Integration could be slowed or impeded, with Company G resorting to drastic restructuring and cost cutting.

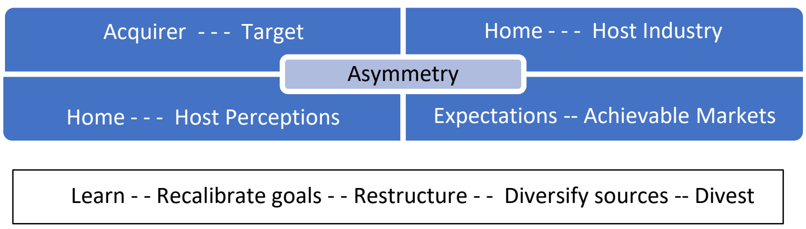
Chinese investors new to different host country conditions were negatively impacted by fluctuations in the prices of agricultural products due to business cycles and weather conditions. Though Company H was a fully integrated pastoral, meat processing and global distributor for red meat in China, it endured serious challenges managing a similar business in the host country. Cost overrun and tight cash flow due to shortages and high prices of stock for processing proved to be a heavy burden. Failure to understand the complete suite of costs and responsibilities that the investment commitment entails could result in surprises and costly outcomes.

Despite taking pre-emptive action to avoid land purchases, politicization may diminish some of the positive effects of home country support and astute investment calculations. Downstream investors learned after entry that longstanding cognitive biases could not be easily alleviated. Chinese MNEs suffering from drawbacks associated with their country of origin (Bartlett & Ghoshal, 1998; Child & Rodrigues, 2005; Ramachandran & Pant, 2010) and asymmetry (Shenkar, 2001) of psychic distance perceptions by host countries (Håkanson, Ambos, Schuster, & Leicht-Deobald, 2016). EMNEs tend to face liability of origin related to reputational perceptions of behavioral intent of investors, favoring those originating in the US and Northern Europe (Vidaver-Cohen, Gomez, & Colwell, 2015). Asymmetry of psychic distance perceptions between home and host countries tend to skew the international reputational status (Håkanson et al., 2016) of foreign investors. Conversely, a favorable corporate image and reputation could help enterprises develop sustainable competitive advantage (Yeo, Goh, & Tso, 2011). Reputational value creation from Chinese OFDI is a novel inclusion that may not be apparent initially but would be useful to improve the investor's standing in the long term. At the macro-level, status elevation of representative firms and industry leaders would improve the image of investors of the same home country. Chinese investors were keen to construct favorable corporate image and reputation that could help Chinese enterprises to develop sustainable competitive advantage (Yeo et al., 2011).

There is a gap between high expectations of a growing Chinese home market and achievable goals. The downstream investors studied were globally oriented to serve the host and international markets, and are taking time to grow in the China market. Premium quality agrifood products are aimed at the niche high end consumer segment. In the case of Company A, some risks and failures may be difficult to avoid if the evaluation of potential targets was clouded by management's priorities and expectations (Ghauri & Hassan, 2014) to achieve set performance objectives. Furthermore, not all agrifood products imported from advanced economies would be well received in the home market. Investors would have to be patient to grow new lines, or take drastic actions to prune underperforming assets.

Figure 7.2 shows the disparities between knowledge of the acquirer and target; the industry practice, development and management in home and host country; the home and host country perceptions of each other; and investors' expectations and achievable plans to grow their markets. Investors may deal with challenges in a number of ways. They could learn, recalibrate goals to match realities and restructure accordingly. Post-acquisition modification of original plans could lead to diversification or divestment (Berry et al., 2010) and de-commitment, to focus on promising investments.

Figure 6.2 Dimensions of Asymmetry and Effects on Investors



6.9 Conclusion

This study addressed the rationale for downstream agrifood targets in advanced economies. In-depth within-case and cross-case comparisons provide insights on how firms internationalize, the commonalities and unique characteristics of their strategies. I further explained why the internationalization process experienced could vary across firms over time and space. The study provided nuanced narratives and rich insights on the depth of investors' perceptive experience. Industry leadership and scale of operations have stronger effects on Chinese firms' target of downstream overseas investments rather than ownership differences. The process frame has been augmented to embrace complexities among the actors in internationalization from pre-acquisition, negotiations, transactions and post-acquisition challenges. This study provides a more persuasive discourse and expands on existing direct causal linkages to firm ownership advantages and firm level motivations.

The main theoretical contributions of this chapter are four-fold. Boundaries to theorizing (Meyer, 2015a; Whetten, 2009) have been set at the home country, managerial and interactive dynamics. First, the study enriches the process frame by including multiple factors of learning and industry examples that shape managerial investment decisions. This goes beyond conventional process models by elucidating the responsive and proactive engagements of protagonists. Second, I shift mainstream IB conversation from entry modes to acquisition of certain value chain targets as this is relevant to the agrifood sector and the current home country consumption led growth. Third, multinational partnership model could be explored as a workable alternative to mitigate risks than serial acquisitions commonly adopted by emerging market players. Despite pre-emptive and precautionary measures to ensure commercial viability and acceptance in the host country, unexpected operational costs, bad weather, unfavorable political developments and regulatory changes could alter plans and hinder smooth progression. Fourth, the study showed firms experienced non-linear and irregular internationalization paths. Growth spurts were subsequently paused or constrained by home country tightening against overleveraging, financial stress and host country developments specific to the industry and locations. Internationalization need not be incremental (Johanson & Vahlne, 1977) nor springboard in nature (Luo & Tung, 2007) for individual firms, but can be irregular and intermingled by operational and contextual factors.

Finally, I provided a four-dimensional *asymmetry* model to show the knowledge gaps and explicate the need for continuous learning and adaptation after acquisitions. Agrifood investors would benefit from gaining more specialized industry knowledge, testing the ground and cultivating host networks and business partners before making substantive commitments. The hype over the China market needs to be moderated and nuanced to distinguish areas of slow growth and inflexible consumption habits. The rhetoric of achieving value chain integration may be a difficult and lengthy process in practice before Chinese investors could rise to the level of heavyweights in global trading.

There are limitations to this study which has set boundary conditions on sizeable and experienced agrifood companies. Chinese grain growers that combined greenfield development, land purchases and leasing in Western Australia and Central Asia have focused grain production rather than downstream agrifood sections and value chain integration. Access two of these companies but did not agree to participating in interviews. Excluded in the study are non-agrifood ventures that involve leasing of land rather than downstream targets which will be covered in the next chapter. Another limitation of this study is the primary attention paid to business and government actors rather than macro-level analysis. This study is not intended to be generalizable across the industry as different owners and managers assess and response to specific and evolving situations. Single case studies could be conducted for more in-depth analysis. Longitudinal studies tracking the impact of learning on firms' performance would provide valuable knowledge and contribute further to the dynamic framework of analysis. Future research may benefit from the exploration of alternative assumptions to test existing conceptual frameworks. This approach could be expanded to the study to non-agricultural sectors during China's rebalancing phase.

7 Chapter Seven: Concurrent Sectoral Diversification and Internationalization: Land-based Upstream Business Targets

"Diversification is protection against ignorance … Wide diversification is only required when investors do not understand what they are doing." - - *Warren Buffett*

"Buy land, they're not making it anymore." - - *Mark Twain*

7.1 Introduction

Chinese privately-owned corporate groups undertaking dual commitments of diversifying into non-core agrifood business and internationalization is a recent phenomenon. The concurrent '*diversifier-internationalizer'* has emerged among wealthy family-based Chinese conglomerates that have accumulated capital and resources from earlier home country economic boom in real estate, services sector and manufacturing export industries. These POEs are spreading their wings into non-core (Montgomery, 1994; Wan, 2005) agrifood businesses to fulfil the rising demand for premium food in China by the burgeoning middleclass. The focus of this chapter will be on *why* and *how* these investors target upstream agrifood business and land-based acquisitions. (In contrast, the next chapter studies established and integrated agrifood companies targeting downstream value chain businesses). Using the *learning* aspect of the Uppsala model (Johanson & Vahlne, 1977), I aim to uncover the facilitators, uncertainties and challenges of achieving the objectives set out by Chinese upstream investors. Because of their limited experience, the *diversifier-internationalizer* reflects retrospectively and learn as they progress (Weick, 1995a). There is a time lag in recognition for firms to draw lessons from experience and subsequently adjust their internationalization strategies.

Extant IB literature has focused on determinants of the most efficient entry modes (Cui & Jiang, 2009) and how decisions shape investment commitment and performance (Dikova & Brouthers, 2016). Decisions are based on assessment of different host countries and potential opportunities. Rarely do studies address value chain targets when firms enter host countries except in the context of improving efficiency, profitability and governance (Alam & Bagchi, 2011; Luo, 2008; Wang & Shi, 2013). Classical theories assume that firms that have competitive advantage in the home markets are more likely to internationalize, but transaction costs may moderate expansion of overseas investment (Boisot & Meyer, 2008). Conversely, it has been argued that EMNEs internationalize despite their competitive disadvantage in the home country (Child & Rodrigues, 2005). The effects of home country impetus and contingent factors in conjunction with reflection on the external environment have not be addressed holistically and adequately.

This study examines the phenomenon of the *diversifier-internationalizer* that has neither core competencies (Very, 1993) nor competitive advantages in the agrifood sector nor international experience. The aim is to enhance IB knowledge on the increasing role and importance of the private sector in the Chinese economy (Lardy, 2014a) expanding to non-core sectors and global markets. While public perception commonly associates Chinese state orchestration of resource-seeking acquisitions with land purchases, the study of four POEs investing in upstream agrifood business offers fresh perspectives to the conversation. Unlike large central / national level SOEs that are tasked to meet food security needs and influence global supply and pricing, POEs conceive their strategies and portfolios individually, driven by the niche and profitable Chinese market segments and long-term growth.

The four Chinese corporate groups selected for this study diversified into agrifood business and bought farmland in advanced economies from 2010 to 2017. The global food crises and spate of food scandals from 2008, and more global investment opportunities following the GFC paved the way for more players and deals transacted in the agrifood sector. However, farmland investments by Chinese non-agrifood companies started at least two years later than established agrifood firms that had invested in downstream segments overseas. The destinations of '*diversifiers-internationalizers*' in agrifood OFDI are mainly Australia and New Zealand due to geographical proximity and sharing of the same time zone. Case studies drawn from interviews of business owners and senior managers show that less experienced Chinese firms prefer to adopt the conventional approach of resource-seeking by owning and having direct access to supplies of clean and green food sources. Gaining first mover advantages, legal protection of ownership rights (Boisot & Meyer, 2008) and potential capital appreciation are the main rationale cited.

Chinese investors in this study are not merely expanding their product range and seeking new markets; they are concurrently investing in vastly different non-core sectors which they had limited, different or no prior industry and international experience. Many Chinese

POEs started as small family businesses and have grown into prominent business groups by riding on freer markets and trade since the late 1990s. However, Chinese POEs increasingly face higher costs, slower growth, global competition and market saturation in their original core businesses in manufacturing and services. These Chinese POEs hope to diversify into agrifood sector to take advantage of the consumption-led growth economy and hedge their bets by incorporating more stable and sustainable long-term growth.

However, there are multiple challenges and risks for firms undertaking globalization strategies (Agarwal & Ramaswami, 1992; Luo & Peng, 1999). Firms lacking in industry knowledge calibrate the level and type of investment and expectations of returns (Galkina & Chetty, 2015; Sarasvathy, 2001). Despite the advantages enumerated by Chinese investors of overseas farmland, the process did not pan out as expected due to high operating costs, belated discovery of industry knowledge and resistance in host countries (Child & Rodrigues, 2005; Ramachandran & Pant, 2010). Newcomers to agrifood business and OFDI need to contend with additional risks due to their lack of knowledge and experience in non-core business sectors and operating in advanced host countries.

The structure of this chapter begins by drawing on relevant theories from literature on international acquisitions and agrifood sector integration. I problematize and critique the conventional focus of extant literature on macro-level motivations and the scant attention paid to analyzing the rationale and experience of different management strategies and internationalization process. I adopt a basic process model (Johanson & Vahlne, 1977) as the initial framework and create space for new findings. From interviews and secondary data, I will construct the perceptions and reasoning for Chinese OFDI targeting upstream agrifood business in Australia and New Zealand beef and dairy. In the second stage of casing (Ragin, 2009), I discussed how knowledge inadequacy in the internationalization process resulted in misreading of host country politics and incurring higher than expected operating costs despite precautions to ensure due diligence. Retrospective sensemaking (Weick, 2006) would help to fill the analytical and explanatory void of the cumulative learning model. In the final part of casing, I will be discussing the challenges to growth and value chain integration by agrifood upstream investors. Learning how POEs seize opportunities and respond to emergent context and unforeseen challenges at different stages of internationalization provides deeper insights than common perceptions of resource-seeking foreign land ownership. The findings help to explain complex interactions among actors and changing environment that slow down subsequent acquisitions and integration. The main contribution of this study is the enrichment and extension of existing diversification literature by offering deeper explanation of the original intentions, irregular and exploratory paths and disparities in performance.

7.2 Review of Literature

Leading IB publications on emerging market firms have been devoting to determinants of location choices (Buckley et al., 2007) and entry modes in horizontal industries (Agarwal & Ramaswami, 1992; Canabal & White, 2008; Cui & Jiang, 2009; Meyer, Estrin, Bhaumik, & Peng, 2009). Scant attention has been paid to value chain targets (upstream or downstream business) and much less in the agrifood sector. As with mining, the agrifood sector is seen primarily as driven by resource-seeking motivations (Dunning & Lundan, 2008; Dunning & Narula, 2004a). From the resource-based view, firms are heterogeneous and possess a variety of resources, some of which may not be perfectly transferrable (Barney, 1991). However, to achieve sustained competitive advantage, resources must be rare, valuable and imperfectly imitable (Barney, 1991). Review of IB literature noted a focus on pre-entry determinants, but not what happens once entry mode choice has been made (Canabal & White, 2008). In the past three decades, scholars have used macro-level and cross-sectional analysis to explain mode choices but did not address firms' multiple entries over time and industry specific differences (Dikova & Brouthers, 2016).

The current cluster of POEs heading for advanced economies are different to early phases of internationalization dominated by SOEs and POEs that receive support and subsidies for domestic production to meet self-sufficiency. The four POEs in this study did not enjoy home country specific advantages (Rugman et al., 2011; Xie et al., 2017). The argument that emerging market firms gain ownership advantages (Dunning, 2001; Sun et al., 2010) with home country support (Ramamurti, 2001) is less relevant to study this particular phenomenon. Firms with surplus funding are able and willing to diversify and expand to new domains to reap higher returns. The Chinese home country context has been saddled with longstanding food security concerns and heightened food safety issues since 2008. POEs that diversify and internationalize to agrifood sectors have different calculations and objectives that suit their corporate expansion. Their original firm-specific advantages and capabilities in non-agrifood sectors are therefore not universally useful and transferrable across institutional contexts (Meyer et al., 2009). IB literature has been reticent in explaining instances where firms focus on specific segments of the value chain and internationalize in non-core business sectors. This chapter aims to enhance understanding of seemingly unconventional behavior of '*diversifier-internationalizers*' through the conversations between primary empirical material and conceptual framing.

7.2.1 Product and Market Diversification

Firms pursue diversification by tapping existing core competencies (Very, 1993) or harnessing dynamic core competencies (Lei, Hitt, & Bettis, 1996). Firms that diversify their corporate portfolio may be driven by survival when earnings of their core businesses are declining (Very, 1993). Companies could respond to changing trends (Ansoff, 1958) and capitalize new opportunities by diversifying into other more profitable areas (Delios & Beamish, 1999). Diversification may reduce the firm's exposure to risks of continued dependency on narrowly focused core businesses (Van Mieghem, 2007). Diversification could also be a means to create more value for the firm (Teece, 1982). However, agency theorists posit that managers tap excess cash flow for expansion with little consideration for profitability (Jensen, 1986). A study of Japanese *keiretsu* found that powerful member firms placed more emphasis on growth in the pursuit of product and international diversification, whereas less powerful member firms were subject to strong monitoring and emphasized profitability (Kim, Hoskisson, & Wan, 2004). Extant literature recognizes that business groups with private ownership structure have more robust internal governance and strategies to create long term value (Gaur & Delios, 2015).

Positive performance has been linked to "relatedness" of firms' diversification strategy. Firms could strengthen their competitive advantage by exploiting operational and managerial relatedness (Very, 1993). Related product diversification is found to have positive effects on the performance of MNEs while unrelated product diversification negatively moderates the international diversification-performance relationship (Chang & Wang, 2007). Related-group diversification strategy would lead to higher profits for emerging markets firms (Mishra & Akbar, 2007). When the liability of foreignness is high, the acquirer is motivated to pursue related targets that would create value (Galavotti, Depperu, & Cerrato, 2017).

There is no guarantee that diversification would improve firm performance, market power and profitability. Diversification strategy alone, does not lead to advantages for the firm, but requires supplementary synergies from economies of scope, multi-market management and efficiencies from market structuration (Li & Greenwood, 2004). MNEs emanating from advanced economies and emerging markets are dependent on host country environment for higher level of performance in their diversification strategy. Overseas subsidiaries performed better when they engaged in within-country product diversity and in host countries where institutions are weak (Delios, Xu, & Beamish, 2008). Another empirical study of business groups from emerging economies found that international diversification motives vary by host country development level; firms enter developed economies for exploration of new resources and capabilities, and enter emerging economies to exploit existing resources and capabilities (Hoskisson, Kim, White, & Tihanyi, 2004).

Diversification of product and geographical locations are perceived as trade-offs in extant literature. This is consistent with the resource-based view (RBV) on the allocation of firm’s resources for different undertakings (Barney, 1991; Penrose, 1959). Industry globalization, foreign competition and firm product diversification may influence a firm's choice of the degree and scope of its international diversification strategy (Wiersema & Bowen, 2008). Due to market imperfections and weak institutions, product diversification by emerging market business groups constrains international expansion (Kumar et al., 2012). A study of Latin American firms showed that product-diversified firms have been deterred by transaction costs to pursue geographically diverse and rapid internationalization (Batsakis & Mohr, 2017). Nevertheless, learning from prior international experience are moderators that would enable firms to pursue both product diversification and international expansion the effects of internationalization (Batsakis & Mohr, 2017; Kumar et al., 2012). However, the determinants of substitute (trade-off) or complement (relatedness) in diversification strategy could be challenged by considering a combination of evolving endogenous and exogenous factors (Bowen & Sleuwaegen, 2017). The strategy for international and product diversification are interdependent, and choices evolve depending on changes in the firm’s resources, capabilities and market opportunities (Bowen & Sleuwaegen, 2017). However, firms that have good standing in the home country in original core businesses may not be recognized and accepted with the same level of reputational value in other sectors and advanced host countries (Mukherjee, Makarius, & Stevens, 2018).

Extant IB literature shows mixed evidence of diversification outcomes. Majority of published work focuses on financial performance measures (Hitt, Tihanyi, Miller, & Connelly, 2006). To find an optimal value and manage uncertainties, firms may adopt an under-diversification strategy (Hashai & Delios, 2012). A modest diversification strategy would focus on expanding the product line within the industry and core business. Moderate product diversification, speed of market expansion and geographic scope could increase EMNEs' capacities to exploit different market opportunities but will turn negative if EMNEs expand their product range and geographic scope to higher levels (Chang, 2007). Another longitudinal study of Indian firms finds international diversification to be negatively related to firm performance at both low and high levels of internationalization (Gaur & Delios, 2015), contrary to U-shape observed in earlier studies. Firms may benefit from intra-industry product diversity, but contingent factors may decrease within-industry performance of inexperienced firms in technology-intensive industries (Zahavi & Lavie, 2013). Initial increase in product diversity could undermine the firm's performance because of negative transfer effects, but performance may improve subsequently from economies of scope (Zahavi & Lavie, 2013). Hashai (2015) found an S-curve in the performance of firms engaged in within-industry or within-country diversification. The results are attributed to the balance between costs of adjustment and coordination compared to synergy derived from diversification (Hashai, 2015). However, group affiliation positively may moderate the severity of the negative relationship between internationalization and performance (Gaur & Delios, 2015).

Diversification is neither smooth nor cumulative, as the processes exhibit irregular patterns and uncertainties (Montgomery, 1994). Extensive diversification could peak, followed by reversal of diversification strategy and even de-commitment. Firms in developed economies have de-diversified to refocus on core businesses to improve profitability (Markides, 1995). American corporations shifted from specialization to diversification, but subsequently divested and refocused on primary businesses (Knecht, 2014). Similar trends have been observed in agrifood businesses. Majority of the western food and beverage MNEs showed slower grow and lower profits in the 1990s, and divested from non-core areas to refocus on core business and related technological diversification (Anastassopoulos & Rama, 2004). Firms often incorporate change when implementing a diversification strategy. Managers would consider changes in the firm's internal resources and capabilities and the external business environment when deciding on international and product market expansion (Bowen & Sleuwaegen, 2017).

To address the phenomenal emergence of Chinese firms that are new to managing agrifood business in both the home and host countries would require the search for a framework that incorporates simultaneous diversification and internationalization in the study. The rise in demand for premium meat, dairy, wine, fruit and gourmet food in China have enticed firms to shift away from their main preoccupations with manufacturing to tap the growing high-end market perceived to be more profitable in the long run (Delios & Beamish, 1999). Most studies focus on antecedents and outcomes but neglect the justification and mechanisms in the decision-making process. The explanation of '*how*' and '*why*' are rarely addressed in depth.

Current trends show that successful Chinese private business groups are diversifying across industries and internationally. This challenges longstanding assumptions that firms must possess core competencies, competitive advantage and ownership advantages (Sun et al., 2010) before expanding overseas. While most studies focus on related product diversification, home country resources and capabilities of these firms have not been studied extensively. It is arguable that the performance of firms' diversification strategies are likely to be shaped by dissimilar home country environments (Wan & Hoskisson, 2017b). In emerging markets, political ties and international experience of owners and senior executives may help firms to access resources and exploit new market opportunities for diversification (Sun, Peng, & Tan, 2017). Chinese firms that diversify into agrifood sector and internationalize concurrently face dual demands and pressure. These investors are expected to be disadvantaged by the lack of industry knowledge, limited time for learning and inexperience in the international environment (Johanson & Vahlne, 2003).

7.3 Alternative Assumption Positions

As this is a phenomenon-based study, some longstanding assumptions and conventional wisdom (Davis, 1971) in IB studies may not hold, and need to be problematized (Alvesson & Sandberg, 2011). Having discussed different streams of literature on diversification and internationalization, I would propose four alternative positions. By posing questions and offering alternative assumptions, I could formulate pertinent inquiry to iterate emerging data with theories to develop relevant theoretical constructs. I also refer to the seminal behavioral theory on organizational decision-making (Cyert & March, 2011) in the construction of alternative assumption positions.

I have identified five alternative assumptions that deviate from assumptions and propositions in extant literature:

(1) Shifting the attention from entry modes determinants to value chain targeting

(non-agricultural firms target land purchases)

(2) Diversification of agricultural firms to non-agricultural areas for higher profits

(3) Domestic product diversification and internationalization may not be a trade off

(4) Disparity and changes between motivations and realizable objectives

Firstly, I reposition the assumption from focusing on entry modes strategy to value chain targeting. IB literature is predominantly focused on the determinants of entry modes (Agarwal & Ramaswami, 1992; Canabal & White, 2008; Cui & Jiang, 2009; Xie & Li, 2017) studied using the OLI lens and home country advantages. Rather than adopting a deterministic approach to entry decisions, I assume that firms decide on which value chain segment to invest by assessing opportunities and risks in relation to their objectives. While there is a vast body of knowledge on entry modes, the recent surge in acquisitions of farmland by private investors that are relatively new to the agrifood industry have not been addressed. The trend I identified from emerging data that distinguishes upstream and downstream investors is interesting and warrants deeper investigation. I argue that a study that focuses on value chain targeting would generate interesting findings for theorizing. A summary comparing conventional and alternative assumptions is provided in Table 7.1.

Secondly, it has been assumed that diversification is motivated mainly by higher profit margins (Mishra & Akbar, 2007; Very, 1993). Diversification among rural communities in advanced economies provided another stream of farm-based income to supplement the existing sources and this would eventually replace the original core business (Medhurst & Segrave, 2007; Piras, 2011). Chinese farmers who earn low margins from a limited range of food crops have been diversifying into mixed farming and wider product range. Hundreds of publicly-listed Chinese agricultural firms have moved into non-agricultural ventures in the Chinese domestic market to improve overall financial performance (Wei et al., 2017). While this may be true for agricultural firms diversifying into non-agricultural areas, the motivations of non-agricultural firms making inroads to the agrifood sector is not as clear. This study examines the phenomenon of profitable non-agricultural POEs investing in agrifood sector and internationalizing with prior understanding that returns would be low, gradual and even risky but may be potentially rewarding in the long term.

Thirdly, extant literature posited that diversification pursued along the lines of product relatedness (Chang & Wang, 2007) and related technology (Anastassopoulos & Rama, 2004) have positive effects on performance. Diversifying firms could gain from exploiting operational and managerial relatedness (Very, 1993) and related target acquisition in unfamiliar host countries (Galavotti, Depperu, & Cerrato, 2017). The alternative assumption position I put forward is guided by the phenomenon of Chinese corporate groups diversifying into agrifood business that are vastly different from their original core business. It is possible that firms may diversify into products and markets that are unrelated to their existing core business activities within a short time.

Fourthly, empirical findings show that product diversification in domestic markets lessen internationalization (Kumar et al., 2012). Diversification in product and market is portrayed as sequential; firms would consider international expansion only after it has grown domestically through product diversification (Batsakis & Mohr, 2017). The underlying arguments of these studies is that firms are cautious and would avoid overstretching their resources and incurring high costs. However, the recent phenomenon of Chinese POEs concurrently diversifying and internationalizing into agrifood sector calls for a questioning of this assumption. Enabled by wealth accumulated from the period of high growth in manufacturing and services from the late 1990s to 2000s more POEs are engaging in agrifood OFDI in the past decade. Unlike previous studies on international diversification focusing on sources, products and markets (Hitt, Tihanyi, et al., 2006), this study will shift to an assumption position of multiple-prong strategy of pursuing product and geographic diversification simultaneously.

Fifthly, I question the direct causality between motivations and internationalization commitment. Planning based on initial objectives may not necessarily lead to intended consequences and managers may be set back by exogenous factors (Cyert & March, 2011) in the home and host environment. Diversification is fraught with uncertainties and may not turn out to be profitable. Concurrent diversification and internationalization would increase risks borne by businesses (Kucuk Yilmaz & Flouris, 2017; Liesch et al., 2011). Moreover, diversification into non-core sectors may encounter coordination difficulties and compound the types and degree of risks and diminish gains from synergy. Instead of following a pre-deterministic causal linkage to entry modes, this study will adopt a *processual* path to find out different factors and idiosyncrasies that shape Chinese firms' strategy of diversifying and internationalizing concurrently. Table 7.1 summarizes the steps in problematizing conventional assumptions and presenting alternative assumptions.

Table 7.1 Problematizing Mainstream IB Literature

Conventional Assumptions	Alternative Assumptions
– Factors that determine firm entry modes.	○ Choices of value chain target, balancing opportunities and risks.
– Diversification is motivated by profits and hedging.	○ Diversification into non-core sectors may be motivated by long-term plans.
– Related product diversification is linked to synergy and positive performance.	○ Sectoral diversification pursued by firms could be vastly different from core business.
Trade-off between product diversification in domestic market and internationalization. Geographical diversification to expand markets.	Diversification and internationalization can happen simultaneously. Internationalization is pursued to satisfy resource-seeking objectives to serve the home market.
– Linkage of intentions, actions, outcomes.	○ Disparity between motivations and realization of objectives.

7.3.1 Research Questions

The question I will be addressing in this chapter is: "*Why and how do some Chinese firms choose to diversify and internationalize concurrently?*" The firms studied in this chapter target upstream or land based overseas assets in advanced economies. To explore this theme, I begin with a broad process frame. From preliminary data analysis before fieldwork, institutions do not appear to have a direct influence on three of the four POEs. Extant literature provides justification for why investors need to identify relevant international knowledge, and how and where to find it. This study goes further to find the reasoning behind investment decision on value chain target selection for business groups that lack core competencies in agrifood business and internationalization.

Table 7.2 Research Questions

Why – Motivations?	How?	Why did this happen?
Prior given rationale	Process	Prior understanding
Advantages	Learning and Preparation	Adaptation and responsiveness
Market potential	Choices available	Post-acquisition re-assessment
Constraints	Implementation	Selection of available options
Long-term strategy	Adaptation to environment	The most feasible decision

Table 7.2 shows the three areas for investigation. First, the *why* question will be explored to consider the balance of firm advantages and constraints as well as multiple objectives beyond short-term commercial gains. In the next section, I would explore the

process undertaken by different actors. Finally, I address why decisions and developments happened the way they did.

7.3.2 A Preliminary Theoretical Framework

A conceptual construct grounded on alternative assumptions would focus on interactive and implementation processes of diversification (Hoskisson & Hitt, 1990) and internationalization. Within the overarching *dynamic home country model*, this chapter will emphasize the markets and industry components. This includes domestic *market* driven demand, resources in overseas markets and the *industry* position of POEs that seek upstream investments in advanced economies. As these investors are non-agrifood POEs, institutional support plays a less significant role, in comparison with SOEs and agrifood POEs that traditionally received more state support for their domestic business.

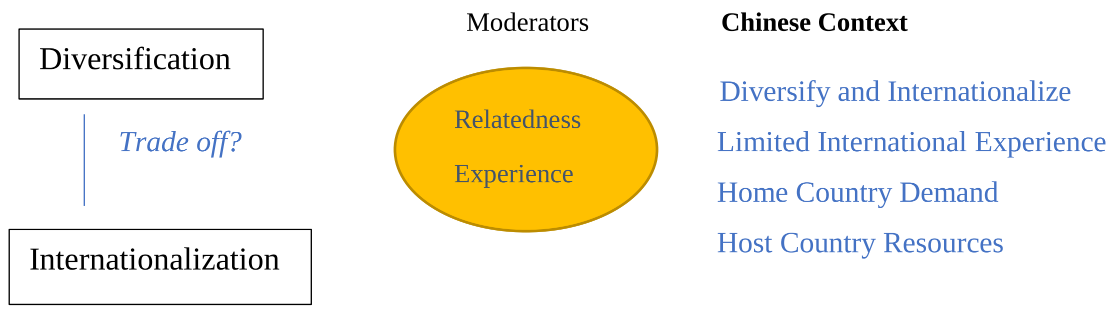
These private corporate groups harness their strengths in accumulated wealth to overcome constraints of inexperience. Diversifying POEs utilized their accumulated resources and management experience (Penrose, 1959) built up in non-core business areas and internationalized despite limited support rendered by home country institutions. Their lack of knowledge and experience could be compensated to a certain degree by recruiting professionals with industry and international experience (Huber, 1991; Pellegrino & McNaughton, 2015).

However, the lack of industry knowledge and experiential learning faced by *diversifier-internationalizer* may constrain their choices, performance and attainable goals. Due to their newness to the agrifood industry, these firms have limited engagement with industry networks in both home and host countries, thus limiting their ability to learn vicariously (Jiménez & de la Fuente, 2016). Unlike earlier SOEs, the *diversifier-internationalizer* are POEs that do not enjoy privileges of institutional support when internationalizing (Deng, 2009). Firms that are diversifying and internationalizing concurrently face additional disadvantages. Internationalization process is often irregular and filled with complexities and uncertainties, requiring firms to constantly adapt and change tack (Cohen & Axelrod, 1984; Garnsey & McGlade, 2006). *Diversifier-internationalizers* face uncertainties in the host environment and a steeper learning curve to gain industry knowledge and management skills.

I examine the influences of company resources, industry knowledge, experience, home market position, learning and backgrounds of managers. Resource-seeking motivation alone does not go sufficiently deep into the reasoning behind land purchases since the objectives could be achieved through the acquisition of either upstream or downstream agrifood businesses. This study shifts the focus to value chain target rather than the conventional preoccupation with motivations and entry mode decisions. Applying the appropriateness logic rather than consequences, implementation of internationalization strategy may lead to the evolution of multiple suboptimal equilibria instead of a rational and stable model (Cyert & March, 2011). Even with good planning and due diligence, managers may encounter unexpected challenges that hinder the realization of objectives. Coordination difficulties and unexpected high costs may reduce synergy gains from diversification (Hashai, 2015; Zhou, 2011).

To break the vicious cycle, I investigate the common traits and differences using cross-case study of their rationale for upstream targets. I then examine the companies' aims and capabilities given their strengths and weaknesses and how decisions operate against the backdrop of changing home and host environments. From empirical material, I integrate a evolutionary interrelationship model (Garnsey & McGlade, 2006; Koza et al., 2011) with a learning process framework (Johanson & Vahlne, 2003) as firms proceed with internationalization. The *how* question would be explored using within-case analyses as internationalization process varies across firms and the path is irregular and multidimensional. The framework could be modified and expanded after iteration of data with theories.

Figure 7.1 Initial Conceptual Framework



7.4 Multiple Case Study

The case selection is purposeful. It is guided by companies that diversified into agrifood businesses and invested in overseas land-based / upstream / production targets. The four companies are POEs that started out as non-agricultural enterprises but subsequently diversified into agrifood business. The 13 direct participants are selected from four POEs (B, C, D and E). Companies C, D and E originate from Zhejiang province that is well-known for entrepreneurship and historically did not have SOEs due to the geographical proximity to Taiwan. Company B was founded in the cosmopolitan city of Shanghai. After identifying several companies which had either realized or planned investment interest in agrifood OFDI in Australia and New Zealand and European countries, I proceeded to study their backgrounds. All the business groups started as family businesses in the 1990s to early 2000s. All are listed holding companies and own assets well above US$1 billion.

Companies B and E have prior investments in developing and emerging economies and would serve well for comparative analysis. The companies have invested in beef cattle (Companies C, D, E), dairy (B) and winery/vineyards (C). Company B had prior investments in grains and cropping in developing countries. Its most recent plans to expand into beef cattle in Australia and New Zealand did not materialize.

Cross-case analysis would address 'why' and within-case analysis would demonstrate 'how' Chinese firms target downstream agrifood business in advanced economies. I interviewed participants of Companies C, D and E at least twice or more times in 2015 and 2016 and maintained email communications with some of the executives. Follow up with informal channels allowed me to clarify and update my empirical research. Company B underwent restructuring and did not accede to a second round of interviews. However, I spoke managed to fill in the gaps from a former manager B4, who was involved in overseas investment projects and provided insights into recent developments.

Following each conversation with participants, business consultants, brokers, industry practitioners and Chinese scholars, I constructed patterns and interconnections of multiple levels of analyzing units (Yin, 2014). Besides exemplars, I included outliers in this study (Aharoni, 2011; Buckley, 2016; Ragin, 1999). The first abductive landmark was noting that firms' industry experience and networks were obvious points of difference that shaped cost/benefit calculations and decisions. Broad topics and detailed questions were asked in the initial face-to-face meetings in the form of semi-structured interviews as discussed in the methodology chapter. I was able to clarify facts and inquire about the latest events and thoughts through informal contacts, email and telephone calls. The second phase of analysis involved reflection on their lack of understanding of host country regulations, industry knowledge and connections. Finally, after the second round of field work, I learned that majority of the firms were not optimistic about future plans for expansion and integration. Table 7.3 summarizes the coding of main themes in this study.

7.5 Why: Rationale

Chinese investors in overseas agrifood businesses share similar objectives of seeking assets and resources. Unlike most studies that focus on host country conditions that determine motivations, this study begin with the home country as the firms are newcomers to the agrifood industry and internationalization. There is a strong connection between the growing Chinese market for high quality food as motivations for internationalization in agrifood sectors. The agrifood sector in China suffers from endowment constraints due to the lack of arable land and resources to meet rising demand. Access to clean and green agrifood sources was cited as the main motivation to purchase land overseas.[7] It would be challenging to diversify (Knecht, 2014) in both the domestic and international markets. After deliberating on the different ways of organizing the rich data, I revisited the literature and incorporated learning (Casillas & Moreno-Menéndez, 2014; Johanson & Vahlne, 2003; Lyles et al., 2014) and effectuation (Sarasvathy, 2001) to analyze why and how these diverse actors target the upstream businesses. Each of the diversifying companies possessed different levels and types of capabilities and limitations. These attributes steered them to seek land-based options to bring resources to the China market and learn management skills as well. Advanced economies are considered to be stable and low risk destinations for Chinese investors setting their sights for long-term investment projects.

I examined specific and common factors among Chinese investors of rural land and upstream agrifood business in Australia and New Zealand to draw on the deeper meanings behind these decisions. The selection of cases show preference for beef and dairy largely because the availability of large clean rural holdings in advanced economies to exploit economies of scale. Moreover, Australia and New Zealand are geographically closer to the China market and in the same time zones in contrast to European resource bases. It was only

[7] In contrast, companies with extensive industry and internationalization experience were inclined to invest in downstream segments, as discussed in Chapter 6

in April 2017 that the Chinese government lifted its 14-year ban on US beef and the selective permit to import French and Irish beef 15 years ago due to BSE (mad cow disease). Hence, most Chinese investors shunned American beef and dairy sources due to trade restrictions, in addition to the physical distance for transporting fresh food and perishables to China.

Companies B and E have also invested in related agrifood businesses in emerging economies, for instance, Company B's cropping in Africa, and Company E's cattle farming in South America. In view of their lack of experience in agrifood business, Chinese business groups used diversification into agrifood business overseas to access global assets and resources that have good potential for appreciation. Each of the actors made their fortunes in non-agricultural sector in China and has the financial resources to invest in agricultural sector which required long gestation for returns on capital. Slow learning and the challenging climb up the value chain ladder from upstream to downstream should be taken into consideration. This section will explore the rationale of upstream investors in four areas:

(1) gain direct control of safe food sources from resource rich countries
(2) match firm capabilities and experience with targets
(3) capital appreciation and asset building
(4) opportunities and regulatory protection in advanced economies

Table 7.3 shows different levels and phases in the manual coding and analytical process. It is noteworthy that some of the original reasons offered changed when Chinese investors learned from their international experience.

Table 7.3 Coding Themes of Diversification-Internationalization

Key Points	Turning Points	Analysis of the Phenomenon
Home country demand: safe food	Growing supply and market	Slow road for returns to investment
Countries that are rich in resources Opportunities for acquisitions Political stability, asset protection	Not all localities are the same Long term value of assets	Uncertainties and knowledge gaps Increasingly unfriendly environment
Search for suitable targets From upstream to downstream	Challenges of farmland management and production	Difference between intention and result
Wealth of business group Due diligence	Tolerable short-term losses Realization of shortcomings	Wait and see Relevance to make up for competencies

7.5.1 Direct Control of Safe Food Sources

Farmland purchase is the direct and fastest way to access and own resources. These companies want reassurance of owning tangible physical assets of rural land and related farming operations. Securing consistent supply of high quality resources is the main priority of Companies B, C, D and E as they are targeting the growing middle class and niche high end market. While the World Investment Report (UNCTAD 2009) found that most MNEs are not involved in direct farming but in processing and distribution streams, newcomers to agrifood sector are more comfortable to start with upstream production segment of the value chain. Interviewees justified land-based investment as a necessity to make up for China's inherent disadvantages for large-scale farming with natural endowment constraints and increasingly stretched resources in clean water, arable land and rural labor. Longstanding and intractable issues of soil depletion, overuse of fertilizer, pollution and insufficient water could not be resolved in a short time. As urban development and non-agricultural land use are more lucrative than agriculture (Huang, 2008), a senior economics academic (X6) confirmed that imposing the redline minimum of arable land is insufficient to ensure food security. Local officials usually reserve land that is less valuable and less fertile to meet the stipulated threshold. [8]

Importing though less risky, would not be a good option because the participants coveted assurance of reliable and consistent supplies at reasonable prices. The Chinese government has encouraged firms to invest than to respond to higher demand for food by importing. Companies D and E have started farming business in China for two years before acquiring farmland overseas. However, like Companies B and D, Company E found that farm productivity for cattle was low in China due to the lack of good pastures, harsh terrain, limited water sources and high cost of animal feed. The Vice President of Company B noted that cattle in China did not have the luxury of space while in New Zealand, one dairy cow grazed on 0.4 hectares of land. Company E appreciated the rich natural resources and competitive advantages of Australia, in stark contrast to the natural endowment deficit in China.

> "China has limited natural resources, but consumers are getting more affluent and could afford better food. Beef cattle farms in Xinjiang are free roaming and not intensive farming. China's land conversion policy has impacted productivity and land for beef cattle is scarce. The climate is too dry for grass to grow well. Similarly, Mongolia is also unsuitable. Only in Shandong, the weather is better and animal feed is also cheaper. The northern regions are suitable for breeding dairy cows but not optimal for beef cattle. Land resources in China is limited because of urbanization, industrialization and competition for different uses." – E1, HQ (2015)

[8] Prime land that commands the highest prices are usually in the river deltas around the cities on the east coast of China.

Food safety was a common objective shared by all participants interviewed. As these upstream investors not SOEs, they did not have additional responsibilities to accomplish food security objectives. Companies B and D clearly stated their aspiration to build a brand name of safe and tasty food that emphasized traceability of all its products and provide assurance to consumers. Company D was headed by a team of technical and professional experts to direct resources into research and sourcing of high quality fruit, vegetables, poultry, fish and red meat in China and overseas subsidiaries. An agricultural economics scholar (X7) said that milk sourced from New Zealand and the Netherlands were the most highly regarded by Chinese consumers, followed by Australia, Ireland, France and some west European countries. Frequent travel created new opportunities (Crick & Spence, 2005; Klag & Langley, 2013; Meyer & Skak, 2002) for potential Chinese investors to invest beyond traditional destinations of Southeast Asia, Africa, Latin America and Central Asia. The owners of Companies C and D were said to have been impressed by the favorable environment in Australia when they toured the country some years ago. Following up, they kept a close watch for investment opportunities in Australia. Drawing on literature from psychology, people develop liking and perceive as attractive, objects that are more familiar, having been exposed to them over time (Zajonc, 2001).

7.5.2 Matching capabilities with international targets

Diversification can be employed as a corporate strategy in dynamic environments (Knecht, 2014). Home market demand played an important role in the surge of agrifood OFDI to Australia and New Zealand since 2008. Prior to the latest series of investment, the internationalization track records of all except Company B have been mostly confined to trading, exporting manufactured goods and services. More Chinese POEs are shifting from core businesses to hedge against risk exposure (Van Mieghem, 2007) and exploit potential benefits and profitability (Very, 1993) of consumption-led new normal economy.

Though the case companies are award winners in manufacturing and have good industry and political connections (Chapter 5), they are new to agrifood business. Two Chinese economists I spoke to said that while Chinese agricultural firms diversified to seek higher profits, successful non-agricultural firms are more interested in expanding to agrifood business for long term stability. Though profit margins in the agricultural sector are typically low, non-agricultural POEs are keen to tap the next wave of growth with the burgeoning middle class in emerging economies. Wealthy private corporate groups have built up resources to diversify into agrifood business quickly to gain the first mover advantage of providing clean and safe food. All the four companies articulated that they were "investing for the future".

> "Agriculture though less profitable and takes a long time to build up, it is less speculative, not a bubble. Vegetables cost $5 a kg now; copper prices are also approximately that. It's better to invest in agrifood than mining." – C1, HQ (2015)

Concurrent and prior to their foray into agrifood business, three companies had already expanded into an array of services (financial, education, recreation, tourism). Companies B, D and E had developed domestic agricultural subsidiaries before investing in Australia and New Zealand (Table 7.5). The financial reports of Companies C and E indicated lower profits earned in the last three years prior to internationalization. Companies B and C had earlier benefited from high growth and infrastructural projects in the post-GFC stimulus policies but anticipated gradual slowdown. Company E also faced competition from cheaper producers of machinery for markets in developing economies. Table 7.4 shows the diversification of portfolios which Chinese companies and government officials termed as "transformation" and "remodeling".

Table 7.4 Background of Case Companies and Diversification of Business Groups

Firms	Core Businesses	Diversification in China	Overseas targets
B	Real Estate, Construction	Technology, Utilities, Investment, Mining, Metals Cropping: soy, corn, sorghum. Sheep breeding, live pigs, dairy, meat processing	Africa (mining; crops) South America (grain) New Zealand (dairy)
C	Metal tools and parts	Scoping and negotiating to distribute premium food	Australia (winery; cattle)
D	Metal processing	Education, Finance, Real Estate, Hotels, Environment Sustainable farming and health food	Australia (real estate; cattle)
E	Machinery	Real estate, Hotels, Recreation, Equity Investment. Sheep breeding	Australia (cattle) Central Asia (meat) Europe, US, NZ (recreation)

Unlike agrifood industry heavyweights that have a strong research base and access to a wide range of funding avenues, most upstream investors have yet to establish agrifood industry connections in the home and host country. An economic director of the provincial government (Q3) said that Chinese overseas consulates usually try to match newcomers with more experienced businesses as mentors but since there are few prior Chinese investment in advanced economies, there are limitations to tapping ethnic networks. During the first round of interviews in 2015, all the four companies had yet to develop databases of domestic and global product markets and distribution systems of the agrifood products in their portfolios. They did not have the necessary resources and skills to manage downstream business and integrate value chain segments It will take time to build up industry knowledge, unlike agrifood leaders that have timely market database and integrated value chains in domestic and regional markets.

The companies studied in this chapter justified investing in lower cost upstream businesses as a safe investment. Due to their limited agrifood and international experience, they were convinced that physical assets are sound investment as the value appreciate over time. Moreover, land prices were less prohibitive in contrast to costly and limited number of higher value downstream business. On average, a processing business project could cost 10 to 20 times more than a dairy farm or cattle station. Competition for processing business is typically keener, are likely to be cornered by the bigger and more experienced players.

A senior executive (E2) noted the scarcity of good processing businesses available for sale and were therefore more “precious”. Land purchases were relatively more affordable and appeared easier for those lacking in industry experience to manage. The Chairman of an overseas subsidiary (D3) noted that their investments must be profitable in the long term. Commitment to downstream industries would put additional strain on monetary and human resources for firms that are new to agrifood business. The two companies also noted that downstream businesses could be double-edged, and face coordination and cost management risks despite the promise of higher profits. The Vice President D1 pointed out that downstream business would not be at the mercy of weather conditions. However, D1 also recognized that it would be more difficult to manage downstream business:

> “Downstream requires higher level and different types of skills because of more stringent regulatory demands for sanitation, logistics, recycling and liaison with government.” – D1, HQ (2016)

Despite their interest to look out for downstream opportunities, the management in Companies D and E stressed that they were “not ready” for downstream business, and the timing was not right yet, given the uncertain market conditions. Investment in downstream agrifood business must be well-planned and could not be easily executed if they lack relevant experience. E2 said that the company currently did not have the requisite skills to manage the processing and marketing specialized product range. While Chinese investors wanted to keep the options open, screening the market for the right opportunities to acquire assets at reasonable prices, they want to ensure smooth transition and integration with their current upstream assets.

7.5.3 Capital appreciation and asset building

Chinese investors were optimistic that rural land values will appreciate. Following the experience of China's growth history, those businesses and individuals who have witnessed or benefited from the property boom in China have strong faith in real estate. For Company B, real estate has been the bedrock and growth engine, while Companies D and E diversified into real estate development several years before entering agrifood industry (Table 7.4). Some industry experts I interviewed have criticized land purchases as myopic, applying China's narrow window of property boom experience to OFDI which is very different. Yet upstream investors were undeterred and placed much hope for capital appreciation. Though the owner (C1) admitted that he might have overpaid for one of the properties, he was unperturbed and believed that the value of land would appreciate over time.

Asset accumulation is a strong driver for Companies B and E to pursue acquisitions of large scale rural land in advanced economies. Ownership of more physical assets would serve as good collateral to secure credit needed for expansion. Industry sources said that management of cattle requires large-scale and long-term commitments. It would not be profitable to invest in small holdings with a few thousand heads of cattle. Company B's solid foundation in real estate and infrastructural development reinforced its bid for prized land parcels. An academic (X7) inferred from Company B's activities in the Chinese stock market that it was using internationalization as a way of boosting the company's reputation and share value.

Company E's overseas subsidiary bought several more cattle stations in the vicinity and consolidated more than 10 properties in Southeast Australia to improve efficiency and economies of scale. Manager E2 disclosed the company's plan to acquire more assets as a way of getting competitive financing overseas to enable the company to expand to an optimal level. E2 recently confided that the company's aim was to expand its land bank and eventually make agricultural business almost half of the conglomerate's total revenue in the coming years.

> "Currently our financing for overseas investment is sourced mainly in China, with a small amount from overseas. Creditors evaluate the company's current assets. As we acquire more assets overseas, we will be able to borrow more from overseas, maybe at good rates. It's the bank's assessment of risk." -- E2, HQ (2016)

7.5.4 Opportunities and Regulatory Protection

Protection of ownership rights was a main enticement for Chinese investors who invested in farmland overseas. Coming from a state-controlled system where land was collectively owned or leased to entrepreneurs, private ownership of property was attractive to Chinese investors. The key participants of the four companies viewed political stability and rule of law in advanced economies as appealing consideration (Boisot & Meyer, 2008; Luo & Tung, 2007).

Company B stood out from the rest by strongly affirming the trust that legal protection of proprietary rights, established regulations and strong institutions in advanced economies would work in their favor. As one of China's first mover to invest in dairy farms overseas in New Zealand, early success in land acquisitions bolstered Company B's confidence to acquire more farmland in Australia and branch out to the nascent beef cattle industry. Then Vice President B1 was nonchalant that the nationalistic backlash seen in previous Chinese investment in developing countries; he doubted this would happen in advanced economies. Though an émigré with extensive international and agricultural industry experience in Africa and South America, B1 dismissed suggestions that local sensitivities to land purchases would hinder the company's overseas expansion. Senior executives in Company B were self-assured that the host country should logically welcome foreign investors who would bring much-needed capital to revitalize the agrifood sector, providing employment and infrastructure to improve the local economy. The company had hoped to learn, adopt and capitalize modern Western legal systems to protect its acquired overseas assets.

> "Using a soft influence approach, we learn more, and adapt to local Western laws which would in turn protect our interests, and effectively apply the law to secure and advance our interests." – B1, HQ (2015)

The founder of Company C also highlighted the importance of legal protection in countries like Australia due to the political stability. As a smaller player among the diversifiers into the agrifood sector, it has chosen to invest only in Australia. Company E also indicated that Australia was a more stable investment destination than Southeast Asian countries.

Another perspective that is often overlooked concerns the nostalgia from investors' agricultural occupations in the past. Opportunities for overseas land purchases helped to satisfy personal aspirations of wealthy businessmen. Most POEs emerged in the 1990s after collective agricultural land was increasingly expropriated for urbanization. According to a business broker and consultant (X4), buyers of Australian rural properties were mostly farmers in their younger days. Companies C and D confirmed that the owners' families had been farmers for many generations. Some may have participated in earlier 1980s household TVEs in restricted free market experimentation. POEs that ventured into non-agricultural business still held strong emotional attachment to land. The household collective farming system and continuing urbanization meant that farmers only had small plots of land to work on. While Chinese companies could lease amalgamated plots for economically efficient farming, this could not match the farm size in Australia and New Zealand. Chinese academics X6 and X7 said that mechanization has helped Chinese farmers to improve yields but the lack of natural endowment (poor quality of soil, pollution and limited water resources) has constrained China's agricultural productivity. Large agricultural economies offer opportunities for Chinese agribusiness investors to acquire large tracts of good quality rural land from retiring farmers who wanted to divest but struggled to find suitable successors or local buyers. Despite the Chinese government's encouragement to invest in downstream agrifood businesses (Ye, 2016), *diversifiers-internationalizers* were convinced of the advantages of owning farmland in advanced economies.

7.6 Casing: Addressing How Questions

The four Chinese corporate groups studied exhibited irregular development, phases of confidence, expansion, reconsideration and temporary inactivity. Concurrent diversification and internationalization that is anomalous in IB can be more challenging than investors had envisaged. Within-case study is appropriate to analyze different internationalization experience. Companies B, C and D had similar experience with initial expansion, scale back and refocus. In contrast, Company E was able to expand steadily.

7.6.1 Company B: Overconfidence deflates international expansion

A corporate group with a real estate and services portfolio, Company B diversified into agrifood internationally before it had established a domestic agrifood business unit. Investment in Africa cropping was incidental, mainly to build goodwill in the host country where it had mining interests. Following the scandals over melamine tainted milk in China, Company B sourced for pristine resources by acquiring dairy farms in New Zealand. The holding company subsequently acquired a Chinese agrifood company into its corporate group and used this as the platform to its further agrifood diversification and internationalization. Since implanting the domestic agrifood arm, Company B was beset by integration and public image issues related to a history of corporate fraud carried over from the acquired Chinese agrifood company.

Company B thought that it had made the correct moves, recruiting western executives and localizing management staff in its parent company and foreign subsidiaries. However, communications problems have hindered integration and smooth operations. Three years on, senior managers in its New Zealand subsidiary were replaced by bilingual professionals.

> "We have 50-50 management, Chinese and locals, in New Zealand … We have legal assurance by using a holding company's investment fund. We do not interfere with original local production of milk. Our success boils down to having good resource and good business partners." – B1 (2015)

Manager B4 confided that the CEO of the parent company's agricultural unit who was a "foreigner" had difficulty communicating with senior and middle management in China. This slowed down workflow and impeded understanding and decision-making. Though this may not be a central cause of Company B's subsequent failure in international expansion, internal problems hampered corporate coordination and effectiveness of growing market outlets in China.

> "The CEO resigned because he realized that China is a difficult market to develop. He does not know the Chinese language; he could neither read nor speak. It was time consuming having to translate financial reports and explain to him the business operations - that affected productivity and was costly. His experience in the New Zealand market was not relevant. That's a developed and mature market, unlike in China. We need to put in a lot of work to build up the distribution because dairy is not yet fully developed in the China market." - - B4 (2016)

Encouraged by the initial smooth implementation of cropping and dairy, Company B's senior executives overseeing agrifood business, decided to expand into pastoral farming. Host government approval of its first entry to advanced economies (New Zealand) convinced the management team that mature economies with established institutions were more reliable and stable than developing economies. However, Company B embarked on expansion into cattle farming overseas before it had time to develop its dairy distribution in the China market.

Its most recent overseas bids for substantial blocks of cattle stations in New Zealand and Australia were rejected by the host governments. Though the two top executives had agrifood industry knowledge and international experience, their skills were not directly relevant to the specialized pastoral sector. Seemingly good diplomatic relations between China and Oceanian countries beguiled the management to dismiss the looming undercurrents and shift in host countries' political climate. Lowy Institute polled in 2014 showing 60 per cent of the public were against "the Australian government allowing foreign companies to invest in agriculture" (Fullilove, 2014). The timing of the Australian elections heightened the politicization of foreign land ownership by minority parties and populist campaigns. Despite being a POE and transparent in its activities, Company B's expansion to the pastoral sector was blocked on rare application of "national interest" grounds by the Australian Foreign Investment Review Board.

B4 who was well-informed of the company's overseas expansion later disclosed that the management realized too late the intensity of nationalistic opposition. Subsequent efforts to explain and put positive spins by hiring public relations consultants proved futile. the CEO had international experience misread the evolving situation. Earlier success and preconceived optimism (March & Shapira, 1987) clouded managers' assessment of the costs (Ghauri & Hassan, 2014) involved in acquiring competitive targets. Considering the fluidity of the political and regulatory environment, firms need more than basic knowledge of internationalization, and have to be flexible and innovative in order to create value and improve performance (Cohen & Levinthal, 1990).

To boost shareholder confidence after its failed bids in Australia and New Zealand, Company B undertook radical internal changes in the agricultural unit and redesigned its internationalization plans. Company B executives tried to put up a brave front publicly while extensive corporate regrouping was taking place. According to a cattle industry source, the interim chief executive who replaced the Westerner was "not disappointed" that the deal was rejected because it was "free advertisement" for the company while causing damage to the host country's reputation. However, three Chinese investors / industry experts I spoke to thought that Company B was chasing overpriced and "hollow" trophy targets which required additional capital to make the farms viable.

Recovering from the debacle of aggressive expansion, Company B promptly ceased pursuing pastoral farming and expanded into more familiar grains trading business in South America. The newly elected Managing Director of the agrifood management was known for his experience in agrifood business and internationalization. He also had a track record of avoiding farmland purchases and targeting downstream agrifood investments in his previous appointments. Under the new leadership, Company B focused on consolidating its existing dairy assets. Over the past five years Company B has opened a thousand stores in several

Chinese provinces by collaborating with supermarkets and used online and TV channels to promote B2C sales. However, it had not made much headway in importing higher quantities of fresh milk due to the stringent regulations imposed by the Chinese authorities. Rather than diversifying further into a wide range of subsectors and products, Company B would concentrate on building up its dairy and grains supply chain.

7.6.2 Company C: initial success, expansion, and freeze in unsuccessful areas

The sequence of Company C's activities defied the conventional conception of building competitive domestic business and diversify before internationalizing. In 2013, Company C was scouting for international investment opportunities before having a clear idea of the type of industry and extent of diversification. The owner C1 stumbled upon a reputable Australian vineyard/winery facing cash flow difficulties through a business associate and decided to contribute some capital. Encouraged by the success of its first attempts to market Australian wine in the affluent Yangzi regional cities, C1 took up majority stake and planned to acquire more diverse overseas businesses. Unlike many Chinese vineyard acquisitions for hobby and recreation, the positive experience of Company C was attributed to both quality and quantity. C1 emphasized that he owned profitable large-scale wine "factories" not "small wineries". The successful run of the vineyard/winery business was better than what Company C had anticipated. In 2015, half of the output was exported to China, the remaining wine was sold in in Australia, Europe and Southeast Asia.

> "Our markets for wine spans the whole of China. We are committed to marketing. These can be considered normal returns. Opportunities for development in Yangzi region are slightly better. We chose to follow the branding strategy. Until now, development can be considered good, and have met our expectations." -- C2 (2017)

Company C recognized that the demand for beef in China was rising and would match pork and chicken consumption in the future. Believing that premium beef would complement fine wine, Company C went on to acquire multiple pastoral land to boost its overseas asset stock. Though its foray into cattle farms cost over $70 million, double that invested in wineries, cattle beef was less profitable.

Unlike the other Chinese POEs that also started as family businesses but had introduced professionalism into the management team, Company C's decisions were made solely by the founder and owner. C1 took it upon himself to research, scout and decide on investment targets. Local Australians were hired as farm managers and workers supplemented by seasonal farmhands. The owner C1 declared that he did not engage consultants, brokers or agricultural experts because he only trusted his own assessment. He took personal responsibility for all the decisions. Nevertheless, C1 accepted that he might have overpaid for the most recent investment in a cattle station. Managing Director C3 clarified that previous opportunities recommended by agents were unsuccessful in contrast to Company C's direct contact with vendors.

The Managing Director C3 tried to justify the limited scope of its Australian cattle farm operations. While acknowledging weather and complex management challenges, high costs and difficulty of producing good quality beef were implied. C3 claimed he was not concerned that his Australian farms did not directly supply beef to China. Their cattle stations engaged in less costly and easier calf-raising activities for a short period of time, giving some semblance of working farms. The management of cattle stations has been left entirely to Australian managers who reported to subsidiary offices in Australian cities and headquarters in China.

> "The main activity in two of our cattle stations is raising young calves up to 25 kg and selling to the commodity market. Fattening is also not our business. We don't deal with distributors or retail in Australia. Acquiring abattoir business is not on the cards. Currently, there is no need to enter processing because our calves are sold at an early stage." -- C3 (2016)

Company C was contented to act as a distributor rather than producer at the source as it was not producing efficiently and sufficiently to supply the China market. C3 organized meat purchases at auctions to export to China. Unlike some Chinese industry associates who boasted traceability of its products, C3 argued that consumers trusted food originating from Australia as the country itself was a brand name with an immaculate tracking system. C3 dismissed traceability as irrelevant because it is already built into the Australian system.

> "Australian law requires transparent tracking. Australian regulators and safety standards are well known. There is nothing special about one company from another. It's the same whether beef are for exports or are sold in Australia. We could check the source and track the entire supply chain if we wanted to. But that is of no interest and unimportant to us. We won't know if the meat from our farms are sold to restaurants or households and to which countries. Our beef products distributed in the China market are not sourced directly from our own cattle stations." -- C3 (2016)

In subsequent conversations, Manager C2 disclosed that the company's Australian beef exports did not meet customer demand in China, in terms of pricing and quality. Company C tried to purchase acceptable quality beef at prices that Chinese consumers were willing to pay. However, Australian beef was not price competitive compared to US and South American imports, and Chinese consumers who paid a premium had very high expectations.

> "We can't attribute [*not meeting expectations*] to the commercial model, or a problem with raw material / resources. Australian grass-fed cattle cannot compete in China's lower end market. Higher end products marketing channels remain very good but faced pressure from US grain-fed resources, and Chinese government policies. [Trade] is not smooth. Prices of grass-fed cow could easily be depressed by competition from even cheaper South American sources. I believe that Australian abattoirs and meat processors still command a favorable marketing situation in China because sales do not involve large quantities and could utilize trade fairs to achieve precision marketing. However, faced with vast market challenges, Australian beef is more expensive and does not enjoy competitive advantages. Yes, the main customers are concentrated in Shanghai Yangzi area." – C2 (2017)

Despite worse than expected results with its recent cattle farm acquisitions, Company C claimed it had gained first mover advantage. Company C was fortunate that the timing of its acquisition did not encounter resistance in the host country, but he was wary about the negative climate towards foreign investors in the host country.

> "FIRB revision of Chinese land investment threshold was a passive reaction on the part of politicians. It had not affected us because our acquisitions have already been approved. However, in future we will likely hit the threshold of foreign ownership and this will be known to the public." - C3 (2016)

> "I feel satisfied with our correct assessment of the market, achieving acquisition targets and the approval. But I'm not so satisfied with management of relationships in the host country. Another issue is understanding Australian culture and gaining public acceptance." - C3 (2016)

Company C was the only firm that did not have agrifood production base in the home country when it invested in Australia. It incurred much higher risks than the other *diversifiers-internationalizers*. Company C's serendipitous overseas acquisition of non-core businesses meant it was not well equipped to manage uncertainties in agrifood business. MD C3 who was slated to take over the family business affirmed that agrifood business would comprise less than 10 per cent of the corporate group's assets and revenue. Earlier suggestions by the owner C1 to expand agrifood OFDI to Asian countries have apparently been put on hold. C2 recently confirmed that there was no intention to acquire abattoirs or South American resources.

7.6.3 Company D: challenges and interruption in overseas expansion

Diversification and internationalization are carefully designed by this corporate group reputed for metal exports. Its founder was a billionaire and ranked in the top 100 of China's rich list according to Forbes in 2016. Company D has been diversifying into real estate, hotels, education and financial services earlier. Its subsequent diversification into agrifood business was spurred by demands of its education subsidiary. Company D started importing food for school boarders from wealthy families under its education services business. In 2011, Company D launched sustainable horticulture and free-range poultry farming in China.

Company D expanded its nascent agrifood business through internationalization to fulfil its objective of providing safe and healthy food to the Chinese population. While domestic horticulture, fisheries and poultry enjoyed some success, trial cattle farming in South China proved unsatisfactory, prompting the company to seek overseas resources. Company D was initially looking for opportunities in vineyards in the US and cattle stations in Australia but decided to settle for the latter in 2014. They did not consider cattle opportunities in the US because the ban on American beef was still in force until August 2017.

Company D faced challenges managing its overseas agrifood assets due to the lack of relevant industry expertise and different business environment. The recruitment of scientific professionals and agricultural specialists contributed to the growth of its domestic agrifood business but proved less useful for internationalization. Though D1 was an accomplished US trained scientist, he admitted to "gaps" between professional knowledge and actual business. D3 and D4 had careers in finance and business consultancy before managing their overseas subsidiaries, but they lacked knowledge in agrifood business. Both lamented that comprehensive guidelines on "cattle industry best practices" were not easily available to help Australian farm owners. Subsequently, D4 engaged agro-specialist consultants to provide relevant farm management advice.

Despite intensive pre-acquisition research, hiring top consultants and examining more than 30 potential projects in Australia, Company D was not proud of its OFDI. When I first met D1 in 2015, he was confident the Company had not paid the so-called "China premium" (Phillips, 2012). A year later, D1 realized that consultants only looked superficially at the positive aspects based on information provided by the vendor and neglected to consider negative scenarios when conducting due diligence. Only those who have specialist knowledge and experience in Australian farming and are familiar with local regulations, and able to make accurate assessment of the value of these farm assets. Water shortage had been a serious challenge especially with the prolonged drought since taking over the cattle station. However, D1 realized belatedly that investing in water titles would not alleviate shortage under drought conditions.

> "It is important to learn and understand water titles. Only the experts know the specifics. When the water level falls, holding a water title does not permit us to use any more water. When there is plenty of water, farmers with water entitlement can draw more water. Water right is useless when water is needed most. We spent A$7 million to acquire water rights.

> Now I understand why the previous owner did not invest more on the farm. Initially I thought it was because the previous owner had no money, which was partly true, but more importantly, it was a difficult business to manage [because of dry weather]. The former owner stayed on as a consultant for 6 months after the transaction. But he moved further south and purchased another farm. [He did not retire]" - D1 (2016)

D1 admitted he had learned much about the Australian cattle industry from post-acquisition conversations with agricultural, trade and investment officials. He believed that Company D would have made better investment choices and gained higher returns and lower operating costs if they had consulted Australian officials before investing. Due to their limited networks in Australia, Company D did not have access to specialized cattle industry knowledge and regulations. Company D's main Australian subsidiary contact was their Australian meat processor. It did not receive support from Australian officials (prior to drought relief support in 2018), other Chinese investors and the rural community around their cattle stations.

> "We have contact with Austrade to convey the strain of land tax on foreign investors. It is a disadvantage for foreign investors because during down times, we still employ Australians and pay their salaries. Because there are few Chinese owning farmland, we don't have much of a voice. Just to give feedback but nothing has been done.
>
> We don't have to keep track of developments of other Chinese investors. We are not close to Australian industry associates. Everyone has the same costs, facilities, activities. There is no direct competition, as we are doing the same things." - D4 (2017)

Company D attributed the poor performance mainly to "weather conditions beyond human control". Prolonged drought led to stocks declining to half the cattle herd size when they started with more than 5000 heads. Bogged down by multiple challenges of knowledge gap, high operating costs (labor and animal feed) and poor weather, Company D was constrained from expanding horizontally and integrating vertically with other parts of the value chain. Initially Company D made arrangement with its Australian meat processor to export beef from their Australian farms to Company D's own marketing networks in China. Two shipments of Angus beef produced by its Australian farms were delivered to China in late 2015 and January 2016. At that time, the CEO of its Australian subsidiary D2 estimated that 30% of the output from their cattle stations were destined for the China market while the rest were sold mostly in Australia, US, Japan and Korea, as decided by their processor. However, a year later, Company D halted supplies from their farms to the China market due to shortages. Another smaller pastoral farming project had leased surplus equipment to mining companies during this period of inactivity.

Company D, like Company C, was discouraged from further international expansion but would hold existing agrifood investments in the hope of turnaround. Company D considered purchasing an abattoir in 2016 but walked away from the opportunity because the price was high, and the vendor refused to guarantee earnings and make allowance for an impending downturn. In contrast, Company D's domestic agrifood business continues to grow steadily. As a small part of the corporate group business, the poor performance of its overseas agrifood component hardly affected the group's overall performance. It planned to gradually expand to reach 50 specialty food retail stores beyond big cities to residential districts. It has established a coherent and connected ecosystem in China for efficient tracking from self-managed production, processing, cold systems, transport and retail with the help of a US-based multinational IT solutions consultant.

Company D could afford and was prepared to wait for years to get return on capital from its overseas investment. However, the timeframe had been extended in view of uncertainties. In the worst-case scenario, D3 has not ruled out divesting its agrifood business in Australia, in the unlikely event that they received a good offer.

> "Returns will take a long time: two to three years to be operationally manageable, and longer about 5 to 10 years for positive returns. Only in the medium to longer term can the investor expect the value of agricultural assets to appreciate. This is not a fantastic financial investment. It is more for longer term strategic interest. If we were only interested in financial returns, it's better to invest in residential real estate." - D3 (2016)

7.6.4 Company E: steady expansion

With its wealth accumulated earned from manufacturing machinery, Company E diversified into real estate, recreation and financial services. In 2012, Company E began sheep breeding jointly with an SOE with industry knowledge and was familiar with northern China. Company E initially imported live breeding stock from Australia for its sheep farms in China. In less than two years, Company E expanded to beef cattle farming in Australia, and subsequently to South America and Central Asia because of natural disadvantages for beef cattle farming in China. The diversification of sources enabled Company E to tap the mass market for medium grade beef from developing countries and the high end premium beef from Australia.

Company E sought crucial advice from its team of industry professionals recruited in Australia because it did not trust brokers and consultants. Initially, the intention was to cultivate canola and wheat. It changed to breeding sheep and cows and grew different types of grass. However, local farmers and the previous owners advised them to move from mixed farming to concentrate on beef cattle. Company E was able to incrementally acquire family-sized holdings and the neighboring blocks over the years and consolidated them into sizeable blocks to achieve efficiency. Company E's total assets in Australia approximately double that of the investments made by Companies C or D individually.

> "Cross border investment is full of uncertainties. We need good recommendations for projects. Though the Chinese Commerce Ministry has representative offices in many countries, the locals will understand how to manage public relations better. Professional bankers and accountants are available, but Company E won't delegate advice because the interest of consultants is in brokering deals. We are more interested in quality and profitability." – E1 (2015)

> "We rarely relied on intermediaries, maybe less than 40% of the time. Mostly, we deal directly with the vendors." - E2 (2016)

Company E had a parallel structure of Australian and Chinese managers in its overseas subsidiary. Company E hired an Australian with experience in rural property management to head the Australian office before acquiring overseas assets. The public face of Company E in Australia is of Anglo-Saxon heritage. Bilingual Chinese émigrés served as the interface between head office and subsidiaries and interactions of management, professional and farming staff.

> "We employ local Australians and that cost the company A$2 to 3 million a year … The Australian CEO is adept at communicating with Austrade and DFAT." - - E1 (2015)

> "He [the Australian CEO] is knowledgeable and experienced, has many channels and is good at dealing with different parties." – E2 (2016)

The strategy of Company E was to maintain a low profile so that vested interests in the host country did not have a chance to protest. Only when Company E had acquired substantial landholdings was it confident to raise its profile and engaged the public and media. Company E's spokesman shared industry knowledge in the media, informing and reassuring the Australian public and politicians of the challenges of managing agrifood business and the contributions made by foreign investors to the economy.

> The pace of expansion depends on local environment. We tried to keep a low profile, not to leak any information prematurely. We only announce after the transaction. Foremost, we must have a good strategy. Then public relations and operations.

> We do not chase assets blindly. Decisions must be scientific and reasonable. Use overseas advantage to make up for domestic shortcomings. Accelerate only when the company has more bargaining power. Developing home market and e-commerce will follow." - - E2 (2016)

Company E was more fortunate than C and D in that its farm assets were not hit by drought. Australian processors were instructed to export small quantities of Angus beef produced in farms owned by Company E to test the China market in urban stores and e-commerce platforms. Company E learned through using others' distribution systems in China before developing their own. US and Japan are still the largest markets. Company E would be in a better position than C and D to expand its overseas assets. According to E2, the plan was to eventually make its agriculture business comprise half of the corporate group's core business. However, it acknowledged that margins from agrifood business were slim and returns on capital would be slow. E2 emphasized the need to balance investment objectives and spread risks. Though keen to expand into downstream agrifood value chain, Company E conceded that downstream business was more sophisticated and potential targets must satisfy many conditions for success before proceeding – business cycle, specialized skills, smooth transition and market channels.

> "Opportunities for acquiring meat processing are coming up because conditions have changed since the third quarter of 2015. Abattoirs were doing a thriving business in the past 2.5 years, earning huge profits. Company XYZ bought at the peak, had to pay a premium based on prior market price. This sector is cyclical. We are waiting for opportunities and the right price as conditions have changed.
>
> Taking over processing business is challenging because this is a highly skilled area. Most Chinese businesses do not have enough experience with processing. While workers usually remain in the factories, the managers, usually the former owners, may not want to stay. This abattoir we were interested in had two generations of owners working on the business, but they wanted to get out totally. Most family businesses hold extreme propositions: either the previous owner insists on keeping a majority stake and stay on to manage [and control] or they would totally wash their hands. In the interim after takeover, we need managers who are experienced in the same business. You can't just recruit someone from another company in the same industry because they won't know the exclusive products of that abattoir well. Acquiring processing business can be quite tricky and risky in this respect." -- E2, HQ (2016)

The degree of commitment and how investors envisioned the internationalization process are closely correlated with their evolving OFDI performance. While simultaneous diversification and internationalization could be challenging, Company E was the most optimistic, expecting agrifood business to grow to 50 per cent the size of the corporate group. Company D had the resources to endure setbacks managing its overseas assets and would continue to expand its domestic agrifood business. Different outcomes of agrifood OFDI and divestment had not adversely affected the corporate groups' overall performance and profitability. Company C was the least ambitious, as it did not have any firm plans to diversify and internationalize at the beginning and would focus on its successful wine business and its core metals manufacturing. Company B regrouped after failing to acquire cattle businesses and indicated that it would return to invest in Australia and consolidate its existing dairy supply chain. Table 7.5 shows the varying degrees of commitment by each of the firms studied and their vision of the importance of the agrifood sector in the corporate group's portfolio.

Table 7.5 Varying Degrees of Commitment and Future Prognosis

E	D	B	C
Consolidate land bank Develop China market Owns more than 10 properties worth over $100 million. Waiting for downstream opportunities and smooth transition of management Agrifood arm to grow to 50% of group business.	Focus on breeding, feeding. Industry learning. Build networks with host Develop niche markets in China. Agrifood currently comprises a small portion but is growing. Not ready to enter downstream business.	Regroup internally Reconfigure OFDI after exit from Australia Diversify to South America grains (animal feed) Focus on dairy and withdraw from meat. Plans to re-enter Australia later	Success in wine distribution in home provinces. Cattle stations engage in disjointed activities. Priority in cost saving expediency rather than expansion. Agrifood will be under 10% of group business

High **Level of Commitment** Low

7.7 Discussion

7.7.1 Gap between Intentions and Achievements

Chinese diversifiers faced additional difficulties expanding to non-core sectors beyond related product range and new markets. When they embarked on internationalization concurrently or soon after diversification, their options are constrained by limited capabilities and skills despite their wealth and recruitment of industry experts. Resource-seeking motivations arise from the lack of resource endowment and rising demand in the home country. Implementation may not proceed according to plan because practical circumstances may either enhance or impede progress. Due to the uncertainties of diversifying across sectors and borders (Hashai & Delios, 2012), the paths are irregular and non-linear. Firms need to balance the cost and benefits to gain from synergies and value creation of acquisitions (Zhou, 2011). Moreover, the liability of foreignness (Galavotti et al., 2017; Johanson & Vahlne, 1977) increases in the agrifood sector due to sensitivities attached to foreign land ownership. Table 7.6 shows the internationalization process of individual firms. Chinese investors halted overseas investment after encountering challenges or have acquired substantial rural land (Company E).

Table 7.6 Internationalization Process of Case Companies (2010-2017)

Company B

Core and peripheral	Dairy resource seeking	Expansion to red meat deterred	Focus on existing resources
Metals and cropping in Africa	Cumulative acquisitions of New Zealand dairy farms.	Failed bid for sheep and beef station in New Zealand. Failed bid for pastoral farmland in Australia.	Grains trading in South America. Build up dairy value chain integration.

Company C

Exploration through networks	Beef cattle – new area	Prioritize the successful, neglect the difficult
Vineyards and winery. Small followed by higher stake	Acquisition of parcels of farmland in succession.	Focus on wine distribution. Stocks for China market from trading rather than own pastoral. Detach overseas assets from the home market.

Company D

Meat processing	Wait and see
Two beef cattle projects. More efficient than producing in China.	Low stock due to prolonged drought. Temporary halt in supplies to the China market. Unable to link up with growing domestic agrifood networks. Services to mining companies during inactivity.

Company E

Pastoral: medium grade	Premium grade meat	Further expansion and integration plans
Central Asia South America	Acquisition of small holdings from retiring Australian farmers and amalgamate	Look out for meat processing opportunities. Continue to build land bank Develop distribution in China

7.7.2 Lessons from the Case Studies

Each case has different experience due to varying objectives, managerial preferences, timing of investment, market size and regulations. These *diversifier-internationalizers* did not have the time and opportunity to cultivate extensive business networks (Johanson & Vahlne, 2003; Mattsson et al., 2006), and could only do so gradually. Besides their inexperience in both agrifood industry and internationalization, these firms also did not learn vicariously from relevant industry experts (Posen & Chen, 2013). Chinese firms interested in investing in Australia and New Zealand that have small though growing ethnic Chinese migrant community have limited leverage in tapping diaspora connections (Mukherjee et al., 2018) to prepare for entry and facilitate transition. There is little room to escape from the higher and compounded risks of concurrent diversification and internationalization. When adopting simultaneous diversification-internationalization strategy, even well-resourced firms led by technically competent managers but without relevant and specialized expertise, have learned gradually from hindsight. In some cases, adjustments to goals enabled firms to ride through current challenges for long-term gains from investment. However, some erroneous turns have resulted in exit from target markets.

High profile failure

Country B's moves were largely influenced by the previous experience of its key executives and directors and opportunities for investment. Company B diversified into greenfield farms in developing countries and acquired dairy farms in New Zealand before setting up an agricultural unit in the parent company through acquisition of a domestic firm. (This was different from Companies D and E which had set up agrifood food business in the domestic market before venturing overseas.) The consolidation and integration of Company B's international assets was slow due to communication problems between senior executives of different backgrounds. Substantive reshuffle was indicative of the weakness of its domestic agrifood business, the need to boost shareholder confidence, and reconsider its expansion plans. Company B's failed bids to acquire pastoral farmland in New Zealand and Australia surprised its managers. The tremendous trust Company B executives placed on institutions of advanced economies led to complacence and failure to recognize signs of mounting resistance. The two failures taught Company B to redesign their international strategy and to concentrate on those two areas which have potential for success – dairy (New Zealand) and grains (South America).

Opportunistic moves

Company C was a case of serendipity and opportunism when it first invested in Australian vineyard and winery even though it had always been a metals manufacturer in China and had not invested overseas. Even as the owner and founder C1 admitted to overpaying for subsequent pastoral farmland, he rationalized that it was a good investment because land value would appreciate over time. The low activity of pastoral farming activity did not appear to be efficient use of its assets and diminished chances of Company C becoming the supplier of beef to the China market. Though Company B also did not have an agricultural arm in place before investing in overseas agrifood business, unlike C, its senior management had prior agrifood industry and international experience. Company C did not trust intermediaries to advise and broker deals despite its lack of experience in agrifood business and OFDI, unlike the others who engaged consultants and professional agricultural experts.

Exemplar of Long-term Strategy

Company E had a well-conceived plan to recruit an Australian CEO who knew the cattle industry and rural investments well. It played its cards well not to announce acquisition plans too early to avoid anti-foreign opposition in the host country. Company E aspired to grow its agrifood business to a significant share of the corporate group's business and worked steadily to achieve the goals. It had set aside funds for overseas subsidiary managers to purchase and gradually consolidate farmland under its ownership. It was better positioned than the rest of the investors to acquire downstream agrifood business.

Unexpected scale back

Company D blamed bad weather, undisclosed information by the vendor and optimistic projections by consultants for the underperformance of in its pastoral farming acquisitions in Australia. Lack of knowledge in specialized cattle farming disadvantaged the new owners even though the farm managers remained after the takeover. Though its directors had agricultural science and financial backgrounds, the skills were not directly relevant in making investment decisions and suited to cattle industry. Asymmetry of information between buyer and seller has worked against the investor's interest. They retrospectively learned that they might have overpaid for the farmland despite performing due diligence prior to acquisition.

Cross-case comparison and impact on industry

The other companies that invested in upstream businesses and industry sources were surprised and disappointed with Company B's unfortunate experience. C3 and E3 felt that Company B had overbid to acquire huge pastoral holdings that contained some poor-quality land and needed a lot more work and investment. C3 cautioned that future acquisitions in Australia must be underpinned by rationality, hinting at less than friendly treatment of foreign investors by the host country and the high prices Chinese investors had to pay. D1 criticized the host government for not matching its "words" (of promoting foreign investment) with "actions". While some believed that opposition to Chinese investment might fizzle out as had happened with Japanese investment in the 1970s, the value of Chinese OFDI has grown multiple fold within a compressed timeframe, and the chorus of political rhetoric against Chinese nationals has worsened. Nevertheless, Company B's failed bids were not representative, as approvals were granted to majority of foreign investment applications submitted to the Australian and New Zealand authorities.

Australian officials later conceded that Company B's experience was a "one-off" exception as applications would rarely be rejected (a total of five among hundreds were turned down from 2012 to 2017). Moreover, the host government was anxious to reassure foreign investors in the aftermath of a high-profile rejection that Australia still welcomed foreign capital. Ironically, Company B's failure to enter the Australian cattle sector had benefited industry competitors as subsequent applications were approved. Chinese investors have learned to be more discreet and tactful when pursuing land purchases. Rather than incremental development from trade, partnership, acquisition to greenfield, Chinese investors who had acquired land were more open to partnerships with locals in the host countries or take minority stakes in land ownership to temper nationalistic reactions and boost their reputation and credibility (Stevens et al., 2015).

7.7.3 Why did things happen the way they did?

Being newcomers to the agrifood industry, the four companies were eyeing overseas investments that would be "relatively easier" to manage than complex downstream businesses. Knowledge is essential to internationalization (Casillas et al., 2009) and this is especially crucial for specialized areas of agrifood business such as dairy and cattle. The resource-based view (Barney, 1991) addresses the means aspect but is thin on exploring the willingness and calculations of firms with limited industry experience. Though most of the POEs were founded in the 1990s, with 20 years of manufacturing and services experience, they had limited agricultural experience and needed to learn and adapt to organizational restructuring and external environmental changes. Farmland ownership is more easily achievable than taking over processing plant and distribution which employ hundreds of workers and require sophisticated coordination.

To catch up quickly in the new area of agrifood business, the owners of companies B, D and E grafted foreign and local industry talents (Huber, 1991) to acquire new knowledge and transition to newly created agricultural sections of the corporate group. Farm management was delegated to Australians and seasonal farmhands and supervised from offices located in the cities. In hindsight, Companies C and D discovered the asymmetry between buyer and seller knowledge. They did not expect persistent drought, high operating costs, supply shortage and uncompetitive pricing, which hampered plans to tap the China market.

7.7.4 Theorizing: Realization from Hindsight

I gained deeper insights by reflecting on participants' assessment of how their investments progressed. Though the empirical material supports the view inexperienced firms could benefit from recruiting industry professionals, it did not sufficiently equip investors to overcome a multitude of challenges in an unfamiliar sector and host country conditions. As events unfolded, participants also had a clearer vision and reflection of their experience. Sensemaking is realization when people make retrospective sense of the situations to enact and construct from clues, plausible, reasonable and coherent explanations of experience and expectations (Weick, 1995a). Sensemaking revolves around the analysis of "meaningful lived experience" and the fact that the "perceived world is in reality a past world" (1995: 24). The past is reconstructed from the knowledge of the outcome, as actors would remember the events that have led to this result (Langenberg & Wesseling, 2016). There is a time lag (Luoma, Ruutu, King, & Tikkanen, 2017) between awareness, acknowledgement and evaluating what is the value gained from the experience. Hence, developing knowledge from experiential learning (Casillas & Moreno-Menéndez, 2014; Johanson & Vahlne, 2003) takes time and absorption of relevant experience to be applied to another context.

The casing (Ragin, 2009) of Companies B and D showed that insufficient knowledge could hamper internationalization and that gradual learning (Forsgren, 2015; Pellegrino & McNaughton, 2015) was painful but unavoidable. Though initially upbeat about their investment and plans, the same investors subsequently changed the narrative and realized the complexity and intensity of practical problems in negotiations and post-acquisition stages. Managers later admitted to errors due to insufficient knowledge. The assumption that emerging market firms could expand rapidly needs to be moderated to take into consideration the challenges of achieving multiplicity of objectives. An industry expert criticized Chinese investors' over confidence and optimism, believing that throwing money would help them to become better managers. This reinforces my argument that relevant ground information and specialist knowledge (Welch et al., 2016) are crucial in facilitating the internationalization process. Knowledge should not be limited to markets, technology and host countries (Fletcher, Harris, & Richey, 2013) but requires sensitivity to different investment destinations.

The four companies have endeavored to recruit skilled professional, technical and management staff to transition into agrifood and internationalization. However, it was insufficient to possess merely general industry experience. In the case of Company B and D, grafting of experts did not translate into quick learning (Huber, 1991) as their specialization was not transferable and applicable to a different context. Chinese POE business group founders/owners have considerable influence on key strategic decisions but delegate operational decisions to professional managers. The initial losses and slow growth of returns from OFDI were tolerated as diversification commitment did not adversely and materially affect the corporate groups' overall performance and may yield long-term capital appreciation.

Overconfidence proved detrimental to Chinese investors bent on acquiring high profile trophy assets. Company B misread the evolving situation as it relied on basic information that gave a false sense of security and trust in strong institutions of advanced economies. Earlier success and preconceived optimism (March & Shapira, 1987) clouded the professional managers' and negotiators' assessment of the real costs (Ghauri & Hassan, 2014) involved in acquiring coveted overseas assets. Considering the fluidity of the political and regulatory environment, firms need more than basic knowledge of internationalization, and have to be flexible and innovate in order to create value and improve performance (Cohen & Levinthal, 1990).

The agrifood sector is a sensitive industry that is susceptible to resistance even in host countries with more developed institutions (Zhang et al., 2011). The main difference between firms that have industry experience and newcomers is earlier awareness, learning and proactive response when internationalizing. MNEs face a range of obstacles in trying to establish and maintain legitimacy and acceptance across different countries (Kostova & Zaheer, 1999). There is inherent cognitive bias against the country of origin even though Chinese farmland investors are POEs with heterogeneous commercial objectives. Extant literature did not address the puzzle of POE acquirers having to deal with shifting political and regulatory environment in host countries. Even though the Chinese government did not own or give direct support to internationalizing POEs, liability of country of origin (Bartlett & Ghoshal, 1998; Child & Rodrigues, 2005; Ramachandran & Pant, 2010) and anti-foreign rhetoric and politicking could derail the proposed project and slow expansion plans.

While previous studies focus on home institutional constraints for EMNEs, Chinese investors faced increasing challenges to manage shifting regulatory regimes and political climate in host countries (Hillman & Wan, 2005). In the early stages of the phenomenal surge in agrifood OFDI to advanced economies from 2010 – 2015, Chinese businesses and local officials conveyed their perception of host country opposition to foreign investment in a simplistic nutshell, blaming opposition parties for disrupting foreign investment but trusted that the government would act rationally and not dismiss inflow of foreign capital. However, the political situation in Australia has shifted with public campaigns and media scrutiny, and emotions could not be easily defused. Despite signing a Free Trade Agreement with Australia, Chinese cumulative purchases of farmland worth more than $15 million must apply for FIRB approval while the threshold for investors from US and UK was $1 billion (FIRB, 2017).

MNEs that are more proactive (Child & Tsai, 2005) could preempt detrimental effects from committing to businesses with low potential and high costs. Company E did not rule out forming alliances (Cui & Jiang, 2012) with Australian partners to buy farmland in the future to ease concerns, a retreat from acquisitions and full ownership in their earlier entries. Rather than incremental internationalization and de-internationalization, Chinese POEs indicated their receptiveness to joint ownership. Learning from an industry competitor's failed experience (Forsgren, 2015; Madsen & Desai, 2010), Chinese investors maintained a low profile prior to expansion (Company E), or reduced visibility when the investment environment became less welcoming (Company C). Some like Company E realized they could compensate for the lack of industry knowledge and host environment by proactively learning from official sources (Fletcher & Harris, 2011; Kostova et al., 2008). In some instances, industry associates gradually learned from their own and others' failures and adapted to changes by conforming to acceptable norms (DiMaggio & Powell, 1983).

As the four companies have built up a largesse from their earlier successful core businesses in heavy industries (C, D, E), real estate (B, D), and more recently hospitality and financial services (D, E), are prepared to tolerate short term affordable losses (Deligianni, Voudouris, & Lioukas, 2017; Sarasvathy, 2001). Chinese investors new to the agrifood industry and internationalization had to focus on the controllable aspects (Sarasvathy, 2001) of future developments of their businesses. Internationalizing firms have to try to "make do" (Weick, 1999) by working within constraints and find alternatives to overcome practical problems. However, eventually, they were bogged down by problems and could not run away from dual challenges of diversification and internationalization.

Accepting that low returns and long gestation are expected of land-based agrifood investments, POEs soldiered on with the understanding that the home country government would not bail out failed ventures. Unlike SOEs with both economic and social responsibilities to fulfil, the primary consideration of POEs targeting upstream agrifood business are market dynamics and good management. Achieving strategic objectives meant ensuring stability in the future of the company, which would include diversifying, integrating and growing the group businesses. For POEs, the meaning of "*strategic*" investment differs from the SOEs' task of achieving national objectives. Though the participants were patient and realistic not to expect quick returns from land-based and upstream agrifood investment, this is not incompatible with profit-making. The longevity of agrifood MNEs is known for their diversification and steady growth strategies. However, non-agricultural firms diversifying into agrifood business face a host of natural and regulatory challenges.

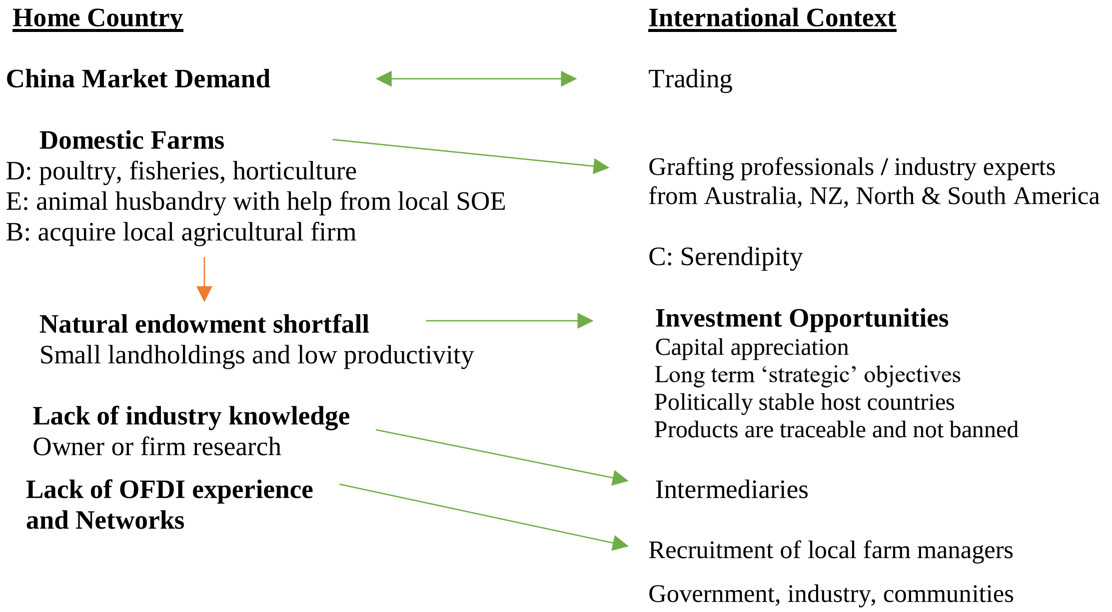
This study shows that diversification and internationalization would compound the risks for Chinese investors (Montgomery, 1994). Unlike most MNEs that diversify in products within-industry (Li & Greenwood, 2004; Zahavi & Lavie, 2013) or within-country (Delios et al., 2008; Hashai, 2015), the four Chinese corporate groups studied simultaneously diversified across sectors in the domestic and new host destinations. The findings challenge the assumption that benefits derived from diversification would reduce corporate exposure to risks and dependency on core businesses (Van Mieghem, 2007). Though the Chinese corporate groups face slowdown from manufacturing and infrastructure, its choice of agrifood business was to achieve long-term stable growth rather than for survival reasons (Very, 1993). As seen in the experience of Company B, its failed foray into beef cattle livestock farming prompted it to abandon these plans and refocus on dairy and grains (Knecht, 2014) in the hope of improving profitability (Markides, 1995). The case study shows that diversification into agrifood business is a decision for long haul commitment and perseverance due to low margins and slow returns to capital.

Chinese investors in farmland are locked into the upstream segment of farming due to challenges of managing current businesses and the prohibitive costs of processing business and the lack of specialized management skills to take over higher value chain targets (Welch et al., 2016). Faced with slow growth and their bottom line affected by poor weather and high costs, upstream investors' appetite and capacity for expensive downstream investments have been dampened. The high cost of coordination and managing interdependencies of different business lines posed significant challenge to achieving synergy and spread risks through diversification. The firm's likelihood of diversifying into a new business decreases in keeping with the firm's existing business lines (Zhou, 2011). Successful innovation in agrifood chains requires collaborative, coordinated and complementary dynamics (Verena & Jos, 2015).

China is not a '*ready-made market*' waiting for Chinese investors to import resources back home to meet the enormous demand as envisaged. Impediments such as tightening of Chinese import regulations, temporary ban imposed on dairy and beef that did not meet the procedural formalities, or retaliation against host government policies could undermine Chinese investors' bid to grow their market share in China. It takes a long time to develop distribution networks. None of the companies have established a stable distribution channel between the home and advanced host countries three to five years after investing in overseas dairy and beef resources. Companies C and D disrupted export of beef produced in their farms due to shortages, a move that diverged from plans to access resources directly to supply the China market. Investors of Australian beef and New Zealand dairy aimed at the high end Chinese market. Premium quality products commanded a higher price tag than other emerging market producers. However, the Chinese middle class could only afford to purchase Australian beef occasionally. The growth of the Chinese market for Australian beef (C, D, E) and New Zealand dairy (B) have been impeded by an inability to convince more consumers to switch to premium quality red meat, dairy products and Western diet. Participants acknowledged that it would take several years before foreign products gained wider acceptance. Traditionally, most Chinese get meat protein from pork and chicken. As noted by the founder of Company C, it will take time to build up the China market for beef because the present generation of Chinese consumers prefer to eat pork, except ethnic minorities who buy fresh beef and lamb locally. Chinese consumers who are unfamiliar with the method of preparing western style steak and may not appreciate the high price it commands.

Figure 7.2 shows how diversification and internationalization evolved, focusing on the position of POEs. Rising demand in the China market and inherent natural disadvantage in the home country pushed POEs without agrifood base and experience to target resource rich countries such as Australia and New Zealand. They were encouraged by the prospect of capital appreciation, clean and green image, and long-term stability of agrifood business. POEs exhibit heterogenous strategies to diversify and internationalize -- relying on the founders' business assessment, recruitment of professionals internationally, hiring host country local managers and outsourcing to consultants. The outcomes vary across firms, with Company E accumulating more assets and poised for integration when downstream opportunities arise. Since acquiring farmland for livestock production, Chinese investors' objectives to access resources to ship to the China market had not materialize. Australian beef was in short supply and limited to trial distribution or have halted altogether while it remains to be seen for Companies B and C to expand dairy and wine distribution outside their regional strongholds.

Figure 7.2 Dynamic home industry and market effects on diversification and internationalization



7.8 Contribution

This chapter makes multiple theoretical contributions. Firstly, the study combines cross-sectoral diversification and internationalization based on a current phenomenon. This expands research parameters of extant IB knowledge in related diversification and trade-off between product and market diversification. Wealthy *diversifier-internationalizers* can tolerate longer gestation for returns on capital. Secondly, the study enriches process theory by integrating learning and sensemaking approaches of analysis. Using rich field data helps to focus the attention on firms' difficulties due to knowledge gaps, information disclosure and vested interests of intermediaries that could impede achievement of investor objectives and cause operational surprises. Thirdly, I have shown that negative political environment in the host country may hinder rural land purchases even though the Chinese investors are POEs. The liability of the country of origin is as important a consideration, not limited to concerns over state ownership in gaining acceptance and legitimacy in the host country. Fourthly, the study shows that value chain integration is not easily achievable as Chinese farmland investors are trapped in upstream segment, because of the high cost of acquiring processing plants, expertise required and difficulties in developing distribution linkage with the China market. In this study the country-of-origin liability need not stem from historical conflicts, and that bilateral relations may deteriorate from nationalist rhetoric, political campaigns and diplomatic posturing.

The study contributes valuable lessons in management strategy for firms that are diversifying and internationalizing into new products and markets. This chapter has two main managerial implications. First, in making diversification choices, a firm needs to evaluate the double challenges of managing new sectors and markets. The question is whether investors could balance the potential synergy with the associated coordination costs. Failure to be informed of specialized industry knowledge and sensitivities in host country prior to commitment could result in surprises during and after takeover. Firms might get locked into challenges of upstream business management due to weather, regulatory changes and obstacles to expansion. Second, businesses should be conscious that the host country environment and development of home markets may constrain expansion. POEs should not take for granted that they will gain legitimacy owing to their autonomy from the home country government. Hiring local managers to improve the firm's public image and seeking local partners in the host country may mitigate risks of negative backlash to foreign land ownership, instead of holding on to the longstanding preferred acquisition mode.

Companies that are resource-seeking would benefit from testing the ground and cultivating host country networks and business partners early before making substantive commitments. Chinese investors have tried to build a positive image and are prepared to accept short-term losses in their bid to gain direct access to resources in advanced economies for a growing Chinese market. Alternative channels to access resources, such as downstream targets, could be considered for those with strong finances. Investment in agrifood business requires patience and endurance in contrast to fast moving manufacturing and high technology sectors. The limitation is that the case study focused on high protein premium food sectors and excluded POEs that had invested in smaller scale horticulture (such as nuts and vegetables). Their narrative was not a tough struggle, being located closer to the coast than the drought-stricken outback, showed lower costs and higher profit margins as they are aimed at niche local and regional markets. Nevertheless, this study is generalizable within the boundary conditions experienced by *diversifiers-internationalizers.*

8 Chapter Eight: Coevolution of Home Country Actors' Risk Mitigation Mechanisms for Internationalization: Integrating "Come Back" with "Go Out"

"Risk comes from not knowing what you are doing." -- *Warren Buffett*

"Life is short, art long, opportunity fleeting, experience misleading, judgment difficult." -- *Hippocrates*

8.1 Introduction

The notion of risk mitigation in the internationalization of Chinese firms has rarely been addressed in extant IB literature. Conversations in the emerging market stream of IB literature have been dominated by globalization supported by home country institutions that enable firms to overcome competitive disadvantages (Child & Rodrigues, 2005; Rugman & Li, 2007). Outbound Foreign Direct Investment (OFDI) prior to China's accession to WTO in 2001 was associated with high political risk destinations (Buckley et al., 2007) due in part to scarce opportunities of acquiring higher value targets in advanced economies. The internationalization of latecomer Chinese firms was characterized as springboard of serial, recursive and aggressive acquisitions (Luo & Tung, 2007) facilitated by home country advantages against the backdrop of pro-market reforms and deregulation (Luo et al., 2010). Despite institutional support to boost firm capabilities, there was an absence of robust and coherent mechanisms of *how* Chinese businesses navigate risks in the international environment. The preoccupation has been the reliance on ownership advantages afforded by the home country (Ramamurti, 2012; Rugman et al., 2011) and networks (Forsgren, Holm, & Johanson, 2015; Johanson & Mattsson, 1988) which would help inexperienced firms to enter new markets.

Growing references in Chinese official and business platforms linking "come back" (returns and commercial viability) with "go out" (globalization) warrant further investigation. Risk mitigation mechanisms were weak when China's "Go Global" policy was proposed in 1999. Moreover, internationalization is a two-way path; internationalization plans are continuously formulated in response to previous results and feedback. Informal references to "come back" broadened to official expectation of firm's responsibility amidst deregulation and the recent escalation of direct government intervention to limit overleveraging by companies.

The recognition of risk has prompted moves to improve management, governance and profitability. Instead of a top down and unidirectional formula, business actors and stakeholders evolve in the context of growing perceptibility of business risks, shifting priorities and balancing multi-prong internationalization strategy. This study examines the dynamics of risk management in Chinese OFDI with a focus on agrifood sector from the home country perspective and addresses the disparity between practice and theorizing.

This chapter traces the coevolution of home country actors in managing risks as response to feedback from the internationalization process and experience. First, it is pertinent to define the meaning of the term “come back”. While “go out” is a widely used by Chinese with reference to China’s globalization strategy, “come back” emerged less than a decade ago. Scant references to “come back” could be traced to Chinese academic opinions and private narratives by business actors and local officials. Prompted by this emergent metaphorical phrasal verb (McMillan, 2017) and personification of globalization process used by home country actors, I began to investigate increasing concerns over the lack of risk control mechanisms to ensure the commercial viability and sustainability of Chinese OFDI. The study frames “come back” as the enhancement of risk management mechanisms against the backdrop of consumption-driven growth and economic rebalancing.

The choice of studying diverse enterprises with a wide range of core competencies engaging in OFDI in agrifood sector could be justified by the growing demand for safe food. The period under study, 2008 to 2017, saw a surge of Chinese OFDI in agrifood businesses of advanced economies post-GFC. Though OFDI in agrifood sector inherently carries high risks and has not been classified as either a pillar or strategic industry, it continues to receive government encouragement in contrast to unproductive sectors such as real estate. This is attributed to the importance of achieving food security and food security needs through internationalization to complement domestic self-sufficiency policies. Using multiple cross-case studies of eight companies and perspectives of officials, consultants and industry, this study enhances our understanding of perspectives from heterogeneous actors from official, business, industry in the management of risk in internationalization. Perceptions of risks vary and may change and overlap with business practices, regulatory shift and reflections on internationalization experience over time. To enhance contextualization, the study includes media analysis, recent developments and ripples of risk mitigation for some high-profile cases.

The paper begins with a review of the assumptions on risks of internationalization in extant IB literature. Risk of globalization is interpreted to be tolerable and affordable given the strong home country institutional support, unlike most industrialized MNEs (Ramamurti, 2012; Sun et al., 2010; Voss et al., 2010). A preliminary conceptual model integrates institutional (Peng, 2003) and process (Cantwell et al., 2010; Johanson & Vahlne, 2009; Van de Ven & Poole, 2005) frameworks with risk perception. Drawing on interdisciplinary literature from strategic management and political economy (Dieleman & Sachs, 2008; Jackson & Deeg, 2008a; Kostova et al., 2008; Witt & Redding, 2013), I will examine the dynamic interactions of multilevel and heterogenous actors. The research question is: How home country actors perceive and manage risks?

There are two main findings in this study. First, businesses and institutions employed and adapted through self-help, outsourcing, delegation of responsibility and intervention. However, actors adjusted and intensified efforts to improve knowledge, feasibility, protection and image when these measures fell short of expectations. Despite efforts to mitigate risks and improve feasibility, unfolding awareness of specialized knowledge deficiency, host country regulatory changes and unknown risks continue to pose challenges to Chinese investors. Another finding is the irregularity and non-linear internationalization process that includes divestment and draw down of commitments, a departure from conventional focus on speedy serial acquisitions facilitated by deregulation, institutional support and (Luo & Tung, 2007) firm learning (Mathews, 2002a). The interactions of evolving policies, private narratives, formalization and wider acceptance of risk mitigation increasingly reinforce the message for firms to ensure viability of their international commitments. From the findings, I developed a dynamic '*confluence and reinforcement'* of risk management model involving Chinese political and business stakeholders.

This study contributes to elucidating the nuances, relationships and dynamics of risk perception and management over time. I address the complexities of multiple levels and temporal dimensions of home country effects on the internationalization of Chinese firms. The contributions are three-fold. First, reconceptualization using a dynamic approach offers alternative explanations and nuanced characterization to shed light on high risk acquisitions undertaken by Chinese firms. Second, a coevolutionary lens enriches the process frame by elucidating the interdependencies and growing sophistication of firms in managing risks. Learning and responses may spur firms to adjust the levels and types of investment targets instead of the widely assumed and accepted cumulative progression. Third, metaphors serve as a stepping stone to provide deeper insights and enable theorizing on the practice of risk awareness and mitigation in the Chinese context.

8.2 Risk Perception and Management

There is a lack of consensus on the perceptions, effects and mitigation of risks in IB and management scholarship. Risk has been portrayed as inevitable in business decisions as well as a liability to performance. Neo-classical microeconomic theory assumes that higher risks are rewarded with higher returns, differentiating measurable risk from elusive uncertainty (Knight, 1921). Businesses operating in uncertainties have to confront unavoidable risks operating in unfamiliar environments (Vahlne et al., 2017). Risk seeking is viewed as one of the defining characteristics of international entrepreneurship (Shrader, Oviatt, & McDougall, 2000). Knowledge is portrayed as inversely related to risk within the firm working towards additional value creation (Buckley & Carter, 2004). This is consistent with experiential learning in the process model (Johanson & Vahlne, 2003). A bottom-up approach examines risk propensity and experience of individual managers that could be incorporated into organizational strategic decision-making (Buckley, Chen, Clegg, & Voss, 2016). Individual managers may not always perceive or handle risk in the conventional conception of rational decision-making (McDougall et al., 1994). More likely, managers would look for alternatives to improve the odds for expected values of return on capital (March & Shapira, 1987). Extant literature lays the foundation for contingent and situational conditions for managerial risk management.

At one end of the spectrum, doing nothing or installing overcontrolling risk avoidance measures (Smart & Creelman, 2013) would minimize risk. However, firms will miss business opportunities and may have to catch up and maintain competitive advantage in the longer term. Managers routinely respond, plan and anticipate, but specific content of strategies are gleaned from phased learning (Bingham & Eisenhardt, 2011). The process stream of IB literature associates risk moderation with lower commitments such as trading and licensing to (Figueira-de-Lemos et al., 2011; Johanson & Vahlne, 1977). Mature MNEs would arguably be better equipped to assess risks, exercise caution and undertake mitigation measures.

Delays are inevitable due to the time taken to formulate counter-strategies and ensuing market responses (Luoma et al., 2017). The time lag between recognition and response

(Johanson & Vahlne, 1977) to risk, mitigation and outcomes, should be taken into consideration. It could be argued that centralized decision-making authority is able to respond more quickly (Scheffer et al., 2003). However, the counterargument from political economy literature recognizes that decentralization allows local officials and businesses to respond flexibly and improvise mechanisms to make up for weak institutions (Ang, 2016).

Managerial decisions are history dependent and are not made in isolation based on current conditions (Levitt & March, 1988). Learning extends to gaining insights from others' experience or vicarious learning (Jiang et al., 2014; Jiménez & de la Fuente, 2016). It would be difficult to pinpoint the start and end of learning as it is continuous and responsive. Investors could turn liability of newness (Zou & Ghauri, 2010) to advantage by learning from incumbents and predecessors (Posen & Chen, 2013) within and outside their organizations.

Knowledge gaps would increase with the expansion in scale, to different product sectors (Luo & Tung, 2007; Williamson & Raman, 2013), distant locations, industries and markets (Petersen et al., 2008; Shenkar, 2012). Conversely, improved knowledge would help to overcome challenges of internationalization. However, it is possible that management practice may misalign risk exposure with risk appetite due to the lack of awareness and ineffective communication of risk assessment in the organizational culture (Smart & Creelman, 2013). The awakening process may heighten consciousness of the risk and how to manage risks (Liesch et al., 2011).

While conventional risk assessment focuses on firm-specific credit risk assessment using accounting or market data, relational and environmental risks could be moderated by networks performance and experiential learning (Eriksson et al., 2014; Johanson & Vahlne, 2009; Vahlne et al., 2017; Vahlne & Johanson, 2013). Managers in shared networks may seek positive models in the hope of replicating model firms' success (DiMaggio & Powell, 1983; Forsgren, 2002; Huber, 1991; Levitt & March, 1988). It is also possible to acquire deep learning from failures (Madsen & Desai, 2010; Williamson & Raman, 2011; Yang et al., 2015). Learning and adaptation may reduce insensitivity and biases, and help managers to uncover regretful decisions on hindsight reflection (Cox, 2015).

8.2.1 Risk in Chinese OFDI

In the early phases of internationalization, risk did not appear to be a major concern for Chinese firms. A seminal work by UK scholars found linkage between vigorous OFDI to politically risky destinations (Buckley et al., 2007). Chinese MNEs differed from counterparts in most industrialized economies due to market imperfections, special ownership advantages and institutional factors (Buckley et al., 2007). Institutional support may help emerging market MNEs to overcome competitive disadvantages (Child & Rodrigues, 2005). SOEs have greater latitude owing to soft budget constraints and national support for acquiring strategic assets (Kornai et al., 2003). The latecomer perspective shares the view that risk is tolerated and downplayed. Home government support helps to overcome latecomer disadvantage through aggressive acquisitions which often involve risk-taking in the pursuit of strategic assets in advanced economies (Luo & Tung, 2007). Home government support and well-established host country institutions may exempt firms from having prior entry experience and enhance organizational capabilities to manage risks (Lu, Liu, Wright & Filatotchev, 2014). Moreover, it is assumed that EMNEs learn, leverage and harness cumulative capabilities and resources, would be able to moderate their competitive disadvantage (Mathews, 2002a). However, having initial ownership advantages (Ramamurti, 2012) would not sufficiently equip firms with capabilities to address uncertainties in internationalization.

Early OFDI undertaken by SOEs are shielded to some degree by the delegation of authority. SOEs relegated risk as a secondary concern compared to national priorities of accessing overseas resources, technology and strategic assets (Wang et al., 2012). In a risk sharing relationship, the principal (state owner) could not verify that the agent (manager) has behaved appropriately and shared common perceptions towards risk and course of actions (Eisenhardt, 1989a). National champions identified by the Chinese government for internationalization (Landau et al., 2016; Li et al., 2014; Thun, 2004a) did not much pay attention to the means and processes as long as the primary goals of internationalization in scale, speed and scope are accomplished.

On the other hand, private entrepreneurs may risk affordable loss rather than expect returns by keeping uncertainty at an acceptable level in less optimistic situations (Vahlne et al., 2017). This concept draws on effectuation strategy where entrepreneurs “make do” with given knowledge and available resources, and accept a certain level of affordable loss (Sarasvathy, 2001). Serious challenges faced by Chinese firms are the lack of professional knowledge of international accounting, taxation, branding, auditing, finance, transfer pricing, cash flow and risk management, as well as in the host country's business law, judicial system, and commercial arbitration (Luo & Tung, 2007). Acquirers run the risk of overpaying, in part due to inexperience and willingness to pay higher prices for coveted businesses (Child & Rodrigues, 2005). The picture is complicated by the growing prominence of POEs pursuing internationalization autonomous of state guidance. By 2016, half of the value of China’s US$226.5 billion worth of OFDI were transacted by private companies, a significant rise from less than five per cent in 2010 and 35 per cent in 2015 (Barber, 2016).

Inexperienced firms with limited relevant industry knowledge may be oblivious to risk (Liesch et al., 2011) and neglect to manage risk. Higher risk appetite and risk tolerance may be attributed to low cost of capital for internationalizing SOEs (Buckley et al., 2007; Duanmu, 2014; Ramamurti, 2012; Rugman et al., 2011). Managers become more aware of potential problems when they have developed the ability and affordability to take action and follow up to resolve hazardous issues (Weick, 2006). Firms could manage uncertainties and the unknowable by calibrating business decisions to what they could make sense of and understand the nature of the problems.

Recent findings show inconsistencies in risk associated with ownership types. SOE managers notably adopt a “defender strategy” and are less likely to engage in riskier OFDI, in contrast to POEs that are inclined towards prospecting (Peng, Tan, & Tong, 2004). The explanation for a less aggressive SOE strategy is that SOEs perceive their environment to be more hostile, dynamic and complex. In another study, prior knowledge and absorptive capacity of firms are offered as explanations for the level of risk taking: half of the Chinese firms studied have selected experimental risk taking while the others followed cautious and gradual internationalization (Lyles et al., 2014). The transferability of risk management skills from previous experience to different environments is nebulous, and therefore should not be taken for granted (Oetzel & Oh, 2014; Oh & Oetzel, 2017).

Political risk is not limited to instability from major political upheavals and regime change, but extends to less conspicuous policy uncertainty in relatively stable political environment that may undermine firms’ business strategy (Fitzpatrick, 1983; Henisz & Delios, 2004). Easier access to global opportunities, South-South cooperation and resource-seeking motivations probably entice Chinese firms to engage with politically unstable but friendly host countries (Buckley et al., 2007; Duanmu, 2014). Entry to developing economies that are politically unstable could be facilitated through network relationships (Menkhoff & Gerke, 2002; Tung & Chung, 2010). However, risk assessment may not be meticulously calculated and deliberated upon. Managers often rely on subjective feel, in the absence of formal and rigorous and systematic assessment of the political environment (Holburn & Zelner, 2010; Kobrin, 1979). Advanced economies may appear to be low risk destinations owing to strong institutions and stability (Cui & Jiang, 2009; Henisz & Delios, 2004) but Chinese OFDI have encountered liability of country of origin (Child & Rodrigues, 2005; Ramachandran & Pant, 2010). Faced with nationalist responses and regulatory changes, firms may adjust the level of commitments and future managerial decisions (Kobrin, 1979).

8.3 Conceptual Framework

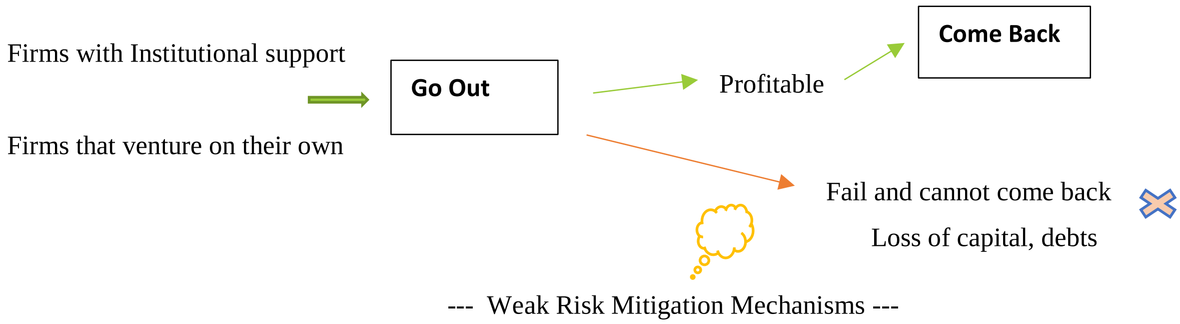
The study of internationalization process of Chinese firms deserves a holistic approach to examine informal, cognitive and interactive relationships (Scott, 2001) beyond formal institutions, rules and regulations (North, 1990) operating in fairly stable environments. A non-deterministic process framework is appropriate to explain change, complexities, learning and variation in commitments (Figueira-de-Lemos et al., 2011; Johanson & Vahlne, 2006, 2009). This chapter examines the refinement of strategies in managing risks through business initiatives, government intervention and adaptive responses. The objective is not to map direct causality suited to the variance approach, but to provide insights as a step towards theorizing (Van de Ven, 2007). China is considered a developmental state with centralized political control and decentralized economic management to achieve economic growth but the path is filled with uncertainties (Knight, 2014). Pro-market reforms had significant impact on the liberalization of SOEs (Dau, 2012; Liebman & Milhaupt, 2015). Deregulation has altered the political-economic landscape to enable previously constrained POEs to expand overseas (Luo et al., 2010). The research problem addresses a concern over the lack of relevant controls that match the risks faced by Chinese investors rather than overcontrol within the spectrum of risk management.

To enrich the process frame, I include multilevel interactions and temporal dimensions as a complex moving picture rather than a snapshot (Ang, 2016; Dieleman & Sachs, 2008; Krug & Hendrischke, 2015; Lewin et al., 1999). An initial conceptual model is developed to identify the types, degree and combinations of risks and mitigation measures to improve viability and sustainability. At the early phases of internationalization, Chinese firms received more direct government support (Buckley et al., 2007; Luo & Tung, 2007) and may accept "affordable loss" and postpone expected returns (Sarasvathy, 2001) to access resources, skills and strategic assets. More recently, business consultants based in Australia have observed that Chinese firms are more inclined to conduct due diligence to manage investment risk.

Metaphors are powerful literary devices that provide strong foundation and useful channel to theorizing (Bacharach, 1989). The advantage of metaphors is their ability to develop new ideas and guide analysis in novel ways to develop a reflexive mechanism to deepen understanding (Alvesson, 2003). The emergent metaphors of including “come back” with “go out” are context specific to Chinese internationalization. Chinese institutions encompass multiple levels of central directives and local implementation, balancing facilitation with individual firm responsibilities. Concurrently, responses and initiatives by business actors, reflection on past internationalization experience, would support the formalization and reinforcement of risk mitigation mechanisms. As managers become more experienced or forced by accountability and expectations to deliver better performance, they are inclined to pay more attention to previously neglected risks and work towards cautious risk management strategy (March & Shapira, 1987).

The research questions of the study in this chapter explore is: *How home country actors perceive and manage risks?* In relation to this theme, this chapter examines the development process of risk migration in the Chinese context. A dynamic model (Cantwell et al., 2010; Chen & Naughton, 2017; Child et al., 2012; Dieleman & Sachs, 2008; Garnsey & McGlade, 2006; Krug & Hendrischke, 2015; Lundan, 2011) would capture the concurrent evolution of diverse interactions and feedback among the main actors in the home country involved in internationalization. Firstly, different types of risks identified from literature and news sources could be broadly categorized as acceptable, unavoidable and manageable risks studied in the process frame (Johanson & Vahlne, 2006; Vahlne et al., 2017). Secondly, field data is studied with the context, industry and secondary sources to uncover different perspectives and adjustment to mitigate risks. Problematization of conventional and accepted assumptions (Alvesson & Sandberg, 2011) based on early internationalization of Chinese firms exhibiting high risk and high premium transactions would advance alternative assumptions to suit an evolving environment. Iteration of emergent data with theory helps to reconceptualize the notion of risks and internationalization objectives. Boundaries to theorizing (Meyer, 2015a; Whetten, 2009) are set within the home country to include local official, managerial and market dynamics over the last decade.

Figure 8.1 Weakness of Risk Mitigation Mechanisms



8.4 Multiple Cases

Two SOEs and six POEs have been selected for cross-case analyses of the commonalities and unique characteristics. Multiple levels of analyzing units (Yin, 2009) can be constructed from corporate entities, management, public policy and private positions and industry opinions. The casing approach (Ragin, 2009) is adopted to explain and give substance to the main themes and changes in risk mitigation. The shifts and intensification of risk perception and management will be examined by studying the interactions of different levels and perspectives from policy, business, response, feedback and fine-tuning over time (Dubois & Gadde, 2002). The participants included senior managers of Chinese firms and local officials of overseeing economic and international portfolios (Chapter 4). To contextualize the research subjects, I complemented primary sources with published company, media reports and archival materials. Additionally, I consulted industry expert opinion (brokers, consultants, scholars) to strengthen reflexivity and iteration with conceptual frameworks.

8.5 Context: Meanings of the terms

The expression of "come back" was non-existent when China embarked on "go out" policy in 1999. The term "go out" is a literal translation from the slogan for globalization *zouchuqu* that was officially adopted and encouraged from 1999 to 2001 prior to China's accession to the WTO (Li, 2006; Zhu, 2001). While the term "go out" is widely known as the informal term for China's globalization policy, the expression of "come back" emerged as an afterthought and caught the Chinese stakeholders' attention only in recent years. A business strategy that incorporates varying degrees of risk management would impact on the success or failure of overseas ventures. Pro-market reforms and the priority to "go out" downplayed or neglected how firms could "come back", *zouhuilai* or *huidelai*. The term "come back" has gained prominence with the increasing recognition that "go out" should generate positive return on assets and profits to repatriate to the parent firm in the home country. Hence, Chinese investors who incurred huge losses overseas would not be able to return to the home country.

The term "come back" also evokes connotations of social acceptance and recognition of successful business by society. An individual's social standing and position in society is important. While losing "face" is seen as a discredit in Chinese society, Chinese management could motivated by the need for social acceptance to strive for success (Lockett, 1988). The concept of face or *mianzi* is embedded in Chinese culture and management (Buckley, Clegg, & Tan, 2006). To maintain, preserve or upgrade one's stature are ways to gain acceptance in Chinese industry and society. For the new breed of *nouveau riche* entrepreneurs, sustainable performance would be vital to keeping their newly earned position.

Government support focused on funding the initial foray helped to improve firm capabilities and provided basic information on host countries (Q3). However, underdeveloped risk mitigation mechanisms and controls could reduce the likelihood of firms "coming back" with profits or capabilities that would benefit the parent company and in turn the home country. Deregulation has given Chinese investors greater freedom and quicker approvals to venture abroad, but the onus was on them to manage risks. While some cautious managers of large corporations initiated formal processes such as due diligence checks, individual Chinese businesses did not apply risk mechanisms consistently. As it became apparent that the performance of some OFDI projects were unsatisfactory, official and business actors reflected on how to improve their globalization strategy and optimize results. Bad loans from domestic post-GFC stimulus and internationalization risks prompted the central government to be more circumspect and reassess risky ventures.

8.6 Dynamics of international risk perception

8.6.1 Official Acknowledgement

The dominant discourse of "go out" policy has grown and remained on an even keel, but it has undergone refinement to balance multiple objectives of globalization. Though review and approval requirements overseen by MOFCOM and NDRC have been relaxed further in

2014, Chinese firms were urged to be responsible for economic and technical feasibility of an overseas investment (Ma, 2014). Procedural simplification and relaxation reduced the costs and time for Chinese enterprises to file reports or obtain approval for investing overseas. However, it was uncertain how official expectations of holding firms accountable for commercial viability of overseas projects could be effectively monitored and enforced.

Delays and policy adjustments (Luoma et al., 2017) are to be expected given the experimental nature of Chinese policies. These would have indirect and mixed effects given the flexible interpretation and implementation by local governments and leveraging by businesses. Concerns over the high-risk nature of some OFDI projects took time to be translated and implemented as formal policy outcomes. In the absence of prepared preventive and proactive risk mitigation mechanisms, firms would be left to fend for themselves and counter the after effects from risks. Responsive remedies may not be timely and effective in resolving problems arising from risk.

The “come back” metaphorical phrase was initiated by academic and professional consultancy services before officials and businesses recognized these concerns. Initially, few commentaries in the Chinese media narrowly focused on foreign exchange issues related to funds repatriation. Prior to 2014, references to “come back” were at best found in official acknowledgement of others’ opinions without any comments. The Chinese Ministry of Commerce (MOFOCM) did not have a policy on “come back” nor was it the originator of ideas on “come back”. The earliest mention of “come back” could be traced to an academic article selected from a scholarly newspaper republished on MOFCOM webpage in 2012, urging firms to learn and strengthen their capabilities to prepare for uncertainties in the competitive international environment “before going out” (Xu, 2012). Soon after China joined WTO, MOFCOM was focused on international expansion but did not pay much attention to sustainability of foreign investments. In 2015, MOFCOM webpage carried a legal consultancy’s advice that for public-private partnership (PPP) to “come back safely”, there is a need to establish good relations with host countries and reasonable conflict resolution mechanisms (Jianwei, 2015). However, the legal experts were quoted as recommending that “come back” would be desirable if Chinese MNEs could create value from OFDI. However, firms should not exploit the “brand” of foreign assets to incur more debt through bank credit and IPO in the home country (Jianwei, 2015).

Though it has been brought to their attention that businesses engaged in risky leveraging, official comments were scarce initially and there was no followup of concrete measures to mitigate risks. Table 8.1 shows two rare references to "come back" published on the Ministry of Commerce webpages. The official position merely noted the views expressed by academics and consultants. The notion of risk was highlighted in the conceptual and normative space, but this was limited to persuasive arguments and proposals for improvement. The process of recognition being translated into active risk mitigation policy was gradual and overlapped with developments in the academic and business discussions. Discussions of related measures are referred to in Section 8.7.2 in tis chapter.

Table 8.1 Selective References of "Come Back" in the Public Domain

Time	Source / Context	Proposals
Dec 2012	Academic commentary from Learning Times commented firms should follow "go out, go in, settle down, come back, restart" strategy.	Be well prepared before "going out". Investors must adapt to host country opportunities and threats.
Nov 2015	A legal consultancy article suggested ways to develop private-public partnership (PPP) model for OFDI, establish good relations with host and resolution mechanism.	Businesses must create value from funds that "come back" and not to incur more debts.

Collated by author from MOFCOM webpages

The years 2014 to 2015 are the likely turning points of rising concern over whether Chinese firms could survive unscathed from internationalization. Regulation and compliance were considered impediments to internationalization, especially by POEs who bore the burden of proving their projects would be successful in their application for approval. Previously, control on the number, scale and pace of internationalization was a blunt and restrictive way to minimize risk of Chinese firms that lack international experience. From gradual relaxation of foreign exchange since 2003, laws governing Chinese firms investing overseas had been simplified and streamlined from 2005 to facilitate OFDI. Chinese OFDI is regulated by multiple compliance agencies in the central government. Deregulation opened opportunities for more Chinese firms especially POEs to internationalize. Since 2015, MOFCOM has put the onus on businesses to ensure profitability. Less than a year after the passage of significant deregulation to facilitate OFDI, the Vice Minister of Commerce Zhang Xiangchen clarified and highlighted at a State Council press briefing that firms must be responsible for evaluating and ensuring risk is minimized so that OFDI projects would be viable (Xinhuanet, 2015). However, it was uncertain how firms could be entrusted to mitigate risks.

> "Enterprises are the principal subject of OFDI, it should be responsible for the risk, profit and loss. If they want to invest, the capital is theirs, so they themselves must be responsible. Of course, OFDI is also related to some national government policies on banking and credit support. For instance, we have some preferential buyer's credit, it's the host government's borrowing from China, to operate some project development. Chinese enterprises contribute part of the capital funds. The Chinese government and banks would of course want to assess the risk of projects, to ensure that the money could be returned. We also want to ensure that the project could continue to be viable." - Vice Minister of Commerce Zhang Xiangchen press briefing (17 September 2015)

Typical to Chinese economic history, policy pronouncements were gathered from assessments that prompted the need to change, but implementation entailed garnering support from different levels of government. Local officials encouraged inexperienced firms to discuss their business plans so that some high risk overseas investment could be avoided. A provincial bureau manager in the Yangzi delta region Q4 (2015) said that businesses were obliged and encouraged to keep the government informed. Officials were concerned that businesses focused on opportunities for making profits but neglected the accompanied risks. However, Q4 justified that if certain OFDI projects were unsuccessful, the government was absolved of the blame if firms did not consult the government prior to venturing overseas. A director in a southern municipality Q2 (2014) disclosed that more than half of Chinese businesses that invested overseas did not file reports of OFDI activities and tapped illicit channels of funding. Government officials acknowledged that smaller POEs who did not receive government support and were unable to get loans resorted to underground funding for OFDI. The risks are higher as these borrowers were not assessed on resource backing, credit rating and repayment ability and are likely to incur higher costs of borrowing.

The articulation of how firms could "come back" in the public domain foreshadowed stronger controls to mitigate risks which were absent or glossed over in the early stages of internationalization. In 2016, Chinese overseas acquisition deals topped US$225 billion, prompting the government to consider closer scrutiny and impose restraints. The frequency, intensity and seriousness in the treatment of risk from internationalization has amplified since late 2016. In January 2017, SASAC adopted a negative list to regulate SOEs OFDI to prevent loss of asset values, strengthen disciplinary inspection of finance and operations, and accountability system (State-Council, 2017). Controls were expanded to capital outflows to over-leveraged, irrational and unproductive areas such as real estate, hotels, entertainment and sports undertaken by POEs (Zhong, 2017a). In August 2017, the MoF formally called for the implementation of professional financial accountability system by SOEs for their foreign investments which included pursuing SOE executives for liability in relation to any losses incurred as a result of "unscientific decision-making and lack of necessary procedures" and failure to undertake adequate financial risk and feasibility assessments prior to commitment (CNB, 2017).

8.6.2 Private Narratives

Undercurrents concerning risky ventures were picked up in private conversations with businesses and officials during fieldwork in the latter part of 2015. Interview participants from SOEs and POEs expressed apprehension over "mistakes made" in earlier OFDI experience. Even hybrid SOEs were increasingly concerned with commercial viability and accountability to shareholders that resemble the characteristics of POEs and conventional MNEs. There is a growing sense of awareness among Chinese investors that internationalization is only a means to an end and there is no guarantee of success unless firms are vigilant and ensure sustainability. The Vice President of a regional state-owned publicly-listed agrifood conglomerate said:

> "Firms that go out (internationalize) and invest in agriculture must ensure they could come back. Do not simply go out and find out later that it would be impossible to return. The priority of investors must be to address whether they could come back after going out. Investment decisions must demonstrate relevance and reflection." – A2, HQ (2015)

The founder and owner of Company C, a diversified POE in metal manufacturing and agrifood distribution, claimed that he adopted a cautious approach. C1 justified his strategy of balancing risk and profitability. Reflecting on judgement errors of Chinese mining companies in earlier resource-seeking ventures, C1 urged current investors to be careful and conceive a long-term vision of market dynamics. OFDI based on optimistic projections of huge demand for resources tended to overshoot and failed to take into consideration possible slowdown in demand and oversupply. C1 believed that diversifying into agrifood business would be potentially more stable and rewarding than investing in mining.

> "Many mining companies have gone out but could not return. Agriculture though less profitable and takes a long time to build up, is less speculative; it's not a bubble. Vegetables cost $5 a kg now; copper prices have fallen and are comparable to the price of vegetables." - C1, HQ (2015)

Besides businesses, risk was also acknowledged by local officials in private discussions. Local officials in cities based in the Yangzi delta echoed concerns over risks expressed by enterprises and urged firms to ensure that OFDI was sustainable. The deputy director of a municipality who was responsible for agriculture division was concerned that capital invested overseas should generate positive earnings.

> "Every year, many enterprises Go Out. They seek support. Previously they went to Third World countries. It was like throwing [investment] into the ocean but you can't see, the waves are strong ... Nowadays, we must ensure good returns for investment." – Q3 (2015)

POE directors of Companies D and F believed that they are responsible for the success of OFDI because unlike SOEs, they could not depend on the Chinese government to bail out failed businesses. Calls for business to "come back" contributed to policy inputs from business interest. In his policy recommendations to the CPPCC, the chairman of a private corporate group (not in the case studies) suggested that SOEs and hybrids could take the lead to "go out" and "attract investment back" to the home country. He said that regardless of individual or state-encouraged infrastructural projects, the objective of globalization is for the firms to make improvements and return to the home country (Liu, Xiao, & 2015).

8.7 Shift in Risk Perceptions and Management

Risks previously regarded as tolerable or unknown could be reconceptualized as avoidable and manageable risks in tandem with further deregulation and growth in OFDI. The Chinese government has put the onus on firms to ensure commercial viability after 2014. While many listed POEs and SOEs were already conducting due diligence prior to OFDI, official statement served as a reminder that risk mitigation would be expected. Business interviewees identified knowledge, financial and technical feasibility and positive image as essential advantages while officials proposed insurance protection. There is a time lag between recognition, identification and formulation of risk mitigation measures. Initially, risk perception and risk mitigation did not feature as a priority in Chinese firms' globalization strategy. When business owners and managers recognized the types of risks and became more aware of the measures available to reduce avoidable risks, they sought to develop risk mitigation mechanisms.

Table 8.2 Evolving Priorities, Risk Perception and Risk Management in OFDI

Evolution	Affordable Risk	Unknown Risk	Manageable Risk
1990s - Pre-WTO National Priorities SOEs champions	– Priority to support firms to gain ownership and competitive advantage – SOE are main players	° Lack of knowledge ° Political instability in developing economies. ° Limited opportunities	• Proximity: geographical, cultural, political, informal networks
Post GFC Balancing Deregulation Feasibility / Viability Awareness / Learning	– Higher value businesses available in advanced economies – More opportunities for strategic asset seeking	° Learning in new areas ° Lack of specialized skills and knowledge ° Managerial biases may underestimate risk level	• Advanced economies are more stable and regulated • Requisite knowledge, due diligence, good relations with host countries
Rebalancing Recentralization	– Rationality in investment decisions – Key sectors are exempted	° Weather, markets ° Host country biases ° Lack of specialized skills and knowledge	• Curbs of over-leveraging in unproductive sectors. • Apply rationality and risk mitigation measures

Table 8.2 tracks the changing perceptions and mitigation of different categories of risks. In the early part of internationalization, Chinese firms that backed by financial resources were inclined to pitch a higher threshold of tolerance for 'affordable risk' as the primary objective was to expand the scale of operations rapidly. Although home country institutional support and informal networks helped firms to gain ownership advantages and background information, these were inadequate to help firms gain deeper knowledge of the target business and host environment. Inexperience may have resulted in not knowing some of the possible risks that firms may encounter in internationalization. In subsequent phases, OFDI expanded to advanced economies which may be culturally and institutionally distant but politically more stable compared to developing economies. Some of the negative consequences included accumulation of debts from overleveraging, new business areas, high risk commitments and challenges of managing uncertainties. Nevertheless, prior due diligence and stability of host countries could not be taken for granted. As officials and businesses became increasingly aware of previously unknown risks and knowledge gaps, interventionist measures were considered and adopted to constrain different sources of risks. The misalignment between risk exposure

and risk management needs to be addressed with further strengthening and distribution of risk mitigation mechanisms.

8.7.1 Knowledge

The rapid growth in the scale, coverage and speed of internationalization has prompted calls for deeper and richer host country knowledge, business intelligence and understanding of specialized industry and context. Since China opened its doors for trade and encouraged firms to venture overseas, MOFCOM and overseas commercial consuls provided basic and general information of host countries and introduced overseas ethnic Chinese networks to potential investors. Business interviewees spoke frankly about the inadequacy and generic irrelevance of the government's information services. Established firms prefer to seek paid professional advice than to rely mainly on the government. A survey showed a third of Chinese firms requested for information from the Chinese government, while 40 percent received consultancy services and training from networks such as industrial and commercial associations (Garnaut et al., 2012). Leveraging relevant knowledge is more useful than accumulating information of different contexts that may not be related and applicable to other situations.

Large SOEs such as Companies A and G have in-house research units. POEs such as Companies B, D, E and F recruited Chinese emigres with professional, industry and international knowledge and hired senior executives in the host countries to manage overseas subsidiaries. Other publicly-listed POEs that still retained a principally family management style such as Companies C and H conducted their own research rather than outsourcing to consultants and intermediaries. Company B valued having a good grasp of detailed information and was willing to pay well for good quality reports. The Vice President (B1) lamented that currently the Chinese government researchers could not meet businesses' requirements for knowledge of high risk host countries. He urged government researchers to bridge the information gaps and appealed for help in providing big data and deep analyses.

> "Since POEs are taking risks, the [Chinese] government should give preferential treatment to show encouragement and appreciation ... Firstly, information on local tax, laws and resources would be useful. Chinese embassies and consuls offer very basic and brief data that do not meet professional standard. Secondly, technical details like water resources, facilities, weather, fair price for M&A are important. Even if researchers charge fees, we are willing to pay for these services. Enterprises spend too much time researching and should outsource … but we want authoritative, professional, consultancy grade business intelligence. Macro & mid-range reports from government researchers should be provided free. We are willing to pay for micro analysis, that are tailored to our needs. For instance, high risk countries. We welcome collaboration and recommendations from researchers." - B1 (2015)

In a similar vein, Company E appreciated more timely and detailed data on markets and host countries to enable MNEs to strategize and make critical investment decisions. Timing is crucial for resources and commodities-based investments because of market volatility and difficulties in projecting future market outlook. The General Manager of the parent company was disappointed with the lack of comprehensive data in China to help potential investors.

> "We lack time to research for information. Foreign investment cannot be delayed because things are changing rapidly. We are really in need of timely industry data. The government publishes data more than a year late (the latest issue had data till 2013) and it's not detailed enough. Only US databases are complete." – E1 (2015)

Local officials claimed they are flexible and adaptive and would try to meet the needs of internationalizing firms that satisfy commercial criteria. According to a director in charge of foreign economic portfolios Q2, there has been a shift from regional and functional categorizations of information resources towards specific customized needs such as relevant project-based assistance to serve businesses better. Government researchers expected to charge businesses fees for providing analysis of business opportunities in target host countries. Semi-official business networks based in Shanghai provide taxation, legal, markets and host country information on the internet and training schedule publicized on social media such as WeChat. However, there remains a gap with business needs for bespoke research that are industry and location specific. In the post-acquisition stages, interviewees also blamed the lack of relevant industry and host country regulatory data to enable businesses to make informed and prudent decisions.

8.7.2 Financial and technical feasibility

Awareness and recognition of risk is the first step towards moderation and precaution. Some IB scholars have observed that Chinese investors may be prone to overpaying for assets, especially well-known and coveted international companies (Child & Rodrigues, 2005). Though widely discussed among business communities and consultants, the "China premium" has scarcely been addressed and conceived as risk in IB research. KPMG and EY consultancies based in China found about a third of investors admitting to overpaying for overseas assets (Fung & To, 2010) and failure of OFDI in meeting expectations (EY, 2014). Financial commitment well above the market valuation of acquired assets poses additional challenge for investors as it would take longer to get returns on capital. Energy and branded assets are more costly and attracted multiple bidders than agrifood business transaction deals (Scissors, 2017).

POEs are becoming important players in OFDI following years of pro-market reforms and deregulation (Chen, 2016). POE managers claimed to be prudent and conducted due diligence, exercise self-discipline and proactively research on potential targets. Large POEs and hybrid SOEs are taking the lead in imparting industry best practice. Awareness of risk is the first step to hasten risk management and put systems and controls in place. Participants in the case studies confirmed that they consulted top notch legal and financial professionals for advice prior to acquisition. Besides engaging the services of multiple intermediaries, POEs recruited professionals and specialists to improve the managerial team's competencies. However, directors of Companies F and H and a business consultant X4 commented that Chinese investors erroneously believed that having money could solve all their problems.

Pro-market reforms since the 1990s resulted in the reorganization and restructuring of SOEs. Though about half of SOE boards are political appointees, the rest are professionals, and publicly-listed subsidiaries in the corporate group are accountable to shareholders (Brødsgaard, Hubbard, Cai, & Zhang, 2017). The expectations of SOE performance and accountability has also been raised. SOEs learned vicariously from earlier internationalizing SOEs to adopt a more cautious approach to internationalization. According to General Manager A1, the Company targeted overseas businesses that were profitable or at least breaking even. Company A was cautious in selecting its investment targets. Managers wanted to avoid squandering its financial resources and damage the image of the model enterprise with a good credit standing. Manager A1 rationalized that it "may not buy the cheapest but the price must be reasonable for the same type of investment assets". Company A "avoided risks by choosing host countries that were politically stable" such as advanced economies or "friendly countries". They also recruited experienced negotiators in the private sector to search for potential businesses and bargain for reasonable terms and did not hesitate to walk away from less attractive offers. A senior director of a central SOE (G1) boasted that they waited for the right opportunities and market cycle to acquire businesses at a discounted price.

From my discussions with Australian trade and investment officials, business brokers and economists, I gathered that Chinese SOEs are becoming "more sophisticated". SOE interviewees engage services of the Big Four, reputable legal firms and market intermediaries in recent years. SOEs adopted due diligence measures through intermediaries like their POE counterparts. According to a senior academic of a Southeast Asian research institute (X8), SOEs were pressured and enticed to learn and compete with POEs. Company G followed the example of large private conglomerates to form multinational consortium funding to spread risks among experienced industry and financial partners when it acquired high value international assets. Institutions responded and followed suit by encouraging private-public-partnership (PPP) in domestic infrastructure, and assessed which firms deserved support. SASAC overseeing SOEs mandated in January 2017 that SOEs should attract third-party investors when investing abroad as part of a push to integrate capital, following earlier restrictions issued under Document 43 to constrain borrowing by local governments and control the escalation of debts. I learned from discussions with Chinese academics in management and agricultural economics that the government encouraged broad collaboration as SOEs could benefit from other market players, mitigate risks and reach higher levels of development. Restructuring of SOEs has been accomplished and the next wave to improve the skills and acumen of managers. Scholars interviewed believed that the rationale behind PPP was to enable reformed hybrid SOEs to obtain more capital, improve management and governance by learning from private sector partners. On the other hand, there are some academics who are critical of PPP as a way for the Chinese government to pass the buck and debts to the private sector. Though private corporations may have less to gain economically, there are benefits to gain political connections as in the previous phases of economic reforms.

While more SOEs are following the guidebook to conduct due diligence, the central government has stepped up measures to offset excessive and ill-disciplined investors. Anti-corruption drive under the Xi leadership has put high spending SOEs under closer scrutiny since 2014. A former senior executive of Company A had been charged with corruption and was eventually sentenced to 18 years jail for bribery and embezzlement. On hindsight, some of the overseas assets acquired during a period of rapid expansion under his watch were divested with some losses. Industry source X10 disclosed that Company A negotiators were also questioned for agreeing to unfavorable deals in recent years. Subsequently, Company A slowed down its acquisition spree and did not achieve the scores of acquisitions slated on its five-year plan.

8.7.3 The Learning Process of Risk Management

Despite risk mitigation measures, POEs may still unwittingly overbid due to the lack of expert knowledge of the potential target, industry specialization and applications of host country regulations. Moreover, when international expansion gained momentum, managers tend to be lulled into overconfidence. Industry and host government sources are concerned with firms targeting trophy assets such as large landholdings and critical infrastructure as that may trigger nationalist backlash in host countries. Company B was complacent, believing that political stability of advanced economies and strong regulatory regimes would award prized assets to the highest bidder. Being a POE, Company B did not expect the hostility towards its bid for large landholdings in Australia and New Zealand. Company B was surprised and learned a costly lesson that despite being a POE, growing public concerns could steer the host government to reject its investment application.

The experience of Company D also highlights the challenges of unknown and unavoidable risks. Despite investing time and resources to research potential targets and host countries, investors would not find out critical details about the potential business if the seller withheld information. Company D realized how challenging it was after taking over and operating the business for a year. Bad weather, climate change and market dynamics are often left out in upbeat projections modelled by financial consultants who were enthusiastic to close the deals. As the assessors were external parties outsourced by Chinese investors, they did not have to bear the consequences if certain risks had been overlooked. Participants of Company D were initially confident that they did all that was necessary to ensure checks and due diligence and paid a reasonable price for three rural properties in Australia. However, it gradually emerged that these measures were inadequate. In the beginning, the Vice President D1 at the parent headquarter office was confident that he had secured a good deal and subsequent narratives revealed inexperience in handling crises unseen in the home country.

> "M&A requires specialization in knowledge about the legal aspects and supply chain, local expertise, human resources, and how to ensure getting a reasonable price. The popular talk about "China premium" was that Chinese purchase at high prices but sell cheap. We are very cautious about investment and must debunk the myth of China premium. Foreigners find it hilarious and mind boggling why Chinese investors are willing to pay double the asking price." - D1, HQ (2015)

The narrative turned more depressing as operational realities set in. The parent company management was certain that it had not paid a premium, but a manager of the overseas subsidiary admitted a year later that "hopefully they had only paid a small premium". In the following year, D1 admitted there was a gap between his professional knowledge and business investment. Overseas subsidiary manager D4 later acknowledged in 2017 that it would be difficult to resell the assets at the price they bought for. Another business owner C1 also admitted to overpaying for subsequent cattle farmland acquisitions after a successful spate of investments in wineries. Moreover, Companies B, C, D, E which were non-agricultural firms in China diversifying into agrifood sector and internationalizing concurrently. Their international experience was limited to trading, exporting non-agrifood manufactured products and services. Compared to investors whose core-businesses were in the same sector as international acquisitions, the cluster of *diversifiers-internationalizers* studied had to confront and manage additional risks. Though they recruited professional managers and locals, all except Company E were not well-equipped with some training, management skills and experience to operate overseas ventures.

8.7.4 Industry specific risks: Agrifood sector

Chinese SOEs have been encouraged by the government to target higher value added and entire supply chain as a measure of risk mitigation. Agriculture production bears higher risks due to vulnerability to natural conditions and are unlikely to yield profit margins in the short-term. According to a recent research conducted by the NDRC, Ministry of Finance and Ministry of Agriculture, only two central/national SOEs and few provincial SOEs have invest in the global processing and supply chain, whereas most agrifood OFDI are concentrated in ventures that bear high risk and low returns (Jiang, 2017). POEs complaints difficult to get loans, lack of support, slow processing. Senior government researchers and advisers highlighted the need to be more tolerant of slow returns from agricultural OFDI in contrast to conventional corporate performance evaluation (Cheng & Zhang, 2014). In the latest government directives, OFDI in agrifood sector has been identified as one of the encouraged sectors along with resources and technology because of the importance of food security and food safety in contrast to real estate, sports and entertainment which are considered unproductive sectors. Upstream agrifood investors are vulnerable to unavoidable risks which include bad weather and global price fluctuations. Though downstream segments are more profitable, investors must contend with high cattle prices, cash flow problems and dealings with host country industry networks and managing local staff.

The Chinese domestic agricultural sector enjoys high levels of support for production, mainly relying on price support for risk reduction (also implemented in Korea and Japan) and rate payment or subsidies (practised in EU and US) (Antón, 2009). Though the Chinese government subsidizes domestic agriculture, subsidies and insurance was not available to Chinese agrifood businesses investment overseas. Most of these proposals remain on paper due to difficulties in implementing support for Chinese investors. The Chinese government only provides general personal accident insurance subsidies for Chinese expatriates working abroad

(Luo et al., 2010). The idea of providing support for agrifood OFDI to mitigate risks remains an elusive plan that has not been implemented.

Listening to the meetings with businesses, government researchers who worked closely with FAO and the World Bank suggested support for insurance protection against inherent risks in the vulnerable agricultural sector. Insurance is a form of risk management by transferring and outsourcing the risk to another party. Though the idea of insurance coverage for international agrifood investment was novel and important, some managers questioned its adequacy and affordability due to the high cost and uncertainty of insurance coverage.

> "We need some insurance coverage to protect against risks. Paying a premium for the short-term is not an issue but for long-term investors (in the agrifood business) covering 30 years would mean paying a higher premium. It would be disadvantageous for companies going in for the long haul, like fishing with a long line. Government support would not be sufficient." - A1 (2015)

A POE executive based in Australia was more candid in his criticisms, raising doubts about the feasibility of overseas insurance proposal. D4 reasoned that Chinese insurers would not understand diverse international host environments to cater to the specific needs of clients.

> "There is no such transnational insurance product (modelled from domestic practice). It would be difficult to offer insurance and support claims because Chinese insurers do not understand the farming business overseas. It would be too costly and unsuitable to the insured. Within China, there are many types of professional insurance products and specific services. For instance, natural calamities and extreme weather conditions in Xinjiang that cover loss of herd. In Australia, we take up general insurance for workers compensation, floods, fire, loss of property coverage." – D4 (2017)

Some Australian agrifood commodities companies and industry consultants advocated lower insurance payments by farmers during an agricultural symposium held in Sydney in September 2017. However, these proposals are preliminary and have limited influence on insurers. It is aimed at alleviating problems from natural calamities and climate change. In another follow-up interview, D4 complained that insurance for farm assets in Australia will be increased as conditions worsened for farming.

> "We are paying too much premium. The insurance broker recently pushed for increasing the scope of coverage. This will really a big burden for us." - D4 (2017)

Due to the gaps between business expectations and government delivery of knowledge, proposals for insurance coverage for Chinese overseas investors failed to take off. Despite additional risks shouldered by agrifood investors and long-term gestation of return on capital, home country institutions professed to support certain OFDI which meet vital domestic needs such as food security. Though some degree of risks could be mitigated by pre-investment exercise of due diligence procedures, Chinese investors continue to contend with unknown and unavoidable risks such as harsh weather, inadequate industry knowledge and relevant management skills that match their overseas acquisitions.

8.7.5 Political Risks

Chinese investors may suffer from negativity attributed to the liability of country of origin (Child & Rodrigues, 2005; Ramachandran & Pant, 2010). A survey of local officials indicated that political instability, economic and regulatory changes in host countries are among the top risks borne by Chinese agrifood investors overseas (Jiang, 2017). It is acknowledged in semi-official and consultancy online social media platforms that the US is not a friendly destination given the geopolitical background and the tedious approval processes supervised by CFIUS. However, most investors hold superficial and subjective assessments of the host country political environment (Kobrin, 1979). In the earlier years of phenomenal surge in agrifood OFDI to advanced economies, Chinese businesses and local officials blamed the "opposition parties" in advanced economies for disrupting foreign investment for political gains but trusted that the government in power would act rationally and not dismiss inflow of foreign capital. However, public campaigns and media scrutiny may lead to deterioration of the operating environment and negativity that could not be defused easily. Opposition and vested interests could pressure the government to tighten regulations especially in situations where the government holds a slim majority.

SOEs tended to favor Europe over the US as the region is seen as less politicized and offered differentiated regimes on OFDI (Le Corre & Sepulchre, 2016). The Vice President of Company A identified European countries as more sympathetic host destinations.

> "In terms of resources, Australia is the closest distance to China. Europe offers great potential. International relations will determine [what happens]. Europeans empathize with Chinese investors because they too had been "tricked" by the US in the past. East European countries are very interested in our investment. They have a good resource base." - A2 (2015)

However, even Germany has recently imposed restrictions on Chinese acquisition of high technology firms (Gilchrist, 2017; Liu & Woywode, 2013). Though advanced economies are politically stable, Chinese investors are exposed to populist, nationalist and protectionist backlash in host country politics. SOEs and POEs care about the image and reputation of Chinese investors and are sensitive to developments that may hinder future OFDI. SOEs and

POEs concur that the government could do more in terms of diplomacy to project a more positive image of their home country.

> The Chinese government could influence the direction of OFDI by showing support. I think it would be sufficient if the government could educate the young well and improve the country's image in foreign relations." - F1 (2015)

The asymmetry between Chinese investors' home country and host countries that belong to the developed world became more apparent to managers from hindsight. Despite cautious efforts to avoid buying land, the firms studied realized that cognitive bias persisted. Hence certain industries such as agrifood business are more susceptible to challenges in host countries than manufacturing and services. Chinese scholars claimed that MNEs pursued both economic and social objectives to gain goodwill in the host countries. However, national factors and cognitive processes interact to form asymmetric distance perceptions (Håkanson et al., 2016).

Some owners and senior executives interviewed considered the option of wait and see, preferring to halt overseas investment expansion in unfriendly host countries and seek alternative target destinations. These Chinese firms, regardless of size and ownership, either had unsatisfactory experience or assessed that the host governments were biased. For instance, Companies C and G which had earlier invested in Australia, hinted that they might consider investing in other regional countries after witnessing the erratic application of regulations on signatories of Free Trade Agreements and lowering the threshold for scrutiny towards Chinese investors. Even though both companies have yet to commit to suitable targets in Southeast Asia, further investment in Australia has been put on hold as the management hinted that Chinese capital was not appreciated by certain political and vested interests and that could undermine their profitability. Additionally, concerns over domestic debt and the Chinese government's pressure against overleveraging, managers would have to make careful and discerning choices in investment decisions.

Since the Belt and Road Initiative (BRI) was introduced in 2013, the central government has been promoting investments towards preferred destinations and projects. According to local official Q1 (2017), the BRI platform encourages investments with friendly countries and allows the government some leeway to monitor and shape the course of large-scale overseas projects. BRI framework has been encouraged by the Chinese leadership to extend its domestic achievements towards growing and integrating regional economies sympathetic to its interests. Despite other inherent risks of BRI, the latest platform helps to address one of the sources of risks emanating from a more protective global investment climate spearheaded by US and followed by its close allies.

Agribusiness has recently been included in the predominantly infrastructure-focused BRI. This was aimed at integrating supply chain logistics support to ensure security of food supplies. In 2017, the Ministry of Commerce confirmed that 30 of the 64 countries in the BRI have signed bilateral agricultural agreements with China (Jiang, 2017). A longstanding difficulty for smaller POEs to get cheap capital could be addressed by taking advantage of Silk Road Fund. However, academic and industry sources cautioned that Chinese investors used the BRI label to gain official approval and support for their projects. Financiers are concerned about the economic and financial risks and uncertain returns of investing in BRI as some partner countries are economically undeveloped, politically unstable and rife with security problems (Cai, 2017). Consequently, some high risk and costly infrastructural projects running through the northern corridor have been delayed or called off due to political instability, incompatible Chinese construction equipment and difficulties in securing credit.

8.8 Tightening of OFDI criteria

Consistent with the experimental nature of Chinese economic policy management, different levers had been utilized to selectively focus on certain risk mitigation mechanisms. There is room for improving the effectiveness of existing controls and instating mechanisms in areas that are lacking in risk mitigation. As discussed, the main trade-off of deregulation was that more firms could take advantage of relaxed approval process and tended to overleverage. References to unsatisfactory outcomes from soft budget constraints, cannibalizing, overbidding and inexperience of early internationalizing firms were confined to private narratives until the last two years. Despite official suggestions to make firms accountable for risk taking and performance of OFDI, it was difficult to monitor and enforce uniformly. The state media has often projected a *balanced* prognosis, citing business consultancy studies that showed a third of OFDI were profitable, a third broke even and the rest incurred losses (Pheonix, 2015).

According to Q1, “face” is very important to the Chinese, hence the government tried to put up a brave front and would not dwell on the details of failed cases. Local officials Q2 and Q4 admitted that more than half of Chinese businesses that invested overseas did not file reports of OFDI activities and had utilized illicit channels of funding. After decades of decentralization to local authorities that propelled domestic growth and internationalization, the central government intervened to curb excessive commitments and soaring debts. Since 2014, re-regulation and recentralization encompassed corrective reactions to excessive deregulation and debts. Local officials confirmed that the central government has employed state-owned financial institutions to rein in those capital outflows deemed as unwarranted and wasteful investment.

8.8.1 Rational investment decisions

To strengthen the justification for the shift towards central monitoring and restraints over unfavored types of OFDI, the government called for *rational* investment decisions. The rationality argument is couched as reasonable and scientific to convince and gain public support for tougher regulations and enforcement. The objective is to persuade and present Chinese investors as sensible and savvy, not inexperienced and desperate to acquire overvalued assets. High profile trophy acquisitions are discouraged under the new regulations except in sectors that are deemed crucial and beneficial to the home country. Reducing the volume of Chinese OFDI and focusing on key sectors may also limit saliency bias and negative response towards Chinese investors. Local official (Q3) and POE manager (F1) have criticized those who indiscriminately chased overseas for undermining the reputation of other Chinese investors. These comments foreshadow the gradual formalization of risk controls of excessive and imprudent OFDI.

In August 2017, the State Council stated that "profound changes are taking place in international and domestic situations, and Chinese enterprises face not just relatively good *opportunities* but also various *risks and challenges* in overseas investments" (Bloomberg, 18 August 2017). Risk mitigation was considered to redress overleveraging of overseas investment. The Director General of the International Cooperation Center of NDRC Cao Wenlian publicly stated (as reported by CNBC) that

> " [The government] is not discouraging overseas investment; it's just that the government has started regulating overseas investment … what the Chinese government has done is to control or fend off the risks … We should rein in the belts of companies and remind them that their investments need to be wiser." (Yan, 2017)

Financiers have already been exacting more stringent terms on businesses to ensure that OFDI would be financially viable through years of pro-market reforms. According to a manager of a private commercial bank X5 (2015), the procedure to approve loans is guided by commercial assessment of credit worthiness and repayment capability of investing firms. Commercial assessment was the primary principle applied, though personal networks may help in some instances after commercial tests have been met. Even for government-supported BRI initiative, bankers are increasingly demanding tougher terms to ensure viability and longer term sustainability of these projects (Cai, 2017).

8.8.2 Business affirmation of risk control policy

Chinese POEs weighed in to express support for national policies. Prominent billionaires defended their past and present OFDI strategies to claim adherence to government objectives of low risk, viable and sustainable overseas investment. The Chinese media recently featured the Chairman of Fosun Guo Guangchang reassuring his employees that the company's high-profile acquisition of French dairy jointly with a Chinese SOE was to gradually consolidate global resources, reduce debt, improve financial strength and development in China. Guo differentiated his strategy from some Chinese enterprises that tried to outbid each other (Li, Zhang, Zhang, Peng, & Feng, 2017; Yan, 2017). Another prominent businessman Cao Dewang exhorted Chinese firms not to blindly "go out", but to be clear about the objectives and shortcomings. He claimed to have done extensive research before investing and used every cent of his own money. Cao claimed that "if you fly out, you must return on a plane and not walk home because you do not have money to pay the airfare" (He, 2017).

Model POEs continuously negotiate with the Chinese authorities to moderate policies that inadvertently hurt Chinese overseas investment interests. Company F's founder capitalized on the government's general tightening and selective encouragement of agricultural OFDI to justify requests for more substantive support of Chinese enterprises that fulfilled China's growing demand for fresh food and premium quality food by investing in resource-rich advanced economies. Company F had invested in meat processing and distribution in Australia and the US but faced subsequent import restrictions imposed intermittently by customs on meat imports. For several months in 2017, Chinese authorities imposed a temporary ban on some foreign meat distributors, including those invested by Chinese companies, from selling meat to Chinese consumers. Products from overseas subsidiaries of Company F also faced intense competition from cheaper substitutes from emerging markets entering the China market. Ironically, post-acquisition challenges which stem from home country regulations has become an area of concern for some POEs.

The concept of risk continues to be co-constructed by Chinese official and business actors. Even investors who are not overleveraged with borrowings in overseas commitments could be urged to support the home country. Company D has been advised to divest some of its overseas assets to boost domestic liquidity as China braces for the looming trade war with the US. It was less than a year ago during my follow-up meetings that D4 confirmed that the Chinese government supported its OFDI in agrifood business as seen in the quick approval process. D4 vindicated that the company had healthy cash flow and used its own accumulated resources and did not have to service loans. Being a publicly-listed company, Company D's financial results were strong, despite some setbacks encountered when diversifying into agrifood OFDI. However, recent developments

8.9 Discussion

A dynamic approach adopted in this study explicates how multi-level interactions of heterogeneous business and official actors in the home country take place and responses to domestic markets and feedback from internationalization experience. The growing awareness of the types and levels of risks reinforced risk mitigation mechanisms initiated by business and government actors. Considering the experimental and exploratory character of Chinese political economy, learning and adaptation could sensitize actors to the environment and reduce biases and uncover regretful decisions from hindsight (Cox, 2015). The metaphor "come back" gradually mingled with the predominant narrative of "go out" in Chinese globalization strategy. The growing acknowledgement of "come back" as a resonance to "go out" showed increasing concern over viability and sustainability of internationalization. This study has identified risk mitigation mechanisms as the missing link for firms to "come back". This awakening and recognition by Chinese institutions and businesses constituted a learning process from previous investments that did not transpire smoothly as envisaged. Chinese agrifood OFDI to advanced economies learned from losses in the mining sector and were determined to avoid the pitfalls. Changing priorities called for moderation of some aggressive OFDI which did not meet expectations of returns on capital and long-term sustainability goals.

From the findings of this multiple case study, public statements and economic reforms, I developed '*gradual confluence and reinforcement*' model consistent with internationalization process. Previous studies tend to portray static and stable conditions. Linear path dependency assumes that internationalization will expand unabated. A study found Chinese POEs found the risk of entry modes are associated with firms' resource endowment and organizing capability (Liang et al., 2012). However, the assumption is contradicted by examples of firms endowed with resources and internationalization experience undertaking precautionary measures to minimize risks. This study shows that scholars, businesses and government reflected on the course of rapid serial acquisitions and put in brakes and controls to ensure more sustainable overseas investment. The perception and management of risks have changed over time.

I identified diverse sources and levels of risks that have been overlooked. In the initial years of internationalization, owners and managers relegated risks as secondary and affordable rapid expansion (Buckley et al., 2007; Luo & Tung, 2007) being the primary focus. Motivated by resources and strategic seeking objectives, Chinese firms geared towards gaining competitive advantages. Firms embarked on serial acquisitions which are riskier than other modes. Some degree of risks was tolerated (Luo & Tung, 2007; Lyles et al., 2014; Ramamurti, 2012) if the expected returns outweighed the costs. Studies on rapid internationalization and high-risk ventures were assumed to be affordable risks underwritten by home country support which in turn supports firm specific advantages (Rugman et al., 2011). Having found the nuanced explanations of home country support in Chapter 5, I am inclined to rely on the process framework which offers scope for building the narrative of risk management. MNEs may treat initial losses as part of learning (Vahlne et al., 2017) and "make do" with available resources and accept affordable loss (Sarasvathy, 2001). Consequently, underdeveloped risk mitigation mechanisms were not applied consistently by different actors.

Inexperienced Chinese firms still have much to learn in evaluating different types and levels of risks and dealing with the unknown. Businesses new to an industry or OFDI may have to endure unavoidable risks (Vahlne et al., 2017) given their limited knowledge in industry and host country. The nuanced treatment of risks helps to explain the apparent paradox of Chinese risk aversion in earlier OFDI. Early Chinese OFDI showed acceptance of high risk destinations in developing countries. Initially risk management was not incorporated in the firm's internationalization strategy owing to lack of awareness or recognition of risk. Firms learned and accepted that some risks are considered avoidable and manageable as firms exercised due diligence and spread their portfolios to hedge the bets.

8.9.1 Turning Points

A significant milestone is deregulation of OFDI from 2014. This encouraged more firms to “go out” but the government made it the investors’ responsibility to mitigate risks. Privately, government researchers sounded out businesses with the proposal of support for insurance to help Chinese agrifood businesses overseas. However, implementing ill-defined measures would be challenging in different regulatory regimes. Under pressure to be more accountable for their commercial performance, large SOEs raised awareness of different dimensions of risks and improved management through learning and due diligence. Model hybrid SOEs have selectively followed industry standards set by successful POEs (DiMaggio & Powell, 1983) in evaluating targets and mitigating risks. For instance, Company F was part of a multinational consortium fund and formed joint ventures with industry leaders in the host countries. Pro-market reforms resulted in Chinse hybrid SOEs behaving more like POEs and the characteristics of companies with links to the state have been observed in other countries (Estrin, Meyer, Nielsen, & Nielsen, 2016). Experience from unsuccessful bids or unexpected difficulties (Madsen & Desai, 2010) served as lessons for Chinese managers to halt expansion in unfavorable host countries or consider alternative destinations. Only in the last two years did the Chinese government intervene to reduce overleveraging to cool both domestic and overseas investment. Table 8.3 shows the evolution of risk perception between regulations with enterprises, from light consideration for risk mitigation to gradual evolution and confluence and reinforcement of support for Chinese international investors to “come back”.

Publicly-listed SOEs and POEs in this study display willingness to engage professionals to conduct due diligence prior to OFDI. Senior executives of one corporate group initially thought that they clinched a good deal and had avoided paying the “China premium” (Child & Rodrigues, 2005). Despite conscious efforts by Chinese businesses and officials to improve knowledge, recruit industry professionals and assess the feasibility of projects, there exist disparities over expectations and delivery of knowledge, precautionary measures and high cost of insurance coverage. Basic awareness may not always translate into effective measures to deal with consequences of risks and unknown risks in the future. In hindsight, some managers gained a better understanding of knowledge gaps and ineffective mechanisms of tackling risks. Recognition has led to subsequent recalibration of risk perception and management (Liesch et al., 2011). Nevertheless, there would be inevitable time lag (Johanson & Vahlne, 1977; Luoma et al., 2017) between awareness, response, planning and implementation. The ineffectiveness of past persuasion on firms and ineffective controls prompted the home country institutions to exert tighter regulations to limit irrational investment decisions and deleveraging.

Table 8.3 Changing Perspectives on Risk Mitigation

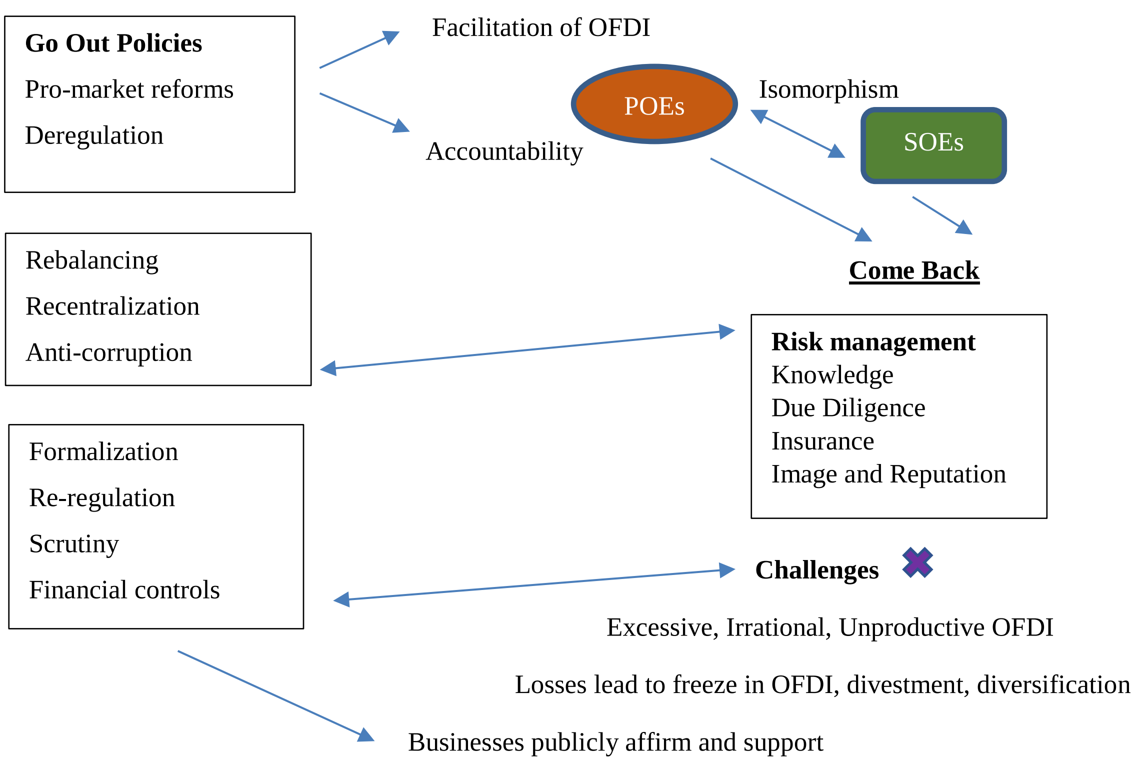
Time	Regulations and Official Statements	Narratives of Enterprises
2014	Deregulation: NDRC Order 9 and MOFCOM Measures.	(Pre-interview)
2015 Sep Government	Vice Minister of Commerce clarified at a press briefing on deregulation measures, that enterprises must be responsible for OFDI risk evaluation, management, decisions, profit and loss and ensure that money can be returned.	Firms target good value assets and conduct prior investment due diligence.
	Government facilitates Go Out procedures. Businesses must be responsible for ensuring viability.	SOE A VP said its OFDI must come back unlike earlier mining OFDI. POE C owners urged "come back" and avoid examples of failed mining OFDI.
	Recentralization and closer scrutiny of rapid expansion and overpayment for overseas assets.	Former SOE senior executive was jailed for corruption.
Aug 2017 Re-Regulation Deleveraging high risk ventures	SASAC adopted a negative list to regulate SOEs.	
	Encourage agriculture, resources, energy and technology sectors. Restrict real estate, hotel and sports.	Privately, Company D overseas manager affirmed that agriculture was exempted. He defended their low leverage and cautious approach.
	Direct crackdown on SOEs and indirect pressure on highly leveraged POEs.	Company F capitalized on government encouragement of agrifood sector to request for support and facilitation of customs processing.
	State Council statement on balancing risk and opportunities in overseas investments.	Public affirmation of support for government policy. Two billionaires claimed their longstanding alignment with national objectives.
	NDRC criticized "irrational" overseas investment in some sectors, while encouraging projects linked to the Belt and Road initiative.	
	MoF proposed that SOEs implement professional financial accountability system. SOE executives are liable for losses incurred due to irrational decisions and failure to undertake adequate financial risk and feasibility assessments.	

Collated by author from Chinese newspapers and webpages of Mofcom and business commentaries

Recentralization accompanied by anti-corruption investigations have strengthened monitoring systems of SOE deals. Successive tightening on overleveraged OFDI in unproductive sectors through the financial system have been extended to POEs as well. The central government justified intervention and tough policies as necessary measures to promote rational and responsible business decisions. The formalization of regulations on encouraged and discouraged sectors received strong public affirmation by Chinese businesses. The effectiveness of risk controls would be boosted with the convergence of policy and business interests. Private businesses openly claim alignment with government policies to ensure prudence, value creation and sustainable internationalization. This in turn strengthen the bargaining strength of businesses targeting agrifood OFDI and other favored sectors.

Figure 8.2 is a graphic representation of the evolution of risk and mitigation as perceived by different actors in the home country. Risk management and mitigation are more likely to result in firms that "go out" to "come back".

Figure 8.2 Evolutionary Diffusion and Reinforcement of Risk



8.9.2 Failed cases

There are probably riskier ventures that were unprofitable and could not "come back" than is widely publicized. Chinese officials and businesses are embarrassed and reluctant to acknowledge failures. However, remedial actions were undertaken to address concerns and guard against similar mistakes in future. The wealth of the eight agrifood business groups in this study enabled these firms to overcome unexpected challenges and stay afloat. Despite paying premium prices for some assets and incurring operational losses after takeover, divestment and de-internationalization have been moderate and limited to assets that showed limited potential of turnaround.

Even experienced agrifood companies are not shielded from high risks despite taking pre-emptive and precautionary measures prior to OFDI commitment. Companies A and G had to divest some of its foreign assets to align with the parent companies' core objectives and cut loss making operations. Nevertheless, because these assets are at least second-tier reputable companies, there were ready buyers albeit incurring some capital losses. Company H was dogged by cash flow issues and decided to sell most of their meat processing assets to an established Australian business after repaying their debts.

Churning and recycling of assets have been seen in previous failed cases of Japanese and Chinese investments in real estate and dairy sectors. A freeze in international expansion and selected divestment did not amount to large scale de-commitment by Chinese firms in this study. As Companies A, D, E and F have strong financials and diversified domestic businesses, it could buffer against shocks and risks from localized suppliers and markets. The overall profitability of business groups was not affected as the conglomerates' investments included diverse portfolios of high returns, long-term, stable and risky investments. The eight case companies are content to cut costs and postpone integration of existing businesses in the short term. Selective streamlining, divestment and de-commitment were carried out by Companies A, B, H and G to refocus on developing core businesses.

The cluster of *diversifier-internationalizers* (Companies B, C, D and E) who ventured into non-core agrifood businesses and internationalization faced multiple risks. Not only did they lack international investment experience, they were unfamiliar with the agrifood sector, and therefore had to shoulder immense risk. Despite their previous success and profitability in non-agricultural core business in the home country market, diversifying and internationalizing firms such as B, C and D could not meet performance targets. Though they understood that agrifood OFDI entails long gestation, low returns, slow growth and high risks, they thought it would be rewarding in the long term and decided to stay for the long haul. Diversification is fraught with uncertainties and may not always lead to improvement of profitability (Montgomery, 1994) especially in unrelated product and industry (Mishra & Akbar, 2007) and may even increase risks (Kucuk Yilmaz & Flouris, 2017; Liesch et al., 2011) for the investor. Moreover, diversification into non-core sectors may encounter coordination difficulties, dilute synergies (Hashai, 2015; Zhou, 2011) and compound the types and degree of risks. Companies C and D persisted despite adverse weather conditions (Vahlne et al., 2017) which could be deemed affordable losses (Sarasvathy, 2001). Company D executives continue to hope for improvement of weather and a turnaround. Poor performance of acquired overseas assets discouraged Companies C and D from expansion and they were locked in the current upstream value chain.

Apart from mitigating financial risks, Chinese investors contend with risks arising from knowledge gaps of host country industry practice and policy uncertainties in advanced economies when formulating business strategy (Fitzpatrick, 1983; Henisz & Delios, 2004). This study extends and enriches the process framework by finding different levels and types of risk management the level and types of risks in the discovery, response and mitigation process. In hindsight, investors learned that due diligence could not be fully outsourced as consultants are hired to achieve predetermined ends based on information provided by the vendors. To understand the risks of their potential ventures, managers should possess comprehensive knowledge of potential investment targets, industry and the host country environment. Challenges from lack of specialized industry knowledge, bad weather and market dynamics impact agrifood sector more than other industries. Though advanced economies are politically stable, there are unavoidable risks (Vahlne et al., 2017) from uncertainties of regulatory changes that would be difficult to anticipate and manage.

The participants in this study tried to build a positive image or avoid negative publicity and had urged the government to step up diplomatic efforts to build a more conducive and friendlier environment. This supports the argument that businesses with a favorable corporate image and reputation would be able to develop sustainable competitive advantage (Yeo et al., 2011). Though earlier studies highlighted the challenges of host countries nationalism towards sensitive security related state-owned targets (Zhang & He, 2014), POEs too face difficulties when acquiring sales by private family businesses in the light of dynamic host country posture towards Chinese investors. The study shows that not only the SOEs but POEs too face risks from negative biases in the international environment and this may be difficult to alleviate. Hence, there is a growing agreement among officials and businesses to focus on the key sectors and friendly host countries.

8.10 Conclusion

This study captures multiple perspectives and temporal dimensions of the dynamic political economy. Motivated by the emergent metaphor used by participants of incorporating "come back" as a rejoinder to the dominant Go Out policy narrative, the study is framed as the process of strengthening risk mitigation mechanisms. Extant literature focuses on high risk and aggressive acquisitions in earlier internationalization of Chinese firms supported by ownership advantages and institutional factors. Departing from conventional IB scholarship which focuses on ownership advantages that support persistent OFDI, I address the increasing concerns over the viability and sustainability of the internationalization of Chinese firms. Conventional assumptions are problematized to expand the scope for findings and theorizing to capture the dynamic perception and management of risk. This study offers an alternative perspective and explanation using an evolutionary approach. This enables me to develop a "*gradual confluence and reinforcement model*" to explain the notion of risk in the internationalization process of Chinese agrifood business. Pro-market reforms, deregulation and recentralization shape the perception and management of risks in internationalization. Addressing financial related risks is only the first step as firms need to pay attention to knowledge deficiency and political risks.

The contributions of this chapter are three-fold. First, the dynamic reconceptualization of risk perception and management offers alternative explanations to existing perspectives of high risk acquisitions. As Chinese firms continue to internationalize against the backdrop of a consumption driven home economy and recentralization, risk mitigation has taken on different overtones. Second, the evolutionary approach enriches the process frame by showing the non-linear, interdependencies and growing sophistication of Chinese firms and home government in mitigating risks and ensuring sustainability. The transitional nature and key turning points of risk perceptions and mitigation efforts have not been well recognized and appreciated in the existing body of literature. Third, metaphors provide insights and a means to encapsulate evolving risk perception and risk management as part of firms' international investment strategy.

There are significant ramifications of risk management for managerial and policy decisions. Businesses should note that it is insufficient to focus on performing costly due diligence procedures. Further risk mitigation can be achieved through professionalization of management, strengthening the risk management mechanisms and deepen their understanding of the host country. Public policy should take into consideration that the China political economy continues to evolve: rebalancing growth, internationalization, consumption driven growth, more supervision and risk controls. Emphasis on one aspect may result in compromising other objectives. Recentralization has dampened vibrant growth but may be necessary to curb overexpansion. Emerging market investors could take a leaf from policy transitions and roles of businesses. The lesson for host country policy decision is not to take for granted the high level of enthusiasm seen in past Chinese OFDI. Rising concern by the home country government and failed business ventures would inevitably raise apprehension and call for more controls to restrict overleveraging of assets.

This study is bounded by context specific country, agrifood sector and the timeframe of study in the past decade. Due recognition is paid to seminal IB studies on the earlier phases of internationalization. One proposition for the research agenda is to conduct empirical testing of the insights and findings. Future research could examine and explore deeper into the treatment of different types of risks and other growth sectors. At the other end of the spectrum, research agenda may examine single case study to elucidate different levels of managerial perceptions that result in the firm's risk management strategies.

9 Conclusion

“To finish the moment, to find the journey’s end in every step of the road, to live the greatest number of good hours, is wisdom.” - - *Ralph Waldo Emerson*

9.1 Research Objectives

This chapter concludes the thesis with a summary of the findings and contributions. My research focused on how home country actors and relationships impact on internationalization. In the course of this research, I have gained understanding of the rationale behind investment choices, types of targets and levels of commitments. This study responds to the call for more vibrant and stimulating IB research on phenomena, and focus on the energetic, creative and risk-taking managers (Delios, 2017). To make up for the macro-level focus on the country and firm levels, I adopted multi-level, behavioral and non-linear approach to study internationalization process. The main aim of this thesis is to uncover the temporal and multiple dimensions of home country effects. The choice of a current research setting of agrifood OFDI to advanced economies during China’s economic rebalancing towards a consumption driven economy is appropriate and opportune for investigation. The study captures historic changes in institutions and relationships in a holistic way. Rather than a conventional macroeconomic equilibrium, I adopted a bottom-up approach and incorporate changes. The study applied an integrative and interdisciplinary frame combining IB knowledge with political economy and economic sociology on home country dynamics as the foundation. The emergent framework has enriched existing IB theories on process and institutions in the study of internationalization of Chinese and emerging market firms.

While extant literature on process, institutions and latecomer perspectives enhanced our knowledge in the early stages of internationalization by Chinese firms, each model individually does not adequately explain the experience of Chinese firms investing in unique agrifood OFDI in advanced economies since 2008. The importance of achieving food security and food safety goals at the macro-level as motivations for internationalization have been recognized but implementation has not been smooth. This is due in part to the snapshot and abstraction of complexities that make up home country effects. The emergent framework from this study incorporates central policies and local government implementation, business actors, firms’ position in the industry, and market developments. I argued that an integration of evolutionary model, institutional and relational perspectives and continuous learning of process would aptly serve as useful constructs to study home country effects on internationalization. This is consistent with abductive approach to research that creates space for innovation. Multiple stakeholders rationalize, leverage and advance their respective interests in collaborative and competitive modes under different circumstances. This study offers fresh and alternative explanations of the complexities and changes in the Chinese home country context.

9.2 Findings

Rich data generated from field work used in multiple case analyses are developed and presented in chapters five to eight to provide the context and content of this research. I addressed the broad research question of how home country effects shape internationalization and the context specific thematic questions through reflexivity and iteration of data with theories. This is consistent with the philosophical assumptions of pragmatism, using abductive logic, and applying a practical approach to theorizing phenomena. The thematic chapters are interrelated and linked to form a coherent monograph on the dynamic relationships in the home country effects on the internationalization of Chinese firms. There are seven key findings in this thesis.

9.2.1 Nuances of Institutional Support

The key finding in Chapter 5 is that home country institutional support has different meanings to different stakeholders in internationalization at various times. The study challenges the assumption in extant literature of dichotomous support versus constraint based on static ownership types and connections. While the central government support internationalization of key industries, local officials are increasingly adhering to market criteria and that support for SOEs should not be taken for granted. Integrating previous work in economics (Garnaut et al., 2012) with IB would be useful to understand the effects of pro-market reforms have prompted officials and organizations to evaluate firms on a similar basis as the banks in advanced economies would. Commercial banks assess the firm’s credit worthiness, repayment capabilities and business viability. Drawing on political economy literature, institutional and industry actors respond, coevolve and reinforce each other to changing expectations and objectives (Ang, 2016). Local officials implementing policy directives from the central government interpret and match the needs of internationalizing firms.

Concurrently, businesses respond to and leverage institutional actors to elicit different forms and levels of appropriate support for their global strategy.

The study also produced a more nuanced representation than the popular perception that SOEs are favored in institutional support for internationalization. SOEs not limited to central organizations are under increasing pressure to perform (Li et al., 2014) and even compete with POEs for funding. SOEs are expected to demonstrate accountability and conduct due diligence as they contend with recentralization, monitoring and anti-corruption investigation. Though SOEs' wealth of resources could be attributed to the history of government support and ownership, a growing proportion of funding for their OFDI come from discretionary funds, loans from the free market and post-acquisition IPO. The study also dispels common impressions of home country advantages in the form of subsidies for internationalization. In this study, managers confirmed that subsidies have been limited to support domestic agricultural production.

While scholarship concentrated on early part of internationalization of emerging market firms, this study provides insights into the growing prominence of large POEs in the latest phase of internationalization. Previous findings portray POEs as constrained by discriminatory home country treatment and were forced to escape overseas. However, most POEs studied are not keen on receiving home country institutional support for internationalization or are very selective on how support would be beneficial to the firms. Large POEs prefer to utilize their savings and source for capital from the markets to maintain autonomous decision making on internationalization. Some POEs seek underground channels of funding or industry support to invest overseas. This research shifts the conversation from binary conception of support and the linkage between firm advantages and country support (Rugman & Li, 2007). An emergent 'discretionary' model that captures the changing character of home country support and how actors leverage for their own advantage would be useful for future research.

9.2.2 Preemptive and visionary strategy of experienced firms

The paradox of agrifood OFDI that eschewed land purchases is explained in Chapter 6. The behavior of experienced Chinese agrifood firms that invested in processing and supply chain businesses can be justified by resources and management skills could be gained more effectively by acquiring downstream targets of advanced economies. Established Chinese agrifood firms and officials rationalized that Chinese firms should avoid controversies associated with farmland acquisitions, alluding to literature and media portrayal of Chinese land grabbing (Bräutigam & Zhang, 2013; Kaag & Zoomers, 2014; Myers & Guo, 2015). However, the cautious approach of avoiding nationalist backlash and promoting China's influence in global agrifood supply chain was insufficient to ensure smooth post-acquisition integration.

Chinese agrifood corporations displayed different pace and scale and collaboration with foreign partners and even divestment in the internationalization process. Industry experience in the home country may not translate into management competencies for coordinating and integrating international assets. Relentless acquisitions undertaken by Company A were abated by obstacles of converting home market consumers to accept new products from advanced countries and increased government investigation of SOEs. Company F managed to overcome lack of specialized knowledge, expanded to different regions through consortium funding and integrated dairy and beef processing acquisitions by forming alliances with host country industry leaders. As an important national SOE, Company G had to achieve multiple goals of food security, food safety and profitability, but was hampered by politicking in Australia, costly operations and integration problems of two global trading firms. Although Company H is a leading meat producer, processor and distributor in China, its meat processing acquisition in Australia faced supply shortages, resource price spikes and cashflow problems, forcing it to diversify to other resource locations in South America and divest most of its underperforming assets in Australia. Despite their achievements in the home country and some prior internationalization experience, Chinese firms faced daunting challenges due mainly to knowledge gaps in management of specialized agrifood businesses in advanced economies.

9.2.3 Double Burden of Concurrent Internationalization and Diversification

Unlike most MNEs that diversify across products within-industry, within-country or in complementary products and markets, the four Chinese corporate groups studied diversified across sectors and pursued internationalization concurrently. The *internationalizer-diversifiers* shoulder compounded risks of simultaneous challenges and uncertainties. The behavior of this cluster of Chinese investors seem at odds with findings in extant literature on core competencies, competitive advantage and balancing resource allocation as prerequisites for internationalization. Previous studies show a trade-off between product and market diversification. With their largesse from successful non-agricultural businesses in the home country, the *internationalizer-diversifiers* targeted land-based upstream agrifood OFDI of advanced economies. Despite home country encouragement to invest in downstream assets, being newcomers to the agrifood sector, this cluster of firms preferred investments that involved less capital and delegation to local farm managers. Resource seeking motivations to address natural endowment deficiencies and rising demand in the home country have been the main motivations. Unlike established agrifood firms, these investors count on the potential for capital appreciation by owning land in advanced economies that offer property rights protection and stability of political environment.

Because of the uncertainties of diversification across sectors and borders (Hashai & Delios, 2012), the experience and performance of each firm differs widely. Managers need to balance the costs and benefits to gain from synergies of diversification and value creation (Zhou, 2011). Moreover, the liability of foreignness (Galavotti et al., 2017; Johanson & Vahlne, 1977) increases in agrifood sector due to sensitivities attached to foreign land ownership. Insufficient relevant knowledge of non-core industries, shifting host country regulations and lack of local networks have hindered the smooth operations and cost controls after takeover. Despite conducting due diligence prior to commitment, two case companies halted further expansion (Welch et al., 2016) and were constrained from exporting their farm produce to the China market due to high costs and supply issues and were locked in upstream segment. Only Company E which hired relevant host country managerial talent to undertake farmland purchases steadily consolidated its farmland purchases.

The study provides an alternative perspective to political stability and regulations of advanced economies host countries portrayed in extant literature. I have addressed how shifting political and regulatory environment that impact subsequent entries and internationalization expansion. Investors' liability of country of origin (Bartlett & Ghoshal, 1998; Child & Rodrigues, 2005; Ramachandran & Pant, 2010) is not limited to SOEs. Even POEs could be hindered by contingent factors such as nationalistic public campaigns may exacerbate opposition. Hence, POEs are ill-prepared to manage impediments to gain acceptance and legitimacy in host countries which are politically stable, with well-established institutions. Other than keeping a low profile, there was little Chinese investors could respond when caught in midst of politicking in the host countries and at the low points in bilateral relations.

Nevertheless, setbacks of investment bids and recent losses incurred in Australia and New Zealand did not adversely affect large Chinese corporate groups' overall performance in the parent companies. This is because of their domestic asset wealth and continued reliance on non-agricultural core businesses. Aware of the low margins and long gestation for returns on capital in the agrifood sector, the upstream investors hedged on long-term stable growth instead of diversifying for survival and profitability (Very, 1993). Moreover, upstream investors took comfort in potential capital appreciation of assets in resource rich advanced economies.

9.2.4 Challenges of selling to the China market

Another key finding is that China is not a "*ready-made market*" waiting for Chinese investors to import agrifood products back home to meet the enormous demand. This has challenged even large and experienced agrifood investors. Company A had to divest its nutritional food acquisition in the UK due to the slow sales performance of its highly priced products in China. Chinese consumers are not convinced to switch to certain unfamiliar products such as cold dairy products. Just because infant milk formula, fruits, olive oil and wine met consumers' food safety concerns and lifestyle aspirations, did not mean that most imported agrifood products would gain popularity. The China market could be tough to win over in areas where habits of eating warm food persist. Australian beef is exported to affluent markets in US, Japan and South Korea, and the high-end market in China, because it competes on quality rather than price. The Chinese middle class could only afford to purchase premium Australian beef occasionally. Traditionally, the majority of Chinese consumer obtain meat protein from pork and chicken. Chinese agrifood investors acknowledge that it will take time to convert Chinese consumers' taste and build up the distribution network in China. Impediments such as the tightening of Chinese import regulations, temporary ban imposed on dairy and beef that did not meet the procedural formalities, could undermine Chinese investors' margins.

9.2.5 Gradual development of risk mitigation mechanisms

Chapter 8 tracks the evolving perception, priorities and management of risks in internationalization from the home country actors' perspectives. Risk mitigation mechanisms that were previously weak or overlooked in the home country are gaining attention in the era of recentralization and deleveraging. Extant literature tends to associate internationalization of Chinese firms with high risk destinations (Buckley et al., 2007). Insensitivity to risks and inability to manage risks are gradually addressed with greater awareness and emergent mechanisms. MNEs may treat initial losses as part of learning (Vahlne et al., 2017) and accept affordable loss (Sarasvathy, 2001). In the early days of internationalization, Chinese used the term "*go out*" to refer to globalization. Since 2014, the rejoinder metaphorical verbal phrase of "*come back*" emerged from private business narratives. Concurrently, the Chinese government expects investors to be responsible for risk management in a deregulated regime that is more conducive to internationalization. Learning from losses incurred by earlier investors in the mining sector, current agrifood investors were determined to avoid the pitfalls.

The publicly-listed SOEs and POEs in this study followed set procedures to conduct due diligence and spread their portfolios to hedge the bets. However, this may not guarantee success due to the unforeseen gaps in information on business targets, uncertainties in host country, the lack of specialized industry knowledge and unfavorable weather conditions. Despite some measures taken to reduce risks, there are some unknown and unavoidable risks that result in investors paying the "China premium" as managers realized in hindsight. The policy priorities favored moderation of aggressive OFDI that did not meet expectations of returns on capital. From early 2017, businesses publicly supported the government's call for rationality and deleveraging in internationalization. Risk mechanisms are gradually emphasized and strengthened by risk awareness, persuasion for firms to be responsible, and subsequent intensification of controls. The findings support an emergent framework of '*confluence and reinforcement'* of risk mitigation mechanisms shared by official and business stakeholders in internationalization.

9.2.6 Knowledge Gaps

Chinese investors had to contend with the lack of knowledge in specialized businesses and industries that are outside their core competencies or prior experience. Having the financial resources and hiring professional managers and consultants with general expertise may not fully protect firms from the challenges of managing its overseas acquisitions. For Companies B and D, grafting of experts did not translate into quick and relevant learning as their skills were not transferable and applicable to the industry-specific context and host country regulatory environment. Other factors include high operating costs, poor weather and unfavorable political developments altered Chinese investors' plans for cumulative internationalization and integration. Even agrifood giants such as Companies A and G were unaware of the less than transparent trading accounts of major assets acquired within the last five years. Both companies streamlined their overseas assets to tailor the needs of the China market, and divested those non-core units that had lost value post-acquisition.

9.2.7 Success and unsatisfactory outcomes

The exemplars in the case studies are POEs that have invested in upstream (Company E) or downstream (Company F) agrifood businesses in Australia, New Zealand and America. The model cases were able to harness home country state support during the initial development of their domestic agrifood business. They also found suitable foreign partners and recruited local managers who were well-versed with specialized industry knowledge to execute their global strategies at critical points in time. Not only did they overcome competitive disadvantages, the two companies also avoided political controversies that some of their competitors and industry associates encountered. While Company E kept a low profile in the host countries initially, the owner of Company F was proud to publicize the company's contribution to capital and employment in the host country economy and maintained a celebrity status in the home country.

Another finding is that success and failure are not absolute definitions but a balance of mixed results. Even Company A which is a model SOE did not make accurate assessment of the home market demand for certain foreign food products and was said to have overpaid for some assets in Europe. Companies A, F and G had to divest parts of their international assets that did not meet their expectations of sales, costs and parent company objectives respectively. De-commitment has been low and selective, but the overall strategy of investing for the long haul remains on course. Though beleaguered by high costs and drought, Companies C and D persevered with existing operations, but freeze further investment in Australia, their only host country destination. Company B had encountered a huge setback in failure to get approval to invest in trophy farmland in Australia and New Zealand. Company B shifted its focus to diversifying OFDI to emerging markets and developing grains, oilseeds and existing dairy supply chain.

9.3 Contributions

This study has enriched and moved beyond process and institutional theoretical frames in extant literature grounded on longstanding assumptions of stable, progressive and distinct boundaries in internationalization. Existing studies that exclude time and complexities impose restrictions on explaining change and interdependencies among actors in the home country context and how these would impact internationalization.

9.3.1 Theoretical Contributions

Firstly, dynamic and coevolutionary models in this study deepens the institutional frame. I reconceptualized conventional models of support versus constraint duality linked to ownership types. This study offers nuanced explanations of players' perceptions and responses to policy shifts. I also offered explanations for the paradoxes in agrifood resource-seeking decisions and the effects of pro-market reform, deregulation and recentralization on internationalization. Institutional focus studies tend to take a snapshot instead of incorporating evolution, continuity and transition. Literature on varieties of capitalism and business systems are correct in their own right, but are incomplete in explaining diversity and exceptional examples.

Drawing on political economy literature helps to strengthen existing institutional constructs. A coevolutionary approach used in this thesis captures change as well as complexity (Garnsey & McGlade, 2006). The findings also temper the predominantly positive aspects of home country support. The difficulties encountered in tapping the huge Chinese market included temporary bans on fresh food imports, and tightening of import regulations, in addition to existing trade barriers. These have hurt some Chinese investors importing products from their overseas subsidiaries to China. This study has moved beyond existing studies and conceptual exploration of stable government institutional support for Chinese firms to develop international competitiveness (Ramamurti, 2012; Yang & Stoltenberg, 2014).

Secondly, this study extends and enriches the process frame. A dynamic home country model elucidates the non-linear, interdependencies and growing sophistication of the internationalization experience. Rather than the progressive path suggested by the Uppsala model (Johanson & Vahlne, 1977), this study sheds light on the uneven development of the internationalization experience. Surge in OFDI may be followed by halt in expansion, selective divestment and de-commitment. Learning is not limited to experiential knowledge building (Johanson & Vahlne, 2003). The study augmented the sources of learning by incorporating vicarious learning, learning from previous experience, grafting of professionals and outsourcing to consultants. However, increased learning may not be sufficient to ensure better management outcomes. The knowledge acquired from grafting talents, experiential and vicarious learning, should be timely and relevant to specialized industry requirements of their investment targets and portfolios. Moreover, the study showed that learning is a continuous adaptation process. Post-acquisition discovery of asymmetry of industry knowledge, vendors disclosure, operational realities and politically driven regulatory changes in host countries, could impose burden firms, preventing them from expanding and integrating assets across the value chain.

Thirdly, this study of institutional change challenges conventional conceptualization of home country support versus constraint dichotomy (Voss et al., 2010). Extant literature associates institutional support with state ownership while firms that do not have good connections are constrained and have to escape overseas (Witt & Lewin, 2007) . Incorporating multiple perspectives overcomes limitations of unidirectional causality commonly adopted by studies of home country effects. While CSA and FSA dilute the liability of foreignness (Johanson & Vahlne, 1977, 2009) the liability of country of origin (Ramachandran & Pant, 2010) remains strong and disadvantaged Chinese investors in advanced economies. Even successful model SOEs are under increasing pressure to be accountable for its international investment and compete for government support. Institutional support is increasingly merit-based, shifting in tandem with pro-market reforms, deregulation and refinement of policies with the recent recentralization and deleveraging agenda. Subsidies received by established Chinese agrifood firms are to support domestic agrifood production but rarely for internationalization. Contrary to the narrative of constraints on POEs which may be relevant in the early stages of China's globalization, large POEs declined government assistance and value autonomous decision-making to pursue their respective international business strategies.

Fourthly, I shifted mainstream IB conversation from commonly studied entry mode strategies to value chain targets. Agrifood OFDI need not be land-based investment. Experienced Chinese agrifood companies took preemptive and precautionary measures to avoid controversial land purchases and target higher value downstream businesses in advanced economies to influence global supply chains. The study also contributed to IB literature on diversification and business groups. In Chapter 7, the study goes beyond typical product and market diversification to cross-sectoral expansion outside the core businesses. The emergence of *diversifier-internationalizers* have not been studied in IB. Non-agrifood POEs had the capital but lacked knowledge, home and host government support and networks before internationalizing due to their lack of core competencies and experience in the agrifood sector. While partially conscious of lower margins and returns from agrifood investment, investors are motivated by the growth of the middleclass market and potential capital appreciation. Commitments by wealthy first movers did not drastically affect the group's overall performance. However, the rarity of achieving scale economies and breaking even during the long gestation of agrifood business have discouraged existing investors from expanding. Companies A, G and H had to divest some of its overseas assets to focus on core businesses or diversify to other host countries. The rhetoric of achieving value chain integration may be a difficult and lengthy process in practice. In fact, two of the upstream investors in this study were locked into their existing farmland commitments and hesitated to acquire downstream segments of agrifood business.

Fifthly, the study explored alternative strategies of Chinese investors. Successful and satisfactory internationalization experience are outliers. Companies F and G and to a certain extent E, showed that adopting a flexible approach to reconfigure business alliances instead of full ownership of acquired assets would be advantageous to mitigate risks and gain acceptance. The study substantiated isomorphism of industry standards (DiMaggio & Powell, 1983) when peers follow leaders to form multinational consortium funding to raise more capital and tap diverse management expertise, thereby reducing risks of embarking on large scale projects. Company F went further to form partnerships with host country industry leaders to ensure smooth transition and sustainability, and shielded itself from politicking in host countries that afflicted some Chinese investors. Embracing exemplars and outliers contributed to holistic analysis of the agrifood players, in contrast to commonly used variant studies that exclude outliers as statistically non-significant. The study incorporates the important roles played by heterogenous actors such as different types of SOEs and POEs.

Sixthly, I extended the notion of risk in the internationalization of Chinese firms. The process of recognizing different forms of risks and realizing that inadequate mechanisms of managing uncertainties in internationalization was gradual and interactive. The notion of "*come back*" has recently made its way into the vocabulary of Chinese globalization commonly known as *"go out"*". By following the narratives of how Chinese home country players perceive and mitigate risks, the study provided deeper understanding and explanation of Chinese OFDI directed at high risk destinations and high premium paid to resources and strategic assets. A coevolutionary model sheds light on change and the dilemmas of concurrent pro-market reforms, deregulation, recentralization and deleveraging.

Seventhly, the thesis contributed to clarifying the latecomer perspective (Luo & Tung, 2007; Mathews, 2002a) and CSA-FSA (Rugman & Li, 2007). I qualified that advantages could be offset by liability of foreignness due to gaps in trust and knowledge (Johanson & Vahlne, 2009). Rapid and relentless acquisitions may not be sustainable if learning and risks did not catch up with the pace of absorption (Petersen et al., 2008). Internationalization would peak, encounter challenges, slow down expansion and even result in de-commitment of some investments that incurred unsustainable losses, with little potential for turnaround. Earlier success and preconceived optimism (March & Shapira, 1987) may cloud professional managers and negotiators' assessment of the costs (Ghauri & Hassan, 2014) involved in acquiring potential targets that are highly regarded. Despite political stability, the politics and regulatory environment of some advanced economies, Chinese firms that are overconfident may underestimate the challenges, miscalculate the costs and opposition that could derail their investment plans.

Firms need more than basic knowledge on internationalization, and have to be flexible and innovative in order to create value and improve performance (Cohen & Levinthal, 1990). Company A found that some of its investments did not retain its value and failed to grow the China and global markets. Company H was saddled with cash flow and debt repayment issues soon after it took over a chain of meat processors in Australia. Though its intention was to endure the challenges and commit for the long-term, the owners reluctantly divested some of its Australian assets and focused on lower cost South American supply chain. The study goes further than financial value and explored reputational value gains of OFDI. Chinese businesses and the home government are increasingly concerned with how negative perceptions of the country of origin (Ramachandran & Pant, 2010) would impede internationalization plans. Prominent business leaders are supportive of moderating irrational investment decisions such as paying high premiums for high profile trophy overseas assets that may result in nationalist backlash against Chinese investors. Image and trust building are important to safeguard sustainability of investors' internationalization strategy.

9.3.2 Contribution to Methodology

This study produces relevant insights through investigative, observational and reflexive methods (Klag & Langley, 2013). Engaging directly with the main actors has improved our understanding of evolving real world phenomena as a lived experience and contribute to social construction and theorizing (Elkjaer & Simpson, 2011). Employing qualitative case study methodology to look into the black box has been underutilized in IB. Case studies in extant literature have been dominated by positivist qualitative case study methodology (Piekkari et al., 2011). New knowledge could be constructed without the constraints imposed by deductive experiments and exploratory observations. My research shows that abduction could be an alternative to induction and deduction in explaining puzzling phenomena (Alvesson & Kärreman, 2011; Brinkmann, 2014). Though abduction has rarely been used in case studies, it provides insights and explanatory power that commonly adopted positivist methods lack. Induction which is better known for case study research is constrained from generating new theories (Timmermans & Tavory, 2012). Instead of reduction and abstraction, I optimized abductive logic to push the boundaries to create space and enhance conceptual innovation. Multiple channels of communications from diverse primary sources, industry experts and published materials are useful to investigate the meanings of conventional notions. Manual coding and inference from empirical material helped to guide the exploration of relevant topics to the field of study rather than determine beforehand what needs to be studied. Drawing meanings from empirical material and the language of participants, I construct deeper insights to develop models such as '*autonomy'* of POE perspective on support.

Another methodological contribution is extending the criteria of qualitative research in IB scholarship. I demonstrated that using the "third generation" pluralistic and contextual approach without adhering closely to rigid application of set procedures could produce robust and good quality research (Welch & Piekkari, 2017). Departing from conventional studies confining either to the microlevel firm or macrolevel country, this study digs deeper into the multi-level and multi-dimensional mechanics. I adopted a holistic and processual approach by including the contextual and temporal dimensions. This contrasts with mainstream controlled and decontextualized studies which are safer, tried, tested and accepted practice, but constrained by stringent conventions.

The discovery of exceptional cases transcends the standard classification of categories. The "casing" of time, levels (Ragin 1992) and multiple sites (Barton 2006) provides a holistic view of different dimensions of analysis. Combining multiple cross-case and within-case studies has increased explanatory power for encapsulating relationships among multilevel, heterogenous actors in different circumstances. Two rounds of formal interviews and followup communications with some participants enabled my research to track evolving non-linear processes and reassessment of managerial rationale over time. I showed that trustworthiness and rigor (Ballinger, 2004; Finlay, 2002b) could be implemented in qualitative case studies by cross-checking, presenting and constructing narratives from different perspectives, and evaluating field data with multiple home and host countries and industry sources and iteration with existing conceptual frameworks.

This study embraced the exemplars, outliers and surprises as part of the discovery process. Unlike conventional case studies that emphasize on exemplars and positive cases, I presented a complex amalgamation of strengths and weaknesses of actors operating in changing environmental conditions. The study of outliers adds depth to existing theories and helps to develop persuasive arguments and theoretical constructs (Aharoni, 2011). Falsification would generate new discoveries (Popper, 2002), novel theoretical insights (Weick, 1995b) and reframing of findings (Timmermans & Tavory, 2012).

The use of metaphors provided interesting and richer insights of the protagonists' interpretation and justification for decisions (Alvesson & Sköldberg, 2009). Metaphorical (Alvesson, 2011) phrasal verbs of "*go out*" and "*come back*" emerging from the participants prompted deeper investigation into the notion of risk from the home country perspective. Narratives of businesses and officials in the private and public domains have enabled connections to be established between coevolution of different actors in the construction of risk perception and risk mitigation mechanisms. Textual and media analysis also strengthens the narrative and helps to explain and extend existing findings on high risk and overpriced transactions that have long characterized internationalization of Chinese firms. Including evolving literary terms in the narrative is consistent with the aims of mapping change and complexities.

9.3.3 Management Practice

A practical contribution for managers is the need to be sensitive to economic, political and social conditions in the operating environment. This study shows that besides having capital and established due diligence procedures, investors need to gain specialized knowledge of target businesses and understand host country regulatory and political climate. Paying premium prices to acquire coveted prized assets may not guarantee success in clinching the deal, nor does it help in value retention, value creation and viability of the operations post-acquisition. Experienced industry leaders and recruitment of professionals would be helpful to investment outcomes only if they match the specific and specialized needs of the targeted business and investment objectives.

Potential investors who had success in acquisitions should be open to opportunities for collaboration with host country and multinational partners. It is never too late to learn and benefit from specialized knowledge and management skills of host country businesses. In contrast to Chinese investors' preference for rapid international expansion through acquisitions and wholly owned subsidiaries, the option of joint ownership with different expertise would help to spread and mitigate risks in an increasingly challenging international environment. Investors would gain by testing the ground and cultivating host networks and business partners before making substantive commitments. Unlike previous conception of joint ventures to mitigate risks, more than two partners could be involved in consortium funding and management drawn from different countries, not limited to the host country. As some of the cases with POE investors showed, outsourcing to consultants and delegation of farm management to local managers may not fully mitigate risks. Managers themselves need to acquire the expertise required to understand specific businesses, host country regulations and the industry well.

The hype and optimism of the ready and huge China market needs to be moderated. Companies would benefit by distinguishing areas of high potential growth from those that are difficult to penetrate due to persistent consumption habits, uncompetitive pricing and availability of substitutes. Investors should make allowance for growing the import and distribution channels in China gradually as existing trade barriers and ad hoc temporary bans may be imposed on certain foreign products, notwithstanding Chinese ownership of these overseas based companies.

9.3.4 Policy Implications

Home country policy makers should be mindful that rebalancing economic growth, redistribution of benefits, recentralization, anti-corruption and risk management would persuade businesses to be more cautious about undertaking more large-scale projects and slow down internationalization. Institutional support is wide ranging, and not confined to direct financial assistance to potential investors. The value of support depends on its usefulness to individual investors. Participants in this study have urged the Chinese government to offer more detailed and up-to-date industry and host country data, and to promote better diplomatic relations. Most POEs are reluctant to exchange autonomous internationalization strategy with direct government support unless their specific needs can be met.

A key implication for host countries is that SOEs are becoming more commercially oriented and competitive. Home country financial support for SOEs could not be taken for granted as firms have to demonstrate their capabilities and compete for funding that is open to a wider base of companies. Hence it would be timely to adjust the perceptions and expectations of advantages accorded to SOEs in general. The enthusiasm of Chinese investors in the past may not continue due to rising concerns in the home country of irrational investment decisions, rising debt and overleveraging especially into unproductive sectors.

9.4 Research Boundaries

9.4.1 Assumptions

This was a qualitative research that aimed at opening the black box to examine change and interactions of home country effects on internationalization. The study was conducted using a bottom-up approach to capture interdependencies and change. Instead of the commonly used variant approach which connects causal deterministic factors to results, the boundary conditions have been relaxed to the specified timeframe and contingencies. The home country focus on the agrifood sector was critical to understanding institutional support and domestic demand especially during China's transition to a consumption-led economic growth and continual refinement of pro-market policies. This study was framed to expand the scope, meaning and changes of home country effects to incorporate various levels of government, managers, industry and markets as well as the temporal dimension. The study has shifted the conversation from dualistic conception of home country support, entry mode strategy, high risk acquisitions and land-based investment to alternative assumptions. I assumed that the internationalization process would not necessarily be incremental and cumulative but could be non-linear and irregular and may even lead to de-commitment and de-internationalization. Home country support could take various forms and need not be dependent on ownership structures of the recipient companies. Home country actors are heterogenous and come from multiple perspectives: managerial, industry, local official, central policy directives and markets. Managers justified the selection of different sources of capital, value chain targets and risk mitigation measures which may not be in line with conventional wisdom. Relationships in the home country are assumed to be complex, ambivalent, interactive, overlapping and mutually influencing.

9.4.2 Limitations and Future Research

My research is pitched at multi-level institutions, managerial behavior, firms' position in the industry and markets. Though the study has taken a holistic and temporal approach, it does not claim generalizability for all Chinese investment, but provides insights into realities that would support theorizing under similar home country conditions. Replication and generalizable objectives are not entirely in line with the study of human behavior and social sciences (Dubois & Gadde, 2014). This is a context specific study of agrifood OFDI, and concurrent pro-market reforms, deregulation, recentralization and deleveraging. The expectation and objective of qualitative studies are not to develop abstraction for universal applications. Instead, the thesis has provided analytical generalizability for casing rather than statistical generalizability. A dynamic home country model would be relevant if similar conditions, managerial behavior, policies and powerplay are found in other industries and emerging markets.

The study was bounded by the timeframe of study in the past decade when the phenomenon of internationalization in agrifood business took place. The study is focused on changes from high growth manufacturing to consumption driven rebalancing in the home country political economy. Hence, these findings should be interpreted carefully given that the current study was necessarily confined to certain personalities, conditions, time and place. Due to the constraints of time and space, I have focused on home country factors and incorporated feedback from host countries, but this is in no way indicative of the lesser importance of host country context and the feedback for subsequent home country initiatives.

Despite having access to interviews to company sources, follow-up communications, official views, industry sources and substantial published data, not all the companies provided the same degree of rich information. Some interviewees were more articulate, and willing to share details, and provided their analyses up to the latest developments. On the other hand, SOEs required formal application and accompaniment by home country official researchers working on a similar topic but different duration for the project. Counter-checking with other industry experts, annual reports and business commentaries was needed to corroborate the details and provide deeper and alternative insights. Two companies that had experienced board reshuffles and encountered difficulties in their internationalization strategy declined to be interviewed again subsequently.

The emergent frameworks constructed in the study include ‘discretionary meanings of support’, ‘preemptive downstream target strategy’, ‘diversification-internationalization challenges’ and ‘confluence and reinforcement’. These models provide opportunities and agendas for further theoretical development. Future studies could be expanded by increasing the sample to test different companies and other emerging markets. A larger-scale research would need to be conducted to verify if this framework could be applied at the national level, different regions and cross-country comparisons. Another research potential is to examine different types of risks and other growth sectors. Longitudinal studies could be conducted to continue where this study has left off to generate findings on the development of these companies in their future internationalization processes. Studies of Chinese MNE behavior could be deepened by focusing on single case studies. Micro-level analysis will improve our understanding of managerial interactions within each company and relationships with external parties and stakeholders. Incorporating diverse host government perspectives in the study would be helpful for investigating various challenges faced by emerging market MNEs.

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