Bringing state agents, government officials, to the forefront of institutions, we investigate whether and how political turnover affects the cross-border acquisitions of Chinese firms. We find that in the one year period leading to turnover event, there is a reduction in the overall number of cross-border acquisitions. More importantly, the cross-border acquisitions by Chinese firms in the political turnover period are characterized by lower levels of risk, as manifested in lower stake sought in targets, smaller institutional distance and more industry relatedness to targets. Additional analyses suggest that the reduction in the risk level of cross-border acquisitions in this period varies by politicians’ incentives and their influences on firms in their jurisdiction.
Prof. Jane Lu is Parkland Chair Professor of Strategy at China Europe International Business School, while on leave from her role as James Riady Chair in Asian Business and Economics in the Department of Management and Marketing, the University of Melbourne. She is currently the Editor-in-Chief of Asia Pacific Journal of Management. Jane’s research centers on international strategy such as internationalization, entry mode choice and alliance partner selection. Her recent research continues this line of research but with a focus on emerging market firms and their internationalization. Jane Lu has published in leading academic journals such as Administrative Science Quarterly, Academy of Management Journal, Strategic Management Journal, Journal of International Business Studies, Journal of Management and Journal of Business Venturing, among other journals.