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## RESEARCH ARTICLE

# Chinese cross-border mergers and acquisitions: How communication practices impact integration outcomes

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**Abstract**

This study provides an empirical investigation on how communication practices impact the post-acquisition integration outcomes, in the context of Chinese cross-border mergers and acquisitions (CBMAs). We tailored our assessment to reflect communication practices during Chinese CBMA integration. The integration outcomes are measured by organizational commitment and strategic performance improvement. Using a data collected via survey from global executives and middle managers, we find that communication accuracy, channel efficiency, and overseas business management department positively impact organizational commitment. Moreover, inter-organizational trust mediates the effect of communication accuracy on organizational commitment, and communication officer on organizational commitment. In addition, we find that the language barrier of the Chairman negatively impacts strategic performance improvement. Moreover, acquisition experience, business relatedness, industrial investors, private-owned investors, and management consultant all positively affect strategic performance improvement. However, middle managers negatively impact the integration outcomes.

**KEYWORDS**

Chinese CBMA integration outcomes, communication, communication expeditors, inter-organizational trust, language barrier, PLS-SEM

## 1 | INTRODUCTION

A surge wave of Chinese cross-border mergers and acquisitions (CBMAs) at a compound average growth rate of 16.28% has been documented in the past 20 years according to Ministry of Commerce of the People's Republic of China, promoted by "Go Out" policy. In 2020, China leaped to become the world largest investor in terms of outward Foreign Direct Investment (UNCTAD, 2021). Chinese CBMAs are regarded as "Reverse M&As", which refer to CBMAs initiated by emerging multinational enterprises to acquire knowledge intensive resources and capabilities in developed economies (Ai & Han, 2020; Madhok & Keyhani, 2012; Sun, 2018). Moreover, Chinese

strategic investors generally acquire overseas targets of lower profitability and more technology advances in mature markets, as catch-up latecomers (Fuest et al., 2019). Thus, the increasing number of Chinese CBMAs activities is one reason that motivates us to analyze this topic in more detail. In addition, there is still a lot of fragmentation in M&A research (Larsson & Finkelstein, 1999) and this paper is built on the assumption that M&As are multidimensional and multifaceted phenomena (Javidan et al., 2004) driven by different motives (Bower, 2001; Steiner, 1975).

Moreover, it appears that the chance of success for Chinese CBMAs is significantly lower than that for worldwide (Dong et al., 2019). A study revealed that only 13% of Chinese overseas

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companies made profits, while 24% experienced loss (UNDPC, 2015). Ding et al. (2021) found that Chinese companies enjoyed positive and remarkable short-term returns in terms of cumulative abnormal returns (CARs) yet failed to improve return on assets (ROAs) after CBMAs in the long run. Chinese CBMAs generally did not improve the firms' financial performance such as return on assets (ROAs), return on equity (ROE), asset turnover, leverage ratio or earning per share (EPS) (Liu et al., 2021). Hence, the increasing number of Chinese CBMAs in combination with a significant poorer performance than worldwide are another motivator for our study following the call for empirical research on Chinese outward M&A activities in developed economies (Birkinshaw et al., 2010; Rui et al., 2016).

Value creation in M&A usually takes place during the post-acquisition integration phase in which synergies are to be created (Sirower, 1997). Given the short period of Chinese CBMAs, our current understanding of Chinese CBMAs for integration and its success is still fragmented (Buckley et al., 2018; Haasis & Liefner, 2019), calling for a deeper understanding for scholars and practitioners alike (Buckley et al., 2018; Haasis & Liefner, 2019). By that, the study at hand addresses the general call for a more detailed and differentiated analysis of the complex variability found in CBMAs (Pablo & Javidan, 2004) as all M&As are not alike (Bower, 2001).

In order for synergies to be realized the two organizations and its employees need to interact and collaborate after the deal has been closed, so that communication plays a crucial role for synergy realization in the post-acquisition integration phase (Schweiger & Denisi, 1991). Research has found that communication can essentially improve central human problems of post-acquisition integration and, by that, critically impact CBMA success (e.g., Al Hosani et al., 2020; Angwin et al., 2016; De Leon, 2021; Goecke et al., 2018; Gomes et al., 2012; Larsson & Finkelstein, 1999; Napier et al., 1992; Schweiger & Denisi, 1991; Sukoco et al., 2022; Teerikangas & Thanos, 2018). Studies on human factors of CBMAs complement the explanations of post-acquisition integration outcomes and acquisition performance from traditional strategic and financial perspectives (Chang-Howe, 2019; Sarala et al., 2019; Steigenberger, 2017).

An increase in communication positively improves M&A performance, with such an effect varying in different countries (Weber & Tarba, 2010). Good communication enhances the commitment of employees, boosts employee engagement, and improves job performance (Pincus, 1986; Walden et al., 2017). Echoing the importance of communication practices, business consultants have stressed that effective communication financially enhances the chance of integration success. For example, a survey on global executives from PricewaterhouseCoopers LLC (PwC) revealed that effective communications are associated with a 17% increase in achieving goals within budget (Project Management Institute, 2013). Similarly, the Towers Watson 2011–2012 study showed that firms with highly effective communication practices are 1.7 times more likely to financially outperform their competitors (Project Management Institute, 2013). So far, however, research on communication in acquisitions is predominantly conducted in the context of developed markets (Sarala et al., 2019). Moreover, communication

impacts differently CBMAs for its integration outcomes and success in different countries (Angwin et al., 2016; Weber & Tarba, 2010).

Recent studies have attempted to elucidate the relationship between human factors and critical issues during Chinese CBMA integration process, such as collaborative human practices on knowledge transfer (Liu & Meyer, 2020), leadership style on talent retention (Zhang et al., 2015), employee adaption on organizational change (Chung et al., 2014). However, scant study has revealed the interplay between communication practices and results of Chinese CBMA integration. Chinese CBMA integration is a knowledge-based process, which acquirers during such an integration process emphasize to learn, exchange or transfer and integrate knowledge-based resources and capabilities (Weber & Tarba, 2010) and, thus, synergy and value realization. Intensive and accurate communication are vital and essential for knowledge transfer process (Szulanski, 1996). Still, the existing language barrier as well as the distance might be a problem for a successful post-acquisition integration, and thus worth investigating. Consequently, we are motivated to investigate such a relationship in the specific Chinese context, given different effects in different countries (Weber & Tarba, 2010). Accordingly, our overall research question is:

RQ: How do communication practices impact the outcomes of Chinese CBMA integration?

We have customized our examination to catch some key characteristics of communication practices during Chinese CBMA integration (like, e.g., communication accuracy, communication channel efficiency, functional change, steering committee, and language barrier of decision-makers). Furthermore, we have investigated the mediating effect of inter-organizational trust between communication practices and the integration outcomes of Chinese CBMAs. We have measured the integration outcomes by organizational commitment and strategic performance improvement. Analyzing communication in the context of CBMAs follows the call for a more detailed and differentiated analysis of M&A activities (Pablo & Javidan, 2004).

This study contributes to the impact of communication on post-acquisition integration outcome in the context of CBMAs in several ways. First, our study answers, on a more general level, the call to deepen our understanding of the complex variability in M&A with regard to Chinese CBMA integration and the impact of communication on integration success (Buckley et al., 2018). Our study extends earlier research on the importance of communication practices during the post-acquisition integration from developed economies and Africa to China, echoing different country effect (Weber & Tarba, 2010). Second, and on a more specific level, we find that communication accuracy, channel efficiency, and overseas business management department positively impact organizational commitment. Furthermore, inter-organizational trust mediates the effect of communication accuracy on organizational commitment, and communication officer on organizational commitment. However, the language barrier of Chairman has a negative effect on strategic performance improvement. Third, our study provides some managerial implications like to

amplify communication accuracy and channel efficiency. In addition, we find that middle managers negatively impact organizational commitment and strategic performance improvement, while management consultants positively impact strategic performance improvement.

## 2 | LITERATURE REVIEW AND RESEARCH FRAMEWORK

### 2.1 | Communication and integration outcomes

Chinese acquirers face more challenges than acquirers from developed economies during post-acquisition integration with regard to communication issues, such as language barrier, institutional difference, country and organizational cultural difference, liability of foreignness, and liability of emergingness in search of strategic assets (Du & Boateng, 2015; Lian et al., 2021; Shi et al., 2017; Zhang, 2022; Zhou, 2018). However, research on communication in acquisitions is predominantly conducted in the context of developed markets (Sarala et al., 2019). Moreover, communication impacts differently CBMAs for its integration outcomes and success in different countries (Angwin et al., 2016; Weber & Tarba, 2010).

Accurate and sufficient communication with strategic intent and goals of M&As improves organizational commitment of employees (Roundy, 2010). Intensive communication promotes the willingness to stay and share knowledge during post-acquisition integration (Castro & Neira, 2005), which leads to high organizational commitment (Kyei-Poku & Miller, 2013; Marques et al., 2019). Such willingness to share knowledge facilitates to develop knowledge integration capabilities, which boost synergy realization as a major part of acquisition outcomes (Larsson & Finkelstein, 1999; Weber & Tarba, 2010). Moreover, effective communication financially improves the firm performance of the acquirers (Project Management Institute, 2013). Communication messages during cross-language CMBA integration process often got lost in translation and resulted in distorted messages (Chidlow et al., 2014; Vaara et al., 2005). In Chinese CBMA integration situation especially with outstanding language barrier, we examined those two significant facets of effective communication in terms of communication accuracy and communication channel efficiency on its integration outcomes.

Downs and Hazen (1977) claimed that communication accuracy has been a key facet of effective communication. Roberts and O'Reilly (1974) stated that communication messages accuracy, in terms of clarity and reliability, has been essential for communication practices. Especially when the primary objective of an acquisition is to attain valuable knowledge, intensive communication are imperative to facilitate knowledge exchange (Ranft & Lord, 2000; Szulanski, 1996; Weber & Tarba, 2010). Serving as an achieved agreement among communicators, accurate communication particularly boosts trust in managers, promotes procedural fairness and organizational commitment during post-acquisition integration (Akiate, 2018). Clear and intensive communication of strategic intent during post-acquisition integration strengthens employee identification and promotes organizational

commitment (Angwin et al., 2016). Accurate and intensive communication is essential to learn, coordinate, transfer and adapt knowledge for Chinese strategic investors to realize synergies as great components of strategic performance (Deng, 2010; Weber & Tarba, 2010).

Meanwhile, impeded communication flow seems inevitable during Chinese CMBA integration process (Deng et al., 2017). Roberts and O'Reilly (1974) exemplified that communication barriers include information gatekeepers, information hoaxer, grapevine, selective perception, overloaded or underloaded information, and emotional disconnects to block or slow down information flow. Constrained communication impedes the understanding of knowledge and blocks the transfer of key M&A capabilities, which in turn negatively impacts the integration outcomes of CBMAs (Ahammad et al., 2016). Furthermore, impeded communication flow worsens the reaction of employees to organizational change driven by acquisitions, such as reluctance to stay or share knowledge, which reduces organizational commitment (Marques et al., 2019). Lack of smooth communication flow also leads to deficit management and dysfunctional decision-making process with asymmetric information between two merged companies (Appelbaum et al., 2017). Impeded communication flow has negative effects on job performance and organizational attitudes, which largely impairs the integration outcomes (Madera et al., 2013).

The integration outcomes reflect the degree of how two organizations have been combined in terms of employee resistance to change, organization integration and synergy realization (Larsson & Finkelstein, 1999). Zollo and Meier (2008) distinguished that the integration outcomes are task-level and short-term dimension of M&A performance. M&A performance, as "the difference between pre-merger and post-merger performance" (Berriategortua et al., 2018, p. 42), can be assessed in subjective or objective terms (Thanos & Papadakis, 2012; Zollo & Meier, 2008). Studies have long demonstrated that using only accounting criteria to evaluate firm performance was inadequate (Haleblian et al., 2009; Striteska, 2012). The use of subjective performance measures has been prevailing to assess M&A performance, such as employee turnover, project survival, innovation outcome, and other strategic objectives (Das & Kapil, 2012; Zollo & Meier, 2008). Correspondingly, we have adopted two constructs to measure the integration outcomes from prior studies, that is, organizational commitment and strategic performance improvement.

Organizational commitment is defined as the combined desire of employees to strongly believe and accept goals of the organization, proactively put efforts to achieve goals, and to willingly stay with organization (Porter et al., 1974). Organizational commitment together with job satisfaction, organizational citizenship behavior, employee withdrawal and job performance are major and heterogeneous organizational outcomes (Colquitt et al., 2001; Thuy et al., 2020). Scholars have identified that organizational commitment serves as a vital indicator to determine the results of organizational integration (Roundy, 2010). Accurate and sufficient communication with narratives of organization change majorly caused by M&As would improve organizational commitment of employees (De Leon, 2021; Roundy, 2010). Meanwhile, the essential

objective of any M&A is “the generation of synergies that can, in turn, foster corporate growth, increase market power, boost profitability, and improve shareholders’ wealth” (Alexandridis et al., 2010, p. 1671). In terms of Chinese CBMA performance, achieving strategic goals is usually more important than short-term financial performance for Chinese strategic investors (Buckley et al., 2018; Deng, 2010). Haleblan et al. (2009) proposed to employ a wider range of acquisition performance measures since accounting-based measures cannot stand accurate assessment on the effect of a specific acquisition on firm performance. They insisted that precise measures of acquisition performance should be lined up with the subjects of analysis and questions of interest. Consequently, strategic performance improvement involving knowledge transfer has been adopted in this study. Strategic performance improvement includes enlarged product portfolio, improved sales services, improved business process, improved product quality, reduced lead time, and enhanced productivity (Gentile-Lüdecke & Giroud, 2012).

Therefore, we suggest:

**Hypothesis 1.** The more effective the communication is, the better the integration outcomes are.

## 2.2 | Communication expeditors and integration outcomes

Teerikangas and Thanos (2018) articulated that functional organization, including core functions and supporting functions, mediates the integration process and outcome. It has been common practices for Chinese strategic investors to reform organizational structures during integration process to promote integration outcomes. Several organizational functions have been witnessed during Chinese CBMA integration, including: (a) steering committee, (b) communication officer, (c) overseas business management department at the headquarter in China and (d) overseas holding company. We use the term communication expeditors to refer to such combination of organization functional change to facilitate communication practices during Chinese CBMA integration. Steering committee is usually composed of three to five senior executives of Chinese acquirers and overseas acquired companies. Such a committee is responsible for communicating directly, expediting decision-making for emergency, providing top-level support for change management, sticking to front-line integration situation. Communication officer is appointed or assigned at senior executive level to implement cross-border communication responsibilities. Overseas business management department coordinates daily communication and integration tasks between Chinese acquirers and overseas acquired firms. Overseas holding company, usually as special purpose vehicle (SPV), supervises the operation and management of overseas acquired firms with integration tasks. Different M&A functions bridge and promote M&A capabilities of the acquirers, which leads to improved integration outcome (Larsson & Finkelstein, 1999; Trichterborn et al., 2016). All such organization structural change can be regarded as communication

expeditors during Chinese CBMA integration process, providing more communication channel for sufficient communication. Thus, we propose:

**Hypothesis 2.** Adopting communication expeditors positively impacts integration outcomes.

## 2.3 | Language barrier of chairman and integration outcomes

As language is the basic tool to deliver the meaning of communication, language barrier can easily undermine core human problems during post-acquisition integration. Such human problems include communication quality, the reaction of employees, knowledge sharing, decision-making and change management, because messages can easily be misconstrued (Kroon et al., 2015). Impaired human problems during post-acquisition integration usually are associated with negative attitudes and behaviors such as reluctance to cooperate and poor job performance, which results in low organizational commitment and firm performance (Malik & Bebenroth, 2018; Tenzer et al., 2014; Vaara et al., 2005). Indeed, language barrier is one of the major transaction costs in trading and overseas investment (Lien & Oh, 2014). However, considerable top management of Chinese strategic investors are not able to speak fluently English. Communication and decision-making through interpreters in cross-language international business were often compromised, at the cost of message accuracy, response speed and task requirement (Usunier, 2011).

Leader communication fully mediates the relationship of leader-member exchange and employees’ attitude and behaviors during post-acquisition integration process (Bhal et al., 2009). The attitudes and behaviors of employees determine a chain reaction to retention, knowledge sharing, and job performance, which largely affects organizational commitment and firm performance (Ahmmed et al., 2016; Bhaskar et al., 2012). Hurmerinta et al. (2015) indicated that language skills of decision-makers navigate how s/he recognizes and utilizes international opportunities for knowledge accumulation and development. Moreover, language skills reflect professional competence and promote or discourage organizational resources in everyday communication during integration (Vaara et al., 2005). Thus, a close examination of language competence of decision-makers is important. Chairman or CEO of Chinese strategic investors usually takes proactive role during Chinese CBMAs and its integration process, due to the significance of investment decision and limited CBMA experience. Hence, our level of analysis is language barrier of Chairman at the headquarter in China. Such a chairman is the ultimate representative of leadership. S/he holds the highest position as Chairman ultimately controlling the entire group and its subsidiaries at home and overseas. Hence, we suggest:

**Hypothesis 3.** The higher the language barrier of the Chairman is, the less integration outcomes are.

## 2.4 | Mediating effect of inter-organizational trust

On the one hand, Zaheer et al. (1998) revealed that inter-organizational trust has been directly linked with firm performance, which inter-organizational trust refers to the dependency and reliance between organizations. Rothenberger and Schmid (2007) further exhibited that inter-organizational trust strongly impacts information-sharing and financial performance in terms of return on assets (ROA). Brandl (2021) explicitly specified that mutual trust positively and consistently increases firm profitability. In general, trust has been identified to decrease transaction costs such as governance cost, motivation cost and coordination cost during the process of internationalization (Buckley & Strange, 2011). Companies will improve performance and enhance knowledge sharing when trustworthiness lowers the transaction costs (Dyer & Chu, 2003). Strong level of organizational trust can have a solid organizational commitment and a solid working attitude (Marques et al., 2019). Tian et al. (2021) presented that trust between Chinese investors and their overseas acquired firms significantly decreases overseas employee withdrawal behaviors. Such withdrawal behaviors negatively impact the willingness of overseas employees to share tacit knowledge and undermine knowledge transfer. Akiate (2018) claimed that trust in managers significantly impacts organizational commitment, since trust directs managers to optimize emotional interchange at each other during post-acquisition integration.

On the other hand, communication strengthens the trust and social ties between international acquisition partners, which facilitates knowledge transfer (Bresman et al., 1999). Chidlow et al. (2014) stated that effective communication plays a vital role for cultural exchange and shared values formation. Jiang et al. (2011) found that Chinese investors have developed higher level of affective trust in overseas partners with shared value and shared cultural similarity. Successful communication is essential to foster trust among employees and to achieve envisioned gains during acquisitions (Vosse & Aliyu, 2018). Inter-organizational trust determines behaviors of Chinese investors during the integration process, such as transparency in communication, decision-making process, integration tasks with overseas acquired firms as well as integration approach (Sachsenmaier & Guo, 2019). Moreover, trust formation is affected by cognitive and emotional reaction of senior managers and team leaders to language barrier at multi-national organizations, including their desire to trust and perceived trustworthiness (Tenzer et al., 2014).

Consequently, the relationship among communication practices, inter-organizational trust, and integration outcome provides a perceptive ground to posit that inter-organizational trust acts as a mediator. Thus, we hypothesize:

**Hypothesis 4a.** Inter-organizational trust positively mediates the relationship between communication and integration outcomes.

**Hypothesis 4b.** Inter-organizational trust positively mediates the relationship between communication expedients and integration outcomes.

To sum up, our research model is presented in Figure 1.

## 3 | EMPIRICAL DESIGN AND METHODOLOGY

### 3.1 | Sample and data collection

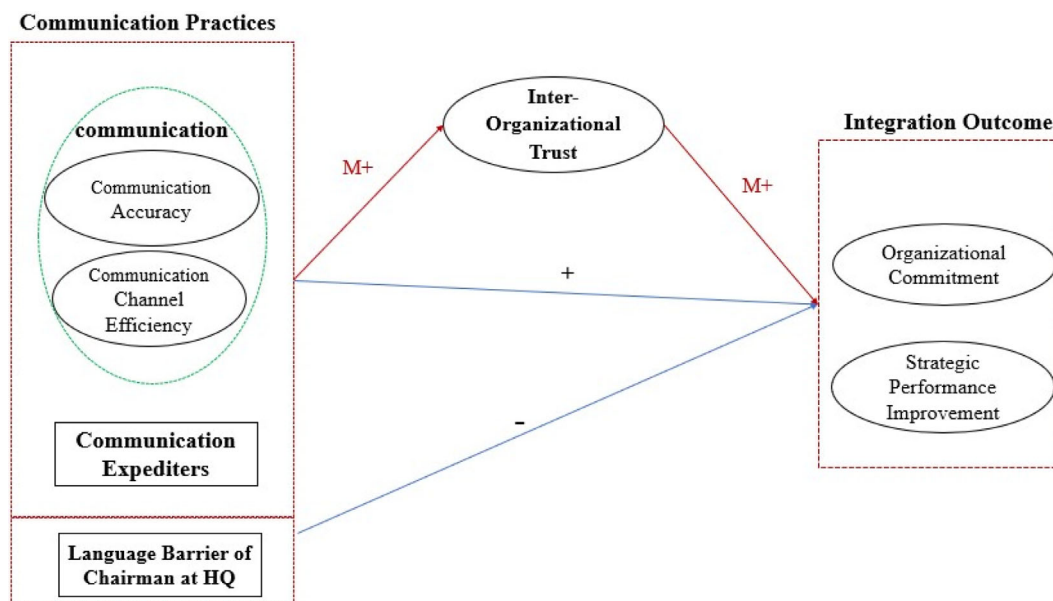
Online survey was conducted between July 2020 and February 2021 to collect first-hand data randomly from top management and middle managers in China and overseas, who engage in CBMA integration and/or related activities. In this study, we investigated strategic investors from mainland and Hong Kong China during 2007–2017 with multiple CBMA experience worldwide for controlling equity stake.

First, we gathered completed CBMA transactions from Bloomberg Database, according to the above filter criteria. Second, we distilled the transaction list based on further detailed website search, eliminating (1) inaccurate documented transactions; (2) investors as government agencies; (3) special business including baby centres, football clubs, lottery centres, call centres, exploration bureau, and load lending firms; (4) investors being acquired or bankruptcy or suffering huge losses; and (5) asset management or fund firms, due to regulatory difference cross countries on post-merger performance (Toyne & Tripp, 1998). Third, we obtained a sampling frame of 426 eligible Chinese strategic investors with multiple acquisition experience. Randomly two executives and two middle managers at each firm were chosen for online survey. As a result, our preliminary pool was composed of 1704 managers, responsible for Chinese CBMA integration or related activities.

Four hundred twenty-six Chinese firms as strategic investors were contacted for executives and middle managers in China and overseas with experience of CBMA integration. However, 102 firms have been contacted only through its sales/info webmail, which have been treated as invalid samples in this study. Consequently, we gathered a final sample of 1296 managers, including executives and middle managers. Ultimately, we received 164 completed questionnaires out of 187 responses with 12.65% response rate. Twenty-three incomplete responses were rejected from our study. Such a response rate is acceptable, given the nature of international business survey especially involving top management (Agustini, 2018; Harzing et al., 2013). The response rate of this study benefited from networking leverage contact strategy (Harzing et al., 2013). Indirect contact was mainly made with their shareholders, such as State-owned Assets Supervision and Administration Commission (SASAC) at central or local government level.

In this study, we applied both procedural and statistical strategies to control for common method bias (Jordan & Troth, 2020). Procedural strategies before data collection included that (1) balanced construct measures and mixed attitude/frequency scale were designed; (2) research purpose at the first page and scale item were improved for clarity with the help of academic experts. Anonymity of all respondents and companies was guaranteed with survey question design. Follow-up with survey summary as required promoted honesty to answer the online survey. Statistically, we checked for common method bias with two approaches, that is, a full collinearity test in PLS-SEM (Kock, 2015) and Harman's single-factor test





**FIGURE 1** Research model. [Color figure can be viewed at [wileyonlinelibrary.com](http://wileyonlinelibrary.com)]

**TABLE 1** Factor-level VIFs.

N = 164		1	2	3	4	5	6	7	8
Communication accuracy	1		1.953	1.988	1.938	1.836	1.932	1.937	1.967
Communication channel efficiency	2	1.885		1.939	1.914	1.924	1.736	2.098	1.926
CE: communication officer	3	1.501	1.461		1.518	1.421	1.455	1.607	1.361
CE: Ovsdept at HQ	4	1.787	1.831	1.703		1.736	1.657	1.752	1.671
Inter-org trust	5	1.482	1.588	1.510	1.560		1.570	1.606	1.594
Organizational commitment	6	2.595	2.507	2.205	2.062	2.558		2.664	2.665
Strategic performance improvement	7	1.372	1.569	1.522	1.565	1.413	1.377		1.545
Language barrier of chairman at HQ	8	1.887	1.835	1.729	1.800	1.871	1.846	1.959	

(Podsakoff et al., 2003). Kock (2015, p. 7) proposed that “the occurrence of a VIF greater than 3.3 is proposed as an indication of pathological collinearity, and that a model may be contaminated by common method bias”. Table 1 illustrates that factor-level variance inflation factors (VIFs) values in this study are all below 3.3. With Harman's single-factor test, the largest factor explained 33.83% of the total variance with unrotated factor analysis of five latent variables. Thus, common method bias is not problematic in our study.

All respondents have been directly engaged in Chinese CBMA integration activities, including 41.46% top management and 58.54% middle managers. Table 2 summarizes the detailed results of the demographic characteristic of respondents. Regarding to language skills of respondents, 3.66% managers speak three languages, and 38.41% managers speak English. The average work duration with current firm of respondents is 10.60 years; and the average work experience is 20.81 years. In addition, average period of overseas educational background is 4.55 years; average period of overseas working experience is 8.44 years; and average period of working experience at foreign firms or JVs is 8.38 years.

## 3.2 | Method of analysis, construct measures and composite measures

### 3.2.1 | Method of analysis

Sarstedt et al. (2017) point out that partial least square structural equation modeling (PLS-SEM) approach deals with multivariate method to provide causal explanation, without imposing distributional assumptions on the data. PLS-SEM method explores elaborate path relationship between observed and latent variables with more than six indicators (Hair et al., 2019; Sarstedt et al., 2020). The PLS algorithm is originated with “a sequence of regression in terms of weight vectors” (Henseler et al., 2009, p. 287) to compute measurement and structural model relationship separately, when models comprise multiple latent variables and a large number of observable items (Hair et al., 2017). Moreover, given our relatively limited sample size, PLS-SEM approach provides a solution in business-to-business research (Hair et al., 2019). In this study, we adopted SmartPLS3.2 software (Sarstedt & Cheah, 2019). Furthermore, Hair et al. (2019, p. 3) stated

that such “technique overcomes the apparent dichotomy between explanation and prediction, where is the basis for developing managerial implication”.

### 3.2.2 | Construct measures

Construct measures in this study are summarized in Table 3.

### 3.2.3 | Composite measures

In this study, we adopted composite measures for latent variables (Bagozzi & Edwards, 1998). Composite measures have been general techniques while working with structural equation model

(Landis et al., 2000), especially in organizational research (Bagozzi & Edwards, 1998). Composite measures present “efficient, reliable and valid indicators of latent constructs” with sufficient evidence (Little et al., 2013, p. 285). The purpose of composite measure is to refine bulky observable items into reduced number of indicators (Matsunaga, 2008). Studies in organizational, international business and psychologic field usually generate large number of observable items to measure latent variables while sample cases restrained (Landis et al., 2000). Composite measures enable researchers with flexibility of modeling data and concentration on applying theories for empirical findings, rather than rigid “one size fits all” methodologies (Little et al., 2013). We employed SFA method, “one of the most frequently reported” (Landis et al., 2000, p. 188), to form composite measures of all five latent variables with improved factoring commonality of indicators (Matsunaga, 2008) and enhanced reliability of indicators (Coffman & MacCallum, 2005).

**TABLE 2** Demographic characteristics of respondents.

	Frequency	Percent%
1. Position		
Top management	68	41.46%
Middle manager	96	58.54%
2. Gender		
Female	25	15.24%
Male	139	84.76%
3. Language skills		
English	63	38.41%
Chinese	95	57.93%
The third language (German...)	6	3.66%
4. Age group		
31–40 years old	45	27.44%
41–50 years old	80	48.78%
51–60 years old	38	23.17%
Older than 60 years old	1	0.61%
5. Education level		
Below bachelor	1	0.61%
Bachelor degree	47	28.66%
Master degree (incl. MBA/EMBA)	104	63.41%
Doctor degree	12	7.32%
6. Overseas education background		
Yes	51	31.10%
No	113	68.90%
7. Overseas working experience		
Yes	36	21.95%
No	128	78.05%
8. Working experience with foreign firm or JV		
Yes	86	52.44%
No	78	47.56%
Total	164	100%

Note:  $N = 164$ .

## 4 | ANALYSIS AND RESULTS

SmartPLS3.3.2 was applied to analyze our data. No missing data of all 5 latent variables exists since mandatory answer function was set with online survey. Regarding Goodness-of-fit of PLS-SEM model, it is necessary to assess both measurement model and structural model before testing hypotheses (e.g., Hair et al., 2019; Sarstedt et al., 2020). Thus, we evaluated measurement model for reliability and validity. We assessed structural model with goodness-of-fit tests including collinearity, explanatory power, predictive relevance, and Standardized root mean square residual (SRMR). We finally employed the structural equation model to test our hypotheses.

### 4.1 | Measurement model

The reliability and validity of measurement model were assessed with satisfactory results, which the model carries 15 reflective composite measures of 5 latent variables. We examined the outer loadings and outer variance inflation factor (VIF) of composite indicators for item reliability, Jöreskog's composite reliability ( $\rho_c$ ) and Cronbach's alpha ( $\alpha$ ) for internal consistency reliability. Outer loadings of all indicators in this study, as displayed in Table 4, are all above the recommended threshold level of 0.707, as “the construct explains over 50% of the indicator's variance, and thus providing acceptable item reliability” (Hair et al., 2019, p. 8).

Outer VIF values of all composite indicators in this study are below 2.5, as illustrated in Table 4, which Benitez-Amado et al. (2017, p. 7) proposed that factor VIF values, “as unique evaluation on composite indicators of measurement properties”, “greater than 10 indicates multicollinearity can be serious concern in the data”. Values of  $\rho_c$  between 0.60 and 0.70 are considered acceptable, between 0.70 and 0.95 are “satisfactory to good”, above 0.95 are problematic; and threshold level of Cronbach's alpha is 0.70 (Hair et al., 2017). As Table 4 shows, all values of  $\rho_c$  for latent variables in this study are between 0.85 and 0.92 and those of  $\alpha$  are beyond 0.750.



**TABLE 3** A list of variables.

Variables	Description	Code	Measure
<b>Dependent variables</b>			
Organizational commitment	Measuring integration outcome; developed by Porter et al. (1974). Though over 20 forms of commitment have been identified, the organizational commitment questionnaire (OCQ) developed by Porter et al. (1974) is still the most popular measure of commitment (Cooper-Hakim & Viswesvaran, 2005).	OrgCmmt	15-item 5-point Likert scale (Cronbach's alpha = 0.858)
Strategic performance improvement	Measuring integration outcome, originally developed by Gentile-Lüdecke and Giroud (2012). Focusing on the effect of communication practices on strategic performance improvement, our measure in this study includes increased product portfolio, improved sales services, improved business process, improved product quality, reduced lead time, and enhanced productivity	PerfImpv	6-item 5-point Likert scale (Cronbach's alpha = 0.815)
<b>Independent variables</b>			
Communication accuracy	The first key facet of communication between Chinese strategic investors and their overseas acquired firms	CA	15-item 5-point Likert scale (Cronbach's alpha = 0.844)
Communication channel efficiency	The second key facets of communication between two sides	CCE	10-item 5-point Likert scale (Cronbach's alpha = 0.864)
Communication expeditors	Categorical variables: (a) steering committee; (b) communication officer; (c) overseas business management department at HQ in China; (d) overseas holding as special purpose vehicle (SPV)	CE: a/b/c	Dummy: 0/1
Language barrier of chairman at HQ in China	Dummy variable: '1' if s/he does not speak fluently English while '0' if s/he speaks fluently English	cn1lang	Dummy: 0/1
<b>Mediator</b>			
Inter-organizational trust	Developed by Zaheer et al. (1998)	IOT	5-item 5-point Likert scale (Cronbach's alpha = 0.751)
<b>Control variables</b>			
Ownership of Chinese strategic investors	Dummy variable: '1' if SoE, while '0' if PoE	PoE/SoE	
Firm size of Chinese strategic investors in terms of revenue in 2019	Categorical variables: coded as three dummies with ranges (a) RMB1-10bn; (b) RMB10-100bn; (c) RMB100mn-1bn and ≥RMB100bn. ≥RMB100bn is omitted due to multicollinearity	Three dummies: 0/1	Categorical variables were processed as several dummy variables by each category, due to the nature of SmartPLS (Hair et al., 2017).
Sector of Chinese strategic investors	Dummy variable: '1' if manufacturing industrials, including aerospace and defense, electrical equipment, machinery, manufactured goods, transportation equipment, engineering and constructing facilities, and waste and environment equipment; while '0' if other sectors by the Bloomberg Industry Classification Systems (BICS).	Dummy	0/1
CBMA experience	Dummy variable: '1' if three or over three times CBMAs, while '0' if two times CBMAs	Dummy	0/1
Manager type	Dummy variable: '1' if middle managers, while '0' if executives.	Dummy	0/1
Management consultant	Dummy variable: '1' if mandated, while '0' if not mandated.	Dummy	0/1

Concerning the validity, average variance extracted (AVE) is to evaluate convergent validity of constructs with threshold level of 0.50, which means that a latent construct explains at least 50% of the variance of its items (Hair et al., 2019). AVE of latent variables in this study are exceeding 0.665 as illustrated in Table 4. Discriminant validity is empirically tested by two metrics: Fornell–Larcker criterion and Heterotrait–Monotrait ratio (HTMT). Fornell and Larcker (1981) proposed that discriminant validity is provided if the diagonal values, representing square roots of AVE of corresponding variables, is greater than the correlation values other than the remaining variables. HTMT ratio of correlations is a stricter alternative with proposed threshold value of 0.85 or 0.90 (Henseler et al., 2016). All values of latent variables with Fornell–Larcker criterion are above 0.707 and HTMT of all latent variables are far below 0.90. Hence, discriminant validity of both approaches is fulfilled in this study.

## 4.2 | Structural model

This study used the VIF threshold of 3.3 (Kock, 2015) to evaluate collinearity issue of the structural model. The inner VIF values of 3 endogenous variables range from 1.032 to 1.845, which indicates that this study is free from collinearity issues. Subsequently, the coefficient of determinant ( $R^2$ ) measures of model's explanatory power (Shmueli & Koppius, 2011). “As a guideline,  $R^2$  values of 0.75, 0.50 and 0.25 can be considered substantial, moderate and weak.” (Hair et al., 2019, p. 11). In this study, the  $R^2$  values of 3 endogenous variables are respectively organizational commitment 0.602, strategic performance improvement 0.300, and inter-org trust 0.324. Additionally, explanatory effect powers were examined, using effect

size  $f^2$  which values of 0.02, 0.15 and 0.35 separately represent small, medium and large effects (Cohen, 2013). There is one exception in this study. The effect size  $f^2$  of communication officer as a communication expeditor on organizational commitment 0.017 is less than small effect 0.02, even though  $p$ -value of such a path is 0.094 at significant level 0.10. Such a direct path is not considered in this study. Thus, inter-org trust shows the full mediating effect of communication officer on organizational commitment. The rest of explanatory effect powers hold since no other effect size is  $f^2 < 0.02$ . Furthermore,  $Q^2$  value is based on blindfolding process to evaluate PLS path model's predictive accuracy with a cut-off value 0 (Hair et al., 2019). Geisser (1974) suggested  $Q^2$  values represent 0.02 small, 0.15 medium and 0.35 immense predictive relevance.  $Q^2$  values of 3 endogenous variables in this study are respectively organizational commitment 0.446 with immense predictive relevance, strategic performance improvement 0.185, and inter-org trust 0.204 with both medium predictive importance. Moreover, standardized root mean square residual (SRMR) is defined as “the square root of the sum of the squared differences between the model-implied and the empirical correlation matrix” (Henseler et al., 2016, p. 9). “Cut-off value of 0.08” of SRMR appears “to be more adequate for PLS path model” (Henseler et al., 2016, p. 9). Our model result presents a significant value of 0.057, which satisfies the goodness-of-fit test.

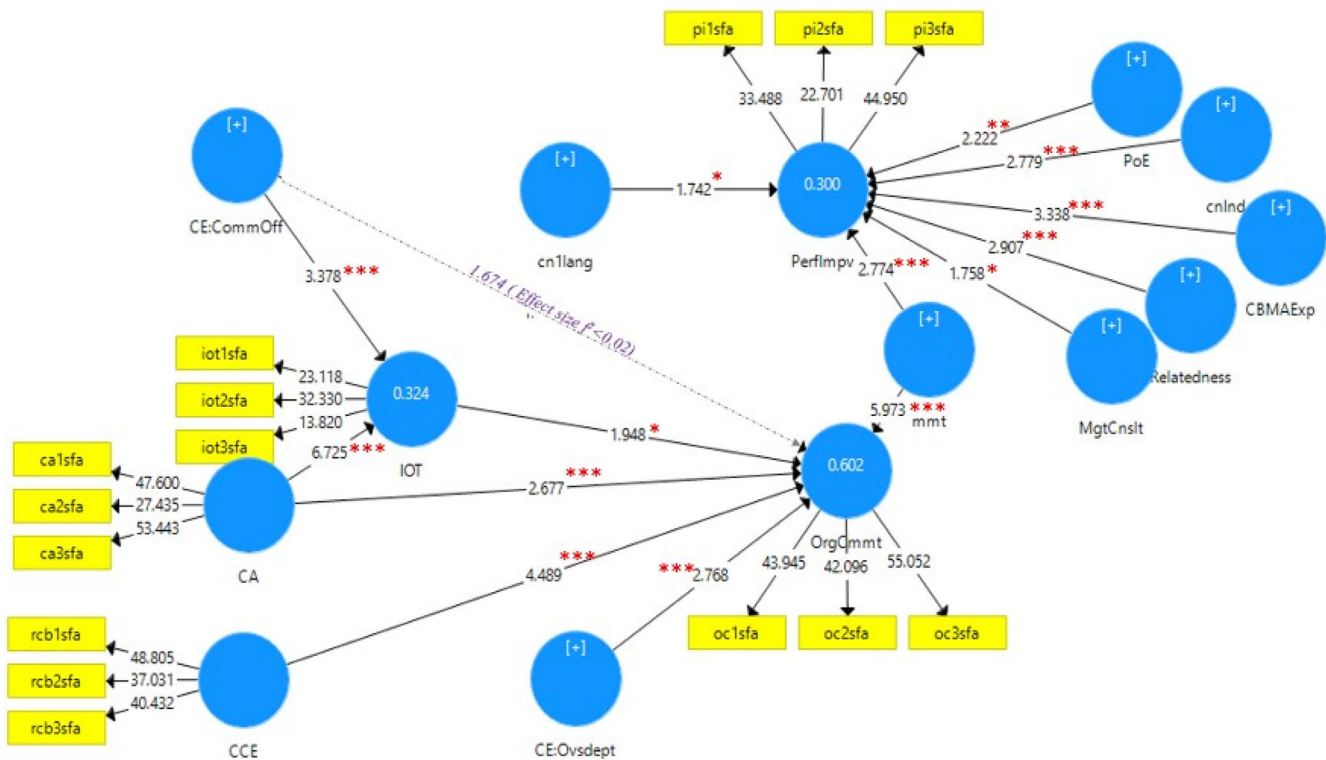
## 4.3 | Structural equation model

PLS-SEM was conducted to test our hypotheses, using SmartPLS3.3.2. Figure 2 exhibits tested path relationship with statistical significance.

**TABLE 4** Measurement model assessment: reliability and convergent validity.

Latent variables	Composite measures	Outer loadings	Collinearity Outer VIF	Construct reliability and validity			
				$\rho_c$	$\alpha$	$\rho_{ho\_A}$	AVE
Communication accuracy (CA)	ca1sfa	0.891	2.082	0.905	0.844	0.853	0.761
	ca2sfa	0.851	1.952				
	ca3sfa	0.875	2.018				
Communication channel efficiency (CCE)	rcb1sfa	0.901	2.470	0.917	0.864	0.865	0.787
	rcb2sfa	0.885	2.320				
	rcb3sfa	0.875	2.017				
Inter-org trust (IOT)	iot1sfa	0.854	1.823	0.858	0.751	0.765	0.669
	iot2sfa	0.860	1.723				
	iot3sfa	0.735	1.308				
Organizational commitment (OrgCmmt)	oc1sfa	0.867	2.042	0.914	0.858	0.860	0.779
	oc2sfa	0.884	2.152				
	oc3sfa	0.897	2.331				
Strategic performance improvement (PerfImpv)	pi1sfa	0.855	1.710	0.888	0.815	0.846	0.726
	pi2sfa	0.812	1.817				
	pi3sfa	0.887	1.896				

Note:  $\rho_c$ , composite reliability;  $\alpha$ , Cronbach's alpha; AVE, average variance extracted.



**FIGURE 2** Full model of PLS-SEM with significant effects.  $N = 164$ ;  $p$ -value for two-tail test: \*\*\* $p < 0.01$ ; \*\* $p < 0.05$ ; \* $p < 0.10$ . Source: Ringle et al. (2015). [Color figure can be viewed at [wileyonlinelibrary.com](http://wileyonlinelibrary.com)]

The bootstrapping analysis of 5000 subsamples captures two mediating effects. First, the effect of communication accuracy on organizational commitment is partially mediated by inter-org trust with total effects 0.281 ( $\beta = 0.223$ ,  $t$ -value = 2.677,  $p$ -value = 0.007\*\*\*) at significant level 0.01, supporting Hypothesis 1 and 4a. Total effects consist of two components. One is specific indirect effect of communication accuracy on organizational commitment mediated by inter-org trust 0.058 ( $t$ -value = 6.725,  $p$ -value = 0.000\*\*\*) at significant level 0.01. The other is direct effect of communication on organizational commitment 0.223 ( $t$ -value = 2.677,  $p$ -value = 0.007\*\*\*) at significant level 0.01. Second, inter-organizational trust fully mediates the relationship between communication officer and organizational commitment ( $\beta = 0.217$ ,  $t$ -value = 3.378,  $p$ -value = 0.001\*\*\*), supporting Hypothesis 4b.

Moreover, the findings show that communication channel efficiency has a positive effect on organizational commitment ( $\beta = 0.271$ ,  $p$ -value = 0.000\*\*\*,  $f^2 = 0.126$ ) at significant level 0.01 with  $t$ -value 4.489, supporting Hypothesis 1. Overseas business management department as one communication expediter has positive effect on organizational commitment ( $\beta = 0.155$ ,  $p$ -value = 0.006\*\*\*,  $f^2 = 0.044$ ) at significant level 0.01 with  $t$ -value 2.768, supporting Hypothesis 2. Language barrier of chairman at the headquarter in China shows negative impact on strategic performance improvement ( $\beta = -0.145$ ,  $p$ -value = 0.082\*,  $f^2 = 0.022$ ) at significant level 0.10 with  $t$ -value 1.742, supporting Hypothesis 3.

As for control variables, significant path estimations ( $p$ -value < 0.05) are also found. CBMA experience positively impacts strategic performance improvement ( $\beta = 0.256$ ,  $t$ -value = 3.338,  $p$ -value = 0.001\*\*\*,

$f^2 = 0.091$ ). Business relatedness between Chinese strategic investors and their overseas acquired firms positively impacts strategic performance improvement as well ( $\beta = 0.254$ ,  $t$ -value = 2.907,  $p$ -value = 0.004\*\*\*,  $f^2 = 0.069$ ). Chinese private-owned strategic investors, in terms of ownership, positively impact strategic performance improvement ( $\beta = 0.207$ ,  $t$ -value = 2.222,  $p$ -value = 0.026\*\*,  $f^2 = 0.039$ ). Chinese strategic investors from manufacturing industry positively impact strategic performance improvement ( $\beta = 0.187$ ,  $t$ -value = 2.779,  $p$ -value = 0.005\*\*\*,  $f^2 = 0.046$ ). Mandated management consultant positively impacts strategic performance improvement ( $\beta = 0.186$ ,  $t$ -value = 1.758,  $p$ -value = 0.079\*,  $f^2 = 0.032$ ). Middle managers negatively impact both organizational commitment ( $\beta = -0.423$ ,  $t$ -value = 5.973,  $p$ -value = 0.000\*\*\*,  $f^2 = 0.300$ ) and strategic performance improvement ( $\beta = -0.186$ ,  $t$ -value = 2.774,  $p$ -value = 0.006\*\*\*,  $f^2 = 0.048$ ).

## 5 | DISCUSSION

Our research results show the positive link between communication practices and organizational commitment, including communication in terms of communication accuracy and channel efficiency (Hypothesis 1) and communication officer as a communication expediter (Hypothesis 2). In the context of Chinese CBMA integration, Chinese acquires as new shareholders face serious challenges such as distinct language barrier, liability of emergingness and institutional difference, which overstressed the urgency of communication practices,

in terms of clarity and transparency (Deng et al., 2017; Du & Boateng, 2015; Lian et al., 2021). Our findings precisely capture such characteristics of communication practices during Chinese CBMA integration process, which outweigh accuracy and communication channel efficiency are critical to organizational commitment. The findings strength that open and clear communication diminishes negative employee reaction on “Merger Syndrome” such as resistance to change, stress and uncertainty (Marks & Mirvis, 2011; Marmenout, 2010). Such findings reinforce Schweizer and Patzelt (2012), who stated that sufficient and clear communication during post-acquisition integration process enhances employee commitment to stay. The findings are consistent with Goecke et al. (2018), who articulated that clear communication strategy has been instrumental in turnover behavior during post-acquisition integration. The findings fortify Weber and Tarba (2010), who demonstrated that the effect of communication practices on acquisition performance varies across different countries. The finding of communication expeditors (Hypothesis 2) on the integration outcome strengthens Trichterborn et al. (2016), who emphasized the need for the dedicated M&A functions during post-acquisition integration. Overall, our findings (Hypothesis 1 and 2) are consistent with Gomes et al. (2012), who accentuated that communication is one of critical success factors during the post-acquisition integration process. These findings are in line with Schweiger and Denisi (1991), who claimed that effective communication practices have reduced dysfunctional merger outcomes.

Moreover, we reveal that language barrier of Chairman at the headquarter in China negatively impact strategic performance improvement (Hypothesis 3). Language skills reflecting professional competence promote or discourage organizational resources in everyday communication during integration (Vaara et al., 2005). Our level of analysis in this study focuses on language barrier of chairman at headquarter in China, since the chairman is an ultimate representative of leadership during post-acquisition integration process. Our finding (Hypothesis 3) is unique to establish direct effect between language barrier of top decision-makers and integration outcomes. Communication and decision-making through interpreters in cross-language international business were often compromised, at the cost of message accuracy, trust, response speed and task requirement (Kroon et al., 2015; Usunier, 2011). Such finding (Hypothesis 3) is consistent with Kroon et al. (2015), who pointed out that language barriers have undermined decision-making and change management due to misconstrued information and in turn compress strategic performance improvement. This (Hypothesis 3) is also consistent with Lien and Oh (2014), who stated that language barrier has been one of the major transaction costs in overseas investment.

However, we do not capture that communication practices directly impact strategic performance improvement. On the one hand, our result is different from earlier studies on communication and acquisition performance in developed economies such as Israel. Weber and Tarba (2010) claimed that increased communication in Israeli M&A enhances M&A performance, since an increase in communication decreases the uncertainty and promotes knowledge integration and creation capabilities. On the other hand, our result is

consistent with Weber and Tarba (2010), who emphasized that the effect of communication on M&A performance varies from country to country. Such results may be explained in several ways:

(1) Scholars have indicated that Chinese strategic investors are inclined to adopt “a light-touch integration approach” to grant high degree of autonomy for overseas acquired firms (Liu & Woywode, 2013). Comparing with traditional post-acquisition integration approaches dominated by investors from developed economies (Haspeslagh & Jemison, 1991), day-to-day connection and communication are greatly limited during Chinese CBMA integration process. Thus, it may not make a clear impact of communication practices on strategic performance improvement. (2) The other plausible explanation may be that it is a long chain reaction from communication practices to directly promote strategic performance improvement. Scholars have disclosed that knowledge transfer is significant and positive determinant of CBMA performance (Ahammad et al., 2016; Ahammad & Glaister, 2011), which knowledge transfer directly impacts strategic performance improvement. Good communication practices promote knowledge transfer (Szulanski, 1996; Yahiaoui et al., 2016). Thus, communication practices could be an antecedent factor in the long chain to impact strategic performance improvement during Chinese CMBA integration process. Comparing with prior studies on communication in M&As in Africa, for example, Angwin et al. (2016) argued that different communication approaches have related to M&A outcomes. They measured communication approaches by communication richness (i.e., breadth and frequency of communication) and communication continuity. They measured M&A outcomes by organizational survival and employee commitment, which fits Haleblan et al. (2009) that different acquisition performance measures should be precisely adopted to align with the subject of analysis. Given the different measures adopted, it is compatible for different studies to co-exist since dynamic communication practices are multi-dimensional and comprehensive. The same is true for M&A outcomes (Zollo & Meier, 2008).

Yet such difference again reinforces Weber and Tarba (2010) that communication changes and its effect on M&A performance varies in different countries. Furthermore, our result in such aspect is consistent with King et al. (2004), who argued that human problems had no clear relationship with M&A performance of financial or strategic variables. King et al. (2004) proposed that human issues have had different impacts on attitudes or behaviors at two merged organizations. Attitudes or behaviors of employee impact differently with chain reaction on various organizational behaviors or strategic integration projects, such as willingness to cooperate and share, leadership style, trust, preventing the exploitation of potential synergies, knowledge transfer, retention, employee commitment, and organizational commitment (Akiate, 2018; King et al. 2004; Martin-Perez & Martin-Cruz, 2015; Schweizer & Patzelt, 2012; Weber & Tarba, 2010; Roundy, 2010).

The unfolded mediation role of inter-organizational trust between communication accuracy and organizational commitment (Hypothesis 4a) is consistent with prior studies. For example, Nikandrou et al. (2000) and Chidlow et al. (2014) claimed that frequent and

useful communication have boosted trust and common value during the post-acquisition period. Zaheer et al. (1998) and Brandl (2021) revealed that inter-organizational trust directly impact acquisition performance. The mediating role of trust between communication accuracy and organizational commitment (Hypothesis 4a) ensures smooth knowledge learning, transferring and applying during Chinese CBMA integration process. Weber and Tarba (2010) proposed that it is crucial to develop knowledge integration and creation capabilities during knowledge-based view of post-acquisition integration.

In addition, we reinforce prior studies on several frequently used control variables in the context of Chinese CBMA integration. We find that acquisition experience positively impacts strategic performance improvement. Acquisition experience increases innovation productivity (Al-Laham et al., 2010), and optimizes decision-making process (Weber et al., 2019). Moreover, it promotes coordination mechanism and boosts post-acquisition integration outcomes (Dao & Strobl, 2019; Halebian & Finkelstein, 1999). Our finding fortifies these earlier studies that acquisition experience has promoted integration outcomes. Our finding on business relatedness reinforces Sohl and Vroom (2017), who disclosed that business relatedness has facilitated communication, promoted the sharing of superior resources and capabilities, and boosted post-acquisition performance. Moreover, such a finding is in line with Finkelstein and Halebian (2002) who identified that the more similar business of acquirers with target, the better they perform. Mandated management consultant with expert knowledge improves integration outcome by providing better communication practices (Graebner et al., 2017). Our finding on management consultant strengthens such an argument in the context of Chinese CBMA integration.

Furthermore, we record that some firm characteristics of Chinese strategic investors as control variables impact the integration outcomes differently, including ownership, sector, and position difference of managers. Chinese private-owned strategic investors positively affect strategic performance improvement. This is consistent with Tao et al. (2017) and Du and Boateng (2015) who revealed that private-owned-enterprises have experienced higher short-term return of Chinese CBMA. We find that Chinese strategic investors from manufacturing industry positively impact strategic performance improvement. Browning and Weick (1986) argued that organization settings have been varied from industry to industry. It is more complicated for open and clear communication given the nature of tacit knowledge and expertise in knowledge-intensive industry. Such finding is consistent with Deng (2010) and Weber and Tarba (2010) who proposed that strategic intent of Chinese strategic investors is to pursue knowledge-intensive assets for synergies realization, which communication strategy is prioritized.

Furthermore, we find that middle managers negatively impact organizational commitment and strategic performance improvement in the context of Chinese CBMA integration. Position difference shows different attitudes and behaviors of executives and middle managers during organization change, which in turn determine the level of organizational commitment and job performance (Bhal et al., 2009; Hung & Wu, 2016). Chinese acquirers face some serious

challenges such as language barrier, liability of emergingness and institutional difference (Deng et al., 2017; Du & Boateng, 2015; Lian et al., 2021). These challenges usually restrict middle managers from sufficient information access comparing with senior executives, in terms of sources, clarity, and transparency. Our findings hold up that refrained communication practices escalate employee resistance to change and impair the integration outcomes during the post-acquisition integration (Gomes et al., 2012; Larsson & Finkelstein, 1999; Weber & Tarba, 2010). Our findings are consistent with Marks and Mirvis (2011), who pointed out that senior executives set the proper tone and middle manager are the key team of execution to make acquisitions work.

## 6 | CONCLUSION

Our study extends our understanding of Chinese CBMA integration activities on the relationship of communication practices and integration outcome. Since the effect of communication practices on CBMA performance varies across countries (Weber & Tarba, 2010) and given that all M&A are not alike (Bower, 2001), we shed light on how communication practices during the post-acquisition integration process affect the integration outcomes of Chinese CBMAs in terms of organizational commitment and strategic performance improvement. By that, we analyze a specific (Chinese) context acknowledging the need for a more detailed and differentiated analysis of the variability found in M&As (Pablo & Javidan, 2004) driven by the view that value creation usually takes place during the post-acquisition integration process. In addition to that, we answer the call by Buckley et al. (2018) with regard to Chinese CBMA integration and the impact of communication on integration success in the specific Chinese setting.

Toward this purpose, we tailored our examination to reflect Chinese strategic investors as catch-up latecomers with outstanding language barrier, limited CBMA experience and strategic intent to pursue knowledge-based resources and capabilities. Thus, we concentrated on communication for accuracy and channel efficiency, communication expeditors, and language barrier of Chairman at the headquarter in China. In this sense, our study is novel to incorporate featured communication practices during Chinese CBMA integration process and examine its impact on integration outcomes. Effective communication practices are prerequisite for Chinese strategic investors to better coordinate and tackle the integration tasks, promote knowledge transfer, and foster knowledge integration capabilities, which lead to successful integration outcome (Larsson & Finkelstein, 1999; Weber & Tarba, 2010). More precisely, while the language barrier of the Chairman has a negative effect on strategic performance improvement, we find that inter-organizational trust is an important mediator in that context. From a theoretical point of view, this highlights the need to include the language barrier of the chairman as a specific feature in Chinese cross-border M&A activities (Deng et al., 2017; Du & Boateng, 2015; Lian et al., 2021). Moreover, the mediating role of trust between communication accuracy and organizational commitment ensures smooth knowledge learning, transferring and applying



during Chinese CBMA integration process leading to a better acquisition performance Brandl (2021). As a result, post-acquisition integration theory should put a stronger emphasis on the building of trust between the two merging organizations as trust can be considered as an important pre-requisite for a successful post-acquisition integration.

Our paper provides some managerial implications as well. They help to optimize crucial communication practices, and in turn possibly maximize the integration outcomes. Concerning the knowledge-seeking integration process for Chinese strategic investors, we advise that it is important to amplify communication accuracy and smooth channel efficiency as possible, especially when interpreters are needed in daily communication. Furthermore, it is necessary and effective to establish the dedicated M&A functions to expedite smooth and frequent communication, such as appointing communication officer and establishing overseas business management department at the headquarter in China with daily integration tasks. Moreover, middle managers at newly merged organizations should be prioritized for change management driven by CBMA with accurate and intensive communication. Such communication with middle managers should cover from strategic intents to their attitudes or behaviors. Particularly, those attitudes or behaviors involve key human issues of retention, commitment, and knowledge sharing. Actions of middle managers substantially impact organizational commitment and strategic performance improvement of Chinese CBMA integration outcome.

Nevertheless, there are several limitations with this study. First, financial performance is one important indicator to measure integration outcomes. Due to the operation of survey requiring respondents to report old accounting data, we encountered massive missing data on ROE and total assets (TA). We were unable to calculate the differences of ROE and TA respectively before and after multiple acquisitions with Chinese strategic investors. Moreover, subsample with 64 accounting data of change in TA failed to map the possible interrelationships among our latent variables. Thus, future research can address such a gap with financial data from accessible annual reports while targeting listed companies. Second, prior studies have identified the impact of cultural differences on successful post-acquisition integration, including national culture difference and corporate culture difference between the acquirers and their acquired firms (Tarba et al., 2019). For future research, it is meaningful to assess cultural difference. Third, Chinese strategic investors acquired more distressed or insolvent targets in developed economies during global financial crisis. Distressed targets generate a significant increase in systematic and idiosyncratic volatility and risks (Iwasaki et al., 2021), which result in survival issues with more complications and challenges during the integration process. It is meaningful to address such a gap for future studies.

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APPENDIX A: Online Survey Questionnaire of the research (selection) [Color table can be viewed at [wileyonlinelibrary.com](http://wileyonlinelibrary.com)]

## 9. How accurate do you agree communication between two sides during PMI stage?

(1 Strongly disagreed – 5 Strongly agreed)

	1	2	3	4	5
1) Most of information passed down by board is detailed and accurate.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2) It is rare that the counterparty passes along unreliable information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3) Most of information I receive on daily basis to complete my job during PMI is detailed and accurate.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4) Most of information I receive from my superior is detailed and accurate.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5) Most of information I received from my peer is detailed and accurate.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6) Most of information I passed down to my team is detailed and accurate.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7) Information I receive from my counterparty firm is consistently reliable.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8) Communication with counterparty is typically detailed and accurate.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9) Instructions from top-management are clear and consistent.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10) I feel comfortable to pass along information I receive from my superior to my peer colleagues.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11) Often information I receive that is critical to fulfill my responsibility is misleading because of language translation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12) I receive information I need for my job in a timely manner.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13) I usually receive necessary information to complete my job right after that information emerges	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14) I am often delayed in my job because I do not have information that I need from Counterpart firm.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15) It seems I am always the last to find out what is happening at my company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## 10. To what extent would you agree barriers between two sides for communication?

(1 Strongly disagreed – 5 Strongly agreed)

	1	2	3	4	5
1) I must go through board to share ideas/information with top management at counterparty.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2) There tends to be limited executives that hoard important information concerning the completion of PMI at either company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3) There tends to be limited executives who control the flow of important information during PMI.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4) There tends to be quite “gatekeepers” at either side that hinder the flow of important information concerning the completion of PMI.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5) Top management often seems hesitant to communicate news about either organization to their team.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6) Important information at either side is a scarce resource.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7) I receive most information to fulfill my duty through the grapevine.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8) I often hesitate to communicate important information concerning the completion of PMI with those decision-makers at counterparty.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9) I do not feel comfortable to sharing my ideas with the counterparty.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10) Either side seldom communicates with local stakeholders of the counterparty for the sake of its welfare.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## 11. In terms of chain of command, how will you describe the hierarchy relationship between your company and target companies?

☐ Highly flat ☐ flat ☐ Neutral ☐ Hierarchy ☐ Highly hierarchy

## 12. Has an executive committee been set up to communicate and expedite rising issues during PMI? Such a committee usually composes of 3–5 top managements from both Chinese and target companies acquired.

☐ No ☐ Yes

## 13. Will your company set up an overseas management (holding) company to facilitate onsite management and operation of target companies acquired?

☐ No ☐ Yes

## 14. Will your company set up a new department of overseas business in China at any level, in order to coordinate and facilitate daily communication during PMI with target companies acquired?

☐ No ☐ Yes

## 15. Has any communicator officer or similar officer or such responsibility clearly assigned at senior level been set up after change of control?

☐ No ☐ Yes

## 16. Has communication program specifically been set up after change of control to facilitate communication between two sides for execution?

☐ No ☐ Yes

## 17. Is Mr. Chairman of your company fluent in English or mother language of target companies as working language?

☐ No ☐ Yes

## 18. Is communication at executive level between your company and target companies usually translated, including meetings (orally) and/or reports (written)?

☐ No ☐ Yes

## 19. Is communication during daily operation between your company and target companies usually translated, including meetings (orally) and/or reports (written)?

☐ No ☐ Yes

## 20. To what extent do you agree the following statement about trust between two sides?

(1 Strongly disagreed – 5 Strongly agreed)

	1	2	3	4	5
1) Relationship between Chinese and overseas targets acquired can be characterized as mutually trusting.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2) Chinese and overseas targets acquired keep the promises which they make to each other.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3) Each side is sure that what its counterparty says is true.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4) Both sides fulfill its commitments exactly as specified.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5) When making important decisions, each side is concerned about the counterparty's welfare.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>