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Do CEO Political Connections Affect the Deal Duration of Cross-border Acquisitions? Evidence from China*
최고경영자의 정치적 연계가 국제인수합병 거래기간에 영향을 미치는가? 중국 인수 기업을 중심으로

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This paper aims to explore whether and how CEO political connections affect the duration of cross-border acquisition deals involving emerging-market acquirers. Drawing upon the human capital theory and institutional theory, this study proposes CEO political connections as the human capital for the strategic resources of the emerging-market acquirers to fill institutional voids. Using the Heckman selection model, the hypotheses were tested with cross-border acquisitions by Chinese acquirers from 2011 to 2016. The results show that acquisition deals take less time to complete for acquirer CEOs with political connections than for acquirer CEOs without political connections. Moreover, high marketization of the home region and high governance quality of the host country weaken the negative association between CEO political connections and acquisition duration.

Key Words: Cross-border merger and acquisition (CBM&A), Heckman selection model, Political connection, Human capital theory, Institutional theory

Ⅰ. Introduction

Since the 1990s, cross-border mergers and acquisitions (henceforth "CBM&As") have become one of the crucial strategies in foreign direct investment (Buckley, Elia, & Kafouros, 2014). Especially after the global financial crisis in 2008, CBM&As undertaken by companies from emerging economies have multiplied faster than ever, and a growing number of studies have begun to focus on their CBM&As (Deng & Yang, 2015; Tao, Liu, Gao, & Xia, 2017). Compared to those of acquirers from developed economies, the CBM&A strategies of emerging-economy acquirers are subjected to more influence from their governments (Schweizer, Walker, & Zhang, 2019). On the

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one hand, their governments have more opportunities to influence the decisions of acquirers because the markets in emerging economies are imperfect. On the other hand, acquirers in emerging markets are more likely to use political resources to obtain rare information and reduce CBM&A risks (Brockman, Rui, & Zou, 2013). Therefore, the governments in emerging economies have both opportunities and demands to intervene in acquirers' CBM&A strategies.

However, prior research still reports no consistent conclusion on the effects on CBM&As of political connections with governments (Schweizer et al., 2019). When acquirers' CEOs have political connections with their governments, they are likely to obtain preferential benefits, such as tax reduction and exemption (Claessens, Feijen, & Laeven, 2008), low-interest loans (Khwaja & Mian, 2005; Sapienza, 2004), and less government intervention. In addition, it is easier for CEOs with close relationships with politicians to obtain valuable information about business and policy (Zhang, Marquis, & Qiao, 2016). In contrast, some adverse effects on acquirers occur due to their CEOs' political connections. Since the goals of politicians and shareholders may conflict, an agency problem is likely to occur (Fan, Wong, & Zhang, 2007). Moreover, politically connected companies often have political tasks and face legality issues when they undertake international business since they appear to be semi-governmental organizations (Zhou, Xie, & Wang, 2016).

To remedy gaps in previous literature, this study integrates the human capital theory and institutional theory, to examine how political connections of the acquirers' CEOs impact the duration of CBM&A deals. As a strategic resource, CEOs' knowledge, skills, abilities, and other characteristics could help companies create a sustainable competitive advantage (Chen & Hambrick, 2012). This study considers CEOs' political connections as one of the core intangible resources which could provide various valuable resources and information during CBM&As (Li, Poppo, & Zhou, 2008). Moreover, according to the institutional theory, political connections could allow firms to enhance legitimacy and fill the institutional voids in transition economies (Peng & Luo, 2000; Xin & Pearce, 1996). Relying on these insights, this study aims to blend the human capital theory with the institutional theory, to improve the theoretical framework for the effects of CEO political connections.

From the perspective of contingency, this study also examines the moderating roles of home regional marketization and host national governance quality on the relationship between CEO political connections and CBM&A deal duration for emerging-market acquirers. Since the degree of home regional marketization determines information transmission, government intervention and non-market behaviors decrease when the external environment of the home region has a high degree of marketization (Yang & Zhang, 2015). In addition, acquirers face high degrees of business legitimacy when the quality of host country governance increases (He & Zhang, 2018). Therefore, this study attempts to explore the impacts of home regional marketization and host national governance quality on the association between political connections and the duration of deal completion.

This study makes three main contributions. First, it adds to a research stream examining the impact of CEO political connections on CBM&As by acquirers from emerging economies. Integrating the human capital and institutional theories, this study identifies CEO political connections as a valuable resource to help to enhance acquirers' legitimacy. Second, emphasizing the perspective of contingency, this study also assesses whether the effects of CEO political connections are conditional on the degree of China's regional marketization and host national governance quality. Third, this study focuses on the factors influencing the duration of CBM&As. The existing CBM&A literature focuses mainly on post-acquisition performance (Ahammad, Tarba, Liu, & Glaister, 2016; Ramaswamy, 1997), and little is known about the determinants of the merger process (Dikova, Sahib, & van Witteloostuijn, 2010; Li, Xia, & Lin, 2017). Acquirers, especially those from emerging economies, have long wait times for CBM&A completion, due to lacking brand power and managerial and technological experience (Wang, Luo, Lu, Sun, & Maksimov, 2014). Therefore, this study sheds light on the key antecedents that influence CBM&A deal duration, to enrich the scope of research on acquisitions from emerging economies.

Ⅱ. Theoretical background and hypotheses

2.1 CEO political connections

According to extant literature, political connections refer to the extent to which CEOs' interpersonal relations include associations with government authorities (Geletkanycz & Hambrick, 1997). Peng and Luo (2000) argue that CEOs' social connections with politicians are among the strategic resources for acquiring an organizational competitive advantage. Especially in an imperfect and immature formal institutional framework, firms are likely to rely on informal institutional ties such as political connections to achieve their organizational goals (Zhang & Li, 2008). In such circumstances, Meyer et al. (2009) recognize the rising importance of the institutional theory and suggest integrating it with other Western mainstream theories to explain emerging-market firms' strategy and performance. North (1990) defines an institution as "the rules of the game in a society" (p. 3). Social actions are appropriate or unacceptable depending on the specific institutional environment (DiMaggio & Powell, 1991). In an immature formal institutional environment, firms rely heavily on political connections to skirt "institutional voids" (Peng & Heath, 1996). Institutional theory points out that CEO political connections could help firms comply with the rules and norms to secure their legitimacy (Meyer & Rowan, 1991). For example, politically connected firms could benefit from more government support and subsidies (Shleifer & Vishny, 1994). Additionally, firms with political connections could obtain scarce resources that the government controls, such as land, operating permission, or technical support (Li & Zhou, 2010).

This study integrates human capital theory with institutional theory, to argue that, as a kind of strategic resource, political connections could help acquirers when they conduct CBM&As. The human capital theory focuses on more active functioning of political connections (Bruton & Ahlstrom, 2003). Carmeli and Schaubroeck (2006) define human capital as the individual's skills, knowledge, experience, and abilities that are unique, inimitable, and irreplaceable. Therefore, CEOs with high human capital increase their cognitive ability, enabling efficient decision-making behavior (Becker, 1964). For example, CEOs with political connections have opportunities to obtain useful information about business policy or even to shape government regulations (Rao, Morrill, & Zald, 2000). Such human capital could positively affect the strategic decision-making process and thus ultimately improve a firm's competitive advantages (Pfeffer & Salancik, 1978).

2.2 Deal duration

A typical M&A process occurs in three main stages: pre-announcement (first phase); announcement through resolution (second phase); and post-merger integration (third phase) (Boone & Mulherin, 2007). This study focuses on only the second phase, the period between deal announcement and deal completion. During this stage, under the pre-review system, both parties must submit documents within a certain time after the announcement. Approval from authorities and other regulators determines the course of the transaction. Merging parties cannot close or complete the integration before regulatory agencies issue a final decision regarding the transaction's competitive effects. Besides unrestricted approval, decisions can also confer restricted approval or even prevention (Muehlfeld, Sahib, & van Witteloostuijn, 2012). In some cases, the parties would have to divest assets in specific regions as part of their liabilities (Mulherin

& Boone, 2000), which likely prolongs the completion process if regulators conduct a broad merger investigation and scrutinize the deal. Prolonged delays in M&A processes have negative consequences for both the acquirer and the target, such as high direct costs (Cole, Ferris, & Melnik, 2010) and indirect costs, for example, reputational damage (Muehlfeld et al., 2012). Therefore, increased academic attention has been given to identifying factors influencing the duration of M&A deals.

Few studies have analyzed the effect of firms' internal factors on M&A deal duration. For example, CEOs with more tacit knowledge (e.g., international experience) may help acquirers to reduce CBM&A deal duration (Dikova et al., 2010). Conversely, specific CEO characteristics could delay the acquisition decision. For instance, Aktas et al. (2016) provide evidence that the narcissism of an acquirer's CEO correlates with faster transaction initiation and negotiation, but the higher the level of CEO narcissism in both the acquiring and target companies, the lower the probability is of completing the transaction. Along a similar line, this study focuses on one CEO characteristic—the political connections CEOs possess—and examines its efficacy for CBM&A deal duration.

Prior evidence also suggests that external factors influence a large number of M&A transactions (UNCTAD, 2013) and that acquirers from emerging markets must overcome various regulatory hurdles (Ekelund, Ford, & Thornton, 2001). Firms' internal factors play a pivotal role in CBM&A deal duration, and external factors are also of triple importance for organizational business decisions, such as international acquisitions (Dikova & van Witteloostuijn, 2007). Therefore, this study explores the moderating role of contextual factors such as home regional marketization and host national governance quality.

2.3 CEO political connections and deal duration

As mentioned in the context of emerging markets, since the markets are imperfect, CEO political connections tend to impact organizational strategies and performance. CEO political connections could act as critical intangible resources to enhance an organization's regulatory legitimacy (Lu, Zhou, Bruton, & Li, 2010; Peng & Luo, 2000). When formal institutions are ineffective, CEOs with political ties could exploit the network of government connections to get scarce resources and work more effectively (Ambler & Witzel, 2004). Moreover, inefficient legal systems significantly increase the uncertainty and costs of business operations. Within such systems, political connections become more critical for supporting business transactions and reducing external uncertainty (Johnson, McMillan, & Woodruff, 2002). Therefore, if acquirers' CEOs have political connections, they are likely to take less time to complete CBM&A deals.

In addition, drawing on the institutional theory, CEOs with political connections could gather more institutional advantage in emerging economies. Under imperfect formal institutional frameworks, firms often face institutional voids and rely heavily on political connections to overcome such challenges (Xin & Pearce, 1996). For example, China's government maintains considerable power to make business-related policies, approve projects, and allocate resources (Peng & Luo, 2000). Therefore, politically connected Chinese acquirers are more likely to get approval for investment (Li & Zhou, 2015). Moreover, evidence shows that CEOs with political connections also could easily obtain long-term loans with low-interest rates when they operate the business (Khwaja & Mian, 2005). Furthermore, politically connected acquirers can pursue CBM&As efficiently with targets in countries with similar institutional environments (Brockman, Rui, & Zou, 2013). For example, when politically connected acquirers engage in CBM&As with targets from the member countries of the "Belt and Road" club, they can receive more government supports, thereby improving their acquisition efficiencies (Lin, Lin, Lin, & Lin, 2019). Based on these arguments, this study proposes that acquirers' CEOs with political ties with government officials may take less time to complete CBM&A transactions. Therefore, this study postulates the following hypothesis:

Hypothesis 1. Acquirers' CEO political connections have a negative effect on CBM&A deal duration.

2.4 Moderating role of home regional marketization

The first external contextual variable this study explores is home regional marketization. Each region in China differs in the degree of development and marketization, affecting the formal institutional environment for organizational operations. In regions of lower marketization, "institutional voids"—poor enforcement of laws, lack of legal protection for property rights, and inefficient market intermediaries—lead to unfair industrial competition (Khanna & Palepu, 2006). A low level of regional marketization would harm fair competition and increase the possibility of opportunistic behaviors by firms with political ties (Yang & Zhang, 2015). Under this condition, the government still controls the allocation of resources in regions with less marketization; such a business environment could provide "fertile ground" for politically connected firms (Shao, Wu, Xiao, Yang, & Xue, 2012). Thus, acquiring firms located in regions with less marketization obtain magnified benefits from CEO political connections.

Conversely, if the external institutional environment has a higher degree of marketization, the region has fewer institutional voids (Chung & Luo, 2013). Within such mature market systems, the role of political connections may be weakened; accordingly, firms must comply more fully with market rules. In other words, non-market behaviors decrease while the transparency of enterprises increases (Yang & Zhang, 2015). Under such circumstances, financial intermediaries have strong information collection and settlement abilities; thereby, information-sharing is more transparent in such regions (Fan et al., 2007). Acquirers can obtain valuable resources and information fairly from the market, regardless of whether the acquirers' CEOs have political ties. Thus, higher-marketization regions may weaken the effect of CEO political connections in the context of CBM&As.

Hypothesis 2. The negative relationship between CEO political connections and CBM&A deal duration is weakened when home regional marketization increases.

2.5 Moderating role of host national governance quality

The second external moderating variable this study investigates is the quality of the host national governance. According to extant studies, the governance quality of the host country plays a vital role in the success of multinational enterprises in the focal nation (Bekaert, Harvey, Lundblad, & Siegel, 2014; Pástor & Veronesi, 2013). Following the institutional theory, when firms enter a foreign market with clear rules and regulations, they face fewer institutional voids (Gao, Liu, & Lioliou, 2015). Acquirers can reduce the cost of information searches when they invest in countries with well-established institutions because of less regulatory ambiguity (Uhlenbruck, Rodriguez, Doh, & Eden, 2006). Consequently, for acquirers in CBM&A deals from emerging economies, when the level of governance quality increases, the advantages of CEO political ties decrease since acquirers can gain helpful information from the national markets.

In addition, firms investing in developed countries require advanced resources and managerial knowledge (Berry, 2006). Therefore, Chinese acquirers with limited managerial experience and international operating knowledge may face enormous challenges when target firms are from developed countries with high-level governance quality (Nicholson & Salaber, 2013). Politically connected firms that especially rely on government power to operate would face greater obstacles when they do business in developed economies with a high level of governance quality (Draper & Paudyal, 2006). In these countries, acquirers with a high degree of political connection could be seen as a kind of semi-governmental organization whose CBM&A transactions are more likely to be blocked because they appear to involve government tasks (Zhou et al., 2016).

Therefore, politically connected CEOs find it hard to complete CBM&A deals in such countries. Thus, this study proposes the following hypothesis:

Hypothesis 3. The negative relationship between CEO political connections and CBM&A deal duration is weakened when host national governance quality increases.

III. Method

3.1 Research context

This study tests hypotheses based on cases of CBM&As by Chinese acquirers. This study selects Chinese acquirers for the empirical test for several reasons. First, with the accelerated implementation of the "Go Global" strategy, growing numbers of Chinese acquirers have participated in CBM&As, with China's total deal size ranking first among emerging markets and third largest worldwide (Deng & Yang, 2015). However, due to a lack of capability and experience, their deals may be delayed or even withdrawn. Therefore, studying the influential factors in Chinese acquirers' CBM&A processes has been particularly crucial. Second, although China has liberalized the central planning system, it still retains government control over some resources (Luo, 2007). Thus, Chinese acquirers have incentives to build connections with the government. Third, Chinese CEOs have a long tradition of depending heavily on social connections (referred to as *guanxi*) when they conduct business operations (Ambler, Styles, & Wang, 1999), and Chinese CEOs tend to rely on relationships with government officials at such times. These reasons provide the rationale for choosing Chinese acquirers as suitable cases for testing the hypotheses.

3.2 Data and sample

This study extracted a set of data from the Thomson Financial Securities Data Corporation (SDC) Platinum database that met the following requirements: (1) The Chinese acquirer should be a listed firm; (2) The Chinese acquirer should not be an ST or *ST firm because such outliers would affect results; (3) the target firm should not be a Chinese firm and should not be in an offshore tax havens; (4) the dates of announcement and completion of the transaction should be available; (5) to avoid survival bias and to ensure all transactions are finished (not stated as "pending"), this study chose 2016 as the last year for the dataset. This study covered 733 observations from the period 2011-2016. Additionally, because of some limited financial data and CEO political connections information on involved firms and transactions, this study appended variables from the China Stock Market Accounting Research (CSMAR) Data Service and the World Bank. Of the initial observations, 482 were excluded due to incomplete data. The final total sample was 251 completed cases of CBM&A, including 152 (60.6%) manufacturing firm transactions and 99 (39.4%) non-manufacturing firms transactions.

3.3 Measures

3.3.1 Dependent variable

This study used the number of days between announcement and completion dates of the focal deal to measure acquisition (c.f., Dikova et al., 2010; Ekelund et al., 2001). The information was collected from the SDC database. To standardize this variable, this study calculated the logarithm of the number of days (Dikova et al., 2010). Of the 314 CBM&A deals, 251 were completed.

3.3.2 Independent variable

This study measured CEO political connections by examining whether the CEOs (or directors) were currently or formerly government officers (Fan et al., 2007). In China's case, the level of political connections relies on the administrative (central or local) level (Choi, 2011). CEOs' (or directors') political background information was gathered from CSMAR. CEO political connections were coded as "3" if the CEOs (or directors) were agents of the central government, "2" if agents of the provincial government, "1" if agents of the city government, and "0" if not an agent of any government (Li & Pak, 2020).

3.3.3 Moderator variables

This study used two moderating variables. For home regional marketization, the "China Marketization Index" was used to measure regional marketization from 2011 to 2016 (Zhang et al., 2016). The higher the score, the higher the level of home regional marketization, and vice versa. For host national governance quality, this study adopted the "Worldwide Governance Indicator"(WGI) published by the World Bank (Chang, Kao, Kuo, & Chiu, 2012; Slangen & van Tulder, 2009). This indicator consists of six dimensions, including "voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption" (Kaufmann, Kraay, & Mastruzzi, 2010, p. 4). This study measured governance quality by aggregating all six dimensions. The higher the value, the higher the level of governance quality was, and vice versa. To avoid collinearity, these two moderating variables and the independent variable were mean-centered before using interaction terms.

3.3.4 Control variables

This study also controlled variables that can influence the firm's CBM&A strategy. Specifically, this study controlled acquirer attributes which may influence acquisition outcomes (Muehlfeld et al., 2007), including acquirer age (the number of years from their establishment to the focal-deal announcement), acquirer ownership ("1" for state-owned enterprises and "0" otherwise), acquirer ROA (the ratio of net income to assets in the t-1 announcement year), and acquirer debt ratio (the ratio of total debt to total assets in the t-1 announcement year). This study also included acquirer size (the logarithm of total assets in the t-1 announcement year) as an instrumental variable (explained below) (Li et al., 2017). Moreover, this study controlled for four deal attributes: deal size (the logarithm of the target value); payment type ("1" for cash payment and "0" otherwise); percentage sought; and same-industry acquisition ("1" for both firms in the same industry at the two-digit SIC level and "0" otherwise). These variables may affect acquisition success and duration (Muehlfeld et al., 2007).

3.4 Estimation methods

Acquisition durations were estimated for completed transactions only; thus, the selected sample may have a potential sample-selection bias. To address this issue, this study used the Heckman selection model (e.g., Dikova et al., 2010; Li et al., 2017). First, this study used a probit regression to predict the likelihood of acquisition completion. The probit regression was used to calculate the inverse mills ratio as a predictor in the second-stage OLS models to estimate acquisition duration. This study used STATA 15 to estimate the Heckman selection model.

Specifically, in the first-stage probit model, the dependent variable was a dummy variable: "1" for completed acquisition and "0" for abandoned acquisition. In addition, the first-stage probit model included an instrumental variable: acquirer size. Compared with small firms, acquirers of large size are more likely to pass the economic threshold and get approval (Li et al., 2017). However, acquirer size is not directly related to "approval time," which is more affected by the discussions and debates between the acquirer and the target. Empirically, acquirer size has a significant and positive impact on acquisition completion, the first-stage outcome ($\beta = .171,\ p < .05$), but has no significant effect on acquisition duration, the second-stage outcome ($p = .168$). Therefore, this study used acquirer size as an instrumental variable in the first stage.

In the second stage, the testing model was specified as follows:

$$Acquisition\ duration_{i,t} = a + X_{i,t-1}\beta + \varepsilon_{i,t}$$

where i represents the individual CBM&A deal taken from the research sample and t indicates the announcement year. *Acquisition* $duration_{i,t}$ represents the deal duration of acquirer i in the t year, and $\varepsilon_{i,t}$ indicates the error term. The $X_{i,t-1}$ term is a vector of the independent variable (CEO political connections), the moderator variables (home regional marketization and host national governance quality), the control variables, and the inverse mills ratios related to each of the 251 observations.

Ⅳ. Results

The correlation matrix and descriptive statistics for all variables appear in Table1. There is no significant correlation coefficient exceeding 0.6. In addition, VIF tests performed to check for multicollinearity found no VIF values above 5.0 (1.04~1.99), thus confirming that the variables are independent (Chatterjee, Hadi, & Price, 2000).

Table 2 reports the results of predicting the hypotheses. Model 1 was the first stage. For the second stage, Model 2 included control variables and Model 3 added the main variable. Models 4 and 5 tested the moderating effects. Model 6 was full model with all variables and interaction terms. In Model 1, cash payment type acquisitions were more likely to complete (β = .637, $p < .05$). In Model 2, deal size increased the duration of time to complete a deal (β = .151, $p < .05$) because more hurdles are likely to occur during the acquisition process for a bigger deal.

In Model 3, the coefficient estimate of CEO political connections was negative and significant (β = -.377, $p < .001$). The result showed that it took politically connected CEOs less time than non-connected CEOs to complete a CBM&A deal. Thus, Hypothesis 1 receives support. Hypothesis 2 suggests that the negative effect of CEO political connections on CBM&A duration is weakened when the level of home regional marketization is high. In Model 3, not only was home regional marketization negatively related to acquisition duration (β = -.143, $p < .001$), but also the coefficient estimate of the interaction of CEO political connections and home regional marketization was positive and significant (β = .129, $p < .01$), providing support for Hypothesis 2. Hypothesis 3 predicts that the relationship between CEO political connections and CBM&A duration is also weakened when host country governance quality is high. In Model 5, the interaction term of CEO political connections and host national governance quality had a significant effect (β = .212, $p < .05$), lending marginal support to Hypothesis 3.

To show the interaction effect more clearly, the moderating roles are shown in Figure1, depicting the negative relationship between

〈Table 1〉 Descriptive statistics and correlation matrix

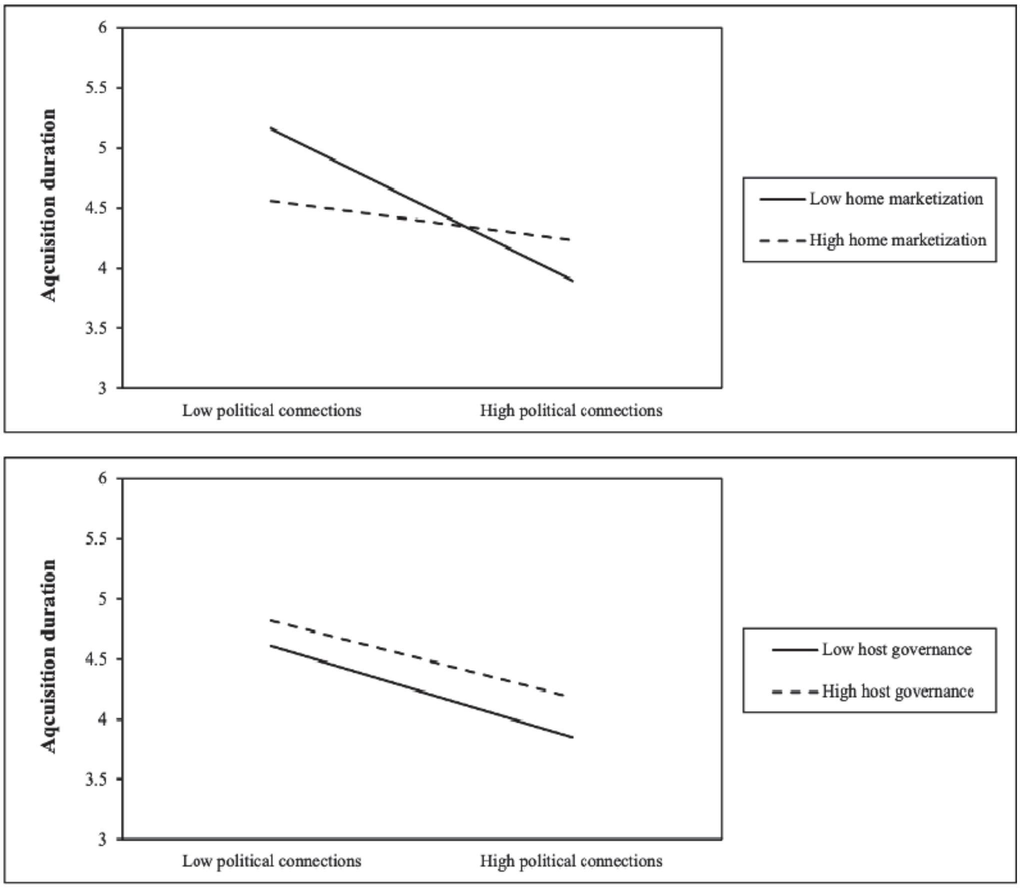
Variables	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Acquisition duration	1.000												
2. Political connections	-.349**	1.000											
3. Home marketization	-.138*	-.061	1.000										
4. Host governance	.164**	-.104	-.006	1.000									
5. Acquirer size	.056	.038	-.093	.015	1.000								
6. Acquirer age	.133*	-.081	.093	-.023	.141*	1.000							
7. Acquirer ownership	.128*	-.027	-.099	.069	.350**	.129*	1.000						
8. Acquirer ROA	-.214**	.075	.119*	-.025	.037	-.09	.038	1.000					
9. Acquirer debt ratio	.169**	-.039	-.112*	-.001	.513**	.255**	.216**	-.239**	1.000				
10. Deal size	.249**	-.046	-.004	.114*	.491**	.228**	.212**	-.075	.326**	1.000			
11. Payment type	-.128*	-.018	.100	-.068	.007	-.125*	-.062	.089	-.145**	-.263**	1.000		
12. Percentage sought	.048	-.048	-.007	-.054	-.116*	.059	-.034	.010	-.116*	.037	-.093	1.000	
13. Industry relatedness	.027	.013	-.093	-.128*	.008	-.043	.056	.029	-.144*	-.028	.050	-.019	1.000
Mean	4.584	.408	8.303	1.205	22.458	17.016	.242	.031	.421	19.348	.901	.795	.803
S.D.	1.027	.815	1.609	.576	1.668	6.112	.429	.063	.226	1.985	.299	.283	.399

* p < .05; ** p < .01.

〈Table 2〉 Results of Heckman selection model

Variables	*The first stage*		*The second stage*										
	Model 1		*Model 2*		*Model 3*		*Model 4*		*Model 5*		*Model 6*	
Intercept	-1.766	(2.214)	1.058	(2.017)	2.410†	(1.373)	3.763**	(1.312)	2.556†	(1.336)	3.360**	(1.504)
Acquirer age	.010	(.019)	.011	(.018)	.009	(.012)	.012	(.011)	.008	(.012)	.015	(.012)
Acquirer ownership	-.257	(.270)	.158	(.271)	.163	(.182)	.058	(.173)	.114	(.178)	-.052	(.186)
Acquirer ROA	2.556†	(1.343)	-.719	(2.143)	-1.478	(1.456)	-1.346	(1.384)	-1.637	(1.426)	-1.330	(1.501)
Acquirer debt ratio	-.201	(.566)	.208	(.516)	.076	(.347)	-.007	(.324)	.114	(.338)	.122	(.342)
Deal size	.479	(.055)	.151*	(.063)	.122**	(.043)	.125**	(.040)	.111**	(.042)	.114**	(.044)
Payment type	.637*	(.320)	.283	(.431)	.055	(.293)	.094	(.280)	-.022	(.287)	-.062	(.336)
Percentage sought	.539†	(.326)	.247	(.362)	.147	(.244)	.140	(.229)	.206	(.238)	.152	(.243)
Industry relatedness	-.028	(.265)	-.003	(.254)	.031	(.170)	.036	(.159)	.048	(.166)	.094	(.174)
Political connections					-.377***	(.069)	-.344***	(.069)	-.327***	(.070)	-.276***	(.083)
Home marketization							-.143***	(.039)			-.161***	(.045)
Host governance									.092	(.099)	.072	(.109)
Political connections × Home marketization							.129**	(.041)			.121**	(.048)
Political connections × Host governance									.212*	(.091)	.206*	(.103)
Acquirer size	.273**	.087										
Inverse mills ratio			1.502†	(.798)	.951†	(.548)	.785	(.529)	.868	(.537)	.779	(.597)
Industry dummies	Yes		Yes		Yes		Yes		Yes		Yes	
Year dummies	Yes		Yes		Yes		Yes		Yes		Yes	
Log-likelihood	-122.87											
Pseudo R^2 / Adjusted R^2	.18		.08		.16		.24		.18		.25	
Wald χ^2	53.85***		25.81		87.21***		121.36***		100.76***		131.75***	
Number of Observations	314		251		251		251		251		251	

Standard errors in parentheses;
† p〈.10; * p〈.05; ** p〈.01; *** p〈.001.



〈Figure 1〉 Moderating roles of home marketization and host governance

CEO political connections and acquisition duration as being weakened when levels of home regional marketization and host national governance quality are high.

Ⅴ. Discussion

Integrating human capital and institutional theories, the findings of this study confirm the link between CEO political connections and CBM&A deal duration for acquirers from emerging markets. Using a sample of 314 CBM&A cases by Chinese acquirers during 2011-2016, this study finds that CEOs with political connections take less time to complete CBM&A deals than CEOs without such connections. Moreover, recognizing home-market circumstances, the effect of CEO political connections on CBM&A deal duration weakens with increasing home regional marketization. Furthermore, host national environment also plays an essential role in the relationship between CEO political connections and the acquisition deal process. The impact of CEO political connections on CBM&A deal duration weakens when host national governance quality is high.

5.1 Theoretical implications

The evidence that this study provides contributes two main theoretical implications to the existing literature. First, reliance on both the human capital and institutional theories results in reasonable interpretations of the effects of CEO political connections for acquirers in emerging markets. Extant studies try to explain the impact of political connections with Western mainstream theories, such as the resource-based view (Li & Zhang, 2007). Considering the importance of institutional theory in emerging economy research (Hoskisson, Eden, Lau, & Wright, 2000; Peng & Luo, 2000), this study investigates the effect of CEO political connections on deal duration in CBM&As by acquirers from emerging economies by drawing on an integration of the human capital and institutional theories. Results show that CEO political ties play a positive role during CBM&A processes. CEO political connections could help acquirers engaging in CBM&As to gain useful resources and government support. Also, they could help acquirers build regulatory legitimacy to conduct CBM&A strategies effectively. These findings contribute to the human capital theory by treating political connections as valuable intangible resources for managing CBM&As by emerging-market acquirers. Further, these findings enrich the institutional theory of firm strategy (Peng & Luo, 2000; Peng, Sun, Pinkham, & Chen, 2009). Acquirers achieve effective completion of CBM&A deals by applying CEO political connections as substitutes for institutional voids (Bruton & Ahlstrom, 2003). This finding confirms that CEO political connections could play a positive role in emerging economies, such as China.

Second, the impact of CEO political connections on the duration of deals in CBM&As may vary across different contextual conditions. This study empirically examines home and host external environments that play important moderating roles where CEO political connections help acquirers' CBM&A processes. Based on the contingency perspective, high-level home regional marketization and host national governance quality could weaken the positive effect of CEO political connections for acquirers from emerging economies. These findings are consistent with the viewpoint of Deng and Yang (2015). They suggest that in the process of CBM&A strategies, a weak formal institution system and information asymmetry negatively impact acquirers from emerging markets. Therefore, to overcome such institutional voids, acquirers are more likely to rely on non-market resources, such as political connections (Yang & Zhang, 2015). However, when home regional marketization or host national governance quality increase, the benefit from non-market resources are weakened. In other words, a high level of home regional marketization or host national governance quality would weaken the effect of CEO political connections on CBM&A duration.

5.2 Managerial implications

This study provides several managerial implications for practitioners and policymakers. First, firms from emerging markets possess political connections to seek useful government support (Li & Zhang, 2007). Specifically, for acquirers from such economies, political connections could result in various benefits, for example, beneficial financial support, simplified and improved CBM&A processes, and access to useful resources and information when conducting CBM&As. Thus, emerging-market acquirers who lack formal institutional support should make strong efforts to gain informal institutional support through the utilization of the CEOs' political connections. Such informal institutional support could help acquirers to efficiently complete CBM&A deals.

Second, since the efficacy of political connections depends on the contingency, the higher the levels of home regional marketization and host national governance quality in the external environment, the less positive is the effect of CEO political connections. Hence, politically connected acquirers should improve their corporate governance structure, by such means as fostering a positive corporate culture and creating a credible image of the company, to reduce any negative images in the global market. This also suggests Chinese policymakers should encourage the development of the institutional quality and reduction in the possibility of political genes playing a negative role when firms engage in CBM&As.

Third, the findings from this study provide guidance not only for Chinese acquirers and the Chinese government but also for overseas target firms. The findings show that CEOs of acquirers with political connections could help the acquirers efficiently complete the CBM&A process. Therefore, overseas targets who are looking for buyers from emerging countries should keep in mind that acquirers' CEO political connections may impact the process of CBM&As.

5.3 Limitations and suggestions for future research

Despite the several contributions this study provides, it has some limitations that lead to directions for future research. First, this study only uses data from China to examine the effects of political connections, owing to the availability of the data and the means of collecting it. Future research might expand the sample size to examine whether the theoretical framework of this study could be generalized to different contexts. Second, although this study applies the Heckman selection method to overcome some selection bias, self-selection bias still remains. For example, CEO political connections may not be randomly distributed across acquirers, which means that larger acquirers may be more capable of hiring CEOs with political ties. To address such a bias, future research could use propensity score matching (PSM) method to pure the effect of CEO political connections on CBM&As (Schweizer et al., 2019). Third, this study mainly discloses the positive aspects of political connections, while scholars recognize that political connections include the "dark side" (Li et al., 2017). Thus, further questions to examine the mechanisms affecting which political connections could benefit or undermine CBM&A strategies in emerging markets would advance the research. Lastly, this study identifies the moderating role of the external market environment from the contingency perspective. Further studies could explore more key moderators that could influence politically connected acquirers and affect the process of CBM&As by acquirers from emerging markets.

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