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REVIEWS

Mergers and acquisitions by Chinese firms: A review and comparison with other mergers and acquisitions research in the leading journals

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Abstract In recent years, an increasing number of Chinese firms have been engaged in acquisitions both inside and outside of China. Nevertheless, our understanding of Chinese merger and acquisition (M&A) activity is limited because a majority of M&As in the past 100 years have been performed by firms from developed countries and it is those M&As that have been the focus of prior research. Thus this paper aims to address the following research questions: What are the new insights gained from Chinese M&A research? What are the emerging future directions of Chinese M&A research? To address those questions, this article provides a thorough literature review of the most recent M&A research in top journals and studies of M&As both inside and outside of China. Consequently, we identify both new insights from Chinese M&A research and the research gaps that Chinese M&A research needs to fulfill compared with general M&A research in top journals. We further highlight the important and unique characteristics of Chinese M&As and call for future research.

Keywords Mergers & acquisitions (M&As) · Chinese M&As · General M&A research · Antecedents and outcomes of M&As

Since the turn of the century, Chinese firms have increasingly been acquiring companies both inside and outside of China. The Wind database and China's merger and acquisition (M&A) market statistics analysis show that recently, the number of

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complete M&As involving Chinese firms stood at 2574, including 2355 domestic acquisitions, 175 outward cross-border acquisitions, and 44 inward cross-border acquisitions, with a complete and disclosed transaction value of nearly $190 billion (Chinaventure Research, 2014). M&As[1] both inside and outside of China have played a prominent role in changing the competitive landscape both in China and in the global market. However, the scholarly understanding of Chinese M&As has been somewhat limited (Ahlstrom, Levitas, Hitt, Dacin, & Zhu, 2014; Kale, Singh, & Raman 2009; Lebedev, Peng, Xie, & Stevens 2015). This situation has given rise to the following research questions for review: What is the current state and available insights of Chinese M&A research? What are likely future directions for research on Chinese M&As?

To address these questions, this paper provides a review of Chinese M&A research as well as general M&A research in top journals between 2009 and 2015 (for a review of M&A research before 2009, see Haleblian, Devers, McNamara, Carpenter, & Davison, 2009). The reasons for conducting an updated review of M&A research in top journals include the following: First, by comparing Chinese M&A research with general M&A research, we are able to identify research gaps that Chinese M&A research yet must fill. Second, in our view, to deepen our understanding of Chinese M&As in the future, we need to learn about how quality M&A research has been done. Since the 1970s, the importance of strategic alliances in businesses and economic development has triggered tremendous scholarly interest and quality M&A research in multiple disciplines, including management, finance, economics, sociology, and accounting (e.g., Geisst, 2004; Haleblian et al., 2009; Hitt, Dacin, Levitas, Arregle, & Borza, 2000; Lebedev et al., 2015; Sirower, 1997; Young, Ahlstrom, Bruton, & Rubanik, 2011). Third, armed with the solid theoretical foundation and rigorous research methodology of general M&A research, we will be better able to effectively incorporate important and unique characteristics of Chinese M&As and the Chinese environment into this research, thus adding to our knowledge of Chinese M&As (Hitt, Ahlstrom, Dacin, Levitas, & Svobodina, 2004). This paper also heeds the call for high-quality research in China and elsewhere in Asia (Ahlstrom, Chen, & Yeh, 2010; Carney, 2015; Fang, 2010). Ahlstrom (2010) and Carney (2015) add that high-quality research that advances our understandings of management, strategies, organizational forms, and other characteristics of Chinese (and other Asian) firms is important to both research and economic development in these key economies (He, Eden, & Hitt 2016a; Jain, Nair, & Ahlstrom, 2015).

In offering comprehensive literature reviews of both Chinese M&As and general M&A research, we adopt the theoretical framework similar to that used in two major M&A review papers and other major M&A research (Haleblian et al., 2009; Lebedev et al., 2015). As shown in Fig. 1, this theoretical framework includes antecedents of M&A behavior, moderators of acquisitions' performance and M&As' outcomes.

[1] A merger refers a combination of two firms on a relatively equal basis to form a single legal entity (Hitt, Ireland, & Harrison, 2001). Examples include the Exxon-Mobil merger in 1999 and the merger of China's top two leading taxi-hailing app-firms, Didi Dache and Kuaidi in 2015 to become one of the world's largest smartphone-based transport services. An acquisition is "a form of merger in which one firm buys a controlling interest (up to 100 percent) in another firm, thereby making the acquired businesses a part of its own portfolio" (Hitt et al. 2001: 386). For example, the Japanese media group Nikkei bought the Financial Times from Britain's Pearson for $1.3 billion.

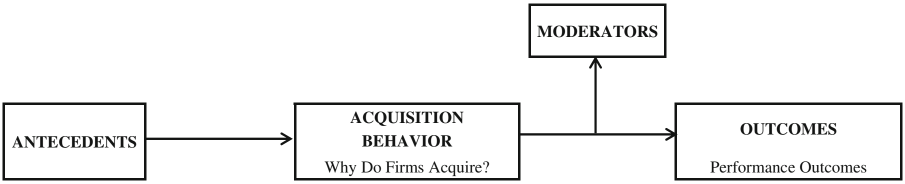

Fig. 1 Theoretical framework

In addition to the review of Chinese M&A research together with recent general M&A research, this article makes the following contributions. First, because this article reviews the recent general M&A research, we identify the current state of that research, that is, we identify the progress that we have made in 2009–2015. Second, based on the review of Chinese M&As, this article contributes to integrating our existing understanding of Chinese M&As and proposing new insights into Chinese M&As. Third, as mentioned above, by comparing Chinese M&A research and general M&A research, we explicitly note research gaps that future research into Chinese M&As can fulfill. Finally, we highlight a few important and unique characteristics of Chinese M&As that have not been acknowledged in the existing literature. Accordingly, we offer a future research agenda for Chinese M&As.

To accomplish this task, our review methodology is introduced and adopting the antecedents and outcomes of the M&A theoretical framework with 194 articles reviewed that appeared in top journals between 2009 and 2015. Then, that review is summarized and compared to pre-2009 M&A research. Third, adopting the same theoretical framework, we review 19 articles specifically about Chinese M&As. We integrate our review of Chinese M&As and propose insights obtained from that literature. Fourth, we acknowledge the research gaps that Chinese M&A research must fulfill in the future through the comparison with the more comprehensive general M&A work. Finally, we highlight a few important and unique characteristics of Chinese M&As and call for future research.

Review methodology

First, following Haleblian et al. (2009), we searched for quantitative M&A studies in the leading accounting, economics, finance, management, and sociology journals from 1992 through mid-2015 (cf. Bruton, Peng, Ahlstrom, Stan, & Xu, 2015). The leading journals are in the fields of management (*Academy of Management Journal*, *Administrative Science Quarterly*, *Journal of Management*, *Organization Science*, and *Strategic Management Journal*), finance (*Journal of Finance*, *Journal of Financial Economics*, and *Journal of Financial and Quantitative Analysis*), accounting (*Accounting Review*, *Journal of Accounting & Economics*, and *Journal of Accounting Research*), economics (*American Economic Review*, *Journal of Economic Perspectives*, and *Rand Journal of Economics*), and sociology (*American Journal of Sociology* and *American Sociological Review*). Third, we searched for the key words *merger*, *merge*, *acquisition*, *acquire*, and *mergers and acquisitions* in the titles and abstracts; 900 articles were obtained. Fourth, because Haleblian et al. (2009) reviewed articles before 2009, we confined this study primarily to the period 2009–2015, obtaining 345 articles. Finally, we independently reviewed each article to verify whether it was relevant to M&As given that M&As are the central focus. This resulted in a sample of 194 articles, including 14 articles in accounting, 11 in economics, 82 in management, and 87 in finance.

Next, following Lebedev et al. (2015), we searched widely for research on M&As both inside and outside of China in management, economics, finance, accounting, and sociology journals. Because the number of articles focusing on these acquisitions is not large, we did not create restrictions on the journals and publication dates. Our search was performed using the keywords (in titles and abstracts) *China*, *Chinese*, *EE*, *emerging markets*, and/or *developing countries* in combination with *acquire*, *merger*, *merge*, *mergers and acquisitions*, *takeover*, *M&A*, *acquisition*, *merger*, or *cross-border*. We identified the 19 most relevant studies. Overall, our literature search identified 213 articles, including 194 M&A articles in top journals in multiple disciplines between 2009 and August 2015, 19 of which involved Chinese firms. Our review of general research on M&As between 2009 and 2015 is shown in Table 1 (Table 2).

A review of general research on M&As

Antecedents: Why do firms acquire?

In Table 1, we compare the general M&A research before 2009 (see Haleblian et al., 2009 for detailed reviews), general M&A research between 2009 and 2015 and Chinese M&A research. As shown in Table 1, similar to M&A research before 2009, a large number of studies during this period have continued to address the following research question: Why do firms acquire?

In the following we will review antecedents in the same categories examined by earlier work before 2009, including value creation in strategic M&As, firm characteristics, environmental factors and managerial self-interest (value destruction), although most of specific antecedents in these categories differ from those examined earlier. Then we will review other new categories of antecedents examined by scholars between 2009 and 2015, including top leadership, M&A motivations, target characteristics and dyadic relationships between acquirers and targets.

Value creation in strategic M&As

Haleblian et al.'s (2009) review identified a variety of strategic goals such as market power and efficiency (Andrade, Mitchell, & Stafford, 2000). Responding to dynamic global competition and technological changes in recent years, studies after 2009 have found that the primary motivations for strategic acquisitions have changed to the purchase of advanced technologies and the exploration of new businesses outside of firms' primary businesses (Lee & Lieberman, 2010; Stettner & Lavie, 2014).

Firm characteristics

Scholars have continued to examine how firm characteristics affect firms' acquisition decision. Before 2009 scholars examined two specific firm characteristics including acquisition experience and firm strategy and position. Since 2009 studies have continued to adopt the organizational learning perspective and examined the effects of

Table 1 The comparison among general M&A research before 2009, general research after 2009, and Chinese M&A research*

Variables	General M&A research before 2009	General M&A research after 2009	Chinese M&A research
Antecedents	Value creation	Value creation in strategic M&As	Value creation in strategic M&As
	• *Market power*	• *Advanced technologies/exploration outside of primary businesses*	• *Advanced technologies/exploration outside of primary businesses*
	• *Efficiency*		• Natural resources
	• *Resource deployment*		• Other motivations (Advantage exploitation, institutional motives)
	• *Market discipline*		
	Firm characteristics	Firm characteristics	Firm characteristics
	• Acquisition experience	• Acquisition experience	• International acquisition experience
	• *Firm strategy and position*	• *Overpriced shares*	• Industrial relatedness
		• *Other characteristics* (*Capital structure*, *Network attribute*)	• Comparative ownership advantages
			• Organizational learning and network attributes
	Environmental factors	Environmental factors	Environmental factors
	• Environmental uncertainty	• Environmental uncertainty	• *Institutional Environments*
	• Institutional environments (economic nationalism)	• Institutional environments (economic nationalism)	• *Institutional imitation*
	• Institutional imitation (acquisition waves)	• Institutional imitation (acquisition waves)	• *Distance between countries*
	• *Resource dependence*	• *Other factors* (*industry, media and distance*)	• *Industrial Factors*
	• *Network ties*		
	Managerial self-interest (Value destruction)	Managerial self-interest (Value destruction)	
	• Compensation	• Compensation *and job opportunities*	
	• *Hubris*	• *Narcissism*	
	• Target defense tactics		

Table 1 (continued)

Variables	General M&A research before 2009	General M&A research after 2009	Chinese M&A research
		• Target defense tactics (*ATP*) *and Managerial entrenchment*	
		Top leadership	Top leadership
		• *CEO & TMTs*	• CEOs' national pride
		• *Board of directors*	
		• *Owners and other corporate governance*	
		M&A motivations	Due diligence
		• *Strategic* vs. *financial M&As*	
		Target characteristics	
		• *Salient target characteristics such as low market valuation*	
		Dyadic relationship between acquirers and targets	
		• *Information asymmetry in target selection*	
Moderators of acquisition- performance relationship	Deal characteristics	Deal characteristics	Deal characteristics
	• Payment type	• Payment type	Cross-provincial M&A
	• Deal type	• Deal type	
	Firm characteristics	Firm characteristics	Firm characteristics
	• Acquirer experience	• Acquirer experience	• Political and economic advantage
	• *Performance*	• *Other characteristics such as alliance experience*	• corporate governance
	• *Size*		
	Managerial effects	Managerial effects	
	• Managerial experience	• Managerial experience	
	• Cognition/Personality	• Cognition/Personality	
	• *Ownership*		
	• *Compensation*		

Table 1 (continued)

Variables	General M&A research before 2009	General M&A research after 2009	Chinese M&A research
	Environmental factors • *Waves* • *Regulations*	Environmental factors • *Institutional distance*	
		Information Asymmetry between investors and acquirers • *Acquirer behaviors to release information* • *Public information scrutinized by investors*	*Information Asymmetry between investors and acquirers* • *Public information scrutinized by investors*
		Post-acquisition integration	*Post-acquisition integration* • Post-acquisition strategies
		Board of directors *Target characteristics* • *Anti-takeover provisions (ATPs) defense* *Acquisition process* • *Bid competition* • *Key contract items* • *Acquisition modes*	
Other outcomes	• Acquisition premiums • Turnover • *Customers/Bondholders*	• Acquisition premiums • Turnover • *Innovation outcomes* • *Outcomes on targets* • *Other outcomes such as status change*	

*Italicized texts in Column General M&A Research before 2009 refer to variables that have been examined in studies before 2009 but have not been examined since 2009

Italicized texts in Column General M&A Research after 2009 refer to variables that have not been examined in studies before 2009 but have been examined since 2009

Italicized texts in Column Chinese M&A research refer to variables that have been examined in both general research and Chinese M&A research

Table 2 Literature review of M&As involved Chinese firms*

		Empirical studies	Non-empirical studies
Domestic M&As in China		**Lin, Peng, Yang, & Sun (2009)**	
		Yang, Lin, & Peng (2011)	
		Chi, Sun, & Young (2011)	
		Li & Qian (2013)	
Cross-border M&As involved Chinese firms	Chinese firms as acquirers	Sethi (2009)	Rui & Yip (2008)
		Chen & Young (2010)	Deng (2009)
		Yang & Hyland (2012)	Knoerich (2010)
		Sun, Peng, Ren, & Yan (2012)	Peng (2012)
		Rabbiosi, Elia, & Bertoni (2012)	
		Jongwanich, Brooks, & Kohpaiboon (2013)	
		Zhou, Witteloostuijn, & Zhang (2014)	
	Chinese firms as targets	Eije & Wiegerinck (2010)	Peng (2006)
		Contractor, Lahiri, Elango, & Kundu (2014)	Meyer & Tran (2006)

* The total number of articles are 19. Two papers in *Strategic Management Journal* are bolded

acquisition experience on M&A behaviors. Studies have also recently examined the effects of other new firm characteristics including overpriced shares, firm capital structure (Almeida, Campello, & Hackbarth 2011; Uysal, 2011) and firm network attributes (Yang, Lin, & Lin, 2010).

Regarding acquisition experience, the findings have been mixed (Haleblian et al., 2009). To resolve the mixed findings and advance our understanding of the role of acquisition experience in M&A behaviors, Muehlfeld, Sahib, and Van Witteloostuijn (2012) find that the completion of M&As could be influenced by differentiated, context-based successful and unsuccessful acquisition experiences (hostile M&As and cross-border M&As) in analyzing M&As in the newspaper industry from 1981 to 2008. Mixed findings on the effects of *overpriced shares* on acquisitions have been found in recent studies (Ben-David, Drake, & Roulstone 2015; Fu, Lin, & Officer 2013; Gu & Lev, 2011; Khan, Kogan, & Serafeim 2012; Savor & Lu, 2009). Most studies show that firms with overpriced shares tend to acquire more, pay higher premiums, pay in stock and conduct value-destroying acquisitions. In contrast, Savor and Lu (2009) show that compared to firms with overvalued stocks, firms that use overvalued stocks as currency to successfully acquire targets create long-term shareholder value. The mixed findings are probably attributable to the different reference groups used in these studies.

Environmental factors

M&A research before 2009 demonstrated that environmental factors exert a strong influence on M&A behavior, including environmental uncertainty, national institutional environments, institutional imitation, acquisition waves, resource dependence and network ties (Haleblian et al., 2009). M&A research since 2009 has continued with the examination of the same factors including environmental uncertainties (Tong & Li, 2011), recent financial crises (Wan & Yiu, 2009), national institutional environments (Meyer, Estrin, Bhaumik, & Peng, 2009) such as economic nationalism (Dinc & Erel, 2013), institutional imitation and acquisition waves. M&A research since 2009 research has also directed our attention to a few new environmental factors including industrial factors, media and distance between countries in cross-border M&As.

M&A research before 2009 has recognized that acquisitions often occur in waves (Devers, McNamara, Haleblian, & Yoder, 2013; Haleblian et al., 2009). Garfinkel and Hankins (2011) further demonstrate how acquisition waves transfer across industries, starting from customers, traveling to close suppliers and further expanding to distant industries (Ahern & Harford, 2014; Bhattacharyya & Nain, 2011). Haleblian et al. (2012) introduce the theoretical construct of institutional imitation, which refers to the idea that in acquisition waves, latecomers often recklessly follow their more successful predecessors in involving themselves in acquisitions (Haleblian et al., 2012; Maksimovic, Phillips, & Yang, 2013; McNamara, Haleblian, & Dykes, 2008). Unfortunately, these latecomers often perform worse in post-acquisition value creation because of their lack of strategic goals, insufficient due diligence on a tight schedule, a careless (and more limited) choice of targets (McNamara et al., 2008), and agency problems (Duchin & Schmidt, 2013).

In the new environmental factors mentioned earlier, key industrial-level factors include industrial deregulation (Cornaggia, Mao, Tian, & Wolfe, 2015), industry clusters (Almazan, De Motta, Titman, & Uysal 2010) and industrial structures (Gorton, Kahl, & Rosen, 2009). Further, Liu and McConnell (2013) demonstrate that in deciding whether to abandon a value-reducing acquisition attempt (negative stock price reaction at announcements), managers are influenced by the level and tone of media attention to the proposed transaction because their reputational capital is at risk. In cross-border M&As, Erel, Liao, and Weisbach (2012) find that geographical proximity, a higher quality of accounting disclosure in the acquirer's home country, and bilateral trade increase the likelihood of mergers between two countries. Using country-level data, Ahern, Daminelli, and Fracassi (2015) demonstrate that the volume of cross-border mergers is lower when countries are more culturally distant.

Managerial self-interest (value destruction)

M&A research before 2009 has long demonstrated managerial self-interest in M&A behaviors that deviates from the maximization of shareholder value, resulting in post-acquisition value destruction (Haleblian et al., 2009) and identified a few managerial self-interest antecedents including managerial monetary compensation, hubris and the adoption of target defense tactics. Since 2009, scholars have advanced this line of research by differentiating the monetary compensation of different types of CEOs, introducing new target defense tactics, and introducing job opportunities and narcissism as additional managerial self-interest motivators as detailed below.

Yim (2013) and Harford and Schonlau (2013) differentiate the compensation and job opportunities self-interest of junior versus senior CEOs in undertaking acquisitions. Yim (2013) found that young CEOs are driven to conduct more acquisitions by large, permanent increases in their expected financial compensation. Senior CEOs tend to be triggered by post-retirement director opportunities as their motivation for conducting numerous large acquisitions (Harford & Schonlau, 2013). With respect to compensation, Phan (2014) found that CEOs may be less willing to take risks in M&As when their compensation includes a large portion of inside debt holdings (debt-like compensation in the form of pension benefits and deferred compensation).

Managers tend to be motivated to take actions to avoid being acquired because most target executives lose their power and leave their firms post-acquisition (Krug, Wright, & Kroll, 2014). Managers have recently adopted takeover defenses such as antitakeover provisions (ATPs) and defined-benefit pension plans (Cocco & Volpin, 2013; Humphery-Jenner; 2014; Johnson, Karpoff, & Yi, 2015) because firms tend not to acquire target firms with these takeover defenses. In addition, El-Khatib, Fogel, and Jandik (2015) find that CEOs in the center of a network tend to take advantage of their network position both to avoid market discipline over their corporate control and to increase managerial entrenchment, thereby reaping private benefits from frequent, value-destructing M&As. These studies provide us with a fine-grained understanding of managerial self-interest antecedents, which supports the notion that managerial self-interest drives value-destructing M&A behaviors. Devers et al. (2013) further suggest that CEOs and directors do not anticipate long-term value creation from acquisitions.

Although researchers have examined salient managerial self-interest in driving M&A behaviors, research before 2009 has overlooked the fact that various personalities may lead executives to engage in M&As not to maximize firm value but to confirm their own value. Destructive acquisitions conducted by narcissistic CEOs have gained great attention in recent years. For example, former Hewlett-Packard (HP) CEO Carly Fiorina promoted a merger with Compaq in 2001. Doing the deal consumed $150 million and led to HP's transformation from an innovator to a PC manufacturer (Beim, Biggadike, Edwards, & Sorid 2011). Zhu and Chen (2015) also focused on a group of narcissistic CEOs, and found that their firms' acquisitions are more influenced by their own outside board experience than by other directors' experience. Such effects are strengthened by the CEO's power and the high status of CEOs' interlocking boards (Zhu & Chen, 2015). Unfortunately, these CEOs' M&As cause a wave of divestitures of unrelated businesses and a re-focus of the primary business to increase firm performance (Brauer & Wiersema, 2012).

Top leadership

Scholars have recently begun to adopt an upper-echelon perspective to examine the role of top leadership that might lead to value-creating M&A behaviors (Finkelstein, Hambrick, & Cannella, 2009). This group of top leaders includes CEO, the top management team (TMT), the board of directors and owners/investors. They propose and/or endorse important, expensive and risky M&As.

Scholars have examined the demographic characteristics and capabilities of CEOs in affecting M&A behaviors. Huang and Kisgen (2013) demonstrate that compared to female executives, male executives tend to conduct more frequent acquisitions, use more debt to finance acquisitions, and receive 2% lower returns from acquisition announcements than do female executives. Further, *managers with high management forecast quality* are more likely to make wise acquisition decisions, as shown in positive announcement returns and enhanced post-acquisition performance (Goodman, Neamtiu, Shroff, & White 2014). Because

M&As are complicated and risky, M&A decisions are discussed and voted upon by a group of top managers, although as demonstrated, CEOs may exert significant influence. Nadolska and Barkema's (2014) findings support the notion that heterogeneous TMTs (compared to homogenous ones) acquire less but are more successful with their acquisitions because they avoid mistransferring their experiences.

Scholars have also empirically shown how boards of directors with these two key responsibilities rendering oversight and advice (Finkelstein et al., 2009; Liu, Wang, Zhao, & Ahlstrom, 2013; Schmidt, 2015) affect M&A decisions. Regarding the oversight role of board of directors, social ties between the CEO and board members (as a proxy for less independent boards) are confirmed to damage effective monitoring, as shown in the negative return that exists when monitoring needs are high (Schmidt, 2015). Schmidt (2015) also demonstrates that such social ties are associated with higher bidder announcement returns when the potential value of board advice is high (Schmidt, 2015). This finding confirms that advising does not always compete with monitoring (Kim, Mauldin, & Patro, 2014; Masulis & Mobbs, 2011; Schmidt, 2015). Similarly Kim et al. (2014) show that outside director tenure (indicating social ties with CEOs to provide advice) is positively associated with acquisition performance (abnormal returns around the announcement).

Further, there has been doubt about the monitoring quality of inside directors in M&A decisions. Research has shown that this issue of ineffective monitoring could be resolved through the outside directorships of inside directors (Liu et al., 2013). Masulis and Mobbs (2011) demonstrate that firms with inside directors holding outside directorships make better acquisition decisions because these inside directors' outside directorships are an important source of inside director incentives. In cross-border M&As, Datta, Musteen, and Herrmann (2009) show that boards with better governance and managerial owners are more likely to take risks through cross-border M&As. With respect to directors' role as advisors, Huang, Jiang, Lie, and Yang (2014) suggest that directors with investment bank experience could help firms make better acquisitions, both by identifying suitable targets (higher announcement returns and superior long-term performance) and by reducing the cost of the deal (lower premium and advisory fees).

In addition to governance work, recent research has demonstrated that family ownership, financial analysts and conservative accounting practice could serve as effective corporate-governance monitoring mechanisms in firm acquisitions (Chen, Harford, & Lin, 2015; Francis & Martin, 2010; Miller, Le Breton-Miller, & Lester 2010). Miller et al. (2010) found that family ownership is inversely related to the number and dollar volume of acquisitions because family owners prefer to diversify their businesses through acquisitions, thus reducing the risk in their wealth portfolio. This finding suggests that owners' priorities and risk preferences tend to affect acquisition decisions. Chen et al. (2015) show that when analyst coverage decreases, firms are more likely to engage in value-destroying acquisitions. Francis and Martin (2010) found that firms with more timely incorporation of economic losses into earnings tend to make more profitable acquisitions and are less likely to divest acquired targets. If they need to divest, they often act very quickly.

M&A motivations

Strategic M&As have been extensively examined in the previous literature (Hitt et al., 2001). In recent years, because of the extensive involvement of private equity in M&A transactions, the practical importance of financial acquisitions has increased (Stucchi, 2012). Strategic M&As occur when firms acquire others to integrate with their acquired targets with the goal of creating long-term value (Hitt et al., 2001; Sanders & Hambrick, 2007). Financial M&As occur when financial investors engage in M&As primarily to sell the acquired firm at a higher price, not to achieve synergy (Hitt et al., 2001). Private equity investors such as KKR have made fortunes through leveraged buyouts (Kelly, 2013). Scholars have recently examined financial investors' motivations as one of the key antecedents driving M&A transactions (Kelly, 2013).

Target characteristics

Complementing M&A research before 2009 on the role of acquirers in M&A decisions, recent research has examined the roles of target characteristics and dyadic relationships between acquirers and targets because M&As involve the dyadic behaviors of acquirers and targets. Recent research has found that firms with a few salient characteristics are more/less likely to become potential targets. Acquirers are more willing to purchase more popular targets (i.e., technological start-ups) to transfer that popularity to acquirers (Massa & Zhang, 2009), efficient downstream firms (Reisinger & Tarantino, 2015) and nearby targets with environmental capabilities inferior to those of the acquirers (Berchicci, Dowell, & King, 2012), divested assets (Laamanen, Brauer, & Junna, 2014), struggling firms (Amel-Zadeh & Zhang, 2015; Wan & Yiu, 2009), and firms with low market valuations (Edmans, Goldstein, & Jiang, 2012). In technological acquisitions, acquirers tend to purchase targets with a lower likelihood of employee departure after the acquisition (Younge, Tong, & Fleming 2015) and targets with unique technologies (Phene, Tallman, & Almeida, 2012).

In contrast, acquirers are less likely to purchase small- and large-sized firms than mid-sized ones (Vijh & Yang, 2013) or targets that filed financial restatements because financial restatements are associated with information risks (Amel-Zadeh & Zhang, 2015). Harford, Humphery-Jenner, and Powell (2012) examined target selection of entrenched managers and found that such managers tend to disproportionately avoid private targets and choose low-synergy targets.

Dyadic relationships between acquirers and targets

In fact, a large hurdle for acquirers attempting to identify an appropriate target with synergies is the information asymmetry between acquirers and acquired targets (Hitt et al., 2001). Puranam, Powell, and Singh (2006) suggest that target firms have "an incentive to make public any favorable information" (Puranam et al., 2006: 320) and not to reveal unfavorable (but relevant) information. Because of this serious information asymmetry, acquirers may fail to understand the targets' capabilities, potentially resulting in the purchase of an inappropriate or problematic target and subsequent value destruction after the acquisition (Chae, Jung, & Yang, 2014; King, 2007). Adverse selection is exacerbated not only by spatial distance in both domestic and cross-border

M&As but also by the tacitness of acquired resources and capabilities in technology acquisitions (Chakrabarti & Mitchell, 2013; King, 2007). Recent studies have examined how acquirers could reduce information asymmetry through diverse and reliable signals and channels and thus accurately identify targets with potential synergies (Sleptsov, Anand, & Vasudeva, 2013; Vijh & Yang, 2013). Scholars find that reputable investment banks and venture capitalists that back potential targets (newly listed firms), and prominent alliance partners of potential targets could signal the quality of these potential targets to acquirers (Ragozzino & Reuer, 2011; Reuer & Ragozzino, 2012; Reuer, Tong, & Wu, 2012).

Acquirers could access more information about targets through investment banks, social connections, and alliance partners (Armstrong, Balakrishnan, & Cohen 2012; Gu & Lev, 2011; Kolasinski & Kothari, 2008; Ishii & Xuan, 2014; Rogan & Sorenson, 2014; Yang, Lin, & Peng, 2011; Sleptsov et al., 2013). It is important to recognize the dark sides of these information channels. First, Kolasinski and Kothari (2008) have shown that investment banks have their own agenda, which is different from acquiring firms' agenda. To receive service fees once the deal is complete, investment banks have incentives both to recommend targets with a strategic misfit and to promote high premiums (Gu & Lev, 2011). Second, recognizing that social connections could bias acquirers toward potential partners they already know, acquirers should not ignore targets with good potential though lacking direct ties (Rogan & Sorenson, 2014). Third, although acquiring firms are more likely to be more richly compensated during and after acquisitions of socially connected targets, such acquisitions may result in lower announcement returns (Ishii & Xuan, 2014).

Furthermore, compared with unrelated technologies that have great information asymmetry, acquirers tend to acquire targets with complementary assets in technological acquisitions (Bena & Li, 2014) and with technological linkage (product market similarity) (Bena & Li, 2014; Phene et al. 2012). Moreover, financial and regulatory institutions could help reduce information asymmetry. Chae et al. (2014) find that South Korea's developed financial markets after the financial crises of 1998 and 2007 can help decrease the information asymmetry of acquired targets, compared with the less-developed financial markets that existed before the crisis. Armstrong et al. (2012) find that under US antitakeover laws adopted since the 1980s, firms are more willing to provide more and higher-quality information about firms, particularly to raise capital in external markets.

Moderators of acquisition-performance relationship

Recent research has continued to examine the moderators of acquisition-performance relationships. Consistent with M&A research before 2009 (Haleblian et al., 2009), studies since 2009 confirmed that deal characteristics, firm characteristics, managerial effects, and environmental factors affect post-acquisition performance. Further, M&A research since 2009 has devoted a great amount of efforts to significantly advance our understanding of post-acquisition performance from a variety of new perspectives. Scholars have examined moderators of acquisition/short-term stock market performance, including information asymmetry between investors and acquirers, moderators of acquisition/long-term performance, including target characteristics and post-acquisition integration, and moderators of acquisition process including bid competition, key contract items, and acquisition modes as detailed below.

Deal characteristics

Recent research has continued to investigate the effects of payment type and deal type on post-acquisition performance. As discussed earlier, Savor and Lu (2009) have supported the idea that compared with firms with overvalued stocks, firms that use overvalued stocks as currency to successfully acquire targets create value in the long term. With respect to deal type, a few studies have examined post-acquisition performance of horizontal acquisitions, finding that acquisitions help increase efficiency and synergy (Becher, Mulherin, & Walkling, 2012; Fan, 2013; Jeziorski, 2014; Sheen, 2014). Moatti, Ren, Anand, and Dussauge (2015) have conducted a 20-year analysis of the global retail industry, finding that compared to horizontal acquisitions, organic growth enhances long-term operational efficiency. These mixed findings may result from the specific characteristics of retail industries. Whether firms should grow organically or through acquisitions remains to be answered.

Firm characteristics

M&A studies before 2009 have examined the effects of firm characteristics including acquisition experience, prior firm performance and firm size on post-acquisition performance. In recent years M&A studies have addressed the mixed findings regarding the effects of acquisition experience on post-acquisition performance (Haleblian et al., 2009), and examined a few other firm characteristics including alliance experience. M&A studies since 2009 have largely examined how acquisition experience positively affects post-acquisition performance. First, some studies have shown the positive effects of prior similar experience (Aktas, de Bodt, & Roll 2013; Ellis, Reus, Lamont, & Ranft, 2011). Kim, Kim, and Miner (2009) have demonstrated that before each type of experience becomes valuable, a certain threshold of a given type of experience is required. Aktas et al. (2013) have further shown that CEO continuity helps increase learning effectiveness through repetitive similar acquisitions.

Second, Zollo (2009) has highlighted the importance of heterogeneous, systematically articulated and codified acquisition experience on post-acquisition performance. In contrast, Heimeriks, Schijven, and Gates (2012) have found that codified "zero-ordered routines" that refer to a specific experience might not be entirely applicable to the focal deal. The second-order routines used to identify risks associated with each deal are effective in helping firms achieve post-acquisition integration and value creation (Heimeriks et al., 2012). Similarly, Bingham and Eisenhardt (2011) have investigated the contents of learning, finding that firms learn second-order routine heuristics that are centered on opportunity capture; such heuristics are learned in a specific developmental order. Overall, Castellaneta and Zollo (2015) have suggested that prior experience is likely to reduce the toll of challenging post-acquisition integration.

Finally, Meschi and Metais (2013) posited that organizational forgetting may explain the mixed findings on organizational learning, finding that organizations are more likely to forget their mid-term experiences than their early and most recent experiences. In sum, recent research provides a fine-grained understanding of the effects of acquisition experience on post-acquisition performance and suggests that a contingent view of acquisition experience and differentiated acquisition experience may be more effective in explaining acquisition performance.

Golubov, Yawson, and Zhang (2015) have found some organizations to be consistently energetic acquirers, regardless of their top leadership or chosen deal structures. These firm characteristics include organizational knowledge/skill, bidder-specific synergies, and prior success. Recent research has identified additional key factors that affect post-acquisition performance, including the acquirers' stakeholder value maximization view (Deng, Kang, & Low, 2013), the notion that acquirers' prior alliance experience could be helpful in the focal acquisition (Agarwal, Anand, Bercovitz, & Croson, 2012; Zaheer, Hernandez, & Banerjee, 2010; Zollo & Reuer, 2010), and similarity and complementarity between acquiring and acquired firms (Bauer & Matzler, 2014; Kim & Finkelstein, 2009). In cross-border M&As, Bertrand and Capron (2015) have suggested that when French firms engage in cross-border M&As, firms' domestic productivity is likely to increase both when firms invest in productivity at home and when firms are learning in the target's host country through cross-border M&As.

Managerial effects

Top leadership including managerial experience, cognition/personality, ownership and compensation has been demonstrated to influence post-acquisition performance because CEOs are likely to experience pressure to deliver strong post-acquisition performance (Haleblian et al., 2009). M&A research since 2009 has continued to examine the effects of managerial experience and cognition/personality on post-acquisition performance. Specifically, Zollo (2009) suggested that managers' perceptions of success in previous acquisitions are negatively related to the actual performance of the focal merger because perceived prior success makes managers overconfident. Vaara, Junni, Sarala, Ehrnrooth, and Koveshnikov (2014) have examined managers' attribution of M&A performance, finding that managers' internal/external attributions affect post-acquisition performance.

Environmental factors

While M&A research before 2009 investigated environmental factors including acquisition waves and regulations in affecting post-acquisition performance, M&A research since 2009 has largely examined the specific institutional distance environmental factors in affecting post-acquisition performance of an increasing number of cross-border M&As (Zhu, Xia, & Makino, 2015). Capron and Guillén (2009) have found that stronger legal protection of shareholder rights in the acquirer country than in the target country increases the acquirer's ability to restructure the target's assets and leverage the target's resources, whereas the protection of employee rights in the target country restricts the acquirer's ability both to restructure the target's assets and to redeploy resources to and from the target.

Information asymmetry between investors and acquirers

A line of M&A research since 2009 has emerged to examining how factors affect acquirers' wealth creation in a short-term window around acquisition announcements. Scholars have paid a lot attention to how acquirers resolve the information asymmetry between them and investors. Arikan and McGahan (2010) have posited that firms need to release information about firm capabilities to investors because investors often lack sufficient information about acquisitions' viability around announcement dates. On the one hand, acquirers are found to hold conference calls during merger announcements to provide a greater volume of information and forward-looking deals, particularly when they announce stock-to-stock or large deals (Kimbrough & Louis, 2011). On the other hand, acquirers may manipulate stock prices by originating substantially more new stories before deal announcements (Ahern & Sosyura, 2014). Ahern and Sosyura (2014) have shown that this strategy generates a short-lived run-up in bidders' stock prices during the announcement.

In the face of information asymmetry, investors tend to infer the viability of acquisitions by drawing on public information (Schijven & Hitt, 2012). Schijven and Hitt (2012) have proposed a behavioral perspective and examined investors' tendency to scrutinize and react to several pieces of public information, including prior acquisition experience, debt-to-equity issues, acquirers' prior ownership of targets, the target's defense tactics, advisor involvement, payment method, and industrial relatedness.

This line of research has also examined public information, including fairness opinions, IPOs (acquirer characteristics), and status differentiations between acquirers and targets. Kisgen, Qian, and Song (2009) have found that investors do not react to the fairness opinions used by targets but instead react negatively to the fairness opinions used by acquirers, especially if the acquirer pays a high premium. This finding indicates that investors are skeptical of these transactions. Furthermore, Brau, Couch, and Sutton (2012) have found that IPOs that acquire within a year of going public significantly underperform relative to non-acquiring IPOs because these IPOs may be overconfident. Investors respond positively to deals in which status differentials between acquiring and acquired firms are aligned with hierarchical roles in acquisitions (Shen, Tang, & Chen, 2014).

Top leadership and owners are also closely scrutinized by investors. Lin, Officer, and Zou (2011) have found that investors tend to react negatively to acquisitions in which the acquirers' executives have a higher level of directors' and officers' liability insurance (D&O insurance) coverage. The primary reason for this is that D&O insurance can induce unintended moral hazards by shielding directors and officers from the discipline of shareholder litigation. Investors tend to react positively to acquirers backed by institutional investors (mutual funds) (Nain & Yao, 2013) because of institutional investors' stock-selection skills. With respect to investors' reactions to institutional investors' cross-holdings, the findings remain mixed (positive, negative, versus small/no effects) (Goranova, Dharwadkar, & Brandes, 2010; Harford, Jenter, & Li, 2011). In cross-border M&As, greater cultural distance in trust and individualism are found to lead to lower combined announcement returns (Ahern et al., 2015).

Post-acquisition integration

In addition to short-term wealth creation in stock markets, firms largely aim to achieve long-term value creation from acquisitions. As many of 80% of mergers fail to create post-acquisition value for the acquiring firm largely because these firms cannot effectively integrate with their acquired targets to release synergy (Dunbar, 2014). Such problems could result from the lack of strategic goals, insufficient due diligence, target choices, and high premiums. Nonetheless, the effective integration with an acquired target in the post-acquisition period is a challenging task for acquirers. M&A research since 2009 has directed our attention toward how post-acquisition integration processes affect performance, which has not been investigated earlier. Scholars have examined a few key factors in post-acquisition integration processes, including combined firm size, integration and/or autonomy post-acquisition integration approaches, strategy-structure and strategy-culture fits, inter-firm resource sharing, and the dynamics of integration, as set forth below.

First, Shaver and Mezias (2009) have suggested that the diseconomies of managing a larger sized firm after acquisition is a key issue causing ineffectiveness in integration and decreased post-acquisition performance. Second, Lin (2014) has highlighted the importance of strategy-structure and strategy-culture fits in post-acquisition integration processes, both of which facilitate superior post-acquisition performance. For example, an unrelated acquisition strategy may need the lowest levels of post-acquisition headquarters centralization and interdivisional integration. Third, when deciding post-acquisition integration approaches, Zaheer, Castaner, and Souder (2013) have suggested that integration and autonomy are not the opposite ends of a single continuum, instead finding that integration and autonomy can both be high when complementarity, not similarity, is the primary source of synergy. Fourth, whereas integration requires resource sharing between acquirers and targets, Briscoe and Tsai (2011) have found a paradox in post-acquisition client sharing between a law firm and two small acquired firms. As inter-firm client sharing increases, integration could be detracted by decreased intrafirm ties. Subsequently, although inter-firm ties increase firm revenue, an eroded intra-firm network hinders human capital development.

Finally, the post-acquisition integration process is found to be dynamic. Allatta and Singh (2011) show that communication across firms initially increases as workers change their routines; however, over time this communication peaks and then falls as workers develop common ground. Furthermore, procedural justice and informational justice (Ellis, Reus, & Lamont, 2009) in post-acquisition process are found to affect post-acquisition performance. Monin, Noorderhaven, Vaara, and Kroon's (2013) case analyses further note that justice in post-acquisition integration process is dynamic from equality to equity to decrease distributive justice in the post-acquisition integration period. Moreover, a group of scholars examine how nascent collective identities become legitimated to facilitate post-acquisition integration (Clark, Gioia, Ketchen, & Thomas, 2010; Drori, Wrzesniewski, & Ellis, 2013; Tienari & Vaara, 2011; Wry, Lounsbury, & Glynn, 2011; Vaara & Monin, 2010). Targets' identification with acquiring firms (Colman & Lunnan, 2011) facilitates integration and post-acquisition performance.

The board of directors and target characteristics

Recent research has also been interested in the effects of acquirers' board of directors in post-acquisition integration processes on post-acquisition performance. Bodolica and Spraggon (2009) have suggested that boards of directors tend to implement stronger mechanisms (e.g., long-term incentive plans) instead of compensation protection devices to align the interests of CEOs and shareholders in post-acquisition periods, when they are criticized by investors for their stock payments, high control premiums, and poorer firm performance. Further, Masulis, Wang, and Xie (2012) have demonstrated that US firms with foreign independent directors (FIDs) tend to make better cross-border acquisitions (higher returns at announcement time) when the targets are from the FIDs' home regions. Moreover, whereas most studies suggest that the defense of anti-takeover provisions (ATPs) facilitates value-destroying acquisitions and empire building (Cocco & Volpin, 2013), recent research shows that the anti-takeover defense may add value to "hard-to-value" (HTV) target firms (Humphery-Jenner, 2014; Johnson et al., 2015).

Acquisition process

M&A research since 2009 has started to examine acquisition process that was a black box in prior research. Acquisition process refers to how firms acquire and studies have focused on a few key acquisition process factors including bid competition, key contract items and acquisition modes. Results have shown that these acquisition process factors exert strong influence on a variety of acquisition outcomes including acquisition completion, acquisition premium and post-acquisition outcomes. In the following we will detail this new line of research.

First, scholars have addressed the research question of who will win in the bid competition, and investigated both the signal role of bidder characteristics and the contingent effects of club biddings. Burkart, Gromb, Mueller, and Panunzi (2014) have found that stronger legal investor protection increases bidders' outside funding capacity and under such environments, more efficient but less wealthy bidders are outbid by their less efficient but wealthier rivals. The competing financial buyers (rather than strategic buyers) often indicate the quality of potential targets (Dittmar, Li, & Nain, 2012). Marquez and Singh (2013) have examined a contingent view of the effects of club bidding that refers the situation which two or more firms jointly bid on a deal. Club formation by private equities can lead to higher acquisition price when the number of bidders is exogenously fixed and large. However, club formation may limit competition and thus reduce the target premium when there are club entry costs (Officer, Ozbas, & Sensoy, 2010).

Second, scholars have examined a few contract items, including acquisition pricing, payment type and three special contract items. The subject of an appropriate acquisition price has been a very critical contract item calculated and negotiated among acquirers, targets and investment banks (Hitt et al., 2001). Jacobsen (2014) has found that CEOs may withdraw acquisition bids as the price increases. The market responds more positively to such a withdrawal than it does to withdrawal for other reasons (Jacobsen, 2014). In studying acquisition pricing, Baker, Pan, and Wurgler (2012) have found that transaction parties appear to use targets' recent stock price peaks as reference points, and offer price tends to be biased toward recent peak prices, even when they are economically unremarkable. Ye (2014) has further established a price interval in which the lower bound is the current market price, and an acceptable offer price must exceed both the pre-bid market price and their purchase cost.

The two common types of payment—cash and equities—impose different financial burdens and risks on acquirers and targets, not to mention post-acquisition performance (Hitt et al., 2011). Compared with equities, cash payment can increase acquirers' financial burden and risks. Thus, payment type has been one of the key items negotiated during acquisition processes. Harford, Klasa, and Walcott (2009) have suggested that when an acquirer's leverage is higher than its target level, it is less likely to finance a large acquisition with debt and more likely to finance it with equity. Cocco and Volpin (2013) have found that when firms that sponsor a defined-benefit pension plan purchase other firms, they are more likely to use cash than stock because targets are not willing to accept stocks that are associated with uncertainties.

Researchers have studied three special contract items including contingent earnouts, material adverse changes (MACs) and the fairness of opinions. Ragozzino and Reuer (2009) have found that acquirers tend to use contingent earnouts that specify deferred variable payments to the target to reduce information asymmetry with targets. Cain, Denis, and Denis (2011) have further demonstrated that earnouts are structured to minimize the costs of valuation uncertainty and moral hazards in acquisition negotiations. Denis and Macias (2013) have indicated that MACs are the underlying cause of 69% of acquisition terminations and 80% of renegotiations that lead to substantial changes in the price (i.e., a 15% reduction) offered to target shareholders. The number of MACs is shown to be positively associated with deal completion and negatively associated with offer premiums (Denis & Macias, 2013). From 1994 to 2003, 80% targets and 37% of acquirers have obtained a third-party assessment of the fairness of a merger or acquisition typically rendered by an investment bank to indicate proper due diligence and ensure the quality of a transaction (Kisgen et al., 2009).

Third, in choosing tender offers or acquisitions, Offenberg and Pirinsky (2015) have shown that firms tend to structure acquisitions as tender offers when competition is higher and external impediments such as regulations on execution are fewer (if there are more impediments, tender offers cannot accelerate). There are also tradeoff costs and speed between tender offers and acquisitions (Offenberg & Pirinsky, 2015). Specifically, although tender offers are speedier than mergers, they increase acquisition costs relative to mergers because tender offers signal a higher demand for acquirers that will subsequently raise their reservation price.

Before a tender offer, bidders are likely to acquire target shares (a toehold) in the market because of the high premiums paid to targets in tender offers (Betton, Eckbo, & Thorburn 2009). In doing so, bidders can save costs in gaining control over targets or making profits through competitive bids. However, Betton et al. (2009) have found that such toeholding bidding has declined since the 1980s and is rare now because targets are likely to reject the bid and the bidder must pay the liquidity costs in the market.

In a study of cross-border M&As, Meyer and Tran (2006) have suggested that developed-country firms develop idiosyncratic forms of acquisition to enter developing economies with weak institutional development. These modes include staged, multiple, indirect and brownfield acquisitions in which the post-acquisition investment exceeds the investment in the original acquisition. Further, a study of acquirers from 33 nations from 1998 to 2008 has shown that institutional distance between home countries and China or India tend to affect acquirers' decisions about full or major acquisitions but not about minority acquisitions (Contractor, Lahiri, Elango, & Kundu, 2014).

Other acquisition outcomes

In addition to post-acquisition financial performance, M&A research has examined other important outcomes. M&A research before 2009 has examined acquisition premiums, turnover, and customers and bondholders. Recent research has continued great interests in acquisition premium and turnover; as the number of technological acquisitions has greatly increased in recent years, M&A research since 2009 has investigated innovation outcomes of these acquisitions; scholars have also paid attention to other acquisition outcomes including the outcomes on targets and status change.

Acquisition premium

Paying a too-high premium is a risk-taking organizational behavior (Chatterjee & Hambrick, 2011). Betton, Eckbo, Thompson, and Thorburn (2014) have suggested that acquirers tend to be rational decision makers in bidding price. During pre-offer target stock price run ups, acquirers do not pay additional costs in takeovers (Betton et al., 2014). There remain some circumstances in which acquiring firms tend to pay higher premiums. Recent research has addressed the question of when acquirers are likely to pay high premiums. Research has identified several factors, including target resistance, competing bids, the desire for growth, the role of top leaders, target CEOs, and investment banks.

First, Dimopoulos and Sacchetto (2014) find that target resistance could explain the entire acquisition premium in 74% of successful single-bidder contexts. Aktas, de Bodt, and Roll (2010) have examined the effects of potential competition on acquisition premium, finding that latent competition increases bid price. Akdogu (2011) shows that if a firm will be adversely affected by a competitor's acquisition, it can rationally "overpay" for the target to avoid this outcome. Second, Kim, Haleblian, and Finkelstein (2011) have found that firms that are desperate for growth through acquisitions are more likely to overpay for those acquisitions. Third, acquirers are more willing to pay higher premiums as target firms' stock liquidity increases because the merged firms' liquidity could increase after such acquisitions, and investors in acquirers find it easier to exit from their investments (Massa & Xu, 2013). Fourth, Offenberg, Straska, and Waller (2014) have documented that the premium received by target shareholders is higher when the value loss from the targets' prior acquisitions is larger.

Fifth, the acquisition premium is significantly influenced by top leadership in both acquirers and targets (Zhu, 2013; Zhu & Chen, 2015). Chatterjee and Hambrick (2011) have found that acquirer CEOs are more likely to pay higher premiums when either positive objective capability cues (as indicated by prior firm performance) or social capability cues indicated by media coverage are high. Zhu (2013) has investigated boards' fundamental group-decision bias in paying premiums, finding that boards tend to support a higher (lower) premium when their average prior premium paid is high (lower). Zhu (2013) has suggested that top leaderships' premium decisions could be influenced by their prior experience as reference points.

Sixth, several studies show that target CEOs exchange their compensation (golden parachutes; unscheduled stock options) with the lower premium to targets (Fich, Cai, & Tran, 2011; Fich, Tran, & Walkling, 2013). It is interesting that Heitzman (2011) has found that target CEOs with appropriate incentives and capabilities are more likely to be delegated to negotiate with acquirers for a higher target price. Finally, Lee (2013) has demonstrated that when acquirers repeatedly hire a single investment bank as their exclusive advisor, they tend to overpay for their targets, a finding that is also reflected in investors' negative reactions to such firms' announcements.

Turnover

A key issue in post-acquisition integration is acquired targets' resistance to integration and the turnover of top executives of acquired targets (Cannella & Hambrick, 1993). Teerikangas' (2012) analyses of six Finnish multinationals' cross-border M&As suggest that target-employee reactions to a forthcoming acquisition are not the deterministic result of the change itself; instead, they can be influenced through buying-firm behaviors and positive future intentions along with the target's need to be acquired. Further, Rogan and Greve (2015) have demonstrated that organizational mergers trigger the withdrawal of firms' common exchange partners. Healy (2009) and Wu and Zang (2009) have found evidence of abnormally high analyst turnover following mergers.

Innovation

Technological innovation is one of the major outcomes pursued by acquiring firms in technological acquisitions, which in recent years have been one of the most popular types of acquisitions. A new line of research has showed great interest in the effects of knowledge linkages between acquirers and targets on innovation outcomes and investigated the innovation outcomes of acquirers, the innovation outcomes of acquired targets, and the innovation outcomes of established firms with minority acquisitions of new technologies, as set forth below.

First, Makri, Hitt, and Lane (2010) have found that both complementary science and complementary technology contribute to post-acquisition innovations (discontinuous strategic transformation). In contrast, knowledge similarities facilitate incremental renewal. Sears and Hoetker (2014) have highlighted that post-acquisition value creation depends heavily on the overlap between the knowledge base of the target and that of the acquirer. Second, Valentini (2012) has found that whereas the quantity of patents increases after acquisitions, the impact, generality, and originality of patents decrease because after an acquisition, a larger-sized acquirer seeks to show the acquisition's strong performance by emphasizing incremental innovations that can be quickly commercialized to the markets.

Third, Barden (2012) has examined countervailing forces that influence post-acquisition innovation adoption by acquired technological start-ups. On the one hand, acquisitions help to break the inertia of acquired subsidiaries and import resources to adopt innovative technologies. On the other hand, acquisitions distract decision makers' from important innovations in the field and thus over time, subsidiaries become less likely to adopt innovations. Further, Seru (2014) has found that technological firms acquired by conglomerates produce a smaller number of less-novel innovations. The primary reasons for this finding are as follows: (1) although innovators may stay, their productivity decreases significantly with less capital inflow; and (2) to compensate for this effect, conglomerates establish joint ventures and strategic alliances to bolster innovations after acquisitions.

Finally, in recent years established firms have increasingly acquired minority equity stakes in many privately held companies to expose themselves to new technologies and markets instead of financial returns (Benson & Ziedonis, 2009, 2010). Benson and Ziedonis (2009) have found that post-acquisition performance depends on established firms' knowledge base (internal investments in R&D). However, compared to acquisitions of other entrepreneurial firms, Benson and Ziedonis (2010) have found that shareholders of acquisitive investors lose value after acquiring previously invested startups because of managerial overconfidence or agency problems at the program level.

Outcomes on targets

Researchers have examined several outcomes on targets including financial constraints, job creation, survival and productivity. Erel, Jang, and Weisbach (2015) have demonstrated that target firms' financial constraints are reduced when a target is acquired. Davis, Haltiwanger, Handley, Jarmin, Lerner, and Miranda (2014) have studied a dataset of US buyouts from 1980 to 2005, finding that the sum of gross job creation and destruction at target firms exceeds that of controls by 14% over two years. Xia and Li (2013) have found that when parents depend more on acquired units, which can be indicated by acquired units' acquisitions and alliance formation after acquisitions, acquired units are less likely to be divested. Maksimovic, Phillips, and Prabhala (2011) have found that acquirers of full firms sell 27% and close 19% of target firms' plants within three years of the acquisition; acquirers with skills in running their peripheral divisions tend to retain more acquired plants and those retained plants increase their productivity. Li (2013) has shown that acquirers increase targets' productivity through the more efficient use of capital and labor (Siegel & Simons, 2010).

Other outcomes

Scholars have examined other important M&A outcomes. With respect to wealth capture by acquirers and targets, a large portion of the literature has suggested that targets capture the lion's share of value creation during the deal announcement (Grimpe & Hussinger, 2014). However, Ahern (2012) has shown that the average dollar gains to targets are only modestly more than the dollar gains to acquirers. This result is explained by a target's relative scarcity (proxy by its market power) and product market dependence (proxy by customer-supplier relations).

Cowen (2012) has examined the status change of acquiring firms as the post-acquisition outcome. Bens, Goodman, and Neamtiu (2012) have found that acquirers, particularly those with negative announcement returns, are more likely to misreport their financial statements. Shalev, Zhang, and Zhang (2013) have shown that the purchase price will be overallocated to goodwill to increase post-acquisition earnings and bonuses when CEO compensation is based on earnings-based bonuses.

Wood (2009) has shown that acquirers although grow through major acquisitions, they substantially reduce firm and industry capacity in small, competitive industries. A group of economists have examined the effects of M&As on consumers such as hospital prices charged to consumers and the dissolution of client relationships (Allen, Clark, & Houde, 2014; Ashenfelter, Hosken, & Weinberg, 2015; Gowrisankaran, Nevo, & Town, 2015; Houde, 2012; Moraga-Gonzalez & Petrikaite, 2013; Nocke & Whinston, 2013; Perez-Saiz, 2015; Rogan, 2014). In cross-border M&As, Huizinga and Voget (2009) have shown that that the likelihood of a parent firm locating in a given country following a cross-border takeover is reduced by high international double taxation of foreign source income.

Integration of M&A research progress in 2009-2015

We compare M&A research in 2009–2015 with that in 1992–2009 (Haleblian et al., 2009) and identify the recent research progress indicated in Table 1. Progress in M&A research not only advances our understanding of M&As but also reflects the new characteristics of M&As identified in recent years. Recent research has continued to advance our understandings of the same categories of antecedents including value creation, managerial self-interest, firm characteristics, and environmental factors as examined in M&A research before 2009. Furthermore, M&A research since 2009 has completed our understanding of M&As from the new perspectives of financial motivations, top leadership, target characteristics and dyadic relationships between acquirers and targets. However, existing studies have examined the antecedents of M&A behaviors largely from a single-level analysis. As recent research advances the argument that M&A behaviors are affected by multi-level factors (individual-, firm-, industry-, and national-level factors), we call for multi-level research of antecedents of M&A behaviors. We also call for an evolutionary approach to examine that the same antecedents may affect acquisition decisions in different ways and various degrees in responding to the rapidly changing external environments (Shen, 2003).

Advancing post-acquisition financial performance has far-reaching theoretical and practical importance. In addition to deal characteristics, firm characteristics, managerial effects, and environmental factors that have been investigated earlier, recent M&A research has significantly advanced our understanding of acquisition-performance relationships by examining numerous new moderators including how acquirers address information asymmetry with investors around announcements of acquisitions, post-acquisition integration processes, acquirers' board of directors, target characteristics, and acquisition process. While we have made significant progress in adding the knowledge of post-acquisition performance, we call for a great deal of efforts in the future to advance the research not only into the post-acquisition performance of domestic acquisitions but also that of more complex cross-border acquisitions because firms have been increasingly competing beyond their national borders through cross-border acquisitions (Huang, Zhu, & Brass, 2016).

M&A research has shown that transactions not only affect acquirers' financial performance but also affect other important aspects of the combined firms including acquired targets, innovation outcomes, and other outcomes such as wealth distribution between acquirers and targets. We propose these outcomes could be the mechanisms through which acquisitions could affect post-acquisition financial performance. It is worth for future research to investigate these important mechanisms and thus complete our causal relationship understandings of post-acquisition performance of both domestic and cross-border M&As.

A review of Chinese M&A research

Below, based on an analysis of the sampled 19 articles on Chinese firms' M&As, we have identified the antecedents and moderators of acquisition-performance relationships relevant to Chinese firms' M&As, as shown in Table 1. Because Chinese M&A research is burgeoning, research has not provided a comprehensive understanding of antecedents and moderators. However, among these antecedents and moderators, a few factors reflect essential Chinese characteristics. We will integrate research on Chinese M&As and propose new insights gained from Chinese M&A research in the integration subsection. These articles have examined domestic Chinese M&As, Chinese firms' cross-border M&As, and foreign firms' acquisitions of Chinese firms, as shown in Table 1. The 19 sampled articles include 13 empirical studies and 6 non-empirical articles, as listed in Table 1.

Antecedents: Why do Chinese firms acquire?

Scholars have examined numerous antecedents of Chinese M&As, categorizing them into value creation in strategic M&As, firm characteristics, environmental factors, and top leadership. Although these categories are the same as those identified in general M&A research, some specific antecedents are different, as set forth below. Due diligence is an unique antecedent identified in Chinese M&A research.

Value creation in strategic M&As

A large percentage of the 19 sampled articles (11 articles) have examined cross-border M&As of Chinese firms. Those articles discuss what drives Chinese firms—perceived as competitively disadvantaged in terms of their resources, capabilities, technologies and viewed as low-cost, low-quality product providers—to begin to acquire firms outside of China, particularly in developed countries (Lin, Peng, Yang, & Sun, 2009). The strategic goals of Chinese firms' cross-border M&As across different stages of institutional transition in China are detailed below.

In the 1990s, China anticipated great economic development that would call for the consumptions of natural resources. State-owned enterprises assumed the responsibility of purchasing natural resources outside of China through M&As (Jongwanich, Brooks, & Kohpaiboon, 2013; Sethi, 2009). For example, China National Offshore Oil Corporation (CNOOC) conducted eight cross-border acquisitions between 2002 and 2006 to purchase oil and gas natural resources outside of China. CNOOC intended to acquire Unocal in 2005 by offering 18.5 billion USD, but failed. Unlike the antecedents identified in general research, natural resources are a unique strategic motivation for Chinese acquirers.

In the 2000s, one of China's national public policies is to transform from "manufacturer" to "innovator." Chinese firms desire advanced technologies that developed-country firms often possess to catch up and become technologically competitive in the global market (Deng, 2009; Jongwanich et al., 2013; Kumar, 2009; Mutlu, Zhan, Peng, & Lin, 2015; Rui & Yip, 2008; Sethi, 2009; Stucchi, 2012; Zhou, Witteloostuijn, & Zhang, 2014). Zhou et al. (2014) have studied a sample of 512 Chinese overseas acquisition deals across 36 industries in 60 countries from 2003 to 2008, finding that Chinese firms in industries with higher levels of technology intensity are more likely to acquire foreign firms to access advanced technologies compared to firms in labor-intensive industries. Chinese firms have also purchased developed-country firms for their global distribution networks, managerial competences and brand. For example, Chinese PC producer Lenovo acquired IBM's PC division in 2004 to access not only the advanced technology needed to produce the Thinkpad for high-end consumers but also IBM's prestigious enterprise customers, global distribution channels, and brand (Li & Xu, 2010; Rui & Yip, 2008). These strategic motivations are similarly identified in general research.

By analyzing three Chinese firms' (Lenovo, Huawei, and Nanjing automobile group) cross-border M&As, Rui and Yip (2008) have suggested that in addition to accessing strategic assets, Chinese firms tend to exploit competitive advantages in cost, technology, entrepreneurial, and managerial expertise by acquiring firms outside of China and to both capitalize on institutional incentives (government support) and avoid institutional constraints in China.

Firm characteristics

Addressing Chinese firms' liabilities of newness and foreignness outside of China, Rabbiosi, Elia, and Bertoni (2012) have found that Chinese firms' international acquisition experience could help resolve this issue and facilitate cross-border M&As. Whereas most studies focus on Chinese firms' disadvantages in cross-border M&As, Sun, Peng, Ren, and Yan (2012) have identified five comparative-ownership advantages of Chinese firms that facilitate their cross-border M&A behaviors between 2000 and 2008. These attributes are Chinese firms' strong productivity in manufacturing sectors, dynamic learning through their targets in economically advanced countries/ regions in Asia, the need for natural resources, friendly orientation toward targets, and national support. Contractor et al. (2014) have found that industrial relatedness between acquirers and targets affect the choice of majority/minority cross-border acquisition decisions. Regarding domestic M&As, Lin et al. (2009) have found that Chinese acquirers' structural hole positions and exploitation and exploration learning from alliance partners drive their domestic M&As in a manner that is different from domestic M&As by US firms (Yang et al., 2011).

Environmental factors

Deng's (2009) case analyses of cross-border M&As by three Chinese multinational companies (TCL, Lenovo, and BOE) have revealed that the unique Chinese institutional environment enables Chinese firms to increasingly engage in cross-border M&As to access strategic assets and thus to address their competitive disadvantages. Rabbiosi et al. (2012) have found that home-country institutional environments such as market sophistication and knowledge-based resources in China tend to help reduce the liability of foreignness and facilitate the acquisition of targets in developed countries. Home-country financial market development is also found to facilitate Chinese firms' cross-border M&As (Jongwanich et al., 2013).

In addition to driving cross-border M&As, institutional environments affect Chinese firms' domestic acquisition decisions (Lin et al., 2009; Yang et al., 2011). Li and Qian (2013) have found that both various levels of local institutional development in China and CEOs' political agendas tend to facilitate or deter the completion of M&As in China.

In explaining Chinese firms' cross-border M&As, scholars have also examined the institutional distance between home and host countries, institutional imitation, and industry-level factors. In addition to home-country institutional environments, institutional distance and uncertainty avoidance cultural value distance between home and host countries are found to affect the choice of majority/minority cross-border acquisition decisions (Contractor et al., 2014). Adopting institutional theory, Yang and Hyland (2012) have found that Chinese firms tend to imitate other firms to initiate similar cross-border M&As in terms of product relatedness and the location of target firms in a study analyzing 1580 Chinese firms' cross-border M&As between 1985 and 2006. Zhou et al. (2014) have examined how industry-level factors influence Chinese firms' cross-border M&As. By analyzing 512 Chinese overseas M&As across 36 industries in 60 countries from 2003 to 2008, Zhou et al. (2014) have found that compared with firms in labor-intensive industries, firms in industries with higher levels of technology intensity are more likely to acquire foreign firms. The finding implied that Chinese firms largely access technologies through cross-border M&As.

Top leadership

In cross-border M&As of Chinese firms, Hope, Thomas, and Vyas (2011) have found that national pride is a unique characteristic of Chinese CEOs that drives these cross-border transactions. Chinese CEOs are shown to pay higher premium than their developed-economy counterparts for targets in developed economies (Hope et al., 2011, Lebedev et al., 2015).

Due diligence

Peng (2006) has proposed that foreign firms need to exercise due diligence in acquiring SOEs in China to "uncover an accurate picture" of Chinese firms' assets and resources because Chinese firms maintain three sets of books for various purposes.

The moderators of the Chinese acquisition-performance relationship

Whereas scholars have paid a great deal of attention to what drives Chinese M&As, particularly cross-border M&As, they have also become interested in both the financial outcomes of Chinese M&As and the moderators of the Chinese acquisition-performance relationship. Although these moderators are categorized in the same categories, including deal characteristics, firm characteristics, post-acquisition integration, and information asymmetry between investors and acquirers, as shown in general M&A research, the specific moderators largely reflect Chinese characteristics that are different from those found in general M&A research.

Deal characteristics

One of the unique characteristics of Chinese institutional environments is that institutional development and local cultures vary across provinces (Fan & Wang, 2001; Gong, Chow, & Ahlstrom, 2011). In particular, provincial protectionism has been found to be a hurdle for M&As in China (Poncet, 2005; Wang, 2004). Chi et al. (2011) have found that acquiring firms could create value from cross-provincial M&As.

Firm characteristics

Chi, Sun, and Young (2011) have analyzed Chinese listed firms' M&As between 1998 and 2003, finding that during that period, Chinese firms largely gained value from M&As six months before and on the dates of announcements but did not gain value six months later. Their study has also revealed that listed firms with political advantages and better corporate governance tend to gain value from M&As, whereas firms with economic advantages do not. In contrast, Chen and Young (2010) have found that *i*nvestors react negatively to cross-border M&As of Chinese firms that have political advantages (government ownership). From 2000 to 2008, investors were skeptical of the value creation of such deals (Chen & Young, 2010).

Information asymmetry between investors and acquirers

Scholars have been interested in how investors react to foreign firms' acquisitions of Chinese firms. Eije and Wiegerinck (2010) have found that investors in European Union firms react positively to their acquisitions of Chinese firms between 1997 and 2008 because EU firms could access new markets and lower costs of capital through Chinese firms and EU firms have more bargaining power over distressed Chinese firms. Knoerich's (2010) case analyses of a German firm's willingness to sell to Chinese acquirers confirmed Eije and Wiegerinck's (2010) finding that Chinese acquirers could bring Chinese markets and financial capital to help German firms grow and create value.

In domestic Chinese M&A markets, Gaur, Malhotra, and Zhu (2013) have found that from 1993 to 2008, investors reacted positively to Chinese acquirers' rivals when those Chinese acquirers announced an M&A deal that signaled the industry's future growth potential.

Post-acquisition integration

Research has examined how foreign firms integrate with Chinese targets after acquisitions (Meyer & Tran, 2006; Peng, 2006). Because an increasing number of foreign firms enter Chinese markets through M&As, scholars have begun to analyze such cases and propose theories about how foreign firms integrate with Chinese firms and thus achieve post-acquisition value creation. Meyer and Tran (2006) have analyzed the case of Carlsberg breweries, finding that the company used a local brand strategy in Western China and a global brand strategy in the coastal area. Peng (2006) has proposed that foreign firms are more likely to gain value from acquiring Chinese SOEs with slack resources and to hire non-ethical Chinese to manage acquired Chinese firms.

Integration and propositions of Chinese M&As

Our review of Chinese M&A research revealed numerous antecedents of Chinese M&As and moderators of acquisition-performance relationships. Most of these antecedents and moderators reflect characteristics of Chinese M&As. We integrate the research on Chinese M&As and advocate new insights gained from Chinese M&A research through the propositions detailed below.

Antecedents

Based on existing Chinese M&A research, we highlight three unique Chinese characteristic antecedents, including comparative ownership advantages (Eije & Wiegerinck, 2010; Sun et al., 2012), international acquisition experience (Rabbiosi et al., 2012), and institutional motives (Sun et al., 2012). These antecedents have driven Chinese firms' M&A decisions and foreign firms' decisions to acquire Chinese firms; they will continue to facilitate M&As both inside and outside of China in the years to come.

Chinese firms' comparative ownership advantages include financial capital, access to Chinese markets, cost advantages, and technologies. Because of the 2007 financial crisis, some developed-country firms have been suffering from financial constraints to further develop their technologies, thus making Chinese acquirers with financial capital attractive buyers. Armed with rich financial capital, Chinese firms are more likely to undertake expensive cross-border M&As to grow quickly and achieve competitive advantage in dynamic global competition. These Chinese firms are also financially able to purchase other Chinese firms to increase their market shares and strengthen their competitive advantage in Chinese markets. In the face of fierce global competition, foreign firms often find it very difficult and time-consuming to enter Chinese markets (Eije & Wiegerinck, 2010). Foreign firms are more willing to be acquired by Chinese firms that have advantages in accessing Chinese markets For example, in February 2015 Chinese Forsun International Limited acquired Club Med, a French vacation-resort corporation, and this cross-border M&A quickly linked Club Med to booming Chinese markets.

Although it is widely accepted that Chinese firms' internationalization through exports benefits from low-cost advantages, low-cost advantages have also driven Chinese firms to acquire targets outside of China, including firms in both developing economies and in developed countries. Currently, production costs are much higher in developed countries, leading manufacturing firms in those countries to suffer from a competitive disadvantage in global competition. For a few years prior to 2004, IBM's PC division had been losing money because of high production costs. Lenovo had cost advantages and decided to purchase IBM's PC division in 2004 not only because IBM's PC division could provide advanced technologies, global distribution channels and brands but also because Lenovo could significantly reduce the costs of PC production (Li & Xu, 2010). Although Chinese firms' increasing quest for advanced technologies in developed countries has attracted a substantial amount of attention, research has shown that Chinese firms have been building their technologies and strengthening their technologies. It is thus expected that technological advantages will tend to drive Chinese firms to acquire both inside and outside of China to capitalize on technologies in larger markets.

Proposition 1 The comparative advantages of Chinese acquirers are positively related to the likelihood of their domestic and cross-border M&As.

M&As are very complicated transactions that include the firms' strategic goals, target selection, negotiations about transaction price, payment type, key personnel arrangements after transactions, deal announcements, deal completion, post-acquisition integration and value creation. This complicated transaction involves numerous stakeholders, including acquirers, targets, investment banks, accountants, and lawyers; stakeholders play key roles in various stages of the transactions. However, as discussed earlier, Chinese firms encounter substantial liabilities of newness in M&A markets. Although M&As have been a popular strategy for US firms for more than 100 years, Chinese firms began to adopt M&As in 1980s and M&As have become a popular strategy only in recent years. In cross-border M&As, Chinese firms encounter another great hurdle because of their liabilities of foreignness in international markets, as shown by the great failure of TCL's acquisition of French Thomson in 2004. As implied by Chinese M&A research (Rabbiosi et al., 2012), Chinese firms with acquisition experience are more likely to undertake complicated M&A transactions. We thus propose the following:

Proposition 2a The acquisition experiences of Chinese firms are positively related to the likelihood of Chinese firms' domestic and cross-border M&As.

Proposition 2b The international acquisition experiences of Chinese firms are positively related to the likelihood of Chinese firms' domestic and cross-border M&As.

It has been widely accepted that institutional environments in China are still developing (Sun et al., 2012) and the development of institutional environments in China varies across provinces (Chan, Makino, & Isobe, 2010; Fan & Wang, 2001). As a result, institutional deficiency tends to drive Chinese firms to perform domestic acquisitions either to expand into countries with better institutions through cross-border M&As or to expand into provinces with better institutional development (Rui & Yip, 2008). Chinese firms' domestic and cross-border M&As are further driven by supportive government policies. Chinese governments have been encouraging Chinese firms to adopt M&As in domestic markets to reduce overcapacity, increase efficiency and build up a few competitive firms in some industries (The State Council of the People's Republic of China, 2010). Chinese governments also encourage Chinese firms to expand into the global market through cross-border M&As by making it easier for firms to access financial capital, etc. (China Banking Regulatory Commission, 2015). Therefore, we propose the following:

Proposition 3 Institutional incentives and constraints in China are positively related to the likelihood of Chinese firms' domestic and cross-border M&As.

Moderators of acquisition-performance

Our review revealed two key moderators of Chinese acquisition-performance relationship. These moderators are due diligence and political advantage/government ownership. A thorough due diligence process includes a team of experts to carefully examine targets' finance, operations, management, human capital, technologies, and intellectual property (Hitt et al., 2001). Peng (2006) has emphasized that foreign firms need to do due diligence when they acquire Chinese SOEs to uncover an accurate picture of assets, slack resources, and liabilities. Accordingly, foreign firms are likely to access valuable Chinese firms that help them to create value after acquisitions in Chinese markets.

Extending Peng's (2006) arguments, we propose that due diligence is particularly important for Chinese firms to gain value from domestic and cross-border M&As. Chinese firms, which often lack acquisition and internationalization experience, need to be more careful in target selection because potential targets have incentives to hide negative information and exaggerate positive aspects to increase selling prices. The primary purposes of due diligence are to help acquirers identify whether targets have valuable resources and capabilities and to identify problems and risks that targets prefer to hide from potential acquirers. For example, because of the thorough due diligence conducted by Lenovo before the acquisition of IBM PC division, Lenovo identified a deficiency in IBM's Thinkpad product and saved millions of dollars on the deal (Li & Xu, 2010). Therefore, we propose the following:

Proposition 4 Due diligence conducted by Chinese acquirers is positively related to the performance of Chinese firms' domestic and cross-border M&As.

Another key moderator is political advantage/government ownership. Interestingly, the effects of this moderator are found to be opposite in two studies that examine Chinese firms' domestic and cross-border M&As (Chen & Young, 2010; Chi, Sun, & Young 2011). Chi et al.'s (2011) study is based on domestic acquisitions during 1998–2003 and Chen and Young (2010) have analyzed the cross-border acquisitions of Chinese firms between 2000 and 2008. As a result of our comparison of these two studies, we suggest that political advantages/government ownership could help firms access quality resources in domestic markets in the early stage of institutional transition in China. However, as China continues its institutional transition/development, Chinese acquirers may become less able to benefit from their political connections/government ownership in their domestic acquisitions.

Regarding cross-border M&As, investors tend to become skeptical of cross-border acquisitions largely conducted by SOEs because the CEOs of SOEs are found not to maximize firm value in their cross-border acquisitions but instead to pay extremely high premiums to complete their cross-border acquisitions and thus to show their national pride (Hope et al., 2011). However, as institutional transition continues in China, it is expected that Chinese firms' cross-border M&As will largely aim to increase firms' competitiveness and maximize firm value in the global market. Therefore, we propose the following:

Proposition 5a Government ownership/political advantage of Chinese acquirers is positively related to the performance of Chinese firms' domestic M&As, and this positive relationship becomes weaker as institutional transition/development in China continues.

Proposition 5b Government ownership/political advantage of Chinese acquirers is negatively related to the performance of Chinese firms' cross-border M&As, and this negative relationship becomes weaker or turns to be positive as institutional transition/development in China continues.

Future research directions on Chinese M&As

As a result of this thorough review of general M&A research and Chinese M&A research, it is clear that research on Chinese M&As lags significantly and that many research gaps need to be fulfilled, as shown in Table 1. This is one direction of future Chinese M&A research. The other direction is to incorporate a few key Chinese characteristics that have not been acknowledged. We call for future research in these two directions.

A comparison of Chinese M&A research and general M&A research

Broadly speaking, like general M&A research, Chinese M&A research has examined the antecedents of M&A behaviors and the moderators of acquisition-performance relationships. Chinese M&A research has identified a few antecedents of M&A behaviors similar to those identified by general M&A research. However, numerous important antecedents identified in general M&A research have seldom been examined in Chinese M&As. These important antecedents include M&A motivations (strategic versus financial M&As), managerial self-interest (value destruction), top leadership (board of directors, owners, corporate governance), target characteristics, and the dyadic relationship between acquirers and targets (information asymmetry).

Research needs to investigate whether these antecedents similarly drive Chinese M&As and/or how these antecedents drive Chinese M&As differently. It is very likely that these antecedents drive Chinese M&As to various degrees and in varying ways. For instance, with respect to M&A motivations, private equities such as KKR are financial investors in their M&A transactions (Kelly, 2013). Private equities involved in Chinese M&As may serve the roles of both financial investors and strategic investors. Three prominent private equity firms, including Texas Pacific Group, General Atlantic, and New Bridge Capital LLC, were involved in Lenovo's 2004 acquisition of IBM's PC division. These private equity firms not only were concerned about their short-term financial returns but also played a prominent role in facilitating the post-acquisition integration between Lenovo and IBM's PC division by serving as directors of the combined firms, offering their advice and resources for a long period of time after the acquisition (Li & Xu, 2010). President Liu Chuanzhi commented that these private equities are one of the key factors leading to the success of this cross-border M&A.

Whereas managerial effects, target characteristics, post-acquisition integration processes, and environmental factors have been demonstrated to affect post-acquisition performance, it is necessary to determine how these moderators affect Chinese M&As' post-acquisition performance. Further, Chinese acquisition process moderators and non-financial outcomes of Chinese M&As represent two important research streams in M&A research that have not been studies in Chinese M&A research. Chinese M&A research is also expected to incorporate Chinese characteristics and related conditions such as provincial protectionism and idiosyncratic decision making and corporate governance rules, for example, in answering these two key research questions (Ahlstrom, Lamond, & Ding, 2009; Young, Peng, Ahlstrom, Bruton, & Jiang, 2008).

Overall, it is clear that there are numerous research gaps that future Chinese M&A research needs to fulfill. It is also important to note that investigating these antecedents and moderators in Chinese M&As is not a simple replication in the context of Chinese M&As but instead may require a differentiated theorization in cases that call for various characteristics of Chinese M&As. We expect that such differentiated theorization could be generalized both to deepen our understanding of M&As and to offer grand theories of M&As. Unfortunately, most Chinese M&A research has not been published in top journals (Li, Li, Shu, & Zhou, 2015) except for two papers (Li & Qian, 2013; Lin et al., 2009); however, we foresee the future publication of Chinese M&A research in top journals as a result of their significant contributions to M&A theory.

Chinese M&A characteristics research

The literature review for Chinese M&As implies the uniqueness and importance of Chinese institutional environments, including local provincialism and government ownership affecting Chinese M&As (Peng, 2006). However, our understanding of Chinese institutional environments relevant to Chinese M&As is insufficient. Below we highlight four directions that are worth investigating.

First, as discussed above, Chinese governments have been promoting both domestic and cross-border M&As through various policies (China Banking Regulatory Commission, 2015; The State Council of the People's Republic of China, 2010). The government's goals are to solve some industries' overcapacity issues and to access strategic assets to advance technologies and become competitive in the global market. Compared with M&As in developed countries, we expect that institutional environments in China tend to have stronger effects in influencing Chinese firms' M&A decisions. In contrast, micro-level factors (firm characteristics and managerial characteristics) may explain a larger portion of the variance in developed-country firms' M&A decisions.

Second, Chinese markets are large but partially fragmented across provinces as a result of the considerations of local fiscal revenues, idiosyncratic regulations and even some differences of each province's dialects (Chan et al., 2010; Gong et al., 2011; Poncet, 2005). As a result, although acquirers expect to achieve economies of scale through M&As, this may not be the case in some industries, for example, the grocery industry. Whereas Wal-mart in the US can achieve scale and scope economies through M&As and thus increase its bargaining power over suppliers, retailers in China such as Vanguard might not be able to do so (Ip & Law, 2011; Poncet, 2005). Suppliers in China are fragmented in each province/region and thus national retailers must negotiate with each supplier in each province (Poncet, 2005; Wang, 2004). Moreover, institutional development and local cultures vary across provinces (Fan & Wang, 2001; Gong et al., 2011), which poses hurdles for post-acquisition integration and the creation of "one" entity. Thus, research into Chinese firms' domestic M&A needs to be cautious and to consider some industries' unique institutional hurdles. Extant research into developed-country M&As may have limited applicability to Chinese M&As given the regionalism of the Chinese market (Ahlstrom, Young, Nair, & Law, 2003).

Third, prior research on China has achieved a consensus that one of China's distinctive institutional facets is the important role that SOEs play in economic development and social stability. A few industries in China have been categorized as strategic industries and are solely operated by SOEs (Bruton et al., 2015). The other primary organizational form is private-owned enterprises (POEs). Although SOEs are endowed with rich resources including human capital, technology, financial capital, and legitimacy, over the past four decades POEs have strived to achieve legitimacy and to accumulate resources and capabilities (He, Zhu, & Lan, 2016b). Their different characteristics call for differentiated theorization of their M&As. For example, Chinese governments call for restructuring SOEs through mixed government and private ownership to increase efficiency and competitiveness (Bruton et al., 2015). In contrast, an increasing number of domestic acquisitions of POEs are trigged by market forces, including the desire for growth and financial investors' desire to exit. Given these distinctions, different theorization of M&As of each type of firm is needed.

Fourth, our literature review acknowledges that government ownership is a fairly unique characteristic of Chinese M&As. However, our existing research on M&As and restructurings of state-owned enterprises has been limited to the state ownership of listed firms. A substantial portion of the M&As and restructurings of state-owned enterprises are not undertaken in stock markets. The M&As and restructurings of such SOEs are undertaken through auctions in other key equity exchange centers, such as the Beijing equity trading center that is responsible for M&As and the restructuring of state-owned assets. One unique characteristic of this forum is that sellers have to provide their criteria to potential buyers, which must be Chinese SOEs. Furthermore, assets and enterprises can be freely transferred across SOEs in China. Although research into the M&As and restructurings of these SOEs in China is still scant, it has far-reaching theoretical and practical implications. Theoretically addressing research questions about what drives these M&As, how these SOEs acquire (or sell), what are the moderators of acquisition-performance relationships and outcomes such as profitability, productivity, and innovation of these M&As could entail different theories of M&As and their effects (Dunbar, 2014; Dunbar & Ahlstrom, 1995; Sirower, 1997). As a practical matter, it is important to understand whether and how these M&As and restructurings could create value for SOEs (Bruton et al., 2015).

Conclusion

This paper provides a review of the M&A research from 2009 in top journals in multiple disciplines including management, finance, accounting, and economics, along with a comprehensive review of M&As that involve Chinese firms. Consistent with prior M&A literature reviews (Haleblian et al., 2009; Lebedev et al., 2015), we have adopted an antecedents of acquisition behaviors, moderators of acquisitions and performance relationship theoretical framework.

Adopting this theoretical framework, our review clearly shows the research progress in general M&A research in 2009–2015 compared to prior research (Haleblian et al., 2009; Lebedev et al., 2015), the new insights gained from unique Chinese M&A research and the research gaps in Chinese M&A research compared with general research. We believe that prior research on M&As in developed countries could be generalized to Chinese firms' M&As to a certain extent. It is imperative for scholars to conduct the same types of studies in the Chinese context (Bruton, Ahlstrom, & Wan, 2003; Lin et al., 2009; Peng, 2006) or other emerging economies before generalizing (Lebedev et al., 2015; Meyer & Peng, 2016). It is also important to have a solid and rich

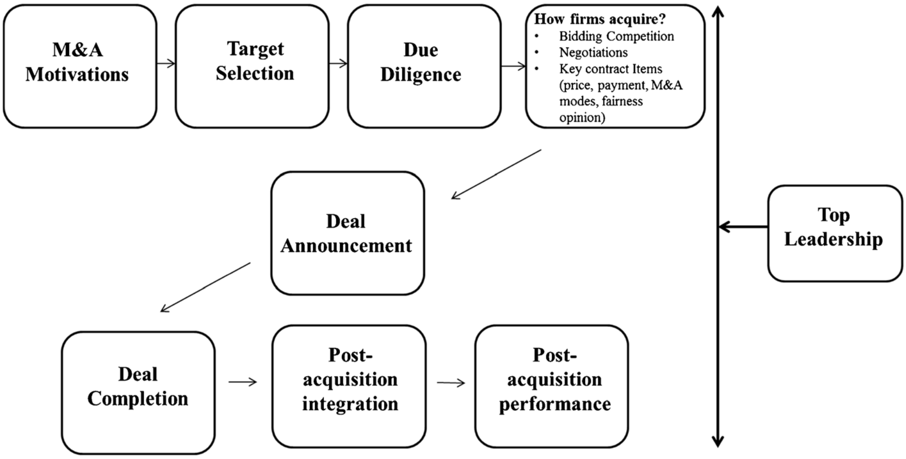

Fig. 2 A complete process of M&As

understanding of unique institutional environments in China (Hoskisson, Wright, Filatotchev, & Peng, 2013; Young, Tsai, Wang, Liu, & Ahlstrom, 2014). That understanding could help advance our knowledge of Chinese M&As. It is further expected that the theories developed in Chinese M&As could be generalized to contribute to the M&A literature (Ahlstrom, 2010; Carney, 2015). Our review also offers significant practical implications and guidance, as depicted in Fig. 2. Figure 2 shows that an M&A program is a very complex one that involves many steps starting from firms' motivations to engage in M&As, the critical first step to select an appropriate target, due diligence, negotiations among acquirers, acquired targets and advisors about key contract items including pricing and premium, payment methods, and so on, deal announcement, deal completion, and post-acquisition integration processes. Each step could exert significant influence on post-acquisition value creation. Each study reviewed in our article could be placed in each step of this complicated M&A program.

Overall, we offer rich future research opportunities related to Chinese M&As and call for differentiated theorization for Chinese M&As. Research into Chinese M&As is timely and important because Chinese firms are increasingly adopting M&As to compete in local markets and in the dynamic global market. Deepening our understanding of Chinese M&As will add value not only to Chinese firms but also to firms from every corner of the world that both compete and cooperate with Chinese firms.

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