Strategy Management of Chinese Enterprises Cross-Border Mergers and Acquisitions Network

SUN Hua-peng, SU Jing-qin
Academic Department of Management and Economics, Dalian University of Technology, Dalian 116023, P.R.China

Abstract: We analyze strategy of Chinese enterprises cross-border mergers and acquisitions transaction through Lenovo’s acquisition business case of IBM PCD. Meanwhile we figure out the feature of Chinese enterprises on the intermediary selection and mergers and acquisitions network structure. Chinese enterprises use different strategy compared with western enterprise. Chinese companies choose intermediary partners based on the pervious cooperation experience and intermediary reputation in their industry. However, Western enterprises select intermediary partners only through pervious cooperation experience. On mergers and acquisitions transactions network structure, Chinese companies and professional consulting companies combined as the core network in mergers and acquisitions transaction. Western enterprises and investment bank combined as the core network in mergers and acquisitions transaction. We also dig out the root cause of the difference related to aim of acquisition. The study results have significant implications for Chinese cross-border mergers and acquisitions strategies to facilitate Chinese enterprise international operation and achieve competitive advantages.

Keywords: intermediary, merger and acquisition, network, strategy, transaction

1 Introduction

Within the increasingly close economic ties with the world’s environment, the number of global cross-border M&A (Mergers and Acquisitions) rapidly growth in the past 20 years [1]. For China, cross-border M&A transaction is a new bright spot and important strategy on the road of internationalization of Chinese enterprises.

Based on statistics, in China 2011, there were 207 cross-border M&A transaction cases. Total transaction amounted to $ 42.9 billion. China has become the world’s second-largest cross-border M&A investor [2]. Although from the quantitative point of view, China has become a “big” country of cross-border M&A. But it doesn’t mean china has become a “powerful” country of cross-border M&A. Only Lenovo, Sany, Greely and a few of Chinese companies successfully completed cross-border M&A transactions. 70% of Chinese enterprises have suffered “incredible” retreat [3]. What is the reason for Chinese enterprise facing such a high proportion of cross-border M&A fail? What happened to those Chinese enterprises who successfully finished M&A transaction? So far, academic research focuses on the motives before cross-border M&A transaction and integration after cross-border M&A transaction. But there are little researches on cross-border M&A transaction process especially for Chinese enterprises cross-border M&A transaction process. In fact, M&A transaction process plays a very important role in the entire cross-border M&A process. Cross-border M&A transaction is a prerequisite for project success [4]. Intermediary institutions also play an essential role in the M&A transaction process. Intermediary institutions will provide important information of M&A knowledge, M&A reputation protection, etc. which are the key factors for M&A trading success [5][6][7]. Through cooperation with the intermediary institutions and building a cross-border M&A transaction network, enterprise is capable of integrating resources of intermediary institution.

Currently most existing literature for cross-border M&A between companies is concerned about the merger and the relationship between intermediary institutions. Few studies are conducted based on strategy of building M&A network perspective. So we need to investigate Chinese enterprises outbound M&A transaction from the strategy network perspective. This paper aims to make following contributions:

A: Most current researches focus on the study of strategy cross-border M&A business relationship with the intermediary. This thesis expects to expand the existing researches on the relationship between enterprises and transnational mergers and acquisitions to the intermediary’s network perspective.

B: Most of the existing study samples of cross-border M&A are western companies in mature markets. Compared with western companies, Chinese enterprises lack business experience. Therefore, using Chinese companies as example can expand the study sample scenarios.
2 Literature reviews and framework

2.1 Theoretical review

International risk mainly refers to enterprise international operations in the face of various uncertainties [8]. International risk is much higher than the risk of local business [9]. Early studies about international risk major concern for a specific risk type [10] such as political risk or risks in international transactions related to business operation. After 1990s, international risk research has focused on the integration perspective. With the risk of a chain reaction is widely recognized by academic field [11], the focus of international risk study is turning to the systematic risk [12]. Studies are included situational risk and transaction risk [13], control risk and market complexity [14], general risk, industry risk and business risk [15], policies risk, macro-economic risk, resources and services risk, product market risk and demand uncertainty [16], and international stage based risk [17].

These studies lead to more emphasis on the chain of risk factors based on the integration of international risk perspective, multiple factors and various prevention ways.

2.2 Theoretical review of cross-border M&A risk

Cross-border M&A risk is a particular type of international risks. The complexity and uncertainty activity of cross-border M&A are higher than other forms of international operations [18]. European and American scholars’ theory for cross-border M&A risk are mainly focused on internal and external organization in a chronological order. Caselli studies risks before cross-border M&A transactions as well as after the cross-border M&A [19]. Scholars who research it from a perspective of internal and external organization focus on the complexity of multinational enterprises, tight coupling, M&A dynamic external environment and cognitive biases [20]. The study of cross-border M&A by Chinese scholars is more on macroeconomic factors such as political risk [21] and cultural risk [22]. Currently there aren’t many researches focused on risk of Chinese enterprises cross-border mergers and acquisitions. But in fact, Chinese companies face more risks than any other country enterprises during cross-border M&A transaction [3]. For help Chinese enterprises to avoid or overcome cross-border M&A risk, we need focus on risk analysis base on Chinese enterprises cross-board M&A scene.

2.3 Intermediary institution and theory of cross-border M&A network

Currently there are a lot of controversies about the intermediary institution in response to the risk of cross-border mergers and acquisitions. Some scholars think intermediaries can play strong positive and effective role in cross-border mergers and acquisitions. Intermediaries can give the acquirer required ability and information [23], avoid information asymmetry [6], as well as ambiguity [24]. Reduce the complexity of the transaction and other risk [25]. In the acquisition process, intermediary also can help companies identify the target during cross-border M&A [20][27] and determine the appropriate acquisition targets information after getting rid of the ambiguity in the transaction. Meanwhile intermediary can also process due diligence for selected targets [28] and help acquired enterprise companies avoid the asymmetric information risk. M&A intermediary can also play a supporting role during negotiations. They could play the “insurance” role in the whole process.

Some scholars think intermediary played a negative role in cross-border M&A transactions rather than a positive role. There are evidences showing that in order to finish the deal earlier or for some other specific reasons, sometimes intermediaries may sacrifice interests of the acquiring companies and makes unreasonable transaction pricing when helping companies for price negotiations [6]. Acquirer also could not effectively monitor the behavior of intermediaries and produced results, which makes acquirer company into principal-agent dilemma [29]. Meanwhile the intermediary itself has a monopoly tendency so it gives negative impact on M&A transaction. Above researches on the negative effects of mergers and acquisitions intermediary are basically built on the interests of the intermediaries cannot be consistent with the interests of acquiring companies. What should be paid attention is although there are a lot of controversies about the intermediary institution in response to the risk of cross-border M&A. Most of scholars agree the acquiring company could set up cross boarder M&A network with intermediary institution. Acquirer company could accelerate M&A transaction by leverage the network with integrate intermediary resource [30][31].

Western scholars’ study results on the relationship between M&A enterprises and intermediary gave some inspiration to our research. From acquiring perspective, there is great uncertainty when companies face the challenge of transnational cross-border mergers and acquisitions. Especially for Chinese enterprises, Chinese enterprises do not have enough experience of cross-border M&A, information asymmetry, ambiguity and complexity issue related to M&A raised a great challenge to them. The intermediaries may help acquirer avoid or eliminate the risk of mergers and acquisitions. First of all, intermediaries have the required transaction information and experience advantages. By working with M&A business, intermediaries can share the information and experience to the acquiring employees. This information and experience can help Chinese enterprises who lack experience and information asymmetry to eliminate part of the acquisition risks. However, it may also lead to additional risks in the cooperation and service is inconsistent with the interests of intermediaries and corporation M&A.

2.4 Objects of study

Based on the above analysis, it is necessary to study cross-border M&A transaction risks from the perspective
of research, issue of research, sample of research.

Most of the current researches focus on cross-border M&A intermediaries and risk based on intermediaries’ perspective but ignore the acquirer company perspective. It is necessary to investigate from acquirer company perspective to explore the nature of cross-border M&A transactions. As described above, most of the literature focuses on the relations between intermediaries and M&A enterprise. But in cross-border M&A transactions, the successful trading requires M&A business to cooperate with a number of intermediaries and create an M&A transaction network. It is necessary to expand the study from relationship of companies and intermediaries to the feature of network in M&A transaction. The current literature research about intermediaries and corporation mergers and acquisitions scenario is based on the enterprise in western developed countries. But Chinese enterprises and Western enterprises have huge differences on M&A transaction. Compared with western enterprise, China enterprise is more lacking experience in cross-border mergers and acquisitions. Chinese enterprises need to face more uncertainty during cross-border M&A transactions. These features make it necessary to do the further research based on Chinese enterprises scenarios.

2.5 Framework of study

Based on the above information, in this paper, two-dimensional research framework is ready to stage M&A transactions and strategy management network of M&A transactions for study strategy of building enterprise network to cope with uncertainty of M&A transactions (Tab.1).

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3 Methodology

3.1 Research methods

This paper uses a single exploratory case study method to study cross-border mergers and acquisitions of Chinese enterprises trading process. Select case study method is intended A: As current study of cross-border M&A of Chinese companies trading process is not perfect and lack the whole company presentation and study object focus. Therefore, case studies of qualitative research methods can through the “Ground” approach[32] to dig out the transaction of business cross-border M&A with systematic process. B: Using case study method can not only determine the quantitative relationship between factors and patterns, but also can make an in-depth analysis of adaptation mechanisms in side. This is mainly due to that the case study method is applicable to answer the question of “how” and “why” [33]. Conclusions generated from case study are drawn from the whole scenario and has good integrity, thus it is able to combine a complete characterization of the Chinese enterprise management practice background.

This study follows the typical principles of case studies to select sample [33]. Chinese enterprise participating in cross-border M&A business are focused on the computer, automotive and other manufacturing industries. Considering the case of data availability and accessibility, this study selects Lenovo’s acquisition of IBM PCD (International Business Machine Personal Computer Department) as sample and takes the full stage of cross-border M&A transactions of the association as study objects.

3.2 Data sources

We obtain data by on-site interviews. We totally have processed 4 groups of 16 interviews with Lenovo senior level managers like senior vice president, vice president, director. Each interview takes about three hours. Researchers also compiled total 50,000 words document supplemented by internal mail, documents and other internal information. In addition, we also collected media, books, news conference speeches, interviews with a variety of external public information forums, listed annual reports and internal information which is collected before. Interview data has been verified by triangulation and reached the same conclusion.

4 Business case

During Lenovo cross-border M&A transaction, multi-party intermediaries are involved in the planning and implementation of mergers and acquisitions. Different intermediary institution perform different functions throughout the process. The association’s intermediary institution can be divided into four types: M&A strategy advisory, investment banks, accounting firms and public relations firms. McKinsey play roles as mergers and acquisitions consultant. Undertake engaged in strategic planning and operational tasks and involved in the negotiation and almost all the work. TPG (Texas Pacific Group) and GA (General Atlantic) group play roles as investment banks involved in the negotiations and also taken due diligence, financing and many other jobs. PWC (Price water house Coopers) accounting firm play roles as finance consultants. The main work for them is to be the acquirer for enterprise valuation, financial auditing and tax work. Ogilvy public relationship company in charge of propaganda and government lobbying.

4.1 Start M&A transaction network

In 2003, IBM started contact with Lenovo for sales PC department. IBM hoped Lenovo could send merger professionals to attend the meeting. But at that time Lenovo did not have any cross-border M&A experience meanwhile all the internal team in Lenovo hadn’t got
experience in cross-border M&A. Beyond that, Lenovo could not refer any success or failure Chinese cross border M&A example and it did not know how to acquisitions IBM PCD. But IBM has a very rich experience in cross border M&A. IBM had acquired Lotus software, Rational, Informix PWC information department and a number of leading companies in this industry. IBM has an experienced in-house team of experts and cooperates with M&A intermediary for long-term. With this experience and information serious reciprocity situation, Lenovo needs an M&A expert partner to help it sort things out. These expert partners must have extensive experience in cross-border M&A and also must understand whether Lenovo should have the ability to acquisition of IBM PCD. The most important thing is that the expert partner must be trusted by. Because these experts are not only play an advisory role but also can make the right strategic choices for Lenovo which will determine Lenovo’s future development to some extent.

In the long-term cooperation, McKinsey professional consultant team has earned the trust from executive management team of Lenovo. As it has processed consulting projects and stayed in Lenovo for a long time, McKinsey has been very familiar with Lenovo’s business and capabilities. Therefore, McKinsey became the first intermediary partners in the M&A business.

4.2 Select strategy partner
For confidential considerations, M&A practice would be not directly involved in M&A advisory firm for executing M&A operation. It is only responsible for the M&A strategies and programs which are implemented by acquirer company and investment banks. However, due to lack of knowledge and experience of M&A, Lenovo needed McKinsey join implementation work directly. At the same time, in order to meet the M&A requirement, Lenovo drawn best employee from various departments participated in M&A transaction. In order to ensure smooth cooperation with IBM and M&A partners, Lenovo’s human resource department has set specific standards for the employee involved in the M&A. Employee must have overseas experience or have working experience in other foreign-owned enterprises. Each important business sectors including strategy, product, marketing, finance and human resource sent a director level manager to take responsibility for the mergers and acquisitions related to their own department. In addition, each department selected 2-3 fluent English speaking employees responsible for dealing with specific issues of mergers and acquisitions.

These employees contact with the acquisitions intermediary and play roles as bridge between the intermediary and Lenovo. They are also responsible for conducting due diligence works with intermediary. When facing specific problems they could not resolved by themselves, employee and intermediary need to report to the director who is in charge of mergers and acquisitions and ask Lenovo executives to make final decision. According to McKinsey’s estimation, after M&A transaction, IBM will hold part of Lenovo's shares. The negotiations can be done from the perspective of joint cooperation. So during the negotiations process Lenovo and Mckinsey tried to avoid using words like “Acquisitions”, “Mergers” instead of “Cooperation”. McKinsey acquisition program enabled Lenovo and IBM to have smooth initial merger negotiations. Lenovo and IBM had very detailed talks in various areas such as procurement, staffing, synergies and brand attribution so it lasted more than six months. McKinsey team was responsible for integrating all the negotiation results of all departments into a fixed document and send to the highest level leadership of Lenovo and IBM. In this work model, the McKinsey team united with the Lenovo team closely.

4.3 Select financial partner
With McKinsey’s participation, Lenovo could make the strategic plan of IBM acquisition. But there still are specific issues for Lenovo. For example, how much money should pay for IBM PCD? How to make IBM’s business situation clear? How to have enough money to pay for acquisitions and operations costs after the merger and integration. This series of issues need professional investment banking process due diligence and financing solutions. Due diligence is to understand the functioning of the various departments of the M&A and provide related information for the acquirer. Lenovo ask GA group who once taken splitting project for Lenovo before to prepare for strategic acquisitions and due diligence. Like McKinsey, GA also had helped Lenovo conduct a professional consulting partner projects. So when Lenovo wanted the investment bank to be involved, GA became the first choice. But GA did not have experienced operations team to help Lenovo to complete due diligence and negotiate specific issues. At this time Lenovo invited TPG who has an experienced mergers and acquisitions operation team to join. TPG gave Lenovo strong support on due diligence and post-integration programs in specific operational details of the various professional sectors, such as human resources, information systems. TPG soon replaced GA as the main investment bank. GA has become a collaborative investment bank. In addition, TPG and McKinsey soon formed a collaborative relationship together. TPG’s strengths is to dig out useful data from lots of data, and as the world’s largest consulting firm McKinsey’s strengths is the analysis information based on the data dig out by TPG. For example, during the negotiation with IBM, IBM can provide logistics data report. But Lenovo needs TPG and McKinsey to make their judgment and serve as a basis for getting the bid. TPG enables to dig out the inventory data based on a number of documents from IBM to come out with all kinds of desktop computers, notebook computers’ inventory cycle, transport cycle, methods, costs, as well as parts assembly time, cost and such kind of logistics-related data.
McKinsey used these data dug out by TPG and compared with the industry leader (such as Dell), and analyzed this information for Lenovo so as to figure out the current logistics advantages and disadvantages of IBM and measure the costs and difficulties of logistics system after Lenovo’s acquisition and finally get a complete analysis report of IBM logistics. Lenovo used this analysis report made by TPG and McKinsey together and talked with the IBM.

The U.S (Unite State) media used: “a vote of confidence” as the title to describe TPG’s joining in Lenovo’s merger. Besides due diligence in mergers and acquisitions, TPG, GA also provided $350 million as strategic investment to Lenovo Group for Lenovo’s acquisition of IBM’s PC business. TPG and GA were obtained 10.2% Lenovo stock by the investment. It is not only making Lenovo have sufficient funds for M&A but also changing the intermediary into a shareholder. Their interests and investment banks are bundled tightly together.

Consulting firms and investment banks had joined in Lenovo cross-border M&A to resolve the business risk control issues. But simply combining the consulting company with the investment bank does not completely solve the financial and tax risks. During M&A transaction, finance related work is not processed by the investment banking or advisory firm, but processed by a qualified accountant and auditor in financial firms. IBM is a U.S. company listed in the U.S. Lenovo is a Chinese company listed in Hong Kong. So Lenovo need professional auditors audit the accounts in accordance with IFRS (International Financial Reporting Standards) in the U.S and Hong Kong to control the financial risks of M&A. Lenovo chose the largest U.S. accounting firm PWC to help conduct finance related M&A work. PWC’s major business is to provide accounting, auditing and other financial related services. PWC has a large number of professional accounting, auditing, taxation and other relevant professional qualifications talent and great business reputation in finance industry. In the case of Lenovo’s acquisition, PWC mainly provided assessment and audit services of IBM asset. PWC’s responsibilities include auditing IBM financial statements published by United States GAAP (Generally Accepted Accounting Principles), HKAS (Hong Kong Accounting Standard)’s finance rules and issuing an audit report which has legal effect. Meanwhile PWC and others intermediaries also needed to confirm Lenovo bids in a reasonable scope so as to make sure IBM PCD does not have any risk of financial or legal issue. Accountants and auditors from PWC are involved in all the projects and programs in finance-related development, provide advice to Lenovo, McKinsey, TPG, GA and other aspects associated with any financial, tax even business discussions and help Lenovo to develop financial management system which could be controllable and monitorable after M&A.

4.4 Select public relation partner

Cultural differences, communication barriers and political resistance are also huge obstacles of Lenovo M&A transaction. A Chinese private enterprise with only 20 years history acquiring IBM PCD caused a huge impact on the United States society. Because U.S. government does not know the China’s private enterprises well and has influenced by the cold war, American government worried about Chinese computer company acquisition IBM PCD will bring high technology information security issue. Several government officials called for cancel the acquisition or extension the Lenovo’s M&A transaction. They worried that Lenovo’s acquisition of IBM PC would bring high technology security risks to the United States. In this situation, Lenovo need strong support from public relations company to make the United States understand Lenovo. The most important thing is to help U.S. officials understand Lenovo in order to ensure they could approval the M&A transaction. Ogilvy became the Lenovo association’s public relations firm in 2001. Ogilvy is mainly responsible for the promotion of Lenovo brand and product in international market. Meanwhile Ogilvy is also IBM’s public relations firm responsible for IBM’s global product promotion as well as communications with government and other organizations. Since Ogilvy has a very profound connections and influence in the field of public relations in the United States. Lenovo hired Ogilvy as public relations consult in M&A transaction. Ogilvy prepared the appropriate publicity document through the media of communication and information to avoid U.S. labor unions, the public and many of the negative impacts from the government. Due to Lenovo promised there won’t be massive layoffs and IBM PCD’s employees will not get pay reduction in five years after merger. Lenovo win U.S people and media’s favorable impression. After Lenovo and IBM successful negotiations, Lenovo need to get approval from the U.S. Federal Trade Commission (FTC) and the U.S. Committee on Foreign Investment (CFIUS). Ogilvy played a very crucial role on these approval process. Ogilvy hired former U.S. government officials to lobby U.S government. Ogilvy hired former U.S. President George Bush who is the father of the U.S. president, and also hired former U.S. security adviser examination Crofton who has a very wide field of security influence. With various efforts, Lenovo’s acquisition of IBM PCD project had finally approved by the U.S. in early March 2005. By this time, Lenovo finished all the process for acquiring IBM PCD.

5 Case studies

5.1 Strategy for eliminating uncertainty during cross-border M&A transactions

In start phase of M&A transaction, uncertainty lies in that Lenovo lacks IBM PCD information of the financial, technical research capabilities, market conditions and other critical information which may affect the success of the M&A. In this stage, Lenovo does not know how to acquire IBM PCD. In selecting
strategy partner stage. With McKinney help, Lenovo masters the certain critical information of M&A although they cannot fully understand all the details of the IBM PCD, but it could help Lenovo to start M&A transactions process. In this stage, Lenovo resolves a partial risk of uncertainty. At this time, there is no specific implementation detail in M&A process. In selecting financial partners phase, Lenovo develops the M&A network and involves more intermediary institution for decreasing the uncertainty. By cooperation with McKinsey, GA, TPG and PWC, these intermediaries develop the M&A transaction strategy and complete the transaction. McKinsey playing the roles of core intermediation effectively inhibits the investment bank intermediation of conflict between short-term profit goals and Lenovo's long-term goal of strategic acquisitions. In selecting public relation partner phase, through cooperating with public relations intermediaries company Ogilvy, Lenovo successfully completes the merger approval of the U.S. government and completely eliminates the risk of uncertainty in the end.

5.2 Strategy of cross-border M&A transactions network - the selection of M&A intermediary

The intermediaries that Lenovo chosen have the long term cooperation experience with the Lenovo and already owned Lenovo's trust or with excellent reputation in their industry. McKinsey is the world’s largest strategy consulting firm with a very good reputation in the mergers and acquisitions industry. McKinsey also is the close partner of Lenovo before M&A transaction. McKinsey has developed a three-year strategic plan for Lenovo before Lenovo starts the M&A consideration. GA also has a history of cooperation with Lenovo. TPG owns good reputation in investment bank industry. TPG and GA are also the well-known global private investment bank. PWC is the largest accounting firms in the US. Ogilvy is also the world’s leading public relations firm. Based on the above analysis, we could figure out the difference of Lenovo’s cooperation with McKinsey and other intermediaries. Compared with other intermediaries, McKinsey is the core intermediary in Lenovo's M&A network. McKinsey is the first intermediary involved in the M&A transaction. McKinsey is responsible for helping Lenovo manage other intermediaries and providing integrated information. But in western cross-border M&A network, the core intermediary is always taken by investment bank rather than strategy consult firm.

5.3 Cross-border M&A transactions network strategy –M&A network structure

Based on the analysis of Lenovo’s cross-border M&A transaction network, we can see that strategy of Lenovo’s network development is a gradually improving process. It’s a divergent structure. In the beginning, the M&A transaction network just includes Lenovo and IBM. There is no intermediary company involved in it. In the selecting strategy partner phase, McKinsey is involved in the M&A transaction. Lenovo, IBM and McKinsey are constituted as the core network of M&A transactions. In the selecting financial partner phase, M&A transactions network has been expanded. More and more intermediaries are involved when M&A requests more resources to join for decreasing M&A risk step by step. But not like McKinsey, these intermediaries stay in non-core areas of the network in M&A transactions. In the selecting public relationship partner phase, non-core network and core network are constituted as the final M&A transaction network. The networks gradually reduce the risk of M&A and make the transaction successfully. Most western M&A network already set up before transaction begin. It’s mainly on account of western company have rich experience of cross-border M&A. As we discuss above, western company cooperates with M&A intermediary for long-term. They already have a plan of how to use intermediary and set up M&A network before M&A transaction begin.

What should be paid attention is that Lenovo’s M&A network structure is not only this single collaborative mode of Lenovo - intermediary. There is also intermediary - Lenovo - Intermediary collaboration model. Lenovo put himself in the center position of network to exchange information. This position also enables that message communication between intermediaries should be touched by Lenovo in order to avoid the risk that Lenovo could not control in this network. Each intermediary plays their roles in M&A transaction seriously. McKinsey helps Lenovo make strategies of M&A and also helps Lenovo lead other intermediaries. TPG processes research; McKinsey processes analysis, documents; PWC processes finance. Lenovo processes organize and decision-making in the key points, leading the development of the whole process and trying to avoid information islands resulting in a negative impact on M&A.

6 Conclusion and limitation

6.1 Conclusion

Based on the analysis of Lenovo M&A IBM PCD transaction network strategy and using single exploratory case research method. This research systemically discovers Chinese enterprises how to choose intermediary, how to build the relationship with intermediary and how to build M&A network with intermediary. From the case of Lenovo, we can see the intermediary choice of Chinese enterprises is based on the previous cooperation experience and intermediary’s reputation to build strong relationships with professional consulting firm and establish general relations with other intermediaries. They always put the professional consulting firms as the core network to require knowledge and ability as well as guard against the principal-agent dilemma. They put other intermediary companies as node for further explanation of non-core network to add resources and funding for reducing transaction risk.
This paper analyzes heterogeneous of Chinese enterprises cross-border mergers and acquisitions process through Lenovo’s acquisition of IBM PCD trading network evolution business case. In the aspects of the intermediary selection and network structure, Chinese enterprises use different method compared with western enterprises. When choosing the merger partners, Chinese companies and partnerships are based on the reputation of the intermediary and the intermediary’s cooperation relationship. However, the western enterprises select intermediary partners only via partnerships. For the M&A transactions network structure, Chinese companies and professional consulting companies combine the core network in M&A transaction. Consulting firms and investment banks play similar roles in M&A transactions. They provide information, knowledge, experiences to deal with the uncertainty of the transaction. Making the consulting firm as the core of the network can better curb the conflict between short-term profits goal of investment bank and long-term profits goal of acquirer. In the west, investment bank is the core in cross-border mergers and acquisitions network. Acquirer companies obtain funds and information from investment bank to cope with uncertainty in mergers and acquisitions. This is mainly due to the aim of western companies acquisition covers both capital operation and strategic acquisition (Tab.2).

6.2 Limitation
While this paper summarizes some conclusions about Chinese enterprises cross-border mergers and acquisitions transaction strategy, but there are still limitations. Limitations mainly due to dispute of single acquisitions transaction strategy, but there are still limitations. Limitations due to dispute of single acquisition. While this paper only analyzes single M&A case. Only with the growing number of samples, the study results are able to be more applicable for Chinese enterprises. In addition, there is a great quantity of Chinese enterprises M&A occurs in state-owned enterprises. This paper selected Lenovo M&A cases. However, whether it can represent state-owned enterprises cross-border M&A transactions is a question. We still needs further research for answer such questions. In future studies, we can put rich case study samples, such as selecting more Chinese enterprises cross-border M&A cases. On the other hand we can add more types of enterprises for research, such as select Chinese state-owned enterprises M&A case as the object of study.

| Tab.2 Cross border M&A transaction difference between China and western enterprise |
|----------------------------------|-----------------|------------------|
| Difference                       | Chinese enterprise | Western enterprise |
| Intermediary selection condition | Previous cooperation experiences and Reputation | Previous cooperation experiences |
| Transaction Network              | Combined with consulting firm as core network | Combined with investment Bank as core network |

References