DETERMINANTS OF COMPLETION OF CHINESE OVERSEAS MERGERS AND ACQUISTIONS

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Abstract

With the fast development of economies, mergers and acquisitions became the new transaction form for Chinese enterprises to expand overseas. However, compared with the advanced countries, the completion rate of Chinese overseas M&A deals is low. The article intend to analyse the reason caused the low completion rate of Chinese overseas M&A deals. The article collected 494 M&A deals from Thomson Financial Merger and Acquisition Database between 2001-2012, and according to the empirical studies, the factors had influence on the completion of Chinese overseas M&A deals are from various levels. It can get the conclusion that two factors-- investment profile and military in politics have significant positive effect on the completion of M&A attempts.

Keywords:

determinants, completion, merger and acquisition

Introduction Background of the research

With the fast development of market economies, many new corporation transaction forms are emerging in the economic development. At the end of 19 merger and acquisition century. (hereafter, M&A) as two new forms of corporation transaction are emerging and developing gradually. Compared to the advanced countries with the M&A trip beginning from 1880. Chinese enterprises overseas M&A trip was a late start which was beginning from 1980s.

At the beginning of overseas M&A, only Chinese state-owned enterprises with large financial resources enter the global M&A market. With the fast development of the economy, other sorts of enterprises get a great chance to expand overseas. Since the occurrence of 2008 financial crisis, some enterprises in developed countries facing the survival difficulty, this phenomenon gives Chinese enterprises a great opportunity to attain unprecedented development.

However, it can be said that Chinese overseas M&A results are not



satisfactory. Chinese enterprises suffered a great number of failure due to many different aspects. In the beginning, the acquiring enterprises are mostly stateowned enterprises (hereafter, SOEs) that surging in the M&A trip, and SOEs preferred to choose the natural resource industry as the main targeting. The behavior caused a lot of concerns from hosting country. Political security is a great concern in the M&A attempts, and institutional quality is the measurement of political security.

There is a misunderstanding of overseas M&A for Chinese enterprises. Acquiring enterprises always ignore the local investment environment. Many Chinese enterprises just follow the trends to expand overseas blindly, don't research and analyze enough information about the institutional distance, this phenomenon causes high uncertainty in the M&A deals.

Significance of the study

The article focuses on the determinants of completion of Chinese enterprises overseas M&A. The acquiring enterprises can benefit from such analysis. In the process of Chinese overseas M&A, acquiring enterprises may have various problems in the dealings. This study can provide a great guideline to complete the M&A deals.

Research objective

To investigate the determinants which affect the completion of overseas M&As for Chinese enterprises.

To provide suggestion on help to increase the completion percentage during the dealing period.

Research question

What are the factors which determine the completion of Chinese overseas M&A?

Expected benefits

From this research, the determinants of completion of Chinese enterprises overseas M&A will be found by empirical analysis. Chinese enterprises or organizations which intend to expand overseas can get the benefit from this paper.

This study provides a deep insight into the determinants of the completion of Chinese overseas M&A. Thus the acquiring enterprises can make a better understanding and take a appropriate decision based on the conclusion of this paper. The enterprises or organizations can get the guideline to increase the completion percentage during the dealing period.

Literature review

Li Yuan, Wang Wei and Miao Chen (2011) analysed the national risk assessment of China's overseas investment based on the data of ICRG. The authors combined four risk assessment authorities and appraisal procedures, and created a risk assessment mechanism for overseas investing countries. ICRG includes politial risk index (PR), economic risk index (ER) and financial risk index (FR). The comprehensive risk index (CR)=0.5*(PR+ER+FR). The weight of PR is 50%, the weight of ER is 25%, the FR's weight is 25%. According to the data from the 140 countries in June. 2012, the article got the score of each around world. country the The conclusion is that the countries from Asia



and Euro have low risk, the percentage of advanced countries is 67% and the percentage of developing countries is 33%. The top risk countries are Ethiopia, Libya, Yemen, Guinea, Belarus, Congo, Niger etc. The article suggest that Chinese should evade these kinds of countries when invest overseas.

Nan Hu, Yun (Ivy) Zhang and Songtao Tan (2016) centered the two of determinants of Chinese enterprises overseas M&A which are definitely specific key determinants, country and industry preference currency appreciation. At the industry preference level, the researchers found that sourcerelated enterprises prefer to choose the host country's natural resources to achieve the goals of national strategy, and would cause the special political treatments from the host countries. International. national source-related security is the first aim for each country, this industry preference would cause the host country to worry about the intentions of Chinese enterprises and the national interests. For the second sector appreciation. currencv the article explored the appreciation of RMB (Chinese money) during such three decades. Since the reform of exchange rate system in 2005, the exchange rate of RMB was to cause a huge floating compared with the last decade. This article also finds that the appreciation of RMB has a great effect on national wealth including the short and long term. Furthermore, the appreciation of RMB also has a huge effect on the acquirers themselves, it can decrease the cost of capitals in home country.

Jianhong Zhang, Chaohong Zhou and Haico Ebbers (2011) explored the factors from the institutional perspective to affect the completion of Chinese international acquisitions enterprises activities. The study focus on the institutional restrictions and institutional quality for the host countries, it indicates that when the acquisitions activity be regarded as a threat to host country, this kind of acquisitions will be canceled by the local government, the effect also for the related industry which affects the national security like source-related industry. From the perspective of the article, the institutional pressure made a great effect on the Chinese enterprises overseas acquisitions. The hypothesis was given that the host country's institutional quality has positive relationship with the completion of acquisition deal. The study quoted 1324 Chinese overseas M&A deals between 1982 and 2009 to study the above viewpoint. After completing the regression equation, the hypothesis can be fully confirmed, it can be said institutional quality has positive and significant influence in the completion of acquisition deals.

Md. Mahadi Hasan, Yusnidah Ibrahim and Md. Mohan Uddin (2016) explore the factors which have influences on the firm performance in the perspective of institutional distance. The article aims to identify the institutional gaps according to the previous study which highlight the ten related institutional distance factors in this article. This study focuses on the influence on the firm's performance of institutional distance factors which from the institutional-based view. There are two hypothesis from the aspects of institutional distance, the first one is formal institutional distance can give a positive influence on the performance of enterprises cross-border M&As, which including many aspects such as



administration, laws etc. The other one is informal institutional distance which including the knowledge, geographic makes a negative effect on the performance of enterprises cross-border M&As. Using the "CAGE" model (cultural, administrative, geographical and economic distance) which was created by North (1990) and based on the theory of institutional to analyze the distance between home and host countries. In addition to the above several aspects, the study add the infrastructure distance in the model. In the last, this article get the conclusions that the enterprises prefer to choose the better infrastructure in place to lower the cost of operation.

Isabel Feito-Ruiza, Ana I. Fernándezb and Susana Menéndez-Requejob (2014) aim to analyze the decision of acquiring attempts in different political and institutional environments. The focus of this study is the unlisted enterprises other than the listed enterprises in both US and Europe. From the perspective of researchers, they suppose Managerial Opportunism and Information Asymmetry as the main determinants of the acquiring attempts. Managerial Opportunism is estimated on the basic variables in the logit model: size of acquiring firm, cash inflow and outflow, market-to-book ratio and method of pavment. For the information asymmetry, it is likely to measure like the size of enterprises and attribution of enterprises depending on the legal and institutional environment. The study searched the data announced bv European Union (hereafter EU) during the certain period around from January 2002 to December 2007. After the analysis of above data using the logit model, the study get the conclusion that managerial opportunism is a determinant of the acquisition of listed firms, occurring with greater probability in somewhere or countries where provide less protection to shareholder. Information asymmetry is also a relevant determinant that causes the acquisition of unlisted firms. As a country is less developed in capital market, the acquisition is more likely to happen.

Dechun Huang and Aiping Shi aim to analyze the restriction factors in the process of overseas M&A by Chinese enterprises. From the country-specific level, cultural integration and policy are the main restriction factors to complete the M&A attempts. Cultural integration is a very critical factor of completion between home culture and host culture. Due to Chinese enterprises are lacking of the sufficient knowledge of cultural background in the host countries, this phenomenon lead to a great number of M&A deals failure. Policy is another critical factor in the process of M&A attempts, the difference of political system between China and western enterprises leads to the misunderstanding in many aspects such as human rights. One example is Rio Tinto case rejection in Australia. From the industry-specific industry, human resource as one factor to measure the completion of M&A attempts. As we all know, professional ability has significance influence on the management of enterprises. Some managers have many experiences in basic overseas business transaction, but don't know the local language and some of them are unfamiliar with the local laws and rules. There is a failure example because of the communication problem between China and Korea. In the process of SAIC acquiring Ssangyong case, at first due to the language problem-



Chinese and Korean, the acquiring enterprise doesn't have the right senior manager to control the targeting enterprises, so SAIC retained the local management team to manage Ssangyong. In the limitation of cultural barrier communication of two enterprises, this M&A deals causes a great loss of acquiring enterprises around nearly \$0.5 billion. In response to the related factors regarding the policy, cultural integration and human resources, the study gives many recommendations. The culture integration is the most part of M&A integration, so the key point is improving the aware of communicating with local culture. Creating a new culture type is the solution of the overseas M&A to avoid the cultural conflicts and risks. Defuse the financial risk is the suggestion of solving the such problems, including get the full economic information about stock market, enterprises assets. The article also gives the four approaches to train a manager as to operate the overseas M&A deals. The human resources including local and global human resources are all can be used as the approaches to solve the problem.

Based on the international business strategy in the system view and organizational learning theory, Yan Da Ying (2011) discusses the determinants of success of Chinese enterprises overseas mergers and acquisitions. This paper empirically tests the overseas mergers and acquisitions sample initiated by Chinese enterprises, and finds that formal and informal institutional distance have a significant negative impact on Chinese enterprises overseas M&A furthermore, the previous success, success cases in M&A deals can improve the success rate in the subsequent M&A attempts. At the same time, the article

shows that the companies which have more experience in overseas M&A deals, it will causes higher success rate in the subsequent attempts. In addition, this paper also shows that acquirer is stateowned enterprises, listed companies and natural resources companies or not, and whether the acquirer hire professional consultants in M&A deals, and openness of host countries also affect the success or failure of overseas mergers and acquisitions. Based on the above conclusions, this paper gives some countermeasures and suggestions.

Kenneth Y. Hui (2009) uses the different perspective to study the effect of China's national security laws on domestic company's foreign mergers and acquisition. The article uses the comparative approach to study the similarities of national security laws between China and United Stated. The purpose of this article is comparing the national security laws between China and United Stated, because United Stated is regarded as a benchmark of prime free market. The focus of this paper is on the wholly owned companies which intend to purchase any company's a majority percentage of shares or assets. In the conclusion, national security laws of China don't have the difference greatly with the national security laws of United States. The procedure of decision making in China is the only protectionist feature which compared with the United State.

Conceptual framework

According to the previous literature, the article finds many factors to analyze the completion of Chinese overseas M&A. Institutional quality has significance influence, and 12 variables under International Country Risk Guide



(hereafter, ICRG) will be chose to measure. The paper gives such 12 hypotheses.

H1: the host country's government stability has positive effect on the likelihood of M&A attempts completion

H2: the host country's socioeconomic conditions has positive effect on the likelihood of M&A attempts completion H3: the host country's corruption has positive effect on the likelihood of M&A attempts completion

H4: the host country's investment profile has positive effect on the likelihood of M&A attempts completion

H5: the host country's internal conflict has positive effect on the likelihood of M&A attempts completion

H6: the host country's external conflict has positive effect on the likelihood of M&A attempts completion

H7: the host country's religion in politics has positive effect on the likelihood of M&A attempts completion

H8: the host country's military in politics has positive effect on the likelihood of M&A attempts completion

H9: the host country's bureaucracy quality has positive effect on the likelihood of M&A attempts completion H10: the host country's ethnic tensions has positive effect on the likelihood of M&A attempts completion

H11: the host country's democratic accountability has positive effect on the likelihood of M&A attempts completion H12: the host country's law and order has positive effect on the likelihood of M&A attempts completion

Methodology

The paper investigates the determinants which have influence on the completion

of Chinese overseas M&A. The empirical study of this study mainly divides into three parts:

The first part implements statistical description. For the dummy variable, it aims to attain the percentage of completion in M&A. The second part calculates the correlation and according to the result, the paper also calculates variance inflation factor to measure more complex multicollinearity. The third part builds logistic regression model, and researcher tests the model using the data during 2001-2012 to get the final regression result.

Population and sample

The population of this research is involved in the process of M&A attempts.

The initial sample consists of 587 M&A deals. The collecting period is from January 2001 to December 2012 from Thomson Financial merger and Bank acquisition (Thomson One http://banker.thomsonib.com/ta/). The data set contains information from various sources around the world, such as national official websites, business newspapers etc. Thomson One Bank offers main information including status of deals, dates of announced and effective, the targeting and acquirer names, enterprises and also the characters of targets and acquirers, such as rank values of deals. In order to keep the accuracy of data, the research double checks the information with PricewaterhouseCoopers' Transaction Services Group. Due to some limitations, such as the acquiring enterprises must be listed on the Stock Exchange and the targeting countries lack of each score



under ICRG. The above restrictions led to the final usable sample of 494 cases.

Data collection

The observations in the model are unstructured due to the character of samples. Using undated data between 2001 and 2012 which is needed to observe the characteristics of values. The original sample is addressed above collects from data set and in order to attain the final result, the original sample is computed by regression analysis through using the econometric program Eviews.

Independent variables and dependent variable

The 12 variables under ICRG measure the effect on M&A deals.

Table 1 The explanation of variables under ICRG	

Measures	Explanation
Government stability	The measurement of government's ability to stay in office and declared
	programs, the sub-concepts involve (1) Government Unity (4 scores), (2)
	Legislative Strength (4 scores), (3) Popular Support (4 scores). The range of
	score is between 0 and 12.
Socioeconomic	The assessment of socioeconomic pressures at work that could constrain
Conditions	government action or fuel social dissatisfaction. The sub-concepts include (1)
	Unemployment (4 scores), (2) Consumer Confidence (4 scores), (3) Poverty (4
	scores). The range of score is 0-12.
Corruption	The measurement of corruption within the political system. The range of score is
	0-6.
Investment Profile	The measurement of other factors which are not covered by main political,
	economic concepts. The sub-concepts involve (1) Contract
	Viability/Expropriation (4 scores), (2) Profits Repatriation (4 scores), (3)
	Payment Delays (4 scores). The range of score is 0-12.
Internal Conflict	The measurement of political violence in the country and its impact on
	government. The sub-concepts involve (1) Civil War/Coup Threat (4 scores), (2)
	Terrorism/Political Violence (4 scores), (3) Civil Disorder (4 scores). The range
	of score is 0-12.
External Conflict	The measurement of risk in incumbent government from foreign action. The sub-
	concepts involves (1) War (4 scores), (2) Cross-border Conflict (4 scores), (3)
	Foreign Pressures (4 scores). The range of score is 0-12.
Religion in Politics	The measurement of the threat in religion. The range of score is 0-6.
Military in Politics	The measurement of the threat in military take-over. The range of score is 0-6.
Bureaucracy Quality	The measurement of institutional strength and quality of the bureaucracy. The range of score is 0-6.
Ethnic Tensions	The measurement of the degree of tension within a country attributable to racial,
	nationality, or language divisions. The range of score is 0-6.
Democratic	The measurement of responsive from government to its people. The range of
Accountability	score is 0-6.
Law and Order	It has two components. For law elements (3 scores), the strength and impartiality
	of the legal system are needed to consider. Order (3 scores) is the measurement
	of popular observance of the law.



The Logistic regression

Logistic regression approach is a statistic method that be used to predict the each predictor variable. In the logistic regression, there are two values to predict: probability (p) means 1 or 0. Same with the ordinary regression, the logistic regression also provides the measurement of partial contribution to variance of each independent variable which is written as coefficient 'b'.

The function of coefficient 'b' is that measure the contribution to variance of independent variable in the dependent variable, the result for the dependent variable can only take on the values: 0 or 1. In the article, the outcome of the regression is the prediction of Y value, and the outcome takes on the value 0 and 1.

Logit (p) means the log of the odds ratio or likelihood ratio that the dependent variable is 1. The logistic regression model is always expressed as follows:

Logit (p) =log(p/1-p) =Ln (p/1-p) (1)

Where: ln is the natural logarithm.

p means the probability of Y occurring. It ranges from 0 to 1.

p/ (1-p) means the "odds ratio"

 $\ln [p/(1-p)]$ means the log process of odd ratio, this is the logit function

The form in the equation of logistic regression:

Logit $(p(x)) = a + b_1 x_1 + b_2 x_2 + \dots$ (2)

Where: a means the constant item's coefficient in the model

 $b_{i}\ means$ the independent variable $i^{\prime}\ coefficient$

x_i means the independent variable i

Empirical analyses and results

Descriptive statistics

Descriptive statistics is the description of the features in the process of information collections. The basic concepts of descriptive statistics is involving the degree of dispersion analysis, the central tendency in the data analysis and data distribution.

The first step in this chapter, the study intends to investigate the descriptive statistics in 494 observations to evaluate the performance of each variables, the trend and fluctuation of each variable are shown in the following table:



Variable	Mean	Median	Maximum	Minimum	Std Dev	Skewness	Kurtosis	Observations
GS	7.8850	7.7300	11.2100	4.6700	1.5225	0.2702	2.5159	494
SC	7.9935	8.5000	11.0000	2.0000	1.8841	-1.4773	4.4543	494
Corruption	3.9067	4.0000	6.0000	1.0000	1.0381	-0.7141	2.4431	494
IP	10.6450	11.3150	19.0000	5.0800	1.6952	-0.8966	4.2393	494
IC	9.8610	10.0000	12.0000	5.5000	0.9883	-1.2426	5.3591	494
EC	9.8660	10.0000	12.0000	6.5000	1.1998	-0.8330	3.3500	494
RIP	5.1081	5.5000	6.0000	1.0000	1.1968	-1.9534	6.4923	494
MIP	4.9513	5.0000	6.0000	0.0000	1.1749	-1.1116	3.9447	494
BQ	3.4352	4.0000	4.0000	0.0000	0.8962	-1.3540	3.6577	494
ΕT	4.2519	4.0000	6.6000	1.0000	1.0893	-0.3370	2.6857	494
DA	5.1909	6.0000	7.0000	1.0000	1.3033	-1.6341	4.4758	494
LAO	4.7591	5.0000	6.0000	2.0000	0.9645	-1.3912	4.0993	494

Table 2 Descriptive Statistics of each variable

The above data gives more detailed understanding of the data distribution descriptive through statistics result between 2001 and 2012 in 494 observations. The government stability's mean is 7.885 and standard deviation is 1.5225, the maximum and minimum of government stability are 11.21 and 4.67. For the socioeconomic conditions, the mean is 7.9935 and standard deviation is 1.8841, the highest is 11 and the lowest is 2. The average of both religion in politics and military in politics are 5.1081 and 4.9513, their standard deviation are 1.1968 and 1.1749, the maximum and minimum are 6 and 1, 6 and 0. For corruption, the mean is 3.9067, the highest is 6 and the lowest is 1, the standard deviation is 1.0381. The average of investment profile is 10.645 and its standard deviations is 1.6952, the highest values is 19 and the lowest is 5.08. For bureaucracy quality, the mean is 3.4352, the highest is 4 and the lowest is 0, the

standard deviation is 0.8962. The average of democratic accountability is 5.1909 and its standard deviations is 1.3033, the highest values is 7 and the lowest is 1. The average of ethic tensions is 4.2519 and its standard deviations is 1.0893, the highest values is 6.6 and the lowest is 1.

Multicollinearity test

Detecting multicollinearity using correlation method

In order to get the accurate parameter estimation and avoid the problem associated with the logit model, the correlations be will measured. Correlation test is very important for whether making sure there is multicollinearity between variables. In general, if correlation coefficient is lower than 0.8 that means there is no multicollinearity problem between variables.



	GS	SC	Corruption	IP	IC	EC	RIP	MIP	BQ	ET	DA	LAO
GS	1											
SC	0.0942	1										
Corruption	0.0749	0.708	1									
IP	0.2092	0.7453	0.6531	1								
IC	0.1827	0.5011	0.5148	0.5293	1							
EC	0.0608	-0.0742	0.1074	-0.1145	0.3506	1						
RIP	0.0457	0.4881	0.3492	0.4512	0.4392	-0.1533	1					
MIP	0.0082	0.5718	0.5578	0.4519	0.4831	0.1541	0.5685	1				
BQ	0.001	0.7749	0.7919	0.7445	0.5194	-0.1116	0.4755	0.5773	1			
ET	0.1196	0.3327	0.1328	0.4006	0.4532	-0.0732	0.4328	0.1469	0.4238	1		
DA	-0.3863	0.3584	0.4156	0.3062	0.1127	-0.1458	0.3232	0.3566	0.5027	-0.1597	1	
LAO	0.0564	0.7661	0.774	0.7198	0.551	-0.0383	0.5376	0.6782	0.8135	0.3463	0.4074	1

Table 3	Correlations	of the	independent	variables
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Note: GS= Government Stability, SC= Socioeconomic Conditions, IP= Investment Profile, IC= Internal Conflict, EC= External Conflict, RIP= Religion in Politics, MIP= Military in Politics, BQ= Bureaucracy Quality, ET= Ethnic Tensions, DA= Democratic Accountability, LAO= Law and Order, KOO= Kinds of Ownership

Table 3 presents the correlations result. The correlations between bureaucracy quality and law and order is 0.8135 (>0.8). It means these two variables have the multicollinearity problem. Therefore, the results need further test in variance inflation factors (VIF).

Detecting multicollinearity using variance inflation factors

The correlation between bureaucracy quality and law and order is more than

0.8. Therefore, the bureaucracy quality will be regarded as the dependent calculate variable to with other independent variables. R-squared for bureaucracy quality is equal 0.858249 which means the result in VIF is equal 3.79638 (1/(1-0.858249²)). The 3.79638 is less than 10, it means the variable can be accepted. R-squared for law and order is equal 0.792458 which means the result in VIF is equal 2.6881 (1/(1-0.792458²)). The 2.6881 is less than 10, it means the variable can be accepted.

Variables	VIF (Variance Inflation Factors)
bureaucracy quality	3.79638
law and order	2.6881

According to the results of Variance Inflation Factors above, the results show that both numbers are less than 10, it can say that these two independent variables don't needed to be deleted in the original model.

Logistic regression result and interpretation

In this article, it employed logistic regression model to analyze the effect of various levels on the completion of Chinese enterprises overseas M&A attempts. After the data was tested by multicollinearity test etc, it can be used to run regression test.



Variable	Coefficient	Std. Error	z-Statistic	Prob.
С	-1.531052	1.759769	-0.87003	0.3843
GS	0.175883	0.098531	1.785046	0.0743 *
SC	-0.011894	0.116759	-0.101871	0.9189
CORRUPTION	-0.477936	0.246916	-1.935624	0.0529 *
IP	0.303245	0.130992	2.314997	0.0206 **
IC	0.06794	0.191028	0.355653	0.7221
EC	-0.082135	0.138537	-0.592875	0.5533
RIP	-0.226225	0.150985	-1.498327	0.134
MIP	0.387434	0.164415	2.356435	0.0185 **
BQ	-0.083105	0.364703	-0.227869	0.8197
ET	-0.250674	0.179196	-1.398882	0.1618
DA	0.079226	0.145004	0.546375	0.5848
LAO	0.210353	0.250357	0.840213	0.4008

Table 4 Logit model estimation result

Note: * significance at 90% ** significance at 95%

From the above detailed table, the regression equation can be written as:

$$\begin{split} \text{Logit}(\textbf{p}) &= -1.531052 + 0.175883*\text{GS} - 0.011894*\text{SC} - 0.477936*\text{Corruption} \\ & (0.3843) \quad (0.0743) \quad (0.9189) \quad (0.0529) \\ &+ 0.303245*\text{IP} + 0.06794*\text{IC} - 0.082135*\text{EC} - 0.226225*\text{RIP} + 0.387434*\text{MIP} \\ & (0.0206) \quad (0.7221) \quad (0.5533) \quad (0.134) \quad (0.0185) \\ &- 0.083105* \text{ BQ} - 0.250674*\text{ET} + 0.079226*\text{DA} + 0.210353*\text{LAO} \\ & (0.8197) \quad (0.1618) \quad (0.5848) \quad (0.4008) \end{split}$$

According to the data above, the table shows that the probability in the table is 0.001367, it means that all variables are able to determine their influence on the dependent variable at significant statistic 1%. The investment profile changes 0.0206, the dependent variable will get the change at 0.303245. The military in

politics changes 0.0185, the dependent variable will get the change at 0.387434. The main conclusions are drawn as follows: investment profile and military in politics have a positive correlation with the completion of Chinese overseas M&A deals.



The result of goodness of fit

	Quantile of Risk Dep		Dep=0	0 Dep=1		Total	H-L	
	Low	High	Actual	Expect	Actual	Expect	Obs	Value
1	0.2153	0.6939	25	20.975	24	28.025	49	1.35049
2	0.6939	0.7541	16	13.4383	33	35.5617	49	0.67288
3	0.7541	0.7904	11	11.3393	39	38.6607	50	0.01313
4	0.7904	0.8175	1	9.51332	48	39.4867	49	9.4539
5	0.8175	0.8363	12	8.57137	38	41.4286	50	1.65524
6	0.8363	0.857	6	7.48814	43	41.5119	49	0.34909
7	0.8578	0.8755	3	6.48221	46	42.5178	49	2.15582
8	0.876	0.9004	7	5.53628	43	44.4637	50	0.43517
9	0.9008	0.9185	6	4.39402	43	44.606	49	0.64479
10	0.9185	0.9811	4	3.26211	46	46.7379	50	0.17856
		Total	91	91	403	403	494	16.9091
H-L Stati	H-L Statistic 16.9091 Prob. Chi-Sc		Prob. Chi-Sq(8)		0.0311			
Andrews	Statistic		46.9174		Prob. Chi-Sq(10))	0	

Table 5 Goodness of fit (Hosmer-Lemeshow)

From the result of above table, the probability is 0.0311which less than 0.05. Therefore, we reject the null hypothesis at 95% confidence level, but can accept the null hypothesis at 90% confidence level.

Conclusion and discussion

Conclusion

This article examines and studies the total 14 factors which have influence on the Chinese enterprises overseas M&A attempts during the period of 2001 - 2012. The paper tested 14 hypotheses. According to the above test result, the result for testing hypothesis is as follow:

Variable	Hypothesis	Conclusions	Results
Government Stability	Positive impact on completion	No effects	Reject
Socioeconomic Conditions	Positive impact on completion	No effects	Reject
Corruption	Positive impact on completion	No effects	Reject
Investment Profile	Positive impact on completion	Positively related significantly	Accept
Internal Conflict	Positive impact on completion	No effects	Reject
External Conflict	Positive impact on completion	No effects	Reject
Religion in Politics	Positive impact on completion	No effects	Reject
Military in Politics	Positive impact on completion	Positively related significantly	Accept
Bureaucracy Quality	Positive impact on completion	No effects	Reject
Ethnic Tensions	Positive impact on completion	No effects	Reject
Democratic Accountability	Positive impact on completion	No effects	Reject
Law and Order	Positive impact on completion	No effects	Reject

 Table 6 Summarize for testing hypothesis



It is clear that two measures which are investment profile (IP) and military in politics (MIP) have influences on the completion of M&A attempts. They have positive influence on completion of M&A attempts significantly at level of 0.05. Therefore, the two null hypotheses are accepted. At the same time, other twelve null hypotheses are rejected. The final conclusion is investment profile and military in politics have significant positive effect on the M&A completion.

Discussion

The determinants under ICRG

There are total twelve variables under ICRG. Based on the probability value above, the variables have different influence on the completion of Chinese overseas M&A. The probability boundary is 0.05 which determinate the variable whether has influence on the completion or not. The probability of investment profile is 0.0206, the probability of religion in politics is 0.134, other variables probability are more than 0.05. It means only investment profile and military in politics have effect on the completion of Chinese overseas M&A. In the conclusion, the variables in country level only investment profile and military in politics have positive impact. The result is same with the article of Jianhong Zhang, Chaohong Zhou, Haico Ebbers (2011), the research shows the institutional quality is positive and significant in the model, and the institutional quality is measured by ICRG. The result shows the institutional quality has significant positive effect on M&A performance, which fully supports the hypothesis. In this article, the variables under ICRG also have

influence on the completion of Chinese overseas M&A meals.

Implication of the paper

The paper investigates the determinants of completion of Chinese overseas M&A using logistic regression during the period of 2001-2012. The independent variable includes 12 variables.

In the article, military in politics has a significantly positive effect on the completion of Chinese overseas M&A. Military in politics is the measurement of the threat in military take-over of host country. With the larger number of military in politics, it causes the decreasing of military risk in the hosting countries. At the beginning of overseas M&A, The first step for acquiring enterprises is investigating the military risk in hosting country, it is wiser for acquiring enterprises to choose the stability country to invest, and avoid the potential loss.

Furthermore, investment profile also has a significantly positive effect on the completion of Chinese overseas M&A. Investment profile is the measurement of other factors which are not covered by main political, economic concepts. The sub-components includes (1)Contract Viability/Expropriation, (2)Profits Repatriation, (3)Payment Delays. According to the real situation, the acquiring enterprises should consider the historical situation of investment profile in hosting country. The variety of risks in payment delays, contract viability and profit repatriation in different countries causes the various choosing of acquiring enterprises. If the hosting countries have better investment profile, the success rate of completion can be increased. The



better investment profile means the hosting countries have the advance in the related industry which involves strong management, high growth companies etc. With the better quality in investment profile in the hosting countries, the success rate of completion will be increased.

Research recommendation

Referred to the results of article, the factors which have influence on the completion of Chinese overseas M&A are from various levels, the recommendations will be clarified.

The institutional distance is a great concern in overseas M&A attempts. From the results, the factors under ICRG need to be considered in M&A attempts. There are two variables have positive effect under ICRG, it indicates if the acquiring enterprises intend to expand overseas, the score under ICRG should be the consideration before the M&A deals. Military in politics means the measurement of the threat in military take-over. The stability of military in hosting country should become the vital consideration at the first step. Some countries which don't have military stability such as Turkey are in the risk of military take-over. If the acquiring enterprises choose such kind of countries, it will cause the heavy loss for acquiring enterprises. The acquiring enterprises need to pay attention to the military stability of hosting country, focus on the political and military news at all times. If the hosting country has many instability in the administration and control of military, the acquiring enterprises need to research the new targeting country to invest. Investment profile also plays a significant role on the

completion of M&A deals, it means that acquiring enterprises need to concern the historical situation of some factors which are not covered by main political. concepts. Contract economic viability/expropriation, profits repatriation and payment delays are the main measures of investment profile. The acquiring enterprises can focus on the historical real cases which related to such these factors. Based on the results of these real cases, the acquiring enterprises make their decision about whether invest or not

Limitation and further research

After empirical test for this paper, the estimation in the paper is conducted in a limited scope and further research which can be listed as follows:

1. There are a lot of important factors which have influence on the completion of M&A attempts. In the article, only 14 factors in various levels which are 12 factors under ICRG in country level, SIC in industry level, kinds of ownership in firm level are considered. There are still many factors which can affect the completion rate might be missed to examine in the research. In the further study, more independent variables should be added to investigate the impact on the completion of M&A attempts.

2. Due to lack of the data under ICRG between 2013 and 2016, there is a limitation in the numbers of M&A in recent years. In the further study, the transaction numbers need to be collected more specific.

3. The main targeting enterprises are focus on the enterprises in the developed countries, but only little deals in the



developing countries. It means that the acquiring enterprises lack the experience of M&A in the developing countries. In

the further study, the developing countries can be as the targeting in the research.

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