

Chinese SOEs and the Completion of Cross-border M&As: The Moderating Role of M&A Experience*

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Luo Jing

School of Management, Changchun University, China

Young-Gon Cho

Department of Global Business Administration, Sangmyung University, South Korea

Jaekyung Ko[†]

Department of International Trade, Jeju National University, South Korea

Abstract

Purpose – The purpose of this study is to investigate the relationships among Chinese state-owned enterprises (SOEs), previous M&A experience, and the probability of deal completion in cross-border mergers and acquisitions (CBMAs). Since Chinese SOEs tend to be recognized by host countries as agents of their home country government, this study argues that SOEs will face difficulties in completing CBMA deals. However, the study expects that these difficulties may vary depending on whether the firm has previous M&A experience because firms can gain the knowledge and capabilities necessary to implement subsequent M&As successfully from past M&A experience.

Design/methodology – To investigate our argument, we conduct a logistic regression using a sample of 363 CBMA deals from 304 Chinese publicly listed firms during 2007 to 2017. We used SOEs as an independent variable, experience of domestic and foreign M&As as moderating variables, respectively, and CBMA deal completion as the dependent variable.

Findings – The study shows a negative and significant relationship between Chinese SOEs and the completion likelihood of CBMA deals. We find that this negative relationship is strengthened when the firm had prior domestic M&A experience, whereas foreign M&A experience alleviated the negative relationship.

Originality/value – The issue of government ownership has remained unclear since government intervention has both advantages and disadvantages in pursuing CBMAs. Our findings support literature that argues Chinese SOEs face legitimacy concerns in the host countries, thereby lowering their CBMA deal completion likelihood. Furthermore, the study enriches the literature by identifying different moderating effects of domestic and foreign M&A experience on the negative relationship between SOEs and CBMA deal completion.

Keywords: Cross-border M&A, Deal Completion, M&A Experience, State-owned Enterprises

JEL Classifications: F23, G34

1. Introduction

Since the 1990s, cross-border mergers and acquisitions (hereafter CBMAs) have been a major strategy of firm foreign direct investment (Buckley, Elia, and Kafouros, 2014). For firms from emerging markets, CBMAs constitute the predominant internationalization strategy as CBMAs are an efficient means of increasing global competitiveness by acquiring foreign firms

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[†] **Corresponding author:** jkko@jejunu.ac.kr

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with valuable resources and managerial know-how (Shimizu et al., 2004). Accordingly, the scope of research on M&A strategies, which have been conducted mainly in developed countries, has been expanded to studies on CBMA strategies conducted by firms from emerging markets (Tao et al., 2017).

Existing CBMA literature have mainly focused on the motivation of M&As, or post-performance after M&As (Ahammad et al., 2016). However, many M&As have not been completed because M&A transactions are generally accompanied by high uncertainty and complexity (Dikova, Sahib, and Witteloostuijn., 2010; Zhang, Zhou, and Ebbbers, 2011). Since the failure of M&A transactions can result in heavy damages to companies' reputations and images (He and Zhang, 2018) with financial losses, and management frustrations (Luyppaert and Maesenerier, 2015), it is meaningful to investigate the determinants of the likelihood of CBMA deal completion (Dikova et al., 2010).

Previous studies on CBMAs have suggested various factors that could affect the deal completion likelihood, such as geographical, cultural, and institutional distance between countries (Chakrabarti and Mitchell, 2016; Dikova et al., 2010), method of payments (Huang, Officer, and Powell, 2016), industry relatedness (Lim and Lee, 2016), and characteristics of firms involving the deal, like firm size (Hsu and Cao, 2019), past M&A experiences (Dikova et al., 2010; Muehlfeld, Sahib, and Witteloostuijn, 2012), and ownership structure of acquirers (Li, Li, and Wang, 2019; Li, Xia, and Lin, 2017; Zhang et al., 2011). However, since a majority of the CBMA research has been conducted on acquiring firms from developed countries, studies centered on emerging markets are required to expand or complement our understanding of M&A deal completion. Therefore, we address this gap by investigating China, a representative country of emerging markets.

China is one of the biggest emerging economies in CBMA markets and the third-largest source of OFDI in the world (Deng and Yang, 2015). To secure natural resources and enhance the global competitiveness of Chinese firms, the Chinese government initiated the "go global" policy in 1999, and is actively encouraging and supporting Chinese firm OFDI. Under the government's support, Chinese firms have conducted internationalization, such as CBMA strategy, actively and aggressively. Since 2004, China's CBMAs have begun to increase rapidly (Zhang et al., 2011), and the trends have continued to increase despite the slowing overseas expansion of multinational enterprises around the world due to the financial crisis in 2008 (Yoo, 2016). However, the completion rate of CBMAs by Chinese firms is low compared to that of developed economies (Han, Park, and Kang, 2016). We believe that the reason for the low deal completion, rate despite the fact that China's CBMAs account for a large proportion of the world, is due to the unique ownership structures of Chinese firms.

China is distinguished from other developed countries in that the government has the significant power to control firms (Du, Boateng, and Newton, 2015; Li et al., 2019). As a controlling shareholder, the Chinese government actively participates in business (Zhang et al., 2011) and plays a crucial role as a major regulatory agency at the same time (Li, Song, and Wu, 2015; Liu, 2006). Hence, we can expect the government to have a significant influence on the strategies and behaviors of state-owned enterprises (SOEs). In this regard, literature has pointed out that the SOEs are often recognized as agents of the Chinese government when they carry out CBMAs (Li et al., 2017; Zhou, Xie, and Wang, 2016). These characteristics of SOEs (i.e., government ownership) are likely to project the image that they are conducting M&As for political purposes rather than economical ones to local stakeholders in the host country. In addition, SOEs tend to be reluctant to disclose information and the purpose of

the CBMAs, which may cause opacity problems (Li et al., 2019). In other words, the disadvantages that arise from negative public opinion and national security concerns in the host country toward Chinese SOEs can reduce the possibility of CBMA deal completion.

Organizational learning literature has emphasized prior firm experiences in that future firm strategies and actions are significantly affected by past experiences (Levitt and March, 1988). In the M&A context, scholars have pointed out that knowledge accumulated from prior M&A experience affects subsequent M&A decisions and post-M&A performance (Haleblian and Finkelstein, 1999). Considering that future M&A capabilities can be developed based on experience (Roh, Hwang, and Park, 2021), we expect that past M&A experience will also affect the possibility of SOE completion likelihood of sequential CBMAs (Collins et al., 2009; Ouyang and Li, 2019). In particular, this study divides the M&A experience into two different types: domestic experience and foreign experience, and aims to show that these two have a different effect on the relationship between SOEs and the possibility of CBMA deal completions. The reason is that in general, CBMA creates higher complexity and uncertainty than domestic M&A since firms engaging in CBMA have to deal with the difficulties in institutional, cultural, and economic characteristics between firms involving CBMA deals (Shimizu et al., 2004). The knowledge necessary to overcome these challenges cannot be obtained through domestic M&A. Specifically, since the Chinese government's influence on firm strategies and behaviors is significant, there is a possibility that SOE cannot properly gain and establish the knowledge and capabilities necessary to carry out CBMAs from domestic M&A experience. Even if the knowledge has been established, there is a possibility that the government's inappropriate intervention in the domestic M&A process will hinder the learning of meaningful lessons from domestic M&As for implementing CBMAs.

Based on our discussions, this study aims to investigate the effect of Chinese firm government ownership on the likelihood of CBMA deal completion, and to find out how this relationship is moderated by the acquirer's past domestic and foreign M&A experience, respectively. The rest of the study is organized as follows: Chapter II derives the theoretical background on SOE's CBMAs, followed by hypothesis development. Chapter III sets out the measurement of samples and variables to examine the research hypotheses. Chapter IV presents the results of our empirical analysis. Finally, Chapter V provides conclusions and discussions for this study.

2. Theoretical Background and Research Hypotheses

2.1. SOEs and Cross-border M&A Deal Completion

Government plays a crucial role in emerging market firm internationalization strategy (Buckley et al., 2014; Dikova, Panibratov, and Veslova, 2019; Yamakawa, Peng, and Deeds, 2008). Regarding CBMA, a representative OFDI strategy of emerging countries, government ownership of the acquirers is identified as a significant predictor of CBMA deal completion (Zhang and Ebbers, 2010). However, whether the ownership has a positive or negative impact on the completion of the CBMA deal is still controversial. In other words, it can be said that the effect of government ownership on CBMAs can be a double-edged sword (Zhang, He, and Gorp, 2017).

From a resource-based perspective, government intervention (support) can enable

acquiring firms to access various resources necessary to complete M&A deals (Cui and Jiang, 2012; Du, Kwabi, and Yang, 2021). For example, home country government assistance allows acquiring firms to gain financial aid such as financial funding and bank loans under more generous terms (Garcia-Canal and Guillen, 2008) and support from overseas government agencies such as commercial consulate offices (Dikova et al., 2019). This leads to enhanced competitiveness in international M&A bids. Indeed, many Chinese firm CBMAs have been successful with government support (Luo, Xue, and Han, 2010; Zhang et al., 2011; Zhang et al., 2017).

In contrast, government ownership of the acquirer raises legitimacy concerns of the host country stakeholders in international M&As (Li et al., 2017; Li et al., 2019). First, foreign SOEs tend to be recognized as government agents in international M&A by stakeholders in host countries (Huang, Xie, and Reddy, 2017; Li et al., 2017; Ouyang and Li, 2019). Hence, international M&A performed by state-owned enterprises (SOEs) are suspected of carrying political objectives granted by their government rather than pursuing economic objectives (Cui and Jiang, 2012; Luo and Tung, 2007). For example, Chinese SOEs have demonstrated the purpose of securing access to scarce resources through the acquisition of foreign firms in the energy industry (Park, Chen, and Yang, 2016). This showed a strong tendency to pursue specific goals set by the Chinese government (Christofi, Vrontis, and Makrides, 2022). Second, in terms of efficiency, since government intervention lowers corporate autonomy, SOEs may be limited in their ability to identify investment opportunities or utilize their capabilities when entering overseas markets (Huang et al., 2017). Lastly, SOEs tend to not reveal the purpose of acquisitions or conceal information, which can lower the transparency and trust of transactions between SOEs and the target in host countries (Li et al., 2019).

In other words, CBMA attempts by foreign SOEs can cause negative perceptions from host countries, such as national security concerns and suspicion toward the acquirers due to a lack of transparency, and anxiety that SOEs will distort competition in local business (Globerman and Shapiro, 2009; He and Lyles, 2008; Li et al., 2019).

Based on the above arguments, considering China is a widely recognized country where the government can actively intervene in business and affect firm behavior and strategy (Zhang et al., 2011), we argue that disadvantages of state ownership in Chinese firms outweigh the benefits. Therefore, we propose our first hypothesis:

Hypothesis 1: There is a negative relationship between SOEs and the completion likelihood of CBMA deals.

2.2. Moderating Role of Prior M&A Experience

Firms learn from experience. According to organizational learning theory, knowledge and skills gained through prior experience have great influence on subsequent international business strategies and activities (Li, Redding, and Xie, 2018). The knowledge and competencies are stored as routines and induce strategies and behaviors until better routines are found and can be applied (Roh et al., 2021). Regarding M&As, if the firm has past M&A experience, it may apply knowledge learned from past M&A experiences to future M&As (Vermeulen and Barkema, 2001). Thus, the outcomes of subsequent M&As can significantly be influenced by a firm's past M&A experiences (Galavotti, Depperu, and Cerrato, 2017; Wang, Schweizer, and Michaelis, 2020). For example, while carrying out M&A activities, firms can gain and accumulate the knowledge required to complete effective M&As, including

pre-acquisition, negotiation, and post-integration phases (Du et al., 2021). This knowledge helps firms develop general routines for the acquisition process, such as procuring external financial or legal resources (Dikova et al., 2010; Hitt et al., 1998), thereby lowering the difficulties firms face in M&A processes in subsequent M&As. Following this argument, we can expect a moderating effect of M&A experience on the relationship between Chinese SOEs and the CBMA deal completion.

However, the influence of the experiences on CBMA deal completion may vary depending on whether a firm's past M&A experiences were domestic or foreign since an international M&A requires not only knowledge of general M&A processes but also of overseas markets different from the home country (Han et al., 2016; Shimizu et al., 2004). For a successful subsequent M&A, it is necessary to properly apply knowledge obtained from the routines established through the firm's past M&As (Wang et al., 2020). Also, there is a possibility that SOEs hinder the appropriate application of the routines established from prior domestic M&A experience required for CBMAs.

2.2.1. Moderating Role of Domestic M&A Experience

Given that China is still a communist country, a large proportion of shares in Chinese firms are in the hands of the government, so the government can significantly influence firm behaviors and strategies, including M&As. Hence, SOEs can exert a strong influence on the Chinese domestic economy with more benefits from government support through favorable policies (Guo, Clougherty, and Duso, 2016). However, domestic M&As by SOEs tend to be motivated by political decisions for industrial restructuring, social welfare, and employment stability rather than economic purposes for performance improvement (Liu, Luo, and Tian, 2019), which is a common motivation for M&As in the market economy. In other words, it could be said that Chinese SOE's M&As are a transaction made by the government rather than a market transaction between an acquirer and target involved in a M&A deal (Ma et al., 2016; Zhou et al., 2011). Therefore, we expect that the prior domestic M&A experiences of SOEs will eventually lower the possibility of completing CBMA transactions. The reasons are as follows.

First, past acquisition experiences generally allow firms to accumulate knowledge for M&As, such as target identification and selection, price negotiation, and method of payment (Zhu and Zhu, 2016). However, domestic M&A experience would not inform firms on how to apply the knowledge effectively to other international environments where language, culture, and institutions are different (Muehlfeld et al., 2012). In particular, there is a possibility that Chinese SOEs would not be able to accumulate the knowledge necessary to complete the deals due to the government's strong intervention in domestic M&As. The following examples related to the coal mine reconstruction in Shanxi Province in 2008 show the strong governmental influence on domestic M&As. When a reconstruction policy that aimed to reduce the number of coal mines was implemented, most private coal mine firms operating in that Province were obliged to take the government-proposed price, which was neither market-based nor negotiation-based price (Ma et al., 2016; Zhou et al., 2011). Thus, considering that inappropriate behavior throughout the M&A integration process may prevent an M&A from learning the lessons needed for successful M&A completion (Doan, Sahib, and Witteloostuijn, 2018; Roh et al., 2021), domestic M&A experiences under governmental interventions may be likely to hinder SOEs from accumulating relevant knowledge and developing competencies to conduct CBMAs (Wang et al., 2020).

Second, even if SOEs can accumulate knowledge and capabilities related to completing M&As through domestic experiences (Collins et al., 2009; Vermeulen and Barkema, 2001), these accumulated experiences may not be adequately applied to international M&As (Han et al., 2016). As described above, M&As attempted by SOEs have different characteristics from M&As in general. Hence, SOEs would have experienced the process of completing M&As under inefficient and frequent interference from the government (Liu et al., 2019), and make it a corporate M&A routine. Scholars have pointed out that firms can fall into a learning myopia that hinders learning if experiences within similar industries continue. In this regard, as domestic M&A experience accumulates, firms will fall into inertia, making it difficult to efficiently carry out CBMAs that require additional transaction methods under new environments. Hence, if this country-specific M&A experience is applied to SOEs when conducting CBMA activities, it may cause conflicts with the governments or trading parties of the host country in terms of information disclosure, M&A agreements, and post-acquisition integration.

Third, considering the perception that the cause of legitimacy concerns in the host country in CBMAs by SOEs are for a non-commercial purpose or unfair competition (Deng, 2009), the domestic M&A experience that satisfying the two conditions may rather reduce strategic flexibility in the process of international M&As. Based on previous studies that inadequate generalization of past experiences may hinder the completion of M&A transactions (Haleblian and Finkelstein, 1999; Wang et al., 2020), we predict:

Hypothesis 2: The negative relationship between Chinese SOEs and the completion likelihood of CBMA deal will be negatively moderated by domestic M&A experience.

2.3. Moderating Effect of Foreign M&A Experience

In general, international M&As are more complex than domestic M&As due to differences between the home and host countries in terms of cultural, institutional, legal, and economic characteristics (Shimizu et al., 2004). Therefore, firms conducting CBMAs require not only knowledge of M&A procedures but also knowledge of the host countries or overseas markets to reduce complexities and uncertainties. In addition, the acquirer's flexibility and openness to heterogeneous cultures are necessary to complete M&As in various host countries (Very and Schweiger, 2001; Zhou et al., 2022). Thus, we expect that CBMA experiences allow firms to develop knowledge about heterogeneous cultures and institutions since international expansion provides an opportunity to experience different environments and circumstances (Qian et al., 2010). For example, through CBMA experience, firms can gain knowledge regarding M&As, such as different organizational practices (Dikova and Sahib, 2013), different ways of negotiation or conflict resolution activities, and country-specific deal characteristics (Dikova et al., 2010). Further, international experience helps to create flexible routines that can be applied to various environments in foreign countries and creates the ability of firms to adapt to uncertainty arising from heterogeneous environments, which will greatly reduce the disadvantage of firms as foreigners.

When conducting international M&As, SOEs face challenges such as exchange rates, global legal systems (Han et al., 2016), regulatory barriers, and national security concerns from the host country (Zhang et al., 2011). However, these challenges are important information that SOEs should collect and anticipate completing in subsequent international M&As (Zhou et

al., 2016). For example, with international M&A experience, SOEs may reduce their negative image in cross-border deals by increasing transparency to meet host country standards (e.g., hiring external auditors or local consultants) (Li et al., 2017). Hence, we argue that prior CBMA experiences will help Chinese SOEs develop knowledge and capabilities to overcome difficulties in CBMAs. Based on the above arguments, we propose:

Hypothesis 3: The negative relationship between Chinese SOEs and the completion likelihood of CBMA deal will be positively moderated by foreign M&A experience.

3. Methodology

3.1. Sample and Data

We examined CBMA deals initiated by Chinese publicly-listed firms during the period of 2008 to 2017. We obtained CBMA data from Thompson Reuter SDC Platinum. The financial data of the Chinese firms were collected from the China Stock Market & Accounting Research (CSMAR) database. Our sample was to meet the following criteria. (i) We define a Chinese firm's CBMAs as one in which the parent company of the acquirer company is China and the parent of the target companies is not; (ii) the minimum deal value is \$1 million; (iii) acquirers are Chinese firms publicly listed on the Shanghai or Shenzhen Stock Exchanges; (iv) we exclude deals from the sample if the ultimate parent of the target firms are located in tax haven countries (e.g., the Bahamas, Cayman Islands, Virgin Islands, and etc.); (v) all firms (acquirers and targets) belonging to the financial sector were excluded from the sample since they have different financial reporting systems (Du et al., 2015). To avoid endogeneity issues, we lagged all variables except deal-level factors by one year relative to the focal M&A announcement year. Our final sample consists of 363 CBMA deals by 304 Chinese listed firms between 2007 and 2017.

3.2. Dependent Variable

Our dependent variable is whether CBMA deals were completed. SDC Platinum provides information on M&A deal status such as dates of deal announcement, effective date, and withdrawal date. We define *CBMA completion* as a dummy variable that is set to 1 if the announced CBMA deal was completed, and 0 otherwise (Dikova et al., 2010; Han et al., 2016; Muehlfeld et al. 2012; Wang et al., 2020; Zhang et al., 2011).

3.3. Independent and Moderating Variables

Based on the CSMAR database, our independent variable, *SOE*, was dummy-coded that takes a value of 1 if the acquirer is owned by the Chinese government, and 0 if the acquirer was a private-owned enterprise (i.e., POE). The moderating variable indicates whether the acquirer had past domestic (foreign) M&A experience (referred to as *domestic M&A experience* and *foreign M&A experience*, respectively). The domestic (foreign) experience was dummy coded as 1 if the acquirer had domestic (foreign) M&A experience within the past three years prior to the focal announcement year, and 0 otherwise.

3.4. Control Variables

Following prior research, we control for factors that may affect the completion likelihood of a CBMA deal.

Institutional distance was used to control for country-level factors (Liu et al., 2019). Institutional distance between China and the host country was measured and derived from the 6 World Governance Indicators (Kaufmann, Kraay, and Mastruzzi, 2011). We calculated the institutional distance following Kogut and Singh (1988). Deal size, deal attitude, industry relatedness, cash payment, and percentage sought were controlled for firm-level factors. We controlled the *Deal size* of M&As since it may be a strong factor that fosters the likelihood of success of the transaction (Muehlfeld, Sahib, and Witteloostuijn, 2007; Ouyang and Li, 2019). Deal size was measured by the log transformation of the deal value (Fuad and Gaur, 2019; Ouyang and Li, 2019). Since hostile acquisitions may face strong target firm resistance or a host country relative to friendly deals (Muehlfeld et al., 2007), we controlled the attitude of the deal (referred to as *Deal attitude*). Deal attitude was a dummy variable coded 1 if the deal was hostile, and 0 otherwise. *Percentage sought* indicates the size of the percentage stake of a target that acquirers seek to takeover. We controlled the percentage sought since the risk of a transaction can vary depending on this variable (Dikova et al., 2010; Li et al., 2017). *Cash payment* is also included in our analysis since it enhances the likelihood of deal completion compared to stock payment (Han et al., 2016; Hsu and Cao, 2019; Zhu, Xia, and Makino, 2015). Cash payment was coded 1 if the deal was offered in cash, and 0 otherwise (Fuad and Gaur, 2019; Hsu and Cao, 2019). If the target firm is a subsidiary of a larger enterprise, it is harder to complete an M&A deal since the target is controlled by its parent (Wang et al., 2020). *Subsidiary target* was dummy coded 1 for the subsidiary target, and 0 otherwise (Dikova et al., 2010; Muehlfeld et al., 2012).

We included firm-level control variables, such as the acquirer's size, age, and investment opportunities. *Firm size* is log-transformed of the acquirer's total assets. We controlled *Firm age* by subtracting the number of years from the acquirer was established to the year of deal announcement. We used *Tobin's Q* prior to the announcement year to control the acquirer's investment opportunities (Li and Huang, 2018). Finally, we included *year* and *industry* dummies for controlling period- and industry-effects.

3.5. Model Specification

This study applies a binary logistic regression model since our dependent variable, deal completion, has two values of 0 and 1 (i.e. dichotomous variable). In addition, since our sample includes multiple CBMAs by the same acquirers in the same year, we used clustered robust errors to control within-firm correlation in the error term following prior literature (Dikova et al., 2010; Fuad and Gaur, 2019; Muehlfeld et al., 2012).

4. Results

4.1. Descriptive Statistics

Table 1 reports the descriptive statistics and correlation matrix for the variables used in this study. Approximately 49.3% of Chinese publicly listed firms completed their CBMA deals.

About 31% of the samples were SOEs. Approximately 54% (9%) of the Chinese publicly listed firms in our sample had at least one prior domestic (cross-border) M&A experience. As Table 1 shows, all correlation coefficients are below the $|0.7|$, a commonly used cut-off threshold. In addition, the value of variance inflation factor (VIF) ranged between 1.03 and 2.27. Hence, the possibility of multicollinearity is not a concern in our study since the VIF values are below the threshold point of 10 (Hair et al., 1998).

Table 1. Descriptive Statistics and Correlation Matrix

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) Completion	1						
(2) Institutional distance	-0.10	1					
(3) Deal value	0.17*	-0.08	1				
(4) Deal attitude	-0.06	-0.04	-0.01	1			
(5) Relatedness	0.04	0.00	-0.02	0.06	1		
(6) Percentage sought	0.01	-0.01	0.13*	-0.14*	-0.00	1	
(7) Payment cash	0.00	0.06	-0.30*	0.05	0.05	-0.17*	1
(8) Subsidiary target	0.03	0.04	-0.01	-0.12*	-0.01	0.25*	-0.01
(9) Acquirer size	0.01	-0.05	0.37*	0.08	0.05	-0.11*	0.06
(10) Acquirer age	0.05	-0.21*	0.10	-0.06	0.05	-0.05	-0.01
(11) Tobin's Q	-0.00	0.12*	0.07	-0.01	-0.08	0.01	0.01
(12) Domestic M&A experience	-0.03	-0.09	0.05	0.01	-0.08	0.01	-0.02
(13) Foreign M&A experience	0.01	-0.03	0.05	0.10	-0.05	-0.03	-0.03
(14) SOE	-0.10	0.10	0.14*	0.08	0.08	-0.12*	0.12*
Mean	0.49	12.81	3.18	0.02	0.36	80.73	0.90
S.D.	0.50	10.69	1.83	0.14	0.48	23.51	0.30
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(8) Subsidiary target	1						
(9) Acquirer size	-0.02	1					
(10) Acquirer age	0.01	0.17*	1				
(11) Tobin's Q	-0.15*	-0.32*	-0.03	1			
(12) Domestic M&A experience	-0.04	0.19*	0.18*	-0.00	1		
(13) Foreign M&A experience	-0.02	0.14*	0.06	0.04	0.12*	1	
(14) SOE	-0.09	0.50*	0.11*	-0.18*	-0.03	0.02	1
Mean	0.58	22.16	2.68	2.93	0.54	0.09	0.31
S.D.	0.49	1.43	0.33	2.82	0.50	0.29	0.46

* $p < .05$

Table 2 presents the geographic distributions of the host countries. The most common countries that Chinese firms have attempted to takeover are Hong Kong (24.52%), followed by the United States (17.36%), Germany (5.51%), and Japan (5.51%).

Table 2. Distributions of Target Nations

Target Nations	Freq.	%	Target Nations	Freq.	%
Australia	12	3.31	Laos	1	0.28
Belgium	1	0.28	Luxembourg	2	0.55
Bolivia	2	0.55	Malaysia	2	0.55
Brazil	2	0.55	Netherlands	3	0.83
Brunei	2	0.55	New Zealand	3	0.83
Canada	18	4.96	Norway	3	0.83
Chile	2	0.55	Pakistan	2	0.55
Croatia	1	0.28	Poland	3	0.83
Czech Republic	1	0.28	Russian Fed	3	0.83
Denmark	4	1.1	Serbia	1	0.28
Finland	2	0.55	Singapore	15	4.13
France	7	1.93	South Africa	2	0.55
Gabon	1	0.28	South Korea	8	2.2
Germany	20	5.51	Spain	3	0.83
Hong Kong	89	24.52	Sweden	1	0.28
Hungary	1	0.28	Switzerland	6	1.65
India	4	1.1	Taiwan	10	2.75
Indonesia	7	1.93	Tajikistan	2	0.55
Israel	2	0.55	Thailand	3	0.83
Italy	11	3.03	United Kingdom	15	4.13
Jamaica	1	0.28	United States	63	17.36
Japan	20	5.51	Utd Arab Em	1	0.28
Kazakhstan	1	0.28	Total	363	100

4.2. Logistic Regression

Table 3 presents the results of logistic regression for testing Hypotheses 1 to 3. Model 1 is the baseline model, including all variables except the independent variable and the interaction terms. Model 2 examines a direct-effect of the SOEs on CBMA deal completion (Hypothesis 1). Model 3 constitutes the moderating effect between SOE and domestic experience (Hypothesis 2), and Model 4 examines the moderating effect between SOE and foreign experience on CBMA deal completion (Hypothesis 3). Finally, Model 5 shows the full model where all variables are included.

Model 1 shows that deal size is positively related to the completion of CBMA deals. Hypothesis 1 stated the Chinese SOEs were less likely to see the completion of CBMA deals. As shown in Model 2 of Table 3, the estimated coefficient for the SOEs is negatively significant considering all control variables ($\beta = -0.669$, $p < 0.05$). Hence, Hypothesis 1 is supported, denoting that SOE has difficulties in completing CBMA deals. Hypothesis 2 predicted that an SOE's prior domestic M&A experience will strengthen the negative effect of the SOE on the completion likelihood of a CBMA deal, as stated in Hypothesis 1. In Model 3, the coefficient for the interaction term *SOE x Domestic M&A experience* is negative and significant with the dependent variable ($\beta = -1.032$, $p < 0.05$). Thus, Hypothesis 2 is supported. Model 4 shows the coefficient of the interaction term *SOE x Foreign M&A experience* is significantly positive ($\beta = 2.162$, $p < 0.05$). Thus, Hypothesis 3, the negative influence of an SOE on the possibility

of CBMA deal completion will be alleviated when the firm had prior foreign M&A experience, is supported.

Table 3. Logistic Regressions on CBMA Deal Completion

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
Institutional distance	0.005 (0.033)	0.004 (0.033)	0.000 (0.033)	0.008 (0.033)	0.004 (0.034)
Deal value	0.275*** (0.080)	0.287*** (0.080)	0.283*** (0.082)	0.301*** (0.079)	0.299*** (0.081)
Attitude	-1.046 (0.706)	-1.030 (0.694)	-1.078 (0.735)	-1.468** (0.782)	-1.589** (0.770)
Relatedness	0.177 (0.254)	0.185 (0.256)	0.197 (0.256)	0.193 (0.259)	0.206 (0.259)
Percentage sought	-0.003 (0.006)	-0.003 (0.006)	-0.003 (0.006)	-0.005 (0.006)	-0.005 (0.006)
Payment Cash	0.575 (0.429)	0.648 (0.441)	0.705 (0.434)	0.609 (0.447)	0.678 (0.440)
Subsidiary target	0.167 (0.257)	0.114 (0.263)	0.130 (0.263)	0.144 (0.266)	0.170 (0.266)
Acquirer size	-0.127 (0.113)	-0.027 (0.126)	-0.015 (0.128)	-0.056 (0.128)	-0.045 (0.132)
Acquirer age	0.028 (0.028)	0.040 (0.029)	0.039 (0.029)	0.040 (0.029)	0.040 (0.029)
Tobin's Q	0.009 (0.043)	0.010 (0.044)	0.007 (0.043)	0.011 (0.046)	0.006 (0.047)
Domestic M&A experience	-0.218 (0.251)	-0.291 (0.256)	-0.006 (0.307)	-0.324 (0.255)	0.022 (0.303)
Foreign M&A experience	0.056 (0.414)	0.027 (0.425)	0.075 (0.439)	-0.553 (0.500)	-0.589 (0.503)
SOE		-0.669** (0.338)	-0.184 (0.419)	-0.826** (0.348)	-0.242 (0.422)
SOE x Domestic M&A experience			-1.032** (0.522)		-1.318** (0.552)
SOE x Foreign M&A experience				2.162** (0.901)	2.612*** (0.964)
Constant	0.202 (2.940)	-1.807 (3.303)	-2.245 (3.359)	-1.123 (3.275)	-1.567 (3.326)
Year	Yes	Yes	Yes	Yes	Yes
Industry	Yes	Yes	Yes	Yes	Yes
Observations	363	363	363	363	363
Pseudo R ²	0.094	0.103	0.110	0.114	0.125
Log-likelihood	-227.847	-225.730	-223.847	-223.014	-220.160
Wald-chi ²	0.071*	0.012***	0.010***	0.004***	0.004***

Notes: * $p < .1$, ** $p < .05$, *** $p < .01$ (Clustered standard error in parentheses).

4.3. Additional Analysis

We performed several additional analysis to test the robustness of our findings. We reran the analysis, including the *Country dummy (Top-4)*, which takes a value of 1 if the host country is "Hong Kong", "United States", "Germany", or "Japan", and 0 otherwise, considering that these countries consist of 52.9% of the host country distribution in the sample. In addition, considering the possibility that endogeneity issues may be generated in a host country where CBMAs have been attempted several times, we include *Multiple M&As*, a dummy variable to indicate whether the host country had M&A attempts by Chinese firms more than 2 times. The significance of coefficients regarding the hypotheses are the same as those in Table 3.

In addition, following a previous study (Collins et al. 2009; Wang et al., 2020; Zhu et al., 2015), we operationalized the two moderating variables by calculating the total number of domestic (foreign) M&As that an acquirer processed during the three years prior to the year of the CBMA deal announcement. The results still hold when using these alternative measures.

5. Conclusion and Discussion

5.1. Conclusion

We explored the relationship between SOEs and the completion likelihood of CBMA deals using 363 CBMA deals by 304 Chinese publicly listed firms from 2007 to 2017. Our empirical results can be summarized below.

First, we observed that the SOEs were less likely to complete CBMA deals, consistent with prior literature which stated that CBMAs attempts by SOEs bring legitimacy concerns to the host countries (Li et al., 2017; Li et al., 2019; Zhang et al., 2011). Although SOEs may gain some specific support from the government, such as financial resources, this intervention strongly projects the image of SOEs as agents of the Chinese government (Cui and Jiang, 2012; Huang et al., 2017; Li et al., 2017) and the perception that the assistance could ruin fair trade among other competitors to the host countries (Athreye and Kapur, 2009; Zhang et al., 2011). In addition, the tendency of SOEs to be reluctant to disclose information also poses a risk of improving the uncertainty of transactions (Li et al., 2019). These factors will make stakeholders of the host country (e.g., the government, the target, and the public) form a sense of political crisis over national security, anxiety that the deal might negatively affect the local economy, and distrust of transactions, thereby lowering the possibility of completion of CBMA deals by Chinese SOEs.

Second, the study found that prior domestic M&A experience worsens the negative effect of Chinese SOE on the completion likelihood of a CBMA deal, whereas prior foreign M&A experience alleviates it. On the one hand, the findings show some inefficient aspects of domestic M&A experience. Because domestic acquisition experience does not inform firms of nation-specific barriers arising from differences among countries, effective knowledge transfer to increase the completion likelihood of CBMA deal may be restricted (Wang et al., 2020). In addition, although a firm could accumulate knowledge and capabilities through domestic experience, the experience of SOEs suggests that it may cause conflicts with foreign partners in the host country due to government intervention, thereby decreasing the

possibilities of deal completion.

On the other hand, the findings show that past CBMA experience can help a firm develop the flexibility to respond to information from the international environment (Galavotti et al., 2017). In other words, through CBMAs, firms can learn and accumulate knowledge about international M&A processes and procedures, and on differences in culture, institutions, and management practices between the home and the host countries.

The result might imply that the knowledge or capabilities required to handle issues faced by companies involved in CBMAs is more effectively secured through CBMA experiences than domestic M&A experiences.

5.2. Theoretical Implications

This study has several theoretical contributions to M&A research. First, the study investigated the completion likelihood of CBMA deals by Chinese publicly listed firms with a short M&A history, but whose influence is increasing rapidly. The findings complement the literature on CBMAs of emerging markets firms, which has been conducted mainly in Western countries (Chakrabarti and Mitchell, 2016; Dikova et al., 2010; Lim and Lee, 2016; Muhlfield et al., 2012).

Second, this study examines the government ownership of Chinese firms and explains their low deal completion rates in CBMAs despite China's high CBMA attempts. China is a country with a very strong government role in the company (Li et al., 2015; Liu, 2006; Zhang et al., 2011). As a controlling shareholder, the Chinese government has an absolute influence on management decision-making, such as corporate behavior, strategy, and M&A processes. This study helps to understand China's M&A activities by investigating the impact of government ownership in the international context.

Third, based on organizational learning theory, the study examined how the relationship between SOEs and the probability of completion of CBMA deals is differently moderated by prior domestic and foreign M&A experience. The findings show that the likelihood of completing CBMA deals differs depending on whether a firm has previous domestic M&A experience or CBMA experience. It implies that these M&A experiences, domestic and foreign, are heterogeneous rather than homogeneous, thereby having a different impact on cross-border deal completion (Basuil and Datta, 2015; Yoo, Lee, and Park, 2020).

5.3. Managerial Implications

Our study also has practical implications. The study reveals how Chinese government ownership affects the likelihood of completing international M&As, and how past M&A experiences moderate this relationship. We advise Chinese acquirers to successfully complete CBMA deals.

First, when considering CBMAs, the acquirers should take into account the type of corporate ownership and prior experience of whether they have accumulated domestic or international M&A experience in addition to considering factors such as the size of the transaction, cash payment, target status, and industry similarity that have been suggested by previous studies. This study shows that CBMA attempts by Chinese SOEs can create legitimacy concerns that arise from political, economic, and national security in host countries due to the shadow of government, thereby lowering the possibility of completing CBMA deals (Li et al., 2017; Li et al., 2019). Therefore, Chinese SOEs should recognize

barriers when pursuing international M&As and seek ways to overcome them. Disclosing corporate information or hiring external auditors can increase trust and transparency in host countries (Li et al., 2019).

Second, the findings suggest that the effectiveness of the knowledge and capabilities obtained from past experiences necessary to effectively close subsequent international M&A deals may vary depending on domestic and foreign experiences. It is important for the acquirer to consider the possibility that knowledge accumulated through domestic M&A experiences will not be appropriately transferred when conducting CBMAs (Wang et al., 2020). The acquirers should recognize the difference of knowledge gained from domestic M&A experiences and international M&A experiences. Then, the acquirers must codify and refine the categorized knowledge to properly apply the knowledge in subsequent M&As. By doing so, firms can effectively select, manage, and transfer the knowledge to CBMAs, thereby enhancing the likelihood of subsequent deal completion.

5.4. Limitations and Future Studies

The present study has limitations and offers several directions for future study. First, as the study only investigates Chinese publicly listed firms, it is questionable to generalize our results. For example, if a study is conducted on firms in countries with low government influence and well-established corporate governance, the results may differ. Therefore, future studies could be conducted on whether the results of studies on non-Chinese firms are similar to those on Chinese firms. Second, the study only measured whether the firm had previous domestic or foreign M&A experience, but did not distinguish whether the deals were successful. However, the effect of securing knowledge or transferring knowledge on subsequent M&As may vary depending on the success of M&As. Future studies need to analyze not only the distinction between domestic and overseas M&As experiences but also consider the success and failure. Lastly, the ownership structure and M&A experiences can affect not only the completion of CBMA deals, but also the time it takes to complete the deal (referred to as “deal duration”), and the post-integration performance. These possibilities propose an agenda for future research.

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