INTERNATIONAL ACQUISITION STRATEGY OF EMERGING ECONOMIES: A STUDY ON CHINESE HOTEL COMPANIES

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International Acquisition Strategy of Emerging Economies: A Study on Chinese Hotel Companies

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ABSTRACT

In recent decades, internationalisation by companies based in emerging economies (EEs) has grown massively and has become an important engine for global economic growth (Deng & Yang, 2015; Khan, Rao-Nicholson, Akhtar, & He, 2017). Chinese companies have played an active role within the broad internationalization trend as they look for opportunities to expand abroad (Deng, 2012). A large number of Chinese hotel companies have made numerous international acquisitions in host countries such as the United States, France, Spain and Australia and completed several high-profile deals, such as Jin Jiang International Hotels Company's acquisition of Interstate Hotels and Resorts in 2009 and Fosun Tourism Group's acquisition of Club Méditerranée Resorts in 2015 (Bloomberg, 2017). Chinese hotel companies' international acquisition activity is a fruitful area for acquisition research even though empirical evidence is surprisingly sparse. The underlying driving forces, objectives, performance and the acquisition process, particularly the target selection and integration process, have rarely been studied. This study aims to examine the international acquisition process of companies based in EEs, using Chinese hotel companies as the research context.

Because this is an exploratory study, a qualitative approach was adopted. Twenty senior corporate executives with an average of 16 years of working experience were interviewed. Based on the results of the interviews, this study proposes a conceptual framework with three phases: (1) the pre-acquisition phase, which identifies the overseas and domestic environments faced by Chinese hotel companies and their acquisition objectives; (2) the actual acquisition phase, which encompasses target selection and integration and (3) the post-acquisition phase, which assesses the performance of the acquisition. In the pre-acquisition phase, several outstanding antecedents and objectives that are not found in the literature were identified, such as outbound tourists and consumption upgrade trends. This study finds, in the actual acquisition phase, that these unique antecedents and objectives caused distinctive target selection and integration approaches, such as the two "active" and "occasional" target selection approaches. In the post-acquisition phase, the performance is evaluated across various dimensions such as assets, brands, human resources, organisation structures and culture. The challenge of performance comes from institutional constraints, talent shortages and cultural conflicts caused by brand repositioning. The complete international acquisition process of the Chinese hotel companies reveals an interesting "small fish eats big fish" pattern. The findings of this study suggest that this process is not only influenced by acquisition types but also by EE conditions and hotel industry features. Moreover, this study reveals that various strategies for international acquisition are used by different types of Chinese hotel companies.

This study provides both theoretical and empirical contributions. From a theoretical perspective, this study expands the knowledge on internationalization and acquisition by proposing a more comprehensive conceptual framework for the international acquisition process and by linking this process with EE conditions, hotel industry features and acquisition types. From an empirical viewpoint, the findings provide valuable insights for various stakeholders, such as acquiring companies, particularly those of EEs, and acquired companies, such that they might better understand the issues and challenges throughout the acquisition process and thus adopt appropriate strategies.

Keywords: internationalization, international acquisition, acquisition strategy, emerging economies, Chinese hotel company

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For My Parents, Husband and Daughter

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CHAPTER I

INTRODUCTION

1.1 Background

1.1.1 Internationalization of Companies from Emerging Economies

The internationalization of companies from emerging economies (EEs) has advanced considerably in recent decades and has become an important engine for global economic growth (Deng & Yang, 2015; Khan, Rao-Nicholson, Akhtar, & He, 2017; Lebedev, Peng, Xie, & Stevens, 2015). EEs refer to countries or markets that broadly display three characteristics: low income, rapid growth and the use of economic liberalisation as their primary engine of growth (Arnold & Quelch, 1998, p. 7). Examples of EEs are Brazil, Russia, India and China (BRIC). Unlike the path of internationalization for companies from developed economies (DEs), such as the United States, Germany and Japan, companies based in EEs gain huge benefits from inward internationalization by participating in relevant business with global players. Global players from DEs transfer advanced technology and skills, thereby benefiting EE-based companies by enabling them to undertake outward internationalization.

Companies from EEs are commonly latecomers to global business. To accelerate their internationalization and rapidly catch up with the increasing global competition, they must find new ways to break into this advanced world (Borda, Geleilate, Newburry, & Kundu, 2017; Kalinic & Forza, 2012; Mathews, 2006). Shifting from exports to foreign direct investment (FDI) is an important step in the internationalization of EE-based companies. These companies' contribution to FDI outflows rose from 6.2% to 32% between 1980 and 2010 and reached USD752 billion in 2015 (UNCTAD, 2016a).

Much of the internationalization literature tends to use companies from DEs as the traditional unit of analysis (Axinn & Matthyssens, 2002). Recent studies have explored the motives of EE-based companies' internationalization, which include conventional motives such as seeking markets and resources. EE-based companies use outward investments as a springboard to acquire strategic assets to compete with global competitors and avoid their home country's institutional and market constrains (Luo & Tung, 2007). Gaur, Kumar, and Singh (2014) noted that EE-based companies affiliated with a business group exhibit unique institutional advantages and increased international experience; thus, these companies' technological and marketing resources are likely to shift from exports to FDI. The two aforementioned studies noted that conventional theories on internationalization adopted from DEs might not be applicable to EEs and called for new conceptual and empirical research in this area (Liu, Li, & Xue, 2011; Luo & Tung, 2007; Sethi, 2009).

New theoretical approaches such as the springboard perspective and the strategic intent perspective are widely used by numerous scholars to investigate the internationalization of EE-based companies (Deng, 2009; Marinov & Marinova, 2012; Wilinski, 2012). Studies have demonstrated that EE-based companies do not necessarily follow the traditional approach of internationalization due to the unique parameters, rationales and strengths they face when seeking to expand abroad (Luo & Tung, 2007). Given that latecomers require aggressive springboard strategies to rapidly catch up with the pace of companies based in DEs, EE-based companies prefer to adopt international acquisition as the primary entry mode to acquire strategic assets. Their acquisitions are predominantly based in DEs (Anderson & Sutherland, 2015; Child & Rodrigues, 2005; Kedia, Gaffney, & Clampit, 2012).

1.1.2 Hotel Companies' International Acquisition

Whether the internationalization of the hotel industry differs from that of the manufacturing industries is a matter of debate. By nature, the hotel industry is international (Litteljohn, 1985) and is considered the most international service sector. Moreover, each hotel group is distributed across numerous countries and controls a large number of hotels (Olsen & Merna, 1993). For example, Marriott International is the largest hotel group, with 30 brands and 7000 properties; its footprint covers five continents and 131 countries and territories (Hotels, 2019). The hotel industry has features that distinguish it from the manufacturing industry and other service industries. For instance, the hotel industry is highly competitive owing to its low-entry and high-exit barriers, and it is a capital-intensive industry, rather than a technology-intensive or research and development (R&D)–intensive industry, because of the fixed costs on land and buildings (Singal, 2015). The development of the hotel industry is closely related to the real estate industry. Hotels are regarded as a unique form of real estate investment because they act simultaneously as a real estate investment and an operating business (Bloom, 2010). Moreover, the brand is the core capacity of hotel companies because strong brand awareness can enable hotel customers to better visualise and understand the intangible hotel services (Singal, 2015).

In the past decade, many high-profile mergers and acquisitions (M&As) have occurred within the hotel industry, creating an M&A wave. For example, in 2016, Accor Hotels acquired Raffles, Fairmont and Swissotel to increase their market share in North America. In the same year, Marriott acquired Starwood, which made Marriott the largest international hotel chain. Chinese hotel companies have been active players in this acquisition wave. More than RMB15 billion was involved in Chinese hotel companies' international acquisitions in 2014, including HNA's acquisition of the NH Hotel Group, the Carlson Hotel Group and Red Lion Hotels and Jin Jiang's acquisition of Interstate and the Louvre Hotels Group (Travel Daily, 2015).

Unlike the manufacturing industry, the hotel industry is a largely underexplored field in terms of internationalization (Niewiadomski (2014, p. 48). Studies of hotel companies' internationalization have focused mainly on entry mode comparisons. Regarding international acquisition, limited studies have focused on objectives/motivation and performance, but the actual acquisition process, such as target selection and integration, has been largely ignored. Moreover, studies of hotel international acquisition have mostly been conducted in DEs, particularly in the United States. Only a few studies have investigated this topic in the context of EEs.

1.1.3 Chinese Companies' International Acquisitions

Chinese companies play an active role in the remarkable development of the broad internationalization trend as they look for opportunities to expand abroad (Deng, 2012). Mathews (2006) coined 'dragon multinational' to describe Chinese companies' successful internationalization to become leading companies in specific industries. Since the second half of 2008, the global economy has suffered a serious financial and economic crisis. As capital flows out, the economy experiences downside risks, particularly in traditional DEs, such as the United States and Europe (Shirai, 2009). In contrast, China has maintained a relatively high growth rate of 6.5% to 7%, and it has largely escaped the effects of financial crisis owing to its large domestic markets and effective economic policy (UNCTAD, 2016b). Compared to companies from other BRIC countries, companies from China exhibit a strong outward internationalization growth trend despite the financial crisis era (Li, Huang, & Song, 2017).

The Chinese companies' internationalization pace began to accelerate in the new century, particularly under the 'Go Global' and 'One Belt, One Road' policies, which were announced in 2001 and 2013, respectively. Like other EE-based companies, Chinese companies pursue FDI as their internationalization method (Peng, 2012). The Chinese companies' outward FDI increased dramatically from USD2.7 billion in 2002 to USD102.9 billion in 2014, an increase of nearly 38 times (Li et al., 2017). In particular, Chinese companies launched aggressive international acquisitions, along with FDI, to exploit the latecomer advantage (Deloitte, 2017). UNCTAD (2017) reported that Chinese outward FDI, driven by a surge of international acquisitions, surged by 44% to USD183 billion, making China the second-largest outward FDI country for the first time. The Chinese companies' international acquisition mainly targeted the manufacturing and service industries. Examples include Lenovo's acquisition of IBM's PC division in 2005, Geely's acquisition of Volvo in 2010 and Fosun's acquisition of Club Méditerranée in 2015 (UNCTAD, 2017).

According to PWC (2017), international acquisitions by Chinese companies increased significantly in 2016. Their volume of transactions increased by 142%, and the amount of transaction increased by 246% and reached USD221 billion, exceeding the total amount of international acquisitions by Chinese companies in the previous 4 years. Four characteristics were identified (PWC, 2017). First, private companies (POEs) dominated in the Chinese companies' international acquisitions. The number of transactions was three times that of the previous year, outpacing for the first time the total acquisition value of deals by state-owned companies (SOEs). Second, developed companies in Europe and the United States were the primary acquisition choices. Third, purchases of real estate properties and in the high-end consumption and entertainment sectors contributed to the international acquisition boom. Fourth, Chinese companies had a large amount of available investment capital for high-profile international acquisitions.

Certain studies have explored the objectives of the Chinese companies' international acquisitions and provided valuable insights. Regarding the underlying reasons of international acquisition, empirical studies have provided support for market-seeking objectives (Buckley et al., 2010; Hurst & Economy, 2011; Peng, 2012), resource-seeking objectives (Buckley et al., 2010; Deng, 2004) and technology-seeking and brand assets-seeking objectives (Child & Rodrigues, 2005). Other emerging objectives, such as brand-seeking and managerial hubris-seeking objectives, have also been identified (e.g., Wu and Ding (2009); Peng (2012)). Rui and Yip (2008) used a strategic intent perspective to reveal driving forces and objectives, such as obtaining strategic capabilities and exploiting unique ownership advantages while leveraging institutional incentives and reducing institutional constraints. The effects of institutional incentives and constraints have been mentioned multiple times, particularly in relation to SOEs, because SOEs can easily obtain governmental support in terms of financial and regulatory rules that facilitate acquisitions (Zhou, Lan, & Tang, 2016). At the same time, SOEs may have been influenced by administrative approval and the Chinese government's interventions (Child & Rodrigues, 2005; Luo, Xue, & Han, 2010). Research that considers the specific conditions of EEs is needed (Peter J Buckley et al., 2016; Cui & Jiang, 2009).

In general, Chinese companies exhibit inconsistent acquisition performance that results in either created value (Zhu & Moeller, 2016) or lost value (Xin & Commission, 2003) and in either long-term positive abnormal returns (Guixian, 2012) or negative returns (Zhu & Moeller, 2016). The acquisition performance varies owing to the differences in the acquiring companies' ownership (SOEs and POEs), target industry, assessment criteria and assessment duration (long or short term). Sun, Vinig, and Hosman (2017) indicated that SOEs demonstrate a lower stock performance than POEs, despite the former's better financing capacity. Chinese acquiring companies in the real estate sector have positive financial performance, whereas acquiring companies in the financial sector have negative performance (Zhu & Moeller, 2016). Numerous scholars have highlighted institutional effects on performance, including the institutional environment in host and home countries (Changqi & Ningling, 2010; Zhu & Moeller, 2016).

An M&A decision is a complex, time-consuming process that includes several sub-strategic decisions. Although studies have examined the objectives and performance of international acquisitions, few have focused on the actual acquisition process. However, the literature documents that the performance of international acquisitions has been affected by the acquisition process, particularly by the target selection and integration processes, which encompass the product relatedness of the acquiring and target companies (Seth, 1990) and the location of the target companies (Wu & Chen, 2001). Datta (1991) showed that organisational fit between the acquiring companies and the target companies has a significant impact on M&A performance. Acquiring companies must decide where to merge or acquire and how to realise the decision (Yang & Hyland, 2012). Moreover, achieving successful integration poses serious challenges to international acquisitions. One explanation for international acquisition failure lies in the difficulties of integration among cultures and management process structures (Quah & Young, 2005). Moreover, different assessment perspectives contribute to differences in performance. Studies of DEs largely devoted attention to short-term performance, that is, during the short period before and/or after the M&A announcement. The assessment perspective is limited to financial and accounting indicators, such as return on equity (ROE), return on assets (ROA) and stock price. Other performance indicators are unexplored. Strategic management schools call for a strategic assessment perspective, which considers the subjective perception of decision makers in examining whether acquisition performance achieves their objectives (Datta, 1991; Hunt, 1990). Hassan, Ghauri, and Mayrhofer (2018) argued that M&A performance can be assessed accurately by aligning it with the objectives defined by the acquiring company.

1.1.4 Chinese Hotel Companies' International Acquisitions

PWC (2017) revealed that the acquisition of real estate properties and in the high-end consumption and entertainment sectors contributed to the international acquisition boom. Among such acquisitions, the Chinese hotel companies' overwhelming acquisition of hotel properties and certain high-end hotel companies cannot be ignored. Almost half of the FDI deals announced and completed in 2016 covered the tourism and hotel sectors (Horwath, 2016).

In 2015, China's outward tourism investment grew robustly, and annual investment reached RMB1 trillion for the first time in history, with 42% year-on-year growth (Gu, Huang, & Jia, 2016). The substantial increase in FDI in the tourism and hotel sectors has been stimulated by growing outbound tourism and the 'One Belt, One Road' policy incentives (Li et al., 2017). In 2016, more than 122 million Chinese citizens travelled abroad, with a USD109.8 billion expenditure (CNTA, 2016). The 'One Belt, One Road' policy triggered enormous growth in China's FDI in many sectors and brought great opportunities for China's tourism cooperation with countries along the Belt and Road area (Yu, 2017).

The Chinese hotel industry is highly dependent on government policy and particularly influenced by foreign policy. When the 'Open Door' policy was announced after 1978, the Chinese hotel industry experienced fundamental changes that turned shortage into overprovision. Meanwhile, a growing number of foreign hotel chains entered the Chinese market in this period. Chinese hotel companies experienced the benefits of inward-internationalization, such as learning outstanding managerial knowledge and improving the productivity and efficiency of the market, but they suffered from the consequences of increased competition (Yu & Gu, 2005). CNTA (2018) mentioned that at the end of 2018, China had 10,375 hotels, with an average daily rate (ADR) and an occupancy rate that indicated a downward trend. Gu, Ryan, and Yu (2012) demonstrated that under such circumstances, Chinese hotel companies were moving from fragmentation to a certain degree of consolidation and restructuring to deal with the increasing external and internal pressures. The other response was to expand beyond China's national borders to seek new opportunities and thereby gain a competitive advantage (Gu et al., 2012).

In the past few years, a large number of Chinese hotel companies – as evidenced by Plateno Group's contractual agreements with 30 hotels in Indonesia in 2011, HK CTS's contractual management of a five-star hotel in the Republic of Guinea in 2014 and China Lodging Group's strategic alliance with Accor Hotels in 2014 – started their internationalization pace via the multiple-entry mode (Meadin, 2014). Most Chinese hotel companies preferred, in addition to the non-equity entry mode, international acquisitions to expand into DEs such as the United States, France, Spain and Australia. Since the first acquisition launched by Jin Jiang in 2009, around 30 transactions were completed by the end of 2018, with several eye-catching acquisition cases such as the Fosun Tourism Group's acquisition of Club Méditerranée Resorts and Jin Jiang's acquisition of the Louvre Hotels Group in 2015. Unlike Western hotel companies that mainly adopted the non-equity mode (e.g., contractual management) as their primary internationalization entry mode, Chinese hotel companies chose a different route by relying heavily on the equity mode, particularly via international acquisitions. The underlying reasons, outcomes and the actual acquisition process behind this choice are unclear. Few studies have addressed this issue. Moreover, these studies are either descriptive study or single case studies rather than comprehensive and systematic investigations. A comprehensive and process-perspective empirical study is needed.

1.2 Problem Statement

The following five research gaps have been identified. **First**, the existing internationalization theoretical paradigms are orientated towards DEs, and their applicability to EEs is challenged. Although a few new theoretical concepts for companies engaged in EE internationalization have emerged, including the springboard perspective, whether these new concepts can explain the internationalization of EE-based companies has not yet been thoroughly studied. **Second**, companies' internationalization in the service industry, which is specific to the entry mode choice, differs from internationalization in the manufacturing industry. To enter a new market, DE-based hotel companies mostly adopt management contracts or franchising. However, hotel companies based in EEs mainly use a different expansion route. Most Chinese hotel companies prefer international acquisition as their primary entry mode. Despite the known high failure rate of this entry mode, the driving forces and objectives behind this choice have yet to be investigated. **Third**, most Chinese hotel companies have chosen companies in DEs as their acquisition targets despite great cultural and geographic distances. The reasons contributing to such target selections and specific target selection criteria and process have not been comprehensively examined. Moreover, whether the literature adequately describes the Chinese hotel companies' international acquisition target selection and whether EE conditions and hotel industry features influence such selection have not been explored. **Fourth**, given that the Chinese hotel companies' international acquisition activity is a new phenomenon, their performance has not yet been assessed. The existing assessment perspective on acquisition performance is limited to financial and accounting parameters. This study investigates whether these two assessment perspectives can fully explain the performance of Chinese hotel companies' international acquisitions. In addition, integration generally affects a company's acquisition performance, and most acquisitions fail due to poor integration. This study seeks to determine whether this argument is applicable to Chinese hotel companies. If so, this study aims to identify the process and factors that influence acquisition performance. **Fifth**, most studies have only examined acquisition performance from the choice perspective, which merely determines how independent factors influence performance. Few studies have used the process perspective, which comprehensively and synthetically considers the whole acquisition process and the various factors in each phase. Only Datta (1991) and Jemison and Sitkin (1986) used the process perspective. Determination of an effective acquisition process requires further examination.

1.3 Research Questions

To bridge the research gaps, this study addresses the following four research questions:

1. **Why** do Chinese hotel companies conduct international acquisitions?
2. **What** are the criteria, and **how** do Chinese hotel companies select the target company for international acquisition?
3. **What** aspects are considered, and **how** do these aspects work in Chinese hotel companies' post-acquisition integration?
4. **How** is the acquisition performance of Chinese hotel companies evaluated, and **what** are the influential factors?

1.4 Research Purpose and Objectives

As an EE, China is an ideal context in which to examine the issues discussed above, given that it is the largest EE in the world and Chinese hotel companies' international acquisitions are a growing trend. **This study examines the international acquisition process of companies based in EEs through the context of Chinese hotel companies**. This study has four research objectives:

1. to investigate the driving forces and objectives of Chinese hotel companies' international acquisitions;
2. to examine the target selection criteria and process of Chinese hotel companies' international acquisitions;
3. to investigate the integration strategies and process of Chinese hotel companies' international acquisitions; and
4. to explore the performance of Chinese hotel companies' international acquisitions and the influential factors.

1.5 Significance

This study aims to offer new insights into the internationalization of Chinese hotel companies. Its significance lies in its theoretical and empirical contributions. From a theoretical perspective, this study has the potential to create a new framework that facilitates understanding of the internationalization of EE-based companies, particularly the international acquisitions by Chinese hotel companies. From an empirical viewpoint, this study's findings have significant implications for service industry practitioners and other EE-based companies, particularly those in the Chinese hotel industry.

This study offers four theoretical contributions. **First**, using conventional theories and paradigms, this study investigates whether traditional theories and models generated from DEs, such as the resource-based view and the institutional-based view, are applicable to EEs by examining them in the context of the internationalization of Chinese hotel companies. Furthermore, this study examines whether emerging theories generated from the manufacturing or electronic industries of EEs, such as the springboard perspective and the strategic intent perspective, can explain Chinese hotel companies' international acquisition despite the unique nature of the hotel industry. **Second**, this study adds to the existing knowledge by exploring the international acquisition process from a comprehensive process perspective, rather than from an independent choice perspective. The comprehensive process perspective considers the antecedents and outcomes of international acquisition and focuses on the actual acquisition process, particularly the target selection and integration process. **Third**, this study sheds new light on performance assessment by using the strategic assessment perspective to evaluate acquisition performance.

In addition to the theoretical contributions, three empirical implications are provided. **First**, this study empirically contributes to the literature by offering insights into international acquisition and giving references to other Chinese hotel companies and EE-based companies that intend to take the same path in reaching their internationalization ambitions. **Second**, this study provides insights into governments in EEs and elaborates on the institutional benefits and constraints that can influence administrative regulations. **Third**, this study provides insights into acquiring companies, competitors and target companies to allow firms to make appropriate choices.

1.6 Thesis Organisation

This thesis is organised into six chapters. Chapter 1 provides background on the internationalization of companies in EEs, service industries and Chinese hotel companies' international acquisitions. This chapter identifies the research gaps, objectives and questions. The significance of the study and the definitions of the terms are also presented. Chapter 2 discusses relevant studies regarding internationalization theories, acquisitions in EEs and the hotel industry, along with other relevant works that examine acquisitions in the Chinese context. Chapter 3 describes the study's methods, data collection and analysis procedure. Chapter 4 presents the four aspects of the findings in response to the research questions, and Chapter 5 provides discussions. Finally, Chapter 6 concludes with theoretical implications, managerial implications, limitations and recommendations for future research.

1.7 Definitions of Terms

To assist in the clear interpretation of this study, the following definitions are provided.

Internationalization: This term refers to the process of adapting a company's operations strategy, structure and resources to the international environment to increase involvement in international operations (Welch & Luostarinen, 1988).

Merger and acquisition (M&A): A merger is a combination of two or more companies into one company (Beena, 2014). An acquisition is 'an attempt made by one firm to gain a majority interest in another firm' (Aurora, Shetty, & Kale, 2011, p. 92). The terms 'merger' and 'acquisition' are used interchangeably given that they share the same result – that is, one company is taken over by another (Agrawal, Jaffe, & Mandelker, 1992; Gaughan, 2010; Waight, 2002).

International acquisition: This term refers to acquisitions that are conducted between companies with headquarters in different countries (Hitt et al., 2007). In this study, it typically refers to the cross-border acquisition mode that is used when Chinese hotel companies seek to internationalise.

Target company selection: This term refers to the process of selecting a potential target company, based on selection criteria, from a list of choices.

Integration: This term is defined as 'the making of changes in the functional activity arrangement, organisational structures and systems and culture of combining organisations to facilitate their consolidation into a functioning whole' (Pablo, 1994, p. 806).

Strategic performance assessment perspective: In this study, performance is analysed in comparison with the original objectives behind the M&A. Specifically, the decision makers are asked whether the acquisition fulfilled their objectives.

Emerging economy: 'An emerging economy can be defined as a country that satisfies two criteria: a rapid pace of economic development, and government policies favouring economic liberalization and the adoption of a free-market system' (Arnold & Quelch, 1998, p. 7).

Chinese hotel companies: This term refers to companies that have hotel service as at least one of their main business sectors. Hotel service includes hotel management–oriented (HMO) companies and companies involved in the hotel sector through one business branch, including real estate–oriented (REO) companies and investment-oriented (IO) companies.

CHAPTER II

LITERATURE REVIEW

International acquisition is a complex topic that intersects two main fields of literature, namely, internationalization and M&A. This chapter explores these two main fields and two specific contexts, including topics ranging from internationalization theories, motivation and performance of internationalization, motivation and performance of acquisitions, acquisition process, internationalization, and M&A in EEs and hotel industries. In addition, international acquisition in the Chinese hotel industry is presented. Afterward, this chapter critiques existing literature and points out the limitations and future research directions.

2.1 Internationalization of Companies

2.1.1 Internationalization Theoretic Approach

The internationalization of companies has been a key issue in international business research. Although a lack of an agreed definition of internationalization is faced in the international business literature, internationalization is defined in economics as the process of companies' increasing involvement in international markets (Susman, 2007). Generally, internationalization captures the "expansion of the operating horizon of the company beyond the borders of the home nation" (Tallman & Yip, 2009, p. 312). Hoskisson, Wright, Filatotchev, and Peng (2013, p. 1310) believed that internationalization represents "corporate entrepreneurial activity involving the recognition and exploitation of opportunities in a foreign market" (p. 1310). Sanders and Carpenter (1998, p. 166) definition reflects a multi-dimensional process, which aligns with the concept of Tallman and Yip (2009) in claiming internationalization as "the extent to which the firm depends on foreign markets for customers, factors of production, and capacity to create value, and the geographic dispersion of such dependence." Evidently, discussing a "theory of internationalization" is difficult and requires clarification given that the term itself has not been clearly defined (Welch & Luostarinen, 1988).

Basing on previous explanation and considering companies' inward and outward movement, Welch and Luostarinen (1988) defined a broader concept of internationalization as "the process of increasing involvement in international operations." Numerous outstanding reviews have been subsequently conducted to synthesize the literature in this area (Aaby & Slater, 1989; Johanson & Vahlne, 1990; Melin, 1992). Calof and Beamish (1995, p. 116) defined internationalization as "the process of adapting a firm's operations strategy, structure, and resource to environments" (p. 116).

In spite of these attempts to define internationalization, a unified and widely accepted definition of this term remains elusive (Jiang, 2005; Melo, 2015).

Given the emphasis and analyzed angles, the internationalization of companies is traditionally studied through two mainstream perspectives: 1) classic perspective (Contractor, 2007; Dunning, 1988; Gaur et al., 2014; Zhang, Ma, Wang, Li, & Huo, 2016) and 2) emerging perspective (Luo & Tung, 2007; Rui & Yip, 2008). Specifically, the classic perspective covers the model or paradigms such as eclectic paradigm, resource-based view, institutional theory, transaction cost theory and Uppsala mode; emerging perspective includes springboard perspective and strategic intent perspective. **Table 2.1** summarizes the definitions and interpretation of internationalization.

Table 2.1 Classification of Internationalization Theories/Perspectives

Perspective	Model/Paradigm	Argument	Topics
Classic Perspective	Eclectic Paradigm/ OLI Model	A pattern of investment in foreign markets explained by rational economic analysis of internalization, ownership, and location advantages (Williamson, 1975; Dunning, 1988).	Motive
	Resource-based View	Acquiring bundles of resources via internationalization to improve competitiveness (Barney, 1991; Buckley et al., 2016a,b).	Motive Performance
	Institutional-based View	The effects of institutions in shaping companies' internationalization strategy (Cuervo-Cazurra, Luo, Ramamurti, & Ang, 2018).	Motive Performance
	Transaction Cost Theory	"…the process by which companies both increase their awareness of the direct and indirect influence of international transactions on their future, and establish and conduct transactions with other countries." (Beamish, 1990, p. 77)	Motive
	Uppsala Model/ Stage Model	On-going process of evolution whereby the company increases its international involvement as a function of increased knowledge and market commitment (Melin, 1992; Johanson & Vahlne, 1990)	Process
Emerging Perspective	Springboard Perspective	Companies based in EEs use international expansion as a springboard to acquire strategic resources and reduce their institutional and market constraint (Luo & Tung, 2007).	Motive
	Strategic Intent Perspective	Companies based in EEs take advantage of international acquisition to achieve strategic intent (Rui & Yip, 2008).	Motive

Source: *organized by author*

2.1.1.1 Eclectic Paradigm (OLI Model)

Eclectic paradigm, also known as the OLI model, was first put forward by Dunning in 1976. The author synthesized what others had done, including the internalization theory by Buckley (1976), Casson (1979), and Rugman (1980). Based on these theoretical contributions, Dunning offered a holistic framework to identify and evaluate the significance of factors that influence the initial act of foreign production by companies and the growth of such production (Dunning, 1980, 1988), which is the most used theory by international business scholars when trying to understand the companies' foreign expansion, including hotels (Dunning & McQueen, 1982; Xiao, Zhang, Pine, & Hua, 2014). The model argues that companies decide to internationalize if they have a competitive advantage over host country companies. The three different kinds of advantages are ownership, location, and internalization. Accordingly, ownership (company-specific) advantages relate to the company's unique assets, including know-how; location advantages relate to the company's access to resources in the host economy, such as human resources and host market attractiveness. Internalization advantages comprise the company's ability to choose an appropriate mode of entry to protect its knowledge (Ayazlar, 2015; Dunning, 1988; Narula, 2006; Niewiadomski, 2014). This approach attempts to analyze the "who," "where," and "why" of FDI activity in terms of ownership, location, and internalization advantages (OLI), with each group of factors acting interdependently (Mathews, 2006). In short, eclectic paradigm argues that companies decide to internationalize if they have a competitive advantage over host companies, if they have company specific assets (ownership advantages), if they can access resources in a host country with locational attractions (location advantages), and if they may organize their own production rather than producing through a partnership arrangement (internalization advantages) (Johnson & Vanetti, 2005).

2.1.1.2 Resource-based View

The resource based view (RBV) regards company as "a bundle of resources" (Penrose, 1959). RBV posits that resources are rare, valuable, and immobile across companies, whereas resources that are uneasy to imitate, including the tangible resources, e.g., assets and building, and intangible resources, e.g., capabilities, brand and knowledge, these internal resources, i.e., resources owned by the company, are main sources of competitive advantage for a companies (Barney, 1991). RBV emphasizes how companies learn capabilities and reconfigure their resources (Gankema, Snuif, & Zwart, 2000; Johanson & Vahlne, 1990) and considers international acquisition as a means by which companies can expand into foreign markets through exploring or exploiting resources (Wang, Hong, Kafouros, & Boateng, 2012). Given that resources are not easily transferred across companies, heterogeneity among companies occurs (Buckley, Munjal, Enderwick, & Forsans, 2016b). Peter J. Buckley et al. (2016b) and Anand and Delios (2002) argued that resources become increasingly important when a company launches international acquisition given that acquisitions commonly require high degree of resource commitment. Resources, particularly capability, are necessary through the acquisition process, i.e., from pre-acquisition to post-acquisition phases, because companies must take advantage of the internal resources to identify and select the acquisition target and deal with the integration issues between the acquiring and target companies (Peter J. Buckley et al., 2016b).

2.1.1.3 *Transaction Cost Theory*

The core concept of transaction cost theory (TCT) is the institutional organization of economic activities, which emphasizes the choice between markets and companies. The underlying assumption is that the choice is determined or influenced by the transaction cost within the companies and the markets; therefore, companies tend to adopt the most efficient way to internationalize (Axinn & Matthyssens, 2001; Hennart, 1982; Reid, 1983). Williamson (1970) integrated contract law theory with Coase (1937) groundwork on transactional cost. He pointed out that companies are more efficient than markets when they possess conditions such as: 1) great number of information, 2) a small number of engaged parties, and 3) uncertain conditions (Coase, 1937; Williamson, 1981, 1989).

TCT has been applied at three levels of analysis. First is the overall structure of the company (Williamson, 1981). Internationalization is the company's macro strategy. TCT properly emphasizes the institutional context wherein foreign expansion is conducted. Therefore, TCT has been used to explain how to understand internationalization (Anderson & Gatignon, 1986; Demirbag, Glaister, & Tatoglu, 2007; Erramilli & Rao, 1993).

2.1.1.4 *Uppsala Model/Stage Model*

Penrose (1959) stated that company internationalization is regarded as a process in which companies gradually increase their international involvement. This process involves the knowledge development in terms of foreign markets and operations as well as an increasing commitment of resources to foreign markets (Johanson & Vahlne, 1990). In this model, market commitment, market knowledge, commitment decision, and current activities are discussed regarding stage and change aspects of internationalization. Specifically, market knowledge and market commitment are assumed to affect decisions concerning resource commitment to foreign markets and the way current activities are performed. Current activities and commitment decisions affect the two aspects.

The internationalization stage model emphasizes the importance of experiential knowledge on internationalization (Barbosa, Rezende, & Versiani, 2014; Shearmur, Doloreux, & Laperrière, 2015). These authors argued that the lack of knowledge results in companies' slow-paced internationalization; therefore, these companies tend to choose countries with similar culture and close geographical proximity and initially use simple foreign operation modes, including direct exporting. Only after acquiring adequate knowledge that these companies can enter remote countries and adopt complicated entry modes, including FDI. The internationalization process is usually long, slow, and incremental, which is driven by knowledge acquisition (Madsen & Servais, 1997; Melén & Nordman, 2009).

2.1.1.5 Institutional-based View

Institutions provide the business rules of the game in an economy, which govern companies' economic behavior (Peng, Wang, & Jiang, 2008). Scott (1995) classified the three categories of the institutional environment as regulative, normative, and cognitive, but the regulative institutional environment seems most relevant to the cross-border acquisition with a significant influence on such decision making (Hernández & Nieto, 2015). The regulative institutional environment normally refers to laws, rules, regulations, and political and social configurations that exist in a society to determine the governance framework for political, economic, and legal transactions (Estrin, Meyer, Nielsen, & Nielsen, 2016).

Previous research reveals that the institutional differences rooted in cultural, legal, political, and social differences affect strategic decision making in certain countries and industries (Contractor, Lahiri, Elango, & Kundu, 2014; Deng & Yang, 2015). Institutional based view (IBV) suggests that companies must respond to and comply with various dimensions of the host countries' institutional environment to ensure subsequent business success and continued market survival (Contractor et al., 2014; Dikova, Sahib, & Van Witteloostuijn, 2010). In strategic management scope, the effects of institutions in shaping companies' internationalization strategy is initially transitioned economies and gradually extended to the study of EE-based companies (Cuervo-Cazurra et al., 2018). The institutions of EEs undergo a fundamental transition over the last decade, thereby profoundly affecting the companies' internationalization process. For instance, companies expand abroad to take advantage of institutional benefits or escape from institutional constraints (Estrin, Meyer, et al., 2016).

2.1.1.6 Springboard Perspective

Given that the theories discussed above are derived from DEs, their application to explain companies in EEs are challenged. Springboard perspective is one emerging approach to an overarching framework that analyzes the uniqueness of companies in EEs' internationalization, including the driving forces, objectives, activities, strategies, risks, and challenges faced during internationalization. Springboard perspective mainly argues that companies in EEs regard outbound investment, including international acquisition, as a "springboard" to acquire necessary strategic assets, to efficiently compete with global rivals, and to avoid institutional and market constraints at home country. Three international spring-boarding strategies contains three aspects such as: gaining benefits from inward internationalization prior to launching outward internationalization; adopting leapfrog trajectory; and cooperating with global players (Luo & Tung, 2007). Among these strategies, leapfrog is the most special strategy to distinguish with prevailing internationalization approaches. Given that companies in EEs are latecomers in global market, they should improve their internationalization pace to catch up with the global peers. Instead of gradual internationalization, from export to sale subsidiaries and manufacturing facilities, companies in EEs undertake a further aggressive way, for instance, international acquisition to leapfrog (Deloitte, 2017).

2.1.1.7 Strategic Intent Perspective

"Strategic intent" refers to an active and rational management process of focusing on future opportunities and long-term objectives for global leadership beyond short-term objectives (Hamel & Prahalad, 1989). Strategic intent is designed "to fulfil strategic aims set at the corporate level for the purpose of maximizing overall performance and to extend beyond setting up the most efficient affiliate in a single market" (Deng, 2004). "Strategic intent perspective" is established to explore EE-based companies' internationalization. For example, Rui and Yip (2008) adopted this approach to analyze international acquisition launched by Chinese companies and suggest that Chinese companies strategically adopt international acquisition to obtain strategic asset, such as strategic capability, for leveraging ownership advantage and offsetting competitive disadvantage.

2.1.2 Internationalization Motives, Entry Mode Choices, and Influential Factors

2.1.2.1 Motives

Rugman (1980) built upon internalization theory to construct a matrix that outlined company- and country-specific factors that affect companies' internationalization decisions. Combining this Rugman matrix with the OLI model, Dunning and Lundan (2008) classified motives for a company's internationalization into four categories: 1) market seeking, 2) resource seeking, 3) efficiency seeking, and 4) strategic asset seeking. The Dunning typology was devised during an era dominated by international expansion and thus describes companies from such DEs motivations (Canabal & White, 2008). Rugman (2010) criticizes this typology as misaligned and its fitness is imperfect. Dunning's analysis is based on the viewpoint of the host country, so his four motives regarding internationalization appear as reasons for FDI in a host economy (Moghaddam, Sethi, Weber, & Wu, 2014).

The reasons for internationalization have various names in the literature, including "initiating forces" (Aharoni, 1966), "motives or motivations" (Aulakh, 2007; Hutchinson, Alexander, Quinn, & Doherty, 2007), "triggering cues" (Wiedersheim-Paul, Olson, & Welch, 1978), "stimulating factors" (Leonidou, Katsikeas, Palihawadana, & Spyropoulou, 2007), "driving forces" (Forsgren, 2002) and "antecedents" (Vida & Fairhurst, 1998). These reasonal can be classified in several ways. One method is based on home country, host country and policy perspectives, which are described as "push" (home country), "pull" (host country), and "policy" factors (in both home and host countries), respectively (UNCTAD, 2006). "Push" factors refer to home country conditions that influence companies to move abroad and consist of four main types: market and trade conditions, costs of production (including constraints in factor inputs), local business conditions and government policies. These conditions are mirrored in "pull" factors, but are discussed in terms of host countries (UNCTAD, 2006). "Policy factors" focus on the relationship between the host and home countries, among which cultural distance has played a critical role in recent years (Dimitratos, Petrou, Plakoyiannaki, & Johnson, 2011; Malhotra, Sivakumar, & Zhu, 2011). Similar to Dunning's typology, UNCTAD (2006, pp. 161-163) classified companies' internationalization motives into four major categories: market-seeking, efficiency-seeking, resource-seeking and created asset-seeking. The majority of previous motives research focused primarily on companies from DEs (Aulakh, 2007; Boehe, 2016; Kumar, Mudambi, & Gray, 2013). However, several authors (Luo & Tung, 2007; Mathews, 2006) pointed out that companies based in EEs have a different approach to internationalization. Their motives indicate a different path, which are discussed in **Section 2.4**.

2.1.2.2 Entry Mode

Entry mode is widely accepted as "one of the core topics in international management research" (Slangen & Hennart, 2007, p. 404), ranking as the third most researched subject in international management, behind foreign direct investment and internationalization (Werner, 2002). As one of the key topics of internationalization, the choice of entry mode influences whether a company can fully control their foreign branches or has to share control with a partner. Moreover, once the entry mode is established, changing it in a short period is difficult. Therefore, entry mode has long-term consequences for the company (Morschett, Schramm-Klein, & Swoboda, 2010).

An entry mode can be defined as "a structural agreement that allows a firm to implement its product market strategy in a host country either by carrying out only the marketing operations (i.e., via export modes), or both production and marketing operations there by itself or in partnership with others (contractual modes, joint ventures, wholly owned operations)" (Sharma & Erramilli, 2004, p. 2). This decision concerns the choice among exporting, contractual modes, joint ventures, strategic alliances, greenfield investment and wholly-owned subsidiaries (Ji & Dimitratos, 2013). International entry mode research commenced with Hymer (1960), followed by others (Andersen, 1997; Kogut & Singh, 1988; Turnbull, 1985). After synthesis and with reference to other research, the numerous entry mode choices can be classified into three main schools (Pan & David, 2000).

The first school follows the internationalization stage model. The thought of expanding business overseas is risky; thus, expansion abroad tends to be slow and gradual. Hence, these companies believe that low resource commitment is a desirable mode to start, such as by exportation (Johanson & Vahlne, 1977, 1990). Subsequently, these companies set up foreign subsidiaries, then purchased greenfield investment or shares in existing locally operating companies as their major activities of internationalization (Marinov & Marinova, 2012).

The second school of thought derives from the transaction cost perspective. Following this theory, specific assets, the business subcontracting frequency and uncertainty surrounding the exchange of resources between the companies and the buyer represent the core dimensions of the transactions (Anderson & Gatignon, 1986). In this context, decision makers evaluate all modes at the same level, and the entry mode that can realize the lowest cost is considered as the best. If adopting external economic exchange, companies can perform at a lower cost and decision makers start the internalization process (Anderson & Gatignon, 1986).

The third school of thought is embedded in Dunning's OLI paradigm, suggesting that ownership, locational and internalization advantages influence a firm's choice of entry mode. Specifically, ownership advantages need to be sufficiently unique and sustainable to maintain a competitive advantage in the entry mode selection. Subsequently, internalization advantages emphasizes the cost of internal over an external mode operation (Andersen, 1997; Dunning, 1988). Locational advantages highlight the importance of location-specific factors (Pan & David, 2000).

In addition to the above classification, Pan and David (2000) classified entry mode into two categories on the basis of equity structure, namely, equity and non-equity (**Figure 2.1**). Within this context, equity-based modes include wholly owned operations and equity joint ventures, whereas non-equity-based modes include contractual agreements and exportation. Equity modes require a relatively higher level of control from company headquarters on account of their relatively larger commitment on investment. By contrast, non-equity entry modes require relatively lower control due to their less investment involvement (Canabal & White, 2008; Pan & David, 2000).

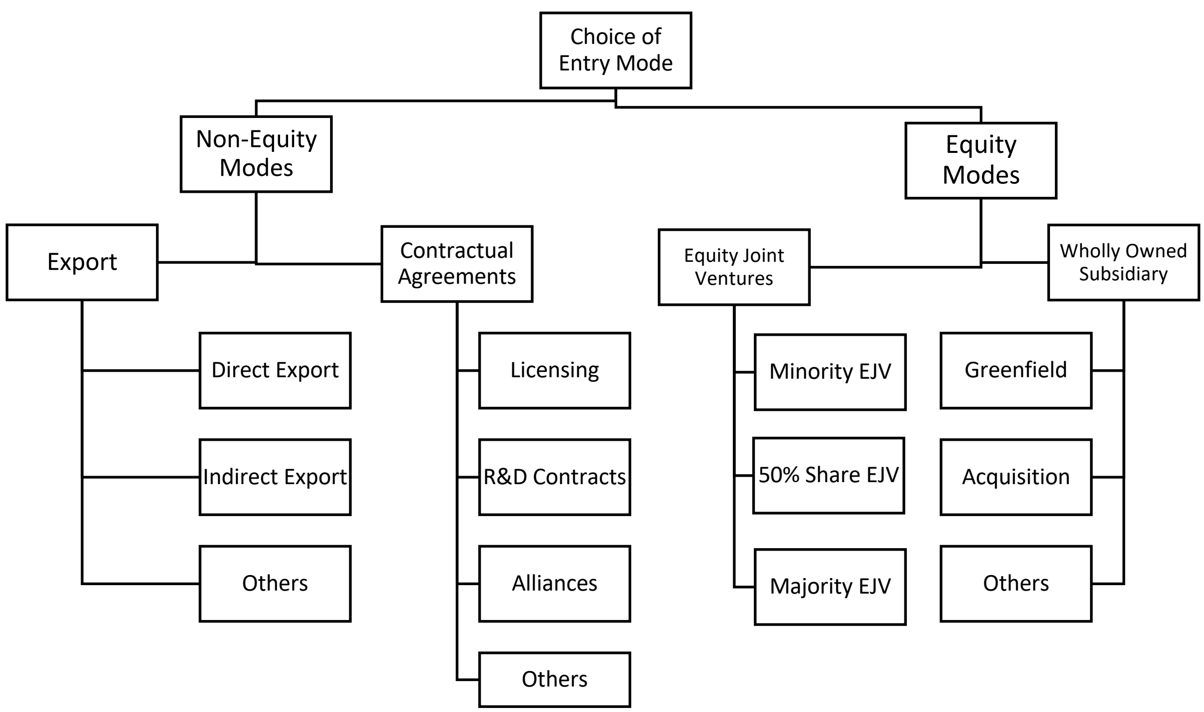


Figure 2.1 A Hierarchical Model of Entry Mode

Adapted from (Pan & David, 2000)

2.1.2.3 Influencing Factors on Entry Mode Choices

Factors that influence entry mode choices are generally divided into five categories of specific perspectives: 1) host country, 2) home country, 3) industry, 4) company, and 5) transaction/subsidiary (Brouthers & Hennart, 2007; Morschett et al., 2010; Sarkar & Cavusgil, 1996). The specific antecedent factors are listed in **Table 2.2**.

Table 2.2 Entry Mode Antecedent Factors

Perspectives	Antecedent Factors
Home country-specific perspectives	Institution, trade barriers, power distance, uncertainty avoidance tendency
Host country-specific perspectives	Market size, GDP, population, income level, culture distance, legal restrictions, foreign investment level, risk level, market growth potential, perceived market attractiveness, demand volatility, trade barriers, openness to FDI, industry concentration, land prices, degrees of internationalization, and urbanization at the site
Industry-specific perspectives	Industry nature, characteristics, development stage
Company-specific perspectives	Company size, company international experience, asset intangibility, CEO characteristics
Transaction/subsidiary-specific perspectives	Transaction cost, communication cost, agency cost

Adapted from (Altinay, 2005; Altinay & Javalgi, 2007; Canabal & White, 2008; Cieślik & Ryan, 2009).

As shown in **Table 2.2**, the choice of entry mode is determined not only by the specific characteristics of the host country, home country, and the company but also by the distinctive features of the specific industry. Previous research focuses mainly on the manufacturing industry, but interest on the service industry has recently grown (Boehe, 2016; Castaño, Méndez, & Galindo, 2016; Castellacci, 2010; Picot-Coupey, Burt, & Cliquet, 2014; Zhao & Olsen, 1997). Further studies are discussed in the following sections.

2.1.3 Performance of Internationalization

As one of the central issues in the international business literature, the relationship between company internationalization and performance (I–P) has been extensively studied (Chen, Hsu, & Chang, 2016; Lin, Liu, & Cheng, 2011; Mauri & Neiva de Figueiredo, 2012; Xiao, Jeong, Moon, Chung, & Chung, 2013). However, these efforts have produced inconsistent or even conflicting results. Earlier studies found positive (Goerzen & Beamish, 2003; Hsu & Pereira, 2008; Jeong, 2003; Pangarkar, 2008; Tallman & Li, 1996), negative (Gomes & Ramaswamy, 1999; Hitt, Hoskisson, & Kim, 1997; Stucchi, Pedersen, & Kumar, 2015), U-shaped (Capar & Kotabe, 2003; Ruigrok & Wagner, 2003; Thomas, 2006), inverted U-shaped (Assaf, Josiassen, Ratchford, & Barros, 2012; Wang, Chen, & Chang, 2011; Xiao et al., 2013), S-shaped (Peng & Beamish, 2014; Singla & George, 2013), and even no relation (Daniels & Bracker, 1989; Morck & Yeung, 1991).

As indicated in **Table 2.3**, the I–P relationship has been widely examined from company-specific perspectives despite the nature of company, such as size and age. Management team capability has also gained much attention (e.g., CEO's international experience, industry-specific experience).

Table 2.3 Influencing Factors on Internationalization and Performance Relationship

Perspectives	Factors
Country-specific	Home country institutions, GDP
Company-specific perspectives	Company size, company CEO capabilities, the level of a company's export intensity, the level of a company's FDI activity, the group affiliation of the company, company age, the international dispersion of geographic, the global integration of value-added activities, the level of outsourcing, the combination of geographic dispersion, global integration and outsourcing, product advantage, resources available, company learning

Adapted from Chan Kim, Hwang, & Burgers, 1989.

Some scholars emphasized that benefits of internationalization (e.g., greater cost efficiency, flexibility, and risk spreading) lead to a positive I–P relationship. Others highlighted that costs associated with internationalization, such as unfamiliarity with international markets and high transaction and agency costs, result in a negative I–P relationship. The linear positive/negative, U-shaped, and inverted U-shaped relationships between company internationalization and performance describes the different stages of the model described by the S-shaped relationship (Contractor, 2007; Ruigrok, Amann, & Wagner, 2007; Singla & George, 2013).

The inconclusive nature of this research stream suggests that the factors explaining international company performance are not entirely understood, which calls for a contingency perspective to explain the three relationships (Assaf et al., 2012; Hsu & Pereira, 2008). Two attempts to resolve this inconclusiveness have attracted attention. First, schools of thought question on whether internationalization itself is a cause of performance difference or simply a consequential secondary product of other antecedents linked to company-specific factors (Delios & Beamish, 1999). Second, potential moderating variables may be overlooked (Kotabe, Srinivasan, & Aulakh, 2002; Ruigrok & Wagner, 2003). Ruigrok et al. (2007) argued that the I–P relationship is context dependent, which Singla and George (2013) has proven in the context of India. Ruigrok et al. (2007) also suggested that research in different countries, industries, and periods may produce varied results.

2.2 Merger and Acquisition of Companies

2.2.1 Characteristics and Motives of Merger and Acquisition

A merger is a combination of two or more companies into one, wherein the merged company loses its identity (Beena, 2014). The buying company is the merging or surviving company and the other is the merged company. Similarly, in an acquisition, one company acquires control of another (Birkinshaw, Bresman, & Håkanson, 2000). "Acquisition is an attempt made by one firm to gain a majority interest in another firm" (Aurora et al., 2011, p. 92). The buying company is the acquiring company and the other is the acquired company. Merger and acquisition are used interchangeably because both share the same result—one company is taken over by another (Gaughan, 2010; Waight, 2002).

2.2.1.1 Five Merger and Acquisition Waves

Aurora et al. (2011) presented five major M&A waves. The first wave occurred after the great depression in 1883. The wave peaked in 1900 and ended in 1904, lasting two decades. This wave involved mainly horizontal mergers of major mining and manufacturing industries in monopolistic markets. Nearly two-thirds of the M&A activities (Waight, 2002) occurred within eight industries, such as metals, food products, petroleum, chemical, transportation, and equipment (Nelson, 1959). The second M&A wave (1916–1929) occurred in several oligopolistic industries, and thus was also called the oligopoly M&A wave. Several vertical M&As and oligopolies were produced (Aurora et al., 2011). The involved industries included primary metals, petroleum, food, chemicals, and transportation equipment (Gaughan, 2010). The severe economic crisis in the USA marked the end of the second M&A wave (Aurora et al., 2011). Before the third wave, the market trend changed from "getting big soon" to "small is beautiful." The governments encouraged and assisted small companies. As a result, numerous larger companies took over small companies to obtain tax relief. This trend contributed to the third wave in 1965–1969. At that time, conglomerate M&As were popular and companies scattered operations into different industries. Small companies were also moving into areas beyond their original business scope. This wave was ended by a new tax reform act in the US, because the people believed that the M&As created numerous conglomerates that were anti-competitive and resulted in abuse of power (Aurora et al., 2011). The fourth wave (1984–1989) was also known as the wave of mega-M&As, which resulted in an increase in hostile takeovers. A few of the largest companies became the targets. Oil and gas, medical equipment, banking, and petroleum industries were involved in this wave. Aurora et al. (2011, p. 86) described the period as "corporate raider is the appearance and offensive and defensive strategies became common" and "many deals were motived by the non-US companies who had a desire to expand into the larger and more stable US market." The fifth M&A wave started from 1992 and continued until now. This wave witnessed large mega-M&As, more strategic M&As, and limited hostile deals. Equity M&A is growing, complementing debt-financing M&As. The M&As were not only limited to traditional industries but also involved service industries. Moreover, apart from occurring in DEs, M&A also became popular in several EEs (Aurora et al., 2011).

The detailed analysis generated from the M&A history indicates that numerous M&A waves occurred in the US, and each movement was dominated by a specific merger type. In addition, each wave started when the economy was good and ended when the economy worsened. Moreover, the waves were no longer restricted to the USA or Europe but has become a global phenomenon (Beena, 2014). Furthermore, M&A waves occurred under a combination of economics, politics, and technology. Good economic conditions motivate companies' expansion, whereas the elimination of regulatory barriers promotes corporate communication. Finally, technology changes the existing industries or even creates new industries, which is a complementary condition for M&A (Aurora et al., 2011).

2.2.1.2 Vertical, Horizontal, and Conglomerate Mergers and Acquisitions

M&As can be divided into vertical, horizontal, or conglomerate. Vertical M&As refer to when a company takes over or merges with another to obtain backward integration to achieve resources or forward integration toward markets (Haspeslagh & Jemison, 1991; Jensen & Ruback, 1983). A horizontal M&A means that two companies in the same industry combine into one. These M&As are eager to gain scale economies in production by eliminating facilities or operations duplication and expanding product line, thereby reducing investment (Datta, Pinches, & Narayanan, 1992; Schweiger & Very, 2003). By contrast, conglomerate M&As are two companies engaged in unrelated industries. The purpose of such a combination is the effective use of financial resources and to increase leverage by obtaining higher earnings per share (Beena, 2014; Waight, 2002).

Vertical or conglomerate M&As occurred in the third M&A wave, whereas horizontal M&As occurred during the fourth and the fifth M&A waves because companies sought to be more strategic and less hostile (Cartwright & Cooper, 2012; Waight, 2002). The characteristics of M&As in five waves are specified in **Table 2.4**.

Table 2.4 Characteristics of Five M&A Waves

M&A Wave / Period	Characteristics	M&A Type
First wave (1887–1904)	Monopolistic market	Horizontal
Second wave (1916–1929)	Oligopolistic industries	Vertical
Third wave (1965–1969)	Conglomerate companies	Vertical/Conglomerate
Fourth wave (1984–1989)	Mega hostile takeovers	Conglomerate
Fifth wave (1992 afterwards)	Strategic mergers and acquisitions	Horizontal

Adapted from (Aurora et al., 2011; Waight, 2002)

2.2.1.3 Asset Acquisition and Equity Acquisition

Most acquisitions can be structured as either an asset or equity acquisition. Under asset acquisition, the acquiring companies "purchases specific identifiable assets for the business" (Aurora et al., 2011, p. 94). These assets are perceived as having the potential to add value to the acquiring company. Asset acquisition helps the acquiring company to reduce the risk of taking on unknown liabilities such as seller's contracts and employees among others (Aurora et al., 2011). Two obvious advantages of asset acquisition are tax reduction and unemployment rate reduction. First, the acquiring company can decide the employees to retain and those to let go without impacting their unemployment rates. Second, the acquiring company can increase the value of the asset over its current tax value to obtain tax reductions (CFI, 2019).

By contrast, under equity acquisition, the acquiring company "purchases the entire outstanding equity of the target company. It is a method whereby the acquiring company purchases the entire company and all assets and liabilities of the business that come with it" (Aurora et al., 2011, p. 95). Equity acquisition is popular because of two main reasons. First, closings are simplified and fast, the acquiring company does not need to deal with each asset; second, such acquisition is straightforward because no disruption occurs, and operations can continue as usual. Therefore, an equity acquisition is more commonly used than an asset acquisition (CFI, 2019).

2.2.1.4 Theoretical Perspectives on Merger and Acquisition

M&As have been examined from several theoretical perspectives, including strategic, economic, finance, organizational, and human resource management (Larsson & Finkelstein, 1999). Strategic scholars regarded M&As as internationalization or diversification methods, focusing on motives (Cuervo-Cazurra et al., 2018; Rabier, 2017) and subsequence performance (Bettinazzi & Zollo, 2014; Datta, 1991; Rabier, 2017). Financial management researchers examined merger and acquisition performance on the basis of financial indicators, such as stock price (Graf, 2009; Lubatkin, 1987; Ma, Zhang, & Chowdhury, 2011). Economics scholars typically paid more attention on several factors driving M&A, such as economies of scale and market power, and examined performance relying on accounting-based measures (Goergen, Mira, & O'Sullivan, 2018; Singh & Montgomery, 1987) such as return on investment (ROI), return on equity (ROE), and return on asset (ROA). Although organizational studies focus on the M&A process and the integration, they also highlight culture conflict and conflict resolution (Birkinshaw et al., 2000; Ruigrok & Wagner, 2003). Studies on human resource management investigate employee's reaction to the M&A, the importance of communication, and subsequent outcome (Ahammad, Tarba, Liu, & Glaister, 2016; Larsson & Finkelstein, 1999; Waight, 2002). Various theoretical lenses result in an ongoing controversy, particularly on performance assessment. Researchers using an economic perspective claimed poor performance, whereas financial or strategic scholars indicated an opposite result (Larsson & Finkelstein, 1999). To deal with such conflicting results, several scholars began to combine strategic, economics, finance, and organizational perspectives for analysis. For example, Larsson and Finkelstein (1999) synthesized several theoretical perspectives into an integrative model to probe into M&A performance. They suggested that future research should consider each antecedent to M&A performance simultaneously to realize synergy realization.

2.2.1.5 <u>International Mergers and Acquisitions</u>

In general, international M&A largely remain under-explored compared with domestic ones. International M&As (IMAs) refer to those conducted between companies with headquarters in different countries (Hitt, Ireland, & Hoskisson, 2007), which is the fastest and the largest method of initial international expansion used by multinational companies (Hitt & Pisano, 2003). Since the fourth M&A wave, IMAs have continued to increase at a wing-footed pace, and have become a major strategic tool for growth of multinational corporations (Bertrand & Betschinger, 2012; Park & Jang, 2011).

Existing literature largely compared IMAs with other internationalization entry modes, such as greenfield investments and strategic alliances (Anderson & Sutherland, 2015), in terms of motivations (Aulakh, 2007; Moghaddam et al., 2014) and post-IMA performance (Bertrand & Betschinger, 2012; Zhu, Ma, Sauerwald, & Peng, 2019; Zhu & Moeller, 2016). Chen, Huang, and Lin (2012) argued that greenfield investment and IMAs are the two most effective channels for companies to access and source strategic assets, and both are equity entry modes for companies' internationalization. Comparing the two modes, IMAs are regarded as the faster means for

international expansion compared with greenfield investment (UNCTAD, 2014). Greenfield investment is expensive, complicated, and time-consuming to establish a new company and a competitive presence due to cultural difference, liability of foreignness, different business practices, and institutional constraints (Anderson & Sutherland, 2015; Boateng, Qian, & Tianle, 2008). By contrast, in this respect IMAs are a time-savings option and provide immediate access to the local network of suppliers, marketing channels, clients, and other skills (Boateng et al., 2008). For example, Chung and Alcácer (2002) probed into the manufacturing companies in the US, and the results indicate that IMAs help the acquiring company gain reputation and prestige, control of resources such as knowledge and human capital, and access to local markets. Vermeulen and Barkema (2001) compared IMAs with greenfield investment, pointing out that exploitation of a company's knowledge base through greenfield investment eventually makes a company simple and inert. By contrast, IMAs may broaden a company's knowledge base and promote organizational learning, especially technological learning, facilitating the development of skills and competencies that help the company achieve sustainable competitive advantage. Moreover, IMAs help companies to narrow their resource gaps and thus achieve higher profit (Deng, 2009).
In addition to the internationalization entry mode comparison, IMAs attracted interest and research attention of a broad range of management disciplines encompassing the financial (Aybar & Ficici, 2009; Du & Boateng, 2015; Haspeslagh & Jemison, 1991), strategic (Quah & Young, 2005), behavioral (King, Dalton, Daily, & Covin, 2004), and cross-cultural (Huang, Zhu, & Brass, 2017) aspects. Most of these studies concentrated on developed countries, and numerous scholars challenged the application of above findings in EEs due to the different economic, legal, and institutional environment (Khan et al., 2017; Lebedev et al., 2015; Madhok & Keyhani, 2012). In recent years, M&A has begun to be examined in the context of EEs. Such detailed literature is discussed in **Section 2.4**.

2.2.1.6 Objectives of Mergers and Acquisitions

What are the objectives of M&As? The literature provides various explanations that are closely linked to corresponding economic, social, political, legal, and market conditions (Cartwright & Cooper, 1993). M&As are believed to improve efficiency (McGuckin & Nguyen, 1995), increase market power (Conn, Cosh, Guest, & Hughes, 2005), reduce operating costs (Beena, 2014), and reduce transaction costs (Williamson, 1989)., Schmidt (2002) summarized the M&A objectives into eight major aspects: grow market share, become an industry leader, enhance brand reputation, reduce operation costs, enter a new industry, access talent/management capabilities, assess new technologies, and access manufacturing capabilities.

Napier (1989) pointed out two generally accepted categories of objectives: 1) financial or value-maximization and 2) managerial or non-value-maximization. The former objectives refer to M&As that aim to increase market share and create value for shareholders. Such motives include increasing synergy through economies of scale, reducing transaction costs, applying knowledge and skills from one company to another, and controlling a target company's management to affect future performance (Beena, 2014). By contrast, the latter objectives are concerned with achieving non-financial synergies. Companies with such objectives may increase sales or asset growth, expand management power (Rhoades, 1983), enhance CEO career prospects (Donaldson & Preston, 1995), and reduce uncertainty in the company's external environment (Napier, 1989).

Another explanation identifies three major M&A objectives: synergy, agency, and hubris (Berkovitch & Narayanan, 1993). Accordingly, the synergy objective suggests that by merging the resources of two companies, the acquiring company gains economic benefits. The agency objective indicates that M&As occur because they enhance the management team's welfare at the expense of shareholders of the acquiring company. The hubris objective reveals that managers make mistakes in evaluating target companies and engage in aggressive M&A even when synergy does not exist.

Additionally, Beena (2014) classified M&A objectives into four categories: 1) efficiency-enhancing, 2) concentration and monopoly-enhancing, 3) financial enhancing, and 4) macro-economic changes enhancing. The basic principle of Beena's classification is similar to the previous two but also emphasizes on the effect of macroeconomic changes. The M&A objectives were pointed out to differ dramatically in different industries, countries, and periods. Moreover, policy shift and regulation changes influence the company's M&A objectives (Kaur, 2012). This point of view has been proven by studies in emerging markets (Bhagat, Malhotra, & Zhu, 2011; Contractor et al., 2014; Deng & Yang, 2015; Malhotra et al., 2011).

2.2.2 Process of International Merger and Acquisition

IMA is a complex and time-consuming process, comprising several sub-strategic decisions. Daniel and Metcalf (2001) provided a basic chronology of the IMA process, which include 12 basic steps: 1) identify potential targets, 2) narrow the list of choices, 3) select a short list of companies, 4) review regulatory compliance, 5) conduct preliminary discussions, 6) sign a letter of intent, 7) conduct due diligence, 8) complete financial negotiations, 9) sign definitive agreements, 10) announce the deal, 11) close the transaction, and 12) integrate the companies. On the basis of previous studies, Waight (2002) summarized the IMA decision process into four phases with key components and characteristics in each phase: initial planning, investigation, negotiation, and integration (**Table 2.5**). Specifically, the initial planning phase involves identifying the business and growth strategy, defining acquisition criteria, and selecting the target market and company. The investigation phase includes due diligence on the target's finance, culture, regulation, and legal situations. The negotiation stage is where the key terms are set up and confirmed, and a final integration plan is formulated. The last phase is integration, which is also the most complicated stage. In this phase, the final plan is executed and the structure, people, system, and resources begin to combine (Waight, 2002). In addition to this four-phase process model, several other classifications were proposed. For instance, the Watson Wyatt Deal Flow Model encompassed five major stages, with the latter three phases are the same as Waight's four-phase model. The only difference is that Watson divided the initial planning phases into "formulate" and "locate" phases.

Table 2.5 Factors Influencing M&A Decision Process and Performance

Initial Planning	Investigation	Negotiation	Integration
Identify potential targets	Review regulatory compliance	Complete financial negotiation	Close the transaction
Narrow the list of choice	Conduct preliminary discussions	Sign definitive agreement	Integrate the companies
Select a short list	Sign a letter of intent	Announce the deal	
	Conduct due diligence		

Adapted from (Schmidt, 2002; Waight, 2002)

2.2.2.1 Target Company Selection

The initial planning and integration phases are proven to have critical influence on subsequent M&A (Clemente & Greenspan, 1998; Saunders, Altinay, & Riordan, 2009; Steigenberger, 2017). At a basic level, bidding companies need to decide where to conduct and how to realize the M&A (Yang & Hyland, 2012). The normal sub-decisions include: 1) target company selection (Krishnakumar, Sethi, & Chidambaran, 2014), 2) target company location (Chung & Alcácer, 2002), and 3) ownership structure (Sun, Peng, Ren, & Yan, 2012). These decisions are regarded as critical factors affecting the IMAs' success and consequent performance (Yang and Hyland (2012). Among the different factors, strategic fit is the most considered to assist acquiring companies in selecting target companies. Strategic fit refers to "the degree to which the target company augments or complements the parent's strategy and thus makes identifiable contributions to the financial and nonfinancial goals of the parent" (Jemison & Sitkin, 1986, p. 146). Before the 1990s, strategic fit was the prevailing trail for most M&A studies. Strategic analysis and negotiation were emphasized during the initial planning phase, focusing analysis on the "strategic fit" between acquiring and target companies in the context of industry, market, and other issues (Salter & Weinhold, 1979). The acquiring companies that employ strategic fit normally have a clear corporate strategy and analyze how the distinctive competencies of the target companies can be combined with those of bidding companies to create additional value.

In the target selection, the acquiring company strives to increase the success of acquisition by reducing information asymmetry between a potential target and itself (Castellaneta & Conti, 2017). Therefore, a geographical proximity is one selection criterion. For instance, Chen, Kale, and Hoskisson (2018) theorized that geographic overlaps of businesses and operations between the acquiring and potential target companies are beneficial for the acquiring company to collect more information about the potential target. From the resource-based view, the similarity and complementarity of resources between the acquiring and potential target companies comprise another selection criterion. As Yu, Umashankar, and Rao (2016) suggested, acquiring companies tended to prefer similarity over complementarity when comparing R&D pipelines, but tend to prefer complementarity over similarity when comparing product portfolios. With a capability-based view, Kaul and Wu (2016) argued that acquiring companies preferred high-capability targets in new contexts to obtain new capabilities through acquired companies, and prefer low-capability targets in existing contexts to deploy existing capabilities. The considering parameters mainly include country factors, such as political and economic stability, GDP, market size, and growth and reputation of host country (Hua & Gu, 2018), and company factors, such as the characteristics, size, and geographic dispersion of the acquiring company (Chen et al., 2018).

2.2.2.2 Integration

If acquisition is a hybrid in which integration is the means to achieve inter-company coordination and system controls (Schweiger, Csiszar, & Napier, 1994), then integration can be defined as "the making of changes in the functional activity arrangement, organizational structures and systems and culture of combining organizations to facilitate their consolidation into a functioning whole" (Pablo, 1994, p. 806). Integration level can be regarded as "the degree of post-acquisition change in an organization's technical, administrative, and cultural configuration" (Pablo, 1994, p. 806).

The integration literature recognizes the various ways to integrate people and assets and has developed frameworks as illustrations (Napier, 1989; Rui, Cuervo-Cazurra, & Annique Un, 2016; Schweiger et al., 1994; Schweiger & Very, 2003; Shrivastava, 1986). For example, Shrivastava (1986) identified three types of integration: procedural, physical, and cultural. Procedural integration involves the combination of systems, procedures, and rules. Physical integration consolidates assets and equipment, whereas cultural integration relates to integration of management styles and changes in organization structure. After empirical analysis, Shrivastava (1986) claimed that integration occurs at several levels. The most critical and difficult is cultural integration. Schweiger (2002) proposed four integration approaches, namely, consolidation (the physical consolidation of the separate functions and activities of acquiring and acquired companies), standardization (standardization of separate functions and activities of acquiring and acquired companies while separate operations are maintained), coordination (coordination of separate functions and activities of acquiring and acquired companies), and intervention (in acquired companies to improve operation performance).

Effective integration is critical for cash flows and value creation. However, numerous issues may occur in the integration phase. Nearly half to two-thirds of M&A fail to achieve prior goals (Kitching, 1967), and one-third of failures are caused by poor integration (Kitching, 1973). Achieving successful integration continues to pose serious problems for IMA launchers.

Schweiger and Very (2003) identified five major integration challenges, the first of which is "individual uncertainty and ambiguity." The authors claimed that "uncertainty occurs when employees feel a lack of information," whereas ambiguity is "characterized by the inconsistency of information proved to the employees" (Schweiger & Very, 2003, p. 13). The other challenges include "organizational politics," "voluntary departure of key people," "loss of customers," and "cultural resistance." In addition, cultural differences or culture clash are identified as primary integration challenges, especially for IMAs (Malhotra et al., 2011; Olie, 1990). Cultural resistance has a negative effect on synergy realization when acquiring and target companies cannot effectively cooperate.

Different objectives generate different strategies and results in varying integration processes (Shrivastava, 1986). For example, Schweiger and Very (2003) pointed out that high levels of consolidation, standardization, and coordination are necessary when an acquiring company intends to consolidate a market within a geographical area, organizational politics and cultural resistance are likely to emerge and the integration process is relative slow. If an acquiring company aims to enter into a new geographic market, then individual fears and departure of target managers with local country expertise are two major issues that need consideration.

Diverse objectives and inconsistent strategies along the entire M&A process cause unsatisfactory performance (Shrivastava, 1986). Future investigations on integration should clearly differentiate acquisitions in terms of specific financial and strategic motives and objectives when explaining M&A performance (Schweiger & Very, 2003). Moreover, integration issues must be considered during all phases of the M&A process to ensure that initial planning, negotiation, and pricing decisions are realistic and consistent (Zollo & Singh, 2004).

2.2.3 Performance of Merger and Acquisition

2.2.3.1 Strategic Performance

'Performance is an ambiguous term and has no simple definition. Furthermore, this term does not reveal "who" is to be satisfied. Generally, an organization is assumed to perform well if it successfully achieves its set objectives and targets (De Waal, 2013) or effectively implements its appropriate strategy (Otley, 1999).

Despite the importance of strategic performance, no agreement exists on how strategic performance should be measured (Chakravarthy, 1986). Peters, Waterman, and Jones (1982) applied two performance measurement criteria. First, financial performance was evaluated on the basis of six indicators: compound asset growth, compound equity growth, ratio of market-to-book value, average ROE, average return on total capital, and average return on sales. Second, innovativeness performance was measured by the amount of innovation products and services, together with their ability to adapt quickly to the environment. In addition, Woo and Willard (1983) put forward 14 quantitative measurement criteria: ROI, ROS, growth in revenues, cash flow, market share, market share gain, product quality relative to competitors, new product activities relative to competitors, direct cost relative to competitors, product R&D, process R&D, variations in ROI, percentage point change in ROI, and percentage point change in cash flow. On the basis of their nature, these criteria are further classified into four categories: 1) profitability, 2) relative market position, 3) change in profitability and cash flow, and 4) growth in sales and market share. After empirical analysis, the authors found profitability was the primary performance criteria. However, relative market position and growth in sales and market share were not applicable in all kinds of organizations (Woo & Willard, 1983).

As prevailing performance is measured on the basis of individual financial or accounting criteria, a single performance criterion is inadequate. In addition, the performance measures discussed thus far merely focused on stockholder welfare; other stakeholders' claims are ignored. Furthermore, existing criteria pay attention more on financial performance and less on non-financial performance. To deal with these limitations, several recent studies pointed out multiple criteria using financial and non-financial performance assessment (Bagozzi & Phillips, 1982; De Waal, 2013; Keats, 1988).

2.2.3.2 Assessment Criteria on Merger and Acquisition Performance

The continuing popularity of M&A may reflect the widespread belief among acquiring companies that acquisitions provide a quicker and seemingly easier route to create value. However, studies suggest that acquisitions have a high failure rate—from 80% (Quah & Young, 2005) to 50% (Cartwright, 2006). The disappointing success rate caused a continuing concern.

Assessment criteria on M&A performance vary from different perspectives. Hunt (1990) summarized three widely used methods. First, the accounting perspective mainly evaluates performance by ROI several years after closure. Second, the financial perspective measures performance by the effect of the M&A on the equity price of both buyer and seller shares at the announcement period. Third, the strategic perspective assesses performance by asking the decision makers whether they believe that the acquisition fulfilled their prior objectives.

Financial perspective is the most popular assessment and capital market data is the most commonly used assessment indicator. Specifically, performance was measured by the cumulative abnormal returns (CAR) of companies' stock prices during the merger announcement period (Chatterjee, 1986). Nelson (1960) first examined changes in M&A activity during the 1895–1920 period and found a high positive correlation between M&A activity and stock prices. Rabier (2017) found that acquiring companies that pursue operating synergies were more likely to achieve a highly positive and highly negative long-term returns than those pursuing financial synergies. Zhu and Moeller (2016) revealed that acquisitions in the financial sector had negative abnormal returns, whereas those in real estate and other business sectors gained positive abnormal returns. CAR was also used as the performance variable in Lubatkin (1987), Seth (1990), and Malhotra, Lin, and Farrell (2016).

In addition to capital data, other studies adopted ROI, ROA, and ROE as individual assessment criteria or bundled with market returns. Kusewitt (1985) employed both accounting ROA and market returns as the performance variable. ROA was developed from after-tax earnings at end-year book value of total assets of the company, whereas market return was developed by initially computing individual year market returns, allowing one-year performance effects lag.

In terms of strategic perspective, performance was analyzed with regards to the original objectives of the M&A. Kitching (1967) was one of the first to adopt the strategic perspective to examine acquisition performance and its underlying causes. The author interviewed 22 companies' executives and asked them to measure whether the acquisition was a success or a failure. The executives were also asked to provide their opinion in terms of the major causes behind the success or failure. In another interview, Souder and Chakrabarti (1984) measured acquisition performance by asking decision makers whether the acquisition fulfilled their prior expectations. Specific measurement variables included rate of sales growth, rate of profit growth, ROI and market share growth. The results illustrate that "technical and business mismatch" were strongly associated with poor performance. In addition, Datta (1991) contributed to understanding acquisition performance from a strategic perspective by asking interview respondents to assess acquisition performance on the basis of their original acquisition motives using five performance criteria: ROI, EPS, stock price, cash flow, and sales growth. The findings indicated that differences in top management styles negatively influence acquisition performance.

Compared with those of accounting and finance perspectives, measurements of M&A performance using the strategic perspective are quite limited. Recently, Hassan et al. (2018) argued that M&A performance can be more accurately assessed through alignment with the objectives defined by the acquiring companies. M&A performance assessment should also consider both pre- and post-M&A stages.

2.2.3.3 Influential Factors on Merger and Acquisition Performance

Various perspectives have been generated on the influential factors affecting M&A performance. Cultural distance (Cartwright & Cooper, 1993; Malhotra et al., 2011), executives' characteristics (Dutta, Malhotra, & Zhu, 2016), and knowledge capabilities (Zollo & Singh, 2004) can affect M&A performance. Malhotra et al. (2011) revealed that wide cultural distance between the two parties of M&As leads to operating conflicts during the post-acquisition period that will reduce the post-IMAs performance. By contrast, Schweiger and Very (2003) argued that performance may vary based on various strategic objectives. Zollo and Singh (2004) suggested that executives' knowledge codification capability strongly and positively influences acquisition performance. The level of integration between acquiring and acquired companies dramatically enhances performance. Kusewitt (1985) suggested that relative size of the acquiring to acquired company, acquisition rate, industry commonality between acquiring and acquired companies, acquisition timing relative to market cycle, payment methods, and profitability of acquired companies prior to acquisition largely determine acquisition performance.

The selection of the acquisition target and the relationship between acquiring and acquired companies influence M&A performance. “Strategic fit” between acquiring and acquired companies influences the M&A performance. Chatterjee (1986), Singh and Montgomery (1987), Lubatkin (1987), and Seth (1990) examined the hypothesis but obtained inconsistent results. Chatterjee (1986) found that target company shareholders’ gains in unrelated acquisitions are significantly higher than gains in related, non-horizontal acquisitions. By contrast, Singh and Montgomery (1987) found that target company shareholders’ gains are higher in related acquisitions, although they noted no significant difference in the acquiring company’s shareholder gains in related and unrelated acquisitions. Furthermore, Seth (1990) indicated no significant differences in the overall value creation between related and unrelated acquisitions. The controversy results indicate that strategic fit is insufficient for achieving superior acquisition performance (Jemison & Sitkin, 1986).

In addition, the prevailing perspective holds the view that integration is vital. Each M&A scholar regarded integration as a critical part of successful IMAs (Schweiger & Very, 2003; Thompson, Nickson, Wallace, & Jones, 1998). As Segaro, Larimo, and Jones (2014) claimed, M&As frequently fail in the integration phase, with cultural differences a major contributing factor. The authors explored various obstacles to successful M&A and concluded that the successful integration for an international merger and acquisition is a long process that is assisted by management programs, tasks, and goals. Similarly, Datta (1991) argued that superior acquisition performance can only be realized through effective post-acquisition integration. Differences in management styles has an important effect on post-acquisition performance (Datta, 1991).

Drawing on work from behavioral learning theory in psychology, Haleblian and Finkelstein (1999) probed the influence of acquisition experience on acquisition performance. The findings suggested that more experienced acquirers can appropriately discriminate their acquisitions. By contrast, relatively less experienced acquirers may experience difficulty in obtaining successful dissimilar acquisitions.

Historically, acquisition scholars and practitioners adopted a choice perspective. Jemison and Sitkin (1986) pointed out that acquisition is a discontinuous and fractionated process, whereby the choice perspective is inadequate to explain high failure rate. The process should be supplemented with a perspective that recognizes the acquisition process itself as a potentially important determinant of activities and outcomes (Jemison & Sitkin, 1986). Process literature focuses on the importance of choosing an integration strategy and acquisition process play. Strategy scholars indicated that inappropriate decision-making, negotiation, and integration processes can lead to unsatisfactory international acquisition performance (Cartwright & Schoenberg, 2006).

2.3 Internationalization, Merger, and Acquisition in Hotel Industry

2.3.1 Features of Hotel Industry

Prior literature identifies three unique features of hotel industry that distinguishes the industry from manufacturing and other service industries. **First**, the competition degree of hotel industry is high. On the one hand, high agglomeration, limited local market, and low entry barriers result in competitive localized markets, unlike technology and manufacturing industries, which require high technological knowhow and R&D involvement. On the other hand, fixed costs arising from capital investment in land and building, lead to high exit barriers (Singal, 2015). **Second**, the hotel industry is unlike many industries, such as high-tech intensive industries (e.g., telecommunications) or equipment-intensive industries (e.g., manufacturing). Due to importance of location, the hotel industry has higher capital intensity in investment in real estate and land and building (Quek, 2011). Moreover, the hotel industry has higher investment in real estate industry than the restaurant industry (Singal, 2015). Hotels are unique forms of real estate investment because they can act as a real estate investment and an operating business (Bloom, 2010). Evidently, the development of the hotel industry is related closely to the real estate industry. **Third**, the brand demonstrates strong positive presence in hotel industry and “refers to the ability of a company deliver on its promise consistently, across all business units regardless of geographical spread” (Olsen et al., 2005, p. 147). As argued by Olsen et al. (2005), the hotel industry has several worldwide known brands, such as Marriott, Hilton, and InterContinental. Using and differentiation perceived brand recognition from competitors, each hotel company strengthens brand awareness of their brands. Brand awareness refers to “the ability for a buyer to recognize or recall a brand is a member of a certain product category" (Aaker, 1991, p. 61). Strong brand awareness can enable hotel customers to visualize better and understand the intangible hotel services (Singal, 2015). Given the unique characteristics of the hotel industry, their effects on M&As warrant further investigation.

2.3.2 Internationalization of Hotel Companies

Niewiadomski (2014) defined internationalization of the hotel industry as the international expansion of hotel groups/chains and identified several distinctive features. First, demand is sensitive to fluctuations and external political and economic changes. Second, demand is strongly localized in focus. The hotel industry is by nature international (Litteljohn, 1985), and the similar viewpoint is claimed by Olsen and Merna (1993, p. 102) in stating "the hotel industry is unique in the fact that it does business on a very local level even though it may claim to be multinational." The hotel industry is the most global service sector, which consists of its third characteristic, given that each hotel group run across many countries and has many hotels. The last characteristic is strongly associated with internationalization and with a long history of international development (Kundu & Contractor, 2000).

The mainstream of discussion in hotel companies' internationalization is the entry-mode choice. Prior hotel literature distinguishes between non-equity contractual entry modes (franchising, management contracts, licensing) and equity modes, such as FDI (Andreu, Claver, & Quer, 2017; Kruesi, Hemmington, & Kim, 2018). Non-equity mode is the dominant entry mode of internationalization adopted by hotel companies due to hotel industrial features, such as franchising, management contracts, and leasing (Altinay, 2005; Andreu et al., 2017; Dunning & McQueen, 1982). Contractor and Kundu (1998) found that 66% of hotel chain expansions abroad use franchising and management contracts. Franchising, as an internationalization entry mode, can be traced back to the 1950s when Holiday Inn established itself as the primary franchisor in the business (Shook & Shook, 1993). Hotel companies rely heavily on management contracts as an internationalization entry mode in North America until 1980s, when franchising was adopted as one of the mainstream modes for international expansion (Alon, Ni, & Wang, 2012). Kruesi et al. (2018) examined the choice among non-equity mode and pointed out that intangible assets and resources are the most important factors and that hotel companies prefer management contracts. Uncertainties in the host country result in preferential selection on franchising over management contracts. However, asset specificity prompts preferences for management contracts over franchising. Contractor and Kundu (1998) revealed that reservation systems and hotel brands are stimulating factors for the popularity of franchising in foreign markets because they act as barriers against partner opportunism. Andreu et al. (2017) argued that cultural distance, market attractiveness, company international experience, asset intangibility, company size, and the number of Chinese outbound tourists are influential factors of entry mode choice. Altinay and Javalgi (2007) showed that the internationalization of hotel companies is often driven by shareholder pressure, desire to extend the companies' core competencies, and demand by foreign customers. Using Thailand's hotel industry as research context, Rodtook and Altinay (2013) found four common and three distinctive considering motives of Thailand hotel internationalization, namely, spreading risk, increasing profit, obtaining new knowledge, acquiring a network and building global brand recognition, good relationship with the host country, legal restrictions on hotel operations, and maintaining Thailand's relations with its neighboring countries. Lee, Koh, and Xiao (2014) examined the internationalization and financial health of publicly traded US hotels from 1990 to 2010. The findings indicated that internationalization strategy gradually provides more benefits. Thus, benefits eventually outweigh costs, leading to a U-shaped relationship within the US hotel context. Hotel companies' internationalization stock performance is influenced by entry mode choice and the characteristics of the host country, specifically, the announcements of new franchise agreements in DEs and new management contracts in EEs can result in superior returns (Graf, 2009).

2.3.3 Objectives of Hotel Companies' Merger and Acquisition

Various industries have unique characteristics in terms of M&A (Wang, 2007). The hotel industry is a fruitful area for M&As, even in empirical evidence is surprisingly sparse given the pace of industry consolidation (Canina, Kim, & Ma, 2010).

Studies on hotel companies' M&A are limited and usually focus on two topics, namely, objectives/motivation and performance. The dominant motivation is value creation through multiple modes (Burritt, 1991; Canina, 2009b; Kim & Olsen, 1999a), such as financial synergy (Kantor, 1970), diversification (Kantor, 1970; Lesure, 1970), and market power expansion (Canina, 2009b; Pizam, 2016). Extant descriptive research demonstrates that environmental factors influence hotel companies' M&A decisions. For example, Burritt (1991) pointed out that high land cost and interest rate, economic liberalization, and the increasing value of the Japanese yen drove many Japanese companies to acquire American hotel companies. Conversely, Kim and Olsen (1999a) claimed managerial self-interest is a major motivation when hotel companies make acquisitions. Certain strategic objectives are identified, including pursuing internationalization (Gross, Huang, & Ding, 2017). Most studies on motivation or objectives of hotel companies are conducted in DEs, particularly in the US, and only a few studies investigate this topic in EEs.

Studies on M&A motivations vary across periods. The focus of scholars shifted from describing the macro-environmental factors in the 1960s to the financial, managerial, and strategic objectives of companies after 2000. Taking the USA as an example, during the 1960s and 1970s, macroeconomic changes, such as descending stock market, scarce cash, high interest rate, and implementation of the 1958 Federal Tax Legislation, had significant effects on hotel companies' M&As. These events during the period presented an opportunity for hotel companies to acquire targets at low price. To survive amid fierce competition, expand their business, and enhance consolidation, hotel companies launched horizontal M&As (Watson Jr, 1961). After the 1990s, Kim and Olsen (1999a) revealed that US hotel companies launched M&As to increase shareholders' value, accelerate growth, expand capacity, and achieve synergy.

2.3.4 Process of Hotel Companies' Merger and Acquisition

In the hotel industry, the existing published articles investigated hotel companies' M&A focus on objectives (Crawford-Welch & Tse, 1990; Kim & Canina, 2013; Kim & Olsen, 1999a; Quek, 2011) and post-merger and acquisition performance (Canina, 2001, 2009a; Canina & Kim, 2010; Dogru, 2017; Kwansa, 1994; Ma et al., 2011; Sheel & Nagpal, 2000; Stewart, 1996). By contrast, the acquisition target selection pattern (Kim & Arbel, 1998; Ma & Liu, 2010; Mahajan, Rao, & Srivastava, 1994) and post-M&As integrating strategies (Canina, 2009b, 2009c; Canina et al., 2010; Lu & Zhao, 2015; Saunders et al., 2009) receive less attention. Few studies investigate payment methods and influencing factors that affect merger and acquisition performance, with the exception of Stewart (1996), Ma et al. (2011), Oak and Andrew (2006), and Oak, Andrew, and Bryant (2008). Basing on prevailing studies, Kim and Olsen (1999a) adopted an integrated and holistic viewpoint to examine simultaneously critical corporate acquisition issues in different phases in a multi-dimensional framework. This study reveals the most important acquisition motive from acquiring company's perspective is to accelerate growth momentum. As explained by the authors, given that the US economy has shown continuous growth, many business organizations have continued to focus on growth. To achieve the goal of growth, the acquiring party has been "seeking new customers, strategic complementary businesses, new markets or segments of markets, and the opportunity to leverage existing competitive advantages with new ones" (Kim & Olsen, 1999a, p. 300).

The hotel M&A target selection focuses on property location, size, price, brand equity, market growth potential, image of the country, and reputation of the target (Burritt, 1991; Mahajan et al., 1994). For example, a hotel company with the following characteristics easily becomes an M&A target: (1) relatively large size, (2) mismatched liquid financial resources and broad growth opportunities, (3) high capital expenditure–total assets ratio, and (4) low price-to-book ratio (Kim & Arbel, 1998).

Oak and Andrew (2006) examined the effects of payment methods on informed trading activities and revealed that mixed financed acquisitions indicated a wide bid–ask spread, whereas the cash or stock financed acquisitions experienced narrow spread. They established that cash payment is more popular in hotel industry. Oak et al. (2008) investigated the underlying reason and pointed out two reasons. First, hotel companies have adequate cash flow. Second, employing cash payments reduces agency problems associated with excess free cash flow. Two articles examined the effects of payment methods on performance. A negative association between cash payment and shareholder returns was identified, whereas stock payment yielded relatively greater returns to acquirers compared with cash payments (Yang, Qu, & Kim, 2009). On the contrary, Chatfield, Chatfield, and Dalbor (2012) pointed out that acquiring companies in the hotel industry tend to be more profitable with cash payment compared with stock payment. Facing the underlying reasons caused M&A failure. Canina (2009b) investigated the M&A process with a holistic approach and indicated that the disconnection in the pre- and post-deal stages is detrimental to the performance of the M&A. Canina et al. (2010) claimed that the final M&A performance relies on the success of the pre-deal plan and post-deal implementation. Kim and Olsen (1999b) put forward three important factors for successful M&As, namely, establishing a post-acquisition strategy earlier in the M&A process, identifying and retaining key employees and managers of the target company, and determining the degree of post-acquisition integration. Many international deals fail because of the poor integration caused by cultural clash (Canina, 2009c).

2.3.5 Performance of Hotel Companies' Merger and Acquisition

Performance of hotel companies' M&A attracts the most attention, but studies indicate inconsistent findings. Sheel and Nagpal (2000) found that acquiring hotel companies has a significantly negative return after launching acquisition. Hsu and Jang (2007) reached a similar conclusion, as shareholders of acquiring hotel companies fail to benefit from mergers regardless of the length of window periods. By contrast, certain scholars drew an opposite conclusion and stated that acquiring hotel companies earn significant positive abnormal returns (Ma et al., 2011; Oak & Dalbor, 2009; Yang, Kim, & Qu, 2010; Yang et al., 2009). These persistent findings may have been caused by various samples, window periods, and evaluation approaches.

The selected sample on studies of hotel companies' acquisition performance ranges from 1980 to 2013. Most studies focus on the performance of acquiring companies (Dogru & Dogru, 2017; Hsu & Jang, 2007; Kim & Canina, 2013; Kim & Olsen, 1999a; Ma et al., 2011; Oak & Dalbor, 2009; Sheel & Nagpal, 2000; Yang et al., 2010; Yang et al., 2009). Several studies focus simultaneously on the performances of acquiring and acquired companies (Canina, 2000, 2001; Canina et al., 2010; Chatfield et al., 2012; Kim & Olsen, 1999b). Most studies assess the performance from financial perspective to evaluate stock return during a pre-determined window period. However, the length of the window period depends on the length (i.e., short- or long-term) of the performance examined. A larger number of short-term performance studies with a relatively short window period are available. For example, Chatfield et al. (2012) and Dogru (2017) selected one day before and after the announcement date as the window period. By contrast, few studies have investigated long-term performance, which covers long window periods, such as of three and half (Sheel & Nagpal, 2000), four (Kim & Canina, 2013), eight (Yang, Qu, and Kim, 2009), and six years (Yang, Kim, and Qu, 2010). Few exceptional studies investigate both short- and long-term performances (Canina, 2000; Hsu & Jang, 2007). In addition to financial assessment perspective, many articles measure hotel companies' M&A performance via accounting perspective, such as Hsu and Jang (2007) and Ramdeen (2018). Both studies evaluate operational accounting performance, with the difference between the two being in measurements. That is, the former considers ROA and ROE as measures, whereas the latter utilizes cash flow and earnings-based measures of return.

2.4 Internationalization, Merger, and Acquisition in Emerging Economies

2.4.1 Characteristics of Emerging Economies

EEs are occupying an increasingly prominent position in the world economy. However, "emerging economy" has yet to have a commonly accepted definition. In the 1980s, World Bank Economist Antoine van Agtmael first used "emerging economies" to describe less developed countries, such as Asian and Latin American. Since then, many scholars have recognized that EEs are characterized by underdeveloped market-supporting institutions, such as weak laws and institutional voids caused by poor enforcement capacity of legal institutions (Hoskisson, Eden, Lau, & Wright, 2000). Kvint (2010) proposed this definition, "emerging economy is a society transitioning from a dictatorship to a free-market-oriented-economy, with increasing economic freedom, gradual integration with the global marketplace and with other members of the global emerging market, an expanding middle class, improving standards of living, social stability and tolerance, as well as an increase in cooperation with multilateral institutions" (Kvint, 2010, p. 8). EEs have characteristics of a developed market, but they do not meet standards to be a developed market (Barra, 2010). Nonetheless, not any poor economy can be called an EE. An EE needs to incorporate all following characteristics, which are, low-income, rapid-growth, and using economic liberalization as primary engine of growth (Vercueil, 2012). The above definitions of EEs share one common feature, which is the belief that the environmental setting of a country is critical to determining whether the country is emerging or not (Bruton, Filatotchev, Si, & Wright, 2013).

Examples of EEs include many countries in Africa, most countries in Eastern Europe, as well as some countries of Latin America, Middle East, Russia, and Southeast Asia (Barra, 2010). Multiple new terms have emerged to described EEs, such as BRIC that stands for Brazil, Russia, India, and China, along with BRICET (BRIC + Eastern Europe and Turkey), BRICS (BRIC + South Africa), and BRICM (BRIC + Mexico) (Vercueil, 2012).

Companies based in EEs may face distinctive challenges due to the above characteristics of EEs. First, companies may face "resource scarcities and obsolescence where resources that were valuable under a former institutional mechanism become less valuable under more market oriented institutions" (Wright, Filatotchev, Hoskisson, & Peng, 2005, p. 3). Second, companies need to restructure to access new resources and capabilities with moving forward toward market-oriented institutions (Wright et al., 2005). Third, unlike DEs, where the rules of the game are well developed, the institutional environment in EEs is often local-context specific and continuously changing (Peter J Buckley et al., 2016). The domestic and foreign institutional constraints influence the strategic and performance of EE-based companies (Sun, Peng, Lee, & Tan, 2015).

The growing importance of EEs is reflected in the increasing number of strategy research on this topic in recent years. EEs-based companies are associated with four broad strategies. Wright et al. (2005) classified four research options. First, companies in the early development stage intend to use the trend of foreign companies from DEs' entering EEs and exploit the skills in home countries. Second, companies in the start-up stage are likely to develop explorative strategy in home countries. Third, as the EEs become more developed, companies in EEs may seek opportunities in other EEs and exploit the skills in home countries. Fourth, companies may seek to enter other DEs. Companies in different stages of development seek development strategies. Wright et al. (2005) argued that institutional theory is the most dominant theory to probe into EEs, in addition to resource-based view and transaction cost theory. The former two strategies focus on competing with domestic competitors within domestic countries, whereas the latter two strategies mainly refer to internationalization toward other EEs and DEs Wright et al. (2005).

2.4.2 Emerging Economy-based Companies' Internationalization

Grounded in prior economics, international business, and strategic management literature, K. S. Reddy, E. Xie, and Y. Huang (2016) put forward five major waves of companies' internationalization, namely, the US companies' internationalization since World War II, European companies' wave in 1960s, Japanese companies' expansion in 1970s, Korean and Taiwanese companies' pace in 1980s, and EE-based companies' emergence since 2000s. EE-based companies' internationalization is an increasingly important phenomenon in international business (Peter J. Buckley et al., 2016b; Ciravegna, Lopez, & Kundu, 2014; Thite, Wilkinson, Budhwar, & Mathews, 2016). The contribution of companies in EEs on foreign direct investment outflows rose from 6.2% to 32% between 1980 and 2010 and reached 468 billion USD (UNCTAD, 2015). In this context, scholars have investigated in this sector and contributed theoretical and management implications. BRIC are four representative emerging countries, which have the ideal context to examine companies' internationalization. The general research questions are about the motives, development pattern, country institution effects, and policy factors on their performances (Boehe, 2016; Ma, Ding, & Yuan, 2016; Marinov & Marinova, 2012).

Except for studies that regard EEs as a whole, China and India are the two widely adopted contexts. For the Indian context, several scholars paid more attention to motivations and the interactions of external and internal resources (Peter J. Buckley et al., 2016b; Singla & George, 2013; Thite et al., 2016). International acquisition is the mainstream of research on Indian companies' internationalization (Krishnakumar et al., 2014). Many Indian companies acquired abroad. Gubbi, Aulakh, Ray, Sarkar, and Chittoor (2010) revealed that Indian international acquisitions have largely been directed toward developed nations of North America and Europe, followed by Asia and Africa. The authors found that if the target is located in advanced economies and institutional environment, the acquiring company gains positive returns (Gubbi et al., 2010). Based on interviews of four Indian multinationals, Thite et al. (2016) reported that Indian companies expanded abroad through targeted acquisitions in developed markets and that these companies acquired intangible assets and followed global clients in searching new markets and achieving competitive advantages. Peter J. Buckley et al. (2016b) analyzed the effects of combining external resources with internal resources possessed by Indian multinationals when undertaking international acquisitions. The results show that external foreign resources can prevent, sometimes assist, international acquisitions. The effect depends on the nature of interactions between external and internally owned resources within the companies.

By conducting a comparative analysis, the operations of companies based on four leading EEs (BRIC), Sethi (2009) revealed that less developed countries attracted mostly resource and efficiency seeking FDI. Along with their technological infrastructure improvements, companies attracted FDI in greater value-added activities. In China, over half of deals (total 363, Asia occupies 209) were targeted in Asia, but the belief that China is investing heavily in the USA (65 deals) and Europe (41 deals) is apparently not substantiated. In addition, the author held the view that apart from resource-seeking FDI, China's investments are mainly strategic asset-seeking, aimed at acquiring technology, brand, and skills from developed countries (Sethi, 2009).

Based on an EE, a single, in-depth, process-based case study of a Brazilian IT company, Bandeira-de-Mello, Fleury, Aveline, and Gama (2016) investigated how a late entrant from an emerging economy competed in advanced and emerging markets by exploring and exploiting its capabilities in a flexible way. The empirical results reveal the effect of operation mode, organizational structure, and resource competition on internationalization. This finding challenged the prevalent notion that most companies in EEs decide to internationalize in other emerging or less developed countries (Bandeira-de-Mello et al., 2016).

2.4.3 Chinese Companies' Internationalization

Many studies focus on antecedents or driving forces, processes or operations, outcomes or consequences of internationalization, and investigate manufacturing, technology, and communication industries. Deng (2012) consolidated and integrated extant knowledge and proposed a coherent framework to organize and review conceptual and empirical findings ranging from management, international business, cross-culture, and area studies. The identified antecedents of Chinese companies' internationalization include four main aspects. First, company level drivers include company size, types, and ownership, resources and capabilities, international orientation, and experiences. Second, industry level drivers include structure, policy, and competition. Third, transaction specific drivers include project importance, involved investments, and market or strategic asset-seeking. Fourth, institutional context includes institutional factors in home and host countries, and cultural and other informal institutional components (Deng, 2012). Taking Chinese manufacturing company as context, Jiang, Branzei, and Xia (2016) examined the moderation effect of foreign equity and export orientation on the relationship between knowledge and self-innovation. They pointed out that EE-based companies shifted their dependence on external knowledge to self-reliance on internal knowledge through internationalization. Chinese companies with greater financial and intangible resources are more likely to engage in international acquisitions, whereas companies with fewer resources are forced to work collectively with others (Lau, Ngo, & Yiu, 2010).

The ownership differences between SOEs and POEs involved in ownership and institutions result in different antecedents of internationalization (Lin, 2010). Chinese SOEs have ownership advantage as they are likely to obtain speedy administrative approval and capital incentives and support for foreign investments. By contrast, a disadvantage is that the host country's regulative institutional barriers are higher for SOEs than for POEs, so Chinese SOEs tend to choose joint venture entry mode to exchange ownership for legitimacy (Cui & Jiang, 2009). POEs' ownership advantage lies in the monopolistic market dominated by SOEs in certain sectors due to the industrial policy (Luo et al., 2010). For the internationalization process, various internationalization strategies were identified, such as catch up strategy, strategic intent, and fit (Deng, 2012). Rui and Yip (2008)'s strategic intent perspective on international acquisitions by Chinese companies revealed that the ultimate strategic objective of Chinese companies is to gain sustainable competitive advantage and become a global player. The outcomes of Chinese companies' internationalization can be measured and examined in three perspectives, namely, economic and financial performance, corporate goal achievement, and overall competitiveness of the company. Prior literature on performance assessment fails to make a consistent conclusion as performance varies in different industries and periods (Zhong, Peng, & Liu, 2013). For instance, Wu, Wang, Hong, Piperopoulos, and Zhuo (2016) examined how a host-country institutional development influenced innovation performance of internationalized EE-based companies. Their study considers a panel dataset of internationalized Chinese manufacturing companies as sample. The results show that, although host-country institutional development enhanced parent companies' innovation performance, such effects were more evident for companies with strong absorptive capacity and diversified in a great number of countries.

Much of the literature has focused on Chinese and Indian multinational companies, with less attention devoted to other emerging markets, such as Latin American multinational companies (Hennart, Sheng, & Carrera, 2016). Exceptions include Brazil, South Asia, and African countries. By examining 398 small- and medium-sized exporting Brazilian companies, the international orientation and export commitment constructs have been revised under the context of the fast internationalization, for sake of identifying scales that more accurately measure these dimensions in the Brazilian setting (Machado, Nique, & Fehse, 2016). Hennart et al. (2016) investigated the effect of home-country institutions on a company's level of internationalization. Based on statistically analyzing the listed Brazilian companies between 2002 and 2011, the author pointed out that the Brazilian government or even other Latin American states selected and nurtured domestic companies to become multinational companies to safeguard their autonomy. On the surface, these domestic companies became multinational companies. However, these companies remain under the government's control by obtaining equity stakes in these national companies. Vithessonthi (2016) doubted whether the more a company invests, the higher degree of internationalization, and whether companies with higher degrees of internationalization present better performance than those with lower degrees of internationalization. To answer these questions, the author examined several companies across Southeast Asia countries from 1990 to 2014. A negative relationship is noted between capital investment and level of internationalization. However, using different measures indicates different results for performance. Measured as return on assets, the level of internationalization is not associated with company performance. For stock return, the higher the level of internationalization, the better the company performance. Krishnakumar et al. (2014) pointed out that the market neither reacts positively or negatively to international acquisition announcements in Africa.

2.4.4 Chinese Companies' Merger and Acquisition

Companies from EEs are latecomers to the global business. Therefore, to speed up their internationalization process and rapid catch up with the increasing global competition, they have to find ways to break into this advanced world (Borda et al., 2017; Kalinic & Forza, 2012; Mathews, 2006). Extant EE literature on international acquisitions reveals that a company with adequate cash flows and prior acquisition experience, as well as network ties with host countries, makes successful acquisitions (Buckley, Munjal, Enderwick, & Forsans, 2016a). By contrast, extant studies have argued that companies from EEs lack know-how, branding, and other company specific capabilities (e.g., Luo and Tung (2007)). Therefore, EE-based companies taking advantage of the home market, such as having low labor cost, and financing sources have better international acquisition performance (K. Reddy, E. Xie, & Y. J. J. o. P. M. Huang, 2016).

International acquisition undertaken by EE-based companies increased significantly over the decades (UNCTAD, 2015). China has become a leading economy in international acquisition due to timely implementation of economic, political, and institutional transitions, such as the "Open Door" policy, joining World Trade Organization (WTO), "Go Global" policy, "One Belt, One Road" strategy, and several administrative adjustments (K. S. Reddy et al., 2016; Rui & Yip, 2008). According to Lin (2016, p. 689), "no country in the human history has ever grown so fast for so long as China did in the past three decades."

Chinese companies experienced three M&As stages (Wang, 2007). The first stage was the infant period (1993–1996), in which the amount and scale of company M&As were limited. In October 1993, Shenzhen Bao'an Group acquired 19.8% shares of Shanghai Yan Zhong Industrial Co. Ltd., which marked the commencement of aggressive domestic M&A activity in China (Bhabra & Huang, 2013). The second stage was the flourishing development period (1997–1999), in which the large scale, cross-industry, and cross-region M&As happened frequently. Thereafter, given that relevant law and regulations were absent, companies launched malignant M&As for special motives. In 2000, China Securities Regulatory Commission (CSRC) with the enactment of Securities Law, regulated and encouraged M&As. Since then, the M&As of Chinese companies has entered the third stage, with the entry of international M&As (Wang, 2007). Two new phenomena are identified during the third stage. First, developed economies in the west, such as the USA, Australia, the UK, France, Germany, and Canada, as well as some tax haven economies, such as Cayman Islands and British Virgin Islands are among the top location choices for Chinese companies (Peter J Buckley et al., 2016). Additionally, Hong Kong is the primary location of international acquisition, because Chinese companies regard Hong Kong as an experimental base for further investments (Peng, Sun, Pinkham, & Chen, 2009). Second, state-owned or -supported acquisitions have become the normal mode (Child & Rodrigues, 2005), since governmental control on companies is a common phenomenon in EEs. SOEs can easily obtain governmental support in terms of financial and regulatory rules, which facilitated acquisitions (Zhou et al., 2016).

Studies explore the motives and performances of M&As in Chinese companies and provided valuable insights. Empirical studies provide support for market seeking objectives (Buckley et al., 2010; Hurst & Economy, 2011; Peng, 2012) as well as resource-seeking objectives (Buckley et al., 2010; Deng, 2004). Other emerging objectives, such as brand-seeking and managerial hubris-seeking objectives, have been identified (e.g., Wu and Ding (2009) and Peng (2012)). Child and Rodrigues (2005) argued that stimulated by beneficial policies, Chinese companies have undertaken acquisitions to gain access to technology, secure management experiences or skills, and acquire international brands. Rui and Yip (2008) posited a strategic intent perspective to analyze the cross-border acquisitions made by Chinese companies and highlighted the use of institutional incentives and minimizing institutional constraints to achieve goals, such as leveraging their unique ownership advantages.

Xin and Commission (2003) examined whether M&As create value for Chinese-listed companies and concluded that M&A creates value for acquired companies, but a reverse effect is seen on acquiring companies. Guixian (2012) found that most acquiring companies did not improve their performance, but reduced shareholders' wealth within two years after M&As instead, whereas other companies improved their performance after three years. The inconsistent acquisition performance may be due to differences in ownership of acquiring companies (SOEs and POEs), examining industry, assessment criteria and duration (short- and long-term), and influential factors. (Sun et al., 2017) pointed out that SOEs demonstrate lower stock performance compared to POEs, although the former have better financing capacity. Chinese-acquiring companies in the real estate sector has positive financial performance, whereas companies in the financial sector has negative performance (Zhu & Moeller, 2016). Changqi and Ningling (2010) revealed that pre-acquisition performance and state-share proportions positively influence the performance of Chinese listed companies. Other influential factors include nature of target form (public/private), transaction size, external environment of home country, and political and cultural environment of host country (Changqi & Ningling, 2010; Zhu & Moeller, 2016).

2.5 Chinese Hotel Industry Context

2.5.1 Overview of the Chinese Hotel Industry

In the past four decades, the Chinese hotel industry has witnessed and experienced great changes of China. The year 1978 was a watershed year in Chinese hotel development history. China only had a few of accommodation facilities in international standards prior to 1978 (Gu et al., 2012). When the Chinese government adopted the "open door" policy in 1978, the Chinese hotel industry entered an era of revolution and expansion (Tsang & Hsu, 2011). The Chinese hotel industry has grown rapidly since the first international hotel joint venture was established in 1982 (Jian, 1989). Afterward, with the purpose changing from sites of political reception to a general commercial mandate, the Chinese hotel industry has witnessed fundamental changes (Qi, 2002).

Table 2.6 China Hotel Industry Development Stage and Foreign Policy

Year	Key Development	China Foreign policy	Characteristics
1978–1985	Initial industrial development	Reform "Open door" policy	Rapid development, demand exceeded supply
1986–1991	Accelerated development	Government encourage FDI	Supply matched demand, government intervention
1992–1998	Collectivization and excessive competition	Wider reform expansion and regulation	Wider economic reform, hotel increase doubled
1999–2008	Rapidly growth of the domestic market, budget hotel sector	"Go Global" policy	Oversupply during the Asian crisis, complicated ownership structure
2009–Present	Consolidation and internationalization	"One belt, one road" policy	Domestic and international M&As

Adapted from (Pine, 2002; Shen & Chon, 2007; Wu & Chen, 2001; Yu, 1992; Zhang, Denizci Guillet, & Kucukusta, 2015)

The nature of the Chinese hotel industry has a strong relationship with government policy guidance, especially one influenced by foreign policy. Prior research (Jian, 1989; Qi, 2002; Yu, 1992) indicates that the Chinese hotel development path accompanied by foreign policy can be divided into five stages (**Table 2.6**). The first stage lasted from 1978 to 1985, and is the initial phase of the development of China's hotel industry. Prior to 1978, China only had limited accommodation facilities with international standards. Such establishments were not real "hotels" but guesthouses named as "lv guan," "zhao dai suo," and "bin guan." "Lv guan" or "zhao dai suo" refers to small inns used by Chinese citizens, and "bin guan" denotes accommodations used by foreign tourists. During that period, Chinese citizens were not allowed to enter "bin guan" in most cities (Jian, 1989). Moreover, most "bin guan" were located in a few first-tier cities, were not operated commercially, and were unable to provide satisfactory service for foreign tourists (Pine, 2002).

These lodgings cannot be considered as real hotels and are instead part of government reception functional facilities (Qi, 2002).

At 1978-1985 stage, the government encouraged the construction of more “bin guan” to facilitate the increase of foreign tourists because of the country’s “open-door” policy. Despite this development, “the increasing rate of provision of ‘bin guan’ beds was still lower than the increasing rate of tourist arrivals“ (Jian, 1989, p. 63). Under such a circumstance, the country urgently needed complementary hotel facilities (Hunt, 1989; Jian, 1989). To construct additional hotels, the government approved joint ventures with foreign investors through the enactment of the Law on Chinese–Foreign Joint Ventures (1979). The Jian Guo Hotel, a Sino-US joint-venture property, was built in Beijing in 1982. It was the first joint-venture hotel and marked the beginning of the joint venture ownership in the hotel industry. Stimulated by the Jian Guo experience, foreign partners were sought after for joint venture hotels with the motivation to achieve nationwide hotel development during that period (Yu, 1992). Examples of this development include the Bei Jing Holiday Inn Lido, Bei Jing Sheraton Great Wall, Guangzhou China Hotel and Garden Hotel, and the Shanghai Huating Sheraton Hotel.

At the end of 1985, the increasing hotels were able to accommodate the increase of inbound tourists (Pine, 2002). “By 1991, 202 hotels were counted as joint ventures hotel projects with overseas investors, 215 hotels were reported under international management contracts and four hotels were financed completely by overseas investment” (Gu et al., 2012, p. 58). By adopting these transnational cooperative agreements, Chinese hotel companies obtained international management experience and cutting-edge technology, improved its management skills and service quality, and shortened the gap between them and multinational hotel companies. Over half of the inward foreign investment in China in the 1980s was reportedly invested in the hotel sector. In fact, China’s hotel sector was its earliest and most open industry to the outside world (Gu et al., 2012).

The second stage (1986–1991) witnessed accelerated development of Chinese hotels. Standardization and administration were adjusted at this phase. The government encouraged direct foreign investment, thereby resulting in substantial investments and reconstruction. Since 1986, hotel supply has been able to match the tourist demand (Yu, 1992). The rapid growth of this period was driven by the growing demand from foreign tourists and the incentives from the Chinese government. However, without reasonable control and management, the Chinese hotel industry soon witnessed hotel overprovision, an event which affected the subsequent hotel pattern (Yu, 1992). The common belief is that the "Chinese hotel industry shifted from a seller market to a buyer market." Another issue that occurred in this period in terms of hotel development was the establishment of a star rating system in 1988, and the scheme was the first permitted comparison that established the benchmarking for hotels across China (Gu et al., 2012).

In the third stage (1992–1998) hotel growth doubled. Excessive competition existed in the market. In 1992, China widened its economic reform and "open-door" policy. The increasing business activity and international tourist arrivals boosted hotel investment. As Pine (2002, p. 63) explained, "in just four years, from 1993 to 1997, China doubled its hotel capacity to 5,201 hotels and 701,736 rooms." The rapid growth of hotels caused another round of oversupply in the Chinese hotel industry. In addition, during this period, Asia suffered a financial crisis. The boost in supply combined with the effects of the Asian financial crisis destroyed China's hotel development. In 1998, for the first time, Chinese hotels witnessed a profit decrease. According to the CNTA (1999), China's hotel industry lost approximately 4.656 billion RMB.

For the fourth stage (1999–2008), China accessed the WTO in 2001. China had been gradually opening its hotel market to international competition. By the end of 2005, the Chinese government had completely opened its market to international operators for hotel, restaurant and mixed-used real estate development projects (Jones Lang LaSalle Hotels, 2006). Despite this development, Chinese government intervention remained obvious, and was manifested in the Chinese hotel ownership structure and hotel industry pattern. By 2004, state-owned hotels accounted for 53.4% of China's hotel room inventory and played a dominant role regarding room supply (Xiao, O'Neill, & Wang, 2008). However, the RevPAR performance of international chains has been consistently better than those of enterprises operated by domestic chains and independent operators (Gu et al., 2012). After decades of development, Chinese hotel companies still had slow expansion and were much less competitive relative to Western hotel chains, (Qi, 2002). By 2003, fragmentation was greater and only 16% of hotels were chain operated, among which most were four- or five-star international brands (Xiao et al., 2008). The government gradually realized the disadvantages of state ownership, and previously state-owned hotels were increasingly reformed to joint-stock ownership. In addition, hotel managers adjusted their strategy by changing from a more government-oriented to a more market-oriented operating model (Dai, 2003; Xiao et al., 2008). One response adopted by Chinese hotels was moving into the budget hotel sector that was not dominated by international hotel chains. Home Inns, 7 days Inns, and Green Tree Inn are typical examples (Qin, 2007). In particular, Home Inns and 7 days Inns raised capital from overseas equity markets in 2006 and 2009, respectively. As competition between international and domestic companies increased, Chinese hotels underwent fundamental reform in ownership, capital and market restructuring (Yu & Gu, 2005).

In the fifth stage, (after 2009 to present), the specific development pattern of the Chinese hotel industry is described in **Sections 2.5.2, 2.5.3** and **2.5.4**.

2.5.2 Foreign Hotel Companies Enter China

As previous mentioned, since the first joint venture hotel-Beijing Jianguo hotel opened in 1982, a new trend of expansion has materialized in China in which foreign hotel companies emerged, driven by the rapid economic growth and promising tourism prospects of the Chinese market (Wise, 1993). Subsequently, Hong Kong investors developed two landmark hotel properties in Guangzhou, the White Swan Hotel and the China Hotel in 1983 and 1984, respectively. As Pine and Qi (2004, p. 42) revealed, "China is an obvious target for their (western hotel companies) necessary expansion." Following this development, many multinational hotel companies (including but not limited to the Starwood, Shangri-La Hotel Group, Accor Hotel Group, Intercontinental Hotel Group and Marriott Hotel Group) expanded into China and stimulated the rapid development of the Chinese hotel industry (Guillet, Zhang, & Gao, 2011). By the end of 2011, the number of the rooms managed by the top 30 Chinese hotel groups were more than doubled by the main international hotel chains in China (Gu et al., 2012).

Most multinational hotel companies expand in China mainly by joint venture management contracts and then move to contractual agreements; therefore, they are not involved in real estate development and cannot obtain ownership of the hotel (Gu et al., 2012). Only a few exceptions adopted equity investment, although some hotel owners request capital involvement when they negotiate with these hotel management companies (Qi, 2002). For example, the Shangri-La group conducts most FDI projects. The Banyan Tree Hotels and Resorts, Jumeirah Hotel Group, and Millennium and Copthorne Hotels are rapidly expanding in China mainly through management contracts (Guillet et al., 2011). **Table 2.7** describes the major international hotel companies in China.

Table 2.7 Major International Hotel Companies in China

Hotel Brand	Entrance Year	First Property	City	Rooms in China	Entry Mode	No. of Properties in China
Starwood*	1983	Sheraton Great Wall Hotel	Beijing	1007	Joint Venture	293
Marriott	1984	China Hotel by Marriott	Guangzhou	850	Joint Venture	98
IHG	1984	Lido Holiday Inn Hotel	Beijing	466	Joint Venture	n/a
Hilton	1988	Shanghai Hilton Hotel	Shanghai	775	Joint Venture	49
Accor	1993	Sofitel Shanghai Hyland Hotel	Shanghai	383	Joint Venture	183
Shangri-La	1984	Hangzhou Shangri-La Hotel	Hangzhou	380	Green Filed Investment	46
Wyndham	1997	Howard Johnson Paragon Hotel	Beijing	302	Joint Venture	n/a
Banyan Tree	2005	Banyan Tree Ringha	Shangri-La	778	Management Contract	8
Aman	2008	Aman Summer Palace	Beijing	132	Management Contract	3

Sources: Starwood website; Marriott website; IHG website; Hilton Website; Accor Website; Accor Website; Shangri-La Website; Wyndham Website; Banyan Tree Website; Aman website.
*Notes: *The above data is based in August, 2017, excludes Hong Kong, Macau and Taiwan.*

With international hotel companies' continuing entrance into China, a growing number of scholars have been shifting their research focus from "how to enter China" to "how to operate and compete in China" (Gu et al., 2012; Guillet et al., 2011; Huang, Han, Roche, & Cassidy, 2011; Pine & Qi, 2004; Qi, 2002; Wong & Wickham, 2015; Xiao et al., 2014; Yu, 1992).

Wang (2006) examined the development strategy of 10 international hotel companies in China between 1981 and 2006, and revealed that luxury hotels and first-tier cities are the target markets of international hotel companies.

Guillet et al. (2011) and Zhang, Guillet, and Gao (2012) analyzed the factors that determine the location strategies in China proposed by international hotel companies. They found that mega-events (e.g., the Beijing Olympic and Shanghai Expo), Chinese government policies, the presence of local entrepreneurs and market potential influenced international hotel companies' operation activities. Moreover, management contract remains the most dominant business format for upscale hotels, but joint ventures and franchising are gaining popularity.

Niñerola, Campa-Planas, Hernández-Lara, and Sánchez-Rebull (2016) conducted a case study on Melia Hotels International's expansion into China. The authors indicated that before entering into a foreign hotel market, especially a market with significant cultural differences (like in this case, a Spanish company in China), the companies should fully consider the important factors before taking actions. Before making any decisions on internationalization, companies should assess whether they fulfil the factors to better prepare themselves to fluently deal with inevitable barriers they will encounter when entering a new market.

Another case study was conducted by Wong and Wickham (2015). They analyzed Marriott's expansion into China's hotel market. The authors revealed that financial capital, internal relationships, internal operating systems and programs, international brand reputation, human capital and domestic stakeholder relationships management are six antecedents' resources that Marriott effectively used to enter and operate in China.

2.5.3 Chinese Hotel Companies' Consolidation and Internationalization

The expansion of international hotel companies in China has a dramatic spillover effect for Chinese domestic hotel companies. The growing number of international hotel companies generates capital asset and advanced management knowledge for Chinese hotel companies. Such a situation also boosts the competition in the Chinese hotel market. Consolidation and internationalization are two typical responses in such circumstances. Yang and Zhao (2018) argued that Chinese companies, particularly Chinese hotel companies started to expand into foreign hotel industry and pointed out that cross-border M&A is the major expansion method. As Gu et al. (2012) revealed, Chinese hotel companies are shifting from being fragmented to a certain degree of consolidation and restructuring driven by the increasing external and internal pressure. The Chairman of the China Lodging Group, Ji Qi, also claimed that the Chinese hotel industry has entered a consolidation era. The balance of the three-pillars of state-owned hotel companies, foreign hotel companies and private-owned hotel companies is waning. A new hotel industry pattern is emerging from domestic merger and acquisitions (see **Table 2.8**).

Table 2.8 Chinese Hotel Domestic Acquisitions

No.	Announcement Year	Acquiring Company	Acquired Equity/Asset	Value (million USD)
1	2009.09	HNA Tourism Group	Westin Guangzhou	162
2	2010.09	Jin Jiang International	GoldMet Inn (70%)	9.4
3	2011.06	Home Inns	Motel 168(100%)	470
4	2011.07	7 Days Inn (Plateno)	Huatian Inns	20

5	2012.06	Hanting Inns & Hotels (China Lodging Group)	Starway Hotel	n/a
6	2014.09	Jin Jiang International	City Inn	10
7	2014.12	BTG Hotel Group	Nanyuan Group (70%)	45.36
8	2015.09	Jin Jiang International	Plateno Hotels Group (81% equity)	1,214
9	2016.04	Jin Jiang International	Vienna Hotels Group 80%	25.7
10	2016.04	BTG Hotel Group	Home Inns (100%)	1,700
11	2017.02	China Lodging Group	Crystal Orange Hotel (100%)	531.9

Source: Data were originally drawn from Travel Daily, SKIFT, Meadin.

The second response by Chinese hotel companies was to launch internationalization via multiple entry modes, particularly via outward FDI to gain competitive advantage (Gu et al., 2012). The “One Belt, One Road” policy and booming Chinese outbound tourism are believed to be the two major driving forces of internationalization.

The New Silk Road Economic Belt and 21st Century Maritime Silk Road were introduced by Chinese President Xi Jinping in October and November 2013, respectively, and they are now termed as the “One Belt, One Road” policy, which has become a national strategy. The “One Belt, One Road” policy seemed to have opened up a new round of growth in China’s FDI in many sectors, such as energy, manufacturing, finance, agriculture, trade, as well as the hotel and tourism sector (Li et al., 2017). Chinese and foreign hoteliers believed that the significance of the “One Belt, One Road” has a profound influence on the Chinese hotel industry development patterns. As the director of the national tourism administration claimed, the “One Belt, One Road” policy would bring significant opportunities for China’s tourism cooperation with countries along the belt and road, and the Chinese high-end hotels must focus on brand output (Yu, 2017).

In addition to the “One Belt, One Road “policy, Chinese hotel companies” internationalization seems to have been stimulated by the rapid development of Chinese outbound tourism (Gu, 2016). Chinese outbound tourism commenced with officials visiting relatives in Hong Kong and Macau in 1983. In 1997, the China National Tourism Administration and the Ministry of Public Security jointly promulgated the “Provisional Measures Concerning the Administration of Outbound Travel of Chinese Citizens at Their Own Expenses” (Dai, Jiang, Yang, & Ma, 2016). With the deepening of reform and opening up, the restriction of the agreed upon Approved Destination Scheme is gradually lowering. During 2012–2017, nearly 173 million passports were issued, and almost 10% of Chinese citizens hold a passport (Si, 2019). In 2018, China remains the biggest outbound tourism market, and Chinese outbound tourists reached 150 million, with a 14.7% year-on-year growth rate (Si, 2019). In 2018, the top 10 outbound tourist destinations are Thailand, Japan, Vietnam, Singapore, Indonesia, Malaysia, the USA, Cambodia, Russia and the Philippines (Si, 2019).

The dramatic development pattern of Chinese outbound tourism attracted the attention of many scholars (Dai et al., 2016; Jørgensen, Law, & King, 2016; Keating, Huang, Kriz, & Heung, 2015; Li et al., 2017; Lin, Liu, & Song, 2015). Keating et al. (2015) systemically reviewed literature in terms of Chinese outbound tourism and established three distinct stages from 1983 to 2012, namely, the "crawling out" (1983–1992), "scurrying about" (1993–2002) and "walking erect" (2003–2012) phases. The "crawling out" stage reflects the emergence of scholarly interest in Chinese outbound tourism. Lin et al. (2015) examined the demand for outbound tourism from Mainland Chinese residents and provided a long run forecast up to the year 2020. The authors indicated that income level and the cost of stay in the destination are two major influencing factors. Another study by Dai et al. (2016) mainly focused on the influential factors on Chinese outbound tourism and revealed that Chinese outbound tourism fully complied with national policies.

According to the Travel Daily News on Chinese tourism outward investment and the Chinese Hotel and Tourism Overseas Investment Report by Horwath (2016), management contract/franchising, strategic alliance, greenfield investment and international acquisitions are four major internationalization modes adopted by Chinese hotel companies (Horwath, 2016). For management contracts or franchising, the HK CTS Metro Park Hotels signed an agreement in 2014 to manage the first 5-star hotel in the Republic of Guinea with 331 rooms and 40 apartments. Another example is the contractual agreements of the Plateno Group (acquired by Jin Jiang in 2015) with 30 properties in Indonesia (Meadin, 2014). With regard to strategic alliance, the China Lodging Group (renamed as Huazhu Hotels Ltd) completed the transaction of strategic alliance with Accor Hotels in 2014. According to their alliance agreement, the China Lodging Group earned a stake of 29.3% in Accor Hotels, whereas the Accor Hotels had a 10.8% stake in the China Lodging Group. The combined hotel networks represent more than 6,500 hotels worldwide, and their two loyalty programs have more than 75 million members (TravelDaily, 2014). For greenfield investments, the Wanda Hotel Group contributed two examples: one hotel property constructed in London and the other hotel and apartment project in Chicago (Xiao, 2017). In addition to the above modes, international acquisition is the dominant internationalization mode adopted by Chinese hotel companies (**Section 2.5.4**).

2.5.4 Chinese Hotel Companies' International Acquisition

The global hotel market witnessed Chinese hotel companies launch numerous high-profile international acquisitions. From the first acquisition launched by Jin Jiang in 2009, around 30 transactions were completed by the end of 2018. **Table 2.9** provides details of specific transactions.

Table 2.9 Chinese Hotel Companies' International Acquisitions

	Announcement date	Acquiring company/group	Acquired equity/asset	Country	Value
Hotel /Tourism Company (11)	2009.12	Jin Jiang International Hotels Company	Interstate Hotels and Resort (50% equity)	USA	307 million USD
	2015.01	Jin Jiang International Hotels Company	Louvre Hotels Group	France	1.2 billion EUR
	2013.02	HNA Tourism Group	NH Hotel Group (20% equity)	Spain	431.6 million EUR
	2014.11	HNA Tourism Group	NH Hotel Group (8.3% equity, total 29.5% equity)	Spain	n/a
	2015.06	HNA Tourism Group	Red Lion Hotel Group (15% equity)	USA	n/a
	2015.11	HNATourism Group	Pierre et Vacances-Center Parcs Group (10%	France	25million EUR
	2016.04	HNA Tourism Group	Carlson Hotels (51% equity)	USA	n/a
	2016.10	HNA Tourism Group	Hilton (25% equity)	USA	6.5 billion USD
	2013.05	Narada Hotels & Resorts	Esplanade River Suites in Perth	Australia	n/a
	2016.07	New Century Tourism Group REIT	Eindhoven Holiday Inn	Netherland	25.7 million EUR
	2016.04	HK CTS Metropark Hotels Co Ltd	Kew Green Hotels Ltd	UK	n/a
Insurance company (4)	2014.01	Anbang Insurance Group	New York Waldorf Astoria Hotel	USA	1.95 billion USD
	2015.02	Sunshine Insurance Group	New York Baccart Hotel	USA	230 million USD
	2016.03	Anbang Insurance Group	Strategic Hotels &Resorts Inc (15 luxury hotels)	USA	6.5 billion USD
	2016.10	China Life	Starwood Capital Hotels (280 select-service hotels	USA	2 billion USD
Real Estate Companies (5)	2010.03	Shenzhen New World Group Co.	Marriott in downtown L.A.	USA	60 million USD
	2011.01	Shenzhen New World Group Co.	Sheraton Universal hotel L.A.	USA	13 million USD
	2014.02	Chongqing Kangde Industrial (Group) Co., Ltd.	Three 4-star hotels under the Barcelo Hotels and Resorts	Spain	66 million USD
	2014.07	Fuhua Group	Park Hyatt Melbourne	Australia	88 million USD
	2014.01	Sichuan Xinglida Real Estate Group	LAX Marriott	USA	47 million USD
Investment Company and others (7)	2013.09	Forebase International Holdings Ltd	Brentwood Bay Resort and Spa	Canada	13.998 million USD
	2014.08	Keck Seng Investments Ltd	Sofitel New York	USA	273 million USD
	2014.06	New Century Holdings	Paris Marriott Hotel Champs-Elysees	France	344.5million EUR
	2015.03	Fosun Group	Club Méditerranée Resorts	France	939 million EUR
	2016.08	Junson Capital	London DoubleTree by Hilton Hotel London - Docklands Riverside	UK	n/a
	2016.05	CINDAT	HershaHospitality Trust (Joint Venture)	USA	571 million USD
	2016.06	Hywin Financial Holding Group	Odalys Vacances (35% equity)	France	n/a

Source: The data were originally drawn from Travel Daily, SKIFT, Meadin.

According to the Chinese Companies' Overseas Investment in Hotel and Tourism Industry Report, Chinese hotel companies launched 33 international acquisitions worth 17.5 billion USD from 2014 until the first half of 2016 (Horwath, 2016). The Chinese hotel companies' international acquisitions indicate six characteristics. First, it shows a growing trend with a growth from five transactions in the first half of 2014 to 20 transactions in the first half of 2016 (**Figure 2.2**). The disclosure of transaction amount reached 10 billion USD (Horwath, 2016).

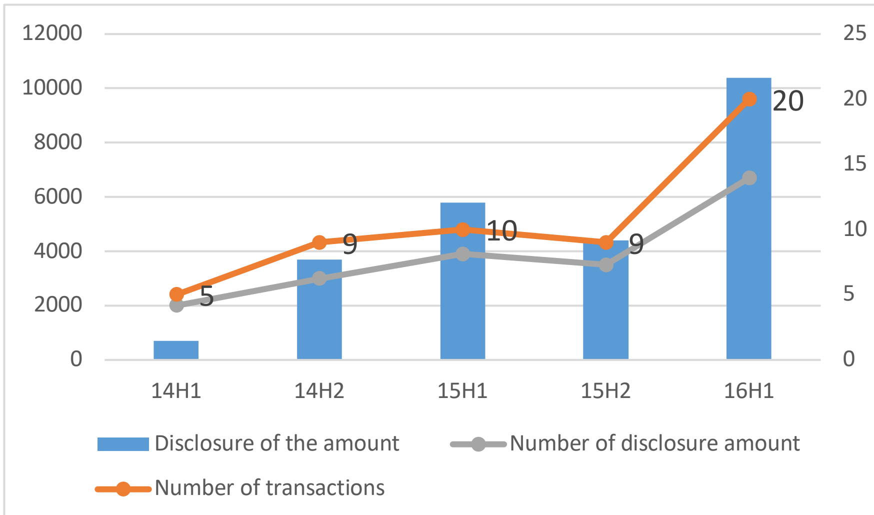


Figure 2.2 Chinese Companies' International Acquisition in the Hotel Industry from 2014 to the First Half of 2016 (Million USD)

Second, acquiring companies include not only HMO companies but also REO companies, insurance-oriented (INO) companies and IO companies. Comparatively speaking, REO companies constitute the main acquiring force, occupying approximately 30%, followed by hotel management companies and IO companies, with 13% each (**Figure 2.3**) (Horwath, 2016). This argument is supported by Yang and Zhao (2018) who claimed that three quarters of acquiring companies are related or non-related industries, such as real estate and insurance.

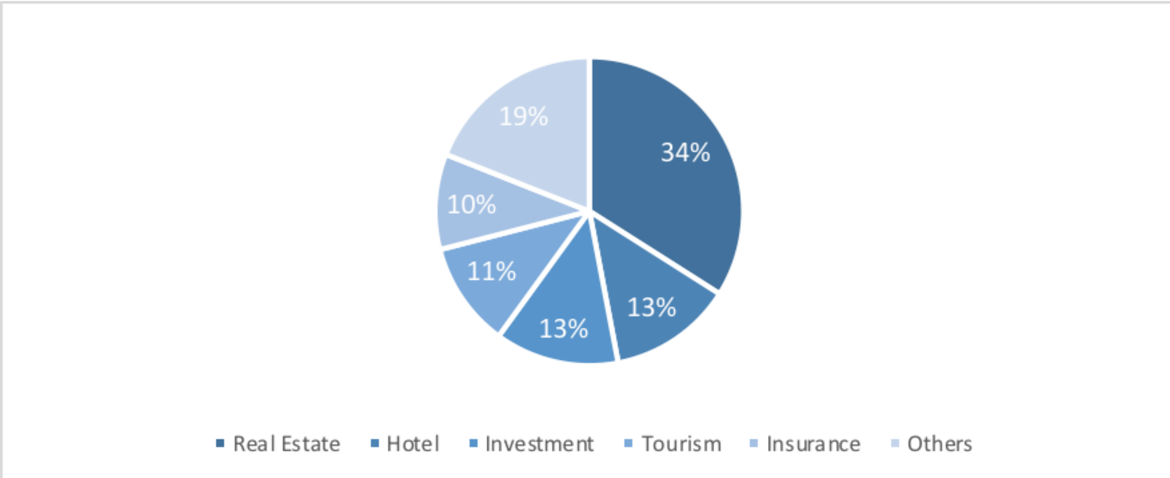


Figure 2.3 Chinese Companies' International Acquisition in the Hotel Industry from 2014 to the First Half of 2016

Third, independent property is the main acquisition target, a development that may be caused by the relatively simple acquisition process and low total capital demand (**Figure 2.4**) (Horwath, 2016).

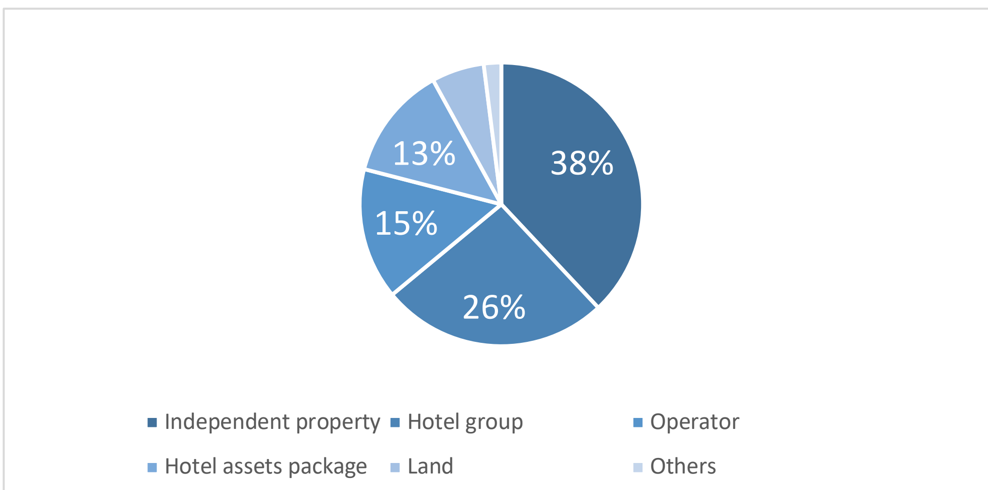


Figure 2.4 International Acquisition Types from 2014 to the First Half of 2016

Fourth, regarding the target company location, the USA is the primary choice with 14 transactions. France and Canada ranked second and third, respectively, followed by the UK, Spain and Australia. Clearly, most international acquisition targets are located in DEs (Horwath, 2016). Most target companies are the leading hotel management companies in the world, such as Marriott, Hilton, InterContinental, and Club Méditerranée.

Fifth, acquiring companies tend to choose targets that are worth between 50 and 500 million USD, especially between 50 and 100 million USD. Few companies choose targets valued below 10 million USD (**Figure 2.5**) (Horwath, 2016).

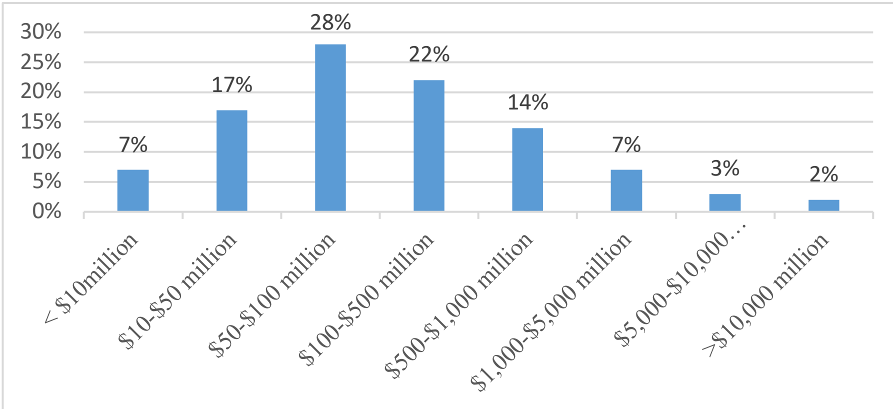


Figure 2.5 Target Company Value

To the author's knowledge, by mid-2019, only four studies examined Chinese hotel companies' international acquisitions. Gross et al. (2017) is one of the first to explore Chinese hotel companies' international acquisitions by investigating Jin Jiang's joint venture acquisition. They revealed five distinctive characteristics, namely, a "leap" entry mode, a "a small fish eats a big fish" pattern, the preference to acquire DE-based hotels, the acquisition of capital support from Chinese banks and strategic instead of operational control of the acquired company. The authors also believed that the Chinese hotel companies' international acquisitions will increase due to systemic reforms and the increase of outbound tourists (Gross et al., 2017). Hua and Gu (2018) systematically described the three development stages of Chinese hotel companies' M&A, including both domestic and international acquisitions. Their work confirmed that Jin Jiang's acquisition of the Interstate Hotels in 2009 is the milestone for Chinese hotel companies due to being the initial acquisition launched by Chinese hotel companies. Hua and Gu (2018) also revealed the underlying reasons that stimulate Chinese hotel companies' international acquisition, including the low ROI in the domestic market because of the excess supply, the introduction of "Tourism Law," the National Tourism and Leisure Program (2013–2020), the advancement and application of information technology in the hotel industry, and the diverse and quality-oriented demands for hotel services. Lu and Zhao (2015) suggested that Chinese hotel companies fully consider the target companies' business situation and local consumer habits to avoid integration obstacles. Yang and Zhao (2018) indicated several motivations of Chinese hotel companies' internationalization, including following outbound tourist growth, obtaining competitive advantage from target companies, restoring competencies to the Chinese market or other host markets, and differentiating Chinese hotel companies' international acquisition from those of traditional multinational companies (that is, instead of relying on competencies such as technology and innovation capacity, Chinese hotel companies mainly rely on capital advantage, the target companies' competitiveness, as well as on Chinese government policies). In addition, the authors indicated that non-market driven acquisitions, particularly those launched by overpaying SOEs, resulted in unsatisfactory outcomes. The authors suggested that Chinese hotel companies learn from the Japanese by identifying a good quality target, proving a reasonable bid price and clarifying strategic motives so as to succeed in long-term international acquisitions (Yang & Zhao, 2018).

The Chinese hotel companies' high-profile international acquisition is unprecedented in history and have generated several challenges. One significant challenge is the fluctuating policy of the Chinese government. On February 2018, China's top economic planner, the National Development and Reform Commission released a full list of "sensitive" sectors for whom the Commission intends to restrict overseas investments, including the deals related to real estate, hotels, cinema, entertainment and sports clubs, and the list took effect on 01 March 2018 (Laura, 2018). Afterwards, the hotel industry became a "sensitive investment sector" and now faces increased scrutiny. In spite of this circumstance, two major Chinese hotel/tourism groups remain confident regarding international hotel acquisition and believe that now is the best time to launch international acquisitions.

As stated by Ji Qi, the Chairman of the China Lodging Group, now is the best time to expand abroad whilst the domestic competition is becoming fierce and being cowed by the Chinese domestic market due to the trade war and Chinese control on freewheeling (Ren, 2019). As Ji said, "When others feel it is the worst time to expand amid the trade war, it may have created opportunities for us to pursue lucrative deals." In addition to signing managerial contracts with foreign landlords, the China Lodging Group aims to launch equity investment, i.e., international acquisition, to accelerate its internationalization (Ren, 2019).

The other example is the Fosun Tourism Group. Internationalization via international acquisition is one of the main development strategies of the Fosun Tourism Group. Fosun Chairman and CEO, Jiannong Qian said that the group is well placed to take advantage of the Asian and European markets, although the international and domestic situation and policies are complex and changeable. Coupled with the inherent vulnerability of the tourism industry, Fosun must carefully and systematically accelerate its internationalization pace (Longley, 2019).

After its domestic and international M&As, the Chinese hotel industry now shows a new pattern. According to the global 300 hotels ranking by Hotels (2019), most Chinese hotel companies rankings increased in the past several years, and they occupy six positions in the top 20 and 38 positions in the top 300 largest hotel companies according to room numbers. Such developments indicate Chinese hotel companies' significant growth. **Table 2.10** also indicates that some Chinese hotel companies' global ranking has risen dramatically due to vast M&A deals, such as those of the Shanghai Jin Jiang International Hotel Group Co. (designated as Jin Jiang afterward). Prior to the acquisition, Jin Jiang was ranked No. 9 with 2910 hotels in 2014. After its acquisition of the Louvre Hotels Group in 2015, the Plateno Hotels Group in 2016 and the Radison Hotels in 2018, Jin Jiang has become the largest hotel group in China and the second largest hotel group in the world.

Table 2.10 Top 10 Chinese Hotel Companies

2018 Domestic Rank	2018 Global Rank	2017 Global Rank	Company	Location	Rooms (2017)	Hotels (2017)
1	2	5	Shanghai Jin Jiang International Hotel Group Co.	Shanghai, China	1,317,368	6,906
2	9	9	Huazhu Group Ltd	Shanghai, China	427,747	4,230
3	10	8	BTG Homeinns Hotels Group	Beijing, China	397,561	4,049
4	12	12	Green Tree Hospitality Group	Shanghai, China	221,529	2,757
5	16	19	Dossen International Group	Guangzhou, China	121,483	2,352
6	19	19	Qingdao Sunmei Group Co.	Qingdao, China	91,706	1,697
7	25	23	New Century Hotels and Resorts	Hangzhou, China	72,642	330
8	34	42	Zhuyou Hotel Group	Hangzhou, China	47,190	788
9	42	/	Wanda Hotels and Resorts	Beijing, China	38,035	154
10	43	50	HK CTS Hotels Co.	Beijing, China	37,672	150

Source: Hotels (2019).

2.6 Critique of the Literature

The above literature review suggests that the study on internationalization and international acquisition provide an overall understanding of Chinese hotel companies' international acquisition strategy and process. However, a critical examination of the literature suggests that prior research only partially explains the phenomenon, and further work is necessary to develop a more comprehensive framework that clarifies such strategy and process, as shown in **Table 2.11**. Existing research provides inadequate understanding of this phenomenon for four fundamental reasons.

First, the prevailing internationalization theories are mainly derived from DEs and examined DE-based companies' internationalization (e.g., transaction cost theory, resource-based view, institution-based view, the OLI model and the Uppsala model). These theories are inadequate to understand the international acquisitions of Chinese hotel companies as the first four theories/model enumerated are static, and the last one dynamic can only explain the very early stage of internationalization (Johanson & Vahlne, 1990). The two emerging theories used to examine EE-based companies' internationalization, namely, the springboard perspective and strategic intent perspective, primarily focus on the apprehending the motives and objectives of acquisition but fail to reveal the entire acquisition process.

Second, prior literature on motives, objectives and performance of internationalization and international acquisition are inconsistent, likely due to the industry and context differences. For instance, DE-based companies have more market-seeking and efficiency-seeking objectives, whereas EE-based counterparts have more strategic-asset seeking objectives. Note that the specific asset is changeable in different industries and different periods. The hotel industry and EEs have distinctive features and conditions (e.g., close relationship with the real estate industry, being capital intensive, the possession of a brand as a core competency, rapid economic development, and political and economic reforms) which may influence the comprehension of the international acquisition process and strategy.

Third, prior literature mainly adopts a single performance assessment perspective (i.e., financial perspective). A multiple assessment perspective, particularly a strategic assessment perspective, is required to address the above shortcomings. Moreover, prior literature emphasizes short-term acquisition performance, such as the equity return in the window period, thereby resulting in the absence of a long-term assessment scope. Adopting short-term, long-term, strategic, financial, and accounting performance assessment perspectives can provide a comprehensive depiction of performance that is much closer to reality.

Fourth, prior literature concentrates on motives, objectives and performance of international acquisition, and largely overlooks the important actions during the actual acquisition process, such as target selection and the integration process. Identifying and selecting a suitable acquisition target, and achieving successful integration continue to pose serious challenges for acquiring companies. Accordingly, a comprehensive framework from a process perspective rather than choice perspective is called for to understand the complete acquisition process.

To sum up, previous conceptualizations inadequately explain the international acquisition behaviors of hotel companies in EEs, and how Chinese hotel companies undertake their international acquisitions remains unclear. Therefore, an empirical research on the conventional studies and a setting in the Chinese hotel industry context is needed.

Table 2.11 Summary of Research Gaps and Responses of the Present Study

Field	Main topic	Main gaps	What will be done in the present study
Internationalization theoretic approach	Motive and performance in DEs	More static, emphasizes motives and performance; dynamic process is unknown; DEs oriented; applicability in EEs is unknown	Explore internationalization from a more dynamic process perspective; Investigate internationalization in EEs
	Motive in EEs	Manufacturing industry-orientated; applicability in service industry is challenged	Explore new conceptual framework from the EEs and service industry contexts
Merger and acquisition	Objective of M&As	More DEs oriented, applicability in EEs is unknown; More domestic M&As objectives, international M&As are needed	Explore objectives of M&As, particularly international M&As
	Target selection of M&As	The influence on M&A performance is unknown; Mainly focuses on country and target company factors; other aspects of factors need to be further explored; Mainly focuses on actively selection strategy, occasionally selection is ignored; More DEs and manufacturing context-oriented, and EEs and hotel context are unknown	Explore target selection criteria from multiple aspects; Explore its effects on M&A performance; Examine these factors in EEs and hotel contexts; Explore both actively and occasionally selection
	Integration of M&As	More DEs and manufacturing context-oriented, and EEs and hotel context are unknown	Explore integration on EEs and hotel contexts
	Performance of M&As	Focused on choice perspective (e.g. motive–performance relationship); process perspective is needed; Assessment was limited to financial and accounting perspectives; strategic perspective is needed; More DEs and manufacturing context-oriented, EEs and hotel context are unknown	Explore M&As performance from a process perspective, covering not only objectives, target selection and integration; Explore from a strategic perspective; Explore in EEs and hotel contexts
Merger and acquisition in hotel industry	Environment of hotel companies' M&As	Mainly focused on DE companies, such as Japan and the USA; findings mainly derived in 1960–1970s; a more recent study is needed	Explore the M&A environment in EEs after the 2010s
	Objective of hotel companies' M&As	Most studies on objectives of hotel companies were conducted in DEs, and only a few studies investigated this topic in EEs	Explore objectives of hotel companies in EEs
	Target selection of hotel companies' M&As	Focused on objectives and performance; the context and industry embedded M&As process is unknown; the influence of EEs conditions is missing	Explore the effects of EE conditions on target selection of hotel companies' M&As
	Integration of hotel companies' M&As	Focused on objectives and performance; the context and industry embedded M&As process is unknown; the influence of EEs conditions is missing	Explore the effects of EE conditions on integration of hotel companies' M&As

	Performance of hotel companies' M&As	Focused on the performance of acquiring companies; Most studies assessed the performance from the financial perspective and strategic perspective is needed; the influence of hotel industry features is missing	Explore the EE-based hotel companies' M&As from process and strategic perspectives
Merger and acquisition in EEs	Environment	Focused on technology, and mining, service and especially hotel industry was largely ignored	Explore the hotel industry's M&A environment; Examine the effects of hotel companies' characteristics on EE-based companies' M&As
	Motive and performance	Focused on objectives and performance; industry embedded process is unknown; the influence of EEs conditions is missing	Explore the EE-based hotel companies' M&As from process and strategic perspectives; Examine the effects of hotel companies' characteristics on EE-based companies' M&As
	Target selection	Focused on location selection and ignored the selection criteria and selection process of specific target	Explore the target selection criteria, including country and specific target; Explore the selection process
Chinese hotel companies' M&As	General description	More descriptive industrial blogs or reports, only a few empirical studies; a comprehensive academic study is needed	Examine the international acquisition process of companies based on EEs in the context of Chinese hotel companies

2.7 Chapter Summary

This chapter provides a foundation for the design and implementation of this research. First, according to the nature of the studied phenomenon (i.e., Chinese hotel companies' international acquisitions), this chapter places this work in five streams of literature: (1) internationalization of companies, (2) the M&As of companies, (3) internationalization, and M&A in the hotel industry, (4) internationalization, and M&A in EEs, and the (5) Chinese hotel industry context. The review of these five streams presented five relevant areas of knowledge: (1) the extant understanding of internationalization theories, entry mode, motives, process and performance; (2) the extant understanding of the characteristics, objectives, process and performance of M&A; (3) the internationalization and M&A of hotel companies may differ from those of traditional industries (e.g., manufacturing industry) in terms of objectives, process and performance of M&A due to the features of the hotel industry; (4) the internationalization and M&As of companies in EEs, particularly in China, may differ from those of developed economies in terms of objectives and performance due to EEs' conditions; and (5) the background and evidence of Chinese hotel companies' internationalization and international acquisitions.

Second, the aforementioned five streams of literature are critically examined for application in this study. The critical review of previous research identified five fundamental problems that impede the direct application of these extant theories and their findings in the current study. The three fundamental problems are (1) the lack of investigation in terms of the driving forces, objectives, target selection criteria, process, integration, performance and influential factors of Chinese hotel companies' international acquisition; (2) the lack of comprehensive understanding of the international acquisition process from a process perspective instead of a choice perspective; and (3) the lack of comprehensive understanding of the effects of different research contexts (hotel industry versus manufacturing industry or EEs versus DEs) on the international acquisition process. Therefore, conceptual framework must be developed to study EE-based hotel companies' international acquisition process and strategies.

CHAPTER III
METHODOLOGY

3.1 Introduction

This chapter presents the overall research design and methodology applied in this thesis. The foundations of the research paradigms and rationale for utilizing an interpretive paradigm are explained. The adoption of grounded theory as a research approach is justified. Details regarding data collection and data analysis are specified and discussed. Finally, the trustworthiness and ethical issues are outlined.

3.2 Research Design

This section briefly introduces the research paradigm, method, and approach as well as data collection and analysis techniques, as shown in **Figure 3.1**. This study is designed to examine the international acquisition process of the companies based in EEs in the context of Chinese hotel companies. Specifically, this study aims to answer the following questions:

1. **Why** do Chinese hotel companies conduct international acquisitions?
2. **What** are the criteria and **how** do Chinese hotel companies select their targets for international acquisition?
3. **What** aspects are considered and **how** do these aspects work in Chinese hotel companies' post-acquisition integration?
4. **How** is acquisition performance of Chinese hotel companies evaluated and **what** are the influential factors?

To address the research questions, this study employs interpretive paradigm, which is selected on the basis of the nature of the research questions and context-bounded phenomenon, meanwhile, this study adopts qualitative research method because it is best able to achieve an in-depth understanding of a particular phenomenon. Grounded theory approach is adopted as "it is very useful in developing context-based, process-orientated descriptions and explanations of organizational phenomena" (Myers, 1997, p. 104; 2013). This study employs primary data by utilizing in-depth interview, which is one of the most extensively used technique to collect data for qualitative research. This technique provides a rich source of data from a wide range of people, roles, and situations, and, thus, is especially suited for achieving detailed information on personal perceptions and behaviors. This study utilizes the data analysis procedure of grounded theory, following three steps of coding, i.e., open, axial, and selective coding. NVivo 12.0 is employed to complete the coding. Detailed discussion and explanation are provided in the succeeding sections.

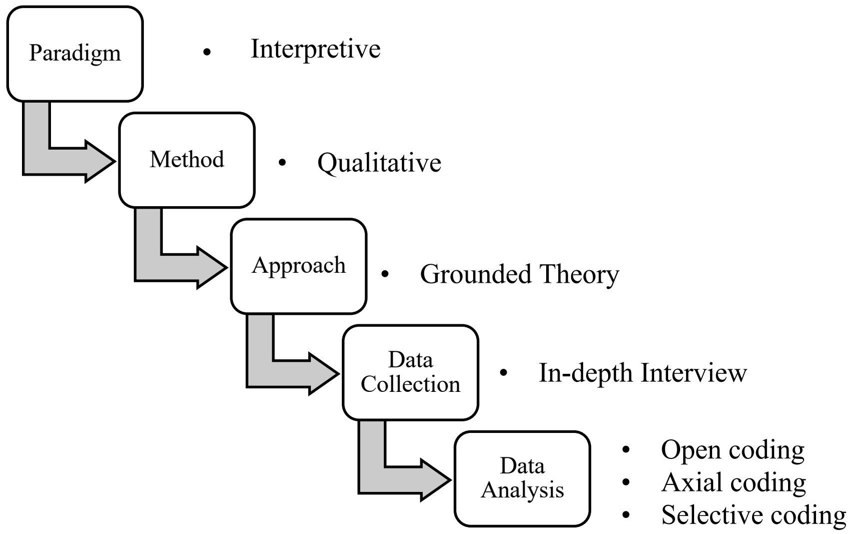


Figure 3.1 Research Design

3.3 Paradigm

Babbie (2007, p. 32) defined paradigms as "models or frameworks for observation and understanding which shape both we see and how we understand it." A paradigm is a "net that contains researchers' ontological, epistemological, and methodological premises" (Denzin & Lincoln, 2008, p. 31). Ontology refers to the nature of reality and is assumed by researchers on the basis of how they view the world. For example, the reflection on the nature of phenomena or social reality is a type of ontology (Mason, 2002). Epistemology concerns the relationship between the inquirer and the known (Denzin & Lincoln, 2008). Methodology explores how people achieve knowledge about the world. Normally, quantitative and qualitative approaches offer distinctive methodologies. The choice of research method is closely influenced by the ontological and epistemological perspectives that a researcher adopts (Veal, 2006). Generally speaking, ontology pertains to the "way of looking at the world," whereas epistemology examines issues in terms of "what is evidence" and methodology concerns how to gain knowledge and collect data to know the world (Veal, 2006).

A study is based on paradigms regarding the nature of the world and how knowledge about the world can be achieved. Paradigms provide the foundation for subsequent processes. The two dominant paradigms in social science research are positivist and interpretive (Hennink, Hutter, &

Bailey, 2010). Positivist was the dominant paradigm in social science before 1970s. Afterward, the interpretive paradigm emerged, and paradigms in social science research started to shift from positivist to interpretive. The positivist paradigm is typically regarded as a scientific research approach and is widely used in natural sciences and experimental and quantitative research in social sciences. Researchers who adopt the positivist paradigm emphasize objectivity, that is, the researcher has no influence on data collection and analysis. Thus, positivism is often criticized because it separates the researcher from the research and fails to achieve knowledge through data collected from people. This paradigm also ignores respondents' humanness. In addition, the influence of the context is not taken into account as positivism only focuses on capturing facts (Hennink et al., 2010).

The interpretive paradigm emerged largely to make up for the drawbacks of positivist paradigms. First, interpretative paradigm seeks to understand subjective experiences and the contexts in which people live. Second, it emphasizes that people's reactions and experience of reality are subjective and that various perspectives of reality exist. Third, it regards reality as socially constructed as "people's experiences occur within social, cultural, historical, or personal contexts" (Hennink et al., 2010, p. 15). Fourth, it highlights the backgrounds and values of the participants and researcher, which may influence the outcome of a research. Interpretive researchers assume that reality is accessed through social constructs, such as language, consciousness, and shared meanings. This paradigm relies on an underlying interpretive and constructivist epistemology. Phenomena are understood only through the meaning that people assign to them (Savin-Baden & Major, 2013, p. 39). Many social scientists argue that social researchers are unable to stand outside of the subject. The only way to understand a particular social phenomenon is to look at it from the subject's point of view. Therefore, interpretive researchers tend to place attention on the meaning in context. Under the interpretive paradigm, the generalizations derived from experience are dependent on the research, the methods that the researcher adopts, and the interactions with the subject of study.

This study adopts the interpretive paradigm, which is selected considering the nature of the research questions and context-bounded phenomenon. The international acquisitions made by Chinese hotel companies are a complex phenomenon and EEs, in which Chinese hotel companies are based, largely differ from DEs. The literature shows that the international acquisitions launched by Chinese hotel companies may be caused by the unique characteristics of this complex context.

Additionally, given that this study attempts to reveal EE-based hotel companies' international acquisition process, interpretive paradigm is perfectly suitable.

3.4 Research method

The debate on the nature of qualitative and quantitative research approaches is ongoing in sociology, psychology, and other study fields (Adcock, 2001; Neuman, 2002; Neuman & Robson, 2014). Hence, an important step in research design is deciding which method to adopt. Comparing the quantitative and qualitative approaches, the choice should be determined on the basis of the research objectives and questions, not by the preference of the researcher (Marshall, 1996). When exploring new topics or explaining complex phenomenon, qualitative research is useful because it can provide the perspectives of the study population and the context where they live (Myers, 2013). Qualitative research also provides rich and deep insights and often tries to answer "why," "what," and "how" questions (Easterby-Smith, Thorpe, & Lowe, 1994; Eisenhardt & Graebner, 2007). If a researcher wants to understand people's motivations, reasons, actions and the context of their beliefs and actions in an in-depth manner, qualitative research is the most suitable method (Myers, 2013).

This study aims to understand the international acquisition process of Chinese hotel companies, covering four topics, i.e., objectives, target selection, integration, and performance. The "why," "what," and "how" questions highlight what people say and do and the social and cultural contexts where they live. Moreover, research on EE-based hotel companies' international acquisitions are in infancy, so the topic of this study is relatively new. The research objectives and questions and the context are best addressed by utilizing the unique benefits of qualitative research.

3.5 Research Approach

A research approach is a means to gain empirical data in terms of the world, and it is defined as an "enquiry strategy" (Myers, 2013). Qualitative research typically includes action research, case study research, ethnographic research, and grounded theory (Myers, 2013). Martin and Turner (1986, p. 141) defined grounded theory as "an inductive theory discovery methodology that allows the researcher to develop a theoretical account of the general features of a topic while simultaneously grounding the account in empirical observations or data." In addition, grounded theory does not refer to any particular level of theory but related to theory that is inductively developed during a study and in constant interaction with the data from that study. The theory is "grounded" in the actual data collected, in contrast with theory that is developed conceptually and then simply tested against empirical data (Maxwell, 2005, p. 43).

As a methodology, grounded theory was developed collaboratively by American sociologists Glaser and Strauss in the 1960s. It subsequently became a widely accepted qualitative research approach within social sciences (Corbin & Strauss, 2008; Strauss & Corbin, 1994; Strauss & Corbin, 1997). Grounded theory offers procedures for data collection and analysis (Martin & Turner, 1986), and it is a useful coding technique (Myers, 2013). However, the two co-founders understood the nature of grounded theory differently, particularly the coding process. Corbin and Strauss (1990) divided the coding process into open, axial, and selective coding), whereas Glaser (1992) put forward open, selective, and theoretical coding. Corbin and Strauss's coding are adopted in this study. For additional details, see **Section 3.7**.

This study adopts grounded theory approach as "it is very useful in developing context-based, process-orientated descriptions and explanations of organizational phenomena" (Myers, 1997, p. 104; 2013). This study adopts grounded theory as a research approach also because of the distinction of grounded theory. The principle of grounded theory is theoretical sampling. A new theory emerges while data are analyzed. This approach can classify phenomena and develop new theories from qualitative data by explaining processes and causal relationships (Myers, 1997), which is right for this research, given that prior theories partially explain Chinese hotel companies' international acquisitions, a more comprehensive theoretical framework is called for. Additionally, grounded theory is well suited to the nature of the present study, and adopting this approach leads to a systematic and detailed analysis of the data procedure. Furthermore, this approach facilitates the immersion in the data at a detailed level, which is consistent with the research objectives of this study. Therefore, this study adopts grounded theory approach to address this issue.

3.6 Data Collection

Data collection is linked to the conscious, appropriate selection of relevant information for a study. It is connected to the selection of the techniques that are best applied for information gathering and which are best to answer research questions and achieve the purpose of the study from the sample selected (Merriam, 1998). The present study employs primary data. Mayer (2013) indicated that primary data can add richness and credibility to qualitative research as such data are unique to the researcher and the particular study. In-depth semi-structured interview technique is suitable for encouraging interviewees to express their opinions regarding the international acquisitions of

Chinese hotel companies (Myers, 2013). Therefore, the present study collects primary data through semi-structured in-depth interviews. Two pilot tests were conducted before the in-depth interviews.

3.6.1 Pilot Test

For the sake of gathering interviewees at the most convenient time, a pilot test employs convenience sampling. In accordance with the definition of Chinese hotel company, the target interviewees include executives in HMO, REO and IO companies, analysists, consultants, and lawyers. Finally, one director from a hotel investment consulting company and one executive from a HMO company participated in the test. The pilot test was conducted in October 15 and 21, 2017. One test employed telephone interview, and the other test employed face-to-face interview in Shenzhen. The two interviews lasted 1.5 hours. An interview outline containing a basic introduction of research objectives and questions was sent to interviewees one week prior the interview (see **Appendix I**).

The interview questions are designed to generate a comprehensive understanding of the international acquisitions made by Chinese hotel companies. All of the questions are semi-structured with an open ending, which can enhance interviewees' additional discussion of the topic. To maintain the quality of the questions, as Lam and Hsu (2004) suggested, a translation–back-translation method is employed. English and Chinese interview questions are translated by one colleague to double check accuracy of translation. Six questions exist, including one ice-breaker question to welcome the interviewee and provide a specific topic, five main questions associated with the four research questions (see **Appendix II**.) Specifically, question 1 answers Research Question 1; questions 2 and 3, Research Question 2; question 4, Research Question 3; questions 5 and 6, Research Question 4. Each question has probes to remind the interviewees when they do not know how to start or when they go in the wrong direction. The probes are not distributed to interviewees to avoid limiting their response.

The pilot test reflects unappropriated research design regarding interview outline and question as well as recruitment criteria for interviewees. In the pilot test version, the interview outline contains research objectives and questions, but the interviewees were confused with the research and interview questions. The interviewees answered the question based on the research questions instead of the specific interview questions, which mislead their answers. In the pilot test version, the interview questions are general to all interviewees and do not differentiate between decision makers and consultants, which cannot uncover the real situation. Moreover, the result of the pilot test indicates that hoteliers who did not participate in actual deal could not reveal the acquisition process; thus, the recruiting criteria must be adjusted. Therefore, the interview outline and questions as well as the recruitment criteria for interviewees are adjusted basing on the results of pilot tests. The specific adjustments are showed in the following sections.

3.6.2 Sampling

The characteristics of the interviewees should inform the research topic or their experiences and contribute to a deep understanding of the phenomenon studied (Hennink et al., 2010). According to the research topic and questions and the results of the pilot test, the specific criteria for recruiting participants are as follows:

1. The executives from HMO, REO and IO companies should be decision makers of a Chinese hotel company's international acquisition project.
2. Analysists, lawyers, and/or other consultants from investment banks, hotel consulting companies, and/or law firms should be core team members of a Chinese hotel company's international acquisition project.

Purposive and snowball sampling are adopted, which are widely used techniques in social sciences for researchers to recruit the most representative information under limited time and manpower, especially in studies with difficult-to-find population (Bernard, 2017).

The purpose of qualitative research is to gain a detailed understanding in terms of a particular phenomenon and the context where a phenomenon occurs, which is "guided by the diversity in the information gained" (Hennink et al., 2010, p. 88). Hence, the number of interviewees can be small. The number of total interviewees in the present study is guided by the saturation principle. When information starts to repeat itself, the data collection can stop because additional data collection becomes redundant and the purpose of data collection is to seek variation rather than gain a large number of participants (Hennink et al., 2010). Finally, 20 qualified interviewees participated in this research. Considering that the phenomenon of international acquisitions by Chinese hotel companies is still in its infancy, the total number of involved companies is limited. Moreover, a growing evidence shows that 10 to 20 qualified interviewees are sufficient to reveal and understand the core topics in any well-defined study (Bernard, 2017).

3.6.3 Interview Procedure

Based on the results of the pilot test, the questions are divided into two versions (see **Appendices III and IV**) to clarify the difference of the decision makers and consultants. The version for decision makers is mainly focused on the acquisition decision process, including motives, target selection, integration, and their perceptual performance in terms of post-acquisition. The version for consultants focuses on how these experts assist the decision makers to prepare, transact, and complete the international acquisition process. Each question has probes to remind the participants when they do not know how to start and to avoid going beyond the scope of this research.

To maintain the principle of grounded theory, the interviews lasted for ten months, from November 2017 to July 2018, including three rounds. The first round of interviews started on November 10 and ended on December 21, 2017, and five interviewees participated, and data analysis was based on these five interview transcripts. The second round of interviews started on March 28 and ended on April 2, 2018, another five interviewees participated, and the third round of interviews started on April 27 and ended on July 18, 2018, and ten interviewees participated. To maintain the quality of the data collection and data analysis, the interview questions, interview outline and the following probes were adjusted, i.e. the interview questions in data collection phases and the coding nodes in data analysis phases in the second and the third round interviewee were slightly adjusted based on the results of the first round. Therefore, the data collection and data analysis of this thesis were not completed one-time, but gradually modified, which could inform the principle of grounded theory. The interviewees of the latter round were introduced by the interviewees of the previous round. Finally, 20 interviewees participated the interview, including 16 decision makers and 4 consultants. Fifteen interviewees are male, and 5 are female. All have at least 10 years of working experience, with 30 years as the longest, and the average working experience is 18. The interviews last from 60 to 180 minutes, with an average of 80 minutes. The profiles of interviewees are listed in **Table 3.1**.

Table 3.1 Profiles of Interviewees

Interviewee	Position and affiliations of the interviewees	Gender	Years of experience	Interview length
I01	Senior Director of a hotel consulting company	Female	10	100
I02	President/founder of a hotel consulting company	Male	15	75
I03	Vice President of a tourism group	Male	20	120
I04	President of a hotel investment company, Asia pacific	Female	12	100
I05	CEO of a hotel consulting company	Female	12	100
I06	Executive president of hotel group	Male	30	60
I07	Deputy GM of a hotel investment group	Male	25	70

I08	Vice President of an investment company	Male	15	70
I09	Senior Director of a tourism and culture group	Male	10	60
I10	Chairman of a hotel group	Male	25	60
I11	Chairman of a tourism group	Male	30	60
I12	CEO of a tourism group	Male	18	75
I13	Senior Director of a tourism and culture group	Male	14	60
I14	President of a hotel investment company	Male	20	180
I15	Senior director of a tourism group	Female	20	60
I16	Chairman of a tourism group	Female	18	60
I17	Senior Director of a tourism group	Male	13	75
I18	President of a hotel group	Male	20	60
I19	President of a hotel group	Male	16	80
I20	President of a tourism and culture group	Male	18	60

3.7 Data Analysis

Grounded theory is a research approach and a distinctive means for coding data. Coding is a critical link between data collection and theory emergence (Charmaz, 2014). Coding is not merely labeling but also linking, and "it leads you from the data to the idea, and from the idea to all the data pertaining to that idea" (Richards & Morse, 2007, p. 137). Strauss and Corbin (1994) claimed that the excellence of the grounded theory approach study largely depends on the excellence of the coding. The present study adopts the "open, axial, and selective coding" approach (Corbin and Strauss (1990) because it is applicable to the research objectives.

Before coding, transcription is an important preparatory work. This study employs self-transcript, based on the notes of author derived and supplemented by a review of the audiotapes. The audio records of semi-structured in-depth interviews are manually transcribed before analysis. Given that the interviewees mainly speak Mandarin, the transcript are recorded and analyzed in Chinese textual form. To maintain the quality of the transcript, the author double checked the transcripts with the audio before analysis.

3.7.1 Open Coding

"Open coding is the part of analysis that pertains specifically to the naming and categorizing of phenomena through close examination of data" (Corbin & Strauss, 1990, p. 62). The major conceptual aim of open coding is to "evaluate the conceptual level of the data so as to increase its theoretical sensitivity ultimately towards the emergence of theory by means of the generation of categories" (Glaser, 1978).

During open coding, the transcripts are broken down into discrete parts, which are then examined comprehensively. A comparison is then made of their similarities and differences (Corbin & Strauss, 1990). At the beginning, the author tried to summarize the data based on their characteristics, and dozens of conceptual labels appeared. These labels became settled and certain, and differentiated concept labels became sub-categories (Corbin & Strauss, 1990; Myers, 2013). These sub-categories are named in terms of their properties. "Properties" here refer to the characteristics or attributes of a phenomenon. "The process of open coding stimulates the discovery of categories" (Corbin & Strauss, 1990, p. 69). Developing the properties is important because they are essential to understand the relationships between categories and sub-categories (Corbin & Strauss, 1990).

Various ways exist in approaching the open coding process. This study adopts a detailed but the most generative method, analyzing line by line. This method involves close examination, either phrase by phrase or even word by word of 20 transcripts. Finally, a total of 153 sub-categories are found in open coding, including 23 concepts on Research Question 1, 53 sub-categories on Research Question 2, 28 sub-categories on Research Question 3, and 49 sub-categories on Research Question 4. Although this method provides detailed information, it is time consuming, with four months spent on the open coding phase.

3.7.2 Axial Coding

After open coding, the second phase is interpreting sub-categories and properties, which is also called axial coding (Corbin & Strauss, 2008; Kendall, 1999). Axial coding puts categories and properties back together in new ways by "making connections between a category and its subcategories" (Corbin & Strauss, 1990, p. 97). In this phase, the researcher is not concerned about how to relate several main categories to form an overall theoretical framework but focuses instead on what will eventually become one of several main categories (Strauss & Corbin, 1994). In the axial coding phase, "a phenomenon in terms of the conditions that give rise to it; the context in which it is embedded; the action/interactional strategies by which it is handled, managed, carried out; and the consequences of those strategies" (Corbin & Strauss, 1990, p. 97). These specifying features of categories are regarded as "subcategories"(Strauss & Corbin, 1997). Similar to open coding, axial coding also makes comparisons and ask questions. However, the procedures in axial coding are focused and geared toward discovering and relating categories regarding the paradigm model (Corbin & Strauss, 1990).

3.7.3 Selective Coding

The third stage is selective coding. Open and axial coding have provided basis for the selective coding. This stage refers to "the process of selecting the core category, systematically relating it to other categories, validating those relationships, and filling in categories that need further refinement and development" (Corbin & Strauss, 1990, p. 116). The key task in selective coding is integration, i.e., integrating the salient properties and associated paradigmatic relationships, categories, and subcategories in open coding and axial coding and grounding a theory (Strauss & Corbin, 1994).

In practical terms, selective coding has several steps. The first step is explicating the story line. The second step involves relating the subsidiary categories and associated core categories based on the paradigm. The third step is relating categories at the dimensional level. The fourth step is validating these relationships against the data. The fifth step is filling in categories that need additional adjustment or refinement (Corbin & Strauss, 1990). Strauss and Corbin (1997) pointed out that these steps are not necessarily implemented in a linear sequence and that the real sequence is based on particular study.

3.7.4 Coding Results

The open coding table is too large to display. The author took some examples regarding four research questions to show how to categorize basic sentences into one sub-category based on their properties. The frequency here refers to the number of interviewees that mentioned one term (see **Table 3.2**).

Table 3.2 Examples of Open Coding Results

Research Question	References (examples)	Frequency	Concept
1	I01: Taking acquisition as opportunity, we entered tourism and leisure industry, expanded our industrial chain I05: Entered tourism market, proposed "Leisure+Capital+Asset" mode, build industrial chain from tourism and leisure perspective.	9	OC15- To expand industrial chain
	I02: It is a fast way to enter the overseas market and achieve internationalization.	8	OC9-To accelerate internationalization process
2	I05: We consider the quotation of the target. I03: Its quotation was just 200 million, because we thought 200 million was the most appropriate.	13	OC38- Target price
	I02: Whether the brand itself is recognized in China is important. If you buy a brand, Chinese people	7	OC29- Brand awareness

	never know you, then the value of the brand is relatively low. I07: The brand awareness is the primary considering factor.		
3	I08: In order to adapt to the Chinese market, the activities and catering in Europe were completely changed and improved. I19: Add Chinese elements, such as a Chinese breakfast.	10	OC8-Adjust brand standard
	I18: Invite each other's personnel to the headquarters for in-depth communication. I19: The annual meeting was held in China to promote cultural exchanges between the two sides.	7	OC19-Cultural communication
4	I11: IRR has exceeded the original expectation, it was expected to be 8%, now it has exceeded 10%. I19: The IRR and estimated ROI have exceeded the numbers in the feasibility study.	11	OC5-Improved ROI rate
	I03: We are satisfied with the performance, exceeding expectations, it is a smart move. I16: There is no doubt that it is successful.	10	OC2-Good performance/ achieved objective

The axial and selective coding results for Research Questions 1, 2, 3, and 4 are listed in **Tables 3.3**, **3.4**, **3.5,** and **3.6**, respectively.

Research Question 1: **Why do Chinese hotel companies conduct international acquisitions?**

Table 3.3 Axial and Selective Coding Results of Research Question 1

<table>
<tr><th>Concept</th><th>Frequency</th><th>Sub-category</th><th>Category</th></tr>
<tr><td>OC1-Financial crisis (abroad)</td><td>4</td><td>AC1-International factors</td><td>SC1-Overseas environment</td></tr>
<tr><td>OC2-Favorable policy</td><td>5</td><td>AC2-Domestic factors-political/legal factors</td><td rowspan="3">SC2-Domestic environment</td></tr>
<tr><td>OC3-Low ROI (China)
OC4-Favorable exchange rate (China)
OC5-Abundant capital (China)</td><td>14</td><td>AC3-Domestic factor-economic factors</td></tr>
<tr><td>OC6-Outbound tourism stimulation
OC7-Consumption upgrade trend</td><td>14</td><td>AC4-Domestic factors-social/cultural factors</td></tr>
<tr><td>OC8-To increase return on investment (ROI)</td><td>4</td><td>AC5-Economic objective</td><td rowspan="3">SC3-Acquisition objectives</td></tr>
<tr><td>OC9-To accelerate internationalization progress
OC10-To scale up
OC11-To raise awareness
OC12-To increase management/operation capability
OC13-To obtain brand
OC14-To expand industrial line
OC15-To obtain the third-party management mode
OC16-To obtain market share
OC17-Brand output
OC18-To optimize asset allocation
OC19-To obtain land resources
OC20-To transfer assets
OC21-To obtain network
OC22-To obtain management platform</td><td>67</td><td>AC6-Strategic objective</td></tr>
<tr><td>OC23-Personal hubris or pride</td><td>2</td><td>AC7-Personal objective</td></tr>
</table>

Research Question 2: What are the criteria and how do Chinese hotel companies select the target company for international acquisition?

Table 3.4 Axial and Selective Coding Results of Research Question 2

Concept	Frequency	Sub-category	Category
OC1-Market access OC2-Legal environment OC3-Political stability OC4-Diploma relationship	12	AC1-Host country's policy & regulation& diploma factors	SC1-Host country factors
OC5-Tax rate OC6-Exchange rate OC7-ROI OC8-Economic stability	10	AC2-Host country's economic factors	
OC9-National culture OC10-Attractive to Chinese tourists OC11-Communication convenience OC12-Local network	14	AC3-Host country's social cultural factor	
OC13-Geographic location OC14-Jet lag	2	AC4-Host country's location factors	
OC15-Customer profile OC16-Operation complexity OC17-Product synergy OC18-Product/operation mode OC19-Asset + management mode OC20-Cooperation experience OC21-Shareholding complexity OC22-The third-party management mode OC23-Listed or not	18	AC5-Target's operation factors	SC2-Target company factors
OC24-Property room number OC25-Property scale OC26-Property type OC27-Property awareness	6	AC6-Target's property factors	
OC28-Brand size	22	AC7-Target's brand factors	

OC29-Brand awareness OC30-Brand history OC31-Brand scale OC32-Brand reputation OC33-Brand type			
OC34-Management team age OC35-Management team capability OC36-Management team entrepreneurship OC37-Management team size	11	AC8-Target's management team factors	
OC38-Price OC39-Cash flow OC40-Expected ROI OC41-Land value	23	AC9-Target's financial factors	
OC42-Company culture	1	AC10-Target's cultural factors	
OC43-Owner background OC44-Sale history OC45-Cooperation desirability	8	AC11-Selling companies' factors	SC3-Selling companies' factors
OC48-Strategic objective OC49-Decision maker's personal OC50-Follow peer's acquisition experience Preference OC51-Occasionally selected	19	AC12-Acquiring companies' factors	SC4-Acquiring companies' factors
OC52-Agent professionalism OC53-Competitive pressure	3	AC13-The third-party factors	SC5-Agent & competitor's factors

Research Question 3: What aspects are considered and how do these aspects work in Chinese hotel companies' post-acquisition integration?

Table 3.5 Axial and Selective Coding Results of Research Question 3

Concept	Frequency	Sub-category	Category
OC1-Take each party's advantages	2	AC1-Integration principle	SC1-Integration
OC2-Set up joint venture company OC3-Organize/add/drop/organization structure/department OC4-Set up management center	9	AC2-Organization structure integration	
OC5-Organize brand OC6-Promote brand OC7-Keep the original brand standard OC8-Adjust brand standard (China) OC9-Adjust brand standard (abroad)	25	AC3-Brand integration	
OC10-Expatriate (management team/owner's representative/entry level employee) OC11-Employee localization (China) OC12-Employee localization (abroad) OC13-Gradually recruit Chinese employees OC14-Quit abundant employees OC15-Set out executives for training OC16-Recruit foreign talents	21	AC4-Human resource integration	
OC17-Bring and promote party management mode OC18-Remain relatively independent management	12	AC5-Management mode integration	
OC19-Cultural communication	7	AC6-Culture integration	
OC20-Money collection OC21-Financial support OC22-Organize asset	7	AC7-Money/asset integration	
OC23 -Cooperate with travel agencies OC24-Adjust pricing strategy OC25-Adjust the minimum length of stay OC26-System integration OC27-Customer integration OC28-Project development	13	AC8-Operations integration	

Research Question 4: ***How is acquisition performance of Chinese hotel companies evaluated and what are the influential factors?***

Table 3.6 Axial and Selective Coding Results of Research Question 4

Concept	Frequency	Sub-category	Category
OC1-Too early to evaluate	4	AC1-Too early to evaluate	SC1-General performance assessment
OC2-Good performance/ achieved objective OC3-Normal performance/partially achieved objective OC4-Bad performance/not achieved objective	17	AC2-General performance evaluation	
OC5-Improved ROI rate OC6-Stable cash flow	13	AC3-Economic	
OC7-Expanded business chain OC8-Obtained network	2	AC4-Efficiency	
OC9-Transferred asset OC10-Obtained land resource	4	AC5-Asset	
OC11-Obtained the third-party management mode OC12-Improved management/operation capability OC13-Obtained overseas management platform	8	AC6-Management	
OC14-Expanded scale OC15-Obtained market share	2	AC7-Market	
OC16-Bring in/ promote brand OC17-Outputted brand OC18-Increased brand awareness	8	AC8-Brand	
OC19-Cultivated talents OC20-Low employee turnover rate OC21-Streamline management processes OC22-Synergy effect	16	AC9-Others	
OC23-Exchange loses	1	AC10-Economic influential factors	SC2-Country influential factors
OC24-Government intervention OC25-Investment policy fluctuates OC26-Labor union boycott OC27-State-owned companies institution constraints	10	AC11-Political and regulation influential factors	
OC28-Not familiar with local regulations OC29-Inaccurate market positioning	10	AC12-Operation influential factors	SC3-Company influential factors

OC30-Incompatible management mode OC31-Incentive cost increase OC32-Communication barriers OC33-Inconsistent system			
OC34-Brand element divergence OC35-Respect original brand standard	4	AC13-Brand influential factors	
OC36-Talent and position mismatch OC37-Lack of talent OC38-M&A core team remains unchanged OC39-Key person departure OC40-CEO's arrogance	8	AC14-Human resource influential factors	
OC41-Company cultural difference OC42-Sufficient mutual communication OC43-Respect target company culture	10	AC15-Culture influential factors	
OC44-Cooperation experience OC45-Abundant acquisition experience OC46-Lack of integration strategy OC47-Consistent acquisition strategy OC48-Get original management team support OC49-Get parent company support	11	AC16-Other influential factors	

Comparatively speaking, interviewees paid more attention to Research Questions 2 and 4, resulting into 53 and 49 basic concepts, 13 and 16 sub-categories, and 5 and 3 categories. By contrast, Research Questions 1 and 3 attract less attention, with 23 and 28 basic concepts, 7 and 8 sub-categories, 3 and 1 categories. Additional information is provided in the following chapters.

3.8 Trustworthiness

Ensuring a study of the highest possible quality is one of the important duties of a researcher. The trustworthiness of a research project lies at the heart of issues that are conventionally discussed as reliability and validity (Seale, 1999). Patton (2005) pointed out that validity and reliability are two factors that any qualitative researcher should consider in advance when they design a study, and these factors should be used when analyzing and judging the quality of the study. Although validity and reliability are originally used for testing or evaluating quantitative studies, the idea has gradually been applied in in qualitative research (Golafshani, 2003).

3.8.1 Validity

Validity refers to "the extent to which the information collected in a research study truly reflects the phenomenon being studied" (Veal, 2006, p. 319). It can be divided into internal and external validity. Internal validity mainly aims to outline how researchers ensure that the achieved research findings match reality, whereas external validity refers to the extent to which a study's findings can be applicable in other situations (Merriam, 1998). For internal validity, this study strictly followed grounded theory's three-step coding procedure. This study employed NVivo 12.0 in the coding process. NVivo 12.0 is a commonly used software that help the author to organize, analyze, and find insights from interview transcripts. NVivo 12.0 helped the author divide information into different nodes, which were then used to generate the different categories. Another problem faced by internal validity is the small sample size. Given the scant research on the international acquisitions made by Chinese hotel companies, a generally accepted sample size has not yet been established. Similar to quantitative research, interviewing the entire population for this study is impossible because the total population of this study is small. Hence, 20 interviewees is considered to be a sufficiently large group for the purpose of this study. With regard to external validity, Chinese hotel companies are unique, and, thus, simply copying this study into another context is difficult. As this study aims to examine the international acquisition strategies that are used by companies in EEs, the theoretical or conceptual framework can also contribute in other EEs because they share many similar features, such as fast-growing economy.

3.8.2 Reliability

Reliability refers to the extent to which the findings of a given study can be replicated (Merriam, 1998). In qualitative research, this issue mainly deals with whether "repeated observations of the same study or replications of the entire study have produced the same results" (Merriam, 1998, p. 205). Reliability is positively related with the level of rigor of the research design and could be realized in multiple ways (Bialeschki, Henderson, & Krehbiel, 2002). The reliability of this study is maintained by triangulation. Triangulation refers to use multiple researchers, methods, and sources, which can all be used to assess reliability (Madill, Jordan, & Shirley, 2000). In this study, the information sources are diversified as decision makers and consultant were involved. In addition, the interview questions were designed bilingually and doubled checked by multiple researchers. Furthermore, the coding results were sent for professional review and adjusted four times based on the reactions.

3.9 Ethical Issues

Ethics refers to whether the research is honest, has integrity, and is not harmful. In this study, ethical issues may be generated from in-depth interviews because they can reveal highly personal information that is specific to individuals or organizations. This information may include informants' perceptions and reflections of a particular phenomenon (Gubrium & Holstein, 2005). Collecting this kind of information may raise a number of ethical issues.

The three core ethical principles of this study are: 1) respect of persons, 2) benefice, and 3) justice (Hennink et al., 2010).

One traditional ethical principle that researchers must follow is confidentiality and the need to protect against misuse. The author provided adequate information to the participants so that they can decide whether to participate in the research. Specifically, approval from participants was required before disclosing the details of their involvement in international acquisition project records.

Another issue is how to avoid causing harm to the informant's reputation, social standing, and profession (Gubrium & Holstein, 2005). Consequently, the potential respondents were reassured that their sensitive information were protected and that cause of harm to the informants and their company's reputation were avoided. In addition, the names of the respondents and the companies were hidden.

The most important ethical issue is to tell the truth. Multiple perspectives or interpretations exist, and whose standpoint is to prevail in the final report is unclear at the outset. This issue is the critical ethical question for a qualitative study, particularly in in-depth interviews (Gubrium & Holstein, 2005).

CHAPTER IV

FINDINGS

This chapter addresses the antecedents that drive Chinese hotel companies' international acquisitions, illustrates the target selection criteria and process, indicate the integration process, and evaluates the acquisition performance and influential factors. This chapter also compares acquisition process of three types of acquisitions, i.e. HMO, REO and IO companies, SOEs and POEs, and equity acquisition and asset acquisitions.

4.1 Environment of Chinese Hotel Companies' International Acquisitions

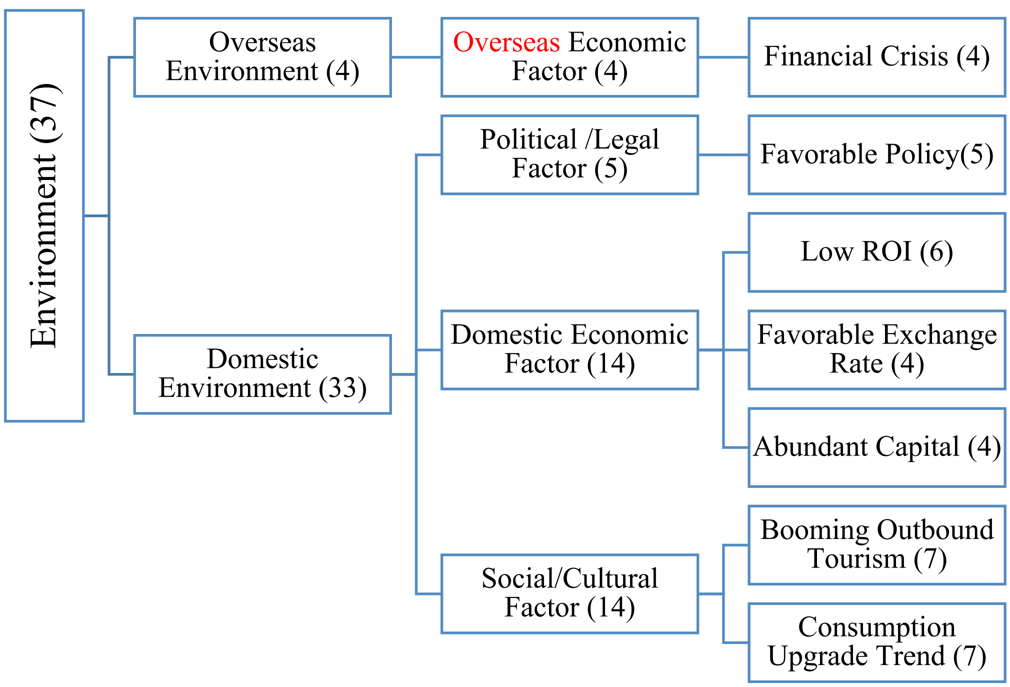


Figure 4.1 Environment of Chinese Hotel Companies' International Acquisitions

Figure 4.1 indicates that the environment of international acquisitions, which are overseas and domestic, are mentioned 37 times. The overseas environment attracts few attentions, with a frequency of 4. By contrast, the Chinese domestic environment draws more attention, with a frequency of 33. The number in the bracket refers to the frequency of one item, i.e., the number of interviewees who mentioned that term. One item mentioned by one employee was counted as "one frequency." For those items that involved several sub-items, the frequency is counted several times. This is the reason the number of frequency is sometimes over 20. The overseas environment had only one factor, i.e., **economic factor**, whereas more interviewees talked about the domestic environment, which had three factors, i.e., **political/legal, economic**, and **social/cultural factors**. The overseas economic factor refers to "*financial crisis*." The political/legal factor refers to "favorable policies." Domestic economic factor refers to the factors that directly influence the international acquisition decisions from an economic perspective, including "*low return on investment (ROI)*," "*favorable exchange rate*," and "*abundant capital*." Social/cultural factors refer to social and cultural effects, including "*booming outbound tourism*" and "*consumption upgrade trend*." The following sections interpret these items in detail.

4.1.1 Overseas Economic Factor

The overseas economic factor refers to the *financial crisis* in 2008, which seriously damaged the North American and European economies. During that period, asset and stock prices dropped, and quite a few foreign companies suffered financial challenge. By contrast, the financial losses suffered by Chinese companies are smaller than those suffered by European and North American companies due to the weak correlation with Western capital market. Under these circumstances, the selling price of foreign hotel companies and hotel properties were low, which pulled Chinese hotel companies to invest. Four interviewees mentioned this aspect as the pulling factor.

"At that time, the project encountered a financial crisis and the acquired company was financially struggling."

-Interviewee 09

4.1.2 Political/Legal Factor

The political/legal factor refers to favorable foreign direct investment policy, which is a nonnegligible push factor. The 12th Five Year Development Plan for the Central Companies issued *"Go Global" policy* and supported Chinese companies to acquire overseas companies with competitive brand and technologies (Gross et al., 2017). Under such a circumstance, the central government encouraged Chinese companies to "go global" and "invest overseas." Stimulated by this policy, a growing number of Chinese companies started to launch cross-border acquisitions, including hotel companies. This push factor draws the attention of five interviewees.

"The government's 'Go Global' policy encourages companies to go global for mergers and acquisitions. The limit of foreign exchange capital was raised. Prior that, over 100 million yuan should be declared, after that, the limit was increased to 10 billion. The bills below 10 billion do not need to be reported but can be issued directly."

-Interviewee 04

"The reason we do cross-border acquisitions is to respond to the governmental calling for the overseas mergers and acquisitions."

-Interviewee 06

4.1.3 Domestic Economic Factor

Fourteen interviewees mentioned three domestic economic factors, i.e., *low ROI, favorable exchange rate,* and *abundant capital*. Six interviewees mentioned the relatively *low ROI* in China compared with the overseas hotel market. Instead of investing in Chinese domestic market, investing in the foreign hotel market is beneficial to the achievement of a high return rate. One underlined reason of the ROI gap is the high price of Chinese hotel assets.

"The return on investment in Chinese hotel market is very low because Chinese real estate prices are too high."

-Interviewee 04

"At that time, the asset price went up. Many companies were unwilling to acquire assets in China just because the price was extremely high."

-Interviewee 05

In terms of *favorable exchange rate*, four interviewees argued its stimulating effect on their international acquisition decisions. During 2010–2016, the exchange rate of RMB against foreign currency increased, which means the foreign investment cost was low, Chinese hotel companies regarded favorable exchange rate as a good opportunity to launch international acquisitions.

"The exchange rate between the renminbi and the pound is increasing. It is a good change for acquisition."

-Interviewee 04

Another economic factor is *abundant capital*. China is the world's second-largest sovereign wealth fund, which has approximately 3 trillion USD in foreign reserves to support the cross-border acquisitions, which makes it possible for Chinese companies to pay compelling premiums for high-profile megadeals.

"China is becoming rich in the recent decade, it has abundant capital to do foreign direct investment, such as international acquisitions."

-Interviewee 08

4.1.4 Social/Cultural Factor

The most frequently stimulating factor mentioned by interviewees is *booming outbound tourism*, which draws the attention of seven interviewees. Recent years have witnessed the boom of Chinese outbound tourists. To follow the footprints of Chinese tourists, a growing number of Chinese hotel companies started to acquire international hotel management companies and/or properties.

"Outbound tourism is a market fundamental for acquisitions."

-Interviewee 16

"The growing number of Chinese outbound tourist is one of the driving forces for Chinese hotel companies to start overseas acquisitions."

-Interviewee 18

Consumption upgrade trend is the other most mentioned stimulating factor, with seven interviewees pointing out this factor's push effect. The development of the Chinese economy stimulates the middle class's demand for the leisure tourism. These people are looking for a good travel experience, not only for sightseeing but also for leisure. By contrast, Chinese domestic market lacks leisure tourism products and brands, and is a niche market that needs to be narrowed.

"Acquisition is a big development that caters to the domestic demand of China. The consumption growth of Chinese market and the rise of the middle class are not satisfied with the domestic brands. A batch of upgraded brands and products are urgently needed to meet the domestic leisure market; it is the core reason of international acquisition."

-Interviewee 08

4.2 Objectives of Chinese Hotel Companies' International Acquisitions

According to the transcripts, the overseas and domestic environments are stimulating forces that push and pull Chinese hotel companies to launch international acquisitions. Under such environments, these companies produce the three main categories of corresponding objectives, namely, economic, strategic, and personal (see **Figure 4.2**). The economic objectives refer to the value creation intentions. In this case, only one objective exists: to *increase ROI*. The strategic objective draws the most attention, with a frequency of 67. This objective has five sub-objectives according to the different emphases, which are the *efficiency-, brand-, asset-, management-,* and *market-seeking objectives*. Personal objectives refer to the CEO's personal objective instead of the companies' objective. Only one item was found, that is *personal hubris and/or pride*.

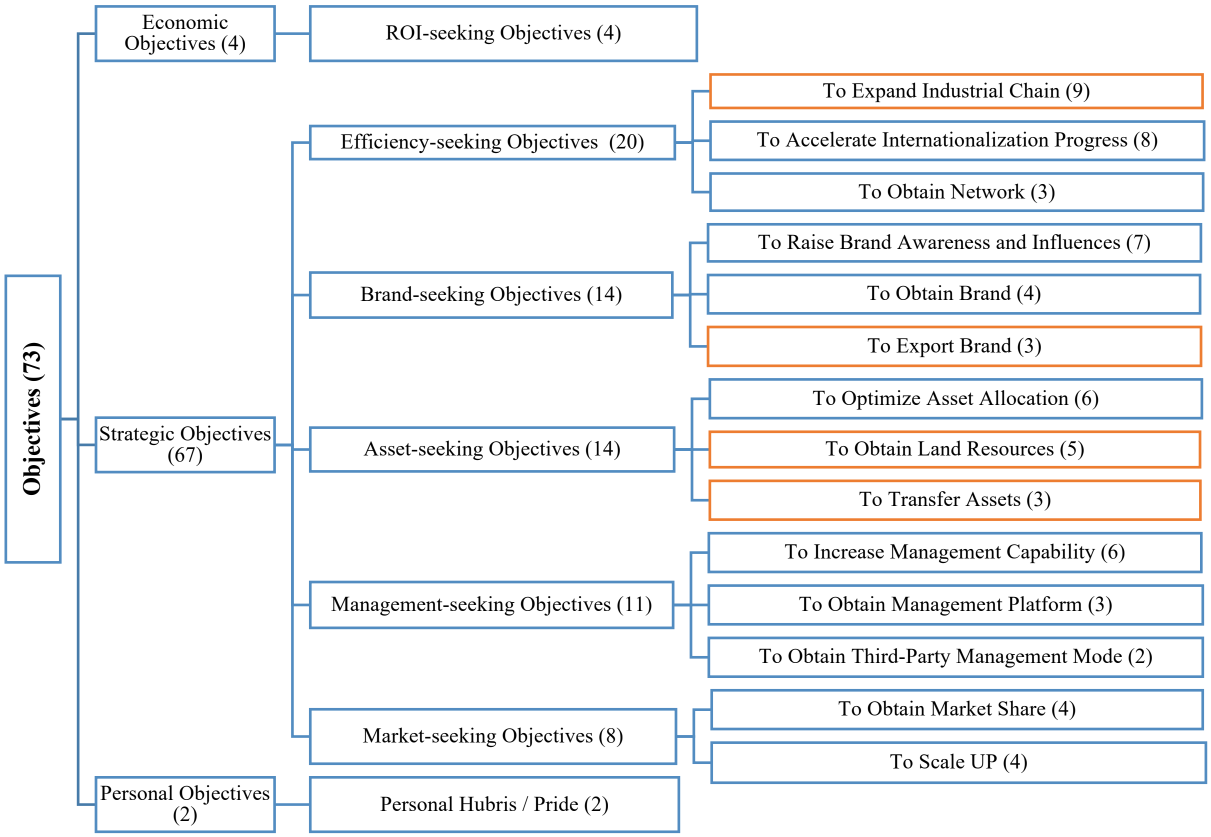


Figure 4.2 Overall Objective of Chinese Hotel Companies' International Acquisitions

4.2.1 Economic Objectives

The economic objectives refer to *ROI-seeking Objectives*. Four interviewees regarded international acquisition as a mode of foreign direct investment, thus they paid more attention to ROI.

> *"It is a pure investment action, in order to obtain a high rate of return on investment."*
>
> *-Interviewee 10*
>
> *"From a ROI perspective, we purchased an asset that could increase in value in the future."*
>
> *-Interviewee 17*

4.2.2 Strategic Objectives

The strategic objectives are divided into five sub-objectives, which are **efficiency-, brand-, asset-, management-,** and **market-seeking objectives**. Efficiency-seeking objectives are those which could improve efficiency of strategic transformation of the company, including acceleration of internationalization progress, expansion of the industrial chain, and networking. Brand-seeking objectives mainly refer to those that focus on the brand of acquiring and acquired companies. Asset-seeking objectives mainly include allocation, transformation, and acquisition of assets. Management-seeking objectives emphasize hotel daily operation and management, and aims to improve the management performance. Market-seeking objectives mainly refer to obtaining overseas and domestic market share.

4.2.2.1 *Efficiency-seeking objectives*

International acquisition was considered as an entry mode of internationalization by eight interviewees; they thought that it was an efficient mode to *accelerate internationalization progress* compared with greenfield investment and other non-equity modes, such as management contract and franchising. By launching international acquisition, Chinese hotel companies could catch up with the pace of the peers in developed economies, and also occupy a beneficial position, as well as gain competitive advantage in the Chinese hotel market.

"It is a fast way to enter the overseas market and achieve internationalization."

-Interviewee 02

To expand industrial chain is the most mentioned strategic objective, which was mentioned by nine interviewees. The industrial chain that Chinese hotel companies wanted to expand refers to the tourism and hotel industry. Some Chinese hotel companies had no business in the field of tourism and hotel prior the acquisition; in their mind, the field of tourism and hotel, especially leisure tourism, deserved investment. Therefore, these companies launched the acquisitions mainly to expand their industrial chain into the tourism and hotel field.

"Taking acquisition as an opportunity, we entered tourism and leisure industry, expanded our industrial chain"

-Interviewee 01

"Entered tourism market, proposed 'Leisure + Capital + Asset' mode, build industrial chain from tourism and leisure perspective."

-Interviewee 05

Another unique efficiency-seeking objective identified is *to obtain local network* in overseas market. International acquisition is a continuing action. These companies first launched acquisition of hotels, and by doing so, hopefully build good relationship with local government or commercial groups for additional investment.

4.2.2.2 Brand-seeking objectives

Chinese hotel companies highlighted the importance of the brand in hotel industry; these companies regarded international acquisition as a way *to raise the brand awareness and influence* of acquiring company in international hotel market. Seven interviewees talked about this objective.

> *"M&A is a very fast way to become a world-class hotel company, it makes us become a well-known hotel company in the world."*
>
> *-Interviewee 16*

Given that the development of Chinese hotel brands started late compared with that of those in advanced economies and that these hotel brands are not competitive in international market, especially weak in high-end and leisure hotel markets, Chinese hotel companies wished *to obtain a mature and well-known brand* via international acquisitions. *Brand export* has two meanings, hotel brand and management outputs. Several Chinese hotel companies wanted to bring their brand abroad and examine their management skills in the foreign market, taking international acquisition as an opportunity.

> *"It is very difficult for China hotel company to export its brand abroad. It will be easier for us to put up our own brand after purchasing hotels abroad and examine whether our management can succeed abroad."*
>
> *-Interviewee 07*

4.2.2.3 Asset-seeking objectives

Six interviewees regarded international acquisitions of hotel properties and/or hotel management companies as a mode of foreign direct investment, especially if the hotel properties are located in first-tier cities. The interviewees believed the hotel assets were premium assets for value maintenance or appreciation. By investing in such field, they could *optimize the asset allocation*.

> *"For global asset allocation, hotels are as high-quality properties, are easier to maintain or increase the value."*
>
> *-Interviewee 07*

One unique asset objective identified is to *obtain land resources*, which includes obtaining Chinese domestic and overseas land resources. Four Chinese hotel companies with this objective mainly acquired well-known hotel brands, to negotiate with Chinese local government to buy domestic land with a cheaper price.

"Our logic is, first, we want to buy a piece of land, so we need a brand. Some brand does not allow us to use, therefore, we decided to buy a brand. This is the reverse logic, to obtain cheap land and profits."

-Interviewee 08

An exceptional case is mentioned by Interviewee 07. His company aimed to acquire overseas land resources, thus the company acquired a hotel located in that area.

"For real estate development, the hotel is part of the commercial complex, in order to acquire a prime location in Oceania."

-Interviewee 07

Transferring asset is another asset-seeking objective.

"Transferring assets overseas is one of the motivations."

-Interviewee 04

4.2.2.4 Management-seeking objectives

Learning or obtaining the advanced management system/procedure/experts *to increase management or operation capability* is the most mentioned management capability objective. By doing so, Chinese hotel companies could learn advanced foreign management experience, narrow the gap between the advanced peers, and obtain management experts. Six interviewees mentioned this objective. The interviewees hoped to acquire the management system and talents.

"Since the domestic management system of Chinese hotel companies have been comparatively less developed, cross-border acquisition is an opportunity for us to bring foreign management system and improve our management capability."

-Interviewee 17

To obtain management platform in overseas market to monitor the daily operation is the second management capability objective. Building a new platform is difficult and time-consuming, thus the companies preferred to acquire a hotel management company in the regions they wished to occupy, and take the acquired company as the management platform. In addition to obtaining the management platform, some Chinese hotel companies also hoped *to obtain the third-party management mode*. Two interviewees mentioned that they wanted to obtain the third-party management mode by international acquisitions.

"To obtain the third-party management mode through acquisition."

-Interviewee 14

4.2.2.5 *Market-seeking objectives*

Chinese hotel companies considered *to obtain new market share* in overseas market. The literature argued that the Chinese domestic hotel market is close to saturation, and that the competition is becoming fierce. Four interviewees regarded international market as the blue sea, which is the reason they acquired foreign hotel companies. Interviewee 10 argued:

> *"The domestic market is saturated, and we wanted to expand into overseas market, thus we launched cross-border acquisitions."*
>
> *-Interviewee 10*

Acquisition can *expand the scale* of acquiring company by obtaining market share. The large scale can achieve much attention in the market.

> *"In order to scale up, you have to be big enough to be noticed in this market."*
>
> *-Interviewee 16*

4.2.3 Personal Hubris/Pride

Only two interviewees mentioned personal objective and said that they acquired foreign hotel companies solely for personal hubris or pride, not for making profit.

> *"For personal ego, taking Blackstone as benchmark, hope to become the largest hotel owner."*
>
> *-Interviewee 14*

4.3 Target Selection for International Acquisitions of Chinese Hotel Companies

The two dimensions (i.e., country and company dimensions) considered by Chinese hotel companies when they selected target companies for international acquisitions are summarized in **Figure 4.3.** The country dimension refers to the host country aspect; the company dimension contains target company, acquiring company, selling company, as well as agent and competitors' aspects. The host country aspect includes social and cultural factors, as well as political, regulatory, and diplomatic factors, such as labor union attitudes toward international acquisition, economic factors, such as exchange rate, and geographical factors. The target company aspect includes six factors, such as financial, brand, operation, management team, property, and cultural factor. For financial factor, selling price and estimated ROI were considered multiple times. Concerning brand factor, Chinese hotel companies showed their great emphasis on brand awareness, size and scale. With regard to operation factor, management and operation modes and customer profile were identified as important factors. In terms of management team factor, average age and management capabilities of management team were mentioned multiple times by the interviewees as important factors. In addition to these four factors, property factor (e.g., property size and type) and cultural factor (e.g., company culture) were also important to acquiring companies. The selling company aspect refers to cooperation intention, owner's background, and sale history. For the agent and competitor aspect, Chinese hotel companies mainly considered the professionalism of the agent and the competition pressure among the competitors in the acquisition bidding. Among these dimensions, the company dimension attracts much attention, with a frequency of 111. Within the company aspect, the target company factor is particularly mentioned, with a frequency of 81.

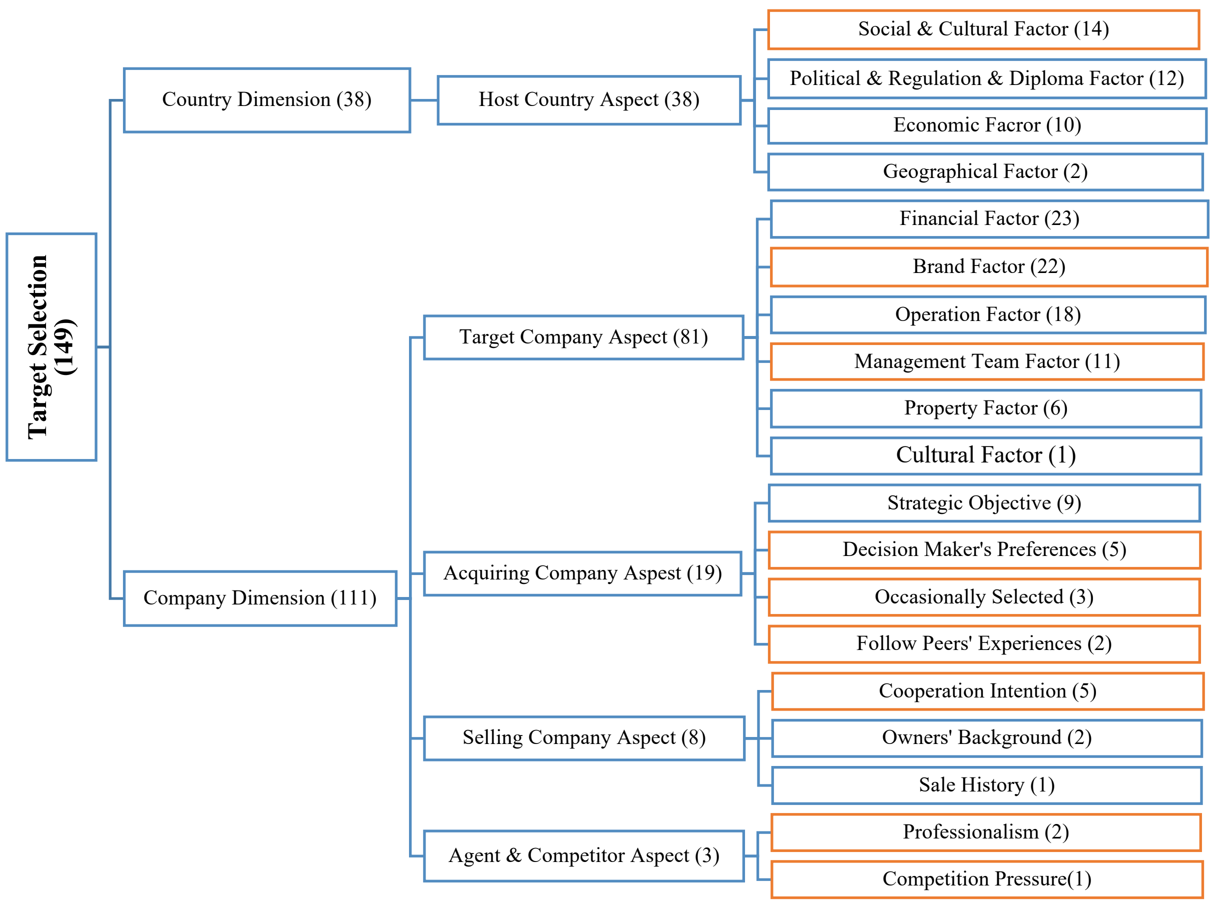


Figure 4.3 Target Selection for International Acquisitions of Chinese Hotel Companies

4.3.1 Country Dimension

Country dimension includes host country aspects, with four identified factors, which are *social* and *cultural, political, regulatory, and diplomatic, economic, and geographical factors*. The most mentioned factor is social and cultural factor, with a frequency of 14. Social and cultural factor includes the *national culture*, *attractiveness to Chinese tourists, convenience of communication,* and *the local network* in the host country. Italian and French culture were frequently mentioned; these two countries were considered as representatives of creative and romantic cultures. Chinese hotel companies that target expansion in the tourism and hotel field emphasized this factor.

"French culture is a very romantic culture, romantic and open atmosphere, it makes you very happy during the holiday."

-Interviewee 20

Two interviewees tended to prefer developed countries given that they considered the *national culture* of developed countries is stable and less risky.

"The cultural environment in developed countries is more stable and less risky. The British culture is kind and peaceful, which we preferred."

-Interviewee 11

In addition to national culture, six interviewees said that they preferred the countries which are *attractive to Chinese tourists*.

"Europe is a very popular destination for Chinese outbound tourists, so we look for targets in Europe."

-Interviewee 16

English-speaking countries are priority because of the *convenience of communication*. The interviewees considered the acquisition process and daily communication in the post-acquisition operation.

"We give up the targets in the Japan and Korea due to the language obstacle, and finally, we selected an English-speaking company because we can communicate fluently."

-Interviewee 03

Another factor considered by one interviewee is *local network*, or in other words, the development potential. The greater the local network, the more opportunity for additional development in that country.

"The economic status undertaken by Melbourne makes it easy to have access to Australia's top management and personnel in various related industries, which is beneficial for further development in Australia."

-Interviewee 07

Political, regulatory, and diplomatic factors include *market access, legal regulation* and *stability*, *political stability,* and *diplomatic relationship with the Chinese government*. *Market access* refers to whether the host country allow Chinese hotel companies to invest. Not all countries welcome Chinese companies, especially SOEs, to invest. Two interviewees mentioned this restriction.

"Japan and Taiwan have low accessibility, they (government) don't allow us to enter."

-Interviewee 19

Legal regulation and stability mainly refer to the labor regulation in the host country, whether the local labor support seriously influence the success of international acquisition. This reason is why Chinese hotel companies regarded it as one important factor.

"The labor regulation in France is not friendly to us, thus we give up."

-Interviewee 19

Political stability was considered as another important pre-condition in the selection of acquisition targets. The more stable the local politics, the better the country.

"We prefer countries with political stability."

-Interviewee 06

Diplomatic relationship with the Chinese government was considered by three interviewees. These interviewees tended to acquire companies in Europe, especially France and the UK, because of the long-term good relation between the two countries.

"We acquired a French hotel company because France has a good diplomatic relation with China."

-Interviewee 02

Economic factors, such as the *local tax rate, exchange rate, ROI,* and *economic stability*, attracted the attention of 10 interviewees. Among them, three interviewees highlighted the importance of the *tax and exchange rates*.

"We selected the English country given that the tax rate in the UK is the most optimal."

-Interviewee 03

"The exchange rate in the UK is relatively low, so target in the UK has exchange rate advantage."

-Interviewee 02

In terms of *ROI*, which refers to expected ROI, two interviewees considered this factor and gave up the targets located in countries with low ROI.

"Australia has great potential to develop hotel real estate, we invested it now, and wait for great ROI in the near future."

-Interviewee 07

Regarding *economic stability*, one interviewee said:

"We preferred a country with high economic stability."

-Interviewee 18

Geographical factor attracted less attention compared with other national factors. Only two interviewees talked about this. The interviewees emphasized the convenience of acquisitions from *jet lag* and *geographical distance*.

"Neighboring countries first, and then going to buy distant places. We selected the country with appropriate jet lap with Beijing."

-Interviewee 03

4.3.2 Company Dimension

Company dimension include three aspects, which are **target company**, **acquiring company,** and **selling company aspects**. Chinese hotel companies emphasized the target company aspect, with a frequency of 81, followed by acquiring company aspect, with a frequency of 19, and selling company aspect, with a frequency of only 8. Concerning the target company aspect, six factors were identified, from the high to low frequency, including financial, brand, operation, management team, property, and cultural factors. The frequency of the first two factors is above 20, which is 23 and 22. The frequency of the middle two factors is above 10 and below 20, which is 18 and 11. The frequency of the last two factors is below 10, which is 6 and 1. In terms of acquiring company aspect, four specific factors were identified, such as strategic objective, decision maker's personal preference, occasionally selected, and follow peer's acquisition experience. The frequency of four factors is below 10, which is 9, 5, 3, and 2. With regard to selling company aspect, only three factors were mentioned, which are cooperation intention, owner's background, and sale history, with relatively low frequency, that is, 5, 2, and 1, respectively.

4.3.2.1 <u>Target company aspect</u>

- **Financial factor**

International acquisition is actually a deal, and the financial factor of the target is believed to be the critical factor for the success of an acquisition, especially for the financial return. Therefore, Indicating that financial factor is the second most mentioned factor when Chinese hotel companies select the acquisition target is reasonable. The financial factor refers to those directly related to value creation and high ROI, such as *the selling price, the cash flow, the estimated ROI,* and *the land value of the acquired properties*. Comparatively speaking, almost all interviewees (13/20) considered the *selling price*, especially when the target suffered financial trouble and the price was undervalued.

"It had a financial crisis and was in a very bad financial position."

-Interviewee 14

"The company's overall value is grossly undervalued."

-Interviewee 09

In addition to undervalued target, the *appropriate quotation* is important. This factor does not mean the lower the price, the better. Some Chinese hotel companies also considered the compatibility of quotation with their own budget.

"Its quotation was just 200 million because we thought 200 million was the most appropriate."

-Interviewee 03

Other than the price, the *estimated ROI* was mentioned by five interviewees. Three interviewees mentioned that they considered the ROI without a specific criterion.

"Purely investment, looking at the rate of return on investment."

-Interviewee 10

Two interviewees set an estimated ROI indicator in advance, and look for the target, which is the one close to or above the estimated ROI. Such company would be selected as the acquisition target.

"Return on investment should be above 10%."

-Interviewee 04

Land value and the *cash flow* were also mentioned as financial factors. Some hotel properties owned by one hotel management companies located in first-tier cities, such as London and Paris; thus, the land value of such properties is very high.

"The hotel assets have great real estate value."

-Interviewee 09

The cash flow of the potential target was considered as an indicator showing that the potential target is currently operating well.

"Its cash flow is better, and its economic performance is better."

-Interviewee 03

- **Brand factor**

The brand is the largest considered target company factor. This factor includes *awareness, size, scale, reputation, type* and *history of the brand*. *The brand awareness* draws the attention of seven interviewees, The interviewees argued that the higher the brand awareness, the better the target, especially when the brand is very famous in China. Famous local brands in Europe or America are not the first choice. In other words, the brand awareness in the eyes of Chinese hotel companies equals to the brand awareness in China or in China and the world.

"Whether the brand itself is recognized in China is important. If you buy a brand, Chinese people never know you, then the value of the brand is relatively low."

-Interviewee 02

The *brand size* refers to the number of the hotel outlets managed by one hotel management company. Two major thoughts exist, one is the larger the brand size, the better the target. The other is that appropriate brand size is better. Two interviewees preferred the large brand size, as one thought the larger the brand, the better to set a layout, the less cost shared in daily operation.

"To have the scale, we have spent so much effort, driving one sheep almost equals to driving a group of sheep. It (the target) distributes over 20 cities, large scale, forms a layout."

-Interviewee 03

The other underlying reason for selecting a large brand is to increase the impact of the acquisition. The larger size the target, the greater the impact.

"For large acquisitions, it is quicker to build momentum and then make other acquisitions."

-Interviewee 16

Three interviewees talked about *brand reputation*.

"We selected it because its brand reputation is good."

-Interviewee 19

Regarding *brand scale*, middle and luxury scale brands are preferred. Three interviewees claimed that they preferred to acquire middle scale hotels as they thought middle scale is most suitable for Chinese tourists.

"Hotels are mid-scale brands, very in line with the needs of Chinese domestic tourists."

-Interviewee 11

Interviewee 20 acquired a luxury hotel brand.

"This is a global leading company, the largest high-end holiday brand."

-Interviewee 20

For *brand type*, the findings indicate various choices. Some Chinese hotel companies preferred mixed business–leisure hotel brands, whereas others preferred only leisure hotel brands.

"We selected a pure leisure brand."

-Interviewee 09

Only one interviewee mentioned that he considered *brand history*, i.e., the longer the history, the better.

"Brand history is best when 20 years above; new brand is not considered."

-Interviewee 08

- **Operation factor**

The third largest factor mentioned in target company aspect is the operation factor, which refers to factors related to hotel operation. Nine factors were identified, but each has a low frequency, the first three factors are the *degree of difficulty in holding, the third-party management mode,* and *the asset + management mode*.

Three interviewees considered *whether it is easy to hold the stock* of the target company. These interviewees preferred to acquire a company with stocks that are easy to hold, then launch privatization.

"There is an investment logic in whether you can hold the target, control a company is the best, then we privatize it."

-Interviewee 09

Three interviewees targeted *asset–management mixed mode*, and hoped to acquire a target with management company and hotel assets.

"The target must have assets and is a management company."

-Interviewee 05

Three interviewees looked for the target with a *third-party management mode*. These interviewees thought that the third-party management mode is the trend in China. They acquired one and brought it back to China.

"It is the second largest third-party management company in Europe, third-party management is a trend, and we have considered this factor in mind."

-Interviewee 19

In addition to these three operation factors, *cooperation experience, operation mode, listed or not, customer profile, operation complexity,* and *product synergy* were considered. If a target has a *cooperation experience* with the acquiring company, less operation complexity, and high product synergy, the target is likely to be selected.

"If the target has high alignment with our own products, and we have cooperated in the past, and in the meantime, it is not difficult to operate, then we select it as acquisition target."

-Interviewee 16

In terms of the *listed and non-listed targets*, different companies have distinct preferences. One preferred the listed target given that it is easy to do due diligence for a public company. Another preferred the non-listed target as the process of acquiring a listed company is long.

"We looked at whether it is a listed company, the listed company is difficulty to acquire.:"

-Interviewee 05

Two interviewees claimed that they preferred the target with an *innovative operation mode*, such as exclusive operation mode.

"We choose an all-inclusive mode and innovative product."

-Interviewee 08

- **Management team factor**

Management team factor was considered by 11 interviewees, ranging from *ability, scale, age,* and *managerial entrepreneurship of the management team.*

The *ability of the management team* was generally evaluated by the performance and the regulation of management. If a company has a strict and standard management regulation and its management performance is above average, then the company is easily selected as a target by Chinese hotel companies.

"Its management ability is strong, half hotels were managed by 'Holiday Inn,' when they managed these hotels themselves, the financial performance increased."

-Interviewee 03

The *scale of the management team* was considered by four interviewees. The moderate scale team with complete personnel was the best choice. Beyond the ability and scale of the management team, a team with an *appropriate age* and *managerial entrepreneurship* was preferred.

"We gave up one project, the average age of the management team is 60, too old to manage the hotels, the one we finally selected, its average age of the executives is 40, it is the best age for

running a hotel. Besides, these two are hoteliers with entrepreneurial spirit I've met in hotel, they are different with professional managers."

-Interviewee 03

- **Property factor**

The fifth most mentioned factor is the property factor, which refers to factors related to hotel properties only, not hotel management company. Given that some Chinese hotel companies acquired independent hotel properties, not hotel chains, the factors of hotel properties slightly differ from those of hotel companies. For example, the acquiring company considered the *property size*, which refers to the number of the rooms in one hotel, not the number of the hotels in one hotel chain. Moderate size is suitable.

"The hotel with 150–400 rooms is perfect for us."

-Interviewee 06

The *property scale* was also considered by Interviewees 06 and 07. Similar to the situation of brand scale, two preferences were identified. One is the middle scale hotel, the other is the luxury scale hotel.

"I like middle to upper–middle scale hotel."

-Interviewee 06

For *property type*, two interviewees showed same preference, i.e., business hotel property, which is different with the preference of hotel brand type. In addition to property scale, size, and type, Interviewee 18 mentioned *property awareness*. In most cases, these properties are landmarks in first-tier cities.

"I choose the property with high awareness."

-Interviewee 18

- **Culture factor**

The last target company factor considered by Chinese hotel companies is the *target company culture*. Only one interviewee briefly mentioned this point.

"The culture of the target was considered when we select the target."

-Interviewee 05

4.3.2.2 <u>*Acquiring company aspect*</u>

Acquiring company factor includes four factors, *the strategic objective, decision maker's personal preference, occasionally selected,* and *follow peer's acquisition experience*. Nine interviewees mentioned that they selected the acquisition target based on the *strategic objectives*. These companies have clear selection criteria and searched the suitable target strictly. If the objective of the acquiring company was to scale up, then the large size of the hotel is prioritized. If the objective was to enter into leisure and tourism industry, then the leisure hotel brand was preferred.

"We are organizing the layout, which elements were missing, we will supplement those elements, this standard is clearly considered prior acquisition."

-Interviewee 14

"It is a strategic choice for us. We made the overseas acquisition plan, we analyzed our advantages and domestic environment, and finally chose this resort hotel as our target."

-Interviewee 20

However, not all Chinese hotel companies have clear selection criteria prior to acquisition. Some companies *followed the peer's experience*.

"Following Fosun's choice, Fosun selected a French brand, so we also considered the target in France."

-Interviewee 01

Some acquisition targets were *occasionally selected*. The decision maker occasionally heard that one hotel company or hotel property was selling, this information was investigated, then the company was purchased. Other targets were not considered.

"This target was accidentally mentioned by my colleague. I inspected it, I thought it was good, and then bought it."

-Interviewee 10

Some Chinese hotel companies selected the targets based on the *personal experience of the decision maker*, such as where the decision maker lived and which one the decision maker like, then selected the company without comparison with others.

"Our boss likes this company very much and has no other choice."

-Interviewee 13

"Because I've been in Germany for 11 years, I know what it is, and I don't compare anything else."

-Interviewee 20

4.3.2.3 <u>*Selling company aspect*</u>

Three factors of selling company aspect were considered by Chinese hotel companies, *cooperation intention, owner's background,* and *sale history*. Five interviewees claimed that they considered the *cooperation intention* of the potential target. Cooperation has two meanings. First, the selling company would like to sell the hotel company or properties to Chinese hotel companies. Second, the selling company would like to cooperate with Chinese hotel company. The company could adjust the brand standard after acquisition. Chinese hotel companies hoped to launch friendly, not hostile, acquisition. Therefore, Chinese hotel companies preferred the target with high cooperation intention. Some targets conform to the selection criteria. However, if the company is not willing to sell to Chinese companies, not willing to adjust the brand standard in China, not willing to cooperate with Chinese companies, these companies will not be selected.

"We also need to see seller's intention of cooperation, some brands although you want to buy, they might not want to sell it to you. Sometimes, even if you can offer the highest price, they may not sell it to you."

-Interviewee 02

"The first-choice standard is that the target is willing to come to China for further development and is willing to improve the adjust standard in the Chinese market."

-Interviewee 08

Owner background was considered by two interviewees. The owner of the target company could be divided into several categories: family and non-family company, fund and non-fund company, company run by founders and run by professional managers. The non-family and run by professional managers' companies were first choices.

"They are founders of this hotel, they have an emotional attachment to the hotel, they could help us to make this hotel better after the acquisition."

-Interviewee 03

"We don't like family company, it is difficult to deal with family issue, which increases the risk of acquisition failure."

-Interviewee 20

In addition, Interviewee 03 mentioned that he considered the *sale history of the target* as one selection criterion.

"If the target had been sold several times, but it stops in the middle of the transaction, we suspect there is something wrong with the company."

-Interviewee 03

4.3.2.4 *Agents and competitors' aspect*

The last aspect refers to agents and competitors' aspect. The acquisition is a deal, and some brokers and agents also participate in the transaction, in addition to acquiring and acquired companies. The *professionalism of brokers and agents* was considered as an important evaluating criterion by Interviewee 03.

"The person that introduces this project for us is not so professional, it is a small company, the appetite is very big, the transaction fee exceeds market price, we do not feel good, finally we gave up this project."

-Interviewee 03

Pressure of competitors was also considered as selection criterion. When many competitors aim for the same target, the competitive pressure is high, and the target is abandoned and other targets with less competitive pressure were selected so as to improve the success rate of winning the bid.

4.4 Integration of International Acquisitions of Chinese Hotel Companies

Figure 4.4 displays the seven aspects identified in terms of integration. These topics, from the highest to lowest frequency, are integration of brand, human resource, operation process, management mode, organization structure, money and asset, and culture.

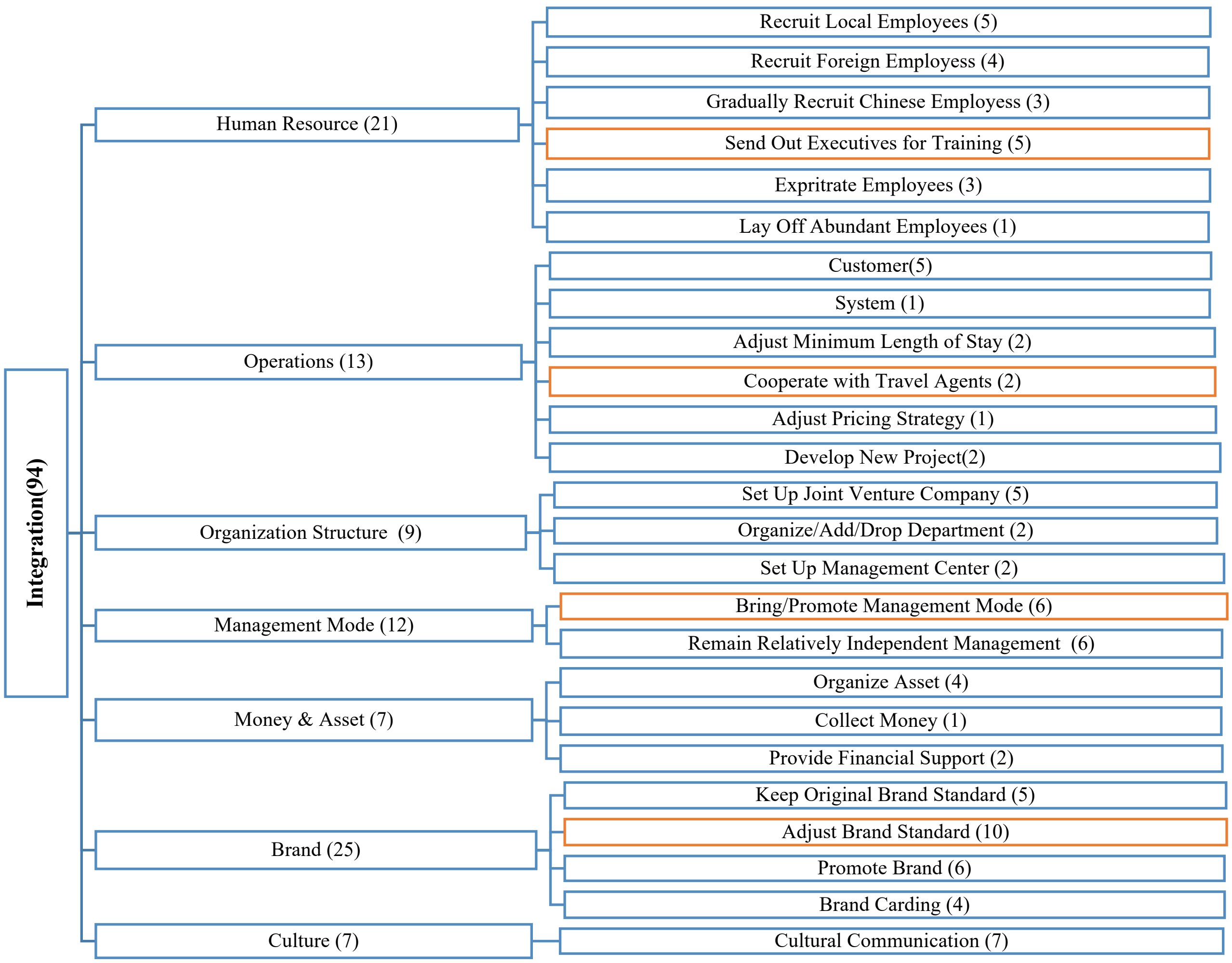


Figure 4.4 Integration of International Acquisitions of Chinese Hotel Companies

4.4.1 Human Resource Integration

Human resource integration includes six specific factors. The first three factors are *recruit local employees, recruit foreign employees,* and *gradually recruit Chinese employees*. The remaining three factors are *sending out executives for training, expatriating employees,* and *laying off abundant employees*.

Recruiting local employees includes the localization of domestic employees in domestic and overseas markets. Adoption of labor integration in home and host countries can reduce labor costs. The reason is that local employees are familiar with the local market, wherein these employees can conveniently work in the future.

Recruit foreign employees is mainly used in Chinese market as Chinese hotel companies hoped to bring additional management talents.

"Sent a lot of management personnel to domestic, for instance, in Nanjing, we changed its general manager to a foreigner."

-Interviewee 11

Gradually recruit Chinese employees refers to retaining original employees to reduce the resistance, and gradually reduce foreign employees and recruit more Chinese employees. This human resource integration is mainly used in Chinese market. This factor was mentioned multiple times by Chinese hotel companies.

"As it gradually stabilizes, we (Chinese) will gradually penetrate into it. For example, in the future, we will send some employees from China, such as the financial department and human resources department, to recruit some local Chinese, and consciously recruit some Chinese."

-Interviewee 07

"The ratio of foreigners to Chinese, from almost all foreigners at the beginning, to two-thirds, to one-half, to the one-third finally. The number of foreigners decreased year by year from 2012 to 2016."

-Interviewee 16

Five interviewees mentioned that they *sent out executives for training* to increase their management skills.

"For four years, 25 executives a year, we sent them in American universities for learning and hotels for training to improve their management skills."

-Interviewee 14

Regarding *expatriate employees*, this factor includes expatriating executives, such as owner representative, and operational employees, such as chefs.

"We sent a representative of the owner and selected a lot of employees and grassroots managers and sent them to Germany, such as chefs."

-Interviewee 06

With regard to *laying off abundant employees*, Chinese hotel companies dismissed abundant departments and employees.

"We've made some changes to departments that are outdated or overstaffed, specifically, we have reduced more than 100 jobs."

-Interviewee 13

4.4.2 Operations Integration

Operations integration includes six factors. The first and second factors are simple operation integration, i.e., simply integrating the original operation elements of acquiring and acquired companies, such as *customer* and *system integration*.

"Take some customers to France. Customers are mainly members who buy our financial products and we distribute vacation products to them as equity."

-Interviewee 05

"Management system integration, supply chain integration, legal system integration."

-Interviewee 14

The remaining four factors include *cooperate with travel agents, adjust the minimum length of stay, adjust pricing strategy,* and *develop new projects*. These factors mainly emphasize adjusting operation integration, namely, the adjustment of the original operating elements or process based on the original operation element or process of acquiring and acquired companies. *Cooperate with travel agents* are mainly used by Chinese hotel companies that have hotel and tourism business. The cooperation of acquired hotels with self-owned travel agents is a kind of internal resource allocation, which is conducive to cost saving and efficiency improvement.

"We have set up some internal mechanism, the hotel and the travel agency should support each other. When the hotel is in the off-season, take use its spare room to the travel agency in a lower price. The travel agency is also required to provide more passengers to the hotel during the off-season."

-Interviewee 11

Adjust the minimum length of stay and *adjust pricing strategy* are mainly used by those Chinese companies which brought the acquired hotels back to China. The system of paid vacation and hotel booking habit vary between China and host countries. Hence, the hotel product, especially the minimum length of stay in the leisure hotel, needs to be adjusted to adapt to the Chinese market.

Under such circumstance, certain Chinese hotel companies reduced the minimum length of stay and adjusted the relative pricing strategy.

"The paid leave in foreign countries is quite complete. Foreigners have a long holiday, starting from 4 days in the minimum. In the Chinese market, we adjusted it to 2 days because we need to take care of the customers who only have weekend leave."

-Interviewee 13

"Foreigners book hotels half a year in advance, and Chinese guests are used to booking hotels close to the trip, so we adopt a flexible floating pricing strategy."

-Interviewee 13

In addition to the above operating integration, another movement adopted by Chinese hotel companies is *develop new projects* via acquisitions. Taking advantage of the acquired companies, Chinese hotel companies launched other acquisitions.

"Through its advantages in overseas convenience, we also acquired some north American brands, which were not so noisy and resisted by others."

-Interviewee 16

4.4.3 Organization Structure Integration

The three factors in terms of organization structure integration are *set up joint venture company, organize/add/drop abundant department,* and *set up regional management center*.

Five interviewees mentioned that they *set up joint venture companies* with the acquired companies to promote the acquired hotel brand.

"We set up a Sino-French joint venture company in China and granted it the permanent free use of the acquired brand."

-Interviewee 08

For abundant departments or management centers, Chinese hotel companies *combined or removed them in organization structure*, such as combined digital department and marketing department. Then, they rename it as digital and marketing center. They also added new centers to adapt to the new market, such as setting up several procurement centers in multiple cities, and IT centers.

"Reorganized its organizational structure and added a digital division. Combined the digital division with the marketing division, a new division was created called digital& marketing center. Set up multiple purchasing centers to improve the direct purchase rate."

-Interviewee 13

In addition, some Chinese hotel companies *set up regional management centers* to oversee the acquired markets.

"It is the equivalent of our European management center in our internal structure, it is our second headquarters."

-Interviewee 16

4.4.4 Management Mode Integration

Management mode integration has two factors. One is to *remain relatively independent management*, and the other is to *bring/promote management mode*. The first one is mainly used in the overseas market, that is, Chinese hotel companies do not interfere in the management of overseas markets. They give the management priority to the acquired companies.

"Keep management relatively independent, especially in the early stage."

-Interviewee 03

"French company managed by French team, China does not interfere. The French run French market and the Chinese run Chinese market."

-Interviewee 08

The second factor—*bring/promote management mode*—mainly refers to the third-party management mode. Chinese hotel companies lack advanced management skill, which is the advantage of the third-party management company. Thus, the bring/promote management mode is mainly used in the Chinese market.

"Promote third-party management in China."

-Interviewee 17

"We learned their financial model, promoted it in 8 hotels and expanded to 10 hotels by the end of 2017."

-Interviewee 19

4.4.5 Money and Asset Integration

Money and asset integration include three factors, i.e., *organize asset, collect money,* and *provide financial support*. *Organize asset* refers to the asset sorting in acquired hotel chains and properties. For acquired hotel chains, Chinese hotel companies sold underperforming hotels. For acquired hotel properties, Chinese hotel companies removed internal decoration and renovated it.

"Because there are more than 50 hotels in the portfolio, we bought this large portfolio and sold a few hotels that do not perform so well."

-Interviewee 04

Collect money is mainly used by Chinese state-owned hotel companies as they are sensitive to fund safety.

"When operating funds (of the acquired hotels in overseas market) reach a certain limit, the funds are collected."

-Interviewee 19

Beyond that, Chinese hotel companies *provided financial support* for further development of the acquired hotels in overseas and Chinese markets.

"We have given strong financial support."

-Interviewee 17

4.4.6 Brand Integration

The four factors in terms of brand integration are essentially actions toward the brand standard, that is, *keep original brand standard, adjust brand standard, promote brand,* and *organize brand*. Five interviewees claimed to *keep the original brand standard*, whereas 10 interviewees insisted to adjust brand standard. The former idea is straightforward.

"We hope to experience its original brand, there is no need to change the brand standard."

-Interviewee 20

With regard to *adjust brand standard*, brand adjustment in Chinese domestic and foreign markets is included. The adjustments of brand standards in Chinese and foreign markets are based on the consumption habits of Chinese tourists. In the domestic market, Chinese customers are unsuitable for certain entertainment activities and western cuisine, so these standards were adjusted into Chinese local activities and cuisine.

"In order to adapt to the Chinese market, the activities and catering in Europe were completely changed and improved."

-Interviewee 08

Similarly, the main adjustments in foreign markets are in catering and rooms.

"Add Chinese elements, such as a Chinese breakfast."

-Interviewee 19

Promote brand refers to promoting the acquired brand in the Chinese market. Certain acquisitions have a portfolio of brands, and not all brands are suitable for the Chinese market at present. Thus, some Chinese hotel companies selected suitable brands to promote. Middle-scale and luxury leisure brands are actively promoted in middle and high-end hotel markets.

"Taking Hong Kong Wan Chai Hotel as the flagship hotel, we signed up a couple of management contracts with companies with this brand."

-Interviewee 03

"They have a lot of brands, but a lot are apartment brands in the city that we can't use temporarily, so we temporarily use two leisure brands for vacation hotel."

-Interviewee 15

Organize brand has two meanings here. One is to review the acquired hotel brands and select suitable brands especially for those acquired hotel management companies with a portfolio of brands. The other action is to eliminate redundant brands to deal with the problem of brand duplication after continuous acquisition of hotel groups.

"It has more than 30 brands now, brand should be well organized."

-Interviewee 14

"We now have a total of 48 brands after the acquisition, so we combed the brands and picked up the key brands."

-Interviewee 16

4.4.7 Cultural Integration

Cultural integration here refers to *cultural communication*. Chinese hotel companies launched several activities to promote cultural communications between acquired and acquiring companies. They encourage foreign employees to learn Chinese and invite employees from both companies to visit each other.

"Invite each other's personnel to the headquarters for in-depth communication."

-Interviewee 18

"The annual meeting was held in China to promote cultural exchanges between the two sides."

-Interviewee 19

4.5 Performance and Influential Factors of Chinese Hotel Companies' International Acquisitions

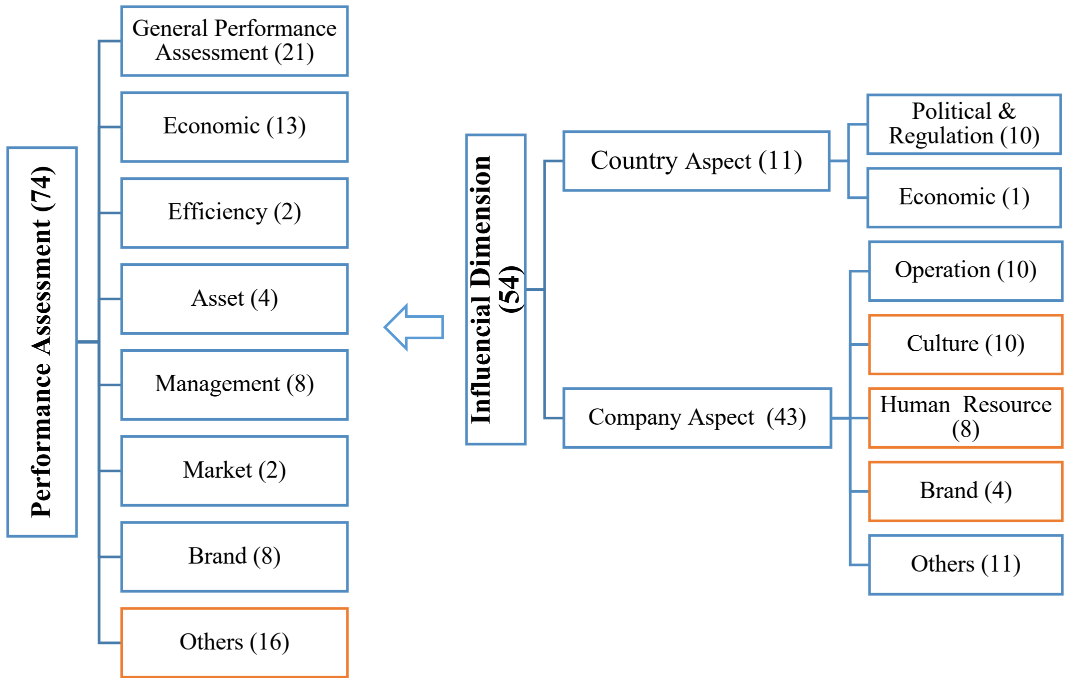


Figure 4.5 Performance and Influential Factors of Chinese Hotel Companies' International Acquisitions

Figure 4.5 contains two parts. The left part refers to acquisition performance and the assessment criteria. The right part depicts specific influential dimensions, which include country and company aspects. The performance assessment of Chinese hotel companies' international acquisitions includes eight main aspects—**general performance assessment, economic, efficiency, asset, management, market, brand, and others**. General performance refers to the overall assessment on acquisition performance of Chinese hotel companies. The remaining seven aspects describe the main assessment criteria, which correspond to acquisition objectives. The influential dimensions on performance contain two aspects, **country and company influential aspects**. The country influential aspects include political, regulation, and economic factors. The company influential aspects include operation, culture, human resource, brand, and other factors.

4.5.1 General Performance Assessment

General performance evaluation contains four aspects of Chinese hotel companies' acquisition performance—*good performance/achieved objective, normal performance/partially achieved objective, bad performance/unachieved objective,* and *too early to evaluate*. Half of the interviewees thought that their companies had *a good acquisition performance* or that they achieved their objectives.

"We are satisfied with the performance, exceeding expectations, it is a smart move."

-Interviewee 03

"There is no doubt that it is successful."

-Interviewee 16

Five interviewees claimed that they partially realized their acquisition objectives and that the *performance was normal*.

"From a strategic point of view, we achieved the goal, but from the point of view of return on investment, we did not achieve the goal. One goal was achieved, one was not."

-Interviewee 06

"We partially achieved strategic objectives."

-Interviewee 17

For those who *failed to achieve acquisition objectives, they regarded their acquisitions as failed trials*. Fortunately, only two interviewees thought that they launched a bad acquisition.

"The acquisition was unsuccessful. China has an advantage in capital but not in cultural output."

-Interviewee 10

Beyond the above general evaluation, four interviewees thought that the acquisition performance was *too early to be evaluated*. Most cases are still under integration stage, so additional time is needed to investigate the outcomes.

"I think it is too early to evaluate the performance because we just closed the deal."

-Interviewee 08

4.5.2 Economic Performance

Economic performance has attracted much attention, and it has two assessment criteria—*ROI/internal rate of return (IRR) improvement* and *stable cash flow*. Thirteen interviewees mentioned the ROI/IRR and cash flow when they assessed the acquisition performance. Six of them claimed that they achieved increased ROI/IRR and cash flow, which was beyond their expectation.

"IRR has exceeded the original expectation. It was expected to be 8%, now it has exceeded 10%."

-Interviewee 11

"The IRR and estimated ROI have exceeded the numbers in the feasibility study."

-Interviewee 19

4.5.3 Efficiency Performance

Efficiency performance encompasses two criteria, *expanded business chain* and *obtained network*. The former refers to *diversification efficiency*, whereas the latter refers to *project development efficiency*.

Two interviewees mentioned that they successfully entered the tourism industry, expanded industrial chain, and obtained many projects via network.

"Acquisition led the group efficiently to expand into the cultural and tourism sector."

-Interviewee 13

"Through acquisitions, we built relationships with local elites and could acquire more projects. From this perspective, it was a successful acquisition."

-Interviewee 07

4.5.4 Asset Performance

Asset performance contains two assessment criteria—*asset transfer* and *land resource acquisition*. Their importance was mentioned multiple times in the objectives. However, only four interviewees talked about their performance. Overall, they achieved a satisfied asset performance.

"We have successfully transferred our assets."

-Interviewee 07

"We got 8000 acres of land, from this perspective, the acquisition was successful."

-Interviewee 08

4.5.5 Management Performance

Management performance consists of three criteria—*improve management capability, obtain the third-party management mode,* and *obtain overseas management platform*. From this point of view, Chinese hotel companies launched successful acquisitions. Three interviewees claimed that they improved management capabilities after acquisition.

"We have achieved the goal of improving management capability."

-Interviewee 03

4.5.6 Market Performance

Market performance refers to two criteria, *market share* and *scale expansion*. Chinese hotel companies are satisfied with these two aspects because they successfully expanded their scale via acquisition.

"After the acquisition, the company grew in size and became a world-class company."

-Interviewee 14

4.5.7 Brand Performance

Brand has three assessment criteria, *brand introduction, brand export,* and *increasing brand awareness*. Three interviewees mentioned that they successfully brought the acquired brand to the Chinese market. By contrast, two interviewees pointed out that *brand export* to the foreign market failed.

"We successfully bring the brand to China."

-Interviewee 04

"Brand export failed, so we eventually rented out the acquired hotel."

-Interviewee 10

In terms of *increasing brand awareness*, three interviewees argued that they successfully improved their brand awareness through the acquisition.

"It has expanded brand international awareness to a certain extent."

-Interviewee 17

4.5.8 Others

In addition to the six assessment criteria previously discussed, other performance assessment criteria include *cultivated talents, employee turnover rate reduction, management processes streamlining,* and *synergy effect*. The former two criteria reflect satisfied/successful acquisition. The latter two reveal an unsatisfied/unsuccessful acquisition. Interviewees mentioned that they cultivated the talents and reduced employee turnover rate via international acquisition and Chinese hotel companies.

"We have cultivated a batch of talents."

-Interviewee 14

"We have maintained a relatively low employee turnover rate."

-Interviewee 11

For the unsatisfied performance, interviewee 19 shared his concern.

"The intensive management plan was strongly opposed by Chinese executives, and management process streamlining could not be implemented."

"From the synergistic effect of travel agencies and hotels within our group, its effect is not very obvious."

-Interviewee 19

4.5.9 Country Influential Aspects

Country influential aspects contain political/regulation and economic factors, all of which are negative influential factors. The political/regulation factor refers to *investment policy fluctuation*, *SOEs' institutional constraints,* and *labor union boycott*. The former two factors are home country influential factors. The last one is the host country influential factor. According to interviewees' statement, the Chinese domestic country influential factor has more constraints on international acquisitions compared with host country influential factor. For example, the *foreign direct investment policy suffered a fluctuation*, shifting from supportive to restrictive.

"We wanted to expand into Europe, but limited by China's foreign FDI policy, we had to stop."

-Interviewee 04

SOEs' institutional constraints contain intervention by interested government departments, intervention of personnel appointment, and decision-making process constraints. As Chinese hotel companies are state owned, they must balance their interests with the interests of the cooperative government departments.

"The biggest challenge comes from the distribution of benefits within the group, which comes from the intervention of other government departments."

-Interviewee 03

The intervention of personnel appointment is another big challenge. Under the SOE system, cooperating with SOEs is difficult for hotel general managers. They cannot even fire incompetent employees.

"Under the SOE system, you can't work these people and you can't fire them. How the state-owned people take control of the market-oriented people? SOE people become the final problem."

-Interviewee 14

The long decision-making process of SOEs has been complained about by several interviewees.

"The decision-making process of state-owned companies is too long, and they follow the hierarchy strictly. British executives have not adapted to the culture and regulation. Internal resistance is larger, which is related to the nature of state-owned companies."

-Interviewee 19

By contrast, *labor union boycott* is the only identified host country constraint factors. However, it has a strong negative influence on acquisition performance. This constraint factor runs through the whole process of the acquisition, from the pre-acquisition negotiation stage to the post-acquisition integration stage.

"Foreign hotel union is a very headache problem."

-Interviewee 18

The economic influential factor here refers to the *fluctuating exchange rate*. The exchange rate of RMB against EUR and USD showed the tendency of appreciation and depreciation. Hence, some Chinese hotel companies suffered exchange lost accordingly.

"The only problem is the exchange rate because we loaned in dollars and the exchange rate difference caused some of the losses."

-Interviewee 03

4.5.10 Company Influential Aspects

Chinese hotel companies paid much attention to company influential aspects than to country influential aspects. Five influential factors were identified, namely, **operations, culture, human resource, brand, and others**. According to interviewees, six negative influential factors were found in terms of operations. Such factors are *not familiar with local regulations, improper market positioning, incompatible management mode, incentive cost increase, communication barriers,* and *inconsistent system*. The former three factors mainly influence the performance in the prior-acquisition stage. By contrast, the latter three factors mainly influence the performance in the post-acquisition stage. When Chinese hotel companies decided to acquire foreign hotels, they *were not familiar with local regulations*, leading to subsequent operational troubles. Like interviewee 18 said,

"Lack of knowledge on overseas regulations, laws, and financial rules, we have paid the price for it."

-Interviewee 18

Inaccurate market positioning is another challenge suffered by Chinese hotel companies.

"We were not familiar with local market, we aimed to build a high-end hotel, we spent more money in renovation; however, the market reaction is not good."

-Interviewee 10

The *incompatible management mode* refers to the conflicts between traditional and third-party management. Hotel companies cannot conduct third-party management with other hotel brands when they run their own hotel brand and managed other hotels via management contracts.

"Brand and third-party management, the two models are difficult to justify. Users worry about having their membership data taken away."

-Interviewee 17

In contrast with the above three negative influential factors in the early stage of acquisition, the next three negative influential factors were identified after the deal was closed. Chinese hotel companies set an incentive plan to avoid resistance from executives of the acquired hotels. The executives could gain a specific percent from the gross revenue and net profit. The "percentage" was designed based on a feasibility study. However, the actual performance of the acquired hotel is much better than estimated, which accordingly leads to a *relatively high incentive cost*.

"We set a higher management incentive because the performance exceeds expectations, the incentive to the management team in accordance with the terms also increased."

-Interviewee 03

The *communication barriers* caused troubles in daily operation, especially for those acquired German or French hotels

"Communication with the local marketing director and the headquarters in China was hindered by language problems."

-Interviewee 10

The last operation constrains is a technical problem. The domestic hotel management system is incompatible with the foreign system, and the data cannot be shared directly.

"Customers cannot book the acquired hotel on our reservation website, so we need to link it manually, which is inefficient."

-Interviewee 10

In addition, the *inconsistent financial system* caused a regulation problem.

"The financial system is inconsistent; the statements are not unified and cannot be supervised."

-Interviewee 19

Culture influential factor contains two positive and one negative influential factor. The first positive influential factor identified is *respect the acquired company culture*. By doing so, reducing resistance is better.

"I understand and respect their culture. So, at this point, we are very harmonious. There is no contradiction between them."

-Interviewee 20

The second positive influence factor is *sufficient communication between both parties*. Better communication is beneficial to understand bilateral culture. It refers to oral communication, meeting minutes, and conference notes. Sufficient communication is also an effective way to soothe the acquired companies' resistance feelings, especially at the early stage of acquisition.

"We made it very clear, in the form of minutes and commitments to appease them."

-Interviewee 07

Chinese hotel companies are concerned about national culture shock as it has been proved in other economies. Fortunately and surprisingly, no serious national cultural shock exists between host and home countries. However, a serious culture difference between acquiring and acquired companies was identified as one important negative influential factor toward acquisition performance. One outstanding cultural difference is overtime work, which is a normal phenomenon in Chinese companies but unacceptable to foreigners who just joined.

"Foreigners don't understand the overtime culture of domestic companies."

-Interviewee 03

Another type of company culture difference is mainly found in SOEs. SOEs have a strong culture. The leaders made a final decision, and sometimes others have to follow this decision although they do not agree with it. Foreigners do not understand this culture.

"He was not an employee of a SOEs, and he does not understand the corporate culture."

-Interviewee 14

The human resource influential factor has four negative sub-factors—*key person departure, lack of talent, talent and position mismatch,* and *CEO's arrogance.*

The M&A team member, especially *the core team members' departure*, may cause inconsistent strategy. The implementation of M&A strategy is easily hindered when those who make it and those who implement it are different teams. Chinese hotel companies suffered from this problem, the core team member departure through the acquisition process.

"With the CEO gone, a lot of things went wrong behind the scenes. The successor could not understand the situation, the early plan cannot be better executed."

-Interviewee 02

The *shortage of talent* is another challenge faced by Chinese hotel companies. With the advance of overseas acquisitions, additional international teams are needed. However, the talent gap is big, especially among executives.

"The question now is there is no good international team. Now, if you ask the hotel staff in China, what is the scarcest, it is the middle and senior executives and international talents."

-Interviewee 14

For those who have recruited foreign talents or invited the management teams from acquired companies, one challenge is how to *match the right talent to the right position*. Unfortunately, Chinese hotel companies failed to deal with this challenge, and it had a negative influence on acquisition performance.

"The mismatch between talent and position is one reason for the failure."

-Interviewee 02

Another human resource issue is the *CEO's arrogance*, which was identified in SOEs. When a CEO is arrogant, he/she tend to look down on the risks. Hence, achieving objectives of acquisitions is difficult, and even if the deal is closed, the cost is not small.

"Decision makers in SOEs don't know what they don't know, and they think they're good enough. They think they have seen hotels all over the world, but in fact, they just know superficial thing."

-Interviewee 14

The brand impacts on acquisition performance focus on whether respect original brand standard and how to retain the original brand elements. Two completely different actions on this issue within Chinese hotel companies can be applied, and they have distinct impacts. One direct impact is the resistance of the original owner and management teams of the brand. Some of them advocate respecting original brand standard, and the others claim to change the original brand element.

"Respect for the standards of the original brand is very important. If you buy a brand and change it all, then the original owner of the brand will be very disappointed. Customers do not like it either."

-Interviewee 02

"The French design is considered not suitable for China by the Chinese team. They change it by themselves. For the French side, if you change the brand standard, it is very serious for them."

-Interviewee 16

In addition to operation, culture, human resource, and brand influential factors, six other important influential factors were identified. The first two factors are related to experience—*abundant cooperation* and *acquisition experience*, and both are positive influential factors. Cooperation experience refers to the acquiring company that worked with the acquired company in the past before the acquisition. They are familiar with each other, which is beneficial for acquisition implementation, especially for integration.

"After so many years of cooperation, there are some estimation and preparation before the acquisition, which makes it easier to complete the integration in the later stage."

-Interviewee 13

The other experience refers to acquisition experience, which is mainly used in companies that had launched multiple acquisitions. Given that they had several acquisition experiences, they knew how to select the target and avoid conflicts with different partners. Therefore, they had a better performance.

"I have done many hotel mergers and acquisitions before, and I am very familiar with the merger and acquisition process."

-Interviewee 14

The middle two factors are related to obtaining support from different stakeholders. One is *getting support from the original management team*, and the other is *getting support from the parent group*. Both of which have positive impacts on acquisition performance. The former refers to obtain support from the management team of the acquired companies. It is mainly used in situations that acquired the hotels and need the assistance from the original management team. The problem is how to get support. One solution mentioned by interviewees is setting a good incentive plan and inviting the original management team to participate in this plan.

"There are more than 100 management teams that are actually putting money into incentive plans. Their interests are tied to the company, so they would like to implement and carry out the company's plan."

-Interviewee 13

The other support is from the parent company of the acquiring company. Some Chinese hotel companies are a business unit within a group, so support from the parent group is important. The support mainly includes financial, marketing, and customer support.

"The group provided many resources to help it. For example, at the beginning, the group let it management group self-owned hotels and let it quickly open the market."

-Interviewee 17

The last two factors are related to strategy—*lack of integration* and *consistent acquisition strategies*. Some Chinese hotel companies only had strategies before closing the deal and had no integration, which caused troubles in integration.

"I don't think there is a clear integration strategy. We encountered many problems because of lack of strategic guidance."

-Interviewee 12

By contrast, other Chinese hotel companies had clear acquisition strategy throughout the acquisition process. In addition, the acquisition has always adhered to this strategy.

"From the beginning to the end, no matter how the outside world challenged this strategy, the guiding strategy of the acquisition remains the same."

-Interviewee 20

4.6 Comparison of International Acquisitions by HMO, REO, and IO Companies

Table 4.1 reveals that HMO, REO, and IO companies have different objectives and target selection criteria. They attached different importance on various aspects of integration and present different performances. HMO companies have more management-seeking objectives, REO companies have more ROI-seeking and hubris-seeking objectives, whereas IO companies have more efficiency-seeking objectives. HMO and IO companies launched more equity acquisitions, whereas REO companies launched more asset acquisitions, and the former considered the host country first prior to selecting the target company. REO companies accidentally selected targets. They do not care about the host country as long as the target is a landmark building/well-known hotel in a first-tier city in developed countries. HMO companies adhere to “maintain cultural and management independence” principle. REO companies put forward “no interference” principle, whereas IO companies implement “take each party’s advantages” principle. HMO and IO companies have inconsistent performance, but REO companies are successful.

Table 4.1 Comparison of International Acquisitions by Three Types of Chinese Hotel Companies

Type	Objectives	Target selection criteria	Integration	Performance
HMO	• To increase ROI • To accelerate internationalization progress • To raise brand awareness • To obtain brand • Brand export • To optimize asset allocation • To increase management capability • To obtain management platform • To obtain the third-party management mode • To obtain market share • To scale up	• Social & cultural factor • Political & diploma factor • Economic factor • Geographical factor • Financial factor • Brand factor • Operation factor • Management team factor • Strategic objective • Occasionally selected • Cooperation intention • Owner's background • Sale history • Professionalism • Competition pressure	• Recruit local employees • Send out executives for training • Expatriate employees • System integration • Cooperate with travel agents • Develop new projects • Set up joint venture company • Set up management center • Bring/promote management mode • Organize asset • Collect money • Keep/adjust original brand standard • Promote brand • Brand carding • Cultural communication	• Increased ROI rate • Stable cash flow • Accelerate internationalization progress • Increased brand awareness • Bring in/ promote brand • Brand exported • Improved management capability • Cultivated talents • Obtained overseas management platform • Obtained market share • Expanded scale • Low employee turnover rate • Failed to obtain third-party mode • Failed to streamline management • Failed to obtain synergy effect
REO	• To increase ROI • To obtain network • To optimize asset allocation • To obtain land resources • To transfer assets • Personal hubris	• Political & diploma factor • Economic factor • Financial factor • Brand factor • Property factor • Strategic objective • Decision maker's preference • Occasionally selected	• Graduate recruit Chinese employees • Remain relatively independent management • Provide financial support • Cultural communication	• Increased ROI rate • Obtained network • Obtained land resources • Transferred assets • Developed new projects
IO	• To increase ROI • To expand industrial chain • To obtain brand • To obtain land resource	• Social & cultural factor • Political & diploma factor • Financial factor • Brand factor • Operation factor • Management team factor • Cultural factor • Strategic objective • Decision maker's preference • Follow peer's experience • Cooperation intention • Competition pressure	• Recruit local employees • Recruit foreign employees • Lay off abundant employees • Customer integration • Adjust the minimum length of stay • Adjust pricing strategy • Develop new project • Set up joint venture company • Organize/add/drop department • Provide financial support • Keep/adjust brand standard • Brand carding	• Increased ROI rate • Expand industrial chain • Obtained brand • Obtained land resource

4.6.1 Objectives by HMO, REO, and IO Companies

HMO companies emphasized on strategic objectives, particularly on management-seeking objective. As interviewees mentioned, HMO companies primarily intended to improve their management capability by acquiring the target companies. Such target companies are those with advanced management systems, experienced management talents, and mature operational procedures, including those who send their employees abroad to acquired companies for cross-training.

"We hope to improve domestic management and operation skills through international acquisitions."

-Interviewee 04

Beyond that, HMO companies highlighted brand- and market-seeking objectives, such as to raise brand awareness and influence, brand export and to obtain overseas market share. As mentioned by interviewees, they were eager to increase the international awareness and influence of the company by acquiring large overseas hotel groups. Additionally, they intended to "export brand" and investigate their management level through international acquisitions.

"We would like to see if our brand and our hotel management can survive in foreign markets, that's why we acquired a German hotel."

-Interviewee 06

In contrast with HMO companies, REO companies have no management-seeking objectives. They did not intend to participate in hotel management; instead, they have more ROI-seeking, asset seeking, efficiency-seeking, and hubris objective. REO companies' primary objective is to obtain a high ROI. Most hotel properties acquired by Chinese companies are landmark buildings in top tier cities in developed countries, such as New York and Melbourne. The land value is estimated to be maintained or increased. By doing so, REO companies could obtain a higher ROI. This feature has been identified by one interviewee.

"The asset price in China is too high, so we sold assets in China and invested abroad, which is a good strategy to get a higher ROI."

-Interviewee 02

To transfer assets, to obtain network, and hubris-seeking are three distinctive objectives for REO companies. REO companies aimed to transfer domestic assets to foreign countries by purchasing foreign hotel properties. REO companies also regarded international acquisition as a "social ticket" to get connected with the local governmental and commercial senior executives.

"We did not target on making money this time, we wanted to make friends with local government and build a network with them to pave the way for future investment."

-Interviewee 07

Buying landmarks could also be interpreted as personal hubris or pride.

"You can call it ego or self-pride, we wanted to buy landmarks."

-Interviewee 14

Compared with HMO and REO companies, IO companies emphasized on efficiency-seeking objectives. Their primary objective was to expand the industrial chain into hotel and leisure tourism industry by acquiring advanced vacation brand.

"We hope to bring foreign high-quality of leisure tourism product to China and enhance the development of leisure tourism in China."

-Interviewee 20

In addition, quite a few interviewees pointed out that the main underlying of undertaking international acquisitions was to obtain a well-known brand with the aid of the brand. On the one hand, they could smoothly expand into the hotel and tourism sector. On the other hand, they could negotiate with the local government for access to land resources at a low price.

"Compared with designing a brand ourselves, acquiring a famous foreign hotel brand is the effective way to achieve land. The government likes famous brands, we can obtain the land at 70% off."

-Interviewee 08

4.6.2 Target Selection Criteria by HMO, REO, and IO Companies

HMO, REO, and IO companies' acquisitions have similarities and differences. This information is shown in their varying selection criteria toward international acquisitions. Specifically, HMO companies share more similarities than differences with IO companies. Both of them targeted hotel management companies rather than hotel properties, and they considered the host country first prior to selecting the target company.

They both have a clear selection strategy and proactively select acquisition targets. In addition, they both cared about selling company, particularly the cooperation intentions of the target company. Both companies target on bringing the entire management procedure and system back to China. Hence, a candidate company with high cooperation desirability is very important. IO companies also hoped to adjust the brand standards and operation standards to adapt to the Chinese market. Those who are willing to cooperate with adjusting standards become preferred candidate company.

"We not only invest in the brand but also the mature management team and its unique business model. Achieving management executives' support is critical to adjust the brand and promote the brand in China."

-Interviewee 20

The difference in selection criteria between HMO and IO companies is that, although they both valued the management capability and management team of the target company, at the same time, IO companies valued brand. For instance, the main target companies of certain HMO companies are the third-party management company without owning any brand. However, their management capabilities should be better than Chinese domestic hotel management companies. IO companies also emphasized on the management capabilities of hotel management companies, the candidate company with an innovative business model and outstanding management teams becomes the target choice. HMO companies prefer the middle-scale business hotel with a brand or no brand. IO companies preferred luxury vacation hotel with the famous brand. Different from HMO companies, which emphasized the political and economic situation of the country, IO companies focus on the culture of the host country. The IO companies believed that the brand of leisure hotel is deeply influenced by a nation's culture. Therefore, these companies post great emphasis on the nation's culture, especially countries noted for romantic and leisure culture, so France is the first choice.

"It is a strategic choice for us. After we made the overseas acquisition plan, we analyzed our advantages and domestic environment and finally chose this resort hotel in France as our target."

-Interviewee 20

Moreover, IO companies imitated the industry leader's selection strategy, what kind of a target company the leader chooses, they choose a similar one.

Concerning the REO companies, their acquisition targets are often accidentally selected. They do not care about the host country as long as the target is a landmark building/well-known luxury hotel in a first-tier city in DEs**.**

REO companies lack hotel management skills. They normally selected a hotel with experienced management teams from the world's top hotel management chains, such as Marriott and Hilton. These brands represent a standardized operation and stable operation income. More importantly, these brand premiums could improve the value of the hotel, which could reduce the risk of investment. In addition, unlike HMO companies, which emphasized on mid-scale hotels, REO companies preferred landmark luxury hotels in first-tier cities. These selection criteria exactly echo the objectives of "achieving higher ROI."

4.6.3 Integration by HMO, REO, and IO Companies

HMO, REO, and IO companies have different integration principles and priorities toward integration. HMO companies adhered to "maintain cultural and management independence" principle. REO companies put forward "no interference" principle, whereas IO companies implement "take each party's advantages" principle.

The acquired companies are believed to have relatively strong hotel management capabilities. Hence, HMO companies hoped to make use of it and avoid resistance. Stability is identified as the first priority for HMO companies. Rather than changing it too quickly and causing failed acquisitions, "maintaining a relatively independent culture and management" is better.

"Keep it (acquired company) active, keep its culture independent, keep its team relatively independent, especially in the beginning. We need enough time to adapt to each other."

-Interviewee 03

REO companies acquired hotel properties rather than hotel equities. Therefore, the acquisition of assets by REO companies remains unchanged with the "no interference" principle in the initial state of acquisition, even if intervention exists. Such acquisition is also gradual infiltration.

"We don't interfere in management. We didn't even send representatives of the owners."

-Interviewee 07

The principle identified in IO companies is different from those in HMO and REO companies. It is neither non-interference nor cultural independence but rather "take advantage of acquiring and acquired companies." The advantages of the acquired hotels are well-known brand and advanced management skills. The advantages of the IO companies are abundant capital and the ability of financial operation. IO companies have multiple financial products, such as insurance products and petty products. Using these financial products, other travel products, and the acquired hotel brands, IO companies create a tourism ecosystem and read to be listed.

"Through the integration of vacation products, tourist destinations, and financial derivatives, we are preparing to go public as a whole."

-Interviewee 20

With regard to integration priorities, HMO companies emphasized on human resource. Examples are the introduction of management talent and management systems and executives cross-training, and operations integration, such as cooperate with travel agents. HMO companies have sent a few batches executives to acquired companies and the hotel manages colleges for training. By doing so, the executives gained not only theoretical knowledge of hotel management but also practical experience in western hotels. In addition to training the executives of the acquiring companies, the executives of the acquired companies also come to China for training. The latter training focuses on understanding Chinese culture.

"In fact, in 2016–2017, we sent two batches of general managers to the UK for training and made a learning and improvement in the business. In addition, we invited the general managers of more than 20 hotels and 70 to 80 corporate executives to Hong Kong and Shenzhen so that they could gain understanding of our culture."

-Interviewee 19

Certain HMO companies are a business unit of a tourism group. Hence, in addition to a hotel unit, these groups also run travel agents, transportation, and other related travel services. The integration of HMO companies considered not only the business integration of hotels but also the synergies of the whole tourism group. One typical integration of HMO companies is customer integration within the group. An example is that at the time of the hotel peak season, hotels provide travel agents rooms with low price; at the time of the hotel low season, travel agents provide customers to hotels.

By contrast, REO companies tend to retain the original status of the acquired companies and have not much consolidation except for ownership changes. Concerning the IO companies, human resource integration such as lay off abundant employees and brand integration such as brand promotion and Chinese localization adjustment are the key points of integration. The brand elements of the acquired hotels of IO companies are born in western countries, and a big difference exists between the European and Chinese markets. The activities and catering in Europe are completely changed and improved to adapt to the Chinese market. Certain European traditional activities such as shooting were removed, and tea ceremony activities were added.

"We like these brands, they are good at hotel management; however, their catering is lagging behind Chinese products. Therefore, we improved some of the backward parts."

-Interviewee 08

In addition, IO companies made a comprehensive evaluation of the acquired companies and found rooms for improvement. The organizational structure and personnel of the company are rather jumbled, and the overall employees' income–output ratio is relatively high, which reduced the profit. Despite the protection of the local labor union, the IO companies reorganize the organizational structure and remove the redundant departments and employees.

"We spent a lot of money, quite a lot of money, tens of millions of Euros, and went to lay people off to pay compensation. But we can recover the cost in three years."

-Interviewee 13

Moreover, IO companies have more than one business unit, such as shopping mall and destination commercial complex. Hence, they make use of the customer advantage of the shopping mall and launch cross-marketing to integrate customers.

4.6.4 Performance and Assessment Criteria by HMO, REO, and IO Companies

HMO companies have a various overall assessment on performance. Half of them have realized their acquisition objectives, and they thought they launched successful acquisitions. By contrast, half of them thought they partially realized their acquisition objectives. Either the strategic objective was achieved, and the economic objective was not achieved, or the economic objective was achieved but the strategic objective was not achieved. Among them, the failure to achieve the strategic object mainly refers to the failure to promote the third-party hotel management mode in the Chinese market. Only one thought their acquisition was unsuccessful, and it is not the right time to do such a thing.

Among the seven main assessment criteria—economic, efficiency, asset, management, market, brand, and others, HMO companies mainly assess their acquisition adopting four criteria, namely, efficiency, management, market, and brand. The promote the third-party hotel management mode and improve management capability are mainly related to hotel daily operation and management and echo to management-seeking objective. Regarding promote the third-party hotel management mode, two HMO companies pointed out two different performances. One HMO company thought they successfully bring and promote the third-party hotel management mode in China, whereas the other HMO company argued that they failed to run this management mode in China.

"A successful set up the third-party management company means the promotion goes well."

-Interviewee 04

"The objective of third-party management has not been achieved."

-Interviewee 14

For improve management capability, all HMO companies thought they successfully improved their management capabilities. They obtain advanced management procedures and systems, thereby acquiring experienced management teams and cross-training.

"Basically achieved the goal of improving management ability."

-Interviewee 03

In addition, a contradictory assessment appeared in HMO companies. Brand export and synergy effect are exclusive assessment criteria for HMO companies. Notably, interviewees have different or even opposite assessment on the same HMO company adopting these two criteria. Regarding **brand export**, two interviewees from one HMO company provided the opposite assessment. Others thought they have successfully exported their hotel brand. By contrast, others thought that even though they have exported their brand does not mean that their brand survived and developed in a foreign country. They hoped to investigate their management capabilities in foreign countries, rather than just hanging on a brand logo in foreign hotels.

"Our brand export failed, we rented out that hotel afterward."

-Interviewee 10

Similarly, three interviewees shared different opinions on synergy effect. One interviewee thought that the travel agents and hotels had a synergistic effect and the effect is obvious. However, another two interviewees claimed opposite opinions. They thought that although the group has set the mechanism of synergy, the synergy effect is weak.

"Our group has a very strong travel agent, but the two parties are disunited, basically the agent has its own business, and they can hardly give support to us."

-Interviewee 03

The acquisition overall performance of the REO companies is very successful. Contrary to HMO companies, which emphasize on management performance, REO companies do not care about the hotel operation. They mainly focus on strategic performance of acquisition, particularly on the criteria of asset transferring and network obtaining project. These two are the exclusive criteria of REO companies. According to these two criteria, REO companies have launched successful acquisitions. They not only succeed in transferring overseas assets but also improve the recognition in host countries, establish a network with the local government, and obtain additional real estate projects. These two criteria could reveal the nature of the REO companies to some extent, that is, to develop real estate rather than operating hotels.

"We are a real estate company, so we care about the real estate development. Through this acquisition, we have obtained more real estate projects, and from this point of view, we did a very successful acquisition."

-Interviewee 07

The successful performance does not mean that REO had no challenges and conflicts through the acquisition process. On the contrary, they suffered strong resistance from the local labor union because they are not familiar with local regulations.

"In law, we broke the labor contract with original employees, leading to the boycott of labor union."

-Interviewee 02

In the face of conflicts, REO companies still made successful acquisitions mainly because they respect the original brand standard. Furthermore, they had sufficient mutual communication with the acquired hotels. Although they became the owners of the acquired hotels, they have no hotel operation experience. They fully respect its original management companies, brand elements, and market position. In addition, REO companies conducted multiple deeply and fully communication with acquired hotels in the negotiation state and post-acquisition stage. Hence, they got the acquired hotels' trust and support, and such hotels helped them resolve the conflict with the labor union.

With regard to IO companies, eight interviewees stated various assessments for the acquisition performance of REO companies. Others thought that its performance is still too early to be evaluated. Certain strategic performance takes a long time to investigate. However, others thought that they did successful, partially successful, and unsuccessful acquisitions.

The partial success of acquisitions means that IO companies successfully achieved strategic objectives but failed to achieve economic objectives. The strategic assessment criteria of IO companies mainly refer to brand introduction and promotion, land acquisition, and industrial chain expansion. The latter two are exclusive criteria of IO companies, and finally, they successfully realize this objective.

"We got 8000 acres of land at a low price. From this point of view, it is successful acquisition."

-Interviewee 08

Concerning the industrial chain expansion, IO companies have entered the leisure tourism industry and become one of the leading players in the luxury leisure hotel sector. Hence, they thought that they successfully realized this objective.

"It leads the group into the cultural tourism and vacation industry."

-Interviewee 05

The unsuccessful performance refers to unsatisfied ROI and grim prospects of brand development in China. Originally, IO companies hoped to increase ROI via international acquisitions. However, they did not realize it due to the ultra-high deal price.

"We bought it at a peak price, and we lost 5 years of profits. It used to take 10 years to get the principal back, but now it might take 15 years or even 20 years."

-Interview 08

IO companies' acquisitions have just been completed. Hence, IO companies are worried whether the acquired brand could survive and smoothly develop in China.

"Whether this brand can survive and continue to develop in China is hard to predict now, the situation is not very optimistic."

-Interviewee 01

Rich experience is identified as the key positive influential factor for IO companies' acquisition performance. The experience includes not only the acquisition experience of the acquiring company but also the cooperation experience between acquiring and acquired companies. The former experience could help IO companies improve negotiation skills and avoid risks. In addition, the latter experience makes a smooth integration between the two parties, given that they had worked together before and knew each other better.

"After so many years of cooperation, we are familiar with each other, which makes it easier to complete the integration."

-Interviewee 13

"Have done several similar overseas acquisitions, have rich experience."

-Interviewee 15

The talent shortage and core decision-maker departure are two major negative factors on IO companies' acquisition performance. These factors directly influence the brand introduction and promotion in the Chinese market. The introduction and promotion of an acquired brand in the Chinese market need hotel talents. However, IO companies do not reserve hotel talents like what hotel companies do. On the contrary, they do not have relevant talents. Merely relying on the acquired management team is inadequate to complete brand development. These foreigners cannot be qualified for the localization of brand development. Moreover, in the process of acquisition, core decision makers left, thereby resulting in inconsistent implementation of the strategy and affecting the brand's promotion in China.

"Shortly after the acquisition, Manager Li was not responsible for the integration of this project, and the progress was not going well."

-Interviewee 01

4.7 Comparison of International Acquisitions by SOEs and POEs

Table 4.2 indicates that SOEs and POEs have different acquisition decisions with regard to international acquisitions. SOEs emphasized on efficiency-seeking and management-seeking objectives. POEs cared about asset-seeking objectives. SOEs cared about market accessibility and consider multiple stakeholders of the acquisition. Moreover, POEs cares about brand awareness and quotation of the target. SOEs focus on management integration, whereas POEs emphasize on brand, human resource, and operation integrations. SOEs partially achieve original objectives, whereas POEs successfully achieve their objectives.

Table 4.2 Comparison of International Acquisitions by SOEs and POE

Type	Objectives	Target selection criteria	Integration	Performance
SOEs	• To increase ROI • To accelerate internationalization progress • To scale up • To raise brand awareness and influences • To increase management capability • To obtain brand • To obtain the third-party management mode • To obtain market share • To optimize asset allocation • To obtain network • To obtain management platform	• Social & cultural factor • Political & diploma factor • Economic factor • Geographical factor • Financial factor • Brand factor • Operation factor • Management team factor • Strategic objective • Owners' background • Sale history • Professionalism	• Recruit local/foreign employees • Gradually recruit Chinese employees • Send out executives for training • Customer integration • System integration • Cooperate with travel agents • Develop new projects • Set up joint venture company • Organize/add department • Set up management centre • Retail independent management • Bring/promote management mode • Organize asset • Collect money • Provide financial support • Keep original brand standard • Promote brand • Brand carding • Cultural communication	• Increased ROI rate • Accelerated internationalization progress • Obtained network • Increased brand awareness • Bring in/ promote brand • Increased management capability • Obtained overseas management platform • Obtained market share • Expanded scale • Low employee turnover rate • Stable cashflow • Cultivated talents • Failed to streamline management • Failed to obtain third-party management mode • Failed to obtain synergy effect
POEs	• To increase ROI • To accelerate internationalization progress • To scale up • To raise brand awareness and influences • To obtain brand • To expand industrial chain • To obtain market share • Brand export • To optimize asset allocation • To obtain land resources • To transfer assets • To obtain network • Personal hubris	• Social & cultural factor • Political & diploma factor • Economic factor • Financial factor • Brand factor • Operation factor • Management team factor • Property factor • Culture factor • Strategic objective • Decision maker's personal preference • Occasionally selected • Follow peers' experience • Cooperation intention • Owners' background • Competition pressure	• Recruit local/ foreign employees • Graduate recruit Chinese employees • Expatriate employees • Lay off abundant employees • Customer integration • Adjust the minimum length of stay • Adjust pricing strategy • Develop new project • Set up joint venture company • Organize/add/drop department • Remain relatively independent management • Organize asset • Keep/adjust original brand standard • Promote brand • Brand carding • Cultural communication	• Increased ROI rate • Accelerated internationalization progress • Expanded scale • Obtained brand • Expanded industrial chain • Obtained market share • Obtained network • Obtained land resources • Transferred assets • Expand industrial chain • Increased brand awareness • Brand export • Stable Cashflow

4.7.1 Objectives by SOEs and POEs

SOEs are sensitive to FDI policy whereas POEs are sensitive to economic factors, such as exchange and tax rates. As the literature argued, the nature of the Chinese hotel industry has a strong relationship with government policy guidance, especially influenced by foreign policy. Recently, international acquisitions of Chinese hotel companies have been stimulated by favorable FDI policy, such as "Go Global" policy. Compared with POEs, SOEs are more sensitive to such policies, particularly central government-owned companies.

"The state has issued policies to advocate 'going abroad' and 'internationalization,' and Jinjiang has a mission as a central government-owned company."

-Interviewee 17

Compared with favorable FDI policies, POEs are more sensitive to beneficial economic factors. In the period of 2009–2016, the RMB appreciated against foreign currencies, the cost of foreign direct investment is lower, and under such circumstance, POEs are sensitive to this benefit.

"A stronger RMB is good for overseas acquisitions."

-Interviewee 12

SOEs emphasized on efficiency-seeking and management-seeking objectives, such as expanding the scale and improving management/operation capability. However, POEs emphasized economic and asset-seeking objectives, such as ROI, increasing obtaining land resources, and transferring assets. The leaders of SOEs hoped to expand the scale of companies with the help of acquisitions. By doing so, SOEs could obtain scale economy and improve their international influence. In addition, they could realize the mission of rejuvenating Chinese hotel companies.

"In order to expand our scale for scale economy, the government encourages us to become a leading global hotel company."

-Interviewee 03

Moreover, SOEs focused on enhancing management capability and care about obtaining overseas management platform. By contrast, POEs had no concern on this aspect. POEs have economic-seeking objectives, such as to increase ROI, and asset-seeking objectives, such as obtaining land resources and transferring assets. These unique objectives identified could be regarded as speculative objectives because they have an indirect relationship with international acquisitions and they are hidden behind the obvious objectives.

4.7.2 Target Selection Criteria by SOEs and POEs

SOEs cared about market accessibility. For example, Taiwan and Japan are close to China, and they have good hotel targets. However, the market accessibility of these two markets is very low for Chinese companies, especially for Chinese SOEs. Thus, many SOEs have to give up these two markets. Furthermore, the USA is another example with low market accessibility.

"The accessibility of the USA is low. We don't want to waste time and money in this market."

-Interviewee 03

SOEs considered multiple stakeholders of the acquisition, not only the target company but also the selling companies' background and agent's professionality. The target selection is meticulous and comprehensive. If SOEs have cooperation experience with the potential target company in the past, then such an enterprise is likely to be selected as the target. If the selling company have black history, such as selling the hotel to others but failed to close the deal, then giving up will be easier. Broker's professionality is the first time to be mentioned in the target selection criteria in an international acquisition. SOEs thought it was important due to the information asymmetry, and they have to rely on the broker at the early beginning. Thus, the professionality and reputation of the broker do matter to a deal.

"We consider not only the target but also the professionality of the broker."

-Interviewee 19

In addition, SOEs particularly considered the size and the management team of the target company. They wish to select large hotel assets packages, that is, have both management companies, brand, and hotel assets

By contrast, POEs cared about brand awareness. Certain POEs are looking for large areas of land to develop the acquired brands. In addition, the government of some rural areas needs to develop tourism to drive economic development. The connection point is a well-known brand. The government evaluates vacation hotel developers according to brand awareness. If the brand is well known, then the government will like it and the approval of the land acquisition by POEs will be easy. Therefore, POEs attach great importance to brand awareness.

"Brand awareness is the main screening criteria. We need it to negotiate with government"

-Interviewee 01

POEs were concerned about competition pressure, particularly when bidding with Chinese SOEs. For instance, when they encountered powerful competitors, especially when Chinese SOEs participated in the bidding, POEs pulled out the bidding. They were more concerned about Chinese SOEs than competitors in other countries. Lastly, POEs were sensitive to the quotation of the potential target company. If the quotation is too high, then they may give up the bidding.

4.7.3 Integration by SOEs and POEs

SOEs focused on management integration and cared about capital safety and management. By contrast, POEs emphasized on brand integration, human resource integration, and operation integration and customer integration.

SOEs' management integration mainly includes the following three aspects: setting up overseas management center to monitor hotel operation in the host country, setting out executives to acquired hotel groups and global famous hospitality management colleges for training, and adopting and promoting the third-party management mode.

SOEs' capital integration could be divided into two aspects: one is money integration and the other is asset integration. Money integration is straightforward. After closing the deal, SOEs started to collect the operation money in acquired hotels. SOEs also integrated the financial and accounting systems of acquired hotels with systems in Chinese head office. They aim to monitor financial information in real-time. Moreover, the parent company of SOEs also provide great capital support to develop overseas markets during the integration stage.

In addition, most SOEs that launched international acquisitions are large hotel groups with multiple tourism sector, such as travel agents, transportation, and hotels. After the acquisition, SOEs made these business units cooperate together by administrative means and realize synergetic development.

"We have set up some internal mechanisms. The hotel and travel agency should support each other. When the hotel is in the off-season, spare rooms can be utilized by the travel agency for a lower price. The travel agency is also required to provide more passengers to the hotel during the off-season."

-Interviewee 11

Two opposite brand integration strategies of POEs are identified: one advocates adjusting brand standards and the other maintains the original brand standards unchanged. The adjustment mainly focuses on the introduction of Chinese elements. Examples are adding Chinese cuisine in acquired hotels in western countries and adding Chinese entertainments in new hotels in China. The maintained brand standards mainly refer to design styles, service standard, and operation procedures, which are core elements of a brand. In other words, POEs keep the core elements of the brand and fine-tuning to local conditions.

"For places with a high number of Chinese tourists, it is recommended to install a hot pot, instant noodles, pickles, or open a Chinese restaurant in the hotel room."

-Interviewee 08

POEs spent great efforts on operation adjustment, including pricing strategy, the minimum length of stay, and marketing strategy adjustments. Specifically, prior acquisition, the pricing used to be 1 year. After the acquisition, POEs have different pricing strategies for different region and different duration. Furthermore, they have some flexible floating mechanism in holidays. In terms of a minimum length of stay, Chinese customers have shorter paid vacations compared with Europe POEs which have adjusted paid vacations from one week to two days, to adopt to customers who only have a weekend holiday. Regarding marketing strategy, POEs added digital marketing into traditional marketing channels and integrated the customer in a different business unit. POEs paid great attention to operation adjustment because most of them aimed to bring the acquired hotels back to the Chinese market. Thus, they have to be flexible and adaptable to the Chinese market.

POEs cared about human resource integration, refers to employee localization in the domestic and overseas market, and quite abundant employees. These measures are also aimed at reducing labor costs and increasing profits.

"Management team localization, as far as possible, use foreigners to reduce labor costs."

-Interviewee 08

4.7.4 Performance and Influential Factors by SOEs and POEs

SOEs and POEs indicated different performance. SOEs partially achieved original objectives, whereas POEs successfully achieved their objectives. Specifically, SOEs successfully enhanced the scale of acquiring companies and management capabilities via setting overseas management centers and cultivating talents. However, SOEs have encountered some challenges, especially in the integration stage. For example, SOEs successfully obtained two third-party management mode via acquiring hotel management companies which are well known for third-party management skills. However, SOEs failed to promote such mode in China. Capital integration also suffered from challenges. For instance, the acquired companies do not understand why SOEs need to monitor financial information in real time, so they are unsatisfied with such movement. By contrast, POEs are satisfied with acquisition performances as they successfully achieved the original objectives, regardless of the surface and hidden objectives. They successfully obtained a well-known brand, land resources, and transferred assets.

"Acquisition performance is quite good, overall it is a successful acquisition."

-Interviewee 08

The different performance is mainly due to institution constraints of SOEs and sufficient experience of POEs. Institutional constraints of SOE are the exclusive negative influential factor, and its influence is mainly in the integration stage. For instance, the acquired hotel companies do not understand the leader of the Party. They do not know who makes the final decision between the secretary of the Party and the manager. Furthermore, they do not adapt to the corresponding hierarchical compensation.

"We have strict regulations on catering and travel standards for the general manager of the hotel. After they were acquired by us, they became a level 3 company under our company hierarchy. No matter the Chairman or CEO of Kew Green, they have to follow this standard. They cannot take economic or business class, so they have a big psychological gap."

-Interviewee 19

By contrast, POEs had adequate cooperation experience with the acquired companies, and the core decision makers have participated in several international acquisitions previously. The former experience ensures the full exchange and understanding of both parties. The latter experience could avoid common international acquisition mistakes, such as launch an acquisition deals without considering the integration strategy. These experiences effectively helped POEs succeed in international acquisitions.

4.8 Comparison on International Acquisitions of Equity and Asset

As argued in the literature, acquiring companies choose target between equity and asset acquisitions according to distinctive objectives. In the international acquisitions of Chinese hotel companies, acquiring companies launched equity and asset acquisitions with different strategies. They have different reactions toward domestic and overseas environment. Equity acquisition has more efficiency-seeking and personal objectives, whereas asset acquisitions have more brand-seeking and asset-seeking objectives. Equity acquisitions actively selected the target and emphasized on target company factors, whereas asset acquisition occasionally selected the target and emphasized on host country factors. Equity acquisition adopts standardization integration approach, whereas asset acquisition focuses on intervention and consolidation approach. The overall performance of equity acquisition is satisfied, and the company factor is the majority influential factor. Asset acquisition indicates inconsistent performance. Some are successful, whereas others are not, and this inconsistency is caused by company and country factors.

Table 4.3 International Acquisition Comparison by Equity and Asset Acquisitions

Type	Objectives	Target selection criteria	Integration	Performance
Equity	• To increase ROI • To accelerate internationalization progress • To expand industrial chain • To raise brand awareness and influences • To obtain brand • To optimize asset allocation • To obtain land resources • To increase management capability • To obtain management platform • To obtain the Third-party management mode • To obtain market share • To scale up	• Social & cultural factor • Political & diploma factor • Economic factor • Geographical factor • Financial factor • Brand factor • Operation factor • Management team factor • Cultural factor • Strategic objective • Decision maker's preference • Follow peers' experience • Cooperation intention • Owner's background • Sale history • Professionalism • Competition pressure	• Recruit local/foreign employees • Graduate recruit Chinese employees • Send out executives for training • Expatriate employees • Lay off abundant employees • Customer integration • System integration • Cooperate with travel agents • Adjust minimum of length of stay • Adjust pricing strategy • Develop new projects • Set up joint venture company • Organize/add/drop department • Set up management center • Retain independent management • Bring/promote management mode • Organize asset • Collect money • Provide financial support • Keep/adjust original brand standard • Promote brand • Brand carding • Cultural communication	• Increased ROI rate • Accelerated internationalization progress • Increased brand awareness • Expanded industrial chain • Obtained brand • Improved management capability • Obtained overseas management platform • Obtained land resources • Obtained market share • Expanded scale • Low employee turnover rate • Stable cash flow • Cultivated talent • Failed to obtain third-party management mode • Failed to streamline management • Failed to obtain synergy effect
Asset	• To increase ROI • To raise brand awareness and influences • Brand export • To obtain network • To optimize asset allocation • To obtain land resources • To transfer assets • To obtain market share • Personal hubris	• Social & cultural factor • Political & diploma factor • Economic factor • Financial factor • Brand factor • Property factor • Strategic objective • Decision maker's personal preference • Occasionally selected • Operation factor	• Recruit local/ foreign employees • Graduate recruit Chinese employees • Expatriate employees • Lay off abundant employees • Customer integration • Develop new project • Remain relatively independent management • Cultural communication	• Increased ROI rate • Increased brand awareness • Obtained land resources • Transferred assets • Obtained network • Developed new projects • Obtained market share • Exported brand

4.8.1 Objectives by Equity and Asset Acquisitions

Equity acquisitions are influenced by domestic and overseas economic environment. They are mainly stimulated by adequate domestic capital and overseas financial crisis. By contrast, asset acquisitions have no obvious resonance on these domestic and overseas environmental factors.

“We sold some assets prior the acquisition, so we have abundant capital for investment.”

-Interviewee 03

Equity acquisitions are driven by consumption upgrading in the Chinese domestic market and the objective of industrial line expansion. Given that the asset acquisitions can only partially meet the upgrading needs of outbound tourism, the domestic high-end leisure vacation needs can only be met by acquiring brands and management team through equity acquisitions.

“One certain trend of near future is consumption upgrading. Brand building is not something that can be achieved in a short term. Foreign countries have good brands. They cannot enjoy a high growth rate in foreign markets and regions. The consumption style, lifestyle and consumption concept of these brands are what Chinese middle class will enjoy in the near future, and it is a basic logic of international acquisition.”

-Interviewee 09

By contrast, asset acquisitions mainly emphasize on enhancing awareness in the global market and brand export. Several asset acquisitions launched by Chinese companies are on breaking news because the landmarks are assets in host countries. Examples are the Park Hyatt Hotels in Melbourne and The Waldorf Astoria in New York. Although the scale of these acquisitions is not as big as equity acquisitions, these asset acquisitions could dramatically raise the awareness of acquiring companies.

“It could improve our brand image and brand awareness.”

-Interviewee 10

Regarding brand-exporting objective, Chinese hotel companies acquired foreign hotel assets and regarded it as experiment filed. They aim to investigate management skills and finally export brand and management.

“We acquired a German hotel to test whether our hotel management skills can survive in the foreign market and try to output our brand and management.”

-Interviewee 06

Lastly, equity acquisitions indicated personal hubris of decision makers. Many equity acquisitions launched by Chinese hotel companies are large-scale that attracted global attention at announcement day. By doing so, Chinese hotel companies achieved a sense of pride.

"For personal ego, taking Blackstone as benchmark, we hope to become the largest hotel owner."

-Interviewee 14

By contrast, asset acquisitions revealed the objective of optimizing asset allocation. Some Chinese hotel companies sold domestic negative-performance assets and gained money. They regarded the hotel properties, especially those located in first-tier cities as premium assets,

"For global asset allocation, hotels, as high-quality properties, are easier when it comes to maintaining or increasing the value."

-Interviewee 07

4.8.2 Target Selection Criteria by Equity and Asset Acquisitions

The biggest target selection difference lies between equity and acquisitions of Chinese hotel companies. The former is strategically selected, whereas the latter is occasionally selected. All equity acquisitions launched by Chinese hotel companies are active and strategic acquisitions. Acquiring companies have clear selection criteria and carefully selected the target based on the criteria.

"We choose the target to achieve our strategic objective; it is not a random choice."

-Interviewee 17

By contrast, many asset acquisitions launched by Chinese hotel companies are passive and incidental acquisitions. Acquiring companies have no specific selection criteria. In contrast to equity acquisition, asset acquisitions happened occasionally and launched by a broker company. In most cases, prior to this acquisition, acquiring companies have no plan to do such a transition.

"We had no intention to acquire a foreign hotel. This target is accidentally mentioned by one broker, so we investigated and felt good and acquired it."

-interviewee 06

The specific selection criteria are also different between equity and asset acquisitions. Equity acquisitions mainly consider target company factors, especially the economic factor, such as expected ROI, brand size, and brand awareness. Moreover, the operation and brand factors of the target company were also key selection criteria. For example, brand awareness and brand size were multiple mentioned by interviewees. They thought that if the brand is popular, then brand size is big. Hence, they could expand into the vacation tourism sector and realize their personal ego easily, that is, becoming the benchmark in the Chinese hotel industry.

"To be well known, it is best to be a top five or three listed company in Europe or the world."

-Interviewee 08

By contrast, asset acquisitions emphasized on host country factors, particularly politic factors, such as political stability and diploma relationship, and social factor, such as attractive to Chinese tourists.

"We acquired a French hotel company because France has a good diplomatic relationship with China."

-Interviewee 02

4.8.3 Integration by Equity and Asset Acquisitions

Chinese hotel companies launched equity acquisitions that focused on setting up new management centers and joint companies. They either entered into a new market or expanded into a new business unit, where they had weak control on those market. Thus, they need to set up new management centers in that market and rely on the joint company to open a new market. Acquiring companies also set up several regional management centers, such as procurement and IT centers to coordinate and monitor regional business.

"We set up a new a Europe center, which is the second head office in our organization structure. We also set up regional procurement center to improve procurement efficiency."

-Interviewee 16

Another integration of equity acquisition is in human resource integration. Specifically, Chinese hotel companies launched equity acquisitions that mainly recruit local talents in the foreign market and foreign talents in China.

"At the staff level, we adjusted to be more international and brought in foreign talents."

-Interviewee 20

By contrast, asset acquisitions mainly integrated asset and human resource. Certain asset acquisitions launched by Chinese hotel companies were a type of greenfield investment. Acquiring companies organize the asset, rebuilt the hotel except maintain the hotel frame, and reopened the hotel after the completed reconstruction.

"After the acquisition, we reconstructed the hotel, only keeping the building framework."

-Interviewee 10

Human resource integration mainly included all level employees' expatriation, including executives, owners' representative, and entry-level employees. As argued in the last section, certain asset acquisitions were kind of greenfield investment. Hence, acquiring companies changed the whole management team after completed construction. In such circumstance, acquiring companies adopted expatriation to make sure the hotel is operating as planned. In addition to expatriation, a few asset acquisitions did not interfere in operation. In such a case, acquiring companies maintained the original management teams. Acquiring companies recruited local employees to deal with the losses of employees caused by acquisition instead of expatriating from China. They thought local employees can adapt to the local market. Hence, service failure could be reduced.

"The rest of the staff are recruiting in Germany to reduce cost. More importantly, they are more familiar with market."

-Interviewee 10

4.8.4 Performance and Influential Factors by Equity and Asset Acquisitions

Equity and asset acquisitions showed different performance according to assessment criteria, and the reasons behind such differences were identified. Overall, equity acquisitions have a better performance, that is, acquiring companies have achieved their objectives. The positive influential factors include cultural and human resource factors. By contrast, asset acquisitions had various performance; some of them failed to achieve their objectives and some of them partially achieve original objectives. The main negative influential factors include politic and operation factors.

Specifically, equity acquisitions have successfully expanded the industrial chain. After acquisition, Chinese hotel companies have obtained a tourism and hospitality unit.

"We have entered the tourism and hospitality industry."

-Interviewee 05

In addition to industrial chain expansion, economic and human resource performances of equity acquisitions were identified. In general, cash flow and employee turnover rate are maintained stable. This finding could prove that the equity acquisitions of Chinese hotel companies have relatively good performance compared with previous literature, which normally shows a high turnover rate after the transactions.

"The employees are stable with a high morale, so we did not reduce people, instead we recruited more employees."

-Interviewee 11

One interviewee argued that a successful industrial expansion maybe because acquiring companies fully respect the culture of target companies. The stable employee turnover rate maybe because of the adequate communication between acquiring and acquired companies, including the prudent human resource integration strategy. The stable cash flow is due to the consistent acquisition strategy and great support from the parent company of acquiring companies.

"At the beginning, the parent company provided great support in terms of marketing and financial assistance, so we could quickly obtain market and stable cash flow."

-Interviewee 09

Regarding asset acquisition performance, as previously argued, one of the objectives of asset acquisitions is brand export. about which, two interviewees from one company offered different opinions. One interviewee argued that they failed to achieve such objective, whereas the other thought they output brand abroad strategically.

"Strategically speaking, our brand is out."

-Interviewee 06

One interesting performance identified in asset acquisitions is asset transformation. No interviewees mentioned this objective when asking their objectives of launching asset acquisitions. However, when evaluating the performance of acquisition, two interviewees pointed out that they were satisfied with acquisition performance because they have successfully transferred asset abroad via such acquisitions.

"We have successfully transferred our asset."

-Interviewee 07

The above performance was influenced by both national, particularly labor union boycott in a host country, and operation factors. Regarding companies' factors, unfamiliar with local regulations, inaccurate market positioning, and communication barriers are the three main negative influential factors.

"The fundamental problem was the inaccurate positioning of the market. The general manager we sent ourselves was not familiar with the local market."

-Interviewee 1

CHAPTER V
DISCUSSION

This chapter discusses the international acquisition of Chinese hotel companies, expounding the distinct objectives, target selection, integration, and performance in pre-acquisition, actual acquisition, and post-acquisition phases. Factors that emerged from conditions of EEs and features of hotel industries are also discussed. In addition, this chapter reveals three international acquisition strategies toward three categories of Chinese hotel companies. The categories are according to the major business (i.e., HMO, REO and IO companies), nature of ownership (i.e., SOEs and POEs), and nature of the target (i.e., equity and asset acquisitions).

5.1 International Acquisition of Chinese Hotel Companies

Chinese hotel companies' international acquisition process is broadly divided into three phases: pre-acquisition, actual acquisition, and post-acquisition phases. The pre-acquisition phase indicates the overseas and domestic environment that Chinese hotel companies face and their acquisition objectives. The actual acquisition phase involves target selection and integration. The post-acquisition phase refers to performance in this study.

5.1.1 Pre-acquisition Phase

The pre-acquisition phase is depicted in **Figure 5.1**, which consists of two parts. The bottom part illustrates the seven aspects of domestic and overseas environment, i.e., financial crisis, "Go Global" policy, low ROI, favorable exchange rate, abundant capital, consumption upgrade trend, and booming outbound tourism. The top part indicates the seven aspects of objectives, i.e., ROI-, efficiency-, brand-, asset-, management-, market-, and hubris-seeking objectives. Regarding the environment, consumption upgrade trend and booming outbound tourism, are factors identified in this study that are distinct from those mentioned in the international acquisition literature, either in research on hotels or EEs. In terms of objectives, four objectives are distinguished, namely, to expand industrial chain, brand export, to obtain land resources, and to transfer assets. To expand industrial chain is not new in the general strategic literature, but this is the first time it is discussed in relation to hotels. The remaining three objectives are also emerging factors in the international acquisition literature in hotel and EE contexts.

International acquisition is clearly stimulated by domestic and overseas environment, and the environment influences the objectives of acquisitions. Prompted by consumption upgrade trend, some Chinese hotel companies emphasized brand- and management-seeking objectives. Other companies had several objectives and were stimulated by multiple environmental factors. For example, driven by low ROI and favorable exchange rate, a few Chinese hotel companies aimed to obtain land resources and transfer assets.

Objectives of Chinese Hotel Companies' International Acquisition						
ROI-seeking	**Efficiency-seeking**	**Brand-seeking**	**Asset-seeking**	**Management-seeking**	**Market-seeking**	**Hubris-seeking**
• To increase ROI	• To accelerate internationalization progress • **To expand industrial chain** • To obtain network	• To raise brand awareness and influence • To obtain brand • **Brand export**	• To optimize asset allocation • **To obtain land resources** • **To transfer assets**	• To increase management capability • To obtain the third-party mode • To build management platform	• To obtain market share • To scale up	• Personal hubris/pride

Domestic and Overseas Environment

Financial crisis; 'Go Global' policy; Low ROI; Favourable exchange rate; Abundant capital; **Consumption upgrade trend**; **Booming outbound tourism**

Note: Bold and underlined items refer to distinct environment aspects and objectives.

Figure 5.1 Pre-acquisition Phase of Chinese Hotel Companies' International Acquisition

5.1.1.1 *Chinese domestic push factors are the main internationalization drivers*

The international acquisition of Chinese hotel companies is stimulated by domestic and overseas factors, but the domestic push factors are more involved than the overseas pull factors. As UNCTAD (2006) argued, empirical evidence underlines four common drivers of internationalization by EE-based companies, specifically three push factors and one pull factor. The factors pushing EE-based companies out of their home countries when the home country has limited market in terms of scale and opportunities to expand are relatively high production cost (i.e., labor cost), intense competition from local and global companies, and supportive government policies. The main force pulling EE-based companies into host countries is the opportunities arising from liberalization. The identified push factors from interviewees partially echo to this argument. Favorable policy refers mainly to the "Go Global" policy, which has pushed Chinese hotel companies to expand abroad. Regarding the limited home market and competitive pressure, a few interviewees regarded them as stimulating factors but not the fundamental ones.

No interviewee mentioned labor cost reduction possibly because labor cost is an advantage of EEs. Thus, Chinese hotel companies care less about the cost but more about the capabilities and brand. This tendency can also explain why all target companies are located in developed countries but not in nearby countries. Another push force is strategic transformation. Encouraged by the central government, Chinese hotel companies are seeking for strategic transformation, especially SOEs. The pull factors that mirror the beneficial conditions in host countries, including market, cost, and other resources that are only based in these countries are not mentioned much. The only identified overseas pull factor is overseas financial crisis but not host government liberalization and privatization advantages, as are argued in the literature. Financial crisis in the west provides an opportunity for Chinese hotel companies, but it is not the core reason for international acquisitions. This overseas pull factor accelerates the international acquisitions of Chinese hotel companies, but the most fundamental stimulating factors are the domestic push factors (e.g., continued economic growth of China, "Go Global" policy, and increasing expansion of Chinese middle class).

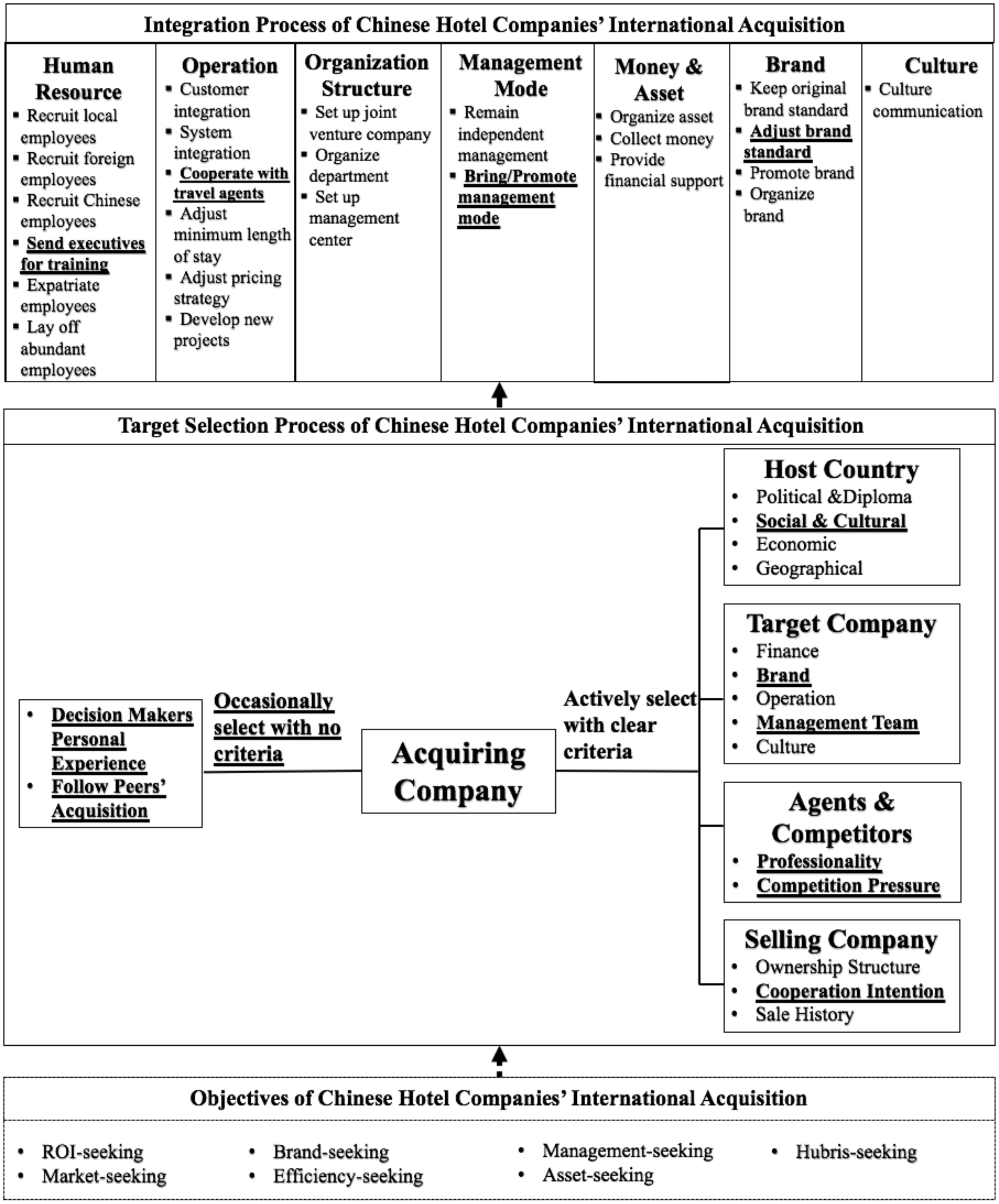
5.1.1.2 Emphasis on efficiency-, brand-, and asset-seeking objectives

Chinese hotel companies have common and distinct objectives. The common objectives refer to the traditional objectives identified in prevailing literature, such as to obtain market share, to obtain network, to increase ROI, and CEO's hubris. However, these common objectives were originally developed in a Western context, so they only partially explain Chinese hotel companies' international acquisitions. Objectives particularly developed in EEs, such as obtaining brand and know-how (e.g., technology in high-tech industry and management capability in service industry) are also revealed in the findings. Chinese hotel companies aimed to obtain well-known brand and to increase management capabilities via obtaining experienced management team and mature management procedures and mode. Prior literature argues that, among the common objectives, market-seeking objective is the most important for Chinese companies, followed by strategic asset-seeking objective. Contrary to the extant literature, this study reveals that Chinese hotel companies emphasized efficiency-, brand-, and asset-seeking objectives, rather than market-seeking objectives. Four other objectives are distinguished, namely, brand export, to expand industrial chain, to transfer assets, and to obtain land resources. The underlying reasons for the contradicting findings are detailed in **Section 5.2**.

5.1.2 Actual Acquisition Phase

The actual acquisition phase contains two parts—target selection and integration. In **Figure 5.2**, the top part is integration, and the middle part is target selection. The former includes seven aspects, namely, human resource, operation, organization structure, management mode, money and asset, brand, and culture integration. The target selection comprises two approaches (e.g., actively selected and occasionally selected) and four target selection perspectives (host country, target company, selling company, and agents and competitors) adopted by Chinese hotel companies. Specifically, six selection factors are identified, which are social/cultural, brand, management team, professionalism, competition pressure, and cooperation intentions. These factors are distinct from the ones in the international acquisition literature, either in the research on hotels or EEs. For instance, agents' professionalism is first identified in this study as a factor considered when a company selects its acquisition target. The "occasionally selected" approach is also a distinct finding as extant literature focuses on "actively selected" approach. Follow decision makers or peers is another factor that emerged with regard to acquisition target selection. Concerning integration, four aspects are identified, namely, send executives for training, cooperate with travel agents, bring/promote management mode, and adjust original brand. These four aspects differ from the ones in prior literature.

In the hotel literature, to the author's knowledge, few international acquisition studies examine selection criteria separately but the acquisition objectives of acquiring companies are not considered. The findings of the present study confirm that objectives influence target selection. As the objectives of Chinese hotel companies include seven aspects, and most companies have multiple objectives, they have multiple target selection criteria to realize the objectives. For example, market-seeking companies attached great importance on the brand size and customer profile of target company and economic stability of host countries. Management capability-seeking companies emphasized the average age and ability of management team. Findings also indicate that objectives and target selection influence integration. Asset-seeking companies paid much attention on the land value of properties and their cash flow and emphasized organizing asset. Brand-seeking companies cared about brand awareness and the reputation of the target and concentrated on organizing brand and either keeping or adjusting brand standard.



Note: Bold and underlined items refer to distinct findings. Dotted line refers to non-actual acquisition phase.

Figure 5.2 Actual Acquisition Phase of Chinese Hotel Companies' International Acquisition

5.1.2.1 *Emphasis on actively selected approach and consideration of multiple perspectives*

Overall, most Chinese hotel companies actively selected a target with clear selection criteria. The few companies with no definite selection criteria prior acquisitions followed peer companies' experience or merely based on decision makers' personal preferences. Majority of prior studies concentrating on target selection emphasize on the perspectives of host country and target company and point out the importance of the political, geographical, and economic environment of the host country and the financial performance of the target company. From a host country perspective, many interviewees paid great attention to social and cultural factors (e.g., national culture and leisure tourism history and reputation) when sharing their opinion on Chinese hotel companies' international acquisitions in addition to traditional factors, such as GDP and political and economic stability. From a target company perspective, several factors play a critical role in attracting Chinese hotel companies, including, but not limited to, financial factors (selling price, cash flow, estimated ROI, land value of acquired properties), brand factors (brand awareness, history, size, scale, reputation), operation factors (customer profile, cooperation experience, operation complexity, product synergy), management team factors (management ability, scale, age, and managerial entrepreneurship of the management team), and company culture. Among them, brand, operation, and management team factors were expanded into more dimensions. Brand awareness and scale, cooperation experience between acquiring and target companies, and especially the management ability and average age of management team are first mentioned in the hotel literature within international acquisition context. In addition to host country and target company perspectives, this study expanded the selection perspective with the perspectives of selling company, agent, and competitor.

From a selling company perspective, cooperation intention was an important criterion for Chinese hotel companies. International acquisition is a two-way selection, and Chinese hotel companies suffered unfair selection compared with companies from DEs subjected to unusual factors. On the one hand, aggressive acquisitions launched by Chinese companies in other industries, such as the oil and electronic industry, disturbed market rules, and the negative first impression caused by poor pioneering acquisitions spread into the hotel industry. One the other hand, the transaction risk of failure is relatively high, especially for SOEs, due to government intervention. Although a Chinese company is the highest bidder, it is still not selected sometimes. Under such a circumstance, the cooperation intention of the selling company is crucial for Chinese hotel companies because friendly acquisition is beneficial for next-step integration and facilitates the achievement of good performance.

With regard to agent and competitor perspectives, agent's professionalism and peers' competitive pressure were first mentioned in this study. The former perspective was considered mainly by SOEs because they practice risk avoidance. The latter perspective was favored by many SOEs and a few POEs. POEs usually gave up when bidding with SOEs because of the administrative and capital benefits of SOEs and the "invisible hand" of the government.

5.1.2.2 *Coexistence of consolidation, coordination, standardization, and intervention integration*

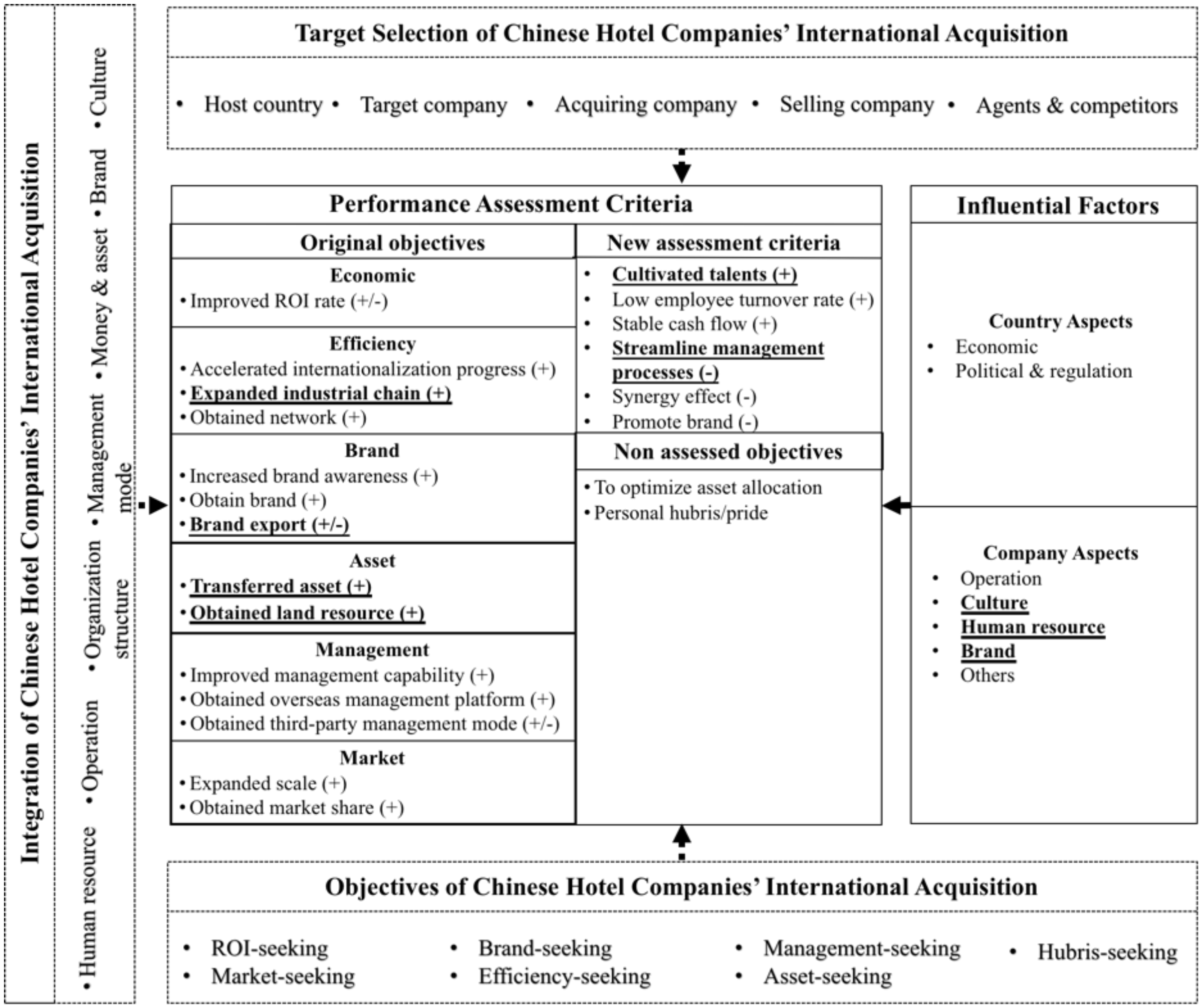
Chinese hotel companies' international acquisitions embody the four integration approaches proposed by Schweiger (2002), which are brand consolidation, standardization and intervention, operation coordination and intervention, and organization structure and human resource intervention. Chinese hotel companies focused on brand integration, which is decided by their objectives. Chinese hotel companies merge the acquired brands with self-owned brands to reduce redundancy. Brand standardization manifests by keeping the original brand standard of the acquiring and acquired companies. Some Chinese hotel companies wish to bring the original foreign brand element into the Chinese market while maintaining the Chinese brand characteristics. In addition, a few Chinese hotel companies intended to adjust brand standard in the domestic and foreign markets to adapt to Chinese tourists. For example, they opened Chinese restaurants in acquired hotels in a foreign country and add Chinese entertainment activities in Chinese hotels with the acquired brand. The largest consideration for brand integration is how to balance brand authenticity and localization adjustments. Operation coordination is reflected in marketing and shared customer. Specifically, acquiring companies sold hotel rooms via their own distribution channel to attract hotel guests. Some Chinese hotel companies are affiliated with a large tourism group, which also has travel agents and transportation companies. The tourism group let travel agents cooperate with acquired hotels to support the development of the latter. This phenomenon is typical among SOEs via administration means. Operation intervention refers to adjustments which can improve operating earnings, such as adjustments to pricing strategy and minimum length of stay. Organization structure and human resource intervention are reflected by reducing redundancy among departments and employees. Gradually recruiting Chinese employees in China and a foreign country instead of recruiting only foreign employees is another type of human resource intervention. Integration actions that cannot be interpreted by the aforementioned four integration approaches are found as well. For example, sending out executives for training and promoting third-party management mode can be named as absorbing approach because such actions can absorb the advanced management skills and mature management modes of acquired companies.

5.1.3 Post-acquisition Phase

As shown in **Figure 5.3**, the post-acquisition phase contains two parts—performance assessment criteria and influential factors. The performance assessment criteria include three aspects, which are based on (1) original objectives, (2) new assessment criteria (non-objectives), and (3) non-assessed objectives. For the first aspect, 14 original objectives were assessed, resulting in various performances. Most objectives were achieved, such as expanded industrial chain and obtained network, yet some objectives were not, such as increased ROI and brand export. Regarding the second aspect, performances varied on the basis of the six new assessment criteria. These six new criteria were not decided prior acquisition but were adopted to assess performance after actual acquisition. These criteria appeared mainly during integration and were the main indicators to evaluate the integration. Specifically, cultivated talents, low employee turnover rate, and stable cashflow were achieved, whereas streamline management processes, synergy effect, and brand promotion were not. The third aspect refers to objectives that were not evaluated with regard to performance. These objectives are to optimize asset allocation and personal hubris/pride. Companies achieved these objectives through another way, or they would not like to assess this objective. For instance, interviewees mentioned the hubris-seeking objective, but they would not like to evaluate this objective given that it is not "smart" or 'strategic."

The influential factors include country and company aspects. Among them, the factors identified in this study concern brand, human resource, and culture factors. The distinct findings are discussed in the following sections.

In addition to these two parts, **Figure 5.3** illustrates the relationship between objectives, target selection, integration, and performance. Overall, objectives affect acquisition performance, which is decided by the research design of this study. This study adopts the strategic assessment perspective, which evaluates performance by asking whether the original objectives are achieved. Nonetheless, target selection and integration also affect performance. For example, the cooperation intention of the target company influences brand integration. Weak brand integration is an obstacle for promoting brand, thus resulting in poor performance.



Note: Bold and underlined items refer to distinct findings. Dotted rectangle refers to non-post-acquisition phase.

Figure 5.3 Post-acquisition Phase of Chinese Hotel Companies' International Acquisition

5.1.3.1 <u>*Coexistence of strategic and accounting assessment with emphasis on strategic performance*</u>

The performances of Chinese hotel companies' international acquisitions vary according to different assessment criteria. Most Chinese hotel companies are satisfied with their performance as disappointing aspects are minimal. In contrast with the findings in the prevailing literature, Chinese hotel companies adopted the latter two of the three common acquisition performance assessment criteria—financial (stock value), accounting (ROA, ROI), and strategic (objectives). Most companies emphasized strategic perspective, few cared about accounting and strategic perspectives, and no one mentioned the financial perspective. Normally, the stock price of the acquiring and acquired companies fluctuate during the window period of acquisition. That no one talked about the effect of the acquisition on the equity price is interesting. This nonmention may be because most acquiring companies are unlisted companies, so financial assessment does not apply to them. By contrast, accounting perspective was adopted by 11 interviewees. The assessed results are positive, i.e., most companies achieved increasing ROI, and some companies even exceeded the expectations. Strategic perspective was used by all companies, and most strategic objectives were achieved except for a few management- and brand-seeking objectives. For instance, to obtain the third-party management mode and promote it in the Chinese market is an important management-seeking objective. However, Chinese hotel companies successfully obtained the third-party management mode but failed to promote it. In some cases, wherein acquisition was just completed, the temporary performance was unsatisfactory. Nevertheless, the Chinese hotel companies remained optimistic because they were more concerned about long-term performance than short-term gains.

5.1.3.2 Institutional constraints and talent shortage as challenges for smooth integration with acquired companies

As the literature argues, most acquisitions fail in integration. However, in the present study, integration with acquired companies is smooth, as evident in low employee turnover rate for instance. The first challenge comes from the internal factors of acquiring companies. The first challenge is institutional constraints, particularly for SOEs. Failed to promote the third-party management mode is one example. Another example is the management process streamlining. Once a deal is completed, Chinese hotel companies invited the management team of acquired companies to China to help streamline the management flow of Chinese hotels. The improvement plan could increase profits but was strongly opposed by the general managers of Chinese hotels because their interests was affected.

Lacking international talents is the second challenge. In the target selection stage, the choice may be wrong without an experienced decision maker. Inappropriate market positioning is one example. Due to its high positioning, one Chinese hotel company invested plenty of money for acquisition on hotel renovation, aiming to build a high-end hotel. However, the local customers did not patronize it, resulting in poor IRR. Talent shortage also influences integration. Chinese hotel companies do not pay attention to the operational integration not because they do not want to manage but because they lack the integration ability and international experience. Therefore, in most cases, Chinese hotel companies focus on strategic control, let the acquired companies operate independently, and concentrate on one or two important areas for operational integration.

5.1.3.3 *Cultural conflicts reflected in brand repositioning*

As previously argued, brand is important in the service industry because it represents a type of intangible competitiveness, especially in the hotel industry, where more than half of the hotels operate within a hotel chain (Hotels, 2017). This unique feature may explain why brand is the key consideration throughout the entire international acquisition process of Chinese hotel companies. Brand represents the culture of the acquired company as well as that of the host country. Buying a brand is easy, but the cultural conflicts between acquiring and acquired companies must be properly handled. Specifically, the different takes on how to make the brand adapt to Chinese customers while maintaining the brand pedigree caused conflicts. The acquired company insisted to keep the brand standard, maintain Western dining and entertainment activities, especially keeping the original design style. However, a few Chinese hotel companies hoped to change the brand standard. Such cultural conflicts caused integration challenges, which ended with a compromise between the two parties.

5.1.4 "A Small Fish Eats a Big Fish" Pattern

The old Chinese saying "a big fish eats a small fish, and a small fish eats shrimps' is used to describe a living principle. This argument was first brought up by Gross et al. (2017), who conducted a case study to explore Jin Jiang's acquisition of Interstate. In the hotel industry, 'strong" and "big" refer to companies with relatively high-level management capabilities, good brand awareness, and large scale. Under normal circumstances, a hotel company with high-level management capabilities, good brand, and large scale tends to acquire small hotel companies with weak brand and management capabilities. This pattern represents "a big fish eats a small fish." In this study, Chinese hotel companies' international acquisitions were contrary to the traditional pattern, and this finding holds not only for Jin Jiang, but all companies examined. The "a small fish eats a big fish" pattern can be reflected through the three phases of acquisitions.

In the pre-acquisition phase, the objectives, such as to obtain brand and increase management capability, decided this pattern. The underlying reason for obtaining brand and increasing management capability is twofold. First, Chinese hotel companies created several economic and middle scale brands but remained weak in the high-end field. The brand global awareness and recognition is relatively weak, particularly in high-end field. To narrow the brand gap with global competitors, especially to quickly catch up with DE-based hotel companies, Chinese hotel companies must “eat big fish.” Second, the management capabilities of Chinese hotel companies are relatively weak compared with those of competitors in DEs. Facing the growing demand of consumption upgrade and following Chinese outbound tourists, Chinese hotel companies should “eat a big fish” to increase their management capabilities.

All target companies are located in DEs, such as the USA, the UK, France, Germany, Australia, and Spain, which is contrary to the argument of internationalization theory, i.e., a company is likely to select geographically proximate firm with a similar culture. Such location choice exactly reflects Chinese hotel companies’ ‘small fish eat big fish” pattern. In the actual acquisition phase, Chinese hotel companies were willing to pay the price despite the geographical and cultural distance to obtain good brand and improve their management capacities by acquiring experienced management team and mature management system and procedures. Although some Chinese hotel companies are larger in scale than acquired companies, they remain relatively weak in operation procedures and management capabilities. This was evident during integration, especially in several large-scale training programs (Chinese hotel companies sent executives to acquired hotels for management training). As the final consumption in the hotel industry is service, which represents culture to an extent, the decoration of guest room and hardware facilities are not what is important. From a culture perspective, at least in the hotel field, Chinese culture has no competitive advantage compared with the culture of DEs. In sum, the scarcity of high-end brand in EEs and abundance in DEs, the management capability strength of hotel companies in DEs and weakness of those in EEs, and the cultural gap between DEs and EEs result in “a small fish eats a big fish” pattern.

In the post-acquisition phase, “a small fish eats a big fish” is reflected in the acquisition performance. The overall acquisition performance is good, but negative influential factors still caused unsatisfactory performance. For example, a negative human resource factor is talent shortage. Although Chinese hotel companies could obtain a good brand and management team by swallowing a “big fish,” without talent acquisition, particularly talents with extensive integration and international management experience, they could not digest the fish, i.e., they failed to promote the brand smoothly and manage the acquired teams.

5.2 Impacts of Hotel Industrial Features and EE Conditions

5.2.1 Impacts of Hotel Industrial Features

The literature argues that internationalization is not only determined by the specific characteristics of the host country, home country, and acquiring company but also by the distinct features of the specific industry. Hotel industrial features affect international acquisitions, particularly in the pre- and actual acquisition phases. In the pre-acquisition phase, three newfound objectives—brand export, to obtain land resources, and to transfer assets—are influenced by the features of the hotel industry. Brand is the core competency of hotel industry, and the brand of Chinese hotel companies is relatively weak in terms of history, awareness, and competitiveness in the international market. Hence, expanding abroad via non-equity entry mode (i.e., management contracts or franchising), which heavily relies on brand, is difficult for Chinese hotel companies. To deal with this obstacle, Chinese hotel companies adopts an equity entry mode, namely, acquiring overseas hotels and gradually switching foreign brand into their own brand to realize brand export. The other two distinguished objectives also reveal the impacts of hotel industrial features. Hotel companies have a large amount of cashflow due to the nature of the hotel industry. Evidently, some Chinese hotel companies exploit this unique characteristic to transfer assets. In addition, hotels are regarded as a unique form of real estate investment because they can act as a real estate investment and an operating business. Therefore, Chinese hotel companies could obtain land resources via launching international acquisitions.

In the actual acquisition phase, emphasizing social and cultural factors of the host country to select acquisition target may be because of the features of the hotel industry. Unlike those of the manufacturing industry, customers of the hotel industry are attracted by romantic notions or the leisure atmosphere of the host country. Although geographical factors, such as geographical distance and language barrier, were considered by Chinese hotel companies, these factors are not as important as social and cultural factors. All target companies are located in DEs, and such location choices were also influenced by the features of the hotel industry. A good brand represents a high-quality service. Chinese hotel companies created several economic and middle scale brands but remained weak in the high-end field. Therefore, brand factor is the second most mentioned selection criterion, which has been comprehensively examined.

5.2.2 Impacts of EE Conditions

Extant studies demonstrate that EE-based companies' internationalization may be influenced by the unique parameters, rationales, and strengths of EEs (Luo & Tung, 2007). The present study reveals that EE conditions affect Chinese hotel companies' international acquisitions. In the pre-acquisition phase, Chinese domestic push factors are the main internationalization drivers. Such a finding contradicts the prevailing knowledge derived from traditional internationalization theories but echoes the internationalization conditions of EEs. EEs are experiencing rapid economic and political reform, driven by accelerated economic growth and continuing political reform. On the one hand, RMB had become a leading global currency, benefiting Chinese economic advancement and stimulating Chinese companies to go global (Eichengreen, 2017). On the other hand, Chinese residents' income increases, and the increasing expansion of middle class and consumption upgrading change the lifestyles of Chinese residents, promoting the demand of outbound tourism and domestic leisure tourism. Ultimately, these factors stimulate the international acquisitions of Chinese hotel companies. Regarding objectives, accelerate internationalization progress and increase management capability reflect the unique conditions of EEs. The former objective echoes springboard perspective. Owing to the historical reasons of EEs, Chinese hotel companies are latecomers in the international hotel market, so they must overcome the disadvantages that come with being latecomers. They must take aggressive international acquisition as springboard to avoid home country's institutional and market constraints and catch up with the pace of global competitors. As EEs are experiencing strategic transformation, wherein hotel companies are adjusting their development strategy, the latter objective, i.e., increase management capability, is a reaction to this adjustment.

In the actual acquisition phase, the selection of DE-based companies with a good brand also reflects the impacts of EE conditions. Brand is a kind of culture, and it represents the culture of a hotel company and sometimes that of a nation. For instance, France is well known for its leisure culture. When people talk about France, they first think about romantic, relaxed, and leisure tourism. This country nurtured good vacation hotel brands. Currently, with the increasing expansion of the middle class and continued economic growth of China, the demand for leisure and tourism is growing as well. Therefore, high-end hotel companies with a good brand is a priority.

In the post-acquisition phase, EE conditions, especially the condition benefits and constraints deeply affect acquisition performance. The major challenge comes from acquiring companies, not the acquired companies. For example, streamline management process is good for reducing operational cost and improving revenue, but it cannot be implemented. This action may destroy some executives' individual interests, so they prevent the streamlining of management process through administrative means. Another example is cultural conflicts between acquiring and acquired companies due to the bureaucracy of SOEs.

5.3 Strategy Comparison of International Acquisitions by HMO, REO and IO Companies

As mentioned in **Section 4.6**, three types of Chinese hotel companies were looked into in this study, namely, HMO, REO, and IO companies. The acquisition strategies of these companies were quite different. HMO companies had more management-seeking objectives, REO companies had more ROI-seeking and hubris-seeking objectives, and IO companies had more efficiency-seeking objectives. HMO and IO companies launched more equity acquisitions, whereas REO companies launched more asset acquisitions. HMO and IO companies also considered the host country first before selecting the target company. REO companies accidentally selected targets. They did not care about the host country as long as the target is a landmark building/well-known hotel in a first-tier city in developed countries. HMO companies adhered to the "maintain cultural and management independence" principle, REO companies put forward the "no interference" principle, and IO companies implement the "take each party's advantages" principle. HMO and IO companies had inconsistent performance, whereas REO companies were successful.

Table 5.1 Comparison of International Acquisition Strategies by HMO, REO and IO Companies

Type	Objective	Target selection	Integration	Performance
HMO	• Management-seeking objectives oriented • "Outward & inward" internationalization pattern • "Follow outbound tourists" strategy	• Select country first, then select the target company • Primarily select hotel management companies with excellent management capability • Business and mid-scale hotel oriented • Strategic and active selection	• "Maintain cultural and management independence" principle • Cross training • Develop third-party management on mid-scale hotels in China	• Management oriented criteria • Contradictory assessment on exclusive criteria
REO	• Economic and personal objectives oriented	• Select the hotel property directly	• "No interference" principle	• Strategic oriented criteria

	• "Outward" internationalization pattern	• Primarily select landmark hotel properties • Well-known brand and Luxury hotel oriented • Opportunistic selection, with the only one target		• Resolve conflicts with respect and communication
IO	• Efficiency-seeking objectives oriented • "Inward" internationalization pattern • "Blue ocean" strategy	• Romantic nation's culture oriented • Top and luxury leisure brand oriented • High cooperation intention oriented • Imitate the industry leader	• "Take each party's advantages" principle • Brand localization improvement in China • Reorganize the organizational structure to remove redundancy • Marketing integration	• Economic oriented criteria • Experience is the key to a successful acquisition • Brain drain is a major factor in acquisition failure

5.3.1 Acquisition Strategy Comparison of Objectives of HMO, REO and IO Companies

As **Table 5.1** illustrates, the three types of Chinese hotel companies had different focuses on economic, strategic and personal objectives. Specifically, HMO and IO companies had more strategic objectives, whereas REO companies had more economic and personal objectives. The three types of Chinese hotel companies also revealed various internationalization patterns via international acquisitions. HMO companies aimed to accelerate internationalization progress through international acquisition. They acquired foreign hotel management companies and brought the acquired brand/management team/management system back to China and run Chinese hotels with the assistance of the acquired hotels. Rather than operate the acquired hotels in the foreign market, HMO companies concentrated on the Chinese market. If international acquisition is "outward" internationalization and operating hotels with the assistance of the acquired hotels in the Chinese market is "inward" internationalization, HMO companies covered the domestic and overseas markets, following outward and inward internationalization patterns. As REO companies acquired hotel properties and they recruited the original management company to operate the acquired hotels, their international acquisition only reflected an "outward" internationalization pattern. IO companies aimed to bring the experienced management team and innovative management procedures back to China. To the contrary, HMO companies intended to obtain advanced management skills and talents and manage the overseas hotels. IO companies had no hotel management team before they launched international acquisitions. They relied more on the acquired management teams and operational procedure. They focused on the hotel operation in the Chinese market rather than running the acquired hotel companies in the foreign market, indicating an inward internationalization pattern. Moreover, the three types of companies show different acquisition reactions toward consumption upgrade. HMO companies adopted “follow” strategy, i.e., they followed the middle-end outbound travel demand. IO companies adopted “blue ocean” strategy, i.e., they concentrated on the leisure tourism, especially as the high-end vacation hotel is blue ocean, and cultivated Chinese middle class’s habits toward high-end leisure tourism. Instead of following Chinese outbound middle class as what HMO companies did, IO companies focused on leading the domestic high-end leisure demand. REO companies had no reaction toward this trend.

5.3.2 Acquisition Strategy Comparison of Selection Criteria of HMO, REO, and IO Companies

As **Table 5.1** shows, HMO, REO, and IO companies’ acquisition strategies involved various selection criteria and selection strategies toward international acquisitions. HMO companies primarily aimed to follow Chinese tourists to the host country, the economic and political stability of the host country and whether or not the country is attractive to Chinese tourists were the main considerations. IO companies acquired hotel companies to expand into hotel and tourism sector, particularly into the high-end leisure tourism sector, with a goal of providing a high-quality service to the rising Chinese middle-class tourists. These companies believed that the brand of leisure hotel is deeply influenced by a nation’s culture, so they emphasize the nation’s culture, especially countries noted for their romantic and leisure culture. For this reason, France is the first choice.

Most HMO companies selected hotel management companies as their primary target, even third-party hotel management companies without brands because HMO companies hoped to obtain their advanced management skills and experienced management executives. However, Chinese HMO companies did not follow Western hotel companies’ footsteps of acquiring well-known brands. Instead, their main target companies were third-party management companies without brand but with much better management capabilities than domestic hotel management companies. Most HMO companies preferred to acquire business and mid-scale hotels perhaps because their main target customers like these types of hotel. IO companies tended to acquire targets with industrial leading brand and luxury leisure brand because doing so is the effective means to quickly open

Chinese high-end leisure tourism market and prevent competitors from imitating. IO companies also emphasized the management capabilities of hotel management companies, so a candidate company with innovative business mode and outstanding management teams become the target of choice. IO companies believed that the value of great management capabilities and excellent management team can provide sustainable value, such as good customer experience. With the IO companies' favorable financial skills, acquiring such target company even with a high quotation is perceived worthwhile. Most HMO companies launched equity acquisition, i.e., acquired all or more than half equity of hotel management companies. Equity acquisition is more difficult than asset acquisition as the process is more complicated and requires full preparation. Therefore, most HMO companies selected acquisition targets in an active and strategic manner. Under most circumstances, they proposed clear objectives prior acquisition, set up definite selection criteria, and actively selected the target company according to the criteria.

The imitation selection of IO companies is due to the belief that following industry leaders is the safest option. By doing so, IO companies reaped benefits of the acquisition channels. The successful acquisition of industry leaders ensures the smooth acquisition channels and can improve the success rate of acquisition.

The acquisition targets of REO companies were often accidentally selected because they did not care about the host country as long as the target is a landmark building/well-known hotel in a first-tier city in developed countries. Such selection is due to the nature of their core business. Land is the most valuable competitive edge for REO companies, and landmark hotel properties are premium assets with high land value, which can maintain the high estimated ROI. Acquiring landmark hotel properties can also provide REO companies with an opportunity to make political and business connections in the host country as the landmark transaction is regarded breaking news. Making such connections is beneficial for REO companies in expanding the local real estate market.

5.3.3 Acquisition Strategy Comparison of Integration by HMO, REO and IO Companies

The integration principles and priorities adopted by HMO, REO, and IO companies vary because of the difference among three types of companies in terms of their major business, objectives, and integration abilities. HMO companies adhered to the "maintain cultural and management independence" principle and emphasized management system and talent introduction and cross training because they have relatively weak hotel management capability. Rather than intervene in the management, maintaining independence is a smart choice to avoid conflicts. In addition, HMO companies aimed to improve their management capability, so absorbing management skills from the acquired talents is better than intervention. Sending executives for training is another efficient way to improve management capabilities in a short period. REO companies put forward the "no interference" principle and tended to retain the original stage of the acquired companies without much consolidation except for changes in ownership. REO companies did not want to interfere in the operation of the hotel, so they regarded the acquisition target as a financial investment. REO companies do not have management experience (e.g., lack of management talent) and are not interested in hotel management. They aimed for land value appreciation, so they mainly relied on the original management company to manage for them and did not interfere in the daily management. IO companies implemented the "take each party's advantages" principle and emphasized human resource integration and localization adjustment. The advantages of the acquired companies are well-known brand and advanced management skills, and the advantages of the IO companies are abundant capital and the ability of cross marketing. Taking the advantages of both parties achieved better performance. IO companies were sensitive to the cost, so they launched cost reductive integrations, such as lay off abundant employees, and localization adjustment, such as reduce abundant departments.

5.3.4 Acquisition Strategy Comparison of Performance and Assessment Criteria by HMO, REO, and IO Companies

Overall, HMO and IO companies indicated various acquisition performances: successful, partially successful, and unsuccessful. By contrast, REO companies' acquisitions were successful. In the face of conflicts, REO companies still made successful acquisitions mainly because they respected the original brand standard and had sufficient mutual communication with the acquired hotels. Although they became the owners of the acquired hotels, they had no hotel operation experience, so they fully respected the original management companies, brand elements, and market position. In addition, REO companies conducted multiple, deep, and full communication with acquired hotels during negotiation and the post-acquisition phase. By doing so, they got the acquired hotels' trust and support, which, in turn, helped them resolve the conflict with the labor union.

Rich experience is the key positive influential factor for IO companies' acquisition performance. The experience includes not only the acquisition experience of the acquiring company but also the cooperation experience between acquiring and acquired companies. The former experience helps

IO companies improve negotiation skills and avoid risks, whereas the latter experience makes a smooth integration between the two parties because that they had worked together before and knew each other well.

Talent shortage and core decision maker departure are two major negative factors on IO companies' acquisition performance, which directly influence the brand introduction and promotion in the Chinese market. The introduction and promotion of acquired brand in the Chinese market require hotel talents. However, IO companies do not reserve hotel talents like what hotel companies do. On the contrary, they do not have relevant talents, and merely relying on the acquired management team is inadequate to complete brand development. Especially, these foreigners are not qualified for the localization of the brand development. Moreover, core decision makers left during acquisition, resulting in inconsistent implementation of the strategy and affecting the brand's promotion in China.

HMO and IO companies' varied performances may also be due to the former two companies many objectives that are difficult to completely achieve. By contrast, REO companies have relatively less objectives that are easier to achieve, hence their successful performance. For example, transfer assets is an important objective for REO companies. Once the transaction is completed, this objective is achieved. HMO companies' main objective is to improve management capability, which is time consuming. In addition to completing the transaction, it requires comprehensive and smooth integration between acquiring and acquired companies. The main assessment criteria are decided by the nature of each company. HMO companies' major business is hotel management, so their main assessment criteria are from the management aspect. Similarly, REO companies' major business is real estate development and management, so asset (e.g., obtain land resources) is their main assessment criterion.

5.4 Strategy Comparisons of International Acquisitions by SOEs and POEs

SOEs and POEs have distinct characteristics. Regarding international acquisitions, SOEs and POEs have different acquisition strategies. SOEs emphasized efficiency- and management-seeking objectives, whereas POEs cared about asset-seeking objectives. SOEs cared about market accessibility and considered multiple stakeholders of the acquisition. POEs were concerned more about the brand awareness and quotation of the target. SOEs focused on management integration, whereas POEs emphasized brand integration, human resource integration, and operation integration. SOEs partially achieved original objectives, whereas POEs successfully achieved their objectives. The different performances are due to the institution constraints of SOEs and sufficient experience of POEs.

Table 5.2 Comparison on International Acquisitions by SOEs and POEs

Type	Objective	Target Selection	Integration	Performance
SOEs	• SOEs are more sensitive to FDI policy • SOEs emphasize on scale economy • SOEs focus on enhancing management capability	• SOEs care about market accessibility • SOEs consider multiple stakeholders' characteristics	• SOEs emphasize on management integration • SOEs focus on capital integration • Cooperate with affiliated company	Partially achieve original objectives • SOEs institutional constrains is key negative influential factor
POEs	• POEs are more sensitive to economic benefits • POEs emphasize on brand • POEs focus on both investment and speculative objectives	• POEs attach great importance to brand awareness • POEs worry about the • POEs are more sensitive to quotation • competition pressure	• POEs emphasize on brand integration • POEs focus on operation adjustment • POEs care about human resource integration	• Successfully achieve the original objectives • Adequate experience is the key positive influential factor

As **Table 5.2** illustrates, SOEs are more sensitive to FDI policy, whereas POEs are more sensitive to economic factors. SOEs emphasized efficiency- and management seeking- objectives, such as expanding scale and improving management/operation capability. POEs emphasized asset-seeking objectives, such as obtaining land resources and transferring assets. SOEs cared about obtaining overseas management platform because they are suffering strategic transformation. By contrast, POEs were not concerned about this aspect.

For instance, Carlson Hotels was acquired by HNA Hotels in 2016 and reacquired by Jin Jiang Hotels in 2018. The driving forces, objectives, and integration strategies of HNA Hotels and Jin Jiang Hotels vary.

5.4.1 Acquisition Strategy Comparison of Objectives of SOEs and POEs

As **Table 5.2** reveals, SOEs are more sensitive to FDI policy, whereas POEs are more sensitive to economic factors, and such difference is caused by ownership. SOEs are closely related to the government by nature, and some of them have a mission to prosper the Chinese hotel industry. Therefore, when the government encourages undertaking foreign investment, SOEs are pioneers, and they respond rapidly. POEs are more sensitive to beneficial economic factors because they are more susceptible to economic fluctuation. In the period 2009–2016, the RMB appreciated against foreign currencies, and the cost of foreign direct investment was lower. Under this circumstance, POEs were sensitive to this benefit.

Pursuing scale economy is an important objective identified from SOEs. For historical reasons, most SOEs are large group companies, and the leaders are used to control large-scale companies. SOEs care about the ranking, and the scale of the company decides the ranking of global hotel groups. The leaders of SOEs hoped to expand the scale of companies with the help of acquisitions. In hotel industry, prior acquisitions, the highest Chinese state-owned hotel company is Jin Jiang International Hotels, ranking 13th in 2010 (Hotels, 2010). After the acquisition of Louvre Hotels Group in 2015 and Carlson in 2018, Jin Jiang has become the fifth largest hotel group in the world (Hotels, 2018). Interestingly, POEs cared more about brand-seeking objective, which is not applicable to SOEs because of the constraints on SOEs. In the literature, the constraints of SOEs include long decision process and government intervention. A new constraint in terms of international acquisitions was identified in the present study, that is, national brand protectionism. During negotiation, even if the acquiring and acquired companies made an agreement, the host government still blocked the deal because they did not allow their well-known brands, especially the time-honored hotel brands, to be acquired by Chinese SOEs but by Chinese POEs. This explains why POEs emphasized brand, but SOEs did not. It is not because SOEs do not want to do but because they cannot do such transactions.

Similar to a previous point, SOEs have a mission to become global leading hotel companies, which not only refer to the size of the company and the number of the managed hotels but also to the management capability. As the literature review reveal, 1978 is the initial year for the development of the Chinese hotel industry. Although the past four decades witnessed the accelerating development of the industry and the gap in terms of management capability and experiences between Chinese and Western hotel companies was narrowing, the gap continues to exist. Recently, SOEs have been in the strategic transition stage, and they have been adjusting the structure of production and transforming the mode of economic growth. Therefore, internationalization is a mechanism to rejuvenate Chinese hotel companies, and SOEs need to be international pioneers to enhance their management capabilities by learning from acquired companies. The underlying reasons of POEs' asset-transferring and land resource-obtaining objectives is to avoid risk. After making money, POEs worry about the safety of their money and want to transfer their assets overseas to preserve their assets. By contrast, SOEs do not have such concern.

5.4.2 Acquisition Strategy Comparison of Selection Criteria of SOEs and POEs

As **Table 5.2** and **Section 4.7.2** reveal, SOEs cared about market accessibility and gave up choices in Taiwan and Japan. They have sensitive identity in international acquisition, and these two territories have tense diplomatic relationship with China. POEs cared more about the brand awareness and quotation of the target. POEs intended to obtain land resources, which refer to hotel assets located in first tier cities with premium value and large tracts of land that can be used to develop vacation hotels. The latter requires the influence of well-known brands. Some POEs are looking for large areas of land to develop the acquired brands, and the government of rural areas must develop tourism to drive economic development. The key point is a well-known brand. The government evaluates vacation hotel developers according to brand awareness. The more well-known the brand, the more the government likes it, and the easier it is to approve land acquisition by POEs. Therefore, POEs attached great importance to brand awareness. POEs have relatively weak financial support from the government because they have to pay more interest under the same loan amount. POEs are thus sensitive to quotation of the potential target company.

SOEs considered multiple stakeholders of the acquisition, not only the target company but also selling companies' background and agent's professionalism. The selection is meticulous and comprehensive because SOEs attach great importance to risk assessment. Once the target has risks, SOEs are likely to give up it. By contrast, POEs were concerned about competition pressure, particularly when bidding with SOEs because SOEs often overpaid, rolling the market and driving up acquisition costs. More importantly, when SOEs participated in the bidding, for a strategic reason, the government sometimes intervened via administrative means to ensure that SOEs win. When POEs learn that SOEs participate in the bidding, they voluntarily withdraw to reduce losses. Such situation not only happens between POEs and SOEs but also between large and small SOEs.

5.4.3 Acquisition Strategy Comparison of Integration by SOEs and POEs

As shown in **Table 5.2** and **Section 4.7.3**, SOEs focused on management and capital integration. These integration measures show that SOEs cared about capital safety and management, so they required to integrate systems of acquiring and acquired hotels to monitor the financial information promptly, which is in line with the relatively conservative characteristics of SOEs, i.e., risk avoidance. Without the administrative and financial convenience from government as well as less internal challenges, POEs have more flexibility to emphasize operation adjustment, particularly reducing the operational cost and increasing revenue by reducing abundant employees and departments and adjusting pricing strategy and length of stay to adapt to the Chinese market.

5.4.4 Acquisition Strategy Comparison of Performance and Influential Factors of SOEs and POEs

As **Table 5.2** and **Section 4.7.4** indicate, SOEs and POEs have different performances. Overall, POEs have better performance than SOEs due to the institution constraints of the former and sufficient experience of the latter. SOEs' main institutional constraint is the exclusive negative influential factor, and its influence is mostly on the integration stage. For instance, the acquired hotel companies do not understand the leader of the "Party," so they do not know who makes the final decision between the secretary of the Party and the manager, and they do not adapt to the corresponding hierarchical compensation. POEs have adequate cooperation experience with the acquired companies, and the core decision makers participated several international acquisitions previously. The former experience ensures the full exchange and understanding of both parties, whereas the latter experience avoid common international acquisition mistakes, such as launching acquisition deals without considering the integration strategy. These experiences effectively helped POEs succeed in international acquisitions.

5.5 Strategy Comparisons on International Acquisitions of Equity and Asset

As argued in **Section 4.8**, Chinese acquiring companies launched equity and asset acquisitions through different strategies. They had different reactions toward domestic and overseas environment. Equity acquisition had more efficiency-seeking and personal objectives, whereas asset acquisitions had more brand-seeking and asset-seeking objectives. Equity acquisition actively selected the target and emphasized target company factors, whereas asset acquisition occasionally selected the target and emphasized host country factors. Equity acquisition adopted standardization integration approach, whereas asset acquisition focused on intervention and consolidation approach. The overall performance of equity acquisition is satisfactory, and the company factor is the major influential factor. The overall performance of asset acquisition is inconsistent because of company and country factors.

Table 5.3 Comparison on Equity and Asset Acquisitions

Type	Objective	Target Selection	Integration	Performance
Equity	• Sensitive to domestic and overseas economic benefits • To satisfy the demand for high-end leisure tourism • To expand industrial chain • Personal hubris	• Strategically select target with clear selection criteria • Primarily consider target company factors	• Set up management centres and joint companies • Recruit local talents abroad and foreign talents in Chin	• Successfully expand industrial chain • Stable cashflow and employee turnover rate • Mainly caused by company factor
Asset	• To raise brand awareness • Brand and management export	• Occasionally selected target with no selection criteria • Primarily consider host country factors	• Organize asset • Expatriate all level employees • Employee localization in host country	• Failed to export brand • Successfully transferred asset abroad • Caused by both national and company influential factors

5.5.1 Acquisition Strategy Comparison of Objectives of Equity and Asset Acquisitions

Equity acquisition requests more capital involvement than asset acquisition. As mentioned previously, China is the world's second largest sovereign-wealth fund. In addition to the national abundant capital, some Chinese hotel companies have abundant capital to launch equity acquisitions without too much debt. Therefore, equity acquisitions are more sensitive to domestic and overseas economic benefits. By contrast, asset acquisitions have no obvious resonance on the domestic and overseas environmental factors because the capital request of asset acquisition is relatively low.

The growing demand of high-end leisure tourism requires equity acquisition. Chinese hotel companies launched several equity acquisitions because asset acquisitions can only partially meet the upgrading needs of outbound tourism. The domestic high-end leisure vacation needs can only be met by acquiring brands and management team through equity acquisitions. By contrast, asset acquisition emphasized enhancing awareness in the global market as well as brand export because most targets of asset acquisitions are landmarks in first-tier cities. Acquiring such landmark hotels can dramatically enhance awareness. In addition, brand export via asset acquisition is easier than through equity acquisition because an independent hotel property is a good field for switching the brand with a Chinese brand rather than a large hotel group.

Moreover, large vacation management companies (acquisition target) have long history and strong brand and management experience, which have asset and equity. To expand industrial chain into vacation tourism, Chinese hotel companies must launch equity acquisitions rather than asset acquisitions.

Finally, equity acquisitions indicate the personal hubris of decision makers, whereas asset acquisitions reveal the objective of optimizing asset allocation.

5.5.2 Acquisition Strategy Comparison of Selection Criteria of Equity and Asset Acquisitions

All equity acquisitions launched by Chinese hotel companies are active and strategic. Acquiring companies have clear selection criteria and carefully selected the target based on these criteria. The reason for careful selection is that equity acquisition requires a great amount of money for investment, and a small mistake can cause great economic loss. Equity acquisition also needs relatively long due diligence and more staff. Selection must be active and strategic to realize the objectives. By contrast, asset acquisitions' target selection is done randomly and occasionally because the transaction of asset acquisitions is not time consuming and complicated compared with that of equity acquisitions.

Equity acquisitions primarily consider target company factors than host country factors, especially the economic factors, such as expected ROI, brand size, and brand awareness. The more popular the brand and the bigger the brand size, the easier they can be expanded into the vacation tourism sector. Personal ego, i.e., becoming the benchmark in the Chinese hotel industry, can be realized. In contrast with equity acquisitions, asset acquisitions launched by Chinese hotel companies consider host country factors rather than target company factors. Specifically, the political stability and diplomatic relationship are the top two mentioned factors. Host country factors are prioritized because the risk of asset acquisitions lies whether the deal is closed and not in the post-acquisition operations. As most asset acquisitions are refurbished and new management teams are replaced, acquiring companies focus on country factors. Prioritizing country factors does not mean that companies are not considered. Several property factors are also considered, such as property scale and property awareness.

5.5.3 Acquisition Strategy Comparison on Integration of Equity and Asset Acquisitions

As **Section 4.8.3** and **Table 5.3** illustrate, equity acquisitions launched by Chinese hotel companies integrated organization structure, brand, and human resources, such as set up joint companies and management centers, organize and promote brand, and recruit local talents in overseas market and foreign talents in China. By contrast, asset acquisitions launched by Chinese hotel companies integrated human resources and asset, such as expatriate management team/owner's representative/entry-level employees, recruit local employees in host countries, and organize asset. The reason behind such integration strategies is twofold. First, equity acquisitions are more straightforward than asset acquisitions, without causing any disruption in the operations. Thus, equity acquisitions can integrate organization structure and human resources in the corporate level while maintaining the operation of each hotel property. By contrast, asset acquisitions can only integrate in the property level, so they emphasized recruitment and asset integration. Second, such acquisitions echo the objectives of the hotel companies. Equity acquisitions were mainly adopted by HMO and IO companies, which aimed to set up a management centers in host countries and promote brand in China. Asset acquisitions were mainly launched by REO companies. In most cases, such acquisitions are a financial investment, whose main objective is to achieve high ROI. Recruiting local talents in host country to reduce labor cost and expatriate owner's representative to monitor hotel operation are integration strategies that echo REO companies' objective.

5.5.4 Acquisition Strategy Comparison of Performance and Influential Factors by Equity and Asset Acquisitions

As **Table 5.3** suggests, equity acquisitions had satisfactory performance, i.e., acquiring companies achieved their objectives. The positive influential factors are cultural and human resource factors. First, the successful industrial expansion may be because acquiring companies fully respect the culture of target company companies. Second, the stable employee turnover rate may be because of the adequate communication between acquiring and acquired companies as well as the prudent human resource integration strategy. Third, the stable cashflow is due to the consistent acquisition strategy and great support from the parent company of acquiring companies.

By contrast, asset acquisitions had various performances. Some of them failed to export brand, whereas others successfully transferred asset abroad. This various performance is caused by political and operation factors. The national factors refer to labor union boycott in the host country, whereas the company factors are unfamiliar local regulations, inaccurate market positioning, and communication barrier.

5.6 Chapter Summary

This chapter investigates the entire acquisition process of Chinese hotel companies, encompassing the three phases of international acquisitions. It also explores the environment, objectives, target selection, integration, and performance of Chinese hotel companies and identifies several distinct findings. Comparing with the literatures and the efforts of this study, four comparison results presented, as shown in **Table 5.4**. Frist, the present study partially supported by the literatures. For instance, the springboard and strategic intent perspectives could explain the findings of this study, but could not explain the industry specific motives, such as asset-seeking motive. Second, the findings of the present study supported with the literatures. For example, the four integration approaches were fully adopted by Chinese hotel companies. Third, the present study not supported with the literatures, e.g., hotel management company rather than hotel property was the primary selection target. Four, the present study added with the literatures with distinct findings. For instance, in addition to considering acquired companies and host countries, competitors and agents were also important considering factors. Several outstanding antecedents and objectives are identified in the pre-acquisition phase that are rarely mentioned in the literature, such as outbound tourists and consumption upgrade trend. In the actual acquisition phase, the unique antecedents and objectives cause distinct target selection and integration approaches, namely "actively" and "occasionally" approaches. In the post-acquisition phase, the performance is widely evaluated from asset, brand, human resource, organization structure, and culture dimensions. In addition, this chapter points out the internal relationship between various aspects within the three phases. Moreover, this chapter reveals the "a small fish eats a big fish" pattern. Furthermore, the impacts of hotel industrial features and EE conditions are discussed. Finally, international acquisition strategies of the three categories of Chinese hotel companies are specified.

Table 5.4 Comparison between Literature and the Present Study

Field	Main topic	Argument in literature	Efforts in this study	Comparison between literature and the present study
Internationalization theoretic approach	Motive and performance in DEs	Internalization, ownership and location advantages; Institutions advantage and constraints; To obtain resources; To reduce transaction cost	Demonstrated that the theoretic approach oriented in DEs is not applicable in EEs; Explored EEs' companies' internationalization from a more dynamic process perspective rather than choice perspective	Partially supported by the literature; Institutional- and resource-based views could explain the findings of this study to some extent, whereas OLI model and transaction cost theory could not
	Motive in EEs	Springboard to acquire strategic resources; Acquire strategic capabilities; Use institutional incentives and minimize institutional constraints	Explored new conceptual framework from the EE and service industry context	Partially supported by the literature; Springboard and strategic intent perspectives could explain the findings of this study, but could not explain industry-specific motives, such as asset-seeking objectives
Merger and acquisition	Objective of M&As	Increase shareholder wealth, synergy, agency and CEO hubris; Increase market power; Reduce operation costs; Reduce transaction costs	Explored objectives of M&As, particularly international M&As	Partially supported by the literature; The existing objectives could only explain some findings of this study, but fail to explain some distinct objectives, such as to export brand and transfer assets
	Target selection of M&As	Strategic fit; Geographical proximity; Similarity and complementarity of resources between acquiring and potential target companies; High-capability in new contexts, low-capability in existing contexts; Country factors: political and economic stability, GDP and market size; Company factors: characteristics and size	Explored target selection criteria from multiple aspects; Explored its effects on M&A performance; Examined these factors in EE and hotel contexts; Explored both actively and occasionally selection	Partially supported by the literature, e.g. similarity and complementarity of resources were considered; Not supported by the literature, e.g. geographical proximity was not considered; Added some new selection factors, such as competitors and agents' factors, to the literature
	Integration of M&As	Procedural, physical and cultural integration; Consolidation, standardization, coordination and intervention; Cultural integration is the most critical challenge	Explored integration in EE and hotel contexts	Supported by the literature, i.e. the findings of this study demonstrated the four integration approaches; Added some hotel industry distinct integration, such as cooperation with travel agents, to the literature

	Performance of M&As	50–80% M&As failed; Inconsistent results based on accounting (ROI) and financial (equity); Influential factors: cultural distance, executives' characteristics, knowledge capabilities, level of integration, relative size of the acquiring to acquired company, acquisition rate, industry commonality, acquisition timing, payment methods and profitability of acquired company	Explored M&A performance from a process perspective, covering objectives, target selection and integration; Explored from a strategic perspective; Explored in the EE and hotel contexts	Not supported by the literature, e.g. most M&As are successful based on strategic assessment; Partially supported by the literature is that integration is one of biggest challenge of successful M&As; however, the integration between the acquired and acquiring companies is smooth and the internal integration in acquiring companies has some trouble
Merger and acquisition in hotel industry	Environment of hotel companies' M&As	Japan: high land cost and interest rate, economic liberalization and increasing value of Japanese yen; USA: descending stock market, scarce cash and high interest rate	Explored M&A environments of Chinese hotel companies from economic, politic, social and cultural perspectives	Partially supported by the literature, e.g. the high domestic land and the increasing value of RMB are stimulating environment; Added to the literature with social and cultural factors, such as outbound tourists
	Objective of hotel companies' M&As	Objectives vary across periods and markets, such as value creation, financial synergy, diversification, market power expansion and managerial self-interest	Explored objectives of EE-based hotel companies' M&As	Partially supported by the literature, such as managerial self-interest; Added to the literature with hotel industry distinct objectives, such as obtaining land resources
	Target selection of hotel companies' M&As	Property location, size, brand, price, equity, market growth potential, image of the country and target reputation	Explored various selection aspects, such as agents and competitors	Added to the literature with the effects of EE conditions on target selection of hotel companies' M&As
	Integration of hotel companies' M&As	For a successful international M&A deal, companies' executives should present strong leadership and open and honest communication in cultural integration	Explored seven aspects of integration and pointed out distinct integrations in Chinese hotel companies, such as cooperation with travel agents	Disagreed with the literature because strong leadership, especially in SOEs, is a challenge for integration, not a positive factor; Added to the literature with the effects of EE conditions on integration of hotel companies' M&As, such as sending out executives for training
	Performance of hotel companies' M&As	Inconsistent performance; Influenced by transaction factors; Three important factors for successful M&As: establishing a post-acquisition strategy earlier, identifying and retaining key employees and managers of the target company and determining the degree of post-acquisition integration;	Explored EE-based hotel companies' M&As from process and strategic perspectives	Supported by the literature, e.g. findings indicated inconsistent performance; Added to the literature with the new factors for successful M&As, such as sufficient experience and timely communication; Added to the literature with the new factors for unsuccessful M&As, such as institutional constraints of SOEs

		Most M&As failure caused by poor integration and cultural clash		
Merger and acquisition in EEs	Environment	Company: size, types of ownership, resources and capabilities and international experience; Industry: structure, policy and competition; Transaction: project importance and involved investments; Institutional context: home and host countries' institutional factors and cultural and informal institutional components	Explored hotel industry's M&As environment; Examined the effects of hotel companies' characteristics on EE-based companies' M&As	Partially supported by the literature, such as home and host country contexts, but did not explore institutional factors of host countries in detail; Partially supported by the literature, that industry structure and competition are important considered environments
	Motive and performance	Intangible assets, following global client and searching new markets; Resource-seeking, efficiency-seeking; strategic asset-seeking, such as technology, brand and skills; Effect of operation mode and organizational structure influenced performance	Explored the EE-based hotel companies' M&As from process and strategic perspectives; Examined the effects of hotel companies' characteristics on EE-based companies' M&As	Supported by the literature that market-seeking and resource seeking and important motives; Partially supported by the literature, that strategic asset-seeking, such as brand, is one important objective, but technology was not considered by hotel companies
	Target selection	Developed nations of North America and Europe, followed by Asia and Africa; Less-developed countries attracted mostly EE companies' M&As;	Explored the target selection criteria, including country and specific target company; Explored the selection process	Supported by the literature that developed nations attracted mostly EE hotel companies' M&As; Added to the literature with selection criteria from country and company aspects and the entire selection process
Chinese hotel companies' M&As	General description	Shows a growing trend; Acquiring companies such as hotel, real estate, insurance and investment companies; Independent property is the main acquisition target; USA is the primary location choice	Examined the international acquisition process of EE-based Chinese hotel companies	Supported by the literature, such as indicating a growing trend; Supported by the literature that acquiring companies include various types of companies; Not supported by the literature, that hotel management company is the primary target; Added to the literature with the empirical examination on the entire M&A process

CHAPTER VI
CONCLUSIONS AND IMPLICATIONS

6.1 Conclusions

6.1.1 Summary

The purpose of this study was to examine the international acquisition process of companies based in EEs through the context of Chinese hotel companies. Four specific research objectives were accomplished.

The **first** objective was to investigate the driving forces and objectives of Chinese hotel companies' international acquisitions. The findings reveal that the Chinese hotel companies were concerned more about domestic push factors than international pull factors. The continuing consumption upgrade and outbound tourism caused by the expansion of the Chinese middle class, abundant capital and favourable exchange rate due to China's rapid economic development were the identified driving forces. Rather than focusing on traditional ROI- and market-seeking objectives, the Chinese hotel companies focused on asset-, brand- and efficiency-seeking objectives. In addition to the traditional acquisition objectives, expanding the industrial chain, obtaining land resources, transferring assets and exporting the brand were four objectives that emerged in this study. The conditions of EEs and the features of the hotel industry affected these driving forces and objectives.

The **second** objective of this study was to examine the target selection criteria and process of the Chinese hotel companies' international acquisitions. The study suggests that two approaches (active selection and occasional selection) and five target selection perspectives (host country, target company, selling company, agents and competitors) were adopted by the Chinese hotel companies. In addition, the traditional host country factors such as economic and political stability and the social and culture factors of the target company were repeatedly stressed. In addition to the financial performance of the target company, brand and management factors attracted much attention. Cooperation intention was the most important factor considered from the selling company's perspective because it directly affects deal completion. The agent's professionalism and the peers' competitive pressure were the distinguishing selection criteria for hotel companies. The target selection criteria and process were decided by the objectives of the acquiring companies and influenced by the conditions of EEs and the features of the hotel industry. The scarcity of high-end brands in EEs and their abundance in DEs, the management capability strength of hotel companies in DEs and the weakness of those in EEs, and the capital and policy advantage of EEs result in a 'small fish eats big fish' pattern.

The **third** objective was to investigate the integration strategies and process of the Chinese hotel companies' international acquisitions. Four integration approaches – consolidation, coordination, standardisation and intervention – coexist in the Chinese hotel companies' international acquisitions. The integration has seven aspects: human resource, operation process, organisation structure, management mode, money, asset, brand and culture. The Chinese hotel companies particularly emphasised brand consolidation, standardisation and intervention, operation coordination and intervention, organisation structure and human resource intervention. Such integration strategies were decided by the objectives of the Chinese hotel companies and influenced by the target selection process.

The **fourth** objective was to explore the performance of the Chinese hotel companies' international acquisitions and the influential factors. The overall acquisition performance was successful. Most of the Chinese hotel companies studied were satisfied with their performance, because the disappointing cases were minimal. Even those with unsatisfactory performance were optimistic because they cared more about long-term performance than short-term gains. Due to the differences in assessment criteria used by different hotel companies, the performance assessment on acquisitions varied. This study reveals that the accounting and strategic assessment perspectives were adopted by the Chinese hotel companies. As they emphasised the strategic perspective, the financial perspective was not used. The bottleneck in successful acquisition was integration. The challenge comes from the acquiring company. Institutional constraints and talent shortage are the primary obstacles. Cultural conflicts occur in brand repositioning.

In addition, the three phases of international acquisition indicate a 'small fish eats big fish' pattern. The features of the hotel industry (e.g., having a natural close relationship with the real estate industry, leveraging brand as a core competency, being capital and cash flow intensive) and the conditions of EEs (e.g., rapid economic development, strategic transformation and favourable policy) influenced the Chinese hotel companies' international acquisitions. Specifically, the effects of the hotel industry features were evident in the pre- and actual acquisition phases, whereas the effects of the EE conditions were reflected throughout the three phases.

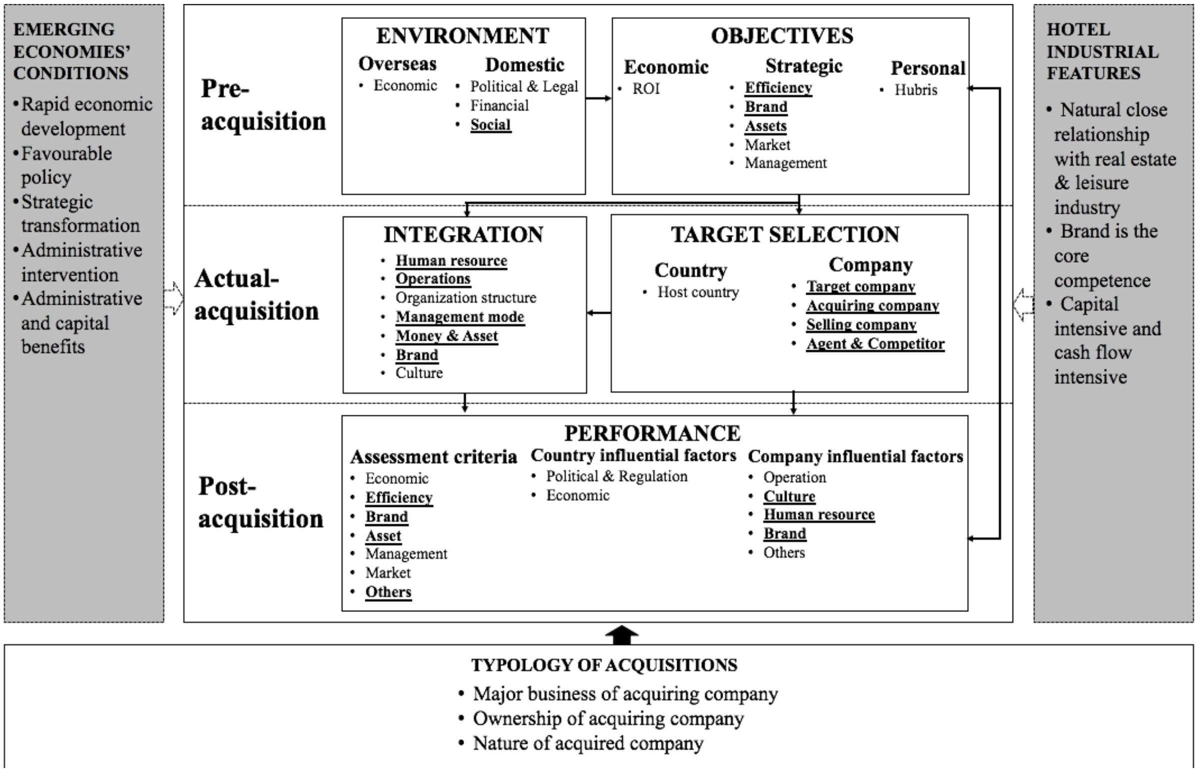
Furthermore, the study reveals three international acquisition strategies according to the three categories of Chinese hotel companies. The categories are according to the major business (e.g., HMO, REO and IO companies), the nature of the ownership (e.g., SOEs and POEs) and the nature of the target (e.g., equity and asset acquisitions). Specifically, HMO companies had more management-seeking objectives, REO companies had more ROI- and hubris-seeking objectives and IO companies had more efficiency-seeking objectives. HMO and IO companies launched more equity acquisitions, whereas REO companies launched more asset acquisitions. HMO and IO companies considered the host country before selecting the target company. REO companies occasionally selected targets. They did not care about the host country as long as the target was a landmark building or a well-known hotel in a first-tier city in a developed country. HMO companies adhered to the 'maintain cultural and management independence' principle, REO companies put forward the 'no interference' principle and IO companies implemented the 'take each party's advantages' principle. HMO and IO companies had inconsistent performance, but REO companies were successful.

In terms of the international acquisition strategies of SOEs and POEs, SOEs are more sensitive to the political environment and mainly aim to enhance management capabilities and smoothen strategic transformation. SOEs tend to prefer large-scale targets with good management teams, and the selection process is meticulous and comprehensive. During integration, SOEs emphasise management and capital integration and are partially satisfied with performance. The key negative influential factor is the SOEs' institutional constraints, particularly those on integration. In contrast, POEs promptly respond to economic benefits, so they have investment and speculative objectives and aim to transfer assets and obtain land resources. POEs attach great importance to brand awareness and are sensitive to quotation; they are concerned about competition pressure, especially from SOE competitors. POEs emphasise brand integration and operation integration, which thus results in successful acquisitions.

Equity and asset acquisitions have different reactions towards the domestic and overseas environments. The former has more efficiency-seeking and personal objectives, whereas the latter has more brand- and asset-seeking objectives. Equity acquisitions actively select the target and emphasise target company factors, whereas asset acquisitions occasionally select the target and emphasise host country factors. Equity acquisitions adopt the standardisation integration approach, whereas asset acquisitions focus on the intervention and consolidation approach. The overall performance of equity acquisitions is satisfactory, and the company factor is the major influential factor. The overall performance of asset acquisitions is inconsistent because of both company and country factors.

6.1.2 Conceptual Framework

The international acquisitions of Chinese hotel companies can be divided into three phases (see Figure 6.1). The pre-acquisition phase encompasses the identification of environments and objectives. The actual acquisition phase includes target selection and integration. The post-acquisition phase assesses performance. The domestic and international environments produce or influence the objectives of the Chinese hotel companies' international acquisitions, and the objectives decide the target selection criteria. The objectives and selection criteria then influence the integration strategy. Finally, the objectives, the target selection process and the degree of integration impact the acquisition performance. The appropriate establishment of objectives, target selection criteria and integration strategies eventually contribute to satisfactory/successful international acquisition. The entire process is influenced by the EE conditions, the features of the hotel industry and the typologies of the acquisitions. Rapid economic development and favourable policy contribute to a favourable domestic environment, and strategic transformation stimulates the international acquisitions by Chinese hotel companies. Administrative intervention affects target selection and integration and provides administrative and capital benefits to encourage and support international acquisitions. The features of the hotel industry mainly affect the pre-acquisition and actual acquisition phases. For instance, the hotel industry is naturally close to the real estate industry. This feature complements the identified objectives, which are distinct from the traditional objectives. The identified objectives, such as land resource acquisition, influence target selection and integration. The hotel industry's close relationship with the leisure industry, which results in the increasing demand of leisure from the Chinese middle class, stimulates international acquisition and even enforces the 'industrial chain expansion' objective. The capital and cash flow intensity of the hotel industry induces the 'asset transformation' objectives and the corresponding target selection criteria. Because branding is a core competency of the hotel industry, its influence is evident throughout the acquisition process, from the driving forces and objectives, target selection and integration to performance assessment.



Note: The bold and underlined items refer to distinct findings. The dotted and highlighted rectangles refer to unstudied but important contexts.

Figure 6.1 Conceptual Framework of Chinese Hotel Companies' International Acquisition

6.2 Theoretical Implications

This study contributes to previous theories in **five** ways. **First**, as suggested by the extant literature, traditional internationalization theories derived from DEs – such as the OLI paradigm, the transaction cost theory, the resource-based view, the Uppsala mode and the institutional theory – cannot explain the complete picture of Chinese hotel companies' international acquisitions. The theories generated for EEs, such as the springboard perspective, can partially explain the objectives of internationalization but fail to shed light on the entire process of international acquisition. This study expands the knowledge on internationalization by proposing a comprehensive conceptual framework that explains the international acquisition process of Chinese hotel companies and by presenting new knowledge on internationalization by linking EE conditions, hotel industry features and acquisition types. This framework enriches the understanding of EE-based companies' international acquisition behaviours and the effects of EE conditions, hotel industry features and acquisition types on such behaviours. Furthermore, this framework not only reveals the differences in the international acquisition strategies between DE- and EE-based companies, but explains the underlying reasons behind these differences.

Second, this study expands knowledge on the driving forces of acquisitions in the unique cultural and social environment of EEs, offers new insights into acquisition objectives (e.g., asset-seeking) and target selection criteria and selection approach (e.g., occasional selection, agents' professionalism and peers' competitive pressure), reveals the integration process with four integration approaches and expands the understanding of strategic performance assessment. To answer the four research questions, this study offers an in-depth understanding of how overseas and domestic environments, which encompass the economic, political, cultural and social environment of EEs, influence international acquisition decisions. This study also identifies some unique acquisition objectives. For instance, asset-seeking is identified in the EE-based hotel context. This study also shows that not all target selection is active with clear selection criteria, as some incidental target selection cases indeed exist. Furthermore, this study echoes the four integration approaches – consolidation, coordination, standardisation and intervention – but emphasises different approaches such as brand standardisation, operation standardisation, organisation structure and human resource intervention. This study also contributes to international acquisition performance assessment by noting new strategic assessment aspects.

Third, this study deepens our understanding of the acquisition process. Instead of examining each acquisition step separately, this study comprehensively explores the internal relationship among the steps and their impacts on acquisition performance, alongside the effects of hotel industry features, EE conditions and acquisition typologies. Previous studies mainly explained the objectives and performance of international acquisition and tended to ignore the acquisition process, particularly target selection and integration. This study fills this research gap by comprehensively exploring the entire acquisition process.

Fourth, this study examines the international acquisition process in the context of the hotel industry and thus contributes to hotel strategy management research by providing new insights into international acquisition and the internationalization of different types of hotel companies. This study delves into international acquisition in the hotel context and unveils new research directions.

Fifth, to the author's knowledge, this study is one of the first to examine the international acquisition process of companies based in EEs and thus contributes to EE research. Previous studies have examined international acquisitions by EE companies, but the findings are mainly derived from the manufacturing industry. By focusing on the hotel industry, this study expands research on EEs into the service industry.

6.3 Practical Implications

This study provides seven important implications for various stakeholders in the hotel industry. The **first** empirical implication is to provide insights and references for acquiring companies that intend to adopt the same path to reach their internationalization goals. Contrary to what is stated in the literature, the Chinese acquiring hotel companies of this study primarily selected international acquisitions to expand abroad. Although the overall performance is satisfactory, the challenge is huge. Other Chinese acquiring companies should thoughtfully evaluate the situation and carefully choose their internationalization entry mode. **Second**, this study provides detailed insights for Chinese acquiring companies regarding how the objectives, target selection and integration affect the final acquisition performance. Different types of acquisitions have varying performances. For example, compared to asset acquisition, equity acquisition performed better but required more involvement in target selection and integration. Other Chinese acquiring companies should consider which acquisition type is more appropriate based on their competences and objectives. **Third**, certain negative influential factors, such as talent shortage, caused unsatisfactory performance. Acquiring companies can learn from this study and overcome such shortcomings by spending more effort on talent recruitment and training. **Fourth**, this study provides insights into how acquiring companies can better understand their competitors. Many Chinese hotel companies participate in bidding, so understanding others' objectives and integration strategies is beneficial. The acquiring company might adopt the strengths and avoid the weaknesses of the targeted company and thus successfully win the bid.

Fifth, the findings reveal that various types of Chinese hotel companies have different international acquisition strategies. For instance, HMO, REO and IO companies follow completely different acquisition strategies, which reflect various objectives, target selection criteria, integration approach, performance and other influential factors. This study enhances understanding of how different types of Chinese companies accomplish acquisitions. A growing number of Chinese companies globally select target hotel companies. Understanding the objectives and the integration strategy of Chinese acquiring companies can help international hotel companies make the right choice.

Sixth, despite changes in the overseas environment (e.g., Sino–U.S. trade war) and in domestic politics (e.g., restrictions on overseas hotel investments), the long-term needs of Chinese hotel companies' international acquisitions are fixed. The demand for internationalization of Chinese hotel companies and for overseas high-quality brands and management capabilities will remain for a long time because this demand is the fundamental driving force behind the development of Chinese hotel companies' international acquisitions. This study allows acquiring and acquired companies to understand the reasons, beliefs and actions for seeking cooperation opportunities. Chinese acquiring companies need the brands and capabilities brought by international acquisitions, and the acquired companies can enjoy the vast market and cost advantages in China. In the long run, Chinese hotel companies' participation in international acquisition is a win-win situation for the global hotel industry. The blend of hotel companies in DEs and EEs can contribute to a better hotel industry.

Seventh, Chinese hotel companies' international acquisitions are still in their infancy. Many aspects of the acquisitions must be improved to achieve better performance. This study provides governments, especially those of EEs, with insights into the administrative benefits and constraints. Target companies are unwilling to cooperate with Chinese hotel companies because the Chinese government is likely to intervene in the acquisition, increasing the uncertainty and risk of the transaction. The governments of EEs should reduce administrative intervention, build good international home country reputations and thus attract international cooperation.

6.4 Limitations and Recommendations for Future Research

As a pioneering study, seven limitations are associated with this study. **First**, the acquisition process can be divided into four phases: initial planning, investigation, negotiation and integration. Due to limitations in data and time, the middle phases were ignored, which might result in bias or an incomprehensive understanding of the complete process. Future research should conduct a case study on the middle phase and expand the understanding of these topics in this regard.

Second, this study adopts a qualitative research approach, which is subjective. Specifically, the acquisition performances of the studied Chinese hotel companies were mainly assessed by subjective perspectives due to the difficulties and issues associated with objective measures. Most Chinese hotel companies in this study are unlisted companies, and it is nearly impossible to measure their equity value and financial performance. Therefore, this study used perceptual measures by asking the decision makers to assess the extent to which the acquisition achieved the objectives. However, the interviewees' partiality might lead to biased results. Future studies should adopt quantitative research methods to overcome this bias and provide a more comprehensive assessment of performance.

Third, this study merely examined corporate-level executives' opinions because such executives are typically deeply involved in the acquisition process and can reveal how acquisition strategies are formulated and implemented. However, acquisition is a complicated strategic action that involves multiple levels of employees. Frontline employees and general managers might have different opinions. Future research should recruit different levels of employees for interviews.

Fourth, this study only investigated the acquiring companies' perspectives due to time and data limitations. This limitation might result in a biased understanding of international acquisition. Acquiring and acquired companies might have different target selection criteria and performance assessment strategies. To complement this study, future research should examine the acquired companies' perspectives.

Fifth, most Chinese hotel companies' international acquisitions were launched and completed in dynamic time and environments. Some were still undergoing integration. Because the conclusions of this study are based on the current period, the findings might change as time passes. Future studies should consider a long-term design.

Sixth, this study only examined Chinese hotel companies' international acquisitions. Research might yield different findings in other EE contexts due to country-specific features. Future research should explore international acquisitions in other EEs.

Lastly, the high-profile hotel acquisitions – such as Jin Jiang's acquisition of Louvre Hotels and Marriott's acquisition of Starwood – took place between DE-based companies and Chinese companies. The similarities and differences between DE–EE acquisitions versus EE–EE acquisitions are unexplored. Future studies should compare these two types of hotel acquisitions.

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APPENDICES

Appendix I Interview outline

Interviewer: ZHANG Fan (Ph.D. Candidate, The Hong Kong Polytechnic University, School of Hotel and Tourism Management)

Research topic: Chinese hotel companies' international acquisition strategy

Research objectives:

1. to investigate the driving forces and objectives of Chinese hotel companies' international acquisitions
2. to examine the target selection criteria and process of Chinese hotel companies' international acquisitions
3. to investigate the integration strategies and process of Chinese hotel companies' international acquisitions
4. to explore the performance of Chinese hotel companies' international acquisitions and influential factors

Research questions:

1. **Why** do Chinese hotel companies conduct international acquisitions?
2. **What** are the criteria and **how** do Chinese hotel companies select the target company for international acquisition?
3. **What** aspects are considered and **how** do these aspects work in Chinese hotel companies' post-acquisition integration?
4. **How** is acquisition performance of Chinese hotel companies assessed and **what** are the influential factors?

Interview questions:

1. Would you like to share any involvement with Chinese hospitality companies' international acquisitions?
2. Chinese hospitality companies are recognized to launch many international acquisitions. Would you like to share more about your experience regarding their motives?
3. Concerning target company selection, how did you choose the target company? Did you consider any specific criteria? If yes, then what were they?
4. What is the status of the integration? Have you encountered any issues? Can you divulge about the integration process in detail?
5. How do you feel about the performance of these acquisitions? Are they a success or failure? Why?
6. Would you like to share anything about the Chinese hospitality companies' international acquisition?

Appendix II Pilot Test Version of the Interview Questions

<u>*Research Question 1*</u>

1. I know you have launched one (several) international acquisition(s). Why did you carry out the international acquisition?

   Probe: economies of scales, efficiency, cost, brand, market share, technology

<u>*Research Question 2*</u>

2. Would you like to talk about the target company selection process? For example, how did you get the potential list?

   Probe: third-party; target company; the company itself
3. How did you confirm the target company? Did you consider any specific criteria?

   Probe: location; brand; talent pool; value; legal environment; political stability

<u>*Research Question 3*</u>

4. What is the status of the integration? Have you encountered any challenges? Would you like to talk about the integration process in detail?

   Probe: integration level; cultural; customers; employee

<u>*Research Question 4*</u>

5. To what extent do you think that your company's acquisition performance has achieved the expected goal? Why?

   Probe: ROI; ROE; market share; stock price
6. What do you think has contributed to the performance? Please share a few examples.

   Probe: influencing factors; strategic fit; organization fit; integration process

Thank you for your kind participation！

测试版访谈问题

针对研究问题1

1. 我知道您主持过一次/多次海外收购，为什么做海外收购呢？

   提示语：规模经济；效率；成本；品牌；市长占有率；科技

针对研究问题2

2. 关于收购对象选择的过程，您可以多谈一点您的经验吗，比如您是如何拟订潜在收购对象清单的？

   提示语：第三方提供；被收购对象主要联系；贵公司自己决定

3. 您是如何最后确定收购对象的，是否有具体的选择标准？

   提示语：地点；品牌；人才库；市值；法律环境；政治稳定性

针对研究问题3

4. 整合过程进展顺利吗， 有遇到什么挑战吗，您可否详述整合的过程？

   提示语：整合程度；文化；顾客；员工

针对研究问4

5. 您认为收购的表现实现预期目标了吗，为什么？

   提示语：投资回报率；资产回报率；市场份额；股价

6. 您认为是什么原因导致了这个结果，请结合具体例子详细说明。

   提示语：影响因素；战略契合；组织契合；整合过程

非常感谢您的参与！

Appendix III Decision Maker Version of the Interview Questions

Research Question 1

1. I know you have launched one (several) international acquisition(s). Why did you carry out the international acquisition?

   Probe: economies of scales, efficiency, cost, brand, market share, technology

Research Question 2

2. Would you like to talk about the target company selection process? For example, how did you get the potential list?

   Probe: third-party; target company; the company itself
3. How did you confirm the target company? Did you consider any specific criteria?

   Probe: location; brand; talent pool; value; legal environment; political stability

Research Question 3

4. What is the status of the integration? Have you encountered any challenges? Would you like to talk about the integration process in detail?

   Probe: integration level; cultural; customers; employee

Research Question 4

5. To what extent do you think that your company's acquisition performance has achieved the expected goal? Why?

   Probe: ROI; ROE; market share; stock price
6. What do you think has contributed to the performance? Please share a few examples.

   Probe: influencing factors; strategic fit; organization fit; integration process

Thank you for your kind participation！

决策者版本访谈问题

针对研究问题 1

1. 我知道您主持过一次/多次海外收购，为什么做海外收购呢？

   提示语：规模经济；效率；成本；品牌；市长占有率；科技

针对研究问题 2

2. 关于收购对象选择的过程，您可以多谈一点您的经验吗，比如您是如何拟订潜在收购对象清单的？

   提示语：第三方提供；被收购对象主要联系；贵公司自己决定

3. 您是如何最后确定收购对象的，是否有具体的选择标准？

   提示语：地点；品牌；人才库；市值；法律环境；政治稳定性

针对研究问题 3

4. 整合过程进展顺利吗， 有遇到什么挑战吗，您可否详述整合的过程？

   提示语：整合程度；文化；顾客；员工

针对研究问 4

5. 您认为收购的表现实现预期目标了吗，为什么？

   提示语：投资回报率；资产回报率；市场份额；股价

6. 您认为是什么原因导致了这个结果，请结合具体例子详细说明。

   提示语：影响因素；战略契合；组织契合；整合过程

非常感谢您的参与！

Appendix IV Consultant Version of the Interview Questions

Research Question 1

1. I know you have participated in one (several) international acquisition(s). Why did the company you served conduct an international acquisition?

   Probe: economies of scales, efficiency, cost, brand, market share, technology

Research Question 2

2. Would you like to discuss the target selection process? For example, how to prepare the target list?

   Probe: location; value; cost; economic, political environment
3. How did the decision maker confirm the acquisition target? Were any specific criteria considered?

   Probe: location; brand; talent pool; value; legal environment; political stability

Research Question 3

4. Would you like to discuss a few of the challenges that you encountered in the integration process? How did you deal with these issues?

   Probe: financial; legal; accounting

Research Question 4

5. How do you feel about the performance of the international acquisition? Is it a success or not? Why?

   Probe: objectives; profitability; market share; satisfaction; growth rate; reputation
6. What do you think has contributed to the performance of this acquisition? Please share a few details.

   Probe: choice perspective; process perspective; integration; motives; objectives

Thank you for your kind participation！

顾问版本访谈问题

针对研究问题1

1. 我知道您参与过一次/多次海外收购，为什么您服务的那家公司开展海外收购？

   提示语：规模经济；效率；成本；品牌；市场占有率；科技

针对研究问题2

2. 您愿意详细谈谈收购目标选择的过程吗，比如如何准备被收购目标候选清单？

   提示语：地点；市值；成本；经济环境；政治环境

3. 决策者是如何选择最终收购对象的，有具体的删选标准吗？

   提示语：地点；品牌；人才库；市值；法律环境；政治稳定性

针对研究问题3

4. 您愿意详细介绍整合过程你遇到的问题吗， 您如何解决这些问题？

   提示语：财务；法律；会计

针对研究问题4

5. 您认为此次海外收购的结果如何，成功还是失败？为什么？

   提示语：目标；盈利性；市场份额；满意度；增长率；口碑

6. 您认为是什么导致了这个结果，请举例详细说明。

   提示语：选择观点；过程观点；整合；动机；目标

非常感谢您的参与！