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Cross-border acquisitions by state-owned and private enterprises: A perspective from emerging economies

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Abstract

Leveraging insights from the institutional theory, resource- and industry-based views and OLI paradigm, we conceptually design a dialectic globalization framework to analyze the acquisition strategy of emerging economy (EE) enterprises. Firstly, we provide trend analysis of the market for cross-border acquisitions by Chinese and Indian multinationals over the last two decades, 1995-2014. Specially, this paper, to date, is the first to analyze high-valuation cross-border acquisitions of Chinese state-owned (SOEs) and Indian private enterprises (POEs). Based on 61 high-valuation deals valued at approximately US$200 billion, we find that Chinese SOEs completed more high-valuation deals, seek to invest in resource-scarce industries, and diversify their risk by targeting developed, emerging and developing countries. While Indian POEs largely prefer to invest in developed economies for both market and strategic-asset seeking, and follow an effective portfolio matrix by concentrating diversified sectors. Lastly, we discuss several policy implications pertaining to disinvestment and turnaround strategy of loss-making SOEs in EE, national interest and security concerns over EE state-driven outbound acquisitions, and foreign investment regulations.

JEL Classification: F23; G34; M16

Keywords: Cross-border mergers and acquisitions; Foreign direct investment; Internationalization; Emerging economies; SOEs; POEs

1. Introduction

1.1 Globalization strategy of an emerging economy enterprise

Grounded in the conventional wisdom and modern perspectives, extant economics and international business (IB) literatures, coupled with strategic management, exert at least five major waves in the internationalization process of multinational enterprises (MNEs). Scholars indicate: the American entry since the World War II, European wave in 1960s, Japanese pace