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HOW DO NETWORKS AND LEARNING DRIVE M&AS? AN INSTITUTIONAL COMPARISON BETWEEN CHINA AND THE UNITED STATES

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What drives mergers and acquisitions (M&As) in different institutional environments? This article builds on the resource dependence perspective and argues that networks, learning, and institutions represent three building blocks that can enhance our understanding of the drivers behind M&As. Specifically, we consider firms as learning actors embedded in network relations and influenced by institutional development, and compare and contrast firms' acquisition activities across the United States and China. Our findings show that there are indeed important learning and network factors that lead to M&As. More interestingly, the impact of such learning and network factors varies sharply across countries with different market-based institutions.

INTRODUCTION

What drives mergers and acquisitions (M&As)? This crucial question has attracted numerous studies, predominantly with financial explanations and in the context of developed economies (see Cartwright and Schoenberg, 2006 for a review). One of the leading behavioral perspectives—known as the resource dependence perspective—posits that firms, embedded in relationships and influenced by the external environment, can use M&As to enhance their control of the resources needed for survival and prosperity (Oliver, 1990; Pfeffer and Salancik, 1978). While there is hardly any debate among scholars on the importance of M&As, the actual drivers behind M&As are not completely known, and how these mechanisms differ due to institutional disparity is even less understood. In this article, we build on the resource dependence logic by arguing that (1) networks, (2) learning, and (3) institutions are the three underlying building blocks to help us understand the drivers behind M&As. We do so with a special focus on the United States and China, two important institutional settings with distinctive levels of development for market functions (Boisot and Child, 1996; Peng, 2003; Robins and Lin, 2000).

Three important motivations fuel this article. First, from a resource dependence perspective, we argue that the industry alliance network represents a pool of resources that firms can leverage to engage in M&As through asset, information, and status flows (Gnyawali and Madhavan, 2001; Lin, Yang, and Arya, 2009). While such social embeddedness has long been argued to be crucial (Granovetter, 1985; Uzzi, 1996), previous work, with a few exceptions (Haunschild and Beckman, 1998; McEvily and Marcus, 2005; Yang, Lin, and

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