

Managing Sino-European FDI: Perceptions of psychic distance and culture

by

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*To my family, dearest ones and friends,
my home and second home(s),
my lovely colleagues and (inter)national supervisors.*

*To my universities, Macerata and Jacobs,
To my countries, Italy, Germany and China.*

Statutory Declaration

(on Authorship of a Dissertation)

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I confirm that no rights of third parties will be infringed by the publication of this thesis.

Bremen, June 30, 2016

Signature



TABLE OF CONTENTS

ABSTRACT OF THE THESIS	12
INTRODUCTION	13
References	16
1) PSYCHIC DISTANCE AND FDI: THE CASE OF CHINA	20
ABSTRACT	20
1. INTRODUCTION	21
1.1 Perception and interpretation of the new environment	21
1.2 Relevance of the topic and gaps in the extant literature	22
1.3 China: current trends in the worldwide business scenario	24
2. THEORETICAL BACKGROUND	24
Table 1. Milestones in FDI theory	26
2.1 PD, internationalization and FDI	26
2.2 PD and culture perceptions in the OLI paradigm	28
2.3 OLI's evolution to OLMA and institutional theory traits	29
2.4 OLI's integration with LLL theory and emerging countries MNEs internationalization	31
3. METHODOLOGY	32
4. ANALYSIS	33
Table 2. Studies on PD, China, India, Japan, Taiwan, Australia and FDI determinants	33
Table 3. Articles regarding Asia supporting the concept of PD according to the Uppsala scholars (e.g., Johanson and Vahlne, 1977; 2009)	35
5. DISCUSSION	36
5.1 The case of China: relevant findings	36
5.2 "Affinity" in cultural, background, and institutional features	38
6. CONCLUSION	39
7. REFERENCES	40
2) A SOCIAL PSYCHOLOGICAL PERSPECTIVE TO THE PERCEPTIONS OF CULTURAL DIFFERENCES IN SINO-EUROPEAN FDI CONTEXTS	51
ABSTRACT	51
1. INTRODUCTION	53
1.1 "Dialogue" between two research areas: social psychology and international business	53
1.2 Differences as opportunities	55
2. THEORETICAL BACKGROUND	56

3. DATA ANALYSIS	59
3.1 First stage: quantitative research	60
Table 1. Child et al.'s dimensions of psychic distance (Child et al., 2009)	60
Table 2. Psychic distance perceptions (mean values)	61
3.2 Second stage: qualitative research	61
Figure 1. Answers about "culture" in relation with the psychic distance model and IB contexts	63
4. DISCUSSION	64
4.1 The <i>sociocognitive</i> value of the intercultural laboratory	66
Table 3. Intercultural laboratory - phases and tasks	69
5. CONCLUSION	70
6. REFERENCES	71
 3) EUROPEAN FDI IN CHINA: THE ROLE OF CULTURAL PERCEPTIONS	 80
ABSTRACT	80
1. INTRODUCTION	82
2. THEORETICAL BACKGROUND	84
Table 1. Child et al.'s (2009) psychic distance dimensions	86
3. METHODOLOGY	89
3.1 Multiple case study research design	89
3.2 Data collection process	90
Phase 1: pre-travel.	91
Phase 2: fieldwork.	91
Phase 3: post-travel.	92
4. ANALYSIS AND DISCUSSION	92
4.1 Company profiles	92
Table 2. Company profiles (2014)	93
4.2 Within and cross case analysis	93
4.2.1. Part 1: open ended questions and critical discourse analysis (CDA) approach.	93
Table 3. Psychic distance model (Child et al., 2009) and relevance of the "cultural" dimension	94
Table 4. Most recurrent textual elements emerging from the open ended questions	96
Table 5. "Chinese-culture bound" and "localization" textual elements	97
Table 6. Culture bound textual elements applied to IB	98
4.2.2 Part 2: data extracted from the questionnaire	100
Table 7. Relevant questions about our unit of analysis – the role of cultural perceptions	100
4.2.3 Culture, language and identity	103
5. CONCLUSION	105
6. REFERENCES	106

4) THE ROLE OF PRE- AND POST-ENTRY PSYCHIC DISTANCE PERCEPTIONS – THE CASE OF CHINESE FDI TO GERMANY	120
ABSTRACT	120
1. INTRODUCTION	122
2. THEORETICAL BACKGROUND	123
2.1 The concept of distance	124
Table 1. Child et al.’s dimensions of PD (Child et al., 2009)	125
2.2 Chinese firms investing abroad: home and host country factors	126
3. METHODS	127
Table 2. Sections and content of the questionnaire	128
4. RESULTS	129
Table 3. Company profiles	130
4.1 Within-Case analysis	130
Table 4. Companies’ PD perceptions	133
4.2 Cross-Case analysis	133
Table 5. PD perceptions (pre- and post-entry static and dynamic analyses; variation between pre- and post-entry) – values are average scores on a 5-point Likert scale	134
Table 6. Most relevant PD dimensions in terms of perceived differences by Chinese managers between China and Germany and the perceived impact on the businesses (average values along 12 dimensions, “static” analysis) – values are average scores on a 5-point Likert scale	137
Table 7. Chinese managers’ experiences – values are average scores on a 5-point Likert scale	138
4.3 Summary of results	139
5. DISCUSSION	140
Table 8. Comments on the perceptions of “accepted business practices” by Chinese managers	142
6. CONCLUSION	143
7. REFERENCES	145
SUMMARY CONCLUSIONS	152
References	161
APPENDIX	163
Introduction to the elaboration of the questionnaires	163
Tab. 1 Psychic distance model (Child et al., 2009)	163
Tab. 2 Section of questionnaire n. 2 addressed to Chinese managers in Germany	164
References	166
APPENDIX n. 1 Questionnaire about European green tech OFDI to China	168

QUESTIONNAIRE FOR EUROPEAN FIRMS INVESTING IN CHINA**168**

General Information	168
1 [EMAIL]Please insert your email address *	168
2 [1.1]Company *	168
3 [1.2]Town where the headquarters are located *	168
4 [1.3]Primary sectors of the company *	168
5 [1.4a]Core business of the company *	168
6 [1.4b]Core business of the company *	169
7 [1.5]Is the product/service environmentally sustainable or energy saving oriented? *	170
8 [1.6]N. of employees of the company (at the end of 2013) *	170
9 [1.7]N. of employees of the whole group (if different)	170
10 [1.8]Total revenue of the company in 2013 (Euro)	170
11 [1.9]Main customers of the company *	170
12 [1.10]Ownership structure *	170
13 [1.11]Which kind of technology transfer activities does the company adopt to develop their R&D?	170
14 [1.12]Which are the sectors of your main clients?	171
15 [1.13]Are there incentives in green sectors China as far as your sector is involved? *	171
16 [1.14]How do these incentives influence the competitiveness of products/services in the final market? *	171
17 [1.14b]Specify other relevant incentives	172
18 [1.15]Please indicate if the impact of the incentives on the competitiveness of products/services in the final market is positive or negative *	172
Investment in China	172
19 [2.1]What are the strategic reasons for your company operating in China? *	172
20 [2.1b]Specify other relevant strategic reasons	173
21 [2.2]Total accumulated amount of investment in China (amount at the end of 2013 in RMB)	173
22 [2.3.1]Please indicate for your main investment in China the following information *	173
23 [2.3.2]Please indicate the Province where your main investment is located *	173
24 [2.3.3]Reason for choosing the Province within China? *	174
25 [2.3.3b]Specify other relevant reason for choosing the Province	174
26 [2.3.4]Type of subsidiary *	174
27 [2.3.5]The CEO is *	175
28 [2.3.6]Main activity *	175
29 [2.3.7]Sector *	175
30 [2.3.7a]Specify the manufacturing sector *	175
31 [2.3.7b]Specify the service industry sector *	176
32 [2.3.8]Do you have another investment in China? *	176
33 [2.4.1]Please indicate for your second main investment in China the following information *	177
34 [2.4.2]Please indicate the Province where your second main investment is located *	177
35 [2.4.3]Reason for choosing the Province within China? *	178
36 [2.4.3b]Specify other relevant reason for choosing the Province *	178
37 [2.4.4]Type of subsidiary *	178
38 [2.4.5]The CEO is *	179
39 [2.4.6]Main activity *	179
40 [2.4.7]Sector *	179
41 [2.4.7a]Specify the manufacturing sector *	179
42 [2.4.7b]Specify the service industry sector *	180

43 [2.4.8]Do you have another investment in China? *	181
44 [2.5.1]Please indicate for your third main investment in China the following information *	181
45 [2.5.2]Please indicate the Province where your second main investment is located *	181
46 [2.5.3]Reason for choosing the Province within China? *	182
47 [2.5.3b]Specify other relevant reason for choosing the Province *	182
48 [2.5.4]Type of subsidiary *	182
49 [2.5.5]The CEO is *	183
50 [2.5.6]Main activity *	183
51 [2.5.7]Sector *	183
52 [2.5.7a]Specify the manufacturing sector *	183
53 [2.5.7b]Specify the service industry sector *	184
54 [2.5.8]Do you have another investment in China? *	185
55 [2.6.1]Please indicate for your fourth main investment in China the following information *	185
56 [2.6.2]Please indicate the Province where your fourth main investment is located *	185
57 [2.6.3]Reason for choosing the Province within China? *	185
58 [2.6.3b]Specify other relevant reason for choosing the Province *	186
59 [2.6.4]Type of subsidiary *	186
60 [2.6.5]The CEO is *	186
61 [2.6.6]Main activity *	186
62 [2.6.7]Sector *	186
63 [2.6.7a]Specify the manufacturing sector *	187
64 [2.6.7b]Specify the service industry sector *	187
65 [2.6.8]Do you have another investment in China? *	188
66 [2.7.1]Please indicate for your fifth main investment in China the following information *	188
67 [2.7.2]Please indicate the Province where your fourth main investment is located *	188
68 [2.7.3]Reason for choosing the Province within China? *	189
69 [2.7.3b]Specify other relevant reason for choosing the Province *	190
70 [2.7.4]Type of subsidiary *	190
71 [2.7.5]The CEO is *	190
72 [2.7.6]Main activity *	190
73 [2.7.7]Sector *	190
74 [2.7.7a]Specify the manufacturing sector *	191
75 [2.7.7b]Specify the service industry sector *	191
76 [2.8]When investing in China, how relevant was the support from institutions of your Country of Origin? *	192
77 [2.8b]Specify other relevant institutions	192
78 [2.9]In the future, regarding China as a whole, you are...	192
79 [2.10]Indicate your first three main competitors (both Chinese and non-Chinese) in the Chinese market:	192
80 [2.11]What are the main mechanisms used by your company to protect your intellectual property on the Chinese market?	193
81 [2.12]When do you use the patents or other forms of property right protection?	193
82 [2.13]Did you encounter any of the following non-regulatory obstacles (operating, market and infrastructure difficulties) when investing in China? *	193
83 [2.13b]Specify other relevant non-regulatory obstacles when investing in China	194
84 [2.14]Did you encounter any of the following non-regulatory obstacles, related to the Business Environment, when investing in China? *	194
85 [2.14b]Specify other relevant non-regulatory obstacles, related to the Business Environment, when investing in China	194

86 [2.15]Did you encounter any of the following regulatory obstacles when investing in China? *	194
87 [2.15b]Specify other relevant regulatory obstacles when investing in China	195
88 [2.16]How risky is investing in China? *	195
89 [2.17]How relevant are the following risks relating to your investment in China? *	195
90 [2.18b]Specify other relevant nrisks relating to your investment in China	195
91 [2.19]How important is the knowledge of the Chinese culture when investing in China? *	195
92 [2.20]How important is the knowledge of the Chinese language when investing in China? *	196
93 [2.21]Do you have Chinese speaking employees at your Chinese firm? *	196
94 [2.22]Please indicate the number of Chinese speaking employees at your Chinese firm	196
95 [2.23]Which role/position they have?	196
Distance perceptions and impact issues	197
96 [3.1]Please evaluate the following features, in terms of the degree of difference between home country and target country *	197
97 [3.2]Please evaluate the following features, in terms of the extent to which it impacts on my business with the target country *	197
Planning and control system	198
98 [4.1]Do you have a planning and control system in the Chinese subsidiary for:	198
99 [4.1b]If yes, which of the following tools are used? *	198
100 [4.2]Does the management of the Chinese subsidiary participate in the process to set the objectives to be achieved? *	198
101 [4.3]Considering the following purpose of cost accounting system, please indicate the level of the importance of the information sought *	198
102 [4.3b]Indicate the level of importance of other relevant purpose of cost accounting system	199
103 [4.4]Considering the following purpose of cost accounting system, please indicate the degree of satisfaction with the instruments adopted *	199
104 [4.4b]Indicate the level of satisfaction of other relevant purpose of cost accounting system	199
105 [4.5]If a budget is used, which types of documents are filled? *	200
106 [4.6]The information flow (reporting activities), from the Chinese subsidiary to the headquarter, is based on *	200
107 [VA]How often do you proceed with the variance analysis (deviations from the objectives set out in the budget)?	200
108 [4.7a]Using economic and financial data	200
110 [4.7c]Using other data	201
111 [4.7d]Specify other data	201
APPENDIX n. 2 Questionnaire about Chinese green tech OFDI to Germany	202
CHINESE OFDI TO GERMANY	202
Research project overview	203
Case study: ISG Heating Equipment (Shanghai) Co.,Ltd.	203
1. GENERAL INFORMATION	203
2. COMPANY	204

3. PRE-MARKET ENTRY PERCEPTIONS	206
4. POST-MARKET ENTRY PERCEPTIONS	208
5. YOUR IDEA ABOUT "CULTURE"	210

ABSTRACT OF THE THESIS

This PhD thesis investigates the concept of “psychic distance” in international business contexts and looks at managers’ perceptions of psychic distance between home and host country. The concept is defined by international business scholars as the existing perceived distance between the characteristics of the firm’s home country and the characteristics of the firm’s host country. As about its operationalization, the concept includes twelve dimensions measured each on a Likert scale (Child et al., 2009)¹. This specific work focuses on green tech Sino-European FDI and it is part of a wider EU Marie Curie project on *Partnering Opportunities between Europe and China in the Renewable Energy and Environmental iNdustry* (POREEN²). This thesis is structured in four papers and preceded by an introduction. The first contribution is a systematic literature review of psychic distance as a determinant of FDI motivation and location decisions. In the second and the third contributions a multiple-case study research design is adopted. The third paper explores managers’ perceptions of culture in the context of European green tech FDI to China. Main findings show that these perceptions vary over time, between the pre- and post-market entry operation. The third multiple-case study builds on the previous one and is based on the context of Chinese FDI to Europe, with a country focus on Germany. The purpose is twofold: analysing the relevance of psychic distance in the green tech Sino-German business context and detecting to what extent psychic distance perceptions between home and host country vary over time, between the pre- and the post-market entry operation. By conducting a “static” and a “dynamic” analysis, this paper shows the (mis)match of managers’ perceptions in these two points in time along each psychic distance dimension. Main findings show that the cultural dimension is the most important according to both European and Chinese managers. The fourth contribution is a conceptual paper whose attention is on culture and cultural differences, illustrating social psychology theoretical foundations applied to international business contexts. It also proposes the *sociocognitive* benefits that an intercultural lab may bring in such contexts, especially in generating opportunities from differences and how to manage conflicts. Contributions and research implications are illustrated in the conclusion before the Appendix, which contains the material used to collect data.

¹ Child, J., Rodrigues, S.B. and Frynas, J.G. (2009), “Psychic distance, its impact and coping modes: Interpretations of SMEs decision-makers”, *Management International Review*, Vol. 49, No. 2, pp. 199–224.

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INTRODUCTION

The concept of “distance” is a pivotal aspect in international business research. It has been argued that essentially “international management is management of distance” (Zaheer, Schomaker and Nachum, 2012: 19).

Perceptions of “distances” are captured by the concept of psychic distance, which embraces not only distance perceptions related to culture, but it is also related to other levels and areas, such as geographical distance, language, level of education, level of economic development, level of technological development, political system, legal system, regulations, accepted business practices and business ethics (Child et al., 2009). Psychic distance is defined by international business scholars as the existing perceived distance between the characteristics of the firm’s home country and the characteristics of the firm’s host country (Child et al., 2009).

This PhD thesis applies the concept of psychic distance in the international business context of Sino-European FDI. On the one hand a sectorial analysis is conducted by examining the green tech FDI flows between China and Europe and vice versa. On the other hand, the concept of psychic distance embeds an individual level of analysis, meaning that this thesis focuses on individual perceptions of European managers investing in China and Chinese managers investing in Europe. Empirical data were collected on site by targeting these managers and asking them to grade their perception of psychic distance toward their respective host country.

Perceptions of psychic distance were detected into two directions, Europe-China and China-Europe with a country focus on Germany. Main findings show that culture was one of the most relevant dimension.

International business studies on perceptions and “distances” are not only conducted by operationalizing the psychic distance construct but also report widely recognized literature on cultural distance. These two concepts should be kept separated, although they can be both categorized as “non-economic” or “intangible” factors influencing FDI location decisions. A growing body of literature on psychic distance has emerged over the past decades. The term “psychic distance” has been coined by Beckerman (1956) in his analysis of factors that aims at explaining trade and investment flows between countries. Despite the Uppsala scholars (Johanson and Vahlne, 1977; 2009) and Dunning (1980) conducted in-depth studies on firms’

internationalization by including psychic distance in their models, such intangible and non-economic drivers seem to have been ignored by the mainstream literature about FDI with only few studies dealing with psychic distance or psychologically close markets (Wei and Alon, 2010; Chen and Chen, 1998).

Studies on perceptions are reflected in the operationalization of PD conducted by IB scholars (e.g., Stöttinger and Schlegelmilch, 1998) and are based on the principles of cognitive mapping and Gestalt psychology. Social psychologists show that individuals tend to prefer familiar situations rather than unfamiliar ones (e.g., Powell and Ansic, 1997). This PhD thesis incorporates the literature on distance and perceptions in IB and adopts an interdisciplinary approach by applying some of the social psychological theoretical foundation to analyze and interpret cross-cultural business dynamics (e.g., social identity theory, ethnocentrism, and intergroup relations) (Sumner, 1906; Turner, 1975; Brewer, 2003).

As about Sino-European FDI flows from an almost isolated economy in 1979, China has become the largest recipient of FDI in the developing world, and globally, the second after United States for many years (Coughlin and Segev, 2000; Zhang, 2001). Most important, China has recently begun to invert the trend of its investment flows, gaining place in the global scenario being a source of outbound FDI (Spigarelli, 2009; 2010). According to the United Nation conference on trade and development on 2013, China ranked first in the developing and transition economies and second in the world with inflows at an estimated US\$127 billion – including both financial and non-financial sectors (UNCTAD, 2014).

In recent years, the combination of the increasing environmental awareness in China and the economic recession in Europe has created a climate, which is increasingly conducive to Chinese OFDI in the green tech industry (Lv and Spigarelli, 2016). China has been devoting increasing attention to environmental issues and pollution reduction. A wide and comprehensive “green policy” has been embedded in the recent Five Year Plans. Policy measures embrace a series of sectors (Langer and Watson, 2004; Aawa and Yang, 2010; Huang and Chen, 2015) and include strict targets for emission reductions and increased use of renewable energies.

In particular, China is continuing to support the green tech industry by devoting gradual emphasis on environmental issues since the Sixth Five-Year Plan (Hu, 2014). In Europe, since the recession in 2008, critiques on public spending has forced many governments to reduce

their public support in this sector. This impacts subsidized industries such as the renewable and green sector. This is why European firms are more and more open for joint ventures, strategic alliances or merge with foreign firms, often with firms from emerging markets (Lv and Spigarelli, 2015). Recent studies on the integration of European and Chinese green tech markets (Curran, 2015, Lv and Spigarelli, 2015; 2016) report that Europe has become an important destination for sales from Chinese global green firms. Among them, Germany is one of the world largest investors in the RE sector and is a popular destination to Chinese OFDI (e.g., Schütte and Chen 2012, Lv and Spigarelli, 2016).

In this thesis psychic distance perceptions are examined by using the operationalization model elaborated by Child et al., (2009). In doing so, not only their definition of psychic distance is adopted but also its operationalization. Accordingly, psychic distance embeds 12 dimensions: geographical distance, culture, language, level of education, level of economic development, level of technological development, logistical infrastructures, political system, legal system, regulations, accepted business practices, and business ethics. Managers were asked to grade the differences between home and host country along each dimension and also the impact that each dimension has on their business with the host country. The in-depth study of managers' perceptions derive from their crucial role as decision-makers, whose perceptions and skills in facing psychic distance determine the success, the performances, or the failure of the firm's internationalization process (Harzing, 2002, Brewer; 2007; Child et al., 2009; Hashim, 2012). Recent studies draw much attention on the "psychic" rather than the "distance" concept of the construct by focusing on the cognitive aspects and individual perceptions.

The thesis is structured in four papers. Each section represents an already published article (working paper, journal article or conference proceeding article). The first paper is a systematic review of the literature on psychic distance. The aim is to investigate whether and to what extent psychic distance is considered as a determinant of FDI in the context of Chinese international business relationships. Results show that the concept needs to be further and deeper investigated for it is not part of the mainstream literature, by relying on contributions from discipline areas of research other than international business (e.g., social psychology).

The second paper follows up the literature review. This is a conceptual work aimed 1) at analysing managers' perceptions of culture, which is one of the 12 dimensions of the psychic

distance concept (Child et al., 2009) and 2) on the basis of the results showing the relevance of culture, the aim is to raise managers' awareness on the cultural dimension and cultural differences emerging in international business contexts. The emphasis is on the advantages and opportunities that differences between home and host country can generate. This can be achieved by setting up an intercultural laboratory as a "structured business practice" in the company organization. The paper pinpoints the *sociocognitive* value of this kind of laboratory which is structured on a group basis. The paper aims at fostering the "dialogue" between different cultures and, in a parallel way, between different academic research areas. A social psychological perspective is adopted to interpret and analyze the international business context under examination. The main social psychological foundation theories are illustrated and applied in cross-cultural business.

The third paper aims 1) at analysing managers' perceptions of culture in the context of European green tech FDI in China, 2) "host-bound" identity perceptions of European managers toward the Chinese marketplace. Results show that managers' perceptions vary over time, between the pre- and post-market entry operation. The cultural dimension seems not to be considered before approaching China (in the pre-market entry phase). Only after entering the market European managers realize its crucial role. As about "host-bound" perceptions of identity, European managers seem to perceive China as a single identity and do not perceive differences within the country in the pre-market entry period.

The fourth paper aims at deeper investigating the psychic distance perceptions in the context of green tech Chinese OFDI to Germany. The purpose of this paper is twofold: 1) analysing the relevance of psychic distance and its 12 dimension in the Sino-German business context and 2) detecting to what extent managers' perceptions of psychic distance (difference and impact) change over time. This study follows up the main results of the previous paper pointing out the differentiation between pre- and post-market entry perceptions of managers.

This research has several contributions, which will be illustrated and discussed in the Summary conclusions section.

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1) PSYCHIC DISTANCE AND FDI: THE CASE OF CHINA³

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ABSTRACT

This paper seeks to investigate whether and to what extent psychic distance (PD) is considered by scholars as specific determinant of inbound and outbound foreign direct investments (FDI) in China. The key finding of the study is that PD as a determinant influencing FDI seems to be under-investigated. The paper also aims to systematize the limited and fragmented literature about non-tangible perceptions of “distance” between home and host economies and contributes in raising awareness on the concept of PD. It provides useful insights and practical implications for various interest groups such as international business scholars (a more comprehensive review and systematization of the concept of PD), managers (awareness raising on PD, opportunities and challenges in the IB scenario, setting up and strengthening long-term cooperation between Europe and China), and policy makers (investment flows between Europe and China, key barriers which affect companies and require action politically and institutionally to ensure that opportunities are fully exploited by companies).

Keywords: Psychic distance, China, FDI, FDI determinants.

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1. INTRODUCTION⁴

There is considerable literature on foreign direct investment (FDI) in China. However, the issue of psychic distance (PD) as a determinant of FDI has been poorly addressed (Wei and Alon, 2010; Cheng and Kwan, 2000; Zhang, 2000). This study proposes a systematic review of the literature about whether and to what extent PD affects FDI, with respect to China-Europe and Europe-China bilateral relationships. Key questions to be answered are the following: is PD a key FDI determinant, especially in China/Asian context? Does it affect the decision making and the internationalization processes of firms? Is PD being considered in models assessing FDI? Are there specific studies in the international business literature which investigate PD as one of the determinants of FDI in China?

1.1 Perception and interpretation of the new environment

First of all, a general introduction to PD in the field of IB is necessary. On the basis of the definition adopted by Johanson and Vahlne (1977 and 2009) and others (e.g., Dow and Karunaratna, 2006), PD can be considered as the perception of similarities and differences between home and host countries. The concept of PD is strictly related to cultural distance (Child et al. 2009).

When local firms decide to go international it gets more complex in terms of economic, cultural and political dimensions than in the home country, not to mention the presence of the uncertainty factor. The literature supports the importance of the cultural and the political dimensions along with the economic one (Markusen, 1995). However, such an environment may not adequately fit in the theories explaining the behavior of multinational enterprises (MNEs), international or global firms and FDI (Hosseini (2005). Theories that have emerged after Hymer's study (Hymer, 1976)⁵ focus on economic and tangible features. But these theories would be incomplete if cultural and political dimensions would not be considered.

Hosseini (2005) goes beyond traditional FDI theory to emphasize the importance of behavioural economics. He suggests to utilize the behaviorally based model developed by

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⁵ Hymer's study is about the criticism of the neoclassical application of the portfolio flows theory. He transported the theory of foreign direct investment out of the neoclassical international theories of trade and finance and into industrial organization, the study of market imperfections.

Heiner (1985) in explaining FDI decisions since the reality of international environment faced by managers – economic, cultural and political – seems to reflect the behavioural economics theories. Accordingly, MNEs are seen as complex organizations and their decision makers as boundedly rational real human beings. Each of them possesses different capacities to interpret information relevant to the FDI decision process (Hosseini, 2005). What he argues is strongly related to the PD perceptions as it covers such topics as subjective interpretation of the environment, similarities and differences.

1.2 Relevance of the topic and gaps in the extant literature

The internationalization process (Johanson and Vahlne, 1977; 2009) presupposes to develop a deep understanding of the cultural environment in the respective host country and this point seems to be underestimated by FDI research and practice (Hosseini, 2005). Lenartowicz and Roth (1999) suggest that IB scholars generally recognize that culture is an important construct and that the field is in need of additional understanding about culture and its effects. For example, Dunning (1980; 2001; 2009.) argues that firms which are best able to identify and reconcile (cultural) difference, or even exploit them to their gain, are likely to acquire a noticeable competitive advantage in the marketplace.

The perceptions of distance could be practically translated into additional costs: the greater the corporate headquarters and subsidiaries differ in their cultural characteristics, the more difficult it becomes to effectively supervise the various units. Drawing from earlier work by Kogut and Singh (1988), some scholars depict the headquarter-subsidiary relationship as “agency” (Roth and O’Donnell, 1996). Thus, it can be derived that the cost of this agency increases because they have to face cultural distance (Gomez-Mejia and Polick, 1997).

Perceptions of “distances” are captured by the concept of PD, which embraces more than the distance perceptions related to culture, but also to other areas such as, geographical distance, language, level of education, level of economic development, level of technological development, political system, legal system, regulations, accepted business practices and business ethics (Child et al., 2009). This literature review embraces Child et al.’s (2009) definition of PD. Accordingly, PD is defined as the existing perceived distance between home and host country’s characteristics (Child et al., 2009). The concepts of PD and of cultural distance should be kept separated, although they are both “non-economic” or “non-tangible” factors.

To sum up, existing research on FDI determinants tends to focus on economic or standard factors, such as market size and trade openness (Chakrabarti, 2001; Hong, et al. 2001; Hong, 2007; Zheng, 2011). Ma et al. (2008) use the concept of openness as the sum of exports and imports divided by GDP and not in terms of acceptance of foreign values, behavior, or rules. The majority of the articles reviewed in this paper contains a low number of references to PD as a factor influencing FDI (Xiaojuan, et al. 2004; Ma, et al. 2008).

First of all, this work aims at filling the gap in the IB literature by investigating if non-economic factors, specifically PD, are considered by scholars as an FDI determinant. Secondly, this paper investigates how many studies on PD are related to the Chinese marketplace. First, an approach based on the interaction between non-economic factors (e.g. differences in religion, language or cultural distance and PD) and economic factors are a matter of concern to investors in their location choice decisions. Secondly, FDI is widely viewed as beneficial for host country's economic development since it is a vehicle for carrying finance and transferring advanced intangible assets - knowledge, technical and management skills⁶. Furthermore, a low level of PD enables companies to carry out a correct and responsible management of their international activities and they can benefit from it in the long run.

For FDI-seeking policymakers an in-depth understanding of the underlying drivers of FDI helps design of policies to improve the country's future performance, especially the intangible FDI determinants. For example, most studies on FDI recognize the role of language as a component of cultural, psychic and administrative distance (Dow and Karunaratna, 2006). Subsequently, factors affecting the location of FDI - both economic and non-economic - can provide guidance to policymakers in identifying not only the obstacles that some regions must overcome to attract FDI (Coughlin and Segev 2000; Zhang, 2001b), but also opportunities and knowledge to exploit (Dunning, 2000). FDI may depend on other FDI in proximate countries (Li, et al. 2008). Such spatial interdependence may be complementary to non-spatial determinants, which in turn go hand in hand with non-economic or non-tangible factors. These drivers seem to have been ignored by the mainstream literature on the determinants of FDI, with only few studies dealing with such topics as PD or psychologically close investors and markets (Wei and Alon, 2010; Chen and Chen, 1998).

⁶ However, according to some scholars FDI may crowd out local companies and have negative effects on economic development (Vintila, 2010).

1.3 China: current trends in the worldwide business scenario

From an almost isolated economy in 1979, China has become the largest recipient of FDI in the developing world, and globally, the second after United States for many years (Coughlin and Segev, 2000; Zhang, 2001a). Most importantly, China has recently begun to invert the trend of its investment flows, gaining place in the global scenario being a source of outbound FDI (Spigarelli, 2009; 2010). According to the United Nation conference on trade and development (2013), China ranked first in the developing and transition economies and second in the world with inflows at an estimated US\$127 billion – including both financial and non-financial sectors (UNCTAD, 2013). In the Association of Southeast Asian Nations (ASEAN) FDI growth slowed down, yet prospects for this region continue to be promising since more FDI arrives from China and Japan in a wide range of sectors, including infrastructure, finance and manufacturing. China is one of the countries which largely drove inflows to rise in 2013 following a surge in FDI. It is particularly responsible for the rise in cross-border merger and acquisition sales in 2013, mainly driven by deals in East and South-East Asia. FDI flows could have risen further in 2014 and 2015 to US\$1.8 trillion (UNCTAD, 2013).

This paper is structured as follows. Section 2 provides a theoretical background including the FDI theory milestones and the most applied frameworks focused on distance perceptions and Some remarks on the most recent trends regarding institutional theory are also included. In section 3, the articles selection and classification methodologies are explained. Section 4 provides the analysis of the main findings and Section 5 their discussions. Section 6 concludes the paper with remarks on avenues for future research, policy implications and limitations of the present study.

2. THEORETICAL BACKGROUND

Contributions in the literature focusing on FDI determinants could be divided into two major research streams: the micro perspective includes such contributions as transaction cost theory, internationalization theory and the eclectic paradigm, and the macro perspective contributions like orthodox trade theory, Kemp-MacDougall theory and product life cycle theory, and Heckscher-Ohlin-Samuelson paradigm (Samuelson, 1948). The microeconomic viewpoint tries to explain the motivations for investment across boundaries. Moreover, it examines the consequences for investors, for the country of origin and for the host country rather than

investment flows and stock. From a macroeconomic point of view, FDI is considered a particular form of capital flows across borders, which is found in the balance of payments and have such variables as capital flows and stocks, revenues obtained from investments (Vintila, 2010). Regarding the macro perspective, on the one hand, FDI effects are often seen as generators of employment, high productivity, competitiveness, and technology spillovers. Especially for the least developed countries, FDI is synonym of exports, access to international markets and international currencies. On the other hand, FDI may have a negative impact on economic development. The positive or negative effects potentially depend on the nature of the sector in which the investment takes place (Vintila, 2010).

The main contributions to FDI theory can be highlighted as follows (Hosseini, 2005; Vintila, 2010; Bartels et al. 2014): production life cycle theory, theory of exchange rate on imperfect capital markets, the internationalization theory, the eclectic paradigm as summarized in tab. 1.

As showed in tab. 1, since every new evidence developed over the years has added some new elements and criticisms to the previous contributions, we cannot identify a generally accepted theory. However, Dunning's OLI (1980) remains the dominant operational framework within IB to understand FDI motivations and location choices (Bartels et al. 2014). Of course, the original model was further developed over the years⁷.

⁷ Its evolution from 1958 to 2000 is illustrated in detail by Ferreira et al. (2011).

Table 1. Milestones in FDI theory

Author	Year	Theoretical model	Model application
Vernon	1966	Production Life Cycle Theory	The four stages of production life cycle – innovation, growth, maturity and decline – explained certain types of FDI made by US companies in Western Europe between 1950-1970 in the manufacturing industry.
Cushman	1985	Theory of Exchange Rates on Imperfect Capital Markets	Analysis of the foreign exchange risk from the perspective of international trade. The author analyzed the influence of uncertainty as a factor of FDI. Real exchange rate increase stimulated U.S. FDI, while a foreign currency appreciation has reduced American FDI.
Buckley & Casson ⁸	1976	The internationalization theory	Demonstration that transnational companies grow and are motivated to achieve FDI by organizing their internal activities so as to develop specific advantages, which can then to be exploited.
Dunning	1980	The eclectic paradigm (OLI)	OLI eclectic paradigm (ownership, location and internationalization advantages) shows that OLI parameters are different from company to company and depend on context and reflect the economic, political, social characteristics of the host country.

2.1 PD, internationalization and FDI

Empirical literature indicates that exchange rates, market size, government policies and incentives, political risk, cost of labor, labor skills, trade openness and export orientation policy, and infrastructure are the key determinants of FDI (Zhang, 2001a, 2001b; Fung, et al. 2005; Chantasawat, et al. 2010). However, two of the most applicable theories that are considered in this work provide details in the internationalization process, such as the Uppsala model (Johanson and Vahlne, 1977; 2009) and Dunning's eclectic paradigm (Dunning, 1980, etc.). In particular, the eclectic paradigm includes details regarding inbound and outbound FDI determinants.

These two theoretical frameworks have a common feature which is relevant to this study: the presence of the PD construct. PD appears firstly in the 1950s when Beckerman (1956) and later Linnemann (1966) started to examine the concept, paving the way to and raising interest in the fields of IB and international management. Beckerman demonstrates that PD influences

⁸ The internationalization theory was initially launched by Coase (1937) in a national context and by Hymer (1976) in an international context. After its elaboration by Buckley and Casson (1976) the theory was further developed by Hennart (1982) and Casson (1983).

trade patterns. He refers to economic distance in terms of transport costs and suggests that PD is meaningful in the form of gaining knowledge of foreign markets through personal contacts. Some scholars define PD as geography or transport costs (Linnemann, 1966; Leamer, 1974), while others (Gruber and Vernon, 1979) argue that the concept should not be identified with transport costs alone. Instead, it should incorporate knowledge about sources and markets.

The appreciation of PD as a determinant of FDI, for example in Dunning's eclectic paradigm (Dunning, 1980) is preceded by a dominance of internationalization theory attributing to PD a fundamental role in the four-stage internationalization process developed by the Uppsala school (Johanson and Vahlne, 1977). In order to adjust to the changes in the firm and in its environment, internationalization consists in a series of incremental steps. PD is the main determinant in this model and it is defined as the sum of factors preventing the flow of information from and to the market (Johanson and Vahlne, 1977). This definition entails such differences between home and host country as language, education, business practices, culture, and development. The original Uppsala model of internationalization elaborated in the 1970s is later revised by the same authors, Johanson and Vahlne (2009) due to the changes in the IB scenario and dynamics. In their updated model they emphasize the relevance of the network that a firm is able to set up in its national and international environment. In this new version they attribute a crucial role to the company networks, consistently with the fundamentals of international entrepreneurship, based on the recognition of business opportunities by international entrepreneurs and the network approach (McDougall and Oviatt, 2005).

The definition of PD by Johanson and Vahlne (1977) includes the psychic and the cultural aspect. Hofstede (1980) and later Kogut and Singh (1988) elaborate a classification of cultural distances in terms of cross-country distance that is used as a measurement scale to capture national differences (Hennart and Larimo, 1998). However, PD studies are about the existing perceived differences between home and host country, and individual perceptions of differences come into issue (Child et al., 2009). While studies about cultural differences are mainly conducted at country level and do not look at what individuals perceive, they mainly look "outside" of the individual. The construct of cultural distance is generally analyzed at three main levels: country, firm and individual (Hofstede, 1980; Forsgren, 2002; Cheng, 2006; Jiang, 2006; Brewer, 2011; Ambos and Håkanson, 2013). The country level focuses on the values and behaviour of the society as a whole; the firm level is based on certain business

practices; and the individual level concerns the individuals' perceptions of distance. Nevertheless, Hofstede's and Kogut and Singh's (1988) composite indices do not capture the complexity of differences between the home and host country. Specifically, they neglect the role of societal institutions in disseminating and arbitrating cultural and social cues (Xu and Shenkar, 2002). According to Shenkar (2001), the cultural distance indices do not apply to FDI as they fail to yield consistent empirical evidence and include some hidden assumptions which are named "illusions", such as the illusions of homogeneity and symmetry. The illusion of homogeneity concept takes for granted the fact that there is no difference of values in the same country, that is intra-country level. According to the illusion of symmetry, the distance perceived from country A toward country B can be different than the one perceived from country B toward A.

The distance issue is strongly related to two critical steps in the FDI process: host country selection and foreign entry strategy (Xu and Shenkar, 2002). The concept of distance in internationalization is examined not only under several perspectives and perceptions but also taking into account a variety of dimensions and features, for instance, geographical (Fung, et al. 2005; Zihui et al. 2008, Child et al., 2009) and institutional distance, such as the degree of corruption (Chantasawat, et al. 2010). Next to this, a cultural viewpoint (Cheng, 2006) in terms of ties (Chen and Chen, 2008) or cultural and ethnical proximity (Parmentola, 2011) are also taken into account.

2.2 PD and culture perceptions in the OLI paradigm

Among other factors, cultural and psychic distance, in particular, are mentioned in the OLI eclectic paradigm (Dunning, 1980) as key drivers in the FDI decisions since they pertain to location and internationalization choices. Accordingly, FDI is determined by three types of advantages: ownership, location, and internationalization (thus, OLI). The ownership advantage arises from the firm's size and access to markets and resources, the ability to coordinate complementary activities (e.g. manufacturing and distribution) and to exploit differences between countries. The distance issue may arise from differences in the form of culture (Hong and Chen, 2001; Brouthers, et al. 1996; Jiang, 2006), bureaucratic procedures (Spigarelli, 2010) or country characteristics (Zihui, 2008). Those differences do not always guarantee the success of the choice. However, in the case of China, their absence and the ignorance of the Chinese culture (e.g., the importance of *guanxi*) may lead to failure (Jiang, 2006).

The firm specific advantage is usually intangible and can be transferred within the MNE at low cost. Compared to a local competitor, a MNEs operating a plant in a foreign country faces additional costs that could include legal, institutional, cultural and language diversities. Location advantages of different countries are crucial to determine which will become a company's host country. Such advantages include differences in country's natural endowments, transportation costs, macroeconomic stability, cultural factors, and government regulation. According to this model, PD belongs to the country specific advantage group since it is part of the social and cultural features, together with language, cultural diversities, general attitudes toward foreigners and the overall position toward free enterprise (Brouthers, et al. 1996). This sub-group goes along with economic and political advantages (Hong and Chen, 2001; a, 201b, 2001; Jiang, 2006).

While quantities and qualities of the production factors, transportation and telecommunication costs, scope and size of the market belong to the economic advantages and common and specific government policies that influence inward FDI flows, intra-firm trade belongs to the political advantages (Fung, et al. 2005). Dunning (1997) shows that in determining FDI locations, transaction and coordination cost variables, such as interpersonal relations, information asymmetries, language and culture are more important than production-related variables. Despite the fact that differences are not always translated into a success factor (Jiang, 2006), it is argued that the internationalization incentives arise from exploiting imperfections in external markets. They entail reduction of uncertainty and transaction costs to generate knowledge more efficiently than state-generated imperfections, for instance, tariffs, foreign exchange controls and subsidies. An integrated view of these advantages and the interaction with one another produce the final decision on FDI location (Jajri, 2009).

2.3 OLI's evolution to OLMA and institutional theory traits

Dunning's OLI theory (Dunning, 1980, etc.) provides a framework for many researchers who examine the interaction between various determinants of IB activities and entry modes (Brouthers, et al. 1996, 1999; Tse, et al. 1997). Brouthers, et al. (1999) further suggest that this paradigm might be used as a normative model. It provides a balanced overarching framework that helps to identify the determinants of the cross-border expansion strategy, especially FDI (Dunning, et al. 2007). Dunning (2000) reconfigures the OLI paradigm to include asset FDI and MNEs activity. The OLI framework has been explained in details in most FDI literature (Ramasamy, 2003) since it is able to provide a theory for FDI activities

under normal conditions. Nevertheless, Dunning (1993) himself admits that the paradigm is a general framework to determine the extent and the patterns of both foreign-owned production and domestic production rather than a theory of MNE or of FDI. This goes along with Hosseini's study (2005), since he proposes an alternative perspective to "read" the FDI decisions by applying a behaviorally based model (Heiner, 1985) because it seems to reflect the international reality, made up of not only economic factors, but also, political and cultural ones. A behavioral economics approach would enable to view a multinational firm as a complex organization in which all the three aspects intertwine and play a significant role.

Guisinger (2001) elaborates an evolved eclectic paradigm by replacing the "I" factor, which stands for "*internalization*", with "M" for the "entry mode", shedding light on the distinction between factors affecting different modes of entry in various countries. The model foresees the adaptation of the firm's operations to the IB environment building on institutional theory, hence OLMA stands for ownership, location, entry mode, and adaptation. Accordingly, there is a difference between foreign and domestic components of the environment. Within this context, North (2005) divides the environment into organizations and institutions. He names the institutions "geovalent component". In particular he refers to institutional rules, regulations, cultures and exchange rates as well as other elements that are geographically bound and in certain cases, but not always, follow national boundaries. It is about environmental forces that affect the firm but are not themselves organizations. This component is meaningful for adaptation and accommodation approaches to the IB environment (Guisinger, 2001), consistently with the role that PD plays in the international scenario. Next to the geovalent component, the author divides the environment in organizations, named "interactors".

As far as institutions are concerned, the literature seems to embed them into distance dimensions, essential in IB and international management research areas (Rottig and Reus, 2009). Institutional distance measures have been much under the attention of and criticized by international scholars (Kogut and Singh 1988; Shenkar, 2001) for neglecting such assumptions as intra-country differences and intra-country heterogeneity of cultures. Evidence is large and not limited to MNEs (Kostova, 1999; Xu and Shenkar, 2002) and recent streams of research increasingly consider their vital impact on firms, their performance, their patterns of expansion and strategies.

When operating in distant environments that differ from the source context, institutional distance is considered as one of the key drivers of the liability of foreignness that firms need to face (Gehmawat, 2001; Zaheer, 1995). The literature identifies three main institutional pillars-- regulative, normative and cognitive (Kostova, 1999)--that are strictly related to perceptions and subjective evaluation of the foreign environment. Apart from the regulative pillar regarding the existing laws and rules in certain contexts, the normative and the cognitive dimensions are particularly relevant to the present research. The normative dimension is about individuals' values and norms and it is related to the social life, while the cognitive dimension concerns categories at cognitive level shared by people in a particular country (Kostova, 1999), and it is about how people categorize their perceived reality. In the conceptual-theoretical work on institutional distance both normative and cognitive distance are not always considered explicitly, but embedded in the cultural dimension (Kogut and Singh, 1988). This paper focuses on the cognition rather than the normative elements. Building on Child et al.'s (2009) study, PD is defined as the existing perceived distance between home and host countries in terms of the following characteristics: factual (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977), cognitive (Evans et al., 2000), and perceptual (Stöttinger and Schlegelmilch, 2000).

2.4 OLI's integration with LLL theory and emerging countries MNEs internationalization

Moving on the developments of the OLI paradigm, Mathews (2006) proposes the so-called linkage, leverage and learning (LLL) framework, which has been defined as a complement to Dunning's (1993) eclectic paradigm. This contribution acknowledges that emerging countries MNEs may be willing to invest in more advanced countries to access or augment their resources rather than to exploit their ownership advantage. Linkages with foreign firms would foster the access to the resources they lack internally, subsequently, leverage would refer to how they can access the potential resources. The interaction between linkages and leverage may be conducive to learning related to the final outcome based on the opportunity to better understand how to operate internally and to allow firms to be competitive in the global markets.

In the context of emerging economies, MNEs seem not to follow the traditional patterns of development. The OLI paradigm could not explain these difficult patterns. In other words, it does not appear to explain the outreach toward international markets (Dunning, 1993;

Hosseini, 2005). MNEs from emerging economies internationalize not because of their current advantages on a global scale, but to achieve competitive advantages (e.g., Spigarelli, 2010). The exploitation of opportunities, thanks to their positions as late entrants to the market, seems to be a key factor of global success. This goes along with the fundamentals of international entrepreneurship proposed by McDougall and Oviatt (2005). Thus, Spigarelli (2010) proposes that a new *ad hoc* theory is needed to interpret the flows of international investment following the recent phases of expansion, especially regarding the Chinese case. Other scholars argue that countries experiencing a rapid development (e.g. China) are giving rise to new models of internationalization, therefore the need to revise and consolidate the theoretical frameworks that the current literature offers (Aulakh, 2007).

3. METHODOLOGY

The criteria used to find relevant journal articles is based on the search cues “foreign direct investment*”, “determinant*”, “China” in the “Abstract” and in the following databases: *Business Source Premier*, *EconLit*, *Regional Business News* accessed through *EBSCOhost* and *ABI/INFORM*. This searching procedure delivered 35 results.

Regarding the criteria of inclusion and exclusion, among the 35 journal articles only documents focused on China and FDI were considered relevant. Four articles were “partly relevant” to this research since they deal with China, but focus on other issues: the “China effect” (Chantasawat, et al. 2005; 2010), the determinants of disparities in inward FDI in China (Zheng, 2011) and the Japanese investment in Asian host countries in general (Langhammer, 1991). Other six articles were “not relevant” since they explore the regional per capita income distribution in China (Villaverde and Maza, 2012), the determinants of city growth in China (Anderson and Ge, 2004), the firm specific effects on location decision of FDI in China (Hong, 2007), the influence of FDI on the growth of Malaysia (Jairi, 2009), the global city-regions in China, (Zhao and Zhang, 2007), patterns and determinants of FDI in Malaysia from a comparative Southeast Asian perspective (Athukorala and Waglé, 2011), the diffusion and absorption of technological knowledge (Liao, et al. 2012). Finally, one of the articles is about FDI and Russia (Iwasaki and Suganuma, 2005). These studies resulted from the searching procedure because they include the above mentioned keywords searched in the abstract but are not purposeful for the research questions of this systematic literature review:

is PD a key FDI determinant in the Chinese marketplace and to what extent?⁹ The above mentioned papers are not relevant to the Chinese case but they are useful to analyze whether PD is a relevant object of studies among FDI determinants, regardless of the involvement of the Chinese marketplace.

Next to the documents obtained from the afore-mentioned databases, the snowballing technique (Jalali and Wohlin, 2012) was adopted on the basis of the relevant citations appearing in the 35 results. This additional searching procedure produced 82 documents resulted in a total of 117. The following sections analyze and discuss the key findings.

4. ANALYSIS

Evidence shows a small number of studies have used PD as FDI determinants in the Chinese case. Specifically, 17 papers cover the “PD” topic. However, only 6 out of 17 papers focus on FDI (see tab. 2 below).

Table 2. Studies on PD, China, India, Japan, Taiwan, Australia and FDI determinants

Authors	Year of publication	Academic journal
Chen, H., Chen, T.-J.	1998	<i>Journal of International Business Studies</i>
Forsgren, M.	2002	<i>International Business Review</i>
Zihui, M., Ruilong Y., Zhang, Y	2008	<i>Economic Papers</i>
Buckley, P.J., Cross, A.R., Horn, S.A.	2012	<i>Business History</i>
Hashim, F.	2012	<i>Review of Business & Finance Studies</i>
Amighini, A.A., Rabellotti, R. Sanfilippo, M.	2013	<i>China Economic Review</i>

The study by Chen and Chen (1998) refers to psychological closeness and proximity rather than PD. In this paper China and Taiwan are examined. Concerning investors, China is psychologically close to Taiwan in terms of culture and communication, although they are distant in terms of political and economic systems. As first, the authors refer to the perception of location familiarity that measures investors' prior market experience in the host country in the form of exporting or licensing. Secondly, they refer to the investors' perceived distance of the host country in the form of affinities and similarities of culture, political system, economic conditions, and communication. They confirm Grosse and Trevino's (1996) findings on the

⁹ Another pertinent question would be how scholars identify and isolate the variable in their models of analysis, but there are not consistent results about this as the most rigorous models are related to other variables, which are quantitatively measured (Zihui, et al. 2008; Sanfilippo, 2010; Villaverde & Maza, 2012).

relevance of cultural and geographical distances, which discourage FDI decisions. The study by Forsgren (2002) (tab. 2) does consider PD. This is a critical review of the Uppsala model of internationalization, adding a controversial point. The author argues that PD is basically a concept regarding the national level, while foreign investment is a phenomenon involving the management level. Ambos and Håkanson (2013) highlight the importance of the level of analysis. They point out that PD should be analyzed at firm and individual levels. However, the national level should run parallel to them. This leads to an integrated analysis of the perceptions that enables to capture the different nuances of the construct at all the three levels-national, firm, and personal.

In the third study the Asian investors are compared with the Australians. Zihui, et al. (2008) refer to the fact that Asian investors in China differ greatly from Australia in economic structure, per capita income, cultural ties with, and geographical proximity to, China. Generally speaking, the literature considers these features as ingredients of the PD construct. The authors highlight that it is therefore worth investigating whether the determinants of Australian FDI conform to the general pattern of inward FDI in China. Not only objectively measureable determinants, but also qualitative ones are important. They all contribute to the promotion of Australian FDI in China in terms of policy design.

The authors of the fourth paper (Buckley, et al., 2012) consider the “distance” issue being part of FDI determinants. However, their work does not focus on the Chinese marketplace. Their case about Japan and India shows that along with geographical distance and PD, risk averseness may be also responsible for the hesitant behavior of Japanese firms toward India. Results show that Japanese managers keep seeing India as psychically distant from Japan. Nevertheless, in this specific case it is the institutional factor (Kostova, 1999; Rottig and Reus 2009) that is the crucial determinant in Indo-Japanese economic relations rather than the notion of PD due to India’s import substitution policy. This is to demonstrate how FDI determinants depend on the country pairs that are examined and their institutional, environmental and behavioral characteristics. In support of this, Mathews (2006) argues that globalization includes a number of processes and phenomena next to the integration of financial systems, trade liberalization, deregulation and market opening. This is an orientation toward a cultural, economic, and social homogeneity. Nevertheless, this is not the case if specific country pairs of different continents are taken into account, such as China and Italy. Therefore, we can refer to globalization in terms of generalization but if specific case studies

are considered, this generalization is no longer applicable due to a wide range of differences. Under this perspective, PD and cultural distance are called upon: it is exactly here where the countries involved in the comparison collide or unify or even complement themselves (Mathews, 2006).

The fifth work on Malaysian FDI to China (Hashim, 2012) shows that PD plays a pivotal role in foreign expansion strategies. The author supports the applicability of the Uppsala incremental process of internationalization and the positive role played by the awareness of PD perception, which reduces uncertainties and risks of failure in foreign markets. The sixth and last paper (Amighini, et al. 2013) also supports Hashim's study (2005) by stating that PD and the issue of psychically distant market perceptions do matter. The authors emphasize the role of the international relations with overseas Chinese for Chinese companies since they are considered a crucial source of information and location attraction factors.

According to the theoretical background which provides with an overview of the main theories applicable in FDI decisions, PD is a key element of the Uppsala internationalization model (Johanson and Vahlne, 1977; 2009). The following articles support this theory (see tab. 3.).

Table 3. Articles regarding Asia supporting the concept of PD according to the Uppsala scholars (e.g., Johanson and Vahlne, 1977; 2009)

Authors	Year of publication	Academic journal
Walters, P.G.P.	1996	<i>International Journal of Information Management</i>
Dunning, J.H.	2000	<i>International Business Review</i>
Xu, D., Shenkar, O.	2002	<i>Academy of Management Review</i>
Stoian, C., Filippaios, F.	2008	<i>International Business Review</i>
Luo, Y., Shenkar, O.	2011	<i>Journal of International Management</i>
Luiz, J.M., Ruplal, M.	2013	<i>Emerging Markets Finance and Trade</i>
Ambos, B., Håkanson, L.	2014	<i>Journal of International Management</i>

An exceptional investigation on PD by O'Grady and Lane (1996) highlights the fact that perceptions of familiarity and similarity across geographically close countries or similar countries, for example English speaking countries is not always a synonym of closeness (Henderson, 2005). For instance, geographically close home and host countries do not

necessarily share the same business practices. Over-confidence attributed to the similarity of languages or to cultural aspects may lead to misperceptions and thereby to a negative impact on the business communication processes as well as personal relationships. This is defined as “PD paradox” (O’Grady and Lane, 1996).

Although the issue of non-physical distance does not appear consistently among the main FDI determinants many IB and international management scholars have been deeply explored the topic and are aware of the subjective aspect of the concept. Rather than focusing on the second word of the concepts “psychic distance” and “cultural distance” (thus, “distance”) a deeper analysis of the relationship between the “psychic” and “cultural” terms may be necessary. For example, Spigarelli (2010), Al-Huda and Karim (2012) confirm their interest in the two strongly related constructs. Spigarelli (2010) refers to “psychological distances” and relates it to “cultural affinity”. While Al-Huda and Karim (2012) argue that the PD concept includes the cultural factor next to the geographical, legal, and linguistic variables, both “distances” play a relevant role in the IB literature.

5. DISCUSSION

The results analyzed in this systematic literature review show how PD has its valuable space in the IB literature, but has not been taken into account as much as other economic and quantifiable FDI determinants. The previous sections confirm two directions: on the one hand, the influence of PD perceptions and of cultural and political features in the decision making process; on the other hand, the difficulty to quantify and measure such variables in IB. As a matter of fact, scholars have tried to study and measure those subjective variables. Hofstede’s (1980) dimensions of culture and other indices elaborated in subsequent studies over the years are some examples. Kogut and Singh’s (1988) composite index is based on Hofstede’s work. Drogendijk and Slangen (2006) support the validity of the cultural distance indices proposed by Hofstede (1980) and later by Schwartz in 1994, who elaborated another composite index based on their prior work. According to Drogendijk and Slangen (2006), it is premature to dismiss these indices and consider them as outdated or inaccurate.

5.1 The case of China: relevant findings

Recently China has been one of the most studied cases by international scholars (Parmentola, 2011; Villaverde and Maza, 2012). However, only 25 IB journal articles resulting from the search procedures illustrated above cover the Chinese marketplace, FDI determinants and PD

all together. Shedding light on the issue of FDI direction, scholars identify in-, out-, and intra-country flows. 3 out of 25 articles are about outbound FDI. This shows that China is not only one of the largest recipients of FDI, but has been also playing an active role worldwide as far as outbound FDI is concerned (Spigarelli, 2010; UNCTAD, 2013). Generally speaking, developed economies expect a gradual recovery of FDI in the current year and it can be assumed that this phenomenon will be deeper investigated by scholars from now onward, especially covering the Chinese marketplace. This forecast is supported by the role played by cultural or historical ties of Chinese residents with other Chinese abroad or overseas Chinese, that may be crucial resources in explaining outward-trends of FDI. Thanks to these relations and the presence of Chinese in the rest of the world, the ability to exploit ties within the same ethnic networks worldwide is proven to be fundamental. Spigarelli (2010) confirms that “cultural affinity goes along with psychological closeness perceptions”. This intertwines with the geographical viewpoint. For example, Chinese investments in Italy are strongly related to the local presence of Chinese residents (e.g., the city of Prato in Tuscany).

An increasing knowledge of foreign markets by multinational firms is gained through experience from the interaction between factors captured by the concept of PD, which includes not only cultural, linguistic and legal elements, but also the geographical differences and distance between two business locations (Al-Huda and Karim, 2012). Furthermore, legal, normative and cognitive aspects which draw from institutional theories are also considered (Scott, 1995; Kostova, 1999; Rottig and Reus, 2009).

According to Amighini et al. (2013), “cross-border” *guanxi* among the Chinese diaspora seems to be a relevant attraction factor in location decisions. Guanxi can be defined as “relational entities and their relationships, as social practices of building and using personal relationships to get through life and work, as a strategy for organizations to gain competitive advantage and as a mechanism of contracting and transactions” (Chen et al., 2013:169). In other words, exploitation of relational assets reduce PD with institutionally different countries. For this reason, local network of overseas Chinese are considered a crucial source of information - and trustworthiness - for Chinese companies in a psychically distant market. This is likely to affect the success or the failure of the investment or business. Entrepreneurship is a dynamic activity, between 2004 and 2007 the presence of the Chinese entrepreneurs increased by 45%. Scholars refer to “ethnic specialization”, meaning a concentration of Chinese entrepreneurs in specific business segments and about “industry

ethnicization”, that is the trend of this ethnic group to saturate business initiatives of initial establishment. Next to this, they tend to favor areas that offer a wide range of peculiar skills.

The impact of transnational ties in the realm of FDI is crucial, as the author illustrates a striking example of how the presence of potential political and military public interests may impede international integration and transactions (Spigarelli, 2010). Chen et al. (2004) also emphasize the role of cultural background and affinity in Chinese IB relationships. In least institutionalized markets such as Southeast Asia, initial network connections with related firms and ethnic links to Chinese diaspora play an important role in facilitating and fostering FDI.

5.2 “Affinity” in cultural, background, and institutional features

Non-economic factors are argued to affect both the amount and direction of investment flows (e.g., bureaucratization of authorization procedures) which might be related to institutional features. The focus on intangible assets, such as government policies can be reflected in institutional distance, since government and companies are connected in interventions and reforms. Therefore this affect managerial culture and risk perceptions (Spigarelli, 2010). As far as bureaucratic difficulties are concerned, a certain degree of symmetry can be found and this should be further examined. Such issues affect the decision making of an investment in a specific country, including symmetric weaknesses encountered mutually by country A toward country B and by country B toward A. This is consistent with what the Uppsala School predicts in considering historical, economic and cultural ties between the home and host economy at the initial stage of the internationalization process (Johanson and Vahlne, 1977). And at a later stage, countries with low PD are taken into account due to the capitalization of experience after moving into other more distant economies (Stoian and Filopaios, 2007). Besides, the re-examination of the Uppsala model by Johanson and Vahlne (2009) confirms that PD insists to be important in the current global scenario though weaker. A company network may transcend the geographical boundaries and internationalize through the exploitation of business network opportunities, drawing the conclusion that the selection criterion for mining FDI depends on minimization of the distance between the home country and the host country (Luiz and Ruplal, 2013).

6. CONCLUSION

The present study shows how PD as a determinant of Chinese FDI flows is under-investigated in the IB literature. However, scholars have worked on “distance” topics over the years since “psychic distance” first appeared in the 1950s. The concept was examined under various perspectives by considering a variety of features and “dimensions”, drawing from the extant theories which propose how to define and operationalize the concept. The reasons may lie in the need for IB research to quantify variables in empirical studies by including PD perceptions at different levels of analysis: individual, firm/group, industry, and country level.

As about the models used to isolate the PD determinant, no consistent material appeared in the methodology parts of the analyzed works. The main findings illustrated in this research can be considered as a premise to confirm the need for further research on PD, FDI flows and FDI determinants related to the Chinese marketplace. China and its specific host countries can be the business settings to investigate PD on a specific level of analysis.

China is now widening its presence abroad, not only in the Eastern world regions but also in the psychically distant countries of the “West”. This means that Chinese investors have to carry out an attentive examination of FDI determinants concerning distance issues (e.g., psychic, cultural, institutional, and geographical distance) along with the mere economic and objectively measurable factors traditionally taken into account.

Most of the studies so far have studied the relationships between the Western and Eastern economies considering China as a passive actor. Now an inversion of trend in research is necessary to predict and to analyze its impact on other actors and markets around the world.

As a work-in-progress study within an EU project regarding partnership opportunities between Europe and China, the final results of this research are expected to come in 2016. A questionnaire covering not only economic aspects but also differences in the regulatory system, language, culture, and perceptions is currently being submitted to a wide range of companies operating in the green sector and environmental industry in China and Europe¹⁰. Two future lines of research can follow up this study. First, the elaboration of a new theoretical framework with the purpose to explain the role of “differences” between Europe

¹⁰ The questionnaire is available in two versions in order to near both Chinese and European respondents: the Chinese version is addressed to the Chinese investors in Europe and the English version to the European firms investing in China.

and China is necessary. Secondly, individual perceptions of “distance” between a certain country and China as a home or host country could also be examined. In this case, existing PD operationalization can be applied in a specific business setting. The analysis could be conducted at firm or industry level by taking into account managers’ perceptions of PD along each of its components (e.g., cultural and legal aspects). A new framework or existing PD models can be tested within the EU project embracing markets in China and Europe, thanks to the data collected through the survey addressed to the European firms investing in China and the Chinese firms investing in Europe.

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2) A SOCIAL PSYCHOLOGICAL PERSPECTIVE TO THE PERCEPTIONS OF CULTURAL DIFFERENCES IN SINO-EUROPEAN FDI CONTEXTS¹¹

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ABSTRACT

Drawing upon social psychology theories this paper aims at understanding intergroup relations in international business (IB) contexts by focusing on opportunities generated by cultural differences in cross-cultural business settings.

As first, the aim is to investigate managers' perceptions of "distance" and "differences" between home country and host country. Perceptions are detected along specific dimensions according to the "psychic distance" operationalization model elaborated by IB scholars (the term "distance" is used in IB, while "differences" in social psychology). Secondly, on the basis of our results which show the relevance of the cultural dimension, this paper aims at applying social psychology foundation theories to intergroup relations in the IB setting under examination. The aim is to raise managers' awareness of cultural differences and of the opportunities that can derive from them, rather than focusing on obstacles generating by those differences. To this purpose, a detailed illustration of an "intercultural laboratory" and its *sociocognitive* values will be provided. This intercultural laboratory is structured on a group

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basis and it is specifically addressed to early-stage managers who are about to engage in IB activities. The purpose of the intercultural laboratory is to raise managers' awareness on how to overcome managers' ethnocentric view in cross-cultural business contexts and leverage an inter-individual and inter-collective (co)construction of knowledge.

In this paper we focus on the IB context of European foreign direct investment (FDI) to China. In doing so, we analyzed perceptions of European managers investing in China in the green tech sector.

This paper highlights how challenging is the intergroup "dialogue" among managers coming from two different cultural background. Likewise, the dialogue in academia between two different disciplines areas of research is also challenging (e.g., IB and social psychology). This parallel consideration between academy and business - addressed to both scholars and managers - will be also discussed.

Keywords: cultural differences, opportunities, international business, social psychology, cross-cultural business, intercultural laboratory.

1. INTRODUCTION

“An Anglo man visits a grave with some flowers. He notices a Chinese man placing a bowl of rice respectfully before a grave. Curious, the Anglo man walks up to the Chinese man and asks, “When do you expect your friend to come up and eat the rice?” The Chinese man replies with a smile, “The same time your friend comes up to smell flowers”.

Internet joke, with some modification

(Besemeres and Wierzbicka 2008: 70)

1.1 “Dialogue” between two research areas: social psychology and international business

Drawing upon social psychology and IB literature the aim of this paper is to raise international managers awareness on the opportunity to capitalize on cultural differences. Specifically, this work focuses on the IB context of European FDI to China in the green tech sector and by detecting European managers’ perceptions toward the Chinese market.

As far as FDI inflows is concerned, China is not only one of the most targeted countries, but also it has become dramatically active as a source of investments, generating FDI outflows for about 120 billion dollar (Hanemann, 2014; UNCTAD, 2014). China’s importance as a fruitful market of opportunities is also confirmed by the number of European funded projects involving its relationships with the “West”, especially Europe (e.g, European Union Seventh Framework Programme, Horizon 2020). Furthermore, the economic recession in Europe has created an appealing climate for Chinese investors in the European area. According to the literature on the green tech industry, over the past few years China’s investments in Europe have been mostly attracted by France, UK, Germany, Sweden and the Netherlands, which are considered among the largest recipients of Chinese outward FDI and of number of deals (Cucino et al., 2013).

We used the psychic distance model elaborated by IB scholars (Child et al., 2009) in order to examine managers’ perceptions between home and host country and analyzed the results by adopting a social psychological perspective. This model is composed of 12 dimensions, among which “culture” and “language” resulted to be the most relevant ones. The interrelation between these two dimensions has been widely recognized in the social

psychological literature. They belong together and more specifically, language is part of the wider concept of culture (e.g., Mantovani, 2006; Van Dijk, 2008). In this paper we focus on the cultural dimension within the psychic distance model. In IB literature the seminal work by Hofstede (1980) inspired a large body of conceptual and empirical work on the role of culture in the context of FDI (Kogut and Singh 1988; Brouthers and Brouthers, 2000; Teerikangas and Very, 2012).

By adopting a social psychology perspective to this IB context, we firstly contribute on the IB stream of research by looking at individual perceptions of European managers investing in China by using IB methodologies (Child et al., 2009). Managers are the core individuals in this study since they are the ones who are involved in the decision-making process of the company, thus they constitute our unit of investigation. The in-depth study of managers' perceptions derive from their crucial role as decision-makers, whose perceptions and skills in facing cross-cultural business settings may determine the success or the failure of the firm's internationalization process (Harzing, 2002, Brewer; 2007; Child et al., 2009; Hashim, 2012). Secondly, we contribute on the debate about cultural differences in cross-cultural business settings by applying a social psychology perspective to the discipline area of IB. On the basis the psychic distance model's results, showing the relevance of the cultural dimension, we propose and illustrate the *sociocognitive* value of an intercultural laboratory as a potential structured business practice of the firm engaging in IB operations. This would enable to overcome the failing ethnocentric view in cross-cultural business and foster a inter-individual/collective - rather than intra-psychic - construction of knowledge.

We focus on opportunities rather than homologation or obstacles generated by cultural differences between Europe and China. With respect to this, a brief remark on the usage of terminology in the areas of IB and social psychology is worth mentioning. IB scholars use the term "distance". In the IB scenario a certain idea of distance emerges, that is, the distance between the headquarter of a company located in a certain country (home country) and the foreign investment located in a different country (host country). For instance, "cultural distance" and "psychic distance" are used as conceptualizations to measure differences between the characteristics of the home country and the ones of the host country. In other words, it is about the degree of (un)familiarity perceived by managers between their home and host country. Unlike IB scholars, social psychologists commonly use the term

“differences” rather than “distance”. Social psychology is unique as a subdiscipline of psychology in dealing with three different levels of analysis –individual, interpersonal and group levels. Differences or *distinctiveness* stem from the social categorization (Turner, 1975). “The act of categorizing a person into a social grouping automatically classifies that individual as a member of an ingroup [...] or outgroup [...]” (Brewer, 2003: 5). Once categories have been formed the tendency for perceivers is to exaggerate the extent of differences between members of one category and another, resulting in an increase in perceived homogeneity within categories and distinctiveness between categories (Tajfel and Wiles, 1963).

1.2 Differences as opportunities

Differences are likely to be beneficial rather than challenging or harmful under certain circumstances. This is the reason why a specific education to approach differences free from rigid cognitive schemas and proactive social behavior is crucial for IB practices in light of the growing intra-national heterogeneity within a country as well as in a globalized world economy. When dealing with home and host country, differences is a fact, they cannot be ignored. Managers coming from different cultural backgrounds and scholars from various scientific communities should get the best out of them, despite the challenging dialogue (cross-cultural and cross-disciplinary). For example, the dialogue between two research areas present is likely to be characterized by differences in the use of constructs and methodologies).

The fact that differences foster and stimulate the working and research environment is confirmed by recent publications in social psychology (e.g., Cattaneo, 2014; Guretl, 2014, Phillips 2014; Plaut, 2014). A heterogeneous research environment fosters creativity as confirmed by cognitive psychologists (Cattaneo, 2014). Perceptions of differences are the effects of social categorization and are widely recognized as the psychological foundation for social stereotyping and intergroup prejudice. They result in an accentuation of similarity within categories and of differences between categories (Tajfel, 1969).

Generally speaking, the skill and the opportunity to change cultural reference is an ingredient for creativity along with science, which is a creative activity of the human intellect *par excellence* (Cattaneo 2014). Accordingly, working in a heterogeneous environment in which confrontation with people having different cultural backgrounds is not only a privilege but

also an opportunity to widen one's own horizons and trigger new ideas. Guterl (2014) confirms the central role of differences in working and research environments by arguing that they are the heart of efficient research and innovation.

Scholars from social sciences collected a wide number of data at international level in order to measure perceptions of differences, “cultural distance” and “psychic distance” of managers engaging in IB activities (e.g., Hofstede, 1980; Kogut and Singh 1988, Child, Rodruigues, and Frynas, 2009). They successfully contributed to the IB literature by increasing the resources about distance issues and measurements at different levels, such as country, organizational and individual level (e.g., Hofstede, 1980; Child et al., 2002, 2009; Fayollea et al., 2010). These studies are pillars in such discipline as IB, cross-cultural management and rely on social psychology. However, to the best of our knowledge they are not so much focused on the upside of cultural differences by relying on and integrating social psychology and IB. This paper sheds light on the opportunities generated from cultural differences within an international-oriented company. In particular, it focuses on individual perceptions of managers as far as cultural differences between home and host country is concerned¹².

This article is structured as follows. The next section illustrates the theoretical background on differences and culture. The third section shows quantitative and qualitative data as well as methods of analysis, the fourth section discusses our results and illustrates the intercultural laboratory and its syllabus. The last section concludes the study with a final remark on the challenging “dialogue” among managers coming from two different cultures and the dialogue among scholars belonging to different areas of research. Despite the challenges, academicians are sometimes required to integrate discipline areas of research to better interpret social phenomena.

2. THEORETICAL BACKGROUND

The Russian scholars are considered to be the pioneers of the studies on culture, starting from Vygotskij (1934, 1978), who is one of the main pillars in social psychology and cultural psychology. Accordingly, culture is a source of generation of thoughts and knowledge. The

¹² Further contributions in social psychology regarding “perceptions” and “social representations” can be found in Moscovici (e.g., Moscovici, 1988; Moscovici and Doise, 1991; Gillespie, 2008).

author paves the way to his followers who further developed the topic (Anolli, 2004; Mantovani, 1998, 2006, 2007; Van, 2008).

We draw upon Mantonavi's (2006) and Vygotskij's (1934, 1978) dynamic definition of culture, thanks to their contribution on cultural psychology. Culture is considered as a set of mediation systems enabling human beings to interact between them and within a specific physical environment. This implies that we cannot identify a specific moment in the past when culture was created because culture has always been with us. It is our way of living. On the basis of this perspective the practice of mediation is intrinsic even before speaking about conflicts potentially occurring while communicating. Culture means participation, "sharing" (Anolli 2004), we are all plunged in a specific culture and in turn, we contribute to build it (Cole, 1996; Mantovani, 2007). Every culture finds its expression through beliefs, individuals' conducts, every day practices, forms of expressions, such as language or art. They are called artifacts (Vygotskij, 1978; Cole, 1996) and divided into material artifacts, such as computers or books and immaterial artifacts, (institutions, education and family). Artifacts are instruments used to implement individual activities. According to Mantovani, (2006), these tools enable individuals to get through reality.

As about interpreting culture, Mantovani (2006) illustrates the "reification" and the "narrative" view of culture. Reification is the most rooted interpretation and leads to perceptions of distance. Accordingly, the aim is to homologate cultural differences. This is an ethnocentric, closed and static view. Translated into IB contexts, it means that managers may export their business model to the target market rather than integrating their approach to the one of the host country. The narrative view of culture is more difficult to understand compared to reification and it is also more difficult to carry out and be accepted. This view fosters a symmetric encounter between two different cultures by highlighting positivity. It leads to appreciate the benefits of differences in order to generate value from them. This is an open view of culture, which translated in IB settings means that managers are open to confrontation and discussion with their host country counterparts. This is the cultural approach which should be adopted in IB contexts.

In this paper, we focus on individual perceptions of managers that guide interpersonal exchanges between two "cultural" groups, European and Chinese. The essence of social psychology approach to the study of relations between groups is to understand the causes and

consequences of the distinction between “ingroup” or the “we-group” (a social group to which an individual belongs) and “outgroup” or the “they-group” (social groups that do not include the individual as a member) (Brewer, 2003). Ethnocentrism generated by the reification view of culture refers to this social psychological phenomenon:

“A differentiation arises between ourselves, the we-group, or in-group, and everybody else, or the others-groups, out-groups. The insiders in a we-group are in a relation of peace, order, law government, and industry, to each other...Ethnocentrism is the technical name of this view of things in which one’s own group is the centre of everything, and all others are scaled and rated with references to it...Each group nourishes its own pride and vanity, boasts itself superior, exalts its own divinities, and looks with contempt on outsiders”.

(Sumner, 1906: 12-13).

As about the concept of culture, while Baerveldt and Voestermans (2005) refer to “sharing” - the same language, knowledge, practices, norms and values, Van Dijk (2008) sheds lights on the “context” and proposes to avoid to use the term “culture”. This would be necessary to narrow the boundaries of the meaning of culture and grasp the concept. This is the reason why Van Dijk (2008) tends to avoid the wider and indefinite concept of sharing by referring to more specific features and levels, such as context and language.

Anthropologists have developed a more dynamic definition of culture over the years, shedding light on such concepts as contamination, re-composition, differentiation, meant in a profitable and proactive way. After examining at least 150 definitions of culture, Kluckhohn and Kroeber (1952) developed a wider definition containing a variety of nuances characterizing the cultural processes, especially the creative and selective skill of the human being. Accordingly, culture is a series of models - implicit and explicit - of behavior and for the behavior - which are received and conveyed through symbols. These symbols includes artifacts, that is, the materialization of symbols.

In this paper we adopt the narrative view of culture and apply it between groups in IB contexts (Mantovani, 2006). The study of intergroup relations is part of the broader field of social relations. Intergroup relations come into play because the social categories of the two

group members are manifestly different and likely to affect their interaction. Therefore, this field of research is about what goes on between human when social category distinctions exist:

“Categorization is a natural product of how the mind operates and it is fundamental to the study of intergroup relations. It is the basis upon which groups are identified in the first place. Individuals themselves are members of social categories. The act of categorizing a person into a social grouping automatically classifies that individual as a member of an ingroup [...] or outgroup [...]”.

(Brewer, 2003: 5).

One important aspect of categorization processes is the understanding of intergroup perceptions. Categories may be initially based on actual differences among objects. However, once categories have been formed the tendency for perceivers is to exaggerate the extent of differences between members of one category and another, resulting in an increase in perceived homogeneity within categories and *distinctiveness* between categories (Tajfel and Wiles, 1963). For example, as about ingroup preferences, perceived homogeneity extends to the literature on ethnic and national identity (Brewer, 2003).

Understanding intergroup behavior involves every area of social psychology, from the study of perceptions, social categorization, cooperation, competition, and conflict (Novara, 1998). In this paper the areas of perceptions, cooperation and conflict (intended in a proactive way) are invoked.

3. DATA ANALYSIS

Managers' perceptions of culture were collected across two phases by combining quantitative and qualitative data. The first phase of data collection (18 respondents) determined the second one, which enabled us to conduct an in-depth analysis regarding the concept of culture (7 respondents).

3.1 First stage: quantitative research

Drawing upon IB research area, we use Child et al.'s (2009) model of psychic distance¹³ (tab. 1) in order to measure managers' perceptions of differences between home and host country along the 12 dimensions as well as the impact of each dimension on the business with the host country (see appendix n. 1). We used a 5 point Likert scale to grade perceptions (increasing scale).

Our target is composed by a number of European managers operating in China and interviewed personally in the fieldwork in China in 2014. We reached them thanks to on site international fairs within the green tech industry and through European and local associations in China as well as European embassies based in Beijing. Next to this, our managers were firstly approached by an introductory e-mail regarding the research project¹⁴, which was sent before reaching the fieldwork. The embassies enabled us to have a trustful reference and backup when interacting with the European companies in China, in order to explore their willingness to participate in the survey regarding our project. Once becoming familiar with the local context and networks we acquainted and spoke with European managers willing to participate in our academic survey. The psychic distance model (Child et al., 2009) is based on 12 dimensions (tab. 1):

Table 1. Child et al.'s dimensions of psychic distance (Child et al., 2009)

Geographical Distance	Culture	Language
Level of Education	Technological development	Economic development
Logistical Infrastructure	Political System	Legal System
Regulations	Accepted Business Practices	Business Ethics

On the basis of these dimensions, respondents were asked to evaluate firstly, their perception of difference between home and host country along each dimension and secondly, the extent to which these dimensions affect their business with the target country.

¹³ Child et al. (2002; 2009) define PD as the existing perceived distance between home and host country in terms of the following characteristics: factual (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977), cognitive (Evans et al., 2000), and perceptual (Stöttinger and Schlegelmilch, 2000).

¹⁴ Our project aims at analyzing FDI flows between Europe and China mainland in the environmental industry. "This project is funded by the European Union under the Marie Curie Action's IRSES". 2) "This publication does not necessarily reflect the opinion of the EU" [When relevant]. The research leading to these results has received funding from the People Programme (Marie Curie Actions) of the European Union's Seventh Framework Programme FP7/2007-2013/ under REA grant agreement n° 318908.

As about the results, we considered the mean values of the Likert scale questions regarding the degree of differences and the degree of impact along each psychic distance dimension. Although tab. 2 shows that “language” was the most relevant dimension, followed by “culture”, in this paper we focus on the wider cultural dimension (tab. 2). The fact that culture include the language dimension has been widely recognized by both IB and social psychology (e.g., Hofstede, 1980; Mantovani, 2006, Van Dijk, 2008). Furthermore, it is well established in the IB literature that culture (and language) has an effect on the FDI of firms expanding abroad (Yoshino, 1976; Ozawa, 1979; Kogut and Singh 1988; Brouthers and Brouthers, 2000; Teerikangas and Very, 2012).

Table 2. Psychic distance perceptions (mean values)

Psychic distance dimensions	Mean values (differences and impact)
Geographical distance	3.71
Culture	4
Language	4.19
Level of education	3.38
Level of technological development	3.45
Level of economic development	3.21
Logistics infrastructure	2.83
Political system	3.4
Legal system	3.26
Regulations	3.19
Accepted business practices	3.56
Business ethics	3.5

3.2 Second stage: qualitative research

Following up the quantitative results, we conducted an in-depth analysis on the cultural dimension (graded 4 by our managers, tab. 2). We submitted an open ended question regarding the meaning of “culture” based on our managers’ opinion and experience¹⁵. The general definitions of culture provided by our respondents include the following features:

a “*common way of thinking of a group of people*”, “*how people see and interpret the world*”, “*how they behave to pursue their own values*”, “*individual/collective values and practices*”, “*communication and codes*”. Such features as “*personal beliefs*”, “*habits*”, “*cultural*

¹⁵The open ended questions were analyzed by adopting the Critical Discourse Analysis (CDA) (Van Dijk, 1993; Fairclough, 1995).

practice”, “*religion*” and “*knowledge acquisition before traveling*”, show that an individual shares some cultural knowledge with the host culture. “*Achievements through time and history*”, “*society aspects (e.g., casts in India), economical aspects, age, hierarchical position and family (e.g., in Egypt)*”, contribute to the meaning of culture. We can see that some cultures have specific priorities in terms of features. For example, the dualism between career and family as priority values. Also “*hobbies*” and “*own interests*” emerged.

Two of our respondents share the same view in referring to “*time and history*” when defining culture, for example the “*big achievements of a country*”, “*the natural or man-made disasters*”, as well as “*religion and doctrines*”. Culture has a specific position in time and space and depends on the nature and human beings’ behavior and relationships.

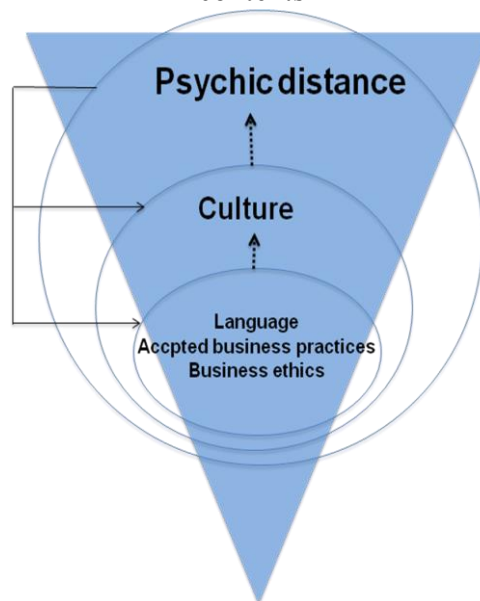
One of our respondents highlights the importance of the education system and the international schools for children. By attending a school international environment children get accustomed to the idea that there are many valuable cultures in the world and “*they live better thanks to this*”. These early stage intercultural interactions in life are fundamental in terms of openness toward other cultures.

We were given definitions containing Chinese culture-bound terms and references to Chinese local habits, customs, and believes. For example, the presence of a little Buddha or the use of numbers meaning “good luck” is a must in an office as well as *feng shui*, which is related to the design of the office or the factory. In addition to this, *guanxi* (关系) is another Chinese culture-bound term which describes the basic dynamics in personalized networks. At last, “*for Chinese, culture is very important in international business relations*”.

Culture was also described as follows: “*a way of viewing things that happen around us and how we react to them*”, “*a common behavior to be held in common situations*”, “*not a compulsory rule but a wide accepted and recognized manners*”, “*a set of habits as something in which we are born*”. The same respondent applied the meaning of culture to a wide range of spheres going beyond the business context, such as “*food, drinks, interpersonal relations, sport, education*”.

Answers referred also to specific levels: “*national level, specific regions and provinces or larger areas*”, such as “*Europe*”, “*Middle East*”, “*Western and Eastern cultures*”. Our respondents named the dimensions contained in Child et al.’s model (2009), including such features as “*language*”, “*communication with the counterpart*”, “*business practices*”¹⁶ and “*business ethics*” (fig. 1).

Figure 1. Answers about “culture” in relation with the psychic distance model and IB contexts



Managers’ understanding of culture was also more cross-cultural business oriented: “*knowledge of and attention to the cultural differences of the approached market*”. Knowledge of the different values, different models of behavior, different business practices, styles and management practices are invoked in this reply.

A lexicographic definition of culture emerged among the answers. It is referred to a set of intellectual and cognitive knowledge acquired through studies and experience. This knowledge is personally re-elaborated at cognitive level and applied to IB context. As about business, culture deals with the study of products, production quality and internationalization in terms of education to intermediates and agents on behalf of the entrepreneur. From this reply a strategic culture also emerges. Our respondent highlights the need for illustrating the

¹⁶ The proposed intercultural laboratory in the below sections may be adopted by the internationalizing firms as an “accepted business practices”, in compliance with the psychic distance model (Child et al., 2009).

headquarter business model with the foreign partner in order to share it with the local culture and integrate the home country and the host country business models to generate value.

One of the highest examples of free-cognitive schemas and relative viewpoint of the reality is given by the following answer: *“Being French, which is, unfortunately truly, often a meaning of arrogance and only self interest, I need to be even more careful”*.

4. DISCUSSION

Starting from the psychic distance model (Child et al., 2009) we focus on the cultural dimension and move between data and literature to identify coherence and consistency in the replies of our managers about their perceptions. In this section we try to answer to the following questions: what do the various meanings of culture have in common? What is there behind the successful integration of European managers in China? We could identify a set of skills and knowledge required for a successful manager working in IB contexts.

“Cultural competence”, “cultural knowledge”, “cultural sensitivity”, “cultural intelligence”, and “contextual intelligence” (Johnson et al., 2006; Earley, 2002; Khanna, 2014; Thompson, 2002) are widely recognized by the IB scientific community as key ingredients in cross-cultural business contexts. Our findings show that respondents have acquired those skills by experience in the field and by prior and personal knowledge of the market as well as of that specific foreign environment, which lead them to be successful in their business relationships between home and host country.

The above mentioned intercultural skills hides some common constructs, such as cognitive, affective, motivational, and behavioral constructs, which perform together in order to develop cross-cultural skills and the needed knowledge for managers to function effectively in the host country. Johnson, Lenartowicz, and Apud (2006) refer to “cultural competence”, which is determined by a set of skills, knowledge and attributes. Cultural competence is influenced by ethnocentrism and “cultural distance” in business contexts. Ethnocentrism has a negative effect on an individual's ability to respond appropriately to cultural differences in the workplace (Sumner, 1906). For example, Hofstede (2001) refers to “institutional ethnocentrism”, which can be analyzed at both individual and organizational level. In IB corporations or multinational enterprises institutional ethnocentrism may be defined as the

approach adopted by headquarters to impose on affiliates abroad “their” way of working. “Their” way of working represents the persistence of structures, processes and management mentalities imposed by the parent organization.

“Cultural competence” can be defined as a measure used to assess the appropriate and effective use of cross-cultural knowledge, skills and attitudes in an IB situation. Still and Earley (2002) argue that “cultural knowledge” and “cultural awareness” are necessary but not sufficient to perform effectively in a cross-cultural setting, since motivation is also needed. The motivational push to use the available knowledge is a common shared feature possessed by our respondents and can be identified as the gear of the cross-cultural interaction and integration.

Despite its crucial role, prior experience in IB contexts is not necessarily a good surrogate for “cultural sensitivity”. In this regard, intercultural trainings and workshops focusing on skills, such as adaptation and integration may be taken into account. Training programs need to incorporate the range of knowledge that exists for host countries (Lloyd et al., 2013). While “cultural competence” focuses more on performance (doing) rather than on a set of knowledge, abilities and skills (knowing), “cultural intelligence” reflects a person's capability of adaptation as s/he interacts with individuals from different cultures (intergroup relations). It is about how to learn and implement cognitive skills that allow to function effectively in a new culture, the motivational boost to adapt to the foreign environment and the ability to engage in adaptive and proactive social behaviours (Earley and Ang, 2003). Along with Gertsen's “cultural competence” (1990) the literature shows other examples of competences, such as “global” and “transnational” competence (Adler and Bartholomew, 1992; Adler et al., 1987).

Hofstede (2001) and LaFromboise et al. (1993) refer to a process of “intercultural communication competence”. According to Hofstede (2001), this process involves awareness, knowledge and skills and personality factors also affect the intercultural competence. LaFromboise et al. (1993) propose a series of specific competences, for example, negotiating the institutional structures of the partners' culture, maintaining active social relations within the group, communicating clearly, displaying sensitivity and knowledge of beliefs and values.

In order to achieve this cultural sensitivity, developing trust would enable to negotiate a common understanding, which is of significant strategic importance (Shapiro et al., 2008).

“Cultural confidence” can be defined as the ability to understand and master cross-cultural business situations and persevere (Earley and Mosakowski, 2004). In the context of European FDI to China it is necessary to foster the dialogue between the two different cultural areas by developing a path of “intercultural awareness” aimed at integrating the two parties rather than excluding one of them. The following section illustrates a structured intercultural laboratory aimed at raising managers’ awareness on adopting an integrated approach in IB contexts. In particular, the *sociocognitive* dynamics are presented.

4.1 The *sociocognitive* value of the intercultural laboratory

On the basis of the extant literature and our data, we propose an intercultural laboratory addressed to “early-stage” international managers aimed at re-thinking differences in culture and capitalize on them. The idea behind is to structure the laboratory on a group basis.

Studies supporting intercultural trainings started more than ten years ago, for example, Leiba-O’Sullivan’s study (1999) on the efficacy of cultural training shows that it improved international managers’ success in cross-cultural business contexts. It would enable the individual to learn contents and skills that will make cross-cultural relationships easier by reducing misunderstandings and inappropriate behaviors. We can also find detailed contributions in social psychology. In many theoretical perspectives social interaction (cognitive, relational and personal competences) plays a crucial role, despite our *individualistic* culture (Triandis 1995) supporting the “do it on your own”-way rather than the “do it with the others”-way. According to scholars such as Lewin (1951), Bion (1961), and Lai (1963) group dynamics contribute to the social construction of knowledge thanks to social interaction and communicative exchange in the learning process (Quaglino et al., 1992). Vygotskij (1934) was one of the first supporters of the sociogenesis in the learning process followed by Mugny and Carugati (1987) on *sociocognitive* conflict (e.g., Pontecorvo et al., 1991; Galli, 1976; Pojaghi, 2000a, 2000b, 2002, 2008).

The “change” that occurs in interpersonal relations has a crucial and positive value in terms of group dynamics. This is one of the reasons why we have chosen to propose a group based intercultural laboratory. The group work foresees the following dynamics: benefiting from

each other's skills and qualities, confrontation, discussion and conflict (Nicolini and Pojaghi, 2000; Pojaghi, 2000a, 2000b).

Along with culture and social influences world and social knowledge are the result of our cognitive system. Despite its inexplicable intricacy and sophisticated mechanism, our cognitive system is fallible due to our need to manage multiple stimuli and not all of them can be easily understood and deciphered. In order to raise awareness on how to manage the learning process by selecting, controlling and verifying strategies (Billing, 1996) it is crucial to untie and re-think the cognitive and socio-cultural models that we use. To this purpose, an integrated approach - combining an individual and a multiple perspective - is essential to construct one's own knowledge according to a critical method which is necessarily free from rigid schemas.

The group-based work goes beyond the individual/intra-psychic learning process by fostering dialogue. Hence, the intercultural laboratory is an effective inter-individual learning process along with the opportunity to work on how individual construct their knowledge, how they interpret and judge the world. Confrontation and conflict management between the group members are some of the practical dynamics of the group work. In this way critical knowledge processes aimed at adopting a relative rather than an absolute point of view are stimulated. The aim is to negotiate our perspective with the one of the other group members. "Conflict" in this context deserves particular attention. Generally speaking, the term conflict is associated to a negative meaning. Scholars demonstrate that this term has a double interpretation and usage since it entails opportunities for dialogue, for change, for creativity and space for new ideas. Individuals who fear differences and conflicts approach them by applying rigid cognitive schemas. This results in compromising or conformism attitudes (Brewer, 2003).

The effectiveness of the intercultural laboratory resides in the inter-individual activity. Confrontation, room for change, capitalizing on differences rather than homologating them, discussing one's own viewpoint by using an appropriate language and being able to "lose" something can be the core strengths of this group based work. In order to take advantage of the *conflict* it is necessary to re-structure one's own thoughts and make it understandable. The common objective of the group can be reached thanks to the contribution provided by every

single member (awareness of *interdependence*). In this way, the individual gets accustomed to a peer-to-peer cooperation and fosters the construction of knowledge.

Critical knowledge, sensitiveness in adopting a relative point of view, negotiation, shared construction of knowledge occur when interactions turn to integration (Moscovici and Doise, 1991; Quaglino et al., 1991). By developing relativity and awareness it is possible to read the reality, elaborate social stimuli, understand how the world can be represented and interpreted. In addition, relativity and awareness enable to implement effective strategies to prevent social dynamics, such as prejudice, stereotyping and categorization (Turner, 1975).

4.2 Intercultural laboratory: syllabus

Our laboratory, which represents a potential for change in its method, is meant to develop into two main central phases (phases 2 and 3, tab. 3) and other two additional steps. It is supposed to be coordinated by an expert with the following expertise: leadership and coordination skills, good command of intercultural issues and free cognitive schemas in approaching cultural differences.

The laboratory is structured on a series of procedures and activities used in education and training courses and that have been tested and strengthened over the years. They are aimed at breaking down preconceptions and schematized interpretations as well as stereotypes and social categorizations (Tajfel, 1981). These barriers prevent the knowledge of phenomena which follow a bottom-up approach. Material regarding these phenomena will be at disposal of the participants in the form of simulations.

The laboratory is meant to be organized in a timeline of four group meetings of two hours each. The idea behind is to identify those common sense theories about different cultures and raise awareness of specific theories and opportunities that they offer. The following table provides a comprehensive overview of the main phases of the laboratory.

Table 3. Intercultural laboratory - phases and tasks

Phases	Tasks
1	Identification of common sense theories on: one's own culture the Other's culture the differences between the two cultures
2	Confrontation between the different perspectives adopted by participants and attribution of meanings to cultural differences; Confrontation with intragroup viewpoints
3	Cooperative approach (<i>integration</i>) - co-construction of elements which enable to integrate different cultures and capture opportunities (next to obstacles or barriers)
4	Group simulations: solutions to problems which are likely to rise (which have been risen) in the business relationships under examination with partners having different cultural background

The idea of the laboratory is to develop a path starting from the individuals' convictions on cultural differences that stem from social representations (phase n. 1, tab. 3) (Farr and Moscovici, 1984). These cultural differences can be detected by the use of a Likert scale-based questionnaire or semi-structured interviews before the laboratory starts. If it is not possible to collect any data previously, the initial stage of the laboratory will be dedicated to work individually with the group leader. The material includes a Likert scale-based questionnaire. The content of this questionnaire should cover the following areas (tab. 3), 1.a) what the participant thinks about one's own culture and which values come into play; 1.b) what the participant thinks about the other's culture and respective values; 1.c) what the participant thinks about the differences between the two involved cultures. A question about the identification of the advantages and disadvantages generated from the encounter between the two cultures should be also included.

In the second phase (tab. 3) all the answers will be discussed. This step highlights how many ways can emerge - sometimes opposed to each other - to interpret the same reality. Likewise, there are many ways to attribute meanings to the same reality in terms of behavior, feelings or values. This is the phase where conflicts among different viewpoints emerge. The conflicts can be solved by adopting two approaches. On the one hand, a competitive approach can be applied by following the *exclusion* logic. On the other hand, the cooperative approach may be adopted, by following the *integration* logic.

The third step is aimed at learning to negotiate the situation in conflict by adopting the cooperative approach (*integration*). With the support of the leader, participants are asked not

to choose between the different viewpoints but to integrate them, by starting to identify commonalities in both point of views rather than focusing on contrasting elements.

Through free associations and multimedia material, participants try to raise their awareness on a series of issues, such as the co-existence of numerous ways to interpret the same reality and certain business dynamics. The integration of different viewpoints enables participants to deal with approaches requiring cooperation. In this way, they are fostered to apply the integration logic in cross-cultural business settings. “Differences” are meant to widen - not to narrow - one’s own perspective and to grasp opportunities for cooperation (e.g., business practices and business organization).

In the fourth phase (tab. 3) it is possible to simulate real situations and implement strategies to prevent problems which can emerge during negotiations or in the decision-making process. Participants usually attribute the origin of the problems to cultural differences, communication differences and values’ differences. Practical instruments, such as role-play and case-study may help to co-constructing possible solutions and interventions hypotheses.

5. CONCLUSION

This paper highlights how challenging is the intergroup “dialogue” in cross-cultural business. Generally, the inability of the firms and their managers to adjust to the demands of the IB environment has become one of the primary causes of IB failures. This challenge goes parallel to the academic environment. On the one hand, it is about the dialogue between two different cultures (e.g., European cultures and Chinese culture), and on the other hand, the dialogue occurs between two different discipline research areas, in this case IB and social psychology. This parallel consideration between business and academy is addressed to both scholars and managers. Scholars are aware of the need for science to integrate two different discipline areas in order to better analyze, interpret or understand social phenomena. This paper shows how difficult it is to integrate different cultural viewpoints in IB and academic contexts. Next to this, it shows how challenging is to identify a focused and narrow common ground between the involved parties and the right methods to adopt for the integration logic. The reason is, different cultures and different discipline research areas “speak” two different languages. Scholars know the challenges involved in integrating IB and social psychology. They are based on specific theoretical foundations, respectively as well as research designs,

methodologies and terminology (the use of “differences”/”distance” - the language used to apply IB and social psychology theoretical foundations is different). For example, the “psychic distance” construct and model elaborated by IB scholars is not conceived in social psychology. In a parallel way, cross-cultural business settings involve the interactions of managers coming from different cultural backgrounds, history, values and languages.

In order to successfully overcome the challenges that managers face in the implementation of cross-cultural business activities and decision-making process we illustrated the *sociocognitive* relevance of an intercultural laboratory structured on a group base. This kind of laboratory could be adopted in IB settings as a “business practice” and become a structured and practical tool to train managers and broaden their viewpoints in cross-cultural settings. The intercultural laboratory is aimed to raise awareness of the individual cognitive limits which stem from an absolute and univocal vision of the world. These limits affect several areas of interaction, such as relations in the social, business, economic, and politic environments. This pragmatic tool would enable early-stage international managers to perform effectively in a cross-cultural setting. Managers would be able to re-think and re-structure their cognitive schemas and adjust them to the new cross-cultural business setting thanks to the inter-individual approach and their acquired awareness in looking for opportunities generating by cultural differences. Next steps for future research may take into account to examine a larger sample of data by considering a wider population of case studies. The generalization of the results should be made cautiously.

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2. A social psychological perspective to the perceptions of cultural differences in Sino-European FDI contexts

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3) EUROPEAN FDI IN CHINA: THE ROLE OF CULTURAL PERCEPTIONS¹⁷

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ABSTRACT

The purpose of this paper is to investigate to what extent and how perceptions of culture affect European foreign direct investment (FDI) in mainland China. This study provides an in-depth analysis on the role played by culture in fostering/hampering FDI. First of all, this paper analyzes managers' perceptions of "culture". Secondly, it investigates "host bound" identity perceptions of European managers toward China.

We adopt a multiple case study research design composed of a panel of six European companies operating in China in the green tech industry. We use quantitative and qualitative analyses and a three-step data collection process.

Results show that managers' perceptions vary over time, between the pre- and post-market entry operation. The cultural dimension is not considered by European managers before approaching China. Only after entering the Chinese market European managers realize the relevance of culture and the differences within the host country. When approaching China, European managers perceive to have a national (intra-Europe) rather than a European "home-bound" identity. They perceive China as a single entity and do not perceive differences within the country (intra-China, "host-bound" perceptions of Chinese identity). Culture goes along

¹⁷ This paper was published as a working paper as follows: Vaccarini, K., Spigarelli, F. and Tavoletti, E. (2015), "European green tech FDI in China: The role of culture", *c.MET WorkingPapers 1507*, *c.MET-05 - Centro Interuniversitario di Economia Applicata alle Politiche per L'industria, lo Sviluppo locale e l'Internazionalizzazione*, <https://socionet.ru/publication.xml?h=repec:cme:wpaper:1507&l=en>, ftp://ftp.repec.org/opt/ReDIF/RePEc/cme/wpaper/cmetwp_07_2015.pdf.

3. European FDI in China: The role of cultural perceptions

with language, which, in specific cases, is perceived as a higher hurdle than culture. Both culture and language contribute to the concept of identity.

Keywords: FDI, Europe, China, perceptions of culture, language, identity, green tech industry.

1. INTRODUCTION

International business (IB) has drawn much attention on culture as a determinant of foreign investment over the years reaching his peak with scholars, such as Kluckhohn and Kroeber (1963), Geertz (1973), Hofstede (1980; 1993; 1994), Kogut and Singh (1988) as well as Ghemawat (2001).

It is well established in the IB literature that culture (and language) has an effect on the FDI of firms expanding abroad (Yoshino, 1976; Ozawa, 1979; Hofstede, 1980; Kogut and Singh 1988; Brouthers and Brouthers, 2000; Teerikangas and Very, 2012). Recent analyses have integrated and synthesized a substantial body of empirical work on the impact of culture on FDI (Stahl and Voigt, 2008, Tihanyi et al., 2005).

A recent study on social psychology applied to IB (Vaccarini et al., 2015) highlights the need – and challenge – for IB scholars to integrate social psychological theoretical foundations to IB in order to increase managers' awareness on how to get value from cultural differences. Under this perspective Baerveldt and Voestermans (2005) refer to the concept culture as “sharing” - the same language, knowledge, practices, norms and values. Van Dijk (2008) sheds lights on the term “context” rather than “culture”. Accordingly, it is necessary to narrow the boundaries of the meaning of culture in order to grasp its concept. This is the reason why Van Dijk (2008) tends to avoid the wider and indefinite concept of sharing, referring to more specific features and levels, such as context and language.

The theoretical and operational framework adopted in this paper to detect managers' perceptions of culture is the psychic distance model elaborated by IB scholars (Child et al., 2009). This model contains 12 dimensions¹⁸, among which “culture” and “language” were perceived as the most relevant ones among our target of managers. Psychic distance is defined as the existing perceived distance along these dimensions, between the characteristics of the firm's home country and the characteristics of the firm's host country. We “transfer” and narrow this conceptualization to the cultural dimension and use it to refer to “cultural distance” in business settings. At this level, the definition of cultural distance focuses on the

¹⁸“Language, culture”, “level of education”, “level of economic development”, “level of technological development”, “logistical infrastructure”, “political system”, “legal system”, “regulations”, “accepted business practices”, “business ethics” (Child et al., 2009).

individual level (perceptions). Next to shared values, norms and beliefs, culture in business contexts entails a series of culture-bound elements referred to specific firm's environments and characteristics. These features are listed in the psychic distance model (e.g., "accepted business practices" and "business ethics") (Child et al., 2009).

Studies on perceptions are reflected in the operationalization of PD conducted by IB scholars (e.g., Stöttinger and Schlegelmilch, 1998). They are based on the principles of cognitive mapping and Gestalt psychology. Social psychologists show that individuals tend to prefer familiar rather than unfamiliar situations (e.g., Powell and Ansic, 1997). In this paper, we incorporate the literature on distance and perceptions in IB. While Child et al. (2009) applies his model to the internationalization of British companies in Brazil, we contextualize our research on European green tech FDI to China. Likewise, the focus is on individual perceptions.

This research, which is part of a wider EU project¹⁹ on renewable energies and environmental industries, is conducted at sectorial level - green tech. In their recent study, Lv and Spigarelli (2015) point out the need for conducting analyses at an industry level in order to contextualize the results. Europe and China are experiencing a strong cooperation in partnering opportunities, especially after the European recession and the emphasis on "green" and "go global" policies foreseen in the 12-Five Year Plan (e.g., Lv and Spigarelli, 2015). China has produced a number of green relevant policies to specific sectors (Langer and Watson, 2004; Aiwa and Yang, 2010; Huang and Chen, 2015). According to The World Bank (The World Bank and The Development Research Center of the State Council, the People's Republic of China, 2013; Pew, 2011), China is now the leader in renewable energy investment and that makes the case of China especially relevant and worthy investigation. In order to contextualize the progress related to the green tech industry we rely on the definition of "green growth" provided by UNESCAP (2012): is, in general terms, economic progress that

¹⁹ The EU funded project is POREEN – *Partnering Opportunities between Europe and China in the Renewable Energies and Environmental Industries*. With its multidisciplinary approach, it gathers legal experts, engineers and economist. The aim is to investigate a number of aspects of Chinese and Europe integration in the environmental and green tech sectors. 1) "This project is funded by the European Union under the Marie Curie Action's IRSES". 2) "This publication does not necessarily reflect the opinion of the EU" [When relevant]. The research leading to these results has received funding from the People Programme (Marie Curie Actions) of the European Union's Seventh Framework Programme FP7/2007-2013/ under REA grant agreement n° 318908.

fosters environmentally sustainable, low carbon and socially inclusive development. Pursuing green growth involves outlining a path to achieving economic growth and well-being while using fewer resources and generating fewer emissions in meeting demands for food production, transport, construction and housing, and energy.

Our research enables us to draw upon primary data including an in-depth case based analysis of six European companies that have entered the Chinese market between 2001 and 2014. These companies operate in the green tech industry - green buildings, green technology, consultancy, solar energy plants, engineering, plumbing and heating systems²⁰. They constitute our units of investigation.

The aim of this paper is twofold and aims to answer the following questions:

1. What are managers' perceptions of culture in European OFDI to China?
2. What are "host bound" identity perceptions, do European managers perceive China as a homogeneous identity or do they perceive intra-China differences?

This paper is structured as follows. The theoretical background section illustrates the relevance of culture in FDI strategy of European firms investing in China. We then describe the methodology of our research and in the next section we analyse and discuss the main findings and implications. We conclude our study with a final remark, limitations and possible directions for future research.

2. THEORETICAL BACKGROUND

Studies about cultural differences are mainly conducted at country level and do not look at what individuals perceive, they mainly look "outside" of the individual. The construct of cultural distance is generally analyzed at three main levels: country, firm and individual level (Hofstede, 1980; Forsgren, 2002; Cheng, 2006; Jiang, 2006; Brewer, 2011; Ambos and Håkanson, 2013). The country level focuses on the values and behaviour of the society as a whole, the firm level is based on certain business practices and the individual level concerns the individuals' perceptions of distance.

²⁰There is no consensus in the definition of green, probably due to the broadness of products and services, including consultancy services in the green tech industry, next to the fact that the sector is continuously being updated following the steady development of what is green and what is not green (Eurostat 2009, Salvatelli, 2014).

According to Shenkar (2001), the cultural distance indexes do not apply to FDI as they fail to yield consistent empirical evidence and they include some hidden assumptions which are named “illusions”, such as the illusions of homogeneity and symmetry. The illusion of homogeneity takes for granted the fact that there is no difference of values in the same country, that is intra-country level. Illusion of symmetry means that the distance perceived from country A toward country B can be different than the distance perceived from country B toward A.

Firms’ internationalization to emerging markets, such as China has been examined under different viewpoints and has taken into account a wide range of business contexts and pair countries (e.g.m Deng, 1997; Gao, 2005; Brewer, 2007; Zihui et al., 2008). Country’s economic history (Tsang 1994; Salavrakos, 2010), historical ties (Makino and Tsang, 2011), management experience (Hong and Chen, 2001), human resources management (Tsang, 1994), trends and determinants (e.g., Ma et al., 2008) are some of the numerous viewpoints adopted by IB scholars.

In the context of international mergers and acquisitions, for examples, scholars have employed such theoretical perspectives as attribution theory (e.g., Vaara, 2000), the concept of meaning (Weber, 1996), organizational learning theory (e.g., Barkema, Bell, and Pennings, 1996; Olie, 1994; Villinger, 1996), the theory of relative standing (e.g., Krug and Nigh, 1998), the resource based as well as knowledge based view of the firm (e.g., Morosini et al., 1998; Uhlenbruck, 2004), social identity and self-categorization theories (e.g., Turner, 1975; Vaara et al., 2003; Brewer, 2003), and social movements theory (e.g. Veiga, Lubatkin, Calori, & Very, 2000). Next to this, the analysis based on home vs. host country specific factors seems to be particularly helpful to our study.

As about distance and home and host country factors, Rugman and Chang (2008) argue that emerging market multinationals expand abroad largely on the strength of home country factors, such as access to natural resources and cheap labor. “Pull” and “push” forces could be included in the analysis (Luo and Tung, 2007; Wei and Alon, 2010; Luo and Wang, 2012; Puri et al., 2015). A comprehensive view of country factors include measures of distance or closeness as well as the cultural dimension. For example, low cultural and psychic distance could be considered as push factors, while a huge distance could become a country specific disadvantage. Cultural and psychic distance in IB (from now on CD and PD, respectively) are

key concepts in management activities (Johanson and Vahlne, 1977; 2009; Zaheer et al., 2012). Along with other determinants, such as government regulations, competitive environment, local infrastructures CD and PD are considered as variables affecting the foreign market entry (Shenkar, 2001, 2012; Ghemawat, 2001; Dow and Karunaratna, 2006; Dunning, 2009; Child et al., 2009; Ambos and Håkanson, 2014, Vaccarini, 2014). Their meaning is strongly connected since they refer to of the degree of (un)familiarity with the foreign environment (Henderson, 2005; Nebus and Chai, 2013; Håkanson, 2014), The employment of the two constructs have been questioned as Ambos and Håkanson (2014) confirm in their analysis of about 300 papers written between 1975 and 2011. Results show that in the examined papers CD and PD were studied partly as a key focus, partly as a minor focus and partly, just cited.

In this paper we draw upon Child et al.'s (2009) study on psychic distance by looking at how the authors operationalized the construct, which is particularly relevant to us since “culture” is one of the 12 dimensions contained in the model (tab. 1):

Table 1. Child et al.'s (2009) psychic distance dimensions

Geographical Distance	Culture	Language
Level of Education	Technological development	Economic development
Logistical Infrastructure	Political System	Legal System
Regulations	Accepted Business Practices	Business Ethics

As regards the operationalization of PD and CD, some scholars use both concepts interchangeably as a synonym, considering them at the same level. Some others use CD as a proxy of PD (e.g., Sousa and Bradley, 2006, 2008; Brewer, 2007; Child et al., 2009, Puthussery, 2014). Building on recent studies (Child et al., 2002, 2009) on PD and international business, we refer to CD as a “sub-dimension” of the wider PD concept, which is defined by Child et al.'s (2009: 201) as the “perceived to exist between characteristics of a firm’s home country and a foreign country with which that firm is, or contemplating, doing business or investing”. Earlier studies postulated a number of dimensions that might enter into PD, such as differences in culture, language, political and legal systems, level of education, industrial development and business practices (e.g., Carson, 1974; Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975). The overall framework within which the 12 dimensions are located is Gehmawat’s (2001) “CAGE” classification of distance between two

countries into cultural, administrative, geographic and economic factors. His classification is a relatively comprehensive one. Hence, cultural distance includes differences in language and social norms; administrative distance includes differences in political system, government policies and institutions; and economic distance includes differences in income levels, infrastructure, human and other resources.

Starting with the work of Yoshino (1976) and Ozawa (1979), taking off with the seminal work by Hofstede (1980) that inspired a large body of conceptual and empirical work on the role of culture in FDI, the latter of which was further fuelled by the “cultural distance” construct developed by Kogut and Singh (1988) and the subsequent large body of work on the impact of culture on FDI (e.g. Brouthers and Brouthers, 2000; Pothukuchi et al., 2002; Reus and Rottig, 2009, Rottig et al., 2013, Teerikangas and Very, 2012; Tihanyi et al., 2005). Recent analyses have integrated and synthesized a substantial body of empirical work on the impact of culture on FDI (Stahl and Voigt, 2008, Tihanyi et al., 2005).

Kroeber and Kluckhohn (1952) identified 164 different definitions of culture. More have been added since then, as the term became more popular in the management literature (Lees, 2003). Most researcher use the definition of culture by Hofstede (1980) in reference to national culture, and his subsequent work and definition of culture (Hofstede, 1983) regarding organizational culture, and more recently scholars have based their definition of culture on the work by the “GLOBE” project team, which suggests that “the most parsimonious operationalizations of societal culture consist of commonly experiences language, ideological belief systems (including religion and political belief systems), ethnic heritage, and history” and that “the most parsimonious operationalizations of organizational culture consist of commonly used nomenclature within an organization, shared organizational values, and organizational history” (House et al., 2004: 1516). This definition does not only distinguish two levels of culture, societal (or national) and organizational (or corporate) culture, which are noticeably distinguished in the FDI literature, too. It also illustrates the wide consensus in the literature that language is part of culture.

The individual level of culture is the focus of this paper. Specifically, the individual perceptions of culture by managers. We refer to the individual and the cognitive dimension, which plays a significant role in managers’ perceptions and understanding of the host

country's foreign environment and characteristics. World and social knowledge are the result of our cognitive system, along with culture and social influences (Billing, 1996; Evans, Treadgold and Mavondo, 2000; Cattaneo, 2014). The cognitive dimension has been neglected over the years (Evans et al., 2000; Child et al., 2000: 200), we fill this void by conducting an in-depth analysis on cognition and go beyond the "objective" features that create or hinder the distance: attention is drawn to what the individual perceives.

The cultural dimension in IB applies to a series of cases, such as human resources management and business behaviour. To define culture, we draw upon scholars' studies from IB and social psychology. Hofstede (1993; 1994) refers to a series of items, such as values, ideas, symbols, beliefs which are shared by a group of people. He defines the construct as a collective mental programming. Furthermore, culture can be identified as a combination of acquired experience and values that contribute to and influence distinctive groups' behaviour and responses (Johnson and Turner, 2004).

By adopting a social psychological perspective and according to cultural theories, culture is a set of mediation systems enabling human beings to interact between them and within a specific physical environment (Mantonavi, 2006; Vygotskij, 1934 and 1978). This means participation as well as "sharing" (Cole 1996; Anolli 2004; Mantovani, 2007). Every culture finds its expression through beliefs, values, individuals' conducts, every day practices, forms of expressions, such as language or art. Baerveldt and Voestermans (2005) associates the concept of culture with "sharing" the same language, knowledge, practices, norms and values.

Van Dijk (2008) sheds lights on the "context", proposing to avoid the term "culture". The author argues that it is necessary to narrow the boundaries of its meaning of culture in order to grasp the concept. This is the reason why he tends to avoid the wider and indefinite concept of sharing, referring to more pragmatic features and levels, such as context, and language.

After examining at least 150 definitions of culture, Kluckhohn and Kroeber (1952) developed a wider definition containing a variety of nuances characterizing cultural processes, especially the creative and selective skill of the human being. According to this view, culture is a series of models - implicit and explicit - of behavior and for the behavior, which are received and conveyed through symbols. By applying the core of these definitions (e.g., practices,

behaviour, symbols) to business contexts, it can be argued that culture manifests itself in IB settings in the form of specific and “accepted business practices”, which is one of the 12 PD dimensions (Child et al., 2009).

Previous studies on PD have focused on differences between countries and mainly relied on questionnaire survey data (e.g., Klein and Roth, 1990), experts (e.g., Dow, 2000) or national indicators (e.g., Dow and Karunaratna, 2006), they lacked in investigating the cognition of decision makers (Stöttinger and Schlegelmilch 2000). With this paper we contribute to draw attention to the “psychic” rather than the “distance” side of the PD construct. Within this framework, CD is analysed at individual level considering the crucial role of the decision makers, whose perceptions and skills in facing cultural issues affect the internationalization process (Harzing, 2002, Brewer; 2007; Child et al., 2009; Hashim, 2012).

Following this conceptualization and operationalization of PD, we refer to the sub-dimension “culture” as “cultural distance”. We analyse managers’ perceptions of CD at individual level in terms of 1) “perceived cultural difference between home and host country” and 2) “perceived impact that the cultural dimension has on the businesses with the host country”.

3. METHODOLOGY

3.1 Multiple case study research design

We adopted a multiple case study research design which provides a deep and explorative understanding of managers’ perceptions of CD and particularly suits for inductive theory development and description (Yin, 2014). Case studies provide deep and rich knowledge and information about emerging issues that cannot yet been explained in a deductive way due to lack of a theoretical basis.

Data about European managers’ perceptions were collected during the fieldwork in 2014. Firstly, we submitted a questionnaire²¹ to a sample of 21 respondents. Secondly, we asked 6 out of these 21 managers to reply to an open-ended question regarding the meaning of culture in order to go deeper into the understanding of the concept. The data collection process relied on the presence of at least two team members in China, who implemented and carried out the

²¹The complete questionnaire is available online: <http://poll.econ.univpm.it/index.php?sid=56367&lang=en> (see appendix n. 1).

investigation from the pre-travel to the post-travel phase. This process enabled us to keep more rigorous and careful data due to the cooperation in the fieldwork, the multiple sources of evidence (companies' websites and publicly available documents), a shared database, maintenance and chain of evidence in the form of notes, documents, e-mail exchanges, tabular and narrative material. We followed a specific protocol which will be illustrated in detail in the following sections.

Compared to a single case study, multiple case study provides a more rigorous and complete approach, as well as a variety of research sites and data sources to formulate propositions, theory generation, within-case and cross-case study analyses as well as triangulation of evidence thanks to the use of different sources of information (Patton, 1990; Eisenhardt, 1989; Yin, 1994).

In our paper we aim at providing descriptive analysis, extension of the emergent theory and combination of quantitative and qualitative approaches, from Likert scale-based questions to open-ended questions (Bourgeois and Eisenhardt, 1988; 1989). The open ended question and the qualitative analysis enables to capture nuances in managers' perceptions (Stöttinger and Schlegelmilch, 2000).

3.2 Data collection process

Our data collection process developed in three steps in terms of time scheduling: 1) pre-travel, 2) fieldwork and 3) post-travel. We gathered two types of data in the form of a questionnaire (quantitative), interviews and open-ended questions (qualitative). A detailed description of our protocol follows.

The questionnaire and the interviews covered three main areas, namely economics - with a specific focus on culture - law and engineering. We obtained 22 responses and extracted the most significant answers in compliance with our cultural perspective of analysis, by means of a Likert scale based on 5 points and "yes/no" questions.

The open ended questions were the following ones: (a) "what does culture mean for you?", (b) "how would you define your company entry mode in the Chinese market (e.g., FDI, direct or indirect export, licensing, franchising, joint venture, etc.)?", (c) "was the entry mode choice

influenced by cultural, financial, technical/practical, bureaucratic, legal or other aspects?”. After getting the 22 questionnaires, in order to have a deeper understanding of managers’ perceptions of culture we addressed the above mentioned open ended questions to a short listed sample of 6 managers.

Phase 1: pre-travel.

In the pre-travel phase we drew up a full contact list of company associations, firms and governmental organizations, national and international institutions, operating in the green tech industry and involving European and Chinese FDI. During this step, the project coordinator and the team members established a first e-mail contact with these entities by sending out a cover letter containing our research purposes and the link to our online questionnaire.

More specifically, before our departure to China (Beijing and Shanghai, April-September 2014), we emailed European national organizations based both in Europe and in China, European embassies in Beijing and associations providing support for European small and medium enterprises in China²².

Phase 2: fieldwork.

In the fieldwork, two members of our team arranged video calls, face to face meetings and on site company visits. All these activities, topics of the meetings and interviews were recorded in the official report addressed to the European Union²³.

In order to have direct access to the companies without involving third parties we attended some international fairs to find managers representing their respective companies at the stands. Furthermore, we arranged meetings with academic institutions²⁴ in order to have scholars’ perspectives and to keep us informed about ongoing research projects on the topics. In this regard, economists, engineers and legal members of our team (about 60 researchers) took part in IB conferences on European and Chinese FDI flows²⁵.

²²European Chamber of Commerce, Handelskammer Deutschland – The German Chamber Network, GIZ – Deutsche Gesellschaft für die Internationale Zusammenarbeit – the German government association for international cooperation, EU SME Center and Helpdesk China, etc.

²³ The records account for 396 pages of material and a mean of 100-150 email exchanges with each respondent.

²⁴ For example, Euraxess Link China, Institute of Energy, Environment and Economy, Tsinghua University).

²⁵ The researchers are mainly affiliated to the Department of political sciences, communication and international relations and Department of economics and law, University of Macerata, Italy.

Phase 3: post-travel.

The post-travel step consisted in a preliminary analysis of the data collected on-site and of the open ended questions regarding the meaning of culture and the entry mode choice.

4. ANALYSIS AND DISCUSSION

Tab. 2 shows the company profiles of our multiple case study sample (6 short-listed out of 22) represented by the interviewed managers²⁶.

4.1 Company profiles

According to Gersick (1988) and Pettigrew's approach (1990) tab. 2 illustrates the most relevant pieces of information about our 6 companies.

²⁶ The companies will be named with letters (from A to F) in the discussion.

Table 2. Company profiles (2014)

	Beijing Boon Edam Entrance Technology Co., Ltd.	Exprivia IT Solutions (Shanghai) Co., Ltd.	ISG Heating Equipment Co., Ltd.	Hamon Thermal (Tianjin) Co., Ltd.	Solarig Holding S.L.	Alstom Grid China Technology Center Co., Ltd.
Year of establishment	2001	2014	2013	2009	2006	2009
Respondents' position and nationality	Brand Ambassador, Dutch	CEO, Italy	General Manager, Turkish	Sales and Projects Manager (China), Belgian	Asia Executive Director, Spanish	General Manager, Chinese
FDI entry mode	Joint venture	Merger and acquisition	WFOE	Branch	Joint venture	WFOE
Turnover in China (USD)	48,000,000	113,000	3,800,000	90,000,000	74,000,000	N/A ²⁷
Core business	Manuf. revolving doors	Service: consultancy, service, information and communication	Manuf. heating business	Manuf. and services: turnkey projects, engineering	Manuf. and service: energy plant developer, engineering and operation	R&D: applied research, product development, engineering support
Headquarter location	Netherlands	Italy	United Kingdom	Belgium	Spain	France
Chinese location	Beijing	Shanghai	Shanghai	Beijing	Beijing	Shanghai
N. of Chinese speaking employees in China	427	19	2	120	1	120

4.2 Within and cross case analysis

We conducted qualitative (*Part 1*) and quantitative (*Part 2*) data analyses which will be illustrated in this section.

4.2.1. Part 1: open ended questions and critical discourse analysis (CDA) approach.

This part analyzes and discusses the open ended questions about managers' understanding of "culture". Firstly, we detected the relevance of cultural perceptions from Child et al.'s model (2009). Tab. 3 show the results of managers' perceptions of PD along each dimension. Language is the most perceived different dimension, followed by culture. Consistently with

²⁷As about the turnover, our respondent representing Alstom Grid China Technology Center Co., Ltd. mentioned the following statement: "Since we are the cost center and focus on RandD activity only, so number is sensitive and it is not allowed to be disclosed".

our theoretical background combining the extant literature on “culture” in IB (e.g., the CAGE model by Gehmawat, 2001) and social psychology (Van Dijk, 2008) we focus on managers’ perceptions of culture (e.g., Hofstede, 1980; Kogut and Singh 1988; Teerikangas and Very, 2012). The use of language occurs in a specific cultural context (Van Dijk, 2008; Gehmawat, 2001). This is what our managers confirm in their answers. The figures appearing on the right column are the mean values between the replies about 1) degree of perceived differences between home and host country (“differences”), and 2) degree of impact that is perceived along each dimension on the business with the host country (“impact”).

Table 3. Psychic distance model (Child et al., 2009) and relevance of the “cultural” dimension

PD dimensions	“differences” and “impact” (mean values)
Language	4.19
Culture	4
Geographical distance	3.71
Accepted business practices	3.56
Level of technological development	3.45
Business ethics	3.50
Political system	3.40
Level of education	3.38
Legal system	3.26
Level of economic development	3.21
Regulations	3.19
Logistics infrastructure	2.83

Each dimension was graded on a Likert scale based on 5 points. More specifically, managers were asked how much difference they perceive along each dimension between their respective home country (in Europe) and China. As about the criteria used for interpreting the mean values, we considered as “relevant” the dimensions equal or higher than 4 (cut-off point – language 4.19 and culture 4).

We based the open ended question about culture on these results (tab. 3) and conducted a qualitative analysis by adopting the CDA approach (Fairclough, 1992; Wodak and Meyer, 2001). CDA was developed in response to the earlier and narrow approaches on the micro-linguistic aspect of discourse and which neglected its more macro-social aspects. Its origins

can be found in Fairclough's studies on power and discourse (Sinclair and Coulthard, 1975; Potter and Wetherell, 1987, Fairclough, 1993). In this way, we connected the textual elements with the socio-cultural dynamics (Dreyfus and Rabinow, 1982). The idea behind is that socio-cultural structures become manifest through discourse and social practices, hence our approach is a theoretical and methodological attempt to combine two levels: textual production and socio-cultural aspects.

CDA is based on the analysis of the textual parts, the language, the most recurring words, expressions and topics provided by our respondents. After having identified these pieces of information we gathered them under several categories of abstraction (tab. 4) (Ahonen et al., 2011): "national identity", "human resources practices", "shared beliefs", "business behaviour", "shared language", "cognitive knowledge". We focused on two levels of analysis, textual and socio-cultural. Our aim was to identify managers' implicit values and meanings of culture emerging from the answers and relate them to IB contexts. The analysis is based on Van Dijk's approach (2000), whose purpose is to comprehend how ideologies and values affect texts and discourses as well as to comprehend how they help to reproduce ideologies and values in society. Accordingly, ideology is defined as a set of values and norms that are shared by a social group. The aim to implement the socio-cultural practices of that group and reach its objectives. For the purpose of this paper, we left apart ideology and concentrate on values, which are part of the cultural concept by definition. (e.g., Van Dijk, 2008).

Table 4. Most recurrent textual elements emerging from the open ended questions

Company	Quoted textual elements	Categorization
A	<i>It depends on the characteristic of the group, of the people in the organization. It depends on the country, political environment. It covers many areas: behaviour, customs, religion, food, all kind of things, arts, philosophy.</i>	National identity
	<i>How to manage employees</i> <i>How to communicate with employees from different countries</i> <i>How to select and hire people</i>	Human resources practices
B	<i>A way of thinking and how you see or looks at things or at situations and the way you resolve or take decisions</i>	Business behaviour/business practices
	<i>Language, translation</i>	National identity
	<i>Politics, business, social, relations, religion</i> <i>China's thought has been developing for more than four – plus thousand years</i>	National identity
C	<i>Culture is a heritage from the past for a community. It is transmitted from a generation to another and so on along time</i>	Shared beliefs
D	<i>Culture is a common way of thinking of a group of people it will be affected by the history they share in a remote or recent past. Big achievements and natural or manmade disasters will be part of it too. Besides, the education system and doctrines they have faced will shape their culture</i>	Shared beliefs
E	<i>Local habits and customs</i>	Shared beliefs
F	<i>The cultural aspect has several dimensions.</i>	Business behaviour
	<i>Different kind of cultures: product and production culture or quality, internationalization culture, strategic culture</i>	
	<i>Difficulties in the internationalization process, if not due to the size of the company, in terms of dimension and investment capabilities, are due to cultural issues, namely to the definition of culture (set of intellectual cognition skills acquired through studying and experience)</i> <i>Knowledge, openness, experience, previous success</i>	

Table 5. “Chinese-culture bound” and “localization” textual elements

Company	Quoted textual elements	Categorization
A	<i>Hiring local people</i> <i>Having local colleagues</i>	Human resources practices
B	<i>China’s culture is very far apart from our Greco-Judeo-Christian culture way of thinking – also language, which is not Indo-European language</i>	National identity, Shared beliefs /language
	<i>So in this culture the concepts are also different for instance, it’s not the same the concept “Politics ”-coming as you know from Greece, and “Politics” in Chinese language the semantics’ translation is completely different.</i>	National identity, Shared beliefs /language
E	<i>Culture is one of the key points of success</i>	National identity
	<i>In China culture is an extra dimension</i>	National identity
	<i>Chinese are proud people and they have respect for the culture and will always handle in this way especially in business with foreigners. This give them a comfortable feeling</i>	National identity
	<i>The numbers 8 and 9 means good luck and good life, next to the fact that they are used in feng shui, especially in the South of China. And also a small Buddha in the office can mean a lot, but we Westerners, we never think about it.</i>	National identity, business behaviour, shared beliefs
F	<i>Attention to diverse values, models of behaviour, awareness of the cultural gap and different business and management practices</i>	Business behaviour
	<i>Open issues regarding China:</i> <ol style="list-style-type: none"> <i>1. Protection of intellectual property</i> <i>2. Finding reliable business partners</i> <i>3. Cultural gap and different management style</i> <i>4. Capacity to receive and benefit from Technology Transfer</i> <i>5. Financing opportunities for innovative ventures</i> <i>6. RandD institutions not fully open or prepared to cooperate with firms</i> <i>7. Clear policy direction information in specific high-tech sectors</i> 	National identity
	<i>Italian companies in China have always focused on the culture and/or quality of the product and of production. They exploited the national brand image, marketing strategies and international as well as distribution channels.</i>	National identity

Table 6. Culture bound textual elements applied to IB

Company	Quoted textual elements	Categorization
A	<i>In doing business in different countries cultural differences play an important role, especially regarding how to manage employees, how to communicate.</i>	Human resources practices
F	<i>In international projects and relations we refer to culture as knowledge of (or attention to) cultural differences related to the target markets</i>	Cognitive knowledge
	<i>The controversial issues of knowledge, openness, attention to diverse values, models of behaviour emerge when approaching new international markets</i>	Cognitive knowledge/business practices
	<i>A recurring problem is referred to those companies which act on the basis of their previous successful experience and regardless the market they are going to approach. In other words they approach the foreign markets by applying almost indistinctively their standard model</i>	Business behaviour/business practices

CDA enabled us to analyse the sub-elements contained in the concept of culture according to our managers. First of all, they provided their general idea of culture, secondly they expressed the relevant issues regarding their perceptions of culture applied to China. Thirdly, they specifically applied their meaning and knowledge in business contexts. Results show three main areas, namely 1) a general understanding of culture, 2) the meaning of culture applied to the Chinese environment (host country-focused meaning), and 3) the meaning of culture referred to IB behaviour.

In tab. 4 “national identity” is the most recurrent category. In tab. 3 specific aspects regarding the Chinese market emerge, therefore proving a certain degree of attention to the characteristics of the host country in terms of “cognitive knowledge” and “shared beliefs/language”. Company B reports some detailed examples: *I have multiples examples, in politics, business, social relations, so not be surprise to hear these situations and all kind of things from the travellers and businessman/businesswomen or politicians where they spend hours and hours talking with the Chinese and when they go back home to Europe all the problems start coming out because each part understood differently.*

The emphasis on information about China shows the relevance of the local aspects, the attention and orientation to the host country, understanding and awareness of the crucial role played by culture in doing business in China (“business behaviour”, “national identity”,

“shared beliefs”). The list in tab. 5 (company F) illustrates the peculiar issues which usually come into play when dealing with the Chinese market (e.g., intellectual property) and shows the local-context oriented approach, for example, contextual intelligence, the opposite what is social psychologists call “ethnocentric view”²⁸ (Sumner, 1906). Another example is provided in tab. 4. On the one hand, knowing the foreign market in terms of experience plays an essential role (“business behaviour”). On the other hand, drawing attention to the characteristics of the managers’ home country emerged, especially regarding attitudes.

To be culturally successful in the target country integration of the two cultures is necessary as well as knowledge and awareness of the cultural differences (“cognitive knowledge”), not only at national level but also at regional and firm level (e.g., location or area of the company, management and business practices, composition of the company team and company culture). Moreover, decision making may rely on tailoring the firm’s model and practices to the host country context rather than relying 100% on previous achievements or prior experience (i.e., target oriented sensitiveness, cultural sensitivity) (Johnson et al., 2006; Earley, 2002; Khanna, 2014; Thompson, 2002).

We can recall the concepts developed by IB scholars over the years, such as “cultural competence”, “cultural knowledge”, “cultural sensitivity”, “cultural intelligence”, “contextual intelligence”. They are considered key ingredients to build bridges between home and host country (Thompson, 2002; Earley, 2002; Earley and Ang 2003; Earley and Mosakowski 2004; Johnson et al, 2006; Khanna, 2014). For example, cultural intelligence reflects individuals’ capability to adapt when interacting with other individuals from different cultural areas. It is about how to learn and implement cognitive skills that allow to function effectively in a new culture, the motivational boost to adapt to a different environment and the ability to engage in adaptive behaviours (Earley and Ang, 2003). Along with Gertsen’s “cultural competence” (1990) the literature offers other examples in terms of competences, such as “global” and “transnational” competence (Adler and Bartholomew, 1992; Adler, Graham et al., 1987).

²⁸ “A differentiation arises between ourselves, the we-group, or in-group, and everybody else, or the others-groups, out-groups. The insiders in a we-group are in a relation of peace, order, law government, and industry, to each other...Ethnocentrism is the technical name of this view of things in which one’s own group is the centre of everything, and all others are scaled and rated with references to it...Each group nourishes its own pride and vanity, boasts itself superior, exalts its own divinities, and looks with contempt on outsiders” (Sumner, 1906: 12-13).

The replies to the open ended question show how subjective and different are managers' understanding of the culture. They attribute to the cultural dimension a specific nuance and role. This determines their approach to their partners in the host country. They seem to attribute to culture a different role depending on which step of the internationalization process they face: the pre- or the post-market entry phase. Our respondents confirmed how much IB choices and processes are affected by culture and that their awareness and sensitiveness enable them to adopt a proactive attitude in overcoming culture related issues in IB contexts.

4.2.2 Part 2: data extracted from the questionnaire

From the questionnaire (see appendix n. 1) we extracted and focused on those questions regarding the cultural dimension (tab. 7):

Table 7. Relevant questions about our unit of analysis – the role of cultural perceptions

Questions	Reply items	Results
2.3.3 Reason for choosing a specific Province within China?	<ul style="list-style-type: none"> • Access to local market • presence of a local business partner • Availability/acquisition of key technologies and brands • Availability of skilled labour • Low labour cost • Tax regime/free tax zone/technology parks/special economic zone • Incentives and supportive policies • Logistical reasons • Cultural and language factors <p>(Grade from 1 to 5, where 1 means not relevant, 5 means very important)</p>	Results show that the culture and language are not considered important when choosing a certain location in China. (pre-entry period operations)
2.13 Did you encounter any of the following <i>non-regulatory</i> obstacles (operating, market and infrastructure difficulties) when investing in China?	<ul style="list-style-type: none"> • Cultural differences • Unfamiliarity of Chinese employees with Western style management • Hiring and maintaining local people • Managing local employees • Cost of personnel and other resources • Currency risk • Problems understanding the Chinese environment/market • General negative perception of European investment • Lack of suitable schooling facilities for children • Lack of expatriate community • Lack of awareness of the importance of environmental protection <p>(Grade from 1 to 5, where 1 means not relevant, 5 means very important)</p>	Cultural differences are key barriers to investments in China in terms of <i>non-regulatory</i> obstacles. Unfamiliarity of Chinese employees with western style management is the considered as the second most important <i>non-regulatory</i> obstacle.
2.19 How important is the knowledge of the Chinese culture when investing in	<p>1 2 3 4 5</p> <p>(Grade from 1 to 5, where 1 means not relevant, 5 means very</p>	Outcomes show the preponderance of the cultural dimension over language when

3. European FDI in China: The role of cultural perceptions

2.20	China? How important is the knowledge of the Chinese language when investing in China?	important)	investing in China (pre-entry period).
2.21	Do you have Chinese speaking employees in your Chinese firm?	Yes/no	2 companies only do not rely on Chinese speaking employees in their Chinese firms (local workforce) ²⁹
2.22	Please indicate the number of Chinese speaking employees in your Chinese firm.	(see tab. 2)	
3.1	Evaluate the following dimensions, in terms of the <i>degree of difference between home country and host country</i> .	<ul style="list-style-type: none"> • Geographical distance • Culture • Language • Level of education • level of technological development • Level of economic development • Logistics infrastructure • Political system 	Language - as a dimension of PD - appears to be the most important one in the management of investment in China (post-entry period). Culture is the second most important dimension. These results report the sum of the mean values of both questions n. 3.1 and 3.2 (tab. 3)
3.2	Evaluate the following features, in terms of to what extent each dimension <i>impacts on your business with the host country</i> .	<ul style="list-style-type: none"> • Legal system • Regulations • Accepted business practices • Business ethics <p>(Using a scale of 1 to 5, where: 1 = “no real difference” / “does not impact on my business at all” 5 = “very great difference” / “impacts on my business very much”)</p>	

As about location choices in the pre-market entry period, results show that European companies do not perceive culture as a major obstacle (question n. 2.3.3). In this context, access to local market, the presence of local business partners, logistical reasons and local connections are ranked among the most important drivers. However, culture is a key dimension for European investors in terms of *non-regulatory* obstacles, regardless of the time collocation - pre- or post-entry phase. Among the options for replying to question n. 2.13, “cultural differences” is followed by “unfamiliarity of Chinese employees with Western style management”. These features can be considered as perceptions of distance.

²⁹ Question 2.22 enables us to identify the size of our companies and the position and roles covered by the Chinese speaking employees in 20 out of 22 European companies investing in China we have been investigating. Despite the fact that this multiple case study include 6 companies, our sample is an attempt to include a variety of company types in terms of size, core business, Chinese and headquarter location.

The relevance of culture as a dimension is further confirmed in the answers to questions n. 3.1 and 3.2. These questions regards the psychic distance model elaborated by Child et al. (2009) (tab. 3). As first, our managers were asked to grade the difference that they perceive³⁰ between home and host country along each of the 12 dimensions (question n. 3.1). Secondly, they were asked to grade the impact that each dimension has on their business with the target country (question n. 3.2).

Questions n. 2.19 and n. 2.20 are about investments in China and the relevance of culture and language. Culture resulted to be the most important dimension in the pre-market entry period. Most managers rely on Chinese speaking employees in their business unit in China (question n. 2.21 and n. 2.22).

To summarise our main findings, first of all, language and culture are the most relevant dimensions within the psychic distance model (Child et al., 2009). Secondly, according to CDA and to the categorization of managers' replies, not only language is relevant within the cultural dimension, but also business practices. This is consistent with the PD dimensions ("accepted business practices"). Results show that managers define "culture" by distinguishing between two areas: general meaning and business-oriented meaning. The first one is related to shared values and principles, while the second one includes pragmatic elements, such as the use of language and business practices. Thirdly, replies show managers' "host bound" perception of identity, in other words, how they perceive China. In term of "host bound" identity, when chosing a locaiton in China, European managers seem not to consider the relevance of intra-China differences. Host bound identity perceptions may affect the business practices implemented by the company. Accordingly, those practices may be more "home country" oriented (e.g., ethnocentric view) or "host country" oriented (e.g., cultural competence or intelligence). Fourthly, from the open ended questions we can derive that cultural perceptions seem to be related to the phase of the internationalization process: pre- and post-market entry. Managers seem to realize about intra-China differences in the post-market entry.

³⁰ On a Likert scale based on 5 points.

4.2.3 Culture, language and identity

A first observation from our main findings and the literature suggests that the cultural dimension, including language, affect a third dimension, that is identity (Mantovani, 2004, Brannen and Thomas, 2010). Jiménez et al. (2004) confirm that at national level common culture, customs and traditions, common language, common ancestry and common history are related to the “cultural” conception of identity. In tab. n. 4, 5, and 6 we can see how our managers confirm the correlation between their perceptions of culture, language and identity. Next to language and history, the ethno-cultural components of national identification include common culture, customs and traditions. Child et al. (2002: 41) mention “home-bound identity” referred to those managers in the host country that are bounded to their home country identity. In the host country the presence of respective ethnic groups mitigates the alienation, hence the perception of distance.

As about “host bound” perceptions of identity, European managers do not seem to make any differences when choosing a location within China. They seem to become aware of intra-China differences and perceive them after the market entry (tab.7, question 3.1, 3.2). Language and culture are considered among the five most important items for national identification and identity perceptions (tab. 3, companies: B and F; tab. 4, company F - “cognitive knowledge”, “shared beliefs/language”) (Jiménez et al. 2004; Eurobarometer surveys, 2015). This leads to the following proposition regarding host bound perceptions of identity and the differentiation between the pre- and the post-market entry phase:

Proposition n. 1:

When choosing a specific location in the Chinese market, in the pre-entry phase, European investors do not consider the cultural perspective. In the pre-entry period European managers seem to have lower awareness of intra-China cultural differences than in the post-market entry period.

Before entering the market, European managers seem to relate the Chinese language and culture to a homogeneous perceptions of “host bound” identity, not considering regional differences within the country. After the market entry they realize the intra-China differences thanks to the relevance that they attribute to the business practices (tab. 4, 5, and 6):

Proposition n. 2:

Culture has a more relevant role in the post-market entry, due to the “on site” knowledge of and experience with the local business practices and the non-regulatory obstacles.

As about host country, the answers to question 2.3.3 and the feedbacks illustrated in tab. n. 2, 3, and 4 confirm that awareness of intra-China differences seem to be acquired in the post-market entry period. In the pre-market entry period managers seem to associate “one language” to “one culture”. Chinese language stems from the same root throughout the country, despite regional language differences. Cultural dynamics are strongly related to linguistic structures and the linguistic forms are inherited from one’s own culture, (e.g., tab. n. 4 and 5, “shared beliefs” and “shared language”) (Hurford, 1989). However, business practices is a relevant feature in the post-market entry since it raises awareness of the regional differences intra-China.

Cultural and language factors are second to such drivers as access to regional markets, presence of a local business partner, logistical reasons, local connections and availability of skilled labour (question n. 2.13). This may lead to the following consideration: before entering the Chinese market European investors have a general host bound perception of identity and seem to underestimate intra-China cultural differences. Whereas in the post-market entry period they interface locally and acquire a deeper intra-China awareness of differences and knowledge of different business practices. Tab. 3 (companies A and E) and tab. 4 (companies: A and F) confirm that after their experience in China they acquired a better command of “human resources practices” (tab. 2 and 3).

Before entering China, European managers do not seem to take into account the local perspective, they seem to look at China as a homogeneous entity with non relevant intra-country differences. However, China is as rich in regional cultural differences (e.g., Hyeon Jeong et al., 2010).

As regards regulatory and non-regulatory obstacles, according to our questionnaire, *regulatory obstacles* involve issues covering the legal system; labour and company law; tax regulations and accounting; intellectual propriety; licenses, administrative and regulatory

approvals at provincial and national level; etc. Whereas, *non-regulatory obstacles* refer to operations, such as hiring and maintaining local people; managing local employees; cost of personnel and other resources (table 2, 3 and 4 - “human resources practices”); currency risk; problems understanding the Chinese environment/market and general negative perception of European investment (table 2, 3 and 4 - “national identity” and “business behaviour”).

5. CONCLUSION

This paper aimed at analysing the role of culture in European FDI to China. By adopting an IB perspective we conclude that culture, including language, is the most important dimension within the concept of PD. Relevant outcomes show that when investing in China, European enterprises are more aware of cultural differences within China in the post-entry rather than in the pre-entry period. This suggests that we may refer to “cultural experience”, in terms of presence of the company over time in the foreign environment, rather than referring to *ex ante* cultural differences at national level.

Managers attribute to the cultural dimension a specific nuance and role. The internationalization phase seem to affect their cultural perceptions depending on the pre- and the post-market entry period. Furthermore, findings showed how subjective and different are managers’ understanding of the culture.

As about location choices in the pre-market entry period, results show that European companies do not perceive culture as a major obstacle.

Next to language and culture, which resulted to be the most relevant dimensions within the PD model, business practices and *non-regulatory obstacles* play a crucial role in raising managers’ awareness on intra-China differences in the post-market entry.

Furthermore, “culture” is defined by distinguishing between two areas: a general meaning and a business-oriented meaning. The first one is related to shared values and principles, while the second one includes pragmatic elements, such as the use of language and business practices. Culture, language, business practices seem to determine “host bound” perceptions of identity, in other words, how managers perceive China. When choosing a location in China, European managers seem not to consider the cultural dimension. They realize the relevance of intra-

China differences in the post-market entry, when experiencing the local business practices and other non-regulatory obstacles. Thus, cultural perceptions seem to be related to the phase of the internationalization process: pre- and post-market entry.

The analytical generalisation out of our multiple case study is limited to a specific industry and to specific home and target economic contexts. Therefore, testing the propositions of this study in a wider population of enterprises, industries and areas could be recommended for future research.

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4) THE ROLE OF PRE- AND POST-ENTRY PSYCHIC DISTANCE PERCEPTIONS – THE CASE OF CHINESE FDI TO GERMANY³¹

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ABSTRACT

Building on recent IB studies on determinants, motivation and location choices of foreign direct investments (FDI) from emerging market multinationals, the purpose of our paper is twofold. First, we investigate the relevance of managers' psychic distance (PD) perceptions between home and host country along 12 dimensions. PD perceptions include 1) perceptions of differences along the 12 dimensions between home and host country, and 2) the impact of these dimensions on the business with the host country. Second, we investigate to what extent managers' perceptions vary between the pre-market entry and the post-entry operation. We focus on Chinese green tech Foreign Direct Investments (FDI) to Germany.

We use a multiple-case study research design with a sample of six Chinese companies which entered Germany through FDI. We focused on the perception in the pre-market entry and the post-entry operation and on the changes of perceptions in time.

³¹ This paper is currently under review for a special issue on *Energy Policy*.

We found that managers perceive PD between home and host country and its impact on their businesses. Managers' perceptions of differences along the dimensions are on average higher than their perceptions of the impact on business. PD perceptions can vary over time, i.e. from the pre- and the post-market entry. Experienced managers (study, work, investment abroad) perceive lower differences than the inexperienced ones. Managers who have experience perceive a higher PD impact on their business than the inexperienced managers do.

The study helps to understand the role of changing perceptions of PD on FDI.

Keywords: Foreign Direct Investment (OFDI), Psychic Distance (PD), pre- and post-market entry, green tech industry, China, Germany, Case Study.

1. INTRODUCTION

Since the beginning of international business (IB) research psychic distance (PD) is mentioned as a major factor impacting outward foreign direct investments (OFDI), their determinants, and location choices (Beckerman, 1956; Linnemann, 1966, Gruber and Vernon, 1970; Johanson and Wiedersheim-Paul, 1975). Further, several recent IB studies prove the impact of PD on FDI (e.g., Child et al., 2002; Brewer, 2007; Child et al., 2009; Hashim, 2012; Puthussery et al., 2014; Hertenstein et al., 2015). In particular, Vaccarini et al. (2015) show that European managers' perceptions between their home and host countries change over time, i.e. between before and after entering a foreign market. Our paper will follow up on this observation and, in particular, will analyze if the perceptions of Chinese managers - pursuing FDI in the German green tech industry³² - will also change from pre-market entry to post-market entry.

In recent years, the combination of the increasing environmental awareness in China and the economic recession in Europe has created a climate, which is increasingly conducive to Chinese OFDI in the green tech industry (Lv and Spigarelli, 2016). China has been devoting increasing attention to environmental issues and pollution reduction. A wide and comprehensive “green policy” has been embedded in the recent Five Year Plans. Policy measures embrace a series of sectors (Langer and Watson, 2004; Aiwa and Yang, 2010; Huang and Chen, 2015) and include strict targets for emission reductions and increased use of renewable energies.

In particular, China is continuing to support the green tech industry by devoting gradual emphasis on environmental issues since the Sixth Five-Year Plan (Hu, 2014). In Europe, since the recession in 2008, critiques on public spending has forced many governments to reduce their public support in this sector. This impacts subsidized industries such as the renewable and green sector. This is why European firms are more and more open for joint ventures,

³² We emphasize the green tech industry as this paper is part of a larger EU project on renewable energy (RE) in China and Europe. The EU funded project is POREEN – *Partnering Opportunities between Europe and China in the Renewable Energies and Environmental iNdustry*. With its multidisciplinary approach, it gathers legal experts, engineers and economist. The aim is to investigate a number of aspects of Chinese and Europe integration in the environmental and green tech sectors. 1) “This project is funded by the European Union under the Marie Curie Action’s IRSES”. 2) “This publication does not necessarily reflect the opinion of the EU” [When relevant]. The research leading to these results has received funding from the People Program (Marie Curie Actions) of the European Union's Seventh Framework Program FP7/2007-2013/ under REA grant agreement n° 318908.

strategic alliances or merge with foreign firms, often with firms from emerging markets (Lv and Spigarelli, 2015). Recent studies on the integration of European and Chinese green tech markets (Curran, 2015; Lv and Spigarelli, 2015; 2016) report that Europe has become an important destination for sales from Chinese global green firms. Among them, Germany is one of the world largest investors in the RE sector and is a popular destination to Chinese OFDI (e.g., Schütte and Chen 2012, Lv and Spigarelli, 2016).

Our paper analyses which and how the dimensions of PD influence Chinese OFDI to Germany in the green tech sector. Building on Child et al.'s (2009) dimensions of PD, published in MIR in 2009, our study aims, firstly, at analyzing the importance of the 12 dimensions in the internationalization process of firms and secondly, at detecting to what extent managers' perceptions change before and after the foreign market entry. In doing so, we look at managers' perceptions of PD between home and host country in two points in time, i.e. before and after a foreign market entry.

This paper has several contributions. Firstly, by differentiating between PD perceptions in the pre-market entry and post-market entry stage (Child et al., 2002; 2009), we uncover a new perspective of the role of PD on FDI. Secondly, we provide a more in-depth analysis on Child et al.'s (2009) 12 PD dimensions and their impact on businesses. Thirdly, we conduct a sectorial analysis of Chinese FDI in Europe, consistently with Child et al. (2002) as well as Lv and Spigarelli (2016), who highlight the need for conducting analyses on an industry level.

This paper is structured as follows. We review the extant literature, we identify theories and present the six case studies to derive propositions, then discuss the main findings and draw up our conclusions.

2. THEORETICAL BACKGROUND

This paper is based on several areas of the literature, ranging from IB to psychology. IB scholars have conducted studies on the concept of PD, which implicitly captures this insight. It suggests that perceived differences between the home and host country's characteristics may generate uncertainties among managers and affect their decisions in the internationalization process (Child et al., 2009). Studies on perceptions are reflected in the operationalization of PD conducted by IB scholars (e.g., Stöttinger and Schlegelmilch, 1998) and are based on the principles of cognitive mapping and Gestalt psychology. Scholars in

psychology show that individuals tend to prefer familiar situations rather than unfamiliar ones (e.g., Powell and Ansic, 1997). In this paper, we incorporate the literature on “distance” and “perceptions” in IB in the context of Chinese OFDI to Germany.

2.1 The concept of distance

The concept of “distance” is a pivotal aspect in IB research. It has been argued that essentially “international management is management of distance” (Zaheer, Schomaker and Nachum, 2012: 19). The first form of “distance” that was analyzed was “geographic distance” and its impact on internationalization decisions (Linnemann 1966, Leamer, 1974). Later concepts introduced economic (Berry et al., 2010), institutional (Xu and Shenkar, 2002; Salomon and Wu, 2008), cultural (Brouthers, 2002), and other differences (Campbell, Eden & Miller, 2012) to the IB literature.

Initially, PD was defined as a series of factors preventing or disturbing the corporate learning process and the understanding of foreign environments (e.g., Nordström and Vahlne, 1994). PD was described as the sum of distance-creating factors, such as cultural, structural and language differences, minus the sum of distance-bridging factors, such as knowledge or trial and error processes.

Commonalities (signals of similarity) between countries are seen as distance-reducing factors as differences (signals of dissimilarity) are seen as distance-augmenting ones. There is recognized evidence that managers perceive and consider commonalities between their home country and a potential internationalization target country. The higher their preference for selecting this particular target for their firm’s first expansion abroad, the earlier they prefer to enter (Williams and Grégoire 2015).

The term “psychic distance” has been coined by Beckerman (1956) in his analysis of factors that explain trades and investments between countries. However, the concept has been a marginal one in IB till the late 1970s when the first empirical work on PD with reference to the internationalization process appeared (Johanson and Wiedersheim, 1975; Johanson and Vahlne, 1977). The concept’s history, from the factual perspective of Nordic studies till the cognitive (Evans et al., 2000) and perceptual (Stöttinger and Schlegelmilch, 2000) approaches has been well described by Child et al. (2009) and more recently by Williams and Grégoire (2015). Factual “cultural distance” (Kogut and Singh, 1988) has been widely used in research

as a proxy for PD. But more recent research show that PD is a better predictor for describing exporting and FDI activities than cultural distance (Dow, 2000; Shenkar, 2001).

In a JIBS article from 2015, Williams and Grégoire (2015) provide a valuable addition to this discussion. They differentiate between alignable (differences which might converge, such as language or shared values) and non-alignable differences (e.g., non-shared values or principles which cannot be bridged, such as guanxi). If managers perceive the difference as alignable they tend to prefer low-commitment entry modes, because they see no necessity for high control. If managers perceive the differences as non-alignable they prefer high-commitment modes of entry, such as FDI, to have more control over the situation. That implies that non-alignable perceived differences between Europe and China might induce Chinese managers to undertake FDI for entering a market (Williams and Grégoire, 2015).

Since cognition plays a significant role in terms of managers' perceptions and understanding, the cognitive dimension is a core element of the PD concept (Evans et al., 2000; Powell and Ansics, 1997). Managers are the in the focus of our study as they are the ones who make the decisions in a company. Hence, they constitute our unit of investigation. The in-depth study of managers' perceptions derive from their crucial role as decision-makers, whose perceptions and skills in facing PD determine the success, the performances, or the failure of the firm's internationalization process (Harzing, 2002, Brewer; 2007; Child et al., 2009; Hashim, 2012). Child et al. (2002; 2009) define PD as the existing perceived distance between home and host country in terms of the following characteristics: factual (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977), cognitive (Evans et al., 2000), and perceptual (Stöttinger and Schlegelmilch, 2000).

Our analysis follows the approach of Child et al. (2009) by adopting the following 12 sub-dimensions of perceived PD:

Table 1. Child et al.'s dimensions of PD (Child et al., 2009)

Geographical Distance	Culture	Language
Level of Education	Technological development	Economic development
Logistical Infrastructure	Political System	Legal System
Regulations	Accepted Business Practices	Business Ethics

2.2 Chinese firms investing abroad: home and host country factors

Chinese firms' international expansion has been examined from different viewpoints. Among them, particularly the analyses which base on home vs. host country specific factors are helpful for our study. In fact, when looking simultaneously at home and host country factors, a certain idea of distance emerges. Rugman and Chang (2008) argue that emerging market multinational enterprises (MNEs) expand abroad largely on the strength of home country factors, such as access to resources and cheap labor.

In later research, home country's "pull" and "push" factors are introduced into the discussion by further authors (Luo and Wang, 2012; Wei and Alon, 2010). In the case of China, international expansion is pushed by preferential policies and financial support provided by the Chinese government (Peng et al., 2008). Among push factors, some authors stress the necessity by Chinese companies to overcome domestic institutional voids (Luo and Tung, 2007; Puri, et al., 2015). Pull factors (i.e., host country specific advantages) include the level of economic development (Buckley et al., 2007; Cheng and Ma, 2008; Kolstad and Wiig, 2012; Stoian, 2013), market size, and specific endowments such as strategic assets, natural resources, or cheap labor (Buckley et al., 2007; Cheung and Qian, 2009; Kolstad and Wiig, 2012). Among host country factors, a specific attention has been drawn on institutions. Host institutional country specific advantages (CSAs) include elements such as policy liberalization, openness to inward FDI, a more entrepreneurial market based business culture (Buckley et al., 2007; Lau, 2003; Lecraw, 1977; Wells, 1983; Zhou, 2006) and, eventually, the population of the overseas Chinese diaspora (Buckley et al., 2007; Cheung and Qian, 2009; Quer et al., 2012).

Lv and Spigarelli (2015, 2016) argue that a comprehensive view of country factors should include measures of distance, culture, language and other non-economic factors such as business practices. They argue that low distance and differences could be considered a push factor for FDI. But in case of large differences, culture and language could also become a country specific disadvantage.

In our paper, we contextualize the concept of PD by applying it to green tech Chinese OFDI to Germany. As Child et al. (2002, 2009) mention, analyses of PD in the context of IB need to include a dynamic component. Consistently, Vaccarini et al. (2015) show that perceptions

change over time by detecting two different stages of perceptions in the pre-market entry and in the post-market entry stage.

Given the described context, the purpose of our paper is to reply to the following core research questions:

- 1) What is the importance of PD for Chinese managers in the context of OFDI to Germany in the green tech industry? and
- 2) To what extent do PD perceptions of Chinese managers change from pre- to post-market entry?

Several issues, related to those questions, are addressed. Firstly, we consider the extent to which managers are aware of PD. Secondly, we study whether they distinguish between the different dimensions of the construct. Thirdly, we focus on the relevance that managers attribute to different components of PD in terms of their possible impact on conducting business abroad.

Addressing these questions we contribute to a better understanding of how (Chinese) managers interpret and become aware of the PD constituent dimensions. They may apply their interpretation to the management of the internationalization process of their firm in two stages, before and after entering the market. In this context, the relevance of the cognitive aspect of PD emerges. Understanding how managers conduct their business at an international level means to focus on the way they perceive the situation in which they work (Child et al., 2009).

In the next section we illustrate the methodology of our multiple case study.

3. METHODS

In our research, we adopted a multiple case study design, based on Eisenhardt (1989; 2009) and Yin's (2003) methodology. In our research, a case study design is the most appropriate methodology because of the explorative nature of our research questions. It enabled us to generate propositions after conducting accurate within and cross-case analyses.

According to the German Federal Foreign Office, there are currently about 900 Chinese companies operating in Germany (Federal Foreign Office, 2015). Lv and Spigarelli (2015) mapped 135 Chinese firms in RE sectors in Europe, by using a dataset from 2004 and 2013, 40% of which are located in Germany. We use a convenience sample of this population consisting of six companies headquartered in China. These Chinese companies have recently (within the past 10 years) entered the German green tech market through FDI. The Chinese Chamber of Commerce in Berlin, a private consultancy company³³ and the exhibitors' database of the international fair on RE held in Munich³⁴ helped us to identify these six companies.

We followed the triangulation approach (Yin, 2003) by collecting data from interviews and various other resources, such as companies' internet websites and annual reports, other public available information from newspapers, and other publications such as existing case studies (e.g., Schütte and Chen, 2012).

Our data collection took place in Spring/Summer 2015 in Germany, based on a questionnaire³⁵ based on five sections (tab. 2):

Table 2. Sections and content of the questionnaire

Section 1	General information about respondents
Section 2	Information about the Chinese headquarter, the investment in Germany and the entry mode choice
Section 3	Managers' PD perceptions before entering a market (Child et al.'s 2009 12-item list)
Section 4	Managers' PD perceptions after entering a market (the 12-item list repeats)
Section 5	Open-ended question regarding the managers' understanding of "culture"

By replying to our research questions, we first articulated the relevance of every PD constituent dimension, building on Child et al. (2009) 12-item model. Secondly, we discovered if managers' PD perceptions differ between the pre- and post-market entry stage. The questionnaire is composed of Likert-based questions and open ended questions, in order to have a comprehensive overview of the information provided by the respondents.

³³The company covers the following areas: Germany, mainland China, Hong Kong and Singapore (<http://www.melchersraffel.com/de/>).

³⁴Intersolar Europe international fair, Munich, June 2015.

³⁵Questionnaire available here:

<https://docs.google.com/forms/d/1LCXei5edMbskRrlylFslGyi7M9PrGPnfHptlVgUkdZg/viewform?c=0&w=1>.

Managers were submitted one questionnaire in which they were asked to go back in time and recollect their perceptions of differences and impact in two points of time: the pre-market entry period (Section 3, tab. 2) and the post- entry period (Section 4, tab. 2). Our questionnaire was answered by e-mail (1 company out of 6), direct contact via phone calls (4 companies), and by meeting the respondent face-to-face (1 company). The answers were written down on the printed hard-copy questionnaires by the interviewer. Subsequently, they were scanned and sent to the respective respondents via e-mail to double check the accuracy of their replies.

In the questionnaire we mainly used 5-point Likert scales in order to ascribe quantitative values to our qualitative data regarding perceptions of differences and impact. By “differences” we refer to managers’ PD perceptions and awareness between home and host country, along the 12 PD dimensions. While “impact” is referred to what extent each PD dimension affects the business in the host country.

For the purpose of our paper, we focus primarily on the first four sections of the questionnaire (tab. 2). Section 5, containing the open ended questions, is of secondary importance for this paper. For analyzing the data of this fifth section, we borrowed the critical discourse analysis from the discipline area of sociolinguistics (CDA, Fairclough, 1993; Van Dijk, 2000) and applied it to the answers of the fifth section of the questionnaire. The purpose of the CDA is to go through the written answers on the questions and identify the most recurrent information, topics and textual expressions (Ahonen, Tienari and Vaara, 2011). In our case, we aim at identifying which PD dimensions were most relevant for our respondents.

We then proceeded with a “static” and a “dynamic” analysis of results. The static analysis shows the relevance of the PD dimensions both in terms of perceived differences and impact, while the dynamic analysis enables us to detect to what extent perceptions of differences and impact change over time. In other words, we analyzed the “dynamics” of managers’ perceptions. The next section shows the main findings.

4. RESULTS

The Chinese companies in our sample entered Germany between 2008 and 2014 (tab. 3). Our respondents are all Chinese and come from different regional areas in China and cover the following positions: manager’s assistant, general manager, director of global sales, marketing

manager, general manager and chief liaison officer. Three out of six have neither previous work nor investment experience or have studied abroad (cf. tab. 7).

Table 3. Company profiles

Investment in Germany	Sunda Renewable Energy GmbH	Risen Energy GmbH	SF Suntech Deutschland GmbH	Putzmeister Holding GmbH	Sumec Europe GmbH	CEM Instruments (Germany) GmbH
German location	Hamburg	Nürnberg	Frankfurt am Main	Aichtal	Willich	Bremen
Chinese headquarter	China National Huachen Energy Holdings Group Co., Ltd.	Risen Energy Co., Ltd.	Wuxi Suntech Power Co., Ltd.	Sany Heavy Industry Co., Ltd.	Phono Solar Technology Co., Ltd.	CEM Instruments Headquarter Shenzhen Everbest Machinery Industry Co., Ltd.
Chinese location	Beijing	Ningbo	Wuxi	Changsha	Nanjing	Shenzhen
Year of establishment in Germany	2012	2011	2008	2012	2005	2014
Respondents' position and nationality	General Manager, Chinese	Management Assistant and Admin, Chinese	Director of Global Sales, Chinese	Chief Liaison Officer, Chinese	Marketing Manager, Chinese	General Manager, Chinese
FDI entry mode	Wholly owned subsidiary	Wholly owned subsidiary	Wholly owned subsidiary	Acquisition	Wholly owned subsidiary	Wholly owned subsidiary
Turnover in China (USD)	3,000,000	50,000,000	22,000,000	280,000,000	28,000,000	55,000
Core business	RE. Service and distribution.	RE. Service and distribution.	RE. Service and distribution.	Construction machinery and distribution. Waste management. Efficient processing, optimized design, sustainable materials, and monitoring systems. Manufacturing R&D, Service.	RE, Electric power infrastructure. R&D and Marketing services.	RE, Electric power infrastructure, Green building, Efficient processing, optimized design, sustainable materials, monitoring systems, Marketing services.

4.1 Within-Case analysis

This section provides the description of the six companies (tab. 3) followed by an in-depth analysis.

Sunda Renewable Energy GmbH: The headquarter of the company, under the name of China National Huachen Energy Holdings Group Co. Ltd., is located in Beijing and established its wholly owned subsidiary in Hamburg in 2012. It is a service and distribution company in RE, specifically solar photovoltaic and solar thermal energy. The main reasons for choosing Germany are the following: access to local market, availability and acquisition of key technologies and brands, finally, incentives and supportive policies. Existing contacts and political factors were the main motives of the firm entry mode choice. The manager neither had any previous work experience in Germany nor had he studied or invested abroad.

Risen Energy GmbH: Risen Energy Co., Ltd., headquartered in Ningbo, settled its wholly owned subsidiary in Nuremberg in 2011. Risen Energy GmbH operates in the RE business, service and distribution of solar technology. Political and economic factors were the main entry mode determinants, while access to local market and incentives and supportive policies were the most relevant motives for choosing Germany. The interviewed manager in charge had not previously worked in Germany or studied abroad. This is his first experience with investments abroad.

SF Suntech Deutschland GmbH: Wuxi Suntech Power Co., Ltd. is headquartered in Wuxi and entered the German market in 2008 by establishing its wholly owned subsidiary in Frankfurt/Main. RE - photovoltaic panels - service and distribution are the key areas of the company. Germany was mainly chosen for the following motives: access to local market, presence of a local business partner. The manager in charge had neither worked in Germany previously nor studied abroad. However, he is already experienced with foreign investments.

Putzmeister Holding GmbH: The Chinese headquarter is located in Changsha under the name of Sany Heavy Industry Co., Ltd. and settled down in Aichtal in 2012 through a 100% acquisition. Previous experiences in Germany, key technologies, and relevant brands were the main drivers for the FDI. It is a company dealing with manufacturing, development and services in the construction/machinery industry. Production and distribution of machinery is the core business along with waste management and efficient processing. The manager has not previously worked in Germany and this is his first experience with foreign investments. He studied in the U.S.

Sumec Europe GmbH: Phono Solar Technology Co., Ltd. is based in Nanjing and established its wholly owned subsidiary in Willich in 2005 attracted by legal factors and an easy access to the local market, presence of local business partners and existing connections. The core business of the company in Germany is RE - solar products and solutions, research and development and marketing services. The manager neither has previous work experiences in Germany nor has studied abroad. This is also his first foreign investment.

CEM Instruments (Germany) GmbH: CEM Instrument Headquarter Shenzhen Everbest Machinery Industry Co., Ltd. is located in Shenzhen and invested in Germany, Bremen, because of existing local business partners, key technologies, relevant brands, and for logistical reasons. The parent company is a manufacturer of measuring instruments and technologies. Economic reasons were the most important motives for choosing a wholly owned subsidiary entry mode. The manager has worked and studied in Germany before the company's investment. However, he does not have any previous experience with investments abroad.

We conducted (1) a static analysis, by focusing on two points in time, the pre- and post-market entry, and (2) a dynamic analysis in order to reveal the changes of perceptions before and after entering a market. The results of both analyses are shown in the following tables (tab 4 and 5).

We came up with the following rubric to interpret the data:

- 1) In the static analysis, the dimension is considered “*relevant*” if the corresponding value equals or overcomes 3.33 points, since this value is slightly more than the half of the Likert scale.
- 2) In the dynamic analysis, a change equal to or higher than 0.33 points is considered as *relevant*. In this case, we chose a value representing 10% of our cut-off point from criterion 1) (3.33 points).

We are aware of the arbitrary choices, however establishing a criterion is crucial to proceed with a clear interpretation of the data.

The following table provides a summary of the answers on the research questions for each firm. The numbers in bold correspond to the most “*relevant*” values following the above mentioned rubric.

Table 4. Companies’ PD perceptions

Companies	Difference			Impact		
	Static analysis		Dynamic analysis	Static analysis		Dynamic analysis
	Pre-entry	Post-entry	Changes (%)	Pre-entry	Post-entry	Changes (%)
Sunda Renewable Energy GmbH	4	4.08	+ 0.08 (+2%)	4	4.08	+ 0.08 (+2%)
Risen Energy GmbH	3.08	2.5	– 0.58 (–18.83%)	4.16	3.83	– 0.33 (–7.93%)
SF Suntech Deutschland GmbH	3.33	2.41	– 0.92 (–27.63%)	2.91	2	– 0.91 (–31.27%)
Putzmeister Holding GmbH	2.58	2.5	– 0.08 (–3.1%)	2.75	2.58	+ 0.17 (+6.18%)
Sumec Europe GmbH	4.25	4.08	– 0.17 (–4%)	4.25	4.25	0
CEM Instruments (Germany) GmbH	3.83	3.83	0	3.41	3.41	0

4.2 Cross-Case analysis

The results of the static and the dynamic results of PD perceptions are shown in tab. 5. (Differences between home and host country and impact on the business in the host country along each dimension):

Table 5. PD perceptions (pre- and post-entry static and dynamic analyses; variation between pre- and post-entry) – values are average scores on a 5-point Likert scale

PD dimensions	Difference			Impact		
	Static analysis		Dynamic analysis	Static analysis		Dynamic analysis
	Pre-entry	Post-entry	Variation (%)	Pre-entry	Post-entry	Variation (%)
Geographical distance	3.33	4.16	+ 0.83 (+24.92%)	3	3.16	+ 0.16 (+5.33%)
Culture	3.83	4.16	+ 0.33 (+8.62%)	3.83	3.83	0
Language	4	4	0	3.33	3.66	+ 0.33 (+9.91%)
Level of education	2.83	2.83	0	2.5	2.5	0
Level of technological development	3.33	3.16	– 0.17 (–5.11%)	3.33	3	– 0.33 (– 9.91%)
Level of economic development	3.33	2.66	– 0.67 (–20.12%)	3.16	3	– 0.16 (–5.06%)
Logistical infrastructure	2.66	3.16	+ 0.5 (+18.80%)	2.66	3.5	+ 0.84 (+31.58%)
Political system	3.83	4.16	+ 0.33 (+8.62%)	3.66	3.83	+ 0.17 (+4.64%)
Legal system	3.83	4	+ 0.17 (+4.44%)	3.83	3.66	– 0.17 (–4.44%)
Regulations	4.16	4.16	0	3	3.83	+ 0.83 (+27.67%)
Accepted business practices	3.5	3.33	– 0.17 (–4.86%)	3	3.33	+ 0.33 (+11%)
Business ethics	3.5	3.16	– 0.34 (–9.71%)	3.5	3	– 0.5 (–14.29%)
TOTAL AVERAGE	3.51	3.57		3.23	3.25	

The data in table 5 show that Chinese managers mostly perceive differences in “regulations” (4.16) and “language” (4) *before* entering Germany, followed by the differences in “culture. and in the “political system” and “legal system” (3.83). Managers are also aware of their perceptions of differences for “accepted business practices” and “business ethics” (both 3.5). Our results confirm Child et al.’s (2009) findings. However, their study does not differentiate between pre- and post-entry perceptions. Geographical distance. “culture. “political system” and “regulations” are perceived as different in the post-entry phase, followed by “language. “legal system” and “accepted business practices”.

With respect to the *impact on the business* in Germany, the dimensions “culture. “legal system” (both 3.83), “political system”(3.66) and “business ethics” (3.5) are among the most significant PD dimensions for our respondents before entering the market. Managers may become more aware of the actual importance for business of these dimensions in the *post-market entry after* having their first experiences in the new environment. Publicly available information help managers to assess the differences between countries on dimensions such as culture, language, legal and political systems without having concrete experiences (Child et al., 2009). But information about single business regulations and practices may be hard to gather before engaging with the host country.

The results from the dynamic analysis in table 5 show to which extent the perceptions of the PD dimensions change before and after entering the market. The perceived distance of “geographical distance” raises by about 25% after the market entry, indicating that managers realize the difference between the home and host country only after starting the business in Germany. The perception of the differences along the “level of economic development” resulted to be one of the least relevant dimensions with a decrease of 0.67 points (about -20 %) after the market entry. The “level of “technological development” is also one of the least relevant dimensions.

Once in Germany, “culture” and “political system” are perceived as more relevant dimensions for doing businesses than previously expected. This means that some dimensions are overestimated in their impact on business before entering the market and some others dimensions are underestimated. PD and its impact on business do not change over time along specific dimensions such as “language. “level of education” and “regulations”.

Perceived PD in “logistical infrastructure” and its impact may be underestimated before entering the market compared to the period after the post-market entry. In this case, PD perceptions increase by 0.84 points (around 30 %). Hence, Chinese managers realize only after entering Germany how crucial this PD dimension is for their business. Conversely, perceived PD along “business ethics” and its corresponding perceived impact decrease after entering the German market. The perceived impact of “business ethics” decreases by about 15 % after the market entry. PD perceptions of “level of education” and its perceived impact do not vary over time. Similarly, “culture” does not change between pre- and post-entry in terms

of perceived impact. Some dimensions do not undergo any changes and managers seem to be aware of their perceptions along certain dimensions such as “level of education. “regulations” and “culture” (tab. 5).

According to these results managers reported higher PD perceptions in terms of differences between home and host country rather than impact on businesses.

The “dynamic” analysis shows that, before entering the market, Chinese managers perceive larger differences over certain dimensions and lower differences over others. Only after entering the market they realize that they may have overestimated or underestimated their PD perceptions. They realize their relevance on their business only in the post-market entry. On 5-point Likert scales, the Chinese managers rated the differences of 6 out of 12 dimensions as relevant (above the midpoint value 3). They further perceive that these dimensions have an impact on business (tab.6).

According to our interpretation criteria (see section 4.1) we identified a list of six most significant PD dimensions (decreasing order):

“culture” (3.91), “political system” (3.86), “legal system” (3.82), “regulations” (3.78), “language” (3.74), “geographical distance” (3.41).

Table 6. Most relevant PD dimensions in terms of perceived differences by Chinese managers between China and Germany and the perceived impact on the businesses (average values along 12 dimensions, “static” analysis) – values are average scores on a 5-point Likert scale

PD dimensions	Difference			Impact			Total
	Pre-entry	Post-entry	Average	Pre-entry	Post-entry	Average	Average (differences & impact)
Geographical distance	3,33	4,16	3,74	3	3,16	3,08	3,41
Culture	3,83	4,16	3,99	3,83	3,83	3,83	3,91
Language	4	4	4	3,33	3,66	3,49	3,74
Level of education	2,83	2,83	2,83	2,5	2,5	2,5	2,66
Level of technological development	3,33	3,16	3,24	3,33	3	3,16	3,20
Level of economic development	3,33	2,66	2,99	3,16	3	3,08	3,03
Logistical infrastructure	2,66	3,16	2,91	2,66	3,5	3,08	2,99
Political system	3,83	4,16	3,99	3,66	3,83	3,74	3,86
Legal system	3,83	4	3,91	3,83	3,66	3,74	3,82
Regulations	4,16	4,16	4,16	3	3,83	3,41	3,78
Accepted business practices	3,5	3,33	3,41	3	3,33	3,16	3,28
Business ethics	3,5	3,16	3,33	3,5	3	3,25	3,29
TOTAL AVERAGE			3,54			3,29	3,41

Tab. 7 shows that three out of six Chinese managers neither had previous work and study experiences in Germany nor had experiences with FDI before their investment in Germany.

Table 7. Chinese managers' experiences – values are average scores on a 5-point Likert scale

Manager/company	Experience	Average PD perceptions of differences		Total average PD perceptions of differences	Average PD perceptions of impact		Total average PD perceptions of impact	Total of the average values
		Pre-entry	Post-entry		Pre-entry	Post-entry		
SF Suntech Deutschland GmbH	Yes (investments in countries other than Germany)	3.33	2.41	2.87	2.91	2	2.45	2.66
Putzmeister Holding GmbH	Yes (study abroad in a country other than Germany)	2.58	2.5	2.54	2.75	2.58	2.66	2.6
CEM Instruments (Germany) GmbH	Yes (work and study in Germany)	3.83	3.83	3.83	3.41	3.41	3.41	3.62
TOTAL AVERAGE				3.08			2.84	2,96

Sunda renewable energy GmbH	No experience	4	4	4	4.08	4.08	4.08	4.04
Risen Energy GmbH	No experience	3.08	2.5	2.79	4.16	3.83	3.99	3.39
Sumec Europe GmbH	No experience	4.25	4.08	4.16	4.25	4.25	4.25	4.20
TOTAL AVERAGE				3.65			4.10	3,87

Referring to the main findings of this paper, we drew up the following propositions:

Proposition 1:

Managers perceive (and are aware of) PD between home and host countries on various dimensions.

Proposition 2:

- a) *Before entering the market managers think that only some of the analyzed dimensions (e.g., “level of economic development” and “level of technological development”) have an impact on business and some other do not (e.g., “geographical distance” and*

“logistical infrastructure”). As each of these PD dimensions has a certain impact on the business within the host country, managers misperceive the relevance of the impact of PD on their businesses (on the basis of the comparison of the average values).

- b) After entering the market managers realize that “geographical distance” and “logistical infrastructure” - even if they are not the most relevant dimensions - have a higher impact than previously thought. Conversely, their perceived impact of “level of economic development, “level of technological development, and “business ethics” decrease from the pre- to the post-market entry. Hence, they adjust their perceptions.*

Proposition 3:

- a) Pre- and post-market entry managers’ PD perceptions between home and host country are moderated by work, study and investment “experiences” in the host country or abroad.*
- b) Managers (companies) with no experiences perceive impact and differences as relatively high and managers with experiences perceive impact on business and differences as relatively low.*

4.3 Summary of results

To summarize our main findings, we computed the average values of Chinese managers’ PD perceptions of differences between China and Germany and the perceived impact on the foreign business along the 12 PD dimensions. According to our results, only 6 out of these 12 dimensions are mentioned as relevant by Chinese managers.

Furthermore, we could detect those dimensions which change over time, between the pre- and the post-market entry. Chinese managers seem to overestimate or underestimate the importance of several dimensions before entering the market. However, they adjust their perceptions after gathering experiences after entering the market.

Along each dimension we calculated firstly the average values between the perceived differences between home and host country in the pre- and post-market entry phases. Secondly, we calculated the perceived impact that each dimension has on the business in the pre- and post-market entry (tab.6). The data show that the average values of PD between China and Germany are slightly higher (3.54) than the average values of the impact on the business with Germany (3.29).

We also detected if managers' experiences in foreign countries (study, work and or investment in the host country or abroad) affected their PD perceptions. Tab. 7 depicts the values for each manager representing a company. The figures show that three out of six managers have had experiences abroad before the FDI. The figures also show that experienced managers perceive lower PD (2.96) than those without experiences (3.87). Inexperienced managers perceive a higher impact along the PD dimensions on business (4.10) than experienced managers (2.84). Experienced managers do not perceive high differences on the 12 PD dimensions (3.08). For them PD seems not have a big impact for conducting business (2.84).

5. DISCUSSION

Chinese managers are expected to perceive quite a high PD toward Germany, since the two countries are obviously different along the 12 analyzed PD dimensions elaborated by Child et al. (2009). Building on these studies (Child et al., 2002 and 2009) we analyzed the relevance of each PD dimension in the context of Chinese green tech OFDI to Germany.

Furthermore, following up Vaccarini et al.'s (2015) findings, we consider that perceptions of PD might change between the pre- and post-market entry.

In order to detect these changes, we added on Child et al.'s (2002; 2009) contribution by differentiating between pre- and post-market entry perceptions.

We conducted a "static" and a "dynamic" analysis of PD dimensions, referring to these two particular points of time, pre-entry and post-entry.

Consistent with Child et al. (2002; 2009), "culture. "language. "political system. "legal system. and "regulations" tend to be perceived significantly distant by Chinese managers.

Child et al.'s (2002) study on the internationalization of Hong Kong firms indicated that “culture” was the most important element in creating distance and potential difficulty.

In Child et al.'s subsequent study (2009), the cultural dimension was followed by the “level of economic development, the “level of education” and the “level of technological development”. Our study only partially confirms Child et al.'s (2002) observations. Culture” is also the most relevant PD dimension in our analysis, but followed by the dimensions “political system, “legal system, “regulations. “language” and “geographical distance”. Next to “culture, we identified other five dimensions as the most relevant ones in Child et. al.'s (2009) PD-item list. Chinese managers perceive that the main gaps between China and Germany are related to the cultural dimension, the “differences in the political systems, and the “legal systems and the regulations”. They also perceive that these dimensions affect their operational activities and their businesses with Germany.

Our results show that some PD dimensions that were scored quite high by Chinese managers were not perceived to have a correspondent high impact (tab. 6). This is consistent with Child et al.'s (2009) study. For example, according to their findings PD perceptions of “culture” did not correspond to the perceived impact that cultural has on the business. Table 6 shows the significance of PD in terms of perceived differences between home and host country (3.54) rather than perceived impact on the business (3.29). The results also confirm the relevance of the PD dimensions proposed by Child et al. (2009) since both average values of differences and impact overcome the pre-defined threshold of 3.33 points (on the 5-point Likert scale).

The proposed operationalization of PD can be considered a valuable framework to conduct analyses in IB regarding PD, both in terms of perceive differences between home and host country and perceived impact on the business with the host country. The overall results confirm our first proposition regarding the relevance of PD.

In Child et al.'s (2009) study conducted on British companies exporting to Brazil it is argued that information about regulations and business practices may not be obtained in advance, before gathering experiences in the host country. Our results show that Chinese managers' PD perceptions regarding “regulations” do not change after the actual experience in Germany (pre- and post-entry perceptions: 4.16, tab. 5). They seem to have the same concerns about

regulations both before they gain knowledge in the market and also after they gather actual experience in the post- entry phase. However, “regulations” are considered to affect the business with Germany. Perceptions of impact along regulations increase by 27.67% from before to the post-entry phase (tab. 5, dynamic analysis).

“Accepted business practices” (tab. 5) was not perceived as a significant dimension before entering the market. But Chinese managers realized that they underestimated the difference and its impact on businesses only after they entered the market.

The relevance of this dimension is confirmed by the open-ended question, in which managers report their experience regarding interpersonal relationships and business practices. Some examples of managers’ perceptions of “accepted business practices” are reported in tab. 8. Next to this dimension, managers confirm the relevance of “language”.

Table 8. Comments on the perceptions of “accepted business practices” by Chinese managers

Sunda Renewable Energy GmbH	<i>“Not only language, but most important is how to do things, with which systems and under which values.”</i>
Putzmeister Holding GmbH	<i>“Compared to the Chinese way, Germans are more careful, there is more thinking and planning before doing things.”</i>
Sumec Europe GmbH	<i>“Eastern companies are more people oriented, while Western companies are more mission oriented, their aim is the vision and idea of the company and think about choosing the right people to accomplish the mission.”</i>
CEM Instruments (Germany) GmbH	<i>“In China, companies organize dinner after the meetings, as a custom, because they want to improve relationships from the table. And they don't speak about business during these dinner meetings. In Germany, when it is about having dinner after a meeting, they just talk about business.”</i>

With respect to variations of perceptions over time, the figures in tab. 5 show the most significant changes. Before entering the market PD perceptions of “geographical distance, “culture, “logistical infrastructure” and “political system” seemed to be underestimated if comparing them with values after the market entry. Geographical distance” and “logistical infrastructure” increase by about 25 % and 20 %, respectively. On the contrary, “level of economic development” and “business ethics” decrease by about 20% and 10% from the pre- to the post-entry, respectively. Logistical infrastructure” was perceived to affect the business in the host country only after managers made their experiences in the market (increase by

about 30 %). The main findings illustrated above and reported in tab. 5 are consistent with our second propositions.

Child et al. (2002) argue that previous experience in a given international location is a strategic bridging factor. Conversely, Williams and Grégoire (2015) focus on the pre-entry market information in terms of “prior knowledge” and its moderating role regarding perceptions and considerations of differences. In our paper, we follow Child et al.’s (2002) considerations regarding managers’ previous experience and its moderating role on PD perceptions.

According to our findings (tab. 7), managers who neither have previous work and study experience nor dealt with prior investments abroad have higher PD perceptions (3.87) than the experienced ones (2.96). The moderating role of “previous experiences” stated in our third propositions applies to PD perceptions in relation to specific dimensions, such as “geographical distance” and “economic development”. No changes between pre- and post-entry were found for “language”, “level of education” and “regulations”. The overall results are consistent with our third proposition. Accordingly, The less these experiences, the higher the PD perceptions of differences along the analyzed dimensions and the higher the perceived impact on business in general.

6. CONCLUSION

Building on recent IB studies, the purpose of our paper was to examine the relevance of PD perceptions along Child et al.’s 12 dimensions and PD variation over time, from before the market-entry to the post-entry operation. We analyzed managers’ PD in terms in two ways. On the one hand, we detected the perceived differences between China and Germany and on the other hand, we revealed the perceived impact on the business with Germany along these dimensions. We have contextualized the concept of PD by conducting static and dynamic analyses on Chinese OFDI to Germany. More specifically, we focused on the green tech sector. In this way, we contributed to the IB literature by conducting in-depth analyses at industry level (Lv and Spigarelli, 2015; 2016).

By conducting these analyses we affirm the relevance of the 12 PD dimensions elaborated by IB scholars (Child et al., 2009) and revealed that six of them are significant (“culture, “political system, “legal system, “regulations, “language” and “geographical distance”).

We differentiated between pre- and post-market entry perceptions building on Vaccarini et al.'s (2015) work. Our findings show the extent to which PD dimensions vary over time between the pre- and the post-market entry operation.

We identified the high relevance of PD perceptions - especially its impact - on the business for inexperienced managers and detected the moderating role of prior managers' “experiences”. The less their experience, the higher the perceptions of differences and the higher the perceived impact on business along the PD dimensions.

Chinese managers seem to overestimate or underestimate the importance of certain dimensions before entering Germany. However, these perceptions will be adjusted after acquiring experiences in the host country.

Next to prior knowledge and information about the host country (Child et al., 2009, Williams and Grégoire, 2015), our results confirm the relevance of managers' prior experience in the host country before the market entry. Before approaching the market not only knowledge but also experience can help managers to raise their PD awareness. Actual experience, even short term, may help to gain knowledge in a first stage before entering the market. In addition, experience may help managers in a second stage in the post-entry to adjust those perceptions which did not match with the pre-entry perceptions. Hence, in order to help managers to be ready to embark in internationalization initiatives, specifically from emerging to industrialized countries, and avoid any over- or underestimation of “distance” factors, they may consider a short experience in the host country before establishing the investment. In this way, they may successfully face distance related issues in the post-entry. This is the case of specific PD dimensions such as “geographical distance” and “logistic infrastructure” since they were largely lower in the pre-entry rather than in the post-entry period. Prior experience in the foreign market may seem an obvious attempt to overcome challenges, however some managers tend to overlook PD by taking for granted the differences between their home and host country along the 12 dimensions. Similarly, they may overlook the impact that these dimensions can have on their business with Germany.

Our paper has also several limitations. The generalization out of our multiple case study is limited to the green tech industry and to the context of Chinese OFDI to Germany since this paper aimed at conducting analyses on a specific sector. Therefore, conducting the analyses proposed in our study in a wider population of firms, industries and pair countries could be a suggestion for future research.

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SUMMARY CONCLUSIONS

This PhD thesis was set out to explore the concept of psychic distance in international business. The construct was explored in its definition and operationalized in the context of Sino-European FDI. More specifically, the analysis was conducted on an industry level with a focus on the green tech sector. The EU funded project POREEN on *Partnering Opportunities between Europe and China in the Renewable Energies and Environmental iNdustry* constitutes the framework of this thesis.

The multi-dimensional psychic distance construct elaborated by international business scholars (Child et al., 2009) enabled to explore its single components and how managers perceive them. “Culture” was one of the most relevant dimensions according to data.

As about its conceptualization, Child et al.’s (2009: 201) definition of psychic distance was adopted in this thesis. Psychic distance is defined as “the distance that is *perceived* to exist between characteristics of a firm’s home country and a foreign country with which that firm is, or is contemplating, doing business or investing”. Next to the conceptualization, the same authors’ (Child et al., 2009) operationalization of the concept was also adopted and applied in the context of green tech Sino-European FDI. Accordingly, psychic distance is composed of 12 dimensions, which stem from recent specific theoretical frameworks and empirical works carried out in the international business literature. In particular, the “GLOBE” framework (Ghemawat, 2001) for measuring “distances” between countries and Child et al.’s (2002, 2009) studies constitute the cornerstones of how psychic distance was conceptualized, operationalized and applied in this doctoral thesis. Not only perceptions of *differences* along each of the 12 dimensions were detected but also the *impact* perceived by managers on each dimension on the business with the host country.

Next to international business, social psychological theoretical foundations were explored and adopted. This interdisciplinary approach enabled to interpret the phenomena under examination (perceptions of psychic distance and culture) from different perspectives of analysis. Integrating different discipline areas provides a more comprehensive overview on the object of the study. Not only integration of disciplines but also their complementarity play a crucial role in terms of synergy. This thesis draws upon social psychology literature and explores managers’ perceptions of psychic distance and culture. Studies on perceptions

conducted by international business scholars (e.g., Stöttinger and Schlegelmilch, 1998) are based on the principles of cognition. Social psychologists show that individuals tend to prefer familiar situations rather than unfamiliar ones (e.g., Powell and Ansic, 1997), thus, this thesis tried to incorporate the literature on distance and perceptions by adopting an interdisciplinary approach and relying on international business and social psychology (Sumner, 1906; Turner, 1975; Brewer, 2003). The specific study exploring social psychological theories is paper n. 2: *A social psychological perspective to the perceptions of cultural differences in Sino-European FDI contexts*. This is preceded by an extensive and systematic review of the literature on the concept of psychic distance (paper n. 1: *Psychic distance and FDI: The case of China*).

Paper n. 2 fills the void in the investigation of non-economic factors determining FDI location decisions by adopting an interdisciplinary perspective of analysis. This work goes beyond country and firm level analyses, it focuses on the individual level and on the “psychic” side of the concept. Prior studies seemed to have lacked in considering the individual and cognitive part of the construct (e.g., Hofstede, 1980; Dow, 2000; Dow and Karunaratna, 2006). This study encouraged to use a more qualitative approach to capture the various facets of psychic distance with its 12 dimensions.

The context of Sino-European FDI is the business setting of each paper composing this thesis and it contributes to have in-depth insights on a single sector, the green tech industry. The need for scholars to conduct industry level analyses is widely recognized in international business literature (e.g. Lv and Spigarelli, 2016). In recent years, the combination of the increasing environmental awareness in China and the economic recession in Europe has created a climate, which has registered an increase of FDI flows between China and Europe (and vice versa) in the green tech industry (Lv and Spigarelli, 2016). China has been devoting increasing attention to environmental issues and pollution reduction thanks to the “green policy” embedded in the recent Five Year Plans (Langer and Watson, 2004; Aiwa and Yang, 2010; Huang and Chen, 2015).

The studies included in this thesis - in the form of four papers - aimed in-depth exploring the psychic distance concept by detecting the perceived *differences* between home and host country along its dimensions as well as the perceived *impact* that these dimensions have on the business with the host country. In short, paper n. 1 (as aforementioned) provides an

overview on the debate of psychic distance and its role as a non-economic determinant for FDI location decisions. Among the psychic distance dimensions, culture was considered one of the most relevant. It was further investigated in the form of conceptual study (paper n. 2) and multiple-case study (paper n. 3). Next to this, a differentiation in perceptions between two phases of the internationalization process emerged: pre- and post-market entry. Psychic distance perceptions of managers change over time from before the market entry to the period after that. Paper n. 4 illustrates the extent to which perceptions vary over time in relation to each dimension, both in terms of differences between home and host country and in terms of impact on the businesses with the host country. Perceptions and understandings of managers represent the core of the construct since their perceptions and skills in overcoming psychic distance are consequential for the firms' internationalization (e.g., Evans et al., 2000).

This final "Summary conclusions" section is aimed at binding the main conclusions of the each paper together and at illustrating the open questions.

This study sought to answer the following research questions. What is the importance of psychic distance in the context of green tech Sino-European FDI? What is the role of psychic distance and cultural perceptions among managers? Do perceptions vary over time, between the pre- and the post-market entry period? Which dimensions are mostly affected?

As about the content, this thesis could be divided into two main parts. The first one includes paper n. 1: *Psychic distance and FDI: The case of China* and paper n. 2: *A social psychological perspective to the perceptions of cultural differences in Sino-European FDI contexts*. The second part comprises paper n. 3: *European FDI in China: The role of cultural perceptions* and paper n. 4: *The role of pre- and post-entry psychic distance perceptions for FDI – The case of Chinese FDI to Germany*. With the exception of the first paper, which is a systematic review of the literature on psychic distance, the other three papers relied on questionnaire survey data, meetings and interviews with the managers representing the samples of the case studies.

First part of the thesis

The first part of the thesis is conceptual oriented. Paper n. 1 was a systematic literature review, which aimed at investigating whether and to what extent psychic distance is

considered as a determinant of FDI in the context of Chinese international business relationships with Europe. This study showed the need for scholars to deeper investigate such a complex and multi-dimensional construct, not only by relying on international business, but also drawing upon contributions from different discipline areas, such as social psychology.

Paper n. 2 is a conceptual work which follows up the previous literature review. It aimed, firstly, at analysing managers' perceptions of culture, which resulted to be one of the most relevant psychic distance dimensions (Child et al., 2009). Based on these results, the paper secondly aimed at raising managers' awareness on the cultural dimension. Specifically, the purpose was to look at opportunities - rather than obstacles - that cultural differences in international business contexts can generate. The emphasis is on the positive value of the differences between home and host country. An intercultural laboratory as a pragmatic tool to reach this objective was illustrated, by highlighting its *sociocognitive* value, dynamics and phases (syllabus). This paper discussed how challenging - still possible - is the "dialogue" among managers coming from different cultural backgrounds. In a parallel way, this challenge also affects academia due to difficulties that scholars encounter in integrating different perspective of analysis. The key is to adopt an "integration" as well as a "complementary" approach. Different cultures and different discipline areas "speak" two different languages. For example, in the case of integrating international business and social psychology, clashes emerge when trying to use specific theoretical foundations, research designs, methods and terminology. These have to comply to the respective discipline areas. The use of the terms constitutes an example. While social psychologists commonly refer to "differences", international business scholars refer to "distance". The psychic distance construct and model elaborated by international business scholars is not conceived in social psychology. Similarly, cross-cultural business settings involve the interactions of managers coming from different cultural backgrounds, history, values and languages.

Second part of the thesis

As about the second part of the thesis, the main empirical findings are paper specific and were summarized within the respective "analysis" sections. A multiple-study research design was adopted for paper n. 3 and paper n. 4. Like the second one, paper n. 3 (*European FDI in China: The role of cultural perceptions*) focused on the cultural dimension of the psychic distance concept in the context of green tech European FDI in China. This paper aimed at

analyzing the role of cultural perceptions of managers between home and host country as well as their “host bound” perceptions of identity toward China. Main findings suggest that managers differentiate between a pre- and a post-market entry period when considering the cultural dimension. Culture does not seem to be relevant before approaching China (pre-market entry phase). Only after entering the market, European managers realize its crucial role thanks to experience and interactions on site. Experiencing the local “business practices” is crucial to raise managers’ awareness on the cultural dimension at intra-China level. As about “host-bound” perceptions of identity, managers seem to perceive China as a single entity and do not perceive differences within the country before the market entry. These findings showed the trend in recent studies in international business to conduct research at intra-country or regional level. For example, Lv and Spigarelli (2015) confirm the relevance of tailoring investment promotion policies and cooperation initiatives by targeting specific geographical locations in order to be more effective and selective. Since regions have different sensitivity to international business issues, this study also confirmed the role of an intra-China approach.

Paper n. 4 followed up the differentiation between the pre- and the post-market entry period which emerged in the previous study. The purpose was to investigate psychic distance perceptions in the context of green tech Chinese OFDI to Europe, with Germany as a country focus. More specifically, this work firstly aimed at analysing the relevance of psychic distance and its 12 dimensions. Secondly, it aimed at detecting the extent to which managers’ perceptions change over time, from before the market-entry to the period after the establishment of the investment. Along with the findings emerging from paper n. 3, this work adds some relevant contributions to the operationalization of the psychic distance construct. By conducting a “static” and a “dynamic” analyses of perceptions in these two points in time (pre- and post-entry), results revealed the extent to which managers’ perceptions varied over time along each dimension. The static analysis showed the relevance of the dimensions per se, while the dynamic analysis enabled to detect to what extent perceptions varied from before the foreign market entry to the period after that.

First of all, main findings showed the relevance of psychic distance as a non-economic determinant of FDI location decisions. 6 out of the 12 dimensions (“culture”, “political system”, “legal system”, “regulations”, “language”, and “geographical distance”) were considered as relevant by managers. Furthermore, the variations of perceptions over time

were detected. Managers seem to overestimate or underestimate the importance of several dimensions before they enter the market. However, they adjust their perceptions after gathering experiences in the post-market entry phase (knowledge of the foreign market, partners' business practices, etc.).

The relationship between managers' perceptions of differences between home and host country and perceptions of impact on the businesses also emerged. Both "types" of perceptions are moderated by managers' "prior experiences" in terms of study, work abroad and in terms of previous experiences with investment abroad. For example, experienced managers do not perceive differences between home and host country as much as inexperienced managers do. Perceptions of differences do not necessarily match with perceptions of impact.

Contributions

The contributions of this PhD thesis can be summarized as follows. The analyses focused on an industry level - the green tech sector - in the context of European FDI to China and Chinese FDI to Germany. This work confirms the relevance of psychic distance in international business settings and the relevance of the tools used to detect it. 6 out of 12 psychic distance dimensions are important for managers, especially culture, political system, legal system and regulations. Differentiating between pre- and the post-market entry perceptions by conducting static and dynamic analyses may add value to the operationalization of psychic distance, enriching the already available model in the international business literature. Firstly, the static and dynamic analyses conducted in paper n. 4 provided an in-depth insight on the (mis)match between managers' perceptions of psychic distance in two points in time, the pre- and the post-market entry. Secondly, these analyses enable to detect on which dimensions managers engaging in international business activities should focus and work on before entering the foreign market.

This research confirmed the relevance of culture in international business contexts as well as political system, legal system and regulations. As about the role of cultural perceptions of European managers toward China, main findings show that they seem not to take into account intra-China regional differences before entering the market as far as cultural aspects is concerned. Thus, the need for regional tailored studies is confirmed, according to recent trends in literature. The last two papers show the relevance for differentiating the

internationalization phases in “pre-“ and “post-market entry” when analysing individual perceptions of psychic distance and culture. They also show the moderating role of managers’ “prior experiences” affecting the variation of perceptions (*differences* and *impact*).

These results have several implications. At policy level for the EU: findings show the factors creating obstacles and “distance” between Europe and China as well as between China and its host European countries (the case of Germany was investigated). Managers’ perceptions of their host countries should be considered not only at industry and policy level so that they can be aligned with FDI attraction policies but also at regional level (intra-China). At policy level for China and EU: results show how relevant is to invest in decreasing cultural barriers and on other crucial factors and dimensions which hinder the practical business operation activities (political system, legal system, and regulations) not only after but also before the market entry.

Open questions

Perceptions of *differences* and *impact* were explored under an international business perspective. Exploring these perceptions under a social psychological perspective of analysis would help to better comprehend the phenomenon of psychic distance by adding new insights, which can integrate those of international business or be complementary to them. In doing so, a more comprehensive and multi-perspective view of the construct would emerge.

Paper n. 2 and paper n. 3 relied on the mean values of the total of both perceptions of *differences* and *impact*. This means that the analysis and interpretation of data were conducted on the basis of the total sum of both perceptions of differences and impact along each dimension. New insights could emerge by keeping the mean values separated. In doing so, perceptions of differences would be detected by separating them from perceptions of impact. Further analyses could be conducted in order to go more in-depth into the concept and investigate significant correlations between the two types of perceptions. However, in paper n. 4 the analyses of perceptions were carried, out on the one hand, by computing the mean values together and on the other hand, by separating them. Additional analyses - “static” and “dynamic” - were conducted in order to detect the perceptions in two specific points of time (pre- and post-market entry) and to explore their dynamics (variations over time between pre- and post-market entry).

In paper n. 4 the questionnaire including the psychic distance model was submitted in one point of time although the aim was to detect managers' perceptions in two time points: pre- and post-market entry. A questionnaire to managers could be submitted in these two points in time, not relying on managers recollection of perceptions in the past.

The multiple case studies were conducted in two business context. First of all, European FDI to China (paper n. 2 and 3) and secondly, Chinese FDI to Germany (paper n. 4). A “symmetrical” study by focusing on the *direction* of perceptions (from country A to country B and vice versa, from country B to country A) could be conducted if the home and host country under examination are homogeneous. For example, it is not possible to compare Europe with China since two different levels samples are involved. It could be feasible at country level, for example, by exploring and comparing Chinese FDI flows to Germany and German FDI flows to China.

The business setting of this thesis focuses on the green tech industry. Replicating the study by examining another industry would be useful to explore whether managers' perceptions of psychic distance and their variations over time are similar or differ from the ones explored in the sector examined in this thesis. Furthermore, taking into account other pairs of home and host countries could provide a broader overview on how managers perceive psychic distance and if this is industry or pair-country specific. For example, “regulations” resulted to be a very important dimension for Chinese managers in Germany in green tech FDI in terms of impact. The following questions could emerge: are perceptions industry specific or pair-country specific? Are the results along “regulations” green tech- specific? Results in other contexts may be different. Practical examples provided by managers about “regulations” before the market-entry and after that could help in deeper identifying the challenging issues that they face and how they deal with them in the two phases, pre- and post-entry, respectively.

The samples of the case studies includes a population of 6 companies. The psychic distance model could be applied to a broader number of cases so that the study can be higher representative of a certain industry or context. However, in this thesis a limited number of cases has been used in order to get deeper and new insights on the phenomenon under

investigation. A multiple case study research design has been used for this purpose and the exploratory nature of the study.

To conclude this final remarks, it is necessary to merge the insights acquired from both discipline areas which were explored in this thesis, first of all, international business and secondly – though more marginally - social psychology. The relevance of the psychic distance construct can be confirmed thanks to the relevance of 6 out of 12 dimensions. As far as its operationalization is concerned, this thesis contributed in adding two specific types of analyses by differentiating a pre- and post-market entry phase. These analyses can be conducted when exploring the concept in international business settings: the static and the dynamic analyses. Specifically, by investigating the dynamics of perceptions in-depth insights on how the psychic distance dimensions are perceived by managers emerge. Not only after but also before the market-entry. For example, preventive actions on “regulations” can be adopted in order to better prepare managers in facing “regulations”-related issues.

According to data, perceptions of differences and impact do not report the same values. A social psychological perspective of analysis may help to work on differences in terms of how to approach them, how to generate value out of them. Managers can work on differences by taking part in intercultural trainings so that they can be prepared on how to cope with them. This work can be done at cognitive level, by raising managers’ awareness on the potential embedded in those differences. The intercultural laboratory illustrated in paper n. 2 served this purpose. It enables to work at cognitive level, by going beyond perceptions and understanding the sociocognitive dynamics behind them.

A social psychological perspective would help in using a certain terminology to foster positivity and synergies when home and host countries are involved. For example, scholars in this area focus on “cultural differences” when speaking about home and host country diversities. Capitalizing on these differences is possible, depending on how to approach them. International business scholars rather refer to the concept of “psychic distance”, which contains a certain idea of “distance” per se. A negative meaning is embedded when using this terminology and may lead to emphasize diversities.

Data show that prior managers’ experience has a moderating role on how managers perceive the psychic distance dimensions. Inexperienced managers report higher perceptions of impact

than the experienced ones. Integrating both “prior experiences” and intercultural training would be optimal for preparing managers in dealing with psychic distance. This would help to prevent negative perceptions of differences between home and host country and negative perceptions of impact on the businesses. Preventive actions on the dimensions reporting higher or lower values of perceptions can be taken at policy level.

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APPENDIX

Introduction to the elaboration of the questionnaires

For the purpose of this PhD thesis two questionnaires were submitted to the research targets. The first one was addressed to European managers representing their companies investing in China (app. n. 1). The second one was addressed to Chinese managers in Germany (app. n.2). Although the attention to the questionnaires' content was focuses on the psychic distance model (Child et al., 2009) (tab. 1) appearing in both questionnaires, the presence of all the other questions enabled to have a more comprehensive overview of the examined case studies. They provided in-depth insights on the topics of psychic distance, culture - which resulted to be the most relevant dimension according to the respondents. For example, the use of the open ended question about managers' understanding of culture was crucial to identify the meanings and the categories that respondents attributed to the cultural dimension in IB contexts. General information about the managers, such as their position in the company or prior experience were also part of the additional questions.

Tab. 1 Psychic distance model (Child et al., 2009)

1 = "no real difference"/"does not impact on my business at all"
5 = "very great difference"/"impacts on my business very much"

PD dimensions	Degree of difference between home country and host country	Extent to which it impacts on my business with the host country
Geographical distance		
Culture		
Language		
Level of education		
Level of technological development		
Level of economic development		
Logistic infrastructure		
Political system		
Legal system		
Regulations		
Accepted business practices		
Business ethics		

In order to elicit perceptions of psychic distance, managers were presented with the schedule of tab. 1 which lists 12 factors of “distance”. Managers were asked how much *difference* they perceived along each dimension between their home country and their host country, using a 5-point Likert-type scale. In addition to the questions on *perceived differences*, they were also asked how much *impact* they perceived each dimension to have on their business with the host country.

The first questionnaire⁷, elaborated within the EU funded project POREEN, covers three main areas: economics, engineering and law. The psychic distance model was included in the economic part (paper n. 2: “A social psychological perspective to the perceptions of cultural differences in Sino-European FDI contexts” and paper n. 3: “European FDI in China: The role of cultural perceptions”)

The second questionnaire was addressed to the Chinese managers in Germany (paper n. 4: “The role of pre- and post-entry psychic distance perceptions for FDI – The case of Chinese FDI to Germany”). This questionnaire was widely shortened and edited on the basis of the findings emerging from the previous one. Data collection suggested that there is a differentiation in psychic distance and cultural perceptions between two periods of time: pre- and post-market entry. Accordingly, the questionnaire was structured in 5 sections (tab. 2):

Tab. 2 Section of questionnaire n. 2 addressed to Chinese managers in Germany

Section 1	General information about respondents
Section 2	Information about the Chinese headquarter, the investment in Germany and the entry mode choice
Section 3	Managers’ PD perceptions before entering a market (Child et al.’s 2009 12-item list)
Section 4	Managers’ PD perceptions after entering a market (the 12-item list repeats)
Section 5	Open-ended question regarding the managers’ understanding of “culture”

among which Section 3 and Section 4 contained questions regarding both periods, the pre- and the post-entry, respectively. These two sections included the psychic distance model. Managers were asked to grade the perceptions they have had before entering the market (by filling out the model in Section 3) and after the market entry (Section 4). This means that managers were submitted one questionnaire containing these sections. The questions were not asked in two different periods of time, but at the moment of the interview. Specifically, they

were asked to recollect their psychic distance perceptions at the time before they entered (Section 3) as well as the time after the market entry (Section 4).

The focus on perceptions in this PhD thesis fills the void of previous studies on psychic distance, which have focused on differences between countries and failed to examine the cognition of decision makers in any depth (Stöttinger and Schlegelmilch, 2000). Previous studies relied on questionnaire survey data (e.g., Klein and Roth, 1990), experts (e.g., Dow, 2000) or national indicators (e.g., Dow and Karunaratna, 2006) limiting their attention to the “psychic” side of the concept (Child et al., 2009). Perceptions and understandings of decision-makers represent the core of psychic distance (Evans et al., 2000) since their perceptions and skills in overcoming psychic distance are consequential for the firms’ internationalization.

The psychic distance model adopted in this research (Child et al., 2009) was derived from prior studies in IB. More specifically, it was firstly used in a study aimed at re-examining the concept of psychic distance and understanding the meanings attached to the concept by deciding on firm internationalization (Child et al., 2002). In this work the possible mix of factors or attributes constituting such concept was questioned. Secondly, it was applied in a later study regarding managers in British companies with a business interest in Brazil (Child et al., 2009). It was aimed at detecting their perceived aspects of distance between the two countries and the ways in which psychic distance impacted on their business with the host country. Both studies relied on a multiple-case study design. From the study conducted in 2002 by Child et al., emerged a range of dimensions that might enter into psychic distance, such as differences in culture, language, political and legal systems, level of education, industrial development and business practices (e.g., Carson, 1974; Johanson and Vahlne, 1977).

The origin of the 12 dimensions can be found in the available literature, especially the Nordic studies (Johanson and Vahlne, 1977), and in the main findings of Child et al.’s (2009) study conducted in 2002 on the internationalization among Hong Kong businesses. Ghemawat’s (2001) “CAGE” classification of distance constitutes the overall framework within which the 12 dimensions is located. It is based on the classification of distance between two countries into cultural, administrative, geographic and economic factors. This classification is a relatively comprehensive one. Accordingly, “cultural distance includes differences in

language and social norms, administrative distance included differences in political system, government policies and institutions, and economic distance includes differences in income levels, infrastructure, human and other resources” (Child et al., 2009: 204-205).

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- Evans, Treadgold, Mavondo (2000), "Psychic distance and the performance of international retailers. A suggested theoretical framework", *International Marketing Review*, Vol. 17, No. 4/5, pp. 373–391.
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APPENDIX n. 1 Questionnaire about European green tech OFDI to China

Questionnaire for European firms investing in China

These data will be used only to have anonymous statistic information and they will not be shared with a third party without your permission
There are 111 questions in this survey

General Information

1 [EMAIL]Please insert your email adress *

Please write your answer here:

2 [1.1]Company *

Please write your answer here:

3 [1.2]Town where the headquarters are located *

Please write your answer here:

4 [1.3]Primary sectors of the company *

Please choose **only one** of the following:

- ☐ manufacturing
- ☐ service industry

5 [1.4a]Core business of the company *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Manufacture of food products
- ☐ Manufacture of beverages
- ☐ Manufacture of tobacco products
- ☐ Finishing of textiles
- ☐ Manufacture of wearing apparel
- ☐ Manufacture of leather and related products
- ☐ Manufacture of wood and of products of wood and cork, except furniture; manufacture of
- ☐ Manufacture of paper and paper products
- ☐ Printing and reproduction of recorded media
- ☐ Manufacture of coke and refined petroleum products

- ☐ Manufacture of chemicals and chemical products
- ☐ Manufacture of basic pharmaceutical products and pharmaceutical preparations
- ☐ Manufacture of rubber and plastic products
- ☐ Manufacture of other non-metallic mineral products
- ☐ Manufacture of basic metals
- ☐ Manufacture of fabricated metal products, except machinery and equipment
- ☐ Manufacture of computer, electronic and optical products
- ☐ Manufacture of electrical equipment
- ☐ Manufacture of machinery and equipment n.e.c.
- ☐ Manufacture of motor vehicles, trailers and semi-trailers
- ☐ Manufacture of other transport equipment
- ☐ Manufacture of furniture
- ☐ Other manufacturing
- ☐ Repair and installation of machinery and equipment

6 [1.4b]Core business of the company *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Wholesale and retail trade; repair of motor vehicles and motorcycles
- ☐ Transporting and storage
- ☐ Accommodation and food service activities
- ☐ Information and communication
- ☐ Financial and insurance activities
- ☐ Real estate activities
- ☐ Professional, scientific and technical activities
- ☐ Administrative and support service activities
- ☐ Other services activities

7 [1.5]Is the product/service environmentally sustainable or energy saving oriented? *

Please choose **only one** of the following:

- ☐ Yes
- ☐ No

8 [1.6]N. of employees of the company (at the end of 2013) *

Please write your answer here:

9 [1.7]N. of employees of the whole group (if different)

Please write your answer here:

10 [1.8]Total revenue of the company in 2013 (Euro)

Please write your answer here:

11 [1.9]Main customers of the company *

Please choose **only one** of the following:

- ☐ public firms
- ☐ private firms
- ☐ final consumer

12 [1.10]Ownership structure *

Please choose **only one** of the following:

- ☐ State owned enterprise, listed
- ☐ State owned enterprise, not listed
- ☐ Private enterprise, listed
- ☐ Private enterprise, not listed

13 [1.11]Which kind of technology transfer activities does the company adopt to develop their R&D?

Please choose **only one** of the following:

- ☐ Collaboration with Chinese public research centres
- ☐ Collaboration with EU public research centres
- ☐ Patenting with Chinese public research centres
- ☐ Patenting with EU public research centres
- ☐ Set-up of academic spin-offs
- ☐ Collaboration with Chinese Universities

- ☐ Collaboration with EU University
- ☐ Sales/licence of patent with EU companies or public research centres

14 [1.12] Which are the sectors of your main clients?

Please choose **all** that apply:

- ☐ Plant design
- ☐ Components production
- ☐ Components assembly
- ☐ Management of energy plants
- ☐ Sales
- ☐ Energy distribution
- ☐ Consultant
- ☐ After sales service
- ☐ Other:

ONLY FOR ENERGY FIRMS

15 [1.13] Are there incentives in in green sectors China as far as your sector is involved? *

Please choose **only one** of the following:

- ☐ Yes
- ☐ No

ONLY FOR ENERGY FIRMS

16 [1.14] How do these incentives influence the competitiveness of products/services in the final market? *

Only answer this question if the following conditions are met:

Please choose the appropriate response for each item:

	1	2	3	4	5
Fiscal incentives for foreign investors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Exemption/reduction of taxes on equity for firms in tech and green sectors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fiscal incentives for Technology Transfer activities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Development of R&D in China	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fiscal or straightforward subsidies for uptake of technology	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

(grade from 1 to 5, where 1 means not relevant, 5 means very important) ONLY FOR ENERGY FIRMS

17 [1.14b]Specify other relevant incentives

Only answer this question if the following conditions are met:

Please write your answer here:

18 [1.15]Please indicate if the impact of the incentives on the competitiveness of products/services in the final market is positive or negative *

Only answer this question if the following conditions are met:

Please choose the appropriate response for each item:

	Positive	Negative
Fiscal incentives for foreign investors	<input type="radio"/>	<input type="radio"/>
Exemption/reduction of taxes on equity for firms in tech and green sectors	<input type="radio"/>	<input type="radio"/>
Fiscal incentives on Technology Transfer activities	<input type="radio"/>	<input type="radio"/>
Development of R&D in China	<input type="radio"/>	<input type="radio"/>
Fiscal or straightforward subsidies for uptake of technology	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>

Investment in China**19 [2.1]What are the strategic reasons for your company operating in China? ***

Please choose the appropriate response for each item:

	1	2	3	4	5
To provide goods or services for the European market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To provide goods or services for the Chinese market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Use local human and R&D resources	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To provide goods or services for other markets (not China or Europe)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Meeting requests from European customers / partners	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Logistical and production reasons	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

(Grade from 1 to 5, where 1 means not relevant, 5 means very important)

20 [2.1b]Specify other relevant strategic reasons

Only answer this question if the following conditions are met:

Please write your answer here:

21 [2.2]Total accumulated amount of investment in China (amount at the end of 2013 in RMB)

Please write your answer here:

22 [2.3.1]Please indicate for your main investment in China the following information *

Please write your answer(s) here:

- Year of establishment
- Turnover in 2013
- N. employees in China
- Of which n. of expatriates

23 [2.3.2]Please indicate the Province where your main investment is located *

Please choose **only one** of the following:

- ☐ Anhui
- ☐ Fujian
- ☐ Gansu
- ☐ Guangdong
- ☐ Guizhou
- ☐ Hainan
- ☐ Hebei
- ☐ Heilongjiang
- ☐ Henan
- ☐ Hubei
- ☐ Hunan
- ☐ Jiangsu
- ☐ Jiangxi
- ☐ Jilin
- ☐ Liaoning
- ☐ Qinghai

- ☐ Shaanxi
- ☐ Shandong
- ☐ Shanxi
- ☐ Sichuan
- ☐ Taiwan
- ☐ Yunnan
- ☐ Zhejiang

24 [2.3.3] Reason for choosing the Province within China? *

Please choose the appropriate response for each item:

	1	2	3	4	5
Access to local market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Presence of a local business partner	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability/acquisition of key technologies and brands	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability of skilled labour	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Low labour cost	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tax regime / Free tax zone/technology parks/ special economic zone	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Incentives and supportive policies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Logistical reasons	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Local connections	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cultural and language factors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

(grade from 1 to 5, where 1 means not relevant, 5 means very important)

25 [2.3.3b] Specify other relevant reason for choosing the Province

Only answer this question if the following conditions are met:

Please write your answer here:

26 [2.3.4] Type of subsidiary *

Please choose **only one** of the following:

- ☐ Branch
- ☐ Merger/acquisition
- ☐ Joint venture
- ☐ Representative office
- ☐ Greenfield investment

27 [2.3.5]The CEO is *

Please choose **only one** of the following:

- ☐ European
- ☐ Chinese

28 [2.3.6]Main activity *

Please choose **only one** of the following:

- ☐ Production
- ☐ R&D
- ☐ Representative office
- ☐ Assembly of components
- ☐ Distribution
- ☐ Consultancy
- ☐ After sales assistance
- ☐ Other

29 [2.3.7]Sector *

Please choose **only one** of the following:

- ☐ manufacturing
- ☐ service industry

30 [2.3.7a]Specify the manufacturing sector *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Manufacture of food products
- ☐ Manufacture of beverages
- ☐ Manufacture of tobacco products
- ☐ Finishing of textiles
- ☐ Manufacture of wearing apparel
- ☐ Manufacture of leather and related products
- ☐ Manufacture of wood and of products of wood and cork, except furniture; manufacture of
- ☐ Manufacture of paper and paper products
- ☐ Printing and reproduction of recorded media
- ☐ Manufacture of coke and refined petroleum products

- ☐ Manufacture of chemicals and chemical products
- ☐ Manufacture of basic pharmaceutical products and pharmaceutical preparations
- ☐ Manufacture of rubber and plastic products
- ☐ Manufacture of other non-metallic mineral products
- ☐ Manufacture of basic metals
- ☐ Manufacture of fabricated metal products, except machinery and equipment
- ☐ Manufacture of computer, electronic and optical products
- ☐ Manufacture of electrical equipment
- ☐ Manufacture of machinery and equipment n.e.c.
- ☐ Manufacture of motor vehicles, trailers and semi-trailers
- ☐ Manufacture of other transport equipment
- ☐ Manufacture of furniture
- ☐ Other manufacturing
- ☐ Repair and installation of machinery and equipment

31 [2.3.7b]Specify the service industry sector *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Wholesale and retail trade; repair of motor vehicles and motorcycles
- ☐ Transporting and storage
- ☐ Accommodation and food service activities
- ☐ Information and communication
- ☐ Financial and insurance activities
- ☐ Real estate activities
- ☐ Professional, scientific and technical activities
- ☐ Administrative and support service activities
- ☐ Other services activities

32 [2.3.8]Do you have another investment in China? *

Please choose **only one** of the following:

- ☐ Yes
- ☐ No

33 [2.4.1] Please indicate for your second main investment in China the following information *

Only answer this question if the following conditions are met:

Please write your answer(s) here:

- Year of establishment
- Turnover in 2013
- N. employees in China
- Of which n. of expatriates

34 [2.4.2] Please indicate the Province where your second main investment is located *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Anhui
- ☐ Fujian
- ☐ Gansu
- ☐ Guangdong
- ☐ Guizhou
- ☐ Hainan
- ☐ Hebei
- ☐ Heilongjiang
- ☐ Henan
- ☐ Hubei
- ☐ Hunan
- ☐ Jiangsu
- ☐ Jiangxi
- ☐ Jilin
- ☐ Liaoning
- ☐ Qinghai
- ☐ Shaanxi
- ☐ Shandong
- ☐ Shanxi
- ☐ Sichuan

- ☐ Taiwan
- ☐ Yunnan
- ☐ Zhejiang

35 [2.4.3] Reason for choosing the Province within China? *

Only answer this question if the following conditions are met:

Please choose the appropriate response for each item:

	1	2	3	4	5
Access to local market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Presence of a local business partner	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability/acquisition of key technologies and brands	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability of skilled labour	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Low labour cost	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tax regime / Free tax zone/technology parks/ special economic zone	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Incentives and supportive policies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Logistic reasons	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Local connections	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cultural and language factors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

(grade from 1 to 5, where 1 means not relevant, 5 means very important)

36 [2.4.3b] Specify other relevant reason for choosing the Province *

Only answer this question if the following conditions are met:

Please write your answer here:

37 [2.4.4] Type of subsidiary *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Branch
- ☐ Merger/acquisition
- ☐ Joint venture
- ☐ Representative office
- ☐ Greenfield investment

38 [2.4.5]The CEO is *

Only answer this question if the following conditions are met:
Please choose **only one** of the following:

- ☐ European
- ☐ Chinese

39 [2.4.6]Main activity *

Only answer this question if the following conditions are met:
Please choose **only one** of the following:

- ☐ Production
- ☐ R&D
- ☐ Representative office
- ☐ Assembly of components
- ☐ Distribution
- ☐ Consultancy
- ☐ After sales assistance
- ☐ Other

40 [2.4.7]Sector *

Only answer this question if the following conditions are met:
Please choose **only one** of the following:

- ☐ manufacturing
- ☐ service industry

41 [2.4.7a]Specify the manufacturing sector *

Only answer this question if the following conditions are met:
Please choose **only one** of the following:

- ☐ Manufacture of food products
- ☐ Manufacture of beverages
- ☐ Manufacture of tobacco products
- ☐ Finishing of textiles
- ☐ Manufacture of wearing apparel
- ☐ Manufacture of leather and related products
- ☐ Manufacture of wood and of products of wood and cork, except furniture; manufacture of
- ☐ Manufacture of paper and paper products
- ☐ Printing and reproduction of recorded media

- ☐ Manufacture of coke and refined petroleum products
- ☐ Manufacture of chemicals and chemical products
- ☐ Manufacture of basic pharmaceutical products and pharmaceutical preparations
- ☐ Manufacture of rubber and plastic products
- ☐ Manufacture of other non-metallic mineral products
- ☐ Manufacture of basic metals
- ☐ Manufacture of fabricated metal products, except machinery and equipment
- ☐ Manufacture of computer, electronic and optical products
- ☐ Manufacture of electrical equipment
- ☐ Manufacture of machinery and equipment n.e.c.
- ☐ Manufacture of motor vehicles, trailers and semi-trailers
- ☐ Manufacture of other transport equipment
- ☐ Manufacture of furniture
- ☐ Other manufacturing
- ☐ Repair and installation of machinery and equipment

42 [2.4.7b]Specify the service industry sector *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Wholesale and retail trade; repair of motor vehicles and motorcycles
- ☐ Transporting and storage
- ☐ Accommodation and food service activities
- ☐ Information and communication
- ☐ Financial and insurance activities
- ☐ Real estate activities
- ☐ Professional, scientific and technical activities
- ☐ Administrative and support service activities
- ☐ Other services activities

43 [2.4.8] Do you have another investment in China? *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Yes
- ☐ No

44 [2.5.1] Please indicate for your third main investment in China the following information *

Only answer this question if the following conditions are met:

Please write your answer(s) here:

- Year of establishment
- Turnover in 2013
- N. employees in China
- Of which n. of expatriates

45 [2.5.2] Please indicate the Province where your second main investment is located *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Anhui
- ☐ Fujian
- ☐ Gansu
- ☐ Guangdong
- ☐ Guizhou
- ☐ Hainan
- ☐ Hebei
- ☐ Heilongjiang
- ☐ Henan
- ☐ Hubei
- ☐ Hunan
- ☐ Jiangsu
- ☐ Jiangxi
- ☐ Jilin
- ☐ Liaoning
- ☐ Qinghai

- ☐ Shaanxi
- ☐ Shandong
- ☐ Shanxi
- ☐ Sichuan
- ☐ Taiwan
- ☐ Yunnan
- ☐ Zhejiang

46 [2.5.3] Reason for choosing the Province within China? *

Only answer this question if the following conditions are met:

Please choose the appropriate response for each item:

	1	2	3	4	5
Access to local market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Presence of a local business partner	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability/acquisition of key technologies and brands	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability of skilled labour	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Low labour cost	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tax regime / Free tax zone/technology parks/ special economic zone	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Incentives and supportive policies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Logistic reasons	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Local connections	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cultural and language factors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

(grade from 1 to 5, where 1 means not relevant, 5 means very important)

47 [2.5.3b] Specify other relevant reason for choosing the Province *

Only answer this question if the following conditions are met:

Please write your answer here:

48 [2.5.4] Type of subsidiary *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Branch
- ☐ Merger/acquisition
- ☐ Joint venture
- ☐ Representative office
- ☐ Greenfield investment

49 [2.5.5]The CEO is *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ European
- ☐ Chinese

50 [2.5.6]Main activity *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Production
- ☐ R&D
- ☐ Representative office
- ☐ Assembly of components
- ☐ Distribution
- ☐ Consultancy
- ☐ After sales assistance
- ☐ Other

51 [2.5.7]Sector *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ manufacturing
- ☐ service industry

52 [2.5.7a]Specify the manufacturing sector *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Manufacture of food products
- ☐ Manufacture of beverages
- ☐ Manufacture of tobacco products
- ☐ Finishing of textiles
- ☐ Manufacture of wearing apparel
- ☐ Manufacture of leather and related products
- ☐ Manufacture of wood and of products of wood and cork, except furniture; manufacture of
- ☐ Manufacture of paper and paper products
- ☐ Printing and reproduction of recorded media

- ☐ Manufacture of coke and refined petroleum products
- ☐ Manufacture of chemicals and chemical products
- ☐ Manufacture of basic pharmaceutical products and pharmaceutical preparations
- ☐ Manufacture of rubber and plastic products
- ☐ Manufacture of other non-metallic mineral products
- ☐ Manufacture of basic metals
- ☐ Manufacture of fabricated metal products, except machinery and equipment
- ☐ Manufacture of computer, electronic and optical products
- ☐ Manufacture of electrical equipment
- ☐ Manufacture of machinery and equipment n.e.c.
- ☐ Manufacture of motor vehicles, trailers and semi-trailers
- ☐ Manufacture of other transport equipment
- ☐ Manufacture of furniture
- ☐ Other manufacturing
- ☐ Repair and installation of machinery and equipment

53 [2.5.7b]Specify the service industry sector *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Wholesale and retail trade; repair of motor vehicles and motorcycles
- ☐ Transporting and storage
- ☐ Accommodation and food service activities
- ☐ Information and communication
- ☐ Financial and insurance activities
- ☐ Real estate activities
- ☐ Professional, scientific and technical activities
- ☐ Administrative and support service activities
- ☐ Other services activities

54 [2.5.8] Do you have another investment in China? *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Yes
- ☐ No

55 [2.6.1] Please indicate for your forth main investment in China the following information *

Please write your answer(s) here:

- Year of establishment
- Turnover in 2013
- N. employees in China
- Of which n. of expatriates

56 [2.6.2] Please indicate the Province where your forth main investment is located *

Only answer this question if the following conditions are met:

Please write your answer(s) here:

- Name
- Province

57 [2.6.3] Reason for choosing the Province within China? *

Only answer this question if the following conditions are met:

Please choose the appropriate response for each item:

	1	2	3	4	5
Access to local market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Presence of a local business partner	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability/acquisition of key technologies and brands	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability of skilled labour	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Low labour cost	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tax regime / Free tax zone/technology parks/ special economic zone	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Incentives and supportive policies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Logistic reasons	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Local connections	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cultural and language factors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

(grade from 1 to 5, where 1 means not relevant, 5 means very important)

58 [2.6.3b]Specify other relevant reason for choosing the Province *

Only answer this question if the following conditions are met:

Please write your answer here:

59 [2.6.4]Type of subsidiary *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Branch
- ☐ Merger/acquisition
- ☐ Joint venture
- ☐ Representative office
- ☐ Greenfield investment

60 [2.6.5]The CEO is *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ European
- ☐ Chinese

61 [2.6.6]Main activity *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Production
- ☐ R&D
- ☐ Representative office
- ☐ Assembly of components
- ☐ Distribution
- ☐ Consultancy
- ☐ After sales assistance
- ☐ Other

62 [2.6.7]Sector *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ manufacturing
- ☐ service industry

63 [2.6.7a]Specify the manufacturing sector *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Manufacture of food products
- ☐ Manufacture of beverages
- ☐ Manufacture of tobacco products
- ☐ Finishing of textiles
- ☐ Manufacture of wearing apparel
- ☐ Manufacture of leather and related products
- ☐ Manufacture of wood and of products of wood and cork, except furniture; manufacture of
- ☐ Manufacture of paper and paper products
- ☐ Printing and reproduction of recorded media
- ☐ Manufacture of coke and refined petroleum products
- ☐ Manufacture of chemicals and chemical products
- ☐ Manufacture of basic pharmaceutical products and pharmaceutical preparations
- ☐ Manufacture of rubber and plastic products
- ☐ Manufacture of other non-metallic mineral products
- ☐ Manufacture of basic metals
- ☐ Manufacture of fabricated metal products, except machinery and equipment
- ☐ Manufacture of computer, electronic and optical products
- ☐ Manufacture of electrical equipment
- ☐ Manufacture of machinery and equipment n.e.c.
- ☐ Manufacture of motor vehicles, trailers and semi-trailers
- ☐ Manufacture of other transport equipment
- ☐ Manufacture of furniture
- ☐ Other manufacturing
- ☐ Repair and installation of machinery and equipment

64 [2.6.7b]Specify the service industry sector *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Wholesale and retail trade; repair of motor vehicles and motorcycles
- ☐ Transporting and storage

- ☐ Accommodation and food service activities
- ☐ Information and communication
- ☐ Financial and insurance activities
- ☐ Real estate activities
- ☐ Professional, scientific and technical activities
- ☐ Administrative and support service activities
- ☐ Other services activities

65 [2.6.8] Do you have another investment in China? *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Yes
- ☐ No

66 [2.7.1] Please indicate for your fifth main investment in China the following information *

Only answer this question if the following conditions are met:

Please write your answer(s) here:

- Year of establishment
- Turnover in 2013
- N. employees in China
- Of which n. of expatriates

67 [2.7.2] Please indicate the Province where your forth main investment is located *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Anhui
- ☐ Fujian
- ☐ Gansu
- ☐ Guangdong
- ☐ Guizhou
- ☐ Hainan
- ☐ Hebei
- ☐ Heilongjiang

- ☐ Henan
- ☐ Hubei
- ☐ Hunan
- ☐ Jiangsu
- ☐ Jiangxi
- ☐ Jilin
- ☐ Liaoning
- ☐ Qinghai
- ☐ Shaanxi
- ☐ Shandong
- ☐ Shanxi
- ☐ Sichuan
- ☐ Taiwan
- ☐ Yunnan
- ☐ Zhejiang

68 [2.7.3] Reason for choosing the Province within China? *

Only answer this question if the following conditions are met:

Please choose the appropriate response for each item:

	1	2	3	4	5
Access to local market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Presence of a local business partner	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability/acquisition of key technologies and brands	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability of skilled labour	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Low labour cost	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tax regime / Free tax zone/technology parks/ special economic zone	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Incentives and supportive policies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Logistic reasons	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Local connections	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cultural and language factors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

(grade from 1 to 5, where 1 means not relevant, 5 means very important)

69 [2.7.3b]Specify other relevant reason for choosing the Province *

Only answer this question if the following conditions are met:

Please write your answer here:

70 [2.7.4]Type of subsidiary *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Branch
- ☐ Merger/acquisition
- ☐ Joint venture
- ☐ Representative office
- ☐ Greenfield investment

71 [2.7.5]The CEO is *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ European
- ☐ Chinese

72 [2.7.6]Main activity *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Production
- ☐ R&D
- ☐ Representative office
- ☐ Assembly of components
- ☐ Distribution
- ☐ Consultancy
- ☐ After sales assistance
- ☐ Other

73 [2.7.7]Sector *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ manufacturing
- ☐ service industry

74 [2.7.7a]Specify the manufacturing sector *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Manufacture of food products
- ☐ Manufacture of beverages
- ☐ Manufacture of tobacco products
- ☐ Finishing of textiles
- ☐ Manufacture of wearing apparel
- ☐ Manufacture of leather and related products
- ☐ Manufacture of wood and of products of wood and cork, except furniture; manufacture of
- ☐ Manufacture of paper and paper products
- ☐ Printing and reproduction of recorded media
- ☐ Manufacture of coke and refined petroleum products
- ☐ Manufacture of chemicals and chemical products
- ☐ Manufacture of basic pharmaceutical products and pharmaceutical preparations
- ☐ Manufacture of rubber and plastic products
- ☐ Manufacture of other non-metallic mineral products
- ☐ Manufacture of basic metals
- ☐ Manufacture of fabricated metal products, except machinery and equipment
- ☐ Manufacture of computer, electronic and optical products
- ☐ Manufacture of electrical equipment
- ☐ Manufacture of machinery and equipment n.e.c.
- ☐ Manufacture of motor vehicles, trailers and semi-trailers
- ☐ Manufacture of other transport equipment
- ☐ Manufacture of furniture
- ☐ Other manufacturing
- ☐ Repair and installation of machinery and equipment

75 [2.7.7b]Specify the service industry sector *

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ Wholesale and retail trade; repair of motor vehicles and motorcycles
- ☐ Transporting and storage

- ☐ Accommodation and food service activities
- ☐ Information and communication
- ☐ Financial and insurance activities
- ☐ Real estate activities
- ☐ Professional, scientific and technical activities
- ☐ Administrative and support service activities
- ☐ Other services activities

76 [2.8]When investing in China, how relevant was the support from institutions of your Country of Origin? *

Please choose the appropriate response for each item:

	1	2	3	4	5
Your Ministry of Foreign Trade	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Your Embassy in China	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Your country/Local Chamber of Commerce	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
European Chamber of Commerce in China	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Your Business Association	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other Institutions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

(grade from 1 to 5, where 1 means not relevant, 5 means very important)

77 [2.8b]Specify other relevant institutions

Only answer this question if the following conditions are met:

Please write your answer here:

78 [2.9]In the future, regarding China as a whole, you are...

Please choose **only one** of the following:

- ☐ Planning further investments which will be higher than previous investment
- ☐ Planning further investments which will be similar to previous investment
- ☐ Planning further investments which will be lower than previous investment
- ☐ Not planning further investments

79 [2.10]Indicate your first three main competitors (both Chinese and non-Chinese) in the Chinese market:

Please write your answer(s) here:

- 1.
- 2.
- 3.

80 [2.11] What are the main mechanisms used by your company to protect your intellectual property on the Chinese market?

Please choose **only one** of the following:

- ☐ Patent
- ☐ Industrial secret
- ☐ Copyright
- ☐ Brand
- ☐ Industrial design
- ☐ No way

81 [2.12] When do you use the patents or other forms of property right protection?

Please choose **only one** of the following:

- ☐ Obligation to participate to Joint Ventures
- ☐ Public Contracts
- ☐ Relationship with design studios
- ☐ Certifications and licences to market access
- ☐ Counterfeiting risk

82 [2.13] Did you encounter any of the following non-regulatory obstacles (operating, market and infrastructure difficulties) when investing in China? *

Please choose the appropriate response for each item:

	1	2	3	4	5
Cultural differences	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Unfamiliarity of Chinese employees with western style management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Hiring and maintaining local people	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Managing local employees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cost of personnel and other resources	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Currency risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Problems understanding the Chinese environment/market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
General negative perception of European investment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of suitable schooling facilities for children	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of expatriate community	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of awareness of the importance of environmental protection	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	1	2	3	4	5
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

(grade from 1 to 5, where 1 means not relevant, 5 means very important)

83 [2.13b] Specify other relevant non-regulatory obstacles when investing in China

Only answer this question if the following conditions are met:
Please write your answer here:

84 [2.14] Did you encounter any of the following non-regulatory obstacles, related to the Business Environment, when investing in China? *

Please choose the appropriate response for each item:

	1	2	3	4	5
Residence and work permit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Banking system (access to services and credit) and regulations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Interaction with the local authorities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Bureaucracy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Unequal treatment compared to local companies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

(grade from 1 to 5, where 1 means not relevant, 5 means very important)

85 [2.14b] Specify other relevant non-regulatory obstacles, related to the Business Environment, when investing in China

Only answer this question if the following conditions are met:
Please write your answer here:

86 [2.15] Did you encounter any of the following regulatory obstacles when investing in China? *

Please choose the appropriate response for each item:

	1	2	3	4	5
Legal system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Labor law (social security, unions, contracts)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tax regulations and accounting	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Intellectual property issues	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Company law	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Licences, administrative and regulatory approvals at provincial level	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Licences, administrative and regulatory approvals at national level	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
National security concerns	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Access to national incentives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Antitrust issues	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other

1	2	3	4	5
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

(grade from 1 to 5, where 1 means not relevant, 5 means very important)

87 [2.15b]Specify other relevant regulatory obstacles when investing in China

Only answer this question if the following conditions are met:

Please write your answer here:

88 [2.16]How risky is investing in China? *

Please choose **only one** of the following:

- ☐ 1
- ☐ 2
- ☐ 3
- ☐ 4
- ☐ 5

(grade from 1 to 5, where 1 means not relevant, 5 means very important)

89 [2.17]How relevant are the following risks relating to your investment in China? *

Please choose the appropriate response for each item:

	1	2	3	4	5
Uncertain economic return	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Political risks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Operative risks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Geographical dimensions of China territory	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Financial risks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

(grade from 1 to 5, where 1 means not relevant, 5 means very important)

90 [2.18b]Specify other relevant risks relating to your investment in China

Only answer this question if the following conditions are met:

Please write your answer here:

91 [2.19]How important is the knowledge of the Chinese culture when investing in China? *

Please choose **only one** of the following:

- ☐ 1
- ☐ 2
- ☐ 3
- ☐ 4

- ☐ 5

(grade from 1 to 5, where 1 means not relevant, 5 means very important)

92 [2.20]How important is the knowledge of the Chinese language when investing in China? *

Please choose **only one** of the following:

- ☐ 1
- ☐ 2
- ☐ 3
- ☐ 4
- ☐ 5

(grade from 1 to 5, where 1 means not relevant, 5 means very important)

93 [2.21]Do you have Chinese speaking employees at your Chinese firm? *

Please choose **only one** of the following:

- ☐ Yes
- ☐ No

94 [2.22]Please indicate the number of Chinese speaking employees at your Chinese firm

Only answer this question if the following conditions are met:

Please write your answer here:

-

95 [2.23]Which role/position they have?

Only answer this question if the following conditions are met:

Please choose **only one** of the following:

- ☐ administrative
- ☐ managerial
- ☐ executive
- ☐ Other

Distance perceptions and impact issues

96 [3.1] Please evaluate the following features, in terms of the degree of difference between home country and target country *

Please choose the appropriate response for each item:

	1	2	3	4	5
Geographical distance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Language	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of education	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of technological development	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of economic development	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Logistic infrastructure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Political system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Legal system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regulations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accepted business practices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Business ethics	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

using a scale of 1 to 5, where: 1 = "no real difference" / "does not impact on my business at all" 5 = "very great difference" / "impacts on my business very much".

97 [3.2] Please evaluate the following features, in terms of the extent to which it impacts on my business with the target country *

Please choose the appropriate response for each item:

	1	2	3	4	5
Geographical distance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Language	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of education	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of technological development	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of economic development	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Logistic infrastructure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Political system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Legal system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regulations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accepted business practices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Business ethics	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

using a scale of 1 to 5, where: 1 = "no real difference" / "does not impact on my business at all" 5 = "very great difference" / "impacts on my business very much".

Planning and control system

98 [4.1] Do you have a planning and control system in the Chinese subsidiary for:

Please choose the appropriate response for each item:

	Yes	No
measuring the degree of achievement of objectives	<input type="radio"/>	<input type="radio"/>
evaluating/stimulating the management performances	<input type="radio"/>	<input type="radio"/>

99 [4.1b] If yes, which of the following tools are used? *

Only answer this question if the following conditions are met:

Please choose **all** that apply:

- ☐ Periodic Financial Accounting situations
- ☐ Cost accounting
- ☐ Budget and Variance Analysis
- ☐ Medium/Long planning plans
- ☐ Key Performance Indicators
- ☐ Other:

100 [4.2] Does the management of the Chinese subsidiary participate in the process to set the objectives to be achieved? *

Please choose **only one** of the following:

- ☐ Yes
- ☐ No

101 [4.3] Considering the following purpose of cost accounting system, please indicate the level of the importance of the information sought *

Only answer this question if the following conditions are met:

Please choose the appropriate response for each item:

	1	2	3	4	5
Costing of products/services already in production	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Costing of products/services in the design phase	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improving production efficiency	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improving efficiency of the distribution process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	1	2	3	4	5
Improving the efficiency of the supplying process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Choosing suppliers/management supply relationships	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Choosing customers/orders/manage distribution channels	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Calculation of transfer prices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Make or buy choices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Analysis of the value chain of the supply chain	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

(grade from 1 to 5, where 1 means not relevant, 5 means very important)

102 [4.3b]Indicate the level of importance of other relevant purpose of cost accounting system

Only answer this question if the following conditions are met:

Please write your answer here:

103 [4.4]Considering the following purpose of cost accounting system, please indicate the degree of satisfaction with the instruments adopted *

Only answer this question if the following conditions are met:

Please choose the appropriate response for each item:

	1	2	3	4	5
Costing of products/services already in production	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Costing of products/services in the design phase	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improving production efficiency	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improving efficiency of the distribution process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improving the efficiency of the supplying process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Choosing suppliers/management supply relationships	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Choosing customers/orders/manage distribution channels	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Calculation of transfer prices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Make or buy choices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Analysis of the value chain of the supply chain	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

(grade from 1 to 5, where 1 means not relevant, 5 means very important)

104 [4.4b]Indicate the level of satisfaction of other relevant purpose of cost accounting system

Only answer this question if the following conditions are met:

Please write your answer here:

105 [4.5] If a budget is used, which types of documents are filled? *

Only answer this question if the following conditions are met:

Please choose **all** that apply:

- ☐ Operational Budgets (sales, production, stocks, etc.)
- ☐ Economic Budget
- ☐ Investment Budget
- ☐ Financial Budget
- ☐ Asset and Liability Budget
- ☐ Sheets with operational indicators (technical efficiency, effectiveness, quality, etc ...)

106 [4.6] The information flow (reporting activities), from the Chinese subsidiary to the headquarter, is based on *

Please choose **all** that apply:

- ☐ economic and financial data
- ☐ Key performance indicators (related to the physical aspects of the production flow) the company's competitive context (i.e. market share, indices of quality and/or productivity compared to the competitors, etc.)
- ☐ Other:

107 [VA] How often do you proceed with the variance analysis (deviations from the objectives set out in the budget)?

Only answer this question if the following conditions are met:

108 [4.7a] Using economic and financial data

Only answer this question if the following conditions are met:

Please choose **all** that apply and provide a comment:

- ☐ Monthly
- ☐ Quarterly
- ☐ Half
- ☐ Yearly
- Other:

109 [4.7b]Using key performance indicators

Only answer this question if the following conditions are met:

Please choose **all** that apply and provide a comment:

- ☐ Monthly
- ☐ Quarterly
- ☐ Half
- ☐ Yearly
- Other:

110 [4.7c]Using other data

Only answer this question if the following conditions are met:

Please choose **all** that apply and provide a comment:

- ☐ Monthly
- ☐ Quarterly
- ☐ Half
- ☐ Yearly
- Other:

111 [4.7d]Specify other data

Only answer this question if the following conditions are met:

Please write your answer here:

APPENDIX n. 2 Questionnaire about Chinese green tech OFDI to Germany

If you have trouble viewing or submitting this form, you can [fill it out in Google Forms](#)

Chinese OFDI to Germany

OBJECT: Invitation to join our questionnaire on China-Germany cooperation for the purpose of a doctoral thesis.

The purpose of this questionnaire is to deepen the knowledge of foreign direct investments (FDI) flows between China and Europe in the green tech industry by specifically focusing on Germany as a host country. The aim is to have a comprehensive overview of managers' perceptions of "psychic distance" between China and Germany in two points in time: the pre- and post-market entry period.

This research is part of a EU funded project on *Partnering Opportunities between Europe and China in the Renewable Energies and Environmental Industries* (POREEN, further info: www.poreen.eu).

We would be very grateful if you could share your experience with us by filling out this questionnaire, which will take you about 15-20 minutes.

Your answers will be treated confidentially. The collected data will be only used for research purposes and will be kept anonymous. They will not be shared with any third parties without your permission. We will share with you our academic articles which we will produce thanks to your participation.

Should you have any questions or concerns, please do not hesitate to contact us.

Katiuscia Vaccarini
University of Macerata, Italy & Jacobs University Bremen, Germany
E: katiuscia.vaccarini@unimc.it

* Required

Research project overview

<http://youtube.com/watch?v=dLweO8c5BKl>

Prof. Francesca Spigarelli, coordinator, University of Macerata, Italy

Case study: ISG Heating Equipment (Shanghai) Co.,Ltd.

<http://youtube.com/watch?v=yd3mqAqcmd4>

1. GENERAL INFORMATION

1.1 Please indicate your email address *

1.2 Surname, name of the person fulfilling the questionnaire *

1.3 Title *

1.4 Age range *

1.5 Position *

1.6 Do you have any previous work experience in Germany? *

1.7 Is this your first investment abroad? *

1.8 Have you studied abroad? *

(meaning, having spent more than three months abroad)

2. COMPANY

2.1 Full name of the headquarter(s) *

2.3 Location of the headquarter(s) *

2.4 Full name of the subsidiary/controlled firm in Germany *

2.5 Location(s) of the investment(s) in Germany *

2.6 Year of establishment of the company in Germany *

2.7 Core business *

(according to "The green tech sectors" classification provided by the EU SME Centre)

- ☐ Cleaner conventional energy (cleaner coal, cleaner oil, cleaner gas, nuclear power)
- ☐ Renewable energy (wind, solar, bioenergy, hydropower)
- ☐ Electric power infrastructure (transmission, distribution, energy storage, demand management, supply flexibility)
- ☐ Green building (green building design, sustainable materials, power efficiency, water efficiency, energy efficient appliances)
- ☐ Cleaner transportation (road, rail, air, waterway)
- ☐ Others (efficient processing, optimised design, sustainable materials, monitoring systems)
- ☐ Clean water (water extraction, water treatment, water distribution, water use, wastewater treatment)
- ☐ Waste management (waste collection, waste recycling, energy from waste recovery, waste treatment, sustainable waste disposal)
- ☐ Sustainable forestry and agriculture (sustainable management, optimised crops)
- ☐ Other:

2.8 Number of employees in the company in Germany *

2.9 Number of English speaking employees in Germany *

2.10 Number of Chinese speaking employees in Germany ***2.11 Total revenue of the company in Germany in 2014 (approximate value in USD) *****2.12 Reason(s) for choosing Germany ***

(grade from 1 to 5, where 1 means not relevant, 5 means very important)

	1	2	3	4	5
Access to local market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Presence of a local business partner	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability/acquisition of key technologies and brands	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability of skilled labour	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Low labour cost	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tax regime / Free tax zone/technology parks/ special economic zone	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Incentives and supportive policies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Logistical reasons	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cultural and language factors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Existing connections	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

2.13 FDI entry mode choice *

- ☐ Greenfield investment
☐ Merger and acquisition
☐ Joint venture
☐ Wholly owned subsidiary
☐ Other:

2.14 What are the reasons of your entry mode choice? *

(grade from 1 to 5, where 1 means not relevant, 5 means very important)

	1	2	3	4	5
Existing contacts	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Previous experience in/with Germany	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cultural factors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Legal factors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Economic factors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Political factors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Others	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3. PRE-MARKET ENTRY PERCEPTIONS

3.1 BEFORE entering the market did you encounter any of the following non-regulatory obstacles (operating, market and infrastructure difficulties)? *

(grade from 1 to 5, where 1 means not relevant, 5 means very important)

	1	2	3	4	5
Cultural differences	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Unfamiliarity of Chinese employees with Western style management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Hiring and maintaining talented local people	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Managing local employees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cost of personnel and other resources	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Currency risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Problems understanding the German environment/market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
General negative perception of Chinese investment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of suitable schooling facilities for children	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of expatriate community	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of awareness of the importance of environmental protection	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3.2 Please grade your perceptions of difference between your country and Germany you had BEFORE entering the market, in terms of: *

(please use a scale of 1 to 5, where: 1 = “no real difference”, 5 = “very great difference”)

	1	2	3	4	5
Geographical distance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Language	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of education	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of technological development	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of economic development	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Logistical infrastructure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Political system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Legal system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regulations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accepted business practices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Business ethics	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3.3 Please grade your perceptions you had BEFORE entering the market, as above, but in this case in terms of impact on your business in Germany: *

(please use a scale of 1 to 5, where: 1 = "does not impact on my business at all", 5 = "impacts on my business very much")

	1	2	3	4	5
Geographical distance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Language	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of education	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of technological development	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of economic development	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Logistical infrastructure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Political system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Legal system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regulations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accepted business practices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Business ethics	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3.4 In your opinion, BEFORE entering the market, how important was the knowledge of the: *

(grade from 1 to 5, where 1 means not relevant, 5 means very important)

	1	2	3	4	5
German culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
German language	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4. POST-MARKET ENTRY PERCEPTIONS

4.1 AFTER entering the market, did you encounter any of the following non-regulatory obstacles (operating, market and infrastructure difficulties) in Germany? *

(grade from 1 to 5, where 1 means not relevant, 5 means very important)

	1	2	3	4	5
Cultural differences	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Unfamiliarity of Chinese employees with Western style management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Hiring and maintaining talented local people	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Managing local employees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cost of personnel and other resources	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Currency risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Problems understanding the German environment/market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
General negative perception of Chinese investment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of suitable schooling facilities for children	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of expatriate community	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of awareness of the importance of environmental protection	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Existing connections	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4.2 Please grade your perceptions of difference between your country and Germany you had AFTER entering the market, in terms of: *

(please use a scale of 1 to 5, where: 1 = “no real difference”, 5 = “very great difference”)

	1	2	3	4	5
Geographical distance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Language	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of education	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of technological development	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of economic development	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Logistical infrastructure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Political system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Legal system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regulations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accepted business practices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Business ethics	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4.3 Please grade your current perceptions as above, but in this case in terms of impact on your business in Germany (so AFTER entering the market): *

(please use a scale of 1 to 5, where: 1 = "does not impact on my business at all", 5 = "impacts on my business very much")

	1	2	3	4	5
Geographical distance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Language	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of education	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of technological development	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of economic development	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Logistical infrastructure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Political system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Legal system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regulations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accepted business practices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Business ethics	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4.4 AFTER entering the market (currently): how important is the knowledge of the: *

(grade from 1 to 5, where 1 means not relevant, 5 means very important)

	1	2	3	4	5
German Culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
German Language	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

5. YOUR IDEA ABOUT "CULTURE"

What does "culture" mean for you? *

Please, dedicate us some minutes to give us your own idea of culture (about 100 words)