The Emergence of Resources Seeking Chinese Firms’ Specific Advantages in Emerging Market

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Abstract: It is argued that the role of the Chinese government to support the cross-border operations of Chinese firms is to assist these firms in overcoming their limited established brands, and their disadvantages in technology and managerial resources, which were also the reasons why such firms decided to enter emerging markets instead of developed markets. This strategic choice is preferred to avoid direct confrontation with established firms from developed countries endowed with superior ownership advantages. Therefore, Chinese resources seeking firms innovate by increasing investment in developing and emerging markets to develop unique ownership advantages for sustainable market development and competitive advantage. This research investigates the ownership advantages of resources seeking Chinese firms in these markets using the OLI theory. The paper contributes to explaining the specific advantages of Chinese MNEs when entering emerging markets. The study applied a two-stage qualitative methodology to examine Chinese firms operating in Nigeria. The first stage included an exploratory study based on interviews with key informants and experts while the second stage included a case study methodology. The study focused on resources seeking Chinese MNEs operating in Nigeria.

Keywords: resources seeking MNEs; emerging markets; ownership advantages; OLI theory and Chinese firms

1. Introduction

Ownership advantages are firm-specific competitive advantages that the firm possesses [1,2]. It is the why of MNEs activity [3] which are created through firm international experience, size, product differentiation, and product adaptability [4]. These intangible advantages create an added value to the firms and also aid the decision-making processes of these firms because it assists a firm in determining when these variables are transferable at a reasonable cost and in answering the question of why it should operate in another country. When firms have these advantages, they help to overcome the costs of cross-border production and increase the firm’s revenue. It is seen as providing a competitive or monopolistic advantage to the firm when they derive economic rent [5]. These advantages are otherwise known as ‘competitive’ or ‘monopolistic’ advantages that compensate for the additional costs associated with setting up and operating abroad.

Dunning [3] identified several firm-specific advantages that give resource seeking MNEs an advantage over existing competitors in the host country [3]. They are capital, technology, access to market, complementary assets, size and negotiating strength, informational, management and marketing and organizational skills. These superior resources or
capabilities [6] include surplus R&D capacity, economies of scale and scope, ability to generate brand, firm size and experience, know-how capability and production differentiation.

It has been noted that several firms from emerging markets, most especially Chinese resource seeking firms wishing to operate in developing markets, behaved differently due to the lack of these superior specific advantages over existing competitors [7,8]. Recent arguments of notable IB scholars, the likes of Buckley [9], Hernandez and Guillén [10], and He, Khan, Lew, and Fallon [11] supported the above statement that existing theories did not take into account the behavior of these firms. Namibian and others [12], supported the informed contributions of these major theories as they served as theoretical foundations for most of the extant research in international business but most of them came up short in their applications to emerging market situations. Therefore, the emergence of resources seeking Chinese MNEs with large-scale business activities in emerging markets demands attention since they are not properly accommodated in most of the existing theories.

The emergence and large-scale operations of resource seeking Chinese MNCs in developing markets present considerable implications for international business theories. This study is advancing the applicability of existing OLI theory in relation to Matthew [7,13] and Luo and Zang’s [14] advancement of other existing theories to provide relevant theories adequate for emerging MNEs’ internalization. Dunning [15] and Narula [16] argued that the ownership, location, and internalization advantages (OLI) paradigm provides a theoretical basis for EMNCs’ emergence and their internationalization behavior. These provided them the opportunity to move from the realm of imitators to fully globalized and innovative firms [13]. This study is to explore the advantages that orchestrated tremendous involvement of resources seeking Chinese operations in Nigeria.

2. Ownership Advantages of Chinese Resources Seeking Chinese

As mentioned, Dunning’s OLI paradigm is among the leading theoretical approaches to explain the internationalization of activities of Western multinational corporations. This theory holds in the context of western multinationals but not necessarily for firms from emerging and developing countries. Research shows that the majority of ownership advantages are missing in Chinese multinationals [7,17] therefore the success of a Chinese firm’s internalization activity cannot be based entirely on the ownership advantages that are present in western multinational enterprises [18,19], because conventional OLI theory doesn’t fully account for Chinese MNES behavior and these firms’ motivations differ from established Western MNEs [7,11,14,16]. However, OLI still provides a framework from which to build a new analytical framework to explain Chinese multinational firms in developing countries [15,16].

Resources seeking Chinese firms do not possess the same ownership advantages as Western companies due to different institutional factors, liabilities of foreignness, and liabilities of newness [20]. However, Chinese firms enjoy strong support from the Chinese government [21], allegedly overcoming their limited international experience and established brands [18,21]. Other advantages offered are sales channel power (monopolistic positioning), size and monetary resources, human capital, and technology [3,18,21–23]. The contrast between ownership advantages of resources seeking multinationals from developed countries and China are presented in Table 1, and each advantage is discussed in the following sections.

Table 1. Ownership advantages of resources seeking firms.

<table>
<thead>
<tr>
<th>Resources Seeking MNEs</th>
<th>Chinese Resources Seeking MNEs</th>
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<tbody>
<tr>
<td>-Capital</td>
<td>-Government Support</td>
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<td>-Technology</td>
<td>-Supporting network (Guanxi)</td>
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<td>-Access to Markets</td>
<td>-Sales Channel Power</td>
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<td>-Complementary Assets</td>
<td>-Size and monetary resources</td>
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<td>-Size and Negotiating Strengths</td>
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2.1. Government Relationship

The relationship between the Chinese firms and the government is the core of China’s economic reform [23]. The widespread involvement of the state in the international activities of Chinese firms helps them to maintain a symbiotic relationship of mutual interest with the government that is beyond commercial activities [23]. It is entangled with many facets of interest, including the Chinese government’s ability to control its domestic economy, enhance state stability, and attain economic power in the global arena [25]. In some instances, companies such as China National Offshore Oil Corporation enjoy monopolistic privileges to operate in strategic industries [25].

Besides this, the Chinese government played a positive role by using a series of policies and state-owned financial institutions to support Chinese firms [26], including resources seeking Chinese firms [24]. Preferential arrangements include financial aids, management autonomy, profit retention, low-interest financing, favorable use of home currency for exchange, and reduced taxation [27].

2.2. Supporting Network

There has been growing interest among researchers in the influence of networking on operations of resources seeking Chinese firms in emerging markets. [28,29] pointed out that a supporting network is a key strategic instrument of Chinese firms’ activities that links Chinese investors from home to host countries to promote professional esprit de corps, which leads to knowledge and experience sharing [30]. This practice is consistent with the concept of Guanxi, or social networking, which has been identified as one of the ownership advantages specific to the Chinese [19,23].

Chinese firms’ interest in cross-border activity is highly encouraged by their extensive networking in other parts of the world [31]. Chinese firms are widely known to engage in extensive networking in search of opportunities to achieve corporate goals [7,32]. These forms of personal connection and special relationships are used as substitutes for formal institutional arrangements and are also employed to compensate for ownership and location disadvantages [23]. Chinese firms may be lacking in experience and established brands but supporting networks and the guanxi factor play a major role in the internalization drive of these companies. In Nigeria, a good number of Chinese investments were established through companies in Hong Kong and Taiwan [33,34].

2.3. Sales Channel Power

This is the ability of a channel member to control the marketing variables of any other member in a channel at a different level of distribution [35]. Channel members in China depend on the ownership structure and there are considerable unequal distributions of power among the different actors [36]. According to Polsa [36], Chinese state-owned actors tend to have management freedom, experience, and financial and social resources to operate more extensively than the other two actors. State-owned actors tend to dominate the distribution of material sources abroad. They are in a sort of monopolistic position against the other actors most especially in the private sector. Resource seeking Chinese firms’ relationships with channel actors is positively linked to the concept of guanxi [22]. Network actors do most of the distribution within their network, and the source of their power is based on the value of their respective relationships in China.

2.4. Size and Enormous Resources

One of the important features of Chinese firms is their size and the monetary resources at their disposal [24,37]. The reform of large state-owned enterprises [37] provided resources seeking Chinese firms an advantage to access a large pool of capital [24]. Examples of preferential financial arrangements provided to these firms include financial aids, profit retention, low-interest financing, and reduced taxation [27]. Chinese firms possess access to special financing channels such as state allocation, state-owned national banks, and national government financial sources for the international market.
Dunning [38] noted that large firms endowed with resources such as skilled labor, monetary resources, and suitable investment opportunities have a greater tendency to move abroad. In this case, Chinese firms are no exception. Their size is related to resources which in turn is a strong determinant of growth through foreign direct investments [37].

2.5. Technology

Multinational enterprises should possess superior technology [17] to engage in cross-border activities. Some technology developed by Chinese firms in China was found to be unreliable and of low quality compared to foreign technology made in China [39]. The low level of Chinese technology [40] may not be adequate to compete favorably with their Western counterparts but it gives them unique leverage in developing countries [41]. Chinese technology has not only a cost advantage in developing countries, but its accessories are also unsophisticated [42,43], less expensive [44–46], and readily available [47].

Furthermore, emerging markets provide a suitable ground for Chinese firms to launch their brand of technology [41]. For example, recently, the Nigerian market was flooded with Chinese products with 100% Chinese technology, such as Chinese heavy-duty mining dump trucks, China-made Hono trucks, and Keno tractors. Another example in Nigeria is the electronic consumer market (televisions, air conditioners, refrigerators, and mobile phones). These products are cheaper than those from countries with advanced technology and they come with inexpensive spare parts. A good number of government and private contracts were also won and successively carried out by Chinese firms. One of these is the Dangote Cement plant in Ibese, Ogun State, built by Sinoma, a Chinese firm [48].

In summary, with the development of emerging market institutions and changes in environmental factors due largely to reforms and engagement with other emerging markets, there is pressure to examine the behavior of MNCs firms from these markets as they engage with each other. In this case, we deal with two countries, China and Nigeria, and the literature revealed that Chinese firms’ internalization cannot be determined solely by ownership attributes experienced by Western firms. Unique factors such as Government relationship with Chinese MNCs, Home and abroad supporting networks, Chinese type of technology, Chinese MNCs’ enormous resources, and an impregnable sales channel network of Chinese MNCs are important factors that distinguish them from other MNCs in the Western world. Although terms such as technology; capital and size, and monetary resources are similar, government relationships, support networks, and sales power channels revealed the differences between developed markets and emerging market ownership advantages. Table 2 below showed the similarities and differences which are to be tested further in the exploratory stage of this research.

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<tr>
<th>Similarities</th>
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<td>2. Technology</td>
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<td>3. Supporting Network</td>
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3. Methods

The explorative nature of this investigation to draw a distinction between Western firms and emerging firms determined our consideration for the choice of qualitative research method with a focus on the case study. This method is adequate for this research because previous knowledge may not be adequate to shed light on the activities of emerging markets MNCs operating in emerging markets. Therefore, the choice is an important tool to identify and understand the new phenomenon that is rising rapidly concerning Chinese MNCs’ activities in Nigeria. It is suited to opening the black box of the organization process [49].
Given the number of Chinese MNCs operating in Nigeria, it will also be a difficult task to adopt a quantitative research method even though it is considered the best approach for MNC study in IB. Its richness in developing new theory [50] and contributions to an in-depth understanding of the context in the real-world justify its adoption for this study. The study on resources seeking Chinese firms’ ownership advantages applied a two-stage qualitative methodology [51] to revisit the specific ownership advantages of resources seeking Chinese firms operating in Nigeria.

As an exploratory empirical study, the aim of this paper is to capture and justify the appropriateness of the constructs assembled from the literature that were tested in stage two using the case study method. The new concepts from the literature cannot be used directly, they need to go through robust scrutiny, confirming identification and addition through several expert’s involvement using open question interviews made this preliminary section inevitable. The second stage aimed to further address the issues identified in the first stage. It offers in-depth empirical inquiry to investigate contemporary issues within a real-life context to provide rich information through multiple sources to describe the phenomenon.

3.1. Preliminary Study

The first stage includes a preliminary study encompassing exploratory interviews for the first part of the investigation [49,50,52]. The exploratory research interview method is acknowledged for its effectiveness to justify the appropriateness of the resources seeking Chinese firms’ ownership advantages constructs assembled in the research. Besides justifying and validating the relevance of the constructs, it also led to the identification of new concepts in the final development of the list of ownership advantages specific to Chinese resources seeking firms in emerging markets.

This exploratory research was in two phases. The first phase included a detailed review of the literature and face-to-face interviews with seven academic experts in the field of International Business, two academic experts in the field of China-African studies from Mainland China, and three from Hong Kong and two from Macau. Considering the goal of this paper, the second phase in the exploratory study involved six CEOs and fourteen Managers doing business in Nigeria and China as indicated in Table 3. The six CEOs participated in both exploratory and case study interviews. The remaining fourteen participants were seasoned managers involved in exportation and importation businesses across the two countries.

Table 3. Preliminary exploratory study interview participants.

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Key: Language: English 1, Cantonese 2, Mandarin 3, Yoruba 4, Igbo 5, Hausa 6; Position: Academic Professor 1, Manager 2 and CEO 3; Nationality: Chinese 1, Nigerian 2; Location: Macau 1, China Mainland 2, Hong Kong 3

We start with a purposeful sampling strategy using a snowballing or chain sampling approach to gather Chinese and Nigerians doing business in China and Nigeria. The approach helps us locate information-rich informants [53] because the first respondents directed us to the next respondent who has vast knowledge and experience in the area of this study. [53]. These respondents were chosen because they all have a good number of years of dealing in business activities in Nigeria and Mainland China. All the respondents also speak English, and the majority of them can speak either Cantonese or Mandarin. This makes it very easy to conduct the interview with the assistance of two secretaries.
without missing important valued points. These 27 respondents were contacted, and the face-to-face interviews took place in Macau, Hong Kong, and Mainland China.

The data analysis process began with the transcription of responses from the interview because a majority of the interviewees did not agree to the use of audio and video materials. Therefore, qualified assistants were engaged to take notes along with me, to make sure every word was recorded, and not to lose the meanings of issues discussed by respondents during the interview. Next, themes drawn out from the discussions were categorized and differentiated by attaching labels such as phrases and sentences to ‘chunk’ the data from the 27 interviews. Finally, new codes and categories were added as they were discovered during the reading and revision of the data, which simplified the process of highlighting cogent quotes and themes necessary for the analysis of the data.

This first approach used in this paper allowed us to dig deeper into the phenomenon as it is appropriate for under-researched areas and also contributes to an in-depth understanding of the context in the real world [54] and solving practical research [55]. The Chinese firms’ specific advantages such as government relationships, supporting networks, sales channel power, size, and monetary resources and technology, found in the literature were validated and considered appropriate for the exploratory study. The first stage findings revealed further that the two-stage research adopted is appropriate. There were modifications, and supporting networks and sales channel power were combined as supporting networks. On the other hand, ‘Chinese technology’ was adopted to differentiate from other technologies from advanced countries. Size and monetary resources also changed to size and enormous resources, and supporting infrastructures initially seen as a location advantage was considered as ownership advantages of Chinese MNEs.

3.2. Case Studies

Considering the difficulties associated with using quantitative survey instruments with Chinese firms operating in emerging markets as well as using exploratory research interviews alone is not sufficient for research of this nature. Therefore, the findings in the stage one exploratory research set the stage for the second stage study using multiple interview-based case studies to establish the final ownership advantages of Chinese MNEs in emerging markets. The approach appeals in its ability to collect data necessary to address all the issues identified in the exploratory stage of the research. The ownership advantages were developed into five concepts (identified in the literature and tested and explored in stage one of the research) to study the ownership advantages of resources seeking Chinese firms operating in emerging markets. The method offers the researcher the ability to substantiate the final part of the inductive processes because it offers a detailed investigation in terms of data analysis, vis-à-vis the application of preliminary interviews.

The second phase began with six in-depth cases, which included twelve main case interviews on the basis of purposeful sampling, identifying theoretical and literal replication as indicated in Table 4. They were top management personnel from the level of Senior Manager to Group Chairman. They were selected based on their understanding and involvement in bilateral trade agreements between Nigeria and China. Their roles and experience in managing Chinese resources seeking firms in Nigeria were considered important factors. Each of the participants was contacted by phone and a consent letter was immediately sent by mail. A detailed but brief explanation of the nature of the research was made by phone. The consent letter expressly detailed the purpose and benefits of collecting the information. Participation was made voluntary and the right to withdraw from the exercise was available. An assurance to protect privacy, respect identities, and the identification of the researcher and their affiliations were provided. A minimum of one and a half to two hours was assigned and devoted to each interview but the longest lasted about two hours and fifteen minutes.
Table 4. Cases and interviewees’ profiles.

<table>
<thead>
<tr>
<th>Case Codes</th>
<th>CA</th>
<th>CB</th>
<th>CC</th>
<th>CD</th>
<th>CE</th>
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<tbody>
<tr>
<td>Interviewees’ Codes</td>
<td>CA1</td>
<td>CA2</td>
<td>CB1</td>
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<td>Key</td>
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In the research, codes were developed to represent the identities of the respondents and their employers in the data. The quotes and perceptions of the interviewees were directly included in the analysis and research findings without disclosing their true identities [53,56]. These steps enhanced the quality of the data collected from each interviewee who felt at ease to give his/her maximum support to reveal enrich information as to whether the resources seeking Chinese firms’ constructs should be considered as firms’ specific advantage. The strategies help the researcher to entrench the rights of all the stakeholders and adhere to ethical considerations. The data collected were guided by the concepts analyzed.

All the interviewees occupied a top position at the time of interview.

4. Findings

Based on the convergence of seven experts in the field of International Business, six CEOs and fourteen Managers’ views expressed in the interviews, the respondents involved ownership advantages popular with developed markets resources seeking MNEs such as capital, technology, access to markets, complementary assets and size and negotiating strengths into what they regarded as ownership advantages of Chinese resource seeking MNEs -Chinese government relations, Chinese type of technology, supporting networks, enormous resources, and impregnable sales Channel networks of Chinese MNEs were identified as important factors that distinguish them from other MNEs. They also agreed, through their preliminary interviews, that these five factors in the literature are useful constructs relevant for the case study of Chinese firms’ ownership advantages specific to resources seeking Chinese MNCs. Therefore, the presentation of the findings is to synthesize the respondents’ views from the exploratory stage and case studies in the form of the emergent themes related and linked to Chinese resources seeking ownership advantages in Nigeria. Each of the five specific concepts is discussed below.

4.1. Government Relationship

In stage one, Chinese managers mentioned frequently the role of the Chinese government in supporting the internationalization process. For example, P3 mentioned that “The objective of sourcing for raw materials to fuel Chinese growth and development make the home government to provide for the financial need of the Chinese firms in Nigeria”. Another participant (CA1) in stage two emphasized that “Chinese government provided different opportunities and avenues to help (Chinese firms)… they have unhindered access to cheap loans through their export and import bank–(the) Export-Import Bank of China. Participant (P19) also mentioned that “over 3 billion US dollars has been invested by the Chinese government on Chinese firms operating in Nigeria”, and participant CB2 confirmed vividly that “My government financially encouraged the move to Nigeria”.

Nigerian managers also recognized the distinctive role of top Chinese and Nigerian leaders in helping Chinese firms to handle major projects in Nigeria. This indirectly opens financial sources for Chinese MNEs in Nigeria. Participants CB1reinforced the belief that “An agreement with Nigeria’s Communications Ministry for a Telecom Network project was witnessed by the Presidents of China and Nigeria-Mr. Hu Jintao and Chief Olusegun Obasanjo in Beijing … and CF1 summed it up rhetorically “with these types of people working for Chinese company success is sure in Nigeria, why do you think they would not like to do business in our country”.
The experts and business executives unanimously identified that resource seeking Chinese firms are fulfilling their home country objectives as indicated by participants 3 and CC2 that “Nigeria is blessed with majority of natural resources such as oil and gas, iron ore, Kaolin, gold and cassava and the objective of sourcing for raw materials to fuel Chinese growth and development make the home government to provide for financial need of Chinese MNEs in Nigeria”. It is evident from this plethora of views that the relationship between Chinese firms and their home government is a form of competitive advantage. Financial support, preferential treatment, and management autonomy were identified as important factors that establish the Chinese government’s relationship with Chinese firms in Nigeria.

4.2. Supporting Network

Different networks were identified by the majority of the respondents such as the Nigerian-China network, old generation Chinese firm network, and new generation Chinese firm network. The majority of respondents in stage one of this research saw this as a link to their participation in trade and business-related activities in Nigeria and as an important factor attracting new Chinese firms to engage in business in Nigeria. For example, P16 confirmed that “No matter which of the networks on which they came into Nigeria, there is no distinction among these networks. Whether it is the Nigeria-Chinese government network with Nigeria government, old generation of Chinese firm’s network and individual company network” This axiom was supported by Chinese manager (CB2) that “the network that brought us to Nigeria and other developing world is the network between our government and most of these countries”.

It was confirmed in the two stages that this general attitude of Chinese firms working together was exploited to resolve common problems in Nigeria. For example, P6/CE2 stated that training and helping new members to negotiate contracts and agreements with local firms and fighting common problems such as double taxation and frequent public holidays make them even better than most Nigerian firms. In the same manner, its Chinese counterpart (CF1) established that “we provide information they required to start their business in Nigeria and whenever they run into troubles, we are willing hands to help them out of it”. He further claimed that any new Chinese company that needs their assistance must be a member of the association. A few Chinese elites such as Philip Tung and Jacob Wood were mentioned. They are used to the Nigerian business environment and were mentioned with more than six decades of experience.

Interestingly, respondents tend to see congruence in supporting network and sales channel power as Chinese firms benefit from the symbiotic relationship among themselves. The influence of their interconnection, interaction, and cooperation is seen as a specific advantage in terms of a formidable network to support each other. Issues such as institutional distance and liabilities of foreignness were addressed through this type of experience-sharing framework. Many of the respondents believed that they are at home in Nigeria. For instance, CE1 set the record straight with “It is only Chinese people who know African people very well. Nigerian and Chinese have the same Culture”. Finally, a Nigerian manager concluded that “these Chinese supporting network do influence most of Chinese firms to Nigeria”.

4.3. Chinese Technology

The theme was captured within these four dimensions: affordability, availability, maintainability, and unavoidability considering the views of the majority of respondents from both stages one and two. For example, in stages one and two, Chinese managers P4/CD2 claimed that Chinese types of technology are affordable and available “Not only that they are fast moving products … the price is affordable and they are everywhere in Nigeria … investment cost is very low compare to when you have to import heavy machines from Europe”. Likewise, senior Chinese managers recognized why the products are available at the lowest price and against the market price. CD1 insinuated that both
Nigerian and Chinese hugely contributed to the affordability of Chinese technology. “Low labor cost at home and host countries coupled with great talents to develop the best products at affordable price advantage”.

One common thing about Chinese technology in Nigeria is that the cost of maintaining Chinese technology is really low and therefore accepted by users. CD2 established this fact when stating “It is not easy to find other accessories from other countries in Nigeria . . . . the reason is that Chinese tech parts are very cheap in Nigeria and they are able to buy them”. A Chinese manager purposely claimed that they are able to achieve that because they are in the best position to meet Nigerian business needs, “you know that we are also from a developing country; we do understand what business environment in developing countries looks like”. We fully understand what Nigeria needs from us (CB1). Therefore, CC1 concluded that “Nigerian consumers are faced with many Chinese brands that are very cheap at a reasonable good quality”.

Chinese types of technology are not just available and affordable; they are meeting the needs of Nigerian users such as telecommunication companies even though there were slightly different opinions from some quarters. “The quality may be below what we use to get from Europe years back but is the right thing to have started during the time of President Obasanjo’ (CE2)”. A Chinese manager claimed that “We do not believe in substandard products because Hi-tech technology cannot be compromised at the level we operate”. Apart from testimonies from Hi-tech companies, a Nigerian manager (CF1) working with hard resources seeking Chinese firm testified and provided examples of such products as the China Hono Truck, BZK D45 Dump Truck, Keno tractors, and other heavy-duty agricultural products by Beijing Zhonghua and Changzhou Dongfeng companies.

The participants claim that the Chinese level of technology was ideal for resource extractive activities in Nigeria since they do not only meet the need in this market but are also available and affordable and invariably become unavoidable. These are justifications for the theme of inclusion as an ownership advantage. It was repeatedly claimed as ‘Chinese technology’ to differentiate it from other technologies in advanced markets.

4.4. Size and Enormous Resources

Another important firm’s specific advantage that emerged repeatedly from this study is the size and sufficient resources at the disposal of Chinese resource seeking firms operating in Nigeria. Evidence from stages one and two show that resources such as skilled labor, monetary resources, and technology were deployed for investment opportunities in Nigeria. A Nigerian businessman (P13) made the assertion that “They are not the type of organizations that wait for foreign government assistance before they realize their objectives”. In stage two, a senior Chinese manager (CD2) provided the opinion that “The money they possess without considering what they get from my government to transact business for them is enough to take over business in Africa”.

Resources seeking Chinese firms are known to be large because of their antecedent and capabilities in all business areas in Africa. For example, a Chinese manager in Nigeria confirmed that “Chinese firms in Nigeria such as ZTE, Huawei, SINOPEC, and CNOCC are big companies and are as big as other firms from other countries” (CD2). They become bigger in Nigeria due to their formation and structure. According to participant CF1, he claimed that “The first company my Grandfather established when he came to Nigeria was known a (large Chinese Company) . . . he brought (three other large Chinese. companies to Nigeria) . . . from Enamel wares, we moved into metals, plastic, glass, wastepipes, fibre weaving, iron, mining and steel” (CF1). Another Chinese Manager (CA1) confirmed the above statement “My company has not metamorphosed into any group like Lee Group, Wempco Group and other Chinese conglomerations . . . but still in the process of becoming a big Chinese firms in Nigeria”.


The size of their resources positions the Chinese firms to be recognized in Nigeria and other developing nations. Their ownership structure influences the nature and composition of each group of companies. The formation provides the opportunity to demonstrate their intention to work in different mining companies. It also reveals a unique capability that differentiates them with an added mining advantage from both local and foreign competitors.

4.5. Supporting Infrastructures

There were general indications from stages one and two that supporting infrastructures are inadequate for resources seeking Chinese firms to achieve their goals. It was reputedly mentioned by Chinese and Nigerian managers (CE1/CD1) that “Nigeria cannot be compared to China in term of infrastructures facilities but its government is trying to provide the basic ones” and “Nigeria is not having the best infrastructures now but they are still enough for Chinese companies to invest in Nigeria”. In stage one, P1 and P6 supported CE1’s assertion of what needs to be resolved in the provision of unavailable facilities in Nigeria before achieving their goals because of the poor state of infrastructures in Nigeria. “Chinese firms have started investing in infrastructures by bringing in technology aim for infrastructures development . . . Huge amount of resources was deployed into Nigeria to provide supporting infrastructures and engagement in providing facilities that will aid development to Nigeria”.

Inadequate infrastructures pose complications in operating business in Nigeria. A Chinese manager rhetorically complained about the poor condition of Nigerian roads. “Nigerians roads have caused us so much when our Lorries involved in series of accidents...we have to cover so many distances on road since there are limited numbers of airport base in Nigeria” (CD2). In the same manner, another manager from China operating in Nigeria said to CC1 “Nigerian business men cry every day because of epileptic nature of power in the country; we do not complain. Instead we decided to generate power more than what we need. We give out to the nearby communities” a statement supported by a Nigerian manager CF1. Some of the firms from China knew that they needed to provide basic infrastructures before they can get what they want such as natural resources (CC1/CF1).

To resolve the inadequacies, Chinese resource seeking firms entered into an agreement with the Nigerian Government according to CC1. “Nigerian Government allowed these firms to create their own infrastructures . . . to build, operate and transfer (BOT) at later date”. In summary, the lack of quality supporting infrastructures in Nigeria should have discouraged Chinese firms from investing in the solid mineral sector as inadequacies had caused the majority of Chinese firms to lose properties, time, and lives. However, the decision or agreement to join forces with the Nigerian government in order to improve the standard of supporting facilities that will provide access to natural resources in Nigeria creates a sort of advantage for Chinese resources seeking Chinese firms.

4.6. Findings: Similarities and Differences

From Table 5 below, the findings confirm that there were similarities and differences in Dunning’s lists of Ownership advantages and resources seeking Chinese MNCs. The literature review and exploratory study showed that capital/size and enormous resources are similar in nature compared to government relationships, support networks, and supporting infrastructures are features specific to Chinese MNCs. In the final stage, access to markets, complementary assets, and size and negotiating strengths are not specific features of Chinese MNCs.

<table>
<thead>
<tr>
<th>Types</th>
<th>Literature Review</th>
<th>Exploratory Study</th>
<th>Case Study</th>
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<tbody>
<tr>
<td>Similarities</td>
<td>Capital/Size and Monetary Resources; Technology</td>
<td>Size and Enormous Resources; Chinese Technology</td>
<td></td>
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</table>
Table 5. Cont.

<table>
<thead>
<tr>
<th>Differences</th>
<th>Literature Review</th>
<th>Exploratory Study</th>
<th>Case Study</th>
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<tbody>
<tr>
<td>Chinese MNCs</td>
<td>Government Relationship; Sales Channel Power; Supporting Network</td>
<td>Government Relationship; Supporting Network; Supporting Infrastructures</td>
<td>Government Relationship; Supporting Network; Size and Enormous Resources; Chinese Technology; Supporting Infrastructures</td>
</tr>
<tr>
<td>Developed Market MNCs</td>
<td>Complementary Assets; Size and Negotiating Strengths; Access to Markets</td>
<td>Complementary Assets; Size and Negotiating Strengths; Access to Markets</td>
<td>Complementary Assets; Size and Negotiating Strengths; Access to Markets</td>
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5. Discussion

This finding provides empirical confirmation that Chinese government-firm relations manifested under the soft provisions from the parent body. For instance, financial support [21,57,58] preferential treatments [24], and management autonomy [59–61] provided resources seeking Chinese firms’ additional advantages over their competitors in an emerging market. It was noted that the relationship between Chinese firms and their government is the core of China’s economic reform [23]. This was due to long years of ownership structure between them, a strategic tool to achieve political and economic gains. On this ground, a series of policy tools and state-owned financial institutions were used to financially support Chinese firms [24]. Financial support, management autonomy, and preferential treatment are vividly reflected in resources seeking Chinese firms’ performance in Nigeria.

The research further expanded the values associated with foreign supporting networks by Chinese firms operating outside their domain to demonstrate the development of core competence in relational/supporting networks termed Guanxi is an important form of Chinese firms’ specific advantages [19,23,29]. The research confirmed that the institution distance and liabilities of the foreignness phenomenon were addressed by the role of business networking because Chinese firms earn support through the linking of individuals and institutions in a knowledge and experience sharing type of framework [30]. The support of the Chinese network is a cultural phenomenon in China. It is seen as a system of social networks and influential relationships in Chinese society and it plays some important roles such as business relationship development and supporting the growth of firms’ operations both home and abroad. The research confirmed that Chinese firms are widely known to engage in extensive networking in search of opportunities and performance [7,32].

The research also found that availability [47], affordability [45,46,62], and the maintainability of Chinese technology in the emerging market make their substandard technology relevant. Chinese substandard technologies in this regard are a case of relative or comparative advantage for Chinese multinationals operating in emerging markets [41]. The firm’s level of technology may not be adequate to compete favorably with their Western counterparts, but it gives them unique leverage in developing countries. Chinese technology is what developing countries need because of its cost advantage. The spare parts are readily available [41], unsophisticated [42,43] and less expensive [44–46].

Enormous resources such as skilled labor, monetary resources, technology, and suitable investment opportunities [63] are important features of Chinese firms [11]. The research found that the Chinese government used its control power over state-owned financial institutions to provide resources seeking Chinese firms’ adequate sources of financial resources. Examples of preferential financial arrangements are financial aids, profit retention, low-interest financing, favorable exchange rate, and reduced taxation [27]. Other special financing channels are state allocation, state-owned national banks, and national government financial sources for the international market. From these indications, without the Chinese government’s implicit and explicit control over these firms, the financial structures would not have been erected. Therefore, the ownership structure gives Chinese firms the advantage of access to a large pool of capital [37]. It was rightly indicated that financial support in the form of state allocation and low-interest loans from State-owned banks makes
these Chinese firms super-rich to the extent that they do not wait for foreign government assistance before they realize their objectives of accessing natural resources in Nigeria.

Availability or improved supporting infrastructures such as power, water, transportation, telecommunications, and technology are critical for foreign direct investment into developing markets [4,64-68]. The research found that resources seeking Chinese firms made the inadequate resources adequate because inadequate infrastructures pose some form of complications in operating business in Nigeria. They also demonstrated their support to the Nigerian government to improve the existing facilities.

Resources seeking Chinese firms recognize the importance of quality supporting infrastructures; they entered into agreements to upgrade basic infrastructural facilities to facilitate their investments and also reduce the cost of operations. In reality, the lack of quality supporting infrastructures in Nigeria should have discouraged Chinese firms from operating in the solid mineral sector as most of the literature suggested, but the decision or agreement by resources seeking Chinese firms to join forces with the Nigerian government in order to improve the standard of supporting facilities was not confirmed from any literature. This effort to make the supporting infrastructures available at a better state categorized this element as resources seeking Chinese firm ownership advantage.

Basically, the paper reaffirmed the importance of the international business theory of eclectic paradigm by looking into the activities of Chinese resources seeking firms in emerging markets. A total of five ownership advantages emerged that have been considered before, with a few factors that are somehow similar contextually but different when operationalized. These were the use of Government-firm relationships, Supporting networks, and Chinese Technology. Size and monetary resources and Supporting infrastructures factors are contributions to OLI theory by John Dunning within the emerging market context.

6. Implication for Theory, Policy and Practice

The literature review implies that prior research can provide a framework for new research and the perceptions of experts and international business executives are essential to explore and refine new concepts and constructs to understand the activities of resources seeking firms in Nigeria. An exploratory research study also would not have been enough for a theory-building study of this nature, but a two-stage research method provided the window to understand the reality that old theories are inadequate to make new MNCs sustainable in today’s global markets.

A new approach of this nature also has implications for policymakers in emerging markets, and international business and marketing practitioners. The Chinese government can align with the Nigerian or other governments in emerging markets to further strengthen their bilateral relationship with elements that make resources seeking firms use these ownership advantages. The Nigerian government and other policymakers in emerging markets, provide incentives that will make MNCs invest in their market considering the dynamic nature of their environment.

One important piece of information to managers is that the research provides holistic or different business or marketing opportunities to resources seeking firms. They have to examine their specific advantages before internalizing them in emerging markets with abundant natural resources. Strong ownership advantages are the most important tools for resources seekers in emerging markets. It helps them to efficiently use the funding and resources at their disposal to gain a competitive advantage and aspire to achieve growth and sustainability.

7. Limitation and Direction for Further Studies

Despite the robustness of the qualitative analysis, this study has some noteworthy limitations. Qualitative research is rare in international business and the dominance of quantitative research is a limitation to the adoption of this research. There is also a limitation to the extent to which the findings can be generalized to the wider population.
Nonetheless, previous knowledge and ways of doing research may not be adequate to shed light on the activities of emerging multinationals operating in emerging markets. Qualitative research is a uniquely suited tool to identify and understand new phenomena that are rising rapidly within the research context. The research is also not aimed at testing pre-defined hypotheses. The research in this area is not exhaustive and there are promising avenues for future studies. Exploratory studies on the strategic motives of resources seeking Chinese multinationals as well as the outcome of internalizing the ownership advantages in other developing markets are further areas of study.

8. Conclusions

A total of five resources seeking Chinese firms’ ownership advantages emerged from this present research. The analysis of each of the constructs demonstrated the importance of revisiting ownership advantages as demonstrated by John Dunning. The evidence from data collected and examined showed that Chinese technology, supporting network, size, monetary resources, government-firm relationship, and supporting infrastructures are specific attributes of Chinese firms seeking resources in an emerging market. The findings confirm that there were similarities and differences in Dunning’s lists of Ownership advantages of capital, technology, access to markets, complementary assets and size, and negotiating strengths. These specific advantages enable the resources seeking firm to survive the business terrains in emerging and developing markets.

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