The Impact of Formal and Informal Institutional Distances on the Strategic Asset Seeking Motives of Chinese Multinational Enterprises: An Analysis of Patent and Trademark Acquisitions

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Abstract

This study was to examine the influence of specific contributory variables within formal versus informal institutional distances on the sub-motives of emerging-market multinational enterprises' (EMNEs) strategic-asset seeking (SAS), in order to gain insights into the behaviours and motivations of increasing outward foreign direct investment (OFDI) from emerging economies like China. From a multinomial logistic regression analysis of both firm and macro-level data, it was found that private business groups (PBGs) were more likely to target and acquire firms with patents and trademarks. The findings also suggest that the informal cultural distance was significantly associated solely with the EMNEs' motive for seeking companies with trademarks but no patents. The association between formal institutional distance with EMNEs' SAS behaviours was not significant. The findings also revealed that certain sub-dimensions of formal and informal cross-national distance had significant effects on overseas specific SAS behaviours. These findings inform further exploration of determinants of EMNEs' SAS behaviours and provide a more comprehensive understanding of EMNEs' internationalization trends. This research contributes to the current literature on EMNEs and provides practical and managerial implications for EMNE decision-makers while investing abroad.

Keywords: *Formal institutions; Informal institutions; Business groups; Cross-national distance; Strategic asset-seeking; Cross-border M&A*

1. Introduction

With forty years' policy of reform and opening up, especially after the first two decades of miraculous rapid economic development in China, an increasing number of Chinese enterprises have actively participated in the global market as an oriental 'multinational dragon'. Understanding institutional differences between countries is increasingly relevant to the study of the strategic behaviours motivating cross-border M&As by EMNEs. IB scholars discussed the motives of EMNEs when conducting outward foreign direct investment (OFDI) (e.g., Buckley et al., 2023; Dunning and Lundan, 2008; Cui et al., 2014; Sutherland et al., 2020), including market, efficiency, natural resources, and strategic assets. Among these, strategic assets are known as firm assets that are challenging to trade and imitate, scarce, appropriate, and distinguished resources and abilities (Amit and Schoemaker, 1993). Since EMNEs lack ownership advantages (i.e., advanced technologies, known brands) (Luo and Tung, 2007, 2018), and as noted by Ramamurti and Williamson, (2019), EMNEs aspire to obtain strategic assets to catch up with DMNEs to fill up their 'capability holes'. It has also found that private ownership and business group affiliation in EMNEs significantly impact OFDI oriented towards strategic assets such as patents and trademark assets in cross-border M&As of firms (Shi et al., 2021, 2022). For example, EMNEs, especially for those privately-owned business groups (PBGs), have pursued strategic assets by completing cross-border M&As in a "snake swallows elephant" manner, such as the acquisition of Land Rover by Tata Motors from India or Chinese Geely's case of buying Volvo. In the current context of increasing trends of deglobalization and trade decoupling (Cui et al., 2023; Luo and Assche, 2023), studying the extent to which institutional distance between countries affects the OFDI strategies of EMNEs is increasingly important. It is also crucial to examine how EMNEs are affected by institutional distance in the previous context of globalization trends, as this can provide further insights and guidance on how EMNEs can best cope with the current context of deglobalization trends.

International expansion via M&As brings many challenges that may be detrimental to EMNE value (Boateng et al., 2019). Institutions, including their concomitant formal rules and informal restraints, play important roles in the study of M&A because they often purposefully restrict interactions, enforcing the "rule of the game" to maintain order and safety within a market or society, and thereby shaping the strategy of MNEs (North, 1990; Hoskisson, 2000; Wright, 2005). Informal institutional impact mainly comes from the cultural distance and business operations between the acquirers and their target firms (Boateng et al., 2019). Prior literature (e.g., Abdi and Aulakh, 2012; Li et al., 2016; Liou et al., 2016; Orcos et al., 2018) suggests that 'national culture' should be chosen as a major type of informal institution, although Dau et al. (2022) contended that national culture should not be treated as an informal institution because it is primarily conceptualized as comprising shared values. While existing studies have shed light on the individual effects of formal or informal institutional distances on internationalization strategies (Gao et al., 2022; Liou et al., 2016; Zhang and Yang, 2022), an analysis of their combined influence on the SAS motives of EMNEs remains limited. Uncovering how the convergence of formal and informal institutional distance shapes EMNEs' pursuit of strategic assets will not only provide theoretical insights but also practical guidance for the future internationalization of EMNEs in the current context of deglobalization. The aim of this research is therefore to theoretically explain and empirically examine how cross-border formal institutional distance and informal cultural distance determine EMNE SAS behaviours.

Formal institutional and informal cultural distance have specific counts of sub-dimensions, and the Worldwide Governance Indicators (WGI) from the World Bank regarding the formal institutional differences between countries are currently widely accepted. The WGI comprises six specific dimensions: Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption[1]. The six cultural dimensions are

[1] Worldwide Governance Indicators. Available at: https://info.worldbank.org/governance/wgi/

power distance, individualism and collectivism, motivation towards achievement and success (formerly masculinity), uncertainty avoidance, long-term orientation, and indulgence[2]. The study of informal cultural and institutional distance on firms' internationalization strategies has been in the spotlight (Beugelsdijk et al., 2018); however, even though this research can lead to more in-depth studies on how EMNEs adapt to different cultural environments, studies on specifically which cultural latitudes significantly affect SAS behaviours are still relatively few. In addition, although many existing studies have explored the influence of institutional distance on SAS OFDI, few of them analyze the specific "sub-motives" in SAS, namely; technology seeking only (i.e., patents), brand seeking only (i.e., trademarks), or both. Considering the current lack of a systematic approach in the analysis of the significance of formal and informal institutional distances within the acquisition of different types of strategic assets, the aim of this study is to seek to address the pivotal question: *how do specific dimensions of formal and informal institutional distances influence the behaviours of EMNEs when seeking different strategic assets*?

This study therefore, provides in-depth and valuable insights into the understanding of Chinese firms' SAS behaviours in overseas M&A, which has important implications and contributions for academia and practical business. First, by an in-depth analysis of the intricate dynamics of formal and informal institutional distance and their nuanced sub-dimensions, this study addresses a pivotal gap in the current literature and provides a more robust motivation for its investigation. In the landscape of China's remarkable surge in OFDI, this research is strategically poised to unravel the underlying drivers that propel EMNEs towards heightened engagement in international M&As. These findings highlight the complex relationship between institutional environments, cultural disparities, and the specific motivations driving EMNEs' specific SAS behaviours. As China's economic presence on the global stage continues to strengthen, there is an urgent need to decipher the underlying forces that drive EMNEs' engagement

[2] Country Comparison Tool. Available at: https://www.hofstede-insights.com/country-comparison-tool

in cross-border M&A activities. The aim of this research is therefore to respond to this call by not only revealing the significant relationship between formal institutional distance and specific SAS motives, such as patents and trademark acquisition but also by elucidating the exclusive link between informal distance and brand asset seeking behaviours.

Second, this exploratory analysis reveals the impact of discrete dimensions within formal and informal institutional distances. Notably, it was revealed that measurements such as “Government Effectiveness” within formal institutional distance and “Power Distance” within informal institutional distance emerge as influential drivers shaping the specific SAS behaviours of EMNEs. These findings challenge traditional IB insights that cross-national distance is seen as an obstacle, or as incurring costs, and also as contributing to the new internalization theory by highlighting the location-boundedness of the strategic assets, thereby enriching our understanding of the strategic choices that EMNEs make when navigating the complexities of internationalization.

Third, these findings provide practical insights that EMNE decision-makers can leverage. Current deglobalization trends have increased the international environment's complexity and uncertainty of the international environment for EMNE. Thus, EMNEs need to achieve a deeper understanding of the political, legal, and cultural differences between nations, as well as the impact of these differences on their strategic internationalization behaviours, to develop more targeted strategies and decisions that reduce risks and increase their chances of internationalization success. These findings underscore the importance of holistic and segmented dimensions, urging scholars and practitioners alike to consider the amalgamation of formal and informal institutional dimensions when deciphering the motives driving EMNEs’ strategic asset-seeking endeavours.

The rest of the article is structured as follows. The next section reviews the relevant

literature and develops the research hypotheses. This is followed by a methodology section. Section 4 displays the findings, and Section 5 discusses the research results. The final section provides a summary of the conclusions.

2. Literature Review and Hypotheses Development

2.1. Strategic Asset Seeking

MNEs have undeniably played a pivotal role in propelling the growth of emerging economies (Dunning and Lundan, 2008; Meyer, 2004). These economies' burgeoning potential has prompted a plethora of studies to examine the intricate interplay between enterprises, and their home countries and host countries, driven by the diversity in resources, institutions, and strategies. For example, Hennart's (2012) proposition that local firms can harness country-specific advantages (CSAs) from domestic sources to finance their SAS and acquire foreign-sourced firm-specific advantages (FSAs) underscores the nuanced trajectory of EMNEs. Luo and Tung's (2018) 'springboard perspective' further illuminates the rationale behind EMNEs' international operations, which are strategically devised to counterbalance limitations associated with domestic institutions. The choice of M&As and alliances as predominant entry strategies for EMNEs, reflects their strategic approach to overcoming competitive disadvantages (Guillén and García-Canal, 2009). Anderson and Sutherland (2015) have also confirmed that acquisition is more often seen than greenfield investments when China's EMNEs invest in the United States. In essence, EMNEs navigate the challenges of foreignness through M&A transactions while targeting strategic assets in order to outshine global competitors (Deng et al., 2017).

The attention garnered by the SAS endeavours of EMNEs through M&A activities adds a layer to this narrative. The main motive appears to be to pursue M&As as a means to bridge competitive gaps, overcome weaknesses, and bolster competitiveness (Anand and Singh, 1997; Rui and Yip, 2008; Young et al., 1996). The centrality of technology and brand assets, esteemed as invaluable intangible resources, is accentuated in the

scholarly discourse (e.g., Ferrantino, 1992). Notably, a increasing focus on the location-bound nature of target assets, particularly patents versus trademarks, highlights the significance of market characteristics, institutions, and national culture in EMNEs' SAS strategies (Shi et al., 2022; Sutherland, Anderson and Hu, 2020). Shi et al. (2022) argued that acquiring firms are required to consider more market characteristics, institutions and national culture in the host countries when acquiring market-oriented FSAs, such as trademarks. With technology's codified knowledge being more readily transferable across borders, potentially amplifying domestic technological innovation and foreign competitive prowess, another discussion extends to the internationalization approach of MNEs, including the accumulation of innovative ability through investment (Chen et al., 2022; Papanastassiou et al., 2020), which often involves the seeking of strategic assets such as patent acquisition and more importantly, the innovation system itself (Elia and Santangelo, 2017). The nuanced landscape of EMNEs' SAS is further enriched by the distinction between technology and brand assets, however, there is still a need to discuss the acquisition of technology assets, such as patents, and marketing assets such as trademarks, in a comprehensive way, as they both reflect the need for the internationalization of EMNEs. As EMNEs navigate the complexities of internationalization, pursuing strategic assets through M&As also emerges as a prominent strategy, particularly for Chinese MNEs. Their motivation for catch-up and competitiveness drive attention towards technology and brand assets, thereby reflecting the broader significance of intangibles in the global economic landscape.

Beyond the need for discussing how the specific types of targets influence EMNE's SAS, the intricate landscape of EMNE's SAS journeys is also shaped by the interplay of diverse factors, including institutional dynamics, competitive challenges, and the evolving nature of intangible assets (Su et al., 2022). Some studies have explored the effects of institutional distances on SAS, such as the influence of differences in political governance (Filippaios et al., 2019). The endeavour to bridge capability gaps between

EMNEs and DMNEs has also led to an analysis of institutional factors within the development of the international springboard theory (Luo and Tung, 2018). Meanwhile, examining whether formal and informal cross-border institutional differences determine specific SAS behaviours could assist EMNEs in filling their 'capacity holes' (Ramamurti and Williamson, 2019), and enhance their international competitiveness by seeking better cooperation with firms in host countries to cope with the current increasingly hostile and complex international environment. However, while some studies examine SAS holistically, or focus on specific asset acquisitions (e.g., Zheng et al., 2016), the formal and informal institutional distances, whose significant influence has been consistently proven by prior literature, are not comprehensively considered. Consequently, the distinction between strategic assets driven by technology, or brand motives in the internationalization process, invites a deeper exploration of the specific dimensions of formal and informal institutional distance that influence EMNE SAS behaviour in the international arena.

2.2. Institutional Distance: Formal and Informal

The concept of institutional distance, encompassing both formal and informal dimensions, holds paramount significance in shaping the strategies and behaviours of MNEs as they navigate the complexities of internationalization (Estrin and Prevezer, 2011; Meyer et al., 2009). Formal institutional distance involves the overt regulatory frameworks, legal structures, and administrative processes that differentiate home and host countries (James et al., 2020; Salomon and Wu, 2012). These explicit factors are essential in understanding cross-border disparities and the challenges they pose to MNEs' expansion efforts. Institutional environments, encompassing various facets such as task dynamics, institutional foundation, resource provisioning, and stakeholder involvement, are also intricately linked to the operational success of MNEs, and shape their strategies and performance (DiMaggio and Powell, 1983; Peng et al., 2008). The assessment of disparities between countries has been approached through the lens of regulation, cognitive perceptions, and normative alignment, as explored by Kostova

and Zaheer (1999). However, informal institutional distance encompasses the subtle yet influential cultural norms, societal values, and collective understandings that shape behaviours and interactions within different national contexts (Peng et al., 2008). Previous studies have examined host countries' heterogeneity due to their institutional frameworks and the consequential implications for entry mode choices (Meyer et al. 2009). Thus, these formal and informal dimensions create a dynamic framework that moulds MNEs' decisions on international SAS behaviours, modes of entry, and overall internationalization trajectories, that govern firm behaviours (Peng et al., 2023), which could provide insightful guidance on EMNEs' internationalization in the current context of increasing deglobalization trends and trade decoupling between China and America.

The institution-based stance draws on insights from new institutional economics, sociology, and political science to contend that institutions supply the regulations, norms, and values that steer the behaviour and interactions of firms. This underscores the significance of both formal and informal institutions, and acknowledges that these institutions can vary across multiple levels of analysis, that range from national to organizational to individual levels (DiMaggio and Powell, 1983; North, 1990). Since its inception, the institution-based perspective has garnered substantial recognition and has thrived within the strategic management literature. This has resulted in a growing body of research exploring how institutions influence various firm behaviours and outcomes, including decisions related to entry modes, corporate governance, innovation, and corporate social responsibility (Peng, 2012; Oliver, 1991). Nonetheless, this perspective has also encountered debates and criticisms, particularly concerning its conceptualization of institutions and its ability to elucidate the diversity in firm behaviours and outcomes across distinct institutional contexts (Scott, 2014). As a consequence, scholars persist in evaluating, responding to, and refining the institution-based perspective, and in actively identifying promising avenues for further research that can deepen our comprehension of the role institutions play in the realm of strategic

management (Scott and Meyer, 1994; Peng et al., 2019).

Regarding institutional factors influencing the investment of EMNEs, Buckley et al. (2015) closely examined the determinants of Chinese OFDI, highlighting the significant impact of both formal and informal distances, including factors like political risk and cultural adaptation in host countries. The institutional distance can also influence the choice of EMNEs regarding the location of acquisition (Barclay et al., 2020), the scale of investment (Tang and Buckley, 2022), and the seeking of assets and resources during the internationalization (Conti et al., 2016). In the context of international M&As, macro-level institutional influences rooted in country-specific environments, ranging from regulatory and administrative aspects to cultural and egalitarianism distances, have been outlined by Xie et al. (2017). Consequently, institutional distance emerges as a pivotal focal point for analyzing the impact of institutions on the internationalization of MNEs, particularly when considering cross-country variations between home and host environments. Nonetheless, the exploration of how formal and informal institutions distinctly influence specific SAS behaviours of EMNEs through rapid internationalization avenues, such as M&As, needs to be pursued further. In light of the current limitation and of a further need to discuss institutional distance in detail, in this article the formal and informal distances are divided into sub-dimensions in order to examine their impacts on the investment decisions of EMNEs when conducting SAS.

2.3 Hypotheses Development

2.3.1 Privately-owned Business Groups and Specific SAS Behaviour

Business groups are established as a means of organizational adaptation in response to the inadequate institutional framework prevalent in emerging countries (Khanna and Palepu, 2000). A business group functions as an internal financial market that facilitates the allocation of capital among associated enterprises, resulting in potential economic advantages, particularly in situations when external funding is limited and

unpredictable (He et al., 2013). Thus, unlike DMNEs and local independent businesses, business groups in emerging economies provide many benefits to EMNEs throughout their internationalization process, including access to resources and expertise, labour force, and capital assets. For example, Shi et al. (2021) found that private ownership significantly moderates the diversified business group affiliation and Chinese MNEs' strategic-assets-oriented international M&As. PBGs may be more focused in terms of profitability, flexibility and internationalization, are more willing to take risks, and are more proactive in competing and innovating when seeking strategic assets abroad. In contrast, SOEs may be subject to more governmental and social responsibility considerations and may be more focused on meeting domestic policy objectives (Wang et al., 2012). In the present study, therefore, the research aim was to determine whether private business groups are more likely to opt for cross-border M&A to acquire strategic assets abroad and what specific types of assets they are likely to target. A further aim was to investigate whether cross-national institutional and cultural distance plays a significant role in these choices. The following hypothesis, (H1), was therefore defined:

Hypothesis 1 (H1): *Affiliation to a privately-owned business group (PBG) in the home country will have a significant and positive influence on the likelihood of Chinese MNEs seeking foreign strategic assets of specific properties.*

2.3.2 Institutional Distance and Specific SAS Behaviour

EMNEs tend to acquire state-of-the-art technologies from more developed countries as they have a more mature and developed system to protect intellectual property. When EMNEs perform SAS to obtain patents, it is crucial to consider formal institutional distance as it protects patents by a set of laws and regulations. For example, Yi et al. (2020) observed that robust legal and law enforcement systems are beneficial for enterprises to exploit the advanced technologies they acquired and then improve their innovation performance. Zhang and Yang (2022) also found that as the institutional distance increases, the integration of knowledge becomes more efficient. In addition to

the aforementioned laws and regulations in the formal institutional distance, De Beule and Duanmu (2012) argued that a firmer control of corruption is essential for acquiring SAS from India, but is immaterial for acquisitions from China. When it comes to the specific mining industry, however, Chinese and Indian acquisitions favour a lax approach to corruption control. According to Egger and Winner (2005), corruption positively influences the ability to circumvent local legislative and administrative constraints; therefore, there is a positive correlation between (higher) corruption and FDI from emerging firms. Overall, the existing literature provides inconsistent findings concerning the impact of institutional distance on MNEs' performance. Thus, it is critically important to explore the extent to which specific dimensions of institutional distances determine EMNE SAS behaviours more deeply.

The earnings from a well-recognized brand can account for "up to 70%" of the total earnings from brand assets, depending on the market (Lindemann, 2003). The reason for such a profit is that acquiring a local brand/trademark may allow foreign enterprises to expand their markets more efficiently, as the cost of inducing residents to accept and recognize a new brand is reduced. Acquiring brand names and product trademarks is, therefore, critical to market expansion and location choice. Although Kostova and Zaheer (1999) mentioned how the increasing difference in regulatory institutions increases the environmental complexity of the transaction, EMNEs may still choose to acquire brands and trademarks from an institutional distanced country due to the stability of a developed market. For example, Christofi et al. (2022) noted Chinese MNEs' increasing intention to accumulate marketing expertise from a more institutional-distanced country. In other words, M&A negotiations in a more developed host country incur less political uncertainty and risk. When regulative institutions are explicit, the resources are more likely to be transferred to the host countries, and a company tends to also enter the market with higher institutional quality (Hernández et al. 2018).

Prior scholarly investigations on the sub-dimensions of institutional distance about brand adoption have also yielded a restricted but intriguing set of results. For example, Hur et al. (2011) suggested that besides the dominant influential factor (i.e., Voice and Accountability), Governess Effectiveness is also significantly associated with M&A inflows. Thus, an explorative analysis of specific dimensions of institutional distance (i.e., voice and accountability, political stability and absence of violence/terrorism, government effectiveness, regulatory quality, rule of law, and control of corruption) is also of great relevance to EMNEs' acquisitions of both technology and brands. Jadhav (2012) argued that besides economic and political factors, institutional factors encompassing political stability, government effectiveness, regulatory quality, control of corruption, voice and accountability and rule of law are also exert a significant influence upon FDI. Hence, the further research aim to investigate the moderating effect of formal institutional distance on the relationship between private business group affiliation and Chinese MNEs' specific SAS behaviours. The second hypothesis (H2) is therefore:

Hypothesis 2 (H2): *Cross-border institutional distance significantly affects Chinese MNEs seeking foreign patents or trademarks in SAS behaviours; the six dimensions of cross-border institutional distance significantly influence Chinese private business groups' specific SAS behaviours, i.e., patent assets seeking only, trademark assets seeking only, or both.*

2.3.3 Cultural Distance and Specific SAS Behaviour

Unlike formal institutions that are codified into written rules and standards, informal institutions comprise persistent networks of shared meanings and collective understanding that portray a socially constructed reality that influences cooperation and coordination among members of a society (Scott, 2005). Although the informal institutional distance is not as explicit as institutional distance, it can be equally relevant for both a firms' pro-M&As and post-M&As. Existing literature suggests that cultural distance can be regarded as informal institutional distance (Depperu et al., 2022; Li et

al., 2020). Differences in cultural background, such as vision, morale, communication, social culture, and other often subtle details, can influence firms' investment decisions (Johanson and Vahlne, 1977). Boateng et al. (2019) argued that cultural diversity may provide more learning opportunities which better facilitate innovation. Other studies however proved that an unfamiliarity with a distant culture hinders acquisition success as the buyers carry less weight on "soft" issues (Balmer and Dinnie, 1999; Krishnan et al., 2007). This causes a lack of trust, which compromises both M&A and post-acquisition integration (Arslan and Dikova, 2015). For instance, Li et al. (2016) found that Chinese acquirers are eager to learn, but many are hindered by cultural differences. The difference in culture can also impair performance in undertaking creative tasks (Chua et al., 2015). With higher cultural distance, the quality of innovative knowledge creation is also higher (Duan, 2020). Where trademarks are considered as intellectual property, EMNEs tend to integrate internationalized brands or acquire local trademarks for diversification purposes (Barroso et al., 2019). The former method offers international consistency, and the latter can better cater to markets with different cultural backgrounds (Taylor, 2010; Townsend et al., 2009). Previous studies considering the relationship between cultural distance and market-entry strategy, have identified the significance of local market adaption (e.g., Barroso et al., 2019).

Yang et al. (2022) examined the correlations between sub-dimensions of cultural distance and technology acquisition, and specifically investigated the sub-dimension of Uncertainty Avoidance and explored its role in the ownership structure of foreign subsidiaries. Similarly, Shane et al. (1995) discovered that in societies where there is a strong inclination to avoid uncertainty, there is a greater preference among individuals for champions who will navigate organizational norms, regulations, and processes to drive innovation, which might be partly associated with the nurturing of an innovative environment for technology acquisition. Thus, it is clear that the strength of the association of specific dimensions of cultural distance (i.e., power distance, individualism versus collectivism, masculinity versus femininity, uncertainty

avoidance, long-term orientation versus short-term normative orientation, indulgence versus restraint with Chinese MNEs' both technology and brand acquisitions needs to be determined. The third general hypothesis (H3) is therefore:

Hypothesis 3 (H3): *Cross-border cultural distance significantly affects Chinese MNEs seeking foreign patents or trademarks in SAS behaviours; the six dimensions of cross-border cultural distance influence Chinese private business groups' specific SAS behaviours, i.e., patent assets seeking only, trademark assets seeking only, or both.*

The proposed research framework is presented in Figure 1. Given that the strategic motives of SOEs are subject to government influence, the focus of this paper is on whether PBGs have a high probability of adopting a cross-border M&A in order to acquire strategic assets and to determine what types of assets they acquire. At the same time, the sample of PBGs can be more plausibly examined in terms of the impact of both formal and informal institutional distances between countries on their particular SAS behaviours abroad. Finally, the impact of specific latitudes of their respective institutional and cultural distances on the acquisition behaviours of PBGs in terms of their strategic asset acquisitions abroad will be examined.

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3. Data and Methodology

3.1 Data Collection

This dataset analysed comprised data from Chinese international M&As completed within the period of 2006 to 2015. In 2006 the Chinese central government started to better implement the "going out" strategy by reforming the current management system and adjusting and improving existing policies etc[3]. This expansion included a policy to encourage FDI and to foster and grow China's MNEs via cross-border M&As, equity participation, listings, and corporate reorganization, especially for non-state-owned

[3] Source: The Central People's Government of the People's Republic of China website. https://www.gov.cn/node_11140/2006-03/15/content_227686.htm

enterprises. Since 2016, however, the Chinese government has implemented stricter laws to manage capital flows, which resulted in a significant reduction in the amount of FDI that has left the country (Textor, 2022). Considering these regulatory reforms only data on Chinese companies that had completed overseas M&As between 2006 and 2015 was included, and thus, these 10 years reflect the most active OFDI flows from China.

The cross-border M&A data was obtained via the Thomson One Banker (TOB) database, where all target firms and acquirers can be obtained. Both sides' names were then identified and matched in the BVD Orbis database to obtain more firm-level information, such as a company's number of patents and trademarks, age, size, industry and ownership information. Achieving firm-level evidence is of great significance for studying the real determinants of Chinese rapid internationalization behaviours, and the Orbis database has been widely used in MNE research because of its growing global coverage (e.g., Jones and Temouri, 2016; Shi et al., 2021, 2022). The final dataset comprised 662 valid observations of Chinese cross-border M&As with specific identifiable SAS behaviours.

3.2 Variables

3.2.1 Dependent Variables

To capture foreign SAS behaviours, the methods used in existing studies (e.g., Shi et al., 2022; Sutherland, Anderson and Hu, 2020) were followed, and the target firm's patent and trademark information were used as proxies. A categorical variable, *SAS* , was created as the main dependent variable. *SAS* comprises four different strategic options where; the value 1 refers to a target firm with no patents or trademarks; 2 refers to a target firm with only one patent but no trademarks; 3 indicates that the target firm has more than one trademark but no patents; 4 indicates a target firm with both at least one patent and one trademark. In addition, the numbers of patents and trademarks that the target firms had before M&A were adopted as alternative dependent variables in the

following analyses.

3.2.2 Main Independent Variables

State-owned enterprises are more vulnerable to host-country institutional pressures than private firms (Meyer et al., 2014) and the focus in this paper was therefore on whether PBG affiliation at the firm level is affected by cross-border institutional differences. *PBG* was therefore used as a main independent variable, where the value '1' refers to an acquirer affiliated to a PBG, and '0' to an otherwise affiliated acquirer.

Following prior research (e.g., Depperu, Galavotti and Baraldi, 2022), formal institutional distance *INSDIS* and informal institutional distance (i.e., cultural distance *CULDIS*) were defined as the two further independent variables. Formal institutional distance measures between the host country and China were computed using the following equation:

$$Formal\ Institutional\ Distance\ (INSDIS) = \sum_{i=1}^{6}((I_{ij} - I_{ih})^2/V_i)/6$$

Where, *INSDIS* is the distance between the *j* host country and the home country (China), I_{ij} is the index of the *i*th dimension for the host country *j*, I_{ih} is the index of the *i*th dimension index of the home country (China), and V_i is the variance of the index in the *i*th dimension. Cultural distance was operationalized through the six dimensions of national culture based on research developed by Professor Geert Hofstede, Gert Jan Hofstede, and their research teams. Kogut and Singh (1988) were followed and adapted in the following equation:

$$Cultural\ Distance\ (CULDIS) = \sum_{i=1}^{6}((I_{ij} - I_{ih})^2/V_i)/6$$

In addition, to develop explorative research, six different dimensions of institutional distance and six different dimensions of cultural distance were treated as independent variables respectively and included in the modelling analyses. The formal institutional distance variables comprised; Voice and Accountability *VACC*, Political Stability and

Absence of Violence/Terrorism *PSAV*, Government Effectiveness *GOVE*, Regulatory Quality *REGQ*, Rule of Law *RLAW*, and Control of Corruption *CCOR*. Six dimensions of national culture were included to take into account cultural distance; Power Distance Index *PODI*, Individualism versus Collectivism *INDI*, *Motivation towards Achievement and Success MOTI*, Uncertainty avoidance Index *UNAV*, Long Term Orientation versus Short Term Normative Orientation *LTOR*, Indulgence versus Restraint *INDG*.

3.2.3 Control Variables

In this research, control factors were mainly found at firm and industry sector level. The first factor to be considered was whether a firm's age may have an impact on their FDI behaviours, so the acquirer's age (*AGE*) was therefore added as a control variable, which was measured as the number of years since establishment. To reflect a firms' prior performance and size, the profit margin (*PROFIT*) and log-transformed total assets (*LTASSET*) were also added as control variables. To take the acquirers' absorptive capacities into consideration, the acquirers' log-transformed prior stock of patents (*LANPAT*) and trademarks (*LANTRADM*) were included as control variables (Shi et al., 2022). Due to general institutional voids in emerging markets, the business group affiliation (*BGA*) and private ownership (*PRIVATE*) were also considered as ownership related control variables. Firms' foreign experience also determines their FDI behaviours, and thus, acquirers' prior foreign experience (*FEXPE*) were included as one control variable, determined by whether the acquirer had at least one foreign subsidiary prior M&A. To measure industry control effect, the manufacturing sector (*MANU*) was included as a control variable, measured as a dummy variable with a value of 1 denoting that the acquirer was involved with the manufacturing sector, and a value of 0 otherwise. Since all samples concern M&As, the acquirer's ownership level after M&As (*OWNTRANS*) was included as another control variable. Lastly, the target country's GDP (*LTGDP*) was used as a country-level control variable because EMNEs may target the country for market seeking. Table 1 shows all related variable

descriptions including their definitions and data source.

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3.3 Estimation Model and Robustness Check

A pooled unbalanced data set was developed for this analysis. Drawn from Buckley et al. (2016), pooling regression was deemed more appropriate than panel data estimation. Given the main characteristic of the dependent variable, the multinomial logistic regression was utilized, and the equation was built as follows for K classes (where K>2) and m features (independent variables):

$$P(Y = k|X = x) = \frac{e^{(\beta_{k0}+\beta_{k1}x_1+\beta_{k2}x_2+\cdots+\beta_{km}x_m)}}{\sum_{j=1}^{K} e^{(\beta_{j0}+\beta_{j1}x_1+\beta_{j2}x_2+\cdots+\beta_{jm}x_m)}}$$

Herein, k =1, 2,…, K, where $P(Y = k|X = x)$ is the probability that observation x belongs to class k, β_{kj} is the coefficient for the j_{th} feature for class k, x_j is the j_{th} feature of observation, x, K is the total number of classes, m is the total number of features, and β_{k0} is the intercept for class k. In this study, Chinese MNEs' SAS motives are influenced by institutional distance and cultural distance as well as a range of acquirer's firm-level factors, and target country's economic factors: SAS acquisition deals= f *(β1PBG, β2INSDIS, β3CULDIS, β4LAGE, β5PROFIT, β6LTASSET, β7LANPAT, β8LANTRADM, β9OWNTRANS, β10FEXPE, β11MANU, β12LTGDP).*

To deal with potential endogeneity problems, following prior research (Elango and Pattnaik, 2007; Shi et al., 2022), independent variables were lagged one year and then included into modelling. To address the possible issue of endogeneity arising from sample selection in private business groups, the typical two-stage technique proposed by Heckman (1979) was used to mitigate any selection bias. During the first phase, a probit regression model was used to estimate the likelihood of being chosen as a private business group based on variables such as company size (i.e., number of employees), number of companies in a corporate group, and public standing. The value obtained from the first step was then converted into the inverse Mills ratio, denoted as 'lambda'.

This variable was included as a regressor in the second stage model in order to adjust for potential selection bias.

In addition, as the patents and trademarks are countable data, a negative binomial regression for robustness checks was also conducted (Lawless, 1987), where it was necessary to separately conduct negative binomial regression models for target firms having patents and trademarks respectively. Furthermore, considering the target firms may have had both patents and trademarks, it was necessary to examine the independence of two binomial regression models: on patent-assets seeking and trademark-assets seeking. To this end, seemingly unrelated regression modelling was further undertaken for extra robustness checks (Zellner, 1962).

4. Findings

4.1 Descriptive Analysis

Table 2 shows pairwise correlations for the variables. From this it can be seen that 'PBG' was positively correlated with 'SAS' at the 99% confidence level, which reflects that private business group affiliation has a significant impact on Chinese MNEs' foreign SAS behaviours. Both formal and informal institutional distances were also found to be positively correlated with the target firms' strategic asset information. The correlations between the dependent variable, independent variables and control variables were generally low, which mitigates the potential multicollinearity problems.

------- [Inserted: Table 2] -------

Table 3 presents information concerning the Chinese firms that had undertaken the top 5 greatest numbers of cross-border M&As. The top 5 countries include America (110), Australia (101), Germany (58), Canada (46), and the UK (42). For example, Chinese firms achieved 68,731 patents and 3,589 trademarks by acquiring American firms. Among the 110 acquisitions of American firms, there were 8 with a total 5,163 patents between them but no trademarks, 15 with 99 trademarks but no patents, and 49 of them

with neither patents nor trademark assets. Thus, it was deemed worthwhile to further explore the impact of specific dimensions of institutional distance and cultural distance on firms' specific SAS behaviours.

------- [Inserted: Table 3] -------

4.2 Model Results

Table 4 presents multinomial logistic regression results with robust standard errors. It summarizes all modelling results for the full samples while using the aggregate distance of formal and informal institutions. Model 1 is the baseline model that includes only control variables. Three independent variables were added into the modelling regression in Model 2, including *PBG*, *INSDIS* and *CULDIS*. In Model 3, the 'lambda' was added to mitigate the selection bias of private business group samples that may result in possible endogeneity problems. The model fit statistics show a significant increase in the Pseudo R square from Models 1-3. The significant individual Wald test also suggests that adding three independent variables significantly improved the overall modelling fit.

In Models 2-3, *PBG* was found to be significantly and positively associated with Chinese MNEs' both patent and trademark seeking behaviour (coeff.=0.878, $p<0.01$; coeff.=0.832, $p<0.01$ respectively). From Models 1-3, *INSDIS* was found to be non-significantly associated with all types of SAS activities. Notably, *CULDIS* in Models 2-3 was significantly and positively associated with the behaviour of firms seeking only trademarks.

As such, H1 can be supported, H2 was not supported for observing the impact of aggregate institutional distance, and H3 can be accepted only when looking at seeking only trademark-assets. Thus, it can be concluded that PBG affiliation plays a significant role in Chinese MNEs' foreign specific SAS behaviours, and the informal cultural

distance is especially significantly associated with the behaviour of seeking trademarks only. No significant impact of formal institutions on Chinese MNEs' SAS behaviours was found when using the aggregate distance to measure the institutional distance.

------- [Inserted: Table 4] -------

Table 5 displays modelling results concerning the impact of specific dimensions of formal and informal institutions for all samples. In Model 4, six dimensions of institutional distance were added into the model, but the aggregate cultural distance was kept. In Model 5, six dimensions of cultural distance were added into the model but the aggregate institutional distance was again kept. The six dimensions of both institutional distance and cultural distance were added into the model in the Model 6. The test of both Wald and Pseudo R square suggests a better overall model fit after adding all sub-dimensions of both institutional distance and cultural distance in Model 6, with the Pseudo r square increasing from 0.166 (Model 4) and 0.190 (Model 5) to 0.212 (Model 6). Specifically, all elements of *GOVE* were found to be significantly and positively related to seeking only patent assets (coeff.=2.661, $p<0.05$ in Model 4; coeff.=4.201, $p<0.01$ in Model 6 respectively). *CCOR* in Model 4 and Model 6 was significantly but negatively related to foreign SAS behaviour that targets firms with trademarks only or firms with both patents and trademarks (e.g., coeff.=-2.507, $p<0.01$; coeff.=-2.204, $p<0.01$ in Model 6).

Three variables and sub-dimensions of cultural distance were found to be consistently significantly associated with SAS behaviours, namely *PODI*, *INDI* and *INDG*. To be concise, both PODI and INDI in Model 6 were significantly and positively associated with the behaviour of seeking firms with both patents and trademarks (coeff.=0.042, $p<0.05$; coeff.=0.042, $p<0.05$ respectively). PODI was also positively and significantly associated with seeking firms with only patent assets and with firms having both patents and trademarks (coeff.=0.073, $p<0.01$; coeff.=0.042, $p<0.05$). By contrast, *INDG* was significantly but negatively associated with the behaviour of seeking firms with both

patents and trademarks (coeff.=-0.062, p<0.05).

------- [Inserted: Table 5] -------

Table 6 presents modelling results on the impact of specific dimensions of formal and informal institutions for the PBG sample. In Model 7, six dimensions of institutional distance were added into the model but the aggregate cultural distance was kept. In Model 8, six dimensions of cultural distance were added into the model and again the aggregate institutional distance was kept. All 12 sub-dimensions, instead of the two aggregate institutional distance and cultural distance, were included in Model 9. The test of both Wald and Pseudo R square suggests a better overall model fit after adding all sub-dimensions of both institutional distance and cultural distance in Model 9, with the Pseudo R square increasing from 0.284 (Model 8) and 0.260 (Model 9) to 0.329 (Model 10).

In Model 9, all six sub-dimensions of institutional distance were found to be clearly significantly associated with private business groups' SAS behaviours. Both *VACC* and *PSAV* were significantly and positively associated with seeking only firms with trademarks (coeff.=3.995, p<0.05; coeff.=4.065, p<0.05). But *CCOR* was significantly but negatively associated with seeking only firms with patents (coeff.=-7.545, p<0.001) and seeking only firms with trademarks (coeff.=-3.752, p<0.05). These three sub-dimensions of formal institutions, including *VACC*, *GOVE*, and *REGQ*, were all significantly positively associated with seeking only firms with patents (coeff.= 4.234, p<0.10; coeff.=12.595, P<0.05; coeff.=9.221, p<0.05 respectively). By contrast, both *CCOR* and *RLAW* were significantly but negatively associated with patent asset-seeking behaviour (coeff.= -7.545, p<0.001; coeff.=-12.929, p<0.05).

Three of the sub-dimensions of cultural distance were significantly and positively associated with foreign SAS behaviours, including *PODI*, *UNAV*, and *INDG*. Both *PODI* and *INDG* were significantly and positively associated with seeking only firms

with patent assets (coeff.=0.090, p<0.10; coeff.=0.121, p<0.05, respectively). Moreover, only *INDG* was significantly and positively associated with seeking only firms with trademark assets (coeff.=0.087, p<0.01). Both PODI and UNAV therefore play a significant and positive role in PBGs' behaviours of acquiring firms having both patent and trademark assets. Both H2 and H3 are therefore partially supported.

------- [Inserted: Table 6] -------

Figure 2 and Figure 3, below, clearly present the marginal effects of each specific dimension of institutional distance and cultural distance on Chinese PBGs' firms' specific SAS behaviours. It can be clearly observed that sub-dimensions of institutional distance have a more significant positive influence on Chinese PBGs seeking patents only via international M&As. By contrast, sub-dimensions of cultural distance have a more significant positive influence on Chinese PBGs acquiring foreign firms having both patents and trademarks.

------- [Inserted: Figures 2-3] -------

When using the number of patents and trademarks owned by target firms as dependent variables, two approaches were used to check the robustness of modelling results in this study.

First, the robustness test results using negative binomial regression modelling are displayed in Table 7. Such modelling can reflect the impact of sub-dimensions of institutional distance and cultural distance on Chinese MNEs' SAS behaviours in terms of quantities of strategic assets other than the type of properties. Models 10-11 provided modelling results based on a full sample, and Models 12-13 on a sample of all Chinese PBGs. Specifically, it can be seen that both *GOVE* and *PODI* are significantly and positively associated with SAS behaviours in terms of patent counts for all Chinese MNEs and PBGs; both *VACC* and *GOVE* are significantly and positively associated with SAS behaviour in terms of trademark counts for all Chinese MNEs and PBGs.

Only *CCOR* played a significant but negative role in SAS behaviour in terms of trademark counts for all Chinese MNEs and PBGs respectively (Model 11: coeff.=-3.203, $p<0.001$; Model 13: coeff.=-2.810, $p<0.01$ respectively). Thus, these results further demonstrate that these sub-dimensions of formal and informal institutions significantly determine Chinese firms' international SAS behaviours.

Second, the results of robustness tests using the seemingly unrelated regression modelling are shown in Table 8. Model 14 shows modelling results on a full sample, and Model 15 on a sample of all Chinese PBGs. From Models 14-15, it can be seen that *PODI* was significantly and positively associated with SAS behaviours in terms of patent counts for all Chinese MNEs and PBGs, and GOVE plays a significant and positive role in the SAS behaviours in terms of trademark counts for all Chinese MNEs and PBGs.

------- [Inserted: Tables 6-8] -------

From combining all the above modelling analyses as well as robustness checks, and by considering the volumes of assets, the following four significant conclusions can be drawn: first, Chinese PBGs were more likely to acquire target firms that own both patent and trademark assets. Second, by using the aggregate cross-national distance, it is evident that cultural distance only had a significant positive effect on Chinese MNEs' acquisition of target firms having only trademark assets. Third, by using the sub-dimensions of institutional distance and cultural distance, it was found that these two variables play a significant role in the SAS behaviours of Chinese MNEs, including government effectiveness and rule of law in terms of formal institutions, power distance and indulgence in terms of informal institutions. Fourth, according to the robustness tests, for PBGs, it was found that there are mainly four sub-dimensionally significant influences of formal institutions, including voice and accountability, government effectiveness, control of corruption, and the rule of law, and these four variables play a significant positive and negative roles in firms' acquisition of patents only respectively;

while there are only two significant sub-dimensionally significant influences of informal institutions, including power distance and uncertainty avoidance index, and the former significantly and positively determines the acquisition of target firms having only patent assets and the latter significantly and positively determines the acquisition of target firms having both patent and trademark assets.

5. Discussion

Ramasamy et al. (2012) suggested that EMNE research prompts researchers to find new internationalization perspectives because EMNEs can engage international markets and compete with DMNEs without ownership advantages (i.e., advanced technologies, known brands). Institutional scholars like Wu et al., (2022), suggested that increased distance is correlated with a harder time coordinating and cooperating with local partners. In the present study institutional theory with its WGI dimensions and Hofstede's six Cultural dimensions measurement were applied. This addesses the lack of research concerning whether formal and informal institutions affect EMNE SAS behaviours analysing through examining the impact of these sub-dimensions of formal and informal institutions.

It was found that EMNE specific SAS behaviours (i.e., patent asset only, trademark asset only, or both) were significantly determined by both cross-border formal institutional and informal cultural distances in terms of detailed sub-dimensions. PBGs, as the major active acquirers of seeking foreign patent and trademark assets, were also significantly affected by several sub-dimensions of institutional and cultural distances. It is evident that these findings may provide some theoretical implications and managerial and practical guidance.

5.1 Formal institutions on specific SAS behaviours

In the existing literature the impact of institutional distance on MNEs' OFDI has been

studied (e.g., Cezar and Escobar, 2015; Fakiri and Cherkaoui, 2022; Wang and Anwar, 2022; Xu and Shenkar, 2002). Higher institutional distance suggests that target countries have more comprehensive and systematic regulations over IP protection concerning EMNEs. In which case, the target countries are more attractive to EMNEs as there would be a more favourable environment for constructing comprehensive innovation networks as well as cultivation of new technology. Meanwhile, higher institutional distance indicates a more mature system for EMNEs to get their IP protected by the target countries; on the flip side, strict regulations have largely lowered the possibility of technology spillover thus driving EMNEs to patent-asset seeking as the only option. Likewise, with higher institutional formality, developed countries would be featured with more "mature" markets whose stability is beneficial to the thriving of trademarks, and thus attracting EMNEs for trademark-asset seeking. To acquire a reputable local trademark is therefore an apparently cost-effective choice, strengthening diversification in the construction of reputable brands worldwide. Notwithstanding, the results do not find a significant impact of formal institutions on EMNE SAS behaviour when using the aggregate measurement of institutional distance.

When using the sub-dimensions of institutional distance and cultural distance, however, it was found that these two variables play a significant role in SAS behaviours of Chinese MNEs, including PBGs. For example, it was found that *VACC* (Voice and Accountability) was significantly and positively associated with Chinese PBGs acquiring target firms having patent assets only or trademark assets only. *VACC* is used to measure the distance associated with citizens' and media's freedom of expression and to what extent people are permitted and enabled by the authority to engage in politics, especially the election. Higher level of freedom and political engagement may be considered as an extra guarantee for the safety of patent as well as trademark acquisition, maintenance and development as public opinions and choices are served as the counterbalance of administrative power. On the contrary, ignominious corporate practice may incur public criticism, boycott and loss of their reputation, and the findings

suggest that Chinese PBGs tended to seek foreign patents of firms located in a country with larger institutional distance in terms of *VACC*. Such a finding rightly reveals the emergence of an increasing trading war between America and China (Cui et al., 2023; Luo and Assche, 2023) because the stronger relationship between *VACC* and patent-asset seeking may be attributed to a higher sensitivity to national security issues.

GOVE (Government Effectiveness) is also related to the quality of public and civil service as well as to the efficacy of administrative system, which is within the process of formulation and implementation of policies, and affects the choice of patent asset-seeking only in a positive manner. Higher *GOVE* possibly indicates a more stable social and economic environment which is more attractive to EMNEs patent acquisition. The findings significantly support the finding that Chinese private business groups were more likely to target the company in a country with larger distance in terms of government effectiveness for acquiring patent assets only.

The above comprehensive analysis of the sub-dimensions delineating the impact of formal institutions on the SAS process significantly enhances understanding of the intricate behaviours displayed by EMNEs within an increasingly complex internationalization landscape. By analysing the nuanced dynamics between sub-dimensions of formal institutions and OFDI, the findings corroborate the vital role of local governance capability in attracting FDI inflows, a proposition substantiated by studies such as Slesman et al. (2021). Moreover, existing frameworks used to elucidate the mechanisms of EMNE SAS, as highlighted by Buckley et al. (2023), warrant augmentation. These findings underscore that examining sub-dimensions within formal institutions provides novel insights, particularly concerning Chinese MNEs. Contrary to prior assumptions, Chinese MNEs exhibit a preference for assets located in regions with superior value addition to country and governance (i.e., *VACC* and *GOVE*) performance. This inclination towards strategic assets in regions with greater political freedom and government effectiveness indeed challenges the earlier perspective posited

by Buckley et al. (2016), which characterizes Chinese investors as "shortsighted" and as more likely to enter countries with higher political risk. Drawing parallels with the study of Indian MNEs by Munjal et al. (2013), where risk aversion is evident through SAS OFDI, these findings not only offer fresh insights but also advocate for the development of new theories to comprehensively grasp the strategic actions of EMNEs navigating the global economic landscape.

5.2 Informal institutions and specific SAS behaviours

Informal institutions have a stronger correlation with the complex concept and behaviours associated with "doing business" compared to institutional distance. Cultural distance, although less explicit, holds a greater influence in shaping the divergence of consumers' values and behaviours (Dau et al., 2022). Existing literature provides inconsistent results about the effects of cultural distance on CBM&A including positive outcomes (e.g., Morosini et al., 1998) and negative judgments (e.g., Reus and Lamont, 2009), which proves a lack of understanding of the cultural distance.

The present study makes a significant contribution by breaking down the cultural distance into six dimensions to explore the effects of informal institutions in a detailed approach. Specifically, for example, a higher *PODI* reveals a higher level of equality, decentralized power distribution and lower tolerance to centralism and injustice. These empirical results reveal that the degree of equality and power concentration in the target countries is predominantly considered for EMNEs while seeking strategic assets. It can be explained for technology acquisition as it calls for the power balance, which decreases the possibility of resistance caused by the power monopoly of the minority.

In addition to shedding light on the analysis of Chinese MNE SAS, the discussion surrounding informal institutions (i.e., cultural factor) has significantly contributed to various theories of internationalization, aligning with prior research (e.g., Ghaffari, 2021). The Uppsala model by Johanson and Wiedersheim-Paul (1975) suggests that the

concept of psychic distance plays a pivotal role in MNEs' market selection. These findings, particularly regarding the impact of informal institutions on brand-seeking, establish a crucial link in understanding this concept. From an internationalization theory perspective (Johanson and Mattsson, 2013), given that a company's expansion is significantly contingent on its relationships with other enterprises, the positive correlation uncovered between informal institutions and brand acquisition can be further elucidated. EMNEs endeavour not only to acquire a new brand but also to secure a position within the industrial network associated with the acquired brand. This rationale explains the surge in brand acquisitions as cultural distances increase, signifying that when cultural distances are relatively close, enterprises may already be part of the same network, fostering cooperative relationships.

5.3 Theoretical implications

From these research findings, it becomes evident that EMNEs, particularly PBGs prioritizing business performance, find economies with robust and advanced formal institutions highly attractive for seeking strategic assets. This attraction is deeply entrenched in theories of international economics and international trade, specifically within the realm of SAS OFDI, representing an advantage-oriented investment strategy.

Traditional IB literature suggests that cross-national distance (e.g., differing institutions or cultural context) is seen as an obstacle or of incurring extra costs (i.e., the liability of foreignness) that hinder firms' foreign expansion (Denk, Kaufmann, and Roesch, 2012; Johanson and Vahlne, 1997; Zaheer, 1995). However, the findings suggest that the formal dimension 'government effectiveness' and the informal dimension 'power distance' positively and significantly determined Chinese firms' foreign SAS behaviours. In which case, the cross-national distance would be seen as a positive driver for EMNEs to augment their capabilities via the M&A approach. These findings therefore contribute to the springboard perspective suggested by Luo and Tung (2007, 2018), which mainly explains how EMNEs use foreign subsidiaries as 'springboards' to facilitate their global expansion. Similarly, these findings suggest that PBGs in

emerging economies utilize a specific strategy when using foreign subsidiaries as springboards for international expansion, considering intellectual property assets as a key factor in their acquisition decisions. This provides insights into which specific dimensions of cross-national institutional differences facilitate EMNEs' SAS behaviours.

The findings also identified that specific sub-dimensions within institutional and cultural distance significantly determine specific strategic behaviours of Chinese MNEs (i.e., patent asset seeking only, trademark asset seeking only, or both). Drawn from the new internalization theory (Rugman and Verbeke, 1992, 2001), existing studies have classified the patent- and trademark- assets into non-location-bound and location-bound firm's specific assets respectively (Shi et al., 2022; Sutherland et al., 2020). Thus, this research also contributes to the application of the new internalization theory into studying EMNE internationalization.

5.4 Managerial and practical implications

This study may have significant managerial and practical implications and insights, notably concerning the impact of strategic assets and cultural and institutional distance on the acquisition of target companies by EMNEs and private business groups. Below are some of the most important implications and insights:

First, from the perspective of strategic decision-making and investment orientation, these findings reveal that private business groups are more likely to acquire target firms with both patent and trademark assets, which may reflect their strategic decision-making and investment orientation. This trend can be utilized by managers to maximize their own strategic decisions, such as when contemplating the combined value of patent and trademark assets.

Second, when examining the importance of cultural distance, cultural distance has a

significant positive effect on the acquisition of trademark-only target firms by Chinese MNEs. This suggests that managers should pay more attention to the cultural distinctions of the host country of the target company when making international acquisition decisions in order to better modify and integrate the target organization. Institutional distance significantly moderates the procurement of overseas trademark assets by private enterprise organizations in a significant way, which suggests that private conglomerates involved in strategic asset acquisitions should pay more attention to the legal and institutional environment of the target country. They may need to take preliminary measures, such as establishing strong relationships with local governments and associates, to mitigate the negative effects of institutional distance on the transaction.

Thirdly, and most crucially from a multidimensional perspective, these findings reveal that institutional and cultural distance sub-dimensions play a significant influence in the behaviour of Chinese MNEs. To better predict and explain corporate behaviours, managers need a deeper understanding of these sub-dimensions, such as government efficacy and the rule of law, moreover, the uncertainty avoidance index has a substantial impact on private enterprise organizations. This implies that in international M&As, managers should better manage and respond to uncertainty, including market and cultural uncertainty.

Overall, these findings can assist managers in better comprehending and responding to the challenges and opportunities encountered by EMNEs and private business groups in international M&As. By contemplating institutional and cultural distances, and related sub-dimensions, managers can develop more targeted M&A success strategies. In addition, the findings offer policymakers valuable insights into how to support and guide the international expansion of EMNEs.

5.5 Limitations and future research

This research undoubtedly has some research limitations, which may guide future research. The first consideration is that the focus of this study was on only one emerging market, i.e., China, which may limit the generalization of research findings. Future research could be directed to develop a comparative analysis of specific SAS behaviours among MNEs from different emerging countries. Another consideration is that the research emphasis was on the importance of observing Chinese MNEs' cross-border M&As between 2006 and 2015, and it would have been more beneficial to conduct a comparative analysis encompassing data from multiple eras, including the post-2015 period, to observe the shifts and trends in EMNE SAS behaviours. In addition, investigating the impact of particular events or crises, such as the ongoing pandemic, in conjunction with the influences of sub-dimensions of formal and informal institutions on SAS behaviours could provide a deeper understanding of how EMNEs adapt and formulate strategies in response to global disruptions. Exploring the interaction between formal and informal institutions in greater depth and taking into account a broader spectrum of emerging economies could also provide a comprehensive understanding of the various factors influencing SAS in contemporary international business.

In the current era of the digital economy, data is increasingly seen as a new form of strategic asset (Yi et al., 2022), and whether it will attract a new round of data-asset-oriented OFDI deserves a more in-depth exploration. Barreto (2010) underscored the critical role of dynamic capabilities is to learn and adapt swiftly in the realm of SAS OFDI. Such capabilities are fundamental for EMNEs aiming to discern, acquire, and effectively utilize strategic assets within the more complex global economy. It is therefore even more critical to understand exactly which dimensions of formal institutional differences affect SAS OFDI so that dynamic capabilities can be better developed and fostered to cope with the complexity of the external environment.

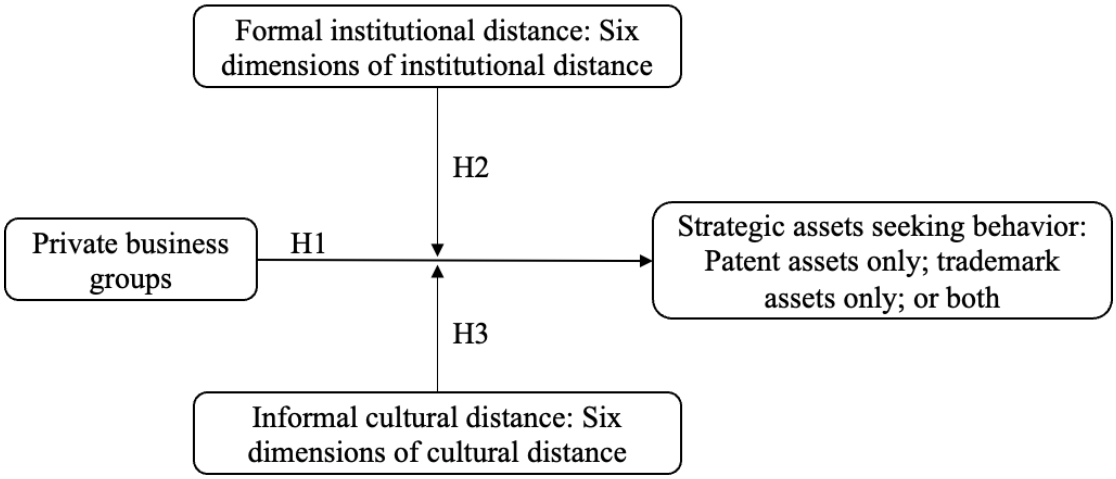
6. Conclusion

Above all, the aim of this study was to probe into the influence of different dimensions under formal and informal institutions on sub-motives of EMNE SAS to gain insights into the understanding of EMNE internationalization. Specifically, these explorative findings reveal that those sub-dimensions of formal and informal institutional distance were observed to have significant effects on specific overseas SAS behaviour, though the overall formal institutional distance was not found to have any significant effects.

The findings of this study enrich the exploration of influential factors in EMNEs' international SAS behaviour and can contribute to a more comprehensive understanding of EMNEs' rapid internationalization. The current trend of deglobalization has increased the complexity and uncertainty of the international environment for MNEs. Thus, MNEs need to achieve a deeper understanding of the political, legal and cultural differences between countries and the impact of these differences on their strategic internationalization behaviour in order to develop more targeted strategies and decisions to reduce risks and improve their chances of internationalization success. This study may, therefore, serve as an enlightened and meaningful example for future research in EMNE internationalization behaviours, especially given the context of a more complex international environment and the deglobalization trends.

Appendix

1.Figure 1 Research framework



2.Table 1 Variable descriptions and data source

Variables	Abbreviation	Definition	Data source
Strategic Assets-Seeking	SAS	● 1 the target firm has neither patents nor trademarks; 2 the target firm has patents only; 3 the target firm has trademarks only; 4 the target firm has both patents and trademarks	Orbis
Target firm's number of patents	TNPAT	● Number of patents that the target firm had before M&A	Orbis
Target firm's number of trademarks	TNTRADM	● Number of trademarks that the target firm had before M&A	Orbis
Private business group	PBG	● '1' the acquiror is affiliated to a privately-ownd business group, and '0' otherwise	Orbis, Corporate websites; Large Corporation of China 2008
Institutional Distance	INSDIS	● Aggregate index of six dimensions of worldwide governance	World Bank
Cultural Distance	CULDIS	● Aggregate index of six dimensions of national culture	Hofstede Insights
Firm Age	AGE	● Acquirer's age	Orbis
Profit Margin	PROFIT	● Acquirer's profit margin	Orbis
Total Assets	LTASSET	● Log-transformed acquirer's total assets	Orbis

Acquirer's Number of Patents	LANPAT	● Log-transformed number of acquirer's patents before M&A	Orbis
Acquirer's Number of Trademarks	LANTRADM	● Log-transformed number of acquirer's trademarks before M&A	Orbis
Ownership Lever after M&A	OWNTRANS	● Acquirer's ownership level after M&As	Thomson One Banker
Foreign Experience	FEXPE	● 1 refers to the acquirer already has one foreign subsidiary at least, and 0 otherwise	Orbis
Manufacturing Sector	MANU	● 1 refers to the acquirer is involved in the manufacturing sector, and 0 otherwise	Orbis
Target country's GDP	LTGDP	● Log-transformed target country's GDP	World Bank

3.Table 2 Pairwise correlations

No.	Variables	1	2	3	4	5	6	7	8	9	10	11	12	13
1	SAS	1												
2	PBG	0.18***	1											
3	INSDIS	0.05	-0.02	1										
4	CULDIS	0.004	-0.07+	0.05	1									
5	LAGE	-0.04	-0.04	-0.12**	0.04	1								
6	PROFIT	0.10*	0.11**	-0.05	-0.03	-0.06	1							
7	LTASSET	0.01	-0.07+	-0.07+	0.06	0.26***	0.08*	1						
8	LANPAT	0.13***	0.03	-0.07+	-0.02	0.13***	0.05	0.47***	1					
9	LANTRADM	0.21***	0.16***	-0.09*	-0.05	0.09*	0.06+	0.31***	0.55***	1				
10	OWNTRANS	0.01	0.13***	0.02	-0.08*	-0.03	0.05	-0.15***	-0.05	0.02	1			
11	FEXPE	0.03	-0.03	-0.03	0.06	0.12**	-0.02	0.29***	0.18***	0.15***	-0.07+	1		
12	MANU	0.18***	0.10**	-0.0513	-0.14***	0.01	0.04	-0.13**	-0.02	0.02	0.09*	-0.05	1	
13	LTGDP	0.29***	0.06+	0.26***	-0.13***	-0.003	0.04	-0.0127	0.05	0.15***	0.12**	0.002	0.06+	1

Notes: *Robust standard errors in parentheses, +p<0.10, *p<0.05, **p<0.01, ***p<0.001.*

2.Table 3 Sample characteristics of specific SAS behaviours

Top 5 target countries	Cross-border M&A deals in the top 5 countries	Target firms' number of patents	Target firms' number of trademarks
America	110	68731	3589
No patents/trademarks	49	0	0
Patent asset only	8	5163	0
Trademark asset only	15	0	99
Patent & Trademark	38	63568	3490
Australia	101	27	13
No patents/trademarks	85	0	0
Patent asset only	10	27	0
Trademark asset only	6	0	13
Germany	58	7271	489
No patents/trademarks	17	0	0
Patent asset only	16	237	0
Trademark asset only	3	0	25
Patent & Trademark	22	7034	464
Canada	46	107	24
No patents/trademarks	38	0	0
Patent asset only	2	13	0
Trademark asset only	3	0	4
Patent & Trademark	3	94	20
UK	42	193	99
No patents/trademarks	30	0	0
Patent asset only	1	5	0
Trademark asset only	7	0	83
Patent & Trademark	4	188	16
Total	357	76329	4214

4.Table 4 Multinational logistic regression on the impact of aggregate distance of formal and informal institutions for full sample

	Model 1			Model 2			Model 3		
	Patent seeking	**Trademark seeking**	**Patent & Trademark**	**Patent seeking**	**Trademark seeking**	**Patent & Trademark**	**Patent seeking**	**Trademark seeking**	**Patent & Trademark**
PBG				0.497	0.534+	0.878**	0.504	0.463	**0.832****
				(0.323)	(0.303)	(0.283)	(0.342)	(0.308)	(0.290)
INSDIS				0.215	0.145	0.024	0.215	0.147	0.023
				(0.174)	(0.143)	(0.140)	(0.173)	(0.144)	(0.140)
CULDIS				0.010	0.011*	-0.003	0.010	**0.012***	-0.003
				(0.006)	(0.006)	(0.008)	(0.007)	(0.006)	(0.008)
LAGE	-0.240	-0.151	-0.323	-0.204	-0.127	-0.372	-0.194	-0.127	-0.384
	(0.305)	(0.265)	(0.245)	(0.310)	(0.274)	(0.260)	(0.312)	(0.279)	(0.259)
PROFIT	0.004	0.005	0.011+	0.005	0.005	0.008	0.005	0.005	0.008
	(0.007)	(0.005)	(0.006)	(0.007)	(0.005)	(0.006)	(0.007)	(0.005)	(0.006)
LTASSET	-0.097	-0.116+	0.034	-0.101	-0.119+	0.056	-0.112	-0.110+	0.082
	(0.084)	(0.067)	(0.075)	(0.085)	(0.069)	(0.079)	(0.102)	(0.068)	(0.081)
LANPAT	0.080	-0.034	0.090+	0.082	-0.030	0.091+	0.082	-0.029	0.092+
	(0.071)	(0.058)	(0.053)	(0.071)	(0.058)	(0.053)	(0.071)	(0.059)	(0.054)
LANTRADM	-0.084	0.258+	0.261+	-0.082	0.248	0.184	-0.087	0.253	0.173
	(0.212)	(0.158)	(0.139)	(0.211)	(0.164)	(0.148)	(0.211)	(0.164)	(0.147)
OWNTRANS	-0.008+	-0.009*	-0.002	-0.009*	-0.010*	-0.004	-0.009*	-0.009*	-0.004
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
FEXPE	-0.130	0.197	-0.051	-0.145	0.185	-0.020	-0.135	0.171	0.027
	(0.330)	(0.326)	(0.294)	(0.331)	(0.331)	(0.303)	(0.327)	(0.339)	(0.312)

MANU	1.116**	0.445+	1.200***	1.165**	0.501+	1.130***	1.163**	0.478+	1.121***
	(0.340)	(0.259)	(0.267)	(0.352)	(0.266)	(0.275)	(0.350)	(0.267)	(0.275)
LTGDP	0.220**	0.190*	0.586***	0.206**	0.180*	0.614***	0.206**	0.171*	0.617***
	(0.084)	(0.080)	(0.091)	(0.076)	(0.074)	(0.119)	(0.077)	(0.074)	(0.121)
Year included	-0.211	0.349	-0.298	-0.209	0.342	-0.414	-0.223	0.345	-0.438
	(0.440)	(0.362)	(0.391)	(0.441)	(0.362)	(0.403)	(0.442)	(0.364)	(0.402)
lambda							-0.209	0.177	0.979
							(1.462)	(1.166)	(1.139)
Constant	-5.491*	-4.106+	-18.871***	-6.7173*	-5.190*	-19.925***	-6.454*	-5.278*	-20.848***
	(2.721)	(2.387)	(3.343)	(2.678)	(2.284)	(3.905)	(3.122)	(2.468)	(3.999)
Observations		662			662			658	
Wald chi2		107.10***			117.52***			117.08***	
Pseudo R2		0.109			0.124			0.124	
Log pseudolikelihood		-597.476			-587.56			-584.77	

Notes: *Robust standard errors in parentheses, +p<0.10, *p<0.05, **p<0.01, ***p<0.001*. From Models 1-2, we added the 'lambda' which resulted the reduction of number of observations from 662 to 658.

5.Table 5 Multinational logistic regression on the impact of specific dimensions of formal and informal institutions for full sample

	Model 4			Model 5			Model 6		
	Patent seeking	**Trademark seeking**	**Patent & Trademark**	**Patent seeking**	**Trademark seeking**	**Patent & Trademark**	**Patent seeking**	**Trademark seeking**	**Patent & Trademark**
PBG	0.556	0.390	0.807**	0.270	0.467	0.886**	0.294	0.313	0.791*
	(0.362)	(0.309)	(0.293)	(0.379)	(0.327)	(0.306)	(0.397)	(0.321)	(0.313)
INSDIS				0.148	0.122	0.124			
				(0.411)	(0.221)	(0.264)			
CULDIS	-0.015	-0.009	-0.022*						
	(0.011)	(0.008)	(0.011)						
VACC	3.762***	2.434**	2.709**				1.844	1.135	0.272
	(0.999)	(0.835)	(1.014)				(1.325)	(0.885)	(1.049)
PSAV	-0.474	-0.074	0.488				0.308	-0.239	0.262
	(0.590)	(0.571)	(0.477)				(0.600)	(0.577)	(0.532)
GOVE	2.661*	2.549+	2.217+				**4.201****	0.751	2.559
	(1.332)	(1.359)	(1.349)				(1.444)	(1.465)	(1.861)
REGQ	0.801	-0.563	-1.208				-0.056	-0.445	-1.431
	(0.743)	(0.904)	(0.780)				(1.635)	(1.183)	(1.160)
CCOR	-0.707	-1.277+	-1.964**				-0.926	**-2.507****	**-2.204****
	(0.884)	(0.763)	(0.659)				(1.179)	(0.782)	(0.800)
RLAW	-3.377*	-1.024	-0.162				-3.526	2.957+	1.396
	(1.366)	(1.803)	(1.537)				(2.639)	(1.786)	(1.881)
PODI				0.070***	0.030+	0.044*	**0.073****	0.012	**0.042***
				(0.019)	(0.016)	(0.020)	(0.024)	(0.018)	(0.020)
INDI				0.007	0.000	0.035*	-0.004	-0.014	**0.042***

				(0.016)	(0.015)	(0.016)	(0.025)	(0.017)	(0.020)
MOTI				-0.018	0.020+	0.035*	-0.029	0.011	0.024
				(0.023)	(0.011)	(0.015)	(0.021)	(0.014)	(0.016)
UNAV				0.029*	0.021+	0.016	0.023	0.017	0.010
				(0.013)	(0.012)	(0.014)	(0.019)	(0.013)	(0.013)
LTOR				-0.005	-0.013	-0.010	0.001	-0.016	-0.019
				(0.013)	(0.012)	(0.011)	(0.013)	(0.012)	(0.012)
INDG				-0.031	0.013	-0.067*	-0.031	0.033	**-0.062***
				(0.030)	(0.022)	(0.027)	(0.032)	(0.023)	(0.027)
LAGE	-0.259	-0.136	-0.462+	-0.150	-0.172	-0.430+	-0.265	-0.116	-0.423
	(0.336)	(0.301)	(0.264)	(0.341)	(0.257)	(0.267)	(0.343)	(0.294)	(0.282)
PROFIT	0.008	0.007	0.009	0.010	0.005	0.009	0.009	0.006	0.008
	(0.008)	(0.005)	(0.007)	(0.008)	(0.005)	(0.007)	(0.009)	(0.005)	(0.007)
LTASSET	-0.151	-0.111	0.090	-0.254*	-0.151*	0.048	-0.234*	-0.146+	0.076
	(0.108)	(0.072)	(0.088)	(0.109)	(0.075)	(0.094)	(0.115)	(0.078)	(0.094)
LANPAT	0.093	-0.031	0.082	0.116	-0.006	0.098+	0.125+	0.004	0.092
	(0.069)	(0.060)	(0.056)	(0.073)	(0.062)	(0.057)	(0.074)	(0.064)	(0.060)
LANTRADM	-0.037	0.292+	0.227	-0.062	0.269+	0.188	-0.056	0.278+	0.189
	(0.216)	(0.172)	(0.157)	(0.234)	(0.163)	(0.157)	(0.238)	(0.165)	(0.166)
OWNTRANS	-0.011*	-0.009*	-0.004	-0.010+	-0.010*	-0.006	-0.010+	-0.009*	-0.006
	(0.005)	(0.004)	(0.004)	(0.005)	(0.004)	(0.004)	(0.005)	(0.004)	(0.005)
FEXPE	-0.186	0.082	0.027	-0.018	0.167	0.026	0.000	0.091	-0.009
	(0.346)	(0.345)	(0.325)	(0.344)	(0.349)	(0.326)	(0.357)	(0.358)	(0.343)
MANU	1.133**	0.436+	1.030***	0.801*	0.193	0.795**	0.868*	0.250	0.845**
	(0.363)	(0.267)	(0.279)	(0.384)	(0.276)	(0.290)	(0.393)	(0.279)	(0.297)

LTGDP	0.173	0.087	0.455***	0.156	0.204	0.728***	0.181	-0.076	0.411*
	(0.121)	(0.095)	(0.126)	(0.184)	(0.150)	(0.152)	(0.297)	(0.169)	(0.174)
Year included	-0.337	0.297	-0.482	-0.311	0.360	-0.466	-0.324	0.466	-0.383
	(0.435)	(0.368)	(0.412)	(0.449)	(0.381)	(0.398)	(0.458)	(0.397)	(0.407)
lambda	-0.223	0.008	0.862	-0.972	0.298	0.553	-0.519	0.347	0.572
	(1.610)	(1.224)	(1.232)	(1.791)	(1.225)	(1.302)	(1.803)	(1.272)	(1.331)
Constant	-4.905	-2.929	-16.578***	-3.131	-5.940	-24.952***	-5.022	0.918	-17.043**
	(4.153)	(3.264)	(3.990)	(7.013)	(4.935)	(5.257)	(9.969)	(5.155)	(5.535)
Observations		658			601			601	
Wald chi2		159.70***			191.77***			248.08***	
Pseudo R2		0.166			0.19			0.212	
Log pseudolikelihood		-556.343			-509.624			-495.883	

Notes: *Robust standard errors in parentheses, +p<0.10, *p<0.05, **p<0.01, ***p<0.001*. From Models 4-5, we added six sub-dimensions of cultural distance variables into the modelling, which reduced the number of observations from 658 to 601.

6.Table 6 Multinational logistic regression on the impact of specific dimensions of formal and informal institutions for the PBG samples

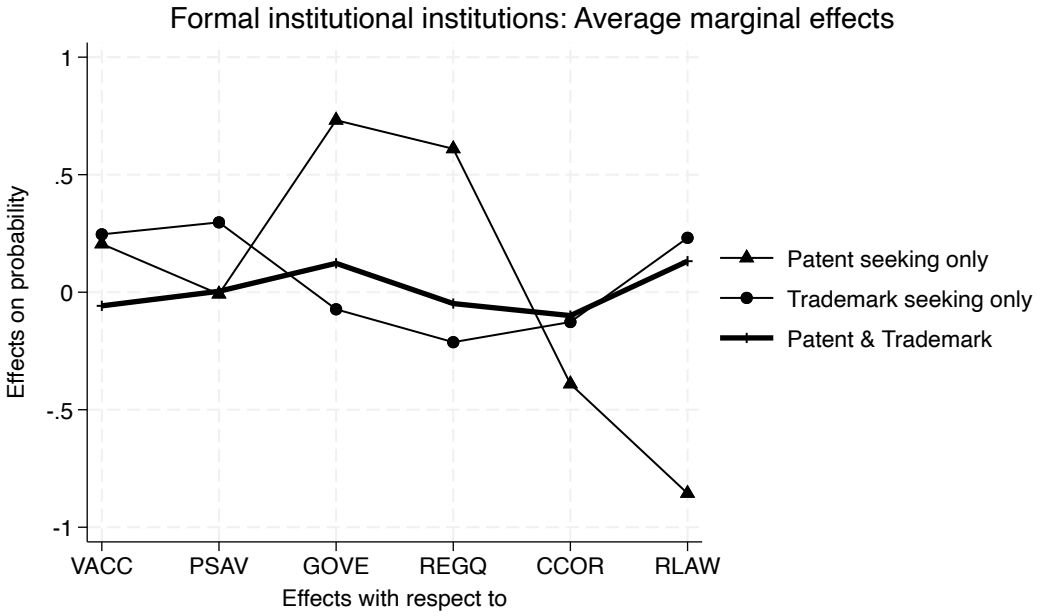
	Model 7			Model 8			Model 9		
	Patent seeking	**Trademark seeking**	**Patent & Trademark**	**Patent seeking**	**Trademark seeking**	**Patent & Trademark**	**Patent seeking**	**Trademark seeking**	**Patent & Trademark**
INSDIS				-0.355	**1.249****	0.495			
				(0.633)	(0.467)	(0.518)			
CULDIS	-0.031	**-0.025+**	**-0.039***						
	(0.025)	(0.016)	(0.016)						
VACC	8.482+	1.920+	3.271*				**4.234+**	**3.995***	1.358
	(4.789)	(1.068)	(1.493)				(2.562)	(1.960)	(1.934)
PSAV	-1.278	2.857*	0.557				1.110	**4.065***	1.197
	(1.018)	(1.362)	(0.971)				(1.375)	(1.591)	(1.056)
GOVE	12.469**	1.831	5.361*				**12.595***	2.516	3.987
	(4.092)	(2.754)	(2.478)				(5.207)	(3.679)	(3.126)
REGQ	7.273*	-0.235	-0.940				**9.221***	-0.597	1.354
	(3.424)	(1.468)	(1.862)				(3.762)	(2.938)	(2.573)
CCOR	-5.494*	-2.019+	-1.632				**-7.545*****	**-3.752***	-3.098
	(2.247)	(1.187)	(1.404)				(2.013)	(1.723)	(2.259)
RLAW	-12.315**	-0.289	-3.187				**-12.929***	0.178	-1.589
	(4.734)	(2.564)	(3.467)				(6.477)	(3.872)	(4.310)
PODI				0.067*	-0.003	0.042	**0.090+**	-0.047	0.050+
				(0.026)	(0.025)	(0.028)	(0.049)	(0.040)	(0.031)
INDI				-0.027	0.001	-0.022	-0.047	-0.061	-0.036
				(0.044)	(0.025)	(0.024)	(0.058)	(0.038)	(0.046)
MOTI				-0.043	0.006	0.015	-0.104	-0.028	0.001

				(0.029)	(0.019)	(0.026)	(0.080)	(0.027)	(0.026)
UNAV				0.049*	0.027	0.063*	0.079	0.004	**0.084****
				(0.022)	(0.023)	(0.026)	(0.051)	(0.033)	(0.032)
LTOR				-0.030	-0.005	-0.022	-0.049	-0.027	-0.031
				(0.025)	(0.024)	(0.017)	(0.035)	(0.028)	(0.021)
INDG				0.056	-0.006	0.035	0.121*	0.087**	0.079
				(0.055)	(0.042)	(0.039)	(0.059)	(0.032)	(0.053)
LAGE	-0.348	0.317	-0.255	-0.257	0.318	-0.294	-0.319	0.215	-0.343
	(0.822)	(0.505)	(0.541)	(0.670)	(0.477)	(0.440)	(0.779)	(0.520)	(0.535)
PROFIT	0.010	0.004	0.013	0.018	0.000	0.016	0.019	0.003	0.016
	(0.013)	(0.009)	(0.010)	(0.015)	(0.008)	(0.011)	(0.016)	(0.009)	(0.011)
LTASSET	-0.173	-0.351+	-0.154	-0.316	-0.358*	-0.234	-0.375	-0.324+	-0.207
	(0.333)	(0.184)	(0.188)	(0.239)	(0.184)	(0.160)	(0.300)	(0.195)	(0.179)
LANPAT	0.307+	0.041	0.279*	0.267+	0.148	0.316*	0.256	0.092	0.299*
	(0.183)	(0.123)	(0.139)	(0.148)	(0.113)	(0.132)	(0.197)	(0.132)	(0.142)
LANTRADM	-0.051	0.578+	0.030	-0.104	0.378	-0.051	0.083	0.522	0.009
	(0.505)	(0.307)	(0.319)	(0.418)	(0.276)	(0.288)	(0.432)	(0.327)	(0.309)
OWNTRANS	-0.020*	-0.034**	-0.024**	-0.008	-0.030**	-0.015+	-0.020	-0.032*	-0.016*
	(0.010)	(0.010)	(0.008)	(0.013)	(0.011)	(0.008)	(0.015)	(0.013)	(0.009)
FEXPE	0.079	0.644	0.870	0.430	0.826	0.904+	0.588	0.688	0.927
	(0.736)	(0.686)	(0.588)	(0.669)	(0.688)	(0.562)	(0.770)	(0.714)	(0.604)
MANU	1.241	0.397	0.342	0.549	0.230	-0.065	0.863	0.528	0.148
	(1.029)	(0.616)	(0.549)	(0.903)	(0.605)	(0.562)	(1.054)	(0.675)	(0.585)
LTGDP	0.294+	0.191	0.757**	0.117	-0.031	0.982***	0.399	0.227	0.901*
	(0.182)	(0.200)	(0.252)	(0.424)	(0.322)	(0.237)	(0.498)	(0.469)	(0.424)

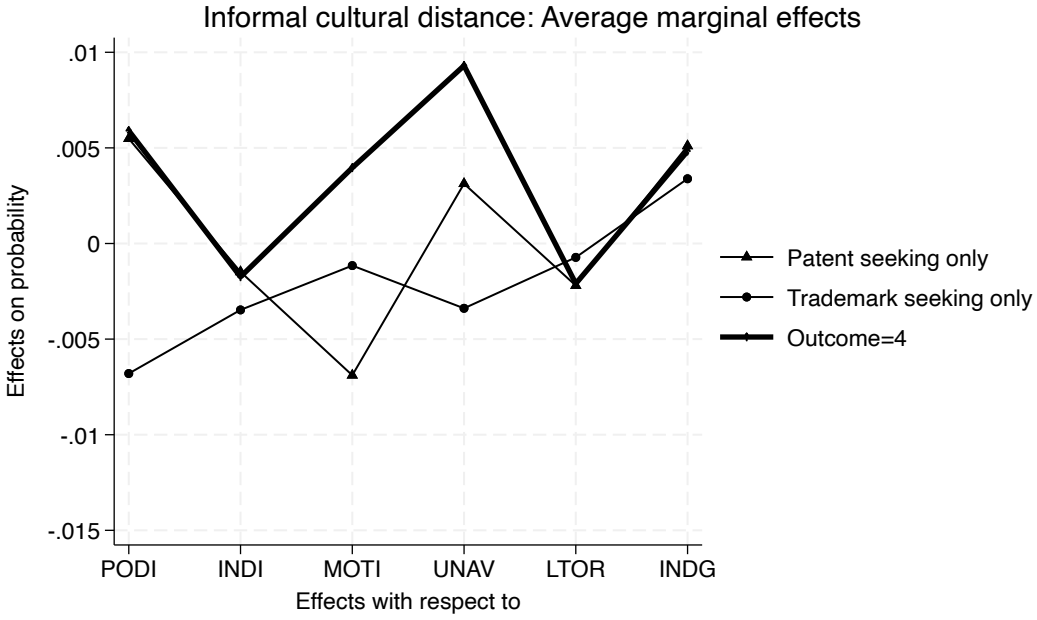
Year included	-0.078	0.989	-0.426	0.129	0.920	-0.467	-0.066	1.009	-0.522
	(0.903)	(0.660)	(0.717)	(0.843)	(0.659)	(0.698)	(0.920)	(0.744)	(0.756)
Constant	-14.826	-0.584	-19.004*	0.245	2.117	-27.584***	-15.885	-2.498	-28.227*
	(12.822)	(7.420)	(8.565)	(12.955)	(9.647)	(7.166)	(15.519)	(13.331)	(12.129)
Observations		181			171			171	
Wald chi2		130.15***			140.83***			178.80***	
Pseudo R2		0.284			0.26			0.329	
Log pseudolikelihood		-152.814			-151.67			-137.557	

Notes: *Robust standard errors in parentheses, +p<0.10, *p<0.05, **p<0.01, ***p<0.001*. From Models 6-7, we focused Chinese private business groups only which reduced the number of observations from 658 to 181; from Models 7-9, we added six sub-dimensions of cultural distance variables into the modelling, which reduced the number of observations from 181 to 171.

7. Figure 2 Marginal effects - formal institutional distance (PBG sample)



8.Figure 3 Marginal effects - informal cultural distance (PBG sample)



9.Table 7 Negative binomial regression (Robustness check)

Variable	Model 10	Model 11	Model 12	Model 13
Sample	**Full**	**Full**	**PBG**	**PBG**
	TNPAT	TNTRADM	TNPAT	TNTRADM
PBG	-0.334	0.567*		
	(0.412)	(0.293)		
VACC	-0.714	1.840**	0.504	4.085***
	(1.197)	(0.686)	(1.646)	(1.101)
PSAV	0.404	-0.351	-0.314	1.021
	(0.808)	(0.530)	(0.709)	(0.734)
GOVE	14.933***	3.263*	5.879*	6.801**
	(1.734)	(1.416)	(2.732)	(2.151)
REGQ	0.258	-2.298*	5.787**	-0.350
	(1.593)	(0.981)	(2.016)	(1.893)
CCOR	-6.767***	-3.203***	-1.702	-2.810**
	(1.054)	(0.751)	(1.446)	(0.914)
RLAW	-6.380***	3.307*	-5.418*	-4.060+
	(1.583)	(1.290)	(2.621)	(2.534)
PODI	0.198***	0.026	0.060**	-0.036
	(0.031)	(0.024)	(0.021)	(0.024)
INDI	-0.024	-0.022	-0.053	-0.011
	(0.025)	(0.015)	(0.040)	(0.025)
MOTI	0.024	0.013	0.065***	0.001
	(0.024)	(0.011)	(0.016)	(0.019)
UNAV	0.064**	0.020+	0.078***	0.022
	(0.019)	(0.012)	(0.018)	(0.014)
LTOR	-0.045**	-0.006	-0.003	-0.002
	(0.016)	(0.010)	(0.023)	(0.014)
INDG	-0.016	-0.014	-0.001	0.036
	(0.032)	(0.018)	(0.057)	(0.035)
LAGE	-0.227	-0.551*	-0.815	-0.527+
	(0.330)	(0.259)	(0.622)	(0.320)
PROFIT	-0.008	0.019**	0.011	0.003
	(0.008)	(0.007)	(0.009)	(0.008)
LTASSET	0.149	0.162+	-0.066	0.275+
	(0.104)	(0.100)	(0.214)	(0.168)
LANPAT	0.241**	0.102+	0.715***	0.264**
	(0.077)	(0.060)	(0.104)	(0.099)
LANTRADM	-0.053	0.203	-0.257	-0.465*
	(0.219)	(0.163)	(0.249)	(0.237)
OWNTRANS	-0.010+	-0.007+	-0.022*	-0.0120**
	(0.005)	(0.004)	(0.008)	(0.007)

FEXPE	-0.446	-0.198	-0.903+	1.046*
	(0.372)	(0.262)	(0.532)	(0.507)
MANU	1.152**	1.361***	1.527**	1.397**
	(0.415)	(0.297)	(0.457)	(0.428)
LTGDP	1.336***	0.578***	2.711***	0.786**
	(0.260)	(0.162)	(0.322)	(0.258)
lambda	-3.847*	-2.711+		
	(1.824)	(1.485)		
Year control	-3.915***	-0.734*	-2.835***	-1.875***
	(0.460)	(0.369)	(0.704)	(0.463)
Constant	-44.591***	-20.772***	-81.378***	-30.223***
	(7.789)	(5.088)	(9.683)	(7.758)
Observations	601	601	171	171
Wald chi2	509.40***	258.88***	645.75***	167.13***
Pseudo R2	0.093	0.083	0.164	0.098
Log pseudolikelihood	-1088.155	-889.86	-391.097	-339.088

Notes: *Robust standard errors in parentheses, +p<0.10, *p<0.05, **p<0.01, ***p<0.001*.

10. Table 8 Seemingly unrelated regression (Robustness check)

Variable	Model 14		Model 15	
	Full sample		PBG sample	
	Patents	Trademarks	Patents	Trademarks
PBG	0.234	0.246*		
	(0.174)	(0.121)		
VACC	0.260	0.224	0.336	**0.517**+
	(0.267)	(0.154)	(0.568)	(0.315)
PSAV	0.225	0.084	0.192	0.268
	(0.189)	(0.142)	(0.432)	(0.309)
GOVE	1.574**	0.631+	1.052	**1.393***
	(0.527)	(0.333)	(0.967)	(0.679)
REGQ	-0.336	-0.556+	1.803	-0.239
	(0.461)	(0.304)	(1.150)	(0.764)
CCOR	-0.714+	-0.609**	-0.197	-0.578
	(0.416)	(0.229)	(0.638)	(0.474)
RLAW	-0.528	0.530	-1.819	-0.621
	(0.711)	(0.393)	(1.403)	(1.032)
PODI	**0.025*****	0.007	**0.028***	0.004
	(0.007)	(0.005)	(0.011)	(0.009)
INDI	-0.006	-0.003	-0.047**	-0.010
	(0.007)	(0.005)	(0.017)	(0.012)
MOTI	0.003	0.009+	**0.029***	0.011
	(0.006)	(0.005)	(0.013)	(0.013)
UNAV	0.008	-0.001	**0.026***	0.000
	(0.005)	(0.004)	(0.011)	(0.008)
LTOR	-0.001	0.003	0.001	0.004
	(0.004)	(0.003)	(0.008)	(0.006)
INDG	-0.021*	-0.010	0.020	0.003
	(0.008)	(0.007)	(0.019)	(0.016)
LAGE	0.051	-0.063	0.466	0.045
	(0.139)	(0.087)	(0.290)	(0.215)
PROFIT	0.001	0.001	0.001	0.000
	(0.002)	(0.002)	(0.004)	(0.003)
LTASSET	0.023	0.047+	-0.039	0.009
	(0.042)	(0.026)	(0.081)	(0.058)
LANPAT	0.100**	0.020	0.286***	0.120*
	(0.034)	(0.021)	(0.073)	(0.049)
LANTRADM	0.040	0.063	-0.157	-0.137
	(0.089)	(0.061)	(0.149)	(0.096)
OWNTRANS	-0.003	-0.002	-0.007	-0.009*
	(0.002)	(0.001)	(0.005)	(0.004)

FEXPE	-0.104	-0.038	0.236	0.271
	(0.164)	(0.107)	(0.332)	(0.231)
MANU	0.4845***	0.289**	0.403+	0.188
	(0.127)	(0.090)	(0.223)	(0.197)
LTGDP	0.387***	0.1978***	0.917***	0.323
	(0.087)	(0.053)	(0.198)	(0.125)
lambda	0.180	-0.109	2.135	0.559
	(0.579)	(0.351)	(1.357)	(1.032)
Year control	-0.512***	-0.172	-0.948**	-0.565*
	(0.139)	(0.118)	(0.354)	(0.236)
Constant	-11.643***	-6.191***	-28.286***	-9.264*
	(2.815)	(1.685)	(6.392)	(3.987)
Observation	601	601	170	170
R-squared	0.214	0.173	0.419	0.244
Chi2	113.49***	117.13***	78.89***	61.74***
Breusch-Pagan test of independence chi2	207.068***		48.568***	

Notes: *Robust standard errors in parentheses, +p<0.10, *p<0.05, **p<0.01, ***p<0.001*.

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