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'Truly a European company': a Chinese auto maker's strategies of Europeanization

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ABSTRACT

Research on international business presents 'liability of foreignness' as a key factor in a Multinational Enterprise's (MNE's) operations, but it has not addressed 'foreignness' as a complex and dynamic phenomenon. Adopting an identity work perspective, this article examines 'foreignness' as social construct, studying how a Chinese MNE manoeuvres the local economic and political contexts. We also shift the focus from 'liability of foreignness' to 'liability of origin', as elements associated with the home country can also implicate liability. We discuss the market entry of a private Chinese manufacturing company in Hungary and the Netherlands as a proxy for Europeanization, analysing regional and local strategies pursued by the company in organizing its business and representing its corporate identity when dealing with divergent European contexts.

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1. Introduction

Studies on the 'liability of foreignness' that multinational enterprises (MNEs) face in their overseas operations tend to conceptualize foreignness as an objective given (Denk, Kaufmann, and Roesch 2012; Edman 2016; Zaheer 1995; Zeng and Xu 2020), treating firms as cultural dopes within which home country traits are 'faithfully reproduced' on the local level (Edman 2016, 675). Despite recognition that foreignness is only meaningful insofar as it bears upon organizational practices and norms (Luo and Mezias 2002), the ways in which foreignness manifests itself within and between organizational settings have received scant attention (Denk, Kaufmann, and Roesch 2012). Few studies recognize foreignness as a complex and dynamic phenomenon that firms actively work on. An exception is Edman (2016), who adopts an identity lens to consider what organization-level attributes render foreignness a liability or an advantage. In this paper, we build on Edman's approach but diverge from it in two ways. First, we shift the focus from objective organizational attributes to an examination of 'foreignness' as social construct. We do so

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by adopting an 'identity work' perspective that allows us to examine how organizational actors attempt to create a relatively coherent and distinctive 'sense of self' in order to foster legitimacy for their organization and its activities (Brown 2015; Ybema et al. 2009). Studying how a large Chinese private auto maker we will call Company A manoeuvres the local economic and political contexts, we analyse how members of the organization accentuate, downplay, or negate the company's 'Chineseness'. Second, we shift the focus from 'liability of foreignness' to 'liability of origin', recognizing that it is often not foreignness per se that implies liabilities, but those elements associated with a specific country (Ramachandran and Pant 2010).

Chineseness is a particularly loaded variety of 'foreignness'. Chinese companies with global ambitions engage in a difficult balancing game: domestically, they have to assure the Party and the public of their good standing as 'patriotic' Chinese companies; abroad, they often seek to dispel suspicions of being pawns in a geopolitical game and to build a 'normal' multinational brand image not too closely linked to the Chinese state (De Graaff 2019, 2014). Thus far, attention to the globalization of Chinese corporations has disproportionately focused on how Chinese MNEs choose, enter, and adapt to host country environments (e.g. Wei, Clegg, and Ma 2015), rather than on how they organize their business or represent their corporate identity at the global or regional level. The focus of these studies has been on state enterprises (e.g. Low and Jiang 2003; Alon et al. 2014) and a few high-profile electronics giants (e.g. Liu and Li 2002; Child and Rodrigues 2005; Cooke 2012; Gallagher and Irwin 2014). This limits our understanding of how Chinese MNEs globally and locally represent their corporate identity and construct, reframe, or conceal their national roots.

This paper is structured as follows. In the next section, we review literature on MNEs and the particular challenges of foreignness and origins that Chinese MNEs face. In the third section, we sketch the context and methods on which this paper is based, including Company A's background and corporate identity in China and describe its internationalization. Subsequently, we zoom in on how Company A's international corporate identity encountered divergent environments in the Netherlands and Hungary, two key European Union (EU) countries for its business, and the differing consequences of those encounters for the company. Finally, the discussion and conclusion section addresses the theoretical starting points outlined in the introduction and formulates the more general implications of our study.

2. Literature review

2.1. Liabilities of foreignness and origin among Chinese MNEs: an identity work perspective

In their operations outside their home country, MNEs face a 'liability of foreignness', defined as 'the costs of doing business abroad that result in a competitive disadvantage' (Zaheer 1995, 342). MNEs venturing abroad may face challenges stemming from an unfamiliar environment, geographical distance, cultural or other differences, and the stigma or lack of legitimacy associated with being foreign (Edman 2016; Zaheer 1995; Zeng and Xu 2020). The key question in this literature is which is the best strategy to overcome these challenges and create competitive advantage in the host market: to

import parent firm- or home country-specific practices, or to imitate local firms (Zaheer 1995). Emerging from this question, two perspectives have dominated the literature (see, e.g., Edman 2016). Proponents of the resource-based view have focused on the firm-specific assets, knowledge, and capabilities that allow the foreign unit to mitigate the liability of foreignness. Drawing from institutional theory, other scholars emphasize how isomorphic pressures stemming from the local environment lead MNE subunits to adapt and increasingly resemble local firms over time. Many recent studies on the liability of foreignness indeed adopt an institutional theory perspective or explore related phenomena such as legitimacy, including studies on foreign companies operating in China (Fiaschi, Giuliani, and Nieri 2017; Zeng and Xu 2020).

According to Edman (2016), studies that adopt the conventional country-level focus on 'foreignness' fail to uncover how foreignness is managed through organizational actions and strategies. Using an organizational identity as an alternative view, he describes various attributes through which subsidiaries may accentuate or attenuate their foreign identity as well as the various advantages (e.g. innovation, access to unique human capital) and liabilities (e.g. operating costs and consumer antipathy) that may result from this. An identity lens to the liability of foreignness, Edman contends, contributes by considering foreignness as an organizational-level construct – that is, as an (element of) organizational identity – and by exploring how organizational actors 'manage their foreignness' (2016, 675). In our assessment, the merit of Edman's approach lies in its multi-layered assessment of the advantages and liabilities that may stem from foreignness, and in emphasizing the agency of organizational actors to manage their 'degree of foreignness' (Edman 2016, 686). Yet, we depart from Edman's approach in two ways, which we outline below.

First, Edman continues to treat foreignness and cross-cultural differences in terms of objective organizational attributes, rather than as social constructs. Instead, we start from the idea that while organizational identities may be reflected in objective attributes, they are first and foremost articulated in the meaning-making processes of organizational actors (Ybema 2020). In order to sensitize our research to people's active and ongoing meaning-making efforts, we adopt an 'identity work' perspective to examine organizational identity, zooming in on the endeavours of 'people being engaged in forming, repairing, maintaining, strengthening, or revising the constructions that are productive of a sense of coherence and distinctiveness' (Sveningsson and Alvesson 2003, 1165). The emergence of the identity work perspective in organizational studies (Brown 2015), in the words of Leitch and Harrison (2016, 177) represents a shift from a focus on 'identity-as-entity' (i.e. as relatively fixed and unchanging) to 'identity-as-process' (i.e. as fluid and dynamic). Moreover, an identity work perspective pays particular attention to narrative and discursive dimensions, acknowledging that real-life stories help people revise or reconstruct identities (Ibarra and Barbulescu 2010) and that broader societal discourses convey a 'particular version of the social world' that has real-life consequences for people's perceptions and practices (Sveningsson and Alvesson 2003, 1171). Importantly, processes of articulating or downplaying identity are important vehicles for building a sense of legitimacy and authenticity for companies (Oliver and Vough 2020). Like Edman, we thus focus on how organizational actors 'manage' foreignness, but we shift the focus from managing business strategies and actions to managing the processes of meaning-making and legitimation of their identity in which 'being foreign' and 'being

local' become important discursive resources (Larson and Pearson 2012). Such an identity work perspective provides an agency-centric alternative to more conventional resource-based and institutional perspectives on the liability of foreignness.

Second, we shift the focus from 'liability of foreignness' to 'liability of origin'. Whereas liability of foreignness primarily indicates the disadvantages that foreign subsidiaries have relative to local firms, Ramachandran and Pant (2010) argue that there are two other fundamentally different liabilities. These include 'liabilities of multinationality', which comprise costs that MNEs incur as a result of the complexity and coordination of cross-border activities, and the 'liabilities of origin', which emerge as a consequence of the national origins of firms. The latter especially affect MNEs from emerging economies operating in developed economies, such as Company A, because the differences between home and host country context – in terms of institutional capabilities, labour practices, political system, corporate culture, and so on – are especially pronounced (ibid.). As Hernández and Nieto (2015) point out, there is an intricate relationship between the entry mode of MNEs and the 'institutional distance' between the home and host country. They suggest that host countries with higher developed regulatory institutions compared to the home country necessitate more extensive resource commitments from MNEs. In addition, origin may become a particularly sensitive issue in the case of difficult or inimical relations between home and host country. The shift from foreignness to origin thus represents a shift in focusing on 'where they are not from' to 'where they are from', which – beyond semantics – urges us to earnestly consider the home and host country contexts in which the MNE operates (Hernández and Nieto 2015).

2.2. Liabilities of foreignness and origin among Chinese MNEs

Research on the internationalization of Chinese companies is still relatively limited, and despite the topicality of the subject, few studies on the liability of foreignness or origin deal with Chinese multinationals abroad. Exceptions include Klossek, Linke, and Nippa (2012) study on Chinese MNEs in Germany. They argue that Chinese MNEs use the lessons learned from dealing with foreign business actors in the first phase of internationalization of the Chinese economy (inward FDI) to offset the liability of foreignness that emerges in the second phase (outward FDI). Other studies instead argue that liability of foreignness attains a specific form for many Chinese MNEs abroad, a liability of origin or 'liability of Chineseness', which is characterized by fierce resistance from host country actors as a result of (alleged) state interference in Chinese firms and a poor reputation where it comes to labour standards or management styles (Cooke et al. 2018). Such host country resistance has, for example, been seen in countries with vocal civil society or corporate opposition, such as New Zealand (Yu and Liu 2018) and Australia (Wong 2012), and in African countries, where aggressive Chinese investments are sometimes perceived as a new form of colonialism (Obi 2008). We concur with Deng (2013) that a focus on the liability of foreignness (and liability of origin) is one among a number of key opportunities to extend theorizing on the internationalization of Chinese MNEs. Vice versa, the case of Chinese MNEs venturing abroad, especially to regions such as the EU where their presence is indeed characterized by a liability of foreignness or origin, is an excellent case to examine the ways in which MNEs articulate or downplay (national) identity to curb this liability. In developing this case, this paper contributes to our understanding of the

internationalization of emerging market MNEs in general (Luo and Tung 2007) and to the international business literature on liability of foreignness or origin in particular (Edman 2016).

The case of globalizing Chinese MNEs is especially intriguing considering the politicized context in which they operate, and the balancing act that this context necessitates. China is a party-state that has subjected its globalizing MNEs to increasingly tight Communist Party oversight, and so heightened foreign interest in state-owned enterprises is understandable, as is distrust of the intentions of Chinese corporations abroad. Given this, Chinese companies with global ambitions engage in a difficult balancing game to satisfy expectations of the Chinese government as well as foreign customers, partners, and governments. For the highest-profile corporations, this has proven too tall an order. Huawei, a pioneer of Chinese corporate globalization, hired KPMG as an independent auditor in 2000 and repeatedly stressed localization of staff outside China as an important goal in its annual reports. These reports have portrayed the company as a responsible global citizen that responded to disasters in Japan and Africa as much as in China and sought to build a better-connected world. Yet neither this global brand-building nor the company's success with mobile phone consumers worldwide prevented Huawei from being associated with the Chinese government, and consequently negatively affected in national tenders, in the second half of the 2010s as antagonism between China and the West increased. The CEO of Lenovo, another early pioneer of Chinese corporate globalization that now has 'principal facilities' in both China and the U.S., declared that Lenovo was 'not a Chinese company, we're a global company' and faced a backlash on Chinese social media for being 'unpatriotic' (Ng 2019). Haier, the world's second-largest manufacturer of white goods, chose another route by focusing on local rather than global brand building; in the United States, where it has acquired General Electric's home appliance brand, its website makes no reference to China. These companies have hired international consultancies and marketing agencies to build brands and recruited Western executives, although what role this has played in their internationalization is poorly understood to date. Recently, however, all these efforts have suffered from the increasing suspicion of China's geopolitical ambitions (Pieke 2020; Rogelja and Tsimonis 2020; Meunier and Nicolaidis 2019), the condemnation of its repression in Xinjiang, the imposition of a new national security law on Hong Kong, and its handling of the COVID-19 pandemic. Hi-tech companies at the centre of these controversies, notably Huawei, have become 'toxic' in many countries. Due to these international and domestic pressures, Chinese MNEs have to navigate complicated demands both globally and locally.

3. Methodology and data

In this article, we sketch the way a large Chinese private auto maker has sought to develop its European presence. Filippov and Saebi (2008, 17) argue that Chinese firms in Europe pursue a strategy of Europeanization where 'the main goal is ... using Europe as a springboard for global operations. In order to do so, they use European-specific skills, methodologies, technologies, and knowledge and align with the European code of conduct to sustain competitive pressure'. They understand Europeanization of Chinese firms as establishing a strong presence in Europe, obtaining access to technology, know-how, and competence. We are more concerned with the Europeanization of corporate identity.

Although Company A is well known in China and is a global leader in its sector, its rise as a global enterprise has attracted very limited scholarly attention (Cao, Ying, and Bush 2018; He et al. 2018) and little media attention internationally. Studying how Company A manoeuvres the local economic and political contexts, we analyse how members of the organization accentuate, downplay, or negate its Chineseness. In order to analyse such manoeuvring, we use an in-depth case study analysis (Stake 1995; Creswell 2013; Eisenhardt and Graebner 2007). We zoom in on two of the company's European affiliates, one in a core EU member state and one on the EU's periphery, to discuss the company's market entry in Hungary and the Netherlands as a proxy for Europeanization.

Our methodological approach comprises a mix of qualitative interpretative methods such as ethnographic fieldwork, interviews, qualitative document analysis, and social media analysis, complemented by secondary literature and news sources. Data were collected on eight occasions over 3 years by two research teams. Fieldwork and interviews were conducted at European headquarters in the Netherlands (in September 2018 and May 2019) and at a factory in Hungary (in July–September 2017 and in September 2019). During the field visits, we conducted interviews and informal conversations with managers and employees and observed a 'family day' event. Several visits were conducted by multiple researchers, giving us a more granular and interdisciplinary understanding and an 'insider's perspective' on the company's internal practices and its tactics in navigating international, national, and local institutional contexts. We analysed the interviews and fieldnotes jointly and triangulated them against an analysis of the company's corporate identity and internationalization strategy, the institutional and societal contexts of the host countries based on government communiqués, news reporting, corporate publications, and corporate databases such as Orbis.

4. Analysis

4.1. *Company A's corporate identity*

A senior manager joked to us that Company A 'was the biggest Chinese company no one has ever heard of'.¹ The company had around 229 thousand employees at the end of 2019 and over 30 production facilities worldwide, according to the Orbis database of corporate information. Founded in 1995 as a maker of rechargeable batteries, the company is listed on the Shenzhen and Hong Kong stock exchanges. In 2002, it ranked second in the world in nickel-cadmium battery manufacturing. A year later, it started manufacturing conventional cars and in 2006 presented its first electric vehicle (EV). In 2008, a well-known U.S. investment fund purchased a 10% stake in the company, and by 2020, the company reported that 60% of stocks were owned by U.S. investors.

Somewhat unusually for China (and more like a Korean chaebol or a Japanese keiretsu), the company operates in three relatively unconnected business sectors: electronic parts manufacturing, conventional auto making, and electric battery and vehicle manufacturing. These three business lines operate separately within the corporate structure. In electronics, Company A is principally a supplier of mobile phone parts, but it also supplies components to all major consumer electronics brands from Apple to Samsung. In

vehicles, it started out as a low-tier car manufacturer but has moved towards the bus and utility vehicle market and is among the world's largest manufacturers of rechargeable batteries and electric vehicles. In 2018 automobiles and related products accounted for 59% of the company's revenue (MarketLine 2020).

One should think that the company's role in the global rise in EVs and its founder's passion for their international promotion would have earned the favourable disposition of Western environmentalists. Indeed, the company has received the Zayed Future Energy Prize for innovation in energy efficiency as well as a United Nations award for sustainable energy, *Fortune* magazine included it in its 'Change the World' list in 2019, and *Bloomberg Businessweek* called it a potential 'aspirational global brand'. Since 2017, the company has emerged as a global purveyor of 'smart city' solutions that include electric buses, monorails, and power storage systems, supplying electric taxis and buses globally from Brazil to India. In both countries, it has built assembly plants and secured contracts despite rising tensions between them and China in recent years. An executive at the company's U.S. subsidiary declared: 'We are not the Chinese government's "own son". ... We achieve what we have today because of our technology and high quality' (Liu 2012). Unlike many Chinese investors, Company A has entered into a dialogue with unions at its U.S. factory, earning *Forbes* magazine's praise as a "'model" Chinese employer in America ... rather than a murky state-owned business' (Flannery 2019). At its factory in Hungary, Company A also facilitated the establishment of a union upon workers' request, although Hungarian law does not require this.

At the same time, its positioning as a crusader for 'clean energy' fits the recent policies of the Chinese government, which wants to reduce fossil fuel use and employs this as a card in its global image-building rivalry with the U.S. The company claims that its proposal for the electrification of urban public transport has been adopted by the Chinese government as a national strategy. A number of midsize Chinese cities have commissioned it as a provider of comprehensive 'smart city' solutions. Masiero et al. (2016) argue that subsidies offered by central and local governments were crucial for the EV sector's expansion in China.

It appears, then, that throughout most of its international expansion, Company A has been able to avoid suspicions of excessive closeness to the Chinese government without compromising its good domestic standing. This could be a result of its fortuitous profile as much as of a strategic choice. For instance, its managers seem to manage the company's relationship to China's 'Belt and Road Initiative' (BRI) very carefully: although they emphasize that BRI – in general – is a good platform for new Chinese investors globally, they avoid referring to any direct link between the BRI and its European presence.² In fact, they seem to treat the BRI as a liability when doing business in Europe.

It remains to be seen if the company will be able to maintain this position in the face of growing hostility towards Chinese companies worldwide, especially in the U.S. In 2019, the U.S. Congress passed a bill prohibiting transit agencies from using federal funds to purchase buses and rail cars made by Chinese-owned companies beginning in 2021 (Short 2019). Especially since the Covid-19 outbreak, the U.S. stance towards Company A has been contradictory. It received U.S. government approval as a face mask supplier, but lawmakers accused it of supplying substandard products, using forced labour in Xinjiang, and ties to the Chinese Communist Party and military (Newhauser and Hamilton 2020).

4.2. *Company A's internationalization*

The first stage in Company A's international expansion was motivated by being close to its strategic customers for mobile-phone batteries, such as Nokia, Motorola, and Apple. It established its first overseas branch in the Netherlands in 1998 to supply batteries to European clients. Two years later, it opened offices in the U.S. (Liu 2012; Rarick, Firlej, and Angriawan 2011). In 2005, it set up an office in Japan to carry out distribution of electrical equipment. It also followed its client MNEs to Madras, India, by opening a plant there in 2007 (Ning and Sutherland 2012).

The next stage aimed at entering foreign – mostly lower-income – markets with its conventional, hybrid, and electric cars. This proceeded in fits and starts. By 2012, the company's largest single export order was in Iraq (Auto.ce.cn 2012), while its main European market was Ukraine (Luo 2015). It set up assembly plants in Russia, Egypt, Syria, and Sudan in the second half of the 2000s (Masiero et al. 2016) but later withdrew from some of these markets (Luo 2015).

Company A's entry into the electric vehicle market around 2010 marked the third stage of its international expansion as its strategy switched from passenger cars to electric buses and lorries. It targeted the public transportation market (Paulson Institute 2015), trying to establish first mover advantage in developing markets while building its brand awareness and position in developed ones (Masiero et al. 2016). The company opened its North American headquarters in 2011, followed by an electric utility vehicle factory in California 2 years later (Paulson Institute 2015). This enabled it to participate in transit tenders using federal funds under the U.S. Federal Transit Administration's 'Buy American' rule (Congressional Research Service 2018). By June 2019, Company A was supplying three major U.S. airports with zero-emission buses.

In Brazil, the company initially set up a research unit in 2014, and in 2016 started a chassis assembly line for electric buses and the production of batteries, followed by a solar panel plant in 2017 and an R&D centre in 2018 (MacauHub 2019; Orbis database 2020). As of the end of 2019, it had a 71% share of the Latin American market for pure electric buses (Go Eco Green 2019). In 2015, the company established a joint venture in India for bus design and assembly, which began electric bus chassis and battery production in 2018 (Xinhua 2019). Finally, it opened factories in Hungary (2017) and France (2018) to produce electric buses for the European market.

Meanwhile, the company entered joint ventures in electric-powered auto engineering with leading global car makers such as Volkswagen, Daimler, and Toyota. In 2017, it appointed the head of design for a top European car maker as design director for its auto business. Simultaneously, the company began building its own global electric bus brand. As with many Chinese companies, international expansion has been driven not only by the 'pull' of foreign markets and their increasing interest in 'clean energy' but also by the 'push' factor of decreasing profits in China, in particular after the government slashed subsidies for EVs in 2017 (Kawakami 2019). A senior manager at the European subsidiary suggested another rationale: demand in the West is still dwarfed by the Chinese market, and so the desire to 'make it' in the advanced economies of the West is because that would bolster the company's image in China.³ In the 2010s, Company A began supplying electric buses to mass transit systems in the West, first from smaller localities, soon

followed by ones from major systems like London, Los Angeles, Bombay, Hyderabad, or Turin, as well as Amsterdam and Sydney Airports. Many of these orders were the respective municipalities' first for electric buses.

By 2019, the company was receiving large orders, including for 130 electric buses from Los Angeles (Hampel 2019) and 259 electric buses from a multi-location transit company in the Netherlands, another record for a European order (Kane 2019). Considering the size and density of Europe's mass transit systems and the interest in replacing fossil fuels on the continent, it is not surprising that it has been one of its fastest growing overseas electric bus markets, along with India (Mishra 2019). Although Company A's share in total bus sales in Europe remains negligible, it has emerged as a key player in the electric bus sector, which may be poised for rapid growth. This is also reflected in the distribution of Company A's electric bus plants abroad (one in Brazil, one in the U.S., one in India, and two in Europe in addition to a joint venture in England).

The choice of such 'co-locations' (Narula and Santangelo 2012) may have been somewhat opportunistic, related to the company's parallel global networks in electronic parts manufacturing and sales of low-end conventional cars. Company A's first fully owned European bus plant, in Hungary, owes its location to the company's microelectronics business: it was converted in 2016 from a factory that supplied microchips to a nearby mobile phone plant. Company A had taken over that factory in 2008 from a Korean company along with the supply contract. Shortly thereafter, the phone plant closed, and Company A stopped production, leaving only a skeleton staff. According to a local employee,⁴ the idea to convert the plant to bus production was first mooted in 2015, when the company won a tender in Hungary. The official justification was the convenient location of the plant to supply the European market and Hungary's tradition of bus manufacturing.

Localization of staff and products is a central element of the company's international expansion. Since consumer needs vary greatly across countries, 'in this business, you need local knowledge', a senior manager said.⁵ The managing director of the Hungarian plant said the company was working to turn a 'designed in China, made in Hungary' situation into 'designed in Hungary, made in Hungary'.⁶ That buses produced in Hungary are of better quality than those made in China and that buses for sale in Europe are best designed by European staff are a sentiment shared by many European staff but also a number of senior Chinese managers. By 2019, between 30% and 50% of the components were coming from Europe, up from 20% 2 years earlier.⁷ Some 90% of the roughly 260 employees were local, including a number of managers, although some more Chinese staff were seconded on short-term assignments from China.

In many Chinese ventures abroad, labour relations are a flash point often interpreted as a 'clash' of Chinese and local organizational cultures (e.g. Spigarelli, Alon, and Mucelli 2013; Wang and Fehring 2016). Such views were aired by some senior office staff at the Hungarian factory shortly after the launch. 'It's two different teams', one said, complaining that ad hoc decisions were being taken by senior Chinese managers 'above our heads'.⁸ Others complained that Chinese managers ignored safety norms, yet, whenever there was a mistake, Hungarians were blamed. Another factor that contributed to the tensions was that expatriate Chinese managers and engineers tended to be in their late 20s and early 30s, while Hungarian staff, generally hired for their previous experience, were older, and felt that their experience was not being recognized. In contrast, a senior Chinese manager

at the European headquarters underlined the high-handed approach of Dutch employees, contrasting them to Hungarians who were 'quite industrious' and better able to 'understand our situation'. Others, however, suggested that tensions built along departmental rather than national lines. Ethnic relations within the European organization require further research, but these accounts show that, in contrast to many early cases of Chinese corporate globalization, the Chinese/local binary – which is often a central manifestation of Chinese companies' 'liability of origin' – is not unambiguously present in Company A's internal dynamics, or is at least complicated by a number of other divisions. While most interviewees acknowledge tensions attributed to cultural differences, there is also talk of how differences between Hungarians and Dutch are bigger than between Europeans and Chinese, or how tensions along functional lines may be more important than along national ones (Mahadevan 2007). This would suggest that Company A's efforts to weaken its identification as a 'Chinese company' is supported by internal dynamics in which the ethnic dimension is not dominant.

4.3. The Netherlands and Hungary: adapting to two different environments

The Netherlands is the site of Company A's European headquarters and its first overseas branch, founded in 1998. The Netherlands is regarded as a champion of free market liberalism with an open and competitive industrialized economy. It ranked first in the KOF Globalization Index and fourth in the IMD's 2019 world business competitiveness rankings in 2021 and has historically been a large recipient and source of FDI, in part because of its 'historically business-friendly tax climate, and many investment treaties containing investor protections' (U.S. Department of State 2019). Along those lines it has also been relatively friendly to Chinese investment, including in sectors considered sensitive: for instance, the Dutch railways have bought security systems from Dahua, a surveillance camera manufacturer under U.S. sanctions. Incoming FDI from China into the Netherlands, although still a modest 0.7% of the total inward investments, increased from 3 to 29 billion euros between 2012 and 2017, and Dutch FDI into China in that same period grew from 10 to 27 billion euros (Dutch Government 2019). Currently, an estimate of more than 1000 Dutch firms are active in China and around half that number of Chinese firms are operating in the Netherlands (ibid.)

Moreover, the Netherlands is one of the leading countries in Europe in terms of the penetration of EVs, including in public transport, and has declared the ambition to develop a zero-emission bus fleet in Dutch regional transportation by 2030 (RVO 2020). This is seen as a key pillar in the Rutte government's aim to reduce greenhouse gas-emissions by 49% in 2030 in comparison to 1990 (VVD et al. 2017, 37). In addition, the government aims to substantively stimulate and invest in the energy transition and sustainability (ibid. 33).

All of this, in principle, constitutes a favourable climate for Company A. Indeed, it has steadily expanded its fleet to become one of the main deliverers of electric buses in the Netherlands in spite of domestic competition by Company B, a family-owned industrial conglomerate. In 2019, a mass transit company placed an order of 259 buses with Company A. In response, Company B's owner of the domestic competitor published an opinion piece entitled 'Chinese buses cost jobs in the Netherlands', arguing there was no level playing field because Chinese manufacturers received state support and faced low import duties in

Europe, while European manufacturers faced high import duties and a heavily protected internal market in China. These accusations came at a time of rising suspicions of Chinese investments in Europe, particularly in the energy and technology sectors (Pieke 2020). In 2019, the Dutch government introduced its first 'China Strategy' (Dutch Government 2019), aiming to be 'open when it can be, protective when it has to be' (ibid, 31).

A manager for Company A countered that accusations of state support and price dumping were baseless, citing the example of another European tender won by Company A but challenged by the Company B, forcing Company A to open its books. This revealed that Company A had indeed received state subsidies, but only for buses sold in China.⁹ The manager argued that A's production was simply cheaper, and B lacked the capacity to produce the number of buses required by Dutch regional transportation.

Like the Netherlands, Hungary is a small market but important as a regulator and facilitator. In contrast to the Netherlands, Hungary has, under its Fidesz government since 2010, shifted both towards greater state intervention in business and outspoken friendliness towards China. Compared to the previous Socialist government, Fidesz has doubled subsidies to multinational companies and has been particularly keen to entice auto manufacturers, where each job created received over 20,000 euros in public subsidies (Várhegyi 2018). Moreover, unlike the Netherlands, Hungary has no functioning domestic bus industry, although it had a major bus maker, Ikarus, until the 1990s. All of this seemingly predisposed Company A to smooth sailing in Hungary, albeit for reasons different to the Netherlands.

Yet it initially found a cool reception. Although it won its first tender to supply five buses to a mass transit system in 2015, the concession was granted to a Hungarian startup that had no solid record in bus manufacturing but had bought the Ikarus brand and was apparently seen by the government as a hopeful 'national champion'. A Company A executive protested to the Hungarian government and threatened to stop the planned factory launch (Tenczer and Spirk 2015). Unlike other major Chinese investors like Huawei (Szunomár, Karas, and Oehier-Sincai 2020) or chemical manufacturer Wanhua (Nyíri and Xu 2017), Company A had not gone through Chinese or Hungarian state channels to secure a more favourable reception. While the government frequently aims at 'strategic partnerships' with major investors – including Chinese companies – offering them undisclosed incentives in return for commitments, initially, neither Company A nor the government took the step to initiate such an agreement. 'We don't do "let's take Mr. Member of Parliament to China for a look-see trip"', a staff member commented.¹⁰ In 2016, the government adopted a National Bus Manufacturing Action Programme, which targeted raising bus production from just a few to 1000–1200 per year within 3 years, a target industry observers considered unrealistic (Csendes-Erdei 2018). Yet at first, Company A was sceptical about whether it would benefit. When asked if this programme may help its aspirations, a manager replied with a laugh: 'We are a private company, we don't get into these things We are not a Hungarian company, we are a European *and* a Hungarian company'. Indeed, the government favoured the revival of 'national champion' Ikarus through the merger of smaller start-ups, but the idea led nowhere (Zelki 2018).

Company A's uncharacteristic aloofness from the government changed after it lost another tender, even though Hungarian competitors repeatedly failed to deliver orders despite the public money pumped into them (Csendes-Erdei 2018). In October 2016, at

a joint press conference with a government minister, Company A announced an investment of 20 million euros into the new bus factory and plans to create 300 jobs, a yearly production capacity of 400 buses, and an R&D and training centre (Yesdaily.com) in exchange for a government subsidy of Ft 925 million (around three million euros; Jarmuipar.hu).

But the game was not over. A local competitor protested that Hungarian taxes were being used to subsidize Chinese competition (HVG 2016). In 2018, Company A planned the production of 100 to 150 buses, but orders from Hungary were not forthcoming. Early in the year, a government official publicly criticized Company A for sourcing no components from Hungary, and said buyers should ‘think twice’ before choosing them, according to people who attended the event. Meanwhile, the local competitor won a contract for 180 buses for the national long-distance bus operator, but delivered only nine and eventually filed for bankruptcy (Muck 2018).

Company A management was furious. ‘So now we know why we never win any tenders!’ an executive burst out. ‘Do you think we are going to produce for Hungary? When it’s such a closed and unwelcoming market? We feel a bit misled here’. The government’s intervention in the market, the managers thought, was not only brazen but also unfair, since the share of Hungarian components was in fact 10% to 15%, and the share of EU components 20%, after only 6 months of operation. ‘After all, we can’t just sign on any supplier; they need to be tested and tendered’.¹¹ Company A’s managers were acting accordingly as a European company, but the government expected them to act as a Hungarian one.

Then, in 2019, the government announced a new bus strategy, which stipulated that all new city buses had to be emission-free after 2022 and introduced subsidies to municipal transport companies (Kovács 2019b). The programme continued to aim at domestic manufacturing, with the ‘hope’ to raise the value added in Hungary to 60%. By now, it was clear that Company A was the only serious potential supplier with production facilities in Hungary, and it declared that it could be making 1000 to 1500 buses by 2022, with 60% of value added domestically. Perhaps coincidentally, Hungary’s prime minister attended the Chinese government’s ‘One Belt, One Road’ forum on Chinese financing for infrastructure projects abroad just a week after this announcement (Kovács 2019a). Yet when the first electric bus purchased with the new subsidy was festively launched, it was a Mercedes made in Germany (Kovács 2020). Moreover, ignoring Company A’s growing production, the leading business weekly commented that ‘Hungary has no electric bus manufacturing to speak of’ (ibid). Company A may have had some use for the Hungarian government as a card in its relations with China, but its embedding in the patronage ties that govern industry politics still appeared weak compared to those of the German auto industry (Panyi 2020).

Yet, Company A seems not to have given up on a ‘strategic partnership’ with the Hungarian government. Its donation of 100 thousand face masks to Hungary during the Covid-19 pandemic. As an actor of ‘Chinese mask diplomacy’ (Peragovics and Szunomár 2020) in Hungary, it finally received public plaudits. The Hungarian government ordered 20 million masks from Company A (Hungary Matters 2020), and when, a few months later, the company restated its commitment to increasing its annual production to 1000 buses (Napi 2020), the announcement, unlike the first time around, generated positive government and media responses.

5. Discussion

Extant research presents the ‘liability of foreignness’ as a key factor in MNEs’ operations. This article shows ‘foreignness’ is a complex and dynamic phenomenon, a social construct, that is actively worked on by firms, both globally and locally. Chinese MNEs in particular subject to conflicting domestic and international pressures, have to go through complicated identity performances both globally and locally. Company A has also struggled with these challenges. When studying how Company A manoeuvres the local economic and political contexts, we decided to shift the focus from ‘liability of foreignness’ to ‘liability of origin’, as in this case, those elements associated with the home country also implicated liabilities.

In spite of the increasingly hybrid nature of China’s political economy (e.g. Milanovic 2019; Ten Brink 2019; May, Nölke, and ten Brink 2019; Naughton 2007) and of its globalizing capital (De Graaff 2019; Meunier 2019; Kratz et al. 2020), Chinese firms still come from a state capitalist system, in which the state is not only the direct owner of many important assets but also closely manages access to resources it does not directly own (Dickson 2007; McNally and Wright 2010; Zheng 2010). Any business is necessarily imbricated with this system in myriad ways. Nonetheless, given that Chinese companies abroad tend to fall under a generic suspicion of connections to the state, Company A has positioned itself globally as a ‘genuinely’ private company. Embracing such an identity required some distancing from the image of China. Research participants were acutely aware of the ‘liability of origin’ in general and the suspicion towards Chinese firms, technology firms, in particular. As a senior Chinese manager put it, ‘ultimately, they are afraid of the Chinese dragon ... they have to learn that we do not have blood dripping from our teeth’.

Our analysis shows that Company A has pursued various ‘identity work’ strategies to counter the liability of origin. The construction of a corporate identity that is distanced from the image of ‘the Chinese company’ was accomplished indirectly by embracing alternative identity positionings. First, Company A embraced a European identity. A senior executive of its European subsidiary repeatedly stressed that ‘we are truly a European company’. Second, it presented itself as an aspirational and therefore a cosmopolitan brand. Third, it appeared to avoid referring to any direct link to the BRI. Finally, to strengthen its claims of being a good corporate citizen, the company pursued an additional identity strategy by articulating a generic, apparently neutral corporate identity, building on widely accepted (Western) corporate values. For instance, it was keen to display professionalism in its operations, to openly embrace the latest managerial models, to respect the rationality of operating in a free market, and to engage with employees and local ‘communities’.

Ultimately, Company A sought to carve out a position for itself as a modern, reliable, and responsive company – a legitimate player in the world market. Such a position allowed it to partner with significant stakeholders in the European context. It was a key element in their management strategy to enlist the services of lobbyists and PR organizations in order to build the necessary social capital, improve the company’s reputation, counter the image of a Chinese firm connected to the state. In addition, the top managers invested a lot in building social capital and forging relations at a personal level, not only with business leaders, but also with policy-makers. The offices of upper management at

the European headquarters were filled with pictures testifying of these relations – meetings with Warren Buffett, the mayor of London, and the prime minister of the Netherlands – and these impressions were strengthened by the stories about these meetings and informal exchanges that function as proof of legitimacy to potential customers. An executive of the European affiliate recounted that, when he first arrived, he assumed that everything should be done according to market rules, but he soon realized that as ‘public transport goes through public funds’, he needed to work with politicians, locally, nationally and regionally.

Indicative of Company A’s balancing act, it reached out to political stakeholders, but carefully avoided becoming too strongly associated with them. Unlike other Chinese multinationals, it stayed away from seeking the government patronage customary in Hungarian business. While it frequently engaged with municipal governments – which were its major customers – in public events and press releases, it rarely publicized meetings with national leaders. This reflected a strategic choice to avoid being labelled a government proxy, as has happened to Huawei. As a senior manager said, ‘We don’t want to be involved in the political – we are a commercial company so we would not want to be associated with the BRI’.¹²

Company A’s strategy appears to have been largely successful globally, including in Western Europe. Although it remains to be seen to what extent the company is buffeted by the growing suspicion towards Chinese companies, discriminatory measures by the U.S., and the unpredictable post-pandemic international environment, it did secure its largest overseas orders yet on the eve of the pandemic outbreak. In the Netherlands, the identity of a European technology leader, though not unchallenged, goes down well; it is not generally expected to be specifically ‘Dutch’. Yet, in Hungary, its European manufacturing base, the same strategy appears to be failing: the country’s only electric bus maker and successful exporter is almost ignored by the government and media alike.

At first sight, this appears paradoxical. Hungary has been one of China’s closest allies in Europe, the first European sign-up to the BRI (Macri 2019) and the only one refusing to sign an EU document expressing concerns about it (Prasad 2018). It has welcomed Chinese investors, including state enterprises, and has been the top recipient of Chinese investment in Central and Eastern Europe by far (Kratz et al. 2020). While other European countries have expressed concerns with Huawei, Hungary has announced a partnership with it as a provider of 5 G technology (Simon 2019). Yet, even despite Hungary’s proclaimed ambitions to support electric bus manufacturing, so far Company A has failed to gain a foothold in the Hungarian market.

In fact, it is precisely its strategy of a cosmopolitan ‘aspirational brand’, a good European corporate citizen, and a global technology leader that makes no attempts to cultivate national governments that may account for this failure. Since 2010, Hungary has transformed into an interventionist ‘accumulative state’ (Scheiring 2020), ‘neo-patrimonial state’ (Szelényi and Csillag 2015), or ‘mafia state’ (Magyar 2016): a semi-developmental state that captures and redistributes assets through the elimination of checks and balances and the creation of patronage networks. It has presided over a construction boom by curtailing transparency of property development, avoiding tenders, and classifying information about ‘projects of strategic national significance’. Hungary, in other words, behaves in some ways like China – but a China without the resources, and one closely integrated in a much larger common market that does not share its *modus operandi*. Real or perceived connection to

the Chinese state may be an asset for market access in Hungary, but only insofar as it helps embedding in state patronage networks. It would seem that in order to succeed in this environment, Company A would have to ‘unlearn’ its behaviour as a market player and norm-following champion of ‘clean’ technology and become more ‘Chinese’ (Knoerich and Miedtank 2018; Miedtank 2017). This particular case counters Hernández and Nieto (2015) suggestion that higher ‘institutional distance’ between home and host countries implies more extensive barriers for the MNE.

6. Implications

The study contributes to the existing theory and literature of Chineseness – a particularly loaded variety of ‘foreignness’ – by focusing on how Chinese MNEs organize their business or represent their corporate identity at the global or regional level. The findings enhance understanding of how Chinese MNEs globally – and locally – represent their corporate identity and construct, reframe, or conceal their national roots. On a more conceptual level, this paper not only acknowledges the importance of ‘liability of origin’ as a particular form of ‘liability of foreignness’ with particular repercussions for MNEs (Ramachandran and Pant 2010) but also proposes an ‘identity work’ perspective (Brown 2015) that uncovers the discursive and social constructions of ‘foreignness’ or ‘Chineseness’, thereby adding to the existing focus on foreignness in terms of objective organizational attributes (Edman 2016).

Besides helping practitioners understand the complexity and dynamics of the phenomenon of liability of origin in the case of MNEs from China, the study also reveals various strategies emerging MNEs apply to counter negative associations related with their country of origin and how they are adjusted to the specific host country environment. The findings can assist managers in the development of corporate/identity strategies aiming at limiting negative impacts of country of origin. As this study showed, Company A has been building its image of cosmopolitan global brand following corporate standards of Western MNEs, distancing itself from connections to China’s state and its policies such as BRI, partnering with reputable European organizations to boost reputation.

7. Conclusion

In conclusion, instead of focusing on high-profile Chinese MNEs’ struggles with the ‘liability of their Chineseness’ as research to date has, we focused on a Chinese company that has sought to stay under the radar of public and political scrutiny by emphasizing its European, cosmopolitan, generic corporate identity, that is, by negating its Chineseness in manoeuvring the local economic and political context. Facing the full gravity of the ‘liability of origin’, Company A concealed its national roots by accentuating non-Chinese, worldly values instead. Zooming in on the intricate strategies pursued by Company A in organizing its business and representing its corporate identity demonstrated that, for understanding how MNEs counter the liability of foreignness/origin, international business research needs to appreciate and systematically analyse how firms are compelled to ‘learn’ and ‘unlearn’ identity strategies as they deal with divergent contexts.

It remains to be seen if Company A will be operating along the same logic in the post-Covid world as it did before or shifting to new strategies. As hostility towards Chinese companies is growing worldwide, they may try to 'hide' their identity even more, emphasizing the 'Europeanness' or modernity of their values, operations, and products. However, as Cuervo-Cazurra and Genc (2008) suggest, Chinese firms might have an advantage in institutionally similar host countries because of their upbringing. As a result, instead of emphasizing its 'Europeanness', Company A may opt to use its 'contextual knowledge' when operating in more authoritarian/interventionist markets such as Hungary, highlighting at least some aspects of its Chineseness. As a result, it is possible that it will follow a dual, 'demand-driven' logic in its operations and acts and adapts more in conformity with local circumstances.

Company A's position is unusual as it is a comparatively decentralized company in an innovative sector with a significant portion of shares held by well-known foreign investors. It is possible that these factors drive it to engage in overseas behaviour that differs from its more conventional peers. We know that Chinese MNCs in Europe operate in diverse ways: some build localized subsidiaries, others engage in M&As (Zhang, Duysters, and Filippov 2012), yet others acquire shares but leave the original management and staff. Their adaptation is likely to take differing paths. More research is needed to understand to what extent factors such as sector, ownership, and corporate structure influence the way Chinese companies deal with the liability of origin. Ideally, such research must include attention to decision-making processes at corporate headquarters in China – even if, for the moment, such research encounters many practical obstacles.

Notes

1. In order to protect the company's identity, we have obscured some of its details and withheld some references, including those to the company's website.
2. Interview, Hungary, 9 September 2019.
3. Interview, the Netherlands, 29 September 2018.
4. Interview, the Netherlands, 23 September 2017.
5. Interview, Hungary, 23 September 2017.
6. Interview, the Netherlands, 29 September 2018.
7. Interview, Hungary, 9 September 2019.
8. Interview, the Netherlands, 23 September 2017.
9. Interview, the Netherlands, 6 May 2019.
10. Interview, the Netherlands, 23 September 2017.
11. Interview, the Netherlands, 23 September 2017.
12. Interview, Hungary, 9 September 2019.

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