

A Work Project, presented as part of the requirements for the Award of a Master Degree in Management from the NOVA – School of Business and Economics.

# **The influence of the Chinese government on acquisitions made by Chinese companies in Portugal**

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A Project carried out on the Master in Management Program, under the supervision of Ilya Okhmatovski

January, 2020

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## **Abstract**

As a major country in Chinese companies' mergers and acquisitions' map, it can be observed that Chinese acquisitions have increased obviously in Portugal recently. A question that is received, however, is what role government play in Chinese acquisitions in Portugal. We use quantitative and qualitative data to analyze motivations and performance of Chinese acquisitions from 2005 to 2018. The paper suggests that government activities really impact Chinese acquisitions in Portugal and the evidence is obvious for Stated-owned enterprises.

**Key words:** Acquisitions, Chinese government, Portugal, cross-border

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

## **Introduction**

FDI, especially cross border mergers and acquisitions, is widely regarded as a sign of a country's internationalization and global existence. Cross-border acquisition contributes to foreign investment in most countries, it is no news that most Chinese companies aim to have a global presence and become international organizations. At the end of 2013, Chinese government proposed the cooperation initiatives of "New Silk Road Economic Belt", which is refined into "One Belt, One Road" initiatives. Moreover, "Made in China 2025" brought new opportunities for Chinese enterprises' development, investment and internalization. The value and deals of Chinese overseas acquisitions and foreign investment has increased continuously recently. Therefore, in-depth analysis of how the government level affects these overseas acquisition activities of Chinese companies has become essential.

Europe meets the diversified needs of Chinese enterprises, making it the target area for Chinese buyers. Chinese government's official document about investment in 2018 provides that in terms of stocks, China's FDI stock reached \$1980 billion at the end of 2018, which is 66.3 times that of the end of 2002. Until the end of 2018, Chinese investment in Portugal is more than 9 billion Euros, benefiting from energy, finance, insurance, telecommunications, engineering, construction and catering. Chinese companies have created more than 42,000 jobs in Portugal, which already makes China the fifth-largest investor in Portugal.

Considering that there are a number of studies that focus on this subject in North America, in Britain and in Europe, this study will focus on Portugal, a geographic area that has not received so much attention as the areas mentioned above. Moreover, Portugal is an ideal target country for studying the effect of Chinese government because in recent years, China and Portugal have further deepened cooperation in various fields within the framework of 'One Belt, One Road', strengthened business and investment cooperation between Portugal and China, and pushed the relationship between them into a new stage of development.

Portugal has already become one of the most important Chinese trading partners all over the world.

Mostly existing researches focus on the theoretical level, mainly discussing what opportunities and risks China's enterprises will face in acquisitions under the background of Chinese government policy, such as the "The Silk Road", and there has less relevant empirical research. Based on interview data and statistic research, our study argue the impact of Chinese government on the result and performance of acquisitions, and further explores some other elements that may also have impacts on it, for example, the nature of the main body of the merger and acquisition, the geographical distance from the host country, the proportion of M & A shares, and industry consistency.

McKinsey & Company has done statistics and from a global perspective, the proportion of companies that can eventually successfully reach expectations in their overseas mergers and acquisitions is less than 50%. In terms of Chinese enterprises, the proportion of successful companies is less than 40%. From this data, it can be roughly seen that the performance and achievement of Chinese overseas acquisitions is worse than global level. There are many reasons for Chinese low cross border acquisition success rate. For example, if the company has its own reasons, it may lack a sufficient understanding of risks before the merger or it is too careless. There are also market reasons, such as sudden changes in the market, which make, in other words, the acquisition no longer has any significance. Moreover, the institutional factor is a very important factor leading to failure, so that we have to pay attention to it before the merger.

In the process of internationalization, there are significant differences between China's and other developing countries' behaviors. Although many scholars have noticed that government factors are very important factors that cause differences, few of them choose different dimensions for acquisitions from the institutional level to conduct research. This paper selects

institutional variables of different dimensions and combines other possible elements to analyze which one of them influence the results of acquisitions and whether these elements are significant or not.

In this study, first we review essays and work done on overseas mergers and acquisitions.

Next, we introduce a general review of Chinese cross acquisitions in Europe and especially in Portugal. Finally, we conduct an empirical analysis of possible elements that affect result and performance of acquisitions. By using the Logit model, the independent variables selected are the nature of the enterprise, industry consistency, geographical distance, the acquisition ratio and industry matching

### **Literature review and hypotheses**

Overseas M&A has become more and more popular nowadays. However, the studies of Chinese acquisitions in Portugal and the function of Chinese government in this subject are still few. One of the important reasons is that China only has the “go out” strategy from 2002. The research on cross border acquisitions mainly argue and explain motivations and objectives of mergers and acquisitions (Boateng, Deng, 2009; Rui and Yip, 2008), analyzes the cultural integration after different acquisitions, determines the possible elements that influence cross border acquisitions strategies, and the risks of integration after acquisitions. There is little research focus on the factors that possible have an effect on the successful completion of acquisitions and whether these effect is significant to final result. Moreover, most studies explored this subject from theory and literature that introduces institutional factors is also scarce.

#### **1. Studies on Motivations of Overseas acquisitions**

On the basis of data from 2000 to 2007 on corporate cross border acquisitions, Buckley, Forsans & Munjal (2012) found that India is easier to conduct acquisitions to explore markets

and local intangible assets. Most research on Chinese acquisition is using method of case analysis. Boateng, Qian & Tianle (2008) studied 27 Chinese overseas acquisitions deals from 2000 to 2004. Moreover, they also explain motivations and behaviors of these cross border acquisitions.

Ramasamy, Yeung & Laforet (2012) set sample of various Chinese listed companies with the data from 2006 to 2008. They found that seeking strategic assets, natural resources, and overseas markets are the main motivation for Chinese SOEs' cross border acquisitions. And there are a lot of dispute of SOEs and non-SOEs in acquisitions.

At the same time, more and more scholars believe that institutional factors are also important drivers for the internationalization of developing country companies (Ingram & Silverman, 2002; Peng, 2003; Yamakawa et al., 2008). For example, Wang, Hong, Kafouros & Wright (2012) empirically studied the role mechanism of the Chinese government in Chinese enterprises' direct foreign investment, and argued that government participation has an impact on the scale and location choice of enterprises' overseas investment, and this impact depends on the enterprises' resources and capabilities.

## 2. Research on factors that impact success of M&A

Yan Daying (2011) used 1848 cases in the global M & A transaction database to conduct research. The time span was from 1982 to 2010. Based on the system view and organizational learning theory, determinants of the success of overseas acquisitions are studied. It is found through research that if a company has successful and rich participation and involvement in cross border acquisitions, the possibility of successful acquisitions is greater. It is also found that if the buyer is a SOE, it may bring obstacles to the whole acquisition. And if the target firm is a listed company or a natural resource company; it will also have a negative impact. But if the host country has a high degree of foreign investment, then it will have a positive

influence on the accomplishment of mergers and acquisitions. Finally, the article proposes corresponding countermeasures.

Ye Xinge (2011) generalized the current situation of Chinese firms going global, summarized relevant experiences and lessons based on various cases of Chinese companies. The enlightenment derived from the article suggests that we must consider the political factors in the process of going global. The host country may set up obstacles to protect domestic industries and hinder the completion of overseas acquisitions. In addition, if the buyer is a SOE, it may make the host country think that the behavior is not a commercial behavior but a government behavior. This article only theoretically analyzes the important power of institutional elements on the result of overseas acquisitions. The lack of empirical research has weakened the persuasive force.

Yu Silin (2012) used overseas mergers and acquisitions as the study's purpose, but only theoretically analyzed the factors affecting its performance and completion. The factors he summarized include political factors, legal factors, and possible risks in mergers and acquisitions, such as financing risks, pricing risks, etc. There is also the issue of integration and adjustment after acquisitions. He believes that the United States has a large prejudice against China and always creates obstacles to Chinese acquisitions, extremely in the industry related to energy security and economic security.

These studies have given great inspiration to this article. The existing empirical studies on enterprises' foreign investment mainly focuses on countries with concentrated trade such as the US, Japan, and the UK, and has less research on the internal countries of the EU. It is found through literature review that in the study of international economics and business, although more and more scholars have realized the necessity of introducing institutional factors into the research, few scholar has analyzed in-depth the influence of government

factors on acquisitions' achievement and performance in Chinese acquisitions in European countries.

This article will use the theoretical three-pillar theoretical framework and new institutional economy proposed by scholars in recent years. Based on the academic framework, and taking Chinese companies' cross border acquisitions as our sample, study how institutional, geographic distance, industry, government and other factors can make a difference to the achievement of Chinese enterprises' acquisitions, that is, how they have a direct and indirect impact on the final result and performance. Indirect impact refers to the moderating effect of institutional factors. The acquisition success referred to in this article is from the perspective of performance, indicating that the acquisition intention has been achieved, but it does not involve the integration and performance after these acquisitions, that is, the successful completion of the acquisition of the equity of a foreign company.

## **Hypothesis**

Factors Influence the success of acquisitions in Europe

### The impact of corporate ownership

In the theory of institutional economics, the property rights system is a basic economic system. To improve China's basic economic system, we must construct it. Therefore, we can make all of them into an institutional factor. As previously analyzed, state-owned enterprises are still Chinese main body of overseas acquisitions. In addition, the state-owned system is closely linked to the system of the home country. Therefore, this article mainly analyzes the impact of the state-owned form of the acquirer enterprise on completion and results of Chinese acquisitions.

Because the government's policy support for SOEs is significantly larger than that of non SOEs, and its strength is strong, comparatively speaking, SOEs are more competitive in

acquisition than non SOEs. However, the successful completion of the acquisition is not only weakened by the competitiveness of the M & A initiator. This is only one of the determining factors. In addition, the views of the government, the public opinion and the internet media of the acquired country on the transaction also have an important influence on the successful accomplishment of the acquisition. If a company is assisted and guided by the government in their process of implementing an M & A, the country where the target firm is located will be suspicious whether it is a commercial or political action. It will also result in the M & A company to be prosecuted and charged with unfair competition behavior, which may eventually cause the target country to terminate the transaction in order to protect national security or to protect its own enterprises.

In addition, China is a country that implements socialist public ownership, while most countries like the United States of America and Europe practice private ownership. As a result, these countries have always been biased against China. Due to differences in systems, Chinese companies have lost the opportunity to participate in international competition on an equal basis in many areas. In other words, Chinese companies' overseas acquisitions need to pay more premiums and bear higher costs, but the most important thing is that they need to bear greater political and social risks. In summary, the state-owned background of the enterprise may indeed have negative effect on cross border acquisitions. Therefore, it is assumed that as follows.

*H1: If the acquirer enterprise is a state-owned enterprise, the probability of successful overseas acquisitions is small.*

#### Impact of Industry category

Any country has to ensure that it has control over industries related to the economic lifeline, because it is related to the economic security of a country, and the core goal of maintaining national security is to ensure economic security. Therefore, most countries will review M & A

transactions. One important large M&A of Chinese acquisitions in Portugal is China Three Gorges' acquisition of Portuguese company Energias de Portugal (EDP) by 9 billion Euros. However, the acquisition plan failed in May, 2019. The conditions attached to the Three Gorges Group's takeover offer are abolishment of a rule that limits the voting rights of any shareholder of the EDP to a maximum of 25%. But shareholders said that 56% of the shareholders who voted at the shareholders meeting objected to the lifting of the cap. Portugal keeps a stable and general protection requirement in its investment regulations. It needs evaluation of compliance with the statutory requirements and prerequisites of non-EU investments under Portuguese law that may affect public order, safety and health.

Judging from China's overseas investment experience, market factors are not the only factors that determine whether M & A transactions can be successful. Overseas acquisitions by Chinese companies often ended in failure due to non-market factors. If the industry of acquiree is related to national defense and high technology, such as military electronic equipment, space technology, biotechnology, energy and other fields, then even if there is no impact on their national security, the acquired countries usually use national security as an excuse, or represented as an attempt to protect local businesses from unfair competition.

*H2: If the industry is connected to the economic security of the target country, the probability of successful overseas acquisitions is small.*

#### The effect of geographic distance

The length of the space between the M & A country and the target country where the acquired enterprise is located may also have an impact on the successful accomplishment of the firm's overseas acquisitions. Some scholars have conducted theory and empirical analysis of geographic distance and acquisition results. They believe that the bigger the distance, the higher the cost of information, such as the cost of telephone communications, and the cost of using different languages on both sides. Finally, empirical analysis found that geographical

distance was significantly negatively related with the incidence of cross border acquisitions (Govanni, 2005). That is, if the M & A country is closer to the originating country, the number of acquisition cases in the target country is greater.

*H3: If the geographic distance between the acquired enterprise and China is close, the probability of successful overseas acquisitions is big.*

#### Impact of acquisition ratios

The acquisition ratio in this article is the portion of the shares to be acquired in the total shares of the acquired firm. When this ratio is higher, then greater obstacles may be encountered in the acquisition transaction, and the probability of successful overseas acquisitions is lower. So we predict that:

*H4: If the acquisition ratio is higher, the probability of successful overseas acquisitions is small.*

#### Impact of Industry Matching

Industry matching means whether the two parties in merger and acquisition transaction belong to the same industry and whether their business scope is related. If it is irrelevant or even in two different industries, then after the transaction is disclosed to the outside world, the market and investors may not be optimistic about the acquisition, mainly due to the following two reasons. First, investors may think that if both parties belong to unrelated industries, so the integration becomes more difficult after mergers and acquisitions, and there are concerns about future development, and the interests of the target business owner will be harmed as a result. Second, investors may also consider the purchase price to be unreasonable, or because the industry is not relevance does not generate economies of scale and does not help to the evolution and expansion of companies. The market and investor attitudes have a significant effect on the result and accomplishment of acquisitions. So this study makes the following assumptions,

*H5: If the acquirer and the acquired company belong to the same industry, the probability of successful overseas acquisitions is big.*

### **Data and sample structure**

The data in this article is derived from Zephyr database and Wind database, which include comprehensive international mergers and acquisition deals. In addition, although China officially proposed “go out” strategy in 2000, it can be seen that the cross border acquisitions of Chinese companies have increased significantly since the beginning of the 2003. So the selected time span is from 2005 to 2018. In the end, 387 valid Chinese overseas acquisitions in Europe cases were selected to ensure the availability of empirical variables and empirical evidence. The results are representative.

The principles for selecting samples in this article are as follows.

- (1) We can see 4 transaction situations in Zephyr's mergers and acquisitions database, which is completed, failed, ongoing, and rumored respectively. Due to the uncertainty of mergers and acquisitions in the rumored state, all transactions in the first three M & A status are selected in this article. Completed is considered as success while failed and ongoing are considered as ‘uncompleted’.
- (2) This study deletes deals which do not have completed information and data.
- (3) This study also deletes transactions where the buyer is an individual rather than a corporate entity.
- (4) The cases on Zephyr only include company that have announcement about the acquisitions, we exclude the undisclosed acquisitions in this paper.

### **Variables:**

Dependent variable: Measures the success of the acquisition; it is a dummy variable. When the acquisition is successful, we put value 1 and if it is uncompleted, it is 0;

Independent variable: The explanatory variables selected for this article are as follows:

The nature of the enterprise: it is a view variable. It has two values of 0 and 1. 1 is used to indicate that the acquirer enterprise is SOEs. If it is 0, it is non-SOEs. Set this variable to X1.

Industrial category : This variable refers to whether the industry of the acquirer is related to the economic lifeline industry of the target country. Through prior case analysis, we found that many of cross border acquisitions are related to important energy and resources. If they belong to the economic lifeline industry, we set it 1, and the rest of the industries is 0, set to X2.

Geographic distance: refers to the straight line distance between China and the country where the target company is located, set to X3.

Acquisition ratio: Acquisition ratio refers to the ratio of acquisitions proposed when the merger is announced. This article uses X4 as the ratio of the shares of the acquirer to the total of the acquired company.

Industry matching: Industry matching shows whether the acquirer and the acquiree belong to the same or similar industry. This variable is a dummy variable and is set to X5. When the selected company and the buyer belong to the same industry, we put value 1 and for the rest, the value is 0.

## **Results and Discussion**

### **Present Overview of Chinese acquisitions in Portugal**

#### Descriptive statistics

In recent years, Chinese acquisition activities in Portugal have been more and more active and popular. Chinese enterprises' cross border acquisitions transactions realized rapid growth during the five years from 2012 to 2016, but have declined from 2017. Since 2012, European

Union and North America have been the most popular and major objectives for Chinese acquirer. The volume of transactions in Europe has accounted for 28.6%-41.8% of the total volume of Chinese buyers in the past five years. In the first half of 2019, the transaction volume of China's overseas' acquisition activity fell to US\$26.8 billion, a drop of 48%, the highest semi-annual decline in 10 years. The amount of investment of various types of investors overseas has been significantly reduced. Among them, the amount of state-owned enterprises investing overseas has also a certain decline, reaching the lowest value in last 10 years. The volume of overseas acquisitions transactions in the "One Belt, One Road" region continues to grow.

After the top of 37 billion Euros in 2016, Chinese FDI had a sharp decline in 2017, and dropped again in 2018. From figure 3 we can observe that China is still active in the worldwide acquisition market. In the environment of the increase in Sino-US trade frictions and CFIUS review, since the "super peak" in 2016, China's foreign M&A transactions in 2018 have decreased by 23% year-on-year for the second consecutive year. In 2018, China's overseas M&A transactions are still about one-third higher than the 2016 peak. Chinese government supports strategic overseas investment. Measures for the Administration of Chinese foreign Investment of Companies, which is promoted by Chinese government ("Order No. 11") has been in effect since March 2018, simplifying and standardizing the approval procedures for foreign investment, potentially shortening the review time. In the context of the gradual stabilization of the RMB exchange rate and cross-border cooperation, we expect that the state-owned enterprise integration activities in China's M&A market will remain active, thus preparing for China's future international expansion in strategic areas. In 2018, the situation of Chinese foreign investment in the European Union generally followed the patterns of last few years and is distributed similar. Southern Europe occupy

about 13% of China's total FDI, still far below the top of 2012-2015, which is mostly attributed to a few large M&A deals.

Private enterprises have risen rapidly, but the majority of Chinese acquisitions are still in control of huge state-owned enterprises.

The share of state-owned enterprises in China's total foreign investment in Europe fell to 90% from 80% in 2010-2012, and to an average of about 50% to 60% in the last five years. We can see that although the overall value and number of overseas acquisitions is declining in figure 2, the percentage of SOEs is decreasing rapidly while the percentage of non-SOEs is increasing.

We can observe that the government impact is more obvious on SOEs than the non-SOEs.

When the acquirer has a state-owned background, countries around the world generally have doubts about it, which adversely affects cross border acquisitions. Their attitude toward private enterprises is the opposite. The host government's review of acquisitions initiated by private companies is relatively loose. The lax review is conducive to the success of acquisitions. In addition, because of the relatively concentrated ownership of private enterprises, the decision-making speed is faster than that of the SOEs, and the operation is flexible, which has advantages that state-owned enterprises do not have. Therefore, it will be the main force for China's acquisitions development in the future.

In the financial market, private enterprises have always been a "vulnerable group." In the credit market, major banks have offered the most favorable lending rates to state-owned enterprises, and even when the operating conditions of private enterprises are better than that of the SOEs, they have generally raised the interest rates of private enterprises. This not only increases the financial costs of private enterprises, but also discourages the scale of private enterprises from expanding and the enthusiasm for cross border acquisitions.

Industry of resources, technology and manufacturing

So far, cross border acquisitions by Chinese enterprises have mainly involved resources, technology and manufacturing industries. A very important reason for China's foreign investment is to obtain resources of the destination country. Under the current stable political environment, Chinese enterprises use acquisition as a method to occupy and expand overseas product markets, obtain relatively cheap raw materials, establish a global production system to realize optimal resource allocation and maximum economic, and finally chase strategic assets on a global scale to obtain new comparative advantages in ownership. At present, in order to unify the long term and short term benefits of enterprises, Chinese enterprises are focusing on acquisitions in the energy and petroleum industries.

#### Low success completion of acquisitions transactions

The past record of overseas acquisitions of Chinese cases is relatively short and lack experience, as a result, the success rate is relatively low. When many companies started their acquisitions, they were very powerful, but many failed but ended in the cold. Failures in acquisitions can be broadly divided into two categories: first is that the acquisition is not successfully completed, and another is that the acquisition transaction is successfully completed in the beginning, but after the merger and acquisition fails due to integration failure or other reasons. Based on a total of 387 cases from 2005 to 2018 selected in this paper, it is concluded that the success rate of acquisitions is 60%, and 40% of corporate M & A transactions have not been successfully completed.

#### Qualitative analysis

We also use qualitative approach to further explain some of us hypotheses. This study interviewed 10 senior managers from 6 companies, including 6 managers from 3 Chinese companies which have already acquired firms in Portugal, 2 chief consultants of two third-party consulting agencies and 2 managers from Bank of China. The duration of each interview

is 30 minutes and the longest is 2 hours. The interviews mainly used in-depth interviews. The time is from July 11, 2019 to October 15, 2019.

In this study, 10 pieces of interview data were decomposed line by line, and the text was analyzed to discuss motivations and risks of Chinese acquisitions in Portugal. We found that the implementation of overseas acquisitions is mostly influenced by national policies (20%), and enhance market influence and international voice (16%)(Table 1). Acquisitions risks in Portugal are mainly divided into financial risks, strategic risks, political and legal risks, and integration risks. Among them, integration risk accounts for the largest proportion (31%)(Table 2), which is one of the factors most likely to cause corporate mergers and acquisitions to fail.

#### Logit regression analysis

Because the dependent variable acquisition is a dummy variable, this article uses the model Logit Regression to estimate the parameters using the software SPSS, and establishes the following model:

This paper first establishes Model 1, which includes 5 independent variables, including 5 main explanatory variables X1, X2, X3, X4, X5, as follows:

$$\text{MODEL 1: } P(k) = 1 / [1 + e^{-(a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5)}]$$

In order to test whether there is multicollinearity among the variables in the model, I first performed a simple correlation coefficient test. From Table 5, we see that the correlation coefficients between the variables are between -0.3 and 0.3, with low correlation. In view of the reliability of the simple correlation coefficient, this article further uses VIF values to test the multicollinearity between variables.

It can be seen from the analysis that the variance inflation factor of each variable is small, between 1 and 2, so it can be considered that there is no multicollinearity problem between the explanatory variables. After regressing the Logit model, the results are as follows:

The probability value is 0.008, which is far less than 0.05, so it is not significant at the 5% level, it cannot pass the Hosmer-Lemeshow test, and the overall fitting effect is not good. In addition, the regression coefficients of each variable are analyzed. At the significance level of 5%, the variables X3 and X4 are obviously not significant, indicating that the variables, namely geographical distance and acquisition ratio, have no significant effect on the final success of cross border acquisitions. And the coefficient of 0 cannot be explained in an economic sense, so Hypothesis 3 and Hypothesis 4 do not hold. The other variables are significant at the significance level, and the signs of the corresponding coefficients of each variable are in economic significance.

Based on the above analysis, remove the variables X3.X4 on the basis of the model, leave the other variables, and then build the model. Using the same SPSS regression, the regression results are as follows:

From the significance of the single variable coefficient, the two main explanatory variables, namely, the nature of the enterprise and the protection of the industry, are significant, indicating that the nature of the enterprise and the protection of the industry have a significant impact on the probability of accomplishment of Chinese companies' overseas acquisitions. In addition, the sign of the variable coefficient is consistent with the hypothesis, thereby confirming hypothesis 1 and hypothesis 2. In addition, the variable of industrial matching is also significant at the 1% significance level, and the sign is the same as expected. This confirms Hypothesis 5.

## **Conclusion**

This paper first conducts theoretical research, theoretically analyzes the influencing factors of cross border acquisitions, and then uses the model to conduct empirical research, that is,

qualitative and quantitative research on the research objects through the combination of theory and empirical research. This article builds a Logit model by collecting data on relevant Chinese acquisitions deals in Europe, and uses SPSS software for regression analysis.

This paper uses the relevant domestic and foreign mergers and acquisitions theory and 387 samples of Chinese cross border acquisitions in Europe to explain the impact of the Chinese government on enterprises' acquisitions in Portugal, and has reached several conclusions. The empirical results show that the nature of the company not only has a direct influence on the successful completion and achievement of Chinese enterprises' cross border acquisitions, but more importantly, the nature of the firm will also have a significant regulatory effect on other factors affecting corporate cross border acquisitions, thereby indirectly affecting the overseas completion.

This article studies 387 Chinese overseas acquisitions in Europe and draws the following conclusions: First, when the acquirer enterprise is a SOE, the probability of successful overseas acquisitions is small. Second, when the industry is an economic lifeline industry that is related to national security, the probability of successful overseas acquisitions is small. Third, industrial protection has a hindrance to the success rate of Chinese companies' overseas acquisitions, and if it is a state-owned enterprise, then this blocking effect will be more obvious. Fourth, if the acquired company and the acquirer belong to the same industry, the probability of successful cross border acquisitions is big. Finally, according to the empirical results, the geographical distance variable and the proportion of acquisition are not significant. The distance between the country being acquired and the country where the acquiring company is sited has no significant impact on the successful accomplishment of overseas acquisitions. This article believes that this may be related to the geographical location of the selected sample, because the selected sample data are all Chinese acquisitions that occur in Europe.

## **Limitation and discussion**

In empirical research, if the object of analysis, the premise of analysis, and the method of analysis are different, the results of the analysis may be different. The shortcoming of this article is that because of my limited ability to collect data, the dimensions of the chosen measurement system are limited. To conduct a thorough analysis of this problem, more variables of the measurement system needs to be selected for analysis and analysis. Industry and sub-country to conduct in-depth research; in addition, as the system is a dynamic and changing process, this article only uses empirical data from a relatively stable period of time for the institutional environment to conduct empirical research. Combined with in-depth analysis of corporate internationalization issues, this issue can be analyzed more thoroughly, which is also the direction we will study in the future.

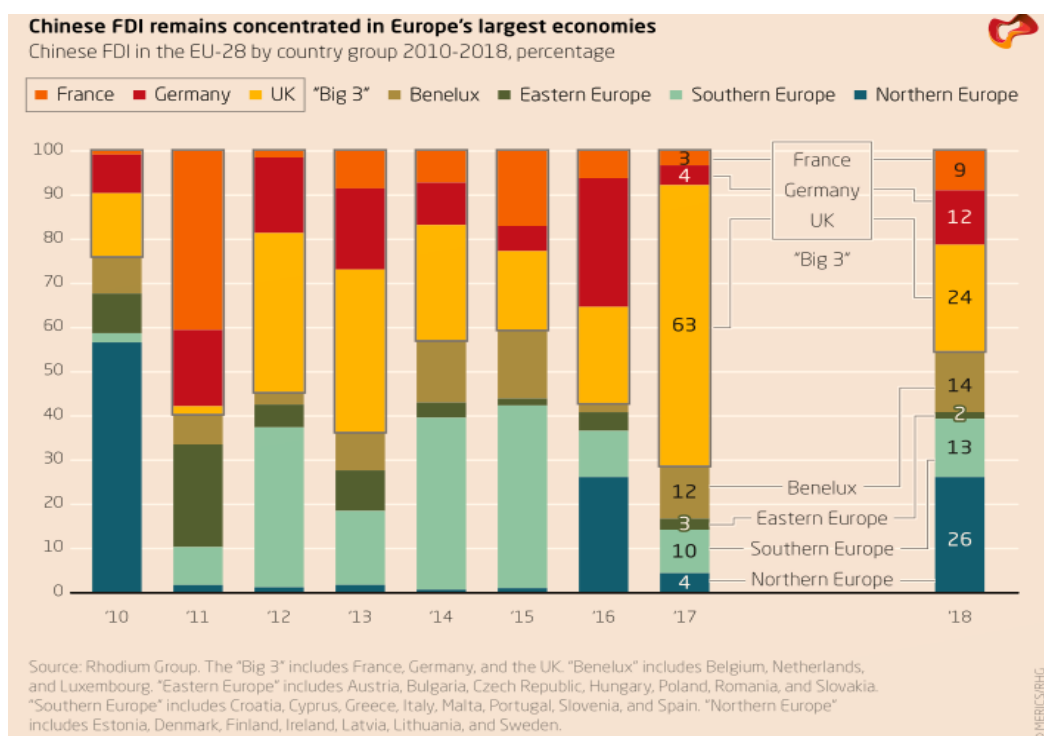
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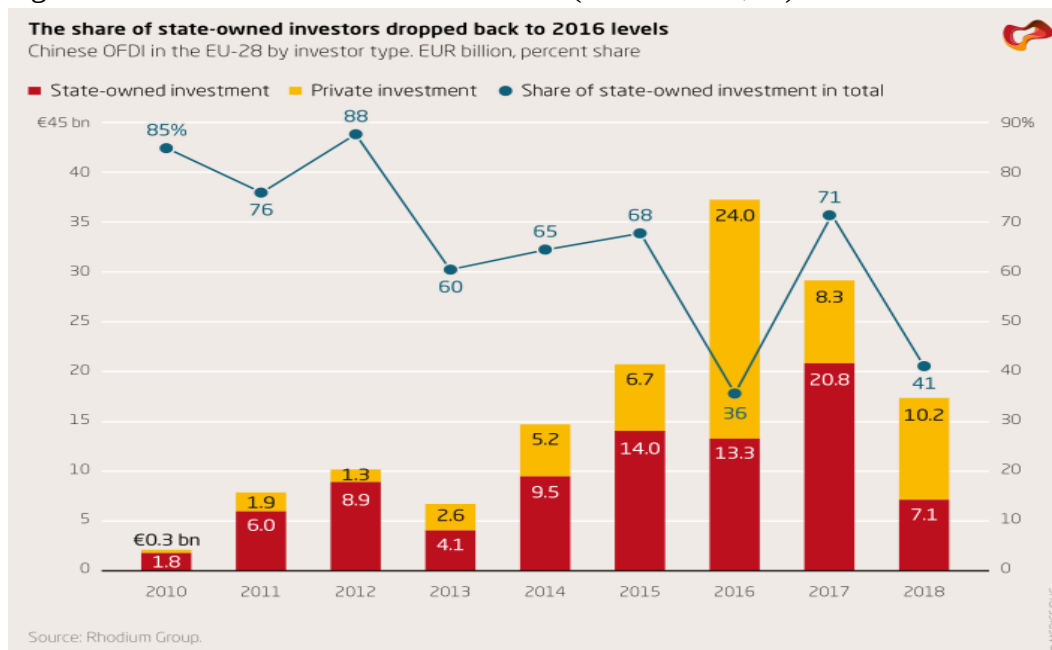
## Appendix:

Figure 1: Chinese FDI in Europe's economies (percentage %)



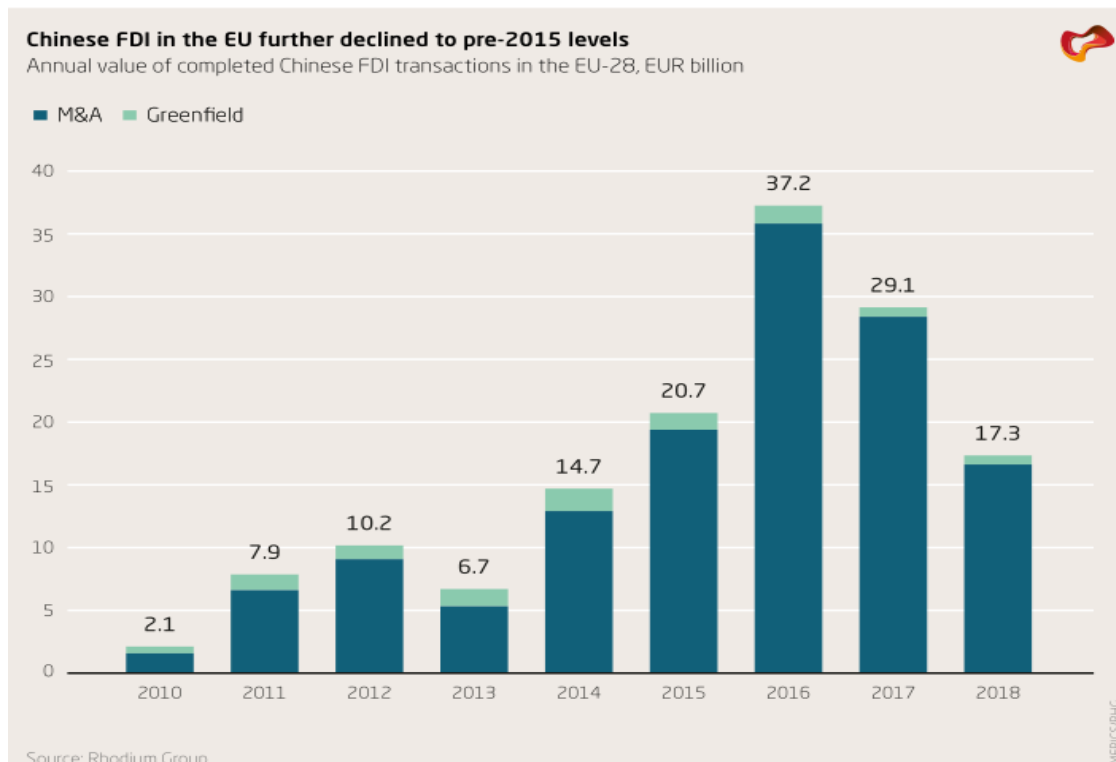
Source: Rhodium Group

Figure 2: The share of SOEs and non-SOEs (billion euros, %)



Source: Rhodium Group

Figure 3: Chinese FDI in the EU from 2010 to 2018 (billion euros)



Source: Rhodium Group

Table 1: Motivations of Chinese acquisitions in Portugal

| Motivations                                      | Ratio |
|--------------------------------------------------|-------|
| Affected by national policies                    | 20%   |
| Increase social influence                        | 15%   |
| Access to resources                              | 12%   |
| Enhance market influence and international voice | 16%   |
| Blind M & A                                      | 8%    |
| Personal wishes of managers                      | 6%    |
| Increase social influence                        | 6%    |
| Increase marginal income                         | 4%    |
| Social responsibility, increase employment       | 13%   |

Source: Interview

Table 2: Risks of Chinese acquisitions in Portugal

| Risks                    |                                                                                   | Ratio |
|--------------------------|-----------------------------------------------------------------------------------|-------|
| Financial risk           | Implementation financing risk                                                     | 3%    |
|                          | Valuation risk                                                                    | 7%    |
|                          | Asset preservation and appreciation                                               | 1%    |
|                          | Target enterprise valuation risk                                                  | 8%    |
|                          | Negotiation risk                                                                  | 5%    |
|                          | Foreign exchange risk                                                             | 3%    |
|                          | Payment risk                                                                      | 1%    |
|                          | Total                                                                             | 28%   |
| Strategic risk           | Mistakes in M & A direction selection                                             | 5%    |
|                          | Mistakes in timing                                                                | 5%    |
|                          | Lack of matching strategy between M & A parties                                   | 1%    |
|                          | Lack of long-term M & A strategy, only pursuit of short-term benefits             | 1%    |
|                          | Blindly seeking bigger, blindly diversifying                                      | 8%    |
|                          | Total                                                                             | 22%   |
| Political and legal risk | Inadequate domestic laws                                                          | 7%    |
|                          | Host country foreign investment restrictions on overseas mergers and acquisitions | 1%    |
|                          | Protection of labor rights                                                        | 8%    |
|                          | National security review                                                          | 1%    |
|                          | Legislative restrictions                                                          | 1%    |
|                          | Total                                                                             | 19%   |
| Integration risk         | Brand integration risk                                                            | 9%    |
|                          | Human resources integration risk                                                  | 15%   |
|                          | Cultural integration risk                                                         | 7%    |
|                          | Total                                                                             | 31%   |
| Total                    |                                                                                   | 100%  |

Source: Interview

Table 3 : Variables in the Equation

| Variables in the Equation |        |      |        |    |      |        |                     |        |
|---------------------------|--------|------|--------|----|------|--------|---------------------|--------|
|                           | B      | S.E. | Wald   | df | Sig. | Exp(B) | 95% C.I. for EXP(B) |        |
|                           |        |      |        |    |      |        | Lower               | Upper  |
| Step 1 <sup>a</sup> X1    | -1.233 | .293 | 17.728 | 1  | .000 | .291   | .164                | .517   |
| X2                        | -2.250 | .310 | 52.713 | 1  | .000 | .105   | .057                | .194   |
| X3                        | .000   | .000 | 1.089  | 1  | .297 | 1.000  | 1.000               | 1.000  |
| X4                        | -.003  | .004 | .799   | 1  | .371 | .997   | .990                | 1.004  |
| X5                        | 2.155  | .297 | 52.587 | 1  | .000 | 8.624  | 4.817               | 15.438 |
| Constant                  | .095   | .794 | .014   | 1  | .904 | 1.100  |                     |        |

a. Variable(s) entered on step 1: X1, X2, X3, X4, X5.

Source: SPSS Statistics

Table 4: Hosmer and Lemeshow Test

| Hosmer and Lemeshow Test |            |    |      |
|--------------------------|------------|----|------|
| Step                     | Chi-square | df | Sig. |
| 1                        | 8.371      | 8  | .398 |

Source: SPSS Statistics

Table 5: Descriptive statistics and correlations

| Correlations   |    |                         |         |         |       |         |        |         |
|----------------|----|-------------------------|---------|---------|-------|---------|--------|---------|
|                |    |                         | X1      | X2      | X3    | X4      | X5     | Y       |
| Spearman's rho | X1 | Correlation Coefficient | 1.000   | .353**  | -.029 | -.185** | -.053  | -.357** |
|                |    | Sig. (2-tailed)         | .       | .000    | .573  | .000    | .298   | .000    |
|                |    | N                       | 386     | 386     | 384   | 386     | 385    | 386     |
|                | X2 | Correlation Coefficient | .353**  | 1.000   | -.049 | -.096   | -.103* | -.488** |
|                |    | Sig. (2-tailed)         | .000    | .       | .337  | .058    | .043   | .000    |
|                |    | N                       | 386     | 386     | 384   | 386     | 385    | 386     |
|                | X3 | Correlation Coefficient | -.029   | -.049   | 1.000 | .011    | -.009  | .016    |
|                |    | Sig. (2-tailed)         | .573    | .337    | .     | .824    | .856   | .754    |
|                |    | N                       | 384     | 384     | 384   | 384     | 383    | 384     |
|                | X4 | Correlation Coefficient | -.185** | -.096   | .011  | 1.000   | .029   | .035    |
|                |    | Sig. (2-tailed)         | .000    | .058    | .824  | .       | .577   | .499    |
|                |    | N                       | 386     | 386     | 384   | 386     | 385    | 386     |
|                | X5 | Correlation Coefficient | -.053   | -.103*  | -.009 | .029    | 1.000  | .397**  |
|                |    | Sig. (2-tailed)         | .298    | .043    | .856  | .577    | .      | .000    |
|                |    | N                       | 385     | 385     | 383   | 385     | 385    | 385     |
|                | Y  | Correlation Coefficient | -.357** | -.488** | .016  | .035    | .397** | 1.000   |
|                |    | Sig. (2-tailed)         | .000    | .000    | .754  | .499    | .000   | .       |
|                |    | N                       | 386     | 386     | 384   | 386     | 385    | 386     |

|      |        |        |         |        |        |        |
|------|--------|--------|---------|--------|--------|--------|
| Mean | 0.466  | 0.313  | 7256.39 | 84.76  | 0.6    | 0.609  |
| S.D. | 0.4995 | 0.4645 | 1379.79 | 366.37 | 0.4905 | 0.4887 |
| Min  | 0      | 0      | 2865    | 0.016  | 0      | 0      |
| Max  | 1      | 1      | 9161    | 100    | 1      | 1      |

Source: SPSS Statistics