



**MODERATING EFFECT OF EXTERNAL GOVERNANCE ON THE
RELATIONSHIP BETWEEN MANAGEMENT POWER AND MERGERS
AND ACQUISITIONS FIRM PERFORMANCE IN CHINA**

By

HE CHUNXI

**Thesis Submitted to the School of Graduate Studies, Universiti Putra Malaysia,
in Fulfilment of the Requirements for the Degree of Doctor of Philosophy**

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China's economy has shifted to high-quality growth, prompting many firms to adopt mergers and acquisitions (M&A) for structural optimization and expansion. Despite surging M&A activity in scale and volume, most enterprises fail to profit, creating a paradox between theory and practice. Behavioral finance research shows management power impacts M&A performance nonlinearly: moderate power enhances strategic decision-making and synergy for success, while excessive power breeds overconfidence, harming outcomes. While corporate governance improves M&A performance, external governance's role in moderating the relationship between management power and M&A performance remains understudied. This thesis examines how external governance mechanisms moderate management power's influence on M&A performance across dimensions, offering theoretical and practical insights.

The first objective of this thesis is to examine the relationship between management power and M&A performance in the short and long term. In order to empirically verify this goal, this study uses Chinese M&A companies during 2009-2022 as samples, and uses ordinary least squares estimators. The results show that management power is significantly negatively correlated with long-term and short-term M&A performance, and the greater the management power, the worse the long-term and short-term M&A performance. The next objective is to explore the threshold relationship between management power and M&A performance. The fixed effects model is used for the samples, and the results show that management power and M&A performance are inverse-U-shaped at the significance level of 1%. The final goal is to gain insight into the role of external governance in the link between management power and M&A performance. By examining the moderating effect of external governance on management power and M&A performance, the regression analysis of interaction terms is carried out. The results show that external governance mechanism reduces the influence of management power on M&A performance and has a certain moderating effect on the relationship between the two.

This thesis offers a novel perspective by examining how external corporate governance mechanisms influence the relationship between management power and M&A performance, revealing a U-shaped rather than monotonic effect of management power on outcomes—an empirical finding supported by its analysis. This U-shaped dynamic highlights managers as active strategic decision-makers adjusting M&A strategies, not passive repeat players, justifying the focus on management power. In China, where executives are often appointed via non-market methods (e.g., administrative orders), especially in SOEs, weak

supervision exists. The study advises governments and boards to enhance manager market liquidity and enforce effective oversight to encourage performance-focused decision-making.

Keywords: Corporate performance, External governance, Management power, Mergers and acquisitions, Short and long term

SDG: GOAL 8: Decent work and economic growth and GOAL 9: Industry, Innovation and Infrastructure



Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Doktor Falsafah

**KESAN PENYEDERHANAAN TADBIR URUS LUAR TERHADAP
HUBUNGAN ANTARA KUASA PENGURUSAN DAN PRESTASI FIRMA
PENGGABUNGAN DAN PENGAMBILALIHAN DI CHINA**

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Ekonomi China telah beralih kepada pertumbuhan berkualiti tinggi, mendorong banyak firma untuk melaksanakan penggabungan dan pengambilalihan (M&A) bagi tujuan pengoptimuman struktur dan pengembangan. Walaupun aktiviti M&A meningkat dari segi skala dan jumlah, kebanyakan syarikat gagal meraih keuntungan, mewujudkan satu paradoks antara teori dan amalan. Penyelidikan dalam bidang kewangan tingkah laku menunjukkan bahawa kuasa pengurusan memberi kesan tidak linear terhadap prestasi M&A: kuasa sederhana mempertingkatkan keupayaan membuat keputusan strategik dan sinergi kejayaan, manakala kuasa berlebihan menimbulkan keyakinan melampau yang merosakkan hasilnya. Walaupun tadbir urus korporat dapat meningkatkan prestasi M&A, peranan tadbir urus luaran dalam memoderasi hubungan antara kuasa pengurusan dan prestasi M&A masih kurang dikaji. Tesis ini meneliti bagaimana mekanisme tadbir urus luaran mempengaruhi kesan kuasa pengurusan terhadap prestasi M&A dari pelbagai dimensi, serta menawarkan pandangan teori dan praktikal.

Objektif pertama tesis ini adalah untuk mengkaji hubungan antara kuasa pengurusan dan prestasi M&A dalam jangka masa pendek dan panjang. Bagi mengesahkan objektif ini secara empirikal, kajian ini menggunakan syarikat M&A di China sepanjang tahun 2009 hingga 2022 sebagai sampel, dan menggunakan anggaran kuasa dua terkecil biasa (ordinary least squares). Keputusan menunjukkan bahawa kuasa pengurusan berkorelasi negatif secara signifikan dengan prestasi M&A dalam jangka pendek dan panjang, di mana semakin besar kuasa pengurusan, semakin buruk prestasi M&A dalam kedua-dua tempoh masa tersebut. Objektif seterusnya adalah untuk meneroka hubungan ambang (threshold) antara kuasa pengurusan dan prestasi M&A. Model kesan tetap (fixed effects model) digunakan untuk sampel, dan keputusan menunjukkan bahawa hubungan antara kuasa pengurusan dan prestasi M&A membentuk lengkung terbalik berbentuk-U (inverse-U) pada tahap signifikan 1%. Matlamat terakhir ialah untuk memahami peranan tadbir urus luaran dalam kaitannya dengan kuasa pengurusan dan prestasi M&A. Dengan meneliti kesan moderasi tadbir urus luaran ke atas hubungan antara kuasa pengurusan dan prestasi M&A, analisis regresi dengan istilah interaksi dijalankan. Keputusan menunjukkan bahawa mekanisme tadbir urus luaran mengurangkan pengaruh kuasa pengurusan ke atas prestasi M&A dan mempunyai kesan moderasi terhadap hubungan antara kedua-duanya.

Tesis ini menawarkan perspektif baharu dengan mengkaji bagaimana mekanisme tadbir urus korporat luaran mempengaruhi hubungan antara kuasa pengurusan dan prestasi M&A, serta mendedahkan kesan berbentuk-U dan bukan kesan monotonik kuasa pengurusan terhadap hasil M&A—penemuan empirikal yang disokong oleh analisisnya. Dinamik berbentuk-U ini menyerlahkan pengurus sebagai pembuat

keputusan strategik aktif yang menyesuaikan strategi M&A, dan bukan sekadar pelaksana pasif, sekali gus mengukuhkan fokus terhadap kuasa pengurusan. Di China, di mana eksekutif sering dilantik melalui kaedah bukan pasaran (contohnya, arahan pentadbiran), terutamanya dalam syarikat milik kerajaan (SOE), pengawasan yang lemah sering berlaku. Kajian ini mencadangkan agar kerajaan dan lembaga pengarah meningkatkan kecairan pasaran untuk pengurus dan menguatkuasakan pengawasan yang berkesan bagi menggalakkan pembuatan keputusan yang berorientasikan prestasi.

Kata Kunci: Jangka pendek dan jangka panjang, Kuasa pengurusan, Penggabungan dan pengambilan, Prestasi korporat, Tadbir urus luaran,

SDG: MATLAMAT 8: Kerja yang layak dan pertumbuhan ekonomi dan MATLAMAT 9: Industri, Inovasi dan Infrastruktur

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LIST OF ABBREVIATIONS

CAR	Cumulative excess rate of return
CEO	Chief executive officer
CNY	China Yuan
CPS	Management Compensation Ratio
CSMAR	Chinese Stock Market&Accounting Research Database
CSRC	China Securities Regulatory Commission
HHI	Market competition
IPO	Initial Public Offerings
KMO	Kaiser-Mayer-Olkin
M&A	Merger and acquisition
MBO	Management buyout
OLS	Ordinary least squares
PCA	Principal component analysis
ROA	Return on assets
VIF	Variance inflation factor
WTO	World Trade Organization

CHAPTER 1

INTRODUCTION

1.1 Background of Study

The phenomenon of economic globalization has become increasingly prominent in contemporary culture, reflecting the ongoing development and progression of modern civilization. The level of competition among firms is progressively intensifying. In the context of intense market rivalry, an increasing number of organizations are recognizing mergers and acquisitions (M&A) as a crucial strategy for achieving scale expansion and diversified development. Merger and acquisition is an important way to adjust enterprise organization structure and optimize resource allocation. It involves the reorganization, liquidation, and redistribution of enterprise assets (Ibrahimi, 2018).



Figure 1.1: Overview of the volume of global M&A deals from 2010 - 2023

With the passage of time, the scope of mergers and acquisitions gradually expanded. After the 1980s, the scope of enterprise merger and acquisition expanded to include acquisition and related enterprise restructuring, enterprise ownership structure change, takeover and enterprise control, and other issues (Lubatkin et al., 1997). Through mergers and acquisitions, the integration and optimal allocation of resources can be

realized, and the scale expansion and efficiency improvement of cultural enterprises can be promoted. At the same time, M&A can introduce more advanced technology, management and experience, enhance the competitiveness of enterprises, and promote the process of industrial internationalization (weber t al, 2011).Moreover, as Figure 1.1 showed, from 2010 to 2023, the global M&A transaction volume has maintained an average annual of about 40000 deals, even in 2020, the economic situation will be worst affected by the COVID-19 pandemic. Therefore, merger and acquisition is a very common economic activity. M&A is an economic activity worth studying.

Compared with western developed capital markets, the development of China's securities market started late, but with the continuous promotion of reform and opening up and the deepening of the market economy, China's M&A market has grown rapidly. According to Chinese security (2010), the acquisition of Shanghai Yanzhong Industrial Company by Shenzhen Baoan Company in 1993 is generally regarded as the beginning of mergers and acquisitions of listed companies in China. In the following years, mergers and acquisitions occurred sporadically. After China joined the WTO in 2001, China's economy was more closely connected with western countries, and corporate mergers and acquisitions began to rise. The M&A of TCL and Thomson became the world's largest TV manufacturer, which aroused keen attention on corporate mergers and acquisitions in China (Chen, 2004). Lenovo's acquisition of IBM's PC business in 2004 immediately aroused strong repercussions from all walks of life and was regarded as a groundbreaking historical breakthrough. In 2009, CoFCO's acquisition of Mengniu Dairy provided an opportunity for enterprises keen on overseas mergers and acquisitions to reflect on the domestic industry integration, which can not only reduce the risk of overseas mergers and

acquisitions but also improve the concentration of the industry and enhance the overall industrial competitiveness (He, 2011). Moreover, M&A has gradually become an important force leading the future trend of China's economy. As Figure 1.2 showed, China is number 2 of the total value of M&A transactions in the world in 2023. Therefore, China's M&A market is worth studying.

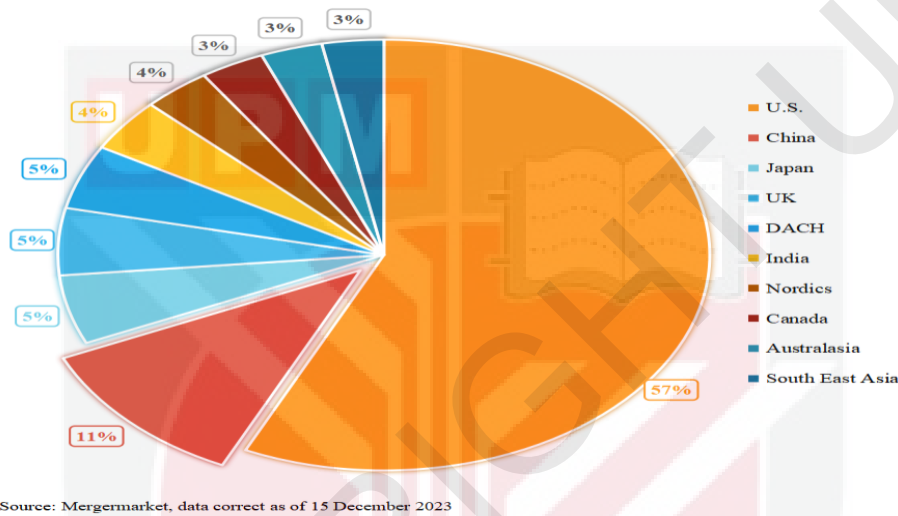


Figure 1.2: The Pie Chart of Top 10 Countries (Areas) Base on the Total Deal Value of M&A s in 2023

It takes more time and effort for enterprises to independently research and develop into new fields, and business face higher exit costs. Through mergers and acquisitions, enterprises can quickly enter their market, achieve business synergy, management synergy and financial synergy, and can obtain competitive advantages of existing enterprises in the market through mergers and acquisitions. However, not all mergers and acquisitions (M&A) activities are rational, and some do not contribute to the development of corporate strategic layouts. Bruner (2015) showed that at least 70%-90% of M&A transactions are invalid. In view of this phenomenon, they put forward the "success paradox" theory based on the empirical research of many scholars on

M&A performance. The "success paradox" refers to the paradox between the active M&A behavior of the acquiring company and the failure to create or even damage shareholder value.

Moreover, with the maturity of the capital market and the increase of the number of listed companies, M&A has become the main link of resource allocation in the securities market other than the IPO market and also the main way for the rapid development of listed companies. However, according to CSMAR (2020) statistics, globally, more than 70% of mergers and acquisitions end in mediocrity or even failure, while less than 30% have significant results. In China, the success rate is even lower, with experts estimating it at less than 10 percent. Numerous surveys indicate that the management of enterprises is the primary cause of merger and acquisition failures. Ignoring the management problems in the process of merger and acquisition may cause the original normal enterprises to fall into crisis after the merger, and it is difficult to play the expected "synergy".

Therefore, it is of great significance to explore risks, consider corresponding risk prevention measures, and enhance the effectiveness of management to improve the success rate of M&A. As the enterprise's executor, the management plays a crucial role in various stages of the M&A implementation process, including strategic decision-making, bidding selection, identifying M&A opportunities, and post-M&A integration. It is impossible to ignore the management's role in the M&A process. Researchers are increasingly focusing their attention on the study of management power. The focus on management power begins with the principal-agent theory (Delis et al., 2021). It describes management's desire for power, as well as the problem of

"confrontation" between management and shareholders for their own interests. The primary source of conflict in the agency problem stems from the separation of ownership and control. From the perspective of management power, management utilizes its power to transfer company resources and advance its own interests, which can be detrimental to external shareholders. In environmental campaigns, powerful CEOs can use corporate governance and market tools to cover up their poor performance. Yuan et al. (2021) discuss management's desire for power and the "confrontation" between management and shareholders for their own interests. As a result, management has an incentive to realise its own value, gain a good reputation, or gain economic benefits through mergers and acquisitions in order to expand the company, strengthen value chain management, or diversify the company.

Enterprise merger and acquisition is a long-term development strategy of an enterprise, and its success or failure is related to the overall situation of the enterprise. The whole process of merger and acquisition is a complex systematic project, from finding the target enterprise, making the merger and acquisition plan to the implementation of the merger and acquisition transaction, and a series of integration after the merger and acquisition are full of various risks. Good management can avoid and control the risks in M&A activities to a certain extent and ensure the realization of M&A value.

Empirical research on the internal capital market also revealed that the more funds obtained from the external capital market, the worse the acquiring company's long-term performance. Conversely, the more capital outflows from external capital markets, the better the long-term performance of the acquiring firm (Huang et al., 2019). Zhang and Teo (2023) predicted the short-term performance of the acquiring

company based on the mispricing theory, confirming that the short-term performance of the acquiring company came partly from the acquisition premium, which also provided empirical support for the mispricing theory. With limited capacity in China's capital markets, mergers and acquisitions indirectly price the value of unlisted companies through listed companies. As a result, the acquisition of unlisted public assets or equity will improve the acquiring company's performance in the short term, but it may have a serious negative impact on the company in the long run. Simultaneously, the short-term positive rate of return of major M&A companies does not imply harm to the target companies, as liquidity and other factors contribute to a discount in the asset value of these target companies.

Hence, it is one-sided to judge the success of M&A simply by long-term or short-term M&A performance. In order to achieve the real long-term development of enterprises, short-term benefits and long-term economic growth are indispensable. Therefore, this thesis divides merger and acquisition performance into long-term and short-term aspects to study the different effects of management power on long-term and short-term performance, so as to help enterprises improve the success rate of merger and acquisition.

In the field of corporate strategy, M&A is a key tool aimed at promoting organizational growth, diversification and competitive advantage. However, the success of these strategic efforts varies widely, which raises questions about potential factors influencing the outcome of mergers and acquisitions. Among them, the role of management power, that is, the degree of control executives have over strategic decisions, emerged as a powerful but still underexplored determinant. Thus, the lack

of understanding of the subtle ways in which power concentration in management teams affects M&A performance, particularly whether there is a threshold effect in which an optimal level of management competence maximizes M&A success while minimizing potential shortcomings such as overreach, hubris, and dysfunctional interests. This knowledge gap hinders the ability of stakeholders to effectively deal with the complexities of M&A planning and execution.

Therefore, the question revolves around identifying and quantifying the threshold relationship between management power and M&A performance. Specifically, it seeks to determine when the centralization of decision-making power can be a boon or a bane of M&A success. Understanding this threshold is critical to designing governance structures that promote effective oversight, strategic coordination, and accountability throughout the M&A process and ultimately enhance the value creation potential of such businesses. This survey is of critical importance to academics and practitioners alike as it provides insightful guidance on corporate governance frameworks and strategic decision-making protocols in the context of mergers and acquisitions.

In the M&A process, external governance plays a crucial role as an external mechanism to control institutional issues. If the manager makes decisions that conflict with the wealth of the shareholders, and the board cannot control the manager, then the capital control market from an outside group will change the management team and take over the company. This method can reduce the efficiency of management and help to resolve the conflict of interest between managers and shareholders. In the case of mergers and acquisitions, the influence of external governance can affect the

outcome of governance issues, enhancing the impact on financial performance and valuation.

A comprehensive external governance system also necessitates a set of governance provisions to implement new changes. The relationship between governance and valuation is significantly positive when controlling for size and industry (Weir et al., 2002). Simultaneously, the high valuations of companies adjusted according to the new rules closely align with the new rules.

External governance and disclosure quality can help identify investment opportunities and external financing. High levels of external governance and transparency rank highly in stock market valuations. The higher the level of external governance, the better the business performance (Yixin & Jian, 2022). As a result, companies want to expand their scale, strengthen value chain management, or diversify through mergers and acquisitions. Studying external governance is crucial for companies to realize their own value, establish a positive reputation, and reap economic benefits. Based on the motivation of M&A, it is an effective means to avoid blind M&A to evaluate the financial performance and analyse the result of M&A reasonably. Faced with the current world economic situation and various state support policies, more and more Chinese enterprises have taken the opportunity to gradually invest in the global M&A wave.

With the gradual maturity of China's economic market, the increasingly fierce market competition, the increasingly strict external creditors, and the government's control, the external governance mechanism of listed companies has gradually emerged as a supervision and incentive for the management, prompting the management to make

prudent decisions. Therefore, external governance can moderate the relationship between management power and M&A performance.

By referring to the relevant studies of Chinese and Western scholars and combining with the development status of China's M&A market, this thesis discusses the moderating effect of external governance mechanisms on the relationship between management power and M&A performance, providing theoretical support for the current active M&A transactions and enriching the research results of M&A performance.

1.2 Problem Statement

M&A is an ongoing, dynamic process, and management plays a key role throughout the process, including decision-making, acquisition and post-merger integration. Therefore, management power is closely related to the success of M&A. Due to the principal-agent problem, the ownership and management of the company are separated. As the operator of the enterprise, rather than the owner, the management is prone to conflicts between personal rights and interests of the enterprise, so the decision-making process need not be completely subject to the value of the enterprise. At the same time, senior executives are also responsible for making various decisions and handling affairs of the enterprise, and enjoy great autonomy, so that senior executives may consider more personal interests and motives when making decisions. In the face of M&A projects, it is easy to overestimate the benefits of M&A and underestimate the risks of M&A, which makes it easier for executives to blindly implement M&A, and then choose the M&A projects with poor benefits, which ultimately damages the performance of M&A.

For example, the case of Yili MBO (management buyout), MBO refers to a merger and acquisition transaction in which the company management obtains the company equity through high debt financing, transfers the company's equity to control and restructure the company, and obtains extraordinary returns. The management of Yili Company completed the M&A by setting up a new company, then the new company spent 280 million yuan to bought Yili shares and cashing out by buying government bonds. Yili's MBO incident negatively impacted the company's goodwill, leading to a sharp decline in Yili's share price and a subsequent loss of 12 million CNY. This ultimately impacted the company's merger and acquisition performance, as well as the interests of corporate owners and stakeholders.

Management power have an impact on performance before and after M&A implementation. Managers may manipulate stock prices for their own benefit and produce short-term merger and acquisition results to satisfy investor demand. However, the company's long-term operating conditions determine whether this performance can continue. In addition, M&A is a long-term process, and long-term M&A performance can better reflect the influence of management power on M&A.

In addition, short-term M&A performance reflects the short-term impact of a single M&A event on a company's stock price, excluding the timeliness interference of policy and market environment on long-term performance, and also represents the perception of investors. However, M&A is a long-term process, in order to judge the success of M&A, long-term M&A performance should also be taken into consideration.

Excellent management skills can facilitate rapid decision-making and cohesive strategic vision during M&A, leading to successful integration and the realization of synergies that contribute to the success of M&A. This is especially true in fast-moving industries where speed of decision making is critical. However, excessive management power can lead to overconfidence, consolidation, and the pursuit of personal agendas such as empire building or risk aversion, which can be detrimental to the success of M&A.

Therefore, moderate management power can promote decisive action and streamline the M&A process, resulting in positive performance outcomes, but overly concentrated power can lead to overconfident decision-making, resistance to different points of view, and the pursuit of deals that put management's own interests ahead of shareholder value. The influence of management power on M&A performance may have a threshold effect, that is, once the level of management power exceeds a certain level, the influence of management power on M&A performance will change. Hence, it is particularly important to study whether there is a threshold effect between management power and corporate performance before and after M&A.

In the process of merger and acquisition, how to measure management power and judge whether management power is excessive is very necessary. Limiting and monitoring management power through external governance mechanisms is an effective method that may determine the success or failure of mergers and acquisitions.

Furthermore, the government has halted the Huya and Douyu merger project. Tencent currently has authority over Huya and Douyu, individually. If Douyu and Huya merge, Tencent will have independent control over the merged entity. This will enhance

Tencent's already dominant position in the live game market and allow them to implement closed-loop management, incentive programs, and two-way vertical blocking capabilities in both the upstream and downstream markets. However, this may lead to the elimination or restriction of competition, which is detrimental to fair competition in the market and may harm consumer interests. It hinders the healthy and sustainable growth of online games and the regulation of the game live streaming business. Hence, the failure of the company's merger and acquisition can be attributed to the disregard of external governance variables, such as the market competitive mechanism and government control, during the process. External governance is crucial in the M&A process and has a significant impact to some degree.

Sound and effective external governance is an important mechanism to restrict management power and plays an important role in restricting management decisions and behaviors such as blind mergers and acquisitions based on personal preferences and own interests. Hence, this thesis chooses the moderating effect of external governance on the relationship between management power and long-term and short-term M&A performance as the research objective.

1.3 Research Questions

According to the problem statement, there have been some research questions about the influence of external governance on the relationship between management power and M&A performance. In order to address the issues in the above problem statement, the following research questions need to be answered:

1. What is the impact of management power on M&A performance in China ?
2. What is the threshold relationship between the management power and long-term M&A performance before and after M&A ?
3. What is the moderating effect of external governance in the relationship between management power and M&A performance in China ?

1.4 Research Objectives

According to the above the research questions, the research objectives are showed as follow:

1. To investigate the impact of management power on M&A firm performance in China.
2. To investigate the threshold relationship between the management power and long-term M&A firm performance before and after M&A.
3. To explore the moderating effect of external governance in the relationship between management power and M&A performance in China during different periods.

1.5 Definition of Terms

This section presents key word explanations in this study.

1.5.1 M&A performance

M&A performance refers to the economic consequences of M&A, which includes financial effect and non-financial effect (Das & Kapil, 2012). However, financial effect refers to the change of financial report data caused by merger and acquisition. Non-financial effects refer to changes in the relevant content. For example, employee satisfaction, sustainable operation ability and social resources after merger and acquisition. Although the impact of non-financial measures on business performance is difficult to quantify, it is integrated into a company's market value and accounting performance. Therefore, this thesis evaluates the economic consequences of M&A from the perspectives of short-term market value and long-term financial performance, in order to measure M&A performance more comprehensively.

1.5.2 Management Power

The concept of management power is multifaceted and intersects with various aspects of organizational performance and control. Management power can be influenced significantly by management control, which provides rich information and analyses that aid managers in their daily reflections, decisions, and actions (Godener & Fornerino, 2005). The functions and roles of management often revolve around controlling activities within organizations to ensure safety, continuity, and reliability, aiming to achieve planned objectives of different natures (Flores et al., 2012). To sum up, the power of management is defined as the ability of core executives who have the power to control and coordinate internal and external resources according to their own will. It includes the willingness and ability of company executives to decide compensation, improve working environment, and make M&A decisions and et al.

1.5.3 External governance

External governance is the institutional arrangement of corporate governance made by a company to adapt to external market (Aguilera et al., 2015). Shareholders/potential shareholders, creditors and the company are mainly connected through the capital market. Managers, employees and customers are related to the company mainly through the labor market and product market. The partial substitution of market by government also constitutes an important exogenous variable of corporate governance.

1.6 Significant of the Study

This research examines the impact of management power on the performance of mergers and acquisitions (M&A). Additionally, the performance of mergers and acquisitions (M&A) can be categorized into short-term performance and long-term performance, enhancing the comprehensiveness of the study. This thesis examines the impact of management power on the value of M&A firms, taking into account the concept of threshold effect. It contributes to the existing literature on the factors that influence management power and the economic outcomes of M&A activities. Additionally, it provides new evidence on the relationship between management power and M&A performance.

In addition, this thesis examines the impact of corporate external governance mechanisms on the relationship between management power and M&A performance in various dimensions. By incorporating corporate external governance factors as moderating variables, the study expands the research scope and enhances the existing research findings. Currently, the study on corporate external governance, management power, and M&A performance has certain constraints. The majority of studies focus

on analyzing the impact of corporate internal governance mechanisms on M&A performance, as well as examining the impact between CEO overconfidence and M&A performance. However, in order to ensure the long-term growth and success of organizations, it is crucial to not only focus on internal management but also give due consideration to external governance. Hence, it is crucial to choose comprehensive and diverse metrics to examine the impact of corporate external governance mechanisms on the impact between management power and M&A performance.

This thesis examines the impact between management power and M&A performance of listed businesses from the standpoint of corporate external governance, considering both macro and micro aspects. This study takes into account China's specific local circumstances and thoroughly examines the institutional framework surrounding China's shift from a planned economy to a market economy. It also analyzes the level of corporate governance within the context of this economic transition and the corporate governance system. At the level of enterprise micro-guidance, it offers concrete policy recommendations for regulators and managers of publicly traded enterprises in China, serving as a valuable resource for enhancing national economic policies and refining government activities.

1.7 Organization of Study

This thesis is divided into five chapters. The first chapter focuses on the background of this research, including its problem statement, research questions, research objectives and significance. The second chapter introduces the theory of this research and emphasizes the theoretical background. Chapter 2 also covers a literature review, summarizing the gaps in the literature and proposing a conceptual framework for this

study. Chapter 3 explains the methods used in this study. The reasons for variable selection are explained and the relevant estimation models are listed. Chapter 4 presents the empirical results and discusses and explains the relationship between the variables. Chapter 5 summarizes the main findings, but also lists its limitations. It also provides recommendations for future research.

1.8 Chapter Summary

In short, this chapter explains the research background of this study, answers what research gaps need to be filled and what problems need to be solved. Therefore, it is transformed into a research question to determine the research goal that this study tries to achieve. The next chapter will mainly cover the literature review of this study, the explanation of relevant variables and the main theoretical support of this study.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter mainly consists of five parts. The first part mainly summarizes the three key theories of this research. The second part summarizes the domestic and western literature research on the management power and M&A performance as well as the relationship between them, and the moderating effect of external governance. The next part is to show the research summary and gap of this study. Finally, the last part is to show the hypothesis development and research framework of this paper.

2.2 Theoretical Review

2.2.1 Principal-agent Theory

Jensen and Meckling (1976) mentioned the principal-agent theory in corporate governance. Due to the separation of ownership and management power, the principal-agent relationship between shareholders and managers is formed. Shareholders hire managers to run enterprises for them and pay compensation, and shareholders elect a board of directors to supervise the managers. It is because the manager is not always to maximize shareholder interests as the starting point enterprise, managers have different business ideas and interests preference, even the presence of the board of directors to supervise, managers can also intervene board members through its influence and the supervision role of the board of directors, thus formed the obstacle to solve principal-agent problems, thus formed the obstacle to solve principal-agent problems.

M&A is an effective way for enterprises to expand their scale, invest abroad and expand their business scope. As mentioned above, the motivations of M&A include technology seeking, platform building, managers' overconfidence and self-seeking. If the motivations of M&A are technology seeking and platform building, managers' M&A decisions are based on long-term strategic criteria of enterprise development, and principal-agent problems in M&A are relatively light. However, if the motivation of mergers and acquisitions is managers' overconfidence and pursuit of personal gains, it will be difficult for synergies to occur in the results of mergers and acquisitions, and it is more likely to damage the value of enterprises and shareholders. Therefore, principal-agent problems in such mergers and acquisitions are more serious, and shareholders may resist such managers' mergers and acquisitions (Hausken, 2019). From the perspective of management power, managers can exert influence on the board of directors through their power. In the case of a high level of management power, the board of directors is likely to be unable to prevent the merger and acquisition behavior of managers, and managers can easily decide the merger and acquisition decisions of enterprises according to their own thoughts.

Management power is a double-edged sword, especially in China. Under the condition of planned economy to market economy transformation, power helps managers leading enterprise fast development, making more effective strategic decisions, reducing unnecessary the decision-making efficiency, but also there is a breeding ground for managers too high compensation, managers overconfidence, blind expansion and other shortcomings, therefore, it is difficult to make a simple judgment on the influence of management power on principal-agent problems. In the mergers and acquisitions, the use of management power is conducive to enterprises to make

quick judgments and decisions on the fleeting market investment opportunities, to achieve effective expansion, technology introduction and platform building, to improve enterprise performance, maximize shareholder value, and thus help solve the principal-agent problem, at the same time, it is also possible to drag down the enterprise's operating performance, destroy the shareholder value and increase the principal-agent cost because of the leap forward blindly M&A behavior.

2.2.2 Management Power Theory (MPT)

Bebchuk and Fried (2006) explicitly put forward the management power theory, the theory is in the study of managers' pay, because the complete contract theory cannot fully explain the executive compensation design and execution, also cannot fully explain the relationship between management and the board of directors and its members, the management theory of power is given about the above analysis and research framework, as well as the basic point. Management theory, management power can be achieved through the influence of the board of directors and to improve or maintain their cash compensation, equity compensation, gold and other potential compensation and back body for managers to gain the mouth of the standard, members of the board of directors not managers compensation is set to its power, whether to stay on the decision and contradiction of the board of directors are reluctant to make psychological, such as poor performance of managers and correlation of high salary even tacit encouragement, which reduces the ability of the supervision of the board of directors, the partial loss of the supervision function.

According to a series of studies by Bebchuk et al. (2011), the relative power of the board of directors and the management, the size of the board of directors, the external

part-time job of managers, the existence of large external shareholders, the existence of institutional investors, and the protection of anti-takeover regulations are the main factors affecting the management power.

Managers' risk preference is the problem of managers' attitude towards risk. merger and acquisition is an investment behavior of enterprises. There will be risks in investment, and there will be risks in merger and acquisition, namely uncertainty. The risk preference of managers depends on managers' perception of M&A issues and the measurement of risk and return. Before M&A, if managers have had the large power and high pay, so managers are reluctant to take risks to the implementation of mergers and acquisitions, because for managers, marginal profit of mergers and acquisitions relative to its risk is low, and successive drops, can inhibit M&A behavior of managers, managers are reluctant to take risks to do too much investment income uncertainty (Van Essen et al., 2015). On the contrary, if managers have the small power and low compensation, the marginal profit of M&A of a manager has a certain appeal, compared with its risk management is a M&A motivation to gradually expand its marginal revenue, thereby improving the power and the compensation, once the merger is successful, the managers had bargaining chips with the board. Once mergers and acquisitions fail, managers do not necessarily bear the corresponding punishment. As Graham et al. (2020) analyzed, the board of directors often attributed the growth of corporate performance to the management power and blamed the decline of corporate performance on the market.

2.2.3 Stakeholder Theory

Freeman (1984) systematically proposed stakeholder theory for the first time in Strategic Management: Stakeholder Approach, defining stakeholder as "any group or individual that can influence or be influenced by the realization of organizational goals". Companies are not only accountable to shareholders, but also to external stakeholders such as employees, customers, suppliers, and communities. External governance promotes corporate social responsibility through social pressure, think if without the support of external stakeholder groups, companies are unlikely to become an independent economic organizations and stakeholders, the business development of the enterprise depends on the input and participation by different stakeholders, so the pursuit of enterprises is the overall interests of stakeholders (Shi et al., 2017). The management activities of enterprise managers are to balance the relations between all parties. Stakeholders of an enterprise can be divided into different types according to different standards. According to the relationship with the enterprise, they can be divided into major stakeholders and other stakeholders. Major stakeholders include shareholders, senior executives and board members. Other stakeholders include accounting firms, creditors, governments, and competitive partners. They refer to individuals and groups that have made specific investments in enterprises based on explicit economic contracts or implicit social contracts, including financial capital, human capital, and social capital. Since other stakeholders have invested in the enterprise and undertaken the corresponding risks, they also have the residual claim and residual control rights of the enterprise, which have an important impact on the survival and development of the enterprise (Bhagat & Bolton, 2019). Hence, the firm must not just prioritize the interests of shareholders at the expense of disregarding the interests of other stakeholders. The notion of external corporate governance posits that

the external corporate governance mechanism and the internal corporate governance mechanism are interconnected concepts. The internal corporate governance mechanism mainly refers to the supervision, incentives and checks and balances from the internal company, while the corresponding external corporate governance mechanism refers to the supervision and constraints from the external company. The external supervision and control mechanisms mainly include market competition mechanism, external audit mechanism, creditor governance mechanism and government supervision mechanism.

2.3 Literature Review

2.3.1 M&A Performance Measurement

In order to understand the meaning of M&A performance, it is important to first define the concept of performance. Performance refers to the overall effectiveness and efficiency of a particular entity. Therefore, M&A performance specifically refers to the extent to which an enterprise successfully completes a merger or acquisition, integrates the acquired company into its operations, achieves the intended goals of the M&A, and generates economic benefits. In other words, M&A performance refers to the economic outcomes resulting from the process of mergers and acquisitions. Mergers and acquisitions (M&A) encompass various elements that might enhance the effectiveness of corporate governance, mitigate operational risks, achieve economies of scale, and expand market share for companies involved in M&A activities. Typically, the performance of mergers and acquisitions (M&A) can be divided into two primary dimensions: the financial consequences and the non-financial consequences. The financial impact of mergers and acquisitions (M&A) refers to the alteration of business financial report data resulting from M&A activities. The non-

financial impacts of mergers and acquisitions pertain to the alterations in firms' capacity for sustainable development, investor trust, employee involvement, customer contentment, and societal influence. Due to the difficulty in quantifying non-financial variables and determining their impact on enterprise business performance, the financial effect can be determined by analyzing actual financial data. Academic research often evaluates the performance of enterprise mergers and acquisitions based on their financial impact.

One of the primary focuses of M&A research is the outcome of M&A, which is the performance of M&A. Nevertheless, the research on mergers and acquisitions (M&A) performance has not reached a consensus. Can mergers and acquisitions enhance enterprise performance? How can the performance of M&A be measured in a comprehensive and effective manner? This pertains to the future potential of corporate mergers and acquisitions. The academic research on M&A performance mostly utilizes the event research approach based on stock market data and the accounting research method based on financial operating performance, as evidenced by the research literature of both domestic and western researchers. Bruner (2015) summarized the previous research conclusions of Western scholars on M&A performance, and this thesis reviewed M&A performance by referring to Bruner (2015).

2.3.1.1 Short-term M&A performance

The common method to measure short-term M&A performance is the event study method. The event study method has a long history, dating back to Dolley (1933) studied the impact of 95 stock split events on stock prices from 1921 to 1931. Since

then, the event study method has continued to develop. Sorescu et al. (2017) improved the event study method and made it widely accepted by the academic community. Currently, the event research method has emerged as a prominent approach for analyzing the performance of mergers and acquisitions (M&A). Event study method is to put the enterprise mergers and acquisitions as a single event, and to determine a M&A announcement day centered "event period" (such as -1, + 1 day), and then through the test samples of listed company merger and acquisition events before and after the announcement period average cumulative excess return (CARs) to examine M&A event announcement for price fluctuation in the stock market effect (Kurmer&Hoffmeister,1978). Since this method is used in this thesis to settle short-term M&A performance, a more detailed discussion is in Chapter 3.

Different types of consolidation can lead to different short-term performance. Horizontal mergers involve companies in the same industry and are often aimed at achieving economies of scale. For example, research by Ekbo (1983) shows that horizontal mergers can produce positive short-term abnormal returns because of expected cost savings and enhanced market power. In contrast, vertical mergers bring together companies at different stages in the supply chain and can have more complex short-term performance implications. Some studies suggest that vertical mergers may deliver short-term positive returns if better coordination is achieved and transaction costs are reduced, but the evidence is less conclusive than horizontal mergers.

The combination of payment methods, whether cash, shares or a combination of payments, can affect short-term performance. Travlos (1987) found that when the acquirer used cash financing, the target company tended to achieve higher abnormal

returns. This is because a cash payment signals the acquirer's confidence in the value of the target company and its ability to generate future cash flows. On the other hand, if shares are used as payment, the market may be concerned that existing shareholder value may be diluted, resulting in relatively low short-term returns for the target company.

2.3.1.2 Long-term M&A performance

The financial research method is the mainstream approach used to assess the long-term performance of mergers and acquisitions (M&A). This method utilizes financial statements and accounting data to evaluate operating performance based on indicators such as return on net assets, return on total assets, sales growth rate, net profit margin on sales, and earnings per share. The impact of mergers and acquisitions (M&A) on corporate performance is assessed by analyzing the changes in performance before and after M&A, as well as comparing it with other companies in the same industry. The goal is to determine if M&A activities generate shareholder wealth. Occasionally, in order to effectively mitigate the impact of macroeconomic conditions, industrial technology, and other external factors, and to precisely analyze the fluctuations in corporate M&A performance, non-M&A companies within the same industry or of comparable size are also employed as control samples for paired testing. The primary application of the financial research method is to analyze the performance of the acquiring company in mergers and acquisitions (M&A).

Salter and Weinhold (1979) found that the average return on equity and return on assets of the acquirer after the merger were 44% and 75% lower than the average level of the New York Stock Exchange in the same period. However, Healy et al. (1992)

selected the 50 largest M&A transactions in the United States from 1979 to 1984 as samples and studied the M&A performance of acquiring companies by financial method. They adopted the average value of the industry as the benchmark and found that compared with other enterprises in the industry, mergers and acquisitions after acquiring the assets of the company operating ability not only won a significant increase, and the acquisition of the company to maintain with the industry average of the ratio of capital expenditure to the research and development spending, this shows that the acquisition of the company's operating performance improvement comes not from the company basic investment spending cuts. They point out that mergers and acquisitions may increase the value of the company as a whole.

The use of financial research methods to assess M&A performance is less common in western countries compared to the use of event methods. The first factor is the high level of maturity in the western capital market, which has been extensively supported by empirical research demonstrating its effectiveness. Moreover, the event research method is well-suited for accurately evaluating the impact of M&A performance changes. China's capital market's slow development hinders its ability to accurately reflect a company's operating conditions. As a result, the financial research method is more commonly used than the event research method when studying M&A performance due to the capital market's lack of effectiveness. While there is a common belief that our country's accounting statements can be easily manipulated, Xiao (1999) demonstrated that the accounting statements of listed companies possess significant informational value. Any manipulation of accounting data is typically short-lived, as the long-term performance of the company will eventually be reflected in the financial statements. Hence, employing the financial research methodology to analyze the

domestic M&A market is a logical approach. Regarding the specific research procedure, there are primarily three methods:

(1) Single indicator study

Yeh and Hoshino (2002) conducted an empirical study on corporate performance indicators before and after 86 M&A activities in Japan from 1970 to 1994, and found that M&A activities of Japanese enterprises not only failed to improve production efficiency, but even led to deterioration of financial indicators such as ROA, ROE, sales growth rate and employee growth rate. This may be because, among various corporate goals, Japanese companies attach more importance to shareholder wealth goals. Therefore, when facing fierce competition and market depression, Japanese companies will adopt mergers and acquisitions to integrate their businesses to cope with market changes. In the process of mergers and acquisitions, Japan's unique business model and paternalistic business culture encourage corporate governance to take radical reform measures. Meanwhile, measures such as layoffs will cause employees' resistance and hinder the improvement of corporate efficiency.

Yao and Yan (2004) chose cash flow indicators for their study. They took 135 listed companies acquired during 1995-1995 as the research objects and examined the differences of pre-tax operating cash flow rate of the acquired companies and comparable companies in each of the three years before and after the merger. And the difference degree of excess cash flow yield before and after M&A to test whether acquiring companies have achieved M&A performance through M&A behavior. Empirical research shows that the performance of enterprises after M&A has not been

significantly improved, and even appears a relatively obvious decline in the first year after M&A.

The concept of using Economic Value Added (EVA) as an evaluation indicator for mergers and acquisitions (M&A) performance has been explored in various studies, demonstrating its applicability and significance in assessing shareholder value and corporate strategy effectiveness (Leepsa & Mishra, 2016). Li (2018) explored the deficiencies in financial indicators for enterprise performance evaluation, suggesting EVA as a method to improve the evaluation system, indicative of its value in accurately reflecting enterprise performance.

Listiadi (2023) used Tobin's Q value as the measurement index of M&A performance to study the industrial effect of listed companies' M&A and reorganization. The study showed that listed companies choose to enter industries with high industrial effect when assets reorganization, and the performance of industrial innovative assets reorganization is significantly better than that of non-industrial innovative assets reorganization.

Scholars have studied single indicators from different angles and in different ways, such as financial indicators and cash flow indicators, relative indicators and absolute indicators. However, no matter how selected, single indicators are easy to be manipulated or interfered by other factors. Therefore, in the subsequent studies, most of the literatures adopted multiple indicators.

(2) Multiple indicators study

Feng (2001) paired earnings per share, net asset turnover ratio, asset-liability ratio and liquidity ratio to test the financial operation of 85 listed companies in Shenzhen Stock Exchange two years after the restructuring in 1997. By comparing the financial data before and after the restructuring, it was found that the profitability of the restructured companies was lower than the overall level of the listed companies. Debt ratio, current ratio slightly increased, asset turnover decreased.

Martynova and Renneboog (2008) reviewed 26 accounting indicators used to test M&A performance, and found that 14 of them showed that business performance declined after M&A, 7 showed that profitability of enterprises did not change significantly after M&A, and only 5 indicators showed that income increased significantly.

Fraser and Zhang (2009) adopted pre-tax operational cash flow, return on equity (ROE), return on assets (ROA), growth indicators, and liquidity risk indicators as measures to assess changes in corporate performance before and after M&A. Research indicates that the performance of the target party experiences a substantial increase three years following the merger and acquisition of American firms. Consistent with the findings obtained using the event study technique, the research generally concludes that the target organization enhances its performance through mergers and acquisitions (M&A). However, no consistent result is achieved regarding the M&A performance of the host and partner.

Wang and Liu (2019) took 49 companies in 2018 as samples. The analysis of operating performance based on cash flow shows that the performance of restructured companies has not been significantly improved in the long run. Moreover, Dakhli (2022) also found that investing in corporate social responsibility activities positively influenced firm financial performance, as indicated by ROE and Tobin's Q. This research highlights the broader implications of strategic decisions beyond mergers and reorganizations on firm valuation and profitability.

Avallone and Roncagliolo (2021) sought to investigate if employing a multidimensional approach in creating accounting-based performance indicators could offer a thorough analysis of the impact of intricate events, such as mergers and acquisitions, on corporate performance. This study specifically evaluates the effectiveness of mergers and acquisitions (M&A) conducted in Europe by creating various accounting-based performance metrics that analyze: (i) profitability, (ii) growth, and (iii) financial condition. Furthermore, we examine a critical aspect of performance, namely the expense associated with employment, which has been given minimal consideration in prior empirical studies. According to the complexity of mergers and acquisitions (M&A), the findings suggest that they have a varied effect on several performance indicators.

Assessing the change in M&A performance using different indicators is challenging. To evaluate M&A performance comprehensively, it is necessary to consolidate multiple signs into a single indicator. Given the interrelation among various indicators and the subjective nature of the efficacy coefficient method, fuzzy comprehensive judgment method, and analytic hierarchy process, researchers primarily employed

principal component factor analysis to establish comprehensive scores for a thorough analysis of M&A performance.

(3) The comprehensive scores

Feng and Wu (2011) selected the return on total assets (ROA), return on total assets (ROA), return on total assets (ROA), earnings per share (EPS) and return on net assets (ROA) of 201 listed companies acquired in 2005 and 2008 as the research objects, and constructed a comprehensive evaluation function of corporate performance by principal component analysis method after eliminating industry influencing factors. By the comprehensive score of analysis and comparison, the overall effect of M&A of listed companies has a first process, lowered after the merger was no significant change in the company's performance, began to significantly improve the performance of a company in the first year after the merger, the third year after the merger company performance began to decline year by year, they think that Chinese enterprise M&A integration did not succeed, after mergers and acquisitions of listed companies belonging to speculative mergers and acquisitions. Since this method is used in this thesis to settle long-term M&A performance, a more detailed discussion is in Chapter 3.

In summary, researchers have extensively analyzed the performance of mergers and acquisitions (M&A) in firms using the event research method and financial research method, resulting in a wealth of study findings. The event study method relies on the efficient market hypothesis, which assumes that the stock price of a company accurately reflects all relevant information and quickly adjusts to new information. In the context of mergers and acquisitions (M&A), this means that investors' expectations

of a company's performance following an M&A transaction should be fully reflected in the company's stock price. Thus, it is appropriate to assess the company's short-term M&A performance. Nevertheless, despite the occurrence of profit manipulation in the financial indicators of Chinese listed businesses, the operational performance of organizations would finally be evident in the accounting statements as the observation period is prolonged. The financial research method can effectively indicate the performance of M&A. Therefore, it is appropriate for doing research on the long-term performance of mergers and acquisitions.

2.3.2 Management Power

The research on management power starts from the research on managers' compensation, which is different from the neoclassical viewpoints that explain managers' compensation as managers' management skills, efforts, and benefits of managers' alliance with shareholders (Jensen & Heckling, 1976), the view of management power interprets management compensation as compensation obtained by managers through their power (Bebchuk & Fried, 2006; Core et al., 2008).

Brass and Burkhardt (1993) studied that the influence of management on enterprise management depended on the performance of power. Willer et al. (1997) believes that power is the ability to form, influence or change others. Through power, individuals can feel their own existence in social relations. According to management, psychology, and sociology, power includes the qualifications and abilities necessary to obtain critical resources for a company, to network in the business world, and to create laws and regulations that benefit the company. Those who can control critical resources and reduce uncertainty are seen as powerful. Yukl et al. (2002) found that the success of

managers mainly depended on their attitude to use power, and understanding the source of power within the organization was a necessary procedure to achieve organizational goals and use power. Hence, power holds significant significance as a research domain when examining the dynamics between organizations and their members. Management power, in the field of study of management, is commonly defined as the power held by the Chief Executive Officer (CEO). In their study, Adams et al. (2005) categorized power into two types: formal and informal. Formal power is associated with the CEO's decision-making influence, such as their shareholding ratio and whether they also serve as chairman. On the other hand, formal power is not influenced by the CEO's position within the company, such as their tenure or educational background.

Finkelstein (1992) divided management power into expert right, prestige right, structure right and ownership, and pointed out that when the general manager has relatively high structure right, ownership right, expert right and prestige right, his influence on the organization will increase. The specific performance is as follows:

(1) The structural authority empowers the general manager to effectively oversee the organization by exercising control over subordinates and resources. When the general manager and the chairman of the board merge into one role, the general manager will wield significant authority and may influence the board of directors' agenda. This includes determining the material presented to the board and selecting the subjects for discussion. Consequently, the board of directors may lack the ability to effectively oversee the management. The structure right of the general manager is also reflected in the relationship with the directors. The internal directors are nominated and

arranged by the general manager, and are greatly influenced by the general manager, while the external directors are less influenced by the general manager. Structure power also affects the compensation of the general manager. When the compensation of the general manager is higher in the total compensation of the whole executive team or there is a large gap between it and the next highest salary of the executive team, it indicates that the general manager has more structure power.

(2) The general manager's power will be enhanced by ownership, as they serve as both a manager and a shareholder. The level of stock held by the general manager directly correlates with their ability to exert control over the effect of the board of directors on the management. The ownership power of the general manager increases in proportion to the level of implicit control he exercises on the board of directors, particularly if he is a founder or a family of the company.

(3) The expert power of the general manager can enable him to connect with the internal staff and external relations of the company extensively, improve his ability to deal with uncertainty, and reduce the dependence on directors, thus reducing the influence of directors on the company.

(4) The prestige of the general manager can often help the company win trust and support from all aspects, so as to ease the impact of external uncertainty on the company.

Chava and Purnanandam (2010) utilized multiple variables to accurately assess the management power, including factors such as the tenure and years of experience of the general manager, whether the general manager also holds the position of chairman

of the board, whether the general manager plans to retire within two years, and the presence of significant shareholders. Although many studies believe that management power brings positive benefits to managers themselves, Guest (2009) finds that the overall benefits of CEOs in mergers and acquisitions that are not conducive to co-ownership are decreased when the research is carried out with sub-samples of CEO shareholding. Therefore, post-merger performance and post-merger corporate governance have an impact on CEO earnings. Even this impact exceeds the impact of the merger event itself on the excess earnings of the CEO. Bugeja et al. (2012) studied the M&A returns of CEOs of listed companies in Australia and found that CEOs get higher returns in the M&A year and the year after the merger, but if CEOs of major companies overuse their management power, they will get lower post-merger returns. From an empirical point of view, this thesis verifies the incentive consistency theory, which also has similarities with the research conclusions of Guest (2009).

Bandiera et al. (2020) have devised a novel approach to assess the behavior of CEOs in a significant number of cases. This involves gathering detailed and frequent diary data through surveys and utilizing machine learning algorithms to evaluate various sorts of conduct. When this method was used on a sample of 1,114 CEOs from six different nations, two distinct categories emerged: "leaders," who oversee important meetings involving numerous departments, and "managers," who handle meetings focused on specific core functions. Organizations that employ individuals in leadership positions demonstrate superior performance, and it often requires a period of three years for a newly appointed Chief Executive Officer (CEO) to have a noticeable impact. Structural estimations indicate that variations in production are attributed to discrepancies, rather than superior leaders across all companies.

Maswadi and Amran (2023) investigated the correlation between the characteristics of board capital and the quality of CSR disclosure, as well as the influence of CEO power on this correlation. By examining a representative sample of 114 companies, we have determined that the experience and interconnections of directors have a beneficial effect on the quality of corporate social service development. However, the political affiliations of directors have a notable detrimental effect on the quality of corporate social service development. Generally, we prioritize the function of resource dependence theory and agency theory in enhancing the quality of corporate social development.

2.3.3 Management power regarding the threshold issues

The relationship between management power and M&A performance is an important topic in the field of corporate finance and strategic management. Traditional theories (such as agency theory) hold that too much power of management will lead to self-interested decision-making, which will harm the performance of M&A. However, recent studies have shown that the relationship between the two may be non-linear, which is affected by the "double-edged sword" effect of power, corporate governance situation and other factors. The following is a review of relevant literature from two aspects: theoretical framework and empirical research.

One of the most frequently discussed nonlinear relationships is the inverse U-shape relationship. Some researchers have suggested that, at a certain level, managerial power can improve merger performance. When managers have the right authority, they are able to efficiently coordinate resources, drive the merger process, and make strategic decisions that benefit the combined company. However, when administrative

power exceeds a certain threshold, it can lead to agency problems. Overly powerful management power can lead managers to pursue their own interests at the expense of shareholders, such as overpaying for acquisitions or engaging in empire-building practices. For example, Lu and Heracleous (2005) found in their research that companies can achieve better merger performance when management authority is appropriate. But with excessive centralization of management power, performance began to decline. Their study used a sample of firms in a specific industry over a certain period of time and applied econometric models to analyze the data, demonstrating an inverted U-shaped relationship between management power and merger performance.

Enterprise-specific factors play a key role. Size is one factor. In large enterprises, the impact of management power on merger performance may be different from that of small enterprises. Larger companies may have more complex organizational structures, and some level of management authority may be necessary in order to coordinate the various departments during the merger process. However, excessive power in large enterprises can also lead to more serious agency problems because of the larger scale of resources involved. For example, in their study by Wang and Qian (2019), they found that the inverse U-shaped relationship between management power and merger performance is more pronounced for large-scale firms. Industry nature is another important firm-specific factor. In highly competitive industries, management power may need to be more balanced to accommodate rapid market changes during mergers. In less competitive industries, the negative effects of excessive management power may be more easily tolerated in the short term, but may still hurt merger performance in the long run.

External market conditions also affect the nonlinear relationship. In a prosperous market, managers with more power are more likely to take advantage of market opportunities to promote successful mergers, and the positive impact of management power on performance may be more significant. However, in a declining market, excessive management power can lead to overly optimistic merger decisions that fail to take into account challenging market conditions, resulting in poor merger performance. During the 2008 financial crisis, for example, many mergers failed despite strong management power at some companies because managers overestimated their companies' ability to withstand an economic downturn. Research by Johnson et al. (2020) analyzed a large number of merger cases across different economic cycles and found that the non-linear relationship between management power and merger performance is significantly influenced by external market conditions.

Everything has two sides, so does the power of management in an enterprise. On the one hand, it may bring great incentives to managers and improve their enthusiasm and initiative. On the other hand, shareholders may lose control of the supervision of operators, leading to rent-seeking management power. This requires that a good supervision and restriction mechanism must be set up at the same time of giving the management power, so that the management power can play a good role. Management supervision falls under the category of internal control. According to Mallin (2016), corporate governance is a complex control system of various restraint means, including both a set of internal governance structure and a series of external control mechanisms. The internal governance structure consists of the general meeting of shareholders, the board of directors and the board of supervisors. External control

mechanisms include capital market, product market and manager market, as well as intermediary institutions, laws and regulations and news media. The corporate governance system is shown in Figure 2.1.

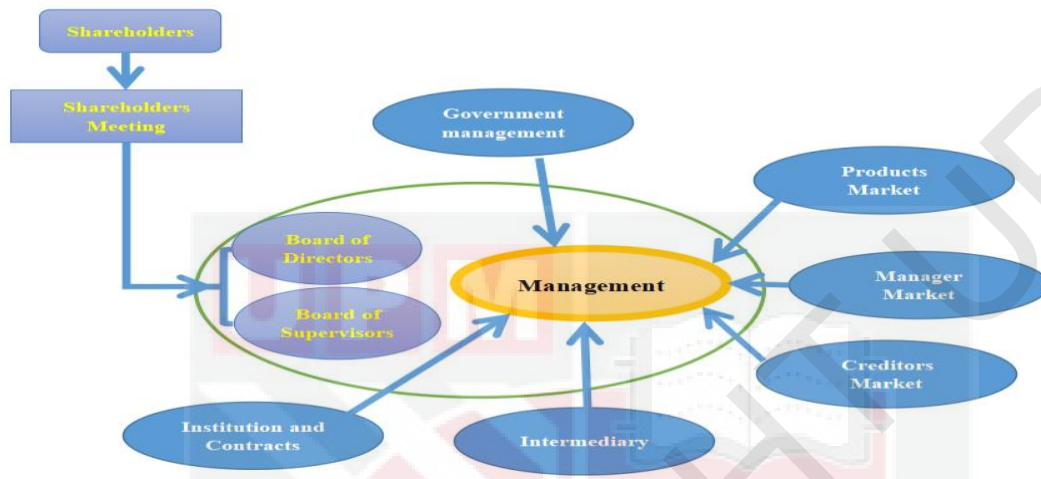


Figure 2.1: Corporate Governance System, author

2.3.4 Impact of Management Power on M&A Performance

Based on the various research findings on M&A performance, it is evident that managers have a significant influence, and their power directly affects the financial performance of M&A. Hence, it is imperative to examine the influence of managers' conduct on the performance of mergers and acquisitions as a distinct topic of discussion.

Billett and Qian (2008) and Aktas et al. (2009) further studied the financial performance of M&A on the basis of Fuller (2002) research conclusion. But its research focus has been started from a simple validation explain the phenomenon to analysis the reason, that is, from the level of listed companies to the company CEO and organizational level, learning effect in constructing a model on the basis of research on M&A financial performance management and organizational learning

effect, the influence of it in conformity with the acquisition of the development of the study of motivation.

Malmendier and Tate (2008) studied the data of "Forbes 500" companies from 1980 to 1994, and came to the conclusion that executives generally believed that the market underestimated the value of their own companies, while executives tended to overestimate the market value of their own companies and target companies, and therefore paid a high merger premium. Through empirical research, it is confirmed that overconfident executives are more inclined to implement M&A activities, and the more abundant the free cash flow, the more significant the result.

In the process of research on managers' behavior and ability, researchers find that there is an important factor affecting the extent of managers' ability to play -- management power. Gu (2023) studied the influence of manager power on corporate investment behavior. In this thesis, merge and acquisition is regarded as one of corporate investment behaviors. Based on the theory of manager power and compensation contract, empirical tests are made on the influence of manager power on enterprise merger and acquisition. The results show that the more powerful managers are, the more likely they are to launch large-scale mergers and acquisitions, and the managers' compensation of the enterprises that launch mergers and acquisitions is significantly higher than that of the enterprises that have not launched mergers and acquisitions. Meanwhile, the enterprises with more powerful managers have worse M&A performance, that is, the managers have more obvious motives to carry out mergers and acquisitions for their own interests.

Yao and Zhu (2014) believed that managers tend to launch mergers and acquisitions with a large span of the industry in order to disperse their own risks, but such mergers and acquisitions seldom increase the value of the owner enterprise. Wang and Gong(2015) empirically studied the influence of CEO power and compensation manipulation on post-merger corporate value by studying CEO compensation manipulation in mergers and acquisitions, and found that both CEO power and compensation manipulation damage post-merger corporate value. However, the degree of ownership concentration restrains the damage degree of CEO power to the value of M&A enterprises, that is, when CEO power is restricted by shareholders, his rent-seeking behavior will be less, and the corresponding negative effect of M&A will also be reduced.

As for the influence of managers' power on M&A performance, the consensus conclusion of previous studies is that managers' power reduces shareholders' post-M&A returns and enterprises' M&A performance. Grinstein and Hribar (2004) studied the role of management power in mergers and acquisitions of listed companies in the United States and The United Kingdom respectively and found that the more power the CEO has, the higher the post-merger returns he will get. Grinstein and Hribar (2004) pointed out that 73% of boards of directors of American listed companies are chaired by CEOs, and 30% of executive directors are executive directors. In addition, managers' compensation is significantly positively affected by company size, and M&A is an effective way to expand enterprise scale. Coakley and Iliopoulou (2006) showed that the ratio of the two components described above in the board of directors of British listed businesses was 24% and 55% respectively. The findings from the aforementioned research indicate a positive correlation between the

level of managers' authority and the extent of interaction between managers and the board of directors. Additionally, there is a positive correlation between managers' authority and the advantages gained after a merger.

Harford and Li (2007) and Guest (2009) compared the earnings of the CEO of the merged company and the CEO of the merged company after the merger. The study found that, regardless of the impact of the merger on the performance of the merged company in the United States and the United Kingdom, when the CEO's shareholding and the position on the board of directors were not taken into account, The CEO of a merger company keeps a high level of income after the merger, while the shareholder income deteriorates. The level of corporate governance after the merger has no significant impact on the CEO compensation level after the merger. This shows that no matter the merger is favorable or unfavorable to the merger and acquisition company, it does not affect the managers to make excess returns from the merger and acquisition.

The research of Glaser et al. (2013) also supports the research conclusion of Guest (2009), from the perspective of resource allocation of internal capital market, this research studies the resource allocation and investment behavior of CEOs with unexpected cash inflow and at the disposal of CEOs and relatively large management power. The research results show that, With the increase of managers' power, CEOs are more likely to misallocate capital and make overinvestment, which leads to lower investment performance and lower productivity of their management teams.

In the relevant research in China, Yang and Zhou (2016) studied the influence of the power of senior executives of state-owned enterprises on their M&A behavior and

argued that the less power senior executives of state-owned enterprises have, the more eager they are to launch large-scale M&A to consolidate and enhance their own power. Chu et al. (2016) respectively conducted a regression test on the influence of the four dimensions of management power on the M&A performance of state-owned enterprises, and concluded that organizational power and ownership have a negative effect on the M&A performance of state-owned enterprises, the influence of expert power on the M&A performance of state-owned enterprises is unclear, and the prestige right has a weak positive impact on the M&A performance of state-owned enterprises. The influence of management power on M&A performance is also manifested as that management can use its power to dominate the free cash flow of the enterprise, thus making excessive M&A investment and affect the asset valuation premium of the target enterprise through management power (Ma et al., 2017). Ownership in management power can be enhanced through management shareholding. As for the impact of management shareholding on M&A performance, scholars' research conclusions are not uniform. Xu (2017) believe that management shareholding has a non-linear impact on M&A performance, but Yao (2016) believes that management shareholding has a significant positive impact on M&A performance.

Moreover, Brochet et al. (2021) provided the initial empirical data on the correlation between humpback CEOs and the financial worth of their companies. In industries characterized by high dynamism and significant labor market friction, the value of a company starts to decrease after a very short period of time when the CEO is less adaptable to change. In summary, the quality of the match between CEOs and businesses is a significant factor in determining the link between CEO and firm value. This is influenced by various factors such as the flexibility of the CEO, the dynamics

of the firm and industry, and labor market features that facilitate the optimal matching of CEOs with enterprises.

Since this thesis chooses Chinese enterprises as the research object. The nature of property rights is an inevitable research perspective for the study of Chinese listed companies. Du (2010) investigated state-owned listed companies and studied the synergistic relationship among management power, financial effects of mergers and acquisitions and management compensation. Starting from the defects of the property rights system of state-owned enterprises, the study finds that the more powerful the management is, the more likely it is to promote the merger and acquisition of enterprises, especially after the reappointment of the management, the merger and acquisition behavior of enterprises will increase substantially. Guo et al. (2011) further introduced the property rights of enterprises into the study of mergers and acquisitions, and investigated the role of management shareholding ratio, board structure and independence in the study of mergers and acquisitions decision-making mechanism. In addition, for the first time, the influence of feedback information of previous mergers and acquisitions on managers' power was explicitly included in the research system. Fu et al. (2014) studied the relationship between management power, executive compensation changes and M&A behaviors of enterprises with different property rights, and analyzed the mechanism of management power's effect on large-scale M&A behaviors driven by compensation and interests under different property rights. To sum up, the study holds that in enterprises with different property rights, the guarantee role of management power changes in the process of M&A is different, and according to the theory of management power, the mechanism of action between enterprise M&A behavior and management power is a process of dynamic adjustment.

As can be seen from the above literature, the results of M&A performance obtained from the literature studying M&A performance from the perspective of management power are mostly negative, which may be due to the overestimation of the value of the target company or the failure of frequent M&A to achieve the expected synergy effect of M&A, resulting in some cases even reducing the value of the host company.

2.3.5 External Governance

External governance environment is the sum of a series of factors and their mechanism, such as political and economic system, legal system, development degree of take-over market and factor market, social tradition and culture, composition and psychological behavior characteristics of market participants, which influence enterprise business activities. External governance will have an impact on the behavior of enterprises, play a role in restricting or promoting.

Scholars have gradually realized the enterprise mergers and acquisitions and mergers and acquisitions performance is bound to be influenced by corporate external governance environment, and have made some valuable, but is still a lack of data support, especially scholars less consider economic system of China. The Chinese enterprise merger and acquisition activity as the research object to analyze the influence of external governance environment, and will produce different effects. It has important practical significance for China which is in the rapid development of non-public economy.

Grossman et al. (1982) found that changes in product market competition not only affected managers' incentives, but also affected bankruptcy risk. When managers

realize the risk of bankruptcy, they will be motivated to reduce the risk of bankruptcy. Hart believes that the product competition mechanism has an incentive effect on the management constraint. When more dominant enterprises exist in the market, the degree of managers' laziness will decrease with the increase of the proportion of such enterprises, which will have a stronger incentive effect on managers.

Property rights, as per the economics of property rights, will interact with the institutional environment and significantly influence various economic behaviors. The management of the environment has an impact on the process of signing and carrying out contracts by businesses, and it also defines the magnitude of transaction expenses. Ultimately, these factors significantly influence the performance of organizations. (Shirley et al., 2015). In recent years, research on the influence of corporate decision-making and corporate performance from the perspective of institutional level and the external governance of enterprises has gradually attracted the attention of academic circles. La Porta et al. (1999) and La Porta et al. (2002) a series of research results prove that the external governance has a significant impact on the value of enterprises and the behaviors taken by enterprises. These external governance elements will affect the signing and implementation of enterprise contracts, and then affect the decisions and a series of behaviors made by the company, and ultimately affect the value and performance of enterprises.

Subsequent studies further confirmed that external governance has a significant impact on corporate decisions, behaviors and business performance (Faccio, 2002). Xia and Fang (2005) studied the relationship between government intervention, governance environment and the value of listed companies under the background of

China's transition economy, and found that government control has a negative effect on the value of enterprises, but with the improvement of external governance of enterprises, such negative effect decreases. Therefore, they call for fundamentally improving the external governance of enterprises to create a good governance environment for their development. After analyzing the relationship between external governance and long-term debt maturity structure of enterprises, Sun et al. (2005) found that although the government intervention level is low in regions with faster marketization process, enterprises still have high long-term debt performance costs due to the imperfect legal system. On the other hand, in regions where the process of marketization is slow, although the legal system is not sound, the "political relationship" between enterprises and the government can serve as an alternative mechanism, so that the cost of compliance of these enterprises is lower.

Andrade et al. (2001) also analyzed and summarized the literature research of many scholars, and found that any explanatory M&A theory including M&A performance must take into account the influence of external governance where enterprises are located. Papadakis and Thanos (2010) also concluded that: One of the main factors affecting the success of M&A (measured by M&A performance) is the external governance environment of the company. Nowadays, China is in the process of transition from planned economy to market economy. This transition economy has its unique characteristics: the government has an important influence on resource allocation; The legal protection level of investors is still not high, and the marketization process varies significantly from region to region (Allen et al., 2005). Therefore, it is necessary to consider the differences of external governance environments of listed companies in China when examining M&A performance.

Li and Zhu (2006) proposed that under the specific institutional background of China, the number and size of listed companies once became a characteristic indicator of local economic development, so local (government) played an important role in mergers and acquisitions, and government association was an important factor for diversified mergers and acquisitions. Zhu (2009) took 935 M&A cases in China's securities market from 2000 to 2002 as research samples to analyze the effects of external governance environment differences and government behaviors on M&A performance. It is found that the difference of external governance environment has a significant impact on M&A performance, and the role of government intervention is also different with the length of time and the difference of marketization process in different regions. Wang and Han (2007) studied the behavior of local government influence on private company cross-ownership failed deal, found in the case of multiple property right of private companies, mergers and acquisitions often by government intervention, the government's behavior choice is not starting from the enterprise benefit maximization, but from the government's own economic and political interests.

Pan and Yu (2019) further studied government behavior, quantified the degree of government intervention, introduced the proxy variable of local government intervention into the regression model, and provided direct evidence for government intervention in enterprises' M&A activities. He believes that due to the policy burden of local governments and the political promotion game of local officials, local governments have a strong incentive to intervene in the acquisition activities of local enterprises. Li (2017) selected 40 enterprises with A-share merger and acquisition events in 2014 to study their merger and acquisition performance, and found that

enterprise operating performance was improved in the year of merger and acquisition, and then continued to decline. The lack of external governance mechanisms leads to this result. He believes that the external institutional environment must be perfected to improve the M&A performance of enterprises. Lin (2019) studied mergers and acquisitions cases from 2014 to 2016 and used principal component analysis to discuss how changes in institutional environment would affect mergers and acquisitions. The study found that with the improvement of external governance environment, M&A performance of enterprises increased accordingly.

This study reveals a scarcity of research on the role of external corporate governance mechanisms in controlling the connection between management power and M&A performance. The majority of studies examine the performance of mergers and acquisitions (M&A) by analyzing external corporate governance mechanisms. However, there is limited research on the influence of external corporate governance mechanisms on the relationship between management power and M&A performance.

2.4 Literature Summary and Gaps

By combing the existing relevant research literature, this thesis finds that the existing literature mainly studies the core issues of M&A, such as M&A motivation, M&A target selection and M&A performance. Some literatures have studied M&A from different angles and selected different samples. Most studies focus on market reaction and post-merger performance, examining the impact of various aspects of merger strategy. Secondly, any management behavior of the enterprise will be implemented by the management, and the same is true of mergers and acquisitions. Existing literature has studied some characteristics of management behavior in the process of

M&A, such as overconfidence, learning ability, defense ability, etc., but the discussion on management power has not been deeply studied in the past literature. In the process of enterprise operation, the management has the demand of expansion, investment, profit and so on. Once the merger starts, the management will have the opportunity to gain some benefits in the process and result of the merger, and the amount of profits is closely related to the power of the management. Therefore, it is necessary to study the relationship between management power and M&A performance.

Within the realm of mergers and acquisitions (M&A), the conduct of management will undergo alterations as M&A progresses, hence influencing the execution and outcomes of M&A. There is a plethora of research findings regarding the correlation between management power and M&A performance, although the conclusions drawn from these studies are incongruous. This thesis posits that the primary cause of the variance in research findings is the variation in selection and measurement criteria for evaluating M&A performance indicators. Scholars employ two primary methodologies to assess the performance of mergers and acquisitions: event study and financial index. The event approach focuses on analyzing the market response to merger and acquisition (M&A) transactions. China's securities market lacks maturity, while the event research approach necessitates the absence of significant events during the investigated M&A transaction window. Otherwise, it is not feasible to differentiate the total additional profits produced by M&A transactions from those generated by other significant occurrences, hence this measurement approach has drawbacks. Furthermore, several researchers choose for the market performance indicator TobinQ and the accounting performance indicator ROA to assess M&A performance.

However, both indicators are not comprehensive in capturing M&A performance and possess significant limitations.

Furthermore, this research article reveals a scarcity of studies examining the role of external corporate governance mechanisms in mitigating the relationship between management power and M&A performance. Many studies focus on analyzing M&A success by examining executive overconfidence and internal corporate governance mechanisms. However, there is a lack of research on how external corporate governance mechanisms influence the relationship between management power and M&A performance. Chinese and Western researchers have come to understand that M&A activities and enterprise performance are necessarily influenced by the external governance environment of firms. They have engaged in meaningful conversations on this topic, but there is still a lack of empirical support. The author posits that examining the impact of external governance on management power and M&A performance of enterprises as a research subject will yield distinct outcomes compared to state-owned enterprises. This has practical implications for China, given the rapid growth of the non-public economy. This thesis aims to investigate the impact of management power on M&A performance from the standpoint of external governance. The objective is to offer valuable insights for investors, managers, and regulators, with the hope of generating innovative strategies for enhancing M&A performance in enterprises.

2.5 Hypothesis Development

2.5.1 Hypothesis of Objective 1

The modern enterprise is characterized by the separation of ownership and management, which gives rise to the principal-agent relationship, as explained by

agency theory and management power theory. Managers, being the primary human resources and strategic decision makers of organizations, has the authority to manage and have a significant influence on the business model and development trajectory of the enterprises. Mergers and acquisitions (M&A) are a crucial method for allocating company resources. Simultaneously, the magnitude, extent of operations, and intricacy of managing mergers and acquisitions have experienced significant transformations. The actions of corporate executives play a crucial role in M&A transactions, and their errors frequently result in the depletion of the wealth of the company's primary shareholder. The executives' "impure" motivation significantly heightens the probability of making blunders in mergers and acquisitions. Hence, it is crucial to examine the impact of management power on the performance of mergers and acquisitions.

Essentially, the conflict of interest between shareholders and managers arises from the shareholders' limited ability to effectively monitor and govern the investment choices made by managers. When an investment yields more personal advantages for the manager, the manager tends to prioritize pursuing the investment even if it comes at the shareholders' expense. Mergers and acquisitions are deliberate measures implemented by top-level executives to reconcile individual objectives with business principles. From an executive standpoint, certain forms of mergers and acquisitions may appear more appealing, notwithstanding the potential negative impact on shareholder value. The power of management is the manager's capacity to effectively execute their intentions. The manager's volition stems from his predilection for a specific conduct. The effectiveness of management is contingent upon the seamless execution of the enterprise's objectives and the attainment of matching economic

advantages. Consequently, the influence of management on economic outcomes, namely financial success, is manifested through the intentions of managers, which cannot be objectively evaluated and can only be assessed by alternative indicators of managers' actions. This study focuses on the economic effects of management power on M&A and examines the financial performance of M&A as its research subject. Managers often engage in the manipulation of stock prices to enhance short-term performance in mergers and acquisitions (M&A). To obtain a more objective understanding of the correlation between management power and merger and acquisition (M&A) outcomes, this study categorizes financial performance into two distinct measures: short-term financial performance and long-term financial success. This study presents the following hypothesis based on the conclusions drawn from theoretical analysis:

H1a: There is a relationship between the management power and short-term M&A performance.

H1b: There is a relationship between the management power and long-term M&A performance.

2.5.2 Hypothesis of Objective 2

In the context of M&A, management's behavior will change with the continuous development of M&A, which will affect the implementation and performance of M&A. Moderate management power can facilitate decisive action and streamline the M&A process, resulting in positive performance outcomes, but overly concentrated power can lead to overconfident decision-making, resistance to different points of

view, and the pursuit of deals that put management's own interests ahead of shareholder value. Therefore, this study believes that the influence of management power on long-term M&A performance may have a threshold effect, that is, once the level of management power exceeds a certain level, the influence of management power on M&A performance will change. In addition, Demsetz (1983) and Morck et al. (1988) found that managers' compensation had both alignment effect and entrenchment effect. The term "synergistic effect" refers to a strong and positive relationship between the compensation of managers and the performance of the firm. Conversely, the entrenchment effect posits that when salaries rise, managers get greater influence and leverage to solidify their own position and pursue their own objectives, potentially at the expense of the company's interests. Simultaneously, these two impacts coexist, indicating that the association between manager salary and enterprise performance is not a straightforward linear link, but rather a more probable curvilinear relationship. The salary level of the management to some degree determines and mirrors the authority of the management. Hence, it is plausible to assert that there exists a non-linear correlation between management power and the long-term performance of mergers and acquisitions. In conclusion, it is crucial to investigate the presence of a threshold effect in the correlation between management power and long-term M&A performance. This refers to the idea that the advantages of management power on transaction outcomes are positive up to a certain point, but beyond that point, any additional power may have a detrimental impact on the success of M&A. From the analysis provided above, the following hypotheses can be inferred:

H2: There is a threshold relationship between the management power and long-term M&A performance.

H2a: There is a threshold relationship between the management power and long-term M&A performance before M&A.

H2b: There is a threshold relationship between the management power and long-term M&A performance after M&A.

2.5.3 Hypothesis of Objective 3

Enterprise external governance generally includes government governance, property rights protection, market competition, legal level, contract culture, credit system and so on. Managers play a very important role in the above external governance, and their decisions will affect enterprise's operating performance and M&A performance. As an important strategic investment behavior of enterprises, mergers and acquisitions will inevitably be affected by the regional governance environment of enterprises. At present, China is in the transition period from planned economy to market economy. Similar to many countries in transition economy, government intervention in business activities of enterprises is quite common, lack of adequate property rights protection, marketization process and the level of rule of law are very poor.

The management of an enterprise as the actual controller of the enterprise are likely to give up the maximization of shareholders' interests and enterprise value, but to maximize their own interests by taking advantage of the actual control of assets and conducting power rent-seeking. In fact, with the reform of Chinese state-owned enterprises and the establishment of the modern corporation system, the power of the enterprise management is more and more big, but the enterprise's corporate governance structure is imperfect, as well as the external market balance mechanism

is only a preliminary established, many aspects are restricted by the policy, also will not be able to play the role of to restrict. Enterprises are prone to rent-seeking opportunistic behavior of management power, leading to the failure of mergers and acquisitions. Therefore, external governance factors will affect the relationship between management power and M&A performance. In this thesis, financial performance is divided into short-term financial performance and long-term financial performance.

(1) The moderating effect of market competition

The essence of "marketization" is to change a series of social, economic and legal norms, so as to gradually establish a system of market allocation of resources and realization of individual economic rights liberalization. Nolan and Trew (2015) pointed out that different institutional arrangements would produce different market transaction costs, and the size of transaction costs would affect the behavior and performance of enterprises. Ogendo and Ariemba (2022) from the perspectives of marketization parsing determinants of emerging market countries to attract multinational M&A, think that the higher the degree of marketization, its ability to attract multinational merger and acquisition also stronger, because the more perfect market economy system, information cost low, the lower the transaction cost, the more effective price mechanism, the government intervention in the economy of the political risk is smaller. Therefore, it is more attractive for western investment to enter in a way of high control.

In addition, market competition is an important part of the external governance mechanism of a company, and the degree of market competition reflects the external

competitive environment of an enterprise. The research on market competition is mainly based on sufficient information hypothesis and bankruptcy liquidation threat hypothesis. The sufficient information hypothesis holds that the more competitive the market is, the more competitors there are in the market, the more sufficient the information is, and the degree of information asymmetry is reduced. When the management is faced with M&A decision, the information collected is more sufficient and the rationality of M&A decision can be more clearly recognized. Reduce irrational M&A decisions by being aware of the inefficiency of M&A decisions made due to their overconfidence. The more competitors there are in the market, the more likely a poorly run business is to be swallowed up, causing executives to lose their jobs. Therefore, the degree of intense market competition will more effectively moderate the power of management. Senior executives will pay more attention to the long-term development of the enterprise, be more cautious in the face of various decisions, collect information in an all-round way, find invalid mergers and acquisitions more easily, and reduce the probability of irrational decisions. Based on the above analysis, the following hypothesis are deduced:

H3a(i): Market competition can moderate the influence of management power on short-term M&A performance.

H3b(i): Market competition can increase the negative influence of management power on long-term M&A performance.

(2) The moderating effect of creditor governance

The research on creditor governance originated in the 1970s, mainly studying how to configure claims and residual control rights among corporate stakeholders. Hu et al. (2011) selected high-tech companies in China's securities market between 2008-2009 to conduct research, and the research shows that corporate performance is negatively correlated with the governance effect of debt structure. According to the research, in order to guarantee the smooth recovery of debts, creditors pay more attention to the solvency of debtors, so they will pay close attention to the operation dynamics and operating conditions of debtors, and urge enterprises to properly operate and develop in a good way. When an enterprise makes merger and acquisition decisions, due to the attention and supervision of creditors, the enterprise will attach importance to the efficiency of capital use and the solvency of the company, and reject the inefficient merger and acquisition decisions initiated by senior executives for their own reasons, restricting the negative impact of management power on merger and acquisition performance. Therefore, the following hypotheses are proposed:

H3a(ii): Creditor governance can moderate the impact of management power on short-term M&A performance.

H3b(ii): Creditor governance can moderate the impact of management power on long-term M&A performance.

(3) The moderating effect of Government control

A large part of the shares of Listed companies in China belong to state-owned shares. The absolute holding status of state-owned shares is of great significance to the study

of Government control. At present, there is no conclusion about the role of Government control in academia. Okhmatovskiy and Aguilera (2017) made an empirical analysis of the relationship between governance environment, government control and corporate value and found that government control, especially local government control, had a negative impact on corporate value. Zhang (2014) found that the government intervention index can effectively restrain the over-investment impulse of listed companies in this region, indicating that the difference in the local government intervention degree will lead to different economic consequences.

The government in China regulates mergers and acquisitions within its political system. As a regulator, the government possesses greater information and is better equipped to assess whether executives' merger decisions are driven by self-interest, hence enabling more accurate prevention of wasteful mergers and acquisitions. However, as the regulator of the market, the government prioritizes ensuring the lawful operations of firms, fostering their long-term growth, and curbing their short-sighted actions. If the management expands without considering the consequences, the government will reject the wasteful M&A decisions, hence reducing the negative effects of management power on M&A performance. Thus, we formulate the subsequent hypothesis:

H3a(iii): Government control can moderate the impact of management power on short-term M&A performance.

H3b(iii): Government control can moderate the impact of management power on long-term M&A performance.

2.6 Research Framework

According to the research ideas, contents and methods of this thesis, the research ideas and framework of this thesis are shown as follow.

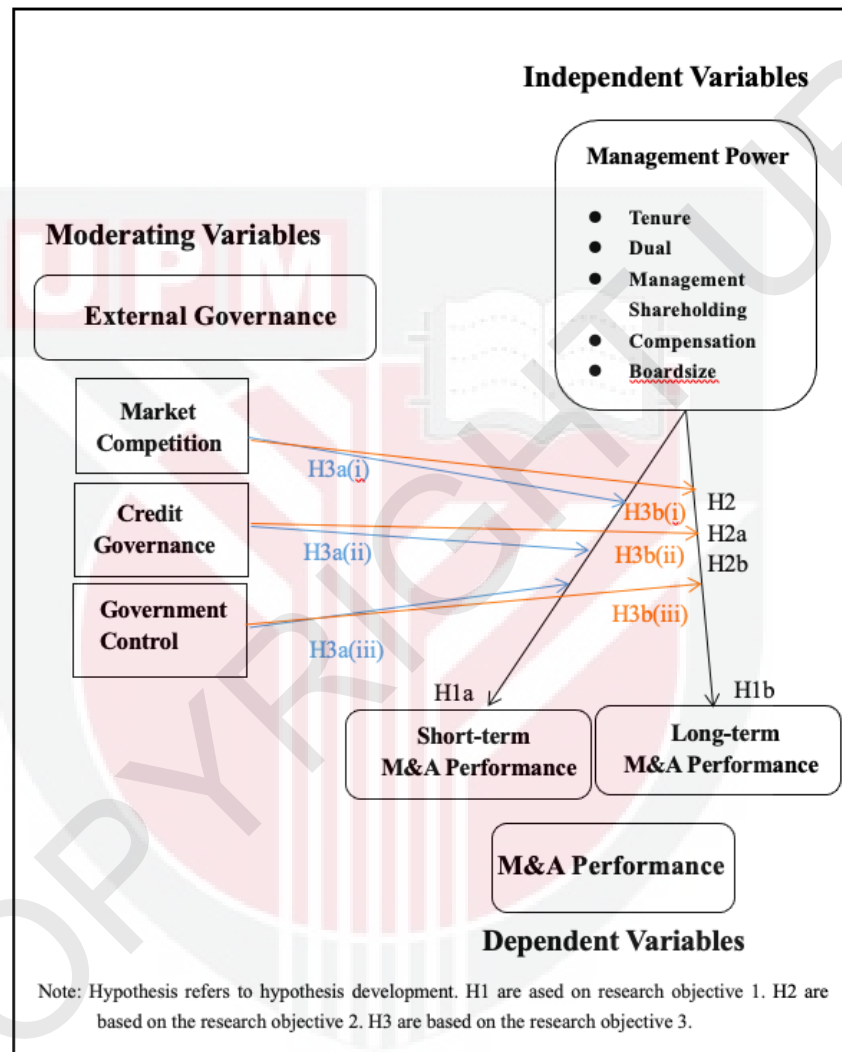


Figure 2.2: Research Framework

2.7 Summary of the Chapter

This chapter is a summary of relevant theories and literature to help form a research framework. First of all, this chapter mainly includes three main theories, namely principal-agent theory, management power theory and external corporate governance theory. It lays a theoretical foundation for analyzing the influence of external governance on the relationship between management power and M&A performance. The second is the literature review, which reviews, summarizes and comments the existing literatures related to this study, which provides the research basis for this thesis. In view of the existing research gaps, this thesis puts forward the research perspective and key content, and lists the research hypothesis and research framework of this thesis.

CHAPTER 3

METHODOLOGY

3.1 Introduction

This chapter primarily focuses on the research methodologies employed to evaluate the proposed hypotheses. The objective of this chapter is to examine the impact between management power and the performance of mergers and acquisitions in this study, utilizing the regression models. The primary research methodology employed in this chapter is quantitative research, utilizing quantitative approaches to enhance comprehension of the research subject, so scientifically uncovering patterns, comprehending the essence, elucidating relationships, and predicting the trajectory of phenomena. Furthermore, the empirical methodology is utilized.

3.2 Research Design

All data in this thesis are secondary data. The data mainly came from CSMAR, Shanghai Stock Exchange website, Shenzhen Stock Exchange website and other databases. Table 3.2 will explain each variable and its measurement in more detail. Since the data type of objective 1 is cross-sectional data, the ordinary least squares estimators are used in objective 1. The core idea of least squares is to minimize the sum of squares of the distances between all data points and the fitted curve. Gauss-Markov Theorem states that the OLS estimator is the best linear unbiased estimator under Gauss-Markov conditions. Therefore, ordinary least squares is widely used in linear regression in statistics for forecasting and data analysis.

Moreover, in order to better test the threshold relationship, panel data will be used to conduct objective 2 research. Panel data regression captures the basic mechanisms for dealing with intertemporal dynamic behavior and unique enterprise characteristics. Panel data improves the efficiency of economic estimators by decreasing collinearity between explanatory variables with increasing degrees of freedom (Small & Hsiao, 1985). At the same time, panel data also contains the advantages of cross section data and time series data. In this thesis, the Hausman test will be used as the basis for the screening of fixed effects and random effects models.

For objective 3, firstly, this thesis will solve the multicollinearity problem through the centralized processing of relevant data. Secondly, the interaction term between the moderating variable and the independent variable is added to the regression model to test the coefficient value of the interaction term. If it is significant, it indicates that the moderating effect is significant.

3.3 Data and Sample

This article focuses on examining the impact of external governance on the correlation between management power and M&A performance. The Anti-Monopoly Law of the People's Republic of China was ratified by the 29th session of the Standing Committee of the 10th National People's Congress of the People's Republic of China on August 30, 2007 and became enforceable on August 1, 2008. As an ex ante control system, the system of moderating concentration of operators can effectively prevent and rectify the adverse effects of M&A transactions on market competition, prevent market failure, promote fair competition and encourage innovation. In addition, the law has greatly benefited the review of monopolistic behavior of enterprises in the

process of M&A, providing an important legal basis for the anti-monopoly enforcement agency ("government") in the assessment of corporate M&A behavior, and also implying a centralized and normalized level of governmental supervision of corporate M&A behavior. Hence, the significant impact of external control on Chinese M&A firms began to be manifested from 2009, and the level of government intervention is a very important factor in the external governance of Chinese M&A firms. In addition, because of the need to analyze data from the year before the merger occurred, therefore, this thesis takes 2010 as the starting year of the research data. Secondly, as of the completion of this thesis, only the annual reports of listed companies and related financial data for 2022 are available, and the annual reports of listed companies for 2023 have not yet been fully published. In addition, considering that the calculation of long-term M&A performance in this thesis requires the financial data of the sample company in the third year after the M&A, this thesis chooses 2019 as the end of the research period. To sum up, this thesis will use cross-sectional data and analyzes a sample of M&A companies generated by A-share listed companies in Shanghai and Shenzhen from 2010-2019, and using financial data range from 2009-2022 for objective 1, respectively. Moreover, due to the purpose of objective 2 is to study the threshold relationship between management power and M&A performance, the panel data will be used. For objective 2, four years of data before and after M&A s will be used, so a sample of M&A companies generated by A-share listed companies in Shanghai and Shenzhen from 2013-2018 and using financial data range from 2009-2022 will be applied. For objective 3, the cross-sectional data will be used to short-term moderating effect. Due to the large amount of panel data can better test the modearting effect , the panel data will be used to long-term moderating effect.

In order to ensure the reliability and integrity of data, the following screening procedures are implemented for data selection:

(1) Financial and insurance listed companies are excluded, due to the size and profit structure of financial and insurance companies are very different from those of other industries;

(2) Excluding companies newly listed in the current year. Since a lot of the financial data of the new listed company in the last year is simulated, and because the company has just been listed and financing, the size and equity structure of the company has changed greatly, these will cause the calculation error of purchase financial effect;

(3) Remove ST and PT companies;

(4) Excluding companies that have not been listed and have not disclosed the annual report of the current year;

(5) Eliminate companies with incomplete data and abnormal data;

(6) Excluding merger and acquisition events that did not occur although the announcement of merger and acquisition was issued;

(7) If the same listed company has multiple mergers and acquisitions between 2009 and 2022, only the first merger and acquisition of the company during this period is selected as the sample, that is, there are no duplicate samples during the sample period.

3.4 Variable Selection and Measurements

3.4.1 Dependent Variables

The performance characteristics of mergers and acquisitions (M&A) are mostly assessed by metrics such as stock market value, financial indicators, economic value added, and Tobin's Q value. This study categorizes M&A performance into two distinct categories: short-term M&A performance and long-term M&A performance. The short-term success of mergers and acquisitions (M&A) is evaluated using the cumulative excess return index of stocks within a period of CAR(-10, 10) trading days around the M&A event. The long-term performance of mergers and acquisitions (M&A) is assessed by analyzing financial indicators over a period of three years following the completion of the merger or acquisition. This analysis involves extracting and calculating a comprehensive measure of financial performance using factor analysis.

3.4.1.1 Event Study Method (Short-term)

The core of this method involves comparing the actual return R of shareholders from both M&A parties during a specific period before and after the acquisition announcement, known as the "event period," with the expected return $E(R)$ of stocks during the same period assuming no impact from the announcement. This comparison allows us to calculate the Abnormal return AR , namely: $AR = R - E(R)$. In the event study method, the measurement of actual return R is usually to calculate the change of stock price in the measurement range, while the estimation of "normal return" is more complicated and difficult. Scholars usually use the "Market Model Method" to estimate $E(R)$, that is, through the relationship between the return of a stock and the

return of the "Market" stock to construct a regression Model, estimate relevant parameters, and then calculate the "normal" return of a stock with these parameters (Hogan & Warren, 1974).

When employing the event study methodology to examine M&A performance, the primary focus is on analyzing the financial gains experienced by the acquiring company's shareholders, the target company's shareholders, and the combined gains resulting from the merger of the acquiring and target companies. Given its primary focus on the M&A behavior of the purchasing company, this article exclusively examines research pertaining to the acquiring company. The study of Ciftci and Sougiannis (2008) found that the excess returns obtained by acquiring companies in the event window after the occurrence of M&A events were significantly positive, with the returns between 1% and 6%. However, some scholars will find that acquisition companies show significant negative excess return rate in the event window after M&A. M&A damages the shareholder value of acquisition companies, and the negative excess return rate is about -1% to -3% (Hornstein & Nguyen, 2014). Alexandridis et al. (2010) found that the cumulative excess return rate of shareholders of acquiring companies during the M&A window was zero, and M&A brought neither gains nor losses to shareholders.

Feito-Ruiz and Menéndez-Requejo (2011) studied the data of 221 cross-border mergers and acquisitions and 248 domestic mergers and acquisitions from 2002 to 2006 by using the event study method and multiple regression model, and found that the day before and after the merger would bring 99% excess returns to the shareholders of the merger company. At the same time, the legal system environment where the

acquired company is located will have a negative effect on M&A performance, while the backward development of the stock market will have a positive impact on M&A performance. This is mainly because the perfect legal system environment in the place where the acquired company is located will increase the cost of cross-border mergers and acquisitions, and at the same time will inhibit the acquisition company from introducing advanced management measures to the acquired company, thus reducing the performance of the company's cross-border mergers and acquisitions.

Xinjian et al. (2012) examined the impact of cross-border mergers and acquisitions on the value of shareholders in Chinese enterprises. It analyzed 54 cases of cross-border mergers and acquisitions conducted by A-share listed companies between 2006 and 2010. The findings revealed that stock prices consistently increased both before and after the announcement of mergers and acquisitions, regardless of whether they involved strategic resource integration or the acquisition of renowned brands with advanced technologies. Overall, the market has given a positive evaluation, with a cumulative abnormal return rate of 5.2207 for the event window. This indicates that investors anticipate beneficial synergies resulting from cross-border mergers and acquisitions involving Chinese firms.

Mei (2014) based on 520 M&A transaction events of 405 A-share listed companies that first announced M&A from 2006 to 2011, found that the main parties involved in M&A could not bring significant positive wealth effect to shareholders; After excluding industry factors, it still did not bring excess returns to shareholders beyond the industry average.

Hence, this thesis uses the event study method and calculates cumulative excess rate of return (CAR) to measure the short-term financial performance of M&A. The sum of the excess return of each trading day in the event window period is the cumulative excess return CAR. Zhou et al. (2020) believe that the market model in the event study method is most suitable for China's stock market research. Therefore, this thesis chooses the market model to estimate the short-term financial effect of sample companies. The market model is based on asset pricing theory to calculate the expected rate of return. The specific steps are as follows:

(1) Select the daily actual return rate R_{it} of individual stock i in the estimation period and the actual market return rate R_{mt} of the same period, and put them into the formula to estimate the model coefficient.

$$R_{it} = \alpha_i + \beta_i R_{mt} + e_{it} \quad E(e_{it}) = 0, Var(e_{it}) = \sigma_{e_i}^2 \quad (3.1)$$

(2) Based on formula (3.1) to estimate the normal return rate of individual stocks, the excess return rate AR_{it} of individual stocks was calculated by using the actual return rate of individual stocks, namely:

$$AR_{it} = R_{it} - \hat{\alpha}_i - \hat{\beta}_i R_{mt} \quad (3.2)$$

(3) Using the AR_{it} of individual stock to accumulate in the research time window to calculate the continuous market response to individual stock market. Assuming that

the window period is (T1,T2), $CAR_i (T1,T2)$ of the cumulative excess return rate of individual stock i in the period of (T1,T2) is:

$$CAR_i (T_1, T_2) = \sum_{t=T_1}^{T_2} AR_{it} \quad (3.3)$$

In short, formulas 3.1 and 3.2 are run first, then $CAR_i (T1, T2)$ of individual stocks calculated by formula 3.3 is the short-term financial performance value of samples after M&A.

3.4.1.2 Principal Component Analysis (Long-term)

Song and Zhou (2017) took M&A events in China's securities market from 2012 to 2015 as samples and selected four indicators, namely, profit margin of main business, return on total assets, earnings per share and return on net assets, for principal component analysis. The study found that acquiring companies generally did not obtain long-term excess returns. However, there are great differences among different types of merges and acquisitions. The excess returns of affiliate acquisition companies are basically negative, while non-affiliate acquisition companies have large excess returns. The excess returns of same-region M&A companies are significantly lower than those of cross-region M&A companies.

Li (2021) of 42 M&A companies as samples, choose earnings per share, return on net assets, total assets turnover, current ratio, total assets growth rate, main business margin six indicators, main component analysis, found that in addition to merges and acquisitions, the sample company's performance decline, shows that the purchase

performance improved, the dislocation of external governance mechanism and the alienation of mergers and acquisitions motivation is the cause of this phenomenon.

Kalsie and Singh (2022) He utilized the principal component analysis (PCA) estimation approach to generate the dependent variable, which consists of a multitude of components. All models show a positive and statistically significant association between cash payments and operational and financial synergies. This indicates that the acquiring entity's sustainability is enhanced throughout the post-merger period. Mergers and acquisitions (M&A) result in several advantages, including an increase in operating income, a considerable improvement in research and development (R&D) expenditure, and a favorable but not statistically significant gain in return on assets.

Fang and Men (2022) selected 9 financial indicators from three aspects of profitability, debt paying ability and growth of 80 M&A companies since 2012, conducted performance evaluation by principal component analysis (PCA) method, and compared the comprehensive performance scores of the year of M&A, the year after M&A and the year before M&A. It is found that the decline of horizontal M&A performance is decreasing and the overall performance is rising. The decline of vertical M&A was expanding, and the performance of hybrid M&A increased significantly in the year and decreased significantly in the second year.

After comprehensively considering the representativeness, availability and purpose of the study, this thesis draws on Papadakis and Thanos (2010) and Field and Mkrtchyan (2017), the financial index method is used to investigate the M&A performance, and the financial statements and accounting data are used to conduct principal component analysis on a number of financial indicators, from which key components are extracted

as performance evaluation indicators. Financial index are divided into six indicators: solvency, operating ability, profitability and development ability, shareholder profitability and cash flow ability. More specifically, six specific indicators such as asset-liability ratio, total asset turnover ratio, return on equity, total asset growth rate, earnings per share and net cash flow per share are used to analyze and calculate the comprehensive score of M&A performance. For objective 1, the long-term M&A performance is measured by comparing the changes of financial indicators in the year before and three years after the occurrence of the merger transaction. For objective 2, the long-term M&A performance is the comprehensive score of the corresponding year. The specific variables of M&A performance are shown in Table 3.1.

Table 3.1: The variables of long-term M&A performance citation

Indicator Species	Indicator symbol and name	Measurements of Indicators
Debt paying ability	X1=asset-liability ratio	Total liabilities/total assets
Operation ability	X2=total asset turnover	Net operating income/average total assets
Profitability	X3=return on net assets	Net profit/total average net assets
Development ability	X4=total assets growth rate	(Total assets- total assets of the last term)/ total assets
Shareholder profitability	X5=earnings per share	Net profit/number of outstanding common shares
Cash flow capacity	X6=net operating cash flow per share	Net operating cash flow/number of outstanding common shares

3.4.2 Independent Variables

Management power represents its ability to carry out its own will, which is a relatively comprehensive concept. The main executor of management power is the senior management, which mainly surrounds the behavioral decisions and the development

of the characteristics of the management layer to maximize personal benefits. Therefore, it can be built on the basis of weakening the performance of the enterprise and sacrificing the value of the enterprise. Therefore, according to the research method of Lu et al. (2010), the independent variable management power is measured from the following five dimensions through principal component analysis.

(1) CEO Tenure (Tenure)

The long-term tenure of senior executives is the most direct manifestation of their power and also the most frequently used variable in the research on executive power. Executive tenure work often need to adapt to the new environment and learn new knowledge and the development of new working relationships, gradually adjust the corporate power structure of the original, and this kind of behavior often are motivated by the intrinsic motivation, and when the executives must work achievements, ability to work recognized by shareholders and the board of directors, and have stable working relationship, They tend to promote and re-employ loyal managers, cultivate their own spheres of influence, and reject those who dare to challenge their leadership authority. In addition, during the long-term tenure of senior executives, they fully grasp the internal information of the enterprise, and the advantage of corporate information also enhances the bargaining power of senior executives and shareholders, so that they can continue to maintain their positions and leadership. Zhou et al. (2020) found that with the extension of CEO tenure, the impact between company performance and CEO compensation decreased significantly. Long-serving CEO could not only inhibit the supervision function of shareholders, but also weaken the effectiveness of incentive and restraint mechanism, and further strengthen their management power. Long-serving CEO have greater influence over boards and can

influence how much and what kind of control boards exert over executives. A CEO who has been in office for a long time can usually give benefits to the directors who cooperate with him or her. He or she can make the board members conform to his or her own interests after a long term by nominating new board members. Akram (2018) also believe that with the extension of tenure, senior executives are likely to build interest groups within the company, thus reducing the probability of their replacement.

Therefore, the longer a senior executive is in office, the higher his personal prestige and position will be, and the stronger his control over the enterprise will be. Therefore, this thesis is selected from the term of CEO as one of the indicators to measure management power.

(2) CEO duality (Dual)

The integration of the chairman and CEO positions in enterprises reflects the power structure and independence of the board of directors, and serves as a crucial aspect of internal governance to limit management power. This variable has been extensively utilized in the academic literature pertaining to the conduct of corporate executives. The amalgamation of the two roles can be categorized into three scenarios: full amalgamation of the two roles, partial amalgamation of the two roles (such as serving as both vice chairman or director and general manager simultaneously), and complete separation of the two roles (Conyon, 2006). Scholars both domestically and internationally generally believe that combining two positions is not beneficial for corporate governance. This practice can result in the centralization of corporate power, increased authority of management, and less autonomy of the board of directors. The board of directors serves as the fiduciary representatives of the company's owners and

embodies the authority and oversight of the company's ownership. The CEO is selected by the board of directors and accountable to them, representing the authority of the management. The merging of the two jobs renders self-supervision and the power balancing mechanism ineffectual, according to management. Thus, this article selects the amalgamation of chairman and CEO positions in companies as an additional variable for management power. Combining the posts of chairman and CEO in organizations signifies an increase in the authority of the management. If the condition is true, the value is 1; otherwise, the value is 0.

(3) Shareholding Structure

Equity dispersion can diminish the oversight of company management and heighten the conflicts of interest between managers and shareholders, resulting in suboptimal corporate performance. The ownership structure of a corporation can be broadly categorized into three states: firstly, the ownership is characterized by a high level of concentration, with a single shareholder having complete control over the company. Secondly, the equity is highly dispersed, the company has no major shareholders. The third is the intermediate state, the company does not have absolute controlling shareholders, but has relative controlling shareholders (Demsetz & Villalonga, 2001). In the case of highly concentrated equity, absolute controlling shareholders will strictly supervise and restrain the behavior of the management for their own interests, which limits the rent-seeking behavior of the management to a certain extent. However, in the case of decentralized ownership structure, the phenomenon of "free-riding" among shareholders is serious, and no one is willing to assume the responsibility of supervising the management, and the management has relatively large power and lacks supervision (Mizruchi, 2004). In this case, the benefit encroachment of the

management will be more obvious. In state-owned enterprises, state-owned property right of ultimate owner absence, country or state-owned equity management organizations delegated personnel state-owned property owners to exercise power, lead to the owner of the state-owned shareholder representative is not essentially, entrusted agency makes the state-owned shareholder on behalf of the rights and interests of the enterprise is a lack of concern, if equity dispersion, then makes the supervision of management is more failure. Ownership structure variables are also widely used in academic research. So this article will use shareholding structure as another substitution variables of management power, the total shares of the managements is divided by the total shares of the company.

(4) Managements Compensation Ratio(CPS)

Recent research on compensation incentives indicates that the board of directors have limited control over the structure of management compensation contracts. Corporate executives have significant influence, and in some cases, even determine their own compensation. This is often achieved through power rent-seeking, a concept known as management power theory. Firth (1991) found that the higher the executive power is, the higher the monetary compensation is, the higher the in-service consumption is, and the larger the salary gap is. Therefore, the relative proportion of executive compensation in corporate compensation system has become an important indicator to measure executive power, and has gained more and more attention in recent years. Core et al. (2008) put forward the concept of CEO compensation share, which is defined as the proportion of CEO compensation to the total compensation of top five executives, which is an important indicator of executive power and can better reflect the dominant position of executives than formal variables such as position.

Managements compensation ratio is the most of the corporate governance related variables, such as the joining together of two job situation, board characteristics, the company finally control person nature, shares structure, executive office, general manager, executive ownership are the only members of the board of directors in management and so on significant correlation, shows that the executive power, the greater the its compensation account for the company and the higher the proportion of total compensation often, It reflects that the executive compensation share as a measure variable of executive power is appropriate, indicating that executives may obtain more favorable compensation than their own contribution through the use of their power. Their research conclusion shows that executive compensation share can be used as a quantitative indicator to measure executive power and be used to study executive power and agency.

Thus, this study considers executive compensation share as a metric for assessing executive authority and argues that the higher the executive power, the larger the proportion of their salary in the whole company's compensation. Regarding the calculation method, the China Securities Regulatory Commission mandates that listed companies must disclose the overall executive compensation as well as the top three executive compensation figures. However, it should be noted that comparing total executive compensation may not be accurate due to variations in the number of executives. Thus, the numerator consists of the combined compensation of the top three executives, while the denominator includes the total compensation of the directors, supervisors, and executives.

(5) Board size

From the perspective of governance of the board of directors, it reflects the supervision of the board of directors over the management of the company. When the board of directors has a large scale, it is easy to be influenced by the management (Williams et al., 2005). Smaller boards tend to facilitate faster decision-making because fewer individuals are involved in discussions and approvals. This could increase the power of management, as executives may have easier access to a smaller, more focused group of directors. Instead, a larger board may dilute management's power through a more complex and potentially slower consensus-building process. In addition, a larger board can strengthen oversight and control mechanisms, as there are more directors to monitor and evaluate management's actions. This may reduce the autonomy of management. At the same time, a smaller board may give management more leeway to operate under less direct supervision, which could increase their power.

(6) Power (Comprehensive indicators)

The above four indicators of management power measure management power from different perspectives. In order to increase the persuasiveness of indicators, this thesis draws on the principal component analysis method used by Lu et al. (2010) to measure management power and constructs power dummy variable that comprehensively reflects management power through the above four management power indicators to comprehensively describe the size of management Power. The comprehensive weighted value of all variables of management power is taken as the variable value of management power. The larger the value is, The greater the power of management. This thesis tries to introduce comprehensive indicators for further study, which is

beneficial to increase the explanatory power of the study and its conclusion is more representative.

3.4.3 Moderating Variables

This thesis adopts three indicators of local marketization process level, creditor governance level and government intervention level to measure the external governance.

(1) Market competition

This article use the Herfindahl index to quantify the level of market competitiveness across different industries. The index is calculated by summing the squared operational income of each competitor in an industry, resulting in a measure of the level of market competition (Tian & Twite, 2011). The smaller the index is, the more intense the competition is. The closer this index is to 1, the higher the degree of market monopoly is.

(2) Creditor governance

The position of debt financing in capital structure determines the important role of creditors in corporate governance (Javaid et al., 2023). The creditor's role in corporate governance forms a special creditor's governance mechanism. Creditor governance mechanism mainly acts on corporate governance through two aspects: on the one hand, it influences the working effort level and other behavior choices of managers, namely incentive mechanism; On the other hand, it stipulates the distribution of corporate control rights, that is, the control rights mechanism, which forms the creditor governance mechanism and promotes the perfection of corporate governance (Kong

& Zhu, 2006). While corporate governance directly affects the quality of accounting information, the strengthening of creditor governance mechanism plays a positive role in ensuring and improving the quality of accounting information. Hence, this thesis selects the proportion of short-term loans to total liabilities as an index to measure the level of creditor supervision.

(3) Government control

Under the institutional background, financial environment and market mechanism of different countries, the M&A behavior and final M&A performance of enterprises vary greatly. Urbano et al. (2020) pointed out that any explanatory M&A theory must consider the influence of the institutional environment in which the enterprise is. In developed capitalist countries, the presence of long-standing private ownership and market economy, along with a well-functioning market system and robust legal framework, make mergers and acquisitions (M&A) primarily a strategic action taken by companies. This strategic conduct is beneficial for enhancing shareholder value. However, in the context of transitioning to a market economy, the majority of firms in China are state-owned or state-controlled, and the ownership of these enterprises is held collectively by the entire population. The enterprise merger and acquisition theory developed in the mature capital market of the West may not be applicable to China's capital market. When Fang and Xia (2005) studied the acquisition behavior of listed companies, they found that the acquisition of private companies by state-owned enterprises may actually be a means to control the market, or to regulate and restrict the market more effectively. In fact, In the reform process of state-owned enterprises in China, the idea of delegating power and transferring benefits has gradually expanded the power of managers, but the supervision and restraint mechanism for

managers is not perfect. Independent directors have no right to take office, the board of supervisors is meaningless, and the management has the ability and motivation to control the behavior of enterprises in order to maximize their personal interests. Therefore, in this thesis, if the sample company is a state-owned enterprise, it is supervised by more government departments, and the value is 1. If the sample company is not a state-owned enterprise, the value is 0.

3.4.4 Control Variables

In order to more accurately analyze the relationship between management power and M&A performance under the moderating effect of external governance, according to Cui and Chi-Moon Leung (2020) and Brahma et al. (2023), this thesis uses the practices of domestic and western scholars to select the following control variables: company size, cash holding level, corporate asset attributes, enterprise growth, year dummy variables and industry dummy variables. The specific variables of this thesis are shown in the Table 3.2.

Table 3.2: Operational Definition and Abbreviations of Variables

Variable Types	Variable Symbol	Variable Name	Variable Explanation	References
Dependent Variables M&A performance	$F^3 - F^{-1}$	Long-term M&A Performance (Objective 1)	Principal component factor method was performed	Papadakis and Thanos (2010), Field and Mkrtchyan (2017), Chen et al. (2020)
	Perf	Long-term M&A Performance (Objective 2)		
	CAR	Short-term M&A Performance		
Independent Variables Management Power	Tenure	CEO Tenure	CEO tenure	Akram (2018)
	Dual	CEO Duality	If the chairman and general manager are one person, take 1, otherwise, take 0	Akram (2018), Conyon (2006)
	Struc	Management Shareholding Ratio	The total shares of managements is divided by the total shares of the company	Mizruchi (2004), Rashid (2020)
	CPS	Management Compensation Ratio	Total compensation of the top three executives/total compensation of managements	Firth (1991), Core et al. (2008), Conyon (2006)
	Board size	Boardsize	Number of directors	Morse et al. (2011)
Moderator External Governance	Power	Comprehensive index	Comprehensive index of management power constructed by principal component analysis method	Fan et al. (2013)
	HHI	Market competition	Herfindahl index	Tian and Twite (2011)
	Credit	Credit governance	Total borrowings/ Total liabilities	Kong and Zhu (2006), Javaid et al. (2023)

Table 3.2: Continued

Control Variables	State	Government control	Dummy variable, state, take 1, otherwise, take 0	Fang and Xia (2005)
	Scale	Company scale	The natural log of total assets	Gill and Biger (2013), Ahmed Sheikh and Wang (2012)
	Lev	Asset-liability ratio	Total Liability/ total asset	Cui and Chi-Moon Leung (2020), Brahma et al. (2023)
	Cash	Level of cash holdings	Ebitda + Depreciation and amortization - Increase in working capital - Capital expenditures	Cui and Chi-Moon Leung (2020)
	ROA	Return on assets	It is calculated as firms' EBIT scaled by firms' total assets	Akram (2018), Gao et al. (2019)
	Growth	Company growth	(Year-end operating income - beginning operating income)/beginning operating income	Gill and Biger (2013), Ahmed Sheikh and Wang (2012)
	Year	Year	Dummy variable, control year influence	Cui and Chi-Moon Leung (2020)
	Industry	Industry	Dummy variable, control Industry influence	Cui and Chi-Moon Leung (2020)

3.5 Model Specification

3.5.1 Models of objective 1

This thesis studies the influence of management power on M&A financial performance by adopting short-term financial performance and long-term financial performance respectively. Short-term financial performance adopts the market model

in event study method, and the long-term M&A performance is calculated by subtracting the comprehensive score of the sample companies in the third year after M&A (F^3) from the comprehensive score of the year before M&A (F^{-1}). The specific models are set as follows:

Model 1:

$$CAR_{it} = \alpha_0 + \beta_1 Power_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 2:

$$CAR_{it} = \alpha_0 + \beta_1 Tenure_{it} + \beta_2 Dual_{it} + \beta_3 CPS_{it} + \beta_4 Struc_{it} + \beta_5 Boardsize_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 3:

$$F^3 - F^{-1}_{it} = \alpha_0 + \beta_1 Power_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 4:

$$F^3 - F^{-1}_{it} = \alpha_0 + \beta_1 Tenure_{it} + \beta_2 Dual_{it} + \beta_3 CPS_{it} + \beta_4 Struc_{it} + \beta_5 Boardsize_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Where,

CAR=short-term M&A performance

$F^3 - F^{-1}$ =long-term M&A performance

it = sample firm

α = coefficient of constant term

β = coefficient of independent variable

γ = coefficient of controlling variable

ε =residual item

3.5.2 Models of objective 2

Objective 2 is to explore the threshold relationship between management power and M&A performance. In order to verify the existence of threshold relationship, the square term of independent variables will be added to the regression model and judged by whether the quadratic coefficient is significant and whether the quadratic coefficient and the primary coefficient are different signs. The specific models are as follow.

Model 5:

$$Perf_{it} = \alpha_0 + \beta_1 Power_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 6:

$$Perf_{it} = \alpha_0 + \beta_1 Power_{it} + \beta_2 Power_{it}^2 + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 7:

$$Perf_{it} = \alpha_0 + \beta_1 Tenure_{it} + \beta_2 Dual_{it} + \beta_3 CPS_{it} + \beta_4 Struc_{it} + \beta_5 Boardsize_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 8:

$$\begin{aligned}
Perf_{it} = & \alpha_0 + \beta_1 Tenure_{it} + \beta_2 Dual_{it} + \beta_3 CPS_{it} + \beta_4 Struc_{it} + \beta_5 Boardsize_{it} \\
& + \beta_6 Tenure_{it}^2 + \beta_7 Dual_{it}^2 + \beta_8 CPS_{it}^2 + \beta_9 Struc_{it}^2 + \beta_{10} Boardsize_{it}^2 \\
& + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}
\end{aligned}$$

Where,

Perf =M&A performance

it = sample firm

α = coefficient of constant term

β = coefficient of independent variable

γ = coefficient of controlling variable

ε =residual item

3.5.3 Models of objective 3

On the basis of previous models, the interaction terms of corporate external governance factor variables and management power are introduced to test the moderating effect of corporate external governance factors on the relationship between management power and M&A performance. The external governance factors of the company include :HHI represents market competition, Credit represents creditor governance, and State represents Government control. Detailed models are shown below.

A. Short-term moderating effect

(1) Market competition

Model 9:

$$CAR_{it} = \alpha_0 + \beta_1 Power_{it} + \beta_2 HHI_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 10:

$$CAR_{it} = \alpha_0 + \beta_1 Power_{it} + \beta_2 HHI_{it} + \beta_3 Power_{it} * HHI_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 11:

$$CAR_{it} = \alpha_0 + \beta_1 Tenure_{it} + \beta_2 Dual_{it} + \beta_3 CPS_{it} + \beta_4 Struc_{it} + \beta_5 Boardsize_{it} + \beta_6 HHI_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 12:

$$CAR_{it} = \alpha_0 + \beta_1 Tenure_{it} + \beta_2 Dual_{it} + \beta_3 CPS_{it} + \beta_4 Struc_{it} + \beta_5 Boardsize_{it} + \beta_6 HHI_{it} + \beta_7 Tenure_{it} * HHI_{it} + \beta_8 Dual_{it} * HHI_{it} + \beta_9 CPS_{it} * HHI_{it} + \beta_{10} Struc_{it} * HHI_{it} + \beta_{11} Boardsize_{it} * HHI_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

(2) Creditor Government

Model 13:

$$CAR_{it} = \alpha_0 + \beta_1 Power_{it} + \beta_2 Credit_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 14:

$$CAR_{it} = \alpha_0 + \beta_1 Power_{it} + \beta_2 Credit_{it} + \beta_3 Power_{it} * Credit_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 15:

$$CAR_{it} = \alpha_0 + \beta_1 Tenure_{it} + \beta_2 Dual_{it} + \beta_3 CPS_{it} + \beta_4 Struc_{it} + \beta_5 Boardsize_{it} + \beta_6 Credit_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 16:

$$\begin{aligned} CAR_{it} = & \alpha_0 + \beta_1 Tenure_{it} + \beta_2 Dual_{it} + \beta_3 CPS_{it} + \beta_4 Struc_{it} + \beta_5 Boardsize_{it} \\ & + \beta_6 Credit_{it} + \beta_7 Tenure_{it} * Credit_{it} + \beta_8 Dual_{it} * Credit_{it} + \beta_9 CPS_{it} * Credit_{it} \\ & + \beta_{10} Struc_{it} * Credit_{it} + \beta_{11} Boardsize_{it} * Credit_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it} \end{aligned}$$

(3) Government control

Model 17:

$$CAR_{it} = \alpha_0 + \beta_1 Power_{it} + \beta_2 State_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 18:

$$CAR_{it} = \alpha_0 + \beta_1 Power_{it} + \beta_2 State_{it} + \beta_3 Power_{it} * State_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 19:

$$\begin{aligned} CAR_{it} = & \alpha_0 + \beta_1 Tenure_{it} + \beta_2 Dual_{it} + \beta_3 CPS_{it} + \beta_4 Struc_{it} \\ & + \beta_5 Boardsize_{it} + \beta_6 State_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it} \end{aligned}$$

Model 20:

$$\begin{aligned} CAR_{it} = & \alpha_0 + \beta_1 Tenure_{it} + \beta_2 Dual_{it} + \beta_3 CPS_{it} + \beta_4 Struc_{it} + \beta_5 Boardsize_{it} \\ & + \beta_6 State_{it} + \beta_7 Tenure_{it} * State_{it} + \beta_8 Dual_{it} * State_{it} + \beta_9 CPS_{it} * State_{it} \\ & + \beta_{10} Struc_{it} * State_{it} + \beta_{11} Boardsize_{it} * State_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it} \end{aligned}$$

Where,

CAR=short-term M&A performance

it = sample firm

α = coefficient of constant term

β = coefficient of dependent variable

γ = coefficient of controlling variable

ε =residual item

B. Long-term moderating effect

(1) Market competition

Model 21:

$$Perf_{it} = \alpha_0 + \beta_1 Power_{it} + \beta_2 HHI_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 22 :

$$Perf_{it} = \alpha_0 + \beta_1 Power_{it} + \beta_2 HHI_{it} + \beta_3 Power_{it} * HHI_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 23:

$$Perf_{it} = \alpha_0 + \beta_1 Tenure_{it} + \beta_2 Dual_{it} + \beta_3 CPS_{it} + \beta_4 Struc_{it} + \beta_5 Boardsize_{it} + \beta_6 HHI_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 24:

$$Perf_{it} = \alpha_0 + \beta_1 Tenure_{it} + \beta_2 Dual_{it} + \beta_3 CPS_{it} + \beta_4 Struc_{it} + \beta_5 Boardsize_{it} + \beta_6 HHI_{it} + \beta_7 Tenure_{it} * HHI_{it} + \beta_8 Dual_{it} * HHI_{it} + \beta_9 CPS_{it} * HHI_{it} + \beta_{10} Struc_{it} * HHI_{it} + \beta_{11} Boardsize_{it} * HHI_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

(2) Creditor Governance

Model 25:

$$Perf_{it} = \alpha_0 + \beta_1 Power_{it} + \beta_2 Credit_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 26:

$$Perf_{it} = \alpha_0 + \beta_1 Power_{it} + \beta_2 Credit_{it} + \beta_3 Power_{it} * Credit_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 27:

$$Perf_{it} = \alpha_0 + \beta_1 Tenure_{it} + \beta_2 Dual_{it} + \beta_3 CPS_{it} + \beta_4 Struc_{it} + \beta_5 Boardsize_{it} + \beta_6 Credit_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 28:

$$Perf_{it} = \alpha_0 + \beta_1 Tenure_{it} + \beta_2 Dual_{it} + \beta_3 CPS_{it} + \beta_4 Struc_{it} + \beta_5 Boardsize_{it} + \beta_6 Credit_{it} + \beta_7 Tenure_{it} * Credit_{it} + \beta_8 Dual_{it} * Credit_{it} + \beta_9 CPS_{it} * Credit_{it} + \beta_{10} Struc_{it} * Credit_{it} + \beta_{11} Boardsize_{it} * Credit_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

(3) Government control

Model 29:

$$Perf_{it} = \alpha_0 + \beta_1 Power_{it} + \beta_2 State_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 30:

$$Perf_{it} = \alpha_0 + \beta_1 Power_{it} + \beta_2 State_{it} + \beta_3 Power_{it} * State_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 31:

$$Perf_{it} = \alpha_0 + \beta_1 Tenure_{it} + \beta_2 Dual_{it} + \beta_3 CPS_{it} + \beta_4 Struc_{it} + \beta_5 Boardsize_{it} + \beta_6 State_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it}$$

Model 32:

$$\begin{aligned} Perf_{it} = & \alpha_0 + \beta_1 Tenure_{it} + \beta_2 Dual_{it} + \beta_3 CPS_{it} + \beta_4 Struc_{it} + \beta_5 Boardsize_{it} \\ & + \beta_6 State_{it} + \beta_7 Tenure_{it} * State_{it} + \beta_8 Dual_{it} * State_{it} + \beta_9 CPS_{it} * State_{it} \\ & + \beta_{10} Struc_{it} * State_{it} + \beta_{11} Boardsize_{it} * State_{it} + \sum_{i=1}^n \gamma_i Control_{it} + \varepsilon_{it} \end{aligned}$$

Where,

Perf =long-term M&A performance

it = sample firm

α = coefficient of constant term

β = coefficient of dependent variable

γ = coefficient of controlling variable

ε =residual item

3.6 Research Instruments

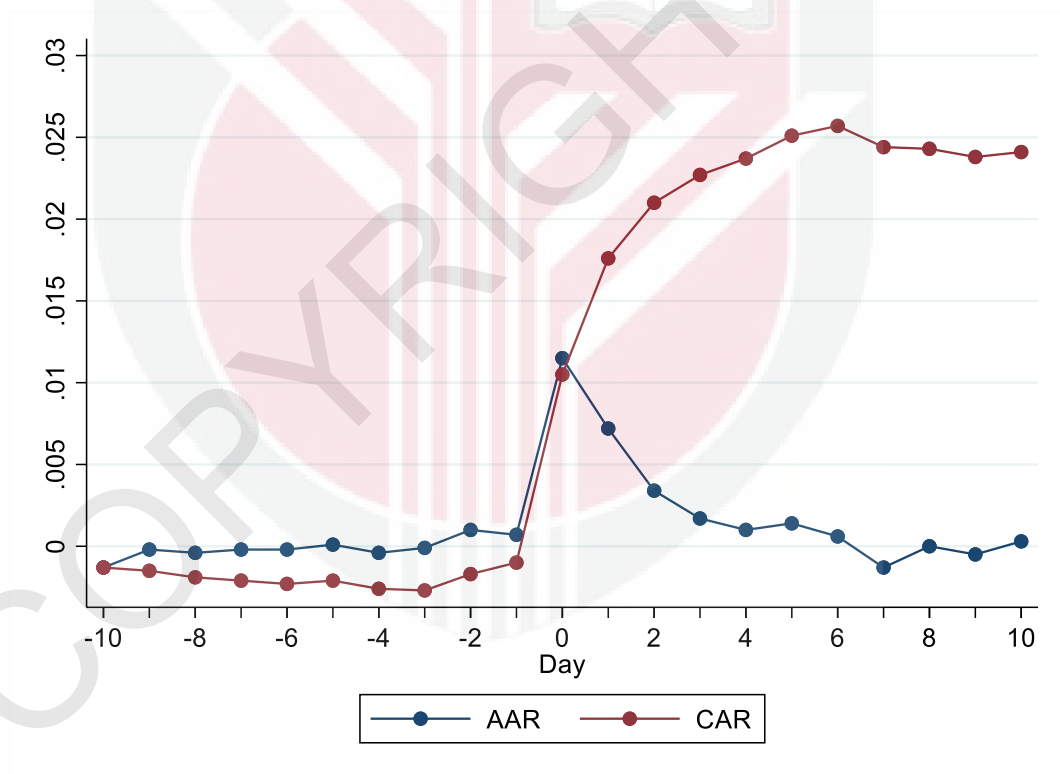
Stata 17.0 version will be used for data analysis. Since this study used cross-section data. Stata is relatively best suited for panel data analysis. Stata is easy to understand and powerful. Using Stata to enter only one command at a time, or using Stata to enter multiple commands at a time. This makes it easier to spot and fix errors if they occur. E-views and SPSS cannot meet this requirement, because they do not support code modification.

3.7 Variables Measures

3.7.1 Measures of Objective 1

A. Short- term M&A performance measures

The stock price volatility of the host merging firms reflects investors' attitudes towards M&A deals. In this thesis, the dynamics of the day-by-day and cumulative average abnormal returns of the sample calculated by the event study method to measure whether M&A deals can generate positive wealth for investors. As shown in Figure 3.1.



Note: AAR is average excess return of total sample.

CAR is cumulative average excess return of total sample.

Figure 3.1: The sequence chart of short-term M&A performance

As can be seen in Figure 3.1, M&A events have a significant effect on the wealth of the company's shareholders. The positive wealth effect is obvious before the announcement day, indicating that the M&A news is leaked in advance or the market has good expectations for the M&A deal. After the announcement day, the market continues to ferment, driving the company's stock to continue to rise, which indicates that the market needs a period of time to digest the news of the M&A. The CAR begins to decline a few days after the announcement, indicating that the market has made a sustained retracement of the overreaction of the previous period, but in general, the CAR during the window period is positive, indicating that M&A activities are successful in the short term and have a significant positive impact on the performance of the main merger party.

B. Long-term M&A performance measures

(1) Model applicability test

KMO test and Bartlett sphericity test are usually used to judge the applicability of factor analysis. According to Field (2009), the KMO test is employed to assess the simple correlation coefficient and partial correlation coefficient between variables. If the test statistic exhibits a large value and the associated probability value is below the preset significance level, it signifies a correlation between the original variables and deems it suitable for factor analysis. A higher KMO score signifies a higher level of appropriateness for factor analysis. This study conducts a Kaiser-Meyer-Olkin (KMO) test and a Bartlett sphericity test on the financial indicators reported in Chapter 3. The tests are performed for the M&A year, the year before the M&A, and the three years after the M&A, as specified in Table 3.3. The correlation coefficient matrix does not exhibit an identity matrix pattern, and all the values of the Kaiser-Meyer-Olkin (KMO)

measure are within the range of 0.5 to 0.7. Furthermore, the associated significance level is below 0.01, indicating that the model is suitable for factor analysis.

Table 3.3: KMO test and Bartlett sphericity test of objective 1

KMO		Y ⁻¹	Y ¹	Y ²	Y ³
		0.625	0.660	0.631	0.672
Bartlett	Chi-square	2118.779	2341.554	2489.982	2608.786
	freedom	15	15	15	15
	p-value	0.000***	0.000***	0.000***	0.000***

(2) Extract common factors

In this thesis, principal component analysis is used to extract common factors, and factors are extracted according to the standard with eigenvalue greater than 1. The principal component analysis was carried out on the financial indicators of the sample enterprises for a total of five years before and after the merger and acquisition, and two (C1, C2) or three (C1, C2, C3) common factors were extracted from each year, respectively. At this time, the extracted common factors can fully reflect most of the information of the sample, and the variance contribution rate of the common factors is shown in Table 3.4.

Table 3.4: Common factor variance contribution rate of objective 1

	C1	C2	C3	Total
Y ⁻¹	0.368	0.226		0.594
Y ⁰	0.347	0.217		0.563
Y ¹	0.359	0.210	0.168	0.738
Y ²	0.372	0.200	0.170	0.742
Y ³	0.376	0.204		0.580

(3) Calculate the overall performance score

In this thesis, the long-term M&A performance of enterprises is measured by constructing factor comprehensive score function, and the comprehensive score function of five years is calculated by factor score and variance contribution rate obtained. The functions of each year are showed as follow.

Comprehensive score for the year before M&A :

$$F^{-1} = (0.368 * f1 + 0.226 * f2)/0.594$$

Comprehensive score for the M&A year:

$$F^0 = (0.347 * f3 + 0.217 * f4)/0.563$$

Comprehensive score for the first year after M&A :

$$F^1 = (0.359 * f5 + 0.210 * f6 + 0.168 * f7)/0.738$$

Comprehensive score for the second year after M&A :

$$F^2 = (0.372 * f8 + 0.200 * f9 + 0.170 * f10)/0.742$$

Comprehensive score for the third after M&A :

$$F^3 = (0.376 * f11 + 0.204 * f12)/0.580$$

According to the above comprehensive evaluation functions, the comprehensive score of the financial performance of the main merging party before and after the merger is calculated to judge the changing trend of the performance of the main merging party before and after the M&A. Therefore, in order to more precise investigate the changes before and after the merger and acquisition performance of the main merging party, the comprehensive average score difference of M&A performance between the year

before M&A and each year after M&A were used to draw the change trend of the long-term M&A performance of the main merging party, as shown in Figure 3.2.

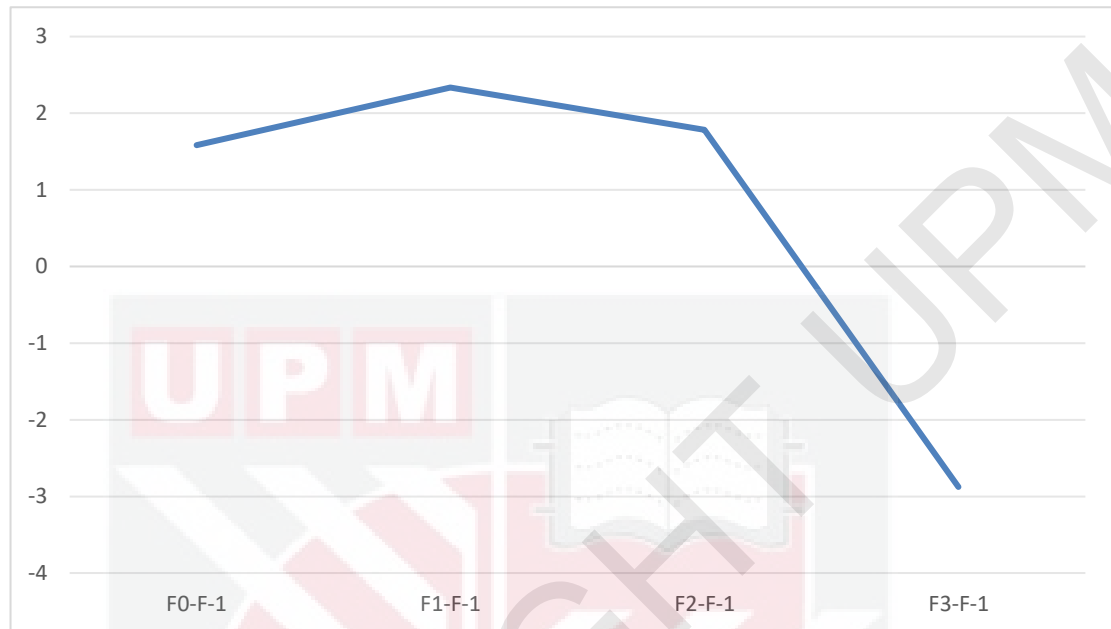


Figure 3.2: The change trend of the long-term M&A performance

As can be seen from Figure 4.2, the overall long-term M&A performance shows a downward trend one year after M&A, indicating that the financial performance of enterprises has not improved but declined significantly, which may be due to the failure of effective resource integration and the decline in asset use efficiency after M&A.

C. Management Power

In this thesis, five variables of CEO tenure, CEO dual roles, equity structure, management compensation ratio and board size are selected for component analysis, and the comprehensive index management power is obtained. The synthetic variable power is calculated after extracting the common factor. The KMO value was 0.705, which met the conditions of principal component analysis. The specific steps are

similar to the above M&A performance, and the comprehensive scoring function of Power is as follows:

$$Power = (0.3804 * f_{12} + 0.2697 * f_{13})/0.6501$$

3.7.2 Measures of Objective 2

A. M&A performance

(1) Model applicability test

As shown in Table 3.5, this thesis conducts KMO test and Bartlett sphericity test on the financial indicators (which show in below) of the M&A year. The correlation coefficient matrix is not a unit matrix, and the values of KMO is 0.698 and the corresponding significance level is less than 0.01, which indicating that the model is suitable for factor analysis.

Table 3.5: KMO test and Bartlett sphericity test of objective 2

KMO		0.698
Bartlett	Chi-square	22243.991
	freedom	15
	p-value	0.000***

(2) Extract common factors

In this thesis, principal component analysis is used to extract common factors, and factors are extracted according to the standard with eigenvalue greater than 1. The principal component analysis was carried out on the financial indicators of the sample enterprises, and two (C1, C2) common factors were extracted from each year,

respectively. At this time, the extracted common factors can fully reflect most of the information of the sample, and the variance contribution rate of the common factors is shown in Table 3.6.

Table 3.6: Common factor variance contribution rate of objective 2

C1	C2	Total
0.3789	0.1951	0.5740

(3) Calculate the overall performance score

In this thesis, the M&A performance of enterprises is measured by constructing factor comprehensive score function, and the comprehensive score function is calculated by factor score and variance contribution rate obtained. The functions is showed as follow.

$$Perf = (0.3789 * f1 + 0.1951 * f2)/0.5740$$

B. Management Power

This thesis selects five variables, which are CEO tenure, CEO dual, shareholding structure, management compensation ratio and board size, to do the principal component analysis and get the comprehensive indicator management power. The comprehensive variable power is calculated after extracting the common factor. The KMO value was 0.715, which met the conditions of principal component analysis. The specific steps are similar to M&A performance, and the comprehensive score function of Power is showed as follow:

$$Power = (0.3191 * f3 + 0.2128 * f4)/0.5319$$

3.8 Chapter Summary

This chapter mainly describes the research design and model specifications of this study. Moreover, this chapter discusses sample collection and selection, research Instruments, regression models, etc. Finally, this chapter describes and defines the variables and related measurement methods used in this study. The research results will be analyzed and discussed in the next chapter.



CHAPTER 4

RESULTS AND DISCUSSION

4.1 Introduction

The fourth chapter is the empirical analysis of the models which established in the third chapter. In this chapter, the objective 1 is to conduct empirical analysis on cross-sectional data. The objective 2 is to conduct empirical analysis on panel data. The objective 3 will use cross-sectional data on short-term M&A performance and use panel data on long-term M&A performance. In this chapter, descriptive statistical analysis of the main model variables, correlation analysis of the main variables, multiple linear regression analysis of the model and the moderating effect test are carried out. The results of the hypotheses testing of the models are presented. Moreover, the robustness test are carried out on the basis of empirical results.

4.2 Data Cleaning and Screening

The acquisition samples and their financial data are from CSMAR database, the sample of management power and external governance data are collected from CSMAR, Shanghai Stock Exchange, Shenzhen Stock Exchange, Sina Finance and the official website of listed companies. The industry and macroeconomic data are from the China Economic and Social Development Statistics Database. In order to mitigate the influence of outliers on parameter estimation, the observed values of continuous variables in the 1st and 99th percentiles of their distributions in each model were winterized.

After the above elimination (showed in Chapter 4.1), based on the above samples, this thesis sorted out the M&A data of sample companies from 2009 to 2022, combined the M&A events of each company in the same year, and finally obtained 1684 samples required by the research.

In accordance with the industry classification issued by CSRC in 2012, this thesis divides all listed companies into 10 categories. The industry distribution of sample companies is shown in Table 4.1.

Table 4.1: The industry distribution of sample companies

Industries	Number	Percentage
Public foundation	56	3.33%
Medicine and health	160	9.50%
Raw materials	276	16.39%
Optional consumption	209	12.41%
Industries	489	29.03%
Energy	25	1.48%
Communication service	136	8.08%
Information Technology	209	12.41%
Wholesale and retail trade	80	4.75%
Real estate industry	44	2.62%
Total	1684	100%

4.3 Data Diagnostic and Reporting for Objective 1

4.3.1 Descriptive Statistics and Correlation Analysis

As can be seen from Table 4.2, the final sample short-term M&A performance CAR has a mean of 0.022, it shows that the market holds a positive and optimistic attitude towards M&A activities on the whole, gives a positive evaluation to the shares of M&A companies, and thinks that M&A is a good investment theme. The standard deviation of CAR is 0.182, it is also evidence that the market's response to M&A

events is far more positive than negative. The median long-term M&A performance F^3-F^{-1} is 0.039, indicating that the long-term performance of most sample firms is positive. There is a certain gap between the standard deviation value(0.708) of long-term performance and the standard deviation value(0.182) of short-term performance, indicating that the fluctuation of long-term M&A performance is greater than that of short-term M&A performance.

The mean value of the independent variable management power is -0.001, the standard deviation value is 0.711. There are great differences in management power of listed companies, which may be related to corporate governance, management and inter-company heterogeneity of listed companies. The average tenure of executives in the sample companies is 3.843 years, which is relatively short. The average value of the indicator of the dual is 0.135, indicating that the proportion of executives with the combination of two positions in the sample company is slightly more than 10%, and the power concentration is not high. The CPS of different sample companies varies greatly, which is one of the necessary indicators to examine the power of management. The proportion of management ownership struc is 10.1%, that is, around one-tenth of the executives in the sample companies hold the shares of the company. The decision of these executives is more likely to be consistent with the interests of shareholders, which can alleviate the agency problem to a certain extent.

Table 4.2: Descriptive Statistics of Objective 1

VarName	Obs	Mean	SD	Median
CAR	1684	0.022	0.182	0.007
F^3-F^{-1}	1684	-0.001	0.708	0.039
Power	1684	-0.001	0.711	-0.272
Tenure	1684	3.843	3.212	3.300
Dual	1684	0.335	0.472	0.000
CPS	1684	1.967	1.794	1.440
Struc	1684	10.108	16.006	0.819
Boardsize	1684	8.449	1.602	9.000
Scale	1684	21.800	1.193	21.554
Lev	1684	38.997	19.824	38.195
Cash	1684	10.085	21.782	3.677
ROA	1684	5.648	4.846	5.127
Growth	1684	19.502	32.207	14.593

Before multiple regression is carried out on the influence of management power on M&A performance, the correlation of various variables is first tested through Pearson and Spearman correlation analysis, and the test results are shown in Table 4.3.

Table 4.3: Correlation Matrix of Objective 1

	CAR	F^3-F^{-1}	Power	Tenure	Dual	CPS	Struc	Board	Scale	Lev	Cash	ROA	Growth
CAR	1												
F^3-F^{-1}	0.084*	1											
Power	-	-	1										
Tenure	0.046*	0.102**	-	1									
Dual	-0.040	-	0.811**	0.078**	1								
CPS	-0.007	-0.016	0.237**	-	-0.016	1							
Struc	-0.038	-0.111	0.786**	0.040*	0.492**	-0.088**	1						
Board	-0.013	0.022	-	-0.022	-	0.114***	-	1					
size			0.135**		0.147**		0.163**						
Scale	0.044*	0.079	-	-	-	0.441***	-	0.297**	1				
Lev	0.015	0.182	-	-0.043*	-	0.172***	-	0.152**	0.561**	1			
Cash	0.021	0.011	0.008	-	-	0.420***	-	0.204**	0.695**	0.296**	1		
ROA	-	-	0.177**	-0.031	0.043*	0.154***	0.194**	-	-	-	-0.019	1	
Growth	0.041*	0.096**	0.105**	-0.005	0.070**	-0.036	0.137**	-	-	0.005	-0.033	0.235**	1

Note: The table shows the Pearson correlation test, *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

Table 4.3 reports the Pearson and Spearman correlation analysis results among the main variables, from which it can be seen that there is a significant negative correlation between management power and M&A short-term performance CAR, that is, the increase of management power will lead to the decrease of M&A short-term performance, which is in line with our expectation. Most of variables are significantly correlated with short-term performance indicators, indicating that the selected control variable has a certain explanatory power to the explained variable, and the indicator selection is reasonable.

The results in Table 4.3 also show that there is a negative impact between management power and long-term M&A performance, and it is significant at 1% level. This is basically consistent with the hypothesis. In addition, tenure and board size are positively correlated with long-term M&A performance, but the board size is not significant. The dual, management compensation ratio(CPS) and shareholding structure have negative impacts with long-term M&A performance, but the CPS is not significant.

4.3.2 Diagnostic Test

Table 4.4 : Diagnostic test of objective 1

	White test	VIF
Model 1	46.59 0.011**	1.65
Model 2	94.66 0.007***	1.56
Model 3	106.71 0.000***	1.65
Model 4	156.46 0.000***	1.56

Note: *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

In this thesis, multicollinearity and heteroscedasticity tests were conducted on model 1, model 2, model 3, and model 4, as indicated in Table 4.4. The goal of doing a multicollinearity test is to ascertain the degree of correlation between the explanatory factors. High correlation between variables can affect regression findings, leading to reduced reliability. This research utilizes the VIF test method to perform a heteroscedasticity test. As the variance inflation factor (VIF) increases, so does the correlation between variables. Typically, a VIF score below 10 is seen to meet the criteria for passing the multicollinearity test. After conducting a multicollinearity test on the models, the results indicate that the Variance Inflation Factors (VIFs) of the models are all below 10, indicating the absence of any collinearity issues. The purpose of doing a heteroscedasticity test is to determine if there are any unobservable elements in the model that significantly affect the explanatory variables. Additionally, ensuring homoscedasticity is important in order to guarantee that the regression parameter estimators possess desirable statistical features. The White test was employed in this study to perform a heteroscedasticity test. The P-values of the models were all found to be below 0.05, leading to the rejection of the null hypothesis of "homoscedasticity" at a significance level of 5%. This suggests the presence of heteroscedasticity. Thus, the robust standard error was utilized to address the issue of heteroscedasticity mentioned before.

4.4 Discussion of Objective 1

In this thesis, M&A performance of the companies is taken as the explained variable, management power as the explanatory variable, and other factors affecting M&A performance are added as control variables to build a regression model to analyze the

impact of management power on M&A performance. The results are shown in Tables below.

A. Management power and short-term M&A performance

Enterprises employ short-term financial performance to gauge the capital market's response to subsequent mergers and acquisitions, in contrast to long-term financial performance. In an efficient market, the stock market will react in advance to M&A events, and the return rate of individual stocks will fluctuate substantially prior to the formal announcement of M&A events. Investors' acceptance of mergers and acquisitions will be demonstrated through their stock purchases and sales. Provide the enterprise with either positive or negative benefits. This thesis employs the event study method to measure cumulative excess return and substitutes the cumulative return rate of individual stocks over the cumulative market index for the short-term financial performance of M&A. It measures the earnings generated by M&A in the short term. Table 4.5 displays the regression test results.

Table 4.5: Regression of management power and short-term M&A performance from 2009-2022

	Model 1	Robustness	Model 2	Robustness
	CAR(-10,10)	CAR1(-5,5)	CAR(-10,10)	CAR1(-5,5)
Power	-0.012* (-1.755)	-0.008* (-1.723)		
Tenure		0.003 (0.820)	0.000* (1.885)	0.003 (0.646)
Dual		-0.000* (-1.872)	-0.015 (-1.375)	-0.000* (-1.761)
CPS		0.000 (0.138)	0.004 (0.015)	0.000 (0.179)
Struc		-0.002*** (-2.901)	-0.000 (-0.348)	-0.002*** (-3.011)
Boardsize		0.000** (2.344)	-0.004 (-1.248)	0.000** (2.333)
Scale	0.012** (2.197)		0.013** (2.259)	0.002** (2.154)
Lev	-0.001** (-2.352)		-0.001** (-2.285)	-0.011 (-1.456)
Cash	-0.000 (-0.385)		-0.000 (-0.300)	0.001 (0.593)
ROA	-0.004*** (-4.156)		-0.005*** (-4.139)	-0.000 (-0.236)
Growth	0.000** (2.573)		0.000** (2.509)	-0.001 (-0.576)
_cons	-0.205* (-1.754)	-0.026 (-0.303)	-0.195 (-1.633)	-0.010 (-0.113)
N	1684	1684	1684	1684
R ²	0.018	0.010	0.021	0.013

Note: Model 1 in this table is the regression result between the comprehensive index of management Power and short-term M&A performance. Model 2 is the regression result between the component of management power and short-term M&A performance. CAR is cumulative excess return and represents short-term M&A performance as the dependent variable of the study. Power represents management power as an independent variable of this study, and is a comprehensive indicator. Tenure is the term of CEO tenure. Dual indicates whether the two management positions are the same person. CPS stands for management compensation ratio. Struc represents management ownership. Boardsize represents the number of board members. Scale indicates the size of the company. Lev represents the company's asset-liability ratio. Cash represents a company's level of cash holdings. ROA represents the return on an asset. Growth represents the level of revenue growth of a company. T values are shown in parentheses. *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

Table 4.5 presents regression analysis of model 1 and model 2. Model 1 and model 2 are run separately in order to avoid collinearity and compare which component of management power contributes more. For model 2, the R^2 is 0.021 and is greater than model1 ($R^2 = 0.018$) This means that the goodness of fit of the regression line of model 2 is better than model1. The reason for the small R square is that the cross-section data is used, and the amount of data is small. As shown in the table, at the level of 10%, management power has a significant negative impact on the short-term financial performance of successive mergers and acquisitions, and the regression coefficient is -0.012. The greater the management power, the worse the short-term M&A performance and the smaller the short-term excess returns brought by M&A. This is consistent with hypothesis H1a and is supported by empirical test results. Too much executive power can lead to executive overconfidence. In the case of good M&A performance, management's power may accelerate management to initiate the next M&A. However, enterprises can not digest too many merger and acquisition events in a short period of time, and the integration pressure is large, unable to produce the synergy effect of merger and acquisition, resulting in the failure of merger and acquisition. At the same time, management has too much power, resulting in a slow learning of management, not enough time to digest the experience or lessons brought by mergers and acquisitions. Too much power of the management means that the management accepts too little supervision and constraints, and meets fewer obstacles in M&A, resulting in imprudent M&A decision-making. This is where the agency problem comes in. According to Jensen and Meckling (1976), The problem arises from the fact that managers do not always operate enterprises with the maximization of shareholders' interests as the starting point, and managers have different management ideas and interest preferences. When the management has too much

power, even in the case of supervision by the board of directors, the management can interfere with the supervisory role of the board of directors through its influence on the board and its members, thus forming obstacles to the solution of the principal-agent problem. The tenure of managers also has a significant level, 10%, and is positively correlated with short-term M&A performance. The longer the tenure of managers, the better the short-term M&A performance. Managers with longer tenure usually have a better understanding of the company's situation and have better loyalty to the company, so merger and acquisition decisions are often conducive to the development of the company.

Moreover, the reason why there are inconsistent correlations among the variables to proxy management power is because management power is a complex concept that encompasses multiple dimensions, such as decision-making power, control over resources, and influence within an organization. Different proxy variables may capture different aspects of administrative authority. For example, the number of board seats held by management may reflect their influence in decision-making, while equity allocation may reflect their power over resource allocation. These different aspects of power may not always be perfectly correlated, resulting in inconsistent correlations between proxy variables.

In addition, for robustness test, short-term M&A performance is replaced by CAR1(-5,5) for CAR(-10,10). The market reaction to a merger announcement is more intense around the announcement date. Therefore, the shortening of the window period does not change the accuracy of the measurement of cumulative excess returns by the event study method. As can be seen from table, management power has a significant negative impact on the short-term financial performance (CAR1) of M&A at the level of 10%, which is consistent with the above empirical research conclusions. Therefore, the models passed the robustness test.

B. Management power and Long-term M&A performance

In this thesis, long-term M&A performance (F^3-F^{-1}) is measured by comparing the changes of financial indicators in the year before and three years after the occurrence of the merger transaction. And the comprehensive indicator management power(Power) is taken as the independent variable to conduct regression test. The results are as follows.

Table 4.6: Regression of management power and long-term M&A Performance from 2009-2022

	Model 3 F³-F⁻¹	Robustness F¹-F⁻¹	Model 4 F³-F⁻¹	Robustness F¹-F⁻¹
Power	-0.068*** (-2.829)	-0.082*** (-3.924)		
Tenure			0.002*** (4.374)	0.002*** (5.498)
Dual			-0.037 (-0.960)	-0.061* (-1.874)
CPS			1.571 (1.362)	-0.140 (-0.145)
Struc			-0.002* (-1.898)	-0.002 (-1.467)
Boardsize			-0.002 (-0.145)	-0.007 (-0.836)
Scale	0.026 (1.095)	-0.062*** (-3.160)	0.013 (0.511)	-0.064*** (-3.133)
Lev	0.002 (1.393)	0.006*** (6.212)	0.002 (1.481)	0.006*** (6.407)
Cash	-0.001 (-0.998)	-0.000 (-0.108)	-0.001 (-1.007)	0.000 (0.172)
ROA	-0.044*** (-9.795)	-0.030*** (-8.485)	-0.045*** (-9.802)	-0.030*** (-8.252)
Growth	0.004*** (6.134)	0.005*** (10.091)	0.004*** (6.171)	0.005*** (9.830)
_cons	-0.456 (-0.932)	1.189*** (2.925)	-0.232 (-0.462)	1.221*** (2.971)
N	1684	1684	1684	1684
R ²	0.124	0.171	0.133	0.182

Note: Model 3 in this table is the regression result between the comprehensive index of management Power and long-term M&A performance. Model 4 is the regression result between the component of management power and long-term M&A performance. F³-F⁻¹ represents long-term M&A performance as the dependent variable of the study. Power represents management power as an independent variable of this study, and is a comprehensive indicator. Tenure is the term of CEO tenure. Dual indicates whether the two management positions are the same person. CPS stands for management compensation ratio. Struc represents management ownership. Boardsize represents the number of board members. Scale indicates the size of the company. Lev represents the company's asset-liability ratio. Cash represents a company's level of cash holdings. ROA represents the return on an asset. Growth represents the level of revenue growth of a company. T values are shown in parentheses. *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

Table 4.6 presents regression analysis of model 3 and model 4. Model 3 and Model 4 are run separately for the same reason as model 1 and Model 2. As the Table 4.8 shows, management power has a significant negative impact on long-term M&A performance at the level of 1%, and the regression coefficient is -0.068, which is the same as the

regression result of short-term M&A performance, further supporting hypothesis H1b. From the comparison of the size of the regression coefficient, the regression coefficient of the influence of management power on the short-term M&A performance is -0.012, which is about five times smaller than the long-term M&A performance in absolute value, indicating that the financial performance of M&A is constantly deteriorating, and the significance of the negative correlation is also increased from 10% to 1%, indicating that the greater the power of management, the more difficult the M&A integration, which consistent with existing literature. The time required by the management for the integration of M&A resources is compressed, and the ideal M&A financial performance target cannot be achieved (Desai et al., 2003). CEO tenure also has a significant positive impact on the long-term financial performance of M&A at the level of 1%, which is similar to the short-term M&A performance of mergers and acquisitions mentioned above. When the tenure of CEO is short, they need to implement more control mechanisms to reduce the cost of debt (Owusu et al., 2022). Therefore, the longer the tenure of the CEO, with the increase of the familiarity with the company, can reduce part of the company's management and control costs, thus improving the merger and acquisition performance. Shareholding structure has a significant negative relationship with long-term M&A performance at the level of 10%. The higher the proportion of management ownership, the worse the long-term M&A performance. The higher the shareholding ratio of management, the greater the effectiveness of management decisions, which is likely to lead to the concentration of power, overconfidence of management, and easy to make wrong decisions. For robustness test, long-term M&A performance is changed from F^3-F^{-1} to F^1-F^{-1} . The year after M&A is the key year to observe the success of M&A, and financial performance is the most affected year by M&A factors, so it can

be used as a substitute variable for long-term M&A financial performance. As can be seen from table, management power has a significant negative impact on long-term M&A financial performance (F^1-F^{-1}) at the level of 1%, which is consistent with the above empirical research conclusions.

From the empirical test results of management power on short-term M&A performance and long-term M&A performance, the overall impact of management power on the two kinds of financial performance is consistent, that is, the greater the management power, the worse the financial performance of M&A. In addition, with the increase of management power, financial performance has continued to deteriorate, which is related to excessive management power, prone to overconfidence, and hear less and less opposing voices, leading to irrational decisions. However, by comparing the Table 4.5 and Table 4.6, there are still large differences in the significance level and relationship coefficient of the influence of management power on short-term and long-term M&A performance, indicating that although both short-term financial performance and long-term financial performance can reflect the economic effect of management power, their influencing factors are different and need to be treated differently. The R^2 of model 3 and model 4 is also greater than that of model 1 and model 2, indicating that the fit of the long-term model is better than that of the short-term model. This is also the reason why this thesis divides M&A performance into long-term and short-term studies.

4.5 Data Diagnostic and Reporting for Objective 2

4.5.1 Descriptive Statistics and Correlation Analysis

Table 4.7 : Descriptive Statistics of Objective 2

VarName	Obs	Mean	SD	Median
Perf	20265	-0.005	0.654	-0.041
Power	19198	-0.020	0.688	-0.228
Tenure	19264	4.854	3.805	3.800
CPS	22648	0.023	0.021	0.017
Dual	22730	0.279	0.448	0.000
Struc	22730	6.947	13.297	0.154
Boardsize	22730	8.490	1.608	9.000
HHI	22730	0.072	0.108	0.040
Credit	18593	24.254	17.815	21.346
State	22099	0.340	0.474	0.000
Scale	22728	22.131	1.304	21.959
Lev	22728	43.086	21.006	42.360
Cash	22717	13.735	30.031	4.636
ROA	22729	0.067	0.429	0.037
Growth	22701	15.372	33.466	11.053

As can be seen from Table 4.7, the average value of M&A performance is larger than the median value, which is -0.005 and -0.041 respectively, and the standard deviation is 0.654, indicating a large difference in data size. The reason for the large gap may be due to whether the management made the right decision before and after the merger. Whether the management can make the right decision is closely related to the power of the management. The mean value of M&A performance is -0.55, indicating that M&A performance is negative as a whole, which reflects the poor performance of enterprises in M&A year to a certain extent. The tenure of management of enterprises is also quite different, the standard deviation value is 3.805. There is not much difference in the size of the company, and the variance is only 1.304. The average growth rate of the company is 15.372, indicating that the enterprise is growing on the

whole. The average cash holding level of enterprises is 13.375, indicating that most enterprises have sufficient cash flow, therefore, companies can launch M&As.

The descriptive statistical results of the external governance mechanism of the company show that there is a large gap in the Herfindahl index, with a standard deviation value of 0.018, indicating that the competition in the market where the company is located is very fierce, and a mean value is 0.072, indicating that the competition in the market where the company is located is weak and close to monopoly, indicating that there is a large gap in the intensity of competition in the selected sample market. The difference of creditor governance of each enterprise is also large, and the variance is 17.815, indicating that there are extreme cases in the debt situation of each listed company. The average value of government governance index is 0.3, indicating that most of the selected sample companies are non-state-owned enterprises.

Table 4.8 : Correlation Matrix of Objective 2

	Perf	Power	Tenure	CPS	Dual	Struc	Board size	HHI	Credit	State	Scale	Lev	Cash	ROA	Growth
Perf	1														
Power	-0.060***	1													
Tenure	-0.058***	0.564***	1												
CPS	0.152***	0.196***	0.036***	1											
Dual	-0.078***	0.777***	0.137***	-0.029***	1										
Struc	-0.045***	0.668***	0.084***	-0.097***	0.470***	1									
Board size	0.087***	-0.260***	-0.020**	0.057***	-0.167***	-0.151***	1								
HHI	0.006	-0.079***	-0.054***	-0.050***	-0.043***	-0.031***	0.079***	1							
Credit	-0.060***	0.039***	0.014	-0.173***	0.072	0.065***	-0.081***	-0.016*	1						
State	0.062***	-0.368***	-0.118***	0.042***	-0.285***	-0.365***	0.281***	0.088***	-0.171***	1					
Scale	0.158***	-0.119***	0.027***	0.446***	-0.173***	-0.289***	0.270***	0.058***	-0.206***	0.359***	1				
Lev	0.078***	-0.176***	-0.048***	0.116***	-0.129***	-0.249***	0.148***	0.060***	0.055***	0.323***	0.472***	1			
Cash	0.165***	-0.060***	-0.040***	0.375***	-0.094***	-0.157***	0.192***	0.055***	-0.195***	0.251***	0.653***	0.262***	1		
ROA	0.245***	0.012	-0.075***	-0.007	0.036***	0.073***	0.004	0.011	-0.028***	-0.032***	-0.047***	-0.135***	0.026***	1	
Growth	0.313***	0.075***	-0.019**	0.027***	0.060***	0.107***	-0.039***	-0.014*	-0.034***	-0.122***	-0.006	-0.013	-0.005	0.157***	1

Note: The table shows the Pearson correlation test, *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

In order to establish a preliminary understanding of the correlation of the research model, Pearson and Spearman tests were implemented to conduct correlation tests for each variable, thereby establishing the foundation for subsequent regression analysis. The results of the test are presented in Table 4.8. The correlation coefficient between M&A frequency and M&A performance is -0.06 in the Spearman test and -0.011 in the Pearson test, with a significance level of 1%. This preliminary evidence supports the validity of the hypothesis of this thesis, which is that management power has a detrimental effect on M&A performance. The significance test for M&A performance was passed by control variables asset attributes, company size, company growth, and cash holding level. The efficacy of M&A is primarily influenced by corporate internal and external governance factors. The significance level and variable symbol between variables must be further verified by regression analysis, as the Pearson coefficient test is designed to assess the correlation between two variables.

4.5.2 Diagnostic Test

The model must be evaluated prior to regression of the research model. The variance expansion factor of all the selected variables is less than 10, and the tolerance is greater than 0.1, as demonstrated in Table 4.9. Consequently, there is no multicollinearity issue between the selected variables, and it is unnecessary to adjust the variables. Regression analysis can be conducted directly. The null hypothesis of "homoscedasticity" was rejected at the significance level of 5%, and the P-values of the models were all less than 0.05, indicating the presence of heteroscedasticity. The White test was employed to conduct the heteroscedasticity test. Consequently, the below heteroscedasticity was rectified using the resilient standard error. Furthermore,

the Hausmann test results for all models have a P value of less than 0.01, which implies that the null hypothesis is refuted, and the fixed effect should be implemented.

Table 4.9: Diagnostic test of objective 2

	White test	VIF	Hausman Test
Model 5	1249.19 0.000***	1.41	225.89 0.000***
Model 6	1268.02 0.000***	1.55	235.01 0.000***
Model 7	1397.35 0.000***	1.41	308.22 0.000***
Model 8	1496.59 0.000***	4.53	314.27 0.000***

Note: *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

4.6 Discussion of Objective 2

4.6.1 Multiple Regression

Table 4.10 : The effect between management power (Indicator) and M&A performance from 2013-2018

	Dependent variable: M&A performance (Perf)					
	Whole		Before M&A		After M&A	
	Model 5	Model 6	Model 5a	Model 6a	Model 5b	Model 6b
Power	-0.045*** (-8.097)	-0.026*** (-3.401)	-0.044*** (-4.543)	-0.015 (-1.251)	-0.041*** (-6.217)	-0.028*** (-2.854)
Power ²		-0.031*** (-4.060)		-0.072*** (-5.427)		-0.019** (-2.111)
Scale	0.068*** (10.161)	0.069*** (10.303)	0.057*** (4.992)	0.060*** (5.228)	0.089*** (10.662)	0.089*** (10.719)
Lev	0.001*** (3.709)	0.001*** (3.718)	0.001** (2.020)	0.001* (1.919)	0.001*** (2.603)	0.001*** (2.608)
Cash	0.002*** (7.807)	0.002*** (7.766)	0.002*** (3.344)	0.002*** (3.217)	0.002*** (5.454)	0.002*** (5.453)
Roa	0.268*** (18.788)	0.268*** (18.751)	0.169*** (15.699)	0.169*** (15.697)	0.422*** (11.843)	0.422*** (11.837)
Growth	0.006*** (25.824)	0.006*** (25.699)	0.006*** (19.360)	0.006*** (19.328)	0.006*** (21.295)	0.006*** (21.190)
Year	control	control	control	control	control	control
Industry	control	control	control	control	control	control
_Cons	-1.443*** (-10.436)	-1.441*** (-10.426)	-1.220*** (-5.232)	-1.236*** (-5.309)	-1.984*** (-10.023)	-1.979*** (-9.983)
N	17129	17129	5487	5487	11642	11642
R ²	0.202	0.203	0.206	0.209	0.216	0.216
F Test	70.67	69.06	54.06	52.39	47.93	46.73
	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***

Note: Model 5 and 6 in this table are the regression result between the comprehensive index of management Power and long-term M&A performance for whole samples. Model 5a and 6a are the regression result between the component of management power and long-term M&A performance before M&A. Model 5b and 6b in this table is the regression result between the comprehensive index of management Power and long-term M&A performance after M&A. The difference between model 5, 5a, 5b and 6, 6a, 6b is that Power² is added for regression. Perf represents long-term M&A performance as the dependent variable of the study. Power represents management power as an independent variable of this study, and is a comprehensive indicator. Power² is the square term of Power. Scale indicates the size of the company. Lev represents the company's asset-liability ratio. Cash represents a company's level of cash holdings. ROA represents the return on an asset. Growth represents the level of revenue growth of a company. T values are shown in parentheses. *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

Table 4.11 : The effect between management power (Components) and M&A performance from 2013-2018

Dependent variable: M&A performance(Perf)						
	Whole	Before M&A		After M&A		
	Model 7	Model 8	Model 7a	Model 8a	Model 7b	Model 8b
Tenure	-0.003*** (-2.665)	0.001 (0.413)	-0.007*** (-2.808)	-0.014* (-1.806)	-0.001 (-0.978)	0.008** (2.017)
Tenure ²		-0.000 (-1.457)		0.001 (0.840)		-0.001** (-2.553)
Dual	-0.113*** (-9.556)	-0.113*** (-9.536)	-0.064*** (-3.651)	-0.062*** (-3.536)	-0.138*** (-9.119)	-0.135*** (-8.945)
Dual ²		0.000 (.)		0.000 (.)		0.000 (.)
Cps	4.584*** (14.776)	11.766** (16.690)	8.348*** (10.579)	17.025** (13.803)	3.770*** (11.253)	9.799*** (11.747)
Cps ²		- 67.105** *		- 122.073* **		-53.509*** (-7.743)
Struc	0.001* (1.722)	-0.001 (-1.211)	-0.000 (-0.734)	0.002 (1.487)	0.001*** (2.850)	-0.002* (-1.697)
Struc ²		0.000** (2.178)		-0.000* (-1.933)		0.000*** (3.307)
Board size	0.008*** (2.826)	0.073*** (4.803)	0.008* (1.835)	0.110*** (4.741)	0.005 (1.452)	0.058*** (2.962)
Board size ²		-0.004*** (-4.513)		-0.006*** (-4.496)		-0.003*** (-2.848)
Scale	0.039*** (5.598)	0.026*** (3.637)	0.028** (2.366)	0.017 (1.401)	0.060*** (6.850)	0.048*** (5.372)
Lev	0.002*** (4.900)	0.002*** (5.196)	0.002*** (2.993)	0.002*** (3.481)	0.002*** (3.536)	0.002*** (3.636)
Cash	0.002*** (6.046)	0.002*** (7.549)	0.001 (0.996)	0.002** (2.555)	0.001*** (4.594)	0.002*** (5.602)
Roa	0.266*** (18.436)	0.267*** (18.327)	0.167*** (15.519)	0.166*** (14.996)	0.421*** (11.826)	0.420*** (11.841)
Growth	0.006*** (25.684)	0.006*** (25.459)	0.006*** (19.347)	0.006*** (19.055)	0.006*** (21.070)	0.006*** (20.993)
Year control	control	control	control	control	control	control
Industry control	control	control	control	control	control	control
_Cons	-0.931*** (-6.610)	-0.994*** (-6.180)	-0.746*** (-3.114)	-0.996*** (-3.642)	-1.456*** (-7.234)	-1.491*** (-6.679)
N	17129	17129	5487	5487	11642	11642
R ²	0.221	0.229	0.235	0.248	0.232	0.239
F test	70.23 0.000***	68.48 0.000***	50.98 0.000***	48.28 0.000***	47.42 0.000***	45.29 0.000***

Note: Model 7 and 8 in this table are the regression result between the comprehensive index of management Power and long-term M&A performance for whole samples. Model 7a and 8a are the regression result between the component of management power and long-term M&A performance before M&A. Model 7b and 8b in this table is the regression result between the comprehensive index of management Power and long-term M&A performance after M&A. The difference between model 7, 7a, 7b and 8, 8a, 8b is that quadratic term are added for regression. Power represents management power as an independent variable of this study, and is a comprehensive indicator. Tenure is the term of CEO tenure. Tenure² is the square term of Tenure. Dual indicates whether the two management positions are the same person. Dual² is the square term of dualr. CPS stands for management compensation ratio. CPS² is the square term of CPS. Struc represents management ownership. Struc² is the square term of Struc. Boardsize represents the number of board members. Boardsize² is the square term of Boardsize. Scale indicates the size of the company. Lev represents the company's asset-liability ratio. Cash represents a company's level of cash holdings. ROA represents the return on an asset. Growth represents the level of revenue growth of a company. T values are shown in parentheses. *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

Table 4.10 and Table 4.11 show the results of multiple regression analysis. From the model 5 and model 7, management power, tenure of CEO, whether CEOs have dual roles and M&A performance are significantly negative at 1% level, indicating that the greater management power is, the greater the negative impact on M&A performance. The management power has negative impact on M&A performance which is consistent with regression results of objective one. From the comparison of the size of the regression coefficients, the regression coefficients of the influence of management power on M&A performance before and after M&A are -0.044 and -0.041 respectively, and the absolute value of the regression coefficient before M&A is greater than that after M&A, indicating that the negative influence of management power will be reduced to some extent after M&A. Usually, after the merger and acquisition of an enterprise, the management structure of the enterprise will change, which will affect the power of the original management of the enterprise. Meanwhile, power² has passed all significance tests before and after M&A, indicating that the relationship of management power on M&A performance is non-linear. The coefficients of power² are negative, which means the relationship between management power and financial performance is inverted U-shape. By comparing the relationship between management

Power and M&A performance before and after M&A, it is found that the absolute value of the quadratic coefficient of Power before M&A is greater than that after M&A, which proves that the U-shaped curve between management power and M&A performance before M&A is steeper. The promotion of management power can produce a significant incentive effect in the initial stage, which can improve the enthusiasm and initiative of the management, make the M&A behavior of enterprises more reasonable and effective, and significantly improve the M&A effect of enterprises. With the increase of time, the increase of management power far exceeds the financial effect of M&A, and M&A performance will decrease with the increase of management power (Wang and Qian, 2019). This also fully reflects the enterprise management's opportunism motivation in the process of enterprise merger and acquisition. Merger and acquisition is essentially an opportunistic behavior of power rent-seeking, aiming to maximize its own interests. Landier and Thesmar (2008) demonstrated that senior executives generally exhibit significantly more overconfidence than ordinary employees. Early growth in M&A performance will also increase management confidence. At the same time, when the management has the ability to decide whether the enterprise implements a decision or mergers and acquisitions, the management may think that it has an important influence on the important decisions of the company, and the executives may think that they can control the results of their decisions, thus underestimating the possibility of failure. The M&A event itself is a complex economic activity, and the overconfident management is more likely to make inaccurate decisions.

Moreover, it is also found that the whole CPS and boardsize are significantly positively correlated at 1% level with M&A performance. The shareholding structure

is significantly positively correlated with M&A performance at 10% level. The greater the power of the management, the management can influence the board members of the company through the control of the enterprise, so that they have higher bargaining power when signing salary contracts with the board of directors, so as to obtain higher compensation (Hassen et al., 2015). The increase of the shareholding ratio of management will increase the enthusiasm of management, so it can also improve the performance of mergers and acquisitions. The number of board members is directly proportional to M&A performance, and the better the supervision and restraint effect of board members, the more conducive to improving M&A performance. Meanwhile, CPS^2 , $Struc^2$ and $Boardsize^2$ have passed all significance tests before and after M&A, indicating that the influence of management power on M&A performance is non-linear. The reasons are similar like above mentioned. The high compensation of the management and the increase of the shareholding ratio can produce a significant incentive effect in the initial stage, which can improve the enthusiasm and initiative of the management and significantly improve the M&A performance of the enterprise. However, as time goes by, due to agency problems, the interests of the company and the management will conflict, and the management will often harm the interests of the company in order to maximize its own interests, resulting in the decline of M&A performance.

As for the control variables, firm size is significantly positively correlated with M&A performance at 1% level. This indicates that the larger the scale of the company, the better the performance after the completion of the merger. The larger the scale of the company, the stronger the resource integration ability of the host and the partner, the better the ability to absorb and receive the acquiree for their own use, thus improving

the M&A performance (. There is a significant positive correlation between the cash holding level and M&A performance, indicating that the higher the cash holding level, the higher M&A performance. Since the higher the level of cash holding, the cash flow of the enterprise is stable, so it is conducive to the improvement of performance. There is a significant positive correlation between corporate growth and M&A performance at the level of 1%, indicating that the higher the growth of the company, the better the M&A performance, because the growth of the company reflects the increase of the profitability of the company, the higher the profitability, the better M&A performance. The F-statistic of the models in the table is significant, which is 0.001, meaning that the models all pass the F-test.

4.6.2 Robustness Test of Objective 2

A. Robustness test for U-shape

According to the regression analysis in Table 4.14 and Table 4.15, the square terms of independent variables all pass the significance test, except for dual, because dual is a dummy variable. The square terms that pass the significance test show that there is a U-shaped relationship with M&A performance. However, Lind and Mehlum (2010) argue that this criterion is too weak. When the true relationship is convex and monotone, the model estimate will incorrectly produce an extreme point and U-shaped relationship. Lind & Mehlum (2010) drew on the general framework developed by Sasabuschi to compile the U test test command in order to test whether there is a U-shaped and inverted U-shaped relationship between two variables. The results of U test are shown in Table 4.12.

Table 4.12 : U-Shape Test of independent variables

Independent Variables	Dependent Variable: M&A Performance									
	Whole					Before M&A				
	U	P>t	T value	U Shape	P>t	T value	U Shape	P>t	T value	
Power	Inverse U	0.000 ***	-4.06	Inverse U	0.000 ***	-5.43	Inverse U	0.035 **	-2.11	
		Extreme point: 0.42			Extreme point: -0.11			Extreme point: -0.73		
		Slope:0.0306			Slope: 0.1181			Slope: 0.0078		
Tenure	Extremum outside interval			U	0.320	0.99	Inverse U	-0.019 **	-2.34	
Dual (Dummy variable)	/	/	/	/	/	/	/	/	/	
Cps	Inverse U	0.000 ***	-9.19	Inverse U	0.000 ***	-8.18	Inverse U	0.000 ***	-5.92	
		Extreme point: 0.11			Extreme point: 0.09			Extreme point: 0.12		
Struc	U	0.017 **	2.40	Inverse U	0.000 ***	-4.21	U	0.000 ***	4.77	
		Extreme point: 31.61			Extreme point: 21.49			Extreme point: 24.18		
Boardsize	Inverse U	0.000 ***	-3.61	Inverse U	0.000 ***	-3.80	Inverse U	0.017 **	-2.39	
		Extreme point: 10.52			Extreme point: 10.34			Extreme point: 10.09		

Note: Power represents management power as an independent variable of this study, and is a comprehensive indicator. Tenure is the term of CEO tenure. Dual indicates whether the two management positions are the same person. CPS stands for management compensation ratio. Struc represents management ownership. Boardsize represents the number of board members. *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

As the Table 4.12 showed, all the management power passed the significance test of U-test, there are three inverted U-shaped relationship between management power and M&A performance, and the extreme points are 0.42 for whole, -0.11 for before M&A and -0.73 for after M&A, respectively. Use the power(whole) to explain the meaning of extreme points. When management power is less than 0.42, there is a positive correlation between management power and M&A performance. The greater the management power, the greater the M&A performance. However, when the management power is greater than 0.42, the management power is negatively correlated with M&A performance. The greater the management power, the weaker the M&A performance. Moreover, by comparing the vertex curvature of U-shaped curve between management power and M&A performance before and after M&A, it is found that the value of curvature before M&A (0.1181) is greater than that after M&A(0.0078), which proves that the U-shaped curve between management power and M&A performance before M&A is steeper. Consistent with the previous conclusion. The results show that through the robustness test, there is no sufficient evidence to prove that external governance has an impact on the relationship between management power and long-term M&A performance.

For CEO tenure, there is no U-shaped relationship between management power(Whole) and M&A performance. Since the extremum is outside the interval. However, there is an inverted U-shaped relationship between CEO tenure and M&A performance after M&A and there is an U shaped relationship between CEO tenure and M&A performance before M&A, the extreme point is 4.14 and 12 respectively. These results are consistent with the above and indicating that pass the robustness test.

For management compensation, all the management compensation passed the significance test of U-test, there are three inverted U-shaped relationship between management compensation and M&A performance, and the extreme points are 0.11 for whole, 0.09 for before M&A and 0.12 for after M&A, respectively. These results are consistent with the above and indicating that pass the robustness test.

For management shareholding structure, all the management shareholding structure passed the significance test of U-test. Before M&A, there is U-shaped relationship between management shareholding structure and M&A performance, and the extreme point is 21.49. However, the relationship between management shareholding structure of whole and after M&A and M&A performance are inverted U-shaped, the extreme points are 31.61 for whole and 24.18 for after M&A, respectively. The U-shaped opening direction before and after the merger is different, indicating that the occurrence of merger will change the original U-shaped relationship, and further affect the overall relationship. These results are consistent with the above and indicating that pass the robustness test.

For board size, all the board size are passed the significance test of U-test, there are three inverted U-shaped relationship between board size and M&A performance, and the extreme points are 10.52 for whole, 10.34 for before M&A and 10.09 for after M&A, respectively. These results are consistent with the above and indicating that pass the robustness test.

B. Robustness test for multiple regression

The robustness test in this section continue to Perf for long-term M&A performance as dependent variables. The principal component power is replaced by Power1, a five-component integral variable of management power. The function for Power1 is as follows:

$$\text{Power1} = \text{Tenure} + \text{Dual} + \text{CPS} + \text{Struc} + \text{Boardsize}$$

Table 4.13 : Robustness of Management power and M&A performance from 2013-2018

	Dependent variable: M&A performance(Perf)					
	Whole		Before M&A		After M&A	
Power1	-	-	-	0.002	-	-
	0.001***	0.003***	0.002***	(1.250)	0.001***	0.005***
	(-5.790)	(-2.950)	(-4.255)		(-3.602)	(-3.597)
Power1 ²		0.000*		-0.000**		0.000***
		(1.722)		(-2.361)		(3.040)
Scale	0.067***	0.067***	0.057***	0.058***	0.089***	0.089***
	(10.032)	(10.022)	(5.022)	(5.055)	(10.529)	(10.520)
Lev	0.001***	0.001***	0.001**	0.001**	0.001***	0.001***
	(3.721)	(3.692)	(1.965)	(2.027)	(2.661)	(2.631)
Cash	0.002***	0.002***	0.002***	0.002***	0.002***	0.002***
	(7.802)	(7.783)	(3.209)	(3.217)	(5.487)	(5.444)
ROA	0.269***	0.269***	0.171***	0.171***	0.422***	0.421***
	(18.780)	(18.783)	(15.823)	(15.818)	(11.819)	(11.811)
Growth	0.006***	0.006***	0.006***	0.006***	0.006***	0.006***
	(25.653)	(25.634)	(19.235)	(19.225)	(21.140)	(21.183)
_cons	-	-	-	-	-	-
	1.396***	1.378***	1.192***	1.239***	1.943***	1.904***
	(-9.981)	(-9.786)	(-5.071)	(-5.252)	(-9.699)	(-9.437)
N	17129	17129	5487	5487	11642	11642
R ²	0.201	0.201	0.205	0.206	0.214	0.215

Note: Perf represents long-term M&A performance as the dependent variable of the study. Power1 represents management power as an independent variable of this study, and is a integral variable. Power1² is the square term of power1. Scale indicates the size of the company. Lev represents the company's asset-liability ratio. Cash represents a company's level of cash holdings. ROA represents the return on an asset. Growth represents the level of revenue growth of a company. T values are shown in parentheses. *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

As can be seen from Table 4.13, overall, management power has a significant negative impact on M&A financial performance (Perf) at the level of 1%. From the comparison of the size of the regression coefficients, the regression coefficients of the influence of management power on M&A performance before and after M&A are -0.002 and -0.001 respectively, and the absolute value of the regression coefficient before M&A is greater than that after M&A. Meanwhile, Power1² has passed all significance tests before and after M&A, indicating that the influence of management power on M&A performance is non-linear. Hence, the results are consistent with the above empirical research conclusions.

4.7 Discussion of Objective 3

4.7.1 Moderating Effect of External Governance (Short-Term)

A. Market competition

Table 4.14: Moderating effect of market competition on the relationship between management power and short-term M&A performance from 2009-2022

	Model 9 CAR	Model 10 CAR	Model 11 CAR	Model 12 CAR
Power	-0.011* (-1.691)	-0.021** (-2.054)		
HHI	-0.047** (-2.098)	-0.049** (-2.178)	-0.046** (-1.999)	-0.126 (-1.314)
Power_HHI		0.039 (1.323)		
Tenure			0.003* (1.793)	0.006*** (2.707)
Dual			-0.015 (-1.384)	-0.043** (-2.479)
CPS			0.000 (0.147)	0.002 (0.513)
Struc			-0.000 (-0.328)	0.000 (0.424)
Boardsize			-0.004 (-1.207)	-0.007 (-1.598)

Table 4.14: Continued

Tenure_HHI				-0.013** (-2.125)
CPS_HHI				-0.006 (-0.684)
Dual_HHI				0.110** (2.042)
Struc_HHI				-0.001 (-0.793)
Boardsize_HHI				0.013 (1.408)
Scale	0.013** (2.290)	0.013** (2.308)	0.014** (2.310)	0.013** (2.181)
Lev	-0.001** (-2.387)	-0.001** (-2.402)	-0.001** (-2.323)	-0.001** (-2.345)
Cash	-0.000 (-0.205)	-0.000 (-0.276)	-0.000 (-0.154)	-0.000 (-0.126)
ROA	-0.004*** (-4.199)	-0.004*** (-4.189)	-0.005*** (-4.198)	-0.005*** (-4.217)
Growth	0.000** (2.561)	0.000** (2.545)	0.000** (2.508)	0.000** (2.532)
_cons	-0.205* (-1.753)	-0.207* (-1.768)	-0.192 (-1.599)	-0.156 (-1.297)
N	1684	1684	1684	1684
R ²	0.020	0.021	0.023	0.027

Note: This table provides the results of the moderating effect of market competition degree on management power and short-term M&A performance. In order to avoid multicollinearity, the data in the table has been centralized. CAR is cumulative excess return and represents short-term M&A performance as the dependent variable of the study. Power represents management power as an independent variable of this study, and is a comprehensive indicator. HHI represents the degree of market competition and is the moderate variable of this thesis. Tenure is the term of CEO tenure. Dual indicates whether the two management positions are the same person. CPS stands for management compensation ratio. Struc represents management ownership. Boardsize represents the number of board members. Scale indicates the size of the company. Lev represents the company's asset-liability ratio. Cash represents a company's level of cash holdings. ROA represents the return on an asset. Growth represents the level of revenue growth of a company. T values are shown in parentheses. *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

In order to study the influence of external market competition degree on the relationship between management power and M&A performance, market competition degree is introduced into regression analysis. According to the results in Table 4.14, the correlation coefficient between the cross-multiplication term of market competition and Power and M&A performance is 0.039, and the T-value is 1.323, indicating that market competition has no significant moderating effect on the

relationship between management power and short-term M&A performance, and the hypothesis 3a(i) in this thesis has not been verified. The reason why the hypothesis 3a(i) is not passed may be because the market where the enterprise is located has a large number of enterprises, active transactions, and more mergers and acquisitions. And the time is not enough, the moderating effect has yet to be reflect. Therefore, the M&A performance in a market with high market competition may not fully explain the power of the management. However, market competition has a negative moderating effect on the relationship between CEO tenure and short-term M&A performance at a significant level of 5%. At the same time, HHI also has a positive moderating effect on the relationship between Dual and short-term M&A performance at the significance level of 5%. Therefore, although the degree of market competition does not significantly affect the negative impact between management power and M&A performance, it can be seen that the degree of market competition still plays a certain role in reducing the negative impact of management power on M&A performance.

B. Creditor governance

Table 4.15: Moderating effect of creditor governance on the relationship between management power and short-term M&A performance from 2009-2022

	Model 13 CAR	Model 14 CAR	Model 15 CAR	Model 16 CAR
Power	-0.012* (-1.781)	-0.001 (-0.096)		
Credit	-0.000 (-1.498)	-0.000 (-1.545)	-0.000 (-1.570)	-0.000 (-0.008)
Power_Credit		-0.001* (-1.729)		
Tenure			0.003* (1.961)	0.002 (0.970)

Table 4.15: Continued

Dual			-0.015 (-1.383)	0.012 (0.749)
CPS			-0.000 (-0.108)	0.000 (0.140)
Struc			-0.000 (-0.319)	-0.000 (-0.807)
Boardsize			-0.004 (-1.247)	-0.004 (-0.818)
Tenure_Credit				0.000 (0.518)
CPS_Credit				-0.000 (-0.375)
Dual_Credit				-0.001** (-2.538)
Struc_Credit				0.000 (0.845)
Boardsize_Credit				-0.000 (-0.074)
Scale	0.012** (2.140)	0.012** (2.138)	0.013** (2.233)	0.014** (2.324)
Lev	-0.001** (-1.989)	-0.001** (-2.008)	-0.001* (-1.897)	-0.001* (-1.956)
Cash	-0.000 (-0.564)	-0.000 (-0.546)	-0.000 (-0.463)	-0.000 (-0.517)
ROA	-0.005*** (-4.307)	-0.005*** (-4.311)	-0.005*** (-4.279)	-0.005*** (-4.212)
Growth	0.000** (2.565)	0.000*** (2.613)	0.000** (2.488)	0.000** (2.499)
_cons	-0.193* (-1.653)	-0.192* (-1.653)	-0.187 (-1.566)	-0.205* (-1.649)
N	1684	1684	1684	1684
R ²	0.020	0.022	0.022	0.026

Note: This table provides the results of the moderating effect of creditors govenance level on management power and short-term M&A performance. In order to avoid multicollinearity, the data in the table has been centralized. CAR is cumulative excess return and represents short-term M&A performance as the dependent variable of the study. Power represents management power as an independent variable of this study, and is a comprehensive indicator. Creditor represents the degree of creditor governance and is the moderate variable of this thesis. Tenure is the term of CEO tenure. Dual indicates whether the two management positions are the same person. CPS stands for management compensation ratio. Struc represents management ownership. Boardsize represents the number of board members. Scale indicates the size of the company. Lev represents the company's asset-liability ratio. Cash represents a company's level of cash holdings. ROA represents the return on an asset. Growth represents the level of revenue growth of a company. T values are shown in parentheses. *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

STATA 17.0 software was used for regression analysis of creditor governance variables, management power and M&A performance variables. The results of regression analysis are shown in Table 4.15. Neither power nor credit pass the significance test, and creditor governance has no moderating effect on the relationship between management power and M&A performance. Although the correlation coefficient between interaction terms and M&A performance is -0.001, the significance level is a weak 10%. The negative correlation coefficient indicates that creditor governance has weakened influence on management power and short-term M&A performance. Since creditors will try their best to ensure the smooth recovery of their debts, so as to promote the healthy development and normal operation of debt companies, pay attention to or even intervene in risky M&A projects, and try their best to prevent their approval, so as to reduce the negative impact between management power and M&A performance. However, due to insufficient evidence and other reasons, the hypothesis 3a(ii) of this thesis has not been verified. Therefore, effective creditor governance can not reduce the negative impact of management power on short-term M&A performance.

C. Government control

Table 4.16: Moderating effect of Government control on the relationship between management power and short-term M&A performance from 2009-2022

	Model 17	Model 18	Model 19	Model 20
	CAR	CAR	CAR	CAR
Power	-0.011 (-1.640)	-0.011 (-1.456)		
State	0.002 (0.184)	-0.001 (-0.104)	0.005 (0.504)	0.004 (0.084)
Power_State		-0.008 (-0.433)		
Tenure			0.003* (1.881)	0.002 (1.319)
Dual			-0.014 (-1.330)	-0.017 (-1.408)
CPS			0.000 (0.078)	0.001 (0.357)
Struc			-0.000 (-0.272)	-0.000 (-0.123)
Boardsize			-0.004 (-1.278)	-0.004 (-1.047)
Tenure_State				0.001 (0.366)
CPS_State				-0.003 (-0.719)
Dual_State				0.017 (0.738)
Struc_State				0.000 (0.078)
Boardsize_State				0.000 (0.020)
Scale	0.012** (2.130)	0.012** (2.142)	0.013** (2.155)	0.013** (2.202)
Lev	-0.001** (-2.359)	-0.001** (-2.354)	-0.001** (-2.315)	-0.001** (-2.367)
Cash	-0.000 (-0.395)	-0.000 (-0.335)	-0.000 (-0.329)	-0.000 (-0.227)
ROA	-0.004*** (-4.151)	-0.004*** (-4.134)	-0.005*** (-4.135)	-0.005*** (-4.167)
Growth	0.000*** (2.583)	0.000** (2.569)	0.000** (2.542)	0.000** (2.549)
_cons	-0.201* (-1.698)	-0.203* (-1.713)	-0.185 (-1.527)	-0.190 (-1.526)
N	1684	1684	1684	1684
R ²	0.018	0.018	0.021	0.022

Note: This table provides the results of the moderating effect of government control degree on management power and short-term M&A performance. In order to avoid multicollinearity, the data in the table has been centralized. CAR is cumulative excess return and represents short-term M&A performance as the dependent variable of the study. Power represents management power as an independent variable of this study, and is a comprehensive indicator. State represents the degree of government control and is the moderate variable of this thesis. Tenure is the term of CEO tenure. Dual indicates whether the two management positions are the same person. CPS stands for management compensation ratio. Struc represents management ownership. Boardsize represents the number of board members. Scale indicates the size of the company. Lev represents the company's asset-liability ratio. Cash represents a company's level of cash holdings. ROA represents the return on an asset. Growth represents the level of revenue growth of a company. T values are shown in parentheses. *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

As can be seen from Table 4.16, the interaction terms of government control and management power failed to pass the significance test before and after M&A. The interaction coefficient is -0.008 and the T-value is -0.433, indicating that Government control has no moderating effect on the negative relationship between management power and short-term M&A performance. Hypothesis 3a(iii) is not verified. The reason for failing the test may be that the government's supervision of listed companies is external supervision, the supervision is weak or the time is too short, and the regulatory role of Government control has not yet shown. The interaction of the five components of Power with Government control also fails the significance test. Non-state-owned enterprises accounted for the majority of the samples, and the small influence of non-state-owned enterprises on Government control may be one of the reasons for the insignificance. To sum up, the negative moderating effect of government control on the relationship between management power and short-term M&A performance is not obvious.

4.7.2 Robustness of Moderating Effect of External Governance (Short-term)

The robustness test in this section continue to power as independent variables. Short-term M&A performance is replaced by CAR1(-5,5) for CAR(-10,10), the same as above.

Table 4.17: Robustness of moderating effect of market competition on the relationship between management power and short-term M&A performance from 2009-2022

	CAR1	CAR1	CAR1	CAR1
Power	-0.007 (-1.634)	-0.010 (-1.333)		
HHI	-0.046*** (-2.865)	-0.047*** (-2.854)	-0.046*** (-2.795)	0.005 (0.067)
Power_HHI		0.008 (0.434)		
Tenure			0.002** (2.036)	0.005*** (2.729)
Dual			-0.011 (-1.470)	-0.024** (-1.981)
CPS			0.001 (0.771)	0.002 (0.710)
Struc			-0.000 (-0.206)	0.000 (1.027)
Boardsize			-0.001 (-0.519)	-0.001 (-0.213)
Tenure_HHI				-0.009** (-2.002)
CPS_HHI				-0.003 (-0.450)
Dual_HHI				0.051 (1.408)
Struc_HHI				-0.002 (-1.578)
Boardsize_HHI				-0.001 (-0.206)
Scale	0.004 (0.949)	0.004 (0.953)	0.003 (0.716)	0.003 (0.597)
Lev	-0.000* (-1.918)	-0.000* (-1.922)	-0.000* (-1.814)	-0.000* (-1.877)
Cash	0.000 (0.380)	0.000 (0.355)	0.000 (0.381)	0.000 (0.422)
ROA	-0.002*** (-2.964)	-0.002*** (-2.962)	-0.002*** (-3.103)	-0.002*** (-3.147)

Table 4.17: Continued

Growth	0.000** (2.333)	0.000** (2.329)	0.000** (2.337)	0.000** (2.367)
_cons	-0.026 (-0.304)	-0.026 (-0.308)	-0.006 (-0.071)	-0.009 (-0.102)
N	1684	1684	1684	1684
R ²	0.014	0.014	0.017	0.020

Note: This table provides the results of the robustness of moderating effect of market competition degree on management power and short-term M&A performance. In order to avoid multicollinearity, the data in the table has been centralized. CAR1 is cumulative excess return and represents short-term M&A performance. Power represents management power as an independent variable of this study, and is a comprehensive indicator. HHI represents the degree of market competition and is the moderate variable of this thesis. Tenure is the term of CEO tenure. Dual indicates whether the two management positions are the same person. CPS stands for management compensation ratio. Struc represents management ownership. Boardsize represents the number of board members. Scale indicates the size of the company. Lev represents the company's asset-liability ratio. Cash represents a company's level of cash holdings. ROA represents the return on an asset. Growth represents the level of revenue growth of a company. T values are shown in parentheses. *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

Table 4.18: Robustness of moderating effect of creditor governance on the relationship between management power and short-term M&A performance from 2009-2022

	CAR1	CAR1	CAR1	CAR1
Power	-0.008* (-1.750)	-0.002 (-0.286)		
Credit	-0.000 (-1.500)	-0.000 (-1.544)	-0.000 (-1.565)	-0.001 (-0.830)
Power_Credit		-0.000 (-1.434)		
Tenure			0.002** (2.223)	0.001 (0.846)
Dual			-0.011 (-1.463)	0.002 (0.173)
CPS			0.001 (0.473)	0.000 (0.094)
Struc			-0.000 (-0.204)	-0.000 (-0.491)
Boardsize			-0.001 (-0.574)	-0.002 (-0.737)
Tenure_Credit				0.000 (1.005)
CPS_Credit				0.000 (0.456)
Dual_Credit				-0.001* (-1.827)
Struc_Credit				0.000 (0.493)

Table 4.18: Continued

Boardsize_Credit				0.000 (0.477)
Scale	0.003 (0.759)	0.003 (0.755)	0.003 (0.615)	0.003 (0.604)
Lev	-0.000 (-1.495)	-0.000 (-1.508)	-0.000 (-1.368)	-0.000 (-1.388)
Cash	-0.000 (-0.039)	-0.000 (-0.026)	0.000 (0.020)	0.000 (0.063)
ROA	-0.002*** (-3.078)	-0.002*** (-3.084)	-0.002*** (-3.175)	-0.002*** (-3.100)
Growth	0.000** (2.337)	0.000** (2.374)	0.000** (2.313)	0.000** (2.290)
_cons	-0.017 (-0.204)	-0.017 (-0.202)	-0.004 (-0.046)	0.007 (0.073)
N	1684	1684	1684	1684
R ²	0.011	0.012	0.014	0.017

Note: This table provides the results of the robustness of moderating effect of creditors governance degree on management power and short-term M&A performance. In order to avoid multicollinearity, the data in the table has been centralized. CAR1 is cumulative excess return and represents short-term M&A performance. Power represents management power as an independent variable of this study, and is a comprehensive indicator. Creditor represents the degree of creditor governance and is the moderate variable of this thesis. Tenure is the term of CEO tenure. Dual indicates whether the two management positions are the same person. CPS stands for management compensation ratio. Struc represents management ownership. Boardsize represents the number of board members. Scale indicates the size of the company. Lev represents the company's asset-liability ratio. Cash represents a company's level of cash holdings. ROA represents the return on an asset. Growth represents the level of revenue growth of a company. T values are shown in parentheses. *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

Table 4.19: Robustness of moderating effect of Government control on the relationship between management power and short-term M&A performance from 2009-2022

	CAR1	CAR1	CAR1	CAR1
Power	-0.007 (-1.499)	-0.005 (-1.094)		
State	0.005 (0.650)	-0.003 (-0.333)	0.007 (0.922)	0.009 (0.225)
Power_State		-0.020 (-1.318)		
Tenure			0.002** (2.149)	0.001 (0.984)
Dual			-0.010 (-1.365)	-0.011 (-1.326)
CPS			0.001 (0.713)	0.002 (0.838)
Struc			-0.000	0.000

Table 4.19: Continued

			(-0.086)	(0.064)
Boardsize			-0.001	-0.001
			(-0.662)	(-0.477)
Tenure_State				0.004
				(1.532)
CPS_State				-0.003
				(-0.766)
Dual_State				0.004
				(0.261)
Struc_State				0.000
				(0.177)
Boardsize_State				-0.001
				(-0.303)
Scale	0.003	0.003	0.002	0.003
	(0.685)	(0.722)	(0.478)	(0.674)
Lev	-0.000*	-0.000*	-0.000*	-0.000**
	(-1.920)	(-1.908)	(-1.833)	(-1.986)
Cash	0.000	0.000	0.000	0.000
	(0.102)	(0.291)	(0.126)	(0.302)
ROA	-0.002***	-0.002***	-0.002***	-0.002***
	(-2.890)	(-2.848)	(-3.010)	(-3.061)
Growth	0.000**	0.000**	0.000**	0.000**
	(2.389)	(2.343)	(2.398)	(2.389)
_cons	-0.016	-0.020	0.005	-0.011
	(-0.183)	(-0.229)	(0.052)	(-0.122)
N	1684	1684	1684	1684
R ²	0.010	0.011	0.014	0.016

Note: This table provides the results of the robustness of moderating effect of government control degree on management power and short-term M&A performance. In order to avoid multicollinearity, the data in the table has been centralized. CAR1 is cumulative excess return and represents short-term M&A performance. Power represents management power as an independent variable of this study, and is a comprehensive indicator. State represents the degree of government control and is the moderate variable of this thesis. Tenure is the term of CEO tenure. Dual indicates whether the two management positions are the same person. CPS stands for management compensation ratio. Struc represents management ownership. Boardsize represents the number of board members. Scale indicates the size of the company. Lev represents the company's asset-liability ratio. Cash represents a company's level of cash holdings. ROA represents the return on an asset. Growth represents the level of revenue growth of a company. T values are shown in parentheses. *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

As the Table 4.17 to Table 4.19 shows, market competition, creditor governance and Government control have no significant moderating effect on the relationship between management power and short-term M&A performance, which is consistent with above. The results show that through the robustness test, there is no sufficient evidence to prove that external governance has an impact on the relationship between management power and short-term M&A performance.

4.7.3 Moderating Effect of External Governance (Long-term)

4.7.3.1 Linear

A. Market competition

Table 4.20: Moderating effect of market competition on the relationship between management power (Indicator) and long-term M&A performance from 2013-2018

	Dependent variable: M&A performance (Perf)					
	Whole		Before M&A		After M&A	
	Model 21	Model 22	Model 21a	Model 22a	Model 21b	Model 22b
Power	-	-	-0.044***	-0.023**	-	-
	0.046***	0.030***			0.042***	0.025***
	(-8.162)	(-4.529)	(-4.544)	(-1.963)	(-6.225)	(-3.225)
HHI	0.671***	0.655***	0.036	0.002	0.503**	0.484*
	(3.924)	(3.847)	(0.116)	(0.006)	(1.981)	(1.911)
Power_HHI	-	-	-	-	-	-
		0.243***		0.236***		0.292***
		(-4.693)		(-3.270)		(-3.871)
Scale	0.069***	0.068***	0.057***	0.056***	0.089***	0.089***
	(10.297)	(10.219)	(4.992)	(4.958)	(10.680)	(10.630)
Lev	0.001***	0.001***	0.001**	0.001*	0.001***	0.001***
	(3.713)	(3.638)	(2.020)	(1.937)	(2.621)	(2.606)
Cash	0.002***	0.002***	0.002***	0.002***	0.002***	0.002***
	(7.711)	(7.762)	(3.339)	(3.342)	(5.447)	(5.460)
ROA	0.267***	0.268***	0.169***	0.169***	0.422***	0.423***
	(18.750)	(18.836)	(15.700)	(15.728)	(11.847)	(11.895)
Growth	0.006***	0.006***	0.006***	0.006***	0.006***	0.006***
	(25.806)	(25.867)	(19.355)	(19.323)	(21.271)	(21.353)
Year	control	control	control	control	control	control
Industry	control	control	control	control	control	control

Table 4.20: Continued

_cons	-	-	-1.224***	-	-	-
	1.531*** (-10.925)	1.520*** (-10.854)	(-5.170)	1.210*** (-5.116)	2.035*** (-10.160)	2.032*** (-10.146)
N	17129	17129	5487	5487	11642	11642
R ²	0.203	0.204	0.206	0.207	0.216	0.216
Marginal effects for HHI						
At Min.		-0.0596		0.0679		-0.0918
At Mean		-0.0615		0.0705		-0.1005
At Max.		-0.0904		0.1103		-0.2302

Note: This table provides the results of the moderating effect of market competition degree on management power and long-term M&A performance. In order to avoid multicollinearity, the data in the table has been centralized. Perf represents long-term M&A performance as the dependent variable of the study. Power represents management power as an independent variable of this study, and is a comprehensive indicator. HHI represents the degree of market competition and is the moderate variable of this thesis. Scale indicates the size of the company. Lev represents the company's asset-liability ratio. Cash represents a company's level of cash holdings. ROA represents the return on an asset. Growth represents the level of revenue growth of a company. The marginal effect follows the calculation proposed by Brambor et al. (2006) and Busenbark et al. (2022). T values are shown in parentheses. *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

Table 4.21: Moderating effect of market competition on the relationship between management power(Components) and long-term M&A performance from 2013-2018

	Dependent variable: M&A performance(Perf)					
	Whole Model 23	Model 24	Before M&A		After M&A	
			Model 23a	Model 24a	Model 23b	Model 24b
Tenure	- 0.003*** (-2.681)	-0.003* (-1.912)	- 0.007*** (-2.811)	-0.006** (-2.026)	-0.001 (-0.972)	-0.001 (-0.437)
CPS	4.573*** (14.743)	5.323*** (12.921)	8.348*** (10.579)	8.832*** (8.157)	3.771*** (11.258)	4.493*** (9.870)
Dual	- 0.113*** (-9.560)	- 0.116*** (-7.913)	- 0.064*** (-3.649)	-0.059** (-2.574)	-0.137*** (-9.093)	- 0.136*** (-7.477)
Struc	0.001* (1.645)	0.001*** (3.529)	-0.000 (-0.734)	0.001 (1.000)	0.001*** (2.792)	0.002*** (3.946)
Boardsize	0.008*** (2.797)	0.005 (1.536)	0.008* (1.832)	0.003 (0.596)	0.005 (1.437)	0.003 (0.873)
HHI	0.628*** (3.693)	0.594** (2.270)	0.013 (0.044)	-0.227 (-0.531)	0.455* (1.796)	0.631* (1.695)
Tenure_HHI		-0.009 (-0.836)		-0.004 (-0.163)		-0.012 (-0.910)
CPS_HHI		- 11.935** *		-4.793		- 12.091** *
		(-3.275)		(-0.540)		(-2.818)

Table 4.21: Continued

Dual_HHI		0.057 (0.508)		-0.043 (-0.277)		-0.028 (-0.182)
Struc_HHI		- 0.012*** (-4.532)		- 0.010*** (-2.800)		- 0.014*** (-3.433)
Boardsize_H HI		0.036* (1.751)		0.047 (1.388)		0.023 (0.886)
Scale	0.040*** (5.723)	0.039*** (5.586)	0.028** (2.367)	0.027** (2.278)	0.060*** (6.860)	0.059*** (6.666)
Lev	0.002*** (4.899)	0.002*** (4.804)	0.002*** (2.993)	0.002*** (2.939)	0.002*** (3.550)	0.002*** (3.529)
Cash	0.002*** (5.954)	0.002*** (6.217)	0.001 (0.995)	0.001 (1.045)	0.001*** (4.588)	0.001*** (4.772)
ROA	0.265*** (18.404)	0.266*** (18.506)	0.167*** (15.528)	0.168*** (15.622)	0.421*** (11.828)	0.421*** (11.865)
Growth	0.006*** (25.668)	0.006*** (25.723)	0.006*** (19.343)	0.006*** (19.316)	0.005*** (21.051)	0.006*** (21.126)
Year	control	control	control	control	control	control
Industry	control	control	control	control	control	control
_cons	- 1.013*** (-7.103)	- 0.988*** (-6.882)	- 0.748*** (-3.082)	- 0.701*** (-2.851)	-1.501*** (-7.378)	- 1.475*** (-7.232)
N	17129	17129	5487	5487	11642	11642
R ²	0.222	0.223	0.235	0.237	0.233	0.234

Note: This table provides the results of the moderating effect of market competition degree on management power and long-term M&A performance. In order to avoid multicollinearity, the data in the table has been centralized. Perf represents long-term M&A performance as the dependent variable of the study. HHI represents the degree of market competition and is the moderate variable of this thesis. Tenure is the term of CEO tenure. Dual indicates whether the two management positions are the same person. CPS stands for management compensation ratio. Struc represents management ownership. Boardsize represents the number of board members. Scale indicates the size of the company. Lev represents the company's asset-liability ratio. Cash represents a company's level of cash holdings. ROA represents the return on an asset. Growth represents the level of revenue growth of a company. T values are shown in parentheses. *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

The correlation coefficients between market competitiveness, power, and long-term M&A success before and after M&A are -0.236 and -0.292, as shown in Table 4.20 and Table 4.21. The corresponding T values are -3.270 and -0.292, respectively. Furthermore, the level of market competition has a positive moderating effect on the inverse impact between management power and long-term M&A performance, with

statistical significance at a level of 1%. The verification of Hypothesis 3b(i) is presented in this study. The magnitude of this coefficient increases after M&A, suggesting that market rivalry has a more positive influence on the link between management power and M&A performance following M&A. The absolute value of HHI marginal effect increases with the increase of HHI, which again indicates that the relationship between management power and long-term M&A performance will be strengthened with the degree of market competition.

The main reasons for the impact on M&A performance after the introduction of the interaction between management power and market competition include: firstly, market competition will increase the operating cost of enterprises, and increasing the debt ratio will make enterprises behave conservatively, which is not conducive to the effective improvement of financial performance of enterprises. Secondly, when enterprises improve their capital structure through mergers and acquisitions, they will bring certain financial risks, which may also lead to the predatory behavior of competitors in the product market, which is not conducive to strengthening the competitiveness of enterprises in the product market and resulting in the reduction of their financial performance.

China has a vast territory and rich industries, and the market competition encourages enterprises to cross regional and cross industry mergers and acquisitions to achieve resource integration and synergy. Such as the United States merger and acquisition of Cygnet, integration of household appliance industry chain resources, enhance market competitiveness and merger performance. In recent years, China's market competition in the field of science and technology is fierce, and enterprises promote their own

technological innovation and upgrading through the renewal of management. For example, Huawei has acquired some small technology companies to enhance its research and development capabilities in communication technology and enhance its advantages in fields such as 5G. In addition, the Chinese market has a large consumption potential, and enterprises can rapidly expand their market share through the acquisition of well-known brands and mature sales channels. For example, Geely's acquisition of Volvo has enhanced its brand image, expanded domestic and foreign markets, and improved its M&A performance.

In the meantime, the level of market competitiveness positively influences the connection between the ratio of management shareholding and long-term M&A performance, with a significant level of 1% observed before and after the M&A. The extent of market rivalry directly influences the percentage of ownership held by management. Market rivalry has a crucial role in influencing the relationship between management remuneration and M&A performance. It has a strong positive moderating effect, which remains statistically significant at a level of 1% both before and after M&A. The research indicates that the impact between management compensation and M&A performance following an M&A transaction is more responsive to market competition. Thus, as the level of market rivalry increases, the detrimental effect of management power on long-term M&A success also intensifies.

B. Creditor governance

Table 4.22: Moderating effect of creditor governance on the relationship between management power(Indicator) and long-term M&A performance from 2013-2018

Dependent variable: M&A performance(Perf)						
	Whole		Before M&A		After M&A	
	Model 25	Model 26	Model 25a	Model 26a	Model 25b	Model 26b
Power	-	-0.026**	-	-0.018	-	-0.027**
	0.039***		0.034***		0.037***	
	(-6.032)	(-2.509)	(-2.756)	(-0.801)	(-4.877)	(-2.251)
Credit	-	-	-0.001**	-0.001**	-	-
	0.001***	0.001***			0.002***	0.002***
	(-5.545)	(-5.530)	(-2.245)	(-2.456)	(-5.117)	(-4.967)
Power_ Credit		-0.001		-0.001		-0.000
		(-1.569)		(-0.885)		(-1.053)
Scale	0.068***	0.069***	0.046***	0.047***	0.089***	0.090***
	(9.702)	(9.734)	(3.580)	(3.611)	(10.442)	(10.460)
Lev	0.001***	0.001***	0.001	0.001	0.001**	0.001**
	(2.924)	(2.925)	(1.087)	(1.090)	(2.322)	(2.324)
Cash	0.002***	0.002***	0.002***	0.002***	0.002***	0.002***
	(7.388)	(7.389)	(3.274)	(3.227)	(5.167)	(5.183)
ROA	0.316***	0.316***	0.197***	0.198***	0.439***	0.440***
	(15.628)	(15.635)	(12.399)	(12.410)	(10.732)	(10.731)
Growth	0.006***	0.006***	0.006***	0.006***	0.006***	0.006***
	(23.807)	(23.798)	(17.749)	(17.776)	(20.166)	(20.151)
Year	control	control	control	control	control	control
Industry	control	control	control	control	control	control
_cons	-	-	-	-	-	-
	1.446***	1.452***	0.951***	0.962***	2.050***	2.053***
	(-9.752)	(-9.788)	(-3.530)	(-3.558)	(-10.781)	(-10.808)
N	13789	13789	4064	4064	9725	9725
R ²	0.215	0.215	0.204	0.204	0.230	0.230

Note: This table provides the results of the moderating effect of creditors governance level on management power(indicator) and long-term M&A performance. In order to avoid multicollinearity, the data in the table has been centralized. Perf represents long-term M&A performance as the dependent variable of the study. Power represents management power as an independent variable of this study, and is a comprehensive indicator. Creditor represents the degree of creditor governance and is the moderate variable of this thesis. Scale indicates the size of the company. Lev represents the company's asset-liability ratio. Cash represents a company's level of cash holdings. ROA represents the return on an asset. Growth represents the level of revenue growth of a company. T values are shown in parentheses. *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

Table 4.23: Moderating effect of creditor governance on the relationship between management power(Components) and long-term M&A performance from 2013-2018

Dependent variable: M&A performance(Perf)						
	Whole Model 27	Model 28	Before M&A Model 27a	Model 28a	After M&A Model 27b	Model 28b
Tenure	-0.003** (-2.420)	-0.001	-0.003	-0.000	-0.002*	-0.000
CPS	4.146** (12.450)	4.565** (8.878)	8.956*** (10.028)	7.823** (5.352)	3.434*** (9.634)	4.114*** (7.349)
Dual	0.095** (-7.553)	0.106** (-4.922)	0.061*** (-2.944)	-0.017 (-0.462)	0.111*** (-7.234)	0.145*** (-5.533)
Struc	0.000 (0.654)	0.000 (0.306)	-0.000 (-0.658)	-0.001 (-1.339)	0.001* (1.766)	0.001 (1.318)
Boardsize	0.007** (2.394)	0.007 (1.316)	0.008 (1.532)	0.015* (1.711)	0.004 (1.116)	-0.000 (-0.057)
Credit	-0.001** (-4.574)	-0.001 (-0.604)	-0.001 (-1.439)	0.002 (0.713)	-0.001*** (-4.327)	-0.002 (-1.165)
Tenure_Credit		-0.000 (-1.276)		-0.000 (-0.844)		-0.000 (-1.338)
CPS_Credit		-0.022 (-1.127)		0.052 (1.161)		-0.036* (-1.661)
Dual_Credit		0.000 (0.750)		-0.002 (-1.617)		0.001* (1.793)
Struc_Credit		0.000 (0.108)		0.000 (1.198)		-0.000 (-0.295)
Boardsize_Credit		0.000 (0.221)		-0.000 (-1.094)		0.000 (0.971)
Scale	0.043** (5.745)	0.043** (5.807)	0.018 (1.335)	0.017 (1.251)	0.065*** (7.075)	0.066*** (7.185)
Lev	0.002** (3.558)	0.002** (3.584)	0.001 (1.580)	0.001 (1.589)	0.002*** (2.843)	0.002*** (2.869)
Cash	0.002** (5.816)	0.001** (5.581)	0.001 (0.774)	0.001 (0.900)	0.001*** (4.377)	0.001*** (4.151)
ROA	0.313** (15.458)	0.314** (15.479)	0.197*** (12.395)	0.197** (12.378)	0.438*** (10.711)	0.438*** (10.740)
Growth	0.006** (15.458)	0.006** (15.479)	0.005*** (12.395)	0.005** (12.378)	0.006*** (10.711)	0.006*** (10.740)

Table 4.23: Continued

Year	(23.660)	(23.681)	(17.976)	(17.947)	(19.926)	(19.954)
Industry	control	control	control	control	control	control
_cons	-	-	-0.486*	-0.531*	-	-
	0.987**	1.012**			1.585***	1.594***
	*	*				
	(-6.474)	(-6.427)	(-1.784)	(-1.885)	(-8.097)	(-7.910)
N	13789	13789	4064	4064	9725	9725
R ²	0.230	0.230	0.232	0.233	0.243	0.243

Note: This table provides the results of the moderating effect of creditors governance level on management power(components) and long-term M&A performance. In order to avoid multicollinearity, the data in the table has been centralized. Perf represents long-term M&A performance as the dependent variable of the study. Creditor represents the degree of creditor governance and is the moderate variable of this thesis. Tenure is the term of CEO tenure. Dual indicates whether the two management positions are the same person. CPS stands for management compensation ratio. Struc represents management ownership. Boardsize represents the number of board members. Scale indicates the size of the company. Lev represents the company's asset-liability ratio. Cash represents a company's level of cash holdings. ROA represents the return on an asset. Growth represents the level of revenue growth of a company. T values are shown in parentheses. *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

As can be seen from Table 4.22, the interaction terms of creditor governance and management power did not pass the significance test whether before or after the M&A. Creditor governance has no significant moderating effect on the relationship between management power and long-term M&A performance. Hypothesis 3b(ii) is not verified. However, as can be seen from Table 4.23, creditor governance has a significant moderating effect of 10% on the compensation ratio of management on the relationship between management power and M&A performance after M&A. Therefore, to a certain extent, effective creditor governance can weaken some negative influence of management power on long-term M&A performance, but it is not significant.

C. Government control

Table 4.24: Moderating effect of government control on the relationship between management power(Indicator) and long-term M&A performance from 2013-2018

Dependent variable: M&A performance(Perf)						
	Whole		Before M&A		After M&A	
	Model 29	Model 30	Model 29a	Model 30a	Model 29b	Model 30b
Power	-	-	-	-	-	-
	0.044***	0.058***	0.052***	0.069***	0.036***	0.049***
	(-7.250)	(-9.079)	(-5.087)	(-6.546)	(-4.917)	(-6.206)
State	0.001	0.031**	-	-0.012	0.017	0.040**
	(0.114)	(2.391)	0.051***	(-0.576)	(1.210)	(2.553)
Power_State		0.102***		0.111***		0.089***
		(5.947)		(3.441)		(4.457)
Scale	0.066***	0.067***	0.063***	0.064***	0.086***	0.086***
	(9.520)	(9.645)	(5.532)	(5.686)	(9.697)	(9.717)
Lev	0.001***	0.001***	0.001**	0.001**	0.001***	0.001***
	(3.833)	(3.796)	(2.373)	(2.264)	(2.747)	(2.736)
Cash	0.002***	0.002***	0.002***	0.002***	0.002***	0.002***
	(7.563)	(7.398)	(3.347)	(3.132)	(5.178)	(5.117)
ROA	0.263***	0.263***	0.167***	0.168***	0.407***	0.406***
	(18.411)	(18.405)	(15.350)	(15.417)	(11.313)	(11.312)
Growth	0.006***	0.006***	0.006***	0.006***	0.006***	0.006***
	(25.442)	(25.435)	(19.125)	(19.124)	(21.033)	(21.005)
Year	control	control	control	control	control	control
Industry	control	control	control	control	control	control
_cons	-	-	-	-	-	-
	1.404***	1.414***	1.327***	1.361***	1.913***	1.906***
	(-9.857)	(-9.954)	(-5.739)	(-5.910)	(-9.364)	(-9.331)
N	16753	16753	5487	5487	11266	11266
R ²	0.199	0.201	0.207	0.209	0.212	0.213
Marginal effects for State						
At Min.		-0.1064		-0.0043		-0.1396
At Mean		-0.0798		-0.0026		-0.1011
At Max.		-0.0282		0.0009		-0.0262

Note: This table provides the results of the moderating effect of government control degree on management power(indicators) and long-term M&A performance. In order to avoid multicollinearity, the data in the table has been centralized. Perf represents long-term M&A performance as the dependent variable of the study. Power represents management power as an independent variable of this study, and is a comprehensive indicator. State represents the degree of government control and is the moderate variable of this thesis. Scale indicates the size of the company. Lev represents the company's asset-liability ratio. Cash represents a company's level of cash holdings. ROA represents the return on an asset. Growth represents the level of revenue growth of a company. The marginal effect follows the calculation proposed by Brambor et al. (2006) and Busenbark et al. (2022). T values are shown in parentheses. *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

Table 4.25: Moderating effect of government control on the relationship between management power(Components) and long-term M&A performance from 2013-2018

Dependent variable: M&A performance(Perf)						
	Whole Model 31	Model 32	Before M&A		After M&A	
			Model 31a	Model 32a	Model 31b	Model 32b
Tenure	- 0.003*** (-2.723)	- 0.005*** (-3.809)	- 0.006*** (-2.773)	- 0.011*** (-3.634)	-0.001 (-0.789)	-0.003** (-1.963)
CPS	4.572*** (14.288)	4.148*** (10.727)	8.311*** (10.550)	7.873*** (8.726)	3.762*** (10.804)	3.479*** (8.151)
Dual	- 0.109*** (-8.993)	- 0.114*** (-8.692)	- 0.068*** (-3.901)	- 0.078*** (-3.932)	- 0.131*** (-8.344)	- 0.133*** (-8.095)
Struc	0.001* (1.874)	0.001** (2.305)	-0.001 (-1.379)	-0.000 (-1.038)	0.001*** (3.195)	0.002*** (3.677)
Boardsize	0.007** (2.554)	0.013*** (3.410)	0.010** (2.208)	0.020*** (3.753)	0.003 (0.969)	0.007 (1.530)
State	0.007 (0.598)	0.076 (1.521)	- 0.054*** (-3.064)	0.114 (1.384)	0.025* (1.734)	0.070 (1.122)
Tenure_State		0.008*** (3.531)		0.010** (2.118)		0.008*** (3.067)
CPS_State		1.178** (1.992)		0.654 (0.419)		0.821 (1.250)
Dual_State		0.033 (0.946)		0.058 (1.428)		0.018 (0.366)
Struc_State		-0.007** (-1.966)		0.007 (0.844)		- 0.011*** (-3.347)
Boardsize_State		- 0.015*** (-2.864)		- 0.026*** (-3.087)		-0.011* (-1.705)
Scale	0.038*** (5.258)	0.041*** (5.606)	0.033*** (2.810)	0.038*** (3.205)	0.058*** (6.267)	0.060*** (6.354)
Lev	0.002*** (4.924)	0.002*** (4.795)	0.002*** (3.309)	0.002*** (3.199)	0.002*** (3.595)	0.002*** (3.468)
Cash	0.002*** (5.754)	0.001*** (5.109)	0.001 (1.000)	0.001 (0.903)	0.001*** (4.277)	0.001*** (3.824)
ROA	0.260*** (18.055)	0.258*** (17.835)	0.166*** (15.286)	0.163*** (14.679)	0.405*** (11.301)	0.403*** (11.231)
Growth	0.006*** (25.305)	0.006*** (25.274)	0.006*** (19.103)	0.006*** (19.126)	0.005*** (20.801)	0.005*** (20.778)
Year	control	control	control	control	control	control
Industry	control	control	control	control	control	control
_cons	- 0.901*** (-6.244)	- 0.985*** (-6.672)	- 0.844*** (-3.564)	- 1.014*** (-4.146)	- 1.395*** (-6.733)	- 1.451*** (-6.814)

Table 4.25: Continued

N	16753	16753	5487	5487	11266	11266
R ²	0.217	0.219	0.236	0.239	0.228	0.229

Note: This table provides the results of the moderating effect of government control degree on management power(components) and long-term M&A performance. In order to avoid multicollinearity, the data in the table has been centralized. Perf represents long-term M&A performance as the dependent variable of the study. State represents the degree of government control and is the moderate variable of this thesis. Tenure is the term of CEO tenure. Dual indicates whether the two management positions are the same person. CPS stands for management compensation ratio. Struc represents management ownership. Boardsize represents the number of board members. Scale indicates the size of the company. Lev represents the company's asset-liability ratio. Cash represents a company's level of cash holdings. ROA represents the return on an asset. Growth represents the level of revenue growth of a company. T values are shown in parentheses. *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

Table 4.24 shows that the interaction terms of government control and management power passed the significance test at a 1% significance level, both before and after M&A. The coefficients for both terms were positive, indicating that government control negatively regulates the relationship between management power and long-term M&A performance. The coefficient of the independent variable is negative, but the coefficient of the cross term is positive. This suggests that as the level of government supervision increases, the negative impact of management power on long-term M&A success becomes reduced. Simultaneously, when the State increases, marginal effects declines, further confirming the adverse impact of government control. Hypothesis H3b(iii) has been confirmed. The government's participation in firms has a discernible inhibitory impact on excessive management power, fostering the development of enterprises in the appropriate direction and enhancing their financial performance in mergers and acquisitions.

The primary factors contributing to the favorable influence on M&A performance following the implementation of the synergy between management power and governmental oversight can be summarized as follows: First and foremost, the

Chinese market is predominantly controlled by the public ownership economy, and firms are required to operate under government supervision. Consequently, government regulation will ensure that firms adhere to standardized behaviors and maintain appropriate and orderly finance channels. Stabilizing the capital structure of firms helps to enhance the steady progress of M&A performance. Furthermore, in the event that enterprises face operational challenges, the government has the ability to provide specific tax incentives to these enterprises. This allows them to utilize funds to alleviate cash constraints, adopt a prudent approach towards investment projects that carry a relatively higher level of risk, and sustain a stable growth in their corporate financial performance. Furthermore, stringent governmental regulation establishes a uniform and enduring external atmosphere for businesses, hence fostering the sustainable functioning of enterprises. Hence, governmental control can mitigate the adverse effects of management power on the long-term success of mergers and acquisitions.

In China, although the reform of state-owned enterprises is advancing, some state-owned enterprises still have a certain color of government intervention. The government usually regulates state-owned enterprises, requiring management to improve efficiency and optimize performance, so as to limit the abuse of power by management. For example, the state-owned Assets Supervision and Administration Commission evaluates state-owned enterprises more strictly, and the decision-making space of management is subject to certain restrictions. At the same time, the appointment of management in state-owned enterprises is influenced to some extent by the government, which will select managers who are more capable and more in line with market demand, and the power of the original management may be affected by

personnel changes. Thus affect the performance of mergers and acquisitions. In addition, the government may promote mergers and acquisitions of state-owned enterprises based on regional development, industrial upgrading and other goals, such as requiring local state-owned enterprises to carry out mergers and acquisitions in order to integrate regional resources. However, such mergers and acquisitions may consider more social and political objectives rather than pure economic benefits, which may lead to difficult integration of enterprises after mergers and acquisitions, affecting the performance of mergers and acquisitions. The government can also support SOE mergers and acquisitions by granting preferential policies, financial subsidies and other resources. For example, provide convenience in tax relief, land use and other aspects, reduce the cost of mergers and acquisitions, and improve the performance of mergers and acquisitions. However, if the government intervenes excessively, enterprises may ignore the law of the market and blindly make mergers and acquisitions, leading to waste of resources and poor performance.

In addition, as can be seen from Table 4.25, government control also plays a significant moderating role in the relationship between CEO tenure, board size and long-term M&A performance. To sum up, government control reduces the negative impact of management power on long-term M&A performance.

4.7.4 Robustness of the Moderating Effect of External Governance (Long-term)

The robustness test in this section continue to use Perf for long-term M&A performance as dependent variables. The principal component power is replaced by Power1, a five-component integral variable of management power. The same as above.

Table 4.26: Robustness of moderating effect of market competition on the relationship between management power and long-term M&A performance from 2013-2018

Dependent variable: M&A performance (Perf)						
	Whole		Before M&A		After M&A	
Power1	-	-	-	-0.001	-	-0.000
	0.002***	0.001***	0.002***		0.001***	
	(-5.886)	(-2.810)	(-4.253)	(-1.492)	(-3.652)	(-1.251)
HHI	0.671***	0.939***	0.012	0.234	0.520**	0.895***
	(3.911)	(5.076)	(0.041)	(0.744)	(2.041)	(3.266)
Power1_HHI	-	-	-	-	-	-
	1.483***	1.497***	1.193***	1.207***	1.995***	2.011***
	(-10.470)	(-10.553)	(-5.001)	(-5.060)	(-9.850)	(-9.925)
Scale	17129	17129	5487	5487	11642	11642
	0.202	0.202	0.205	0.206	0.215	0.215
Lev	0.001***	0.001***	0.001**	0.001*	0.001***	0.001***
	(3.722)	(3.640)	(1.965)	(1.871)	(2.678)	(2.664)
Cash	0.002***	0.002***	0.002***	0.002***	0.002***	0.002***
	(7.705)	(7.749)	(3.205)	(3.219)	(5.479)	(5.515)
ROA	0.268***	0.269***	0.171***	0.171***	0.422***	0.423***
	(18.745)	(18.813)	(15.827)	(15.854)	(11.823)	(11.858)
Growth	0.006***	0.006***	0.006***	0.006***	0.006***	0.006***
	(25.636)	(25.659)	(19.231)	(19.207)	(21.119)	(21.167)
Year	control	control	control	control	control	control
Industry	control	control	control	control	control	control
_cons	-	-	-	-	-	-
	1.483***	1.497***	1.193***	1.207***	1.995***	2.011***
	(-10.470)	(-10.553)	(-5.001)	(-5.060)	(-9.850)	(-9.925)
N	17129	17129	5487	5487	11642	11642
R ²	0.202	0.202	0.205	0.206	0.215	0.215

Note: This table provides the results of the robustness of moderating effect of market competition degree on management power and long-term M&A performance. Perf represents long-term M&A performance as the dependent variable of the study. Power1 represents management power. HHI represents the degree of market competition and is the moderate variable of this thesis. Scale indicates the size of the company. Lev represents the company's asset-liability ratio. Cash represents a company's level of cash holdings. ROA represents the return on an asset. Growth represents the level of revenue growth of a company. T values are shown in parentheses. *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

Table 4.27: Robustness of moderating effect of creditor governance on the relationship between management power and long-term M&A performance from 2013-2018

Dependent variable: M&A performance (Perf)						
	Whole		Before M&A		After M&A	
Power1	-	-	-	-0.002*	-	-0.002**
	0.001**	0.002**	0.001**		0.001**	
	*	*	*		*	
	(-4.831)	(-3.366)	(-2.892)	(-1.884)	(-3.366)	(-2.512)
Credit	-	-	-0.001**	-0.001	-	-
	0.002**	0.002**			0.002**	0.002**
	*	*			*	*
	(-5.689)	(-3.752)	(-2.283)	(-1.539)	(-5.261)	(-3.504)
Power1_Credit		0.000		0.000		0.000
		(0.491)		(0.239)		(0.539)
Scale	0.068**	0.068**	0.046**	0.046**	0.089**	0.089**
	*	*	*	*	*	*
	(9.579)	(9.564)	(3.586)	(3.575)	(10.321)	(10.311)
Lev	0.001**	0.001**	0.001	0.001	0.001**	0.001**
	*	*				
	(2.920)	(2.918)	(1.040)	(1.038)	(2.354)	(2.349)
Cash	0.002**	0.002**	0.002**	0.002**	0.002**	0.002**
	*	*	*	*	*	*
	(7.357)	(7.350)	(3.171)	(3.167)	(5.163)	(5.152)
ROA	0.316**	0.316**	0.199**	0.199**	0.439**	0.439**
	*	*	*	*	*	*
	(15.628)	(15.629)	(12.467)	(12.465)	(10.723)	(10.723)
Growth	0.006**	0.006**	0.006**	0.006**	0.006**	0.006**
	*	*	*	*	*	*
	(23.634)	(23.623)	(17.652)	(17.640)	(20.002)	(19.987)
Year	control	control	control	control	control	control
Industry	control	control	control	control	control	control
_cons	-	-	-	-	-	-
	1.396**	1.391**	0.920**	0.915**	2.000**	1.994**
	*	*	*	*	*	*
	(-9.328)	(-9.244)	(-3.393)	(-3.350)	(-10.450)	(-10.392)
N	13789	13789	4064	4064	9725	9725
R ²	0.214	0.214	0.204	0.204	0.229	0.229

Note: This table provides the results of the robustness of moderating effect of creditor governance degree on management power and long-term M&A performance. Perf represents long-term M&A performance as the dependent variable of the study. Power1 represents management power. Creditor represents the degree of creditor governance and is the moderate variable of this thesis. Scale indicates the size of the company. Lev represents the company's asset-liability ratio. Cash represents a company's level of cash holdings. ROA represents the return on an asset. Growth represents the level of revenue growth of a company. T values are shown in parentheses. *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

Table 4.28: Robustness of moderating effect of Government control on the relationship between management power and long-term M&A performance from 2013-2018

Dependent variable: M&A performance (Perf)						
	Whole		Before M&A		After M&A	
Power1	-	-	-	-	-0.001**	-0.001**
	0.001***	0.001***	0.002***	0.002***		
	(-4.983)	(-5.068)	(-4.771)	(-4.970)	(-2.519)	(-2.526)
State	0.011	-0.007	-	-0.086*	0.029**	0.021
			0.049***			
	(0.958)	(-0.294)	(-2.710)	(-1.833)	(2.116)	(0.719)
Power1		-		-0.082**		-
_State		0.252***				0.311***
		(-9.180)		(-2.025)		(-8.852)
Scale	0.065***	0.065***	0.063***	0.063***	0.084***	0.084***
	(9.324)	(9.270)	(5.545)	(5.451)	(9.541)	(9.530)
Lev	0.001***	0.001***	0.001**	0.001**	0.001***	0.001***
	(3.794)	(3.805)	(2.278)	(2.281)	(2.777)	(2.782)
Cash	0.002***	0.002***	0.002***	0.002***	0.002***	0.002***
	(7.533)	(7.545)	(3.191)	(3.207)	(5.168)	(5.172)
ROA	0.264***	0.264***	0.169***	0.169***	0.406***	0.406***
	(18.412)	(18.415)	(15.537)	(15.549)	(11.292)	(11.290)
Growth	0.006***	0.006***	0.006***	0.006***	0.006***	0.006***
	(25.326)	(25.325)	(19.015)	(19.006)	(20.934)	(20.932)
Year	control	control	control	control	control	control
Industry	control	control	control	control	control	control
_cons	-	-	-	-	-	-
	1.348***	1.342***	1.285***	1.272***	1.868***	1.866***
	(-9.406)	(-9.330)	(-5.530)	(-5.405)	(-9.082)	(-9.069)
N	16753	16753	5487	5487	11266	11266
R ²	0.198	0.198	0.206	0.207	0.211	0.211

Note: This table provides the results of the robustness of moderating effect of government control degree on management power and long-term M&A performance. Perf represents long-term M&A performance as the dependent variable of the study. Power1 represents management power. State represents the degree of government control and is the moderate variable of this thesis. Scale indicates the size of the company. Lev represents the company's asset-liability ratio. Cash represents a company's level of cash holdings. ROA represents the return on an asset. Growth represents the level of revenue growth of a company. T values are shown in parentheses. *, **, and *** are statistically significant at the 10%, 5%, and 1% levels, respectively.

As the Table 4.30, Table 4.31, and Table 4.32 showed, the degree of market competition and Government control play a significant role in moderating effect between the relationship of management power on long-term M&A performance. Whereas, creditor governance has no significant moderating effect on the relationship

between management power and long-term M&A performance. These results are consistent with above. Therefore, the models, testing methods and conclusions above are robust and reliable.

4.7.5 Moderating Effect of U-shape Relationship

The research findings from objective 2 indicate a significant inverse U-shaped impact between management power and M&A performance. Thus, employing a Lind and Mehlum (2010) U-shaped test to examine if external governance has a moderating impact on this U-shaped associations. The results are displayed as follows. Moreover, this thesis also investigates the moderating effect of external governance from the perspective of the moving direction of the curve inflection point and whether the curve shape tends to be flat or steep (depending on the curvature of the vertex of the inverted U-shaped curve), based on the study of the moderating effect of the inverted U-shaped relationship proposed by Haans et al. (2016).

Table 4.29: U-shape test of moderating variables

Dependent variable: M&A Performance						
Independent variable: Management Power						
Moderating Variables	Whole	T value	P > t	Before M&A	T value	P > t
HHI	Inverse	-3.10	0.002	Inverse	-3.66	0.000
	U		***	U		***
		Extreme point: -0.20 Slope: 0.0408			Extreme point:0.02 Slope:0.1189	
Credit	Inverse	-3.46	0.001	Inverse	-4.16	0.000
	U		***	U		***
		Extremepoint:-0.129 Slope:0.0463			Extremepoint:0.10 Slope:0.2648	
State		Extremum outside interval		Inverse	-2.04	0.041
				U		**
					Extremepoint:0.76 Slope:0.0106	

As for the level of market competition, it can be seen from Table 4.29, all market competition has passed the significance test, indicating that the level of market competition has a moderating effect on the negative U-shaped relationship between management power and M&A performance. It is found that market competition moderates the inverse U-shaped relationship between management power and M&A performance, making the curve more steep (curvature from 0.0306 to 0.0408), and the extreme point shifts to the right, indicating that it has a positive moderating effect. At the same time, it can also be seen that the change of the extreme point after the merger (from -0.7 to -0.32) is greater than that before the merger (from -0.1 to -0.02), and the curvature after the merger (0.0223) is smaller than that before the merger (0.1189), indicating that the degree of market competition after the merger makes the inverted U-shaped curve between management power and merger performance flatter.

For the level of creditor governance, all creditor governance has passed the significance test, indicating that effective creditor governance moderates the inverted U-shaped relationship between management power and M&A performance. Creditor governance makes the curve more steep (curvature from 0.0306 to 0.0463), and the extreme point shifts to the right, indicating that effective creditor governance positively adjusts the inverted U-shaped relationship between management power and M&A performance. At the same time, it can also be seen that the extreme value point of creditor governance after M&A is smaller than that before M&A, and the curvature before M&A (0.2648) is greater than that after M&A (0.1183), indicating that creditor governance after M&A makes the inverted U-shaped curve between management power and M&A performance flatter.

Finally, for the government control, only government control before M&A has a moderating effect on the inverted U-shaped relationship between management power and M&A performance. It can be seen that government control weakens the inverted U-shaped relationship between management power and M&A performance before M&A, making the curve flatter(and the extreme point moving to the left. The reason may be that before mergers and acquisitions, the main companies were defined as smes, and smes often received a lot of help from the government, so they were subject to a large degree of government intervention. However, as can be seen from the above figure, after the occurrence of M&A, the moderating effect of government control on the inverted U-shaped relationship between management power and M&A performance does not appear, possibly because the data sample size of the regulatory effect on the non-linear relationship is not sufficient.

Finally, for government control, only the government control before M&A passes the significance test, which has a moderating effect on the inverted U-shaped relationship between management power and M&A performance. It can be seen that government control weakens the inverted U-shaped relationship between management power and M&A performance before M&A, making the curve flatter (curvature from 0.1181 to 0.0106), and the extreme point moves to the left. The reason may be that before mergers and acquisitions, the main enterprises were defined as small and medium-sized enterprises, and small and medium-sized enterprises often received a lot of help from the government, so they were subject to a large degree of government intervention. However, as can be seen from the figure above, the regulatory effect of government control on the inverted U-shaped relationship between management

power and M&A performance does not appear after the occurrence of M&A, possibly because the data sample of regulatory effect on non-linear relationship is insufficient.

4.7.6 Robustness for the Moderating Effect of U-shaped Relationship

The mapping test method will be used to test the robustness of the moderating effect of external governance on the relationship between management power and M&A performance. The results showed in following.

A. Market competition



Figure 4.1: Moderating effect of Market competition (Whole)

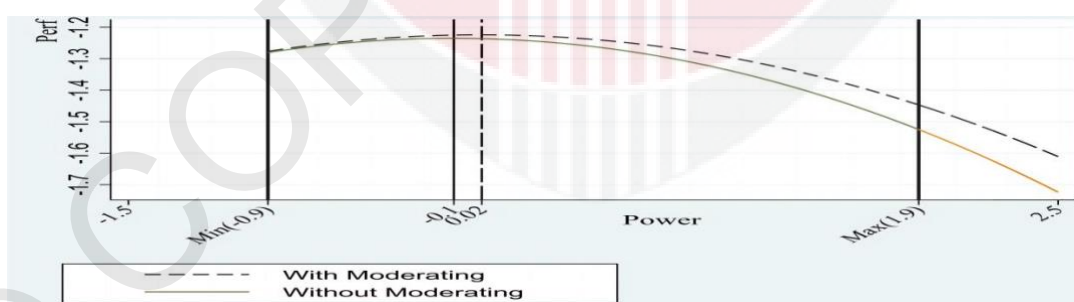


Figure 4.2: Moderating effect of Market competition (Before M&A)

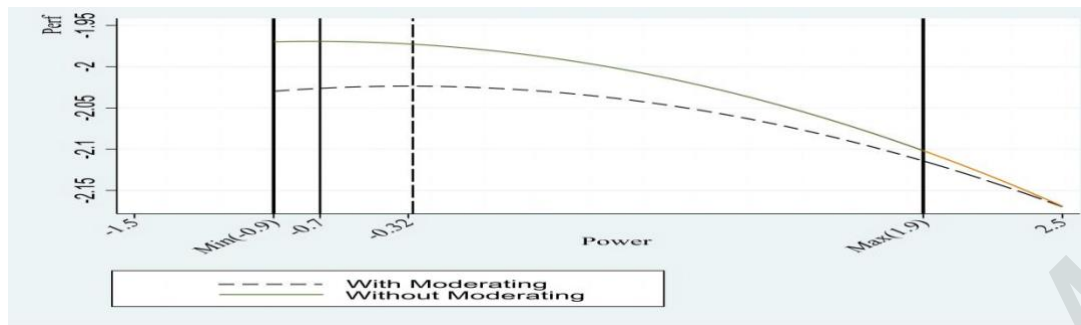


Figure 4.3: Moderating effect of Market Competition (After M&A)

B. Creditor governance

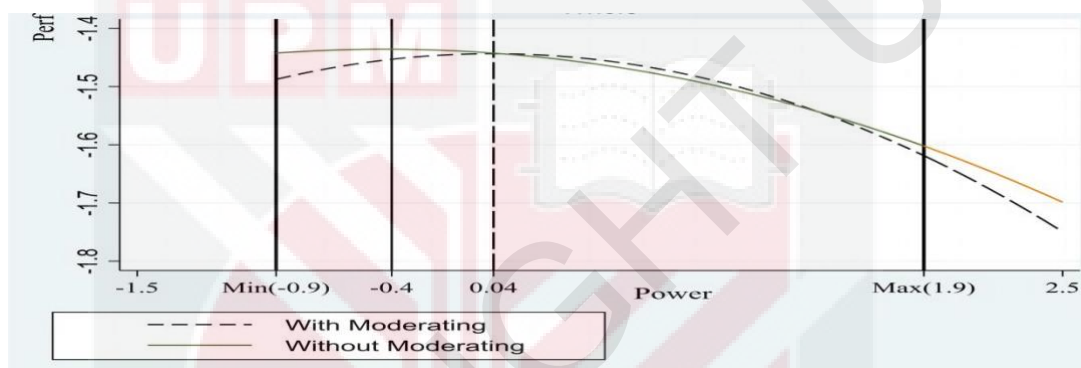


Figure 4.4: Moderating effect of Creditor governance (Whole)

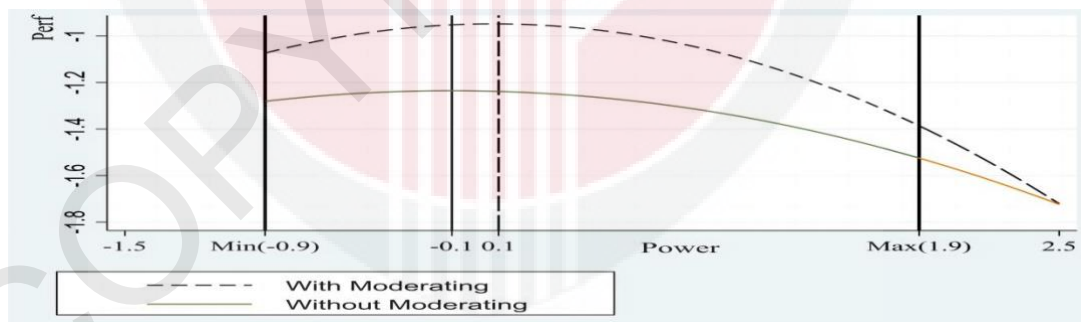


Figure 4.5: Moderating effect of Creditor governance (Before M&A)

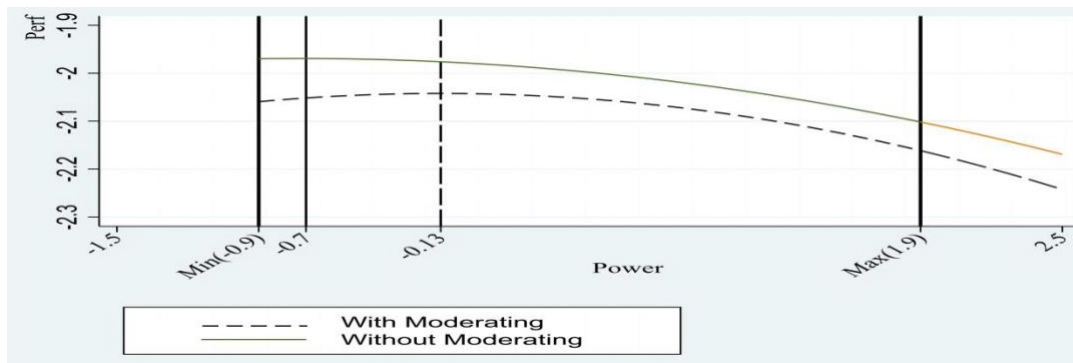


Figure 4.6: Moderating effect of Creditor governance (After M&A)

C. Government control

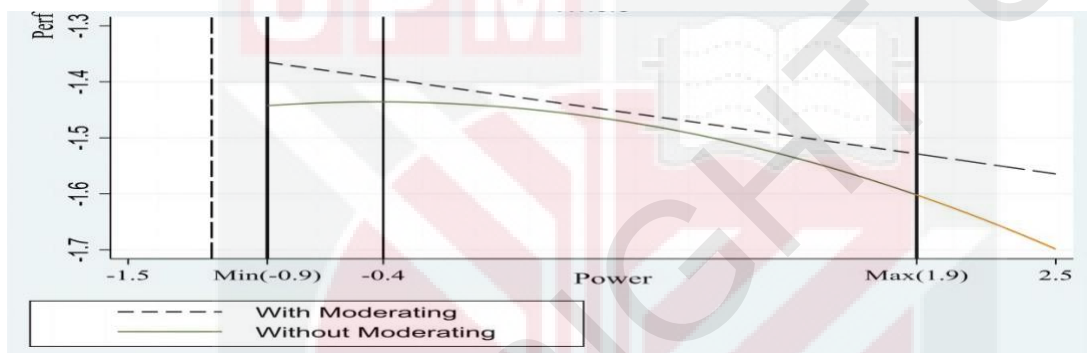


Figure 4.7: Moderating effect of Government control (Whole)

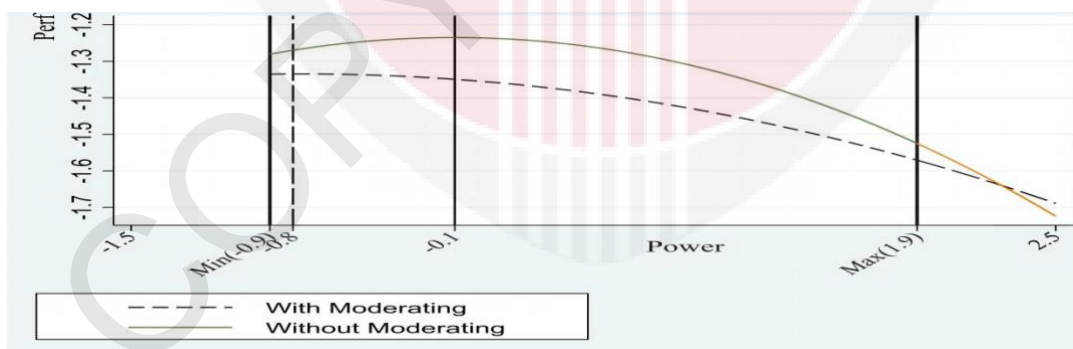


Figure 4.8: Moderating effect of Government control (Before M&A)



Figure 4.9: Moderating effect of Government control (After M&A)

As we can see from above Figures 4.1 to Figures 4.9, only the degree of market competition and creditor governance have positive moderating effect on the inverted U-shaped relationship between management power and financial performance from whole samples. Before M&A, the degree of market competition, creditor governance and government control all have a moderating effect on the negative U-shaped relationship between management power and M&A performance. However, the degree of market competition and the governance of creditors have positive moderating effects, while the government control has negative moderating effect. After M&A, only the degree of market competition and creditor governance have positive moderating effect on the inverted U-shaped relationship between management power and financial performance. These are consistent with the conclusions above. It indicates that it passes the robustness test and showed the evidence to prove that external governance has sufficient influence on management power and M&A performance.

4.8 Chapter Summary

This chapter makes an empirical analysis of the three objectives outlined in Chapter 1. The survey results cover M&A companies listed on Chinese exchanges between 2009 and 2022. Generally speaking, the research results show that external governance has a certain moderating effect on the relationship between management power and M&A performance. The external governance factors analyzed here include market competition, creditor management and Government control. Specifically, the findings can be summarized as follows: i) the negative relationship between management power and M&A performance in the long and short term ii) the opposite is true. There is also a threshold relationship between management power and long-term M&A performance. iii) External governance has a moderating effect on the relationship between management power and long-term M&A performance.

CHAPTER 5

SUMMARY, FUTURE RESEARCH AND CONCLUSION

5.1 Introduction

On the basis of the empirical research in the previous chapters, this chapter summarizes the research of this thesis, and puts forward the research conclusions of this thesis. Besides, this chapter presents the research contributions, research deficiencies and future research directions of this thesis.

5.2 Summary of the Findings

The examination of the impact between management power and M&A outcomes has consistently been a significant concern in the realm of M&A investigation, and the external corporate governance system is a crucial determinant impacting this correlation. This thesis examines the role of external corporate governance in moderating the relationship between management power and M&A performance. It analyzes the mechanism of external corporate governance using principal-agent theory, management power theory, and external corporate governance theory. Additionally, a regression model is constructed to test the relationship between these three factors. The study employed factor analysis, regression analysis, and other methods to thoroughly examine the impact between management power and M&A performance. Additionally, the study investigated the moderating impact of corporate external governance mechanisms on the relationship between management power and M&A performance. The primary findings were shown in Table 5.1 and can be summarized as follows:

Table 5.1: Summary of Hypothesis

NO.	Hypothesis	Decision	Sign
H1a	There is a relationship between the management power and short-term M&A performance.	Supported	Negative
H1b	There is a relationship between the management power and long-term M&A performance.	Supported	Negative
H2	There is a threshold relationship between the management power and long-term M&A performance.	Supported	Inverse U
H2a	There is a threshold relationship between the management power and long-term M&A Performance before M&A.	Supported	Inverse U
H2b	There is a threshold relationship between the management power and long-term M&A Performance after M&A.	Supported	Inverse U
H3a(i)	Market competition can moderate the influence of management power on short-term M&A performance.	Not Supported	
H3a(ii)	Creditor governance can moderate the impact of management power on short-term M&A performance.	Not Supported	
H3a(iii)	Government management can moderate the impact of management power on short-term M&A performance.	Not Supported	
H3b(i)	Market competition can moderate the influence of management power on long-term M&A performance.	Supported	Positive
3b(ii)	Creditor governance can moderate the impact of management power on long-term M&A performance.	Not Supported	
3b(iii)	Government management can moderate the impact of management power on long-term M&A performance.	Supported	Negative

5.2.1 Findings of Research Objective 1

Management power has a significant negative impact on the short-term financial performance of mergers and acquisitions. The more powerful the management is, the more likely it is to have overconfidence, be overly optimistic about its own judgment ability, and have cognitive biases in the selection of M&A targets and the payment of M&A prices. However, the more powerful the management is, the more likely it is to

be blinded, preventing the management from learning past successful M&A experiences and reflecting on past failed M&A experiences. As a result, the market made a negative response to its merger decision and its short-term financial performance declined.

The exercise of management power has a substantial adverse effect on the long-term financial performance of mergers and acquisitions. The losses resulting from ill-considered M&A decisions are challenging to quickly recover from and improve upon, thereby leading to a persistent reduction in financial performance following the M&A. Furthermore, as a result of the advantageous nature of their position and job, managers of publicly traded companies are able to acquire ample information through their own competence and expertise. This enables them to exert greater control and management power over the organization, and make crucial decisions regarding its operations and administration. Hence, when confronted with a significant decision such as a merger and acquisition, top-level executives have a tendency to overvalue the worth of the company being purchased and believe that the market undervalues it. Excessive self-assurance leads them to strongly believe in their own decision-making and have confidence in their organization's ability to successfully incorporate and utilize the acquired company, hence enhancing corporate performance post-merger. Nevertheless, the market's assessment of the acquired party's value is primarily based on objective factors. An excessive concentration of power within the management typically leads to the management becoming overly confident. Consequently, the M&A decisions made by the management tend to be inefficient, resulting in subpar M&A performance. This phenomenon might be attributed to the widespread occurrence of mergers and acquisitions, despite the fact that the majority of companies do not derive any advantages from such activities.

Based on the situation that management power has a negative impact on M&A performance, from the perspective of coordinating the interests of executives, shareholders and the company, the personal interests of executives, the interests of shareholders and the interests of the company are unified, so as to encourage executives to be more cautious when making decisions and not to implement M&A decisions chosen because of their overconfidence, so as to reduce the negative impact of management power. Therefore, it is necessary to establish reasonable and effective incentive mechanism to restrain the negative influence of management power on M&A performance.

5.2.2 Findings of Research Objective 2

Management power has an significant inverted U-shaped effect on M&A performance. With the increase of management power, the influence of management power on M&A performance first increases and then decreases. When the power of the management is relatively small, the management holds a more aggressive attitude towards mergers and acquisitions, and tends to launch more mergers and acquisitions to rapidly expand the scale of the enterprise, build a powerful manager empire for itself, and improve its salary level and power edge. When the management has more power, the management is cautious about mergers and acquisitions, and tends to launch fewer mergers and acquisitions to prevent the risks brought by mergers and acquisitions from affecting the management status of the management. In addition, among the five dimensions of management power, the proportion of executive compensation, the proportion of shareholding of managements and the number of board of directors all have a significant influence on M&A performance in an inverted U-shape.

There is a nonlinear relationship between management power and M&A performance, that is, moderate management power can improve M&A performance, while excessive management power may damage performance. Based on this, enterprises should establish a reasonable power balance mechanism. First, enterprises should avoid excessive concentration of power at the management level by improving the corporate governance structure, such as strengthening the supervisory role of the board of directors and the Board of supervisors, so as to form a relationship of mutual restriction and mutual supervision among various power subjects. In order to prevent the management to pursue personal interests or overconfidence to make decisions detrimental to the performance of mergers and acquisitions. For example, in the decision-making process of mergers and acquisitions, major decisions are required to go through multiple rounds of deliberation by the board of directors, supervision and review by the Board of supervisors, and other procedures to ensure the scientific and fair decision-making. Second, clearly define the decision-making power, executive power and supervision power of the management, so that the management can perform their duties within a clear scope of power. For example, clearly define the power boundaries of management in key links such as M&A target selection, price negotiation and integration planning, so as to avoid abuse of power or buck-passing and ensure the smooth advancement of M&A activities.

5.2.3 Findings of Research Objective 3

Market competition has no significant moderating effect on the relationship between management power and short-term M&A performance. However, the intensification of market competition has a significant impact on the negative impact of management power on long-term M&A performance. In the short-term M&A performance

regression, the interaction term between market competition degree and management power fails the significance test. However, it can be seen from the negative coefficient that market competition will strengthen the negative impact of management power on M&A performance to a certain extent, but the result is not significant due to time lag and other reasons. In the long-term M&A performance regression, the interaction term between market competition and management power passes the significance test, and the coefficient is negative, indicating that the fiercer the market competition, the higher the competition cost of the enterprise, and the high-intensity competitive pressure will lead the management to make irrational decisions, leading to the failure of M&A. Therefore, market competition will strengthen the negative relationship between management power and long-term M&A performance.

Creditor governance has no significant moderating effect on the relationship between management power and M&A performance (long and short term). Creditor governance does not significantly reduce the negative impact of management power on M&A performance. Most creditors focus on the performance of the enterprise, usually only pay attention to whether the enterprise has enough solvency and can repay the debt in time, thus ignoring the constraint effect on the management of the enterprise. The empirical test of this thesis finds that creditors, as a key part of external governance mechanism, do not affect the relationship between management power and M&A performance, which indirectly indicates that creditors do not play their due role in supervision.

The moderating effect of government control on the relationship between management power and short-term M&A performance is not obvious. Nonetheless, government

governance significantly decreases the negative impact of management power on long-term M&A performance. The influence of government control on management power and short-term M&A performance is not obvious, perhaps because the time is too short, there is not enough evidence to show that management power has a negative impact on M&A performance. However, in the long run, Government control weakens the negative impact of management power on M&A performance, indicating that with the strengthening of government intervention, the government can better play its regulatory role, and then have the power to veto the M&A decisions made by executives based on overconfidence, and restrain the negative impact of management power on M&A performance. For some non-state companies, the government has few intervention measures and weak supervision, so it cannot timely discover the risky and inefficient M&A projects selected by senior executives, nor can it timely prevent their implementation, so the inefficient M&A can be implemented smoothly. Therefore, the more government intervention, the more supervision, the more can reduce the negative impact of management power on M&A performance.

For whole samples, only the degree of market competition and creditor governance have a positive moderating effect on the inverted U-shaped relationship between management power and financial performance. Before M&A, the degree of market competition, creditor governance, and government control all had a moderating effect on the negative U-shaped relationship between management power and financial performance. However, market competition and creditors overnance have positive moderating effects, whereas government control has a negative moderating effect. After M&A, only the degree of market competition and creditor governance have a positive moderating effect on the inverted U-shaped relationship between

management power and M&A performance. The aforementioned conclusions demonstrate that the external corporate governance mechanism moderates the U-shaped relationship between management power and financial performance. Through mergers and acquisitions, a growing number of enterprises expand their market share, forming economies of scale and enhancing corporate performance. However, it is important to note that there are currently few successful M&A cases in China. Therefore, the company's external governance mechanism can only moderate the relationship between management power and M&A performance, improve the success rate of M&A, and contribute to the effective development of China's M&A market.

The empirical research results of this thesis find that although external governance factors have limited constraints on the relationship between management power and long-term M&A performance, they still have a certain effect on the relationship between management power and long-term M&A performance. Improving the external governance mechanism mainly refers to the strength of the market environment, the government and creditors. In the fierce competitive market environment, enterprises should fully collect information to identify whether the merger decision is reliable; Enterprises with less fierce market competition should attach importance to the wisdom of the decisions made by senior executives and strengthen the supervision of senior executives. The government should strengthen the supervision of state-owned enterprises and non-state-owned enterprises. State-owned enterprises should attach importance to the role of state-owned shares and actively cooperate with the government's supervision. Listed companies should respect the opinions of creditors and think carefully in the face of the urging of creditors to ensure the cash flow and solvency of enterprises.

5.3 Contributions of the Current Study

5.3.1 Contributions of Findings to Literature

The influence mechanism of management power on M&A performance is revealed. In the case that there are disputes in relevant theoretical analysis about the influence of management power on M&A, different from previous studies, this thesis holds that the influence of management power on M&A is not a simple monotonically increasing or decreasing relationship, but a U-shaped relationship in the dynamic change of power, that is, a single theory cannot fully explain the influence of management power on M&A performance. The empirical research conclusion also proves the U-shaped influence mechanism of management power on M&A performance. The U-shaped relationship reveals that management power, as an active variable, adjusts its own M&A strategic decisions, rather than passively making successive M&A decisions repeatedly. It is precisely the particularity of management power variables that makes it necessary to study the problem of M&A from the perspective of management power. The research in this thesis is helpful to supplement the research results in this field.

This research enhances the elucidation of the impact of management power theory on the performance of mergers and acquisitions (M&A). Prior research has neglected to adequately consider the impact of management power on mergers and acquisitions (M&A) and their financial performance. However, this study identifies management power as a significant variable in M&A research. The findings of this study demonstrate clear disparities in the influence of five dimensions of management power on M&A and its financial performance. This statement highlights the fundamental distinction between the five dimensions of management power and their respective mechanisms of operation. The pertinent findings of prior research are exceedingly

restricted. The research findings of this study enhance the explanatory capacity of management power theory in the context of mergers and acquisitions (M&A) and broaden the range of its use in M&A research.

This thesis introduces a novel research approach for categorizing samples of merger and acquisition, which enhances the existing research methodology for merger and acquisition. Prior research on mergers and acquisitions have not conducted a comparative analysis of enterprise performance before and after the M&A process. This study argues that the use of the grouping research method enhances the clarity of M&A research and elucidates the influence of management power on M&A performance, including its five dimensions. Furthermore, adopting external governance as the initial standpoint offers a fresh outlook for analyzing the aspects that impact management power and M&A performance. Prior research on M&A success mostly concentrated on the impact between management power and M&A performance, disregarding the constraining influence of corporate external governance. This thesis examines the impact of management power on the value of mergers and acquisitions (M&A) from the perspective of external governance. It analyzes the entire process of M&A, both before and after, considering both the macro-level overview and the micro-level details. The study aims to comprehensively and comprehensively explore the relationship between management power and M&A performance from multiple angles. This study presents fresh data about the impact of management power on the performance of mergers and acquisitions (M&A). It also enhances and broadens the existing research findings on the factors that influence M&A performance and their economic effects.

5.3.2 Contributions of the Findings to Practice

This research measures corporate governance mechanism from corporate external governance factors, studies the influence of corporate external governance mechanism on the relationship between management power and M&A performance, clarifies the moderating role of external governance on the relationship between the two, and also provides a new perspective for the study of M&A performance. The research method makes the research level of M&A more clear, and reveals the mechanism of the effect of management power and its five dimensions on M&A performance. In different groups (before and after M&A), there are significant differences in the effect of management power and its five dimensions on M&A performance, which is not involved in previous studies. The research conclusion is more conducive to the overconfidence and learning behavior of managers in M&A, and the explanation of management power to M&A performance and its financial performance is more targeted, which has a good guiding significance for the capital market to reasonably evaluate the M&A behavior of enterprises.

From the point of view of the research content, it further expands the research field of management power. In this thesis, the external perspective of external governance is added. Effective external governance will play a good role in restraining and supervising management power. With the gradual improvement of China's capital market and economic globalization, the scale of mergers and acquisitions will become larger and larger, and the number of mergers and acquisitions will increase. Improving the performance of mergers and acquisitions is very key to the success of mergers and acquisitions. Therefore, external governance is included in the research to make a more comprehensive and complete comparative analysis of the impact of different

external governance factors on management power and M&A performance, so as to provide empirical evidence for corporate M&A decision-making and better guide corporate M&A practice.

Moreover, based on the research findings of this thesis, the government should continue to improve and revise the Administrative Measures on Major Restructuring of Listed Companies, as amended by the China Securities Regulatory Commission in September 2016. Pay more attention to the profitability and synergies of the matching fund raising and the target profit model. On this basis, regulators should continue to crack down on unrealistic high performance promises of M&A and pay attention to the rationality and necessity of M&A plans. Policy restrictions are imposed on the frequent implementation of successive mergers and acquisitions, and such enterprises are required to put on record the strategic plan for mergers and acquisitions, and assess the degree of deviation between the actual performance of the previous merger and the target performance, so as to reduce blind mergers and acquisitions.

At the same time, strengthen and improve the management system of mergers and acquisitions. According to the Administrative Measures for the Major Restructuring of Listed Companies, the information disclosure requirements for the matching funds raised and the profit model of the target should be strengthened. If the enterprise has a continuous merger and acquisition plan, it can be required to disclose the package plan in a timely manner. When the performance of the current merger and acquisition fails to reach the promised level, the enterprise can be required to disclose the reasons for failing to achieve the goal and the risks arising in the merger and acquisition process in a timely manner, and issue warning risks to investors, which will help

investors to carry out necessary evaluation of their subsequent merger and acquisition behavior. On this basis, enterprises can be required to further demonstrate and adjust their subsequent merger and acquisition plans, which will help reduce investment risks, and then weaken the internal impulse of enterprises to take merger and acquisition through market means. The external governance mechanism starts from the perspective of stakeholders, who are closely related to the enterprise and express their requirements or wishes for the healthy development and sustainable operation of the enterprise. Based on their supervision or supervision, the external governance mechanism can effectively restrain the excessive power of the management, so as to achieve positive M&A performance.

5.4 Limitations

Although this thesis has carried out theoretical analysis and empirical test on the research problem, and reached useful research conclusions, it still has the following shortcomings:

Firstly, the calculation of the company short-term M&A performance is affected by objective factors, so this thesis only uses the published stock price to calculate the short-term performance. However, the other financial indicators of each company in the short-term after the M&A are internal information of the company and are difficult to obtain.

Secondly, in the M&A performance evaluation, this thesis only selects stock market data and financial indicators disclosed in financial statements to calculate M&A performance, which are all financial data and may not be comprehensive enough. With

the continuous improvement of M&A performance evaluation system, scholars pay more and more attention to the combination of financial quantitative evaluation and core competitiveness evaluation to evaluate M&A performance. In addition to evaluating the relevant M&A financial indicators, the M&A performance is also evaluated by relevant non-financial indicators, such as human resource integration ability, new product research and development ability, market expansion ability and enterprise production capacity.

5.5 Recommendations for the Future Research

On the basis of summarizing the research conclusions and shortcomings, this thesis holds that future research in this field can be carried out from the following aspects:

At the first, in order to enhance the calculation of short-term M&A performance, through using some new methods to calculate by using the relevant information disclosed by the company. Or adopt the case study method, and obtain the relevant authorization to use the short-term internal information calculation of the company for the case company.

Moreover, further improve the research variable index. In future studies, more diversified and reasonable M&A performance measurement indicators should be adopted, such as adding non-financial indicators. The evaluation index of M&A performance is constructed from multiple angles of financial index and non-financial index, so as to evaluate M&A performance more scientifically and comprehensively.

Finally, since most of the merged parties are non-listed companies with limited public data and limited to research design, this thesis examines the influence of external governance on the relationship between management power and M&A long-term and short-term performance from the perspective of the main merging parties. In the future, the information of the merged party can be tried to collect and conduct relevant research from the perspective of the merged party.



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LIST OF PUBLICATIONS

- He, C. X., Soh, W. N., Ong, T. S., Lau, W. T., & Zhong, B. (2022). Analysis of Equity Disputes in Listed Companies with Dispersed Ownership Structure and Protection of Small and Medium Shareholders Interests. *Frontiers in Psychology*, 13, 857585.
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