Why does corporate social responsibility matter in cross-border M&A? Evidence from China

Xianmin Liu, Gulnur Muradoglu, Ni Peng

1. Motivations and Research Questions

- Cross-border M&As (CBMAs) attempted by China (the largest emerging market economies (EMEs)) have been rapidly increased in recent three decades
- The completion rate of Chinese CBMAs has long been lower than the global average (US) over decades
- Prior research on the CSR-M&A link has mainly focused on developed market bidders, but work on CBMAs is scarce, especially CBMAs by EMEs like China.

➢ Does CSR matter in CBMA by EMEs like China?
➢ What are the potential moderating effects on the CSR-CBMA link in the context of China?
➢ China: an excellent laboratory to test the two CSR theories and identify moderating effects under the special institutional setting

2. Literature and Hypotheses Development

Two competing theories on the relation between CSR and M&As (Deng et al., 2013)

- Stakeholder value maximization theory argues that CSR engagements with other stakeholders could exert positive impacts on shareholder wealth
- Shareholder expense theory regards the CSR investments in other stakeholders as the expense of shareholders.

3. Data and Methodology

- 883 CBMA attempts initiated by 548 Chinese A shares (2010-2018)
- RKS: 317 deals by 159 bidders in 12 industries
- Hexun: 833 deals by 508 bidders in 17 industries

- Targets in 64 economies (left); Targets in 74 economies (right)

4. Empirical Results

<table>
<thead>
<tr>
<th>Variables</th>
<th>OLS Duration</th>
<th>Cox Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR rank score (RKS)</td>
<td>0.577**</td>
<td>0.660**</td>
</tr>
<tr>
<td>CSR rank score (Hexun)</td>
<td>(-4.37)</td>
<td>(3.73)</td>
</tr>
<tr>
<td>Hazard ratio</td>
<td>1.78**</td>
<td>1.94**</td>
</tr>
</tbody>
</table>

Controls: Yes Yes Yes Yes Year and Industry FE Yes Yes Yes Yes Observations: 167 406 125 321 Adjusted R²: 0.285 0.213 0.100 0.033 LR chi square: 1517.697 12132.342 Maximum VIF: 3.82 2.57

5. Conclusions and Implications

- The implication for prospective bidders from less developed parts of the world is strong in encouraging them to increase their CSR engagement to reduce information asymmetries, and to realize good reputations, in the process of internationalization with CBMAs
- The implication for less developed country firms is that more transparent information disclosure would help SOEs toward internationalization and to realize better CBMA performance

Corresponding author: Xianmin Liu
xianmin.liu@qmul.ac.uk