

Copyright is owned by the Author of the thesis. Permission is given for a copy to be downloaded by an individual for the purpose of research and private study only. The thesis may not be reproduced elsewhere without the permission of the Author.

**The Impact of Cultural Differences and
Absorptive Capacity on Chinese Acquiring
Firms' Post-Acquisition Integration: An
Exploratory Qualitative Study**

A thesis presented in partial fulfilment of the requirements for the degree

of

Master of Business Studies

in Management

at Massey University, Albany,

New Zealand

Muzhi Zhao

2018

Abstract

Cross-border mergers and acquisitions (M&As) have shown significant growth during recent years. In particular, Chinese cross-border M&As have captured an important position. However, the failure rate has continued to be notably high, while cross-border M&As have increased significantly. Also, previous research indicated problematic characteristics of a lot of Chinese cross-border M&As. The research, which has focused on the post-acquisition integration of Chinese cross-border M&As, is still emerging and understudied. Therefore, this study aims to investigate further insights on the impact of cultural differences and absorptive capacity on the post-acquisition integration mode of Chinese acquiring firms in Chinese cross-border M&As within developed economies. A total of 16 senior managers from three Chinese medium-high-technology manufacturing enterprises have participated in a semi-structured face-to-face interviews in their offices in three different cities in China; Ningguo, Beijing, and Taiyuan. The interviews were undertaken over a six-week period from October to November in 2016. All the interviews have been transcribed verbatim and thematically analysed manually after the data collection phase. This study found four motivations for Chinese acquiring firms to attempt cross-border M&As. Subsequently, since three main obstacles were discovered; cultural differences, perceived environmental uncertainty and lack of managerial confidence, and weak absorptive capacity; Chinese acquiring firms have adopted a ‘Wu Wei, Selective You Wei, & Reversed You Wei’ integration mode in the post-acquisition integration to avoid the influence of these obstacles as much as possible, and assimilate and integrate the newly acquired knowledge from their acquired firms effectively.

Acknowledgements

I would like to express my special thanks to my two supervisors, Dr Yulong (David) Liu and Dr Shane Scahill, for their valuable and constructive guidance and enthusiastic encouragement during the progress of this master's thesis. Their advice inspired me a great deal in this research. I would also like to thank Mr Glyn Jeffrey for his assistance and encouragement in the process of my programme.

Secondly, I would like to thank the sixteen senior managers and their firms for their support with the collection of my data; their cooperation and dedication has been greatly appreciated.

Finally, I wish to acknowledge my parents, Jianming Zhao and Li Xu, for their assistance and selfless love during the process of data collecting and the entire journey of this study. Moreover, I would like to make an honourable mention of my wife, Jingyuan Fang, for her understanding and support in finishing this thesis.

Table of Contents

Abstract	II
Acknowledgements	III
List of Tables	VII
List of Figures.....	VII
1 Introduction	1
1.1 Background.....	1
1.2 Study Purpose and Significance	2
1.3 Research Question	4
2 Literature Review	6
2.1 Introduction	6
2.2 Cross-border M&As from Emerging Economies	6
2.3 Cultural Differences in Post-Acquisition Integration	9
2.4 Absorptive Capacity in Integration	11
2.5 Chinese Acquiring Firms in Cross-Border M&As and Post-Acquisition Integration.....	16
2.6 Summary.....	23
3 Methodology	24
3.1 Introduction	24
3.2 Study Aim.....	24
3.3 Research Design	24
3.3.1 Qualitative Research Method for The Thesis	24
3.3.2 Case Study and Interview	25
3.4 Sampling Strategy	27
3.5 Participants	30
3.5.1 Demographic Data	30
3.6 Ethical Considerations.....	37
3.6.1 The Approval of Ethics.....	38
3.7 Materials	38
3.8 Procedure	40

3.9 Transcribing and Translating.....	42
3.10 Data Analysis.....	42
3.11 Summary.....	45
4 Findings.....	46
4.1 Introduction	46
4.2 Motivations for Chinese Cross-border M&As	47
4.3 Obstacles to Chinese Post-Acquisition Integration.....	53
4.3.1 Obstacle One: National-level and Organisational-level Cultural Differences	53
4.3.2 Obstacle Two: Perceived Environmental Uncertainty & Lack of Managerial Confidence	65
4.3.3 Obstacle Three: Weak Absorptive Capacity in the Post-Acquisition Integration.....	73
4.4 Imitation Effects & Demonstration Effects for Chinese Acquiring Firms	81
4.5 The New Post-Acquisition Integration Mode of Chinese Acquiring Firms	84
4.5.1 The First Part of the Integration Mode: A ‘Wu Wei’ Approach	86
4.5.2 The Second Part of the Integration Mode: An Approach of Selective ‘You Wei’	88
4.5.3 The Third Part of the Integration Mode: An Approach of Reversed ‘You Wei’	91
4.6 Summary.....	103
5 Discussion.....	104
5.1 Introduction	104
5.2 Implications for Literature & Theory	107
5.2.1 Motivations for the Chinese Cross-border M&As.....	107
5.2.2 Obstacles in the Chinese Post-Acquisition Integration.....	109
5.2.3 Imitation Effects & Demonstration Effects for Chinese Acquiring Firms.....	117
5.2.4 The ‘Wu Wei, Selective You Wei, & Reversed You Wei’ Integration Mode of Chinese Acquiring Firms.....	119
5.3 Implications for Practice	131
5.4 Implications for Future Research	132
6 Conclusion	134
6.1 Introduction	134

6.2 The Study and Its Findings.....134

6.3 Significance and Relevance of the Research Study136

6.4 Limitations.....138

6.5 Conclusions138

References 140

Appendices 150

Appendix A: Participant Consent Form150

Appendix B: Participant Information Sheet152

Appendix C: Massey University Ethics Approval154

Appendix D: Interview Guide156

List of Tables

Table 1 Chinese Acquiring Firm Demographics.....	31
Table 2 Senior Manager Demographic Data.....	33
Table 3 Motivations for Chinese Cross-border M&As.....	50
Table 4 Obstacle One: National-level and Organisational-level Cultural Differences	60
Table 5 Obstacle Two: Perceived Environmental Uncertainty & Lack of Managerial Confidence	70
Table 6 Obstacle Three: Weak Absorptive Capacity in the Post-Acquisition Integration	78
Table 7 Imitation Effects & Demonstration Effects for Chinese Acquiring Firms	83
Table 8 The ‘Wu Wei, Selective You Wei, & Reversed You Wei’ Integration Mode of Chinese Acquiring Firms	97

List of Figures

Figure 1 The ‘Wu Wei, Selective You Wei, & Reversed You Wei’ Integration Mode of Chinese Acquiring Firms.....	106
---	-----