



Lisbon School
of Economics
& Management
Universidade de Lisboa

MASTERS IN MANAGEMENT (MIM)

MASTERS FINAL WORK

DISSERTATION

FROM MARKET ENTRY TO LOCAL EMBEDDEDNESS: HOW GERMAN SUPPLIERS CAN COMPETE IN CHINA'S AUTOMOTIVE ECOSYSTEM

DAVID MISSEL

JANUARY - 2026



Lisbon School
of Economics
& Management
Universidade de Lisboa

MASTERS IN MANAGEMENT (MIM)

MASTERS FINAL WORK

DISSERTATION

FROM MARKET ENTRY TO LOCAL EMBEDDEDNESS: HOW GERMAN SUPPLIERS CAN COMPETE IN CHINA'S AUTOMOTIVE ECOSYSTEM

DAVID MISSEL

JURY:

PRESIDENT: MARIA EDUARDA MARIANO AGOSTINHO SOARES

SUPERVISOR: RICARDO MARINO FRANCISCO RODRIGUES

MEMBERS: DINIS VASCO PEREIRA DE MACEDO

JANUARY - 2026

ACKNOWLEDGMENTS

I would like to express my sincere gratitude to my supervisor, Professor Ricardo Rodrigues, for his valuable guidance, constructive feedback, and continuous support throughout this thesis.

I am especially grateful to my parents, Beate and Karl, for their unwavering encouragement, patience, and support during my studies. Their belief in me made this work possible.

Finally, I would like to thank everyone who contributed to this thesis, particularly those who supported me with their time and insights.

Your love and support have been the foundation of my strength and motivation.

Thank you.

David

RESUMO

Esta dissertação de mestrado investiga quais estratégias de entrada e de expansão permitem que fornecedores automotivos alemães estabeleçam e reforcem uma posição sustentável no mercado chinês. O estudo é motivado pela atual “stagformation” do setor, em que a desaceleração do crescimento em muitas regiões coincide com uma rápida mudança tecnológica (por exemplo, BEVs, ADAS, veículos definidos por software) e com um deslocamento do centro de gravidade da indústria para a Ásia, especialmente para a China. Para responder à questão de investigação, a dissertação adota um desenho qualitativo multimétodo que combina uma revisão da literatura sobre internacionalização e teoria de entrada em mercados, um estudo de caso estruturado do ambiente de fornecedores automotivos com foco China–Alemanha e entrevistas semiestruturadas com especialistas.

Os resultados mostram que a China é estrategicamente essencial devido à sua escala, dinâmica de crescimento e relevância tecnológica, embora seja simultaneamente caracterizada por elevada intensidade competitiva e transformação acelerada. A entrada e a expansão no mercado são fortemente moldadas por condições institucionais; apesar de uma liberalização gradual, a regulação e a influência governamental permanecem centrais. A exportação pode ser um primeiro passo útil para construir conhecimento do mercado e limitar o compromisso inicial, mas o sucesso sustentável depende cada vez mais de uma forte inserção local e de um posicionamento em redes. A dissertação conclui que joint ventures e alianças estratégicas tendem a continuar a ser os principais veículos para estabelecer relevância e escalar na China, pois combinam viabilidade regulatória, acesso a ecossistemas locais e aprendizagem acelerada. Para competir de forma eficaz, os fornecedores alemães precisam adaptar os seus modelos operacionais, especialmente em termos de velocidade, flexibilidade e competências relacionadas com software, ao mesmo tempo que aproveitam forças consolidadas em engenharia e qualidade.

Palavras-Chave: Estratégia de internacionalização, modos de entrada no mercado, fornecedores automotivos, mercado automotivo chinês, inserção em redes

From Market entry to local embeddedness: How German suppliers can compete in
China's automotive ecosystem

ABSTRACT

This master's thesis investigates which entry and expansion strategies enable German automotive suppliers to establish and strengthen a sustainable market position in China. The study is motivated by the sector's current "stagformation," in which slowing growth in many regions coincides with rapid technological change (e.g., BEVs, ADAS, software-defined vehicles) and a shift of industry gravity toward Asia, particularly China. To address the research question, the thesis applies a multi-method qualitative design that combines a literature review on internationalization and market-entry theory a structured China–Germany case study of the automotive supplier environment, and semi-structured expert interviews.

The findings show that China is strategically essential due to its scale, growth dynamics, and technological relevance, while simultaneously characterized by high competitive intensity and rapid transformation. Market entry and scaling are strongly shaped by institutional conditions; despite gradual liberalization, regulation and government influence remain central. Exporting can be a useful initial step to build market knowledge and limit early commitment, but sustainable success increasingly depends on deep local embeddedness and network positioning. The thesis concludes that joint ventures and strategic alliances are likely to remain the dominant vehicles for establishing relevance and scaling in China, as they combine regulatory practicality, access to local ecosystems, and accelerated learning. To compete effectively, German suppliers must adapt their operating models, especially speed, flexibility, and software-related competencies, while leveraging established strengths in engineering and quality.

Keywords: Internationalization strategy, Market entry modes, Automotive suppliers, China automotive market, Network embeddedness

From Market entry to local embeddedness: How German suppliers can compete in
China's automotive ecosystem

ÍNDEX

Acknowledgments	i
Resumo	ii
Abstract	iii
1 Introduction.....	1
1.1 Research gap and Relevance.....	1
1.2 Expected Contributions and Links to SDGs	2
1.3 Structure of the thesis.....	3
2 Literature Review.....	4
2.1 Internationalization	4
2.1.1 Uppsala Model	6
2.1.2 The OLI paradigm	9
2.2 Market Entry Strategies.....	11
2.2.2 Export	12
2.2.3 Joint Ventures/ Alliances	13
2.2.1 Merger & Acquisition	14
2.2.4 Green field investments	16
3 Methodology	17
4 Case Study	21
4.1 Market analysis.....	21
4.1.1 Market Analysis: China	22
4.1.2 Market Analysis: Europe	22
4.2 Porters Five Forces	23
4.2.1 Bargaining Power of the buyer.....	23
4.2.2 Threat of new entrants.....	23
4.2.3 Rivalry between existing competitors.....	24
4.2.4 Threat of substitutes	24
4.2.5 Bargaining power of suppliers.....	24
4.3 Regulatory Framework for Market Entry in China.....	25

From Market entry to local embeddedness: How German suppliers can compete in
China's automotive ecosystem

4.4 Location and Cluster Analysis	26
5 Analysis and Discussion of results.....	27
5.1 Management Implications.....	32
5.2 Limitations and future outlook	36
6 Conclusion	37
References	39
Appendix.....	48

From Market entry to local embeddedness: How German suppliers can compete in
China's automotive ecosystem

TABLE INDEX

Figure 1: The Basic Mechanism of Internationalization (Johanson & Vahlne, 1977).	6
Figure 2: The business network internationalization process model (Johanson & Vahlne, 2009).....	7
Figure 3: Automotive clusters in China (Hauns et al., 2014)	26
Table 1: Interview Guide for Expert Interviews own elaboration	20

1 INTRODUCTION

“Stagformation” has become the central word in the automotive supplier industry. The sector is being reshaped by major developments such as the growth of electric vehicles, the increasing importance of advanced driver-assistance systems, and the broader shift toward software-defined vehicles. These changes are intensifying price pressure and forcing suppliers to adapt to faster and more demanding development cycles. At the same time, growth is slowing in many regions, which places German automotive suppliers under exceptional strain (Roland Berger GmbH & Lazard & Co. GmbH, 2025). They are required to transform significant parts of their established business models and invest heavily in new technologies, while still ensuring that their existing core business remains stable and profitable. One of the most profound structural changes is the shift of the global automotive industry away from a largely Western-centered market toward an increasingly Asian landscape, with China playing a particularly dominant role. As a result, internationalization becomes an even more critical strategic challenge for German suppliers operating outside Asia. Even though many established firms already have an international footprint, entering foreign markets and, more importantly, securing and expanding ongoing business within them remains a persistent challenge in an environment characterized by rapid transformation and intensifying competition (Hertzke et al., 2025; Kilian et al., 2025; Roland Berger GmbH & Lazard & Co. GmbH, 2025).

1.1 Research gap and Relevance

While this challenge is both highly relevant and distinctive, it is notable that relatively little internationalization theory focuses specifically on the automotive supplier industry and on the challenge of gaining market share in Asian markets, particularly China. At the macro level, studies such as Pavlínek (2019) describe how the industry has restructured and internationalized by analyzing production shifts driven by location advantages in Eastern Europe. Complementing this perspective, Micek et al. (2021) examines the internationalization of Polish automotive firms through acquisitions and greenfield investments, highlighting key motives and barriers along the way. Beyond this, other research investigates network structures in the automotive supply industry and shows that many manufacturers share the same suppliers. Manufacturers therefore tend to appear primarily as competitors that are indirectly connected through common suppliers. These studies also find that generalist suppliers serving many manufacturers and specialist suppliers serving only a few coexist within the same networks (Fessina et al., 2024).

In addition, a growing body of work reviews automotive policy and its regional effects, especially in China, demonstrating the substantial influence policy has had and is likely to continue to have, particularly in the areas of new energy vehicles and intelligent connected vehicles (Chen et al., 2024).

However, these research streams rarely translate structural shifts, network dynamics, and institutional constraints into an integrated explanation of which concrete entry and expansion strategies enable established German automotive suppliers to build a sustainable market position in China under rapid technological change. This master's thesis addresses this gap by linking internationalization theory with market- and ecosystem-level analysis and practice-based expert insights to derive strategy implications emphasizing local embeddedness, network positioning with OEMs and partners, and institutionally feasible governance modes such as alliances and joint ventures. Against this background, the thesis seeks to answer the following research question:

What entry and expansion strategies enable German automotive suppliers to establish and strengthen their market position in China?

1.2 Expected Contributions and Links to SDGs

This thesis contributes to the academic discussion by linking established internationalization frameworks (Uppsala and OLI) with an empirically grounded analysis of the Chinese automotive supplier environment. By combining a structured case study with semi-structured expert interviews, it provides an integrated explanation of how market dynamics, institutional conditions, and network positioning shape feasible entry and expansion strategies for German automotive suppliers in China. In addition, the study offers managerial contributions by translating these insights into practical implications for decision-makers, focusing on actionable guidance around entry-mode choice, partnership design, and cluster/ecosystem positioning under rapid technological change.

This thesis links most directly to two SDGs. First, it contributes to SDG 9 (Industry, Innovation and Infrastructure) by examining how automotive suppliers can upgrade capabilities, innovate, and build effective partnerships and ecosystems to stay competitive during rapid technological change. Second, it supports SDG 13 (Climate Action) by focusing

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

on strategies that enable suppliers to participate in and accelerate the transition toward low-emission mobility technologies, particularly battery-electric vehicles and related value chains.

1.3 Structure of the thesis

This thesis employs a multi-method qualitative research design that combines conceptual grounding with empirical insights to answer the research question. First, the thesis begins with a literature review that discusses the most relevant literature to provide an overview of internationalization theory. In addition, it introduces two key frameworks, the Uppsala model and the OLI paradigm, which remain among the most influential approaches to explaining internationalization.

Second, the thesis conducts a case study to develop a structured understanding of current market dynamics in the automotive supplier industry, with a specific focus on China and Germany. The case study includes a market analysis, a Porter's Five Forces assessment of the Chinese market, and complementary analyses of regional automotive clusters and the regulatory framework shaping market access and strategic choices.

Third, the empirical core is complemented through semi-structured expert interviews aimed at capturing action- and experience-based knowledge from industry practitioners. The interview guide is derived from the literature review and the case study, ensuring theoretical alignment while allowing flexibility for follow-up questions. Experts are defined as individuals with several years of experience in strategy or closely related roles within the automotive supplier industry.

Finally, the findings from the case study and interviews are triangulated and synthesized in the analysis. The results are discussed in light of the Uppsala model, the OLI paradigm, and entry-mode literature to explain how market dynamics, institutional conditions, and network positioning shape feasible entry and expansion paths. Building on this discussion, the thesis derives implications for managers of German automotive suppliers, highlights theoretical contributions and practical limitations, and outlines directions for future research.

2 LITERATURE REVIEW

2.1 Internationalization

The term internationalization has been defined in many ways throughout the most relevant literature. Welch & Luostarinen (1988) describe it as “the process of increasing involvement in international operations,” while Calof & Beamish (1995) use a broader definition, describing it as “the process of adapting firms' operations (strategy, structure, resources, etc.) to international environments.” Both definitions imply that internationalization is not a singular event but rather a long-term commitment of strategy, resources, and organizational structure to achieve the goal step by step. Over the years, the literature and definitions of internationalization have evolved in various ways. In more recent years, networks have become an increasingly important part of the internationalization literature. Coviello (2006), for example, views internationalization as a network-driven, dynamic process. The progress is defined by network changes and the ability to leverage network effects and resources. Similarly, Vahlne & Johanson (2017) expand their definition of internationalization as the process of developing opportunities across borders through relationship building and learning within networks (Vahlne & Johanson, 2017). These definitions underline the increasingly connected world of today and highlight the relevance of networks and relationships in the internationalization process.

Companies have many reasons to internationalize, ranging from strategic to economic and organizational motivations. Internationalization provides access to new resources and technologies, such as lower production costs and advanced technological capabilities, which can strengthen a firm's competitive advantage (Dunning, 1988). With globalization, as well as the development of the internet and other communication innovations, in recent years, the process for firms to enter new markets has become easier. This development has also created additional incentives for firms to expand internationally. As Knight & Liesch (2016) explain in their study, the focus has shifted from large, well-established multinational firms to young, resource-constrained firms that, besides profit, seek innovation and opportunity creation beyond their domestic markets. Similarly, McDougall & Oviatt (2000) highlight the importance of creating, discovering, and exploiting opportunities outside a firm's home market as a key objective for gaining competitive advantage, referring to this process as international entrepreneurship.

Earlier academic work on internationalization focused heavily on economic reasons such as cost efficiency, profit motives, and the reduction of competition. Firms may possess certain

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

advantages and find it attractive to utilize them outside their home country to increase profitability or reduce competition (Pitelis & Piteli, 2024).

Besides the economic perspective, there is also a behavioral aspect to internationalization. In the behavioral perspective, researchers explain that learning and knowledge accumulation are important parts of the internationalization process. In their work, Johanson & Vahlne (1977) developed and further refined the Uppsala Model, which states that internationalization is an incremental process in which companies learn and gain market knowledge with each step, thereby reducing risk and uncertainty.

Furthermore, the network perspective has developed in recent years as global markets have become more interconnected. Scholars such as Johanson & Vahlne (2009) refined their model and included networks as a central component of internationalization. The main challenge of the internationalization process is now to gain and maintain a position within a network in order to learn and create opportunities collaboratively. Coviello & Munro (1997) found in their study that internationalization is heavily influenced by network relationships. The process is accelerated and interactive through learning, opportunity recognition, and resource sharing within the network. According to this view, internationalization does not depend solely on a firm's individual decisions but also on leveraging and maintaining relationships across borders. In recent years, studies on international entrepreneurship and born globals have taken this perspective a step further and developed a more modern view of internationalization. In their study, Oviatt & McDougall (2005) introduced a new definition of international entrepreneurship and proposed a model to explain faster internationalization. One of the key influences on the speed of internationalization in their model is the moderating force, which consists of two elements, knowledge and networks. Similarly, Knight & Liesch (2016) describe born globals as young firms that earn a significant share of their revenues from outside their home country in their early stages. Both studies emphasize that drivers such as the internet make the internationalization process cheaper and more accessible for firms. This perspective argues that internationalization can be a rapid process achieved by leveraging networks, digital platforms, and knowledge intensity rather than following an incremental path (Knight & Liesch, 2016).

2.1.1 Uppsala Model

In their study, Johanson & Vahlne (1977) propose the Uppsala model to explain how firms internationalize through incremental increases in commitment, driven by learning and experience. They argue that firms typically start with low-commitment modes such as exporting in most cases via agents, then establish sales subsidiaries, and may later add local production or R&D. The central mechanism is that firms initially lack market-specific knowledge, which is mainly acquired through experience. Through this learning process uncertainty is reduced which leads to further commitment. The model links four key elements, market commitment, market knowledge, current activities, and commitment decisions, into a feedback loop in which ongoing activities generate knowledge that shapes subsequent investment decisions, as illustrated in Figure 1 (Johanson & Vahlne, 1977). The authors also note that this gradual path is not universal, firms may take larger steps when they have substantial resources, when markets are stable and information is accessible without direct experience, or when prior experience from similar markets can be transferred (Johanson & Vahlne, 1977).

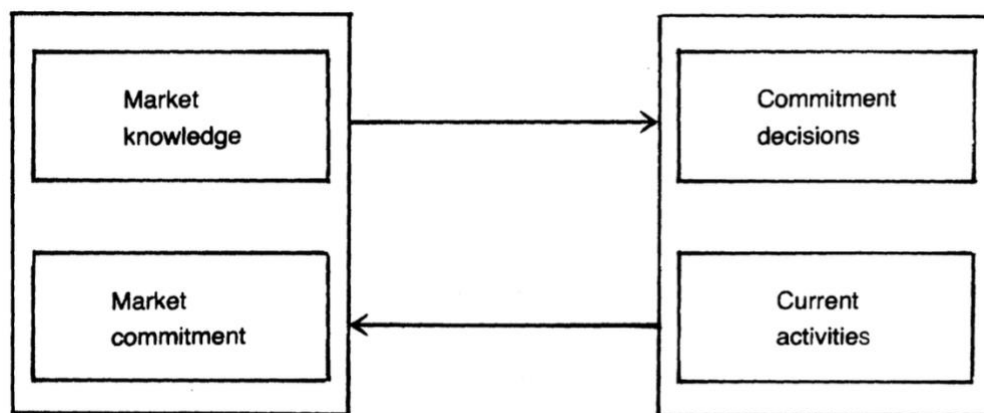


Figure 1: The Basic Mechanism of Internationalization (Johanson & Vahlne, 1977).

In a following study Johanson & Vahlne (1990) further developed their model by incorporating industrial networks. Industrial networks consist of relationships among various participants in an industry, such as customers, suppliers, competitors, and agents. Within these networks, firms build trust and gain knowledge from one another, which directly influences the business activities described in their original model. They maintain that this knowledge is embedded within the specific network and can only be acquired through participation, making it difficult for potential entrants to observe or access it.

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

Entering a network requires willingness from existing members to engage with the entrant and often involves resource commitments and adaptations in business practices. Being part of an industry network increases a firm's chances of doing business with other participants, and internationalization therefore often occurs by leveraging and extending existing network relationships (Johanson & Vahlne, 1990).

In their latest study Johanson & Vahlne (2009) refer to internationalization as the process through which firms strengthen their position within a network, which traditionally meant protecting their position in a market. Because networks have no clear boundaries, the key challenge shifts from overcoming uncertainty to developing opportunities and avoiding outsidership. Figure 2 reflects how they refine the original variables, with knowledge reframed as opportunity recognition and positioned as the main driver of internationalization. Market position becomes network position and current activities are reframed as learning, creating, and trust-building. Identifying opportunities is not only an individual firm task but also a collective process within the network. Finally, commitment decisions are redefined as relationship commitment decisions, emphasizing that commitment concerns relationships within the network rather than specific markets. With this revised model, internationalization becomes less market-dependent and more network-oriented, as firms often expand into new countries by following their network partners (Johanson & Vahlne, 2009).

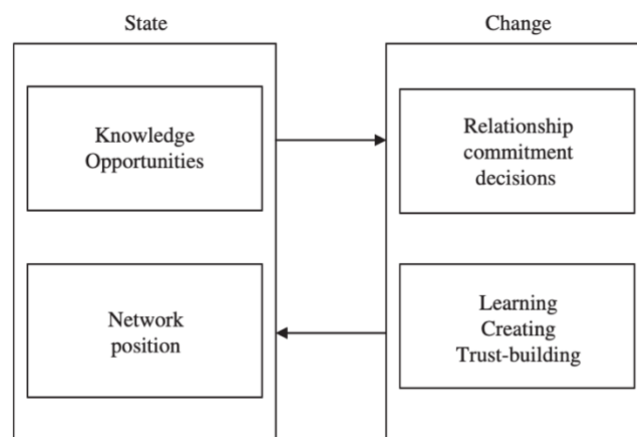


Figure 2: The business network internationalization process model (Johanson & Vahlne, 2009).

In recent years, the Uppsala model has been widely criticized, but many scholars have also refined it and demonstrated its continued relevance (Dow et al., 2018; Liesch & Welch, 2024; Schweizer & Vahlne, 2022; Vahlne & Johanson, 2017).

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

First, the authors themselves revisited the model after 40 years and reframed internationalization as an evolutionary process shaped by uncertainty and incremental decision-making. They maintain that the core mechanism, the interaction between knowledge development and commitment decisions, still holds, and they emphasize again the importance of networks and insidership (Vahlne & Johanson, 2017). Schweizer & Vahlne (2022) also defend the Uppsala model by showing how it can account for cases of rapid internationalization. To support their argument, they distinguish between process and outcome. While outcomes may sometimes appear highly disruptive, genuinely discontinuous internationalization processes seem to be relatively rare. They also respond to the criticism that individuals play a larger role than the original model acknowledges by highlighting how resource-commitment decisions depend on managerial judgment, which is often shaped by biases, personality traits, and emotions. Because managers are frequently influenced by biases such as risk aversion, decision-making tends to remain incremental; when large “jumps” do occur, they are often associated with changes in management and the transfer of prior experience into the new organization (Schweizer & Vahlne, 2022). In another extension, Dow et al. (2018) argue that the original model focuses too narrowly on uncertainty, lack of trust, and limited opportunity awareness as constraints, and therefore the authors add inertia and managerial intentionality as extension to the model. They propose that inertia can build up over time, potentially reinforced by accumulated experience and thereby constrain further change, whereas managerial intentionality can act as a countermechanism that helps firms break out of established paths. With this extension, they argue that the model can better explain rapid internationalization, regionalization strategies, mode inertia, mode skipping, and cases where firms become “stuck” (Dow et al., 2018). More recently, Liesch & Welch (2024) address another limitation by arguing that firms must develop external opportunity seeking and internal capacity building at a similar pace and ideally in a synchronized way. Because this alignment often does not occur, many firms face a growth dilemma that can slow down or disrupt international growth momentum (Liesch & Welch, 2024).

2.1.2 The OLI paradigm

While the behavioral aspect of internationalization, such as the Uppsala model, emphasizes learning and knowledge accumulation throughout the process, economic models aim to explain the motives that drive internationalization. One of the most recognized models in the literature is Dunning's Eclectic Paradigm, which provides a holistic perspective and seeks to answer the questions of why, where, and how firms engage in foreign direct investment (FDI) and establish multinational operations (Dunning, 1980, 1988, 2000).

Dunning (1980) argues that firms engage in FDI when they possess three interrelated advantages. Ownership advantages, which underpin a firm's competitiveness, location advantages, which make a specific foreign country attractive for conducting certain activities and internalization advantages, which make it more efficient to perform those activities within the firm rather than through arm's-length market transactions. Together, these advantages form a holistic framework that integrates multiple perspectives on international production and foreign market entry (Dunning, 1980).

The Eclectic Paradigm offered a structural explanation and marked a turning point in internationalization literature. While Johanson & Vahlne (1977) created Uppsala model explains how firms learn and incrementally approach foreign markets, Dunning (1980, 1988) presented a more strategic and economically rational approach to internationalization. The model also bridges the gap between micro-level firm behavior and macro-level market conditions by integrating a company's competitive advantages with market dynamics and organizational structures (Dunning, 1980, 1988).

Over time, the model has evolved and adapted to changing global economic conditions. Dunning (2000) identifies four significant developments since the framework's initial formulation. First, the shift toward a knowledge-based economy, second, the deepening integration of international economic and financial activity, third, the liberalization of cross-border markets and the floating of global currencies, and finally, the emergence of several new countries as major players in the world economy (Dunning, 2000).

Ownership advantages (O) refer to firm-specific assets and capabilities that create a competitive advantage across markets, such as proprietary technology, brand reputation, managerial know-how, innovation capacity, or organizational routines. These advantages are a prerequisite for internationalization because they must outweigh the additional costs and liabilities of operating in an unfamiliar foreign market and competing against local firms (Dunning, 1980, 1988).

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

The stronger a firm's ownership advantages relative to competitors in the target market, the more likely international expansion becomes (Dunning, 2000). While early work emphasized relatively "static" advantages, like monopoly positions, unique assets, and efficiency-based capabilities, later developments stress the growing importance of "dynamic" ownership advantages, namely the ability to renew and upgrade capabilities, leading firms to internationalize increasingly to access knowledge and partnerships that strengthen future competitiveness (Dunning, 2000).

Location advantages (L) refer to the characteristics of a host country that make it attractive to carry out value-adding activities there and therefore justify foreign investment rather than producing solely at home (Dunning, 1980, 1988). Typical location advantages include factor conditions such as resource availability, labor costs and skills, market size and proximity to customers, infrastructure, and the legal and regulatory environment. Dunning further distinguishes between structural influences like government policies that affect costs and incentives and transactional conditions that shape uncertainty and transaction costs (Dunning, 1988). While early applications emphasized cost-driven locations, later work highlights that locations increasingly compete on their ability to support knowledge creation and innovation. This implies that immobile, place-specific assets such as clusters, specialized skills, institutions, trust, and network relationships, have become critical determinants of a location's attractiveness and its ability to attract and retain foreign investors (Dunning, 2000).

Internalization advantages (I) address how firms should organize their international activities by assessing whether it is more efficient to perform an activity within the firm or to rely on external market contracts such as licensing or franchising. The core logic is that firms internalize when market imperfections would otherwise create high transaction and coordination costs. For instance due to uncertainty and opportunism, e.g. through the risks of knowledge leakage, the inability of markets to deliver certain scale and coordination efficiencies, or difficulties in contracting for intangible assets and externalities (Dunning, 1988). In general, the stronger the benefits of internalizing relative to using external partners, the more likely a firm is to undertake FDI rather than contractual modes. Dunning (2000) extends this view by arguing that internalization is not driven by transaction-cost considerations alone. Firms also internalize to access knowledge and resources, and increasingly do so through hybrid organizational forms such as alliances, joint ventures, and collaborative networks.

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

As a result, internalization decisions are context-dependent and often reflect a pragmatic combination of efficiency, learning, and strategic motives rather than a single universal rule (Dunning, 2000).

2.2 Market Entry Strategies

Internationalization represents a critical strategic decision that extends far beyond the mere choice of geographical expansion. Once a company commits to operating internationally, the selection of an appropriate market entry strategy becomes one of the most consequential decisions for its future success (Erramilli, 1992). This decision depends on a variety of factors that differ from firm to firm, such as company size, available resources, and prior international experience. In addition, external factors, including cultural differences between countries, market size, and growth potential play an essential role. Furthermore, the characteristics of the chosen entry mode, particularly regarding risk management, control, and flexibility, must be considered. Finally, the transfer of knowledge, especially tacit knowledge, is a crucial aspect influencing the internationalization process (Hollensen, 2011). According to Evans et al. (2008) entry strategies can be classified according to two key characteristics: resource commitment and level of control. Resource commitment refers to the dedication of financial and non-financial assets that cannot be redeployed for other purposes without incurring costs. The level of control describes the extent to which a firm can influence systems, methods, and decisions in the foreign market. Accordingly, enterprises can choose between different entry modes that vary in cost and commitment. Low-cost and low-commitment modes, such as joint ventures, reduce the level of control. In contrast, high-cost and high-control entry strategies, such as greenfield investments or wholly owned subsidiaries, provide management with a high degree of control but are associated with significantly higher costs (Evans et al., 2008).

Market entry strategies depend on a variety of internal and external factors, which means that no single entry mode is universally applicable. Instead, firms must align their chosen entry mode with their overall internationalization strategy and their specific capabilities. In the following sections, several entry strategies will be discussed in more detail to examine the most relevant approaches in practice, their characteristics, and the trade-offs associated with each.

2.2.2 *Export*

As discussed above, exporting can be a pragmatic first step when entering new markets because it typically requires lower commitment and risk while allowing firms to build initial market knowledge and customer relationships. Exports can be defined as the process of transferring goods across national process through direct or indirect methods (Leonidou & Katsikeas, 1996). Often the first step of a company to internationalize is through exports and therefore it is a key step in the internationalization process of the most firms. The reason is also that exports are easy achievable because they often don't require great resources, minimize risk and offer a great flexibility which is especially important for small firms (Gkypali et al., 2021). Export performance, whether firms expand their business, gain new knowledge, and build a stronger competitive advantage, depends on several factors. External influences such as cultural distance, government regulations, and the intensity of competition in the target market can significantly shape export outcomes (Sousa et al., 2008).

The most relevant external factor is the extend of government intervention into the market. Jalali (2012), for example, investigates Greek companies exporting to Iran and finds that environmental barriers, such as high business risk driven by political and economic conditions, as well as unfavorable exchange rates and tariff barriers, negatively affect export performance. Sousa et al. (2008) likewise conclude that the political and legal environment in the foreign market can play an important role in shaping a firm's export performance.

In addition to external drivers, internal factors, such as firm capabilities and resources, managers' preferences, and the firm's structure and strategy, also shape export performance, often by determining how well the firm can exploit environmental opportunities (Sousa et al., 2008). For example, O'Cass & Julian (2003) examine how firm-specific characteristics influence export marketing performance. They argue that exporters perform better when they align their strengths to mitigate market risks and capitalize on favorable opportunities. They also suggest that effective strategies may differ across industries: adaptive approaches appear more successful in metalworking, whereas more standardized strategies may work better in chemicals, highlighting that export success depends on the fit between internal capabilities and the external market context (O'Cass & Julian, 2003).

In another study Piercy et al., (1998), analyze the drivers of export success among British firms. They show that managers perform better when they identify market opportunities that fit the firm's resources and strengths, as this alignment is crucial for building competitive advantage.

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

Moreover, the authors find that exporters aiming for superior performance should invest in developing export-related skills and resources, since even small differences can translate into large performance gaps. In particular, product and service advantages have a stronger impact on export outcomes than cost- or price-based advantages (Piercy et al., 1998).

2.2.3 Joint Ventures/ Alliances

Among the various entry modes available for achieving internationalization, alliances and joint ventures play a central role. These models enable companies to enter new markets while minimizing the risks associated with the full commitment and resource allocation required in ownership-based entry modes. Instead of pursuing internationalization independently, firms seek partners to combine complementary assets, share and acquire knowledge, and leverage competitive advantages, while maintaining flexibility in determining their desired level of commitment. Particularly in times of economic uncertainty or in complex and highly regulated markets, alliances and joint ventures represent a highly relevant entry strategy (Das & Teng, 2000; Geringer & Hebert, 1991; Kogut, 1988).

Das & Teng (2000) define alliances broadly as interfirm cooperation ranging from short-term contracts to full mergers. Eisenhardt & Schoonhoven (1996) describe them as voluntary partnerships aimed at creating competitive advantage, implying that alliances may exist even without formal contracts. Similarly, Gulati (1998) views alliances as cooperative arrangements involving the sharing, exchange, or co-development of products, services, or technologies. His definition provides early insight into the objectives and underlying conditions of alliances (Gulati, 1998). In practice, alliances take many forms (e.g., contractual collaborations, R&D partnerships, joint marketing/production, equity joint ventures).

Joint ventures have become increasingly common, and alongside their growing prevalence, they carry significant strategic implications (Geringer & Hebert, 1991). A joint venture can be defined as an arrangement in which two or more companies contribute a portion of their resources to establish a common legal entity (Kogut, 1988). Geringer & Hebert (1991) further defines a joint venture as an organization that has at least two parent companies and emphasizes that these parent firms share the decision-making process. They add that an international joint venture exists when at least one parent company has its headquarters in a foreign country or when a significant portion of operations occurs outside the domestic market (Geringer & Hebert, 1991).

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

The creation of a separate legal entity clearly signifies that the partners are working together closely, representing a substantial commitment but also the potential for a strong and effective partnership (Das & Teng, 2000).

Both forms represent similar approaches to market entry and internationalization strategy, with the main difference being the level of ownership involvement. Joint ventures involve equity participation, whereas strategic alliances are typically governed by contractual agreements (Gulati, 1998). Townsend et al. (2017) analyze project-based R&D alliances in the automotive industry and show that integration patterns and outcomes differ across product-, process-, and software-development projects, so alliances are not “one-size-fits-all.” They find the strongest learning effects in software projects, while process projects enable the greatest transfer of tacit knowledge, consistent with the inherently hard-to-codify nature of process know-how (Townsend et al., 2017). Brandes et al. (2013), using a longitudinal case study of the Volvo Cars–Autoliv relationship, show that long-term OEM–supplier partnerships strengthen both firms' competences by allowing specialization and effective knowledge pooling. They highlight collaborative relationships as critical for success, especially because they can reduce time-to-market by leveraging suppliers' scale, pre-developed solutions, and R&D/production capabilities (Brandes et al., 2013). Gomis et al. (2024) examine technological alliances in the automotive sector and find that alliance formation has increased as a response to transformational uncertainty. Established OEM–supplier ties remain central and trust-based, with OEMs still playing the leading role. They also report that many alliances are driven by knowledge acquisition or green manufacturing motives, and a substantial share involves partnerships with information and communication technology firms, reflecting the search for new capabilities under technological change (Gomis et al., 2024).

2.2.1 Merger & Acquisition

In today's fast-changing world, merger and acquisition (M&A) transactions are among the most important means of keeping strategic performance and goals on track. M&A is one of the main strategic vehicles to enhance corporate performance, growth, and market power among competitors (Hossain, 2021). The term merger and acquisition is often used as if it were the same, which is not entirely true. In a merger, two companies become one and both lose their independence, whereas in an acquisition, one company buys the other and only the target company loses its independence (Hassan et al., 2018).

Behind an M&A deal, there can be several different motives. Brouthers & van Hostenburg (1998) distinguish three main categories: economic reasons, personal benefits for managers, and strategic motivations. Since this work examines internationalization from a strategic perspective, the focus will primarily be on economic and strategic motives. Economic reasons include increasing productivity, exploiting economies of scale, and leveraging financial strength. Strategic motives, on the other hand, involve entering new markets, diversifying the product portfolio, increasing global expansion, strengthening market position, acquiring valuable assets, or taking over a competitor (Lin & Chou, 2016; Trautwein, 1990; Walter & Barney, 1990).

In most cases, the acquiring firm pays an acquisition premium, which represents an additional amount above the market value. This is paid mainly for two reasons: first, to ensure that the deal is successfully closed, and second, as a premium for the expected synergies that make the target company more valuable to the acquirer than its standalone value (Masulis & Simsir, 2018).

M&A transactions are often discussed in the literature as not creating value. However, W. Wang (2018) shows in her study that M&A transactions do, in fact, generate value. The market often anticipates and prices in these effects, which can give the impression that the acquirer gains no value at all. On average, acquirers gain around 4% from a merger deal, with target companies benefiting even more, indicating that mergers can indeed create significant value (W. Wang, 2018). Mergers also create value when a financially strong company acquires a financially constrained target, providing the target with the necessary capital to pursue value-adding growth opportunities. This effect is strongest in highly constrained, high-growth targets within competitive industries, creating value for both the acquirer's and the target's shareholders (Duan & Jin, 2019).

But M&A doesn't always go as planned, there are many risks and challenges along the way that can lead to a failed deal. First, there are strategic risks, such as a poor strategic fit between the companies or a misguided strategy for how value should be created. The second group consists of financial risks, including incomplete or inaccurate financial reporting, insufficient due diligence, and negotiation errors. Finally, there are organizational risks, such as cultural differences between the companies, a weak integration process, or overly optimistic managers, all of which can contribute to the failure of a deal (Hossain, 2021).

2.2.4 Green field investments

Another way for multinational enterprises to enter a new market is through greenfield investment, which involves establishing a new subsidiary from scratch (Slangen & Hennart, 2007). Similar to M&A, greenfield investments are an entry mode that offers a high degree of control, but they also require substantial commitment and entail a higher risk of failure. One key motivation for pursuing a greenfield investment is the ability to transfer and exploit firm-specific advantages, such as proprietary technologies, capital, and know-how, that are often difficult to separate from the parent company (Alon et al., 2020).

One factor influencing the choice of greenfield investment is the transfer of tacit knowledge. Firms that already possess such knowledge may have incentives to exploit it abroad in order to achieve economies of scale or scope and to extend their R&D and production advantages. Researchers argue that knowledge-rich firms tend to internationalize through greenfield investments because transaction costs are lower and the transfer of embedded skills and routines is easier. A similar logic applies when entering foreign markets where the target products are closely related to the firm's existing offerings, as this increases the benefits of replicating established capabilities through a greenfield subsidiary (Hennart & Park, 1993; Slangen & Hennart, 2007).

Another variable influencing market entry decisions is cultural distance. In the context of greenfield investments, greater cultural distance is often associated with a higher likelihood of choosing a greenfield entry mode. This can be explained by the challenges of integrating an acquired subsidiary when organizational practices and cultural norms differ substantially. By establishing a subsidiary from scratch, firms can recruit and train employees, implement their own routines, and shape the organizational culture from the outset, thereby reducing integration frictions related to cultural differences (Larimo, 2003).

In another study, Barkema & Vermeulen (1998) examine when greenfield investment is an appropriate entry mode. They find that firms with broader international experience, i.e., those already operating across many foreign countries, are more likely to choose greenfield investments. The authors argue that such firms have developed a wide set of capabilities through learning across diverse international contexts, which makes them better able to replicate their organizational routines abroad. Consequently, a higher degree of multinational diversity increases the likelihood that greenfield entry is both feasible and strategically attractive when entering a new market (Barkema & Vermeulen, 1998).

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

When markets are expanding, firms tend to prefer greenfield investments because strong demand leaves room to build new capacity and scale operations. In slow-growth markets, however, firms often expect incumbents to respond aggressively to new capacity additions, increasing competitive pressure and the risk of losing market share. In such contexts, companies more frequently favor acquisitions as their entry strategy, since buying an existing player allows faster access to customers and established market positions without adding substantial new capacity (Ego, 2023; Slangen & Hennart, 2007).

3 METHODOLOGY

To contribute to the literature and gain a better understanding of current market dynamics in the automotive industry, a case study was conducted. A case study is particularly well suited to this research because it allows for a holistic examination of a phenomenon whose boundaries cannot be clearly separated from its context. Given the complexity of the automotive supplier industry, shaped by shifting market dynamics, regulation, and inter-firm relationships, a case study provides the most appropriate approach to capturing these interdependencies. To keep the research focused and consistent, a set of guiding steps was defined in advance and used as a structured framework throughout the study (Harrison et al., 2017).

First, an overall picture of the industry was developed, with a particular focus on the relevant regions of Germany and China (Germany Trade & Invest, 2025; S&P Global Mobility, 2025). To better understand the Chinese market, a Porter's Five Forces analysis was carried out, which helped assess its attractiveness and key challenges. In his study Porter (2008) analyzes the competitive structure of an industry and explains what drives industry attractiveness and average profitability by assessing five forces: rivalry among existing competitors, the threat of new entrants, the bargaining power of suppliers, the bargaining power of buyers, and the threat of substitutes.

In addition to Porter's Five Forces, several targeted analyses, such as automotive clusters in China and the regulatory framework, were conducted to build a solid foundation for answering the research question.

A high-quality case study typically relies on multiple sources of data, which helps create a richer, more credible understanding of the phenomenon. In the literature, one of the most common and effective combinations is case evidence supported by interviews. Accordingly, this study incorporates interviews to complement and deepen insights from prior empirical studies, academic articles, and the broader literature (Harrison et al., 2017). To achieve this goal and obtain relevant insights, systematizing expert interviews will be conducted.

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

According to Bogner & Menz (2009), the focus is on gathering action- and experience-based knowledge, making this method well suited for collecting systematic and comprehensive information. This interview style follows a semi-structured format, involving a dialogue between the researcher and the expert, guided by a flexible interview protocol that leaves room for follow-up questions and additional comments. The overall aim is to collect data from key informants who possess personal experience and informed perspectives on the topic of interest, which makes this method appropriate for the case study in this work (DeJonckheere & Vaughn, 2019).

As in all research, it is not possible to incorporate every piece of available data, and researchers must therefore focus on a defined sample to derive meaningful conclusions (Bryman, 2016). In this case, experts are defined as individuals with several years of experience in the field of strategy or a closely related area within the automotive supplier industry.

The questions were developed based on the literature review and the findings discussed. To provide a clearer overview, Table 1 was created that summarizes the different elements from which the research question was derived. First, the table includes the theoretical framework, linking each question to the relevant chapter of the literature review. Then the questions were further classified into dimensions to highlight the most relevant aspects in more detail. This also indicates which topics should be analyzed and addressed by each question. The next column lists the interview questions, followed by a section with the exact, most relevant literature for each question.

A total of three participants took part in the interviews. All three have several years of experience in strategic roles within the automotive supplier industry, but come from different functional areas, which helps ensure that the results are robust and balanced. Participants 1 and 3 both work for one of the ten largest automotive suppliers in Germany, with annual revenues of approximately seven to eight billion euros. Although both are part of the same strategy department, their backgrounds differ. Participant 1 has around four years of experience as a business analyst and previously worked in consulting. Participant 3 has been with the company for about thirteen years, initially in controlling and for roughly the past ten years in the strategy department, where he now works as a Senior Manager. Participant 2 worked for approximately four years at a smaller automotive supplier with around one billion euros in annual revenue, in the M&A department. Participation was voluntary, and all identities were protected through anonymization.

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

The interview transcripts were analyzed using MAXQDA. A structured code system was created and applied to the material, and all interviews were coded consistently within MAXQDA to enable systematic retrieval and comparison of relevant segments. The analysis used the following main code categories: (1) Market dynamics & industry context, (2) Technological transformation, (3) Competitive pressure & market structure, (4) Internationalization motives, (5) China market attractiveness & strategic assessment, (6) Entry & expansion strategies, (7) Institutions, policy & regulation, (8) Network position & relationship patterns, (9) Organizational & capability adaptation for China, (10) Barriers & risks, and (11) Alternatives & future options.

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

Theoretical Framework	Dimension	Interview Question	Literature justification
Market trends	Market attractiveness Market feeling	1. What is your current feeling and opinion about the development of the automotive supplier industry? 1.1 What are the main challenges at the moment? 1.2 Why are the markets growing/ declining?	“Stagformation” – while many markets are stagnating in volume growth, technology is changing very quickly, increasing the pressure to adapt and transform business models. (Berger & Lazard)
Porters Five Forces	Competitor overview	2. Describe the competitive landscape for automotive supplier in general? 2.1 How has it developed in the past years? 2.2 How is it in China?	Internationalization leads to higher competition (Welch & Luostarinen, 1988)
Internationalization Uppsala OLI Framework	Internationalization motives	3. What are the main motives in the automotive supplier industry to pursue internationalization? 3.1 What are the main motives for German automotive supplier? 3.2 What are the main motives to gain market share in the Chinese market? 3.3 What role play partnerships and clusters in the assessment of internalization locations? 3.4 What role play OEM's?	New markets, resources, technology, network effects, growth opportunities, helps in gaining competitive advantage (Welch & Luostarinen, 1988; Dunning, 1988; McDougall & Oviatt (2000). Learning and knowledge accumulation Johanson & Vahlne (1977) Within networks companies gain knowledge, trust Johanson & Vahlne (1990) being part in an network increases business opportunities
OLI Framework	Market attractiveness	4. What make a market attractive for an automotive supplier? 4.1 Is the Chinese market attractive for German automotive supplier?	Ownership advantage, location advantage, Internalization advantages (Dunning, 1980, 1988, 2000).
Entry Modes	Exports Joint Ventures Alliances Merger & Acquisitions	5. What entry models are typical chosen? 5.1 More inorganic or organic growth?	Level of commitment (Evans et al., 2008). entering new markets, diversifying the product portfolio, increasing global expansion, strengthening market position, acquiring valuable assets, or taking over a competitor (Lin & Chou, 2016; Trautwein, 1990; Walter & Barney, 1990).
Entry Modes	Challenges	6. What are the main challenges when entering a new market or gaining market share? 6.1 Which are currently the biggest barriers for German automotive supplier to enter the Chinese market?	Internationalization became more accessible in the last years Knight & Liesch (2016) Higher complexity, uncertainty and increasing competition (Welch & Luostarinen, 1988) Lack of knowledge (Johanson & Vahlne, 1977).
		7. Do you think German suppliers missed the time to enter the Chinese market?	Once a company commits to internationalization the entry strategy becomes important (Erramilli, 1992).
Alternatives		8. Are there other options at the moment which are more attractive?	Literature recognizes multiple growth options beyond market development/international expansion (Andersen & Suat Kheam, 1998).

Table 1: Interview Guide for Expert Interviews own elaboration

4 CASE STUDY

4.1 Market analysis

The global production of light vehicles is projected to rise from 87.8 million in 2024 to 94.5 million in 2030, implying an annual growth rate of about 1.22% (S&P Mobility). Although this suggests steady growth, the picture is more nuanced, something that becomes clearer when the market is examined by region or country.

The sector, and thus the automotive supplier industry that this case study focuses on, is undergoing rapid transformation. Macroeconomic, geopolitical, and technological shifts are reshaping the industry and forcing suppliers to respond to a wide range of challenges (Kilian et al., 2025). Roland Berger GmbH & Lazard & Co. GmbH (2025) describe this as “Stagformation,” a term that aptly captures the situation: while many markets are stagnating in volume growth, technology is changing very quickly, increasing the pressure to adapt and transform business models.

Roland Berger GmbH & Lazard & Co. GmbH (2025) project the electric-vehicle (EV) market to grow from 9 million units in 2024 to 29 million in 2030, implying that nearly one in three new cars would be electric. If accurate, this corresponds to an annual growth rate of about 21.5%, far outpacing total light-vehicle production growth and positioning EVs as a key industry driver over the next few years.

At the same time, a slowdown in EV uptake is creating headwinds, weaker global adoption, driven by subsidy rollbacks, regulatory shifts that previously favored EVs, and insufficient charging infrastructure, is central to this trend. Compounding matters, substantial overcapacity, particularly in Asia and especially China, is compressing margins and intensifying cost pressure across the market, especially for automotive suppliers (Roland Berger GmbH & Lazard & Co. GmbH, 2025).

Beyond EVs, a parallel technological shift is underway toward software-defined vehicles (SDVs). Over-the-air updates, autonomous driving features, and enhanced driver-assistance and safety systems are set to play an expanding role. This accelerates the pressure on suppliers to adapt quickly and remain competitive.

Overall, these trends make growth difficult for suppliers, they face numerous new challenges and often lose business in their core markets and segments. As a result, only a few suppliers in selected segments are likely to grow over the next years, while many will not grow at all (Kilian et al., 2025).

From Market entry to local embeddedness: How German suppliers can compete in
China's automotive ecosystem

4.1.1 Market Analysis: China

The Chinese automotive market is one of the fastest growing in the world right now. It is projected to produce 32,1 million cars in 2030 which is an increase of 7,72% compared with the year 2024 where China produced 29,8 million cars. The annual growth rate is 1,25% and therefor even outperforming the global growth rate. That also means that the Chinese market is not only the largest market by producing around 34% of the global cars but also the one which is responsible that the whole global market is growing (S&P Mobility). The strong growth of the electric-vehicle sector is boosting global market expansion and especially accelerating the Chinese market. In 2024 on average every second car sold was an electric vehicle. With China leading in battery production and development, this trend increases the country's global importance. Chinese OEMs are growing rapidly, fueled by government incentives and rising private investment, which compels suppliers to strengthen their relationships with Chinese OEMs to capture the greatest growth potential. A key weakness in China, however, is intensifying competition, which has driven heavy price pressure and left many OEMs with negative margins (Kilian et al., 2025; Roland Berger GmbH & Lazard & Co. GmbH, 2025). Overall, Chinese suppliers are gaining according to BCG, their share of global supplier revenue rose from 10% in 2018 to 15% in 2023. Their competitive edge, innovation, faster responsiveness, a distinct cost structure, and flexibility, underpins this increasing market share.

4.1.2 Market Analysis: Europe

The European market is projected to stagnate over the next years with an annual growth rate of 0,21% and a total production of 15,9 million cars in 2030 (S&P Mobility). The European market remains stagnant and has not yet recovered to pre-pandemic levels. Europe's traditional role as a net exporting region is also shifting with declining exports to China and rising imports from China, Europe is likely to become more import-dependent in the future. This trend increases pressure on German OEMs and suppliers and underlines the importance of the Chinese market for their long-term viability. Europe is also lagging in electric-vehicle adoption, with only around 21% of new car registrations being EVs, indicating a recent slowdown in EV sales growth (Hertzke et al., 2025). In addition, Germany faces structural cost disadvantages, with industrial electricity prices for German automakers being roughly twice as high as for Chinese OEMs (Federal Ministry of Economic Affairs and Climate Action (BMWK), 2024; Kilian et al., 2025).

4.2 Porters Five Forces

4.2.1 Bargaining Power of the buyer

Overall, the bargaining power of buyers, i.e., OEMs, is high in the automotive supplier industry. In the Chinese market, it is even higher than in many other regions. Intensifying price competition in recent years has led to fierce rivalry for every percentage point of market share. Of the 169 OEMs operating in China, fewer than half hold more than 0.1% of total market share, which underlines the fragmented and highly competitive market structure. This price pressure is transmitted directly to suppliers, who are forced to maintain often short and unstable relationships with local OEMs. In addition, long payment periods strain suppliers' business models and increase their dependence on OEMs, thereby reinforcing OEMs' bargaining power. Chinese regulators have encouraged OEMs to commit to payment terms of around 60 days in order to stabilize value chains and support the sector's long-term growth. Nevertheless, suppliers remain heavily dependent on OEMs, so buyer power in the Chinese market continues to be very high (Gloria & Haohsiang, 2025; Shirouzu, 2025).

4.2.2 Threat of new entrants

The threat of new entrants in the automotive supplier industry depends strongly on the specific segment. With the global shift towards EVs and NEVs being the dominant trend in China, this segment is undergoing profound transformation, which opens the door for new players. A key driver of these new entrants has been the Chinese state, which has implemented a broad support system ranging from subsidies and infrastructure development to the deliberate build-up of domestic production networks. In addition, instruments such as the NEV credit quota system ("8–10–12") pushed established foreign OEMs to focus on NEVs and effectively forced them into collaborations with Chinese brands, thereby strengthening domestic players. These policies helped Chinese OEMs achieve rapid cost and range parity in the NEV segment and have fundamentally reshaped competition in the world's largest automotive market in favor of domestic OEMs and suppliers (Bert et al., 2025; Hertzke et al., 2025; Yeung, 2019).

4.2.3 Rivalry between existing competitors

The rivalry between existing competitors is very intense. Of the 169 OEMs operating in China, fewer than half hold more than 0.1% of total market share, which underlines the fragmented and highly competitive market structure (Shirouzu, 2025). Chinese OEMs are expected to gain further traction in the coming years and reach around 67% market share in China by 2030. This growth has been driven by the country's last five year plan. Therefor intensifying rivalry with foreign OEMs and suppliers that are trying to gain or defend their market position in the Chinese market. The resulting price competition makes OEMs more price sensitive to suppliers leading to increasing margin pressure (Roland Berger GmbH & Lazard & Co. GmbH, 2025). Another factor intensifying competition among suppliers in the Chinese market is that many local players combine strong innovation, fast responsiveness, and high flexibility with a willingness to accept lower margins in order to gain market share (Kilian et al., 2025).

4.2.4 Threat of substitutes

The threat of substitutes is currently moderate for suppliers in the Chinese market. One source of pressure arises from the growing importance of autonomous driving and software-defined vehicles. A study by Burkacky et al. (2019) expects an annual growth rate of around 7% in the software-defined vehicle market until 2030. The challenge is that most traditional suppliers are not able to provide fully integrated systems that cover all the software and hardware domains OEMs will demand in the future. This increases the substitution risk, as the rising complexity of in-vehicle software opens the door for specialized software companies with superior capabilities to enter the market and replace traditional suppliers in parts of the value chain (Burkacky et al., 2019). In summary, this threat exists globally and also plays a role in China, but it is not the most decisive factor for suppliers seeking to enter the Chinese market.

4.2.5 Bargaining power of suppliers

The bargaining power of suppliers in the automotive supplier industry is generally moderate, but it is high for a few strategic inputs, especially in the battery sector. In their study, Greitemeier et al., (2025) analyze the battery supply chain, which depends on a wide range of raw materials and, importantly, relies heavily on China. They find that most stages of the supply chain are located in China, meaning that many of the largest firms

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

are Chinese, and these companies further expand their influence by acquiring mines and subsidiaries along the value chain. In lithium iron phosphate, China controls around 98% of the supply chain and faces little competition (Greitemeier et al., 2025). This highlights how dependent firms in this field are on China, which effectively dominates the battery supply chain, a key component of the BEV trend.

4.3 Regulatory Framework for Market Entry in China

A major challenge when entering the Chinese market has been political regulation, which historically constrained foreign investors' feasible entry modes and, in some cases, effectively limited entry to a narrow set of strategies. Although market access has eased in recent years, regulatory requirements remain a critical consideration when evaluating entry into China. In his study, H. Wang (2003) examines how China's industrial, trade, and investment regulations shaped foreign market entry in the automotive sector, showing that during the 1990s (under the 1994 automotive industrial policy) entry into China's CBU passenger-car projects was effectively restricted to equity joint ventures because foreign investors were capped at maximum equal (50/50) ownership and projects were subject to strict screening/approval. This JV-based entry model was further reinforced by very high import protection, including high tariffs and non-tariff barriers such as licenses/quotas, which made pure export-based entry far less attractive. China started to relax its Negative List from 2018 onwards. Before 2018, foreign investors were limited to a maximum 50% ownership in the manufacturing of commercial, passenger, and special-use vehicles, and they were not allowed to establish more than two JVs producing the same vehicle type. From 2018 onward, these restrictions were scheduled to be removed stepwise, starting with special-use and new-energy vehicles in 2018, followed by commercial vehicles in 2020, and passenger cars in 2022. Foreign investors operating in a sino-foreign joint venture were now able to increase their share or buy out the Chinese partner if they want more control. In addition, from 2022 onward, foreign investors would be allowed to establish more than two JVs for the same vehicle type (Clifford Chance, 2018; Hong & Zhao, 2024; UN Trade and Development (UNCTAD), 2022). As joint ventures and M&A transactions are regulated under similar foreign investment rules, the recent liberalization also applies to M&A, allowing foreign investors to acquire 100% ownership in eligible Chinese companies. At the end the 2024 list removed all the remain

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

small restrictions in the manufacturing sector (Shanghai Municipal People's Government, 2024).

When it comes to exports, market access conditions for foreign firms have improved in recent years, as China has gradually reduced previously high import tariffs. In May 2018, China announced a major cut in import tariffs on automobiles and auto parts, effective 1 July 2018. Vehicle import duties were reduced from 25% (and 20% for some categories) to 15%, and tariffs on many auto parts were cut to 6% (Zhou et al., 2018).

4.4 Location and Cluster Analysis

China's automotive market can be divided into six major clusters that are highly relevant for OEMs and suppliers. The largest is the Yangtze River Delta cluster, with 61 vehicle companies and 5,849 auto-parts companies, and it has a strong focus on new energy vehicles, making it particularly important for future growth. The Northeast China cluster (Jilin, Liaoning, Heilongjiang) includes 20 vehicle companies and 846 auto-parts companies, but its NEV development is relatively slower due to resource and climate constraints. The Middle Yangtze River cluster (Hubei, Hunan, Jiangxi) comprises 53 vehicle enterprises and 2,346 auto-parts enterprises and is increasingly associated with testing activities and automotive electronics. The Beijing–Tianjin–Hebei cluster hosts 52 vehicle companies and 1,178 auto-parts companies and focuses on intelligent connected vehicles and autonomous driving. The final two clusters are the Pearl River Delta cluster (Guangdong, Guangxi), with 28 vehicle companies and 1,275 auto-parts companies, which is relatively diversified and includes many foreign brands, and the Chongqing–Sichuan cluster, with 45 vehicle enterprises and 1,398 auto-parts enterprises, which emphasizes supply-chain coordination and improvement (Yuanhong Ma & Hongqing Li, 2022).

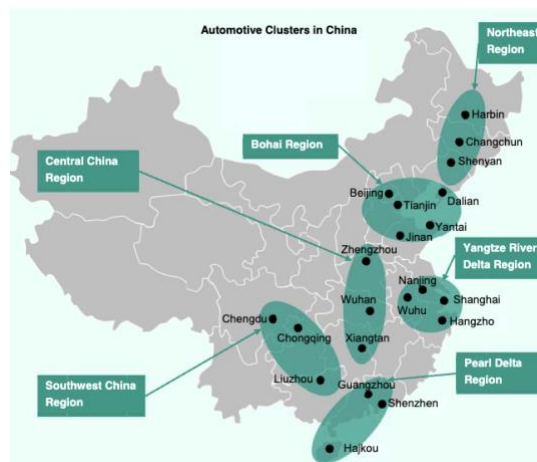


Figure 3: Automotive clusters in China (Hauns et al., 2014)

5 ANALYSIS AND DISCUSSION OF RESULTS

First, findings from the interviews and the market analysis indicate that China is one of the most important automotive markets for future success because of its scale, growth potential, and technological relevance (Kilian et al., 2025; Roland Berger GmbH & Lazard & Co. GmbH, 2025; S&P Global Mobility, 2025). As expert C put it, "If we look at it regionally, only China is actually doing quite well at the moment." This aligns with the case study results, which suggest that most other global markets are currently underperforming (S&P Global Mobility, 2025).

The experts also connect current market dynamics to shifts in industry power and value pools. Experts A and C note that traditional ICE-related component areas are increasingly under pressure, while value creation is moving toward battery-related and thermal-management domains. In addition, the case study's findings on key industry trends, such as the rapid rise of battery-electric vehicles and the growing importance of advanced driver-assistance systems and autonomous driving, match the experts' expectations and are widely seen as major growth drivers in the coming years (Kilian et al., 2025; Roland Berger GmbH & Lazard & Co. GmbH, 2025). These technology trends are closely tied to China, where many of the most important developments are emerging and scaling first, further reinforcing the market's strategic relevance (Burkacky et al., 2019; Kilian et al., 2025; Yeung, 2019).

Beyond technology direction, all experts emphasize speed to market as a critical competitive advantage of Chinese players. Faster development cycles are repeatedly cited as a key reason why Chinese competitors are strengthening while some German suppliers risk falling behind. The combination of favorable technology trends and rapid execution is reflected in Expert A's observation that "CATL has risen massively in recent years." Overall, Expert C captures the core challenges succinctly: "namely, too little revenue with the volume-growing manufacturers, above all Chinese manufacturers, too few products that benefit from the BEV trend, and at the same time rising price pressure with existing customers."

With these trends reshaping the industry and shifting the center of gravity from Europe toward Asia, especially China, internationalization becomes not merely optional, but strategically essential. A particularly straightforward motive is growth, as highlighted by Expert A. This aligns with the literature, as Welch & Luostarinen (1988) argue that internationalization is a key strategic move for firms seeking to survive in competitive

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

environments and pursue growth and innovation. Similarly, Dunning (1988) emphasizes both strategic and economic incentives as central drivers for firms expanding abroad. This pattern is also evident in the automotive supplier industry. Expert A points to diversification, while Expert C mentions “realizing synergies, production, purchasing,” which reflects economies of scale. Expert A also refers to lower labor costs. Taken together, these motives can be summarized as a combination of economic and strategic rationales for internationalization.

In recent years, internationalization research has increasingly emphasized networks and learning within them. From this perspective, successful internationalization in today's environment depends heavily on networks because they facilitate learning and opportunity creation (N. Coviello & Munro, 1997; Johanson & Vahlne, 1990, 2009). In the automotive supplier industry, networks have long been important due to close and often interdependent relationships with key customers (Brandes et al., 2013; Gomis et al., 2024). This is reflected in the interviews, where two experts note that German suppliers have historically expanded alongside their OEM customers over the past decades. At the same time, suppliers also identified opportunities to grow by building business with new customers in the markets they entered. The interesting point is that although networks clearly mattered even decades ago, the dominant motives at that time still appear to align more strongly with strategic and economic drivers, such as growth and efficiency rather than the more recent view of networks primarily as learning- and opportunity-generating spaces (N. Coviello & Munro, 1997; Dunning, 1988; Johanson & Vahlne, 1990, 2009) (Coviello, 2006; Vahlne & Johanson, 2017).

However, the interviews also suggest a clear shift toward learning- and capability-seeking motives, particularly in relation to China. Expert B explains that the focus has moved from “growth through sales” to avoiding being left behind by “entering into partnerships in order to learn even more,” making knowledge accumulation an explicit goal of internationalization. In a similar vein, Expert A notes that German suppliers, in particular, “can learn a lot from young, agile companies or from the supplier industry in China.” Overall, these findings indicate that while economic and strategic rationales have long been central, learning and network-based opportunity motives are becoming increasingly important in today's market, consistent with the direction emphasized in the literature (Brandes et al., 2013; N. Coviello & Munro, 1997; Gomis et al., 2024; Johanson & Vahlne, 1990, 2009).

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

When the current market dynamics are combined with the central role of networks in internationalization, a clear pattern emerges. Expert C illustrates how closely German suppliers' growth in China has historically been tied to their established OEM networks: "we have grown in China to the same extent as VW, Mercedes, or BMW. However, they have been stagnating for a few years and are now shrinking, and that is exactly how things are developing in our business." This quote points to a classic network-dependence mechanism, suppliers expand with their key customers, but they also contract when those customers lose momentum, which is currently the case for the German supplier (Brandes et al., 2013).

From a Uppsala perspective, this becomes particularly problematic. Johanson & Vahlne (2009) describe internationalization as a process of strengthening a firm's position within relevant networks. The interviews suggest that German suppliers may still be part of networks but increasingly in the wrong network. If the western OEM network in China is stagnating, continued reliance on it can translate into outsidership in the fast-growing local ecosystems. Expert C's observation that "many manufacturers in China deliberately rely on local suppliers" reinforces this shift. Chinese OEMs are building and reinforcing their own supplier networks. Consequently, gaining access to the new centers of demand and influence becomes crucial, hence Expert C's emphasis that "it would be important to successfully get into business with the big ones, BYD, Geely," which effectively highlights the need to enter these emerging networks and avoid outsidership (Johanson & Vahlne, 2009).

The interviews also suggest that network position is not purely relational, but also capability dependent. Expert C links suppliers' weak access to relevant networks to internal constraints, describing German suppliers as "really slow," not only in development but also organizationally. This resonates with Dow et al. (2018), who argue that inertia, often rooted in capabilities and routines accumulated over long periods, can cause firms to become stuck. This challenges a straightforward reading of the Uppsala model, where knowledge accumulation primarily reduces uncertainty and drives further commitment; in fast-changing environments, accumulated knowledge can also turn into rigidity. In addition, German suppliers appear to remain strongly embedded in a legacy network that is losing relevance, while still being outsiders to the networks currently expanding in China.

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

The experts repeatedly point to speed as the decisive advantage of Chinese players, faster development cycles, stronger execution, and quicker scaling, which German suppliers seem to miss. This can be interpreted as a misfit between internal capability development and external opportunity. When firms cannot adapt their capabilities quickly enough, they are less able to leverage market opportunities and their growth momentum erodes (Liesch & Welch, 2024).

When it comes to market entry and the strategies used to execute it, all experts noted that automotive suppliers often pursued greenfield investments relatively early in the process. Expert B, for example, stated that “a supplier went to China, set up a factory there under its own name,” and Expert A added that “projects were acquired from suppliers and then, ideally, a plant was opened nearby to reduce logistics costs.” At first glance, this appears to contradict the Uppsala model, which suggests that firms typically begin with exporting and then, as they accumulate market knowledge, shift toward entry modes with higher resource commitment (Alon et al., 2020; Johanson & Vahlne, 1990, 1977, 2009).

However, later developments in the Uppsala framework help reconcile this. Johanson & Vahlne (2009) argue that strong network positions can reduce uncertainty and accelerate internationalization, making faster, higher-commitment entry modes more feasible. Moreover, greenfield investment is particularly likely when firms possess strong firm-specific advantages and relevant knowledge, conditions that German automotive suppliers often had in the past (Barkema & Vermeulen, 1998). This is reflected in Expert A's remark that “companies tended to go in on their own, relying on the reputation they had built up.” Overall, the interview evidence therefore aligns well with the extended Uppsala perspective and the broader entry-mode literature (Barkema & Vermeulen, 1998; Johanson & Vahlne, 2009).

Besides that greenfield investment also offer the opportunity to use economies of scale which was discussed as one of the main motives for internationalization by the experts, making it logic that suppliers often set up their own production early in their internationalization process (Hennart & Park, 1993; Slangen & Hennart, 2007).

Exports were mentioned only briefly by the experts. While exporting is often the initial step when firms enter foreign markets, it appears to play a comparatively smaller role as a stand-alone entry mode in today's globally integrated automotive industry, where production footprints and supply chains are increasingly international from the outset

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

(Gkypali et al., 2021). Where exporting did come up, it was mainly described as a transitional phase, for example, supplying from existing plants until volumes justify deeper localization.

Besides greenfield investments strategic alliances, and joint ventures were the most frequently cited entry approaches. This is consistent with the strong importance of networks discussed earlier. Partnerships provide access to local ecosystems, reduce uncertainty, and accelerate learning. Expert B captures this shift clearly, noting that established European suppliers try to keep pace “perhaps not in the same way as before, where you build your own factory and then simply produce the product that you produced in Germany there, but perhaps by entering into partnerships in order to learn even more.” This reflects the network-based view of internationalization and the role of alliances/JVs as vehicles for learning, capability development, and shared control (Das & Teng, 2000; Geringer & Hebert, 1991; Johanson & Vahlne, 1990, 2009; Kogut, 1988).

In addition, the experts link the rise of partnerships to institutional and regulatory conditions in China. Several interview statements emphasize that partnering with a Chinese firm was, for a long time, effectively required to gain market access, which pushed foreign suppliers toward cooperative entry modes. This aligns with research highlighting how political and regulatory constraints shape entry decisions and how the environment has gradually liberalized in recent years, including reforms easing some restrictions (Clifford Chance, 2018; Hong & Zhao, 2024; Shanghai Municipal People's Government, 2024; UN Trade and Development (UNCTAD), 2022). In line with Hollensen (2011), these findings underline that entry strategies must be designed to fit the underlying institutional conditions and regulatory realities.

Finally, M&A is discussed by the experts as an entry route that offers speed and the ability to target specific segments. The motives like growth, diversification, and rapid market access are consistent with the broader M&A literature (Lin & Chou, 2016; Trautwein, 1990; Walter & Barney, 1990). At the same time, the interviews stress the elevated risk profile. Expert B warns that acquirers “may not be familiar with the market at all,” while expert A highlights that success depends on post-deal execution because “an M&A process doesn't end after the purchase but stands or fails with a smooth integration.” These concerns mirror established findings that poor strategic fit, cultural differences, and integration challenges are major drivers of M&A failure and therefore require active risk management (Hossain, 2021).

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

While the first part of the results analysis and discussion focused on providing an overview of the findings and relating them closely to internationalization theory, particularly the Uppsala model, the second part adopts a more managerial perspective. It is structured around the OLI framework, which offers guidance on why, where, and how firms should internationalize, and it is combined with entry-mode literature to derive implications for the most suitable strategies for German suppliers entering the Chinese market (Dunning, 1980, 1988, 2000).

One of the three pillars of the OLI framework is Location (L), which addresses the question of where to internationalize. The interviews highlight several location advantages of China. Expert B describes it as an “extremely large market” of around 30 million vehicles (S&P Global Mobility, 2025), Expert A notes that “labor is cheaper,” Expert C emphasizes that “China is actually doing quite well at the moment,” and Expert B adds that China is “ahead in terms of knowledge.” Together, these points reflect classic location advantages such as cost efficiency, market size and growth, and access to knowledge, as outlined by (Dunning, 1988). In particular, knowledge-seeking has gained prominence in recent years and may represent one of the most compelling reasons for German automotive suppliers to prioritize China in the coming years (Dunning, 2000).

5.1 Management Implications

Entry strategies can be understood along two related dimensions: control and commitment (Evans et al., 2008). In the Uppsala view, firms typically increase their commitment and therefore their level of control, as they accumulate market knowledge and reduce uncertainty (Johanson & Vahlne, 1990, 1977, 2009). Complementing this, Dunning (1988) distinguishes between entering a market by internalizing activities within the firm versus relying on external market opportunities and partners. Building on these perspectives, this thesis outlines four entry strategies, which are discussed below.

Exporting is typically the simplest and most common initial entry mode (Leonidou & Katsikeas, 1996). As Expert C notes, “you have to look at logistics, tariffs, etc., maybe it pays off,” underscoring that exporting can be a pragmatic option when transport costs and trade conditions are favorable. At the same time, exports are highly exposed to political and regulatory uncertainty, particularly through tariffs and trade restrictions (Jalali, 2012; Sousa et al., 2008). Renewed geopolitical tensions and the US–China trade conflict increase the risk that German firms could face higher duties or indirect trade barriers,

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

which would quickly undermine export profitability and reliability. Besides that, many German automotive suppliers have already established a presence in China and accumulated local partnerships and market-specific knowledge. For these firms, the strategic challenge is no longer gaining initial access, but building and defending a sustainable long-term market position, something that exporting alone is unlikely to secure (Vanninen et al., 2022).

M&A is an entry mode with high commitment and high control (Alon et al., 2020). One practical implication is that it can allow firms to act quickly when a specific opportunity emerges. As Expert A notes, it can be a “very, very fast and, in the long run, potentially cheaper way to enter a market.” In a rapidly changing environment, this can matter when a supplier wants to secure a position in a particular niche, something Expert A also illustrates by stating that “acquisitions were made in individual areas of expertise where it was a good fit.” This could become relevant as the experts expect consolidation in China, which implies that more acquisition opportunities may arise, as financially constrained targets can become cheaper and offer greater upside once the market stabilizes. This effect tends to be even stronger in highly competitive markets such as China's automotive sector (Duan & Jin, 2019; Kilian et al., 2025; Shirouzu, 2025).

In practice, however, the interviews and literature point to two decisive drawbacks. First, cultural and language distance raises the risk of misjudging targets and more critically failing at post-merger integration (Hossain, 2021). As Expert A emphasizes, M&A is always a “risk ... an M&A process doesn't end after the purchase but stands or fails with a smooth integration.” Second, regulatory and political uncertainty remains a meaningful constraint. Expert B notes that “a 100% takeover M&A might not be quite the right thing,” reflecting that full takeovers are viewed cautiously in the industry. Even though access rules have eased, the legacy of tighter regulation and the lack of clear reference cases still increase uncertainty for foreign acquirers. Taken together, these factors suggest that M&A is a high-risk route and is often less suitable as a primary entry strategy for German suppliers in China (Hossain, 2021).

The second high-commitment, high-control entry strategy is greenfield investment (Alon et al., 2020). All experts noted that this has historically been a common approach

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

in the automotive supply industry, for example, stating that “ideally, a plant was opened” or that firms would “set up a factory.”

A central advantage of building a wholly owned plant is the relatively direct transfer of firm-specific skills and routines, which can be summarized as ownership advantages (Dunning, 1988). One expert described that German supplier often relied on “the reputation they had built up.” These ownership advantages can justify committing substantial resources in order to protect and fully capture the benefits of the firm's technology, quality standards, and operating model (Alon et al., 2020; Dunning, 1980, 1988). Greenfield tends to be particularly attractive when a firm can leverage existing capabilities, for example, in markets with similar products, which the Chinese automotive market may appear to be at first glance (Hennart & Park, 1993; Slangen & Hennart, 2007). In addition, compared to M&A, greenfield avoids major post-merger and cultural integration risks, making it especially appealing under high cultural distance, because the firm can replicate its own processes and quality standards from the start (Larimo, 2003). However, the current Chinese automotive context weakens the case for new greenfield entries. The experts emphasize that Chinese players have built strong capabilities and that market shifts, especially toward BEVs are creating new product and technology requirements, which reduces the ownership advantages German suppliers held in previous years. Under these conditions, entry approaches that prioritize learning and capability access may fit the current position of many German suppliers better than a pure replication strategy (Johanson & Vahlne, 1977, 2009). At the same time, the interviews point to “very, very intense” competition and heavy margin pressure, meaning that new capacity can quickly become a cost burden if volumes and pricing fall short (Kilian et al., 2025; Roland Berger GmbH & Lazard & Co. GmbH, 2025; Shirouzu, 2025). Moreover, the literature highlights overcapacity in parts of China's automotive system, further reducing the need to add additional production footprint (Yuanhong Ma & Hongqing Li, 2022). Taken together, the implication is that if a German supplier is not already manufacturing in China, a new greenfield entry is currently difficult to justify, underlined by Expert B's point that “if you weren't involved ..., it won't get any easier.”

Last but not least, joint ventures and strategic alliances combine several advantages of the entry strategies discussed above while addressing key constraints of the Chinese market. Compared with greenfield investments or acquisitions, they generally require lower upfront commitments, which is especially attractive in a phase of “Stagformation,”

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

where German suppliers must stabilize their core business while funding innovation (Roland Berger GmbH & Lazard & Co. GmbH, 2025). Partnerships therefore enable market entry or expansion in China with more limited financial exposure (Das & Teng, 2000; Geringer & Hebert, 1991; Kogut, 1988).

The interviews indicate that partnerships only work if German suppliers bring a clear value proposition. Experts emphasize that their traditional strength has been “quality and innovation,” which can be interpreted as a key ownership advantage in the OLI sense (Dunning, 1980, 1988). However, interview statements such as “the Chinese no longer need us” and “Chinese companies may no longer be dependent on Europeans” highlight that this advantage is eroding and must be actively renewed. In this context, internationalization should be pursued not only for sales, but increasingly for knowledge and capability accumulation (Gomis et al., 2024). This aligns with Expert B's emphasis on “entering into partnerships in order to learn even more,” and Expert A adds that “the Chinese government wants Chinese suppliers and OEMs to grow strongly, and a joint venture is one of the few sensible measures that can be taken,” implying that such arrangements can still enable mutual learning, with Chinese partners also benefiting from German suppliers' capabilities. Strong supplier–partner collaboration is also important to reduce time-to-market and combine complementary strengths, which is particularly relevant under China's fast development cycles (Brandes et al., 2013).

Partnerships also fit the current industrial reality. With overcapacity in parts of China's automotive system, alliances can allow suppliers to leverage existing local production and infrastructure rather than adding new capacity through greenfield investment, while contributing German firms' process know-how and global customer networks (Das & Teng, 2000; Geringer & Hebert, 1991; Kogut, 1988; Yuanhong Ma & Hongqing Li, 2022). In addition, the interviews highlight that market entry was “only possible through joint ventures” for a long time, and although restrictions have eased, regulated environments still make cooperative modes a pragmatic way to enter and operate (Das & Teng, 2000; Geringer & Hebert, 1991; Kogut, 1988). That said, there remains a risk that regulatory conditions could tighten again, which would directly affect foreign suppliers' operating models.

Two further risks stand out. First, partner selection becomes critical, with consolidation expected, suppliers must assess partners' long-term viability and strategic fit. Second, location choices matter beyond the country level. From a location-advantage and

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

Uppsala/network perspective, suppliers need to embed themselves in the right clusters and ecosystems, both where trusted relationships already exist and where strategically relevant new partners are emerging, because network positioning remains central to long-term competitiveness (Dunning, 1988, 2000; Johanson & Vahlne, 1990, 2009).

5.2 Limitations and future outlook

This study has several limitations that should be acknowledged. First, the sample size of the expert interviews is relatively small. With only three experts, all based in Germany, it is difficult to draw conclusions that fully reflect perspectives across the entire industry. However, given the scope of a master's thesis, the high quality of the interview partners and the deliberate use of a complementary case study to strengthen the empirical basis support the validity of the findings. Nevertheless, future research should draw on a larger and more diverse set of experts.

A second limitation concerns the case study design. While the thesis intentionally adopts a broad industry perspective and analyses multiple dimensions in an initial step, it would be valuable to examine specific segments or individual firms in greater depth. The thesis provides strong evidence that internationalization through networks plays a major role in this industry, future studies could therefore explore whether and how this differs across product segments or between firms of different sizes and capability profiles.

6 CONCLUSION

This master's thesis examines which entry and expansion strategies enable German automotive suppliers to establish and strengthen a sustainable market position in China. To address this research question, the study adopts a multi-method design that starts with a literature-based conceptual foundation on internationalization and market-entry modes, presents a case study that develops a structured assessment of the automotive industry with a specific focus on China and concludes the data collection with semi-structured expert interviews to incorporate current, practice-oriented insights.

Across all sources, the results consistently show that China is a strategically essential market due to its scale, growth dynamics, and technology relevance, while at the same time being characterized by highly competitive intensity and rapid transformation driven by trends such as BEVs, ADAS, and software-defined vehicles (Kilian et al., 2025; Roland Berger GmbH & Lazard & Co. GmbH, 2025; S&P Global Mobility, 2025). The findings further indicate that market entry and scaling are strongly shaped by China's institutional context. While historical restrictions constrained foreign entry for a long time, the environment has become more liberalized over time, yet regulation and government influence remain central considerations for strategic choices (Shanghai Municipal People's Government, 2024).

Overall, the thesis concludes that exporting can be an effective initial step for German automotive suppliers to develop market knowledge and reduce early commitment, but that sustainable success in China depends on deep local integration through networks. In a market shaped by rapid technology shifts and strong institutional influence, competitive advantage increasingly results from being embedded in the right ecosystems. Close collaboration with OEMs and key partners is essential not only for securing business, but also for learning, capability development, and access to critical knowledge flows (Johanson & Vahlne, 1990, 2009).

From a strategic entry-mode perspective, the results imply that joint ventures and strategic alliances are likely to remain the most robust vehicles for establishing relevance and scaling in China. They combine institutional practicality in a regulated environment with accelerated access to local ecosystems, existing capacity, and capability learning (Das & Teng, 2000; Geringer & Hebert, 1991; Kogut, 1988). At the same time, the interviews underline that partnerships are not automatically available. As Chinese firms build capabilities and dependency on European suppliers declines, German suppliers

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

must actively renew their ownership advantages, especially quality and innovation, to remain an attractive partner and to capture learning opportunities in fast-moving networks (Brandes et al., 2013; Dunning, 1988, 2000; Gomis et al., 2024).

Managerially, the thesis points to a clear direction. German suppliers should pursue a strategy that combines local embeddedness through cluster and ecosystem participation with governance modes that are feasible under China's institutional conditions and targeted capability upgrading. Local embeddedness matters because the revised Uppsala perspective frames internationalization as building insidership in relevant networks rather than only increasing market commitment, making ecosystem access and relationships a core success factor in China (Johanson & Vahlne, 2009). At the operational level, this implies prioritizing the Chinese clusters that are most relevant for future growth areas such as new energy vehicles and intelligent connected vehicles, since cluster specialization shapes access to partners, talent, and innovation activity (Yuanhong Ma & Hongqing Li, 2022).

In terms of how to execute this, alliances and joint ventures are highlighted as particularly suitable because they allow suppliers to share resources, access complementary capabilities, and accelerate learning while keeping financial exposure lower than full ownership-based entry modes, which is especially relevant in periods of stagnation and transformation (Das & Teng, 2000; Geringer & Hebert, 1991; Kogut, 1988). This choice is also consistent with the institutional reality that China's regulatory framework has historically shaped feasible entry modes, even though foreign investment restrictions have eased in recent years (Clifford Chance, 2018; Hong & Zhao, 2024; Shanghai Municipal People's Government, 2024; UN Trade and Development (UNCTAD), 2022). Finally, the thesis argues that partnerships and cluster positioning must be paired with internal adaptation, because intense competition, overcapacity pressures, and the shift toward electrification and software-defined vehicles increase the need for speed, flexibility, and software-related capabilities (Kilian et al., 2025; Roland Berger GmbH & Lazard & Co. GmbH, 2025).

REFERENCES

- Alon, I., Elia, S., & Li, S. (2020). Greenfield or M&A? An institutional and learning perspective on the establishment mode choice of Chinese outward investments. *Journal of International Management*, 26(3), 100758. <https://doi.org/10.1016/j.intman.2020.100758>
- Andersen, O., & Suat Kheam, L. (1998). Resource-based theory and international growth strategies: An exploratory study. *International Business Review*, 7(2), 163–184. [https://doi.org/10.1016/S0969-5931\(98\)00004-3](https://doi.org/10.1016/S0969-5931(98)00004-3)
- Barkema, H. G., & Vermeulen, F. (1998). International expansion through start-up or acquisition: A learning perspective. *Academy of Management Journal*, 41(1), 7–26. <https://doi.org/10.2307/256894>
- Bert, J., Niese, N., Li, E., Anculle, E., & Lepena Molero, P. (2025). *Changing lanes: EV strategies in the US, Europe, and China*. Boston Consulting Group (BCG).
- Bogner, A., & Menz, W. (2009). The theory-generating expert interview: Epistemological interest, forms of knowledge, interaction. In A. Bogner, B. Littig, & W. Menz (Eds.), *Interviewing experts* (pp. 43–80). Palgrave Macmillan UK. https://doi.org/10.1057/9780230244276_3
- Brandes, O., Brege, S., & Brehmer, P.-O. (2013). The strategic importance of supplier relationships in the automotive industry. *International Journal of Engineering Business Management*, 5, 17. <https://doi.org/10.5772/56257>
- Brouthers, K. D., & van Hastenburg, P. (1998). If most mergers fail, why are they so popular? *Long Range Planning*, 31(3), 347–353. [https://doi.org/10.1016/S0024-6301\(98\)80002-2](https://doi.org/10.1016/S0024-6301(98)80002-2)
- Bryman, A. (2016). *Social research methods* (Fifth edition). Oxford University Press.

From Market entry to local embeddedness: How German suppliers can compete in
China's automotive ecosystem

- Burkacky, O., Deichmann, J., & Stein, J. P. (2019). Automotive software and electronics 2030, Mapping the sector's future landscape. *McKinsey & Company, Inc.*
- Calof, J. L., & Beamish, P. W. (1995). Adapting to foreign markets: Explaining internationalization. *International Business Review*, 4(2), 115–131. [https://doi.org/10.1016/0969-5931\(95\)00001-G](https://doi.org/10.1016/0969-5931(95)00001-G)
- Chen, Y., Dai, X., Fu, P., Luo, G., & Shi, P. (2024). A review of China's automotive industry policy: Recent developments and future trends. *Journal of Traffic and Transportation Engineering (English Edition)*, 11(5), 867–895. <https://doi.org/10.1016/j.jtte.2024.09.001>
- Clifford Chance. (2018, July). *China eases restrictions on foreign investment*. Clifford Chance.
- Coviello, N. E. (2006). The network dynamics of international new ventures. *Journal of International Business Studies*, 37(5), 713–731. <https://doi.org/10.1057/palgrave.jibs.8400219>
- Coviello, N., & Munro, H. (1997). Network relationships and the internationalisation process of small software firms. *International Business Review*, 6(4), 361–386. [https://doi.org/10.1016/S0969-5931\(97\)00010-3](https://doi.org/10.1016/S0969-5931(97)00010-3)
- Das, T. K., & Teng, B.-S. (2000). A resource-based theory of strategic alliances. *Journal of Management*, 26(1), 31–61. <https://doi.org/10.1177/014920630002600105>
- DeJonckheere, M., & Vaughn, L. M. (2019). Semistructured interviewing in primary care research: A balance of relationship and rigour. *Family Medicine and Community Health*, 7(2), e000057. <https://doi.org/10.1136/fmch-2018-000057>
- Dow, D., Liesch, P., & Welch, L. (2018). Inertia and managerial intentionality: Extending the Uppsala model. *Management International Review*, 58(3), 465–493. <https://doi.org/10.1007/s11575-017-0340-0>

From Market entry to local embeddedness: How German suppliers can compete in
China's automotive ecosystem

- Duan, Y., & Jin, Y. (2019). Financial constraints and synergy gains from mergers and acquisitions. *Journal of International Financial Management & Accounting*, 30(1), 60–82. <https://doi.org/10.1111/jifm.12091>
- Dunning, J. H. (1980). Toward an eclectic theory of international production: Some empirical tests. *Journal of International Business Studies*, 11(1), 9–31. <https://doi.org/10.1057/palgrave.jibs.8490593>
- Dunning, J. H. (1988). The eclectic paradigm of international production: A restatement and some possible extensions. *Journal of International Business Studies*, 19(1), 1–31. <https://doi.org/10.1057/palgrave.jibs.8490372>
- Dunning, J. H. (2000). The eclectic paradigm as an envelope for economic and business theories of MNE activity. *International Business Review*, 9(2), 163–190. [https://doi.org/10.1016/S0969-5931\(99\)00035-9](https://doi.org/10.1016/S0969-5931(99)00035-9)
- Ego, P. (2023). Build, buy, or partner? A systematic literature review on the choice between alternative modes of growth. *Management Review Quarterly*, 73(4), 1519–1577. <https://doi.org/10.1007/s11301-022-00280-x>
- Eisenhardt, K. M., & Schoonhoven, C. B. (1996). Resource-based view of strategic alliance formation: Strategic and social effects in entrepreneurial firms. *Organization Science*, 7(2), 136–150. <https://doi.org/10.1287/orsc.7.2.136>
- Erramilli, M. K. (1992). Influence of some external and internal environmental factors on foreign market entry mode choice in service firms. *Journal of Business Research*, 25(4), 263–276. [https://doi.org/10.1016/0148-2963\(92\)90024-6](https://doi.org/10.1016/0148-2963(92)90024-6)
- Evans, J., Mavondo, F., & Bridson, K. (2008). Psychic distance: Antecedents, retail strategy implications and performance outcomes. *Journal of International Marketing*, 16(2), 32–63. <https://doi.org/10.1509/jimk.16.2.32>

From Market entry to local embeddedness: How German suppliers can compete in
China's automotive ecosystem

Federal Ministry of Economic Affairs and Climate Action (BMWK). (2024, November).

Future of Automotive Value Creation in Germany. Federal Ministry of Economic
Affairs and Climate Action (BMWK).

Fessina, M., Zaccaria, A., Cimini, G., & Squartini, T. (2024). Pattern-detection in the
global automotive industry: A manufacturer-supplier-product network analysis.

Chaos, Solitons & Fractals, 181, 114630.

<https://doi.org/10.1016/j.chaos.2024.114630>

Geringer, J. M., & Hebert, L. (1991). Measuring performance of international joint
ventures. *Journal of International Business Studies*, 22(2), 249–263.

<https://doi.org/10.1057/palgrave.jibs.8490302>

Germany Trade & Invest. (2025). *The Automotive Industry in Germany*.

Gkypali, A., Love, J. H., & Roper, S. (2021). Export status and SME productivity:

Learning-to-export versus learning-by-exporting. *Journal of Business Research*,

128, 486–498. <https://doi.org/10.1016/j.jbusres.2021.02.026>

Gloria, L., & Haohsiang, K. (2025, June 13). China's car industry runs on empty as supply

chain bills go unpaid. *Financial Times*. [https://www.ft.com/content/e6ae000d-](https://www.ft.com/content/e6ae000d-d506-4a21-898e-213002234ee2)

[d506-4a21-898e-213002234ee2](https://www.ft.com/content/e6ae000d-d506-4a21-898e-213002234ee2)

Gomis, R., Vallejo, B., & Carrillo, J. (2024). Automotive alliances in times of

technological uncertainty. *International Journal of Automotive Technology and*

Management, 24(5), 10066303. <https://doi.org/10.1504/IJATM.2024.10066303>

Greitemeier, T., Kampker, A., Tübke, J., & Lux, S. (2025). China's hold on the lithium-

ion battery supply chain: Prospects for competitive growth and sovereign control.

Journal of Power Sources Advances, 32, 100173.

<https://doi.org/10.1016/j.powera.2025.100173>

From Market entry to local embeddedness: How German suppliers can compete in
China's automotive ecosystem

- Gulati, R. (1998). Alliances and networks. *Strategic Management Journal*, 19(4), 293–317. [https://doi.org/10.1002/\(SICI\)1097-0266\(199804\)19:4<293::AID-SMJ982>3.0.CO;2-M](https://doi.org/10.1002/(SICI)1097-0266(199804)19:4<293::AID-SMJ982>3.0.CO;2-M)
- Harrison, H., Birks, M., Franklin, R., & Mills, J. (2017). Case study research: Foundations and methodological orientations. *Forum Qualitative Sozialforschung / Forum: Qualitative Social Research*, 18(1), Article 19. <https://doi.org/10.17169/FQS-18.1.2655>
- Hassan, I., Ghauri, P. N., & Mayrhofer, U. (2018). Merger and acquisition motives and outcome assessment. *Thunderbird International Business Review*, 60(4), 709–718. <https://doi.org/10.1002/tie.21967>
- Hennart, J.-F., & Park, Y.-R. (1993). Greenfield vs. acquisition: The strategy of Japanese investors in the United States. *Management Science*, 39(9), 1054–1070. <https://doi.org/10.1287/mnsc.39.9.1054>
- Hertzke, P., Schaufuss, P., Kampshoff, P., Möller, T., Smith, A.-S., & Rupalla, F. (2025, April). *New twists in the electric-vehicle transition: A consumer perspective*.
- Hollensen, S. (2011). *Global marketing: A decision-oriented approach* (5th ed.). Financial Times Prentice Hall.
- Hong, S., & Zhao, S. (2024, December). China eliminates all access restrictions to foreign investors in the manufacturing sector. *Norton Rose Fulbright*.
- Hossain, M. S. (2021). Merger & acquisitions (M&As) as an important strategic vehicle in business: Thematic areas, research avenues & possible suggestions. *Journal of Economics and Business*, 116, 106004. <https://doi.org/10.1016/j.jeconbus.2021.106004>
- Jalali, S. H. (2012). Export barriers and export performance: Empirical evidence from the commercial relationship between Greece and Iran. *South-East European Journal*

From Market entry to local embeddedness: How German suppliers can compete in
China's automotive ecosystem

of Economics and Business, 7(2), 53–64. <https://doi.org/10.2478/v10033-012-0017-3>

Johanson, J., & Vahlne, J. (1990). The mechanism of internationalisation. *International Marketing Review*, 7(4), 11–24. <https://doi.org/10.1108/02651339010137414>

Johanson, J., & Vahlne, J.-E. (1977). The internationalization process of the firm—A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23–32. <https://doi.org/10.1057/palgrave.jibs.8490676>

Johanson, J., & Vahlne, J.-E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, 40(9), 1411–1431. <https://doi.org/10.1057/jibs.2009.24>

Kilian, R., Waas, A., Brenner, A., Dehnel, C., Fäßler, B., Xie, A., Kim, M., & Baker, J. (2025, January). *Automotive Suppliers at the Crossroads. Insights from BCG's 2025 Automotive Supplier Industry Report*. Boston Consulting Group (BCG).

Knight, G. A., & Liesch, P. W. (2016). Internationalization: From incremental to born global. *Journal of World Business*, 51(1), 93–102. <https://doi.org/10.1016/j.jwb.2015.08.011>

Kogut, B. (1988). Joint ventures: Theoretical and empirical perspectives. *Strategic Management Journal*, 9(4), 319–332. <https://doi.org/10.1002/smj.4250090403>

Larimo, J. (2003). Form of investment by Nordic firms in world markets. *Journal of Business Research*, 56(10), 791–803. [https://doi.org/10.1016/S0148-2963\(02\)00467-8](https://doi.org/10.1016/S0148-2963(02)00467-8)

From Market entry to local embeddedness: How German suppliers can compete in
China's automotive ecosystem

- Leonidou, L. C., & Katsikeas, C. S. (1996). The export development process: An integrative review of empirical models. *Journal of International Business Studies*, 27(3), 517–551. <https://doi.org/10.1057/palgrave.jibs.8490846>
- Liesch, P. W., & Welch, C. (2024). Asynchronicities of growth: A process extension to the Uppsala model of internationalisation. *Journal of International Business Studies*, 55(6), 796–804. <https://doi.org/10.1057/s41267-024-00702-w>
- Lin, H.-C., & Chou, Y.-Y. (2016). The impact of industry commonality on post-merger performance. *Advances in Economics and Business*, 4(6), 297–305. <https://doi.org/10.13189/aeb.2016.040604>
- Masulis, R. W., & Simsir, S. A. (2018). Deal initiation in mergers and acquisitions. *Journal of Financial and Quantitative Analysis*, 53(6), 2389–2430. <https://doi.org/10.1017/S0022109018000819>
- McDougall, P. P., & Oviatt, B. M. (2000). International entrepreneurship: The intersection of two research paths. *Academy of Management Journal*, 43(5), 902–906. <https://doi.org/10.2307/1556418>
- Micek, G., Guzik, R., Gwosdz, K., & Domański, B. (2021). Newcomers from the periphery: The international expansion of Polish automotive companies. *Energies*, 14(9), 2617. <https://doi.org/10.3390/en14092617>
- O'Cass, A., & Julian, C. (2003). Examining firm and environmental influences on export marketing mix strategy and export performance of Australian exporters. *European Journal of Marketing*, 37(3/4), 366–384. <https://doi.org/10.1108/03090560310459005>
- Oviatt, B. M., & McDougall, P. P. (2005). Defining international entrepreneurship and modeling the speed of internationalization. *Entrepreneurship Theory and Practice*, 29(5), 537–553. <https://doi.org/10.1111/j.1540-6520.2005.00097.x>

From Market entry to local embeddedness: How German suppliers can compete in
China's automotive ecosystem

- Pavlínek, P. (2019). Restructuring and internationalization of the European automotive industry. *Journal of Economic Geography*, 20(2), 509–541. <https://doi.org/10.1093/jeg/lby070>
- Piercy, N. F., Kaleka, A., & Katsikeas, C. S. (1998). Sources of competitive advantage in high performing exporting companies. *Journal of World Business*, 33(4), 378–393. [https://doi.org/10.1016/S1090-9516\(99\)80081-9](https://doi.org/10.1016/S1090-9516(99)80081-9)
- Pitelis, C., & Piteli, E. E. N. (2024). The theory of the MNE@64: Building on Hymer's legacy. *European Management Review*, 21(4), 733–747. <https://doi.org/10.1111/emre.12692>
- Porter, M. E. (2008). The five competitive forces that shape strategy. *Harvard Business Review*, 86(1), 25–40.
- Roland Berger GmbH, & Lazard & Co. GmbH. (2025, April). *Global Automotive Supplier Study 2025. "Stagformation": Trends, outlook, and recommendations to navigate stagnation and transformation.*
- Schweizer, R., & Vahlne, J.-E. (2022). Non-linear internationalization and the Uppsala model – On the importance of individuals. *Journal of Business Research*, 140, 583–592. <https://doi.org/10.1016/j.jbusres.2021.11.025>
- Shanghai Municipal People's Government. (2024, December 6). Negative lists for foreign investment access. *Shanghai Municipal People's Government*.
- Shirouzu, N. (2025, May 27). China auto market price war stokes fears of industry shake-out. *Reuters*. <https://www.reuters.com/business/autos-transportation/china-auto-market-price-war-stokes-fears-of-industry-shake-out-2025-05-27/>
- Slangen, A., & Hennart, J.-F. (2007). Greenfield or acquisition entry: A review of the empirical foreign establishment mode literature. *Journal of International Management*, 13(4), 403–429. <https://doi.org/10.1016/j.intman.2007.08.001>

From Market entry to local embeddedness: How German suppliers can compete in
China's automotive ecosystem

- Sousa, C. M. P., Martínez-López, F. J., & Coelho, F. (2008). The determinants of export performance: A review of the research in the literature between 1998 and 2005. *International Journal of Management Reviews*, 10(4), 343–374. <https://doi.org/10.1111/j.1468-2370.2008.00232.x>
- S&P Global Mobility. (2025). *Light vehicle production forecast: Base scenario (Global; historical & forecast) (2025M11)* [Dataset].
- Townsend, J. D., Balestra, S., & Schulze, A. (2017). Characteristics of project-based alliances: Evidence from the automotive industry. *International Journal of Automotive Technology and Management*, 17(3), 388–413. <https://doi.org/10.1504/IJATM.2017.086411>
- Trautwein, F. (1990). Merger motives and merger prescriptions. *Strategic Management Journal*, 11(4), 283–295. <https://doi.org/10.1002/smj.4250110404>
- UN Trade and Development (UNCTAD). (2022, January 1). China—Issued new Negative List for Foreign Direct Investment. *UN Trade and Development (UNCTAD)*.
- Vahlne, J.-E., & Johanson, J. (2017). From internationalization to evolution: The Uppsala model at 40 years. *Journal of International Business Studies*, 48(9), 1087–1102. <https://doi.org/10.1057/s41267-017-0107-7>
- Vanninen, H., McNaughton, R. B., & Kuivalainen, O. (2022). The multiple dimensions of embeddedness of small multinational enterprises. *Management International Review*, 62(6), 785–816. <https://doi.org/10.1007/s11575-022-00487-w>
- Walter, G. A., & Barney, J. B. (1990). Research notes and communications management objectives in mergers and acquisitions. *Strategic Management Journal*, 11(1), 79–86. <https://doi.org/10.1002/smj.4250110107>

From Market entry to local embeddedness: How German suppliers can compete in
China's automotive ecosystem

- Wang, H. (2003). *Policy reforms and foreign direct investment: The case of the Chinese automobile industry*.
- Wang, W. (2018). Bid anticipation, information revelation, and merger gains. *Journal of Financial Economics*, 128(2), 320–343.
<https://doi.org/10.1016/j.jfineco.2018.02.010>
- Welch, L. S., & Luostarinen, R. (1988). Internationalization: Evolution of a concept. *Journal of General Management*, 14(2), 34–55.
<https://doi.org/10.1177/030630708801400203>
- Yeung, G. (2019). 'Made in China 2025': The development of a new energy vehicle industry in China. *Area Development and Policy*, 4(1), 39–59.
<https://doi.org/10.1080/23792949.2018.1505433>
- Ma, Y., & Li, H. (2022). The development status and countermeasures of China's auto industry clusters. *Frontiers in Economics and Management*, 3(10).
[https://doi.org/10.6981/FEM.202210_3\(10\).0032](https://doi.org/10.6981/FEM.202210_3(10).0032)
- Zhou, E., Han, H., Cheng, D., Tao, R., Luo, G., Xia, P., & Hui, D. (2018). *China tax alert*. KPMG.

APPENDIX

Appendix 1: Acknowledgement of the use of Artificial Intelligence

In the preparation of this Master's Final Work, artificial intelligence-based tools were used as a supportive aid during the research and writing process. Specifically, AI was employed to assist with tasks such as language refinement and the clarification of academic formulations. All substantive ideas, arguments, interpretations, analyses, and conclusions presented in this thesis are the author's own.

The use of AI did not replace independent critical thinking, original analysis, or academic judgment. All sources were selected, evaluated, and cited by the author in accordance with academic standards, and the responsibility for the content of this work remains entirely with the author.

Appendix 2: MAXQDA

The following section includes selected drafts of the coding scheme used in MAXQDA to filter the interview texts and identify the most frequently recurring words and themes. These codes are not exhaustive, as the thesis also incorporates an integrated component of own elaboration.

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

▼ Dokumente	149
▼ Interviews	149
Transcript 3 Interview C final	38
Transcript 2 Interview B final	43
Transcript 1 Interview A final	68
Sets	0
🔍 Codes 🔧 ⚙️ — 🔗	
▼ Codes	149
> 1) Market dynamics & industry context	16
> 2) Technological transformation	11
> 3) Competitive pressure & market structure	22
> 4) Internationalization motives (why enter/expand?)	28
> 5) China market attractiveness & strategic assessment	3
> 6) Entry & expansion strategies	18
> 7) Institutions, policy & regulation	18
> 8) Network position & relationship patterns	9
> 9) Organizational & capability adaptation for China	10
> 10) Barriers & risks	8
> 11) Alternatives & future options	6
Sets	0

Codesystem	Transcript 3 Interview C final	Transcript 2 Interview B final	Transcript 1 Interview A final	SUMME
> 1) Market dynamics & industry context	7	4	5	16
> 2) Technological transformation	3	3	5	11
> 3) Competitive pressure & market structure	4	6	12	22
> 4) Internationalization motives (why enter/expand?)	9	8	11	28
> 5) China market attractiveness & strategic assessment	1	1	1	3
> 6) Entry & expansion strategies	5	7	6	18
> 7) Institutions, policy & regulation	2	6	10	18
> 8) Network position & relationship patterns	3	3	3	9
> 9) Organizational & capability adaptation for China	1	2	7	10
> 10) Barriers & risks		2	6	8
> 11) Alternatives & future options	3	1	2	6
Σ SUMME	38	43	68	149

From Market entry to local embeddedness: How German suppliers can compete in China's automotive ecosystem

Codesystem	Transcript 3 Interview C final	Trascript 2 Interview B final	Transcript 1 Interview A final	SUMME
> 1) Market dynamics & industry context	4,7%	2,7%	3,4%	10,7%
> 2) Technological transformation	2,0%	2,0%	3,4%	7,4%
> 3) Competitive pressure & market structure	2,7%	4,0%	8,1%	14,8%
> 4) Internationalization motives (why enter)	6,0%	5,4%	7,4%	18,8%
> 5) China market attractiveness & strategic fit	0,7%	0,7%	0,7%	2,0%
> 6) Entry & expansion strategies	3,4%	4,7%	4,0%	12,1%
> 7) Institutions, policy & regulation	1,3%	4,0%	6,7%	12,1%
> 8) Network position & relationship patterns	2,0%	2,0%	2,0%	6,0%
> 9) Organizational & capability adaptation	0,7%	1,3%	4,7%	6,7%
> 10) Barriers & risks		1,3%	4,0%	5,4%
> 11) Alternatives & future options	2,0%	0,7%	1,3%	4,0%
Σ SUMME	25,5%	28,9%	45,6%	100,0%

Codesystem	Transcript 3 Interview C final	Trascript 2 Interview B final	Transcript 1 Interview A final	SUMME
> 1) Market dynamics & industry context	7	4	5	16
> 2) Technological transformation	3	3	5	11
> 3) Competitive pressure & market structure	4	6	12	22
> 4) Internationalization motives (why enter)	9	8	11	28
> 5) China market attractiveness & strategic fit	1	1	1	3
> 6) Entry & expansion strategies	5	7	6	18
> 7) Institutions, policy & regulation	2	6	10	18
> 8) Network position & relationship patterns	3	3	3	9
> 9) Organizational & capability adaptation	1	2	7	10
> 10) Barriers & risks		2	6	8
> 11) Alternatives & future options	3	1	2	6
Σ SUMME	38	43	68	149

Appendix 3:

Final transcripts are available under this link:

https://docs.google.com/document/d/1t_-0rmSQ6aYXC1LfnSFxcTEz_pMGKYol/edit?usp=drive_link&ouid=105405974910555624497&rtpof=true&sd=true