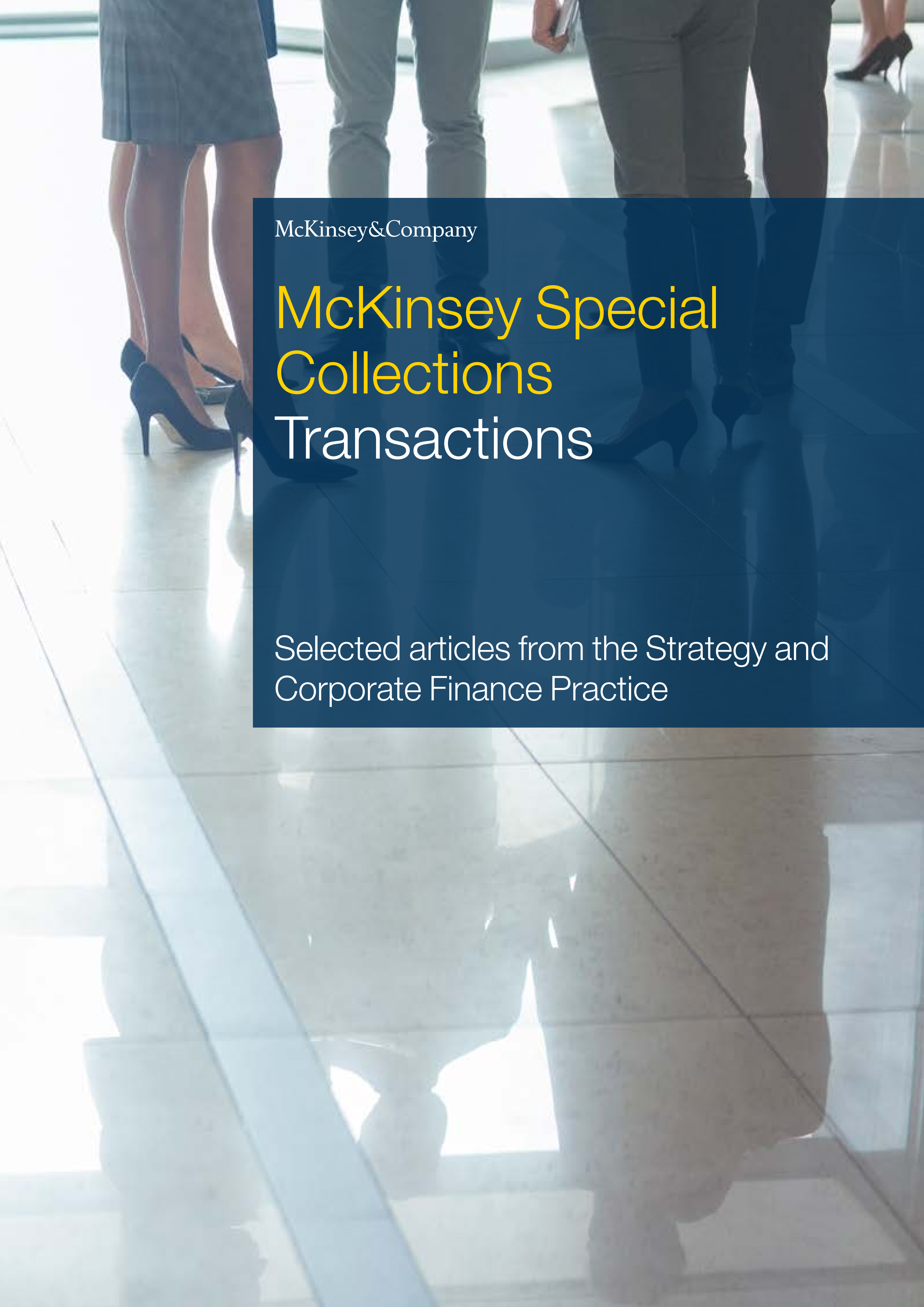

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A Pocket Guide to Chinese Cross-Border M&A

Corporate Finance & Strategy | Chinese Globalization

April 2017

Content

Introduction

Chinese companies are on a buying spree: over the past five years, outbound M&A volume has risen by 33% per year. In 2016, Chinese companies spent $227 billion, six times what foreign companies spent acquiring Chinese firms. And Chinese companies were involved in ten of the largest deals worldwide in 2016.

What role will Chinese companies likely play in global M&A transactions in the coming years? What lessons have Chinese companies learned from their deals to-date, and what should they do differently going forward? What should companies outside of China do to ensure that the deals they strike with Chinese companies deliver the returns they are seeking?

These are just a few of the questions we address in this collection of essays by my colleagues in McKinsey's Corporate Finance and Strategy Practice. In "Making sense of Chinese outbound M&A", we tackle some of the myths circulating around this wave of Chinese outbound acquisitions – that all of the money flowing out of China is just a wave of capital flight, that the invisible hand of the government lies behind it, or that post-deal integration isn't important to the buyers.

In "Chinese outbound M&A: the decade in review", we take a look at the extraordinary progress Chinese companies have made over the past decade on outbound acquisitions, and assess their successes and failures.

One of the myths surrounding Chinese outbound M&A is that a lot of the deals being done are driven by the state, and by state-controlled sources of cheap funding. But in "Funding China's outbound acquisitions", we show why this is not the case. We then analyze the different sources of funding, and how these are evolving over time.

The most challenging part of most deals is what happens after closing.

Research shows that getting integration right is a crucial factor in the ultimate success of any deal. In “From active buyers to active owners”, we look at several possible models of integration, and discuss a few examples of what worked well.

Regulatory approval is a pervasive concern for Chinese companies acquiring targets abroad. While some deals have been blocked due to regulatory concerns, many more have been cleared but with remedies imposed. In “Paperwork and politics: navigating cross-border M&A regulation”, we pick apart the issues Chinese companies face as they confront complicated regulatory environments abroad.

We hope you find these articles provide a useful source of insight and analysis that will inform your understanding of this rapidly changing market.

David Cogman
Partner, Head of McKinsey’s China Globalization service line

Paul Gao
Senior Partner, Head of McKinsey’s Automotive & Assembly Practice in Asia

Making sense of Chinese outbound M&A

David Cogman
Nick Leung
Paul Gao

The past year saw Chinese companies spend $227.0bn on acquiring foreign companies – 6x what foreign companies spent acquiring Chinese firms. These 'outbound' M&A volumes have grown at 33% p.a. for the past five years. Chinese companies were amongst the ten largest deals worldwide in 2016 (e.g. current ChemChina/Syngenta acquisition going through regulatory approval process), and were involved in some of the most controversial transactions of the year, such as Anbang Insurance's high-profile battle for Starwood Hotels & Resorts, which added $0.4bn to the price that Marriott eventually paid, and Chemchina's $47bn acquisition of Syngenta.

Despite all the media attention, a number of myths around Chinese outbound acquisitions persist. Let's discuss them one by one.

First myth – the 'wave of money'

China, the theory runs, is awash with cheap capital, and that is now fueling a global shopping spree. It has almost $3 trillion in foreign reserves, the world's 2nd largest sovereign wealth fund, and four of the world's largest banks by assets – all of which are extremely well-capitalized. Chinese companies therefore have almost unlimited firepower for overseas acquisitions, and that makes them willing to pay unrealistically high prices for high-profile megadeals.

It's important to put this supposed wave of money into context. The total amount of China outbound acquisitions has grown dramatically, from $49bn in 2010 to $227bn in 2016. However the absolute level is still very low. For example, in 2015, Chinese companies spent around 0.9% of GDP on outbound acquisitions; EU companies spent 2.0%, and US companies 1.3%. We are still relatively early in a long growth trend.

The big-ticket deals that make the headlines are also not representative of the majority of transactions. These are mostly middle-market deals: the median deal size over the past three years was only $30m. And for the most part, the valuations paid were not significantly above normal market levels. However a Chinese company may have a legitimately different perception of valuation than their European or US peer. Non-state firms listed in Shanghai had an average PE in 2016 of 60x. If a Chinese acquirer is able to raise equity capital at this valuation, this will naturally make prices paid for overseas assets look much less irrational.

Moreover the source of the funding is often not even Chinese. Many of the deals with very high leverage were financed enthusiastically by Western banks. The financing of many of the largest deals in recent years was done by foreign-led syndicates of banks. Of course the Chinese acquirers accepted high levels of leverage for some of these deals, such as in Chemchina's acquisition of Syngenta, where $33bn of the $47bn purchase price was financed by debt. But from a Chinese firm's perspective, this is not a significant leap of faith. The Chinese economy has for many years relied heavily on bank debt more than on public equity markets, and most Chinese companies are more comfortable with high levels of leverage than their western counterparts. Moreover high-leverage megadeals led by financial sponsors are hardly unusual in Western markets.

Second myth – the invisible hand of the Party

There is a persistent suspicion that somewhere in Beijing resides a collective brain that directs Chinese companies' actions – and that the recent outbound acquisitions have been directed by this pervasive government planning.

The government does like making plans: the extent to which they drive corporate decisions, however, is greatly overstated. Central government sets an overall policy framework, and managers of state-owned firms are rewarded in career progression for advancing it, but they are acutely aware that they are responsible for their own decisions. With very few exceptions, acquisitions are identified and pursued by management teams for commercial reasons.

Being aligned with policy can, however, bring help in executing the deal. Approvals arrive faster, loans are more readily available, and at times government will quietly tell other Chinese bidders to drop out of auctions so that only one is contesting a deal. In some sectors – notably semiconductor, in recent years – there is active pressure on companies to find acquisitions. The deals they pursue may align with industrial policy, but mainly because policy reflects the interests of the firms in the first place, and the larger SOEs participate in shaping major policy instruments such as the five-year plans. But the responsibility for sourcing and execution deals remains firmly with the companies, and they are also responsible for their failures.

The role of government – or lack thereof – can also be seen in how they use the government-linked investment funds. There is a very substantial amount of capital available to investment funds controlled by central government, such as the Silk Road Fund, the Africa Fund and CIC. If there really were an invisible hand directing acquisitions, the government would be using these to co-invest with corporates. In practice this rarely happens. The Silk Road fund, for example, has only done one investment to date into a company, compared with dozens of project financing deals.

The only government-linked fund that has done numerous investments into foreign companies is CIC. However these deals are portfolio investments, done purely in pursuit of its commercial remit to make returns and not in pursuit of any policy objective; moreover a significant portion of its portfolio is deployed into fixed income securities and funds.

Third myth – it's all capital flight

Between 2005 and 2014 the RMB had only strengthened against the dollar, and a generation of managers had come to take that as given. From 2014 onwards, however, it has progressively weakened, and growth continues to slow. Many managers found themselves looking for ways to move capital offshore, and acquisitions provided a quick way to do that in large quantities. Are the acquisitions of prestige assets – hotels and property in major cities, often at relatively high prices – simply companies getting money out of China into 'safe' assets?

Capital flight is unquestionably happening through multiple channels, of which overseas acquisition is only one: through 2016 the government worked hard to close these loopholes which in Q1 resulted in a significant drop-off in deal volumes. The question is whether it was a major driver of the growth in outbound M&A. Between 2015 and 2016 outbound deal volumes grew by 125%: this was clearly an acceleration compared to the growth rates in the preceding five years, ranging from 7% to 41% growth. Some of the deals done – real estate deals in particular – made little apparent sense for the acquirers beyond simple financial diversification. Yet the growth in outbound M&A had started long before 2014: the capital flight of the last few years has contributed, but it was never the primary driver.

Fourth myth – crazy gamblers

For many sellers, having a Chinese buyer participate in an auction can be a frustrating experience. Their decision-making often appears opaque and irrational, with limited visibility on their funding, priorities or intention to actually complete a transaction.

What appears to be irrationality, however, is often decision processes that aren't fully transparent to the sellers. A Chinese buyer, particularly a state-owned company, has to work with a complex set of stakeholders both inside and outside the company, and the person communicating with the seller may not be able or willing to explain these considerations.

Among many Chinese buyers there is also a suspicion that the standard M&A sales process does not play to their strengths. It is designed to place buyers in competition on an equal footing, and limit their access to the target company; this is exactly the opposite of the one-on-one negotiation and closer relationship-building with the counterpart that they would prefer. Moreover many management teams remain unfamiliar with the process itself, and do not understand well how to navigate it. This is changing fast, particularly among the private companies that have business development staff with international experience, and among the more sophisticated SOEs with experienced deal teams, but there is still far to go.

This impression often masks a genuine desire, even need for some of these transactions. For Chinese companies that are approaching the limits of growth in their domestic markets, access to technology, brand and distribution networks abroad can be critical to their growth plans. Hence sellers often receive extremely mixed messages, that can be challenging to decode, and frequently write these off as 'cultural differences', when in fact they reflect the unique circumstances of these buyers.

Fifth myth – integration isn't important to these buyers

In many deals, there is relatively little discussion of what will happen post-deal apart from securing the management team – and often the acquired managers are pleasantly surprised by the degree of autonomy they enjoy after the deal. This has led to the perception that Chinese companies aren't particularly interested in integrating their acquisitions into the parent companies to the same degree that a US or European acquirer would want to.

It's certainly true that Chinese companies are more likely to take a 'hands-off' approach to managing acquisitions post-deal than would most Western companies. However this is largely because in the past, they lacked the capabilities to integrate: they simply didn't have enough managerial bench strength that could function in the acquisition's region that they could insert into the company. It's not that they didn't want to integrate: they doubted their ability to do so. The lack of focus on integration is one of the reasons that over the past ten years, the track record of success by Chinese acquirers has been extremely mixed.

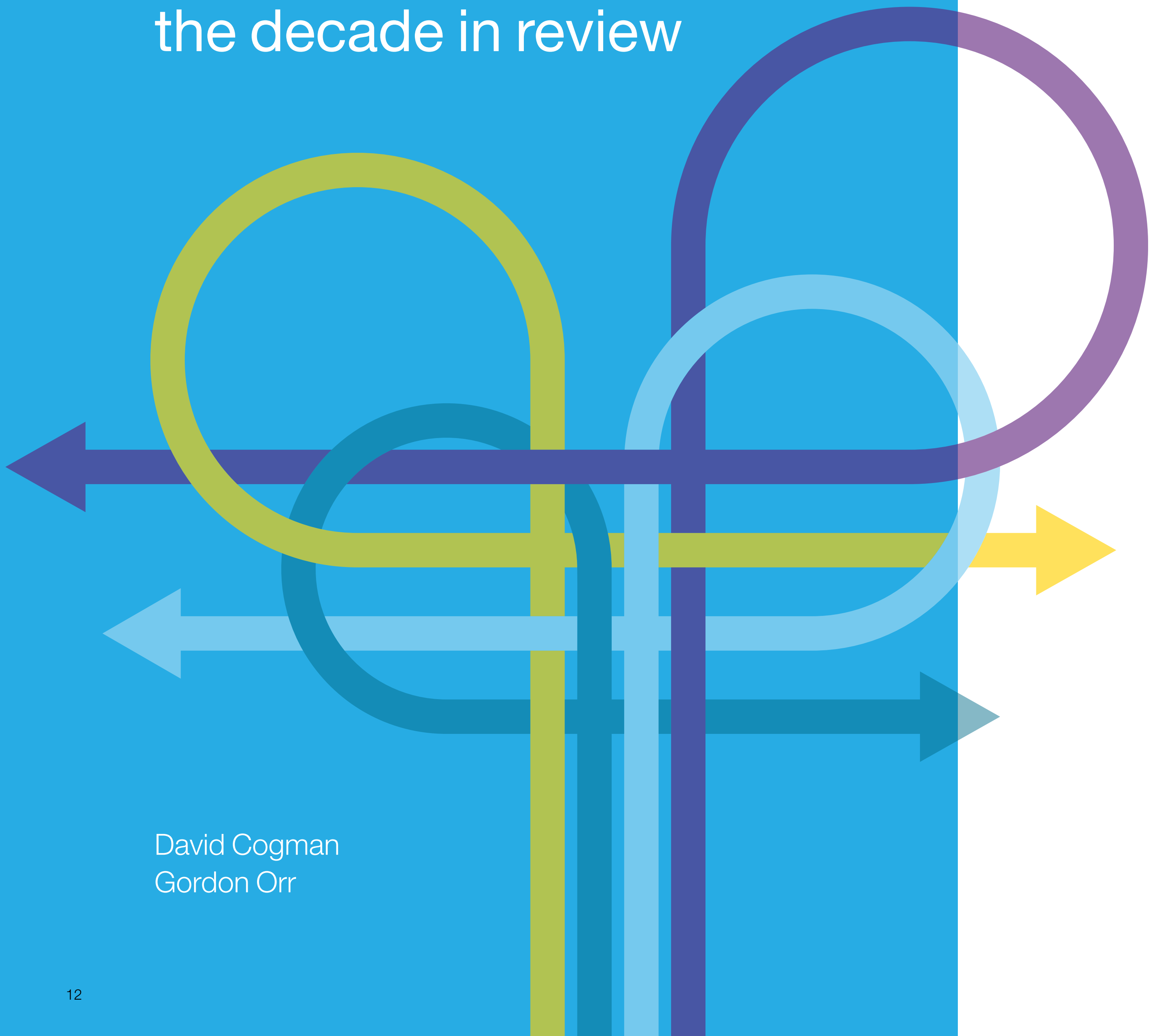
Consequently the integration models used look quite different. In most western countries, there's a fairly well-understood approach to post merger integration – speed is critical, you eliminate overlaps and pursue synergies aggressively. Many Chinese integrations chose to prioritize stability first, keeping the company separate and looking at one or two major areas of synergy, such as R&D sharing or localization of product manufacturing in China to reduce cost.

As the track record shows, the approach to integration made a significant difference in the success of these deals. Those that had an organized and systematic approach to integration on average showed much better results than those who kept the asset at arms' length, managing through the board and treating it essentially as a financial investment.

There is, in most cases, a solid logic behind these acquisitions, be it acquiring capabilities, building a footprint outside of China, buying brands or technology. However without a plan to capture that, potential synergies are simply numbers on paper. Increasingly Chinese companies are recognizing this, and developing more concrete integration plans earlier in the deal process. The bottleneck for most is building the resources to execute those plans – developing a cadre of managers with experience both operating abroad and in integrating acquisitions that they can deploy. This is easier said than done. Often deep functional experience is required – engineers and technical staff to support technology transfer or procurement, marketing teams to support cross-selling, IT staff to support platform consolidation – and the teams need to be able to function in the acquisition's language and working environment as well as the acquirers'. There are not, for instance, many Italian-speaking Chinese aerospace engineers available on the job market.

We are still at the beginning of a long growth trend, and the persistent myths surrounding these deals reflect this. Chinese companies will in time be an important part of global cross-border M&A, and that means levels of activity substantially higher than what we have seen to date. This will require some adaptation on both sides. However Chinese companies need the brands, channels, technology and relationships that these transactions can bring; and the investee companies benefit from access to the rapid innovation, scale and cost advantages of the China market. In the long run, everyone gains from China's participation in the global deal market.

Chinese outbound M&A: the decade in review



David Cogman
Gordon Orr

We are now a decade past Lenovo's acquisition of IBM's PC division – the first major outbound acquisition by a Chinese company. Since then, over six hundred and fifty-five deals of greater than $100m have taken place. Chinese investors, financial and strategic, have gone from being rarities in the international deal market, to regular participants in major auctions.

In the post-2008 era, there has been considerable discussion of the impact of outbound Chinese investment. However this analysis mostly considered the impact on sellers – whether this new source of capital is bidding up asset prices, and whether host governments should fear Chinese buyers – or looks at the role that capital outflows play in China's broader economic development. While these are relevant questions, more important is the experience of the buyers themselves. Were the investments successful? Did they create value for companies? If not, why not?

In this article we take a hard look at the experience of the past decade. The track record has been mixed. A majority of deals did not clearly accomplish their original objectives. The most significant reason for this was simply bad timing, something that no company can fully guard against. But in large part it is also due to what Chinese companies did – or did not do – after closing deals.

Historically, many Chinese acquirers had limited ability to manage acquisitions post-deal. This affected their ability to extract synergies: genuine operational integration was often not possible. With the emergence of a pool of Chinese management capable of operating internationally, that no longer has to be the case. More companies are taking a hands-on approach to integration, recognizing the importance of actively managing their acquisitions while appreciating the real differences in culture and operating model. We expect that in the coming years this will become the norm, rather than the exception.

Assessing the track record[1]

Evaluating the 'success' of an acquisition is always subjective. The experiment has no 'control' – we never know what both sides would have done if the deal hadn't been done. Looking at short-term share price reactions to deals tells you whether the market liked the concept when it was announced, but says nothing about execution. To really assess the success of a deal, we have to go back to the original objectives, and look at whether they were met.

By this standard, the results of the past decade look less than impressive. Around 60% of outbound investments by Chinese companies, close to three hundred deals of almost three hundred billion dollars, created little or no value for acquirers.

The resource curse

The deals with the worst success rate were the resource acquisitions of the late 2000s. The decade preceding 2008 had seen the price of China's resource imports rise by 18% CAGR on average across 10 years. This was rightly seen as a threat to chinese companies' international competitiveness, and as a national security issue.

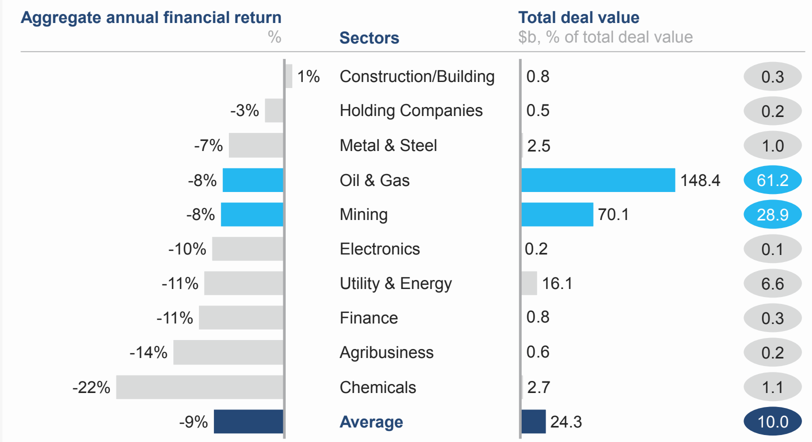
As a result, 43% of the deals done in the past decade (217 deals, representing 56% of total outbound investment value) – involved natural resources. 80% of this happened during the run-up in commodities prices, before their peaked around the time of the financial crisis; the remainder happened in the three years following, when a dip in prices appeared to present a buying opportunity. However commodity prices in most cases

1 For our analysis, we screened out those deals where little or no public information was available on acquiror or target, leaving slightly over 500 transactions.

remain below the price at which these deals were done. In 84% of the deals we reviewed, representing 89% of deal value, these deals did not create value for the acquirer, losing on average around 10% of the initial investment, though in some cases the loss was as much as 25%.

EXHIBIT 1

Investment mix for resource deals



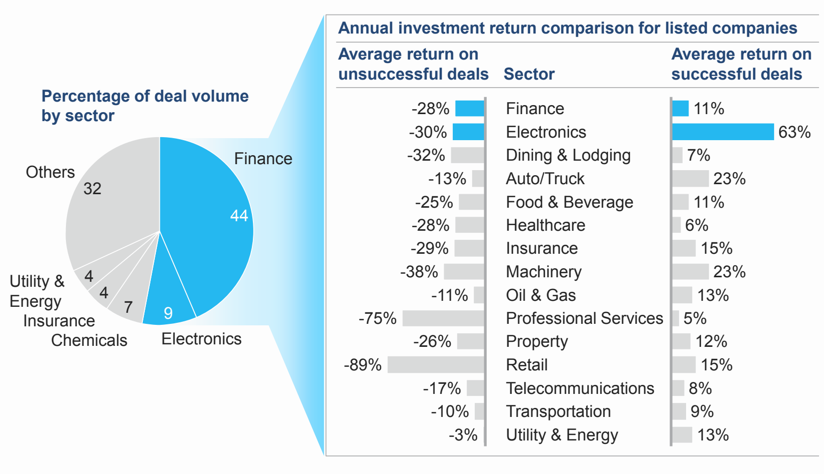
Financial diversification and relationship-building deals

A second group with low success rates are investments into listed companies that remained listed post-deal, primarily motivated either by financial diversification or to build a relationship with the target – 24% of the deals done (119 deals, worth 18% of total value) had this profile. These targets generally kept a high degree of independence after acquisition. While this kind of investment had been successful domestically, not so abroad. On average, the companies invested lost ~7% of their value per annum from the date of investment to today. If we included the opportunity cost – making a similar minority investment into domestic Chinese equities, which have risen on average 15% per annum since 2008 – the track record would look considerably worse. Bad timing again played a major role here: the majority of these deals were concentrated in financial services and computers & electronics, each of which lost around 30% of their initial investments on average. The hardest hit sectors were retail and professional services: the investments made there lost on average more than 70% of the initial investment.

Majority investments into listed companies did slightly better than minority investments. On average, the share prices of these deals lost ~2% per annum since investment; however, the range around this was wide, with more than half of the deals yielding positive returns. There is also more evidence of synergies being captured by the acquirers in their core business in majority control deals – bringing technology or products into the China

EXHIBIT 2

Sector mix of listed company deals



1 Others include sectors has less than 4%: Auto, Dining & Lodging, Food & Beverage, Forestry, Healthcare, Holding Companies, Leisure, Machinery, Oil& Gas, Professional Services, Property, Transportation

SOURCE: Team analysis

market, and creating genuine growth in the acquirer's profits.

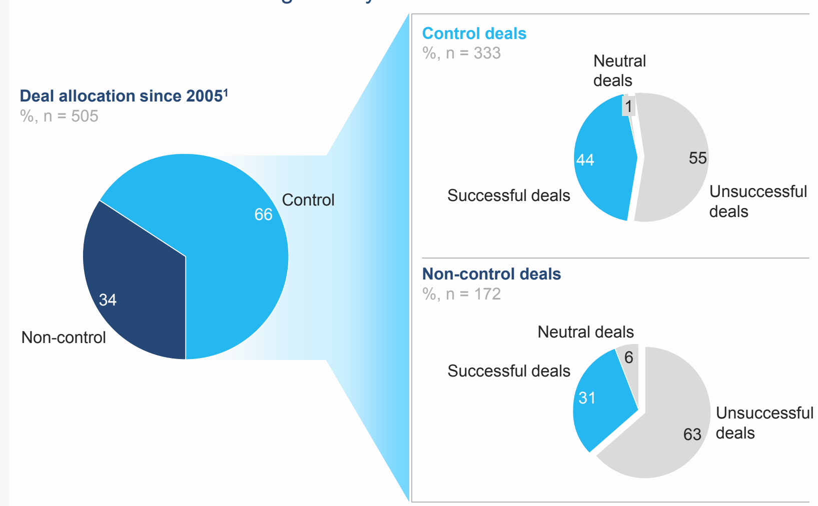
Identifying the successes

For the slightly over a quarter of the deals done that do not fall into either of the above categories, we analyzed the stated objectives of each deal – product, technology, or cost – and looked at whether these had been achieved subsequently. We found that ~70% of these deals clearly did achieve their objectives. For control deals, that success rate rises to 75%, vs. 60% for the non-control deals.

Looking across the full set of deals, level of control does matter. 34% of the total 505 deals was non-control investments, of which only ~30% was successful. For the control investments, the success rate rises to

EXHIBIT 3

Non-control investments generally did worse than control investments

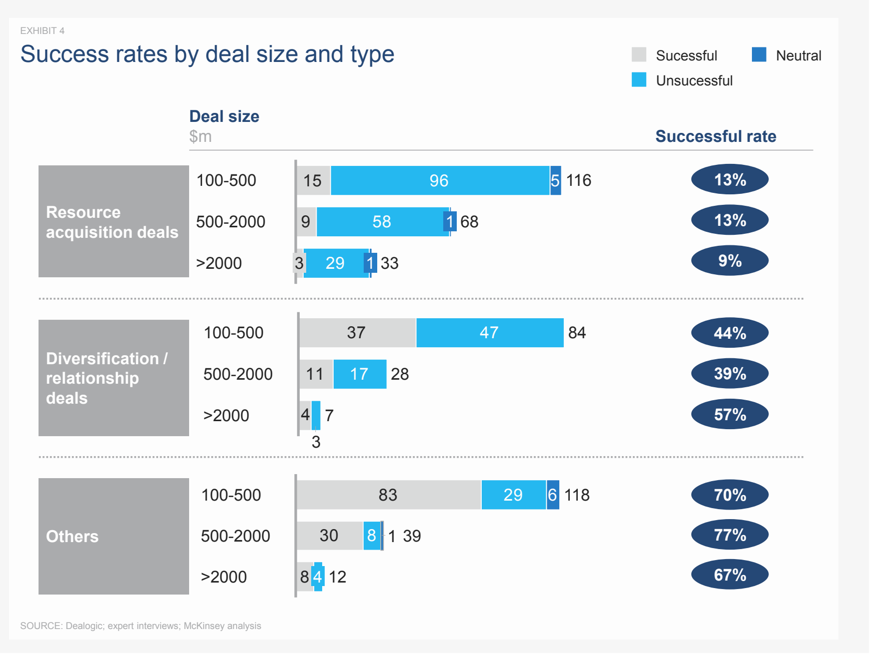


1 Others include sectors has less than 4%: Auto, Dining & Lodging, Food & Beverage, Forestry, Healthcare, Holding Companies, Leisure, Machinery, Oil& Gas, Professional Services, Property, Transportation

Note: We define control as having >50% share ownership in target company.

SOURCE: Team analysis

around 45%.



This paints a stark picture overall. Of 505 deals and $432bn of deal value, only 200, worth $146bn, have achieved their objectives. Moreover this happened at a time when M&A was, in fact, creating value for most companies. In the post-2008 period, when money became historically cheap, equity markets were encouraging companies to acquire for the first time in decades, to convert cheap funding into productive assets. Asian acquirers in particular were rewarded richly by their investors for acquiring. For example, the market more consistently rewarded Asian acquirers, on average, than Western acquirers for the value their deals were expected to create.

The challenge of integration

What, then, caused problems for Chinese acquirers? The primary controllable reason for failure is lack of integration post-deal. In too many cases, the Chinese acquirers were reticent to take control post-deal.

Chinese companies do not pay a higher premium than other buyers. Over the past year, the average premium paid by Chinese acquirers was 25%, vs 32% for all cross-border deals. But they do pay a premium, and that requires that they will extract synergies, which is usually only possible through active management of the asset post-deal. Therein lies the challenge.

The majority of Chinese companies pre-2010 – and indeed most today – had very limited ability to operate overseas assets. Where they had managers with international experience, their experience tended to be in sales or procurement; the cadre of experienced managers who had run businesses outside China was small, usually even smaller in the SOE sector where salary constraints often prevented hiring managers returning from overseas. Moreover that experience needed to be relevant, managers needed to be capable of operating in the language and business culture of the target's home country.

Where next for Chinese acquisitions?

These are still early days for outbound Chinese investment: what we will see over the next decade will be a multiple of what was spent in the past. For example, Chinese companies spent 0.9% of GDP on outbound acquisitions in 2015: US companies spent 1.3%, and EU companies 2.0%, investing 2.4x and 3.2x the dollar amount Chinese companies spent respectively. In 2015 Chinese companies invested $612bn within China in acquisitions alone. We are at the beginning of a long growth curve, and the successes and failures of the past decade are most useful in providing lessons for future deals.

The last decade reminded us that success in M&A will always depend on good decisions backed up by good luck – and one can never ignore the latter. If the resource deals had happened a few years earlier or later, many would have been hugely successful. Managers cannot hope to have perfect timing. However they can control what they do after the deal, and this is where they should focus their attention.

Considerable effort is always spent on understanding the industry, projecting pricing and demand – in other words, trying to assess the 'luck' side of the equation. More time should go on planning how you will integrate, as this is fully within their control.

We remain optimistic for outbound Chinese acquirers. Chinese companies have almost limitless opportunities to experiment, to take risks and learn from their mistakes. This is precisely the ability that will make them successful as acquirers abroad. The era of learning is ending, the era of execution is about to begin.

Funding China's outbound acquisitions

David Cogman
Arthur Shek

Many foreign companies assume that there is effectively unlimited capital made available for Chinese companies to buy abroad, and that capital comes with at least implicit political direction. Reinforcing that perception, more than 5,500 Chinese investment funds have been formed over the last five years, with aggregate capital of over US$300bn, many of which have objective that include supporting foreign acquisitions. This raises some understandable questions: will asset prices get bid up to unrealistic levels? Is support from financial investors changing the deals strategic investors are doing?

We looked more closely at the type of outbound cross-border deals being done from China – acquisitions of non-Chinese assets by a strategic or financial Chinese investor – where at least one fund partnered with a strategic investor to make the acquisition. From 2013 to 2016, there have been 249 such deals – where a fund co-invested with a strategic buyer, and one or both were Chinese. The results do not support fears of inflated valuations. Indeed, they reveal an interesting pattern in how these funds are working with strategic investors, which suggests that their motivations will remain predominantly commercial and not policy-driven.

Two models of collaboration

Most of the deals over the past four years fall into two broad groups: China-led deals, driven by Chinese strategic investors' interests, and foreign-led financial investments, mostly into early-stage companies.

'China-led' club deals, involving at least one Chinese fund and one Chinese strategic investor, represent just under a third of the deals. These were relatively large acquisitions, with an average size of $539m, investing into mature and established foreign companies. On average three Chinese players co-invested, with the occasional foreign investor joining in. These deals are in almost all cases acquisitions of foreign assets by Chinese corporates, with various funds participating to provide financing and deal execution support. When involved, the foreign investors were usually funds; 22 of these deals had a foreign financial investor, and only 13 a foreign strategic investor.

Of the remainder – the 'foreign-led' deals – the vast majority had only one Chinese investor. In most cases, this was a strategic rather than a fund – and the deals had, on average, 4 foreign investors. Over 70% by value were venture / growth capital: the average deal size was only $90m.

The growth in these co-invested deals is clearly coming from the 'China-led' transactions. These went from 18% to 36% of deals by number, and 11% to 87% by value over the last three years. Within these, the Chinese-only deals were larger – USD614m on average – and 18 of the 20 were for a 90%+ stake.

For the larger deals, the benefits of Chinese ownership are increasingly important to the sellers. In four out of top five transactions in 2015 and 2016 (Pirelli, Playtika, Lexmark, and KraussMaffei), targets' management team had concrete and specific plans to capture revenue growth from China or Asia after the deal: for instance Club Med stressed the value to them of tapping into Chinese outbound tourism as part of their growth strategy when they took investment from Fosun.

At the other end of the size spectrum, motivations are quite different. In the early-stage investments – which account for 172 of the 180 'foreign-led' deals – the Chinese investors were typically passengers rather than drivers. Foreign parties outnumbered Chinese by 4:1 in the buyers' syndicates. Outside the venture capital deals, the opposite was true: the ratio was 2:1, and in 3 of 8 deals the buyers took majority control. For this latter group, the choice of partners is largely driven by provision of local expertise: for instance Tianjin Tasly Pharma's acquisition of South Korea's Genexine was co-invested by several South Korean funds, such as LIME Asset Management; Zoomlion's acquisition of Italy's Ladurner Ambiente was invested by Mandarin Capital, an Italy-centric Sino-European mid-market fund.

On both Chinese and foreign sides, the funds were primarily venture and growth capital investors. The most active global funds in these investments were GGV (11 deals) and Sequoia Capital (10 deals). All of their deals are of the early-stage type, in which the majority of them are in the tech space, co-investing with Chinese internet companies. (9 out of 11 for GGV, 8 out of 10 for Sequoia). The most active Chinese funds were Hony Capital, with a variety of acquisitions including some large ones (Lexmark and Playtika), and Ping An fund which partners mostly with healthcare strategic players to invest in healthcare venture deals, with 6 deals each.

The changing profile of deals

The type of co-investment deals is also changing fast. Today's deals are noticeably bigger, more often for majority control, less dominated by the state sector, and heavily technology-focused.

The average deal size jumped from US$111mn in 2013 to US$233mn in 2016. Excluding the smaller venture capital and growth capital investments, it more than doubled from US$459mn to US$950mn. This includes some very substantial deals, such as the USD4.4bn acquisition of Playtika led by Shanghai Giant Network, Hony Capital, and Yunfeng Capital; and the USD3.6bn acquisition of Lexmark led by Apex Technology, PAG and Hony Capital. There were six deals worth more than half a billion dollars each in 2016, compared to only one in 2013, the USD2.3bn acquisition of Activision Blizzard participated by Tencent.

Chinese buyers are increasingly seeking outright control. In 2016, 9 out of 10 acquisitions of equity stake in a mature company were outright acquisitions, and the tenth involved acquiring a 90%+ stake. In 2013, 44% of these deals involved only a minority stake changing hands. This reflects the changing role of these deals. Many of the earlier ones were financial investments where a strategic investor was a less active participant: these days, they are increasingly strategic-led investments where funds provide financial support.

Perhaps the most striking change – though not unexpected – was the rapid fall in importance of state-owned enterprises (SOEs). 15% of deals in 2013 involved an SOE: in 2016, it was only 6%. This is partly because SOEs rarely invest into early-stage deals – it falls so far outside their expertise and experience – and partly due to the anti-corruption that gathered momentum from 2013 onwards, which has made SOE managers increasingly cautious.

SOEs are mostly found in the 'China-led' transactions: they were present in only 10 of the 180 'foreign-led' deals. Where they participated in those, it was generally to facilitate acquisition of technology, such as SAIC's investments in SDCmaterials, CarSavvy, and Speaktoit, which they did with the objective of acquiring new capabilities from automotive catalyst materials to online auto marketplace and virtual assistant. However the deals they do are substantially larger. The average deal size for all the transactions involving SOEs (25 in total) was USD801m, compared to USD143mn for the 224 private-sector deals. They were also more likely to be repeat acquirers. ChemChina and China Life Insurance are the most active SOE buyers: each has led two acquisitions (Pirelli and KraussMaffei for ChemChina, and investments in Uber and various property investments for China Life).

The decline in SOE importance has been offset by a dramatic rise in the fastest-growing part of China's private sector – the internet companies. 63 of the 180 'foreign-led' deals involved one of the Chinese internet companies. The targets for most of these deals have are based on the US, and the typical profile is a pre-IPO tech deal where a Chinese investor joins a funding round. Examples of these include Snapchat (invested by Alibaba), Lyft (Alibaba), and Social Finance (Renren).

More broadly, the tech sector dominates the target landscape. It represents 55% by number and 58% by value of deals. The remainder is highly consumer-centric: healthcare represents 19% of deals, and consumer goods 9%. However the tech deals were not all consumer technology. China's push into semiconductor space is visible in the deal lists, with investments such as STATS ChipPAC and Integrated Silicon Solutions. This is true across SOE and private sectors, though the SOE sector is slightly heavier in industrial and resource deals, collectively accounting for just under 30% of all SOE investments.

Understanding the funds

The types of funds collaborating on outbound are a diverse group, but are mostly not state-linked. Of the fund/strategic collaborating on outbound deals are a diverse group, a total of 551 funds participated. 442 of these were foreign funds, 96 were private-sector Chinese funds, but only 12 of the funds had direct government ownership. Across all these three types the average deals participated per fund was only 1.5-1.6, showing that while some funds are more active (as discussed above), outbound investment is not an area which is particularly concentrated.

Over the past five years around 5,500 investment funds have been formed in China, and approximately 600 are 'government guidance' funds – effectively funds of funds to support and attract investment primarily for local startups. The larger government-linked investment funds, they have also played a surprisingly limited role in facilitating outbound investment to date. Only a few have been active in outbound investment. CIC has done considerably more, but their investment remit requires them to invest outside China, and in most cases their direct investments are not done together with Chinese strategic investors. A few others aquirers, such as CITIC, have state-owned roots, but are now fully commercial entities substantially free of policy direction.

Putting ‘cheap financing’ in perspective

It is clear that equity funding from financial investors is not – yet – playing a significant role in providing cheap capital for Chinese acquirers. The ‘co-investment’ deals were worth, in aggregated, $47bn from 2013 to 2015. During the same period, Chinese companies did $475bn of outbound acquisitions, and around $534bn of outbound direct investments. We estimate that the funds contributed only around $10-15bn of the total capital – not nearly enough to make a difference in pricing.

The ‘policy funds’ have in a few rare cases supported deals to advance national economic development objectives. ChemChina’s acquisition of Pirelli in 2015 and KraussMaffei Group in 2016 were both backed by central government funds – the Silk Road Fund and Guoxin International Development respectively. These deals strengthened ChemChina’s tire and chemical machinery businesses, aligning with central government’s broader plans to upgrade its manufacturing sector under the “Made in China 2025” plan. Changjiang Electronics’ acquisition of STATS ChipPAC in 2014 was supported by the National Integrated Circuit Industry Investment Fund, a fund intended to expand China’s footprint in the semiconductor ecosystem.

However these deals are the exception. The majority of policy funds’ overseas investments is proprietary investments in infrastructure or resources companies, and project finance. Taking Silk Road Fund as an example, only 1 out of its 6 overseas projects announced (out of 10 deals in total) is a co-investment with a Chinese strategic.

There is still considerable funding available for outbound Chinese deals – but as always, this comes from the banking system, and not from the funds. It is not limited to the Chinese state-owned banks: international banks seem just as willing to finance Chinese outbound acquisitions at very high levels of leverage. Some of the largest deals we examined had substantial financing from foreign banks and public debt markets. US$7.3bn financing for ChemChina’s US$8.6bn acquisition of Pirelli was arranged by J.P. Morgan. A consortium of 17 international and domestic banks arranged the

financing for ChemChina’s acquisition of Syngenta, for which US$33bn of the US$47bn deal value was financed through debt. Similarly, US$3.5bn acquisition loan from a mix of international and domestic banks was arranged for Tencent’s US$8.6bn acquisition of Supercell.

Where next for the funds?

We are still in the early days of Chinese outbound M&A, and the different actors are still defining their roles. The growth in these corporate/fund partnerships reflects clear needs on each side. Domestic corporates clearly value the support from funds in deal execution. Domestic funds are increasingly seeking opportunities to participate in the early-stage investments overseas. A small number of funds, domestic and foreign, are bridging a gap between domestic buyer’s aspirations and their ability to source foreign deals.

What is clear is that state-directed funds are not yet a swing factor in Chinese companies’ ability to finance deals, or to pay high valuations. For this, one need look no further than the traditional culprit, the banking system. Rising interest rates in the developed world and an eventual tightening of credit in China will, in time, rein this back somewhat, as will recent Chinese government talk of slowing down outbound M&A to reduce the risk of capital flight. However the banks – Chinese and foreign – are simply responding to the needs of Chinese companies, and their interest in outbound acquisitions will only grow in the coming years.

When Western companies were starting to acquire across regions in the 1970s and 80s, they did this primarily on their own: deals involving multiple buyers and some financial investors, were rare, though in those days the private equity industry was considerably smaller than it is today. From the outset Chinese buyers have gone in a different direction. We should expect funds to be a feature of Chinese cross-border M&A for the foreseeable future.

From active buyers to active owners

David Cogman
Gordon Orr

The most challenging part of most deals is what happens after closing. Research consistently shows that whether you get the integration right or wrong plays a much bigger role in determining a deal's success than any other factor, including the price paid.

There has long been an accepted 'standard' model of how to integrate acquisitions in the US and Europe – do it fast, eliminate duplicated costs early on, move to a single operating model as soon as possible. Speed and decisiveness are the most prominent features. Asian acquirers have often been circumspect about this, sometimes choosing to prioritize stability over speed, and take their time over integration[1].

As Chinese companies have become more active acquirers abroad, constraints on management's international experience and bench strength has forced them into difficult choices. They often acquire to broaden their capabilities and reach: but how then to integrate those acquisitions when you have very limited existing activities in their markets before the deal?

Chinese acquirers today are extremely diverse, and there is no single 'correct' model of integration for all situations. We have seen almost every possible approach be successful in one situation and fail in another.

Looking at the experience of the past decade, however, most post-deal management fell into one of five broad approaches. Of these, two did not really involve meaningful integration, but were essentially arms-length management of an asset. Three involved actual integration, but to differing degrees

- 'Hands-off', where the acquirer keeps the target's operations separate and manages it primarily through a board;

1 See "Invasion or Diplomacy", [[MoF reference]]

- 'Turnaround', where the buyer uses management appointments, compensation, incentives and financial reporting to put pressure on a standalone asset to perform better;
- 'Full-on' integration, where the target is as far as possible brought into the acquirer's management systems, requiring restructuring of how the target functions as a business;
- 'Selective' integration, in which the target is kept largely separate, but in one or two specific areas where there are significant synergies available there is much closer collaboration; and;
- 'Progressive' integration, which starts by integrating one functional area and gradually expands to others.

Part of success is knowing which approach to apply in which situation: each of these models have specific strengths and weaknesses. However there are useful lessons to be drawn from both successful and less-than-successful deals where they have been employed.

Minimalist post-deal management

Standard thinking on integration is that you should do it as fast and as comprehensively as possible, involving as much of both organizations as possible without risking business stability. This approach pervades Western business literature on the topic.

In the early years, most overseas acquisitions by Chinese companies did largely the opposite. They lacked managers on either side who could really work together, and they quickly found that the two companies' management models were incompatible. Even the most basic corporate processes like budgeting, planning and HR looked so radically different that there seemed little point in trying to harmonize them: what works in a Chinese context could not be expected to work in a Western context.

They therefore focused on governance mechanisms as the primary point of contact. Discussion on strategy, investment and budgeting took place at the level of the acquiree's board. Typically there was one 'bridge' person on each side – a pair of senior managers who would talk regularly and informally about issues – but there was no consistent 'pairing' of managers in functional areas such as finance and operations as would normally be seen in post-merger integration, nor was there transplanting of management processes from one company to the other.

This was a rational response to a challenging problem. Examples abound, and the companies can be happy with the outcomes. State Grid exercises control of ElectraNet mainly through governance mechanisms at the board level, but has little involvement in ElectraNet's operational decisions. Chinese managers implanted into ElectraNet tend to play liaison roles, rather than direct operational management. A similar setup was put in place at Putzmeister after Sany's acquisition. There is little direct involvement of Sany in the day-to-day business, and Putzmeister's management team remained largely intact. Annual planning and long-term strategy are aligned with Sany management by means of their participation in Putzmeister's supervisory board.

This approach remains the ingoing assumption for many acquirers. In several Chinese outbound deals in 2016, including Ctrip-Skyscanner, ChemChina-Syngenta, COFCO-Nidera and Midea-Kuka, there was explicit announcement pre-deal that the target would retain separate management and operations for several years after the deal. This was in part to reassure stakeholders, but also reflects a sensible degree of caution by the acquirer.

This model can be effective if value creation derives from routing the acquirer's order flow to the target company, or from taking IP from the target to further develop in the acquirer. However this raises the question of whether the benefits could have been achieved through standard commercial cooperation, without the need for a full acquisition; or whether the deal was really just a financial investment.

The risks involved are obvious. Success is highly dependent on a few personal relationships. If the model is used solely for regulatory or political reasons, it cuts off the acquirer from direct access to the 'controls' for the business. Significant operational improvements in the target are usually impossible, even if the acquired business suffers a performance downturn post acquisition.

Minimizing these risks requires establishing a 'control environment' early on in the deal – defining a set of basic management information that you see weekly, monthly and quarterly that will highlight any problems early enough to take action. What that information looks like varies from deal to deal, but it is never purely financial: it usually includes key indicators in operations, marketing and sales, and sometimes R&D and product development. This is not easy to do: it requires a deep understanding of the target business, and familiarity with what could go wrong. Companies pursuing a 'hands-off' approach to post-deal management often do so precisely because they lack this deep understanding.

Full integration

Some Chinese acquirers attempted full integration. These were in most, but not all cases, unsuccessful; in some cases spectacularly so. Generally these were deals with large cost synergies, requiring genuine integration to capture.

An example of this was SAIC's acquisition of Korea's Ssanyong Motor. On the face of it, this looked like a good deal: for half a billion dollars they acquired a complete IP and R&D platform with which to develop domestic Chinese products. Where the deal ran into problems was in turning around the Korean business. Chinese managers tasked with this had lacked the operating and cultural skills to make this work. Their attempts to restructure management and put in place new working practices quickly lost them the support of the incumbent executives, union and workforce. Unions rallied public sentiment against SAIC, Korean media supported them. In 2009 the company entered bankruptcy, and in 2010 majority control was acquired by India's Mahindra & Mahindra.

Complaints from the Korean side against SAIC were for illegal technology exports, but underlying issues were more fundamental. From the outset the Koreans resented attempts to impose SAIC's operating model. Those involved on the Korean side felt that they were disrespected and misunderstood by the team that managed the asset. Had SAIC chosen to keep Ssanyong's operations largely separate, perhaps it would have retained enough goodwill to carry it through a turnaround. As it is, it left a cloud over Chinese acquirers' reputation in Korea that persists to this day.

The stand-out success from the early days of outbound investment was Lenovo, and in their multiple acquisitions we find a very different story on full integration – one of how and when it can be successful.

Lenovo's goal was to become global #1, but expanding organically beyond China was proceeding very slowly: this deal would in one stroke take them from domestic leader to global leader. However the economics of this deal depended heavily on capturing operational synergies. Synergies worth almost as much as the price paid for the acquisition were available through procurement, but only if the two businesses were fully integrated.

To achieve this, Lenovo was willing to tear up and rebuild its own organization in the process: without that level of commitment, the deal probably would not have worked. It accepted that many of the current Chinese management would need to step back, at least for a while, and re-learn how to operate in this new environment. They also revamped their board to bring in more international experience to guide management. It was also willing to create new management processes in which foreign and Chinese leadership could both operate, which involved some painful choices, such as exiting previously successful managers who couldn't adapt.

After acquiring IBM's PC division, Lenovo identified 200 high-potential future global leaders emphasizing 'world-sourcing' to locate functional centers based on where the best talent was available, meaning that many decisions would no longer be taken in Beijing. These were all steps that few Chinese acquirers were willing to take then: indeed even now, most would still be unwilling.

Lenovo institutionalized its approach to integration after this deal, and did more than five subsequent acquisitions using a similar template. This was a significant investment of time and effort, only justified by the commitment to further growth by acquisition. Today, 60% of Lenovo's top 20 leadership team are non-Chinese, all with extensive international exposure.

Many companies – Chinese and foreign – often think that 'integration' means bringing the acquired company into your management model. Often that isn't the best choice, and indeed to get the best results from the deal you need to use what you've bought to change your own business. In Lenovo's case, it took them from being a Chinese company to an international company with Chinese heritage. For most Chinese acquirers, that would be an unappealing choice: they want to become an international business without changing too much about how they operate at home. As many foreign acquirers have found as they expanded abroad, that is hard to do.

Turnarounds

One type of deal that rarely appears in lists of outbound acquisitions is the purchase of a distressed manufacturing business. Post-2008 there have been plenty of acquisitions of financially distressed businesses, such as real estate assets where the owner has a cashflow problem, or the resource acquisitions where the commodity price had fallen. But it was relatively rare to see a Chinese buyer purchasing a manufacturing company in or near bankruptcy, buying with the intention of 'fixing' the business. Few Chinese companies have these skills. The ability to 'fix' a distressed business is a scarce and special ability. In the growth-focused China market of the 1990s and 2000s, very few Chinese managers ever needed to develop this particular skillset.

There were a few early examples of this, such as SEC's purchase of printing equipment manufacturer Goss International in 2007, which they subsequently divested to PE firm American Industrials Partners in 2015. In recent years there have been a small but growing number of Chinese companies attempting a genuine turnaround of a foreign business. Perhaps the most notable example was Shuanghui's acquisition of Smithfield. Much was made at the time of the political and financing aspects of this deal – investments into US agriculture are politically sensitive, and the deal was highly leveraged – but what happened post-deal is far more interesting.

Smithfield before the deal was very loosely organized: it had three distinct operating centers in Kansas, Chicago and Virginia, and a large number of independent operating companies, resulting in considerable duplication and redundancy across their US operations. The top management were long-term veterans of the company, on high salaries but with limited incentives to shake the company up.

Shuanghui saw synergies in accessing a reputable US meat brand. However it didn't stop there: it wanted to strengthen US operational performance. It first consolidated the operating centers to two, with the goal of eventually reducing to one. It streamlined shared services across all operating entities, and reorganized into business units with primary P&L responsibility, rather than the fragmented operating companies that dominated pre-acquisition.

It also introduced Shuanghui's business reporting system – transplanting all the processes and templates into Smithfield. These were much more detailed and rigorous than Smithfield's previous performance management system, and also required much more frequent reporting. It also put in place a much stronger performance-based compensation system than had previously existed. Over a 2-3 year period it retired the previous management tier, and installed a new top management team, promoted mostly from within. This 'changing of the guard' had considerable signaling value to Smithfield's staff. Shuanghui was not importing managers from outside, it was bringing through the next generation of leadership, giving them a platform in which they could individually grow and prosper.

Shuanghui only deployed one full-time senior manager to Smithfield. The implementation work was all carried forward by the Smithfield employees themselves. The board of Smithfield, however, is composed of three Shuanghui representatives and the new Smithfield CEO: accountability is very clear.

This model – changing management, imposing a tougher performance management system, simplifying the organization, and strengthening financial incentives – is essentially the model that private equity investors use on portfolio companies, though the PE investors perhaps use more financial leverage and allow the management to make more personal profit if they deliver. But the philosophy is very similar. This raises the question: if Shuanghui could do this with only one manager in the company, why can't everyone else do it? Are turnarounds really that difficult?

The short answer is that you need the right conditions for this sort of deal to work, and those conditions have not been seen much in recent years due to equity market valuations. Smithfield was not cheap: Shuanghui paid ~9x EBITDA for the asset. At that valuation, few financial investors would be interested in a 'buy-to-fix' deal: the risks were high relative to the potential rewards. Hence Smithfield was able to operate with these inefficiencies, as there were few potential buyers able to come in and fix them. Shuanghui, however, could count on significant synergies with between the Smithfield brand and its Chinese operations to backstop financial performance. Even if it wasn't entirely successful in the turnaround, the deal would still probably have made sense financially on the basis of those synergies. It was additionally fortunate in that there was an ambitious second tier of managers in Smithfield that supported change.

It's clear from this example that turnarounds are perfectly possible. If valuations cool off in the coming years, then over the next decade we should expect this kind of turnaround to become a common part of the globalizing toolkit of Chinese acquirers.

Selective integration

In recent years there are an increasing number of deals where the acquirers have attempted to selectively integrate one or two business areas, while managing the overall relationship with the target through a board. Under the right circumstances, this can be effective. A few examples illustrate common features of this model.

Petrochina – Ion: combining technology with market presence

When a subsidiary of Petrochina acquired geophysical survey technology company Ion in 2010, Petrochina was already one of the world's largest contract explorers for hydrocarbons. Ion had arguably the best 3D seismic imaging equipment in the industry. The industrial logic of combining the two was compelling. However Ion was a relatively flat, informal and entrepreneurial Houston-based company and Petrochina remains a large and complex SOE.

What Petrochina had, however, was a small group of managers who had accumulated many years' experience running exploration operations outside China. These managers shared a common technical language and frame of reference with Ion's management. Hence they became the 'bridge team' between the two companies. Management of Ion was done primarily through the board, but there was extensive and close collaboration on how to rapidly deploy Ion's technology and expertise into Petrochina's exploration operations. Other functional areas were left largely untouched.

CSR – Dynex: accelerating scale-up of R&D

In 2008 Dynex, a mid-sized UK based semiconductor company focused on selling modules into the railroad sector was 75% acquired by China state owned CSR (one of China's largest railroad equipment producers who at the time were ramping up their high speed rail capabilities). CSR provided Dynex with new capital to scale up their R&D and to expand their sales force into new geographic markets. CSR brought the Dynex products to market in China through their own products and channels. Dynex management now includes several executives from CSR, including the head of R&D and of sales and the board has four Chinese members out of a total board of nine.

Making selective integration work

This approach is appealing, though it is not easy to execute. Making selective integration work requires a few key skills that not all companies possess.

First, the acquirer needs the ability to manage an asset through the board. This is not as simple as it sounds. Boards are cultural phenomena; their authority and role varies significantly across countries. The legal role of a board in China is quite different from the US, Germany or the UK. Some companies and individuals are notably skilled at doing this – for instance, this is the standard operating model for Hong Kong conglomerates such as Swire and Jardine Matheson – but many are not, and view the board as little more than a legal formality.

Second, the acquirer needs bench strength in the specific integration areas. The acquirer needs a cadre of people – maybe as few as a dozen – which can interact at a working level with the target, and have credibility with the target's managers.

Third, the acquirer needs a deal team capable of negotiating the right kind of arrangements prior to deal closing. Negotiating in this context doesn't mean writing it into the legal agreements, but rather reaching a practical mutual understanding with the other side, with no confusion or ambiguity. This is harder than it sounds. In some situations, notably tightly controlled auctions where access to the target is restricted by the sale process rules, it may be outright impossible – one of many reasons why Chinese aquirers still do not like competitive public sale processes.

Progressive integration

Geely's acquisition of Volvo in 2010 was a milestone in the global auto industry: it was the point where many in the MNC auto community woke up and realized that domestic Chinese auto makers were serious in their international ambition. Domestic brands had not, at that point, achieved notable success in the domestic market relative to Sino-foreign JV brands. None of them had meaningful presence outside China, and none had integrated foreign operations into their business: in the case of the Sino-foreign JVs, it was domestic operations that integrated into the global product platforms.

Auto integrations pose unique challenges. Value lies primarily in achieving scale through consolidating product platforms and procurement. This is hard to do without doing a full-on integration of the two companies, hence most post-merger integrations in auto are very hands-on and involve extensive restructuring of one or both sides.

Geely's management were aware of the risks involved. Having bought Volvo out of financial distress in 2010 at a relatively attractive price, they had more time on their side than most acquirers. They decided, sensibly, to walk first before running. The easiest and highest-value part of the integration was sharing R&D and manufacturing expertise from Volvo into Geely, and this was the first area of focus. The next area was a significant step-up: finding operational synergies across production platforms in procurement and product roadmap. This was a multi-year effort. The next step was to look at the marketing and distribution footprint, and find areas that could be consolidated.

The pace of integration has been slower than was anticipated at the outset. Yet the company has defied the skeptics who predicted culture clash and financial underperformance. Geely traded off returns against risk in this approach, and having avoided the short-term danger of becoming another SAIC-Ssanyong, it had time on its side to achieve its strategic goals with the business.

Working with partners: can co-investors help?

The problems we have discussed include a mismatch between management systems, and lack of experience operating in a foreign environment. Can these be addressed by involving a financial investor as partner? Numerous co-investors, primarily buyout funds, actively seek opportunities to partner with Chinese acquirers in these situations. Their greatest value is in the pre-deal stage. They can be very helpful post-deal; however they create one significant additional problem, which is orchestrating their exit from the investment.

Funds bring deep experience in deal execution and in managing the stakeholder issues surrounding them. This is of significant value to Chinese companies that lack the network to generate proprietary dealflow, providing opportunities that they otherwise wouldn't see; and it helps them navigate the deal process more efficiently. Partners are less consistently helpful in navigating government and other stakeholders, such as Huawei's failed bid for 3com: even Bain Capital as co-investor was unable to get the deal through CFIUS review.

Zoomlion's 2008 investment in Cifa is a good example of how the dynamic changes from pre- to post-deal. A triumvirate of financial co-investors – Hony, Goldman Sachs and Mandarin Capital Partners, a Sino-European fund with strong links to Italy – helped source and complete the deal. They provided heavy support on diligence, negotiation and funding, and setup corporate governance post-closing, without which the deal would have been considerably harder for Zoomlion to execute, perhaps even impossible.

They also helped find and install a new CEO. However post-deal the company struggled in operations and R&D – two areas where the PE investors did not bring much to the table. Revenues fell, and before too long the PE-backed CEO was replaced by one of Zoomlion's choice. However despite poor financial performance – revenues in 2011, only three years out from the initial investment, were less than 40% of pre-deal projections – the financial investors still managed to exit with respectable returns. PE investors put considerable effort into the structuring of these deal to protect their downside, and typically the strategic investor takes greater risk. This is because the majority strategic investor has greater ability to manage the asset post-deal than minority financial investors. Nonetheless it is uncomfortable when the strategic investor does more operationally, but makes lesser returns.

In Lenovo's first outbound deal, the acquisition of IBM's PC business, two foreign funds – TPG, General Atlantic – invested alongside Lenovo, and brought considerable expertise in deal execution and risk mitigation as well as in providing international credibility to Lenovo, who had almost no profile outside China at the time. However their ultimate interest was in the returns they could generate, while Lenovo's core motivation was in developing an international platform for growth over the coming decades. This initial deal perhaps needed the funds' involvement to achieve success. In subsequent deals, Lenovo chose to be the sole investor.

In recent years a new kind of partner has emerged: local Chinese funds, some private-sector, many with some form of government funding, who help Chinese companies execute acquisitions. Staff in these funds, particularly at the junior level, are typically Chinese nationals with international experience – people who have studied and worked in investing abroad – hence they bring experience that the companies they partner with lack. The limited partners are predominantly Chinese institutions, and they often do not have the pressure of the fundraising cycle that foreign funds feel, allowing them to be more relaxed on the timing of exit for their investments.

It is too early to say whether these funds will behave differently from their foreign counterparts. However they provide a middle-ground, and the numbers of co-invest deals with them involved has grown very fast in the past few years. Take, for instance, Chinese retail operator Sanpower's acquisition of Brookstone Holding, a US-based retail store network. They were supported in this by Sailing Capital, a Shanghai-based fund set up to assist Chinese companies acquiring overseas, relying primarily on RMB sources for funding but whose investment team has a background working for foreign investment firms such as PAG. Early results appear positive: it has opened three stores in China already, including a flagship in Shanghai, has increased the pace of format innovation and marketed more aggressively toward younger age groups.

There is clearly a role for funds to support outbound acquisition. However it's less clear that they can play a major role post-deal in integration. In all the examples we looked through, we found few where the fund had played a meaningful role in operational improvement or restructuring.

Building the toolkit

The fundamental challenges that we have highlighted above mostly come down to three areas: the historic lack of a managerial cadre that can function in a foreign acquisition; incompatible management systems; and differences in corporate culture. Over time, it is becoming easier to address these. The pool of internationally-experienced Chinese nationals with experience in multiple corporate cultures continues to grow, and Chinese companies' management systems continue to become more sophisticated.

That said, there are a few necessary elements to successful deals that Chinese companies will not develop unless they make the effort to do so. The first is to develop their own 'playbook' for these acquisitions. As with any corporate function, you become good at M&A by codifying and standardizing how you do it – by finding out what works for you individually. Lenovo did this after its purchase of IBM's PC division, and it has served them well in subsequent acquisitions.

The second is developing the ability to run a company in a light-touch manner primarily through the board. This is something that no company or manager has naturally, and how you do it outside China is substantially different from within China. It is a question of knowing what management information to look at, how frequently, where you need transparency

into operations and how to achieve that. Most successful private equity investors acquire this skill through the course of their careers by sitting on multiple investee company boards, but it is not reasonable to expect a corporate manager to know how to do this.

As many Chinese companies have come to realize, there is no magic bullet for integration. Investing in your own skills and capabilities gives you more options to choose from, but you still have to make the right choice and execute well on it. As these companies' deal teams mature and build experience, we are seeing more thoughtful and ambitious approaches to post-deal integration. This is good, as without raising their game on integration, they will struggle to create value from the current wave of deals.

Paperwork and politics: navigating cross-border M&A regulation

David Cogman
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The experience of a foreign company investing in China is very different from that of a Chinese company acquiring abroad. However they share one thing: concern around the regulatory approval process. Companies on both sides fear unfamiliar, lengthy and potentially politicized review processes, in markets where their access to policy-makers is weaker than at home.

The effects of this are largely invisible. Every year an unknown but significant number of deals die, or never get past exploratory discussions, because one or both sides feels the chance of clearing antitrust or foreign investment review is too low. The vast majority of deals that go through review, both in China and abroad, are approved without remedies: typically fewer than 5% of those that reach this hurdle actually fail at it in the EU and US. However those that are not approved unconditionally are most interesting, as they show where the line is drawn.

Acquirers worry about the formal antitrust reviews, and rightly so, as the process is time-consuming and sensitive. But the history of regulatory decisions suggests they should be more concerned about how they build political support for deals. Typically when deals run into problems in the regulatory process, often it is failure to orchestrate support among critical stakeholders that makes the difference.

Chinese firms abroad

Regulatory approval is a pervasive concern for Chinese companies acquiring abroad, and understandably so. In their domestic market they are extremely sensitive to the interests of political stakeholders, and they expect this to be important abroad. However they lack the frame of reference for how they deal with them; they are often unfamiliar with how to interpret guidance, or lack access to the right channels of communication. This is not helped by the fact that every jurisdiction has different stakeholders and review processes.

Partly for this reason, Chinese corporate acquisitions tend to be concentrated in a relatively small number of countries. The US accounts for 28% by value; Australia for 8%; and the EU 32%, of which Germany alone represents 14%. To be sure there are very significant amounts of foreign direct investment in emerging economies – approximately 17% (Russia, CIS, Central and Latin America, Southeast Asia and India) over the past three years – but these are almost all in the form of infrastructure investment and not acquisitions of existing companies.

Despite all the concern, only a very small number of deals have actually been blocked, the majority within the last few years. However this is due to precautionary avoidance. Many Chinese acquirers will pull out of discussions if they perceive a risk that regulators would impose remedies. Moreover in many auctions, the sell-side are still cautious about taking Chinese bidders past the first round unless they can provide convincing arguments that they will clear antitrust and foreign investment review – which nobody can say for certain ex ante.

Blocked deals

The profile of deals blocked outright is striking. To date ten have been halted by regulatory review – eleven, if one counts an aerospace deal discussion blocked in the 1990s. Of these, eight were acquisitions in the US, and the ninth was subject to review in the US despite being a European company. Only one was blocked by EC for anti-trust reasons (e.g. HK based Hutchison Whampoa's acquisition of the UK telecom O2 in 2015). Chalco's 2009 bid for Australia's Rio Tinto received significant regulatory scrutiny on security grounds, but it was ultimately halted by shareholders who considered the terms too generous to Chalco. CNOOC's 2005 bid for Unocal did raise antitrust concerns, though the latter was blocked primarily on security concerns. Hence to date, only one has been blocked due to anti-trust review: all others were due to foreign investment review.

Seven of the ten deals in the US were technology deals, and almost all were blocked during the CFIUS review process: the bid for Fairchild Semiconductor by a Chinese consortium was halted by Fairchild as they believed it would not clear CFIUS. Only two recent deals were not technology-related – SANY's investment through Ralls Corporation's into a wind plant that overlooked a military installation, which was stopped by presidential order, and CNOOC-Unocal, which had energy security implications. These aside, the concerns are around technology with either a military use or strategic importance passing into Chinese control.

Deals with Remedies

A far greater number of deals have been cleared with remedies imposed: however this again has more to do with national interests than competition. This is perhaps not surprising, as antitrust concerns focus on reduced competition within a market: a Chinese company entering a new geography via acquisition is less of a concern than a consolidation merger between two players in the market.

Since 2006, around 5% of all deals acquiring into the EU have had remedies imposed by the European Commission. China is running at a slightly lower rate: since 2012, there have been 80 Chinese acquisitions of EU companies, of which 20 have been reviewed and only three received remedies. These were all telecoms deals that raised standard antitrust concerns – Hong Kong's Hutchinson Whampoa acquiring telecom players in Austria, Ireland, and Italy. For example, during Hutchinson Whampoa's acquisition of Orange in Austria, the remedies imposed against reduced competition were divestment of radio spectrum and operating rights to a new entrant in Austria – ensuring that the market continued to have four players – and wholesale access to Orange's network for mobile virtual network operators. Both of these are standard remedies often seen in mobile telecoms consolidation deals.

Chemchina's recent acquisition of Syngenta, currently under review, seems likely to become the fourth deal to clear with remedies, after the parties submitted proposals in January around how to address EU concerns around their overlapping portfolios.

Since 2006, less than 3% of all inbound US deals had remedies due to antitrust concerns. The DOJ and FTC do not make their data public, but reviewing the HSR annual reports since 2006, no individual Chinese acquisition was specifically discussed, nor any significant general concerns over Chinese acquisitions raised.

CFIUS also imposes remedies when clearing deals; indeed the rate of conditional approvals is significantly higher than for antitrust review: around 8% of transactions from 2009-14. China plays a significant role in CFIUS reviews – during 2012-4, around 20% of all cases notified to CFIUS were Chinese acquisitions, the highest share from any one country. The themes emerging in the investigations are typically access to critical technologies, control of strategic supply and relationships with the US government. In these cases, divestment of select assets or operations is the usual remedy. Examples include the CNOOC/Nexen case - CNOOC had to give up operational control on oil & gas producing facilities in the Gulf of Mexico given its proximity to a US naval base; Anbang's acquisition of Strategic Hotels & Resorts, where it was forced to divest properties physically close to US military bases; and Wanxiang's acquisition of A123, where it had to divest a subsidiary that provided batteries for the US military.

National security and national interests

The US is far from the only country with a national security review. However CFIUS review is considerably more active than its counterparts in other countries, and less predictable. Some, such as Australia, have drawn clear lines around what is and is not acceptable – in Australia's case, this happened through the political debate surrounding Chalco's bid for Rio Tinto. Others, such as Germany or the UK, only rarely raise significant security concerns over acquisitions - the most notable recent case was Chinese investment into German semiconductor equipment manufacturer Aixtron, where security concerns over sensitive technologies ultimately stopped the deal from proceeding.

What makes the US review unique is the degree of politicization. The formal review itself – the materials and analysis submitted – is cursory. The committee draws on extensive advice from elected and appointed officials in a relatively opaque way, and a flourishing ecosystem of advisers and lobbyists with connections to the committee has developed to help companies influence the discussions. The likelihood of approval depends as much on the political climate as on the facts of the case – something that worries Chinese companies given the tone of the new administration.

The first few attempts by Chinese firms to influence CFIUS review showed a lack of understanding of US lobbying and PR. When Huawei's bid for 3com was blocked, it wrote a public letter quoting Thomas Jefferson arguing the merits of free markets and protesting that it was not an SOE. In practice, the Chinese tech giants will always be viewed as close to the government, and as a developer of telecoms infrastructure equipment 3com was clearly a sensitive target. Over time, Chinese firms have become more adept at managing the process, and staying out of the spotlight. However Chinese deals going through CFIUS will always be vulnerable to lobbying by domestic interests, which the acquirers will find it hard to counter.

Foreigners in China

China's merger approval processes are the youngest of any major economy. Despite this, decisions are remarkably stable and predictable in their outcomes: the logic they follow, however, looks quite different from what is applied in other markets.

Their formal foundation was the 2007 Anti-Monopoly Law, which created a process for the seven different ministries and government departments involved to give input on deals, and the Foreign Investment Law, which when implemented will consolidate a raft of older legislation on foreign investment.

The Anti-Monopoly Law created a process that looked, in form at least, very similar to EU and US processes: it utilizes similar analyses, looks at the standard market concentration metrics, and imposes similar remedies. MOFCOM's Anti-Monopoly Bureau presides over the process, but itself is not the sole decision-maker: it consolidates the views of at least seven different ministry-level government organizations, and solicits input from many different commercial stakeholders.

The law does not clearly set out policy priorities, only broad grounds for remedies. The longest-standing and most comprehensive publication on policy is the investment guidance catalogue, compiled by the NDRC and MOFCOM, which sets out where foreign investment is acceptable and at what ownership level, existed for many years before. It is currently on its seventh version, and over the years has generally become more restrictive. Unlike most countries' foreign investment guidelines, it sets out where investment is encouraged and permitted as well as where it is not welcome. For many years the government has discussed moving to a 'negative list', which categorically lists where investment is not permitted, thus confirming that all other sectors are open, but that remains in the planning stage.

The catalogue, however, has never been the full story. There have always been additional published guidelines and a large body of unwritten rules – for instance, that strong consumer brands should not be acquired by foreign brands, or what kind of technology transfer is needed to get a Sino-foreign joint venture approved. While there are never definitive public statements on these rules, neither are they kept secret.

The vast majority of deals either pass without remedies, or are stopped prior to that point. Up to Q3 2016, MOFCOM had reviewed 1,563 investments, of which remedies were imposed on 27, and only two were rejected outright. The majority of the deals with remedies imposed were offshore transactions – where a foreign company acquired another foreign company, and required clearance in China due to a sales presence here.

Only three of the 27 were outright acquisitions of Chinese companies, of which two were blocked. Looking at these decisions, the sensitivity is clearly not just around protection of consumers, but also about advancing commercial interests – specifically in four key areas.

- **Protection of prominent local companies.** The review process is particularly sensitive to deals that affect emerging national champions. This is seen most frequently in tech deals that affect access to IP or components. When Google acquired Motorola, MOFCOM's primary concern was the impact on the many Chinese smartphone manufacturers, and imposed tough requirements: for example Google was required to license Android free of charge and in open source to all OEMs for five years after the deal – an eternity in this fast-moving sector. In Nokia's acquisition of Alcatel Lucent, Nokia was required to make essential patents available to Chinese telco equipment manufacturers under the FRAND rules – another strategically important sector for the country. However remedies went substantially beyond FRAND: Nokia was also required to notify Chinese licensees should it transfer its patents to 3rd parties.

- **Protection of national brands.** China has relatively few strong consumer brands, and anti-trust decisions have always sought to keep them in local hands. One of the first ever decisions – on Coca-Cola's acquisition of Huiyuan Juice – attracted much attention from commentators. Many argued that the given explanation of consumer protection was oversimplified, and in fact was to protect Huiyuan as a national brand…that it used the excuse of consumer protection to do just that, rejecting the acquisition on a complicated reasoning that persuaded few. The remedies applied in InBev's acquisition of Anheuser-Busch also prohibited both players from acquiring more shares in local breweries, specifically their respective shares in Guangzhou Zhujiang Brewery and Tsingtao Brewery. Neither of them were also allowed to purchase shares in two other local brands (Snow Beer and Yanjing Beer) without

MOFCOM's advance approval. The subsequent remedies imposed in InBev's acquisition of SAB Miller were more sophisticated, but had a similar objective. SAB owned 49% of domestic brand Snow Beer, and post-acquisition the combined business would have 40% of domestic beer market share. MOFCOM required divestment of their stake to state-owned enterprise China Resources, previously the majority owner, leaving the brand in Chinese hands.

- **Advancing technology transfer.** Approval of many acquisitions, and practically all joint venture approvals, are used as leverage to accelerate technology transfer in priority industries. When reviewing GE's joint venture with Shenhua on coal gasification, MOFCOM ruled that the deal was anti-competitive, but permitted it subject to remedies on how the JV treats customers to facilitate bringing a much-needed technology into China's energy sector. Western Digital's acquisition of Hitachi's hard drive business was initially subject to very aggressive remedies, forcing the two businesses to remain separate within China. These remedies were removed quickly after Western Digital announced an investment by, and technical collaboration with China's Tsinghua Unisplendour, a major state-owned enterprise in the technology space.
- **Protection of information security interests.** Anything touching on the internet, media or telecom sectors is subject to heightened scrutiny; a bright line is drawn around foreign control of 'online' assets, enforced by licensing requirements. The scope of this is extremely broad. For instance, when Wal-Mart bought a minority stake in online grocer Yihaodian in 2012, they were effectively prohibited from controlling the B2C 'marketplace' part of the business, or offering other value-added telecoms services: they were only permitted to operate the direct grocery sales to consumers. They eventually divested the business to JD.com, a major Chinese e-commerce player in 2016.

Foreign acquirers in China spend considerable time and effort preparing anti-trust submissions and presenting the merits of the deals. They spend far less time building support among the main corporate stakeholders – the companies affected by the transaction. However it is those stakeholders that play a major role in forming MOFCOM's views of how the deal affects Chinese industrial interests – the information they provide will always be more persuasive than lobbying by a foreign investor.

There are practical reasons for this. Maintaining confidentiality pre-announcement prevents widespread discussions within the industry: post-announcement both sides are fully occupied in working toward closing. Moreover most companies pass the anti-trust process management to their legal counsel, and while they may advise networking with corporate stakeholders, they will not do that for the acquirers. It is rare to see senior management get involved in active stakeholder management before the point when problems have already come up, beyond the obligatory visits to MOFCOM, the NDRC and perhaps industry stakeholders. By the time they do get engaged, interested domestic companies will already have shared their views with MOFCOM, and an informal consensus may already have been reached.

When that view is negative, it typically becomes a frustrating and confusing experience for the acquirer. MOFCOM will not always disclose fully the specific source or nature of the concerns, nor will it necessarily give guidance before the ruling: it is under no obligation to disclose private conversations with industry participants. And once remedies are announced, the track record of getting them lifting is not encouraging. Only one transaction achieved that, and then only by bringing in a significant Chinese player in the industry as an investor.

Mastering regulatory management

There is a tendency in cross-border acquisitions to focus more on the form than on the substance of regulatory approval: the market share analysis, the technical arguments around market definition and contestability, the protections offered against security concerns, and above all the timeline and discussions with the regulators themselves. This focus is understandable and to some extent necessary, as approval processes are complex and time-consuming.

Ten years ago Chinese companies operated at the most basic level in regulatory management: they provided the information needed but were essentially reactive in the process. Most Chinese acquirers today, have raised their game to the point where they are more strategic about their management of the process – they actively propose remedies, work with regulators on market definition questions and contribute their own thinking on how the deal will affect industry economics. Few, if any, are at the level they need to be – building political support for the deal by developing partnerships with the stakeholders, often other companies, that will be decisive in supporting or opposing the deal. Similarly, very few foreign acquirers in China operate at that level. However in today's highly politicized climate, this is where both sides need to be.

This work cannot easily be done ad hoc during negotiations or after announcement – ideally it needs to precede the deal discussions themselves. Stakeholder management – whether by MNCs in China or Chinese firms abroad – is often seen as little more than government relations. If companies are serious about cross-border acquisitions in either direction, this needs to change.

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About McKinsey's China Globalization Service Line

The China Globalization Service Line is a joint initiative between the Strategy and Corporate Finance Practice and the Greater China office. McKinsey's Strategy & Corporate Finance practice helps clients across a wide range of topics including corporate and portfolio strategy, business strategy, growth, innovation, finance, M&A, and merger management. In particular, the Transactions Service Line serves clients on end-to-end M&A transactions, starting with corporate and M&A strategy, target screening and identification, due diligence, deal execution, to post merger management. Globally, we have served nearly 2,500 transactions in the last 4 years. Our corporate finance consultants have deep transactional and deal experience, along with extensive sector expertise, to provide objective advice and ensure clients can maximize value creation.

Within our China team, we have a strong team of dedicated and affiliated consultants who have deep experience in cross-border M&A, both inbound and outbound M&A. We can partner with our clients throughout the M&A journey, navigate the uncertainties and challenges in cross-border transactions, and more importantly, assist in the design and implementation of the post-merger management.

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Corporate Finance

The artful synergist, or how to get more value from mergers and acquisitions

Keeping your deal team small ensures confidentiality, but pinpointing synergies requires bringing more people on board. Here's how to strike the right balance.

Jeff Rudnicki, Ryan Thorpe, and Andy West

Making sure that large M&A deals create value is as much about knowing whom to involve—and when—as it is about knowing how to capture synergies.[1] The larger the deal, the more critical the need to ensure confidentiality by keeping the team small during the early stages of planning. Such teams may lack breadth, but they're sufficient to produce a rough valuation that allows planning to move ahead.

As planning progresses, more people eventually have to be involved. But many M&A practitioners make the mistake of clinging to too small a team late into the due-diligence stages of a deal. This overly conservative mind-set creates problems, leaving deal planners to perform their roles in isolation. Without others to challenge assumptions and cognitive biases,[2] the planners' synergy estimates, performance benchmarks, and cost and revenue targets can be off the mark. High-priority issues and complex integration challenges can get lumped together indiscriminately with lower-priority and simply managed ones—creating an adversarial, political, and highly emotional working environment. Business managers complain that their synergy targets are too high—when in fact, they often prove to be too low. And companies lose precious time as those tasked with implementing a deal try to reconstruct the expectations of those who planned it. That often squanders internal goodwill, organizational buy-in, and even hard cash.

A more inclusive approach to estimating synergies can create more value and promote a culture of shared accountability and buy-in. But pulling more people into the process requires an artful balance of often-contradictory objectives. Managers must promote both transparency and confidentiality, as well as embrace both skepticism and a shared vision, all while keeping a ruthless focus on efficiency.

A more inclusive approach to estimating synergies

As smart as many executives are about keeping their M&A teams small in the beginning,[3] they make the wrong trade-off as they get deeper into the diligence process. As a result, they lay out a framework for integration and develop synergy estimates based on the insight of a small, isolated team—without the buy-in they need from critical stakeholders. These include not just the executives who will carry the heaviest burden of integration execution but also the full complement of a CEO's direct reports.

In our experience, the diligence process can't happen in a vacuum. Synergies vary from deal to deal. Even a straightforward synergy target for general and administrative costs can vary significantly depending on the current state, the assumptions, and the appetite for change. Some functions, such as IT systems or human resources, can enable, delay, or completely prevent other functions from integrating, which renders synergy estimates meaningless. And functional leaders are often wary of committing to performance and budget targets they haven't seen before. Imagine the pushback from a manager at one acquirer when he learned he'd be expected to absorb a 40 percent cut in staffing—instead of adding people, as he had expected, given the complexity of the transaction.

Involving functional-group managers on a deal-specific basis can help, especially when framing the cost and revenue assumptions behind the valuation model for due diligence. These managers can help articulate the risks of cutting too deeply or too quickly, for example, or identify opportunities to build on an existing transformation program. And getting their input early on can create a shared understanding of the final synergy targets—even setting a higher cognitive anchor for them.

Such dialogue needn't take a lot of time. A few targeted conversations and a straightforward information request made over the course of a few short days can dramatically increase the level of insight. That was the case for one acquirer when it sought to buy a business in a deal that included transitional service agreements with its former parent. The acquiring company's CIO helped the M&A diligence team review the transition timelines, which shed important light on the associated costs and risks of the service agreements. Bringing the CIO into the process allowed her to get a head start on integration planning, which is critical for systems that enable synergies elsewhere. It also helped her accept the final synergy targets, even though they were higher than for other functions. Moreover, the dialogue between the CIO and the team revealed that the baseline costs of the transitional service agreements were unreasonably high—and the synergies could be higher if the business quickly transitioned to the acquirer's systems.

Many managers we've talked with find such dialogue to be so successful that they use it for all large deals, bringing most, if not all, top leaders into parts of the diligence discussion. Even for smaller deals, the company typically includes some subset

We have found it is possible to be both transparent and confidential.

of top leadership to validate costs and deal assumptions and to pressure-test risks.

Balancing competing objectives

The advantages of a more inclusive team doesn't mean extending an invitation to a cast of thousands. But it does come with risks—especially for larger deals. Not only is maintaining confidentiality more difficult, but larger teams also tend to move more slowly and are more likely to include skeptics who challenge a deal's strategic rationale. Balancing these interests tests managers' cleverness in finding the overlap between seemingly exclusive objectives.

Transparency and confidentiality

We have found it is possible to be both transparent and confidential. For example, the CEO of one serial acquirer balanced the two interests this way. First, she expressed a very clear perspective on the importance of large deals and the appropriate role of executives in evaluating those deals—creating a time and place for open dialogue and promoting explicit challenges to a deal's rationale. But then she made it clear that once a decision was made, everyone was expected to champion it.

As a result, the members of the executive team understood and respected their roles. They knew they would be engaged, and when, and they didn't second-guess the process. This engendered a sense of trust that they would be aware of all important M&A efforts and would have a chance to react to potential deals before any became final. Their trust was affirmed over time, with each potential deal forming the basis for confidential discourse. Finally, the CEO herself stressed confidentiality. She chose a core M&A team she trusted. But she also established explicit repercussions for leaking. In one instance, a senior executive was let go after it became clear he was disclosing information about potential deals in the works to people throughout the organization.

Skepticism within a shared vision

In our experience, few deals ever achieve a shared vision among the executive team. But proceeding without one can be destructive. Three months after the close of one recent deal, one senior executive launched an attack of his synergy target while explaining a shortfall in planned savings. Such exchanges were commonplace across the executive team. Later, the executive explained that the deal should never have been done in the first place and that he was worried about his career prospects after being involved in such a bungled deal.

For large deals, it is the CEO's job alone to ensure that his or her executive team has a shared vision for the deal. This sounds simple, but in most deals, we have observed at least several direct reports to the CEO remaining skeptical throughout. The CEO must sell his or her direct reports on the strategic merits of a deal, through conversation—often one-on-one—and through participation. There is no other way to form a productive team that will capture all the value possible from a deal. For smaller deals, similar obligations fall to division and business-unit heads.

Productive teams will challenge aspects of the deal, such as strategic fit and synergies. But they do so with a mind-set of trying to make the deal work and creating the best possible outcome. With that mind-set, even the most stubborn skeptics can actually help bring about a better outcome.
We have observed a sort of peer pressure at play in these sorts of situations, in which dedicated leaders help reinforce commitment among each other and among lower layers in the organization. CEOs can encourage this mind-set by surrounding themselves with diverse backgrounds and promoting contrarian thinking and risk taking, often leading by example.

Building efficient M&A processes

The best acquisitions aren't the ones that close the fastest, but rather those in which the leadership team comes together to create the greatest amount of value. That takes time. To allow that time, a company must have ruthlessly efficient M&A processes.

To be efficient, companies must have a robust finance function with a transparent view into its own cost structure, the better to quickly interpret and categorize a target's costs. In one recent merger, for example, financial planning was led by two capable and respected executives, who in only three weeks managed to build a comprehensive and detailed combined baseline of performance across the two companies. Because they worked with executives across both companies to make sure they agreed with the baseline, the acquiring CFO was able to present synergy and financial targets for a dozen or so areas of the company less than a month into integration planning, three months before the deal closed.

This proactive approach allowed the leaders of each organization to apply their energies toward creating the leanest and most efficient organization they could, rather than iterating and debating the fact base and targets. The result was a process that was among the most efficient we have ever seen and that encouraged collaborative work across both organizations. We ultimately credit the acquiring CFO, who decided to invest in the right finance professionals to lead this effort.

Efficient M&A teams should also be able to learn from each deal. No set of best practices will ever replace the feel that great executives have for getting a deal done and getting value from it. This means an executive team must come together and review *how* past deals were done, not just *how much* they earned. And they must learn a bit of what others involved in the deal did, once that information can be shared freely in the light of day.

■ ■ ■

Taking a more inclusive approach to deal making won't eliminate tension from your company's large M&A deals, and it won't turn a bad acquisition into a good one. What it will do is create the conditions in which your management team can artfully build a good deal into a great one. ■

[1] Our focus is on large deals (more than 30 percent of the acquirer's size by revenues or market cap). Smaller deals are often different because they don't affect most areas of the business, are often focused entirely—or not at all— on cost cutting, and lack the leadership and organizational challenges of large deals.
[2] See, for example, Tim Koller, Dan Lovallo, and Zane Williams, "Overcoming a bias against risk," August 2012, McKinsey.com.
[3] Patrick Beitel and Werner Rehm, "M&A teams: When small is beautiful," January 2010, McKinsey.com.

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Corporate Finance

Strategic portfolio management: Divesting with a purpose

Tying portfolio decisions to a company's distinctive capabilities can help identify which businesses to divest.

Managers are becoming increasingly aware of the relationship between asset reallocation and value creation. They're also growing more attuned to the role of divestitures[1] as a tool for managing corporate portfolios. In our experience, deciding which businesses to sell and which to keep can make as much of a difference to a company's long-term value as which businesses it decides to acquire.

A structured, regular corporate-strategy process can help companies test which, if any, of their existing businesses have reached their sell-by date. The "best" owner of a business is whoever can generate the highest value from it.[2] And even if a parent company's distinctive capabilities stay the same, a business's needs change as it matures and the competitive landscape evolves.

For the past several years McKinsey partner Ruth De Backer has co-led a McKinsey initiative on portfolio management and divestitures, working with leading players in the pharmaceutical, biotechnology, and medical-technology sectors. In her work she's developed a particular interest in the application of the best-owner principle to portfolio decisions. We recently sat down with her to explore how the best-owner mind-set can help companies overcome barriers to profitable divesting.

McKinsey: *How does the best-owner principle help companies make objective, unbiased decisions about divestitures?*

Ruth De Backer: Companies need to ground portfolio-management decisions, including divestitures, in the attributes that make them a better owner of their businesses. Such attributes can include, for example, unique skills, governance, insight, or even connections to other businesses. They can also include access to talent, capital, or relationships.[3]

Tying divestitures to the better-owner principle means companies need to define explicit criteria for what good ownership looks like in each of their businesses. Some of those criteria should reflect a company's strategic intent. If a business unit helps a company meet its strategic goals, such as becoming an emerging-market player or developing a certain set of unique skills, then managers should rate it higher against their strategic criteria. Other criteria should reflect a company's capabilities. A company with a large integrated footprint and high operational efficiency is likely a better owner of products that help fill capacity and contribute to overall scale than companies without those attributes, so managers should rate such businesses higher on the capabilities criteria. And some criteria should reflect a company's current market position. For example, managers of a company with an enviable channel position or leading customer relationships and a great reputation across their portfolio can rate businesses against their ability to leverage the company's position across product lines.

Then managers can use those ratings to assess each of a company's businesses. The intent is to maintain the objectivity of the process, not to make every single business look good. So the scale needs to be consistent from business to business. For example, managers might agree that market position is 20 percent of each business's overall score, capability is 50 percent, and strategic intent is 30 percent. Naturally, the most attractive and valuable businesses will score very high. Those businesses where the company isn't a very good owner will score lower.

McKinsey: *How do the ratings help executives decide?*

Ruth De Backer: That rating process allows managers to have a more dispassionate conversation, because having gone through it, they'll already have nearly diagnosed why their company is or is not a good owner of certain businesses. And when the outcome is visibly a rational, objective, criteria-driven decision, it's much harder for business-unit managers to disagree. That accelerates divesting. Otherwise, it can take two or three years for some managers to accept that the issue is deeper than an unusually bad year or a difficult turnaround and that their businesses don't belong in a company's portfolio—and another couple of years to get the businesses out of the portfolio.

McKinsey: *Do the criteria differ from company to company?*

Ruth De Backer: At the high level, criteria are always about value-creation potential, natural ownership, and objectives drawn from the company's strategic plan. But the details may change from company to company and the focus may change from industry to industry.

In the pharmaceutical industry, much of the value comes from innovation, technology, and intellectual property. So the criteria for a pharma company will be less focused on market position than on the products they offer and related capabilities. These include their intrinsic capabilities as market leaders that make them natural owners of those products over the long term, including a strong knowledge of therapeutic areas in your research-and-development department or existing relationships with physicians, opinion leaders, and start-ups. For example, the more related assets a diabetes company

A CEO who is primarily focused on growth and the size of the organization can be the biggest roadblock to divesting.

can offer, the easier it will be to get access to physicians who specialize in diabetes—and often the better the reimbursement status for the company's product portfolio. However, market position alone is not enough to have a lasting edge, because the relative positions of companies in the market shift based on the clinical benefits of their products. Many of the current leading infectious-disease companies today weren't leading the category ten years ago. When intellectual property or exclusivity runs out, as it does every 7 to 15 years, you get turnover even among the top companies.

Market position is more important for companies in the medical-equipment industry. The top cardiovascular companies ten years ago, Boston Scientific and Medtronic, are still the top companies today. For them, market position is a more important criterion because it means they can pull a lot of new products into their most important channels.

In industrial companies, scale benefits and operational capabilities are more important. Their ability to produce something at a lower cost is probably more important than it would be for the average pharma company, where the gross margin will be high even if they could be a couple hundred basis points more efficient.

McKinsey: *What are the common roadblocks to divesting?*

Ruth De Backer: A CEO who is primarily focused on growth and the size of the organization can be the biggest roadblock to divesting. In a company with a strong, numbers-driven CFO, the case to divest can be quite clear, objective, and grounded in data—but to make the actual decision, you need a CEO who is willing to act.

It's also harder in decentralized companies. In such cases, divesting is often left to individual division managers, who may find it difficult to pivot from building a business to thinking about divesting it. In those cases, you obviously need strong strategy and corporate-development functions looking at the corporate portfolio. Otherwise, those are the companies where assets past their prime will linger the longest.

McKinsey: *How do executive incentives come into play?*

Ruth De Backer: The right incentives can help. If incentives are grounded in sales growth, for example, managers would be working against their own interests to sell a business with $2 billion in revenue. Unless the company were to set a new baseline for incentives after the sale, it would be hard to fill the revenue gap with anything else. A strong CFO and a strong corporate HR officer can help companies better understand how their incentives support corporate strategy—and can also explain them to investors.

McKinsey: *The evidence is clear that Wall Street reacts positively when companies make divestitures, even if those companies become* *smaller.*[4] *Why would there be a disconnect between the statistics and the way companies believe Wall Street will react?*

Ruth De Backer: On the face of it, executives get a lot of conflicting messages from Wall Street, often emphasizing growth. It takes a lot of courage to shrink, especially for executives who are unaware of the data showing that investors tend to applaud intelligent divestiture programs. Divesting is also counterintuitive to executives conditioned to highlighting revenue and margin growth in quarterly earning calls. Given the pressure they face, explaining a divestiture-driven revenue decline or even a slowdown in revenue growth can be daunting.

McKinsey: *You might expect that from a division leader, but aren't the CFO and CEO more in touch with the way the market reacts to these things?*

Ruth De Backer: Many of them are. The more experience they have at divesting, the more they've seen the market's positive reaction firsthand, the more likely they are to do more and bigger spin-offs and divestitures. The more they do it, the more they take an interest in keeping the portfolio fresh. But companies with CEOs and CFOs who have no experience with shrinking, who frame performance in terms of revenue numbers rather than enterprise value, market capitalization, or shareholder value, find it very hard to divest.

McKinsey: *How much of that is related to their mind-set versus the way they are compensated or their relationship with their board?*

Ruth De Backer: All of the above. For instance, in one company in a high-margin industry, the chairman of the board is from an industry with low margins and low returns. The company was reluctant to sell anything that might dilute margins. The chairman argued that "you can manage true low-margin businesses and make them attractive." And they generate lots of cash, even though a more focused, higher-growth, higher-margin business would have created more value. So boards can shape the dialogue. And if the board always talks about revenue growth, and your incentive system is based on revenue, then it's not surprising that you get CEOs who are very much focused on revenue numbers and growing the pie. The academic evidence is pretty clear that the single most important indicator of a CEO's compensation over a longer period of time is the size of his or her company.

McKinsey: *How can companies get the incentives right?*

Ruth De Backer: Getting the incentives right isn't easy, even for executives. I was working with a company that was really good at setting executive incentives based on the profile of its end markets and the profitability and the strategic objectives of each of the businesses. Executives told managers of the low-profitability, low-growth business in the portfolio not to worry about growth but to maximize their returns on invested capital and profitability instead. And in the end, they earned twice the bonus of managers of the portfolio's most profitable business, whose incentives were grounded in growth. Some people were unhappy and weren't shy about expressing their discontent, even though the incentives were actually aligned with creating shareholder value. Those kinds of incentive systems put a lot of pressure on companies, because they're harder to live by year after year. It's one reason not to keep diverse divisions in the same portfolio, because most human-resources managers and most executives are uncomfortable when everyone's performance isn't measured against the same yardstick. Even when companies do manage to sustain diverse incentives year after year, it doesn't get easier. You don't want to disenfranchise the people who deliver the most value for the company in the long term. But you also don't want to undermine the people in a business that needs to be managed differently, to do what is right from a shareholder-value perspective. ■

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[1] The sale of part or all of a business can take the form of private transactions, including trade sales and joint ventures, or public transactions, including IPOs, carve-outs, spin-offs, split-offs, or tracking stock.

[2] Richard Dobbs, Bill Huyett, and Tim Koller, *Value: The Four Cornerstones of Corporate Finance*, first edition, Hoboken, NJ: John Wiley & Sons, November 9, 2011.

[3] Richard Dobbs, Bill Huyett, and Tim Koller, "Are you still the best owner of your assets?," *McKinsey Quarterly*, November 2009, McKinsey.com.

[4] See, for example, Audra L. Boone and J. Harold Mulherin, "Comparing acquisitions and divestitures," *Journal of Corporate Finance*, 2000, Volume 6, Issue 2, pp. 117–39, pendientedemigracion.ucm.es; James A. Miles and James D. Rosenfeld, "The effect of voluntary spin-off announcements on shareholder wealth," *Journal of Finance*, 1983, Volume 38, Issue 5, pp. 1597–1606, onlinelibrary.wiley.com; Katherine Schipper and Abbie Smith, "A comparison of equity carve-outs and seasoned equity offerings: Share price effects and corporate restructuring," *Journal of Financial Economics*, January–February 1986, Volume 15, Issues 1–2, pp. 153–86, sciencedirect.com; Katherine Schipper and Abbie Smith, "Effects of recontracting on shareholder wealth: The case of voluntary spin-offs," *Journal of Financial Economics*, December 1983, Volume 12, Issue 4, pp. 437–67, sciencedirect.com; Jeffrey W. Allen and John J. McConnell, "Equity carve-outs and managerial discretion," *Journal of Finance*, February 1998, Volume 53, Issue 1, pp. 163–86, onlinelibrary.wiley.com; and Roni Michaely and Wayne H. Shaw, "The choice of going public: Spin-offs vs. carve-outs," *Financial Management*, 1995, Volume 24, Number 3, pp. 5–21, semanticscholar.org.

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APRIL 2016

Corporate Finance Practice

Negotiating a better joint venture

As important as it is to secure the right terms for a shared enterprise, it is just as critical to form a sustainable relationship.

Eileen Kelly Rinaudo and Jason Roswig

In the fast-paced world of deal making, joint ventures (JVs) are a conundrum. Slow in the making, often with complicated structures and shared management teams, they seem out of place in a volatile era marked by buzzwords that hype agility and nimble strategic moves. Yet there they are, more than 1,500 JV deals completed annually over the past ten years, including around 10 percent of them characterized as large JVs, with an initial value of more than $250 million. Their volume seems likely to endure—more than two-thirds of executives surveyed in 2014 reported that they expect to do more JVs in the future.[1]

But JVs are not always embraced without reservation. In fact, we encounter many executives who express significant concerns, often when they're wrapped up in the uncertainty of JV negotiations. Given how much longer those negotiations can last compared to traditional acquisitions, this is both understandable and alarming. One global conglomerate we've observed advises its US-based headquarters to expect JV negotiations to last three to six times longer than M&A negotiations. That's a long time for doubt to creep in, particularly if the competitive context justifying a venture might shift in the meantime.

How can executives build healthier partner relationships to give future JVs the best odds of success? Our review of a series of long-standing partnerships—supported by our 2014 survey and a series of structured interviews with JV partners[2]—identified three principles that made a difference in deal negotiations: investing more time and effort up front, working harder to cultivate and sustain the JV relationship, and standardizing key processes and learning mechanisms.

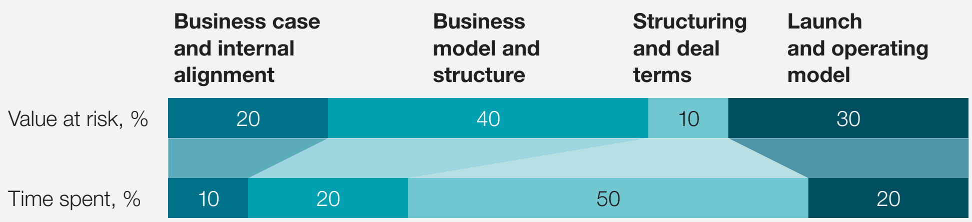
Invest more up front

As business negotiations go, JVs are marathons, not sprints. In their rush to complete a deal quickly and begin capturing value, inexperienced JV planners neglect the foundational steps of planning. Commonly, they jump too quickly into high-stakes discussions on specific deal terms such as how ownership is divided, who nominates key leaders, and what intellectual-property protections will be put in place. What they leave aside is an explicit understanding of how well those terms match the objectives of the deal.

In fact, most companies need to invest more time in the early phases of deal planning and preparing for negotiations. Our research has shown that many planners focus more than half of their negotiating time hammering out specific deal terms that should be addressed late in negotiations and only 20 percent of their time on the JV structure and business model, which should be addressed first. In contrast, those same planners believe that the phases of the process devoted to internal alignment and the business model represent 60 percent of the total value at risk, while the phase devoted to deal terms accounts for only 10 percent (Exhibit 1).

That disconnect between time spent and value derived reinforces damaging habits. Deal terms are important, but they are difficult to correctly perceive and negotiate without a clear articulation of broader issues including deal objectives, market considerations, and walk-away points. Negotiators who lack that foundation are poorly prepared to discuss deal terms. The cost can often be measured in time. For example, negotiations slow considerably when negotiators fixate on specific, preconceived deal terms even though other solutions could also work or when they belabor negotiations on all possible considerations instead of covering the most likely ones. Cost can also be measured by long-term damage to the JV. When negotiators fail to examine a potential partner's deeper motives or to consider the regulatory landscape fully, companies can end up with deal terms that don't adequately govern an agreement—and that can carry substantial costs.

Exhibit 1 **Joint-venture planners spend more time on phases of negotiation that create less value.**



Source: McKinsey analysis

For example, after a European company formed a JV to manufacture equipment in China, it unexpectedly learned that local regulators would compel it to transfer a larger equity stake to its Chinese partner, which threatened the deal's feasibility. If the European company's negotiators had conducted a more rigorous up-front process, they likely would have discovered that requirement. Instead, the venture's launch was delayed, and the European company's governance rights were diminished—consequences that might have been avoided.

Companies can avoid or at least mitigate such problems by investing more time in the early stages of planning. One US agricultural company requires extensive up-front business planning to confirm internal alignment and identify the motives of each counterparty. Planners there credit their rigorous preparation phase for making negotiations smoother.

That's consistent with our experience. We've found that companies benefit when they set up internal checks and balances to ensure that these foundational issues are articulated and confirmed internally before negotiations with partners begin in earnest. They should also engage potential partners in early discussions to confirm that they all agree on the goals of a joint endeavor, on their expectations of changes in the market over time, and on how the JV should plan to adapt as the market evolves. One global energy company learned this lesson the hard way when its partners in an existing JV objected that a new venture completed by the energy company would, over time, hurt the existing JV's business prospects. As a result, a foreign court ordered the energy company to pay extensive damages for an initiative that never even launched.

For most companies, a good starting point is for planners to force a tough and thorough self-review to identify their own objectives, goals, and—even more difficult—their strengths and weaknesses as JV partners. Where possible, they should also convince a potential partner's leadership to do the same, lest they get mired in internal misconceptions in the future.

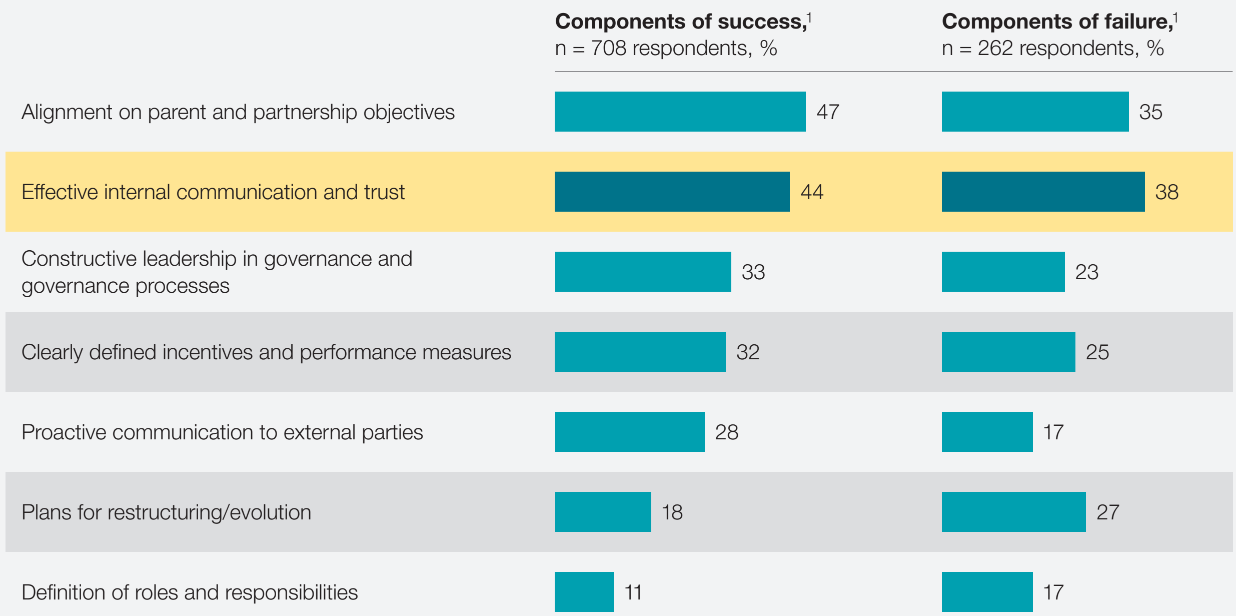
Cultivate a trusting relationship

Negotiating JVs differs from negotiating mergers or acquisitions because the end goal is a sustainable, ongoing, trust-based relationship, not a one-time deal. Not surprisingly, a significant portion of our survey's respondents indicated that the level of honesty and trust between the parent companies had a significant impact on the partnership's overall success (Exhibit 2).

Positive initial meetings are important to establishing trust, but planners need to do more. Regular and ongoing business and social interactions with critical parent leadership-

For most companies, a good starting point is to force a tough and thorough self-review to identify their own objectives, goals, and—even more difficult—their strengths and weaknesses as JV partners.

Exhibit 2 **Success and failure in joint ventures often hinge on trust and communication.**



[1] Most selected by respondents from a list of 10 components.

Source: McKinsey analysis

team members, including management off-site events and frequent, engaged board meetings, can help maintain trust and communication, reveal the breadth of motivating factors that influence a partner, and nurture a strong relationship even after negotiations conclude. As one energy executive observed, it is frequently only after many hours together in a "smoky room," spread over the days, weeks, and months of negotiation, that the true motives of potential partners become clear. Understanding partner motives and securing mutual commitment to a deal beyond its financials will help ensure that all parties share the same expectations of ongoing JV operations.

In our interviews, numerous executives expressed concern about nontraditional objectives that may be motivating potential JV partners. These include sharing capital to upgrade facilities, achieving a relationship with a previously inaccessible third party, or increasing employment opportunities for a specific region. Such objectives often work to the disadvantage of a JV partner, as managers at a global conglomerate discovered. They negotiated a deal with a regional player that included transferring core technology into the JV in order to qualify for lucrative government contracts. Conglomerate executives at first applauded the deal, though the planners expressed concern that their partner's motives might not be consistent at all levels of its organization. The venture subsequently reached a tipping point when, during an industry conference, the regional company's senior executives boasted that they would start selling products based on the global conglomerate's technology, but at a fraction of the price. This forced deal teams on both sides to revisit the partnership's objectives to reaffirm the relationship's durability.

Negotiators who understand a partner's motivation, business needs, and capabilities well before closing a deal will be better positioned to establish a strong, candid relationship with shared, explicit expectations. Thorough research can highlight things that wouldn't necessarily surface during negotiations but that could affect the partner's involvement with the JV. For example, one energy company avoided a potential misstep after scrutinizing a partner company's relationships with distributors before coinvesting in a local manufacturing operation. That analysis made it clear that the partner company's CEO intended to use his own distribution company to exclusively channel products into a lucrative sales territory. After the energy company escalated its concerns, its partner moved ahead with the venture anyway but did not use the CEO's distribution company.

Standardize processes and learning mechanisms

Unlike dedicated M&A teams that develop negotiating skills over multiple deals, JV teams tend to change from deal to deal, often due to shifting team-member roles and responsibilities or low JV deal flow. That creates little institutional memory around key processes, approaches for managing critical issues, and even partnership-specific negotiating skills. All of these things can be proactively managed, even if deal terms cannot.

Yet our survey of JV practitioners found that less than a quarter have a JV design-and-implementation playbook—the kind of simple tool that most companies with M&A programs have had for years to reduce strain for the internal team and to ease discussions with potential partners. Without that kind of institutional knowledge, inexperienced teams often see JV negotiations as zero-sum games; they rigidly calculate wins and losses on every negotiating point. That leaves them with little flexibility to appreciate the needs of a partner interested in entering into a commercial agreement or reaching consensus on the terms of a mutually beneficial JV. The result can be a weak or ineffective deal. For example, one global company faced challenges investing in a regional JV because it focused too emphatically on legalistic deal terms to protect its own interests. That created an adversarial tone in the negotiations and undermined the collaboration needed to allow both companies and the JV to succeed. It also prolonged the process, to the frustration of the JV partners.

For most JVs, long-term success also requires an agreement process that is transparent and follows patterns of conversation established from the outset. At its core, this simply means communicating with all parties about how, when, and what to communicate. The eventual pattern of communication may vary from deal to deal, and not all parties will like it. That's OK. Just laying it out keeps expectations aligned, focuses conversations, and reduces time-consuming delays. Otherwise, internal approval processes can cause bottlenecks, and not having the right people in the room can bring momentum to a standstill.

Standardized processes are especially helpful once a deal is under way, when adapting and restructuring can strengthen a partnership and increase financial returns—as long as the relationship is strong and the process has clearly allowed for adaptation. One aerospace partnership ensured all parties continued to agree on the goals of the JV by contractually committing to a standardized annual evaluation process. This included valuing each partner's contributions to ensure that the risks and rewards for each partner remain consistent with the original objectives of the deal. In the event that one partner's contributions did not match the other's, the terms of the agreement required the lagging partner to increase its contribution. Together with a management team in which the CEO position is swapped on a regular basis, both partners have been able to maintain a decades-long relationship.

■ ■ ■

With so many companies planning to increase their JV activity in coming years, it's worth investing the time in negotiations and planning to ensure the value of these ventures. ■

[1] Eileen Kelly Rinaudo and Robert Uhlaner, "Joint ventures on the rise," *McKinsey on Finance*, November 2014, McKinsey.com. This McKinsey Global Survey was in the field from March 11 to March 21, 2014, and garnered 1,263 responses from C-level and senior executives representing the full range of regions, industries, company sizes, and functional specialties. Of them, 982 executives had personal experience leading or managing joint ventures.

[2] We interviewed 45 joint-venture managers.

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McKinsey&Company

How M&A practitioners enable their success

Companies that are best at transactions approach M&A differently—but there's room for improvement across the board.

In the latest McKinsey Global Survey on M&A practices and capabilities, most respondents report that their companies regularly examine the portfolio for new opportunities—and many do so at least once a year.[1] But if the blistering M&A pace of the past several years continues, as most respondents expect, then these responses also suggest that an annual review of portfolios may not be enough.

As of this writing, the value of M&A in 2015 is on track to rival last year's, when deal-value announcements totaled about $3.4 trillion[2]—levels not seen since 2008. That level of activity raises the stakes for companies reexamining their own business portfolios, as the shifting competitive landscape creates new opportunities—and threats. It may also explain why respondents who perceive their companies to be more successful at M&A are also significantly more likely to report looking for opportunities more often. Whether companies are successful because they look for opportunities more often or the other way around, we can't say. But the correlation, combined with the fast pace of M&A activity in general, does suggest that more frequent portfolio reviews may be better.

These are among the findings of our newest M&A survey, which asked executives about underlying trends, what M&A capabilities their companies do (and don't) have, and the effectiveness of their companies' M&A programs relative to competitors. When we looked at what makes a company good at M&A, the results indicate that while it's important to perform well at every step of the M&A process, the "high performers" differentiate themselves from others by evaluating their portfolios more often, moving faster through their due-diligence and execution processes, and building stronger capabilities for integration. According to the results, though, even the highest-performing companies could benefit from giving their M&A teams more effective incentives and from proactively connecting and building relationships with their potential targets.

Will the pace of M&A continue?

Among respondents whose companies considered acquisition targets in the past year, just over two-thirds report completing at least one deal. Of those that tried but failed to complete an acquisition, 52 percent indicate that their companies engaged with at least one potential target but, ultimately, did not close the deal.

Most executives expect the next year to bring as many or more deals as the past one. It's too soon to tell whether market volatility in the late summer will affect M&A over the longer term, but at least as of May 2015, two-thirds of respondents expect the pace of activity over the subsequent 12 months to continue or increase—and nearly three-quarters expect these deals will be the same size or larger. Interestingly, those who anticipate a larger number of deals also expect their value to increase—and those who expect to do fewer deals expect their value to decline. Looking further ahead, respondents expect little change to their companies' rationales for deals in the next five years, and the most frequently cited reasons all relate to growth: expanding offerings, entering new geographies, and acquiring new assets.

More specifically, respondents from high-tech and telecom companies are significantly more likely than those in every other industry to expect an increasing number of deals, though they were not more likely to expect larger ones. Consumer-company executives tend to expect fewer deals in the next year than their B2B peers.[3]

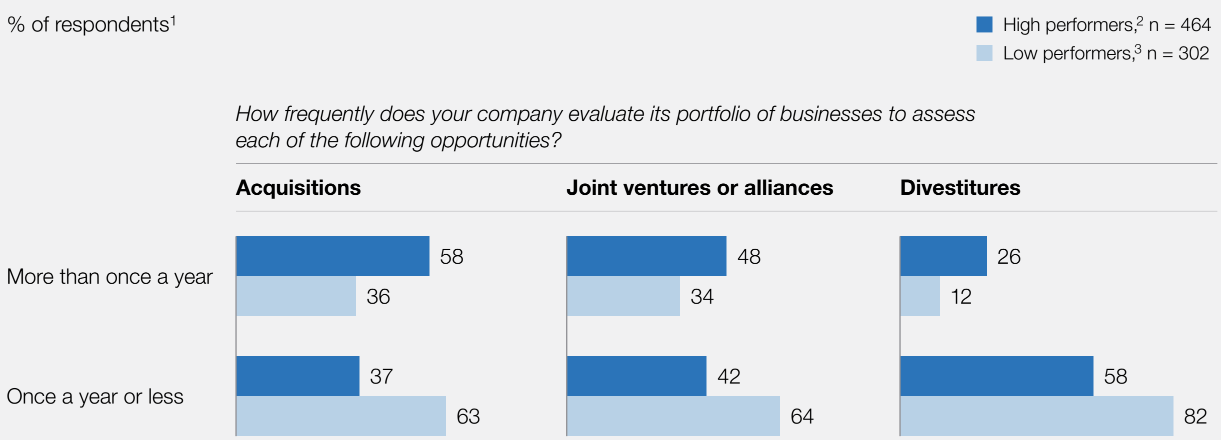
What high performers do differently

To better understand companies' M&A performance overall and where the best-performing companies differentiate themselves most from their peers, we identified a group of high performers. Respondents in this group characterize their companies' performance as having met or surpassed targets for both cost and revenue synergies in their transactions of the past five years. The low performers, by contrast, are respondents who report that their companies have achieved neither the cost- nor the revenue-synergy targets in their transactions.

The survey results indicate a few areas where the high performers do things differently than others. For example, these respondents are much more likely than the low performers to report that their companies evaluate their portfolios for acquisition, joint-venture, *and* divestiture opportunities multiple times per year, as opposed to once every one or two years. The inverse is also true: low performers are significantly more likely to say their companies look for opportunities once a year or less (Exhibit 1). Notably, the frequency with which companies (both high and low performers) evaluate their portfolios for divestiture opportunities is significantly less than it is for acquisitions or joint ventures.

Exhibit 1

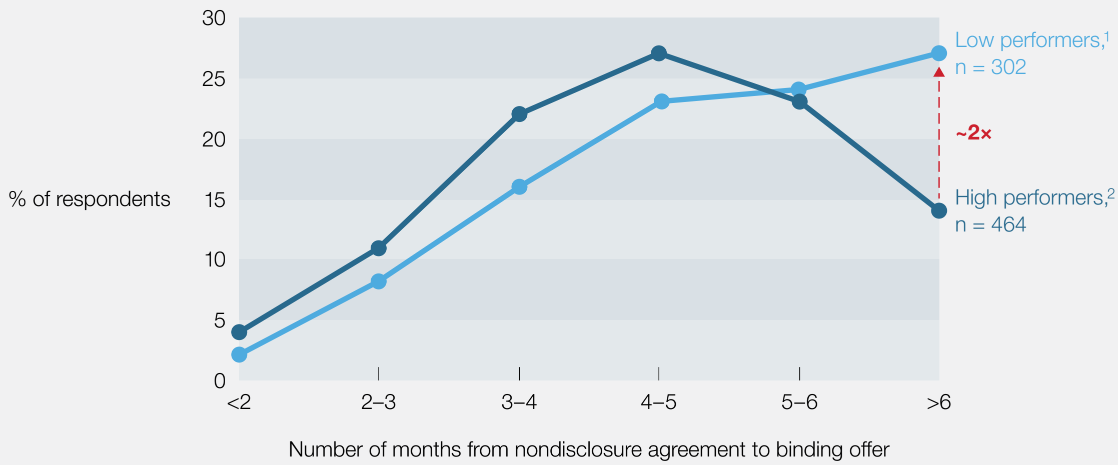
Companies that outperform their peers are more likely to evaluate strategic options more than once a year.



[1] Respondents who answered "don't know" are not shown, so figures may not sum to 100%.
[2] Respondents who say the transactions their companies have completed in the past 5 years have either met or surpassed targets for both cost and revenue synergies.
[3] Respondents who say the transactions their companies have completed in the past 5 years have achieved neither their cost- nor their revenue-synergy targets.

Exhibit 2 **According to respondents, the high performers move faster than low performers through deal execution.**

Time spent by respondents' companies on diligence and deal execution



[1] Respondents who say the transactions their companies have completed in the past 5 years have achieved neither their cost- nor their revenue-synergy targets.
[2] Respondents who say the transactions their companies have completed in the past 5 years have either met or surpassed targets for both cost and revenue synergies.

On average, high- and low-performing companies tend to move through their due-diligence and deal-execution processes at about the same speed—up to a point. However, among companies where respondents report taking six months or more, the pattern diverges. More than one-quarter of low-performer executives say their companies take longer than six months to move from a nondisclosure agreement to a binding offer, nearly double the share of high performers that say they spend the same amount of time (Exhibit 2).

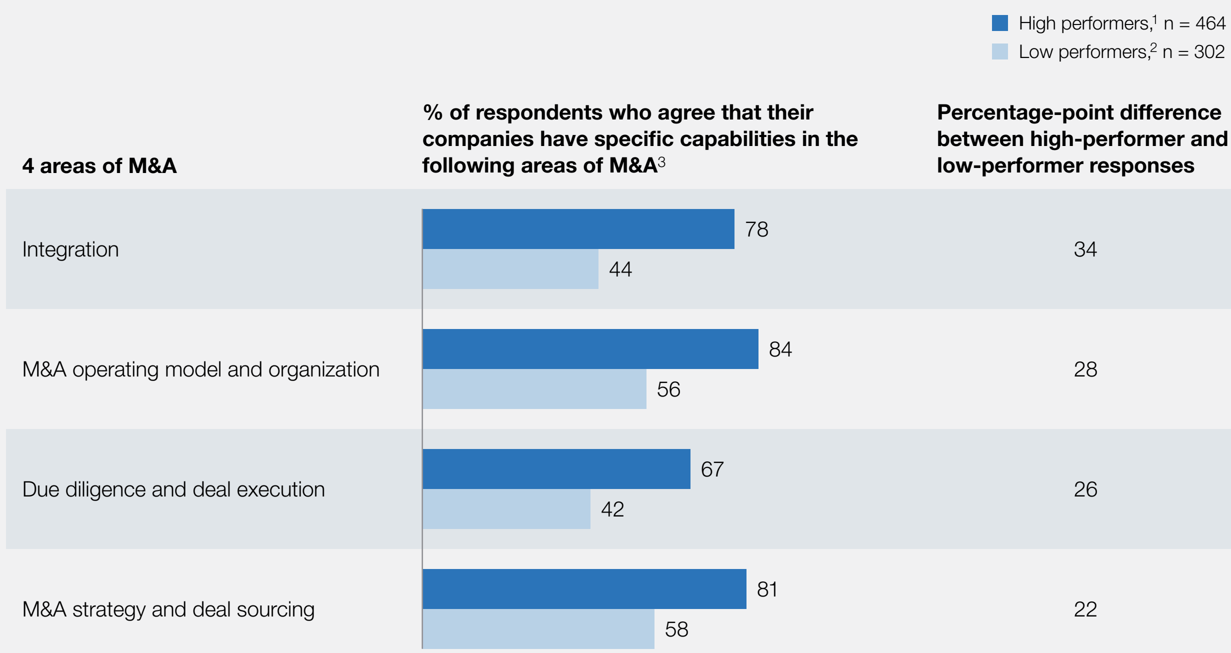
Finally, the high performers stand apart on the strength of their integration processes. We asked executives about their companies' capabilities across the four areas of M&A, and those from the high-performing companies report proficiency more often in all four than their peers at low-performing companies do. But their skills are most differentiated in integration (Exhibit 3). Interestingly, the two integration capabilities with the largest percentage-point differences between high and low performers are also the two capabilities where, overall, respondents report the least proficiency: effectively managing cultural differences across organizations and setting synergy targets.

What all companies could do better

For all their best practices and the strength of their capabilities, even the high performers have room to improve. When it comes to incentives, the results suggest that many companies focus on earn-outs and retention packages for key talent in acquired companies—but often overlook their own M&A teams. Because there are often different owners throughout a company's M&A process, it can be particularly tricky to put proper incentives in place for each one. So, incentives must balance the promotion of post-integration success with the successful execution of an individual's role.

Exhibit 3

High-performing M&A companies are most differentiated from low performers in their integration capabilities.



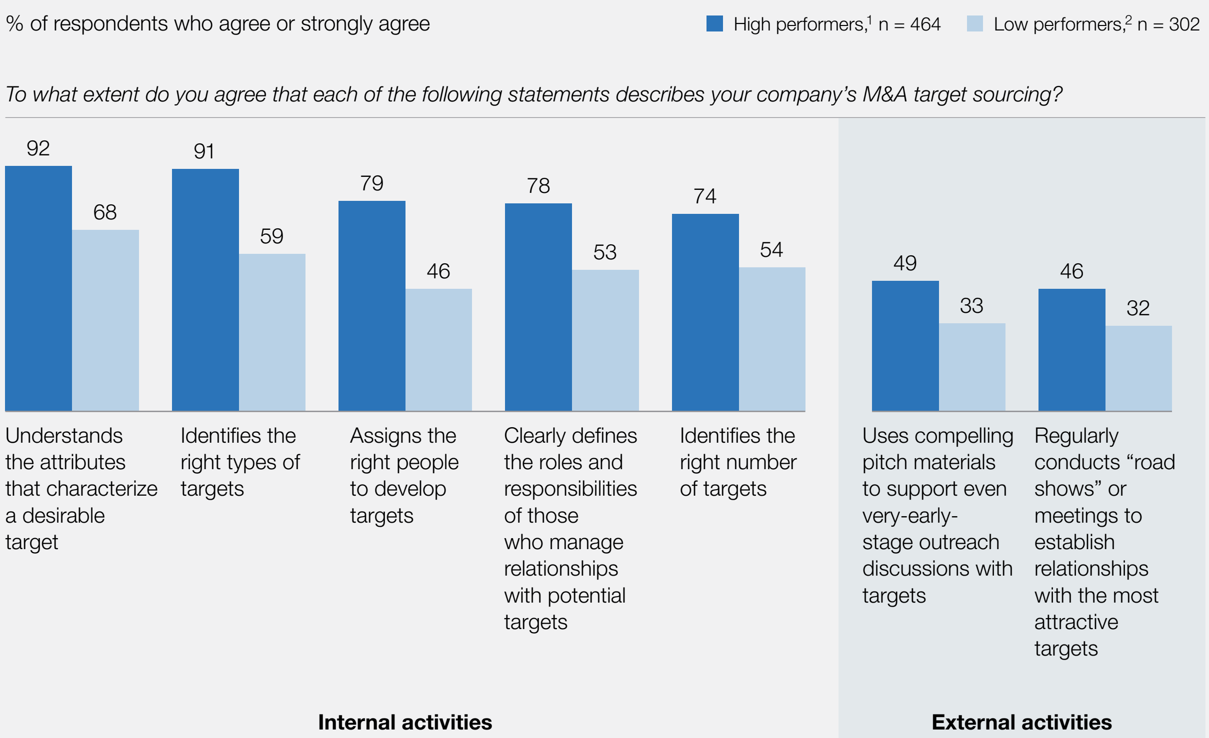
[1] Respondents who say the transactions their companies have completed in the past 5 years have either met or surpassed targets for both cost and revenue synergies.
[2] Respondents who say the transactions their companies have completed in the past 5 years have achieved neither their cost- nor their revenue-synergy targets.
[3] Includes "strongly agree" and "agree" responses.

In practice, few executives report that their companies do this well. Less than half of all respondents indicate that the incentives of those involved in a given M&A transaction are closely aligned with the benefits the company extracts from it. Even among the high performers, only 57 percent agree that their companies are getting this right. For those that balance their incentives well, the potential for strong overall performance is striking: 93 percent of respondents who strongly agree that their companies' incentives are aligned with their strategic goals are high performers, versus only 23 percent of respondents who strongly disagree.

Although the high performers have particularly strong internal processes to identify potential targets, they—and their lower-performing peers—are least effective at connecting and building relationships with these targets (Exhibit 4). For example, not even half of respondents at the high-performing companies

Exhibit 4

When it comes to sourcing M&A targets proactively, companies get many internal tasks right but then fall behind on the external outreach.



[1] Respondents who say the transactions their companies have completed in the past 5 years have either met or surpassed targets for both cost and revenue synergies.
[2] Respondents who say the transactions their companies have completed in the past 5 years have achieved neither their cost- nor their revenue-synergy targets.

(and just under one-third at the low performers) say their companies regularly conduct "road shows" or meetings to establish relationships with the most attractive companies. Executives at both the high- and the low-performing companies report similar results for using compelling pitch materials to support even very-early-stage outreach discussions with targets.

Looking ahead

- *Conduct frequent portfolio reviews.* Companies that systematically evaluate their portfolios for acquisition, joint-venture, *and* divestiture opportunities set themselves up to execute their corporate strategies more effectively. In many strategies, the inorganic component is critical, and getting that piece right begins with building a sound business case to define which businesses a company wants—and does not want—in its portfolio.

- *Invest in building M&A capabilities.* Companies that can build capabilities that support inorganic growth can enjoy a sustainable competitive advantage. This includes capabilities that are applicable to the earlier stages of M&A—such as efficient and effective due diligence and external outreach as part of proactive sourcing—as well as the core capabilities required to integrate a company.

- *Pay attention to governance and incentives.* In our experience, many companies will focus on earn-outs and retention packages for acquired companies but will overlook ensuring that their own M&A teams have the right setup, governance, and incentives. These are the necessary foundations upon which distinctive M&A capabilities are built. ■

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[1] The online survey was in the field from May 19 to May 29, 2015, and garnered 1,841 responses from C-level and senior executives representing the full range of regions, industries, company sizes, and functional specialties. Of them, 85 percent say they are knowledgeable about their companies' M&A activity and answered the full survey.
[2] According to Dealogic, as of August 11, 2015, the total announced global deal value surpassed $3 trillion for the year.
[3] There were no significant differences in expected size or frequency of deals across geographies or by company ownership or size.

The contributors to the development and analysis of this survey include **Rebecca Doherty,** an associate principal in McKinsey's San Francisco office, and **Spring Liu** and **Andy West,** a consultant and a director, respectively, in the Boston office.

They would like to thank Alvaro Aguero and Cristina Ferrer for their contributions to this work.

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April 2017

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中企跨境并购五大迷思与真相

岑明彦
梁敦临
高旭

2016年中企跨境并购交易金额高达2270亿美元，是境外企业在华收购额的6倍。中企跨境并购数量在过去五年稳步增长，年增幅达到33%，但因受到外汇管制的影响，2017年第一季增长有减缓。2016年全球前十大并购案屡屡出现中国巨头（中国化工以470亿美元收购先正达当前仍处于监管审批中），且几宗最具争议的交易都有中企的身影，如安邦对喜达屋高调发起收购要约，最终万豪将价格提高了4亿美元才胜出。

媒体的喧嚣报道难以掩盖中企跨境并购的五大迷思。下面让我们逐一分析。

迷思之一：充足的廉价资本

理论上说，当下中国充足的廉价资本为中企跨境并购提供了雄厚的经济基础。中国有3万亿美元外汇储备，掌管着全球第二大的主权基金，还有全球最大的四家银行（按资产计算）。正是有了这些支持，中国企业在跨境收购时才有底气和实力拿下数宗超大型收购交易。

分析中企并购热潮的重要之处是认识充足资本的作用。中国近年跨境并购金额激增，从2010年的490亿美元飙升到了2016年的2270亿美元，但绝对值仍然处于低位。2015年，中企的跨境并购金额占到GDP的0.9%，而欧盟企业为2.0%，美国企业为1.3%。如此看来，中国尚处在长期增长通道的初期阶段。

然而，那些抢占头条的大型并购案并不具有代表意义。中企跨境并购大多由中型公司主导，过去三年的交易规模中值只有 3000万美元，而且大多数交易并非高溢价收购。当然，与欧美企业相比，中国企业的估值体系可能不同。上海证交所上市的非国有企业 2016年平均市盈率为60倍。考虑到中国买家有能力以此较高的估值筹集股权资本，斥巨资购买境外资产或许也不失为理性之举。

值得注意的是，中国买家的并购资金通常并非全来自本国。欧美银行也提供了许多高杠杆并购案的资金。近年来数笔大型交易其实是向外国银行财团举债融资完成的。中国买家自然也利用了高杠杆，比如先正达收购案， 430亿美元交易金

额中举债 330亿美元。中国企业更多是向银行举债而非公开权益市场，所以比起西方企业，多数中国企业对高杠杆更能处之泰然。本来，在西方市场由金融机构促成的高杠杆超大型交易也是息以为常的。

迷思之二：政府的隐形之手

坊间一直传说有个政府背景的智囊团指导企业行动，而近期跨境收购交易的背后推手就是此智囊团。

虽然政府的确喜欢指导企业，但这种说法言过其实了。中央政府制定了政策框架，即使国企高管跟着政策走有利于晋升，但是他们非常清楚要对自己所做的决策负责。除了极少数交易案，中企高管做出的并购决策均是出于商业利益考虑。

当然，跟着政策走肯定是有助于并购交易。批文下得快，贷款早到位，有时政府还会暗示其他买家退出，以确保只有一家中国企业竞争。在一些行业，特别是半导体行业，企业想要发起收购是颇有压力的。即使某些收购案符合产业政策，也多半是因为这些政策符合相关企业的利益。而像五年规划这类政策的制定，背后或多或少会有对大型国企的考量。可是每宗并购，无论是前期找标的还是交割后执行，概由企业自己负责。

政府之手可从政府投资基金的运作中寻找答案。中央政府出资的有丝路基金、非洲基金和中投公司。若真有隐形之手在操纵并购，政府完全可以与企业联合投资。事实上这种情况很少发生。例如，虽然有诸多融资项目，丝路基金也只投过一家公司。

若论政府出资的基金，只有中投境外投资比较多。但这些皆为组合投资，纯粹出于商业利益考虑，并且很大一部分投资是以固定收益证券和基金的形式存在。

迷思之三：转移资产的捷径

从2005到2014年，人民币兑美元汇率一直在上升，之后汇率下跌，增长乏力，企业管理者开始想办法把资金转到境外，跨境收购则提供了一条捷径。如此说来，是否境外大型知名资产的收购——比如酒店、大城市房产等高额收购案——不过只是企业在转移资产呢？

资本外流的确在发生，渠道也是多种多样，跨境收购只是其中之一。中国政府也一直在努力堵漏洞，造成2017年第一季的交易量显著减少。关键在于，资本外流是否就是并购激增的主要推手？2015到2016年间，跨境并购数量增加了125%，而前五年的增长率只有7-41%。一些房地产交易类，很明显只是中国买家的分散投资之举。即便如此，跨境并购的增长多年前就开始了，绝不是从2014年才发生，所以资本外流在过去几年只是辅因，而绝非主因。

迷思之四：猜不透的中国买家

但凡有中国买家参与的并购，总是会让很多境外卖家头疼。因为中国买家的想法让人猜不透，看起来并不很理性，而且资金来源和重点不明确，意图也不清晰。

其实不理性的背后往往有着缜密的分析和决策，这些是卖家所不了解的。对中国买家而言，特别是国企，并购之前需要与公司内外所有利益相关方进行商讨，只是卖方的中间人不一定有能力或者意愿去解释中国买家方方面面的考量。

而中方买家总是会质疑并购标准流程，认为对己不利。这套标准流程限制买家与目标公司私下沟通，旨在为所有买家创造公平竞争的机会。然而，中国人最擅长与对方一对一商谈和建立关系。除此之外，许多中方管理者对这套流程并不熟悉，不知道如何应用。好在这种情况正在迅速改变，越来越多的民营企业聘用了具备境外经验的业务发展人才，而尖端的国企亦聘有经验的交易团队。但是总的说来道阻且长。

事实上，不少跨境并购是出于发展所需。对于国内市场增长放缓的中国企业来说，迫切需要通过并购获得国外的品牌、技术和市场渠道。因此，卖方所得到的中国买家信息往往含混不清，难以解读，常把这些当成“文化差异”，实则为中国买家的独特之处。

迷思之五：不重视并购后整合

看起来，并购后整合好像并不受中国买家重视，除了保留原高管层。留用的高层往往也喜出望外，因为自主权很大。这就容易给人造成一种印象：中国买家对后续整合不感兴趣。

相比欧美企业，中国企业对并购后管理更愿意采取放手策略。但这主要是因为过去中国企业的整合能力不足，往往缺乏具备国际经验的储备人才，对整合也没有信心，并不是不想管。也正是如此，在过去十年，中国企业的跨境并购成绩喜忧参半。

对于大多数西方企业，并购后整合管理再清晰不过，速度至上，精简人员和职能部门、求协同。而中国人的整合管理则以求稳为上，允许独立运营，聚焦一两个重要领域谋求协同增效，比如研发共享或者将放在中国制造以削减成本。

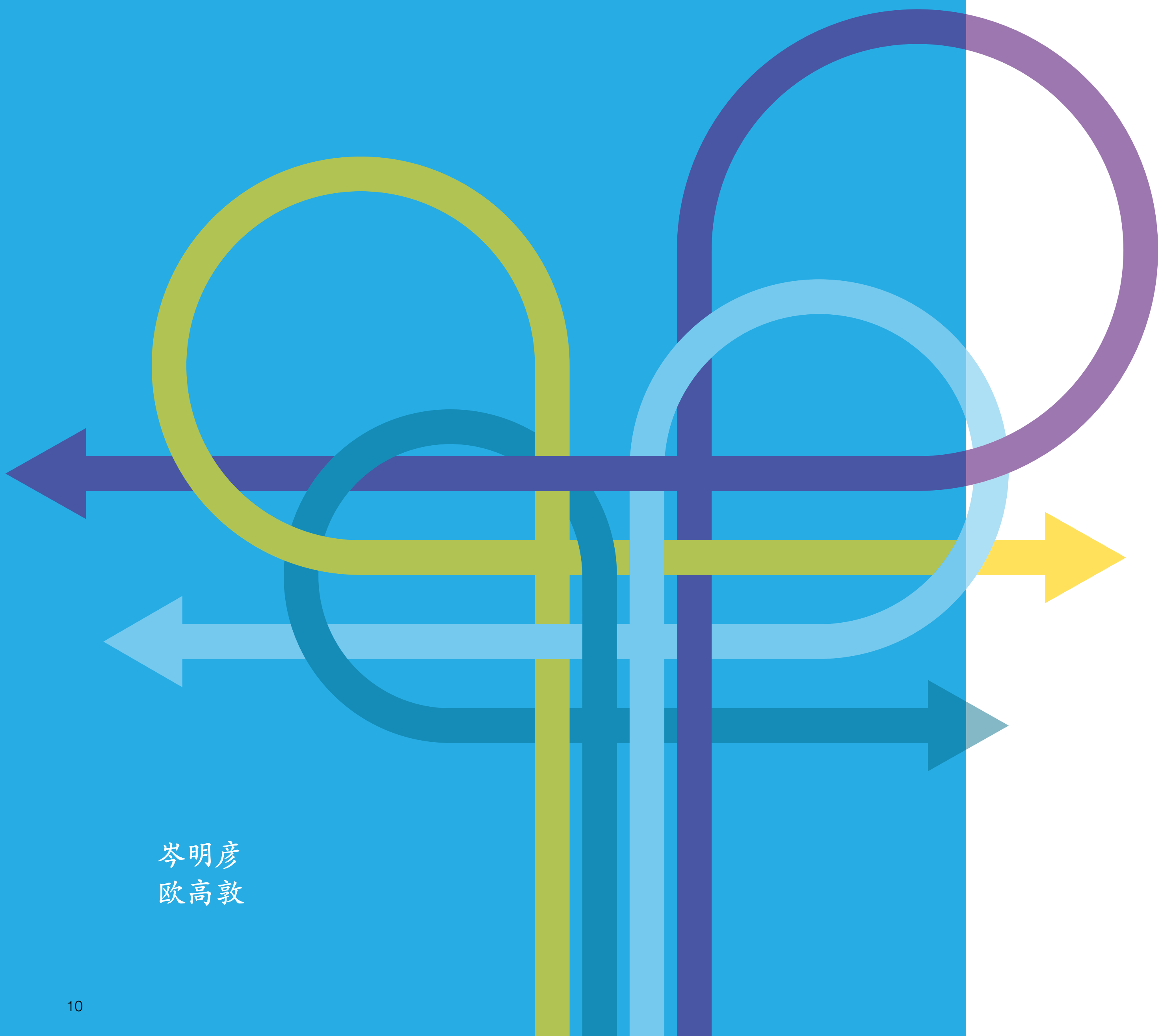
十年并购史表明，后续整合往往决定了交易的成败。有的后续整合以有组织、成系统的方式进行；而有的收购方并不“插手”被收购方的运作，仅通过董事会“遥控”，把收购标的视作财务投资。结果一般是前者收获更多。

其实，无论是获取能力、进军境外市场、购买品牌还是技术，都是站得住脚的逻辑。如果没有好的计划去实现既定目标，协同增效永远只是纸上谈兵。现在越来越多的中国企业意识到了这点，在交易的前期就着手制定具体的整合计划。对于大多数中国收购方来说，瓶颈就是构建一支拥有跨境运营和整合后管理经验的团队。此事知易行难。这支团队需要具备丰富的职能经验，要有工程师和技术人才来支持技术转移或技术购买，要有市场营销人才支持交叉销售，IT人才支持平台合并。团队成员还得掌握标的企业所在国的语言和沟通 能力。难度可想而知，比如会说意大利语的中国航空航天工程师绝对是凤毛麟角。

■ ■ ■

从本文所述的五大迷思来看，中企跨境并购尚处于长期增长通道的初级阶段。将来，中企有望成为全球并购市场的主角，跨境交易必将大幅增加。因此，买家和卖家都要提前做出调整，互相适应和磨合。中企需要跨境并购带来的品牌、渠道、技术和人脉，被投资方也能享受中国市场的快速创新、广大市场和成本优势。长期来看，中国参与全球并购交易，确实是多方共赢的好事。

中企跨境并购十年回顾



岑明彦
欧高敦

十年前，联想收购了IBM个人电脑业务，那是中国企业第一宗大型跨境收购案。此后，中国已累计达成655多宗1亿美元以上的并购交易。如今，中国财务投资者与战略投资者已经成为国际交易市场的常客。

2008年后，关于中企跨境投资影响力的讨论有很多，关注点主要集中在卖方所受到的影响，例如中国资本是否抬高了标的价格、标的所在国是否应当警惕中国买家，或是讨论资本外流对中国宏观经济发展产生的影响等。这些问题固然值得讨论，但我们更应关注买方，例如跨境投资是否成功？是否为公司创造了价值？如果没有，原因是什么？

本文仔细梳理了中国企业跨境并购史。中国买家的表现参差不齐，大部分交易并没有切实实现原定目标，最主要的原因是时机选择错误，这一点是所有企业都很难把握的。另一个原因是中企欠缺并购后整合能力。

过去，多数中国买家在交易达成后的投后管理能力有限，因此并购难以带来协同效应或真正的运营整合。但如今，随着精通国际运营的管理人才越来越多，该情况将不复存在。更多企业选择参与深度整合，它们既认识到积极管理被收购企业的重要性，同时也认可不同文化和运营模式之间的差异。我们认为，这样的改变将成为新常态。

评估历史交易情况[1]

评估一宗收购案是否“成功”肯定是主观的，因为我们永远不会知道如果没有此项收购，买卖双方现在会是什么情形。交易完成后，股价的短期变化只能反映市场是否看好这宗收购，却无法反映真实的执行情况。因此，要真正评估一宗交易是否成功，我们必须追根溯源，看看当初交易双方定下的目标是否得以实现。

1 为了这项研究，我们剔除了买方与被收购方公开信息极少的部分交易，余下500多宗交易进行分析。”

根据这个标准，中企过去十年的跨境并购成绩并不如意。约60%的交易，近300宗，约合3000亿美元，并没有为中国买家创造实际价值。

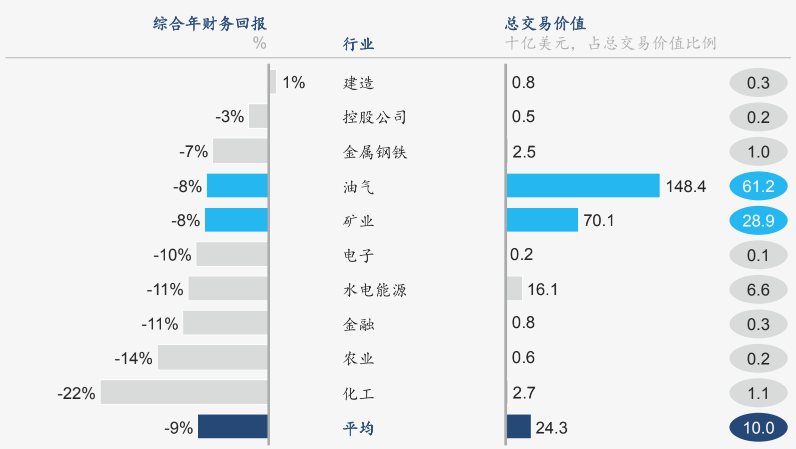
资源类交易的诅咒

收益最差的当属2000年代后期的能源类收购项目。2008年之前的十年间，中国的能源进口价格的复合年均增长率达18%。能源进口被视为企业国际竞争力的结构性问题，也关乎国家安全。

因此，过去十年间43%的交易（即217宗，占中国对外投资总额的56%）与自然资源相关。其中，80%的交易发生在大宗商品价格飙升期间，直到金融危机时达到峰值。其余20%发生在之后三年价格回落之时，因为价格下跌被视为买进良机。然而，在大多数交易达成后，大宗商品价格都维持在低于收购价的水平。在我们研究的交易中，84%的交易（占总交易额的89%）并没有为收购者创造收益，平均亏损为期初投资的10%（见图1）。

图1

资源类并购交易行业构成



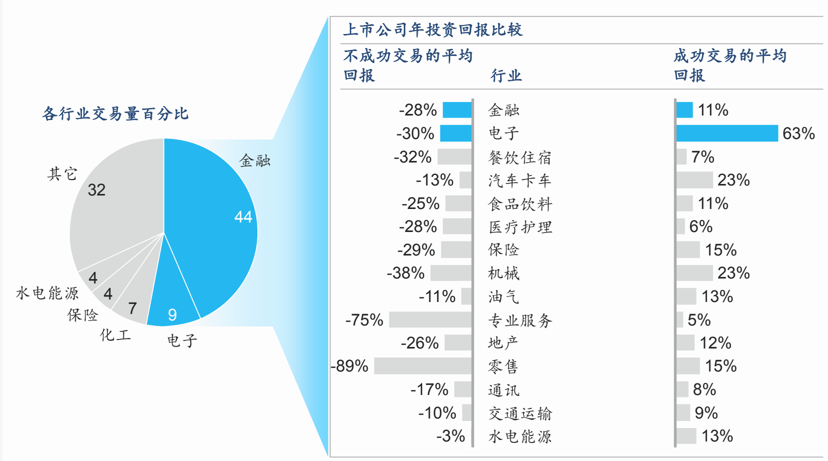
多元化财务投资与建立关系的交易

第二类收益较差的是收购上市公司类型的交易，交易达成后被收购方仍为上市公司。此类交易的主要动机是多元化投资，或是与目标公司拓展关系，24%的交易（即119宗，占18%）属于这一类，被收购企业仍保持较大的独立性。虽然中国国内这类收购十分成功，但在境外不然。平均而言，自购买日起到今天，买家年均亏损约7%。如果考虑机会成本，即向国内企业进行类似的少数股权投资，投资回报会更难看。因为自2008年起，国内股价年均涨幅达15%。这类投资失败的主要原因也是时机不对，大部分交易集中在金融服务和电脑电子行业，平均亏损为期初投资的30%左右。受创最重的当属零售业和专业服务业，平均亏损为期初投资的70%。

相比少数股权投资，对上市公司进行多数股权投资的话，收益会稍好一些。平均而言，这类交易的股价自投资日起年均亏损约2%，但区间差异很大，其中仍有过半数交易是盈利的。同时更多证据显示，多数股权投资者能从收购中获得核心业务的协同效应：将技术或产品带入中国市场，为买家带来实实在在的利润增长（见图2）。

图2

上市公司类交易行业构成



1 其它包括占比不超过4%的行业：汽车、餐饮住宿、食品饮料、林业、医疗护理、控股公司、休闲、机械、油气、专业服务、地产、交通运输

资料来源：团队分析

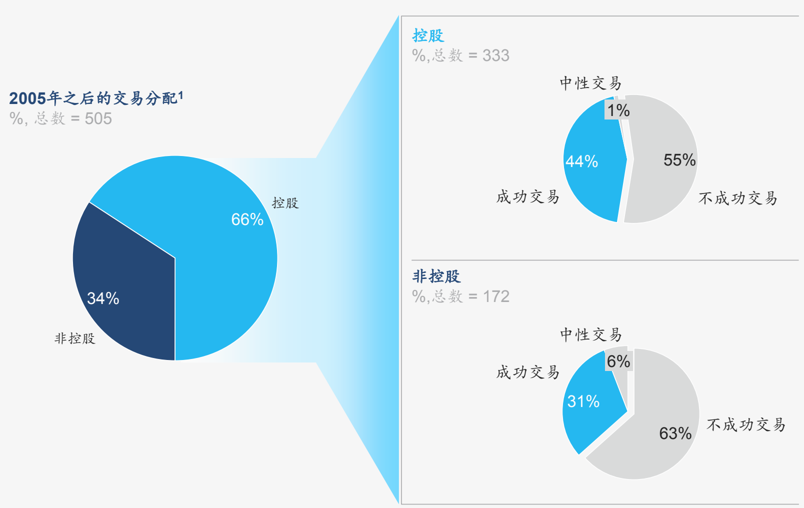
成功并购案分析

略微超过四分之一的并购不属于资源类与上市公司类交易。对于这类交易，我们通过分析并购案的既定目标（产品、技术或成本），以及比较其是否达成目标，发现约 70%的此类交易成功完成了目标。控股交易与非控股交易的成功率分别为75%和60%。

回顾所有跨境并购，我们发现控股比例对投资的成功与否的确很重要。在505宗交易当中，34%为非控股类投资，其成功率仅为约30%。对于控股类投资而言，成功率高达45%（见图3和图4）。

图3

非控股投资的表现大体上不如控股投资



1 不包括难以定义成功与否和数据不足的交易

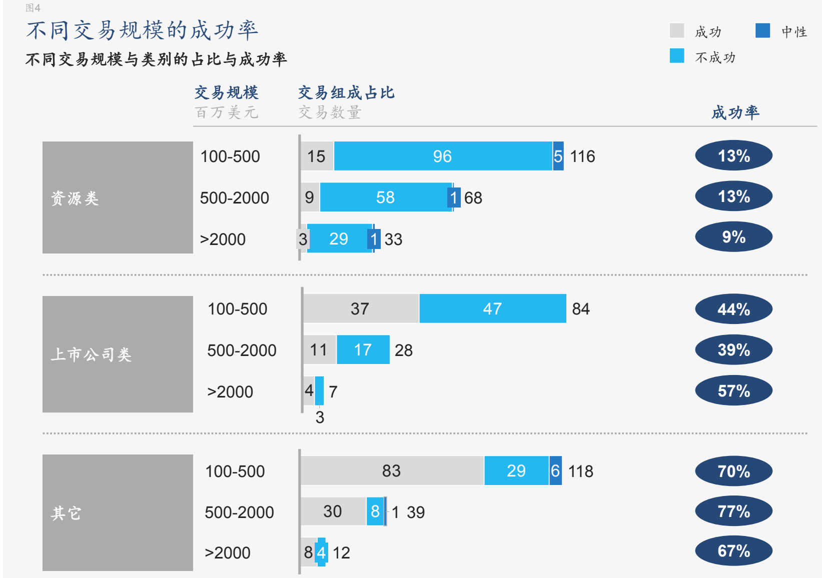
註："控股"代表拥有目标公司百分之50以上的股份

资料来源：Dealogic；专家访谈；麦肯锡分析

图4

不同交易规模的成功率

不同交易规模与类别的占比与成功率



资料来源：Dealogic；专家访谈；麦肯锡分析

以上信息勾勒出了一张负面全局图。505宗中国企业跨境并购交易中（总值4320亿美元），200宗约1460亿美元的交易完成了既定目标。然而，这些交易恰恰是在大部分企业都能从并购中获利的时期。2008年后，资金成本创下历史新低，股票市场在几十年来首次有利于企业收购，便宜的资金可转化为具有生产力的资产。特别是亚洲买家，常常因收购而得到投资者的热烈追捧。比如说，相比欧洲的并购交易，市场普遍认为亚洲的并购交易能够创造更高价值，因此股价涨幅更大。

整合难题

那么并购失败的原因究竟是什么呢？首要可控败因是没有做好投后整合。很多并购案例中，中国买家都迟迟不愿在交割后主持大局。

另外，中国企业并没有比其他买家支付更高的溢价。去年，中国买家支付的平均溢价是25%，而全球跨境交易的平均溢价则是32%。虽然低于均值，但溢价必须要求协同效应，只有积极开展投后管理，才可能实现协同效应。这一点是中国企业的挑战。

2010年至今，多数中国企业管理跨境资产的能力非常有限。一些具备跨境经验的中方高管能力又往往局限于销售和采购领域。拥有丰富跨境业务运营经验的人才极少，在薪资标准偏低的国企就更少。除了需要跨境运营经验，管理者还必须熟悉收购标的所在国的语言和商业文化。

下一步怎么走？

中国企业跨境投资仍处于初级阶段，未来十年的投资额将会翻几番。2015年，中国企业跨境收购额占GDP的0.9%，而美国为1.3%，欧盟国家为2.0%。另外，美国企业和欧盟企业的投资金额（按美元计）分别是中国企业的2.4倍和3.2倍。在2015年，中国企业在国内的收购额高达6120亿美元。如今，中国企业正处于长期增长的开端，过去十年的成功与失败都是宝贵经验。

过去十年的并购经验告诉我们，成功不仅需要决策正确，更需要好运气，尤其不能忽视后者。如果能源类并购早几年或者晚几年发生，很可能就会大获成功。然而，时机基本不可控，管理者能做的就是把握好交易后的每一步行动，这才是他们应该关注的重点。

中资企业往往花很大气力研究行情、预测价格和需求，也就是说把注押在了运气上。其实应该花更多时间研究并购后的整合问题，因为这才是企业可以自主掌控的。

我们对中国企业跨境并购继续持乐观态度。中企拥有无限的机会去尝试和冒险，再从错误中吸取教训。正因为如此，它们也能够取得外国收购方那样的成功。学习阶段即将结束，是时候将所学付诸行动了。

中企跨境并购融资术

岑明彦
石炜麟

中企跨境并购的资金运作和流向是多年来各方感兴趣的话题。2010年之前，中企很少对国际并购进行投标。近年来中国买家越来越多地出现在了重大收购交易之中，如中国化工集团收购美国农化巨头先正达、安邦保险竞购喜达屋等等。

很多境外企业想当然地认为中国企业的资金用之不尽，而资本供给或多或少反映着政策方向。近几年这种看法似乎得到了佐证：五年间中国投资成立了超过5500家基金，总资本规模逾3000亿美元，其中很多基金有意支持跨境并购。这样自然会引起一些疑问：标的资产是否会被抬高至不切实际的水平？财务投资者的支持是否会改变战略投资者的交易？

我们对至少与一家基金紧密合作的战略投资者的境外收购进行了深入考察。从2013至2016年，战略投资者联手基金（一方或双方来自中国）的交易为249宗。分析结果表明，交易估值并没有想象的那么高。实际上，基金与战略投资者的联合呈现出某种有趣的规律，那就是投资动力主要为商业利益而非政策。

两种类型的合作

近四年的交易大致可分为两类：中方主导型，即以中国战略投资者的利益所驱动的交易；外方主导型，大多数以发展初期的企业为并购标的。

中方主导型交易指至少涉及一家中国基金和一个中国战略投资者，此类交易数量不及交易总量的三分之一，但收购规模较大，每宗平均交易额达5.39亿美元，且投资对象多为成熟的境外老牌企业。平均每宗交易有三家中方企业联合出资，偶尔也有境外投资者参与，但几乎无一例外是由中资企业主导，各类基金提供融资和交割支持。境外投资者即使参与，通常也是基金：涉及境外投资者的交易中，22宗有境外财务投资者，只有13宗有境外战略投资者的身影。

其余的为外方主导型交易，大多数中方投资者只有1家，且多为战略投资者而非基金，而境外投资者平均有4个。早期与成长性风险投资占比超过总值的70%，平均交易规模仅为9000万美元。

拉动联合投资收购增长的引擎显然是中方主导型交易。三年来，这类交易在交易总量的占比由18%增至36%，在交易总额的占比由11%激增至87%。其中，中方为唯一投资者的交易规模更大，平均交易额达6.14亿美元，20宗交易中有18宗收购了超过90%的股权。

在大型交易中，卖家愈发重视中资企业带来的利益。 2015-2016年规模最大的5宗交易中，4宗标的公司管理层（意大利倍耐力轮胎、以色列 Playtika游戏公司、美国Lexmark 打印机及多功能机公司和德国克劳斯 -玛菲机械集团）制定了具体明确的方案，希望凭借交易能提高中国或亚洲市场的营收。再如地中海俱乐部决定接受中国复星集团投资时，再三强调打入中国境外游市场是其增长战略的一部分。

小型交易的情况有很大不同。 180宗外方主导型交易中，有 172宗交易的投资对象为发展初期企业，中方投资者扮演的角色更像是乘客而非司机。境外投资者远超中国投资者，两者之比达 4:1。除了这类风险投资，其他交易的境外投资者与中国投资者之比为1:2，8宗交易中有3宗的收购方获得了多数股权。这类交易大多选择能够提供本土市场专长的合作伙伴。例如，天津天士力制药集团收购韩国Genexine时，选择与LIME资产管理公司等数家韩国基金合作；中联重科收购意大利Ladurner时，联合专注投资中型市场的中意曼达林基金。

对中外投资者而言，基金主要指风险投资公司或成长型资本投资者。在上述投资中，最活跃的全球性基金为纪源资本（参与了11宗交易）和红杉资本（参与了10宗交易）。两家基金的投资对象均为创业公司，且大多数是联合中国互联网企业对科技公司的投资（纪源资本有9宗，红杉资本有8宗）。最活跃的中国本土基金为弘毅投资和平安基金（均有6宗交易），前者参与了多宗大型交易（如Lexmark和Playtika），后者大多与医疗战略投资企业联合。

交易特点快速变化

联合投资交易变化非常快。目前的交易主要呈现以下特征：规模更大、多数股权收购更常见、国有企业的主角地位削弱、科技类居多。

平均交易规模从 2013年的1.1亿美元升至2016年的2.33亿美元。除风险投资和成长型资本投资的规模较小外，其他交易的规模在4年间从4.59亿美元增至9.5亿美元，增长了一倍多，其中一些交易规模相当可观，如上海巨人集团、弘毅投资和云峰投资共同出资 44亿美元收购Playtika；五鼎生物技术、太盟投资集团和弘毅投资以36亿美元收购Lexmark。2016年有6宗交易的总额超过5亿美元，而在2013年规模相当的交易仅有1宗，即腾讯参与收购美国电游公司动视暴雪（Activision Blizzard），总值23亿美元。

中国买家越来越倾向于寻求完全控股权。 2016年有10宗交易收购成熟企业的股权，其中9宗获得标的公司全部股权，剩下的1宗也收购了超过90%的股权。而在2013年，少数股权的收购占总交易数的 44%。由此看来，交易性质发生了改变：过去多为财务投资，战略投资者不甚活跃，如今战略投资者开始主导交易，由基金提供资金支持。

最显著的变化大概就是国有企业（SOE）不再唱主角，这其实也在意料之中。国有企业在2013年参与了15%的交易，但2016年仅涉及6%，一方面是由于国企缺乏相关经验和专业知识，很少投资初创公司，另一方面则是从2013年开始的反腐风暴使得国企管理层行事更为谨慎。

国有企业通常出现在中方主导型交易。在180宗外方主导型交易中，国有企业仅参与10宗。国企通常感兴趣的是技术收购，如上汽集团投资了美国汽车催化剂材料制造商SDCmaterials、汽车销售门户网站CarSavvy和人机交互公司Speaktoit，为的是获得在汽车催化剂材料、线上汽车销售和虚拟助手领域的能力。此外，此类交易规模明显更大：国企参与交易（共25宗）的平均规模为8.01亿美元，而224宗民营企业交易的均值仅为1.43亿美元。而且国企多次收购的可能性更大。中国化工集团和中国人寿保险是跨境收购最频繁的国企，分别参与主导了两宗交易（前者投资了倍耐力轮胎和克劳斯-玛菲机械，后者投资了优步和多处地产）。

与此同时，中国发展迅猛的民营互联网公司崭露头角。在180宗外方主导型交易中，涉及某一家中国互联网企业的有63宗。此类交易的收购目标多为美国公司，尤为常见的形式是参与科技公司上市之前的其中一轮融资，Snapchat（阿里巴巴入股）、Lyft（阿里巴巴入股）和Social Finance（人人网投资）。

总体而言，收购标的多为科技公司，占交易总数的55%、交易总价值的58%。面向消费者的行业也是收购热门：医疗和消费品分别占总交易数的19%和9%。然而科技类交易并不仅限于消费类技术。从中国企业收购新加坡半导体封测厂商星科

金朋公司（STATS ChipPAC）、美国芯成半导体公司等交易可以看出，中国企业（包括国企和民企）正大力进军半导体行业。虽然国有企业的工业和能源类交易相对民企多一些，但加起来不到国企投资的30%。

基金一瞥

联合开展境外收购的基金类型繁多，但大多数为民资背景。共有 551家基金在过去三年参与了财务/战略联合投资，其中境外基金442家，中国民营基金96家，政府直接掌控所有权的基金仅为 12家。每家基金平均参与1.5~1.6宗交易，说明尽管有些基金参与的收购较多（如上文分析），总体而言境外投资并不是基金的重点。

近5年来，中国成立了约5500家投资基金，其中约00家是受“政府指导”的，主要是为本国初创公司提供支持和引资。然而，那些有政府背景的大型投资基金，迄今为止在境外投资中起到的作用却相当有限，仅有几家积极参与境外投资。中国投资有限公司（CIC）很明显更活跃，但该公司本来就负责跨境投资，且通常不会与中国战略投资者合作。另有几家收购方（如中信投资控股公司CITIC）曾是国有企业，但现已成为商业实体。

解读“廉价融资”

财务投资者显然还未能真正向中国收购方提供廉价资本。2013—2015年间，联合交易累计总值为470亿美元，而同期中国企业境外收购总值高达4750亿美元，跨境直接投资高达5340亿美元。我们估计基金融资仅占其中的100-150亿美元，远远不足以影响交易定价。

为了加快实现国家经济发展的目标，“政策基金”确实支持了几宗交易。中国化工集团2015年收购倍耐力轮胎、2016年投资克劳斯-玛菲机械集团，分别获得了丝路基金和国信国际发展有限公司的支持。这两笔投资巩固了中国化工的轮胎和化学机械业务，响应了《中国制造2025》行动纲领对制造业升级的要求。2014年，江苏长电集团收购星科金朋公司时得到了国家集成电路产业投资基金的支持，该基金的设立就是为了推动中国半导体行业的发展。

这些交易毕竟只是个例。“政策基金”的跨境项目大多数是基础设施或资源企业的自营投资和项目融资。以丝路基金为例，该基金宣布进行的6个跨境投资项目中（共有10个项目），仅有1个与中国战略企业联合投资。

中国目前境外交易的资金供给充足，但一直以来来自银行系统而非基金。不仅是中国的国有银行，境外银行也积极为中国企业提供高杠杆融资。我们研究的部分大型交易都获得了境外银行和国债市场的融资。中国化工以86亿美元收购倍耐力轮胎，73亿美元由摩根大通融资；中国化工以470亿美元收购先正达，由国内外17家银行组成的财团提供融资，其中330亿美元为债务融资；腾讯86亿美元收购游戏开发商Supercell，有35亿美元是国内外多家银行提供的贷款。

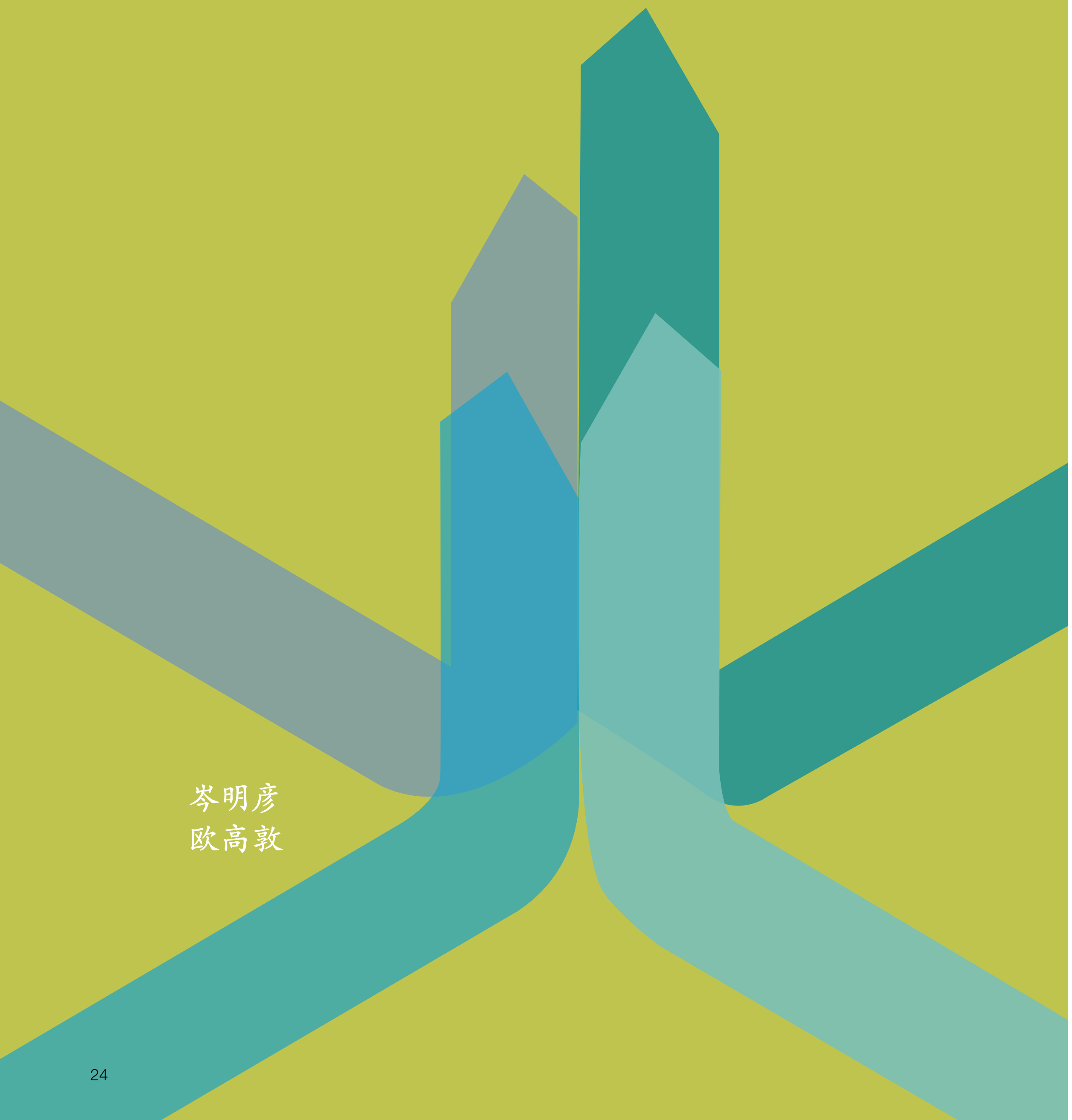
基金将何去何从？

中国的境外并购仍处于起步阶段，各方都在摸索自己的角色。企业/基金的联合投资日益增多，体现了双方互补的需求。中国企业希望获得基金支持，中国基金则积极寻求投资处于发展初期的境外公司。一些国内外基金正帮助有投资意向却缺乏资金的中国企业进行境外收购。

毋庸置疑，政府指导的基金影响力有限，尚不足以改变中资企业的收购融资能力，也未必能帮助企业开出更高的收购价格。目前资金主要还是来自传统银行系统。随着发达国家利率的攀升和中国信贷的紧缩，近来中国政府又提倡给跨境并购降温，限制资本的外逃，这些都会在一定程度上限制银行系统的融资能力。不过国内外银行只是呼应中国企业的需求，而未来几年中企对跨境并购的兴趣只会有增无减。

20世纪七八十年代西方企业开始跨境收购，大多为自有资金，多个投资者，包括一些财务投资者，参与的交易实属罕见。当然，那个时候的私募行业规模比现今的规模小许多。中国收购方从一开始的道路就与西方买家截然不同。在可预见的未来，基金的参与将是中国跨境并购的一大特点。

从积极的买家到真正的主人



岑明彦
欧高敦

对于大部分交易而言，最具挑战的部分发生在交易结束之后。研究一致表明，整合的得失成败，对交易成功的影响要远远大于其他任何因素，包括成交价格。

关于如何进行收购整合，在美欧有一套由来已久的“标准”模式—— 速战速决，尽早消除重复成本，尽快转向单一运营模式。速度和果断，是最典型的特征。来自亚洲的买家往往较为谨慎，在稳定和速度之间，他们有时更看重前者，在整合过程中显得从容不迫[1]。

随着中国企业在境外收购中变得更加活跃，管理层的国际经验不足和后备实力不够迫使其做出艰难抉择。企业通常凭借收购来拓展能力和业务覆盖范围。然而，当自身在对方市场上业务活动极其有限时，应如何对被收购企业进行整合呢？

如今，中国的收购企业极为多元化，以一应万、唯一“正确”的整合模式并不存在。据我们观察，几乎每一种做法都有可能在一种情形下大获成功，而在另一种情形下一败涂地。

不过，回顾过去十年的经验，大部分交易后管理可以大致归纳为五种方式。其中有两种算不上实质性的整合，只是对某项资产进行有距离的管理。其他三种均涉及实际整合，但程度高低不同：

- 放手式整合。收购企业保持目标企业运营的独立性，主要通过董事会对其进行管理；
- 修正重振式整合。收购企业利用任命管理层、薪酬、激励和财报向独立资产施压，推动其提升绩效；
- 全面式整合。尽可能将目标企业纳入收购方管理体系，需要重组目标企业；

1 参见《侵略还是外交》，[McKinsey on Finance参考]。

- **选择式**整合。目标企业在很大程度上保持独立，但是会在一两个可产生显著协同效应的特定领域进行更加密切的协作；

- **渐进式**整合。从一个职能领域开始整合，逐步拓展至其他领域。

这些方式本身各有利弊，整合成功的关键部分取决于是否采取了正确的方式。不过，无论这些方式的运用成功与否，都为我们提供了有益的经验借鉴。

极简的交易后管理

整合的标准思维是应当尽可能快而全面，在不影响业务稳定性的情况下尽可能多地让双方组织参与其中。这种方法常见于论述收购案的西方商业文献中。

中国企业早年的大部分海外收购，在很大程度上都是反其道行之。两边都缺少能真正磨合的经理人，而且很快意识到两家企业的管理模式完全格格不入。即便是预算、规划、人事这些最基本的企业流程都差异巨大，没有意义再去调和：在中国行得通的东西，在西方背景下却可能碰壁。

因此，中国企业把重点放在治理机制上，以此作为主要的交汇点，在被收购方的董事会进行有关战略、投资、预算的讨论。双方各有一名"桥梁式"人物——两位定期以非正式方式商讨各项事宜的高级经理。但这并不是兼并后整合中常见的财务和运营等职能领域的统一经理"配对"，也不是把一家企业的管理流程移植到另一家企业。

这样做是对挑战性问题的理性应对。类似例子不胜枚举，企业对结果似乎也感到满意。国家电网通过治理机制从董事会层面对ElectraNet进行管控，但鲜少介入ElectraNet的运营决策。调派到ElectraNet的中国经理倾向于扮演联系人的角色，而不是直接从事运营管理。三一重工收购Putzmeister后也采用了类似的做法。三一重工极少直接参与日常业务运营，并基本保留了Putzmeister原先的管理团队，同时加入Putzmeister的监事会，确保其年度规划和长期战略符合母公司的要求。

这种方法被许多收购企业作为入主目标企业的前提假设。在2016年发生的，包括携程收购天巡（Skyscanner）、中国化工收购先正达（Syngenta）、中粮收购Nidera和美的收购库卡（KUKA）在内的多项中国企业对外并购交易中，交易前都明确宣布了目标公司将会在交易后数年内保持独立的管理运营，一方面让利益相关者安心，同时也显示了收购企业敏锐审慎的态度。

如果买方能够通过更多的卖方订单输出，或进一步研发卖方所有知识产权创造价值，那么这种收购模式是行之有效的。然而，这种价值创造可以通过一般的商业合作实现，是否一定需要进行全面收购？这样的交易是否仅仅是一项财务投资？

收购带来的风险显而易见。成功与否很大程度上取决于一些个人关系。如果采用该模式仅仅是出于监管或政治原因，买方对收购业务直接"掌控权"便遭到了剥夺。即使被收购企业在收购后业绩下滑，要大幅改善运营表现，实际上也不太可能。

要最大限度降低风险，就必须在交易早期营造一种"控制环境"——定义一套频繁至每周、每月、每季度的基本管理指标，尽早发现问题并及时解决。交易不同，指标也不尽相同，但是这些指标绝不单单涉及财务方面，通常还涵盖了运营、营销销售方面的关键数据，以及研发和产品开发。知易行难。设定指标需要透彻理解目标企业，洞悉潜在弱点。买家在交易后采取"放手式"的整合方式就是因为缺乏深刻理解。

全面式整合

大部分尝试全面整合的中国收购企业都功败垂成，有的甚至成为行业经典失败案例。这些交易本身是可以创造很大的成本协同效应，但只有通过真正的整合才能实现这一目标。

上汽收购韩国双龙汽车公司就是一个典型的例子。表面看这是一笔不错的交易。上汽斥资5亿美元将完整的知识产权和研发平台收入囊中，用以开发中国本土产品。然而问题出在了如何扭转公司的在韩业务。承担这项任务的中国管理人员没有能力从运营和文化方面有效经营业务。他们试图重组管理层、采用新的工作实践，但很快失去了高管、工会和员工的支持。工会借着工人的不满向上汽发难，韩国媒体也纷纷声援。2009年，该公司进入了破产程序，2010年，印度公司Mahindra & Mahindra入资取得了控股权。

韩国方面对上汽的怨怼源于非法技术出口，但这背后其实存在着更深层的根本性问题。从一开始，韩国方面就对上汽强制推行的运营模式感到愤懑不平，深感没有得到资管团队的尊重和理解。如果上汽一开始保持双龙运营的高度独立，或许能赢得员工足够的善意，扭转公司颓势。实际上，这一事件给中国收购企业的声誉投下了阴影，直至今天仍未散去。

在早期对外投资中，联想是取得卓越成功的佼佼者，通过联想的多次收购案，我们得以一窥成功整合的方法和需要的时间。

联想志在成为全球第一，但在海外市场的内生增长极其缓慢：这项IBM PC交易可助其从国内领头羊一举晋身为全球领导者。然而，交易的经济效益很大程度上取决于产生的运营协同。整合后能够在采购环节产生与收购价格近乎相当的协同价值，但前提条件是两家公司必须实现全面整合。

为此，联想愿意解构和重组公司本身结构，没有这样的承诺，交易可能没法行得通。联想意识到，现任中方管理层中的大多数人至少暂时要学会退居幕后，重新学习如何在新环境下运营企业。公司还改组了董事会，引入更多拥有国际化经验的人才为管理层提供指导。同时，联想还设计了中外领导层都能参与适应的全新管理流程。这也带来了一些阵痛，曾经业绩优秀却无法适应新环境的高层员工不得不离开。

在收购IBM的PC部门后，联想物色了200名倡导“全球采购”、最有潜质成为未来全球领袖的人才，根据他们希望的工作城市选址建立职能中心，将决策权从北京下放。在当时，很少有中国的买家愿意这么做。哪怕时至今日，大部分公司可能也都做不到。

交易结束后，联想将这次整合方法进行制度化，在随后的五宗收购案中均采用了类似的做法。这需要投入大量的时间精力，但如果收购后能够实现更有力的企业成长，这种付出也是值得的。目前，联想20人的高管团队中有60%为非中国籍人士，均拥有广泛涉猎国际业务的经验。

无论是中国还是外国企业，有不少都认为“整合”就是把被收购公司揉进自身的管理模式。这往往不是最佳选择。事实上，用收购公司来促成企业自身的变革才能将收购的效益最大化。在联想案例中，收购让一家中国企业华丽变身为一家拥有中国底蕴的国际企业。但是对于大部分中国收购企业而言，这不是一个诱人的选择：希望成为国际化企业，但不希望对本土运营做太多调整。许多外国收购企业在海外扩张的过程中也承认这并非易事。

修正重振式整合

对外并购中较少见的一种交易类型，是收购经营不善的生产企业。2008年后，出现了大量财务困顿企业的收购案，比如现金流有问题的房地产资产，或是大宗商品价格下跌引发的资源收购。但是，中国收购者抱着“修正”问题企业而收购已经或濒临破产的制造型企业的案例相对不太常见。有能力这么做的中国企业可谓凤毛麟角。“修正”困顿企业是一种稀有而特殊的能力。在1990和2000年代追求增长的中国市场，中方管理人员并不需要培养这种特定技能。

确有几个这样的早期案例，如上海电气曾在2007年收购印刷设备生产企业高斯国际（Goss International），后于2015年将其出售给了私募公司美国工业合作伙伴（American Industrials Partners）。近年来，虽然只有少数中国企业会主动重振收购企业的海外业务，但数量越来越多。最有名的案例莫过于双汇和Smithfield的收购案。这项交易最初在政治和融资层面都扰攘颇多。投资美国农业在政治上十分敏感，而且这笔交易中买方又加了很高的杠杆，但是交易后发生的一切更为精彩。

收购前，Smithfield的公司组织较为松散，分别在堪萨斯州、芝加哥市和弗吉尼亚州拥有三个不同的运营中心以及很多独立运营公司，造成了本土运营大量重叠和冗余。高层管理人员是在企业工作多年的元老，薪资优渥，但缺乏推行改革的动力。

双汇看中了入主美国知名肉类品牌所带来的协同效应。然而，双汇并不满足于此，它还希望提升企业在美国的运营绩效。首先，双汇将运营中心整合为两个，最终目标是仅保留一个。随后，双汇对所有运营实体的共享服务进行了精简，将公司重组为自负盈亏的业务单元，颠覆了收购前分散的运营公司占主导的局面。

它还引入了双汇的业务报告系统，将所有流程和模板移植到Smithfield。这些做法比Smithfield原有的绩效管理体系要详细严格得多，汇报频次也高得多。双汇还建立了比以往更加基于业绩的薪酬体系。在2-3年的时间内，双汇替换了旧的管理层，从内部提拔并组建了新的高管团队。这次“班子换血”对Smithfield的员工释放了积极信号。双汇没有选择从外部空降管理人员，而是在企业内部着力培养下一代领导者，提供了前景广阔的个人发展平台。

双汇只向Smithfield派遣了一名全职高级经理，具体工作全部由Smithfield员工落实完成。但是，Smithfield的董事会由三名双汇代表和Smithfield新任首席执行官组成，权责十分明确。

变更管理层、建立更加严格的绩效管理体系、精简组织以及提高财务激励，是私募投资人常用于管理被投资企业的模式。尽管私募投资人可能会用到更高的财务杠杆，并在业绩达标的情况下向管理层分配更多个人所得。但是，从理念上讲两者殊途同归。那么问题来了：如果双汇只需要一名管理人员就能做到这一切，为什么其他公司不可以？重振一家企业真的难于上青天？

简短的回答是，交易成功的前提是环境和条件允许，但近些年的上市公司估值却并没有创造这样的环境和条件。Smithfield的价格并不便宜，双汇为这项资产支付的价格约为息税折旧摊销前利润（EBITDA）的9倍。在这样的估值下，很少会有财务投资者对“先收购后修正”的交易感兴趣。相对于潜在回报，风险显然很高。由于很少会有潜在买家出来挺身相救，所以Smithfield也就一直得过且过。但是对于双汇，Smithfield的品牌与其国内运营之间的巨大协同效应可以保障财务绩效。即使业务重振不理想，这种协同效应创造的价值或许也有益于公司财务。更加幸运的是，Smithfield的第二梯队管理人员志存高远，公司改革获得了他们的支持。

这个案例清晰表明，扭转颓势是完全可能的。如果企业高估值能够逐步降温，那么未来十年这种重振的整合模式将成为中国买家全球化工具包里的一贴必备良方。

选择性整合

近年来，越来越多的收购企业尝试选择性整合一两项业务领域，而借由董事会来管理与目标企业的整体关系。这种做法在合适的环境下是有效的。以下几个案例介绍了这一模式的共同特点。

中石油 - Ion：将科技与市场布局相结合

2010年，中石油旗下子公司收购地球物理调查科技公司Ion。当时，中石油已经是全球最大的烃类合同勘探企业之一，Ion据称拥有业内最先进的3D地震成像设备。两家公司的联姻完全符合行业逻辑。然而，Ion是休斯顿一家相对偏平管理、气氛轻松、充满创业精神的公司，而中石油则是一家庞大而复杂的国有企业。

不过，中石油有一小批管理人员在多年的工作中积累了丰富的海外勘探运营经验。这批人与Ion的管理层拥有共同的技术语言和参照体系，顺理成章变成了两家公司之间的“桥梁团队”。大部分对Ion的管理工作还是通过董事会完成，但双方在探索如何将Ion的技术和专长快速部署到中石油的勘探运营中，且如何整合其研发路线图方面展开了广泛密切的合作，其他业务领域基本毫发未动。

中国南车 - Dynex：加速研发升级

2008年，中国国有企业中国南车（中国最大的铁路设备生产企业之一，当时正在积极发展高铁技术）收购了英国一家中型半导体公司Dynex75%的股权。后者的主营业务是向铁路公司出售模块产品。中国南车随后注资Dynex升级研发，并将销售队伍拓展至新的市场区域。同时，它将Dynex产品引入中国市场，通过自有产品和渠道进行推广。现在，Dynex的管理层有数名包括研发和销售负责人的中国南车高管，在公司的九人董事会中，南车占四席。

成功实现选择性整合

这种方法说说容易，做起来着实要费一番功夫。要成功实现选择性整合，需要具备几样关键技能，但并非所有企业都有。

首先，收购方必须有能力通过董事会管理资产。这不是听着那么简单。董事会的角色因文化而异，其权限和角色在各个国家不一而同。在中国，董事会的法律角色与美国、德国或英国有很大差异。某些企业和个人在这方面尤其长袖善舞。比如对太古和怡和这些香港企业集团而言，这属于标准的运营模式。但是，有很多企业和个人并非如此，设立董事会仅是完成一套法律程序。

其次，收购方必须在特定整合领域具备后备实力。收购方需要配备一批十几人的精干人才，在工作层面与目标企业交流互动，拥有公信力。

再次，收购方需要有一支交易团队在交易结束之前对相关安排进行谈判。这一阶段的谈判并不是要把协商结果写进法律协议，而是要与另一方建立务实的相互理解，消除疑惑或模糊地带。这没有听上去这么简单。在某些情况下，尤其是规则较严的拍卖会限制买方与卖方的接触，也就无从再议谈判了。这也部分解释了中国收购企业并不乐见带有竞争性的公开竞拍。

渐进式整合

吉利汽车在2010年收购沃尔沃，堪称全球汽车业的里程碑。诸多跨国汽车公司如梦初醒，意识到中国汽车品牌走向国际市场的雄心并不只是说说而已。相对于中外合资品牌，国产品牌尚未得到显著的成功。没有哪个国产品牌在中国以外的市场进行实质性布局，或者成功把海外业务整合到麾下。实际上，在已有的合资企业中，基本都是将国内运营并入了外资品牌的全球产品平台。

车企整合有其独特的挑战，主要通过整合产品平台和采购实现规模效应来产生价值。除非对两家公司进行全面整合，不然基本无望。所以大部分车企对并购整合都十分亲力亲为，重组的范围之广，需要一方或双方共同实施。

吉利的管理层十分清楚其中的风险。2010年沃尔沃处于财政困顿，售价较低，吉利也因此获得了比大多数收购者更充裕的时间。他们迈出了正确的一步，决定要在跑之前先学会走。整合最容易、也是价值最大的部分，是双方共享沃尔沃的研发和制造技术知识，这也是首要关注的领域。接下来发力的领域向前迈进了一大步：从采购和产品路线图角度发现生产平台的运营协同效应，这基本得花上好几年的时间。再下一步是分析双方的市场销售布局，找到可以整合的领域。

整合节奏比一开始预想的更加缓慢。然而，对于那些预测文化冲突和财务绩效滑坡的质疑者，公司给予了有力的回击。吉利以这种方法牺牲了收益，但也降低了风险，并在短期避免了上汽双龙闹剧重演的危险，吉利有充足的时间去实现企业的战略目标。

携手合作伙伴：共同投资者是否能助一臂之力？

我们已经探讨了管理体系之间的不匹配和国外运营经验的缺乏。这些问题是否可以通过引入合作伙伴来解决呢？在这些情形下，以并购基金为主的大量共同投资者都积极寻求机会与中国收购企业合作。然而，它们的价值更多体现在交易前阶段。虽然并购基金在交易后可能也会起到作用，但也带来了撤投这一隐患。

基金能对交易执行和管理利益相关者贡献深厚经验。中国企业缺乏能产生专有交易流量的网络，基金的参与能够带来更多新的交易信息，更高效地走完交易流程。在应对政府和其他利益相关者方面，合作伙伴就不那么给力了。比如，华为对3com的收购要约就以失败告终。即使有贝恩资本的助力，最终这笔交易也没能通过美国外资投资委员会（CFIUS）的审批。

中联重科2008年对Cifa的投资可算作是交易前后动态变化的一个经典案例。由弘毅、高盛以及与意大利渊源深厚的中欧基金曼达林三方组成的共同投资方协助寻找标的并完成了交易。三方在尽职调查、谈判融资、交割后企业治理设置方面提供了强大支持，没有这些支持，中联重科执行交易的难度会大大增加，甚至可能告吹。

共同投资方还帮助物色了一位新的首席执行官。然而交易后，这家公司在运营和研发方面举步维艰。在这两个领域，私募投资者都束手无策，企业收入出现下滑。不久以后，由私募方委派的首席执行官下课，中联重科提名的人选取而代之。虽然公司的财务业绩欠佳 - 距离最初投资三年后的2011年，公司收入已不到交易前预测的40% - 但财务投资者依然设法退出并赚取了不菲的回报。私募投资者设计了保护自己利益的交易结构，风险实际上都由战略投资者承担。因为战略投资者占多数股权，与作为少数股东的财务投资者相比，在交易后有更强的资产管理能力，但是如果战略投资者的运营投入多却得到较少的回报，便很难向股东做出解释。

收购IBM个人电脑业务是联想的首笔对外交易，两家海外基金德太投资（TPG）和大西洋大众（General Atlantic）跟投，在交易执行和风控方面做出大量贡献，并为当时在海外名不见经传的联想提供了国际公信力。然而，基金的主要兴趣着眼于通过交易获得回报，建立退出平台，而联想的核心动机是为今后几十年的发展搭建国际平台。最初的这笔交易，可能需要基金的参与才能成功。之后的几笔收购案中，联想均是单一投资人。

近年来涌现出一种新的合作伙伴形式：中国本土基金开始为中国企业执行收购交易，这些中国本土基金部分为私营背景，许多享有某种形式的政府拨款。这些基金的员工，尤其是初级员工，通常是在海外有过投资行业求学和工作经验的中国人，拥有国际经验，能为合作企业弥补其欠缺的国际视野。有限合伙人主要都是中方机构，不同海外基金，较没有融资周期方面的压力，因此在投资退出时机方面也更加宽松。

要判断这些基金的表现是否会有别于外国基金，尚为时过早。不过，它们提供了一个中间地带，而且近年来，获得它们共同参投的交易数量呈现快速增长。中国零售运营商三胞集团对美国零售网络Brookstone控股公司的收购案就是这样一个例子。在这项交易中，三胞集团得到了赛领资本（Sailing Capital）的支持。赛领资本是一家总部位于上海的基金，主营业务为协助中国企业进行海外收购，募集资金以人民币为主，但投资团队拥有太盟（PAG）等外国投资公司工作背景。收购后成果初显：Brookstone已在中国开设了包括上海旗舰店在内的三家门店，加快了业态创新步伐，加大了向年轻消费者的营销力度。

基金在支持海外收购方面的作用不言而喻。但收购后在整合方面的作用就不这么明朗了。在我们考察的所有案例中，很少看到基金在运营改善或重组方面扮演实质性角色。

构建工具包

我们在上文提出的根本性挑战大多体现在三个方面：企业历来缺乏能在海外收购中发挥作用的管理骨干、管理体系不兼容以及企业文化的差异。随着时间推移，解决上述问题会愈加简单。具备国际经验和各类企业文化经验的中国人才队伍正日趋壮大，中国企业的管理体系也日臻成熟。

尽管如此，仍有一些交易成功的必要元素是中国企业必须去努力追求的。首先，要针对并购交易制定自己的“实战手册”。如同其他企业职能一样，将收购的套路和流程落实成文、加以标准化，找出一套对本公司行之有效的方法，才能精通收购之道。 联想在收购IBM之后就是这么做的，这种做法使其在后续收购交易中受益良多。

其次，要培养通过董事会宽松运营企业的能力。公司或管理人员不可能天生就会，而且海内外的做法可能大相径庭。关键是要厘清需要审核的管理信息、审核的频率、需要保障透明度的运营内容以及实现的方法。多数成功的私募投资人在职业生涯中担任过多家被投资公司的董事，并因此习得这一技能。但是，要指望一名企业经理在这方面轻车熟路就不大现实了。

许多中国企业开始逐步意识到，整合没有灵丹妙药。自身技能培养和能力建设可以带来更大的选择余地，但还是要做对的抉择，进行有效执行。随着企业交易团队不断积累经验、不断成熟，我们观察到的交易后整合方法也更加周全、定调更高。这是好事，因为不在整合上练就高强武艺，最后只会在现有交易的价值创造上栽跟头。

流程与政治：跨境并购监管的通关之道

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在华投资的境外企业和跨境并购的中国企业处境迥异，却担心着同一个问题：监管审批流程。两类企业担心的都是，相较于本国市场，它们与东道国的政策制定者缺乏充分沟通，需要面对陌生、漫长且可能带有政治色彩的审批流程。

这一疑虑的具体影响并不容易察觉。虽然确切数字难以统计，但每年确实有相当数量的交易，因为一方或双方感到通过反垄断审查或外资审查的希望渺茫而夭折，有些甚至根本未经探索性讨论便放弃了。其实，在中国和境外被审查的交易中，绝大多数都无需补救措施便直接获得批准——在欧洲和美国一般只有不到5%接受审查的交易未能通过。然而，最耐人寻味的莫过于那些被要求追加条件的交易，因为这些最能体现批准与否的界限。

收购方担心正式的反垄断审查，这也十分正常，毕竟该流程又耗时又敏感。但回顾过往的监管决策可知，企业应更注重如何赢得对交易的政治性支持。通常而言，交易在监管审查中面临问题，往往是因为缺乏能扭转局势的关键利益相关方的支持。

中国企业的跨境并购

监管审批是中国企业跨境并购时普遍关注的问题，这也非常容易理解。这些企业在中国市场上对政治利益相关方的利益极其敏感，认为在境外市场这点同样重要。但在与境外政治利益相关方处理关系时，它们既没有一个可供参考的模式，也不了解如何解读指南，或缺乏恰当的沟通渠道。此外，每个司法辖区都有其不同的利益相关方和审批流程，，让企业更难以应对。

以上原因部分解释了为什么中国企业并购交易主要集中在寥寥几个国家：以涉及价值计算，美国占28%，澳大利亚8%，欧盟32%（其中德国占比高达14%）。诚然，中国对新兴经济体（包括俄罗斯、独联体国家、中南美洲国家、东南亚和印度）的直接投资也十分可观，近三年来约占对外投资总额的17%，但这些几乎都是基础设施建设投资，而非收购当地现有企业。

尽管中国企业在并购交易中顾虑重重，但实际上仅有小部分交易真正受阻，而且这种现象主要出现在近几年。这也是由于采取了审慎性避免策略：一方面许多中国收购方一旦察觉监管者可能追加要求补救措施，便退出谈判；另一方面，竞价时，卖方在是否让中国竞标方通过第一轮筛选方面仍保持谨慎，中方企业只有提供令人信服的依据，保证可通过当地的反垄断和外资审查，才能进入下一环节——但在实际审查前，任何企业都难以妄下承诺。

受阻交易

完全受阻的交易引人深思。迄今在监管审查中受阻的交易共有10宗（如果算上20世纪90年代碰壁的航天领域的交易，就是11宗）。其中，8宗是收购美国企业受阻，1宗虽然收购对象是欧洲企业，但仍受美国审查。以反垄断为由搁浅的交易仅有1例：2105年，欧洲委员会（EC）阻止香港和记黄埔公司收购英国电信运营商O2。2009年中铝公司（Chalco）收购澳大利亚力拓时受到严格的安全监管审查，但最终是因为利益相关方认为交易条款过于偏向中铝而终止交易；2005年中海油（CNOOC）欲并购美国优尼科公司（Unocal），确实引起反垄断方面的担心，但最终交易受阻主要是出于安全考虑。因此目前仅有一例交易因反垄断审查而终止，其余交易都是在外资审查中碰壁。

在受阻的10宗交易中，有7宗交易涉及美国的科技行业，且几乎都止步于美国外国投资委员会（CFIUS）的审查：仙童（Fairchild）半导体拒绝某中国财团的竞购，因为认为中国企业无法通过CFIUS的审查。近期只有2宗受阻交易与科技无关：三一重工集团通过其美国关联公司Ralls Corporation投资的风电项目因为刚好位于美国军事设施附近，美国总统签署总统令终止该项目；中海油并购优尼科（Unocal）涉及能源安全。除这两宗交易外，其他交易受阻主要是为了防止军事或战略性关键技术落入中国的掌控。

需要附加条件的交易

更多的交易是在追加补救措施后才顺利达成，不过补救也主要是出于国家利益、而非市场竞争的考虑。这也许不足为奇，毕竟反垄断旨在防止破坏市场竞争，而相较于当地市场企业之间进行联姻，中国企业通过并购进入新市场对市场竞争的威胁显然较小。

2006年至今，进入欧盟的并购交易中约有5%需要根据欧盟委员会的要求采取补救措施，对中国买家而言，这一比例低得多：2012年以来，中国企业对欧盟企业的并购共80宗，其中20宗受到审查，而仅有3宗需要补救措施。这3宗均为电信行业交易，出于反垄断考虑需采取补救措施——香港和记黄埔公司收购奥地利、爱尔兰和意大利的电信运营商。例如，在收购Orange奥地利时，为保护竞争采取的补救措施包括：将无线频谱和运营权转让给一家新晋奥地利企业，以确保市场上仍有4家运营商并存。Orange也必须为移动虚拟运营商提供网络批发服务。这些都是移动电信兼并交易中的典型补救方法。

中石化对先正达（Syngenta）的收购现处于审查阶段，很可能成为第4宗需要补救措施才通过的交易。双方已在2017年1月递交计划书探讨如何回应欧盟对资产组合重叠性过高的忧虑。

自2006年以来，出于反垄断考虑需要补救措施的入美并购交易占比低于3%。美国司法部（DOJ）和联邦贸易委员会（FTC）虽未公开相关数据，但回顾2006年以来的HSR（反垄断法）年报可发现，报告中并未具体探讨任何中方收购交易，也未表示对中方收购存在普遍疑虑。

CFIUS在审批交易时也会要求采取补救措施；2009 -2104年间，该组织附加条件批准的交易占审批总数的8%，高于反垄断审查流程相应的数字。中方发起的收购交易是CFIUS审批的主要工作，约占2012-2014年所有申报项目的20%，远超出其他国家提交的申请。CFIUS调查主要考虑的因素包括是否掌握关键技术、是否控制战略供给以及与美国政府的关系。常用的补救措施包括剥离特定资产或运营业务，例如：中海油收购尼克森公司，但必须放弃后者在墨西哥湾油气产区的经营控制权，因为该地区靠近美国海军基地；安邦收购美国酒店资产Strategic Hotels & Resorts，被迫转让靠近美国军事基地的地产；万向收购美国破产电池生产商A123，却必须放弃后者为美国军方提供电池的子公司。

国家安全和国家利益

美国当然不是唯一实施国家安全审查的国家。但CFIUS的审查却比其他国家的同类审查更为频繁，结果也更难以预料。澳大利亚等国对交易批准与否的标准更为明确，这点从对中铝收购力拓的政治讨论中便可看出；德国、英国等其它国家较

少对收购案产生安全性担忧，近期比较著名的案例是中方企业在试图收购德国半导体制造商Aixtron时，止步于卖方国家对敏感技术的安全性担忧。

美国的审查与众不同是因为带有一定的政治色彩。委员会对所提交材料和分析的正式审查程序本身十分粗略，但以较不透明的方式广泛听取受选和任命官员的意见。而且，与委员会关联的各种咨询和游说团体盛行，协助企业施展更大的影响力。交易是否批准不仅取决于交易本身，也取决于政治环境，而考虑到新一届美国政府的主张，中国企业难免忧虑重重。

中国企业最初尝试影响CFIUS审查时，显然对美国的游说和公关机制不甚了解：华为竞购3Com碰壁后发表公开信，并在信中援引杰弗逊提出的自由市场优势，反对美方将自己视为国有企业。实际上不论华为如何抗议，它始终会被视为亲中国政府的企业，且3com开发电信基础设备，无疑是个敏感的目标。渐渐地，中国企业懂得更好地把握审查流程并保持低调。但在CFIUS审查过程中，中方并购交易仍然会在美国国内利益相关方的游说面前受挫，这对收购方而言尤为棘手。

境外企业在华投资

在所有主要国家中，中国的并购审批流程是最晚制定的。尽管如此，审批结果相当稳健且可预测，虽然决策背后的逻辑与其他市场不同。

2007年制定的《反垄断法》正式奠定审批流程的基础，明确了七大部委政府部门在审批流程中的职能。此外，2015年公布的《外国投资法（草案）》一旦实施，将统一整合原有的外商投资相关法律。至少从形式上来看，《反垄断法》规定的流程与欧美流程十分类似：所用的分析方法和补救措施相似，也考察同样的市场集中程度指标。中国商务部（MOFCOM）反垄断局主导审查流程，但并不是唯一的决策制定者：它需要综合至少七个部委级政府机构的考量，并广泛征求多方商业利益相关者的意见。

但该法律并未明确政策重点，仅为补救提供了宽泛的范围。执行时间最长、最为全面详尽的政策文件是《外商投资产业指导目录》。该目录由国家发改委（NDRC）和商务部联合制定，多年来规定了允许外商投资的领域和所有权限制。现行目录为第七版，总体趋势是对投资的限制逐步收紧。该目录不同于许多国家的外商投资指南，而是将外商投资产业明确分为鼓励类、允许类、限制类和

禁止类。多年来，中国政府探讨修改为“负面清单(negative list)”模式，在目录中列出禁止投资的领域，未列入行业则属于允许类，但这一改变仍处于计划阶段。

然而，仅根据该目录无法完全确定交易能否获得批准。目录执行总是受制于其他专项指南和大量不成文的规定：例如老牌消费品牌不得被外商收购、需要何种技术转让才能让中外合资项目通过。这些规定虽没有明确的公开声明，但也不是秘密。

交易大多无需补救便可获得批准或在此之前已被终止。截至2016年第三季度，商务部审批了1563宗投资，其中27宗追加补救要求，仅有2宗直接否决。多数需补救的交易为境外交易，即境外企业在收购另一家境外企业时，由于产品在中国市场上销售，收购需要获得中方批准。

27宗补救交易中，仅有3宗是对中国企业的直接收购，其中2宗受阻。研究这些决定可发现，决策制定者的关注点不仅为保护消费者，也为促进商业利益，这在以下四个方面表现尤为明显：

- **保护当地知名企业。**可能影响本国新兴企业的交易将受到尤为谨慎的审查，这点常见于影响知识产权或部件供给的科技业交易。谷歌收购摩托罗拉时，商务部首先担心的是交易将对许多中国智能手机制造商产生影响。为此，商务部提出严苛的要求：在交易后的五年间，谷歌必须在免费和开源的基础上允许所有终端制造商使用安卓平台。考虑到科技业发展日新月异，5年期限相当长。诺基亚在收购阿尔卡特朗讯时，必须根据FRAND原则允许中国通讯设备制造商使用必要专利；此外，商务部还提出了超出FRAND原则范畴的要求：诺基亚将技术转让给第三方时，必须通知中国的被许可方。
- **保护民族品牌。** 中国本土的知名消费品牌较少，因此反垄断决策始终要确保这些品牌掌握在国人手中。可口可乐收购汇源果汁便是最早的例证。对该交易的决定备受关注，许多评论认为，以保护消费者为由的解释过于简单，实际上是为了保护汇源这一民族品牌……保护消费者仅为说辞，否决收购的理由故作玄虚、毫无说服力。啤酒制造商英博收购百威时，需采取的补救措施包括不得增持中国本土啤酒制造商股份，尤其是两者分别持有的珠江啤酒和青岛

啤酒股份；在未征得商务部批准之前不得收购雪花啤酒和燕京啤酒的股份。之后百威英博收购南非米勒酿酒公司面临的补救措施更为复杂，但目标一致：并购前，南非米勒持有本土品牌雪花啤酒49%的股份，并购后两者在中国的啤酒市场份额将达40%；对此，商务部要求百威英博向国有企业华润（原雪花啤酒多数股东）出售雪花啤酒的股份，确保该民族品牌仍掌握在国人手中。

- **促进技术转让。**商务部批准许多并购交易（包括几乎所有的合资项目）是为了促进重点行业的技术转让。例如，商务部在审查通用电气与神华的水煤浆气化合资项目时，判定该项目不利于市场竞争，但附加了限制性条件后予以批准，规范该合资企业对客户的义务并要求其为中国能源行业贡献亟需的技术。起初，西部数据收购日立的硬盘业务面临苛刻的补救措施，要求两者必须独立开展在华业务。然而西部数据宣布中国技术公司清华紫光入股并与其开展技术合作后，商务部撤销了补救要求。

- **保护信息安全利益。**对互联网、媒体或电信领域相关交易的审查尤为严格。外商控制"线上"资产受到明确限制，需要申领许可。这方面涵盖范围甚广。举例而言，2012年沃尔玛收购电商1号店的少数股权，但不得掌握1号店的B2C平台业务或从事增值电信业务。收购仅限于直接面向消费者的商品销售业务。最终，沃尔玛于2016年将股权转让给另一中国电商平台——京东商城。

在华收购的境外企业投入大量时间和精力准备反垄断审查的提交材料、陈述交易的益处，却很少花时间争取主要利益相关公司（受交易影响的企业）的支持。然而，正是这些利益相关方最能左右商务部对交易如何影响中国行业利益的看法。在中国，它们提供的信息永远比境外企业的游说更具说服力。

企业忽视利益相关公司的支持，其背后也有实际原因。公开宣布之前绝对保密，是为了避免全行业的热议；宣布之后，双方集中精力促成交易，无暇顾及其他利益相关方。此外，多数公司将反垄断审查相关事宜交给法律顾问负责，尽管这些顾问可能建议收购方与其他利益相关公司沟通，但他们并不会代替公司将建议付诸实践。除了对商务部、发改委或偶尔与行业利益相关方进行必要接触外，公司的高管人员很少在问题出现之前积极参与对利益相关方的管理。而等高管想到要与国内利益相关企业沟通时，这些企业恐怕已告知商务部它们的看法，双方甚至已达成了非正式的共识。

若这是对交易的负面共识，通常收购方会感到挫败和困惑。商务部未必会告知意见的具体来源或性质，更不一定在决定前为收购方提供指导。商务部没有义务披露与业内企业的非公开会晤。而且，一旦提出补救要求，根据以往案例可知，撤销要求的希望渺茫。多年来仅有1宗交易撤销补救要求，还是在收购方允许一家在业内拥有重要地位的中国企业投资的情况下实现的。

掌控监管关系管理

跨境并购中的一大趋势是日益关注监管审批的形式而非实质：市场份额分析、市场界定和竞争性的技术性讨论、针对安全考虑提出保护措施，尤其是时间安排和与监管机构的商讨。考虑到审批流程复杂耗时，这一关注重点情有可原，且某种意义上确实也有必要。

十年前，中国企业仅进行最基本的监管管理：提供所需信息，但在审批流程中完全处于被动状态。如今多数中国收购方已有所进步，对审批流程采取战略性管理：积极提议补救措施、与监管机构共同明确市场界定问题、就交易对行业经济的影响提出自己的看法。然而，很少有企业能够达到另一种所需的境界——与掌握交易成败关键的利益相关方（通常是其他企业）建立合作关系，从而赢得政治支持。能做到这点的在华境外收购方也少之又少。但是在商业环境高度政治化的今天，这恰恰是这两类企业收购的必由之路。

若在协商时或公开宣布后才与利益相关方沟通，恐怕难以获得所需支持；理想状况下应在交易讨论之前就开始交流。不论是在华的跨国企业还是对外投资的中国企业，都常常认为利益相关方管理主要限于与政府建立关系。然而，企业若真正希望实现在华或境外的跨国收购，改变这一固有看法势在必行。

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关于麦肯锡中国企业全球化业务

麦肯锡中国企业全球化业务由战略与企业金融咨询业务和大中华分公司所共同发起。麦肯锡战略与企业金融咨询业务覆盖多个领域，包括投资组合战略、业务战略、增长、创新、财务、并购和兼并管理等。作为该业务的重要内容之一，交易服务业务为客户提供端到端并购交易服务，从并购战略出发，到目标筛选和识别，尽职调查，交易执行，最后落实到并购后的整合管理。 在全球范围内，我们在过去4年间促成了近2500项交易。 我们的企业金融顾问拥有丰富的并购交易经验以及深厚的行业知识，确保为客户提供客观建议和最大限度地创造价值。

在我们的中国团队，专职顾问和兼职顾问均拥有丰富的跨境并购经验，包括境内外并购。我们专注于为客户提供并购全流程服务，致力于有效应对跨境交易中的不确定性和挑战，尤其是协助并购后的管理设计与落地工作。

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