

Research on the Influencing Factors of Chinese Enterprises' Overseas Mergers and Acquisitions in the Process of Globalization

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Abstract: In recent years, with the deepening of global economic integration, multinational corporations have set off a huge wave in the international arena in order to strengthen their international competitiveness. With the continuous integration and interdependence of national economies, overseas mergers and acquisitions have developed rapidly and become the main characteristics of today's world economy. As a developing country, China still has some shortcomings in the process of overseas M&A. Based on this, this paper first analyses the current situation of overseas M&A in China, and then puts forward the main problems in the process of overseas M&A of Chinese enterprises. For example, lack of integration experience after M&A, defective corporate governance structure, lack of high-quality overseas M&A talents, etc. The article puts forward corresponding improvement measures in view of the above problems, in order to provide guidance for Chinese enterprises' overseas mergers and acquisitions.

1. Research Background

1.1 Literature review

Firms begin with mergers and acquisitions in the domestic market. Overseas mergers and acquisitions were initially just a way of transnational direct investment(Ding and He, 2017). George J. Stigler, Nobel Laureate in economics, said, "There is hardly any company that can grow strong mainly through internal expansion, whereas in the United States, almost every large company grows through acquisitions to some extent." Over the past few years, China's economy has been relatively stable, the momentum of development among enterprises is good, and has entered the wave of cross-border mergers and acquisitions(Wen et al., 2017). As far as the current situation is concerned, compared with developed countries, China's overseas M&A is still in its infancy, and there is still a certain gap between China's overseas M&A and the scale of foreign multinational companies. Chinese enterprises have formed a certain scale in overseas mergers and acquisitions. From the current overseas mergers and acquisitions conducted in China, the results are still obvious(Yang , 2018). In order to expand the scale of enterprises themselves, most enterprises in China have gradually aimed their investment objectives at a broader overseas market. These companies integrate resources, information and advanced technology in the global market to achieve extraordinary rapid expansion(Gao and Li, 2019).

1.2 Purpose of research

With the increasing of China's comprehensive national strength, mergers and acquisitions between enterprises in China and other countries are also increasing. But at the same time, the risks in the process of cross-border M&A are also increasing. Facts have proved that the transfer of objectives to overseas markets is an effective way for enterprises to rapidly expand their development in Europe, and also an important way for enterprises to quickly enter the international market. Nowadays, the trend of global economic integration is more and more obvious. In the process of merger and acquisition, the buyer's price is often higher than the actual value of the buyer. In the process of integration after the merger, it can hardly get enough return, which will eventually lead to the failure of merger and acquisition, and also cause certain losses to the whole enterprise. Not only that, some enterprises still have many problems, such as serious shortage of M&A talents,

unclear strategic objectives, and defective corporate governance structure. In view of these problems, this paper puts forward corresponding control measures to promote the gradual improvement of China's overseas M&A activities and provide useful reference for China's overseas M&A in the future.

2. Main Problems in Overseas M&A of Chinese Enterprises

2.1 Defects in the corporate governance structure

As a result of the past separation of government and enterprise, there are serious deficiencies in the governance structure of China's state-owned enterprises. State-owned enterprises and state-owned holding enterprises are the main investors of Chinese enterprises participating in mergers and acquisitions in sea areas. In recent years, due to the insufficient attention paid by business operators to the formulation of effective incentive and restraint policies, the formulation of strategic objectives is not very clear, and some enterprises have many problems, such as unclear property rights, which directly lead to the inefficiency, inadequate competitiveness and low success rate of overseas M&A of Chinese enterprises (Zhou et al., 2017). At the same time, in the process of overseas mergers and acquisitions, the government also intervened too much, and even directly transformed overseas mergers and acquisitions into government behavior. Overseas investment of enterprises should give full play to their own advantages and rationally plan and organize transnational business activities according to the international market situation. It is very difficult to improve the competitive advantage of Chinese overseas enterprises in all aspects and reduce their operational efficiency by operating the selected projects in full accordance with the instructions and wishes of the state. The main force of overseas M&A in China is state-owned enterprises. Once the governance structure of state-owned enterprises is out of order, it will inevitably bring serious negative impact on the transnational economy. Faced with this serious negative impact, state-owned enterprises must step up the management of defects in the structure of state-owned enterprises in order to improve the unfavorable situation of Chinese enterprises in transnational operation (Sun et al., 2017).

2.2 Lack of high-quality overseas M&A talents

High-quality overseas mergers and acquisitions personnel are very important for the implementation of cross-border mergers and acquisitions. Competition in overseas markets is inevitably inseparable from the competition among talents in various countries. The core of overseas M&A is talent capital. At present, China's overseas transnational mergers and acquisitions enterprises are in the stage of serious shortage of talents, and the human resources management of mergers and acquisitions enterprises is not perfect. There are serious vacancies in human resources management and human resources development positions among enterprises (Shen et al., 2017). According to the statistics of McKinsey consulting company, there is a huge gap of middle and senior talents in China's overseas operations, which has reached about 100,000 people. The reasons for this shortage are various (Li and Li, 2017). On the one hand, China does not attach importance to the construction of human resources, the strategic planning of human resources is seriously lacking, and some well-known enterprises in order to occupy market competition advantages, will set up professional schools to train talents. For example, Motorola university, Samsung marketing college, and even McDonald's have established Hamburg University, which laid a good foundation for training professional managers of McDonald's company. And these professional colleges and universities founded by enterprises, the most important thing is to train high-quality talents for their enterprises and enrich their own human resources reserves. At present, in China, most enterprises are not aware of the establishment of an internal college, and there is little investment in this area. It is very important for overseas M&A enterprises to find and retain high-quality talents. Once the overseas M&A is completed, the loss of human resources is unpredictable. Moreover, it is very difficult for enterprises to retain talents at present, especially after the completion of overseas M&A.

2.3 The strategic objectives of overseas mergers and acquisitions are uncertain

Clear and clear strategic objectives can help enterprises quickly and accurately locate M&A. Overseas mergers and acquisitions are relatively complex business activities. Therefore, before deciding on mergers and acquisitions, enterprise decision makers should give full consideration to how much benefits real overseas mergers and acquisitions enterprises can get, and whether what they want is highly consistent with what they can get, and so on. If we don't think about these, we simply use the price level as the measurement standard, and we don't have a clear strategic goal. We believe that as long as the price is cheap, we can meet our own development requirements. Then, M&A mostly ends in failure. Overseas mergers and acquisitions of Chinese enterprises will fail partly because they think too much about taking advantage of the advantages and neglect the strategy. For overseas M&A, business decision makers do not take wealth appreciation into account too much and lack clear strategic objectives. For example, the case of Tengzhong Heavy Industries' acquisition of Hummer, which once stirred the world, finally went bankrupt. The root of the problem lies in the lack of strategic objectives. In the early stage of merger and acquisition, we did not consider clearly what we should get in the process of merger and acquisition. There is no detailed M&A plan in the early stage, which is also a common fault of some impetuous enterprises in China. Most companies think that if they have money, they can buy anywhere they want. But after the acquisition, there is no clear and detailed plan about what to do and how to do it. Strategic objectives are not clear, blindly for internationalization and internationalization, mergers and acquisitions after the drag on the entire business activities of the case is no longer a small number.

2.4 The experience of integration after mergers and acquisitions needs to be improved

Western industrialized developed countries have a history of mergers and acquisitions for more than 100 years. However, the two recent M&A waves occurred in the global international market, and these M&A activities have obvious characteristics of cross-border M&A. So far, there has been no similar large-scale M&A activities in China. Compared with western developed countries, Chinese enterprises obviously lack the experience and experience of M&A enterprises, and the integration ability in the later stage of M&A needs to be improved. Some studies have shown that the probability of failure of overseas M&A varies greatly in different stages. The integration experience after merger and acquisition is the most complex project after merger and acquisition. The process and result of integration will ultimately determine the fate of the enterprise, which is also an indispensable and important part of every enterprise. No enterprise can avoid this process. In the late 1980s, the big Japanese companies entered Hollywood, but in the latter stage, they failed because they failed to complete the integration successfully, which ended in failure in less than a year. Chinese enterprises are lack of experience and experience in M&A integration, so they need to pay more attention to integration when they conduct overseas M&A. Whether to form a fixed corporate culture, and the successful integration of corporate culture, is the key to the success of enterprise integration. The whole process is long and full of challenges, and sometimes brings huge risks to enterprises. Chinese enterprises should make great efforts to learn from foreign successful M&A experience and cases, correct and improve their own integration capabilities.

3. The Perfect Strategy of Overseas Mergers and Acquisitions of Chinese Enterprises in the Process of Globalization

3.1 Improving the policies and regulations of overseas mergers and acquisitions

The formulation and stability of national economic laws and regulations is an important basis for the long-term goals and long-term development of most enterprises, and also a guarantee for the predictability of their investment behavior. However, at present, due to the imperfection of China's legal system in these areas, there is a greater blindness in overseas M&A of Chinese enterprises. China should proceed from the actual situation, fully draw on the successful experience of foreign merger and acquisition legislation, improve and formulate overseas merger and acquisition policies and regulations in line with China's national conditions. To ensure that there are clear laws and

regulations on the examination and approval of overseas M&A, foreign exchange, financing and other issues, so that overseas M&A can truly be legally complied with. At present, China implements multifaceted management of overseas mergers and acquisitions of enterprises. The ministry of commerce is responsible for examining and approving fixed-amount investment projects. Once the projects exceed these amounts, they need the approval of the National Development and Reform Commission. Many aspects of management lead to policy changes. Lack of unified management and planning will seriously affect efficiency and cause adverse effects. According to the actual needs of China's economic development, China should earnestly implement the guarantee of enterprise autonomy and formulate corresponding guidance programs for overseas investment. In view of the industries and enterprises with obvious advantages in strategic planning and development, when there are requirements for overseas mergers and acquisitions in the latter stage, we should relax policies, streamline unnecessary procedures, and give preferential policies to facilitate overseas mergers and acquisitions to the greatest extent, so as to enable enterprises to carry out overseas mergers and acquisitions in full accordance with their own strategic plans in an orderly manner.

3.2 Training comprehensive overseas mergers and acquisitions talents

The success of overseas M&A depends on the unremitting efforts of M&A talents. In this way, for enterprises preparing for overseas mergers and acquisitions, they should start nationalized professionals in the early stage of mergers and acquisitions. Therefore, it is an urgent task to train and reserve outstanding overseas M&A talents in advance. In order to succeed in M&A, enterprises should fully consider their internationalization background in the process of introducing talents, especially focus on finding excellent negotiating and successful overseas M&A talents. At the same time, enterprises should strengthen their own hematopoietic ability, while selecting excellent talents, they should also pay attention to training the professional ability of talents and cultivate compound talents. Whether the final result of overseas mergers and acquisitions can achieve the expected results depends largely on the transnational management talents of enterprises. Therefore, in the process of training talents, enterprises should recognize the cultural value of the company, understand the development strategy of the enterprise itself, understand and familiarize themselves with international practices and the development trend of the industry. Focus on training overseas M&A talent's ability to communicate with national personnel, as well as the ability to adapt to different environments. In the early stage of overseas M&A, the risk of M&A due to lack of talent can be reduced through the training of system specialty and talent integration, so as to achieve the ultimate goal of successful overseas M&A.

3.3 Making scientific overseas M&A strategic targets

Overseas mergers and acquisitions involve more complex economic and political relations than general mergers and acquisitions, and have to face and bear greater risks. Therefore, it is necessary to formulate more clear strategic objectives of overseas mergers and acquisitions. If overseas M&A lacks correct strategic objectives and scientific planning, it may bring irreversible consequences to the development of enterprises. Therefore, when formulating development plans, Chinese enterprises should place overseas M&A in the important position of enterprise planning. When implementing cross-border mergers and acquisitions, enterprises should gradually implement them in a planned, step-by-step and purposeful way. Under the guidance of general planning and clear strategic objectives of mergers and acquisitions, this paper carefully analyses the mission of enterprises themselves and long-term strategic objectives in the future, and scientifically plans mergers and acquisitions strategies such as principles and conditions in combination with external environment. At the same time, through their own advantages, complementary competition and then make a correct overall judgment, in order to reduce the various interference factors in the process of mergers and acquisitions. This will not only promote the healthy development of overseas mergers and acquisitions, but also benefit the rapid growth of Chinese enterprises.

3.4 Strengthening information analysis and management of overseas mergers and acquisitions

The information analysis and management of overseas mergers and acquisitions is helpful to resolve and reduce the risk of overseas mergers and acquisitions. In the early stage of acquisition, enterprises should do a good job of information analysis and Research on the area and environment of the acquired enterprises. In the process of investigation, empiricism is rigorous and should not be too impetuous, especially in the face of corporate legal relations, potential risks, and liabilities, etc. In the face of the above situations, enterprises' overseas mergers and acquisitions should strengthen the analysis and management, and give reasonable and scientific information analysis. After comprehensive analysis and understanding, it provides important reference for enterprise managers to decide whether to implement overseas M&A and how to implement overseas M&A. On the premise of authenticity and credibility of information, mergers and acquisitions are decided according to the development plan of the enterprise's own strategic objectives.

4. Conclusion

With the rapid development of China's economy, the overseas market of Chinese enterprises has entered a period of vigorous development. However, China's overseas M&A is still in its infancy and needs to be improved in government policies and legal systems. In this way, Chinese enterprises need to move in the right direction, grasp the economic situation and attack decisively when they make overseas M&A. To formulate clear and long-term development strategic objectives, constantly learn the successful experience of overseas M&A of large foreign enterprises, enrich their own experience in international M&A, and accumulate a certain foundation for Chinese enterprises' overseas M&A.

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