

The 23rd CEA(UK) and 4th CEA(Europe) Annual Conference  
“The Chinese Way of Economic Reform and Development in the Context of  
Globalization”

Co-organised by

Department of Financial & Management Studies (DeFiMS)  
and Centre of China Studies (CCS), School of Oriental & African Studies,  
Peking University Alumni Association in the UK

School of Oriental & African Studies, London

2-3 April 2012

**Impact of Political Capital on Strategic Knowledge-Seeking  
ODI:  
The Case of Private Entrepreneurs in Zhe Jiang Sewing Machine  
Industry**

Chen Ling, Zhejiang University<sup>1</sup>

and

Xu Yue, Hull University Business School<sup>2</sup>

(This is a brief of the primary version of the paper which is in progress, please don't cite.)

---

<sup>1</sup> Professor Ling Chen, Director of the Institute of Family Business, Zhejiang University, China, E-mail: ietlchen@zju.edu.cn

<sup>2</sup> For all correspondence: Dr. Yue Tina Xu, Lecturer of the Hull University Business School, Cottingham Road, Hull HU6 7RX, the U.K. E-mail: y.xu@hull.ac.uk. Telephone: + 44 -1482 463 191.

# **Impact of Political Capital on Strategic Knowledge-Seeking ODI:**

## **The Case of Private Entrepreneurs in Zhe Jiang Sewing Machine Industry**

### Abstract

This study extends corporate entrepreneurship theories to the international business research as emphasised by Buckley and Lessard (2005). The research integrates resource-explorative and resource-exploitative views in the study of knowledge seeking FDI behaviour of family firms from the Chinese sewing machine industry. The study aims to identify indigenous characteristics of family business focusing on the question of: ***What is the impact of political capital on strategic asset seeking FDI by the Chinese private/family entrepreneurs?***

Using longitudinal events, archive and interview data, we construct the trajectory of knowledge seeking behaviour of two leading firms: Feiyue and Jack. Both firms are located in Taizhou sewing machine industrial district in Zhejiang province where firms' **political capital** is revealed by their complex and long-term connections with the government at local, provincial and national levels. The results suggest that strategic knowledge seeking FDI activities of Chinese family firms are the function of factors from three dimensions: corporate entrepreneurial activities, political capital and competition contingencies. The preliminary key findings lead to a set of tentative theoretical propositions (Yin, 1994) for further large sample testing.

Our contributions are in twofold. First, by exploring the role of political capital the institutional content is included in analysing internationalization activities which has been called by Dunning (2006). Existing literature has focused on firms as an economic actor but less on its embeddedness in a wider society as a political and social actor. Second, the gradual but continuous economic liberalization and gradual institutional transition (Peng, 2003) in China suggest practical implications from this study as well. With potential ownership advantage derived from political capital, internationalization may allow the Chinese private/family firms that are not initially competitive in the world market to close the gap that separates them from leading companies. We found dialectic view of political capital is applicable. The study proves political capital have help to create some national champions to meet worldwide competition aimed by the government (e.g. Wang, 2009; Fligstern and Zhang, 2010). But in the mean time political capital may deter entrepreneurial freedom and cause irrational business venturing decisions.

**Keywords:** corporate entrepreneurship, knowledge-based theory, international venturing, family firm, political capital, China