

Literature Review on the Impact of Overseas Mergers and Acquisitions on Corporate Innovation Performance

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Abstract

China's economic reforms continue to deepen, and Chinese companies pay more attention to innovation performance and seek various ways to improve their innovation capabilities, thereby enhancing their international competitiveness. Overseas mergers and acquisitions are one of the important forms of international business exchanges, so they have also attracted the attention of many domestic and foreign scholars. However, the impact of overseas mergers and acquisitions on corporate innovation performance has not formed a unified conclusion: some scholars believe that overseas mergers and acquisitions are positively related to corporate innovation performance, and some scholars believe that overseas mergers and acquisitions are negatively related to corporate innovation performance, and a few scholars believe that overseas mergers and acquisitions are not related to corporate innovation performance. The relationship between innovation performance is not obvious. International cooperation in the 21st century is facing daunting challenges. In the context of advanced manufacturing as the core competition, how Chinese companies can continue to develop steadily, optimize industrial upgrading, and deeply explore the impact of overseas mergers and acquisitions on innovation performance is particularly important.

Keywords

Overseas M & A; Innovation Performance; Correlation.

1. Overseas Mergers and Acquisitions are Positively Correlated with Corporate Innovation Performance

Overseas mergers and acquisitions promote the innovation capabilities and innovation performance of enterprises. Enterprises expand their resource knowledge base and talent pool, and overseas mergers and acquisitions can make up for the technical deficiencies of the acquirer, discover shortcomings in corporate innovation, and achieve technological improvement. The higher the degree of the same technical nature of the two parties, the easier the integration of resources. Avoid repeated innovations, save a lot of manpower and material resources, and achieve economies of scale with efficient innovation. Part of the motivation of overseas mergers and acquisitions is to obtain innovative technologies. After overseas mergers and acquisitions occur, managers will focus on the acquisition of technological innovation capabilities and improve the number and quality of patents in order to achieve this purpose. Enterprises pay more attention to the economic scale innovation results after mergers and acquisitions, and strengthen the significant influence of mergers and acquisitions on the innovation performance of enterprises.

Foreign scholars believe that overseas mergers and acquisitions are positively correlated with corporate innovation performance as follows:

According to the synergy theory and scale project theory, the two overseas mergers and acquisitions complement each other and redistribute resources, etc., to generate synergy, improve efficiency, and better optimize resources.

Hall (1999) and Duysters (2002) discovered by studying the computer industry. Mergers and acquisitions increase corporate R&D expenditures to promote technology [1] and enhance technological innovation [2]. Shleifer (2003) and Vishny (2010) found that multiple overseas mergers and acquisitions promote reasonable coordination and integration between companies, which can promote knowledge transfer and integration capabilities after mergers and acquisitions, thereby improving innovation performance [3]. Branstetter (2006) found that overseas investment in the United States promoted a significant increase in the number of patent applications by Japanese companies [4].

Haleblian (2006) The higher the industry relevance, the more it can exert strategic synergy to generate economies of scale, thereby realizing knowledge transfer and enhancing enterprise innovation capabilities [5].

Facciom (2006) analyzed from the perspective of equity characteristics and found that the greater the equity acquired by the acquirer, the greater the control power, which is conducive to the implementation of corporate integrated decision-making and improves corporate innovation performance [6].

Po-Hsuan Hsu (2013) used 85,549 samples from 57 acquiring countries from 1990 to 2010 to empirically analyze the relationship between innovation and overseas mergers and acquisitions. The results show that acquirers in low-innovation countries are more likely to conduct acquisitions in relatively high innovation countries. Overseas mergers and acquisitions, the acquisition of innovation is an important driving factor for overseas acquisitions [7]. From the perspective of the acquirer, cross-border mergers and acquisitions can significantly improve the technological innovation of the acquirer (Stiebale, 2013). [8]

Feiqiong Chen (2017) analyzed the impact of overseas mergers and acquisitions of emerging economies on technological innovation by establishing a global game model, and believed that the similarity and complementarity of resources between the acquirer and the target company have a significant positive effect on post-merger strategy and technological innovation. Influence [9].

Cong Cheng and Monica Yang (2017) examined the determinants of the performance of 186 Chinese companies' overseas M&A in developed countries. After empirical analysis, they found that overseas M&A can help the acquiring company's technological innovation capabilities. The smaller the cultural distance, the better the technology. The improvement of innovation ability [10].

Mahdiyeh Entezarkheir and Saeed Moshiri (2019) used panel data from U.S. listed manufacturing companies to verify that there is a significant positive correlation between mergers and acquisitions and technological innovation. The impact of overseas mergers and acquisitions on technological innovation is heterogeneous in the industry, and companies with large market share have overseas mergers and acquisitions. It has a greater role in promoting technological innovation [11].

Domestic scholars believe that overseas mergers and acquisitions are positively correlated with corporate innovation performance as follows:

Li Muchun (2010) found that the mergers and acquisitions of my country's biomedical listed companies from 2004 to 2007 had a positive effect on their own innovation performance after mergers and acquisitions [12]. Zhou Fengxiu (2019) pointed out that the positive effect of overseas mergers and acquisitions of Chinese manufacturing companies on innovation performance is mainly in terms of patent innovation output. Whether in high-tech or non-high-tech industries, overseas mergers and acquisitions by companies have a significant role in promoting technological innovation efficiency [13]. Chinese scholar Xia Yun studied the GEM listed companies from 2011 to 2017 and found that overseas technology mergers and acquisitions have a positive impact on corporate innovation and the higher the degree of

similarity in technical knowledge, the more it can promote innovation [14]. Developed countries have strong innovation capabilities and large market scales. When enterprises from developing countries enter developed countries through overseas mergers and acquisitions, they can obtain cutting-edge product demand and innovation trends, which is more conducive to enterprise R&D and innovation [15]. The innovation performance of companies with M&A experience after initiating overseas M&A is better than those without M&A experience [16].

From the perspective of M&A motivation, Wen Chengyu and Liu Zhixin (2011) studied 96 M&A events initiated by my country's high-tech listed companies and found that technology-oriented overseas M&A can significantly improve the innovation performance of the main parties [17]. Zhou Fengxiu (2019) found that overseas mergers and acquisitions motivated by technology search have the most prominent impact on innovation efficiency, and overseas mergers and acquisitions motivated by tax avoidance, market and resource search have less impact on the innovation performance of the manufacturing industry [13]. He Xiaoyu and Shen Chunrong (2018) analyzed from the perspective of corporate technology absorptive capacity that the higher a company's technology absorptive capacity, the more sensitive it is to innovation and the stronger the promotion of its own innovation performance. It was also found that overseas mergers and acquisitions promoted the improvement of the innovation capabilities of Chinese manufacturing enterprises [18]. Zhao Liming et al. (2019) used 116 overseas M&A events in Shanghai and Shenzhen stock markets from 2007 to 2017 as a sample to study the impact of innovation stock characteristics on the innovation performance of overseas M&A companies. Corporate knowledge base, patent capabilities, R&D investment and overseas M&A technology innovation performance are significantly positively correlated; technology complementarity positively regulates the relationship between innovation stock and overseas M&A technology innovation performance, and the technical complementarity characteristics of both parties in overseas M&A activities can be significantly enhance the technological innovation capability of the main merger party in overseas mergers and acquisitions [19].

Yu Pengyi and Wang Mansi (2014)'s largest shareholder's shareholding ratio has a significant positive correlation with the M&A performance of the acquired company. Regarding equity, Gao Houbin et al. (2018) found that overseas M&A equity is significantly positively correlated with innovation performance [20].

Wu Xianming (2016) analyzed from the perspective of cultural differences that due to the large cultural differences of the countries of mergers and acquisitions, it will enhance complementarity and enhance the potential for knowledge transfer, thereby increasing the innovation performance of enterprises [21]. Overseas mergers and acquisitions will also change the cost-benefit of R&D investment by home country companies, and strengthen corporate technological innovation by means of economies of scale, R&D expense sharing, and profit feedback mechanisms. [22]

Gao Houbin et al. (2018) concluded from the perspective of the heterogeneity of overseas mergers and acquisitions that technology acquisition-oriented overseas mergers and acquisitions are significantly positively correlated with innovation performance [20]. Shi Xuena, Wang Mengmeng and Xiong Xiaoyi (2018) believe that the use of overseas M&A leverage to obtain heterogeneous knowledge of the target company, and through the later integration of overseas mergers and acquisitions, realize the transfer of knowledge from the target company to the merger and acquisition company, thereby improving the technology of the parent company Innovative ability has become the main logic of technological catch-up for latecomers in emerging markets [23].

Analyzing from the perspective of cultural differences, Wu Xianming (2016) believes that due to the large cultural differences in the countries of mergers and acquisitions, it will enhance complementarity and enhance the potential for knowledge transfer, thereby increasing the innovation performance of enterprises [24]. Overseas mergers and acquisitions will also

change the cost-benefit of R&D investment by home country companies, and strengthen corporate technological innovation by means of economies of scale, R&D expense sharing, and profit feedback mechanisms. [25]

Overseas mergers and acquisitions involve exchanges and cooperation between countries. National international policies and the environment will have an important impact on overseas mergers and acquisitions, which may promote overseas mergers and acquisitions, and may also have a negative impact on overseas mergers and acquisitions. Regarding policies related to overseas mergers and acquisitions, Huang Liangxiong (2018) used panel data from 2002 to 2013 and found that visits by leaders of bilateral countries have significantly increased the number of successful overseas mergers and acquisitions, and that the visits of the Chinese President and the Premier of the State Council are more effective than those of foreign heads of state. Promotion [26]. Kang Ping et al. (2019) used the data on overseas mergers and acquisitions of listed companies in my country from 2010 to 2016 as a research sample and found that overseas mergers and acquisitions among companies along the "Belt and Road" initiative have a greater positive impact on the innovation performance of the main merger company [27]. Gao Houbin's (2019) research found that since non-state-owned enterprises do not have too much "political baggage", they face less pressure from the government and can better promote corporate innovation performance [28].

2. Overseas Mergers and Acquisitions are Negatively Correlated with Corporate Innovation Performance

Not all overseas innovations have achieved brilliant results, and there are also many examples showing that overseas mergers and acquisitions have not been successful or even went bankrupt. Due to information asymmetry, insufficient or untrue understanding of the acquired party, lack of experience in overseas mergers and acquisitions, etc., the company cannot bear the economic losses after overseas mergers and acquisitions, thereby reducing the scale of the company and R&D investment.

Foreign scholars believe that overseas mergers and acquisitions are negatively related to corporate innovation performance as follows:

Under the background of different economic environments, Hitt et al. (1991) clearly pointed out that the wave of mergers and acquisitions in the 1980s damaged the innovation capabilities of American companies, and made American companies gradually lose their advantages in global market competition [29].

The cultural level of the parties to the merger is different. This leads to unsatisfactory overseas mergers and acquisitions, and even brings awareness of financial risks, resulting in a decline in R&D expenses and hindering the innovation ability of enterprises. Ellis (2009) analyzed the impact of cultural differences on the integration of related mergers and acquisitions of European technology companies and found that cultural differences also hinder the communication between overseas mergers and acquisitions, increase management coordination costs and information transmission costs, and affect the effectiveness of key knowledge. , Is not conducive to the innovation output of enterprises [30]. Wu (2015) believes that in the process of overseas mergers and acquisitions, there is a negative correlation between national cultural differences and innovation performance [31].

Domestic scholars believe that overseas mergers and acquisitions are negatively related to corporate innovation performance as follows:

Li Muchun (2010) believes that the relative knowledge scale of the M&A parties has a negative impact on their own technological innovation performance after the M&A; in a technology M&A, the technologies of the M&A parties are too similar or too irrelevant, which is not conducive to the improvement of their own technological innovation performance after the M&A [12]. Gao

Houbin et al. (2018) studied the innovation effect of overseas M&A from the perspective of overseas M&A heterogeneity, and concluded that the scale of overseas M&A is significantly negatively correlated with innovation performance [20]. Chen Kanxiang et al. (2018) conducted a theoretical discussion and qualitative comparative test on the antecedent conditions that affect the learning performance of overseas M&A. The company's own technical capabilities are a necessary antecedent condition, and found that when the formal institutional distance between the two parties is too large, it will restrain the R&D investment of the home country enterprise after M&A, which is not conducive to the innovation performance of the enterprise [32].

The larger the corporate culture gap, the larger the national system gap, and the greater the cost of M&A. More manpower and material resources need to be spent to understand the information of the acquired party, making it more difficult and making overseas M&A negative performance. To influence. Kang Ping and Liu Xuxuan (2019) found that institutional and cultural differences have a negative impact on the innovation performance of overseas M&A masters [27].

3. The Relationship between Overseas M&A and Corporate Innovation Performance is not Obvious

A few scholars have found that overseas mergers and acquisitions in developed countries have not effectively improved corporate innovation capabilities, mostly based on access to overseas market resources and platforms. Even technology-seeking overseas mergers and acquisitions have not achieved technological innovation. Although there is a certain reverse technology spillover effect, the driving effect on domestic technology is not significant.

Shimizu et al. (2004) found that overseas mergers and acquisitions did not achieve the expected synergies. 17% of overseas mergers and acquisitions did not create shareholder value. Sun et al. (2012) found that up to 70% of overseas mergers and acquisitions did not improve corporate efficiency and achieve innovation [33]. Stiebale and Reize (2011) empirically tested that foreign mergers and acquisitions have no effect on the innovation output of German small and medium-sized enterprises [34].

Zou Yujuan and Chen Ligao (2008) found that the influence of Chinese companies' overseas mergers and acquisitions on technological innovation is not significant by constructing an impulse response function model [35]. Fanchen Meng and Hui Miao (2010) analyzed the relationship between the total factor growth rate from 1991 to 2007 and the growth rate of overseas mergers and acquisitions, and the results showed that the impact of overseas mergers and acquisitions on the technological progress of enterprises is not obvious [36]. Li Muchun (2010) focused on more than 160 mergers and acquisitions of listed biomedical companies in my country during the period 2004-2007. The study of non-technical mergers and acquisitions based on non-technical motivations found that their own technology after mergers and acquisitions did not have an impact on innovation performance [12]. Wu Xiuzhen (2017) selected all listed companies, including small and medium-sized boards and ChiNext, which companies successfully conducted overseas mergers and acquisitions from 2009 to 2013, and found that cultural factors have no significant impact on the innovation performance of the acquirer [16]. Li Yunhe et al. (2018) used the event research method to focus on the 1990-2016 overseas mergers and acquisitions of private listed companies as an inspection sample. They found that most mergers and acquisitions neither created value for shareholders nor achieved the expected innovation goals. They proposed that some private companies may be Foreign transfer of funds under the guise of overseas mergers and acquisitions [37]. Kang Ping et al. (2019) found that the "Belt and Road" initiative has no significant moderating effect on the

relationship between institutional differences and the innovation performance of the main party companies. [27]

4. Conclusion

Compared with developed countries, the depth and breadth of overseas M&A research in developing countries are slightly inferior. There is still room for further in-depth research and supplementary research on overseas M&A of developing country enterprises. Looking back at the previous literature, it is not difficult to find that the motivations for overseas mergers and acquisitions of national companies in different periods, in different industries, and at different levels of development are different, but most companies hope to obtain overseas innovative technologies and capabilities. Through the literature, it is found that not all companies can achieve their expected goals through overseas mergers and acquisitions. The selection of adjustment factors such as the quality of the home country and the host country's system, the cultural distance of the host country, the nature of the home country's enterprise, the industrial relevance of the merger, the company's overseas merger experience, and the company's technology absorptive capacity, the use of different research methods, accounting and financial indicators will lead to the final The conclusion is different. Overseas mergers and acquisitions are worthy of our in-depth study on whether current Chinese companies can improve their corporate innovation performance.

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