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M&A is the current key to expansion

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Chief executives of domestic firms prefer to use merger and acquisition to expand, using the mechanism three times more often than their foreign counterparts, an International Business Machines survey shows.

M&A is necessary for home-grown firms to expand or hasten globalization, but business leaders should not underestimate challenges such as talent, culture and legacy problems, the IBM Global CEO Survey report said.

About 78 percent of Chinese firms prefer to expand through M&A, compared with a global level of 24 percent, according to the survey which conducted face-to-face interviews with 1,130 CEOs in 40 countries. The majority of foreign firms (63 percent) choose to expand through organic growth, according to Nigel Knight, managing partner of IBM China's global business services (GBS) division.

The figures suggest it is the right time for Chinese firms to acquire firms to ensure leading positions and expand globally.

"Foreign firms also face strict regulation in China (on M&A)," Knight said.

Through M&A, especially global acquisition, Chinese firms can gain required technology, an overseas market footprint and scale effect (to cut cost), said Gorden Xu, IBM China GBS partner.

In 2007, Chinese firms issued 37 cross-broad acquisition cases, such as the country's biggest bank's acquisition in South Africa, compared with 17 in 2006. The Chinese firm's M&A trend has "taken off," according to Zero2IPO, a Beijing-based investment consulting firm.

Industrial and Commercial Bank of China last year reached an agreement to acquire a 20 percent stake in South Africa's Standard Bank for US\$5.46 billion.

(Shanghai Daily June 24, 2008)

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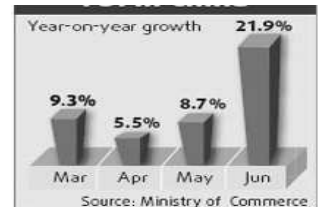
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