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## What are Chinese investors looking for? Insights from Two New Zealand acquisitions

Foreign direct investment (FDI) by China is increasing globally, but we know relatively little about why Chinese investors acquire assets in New Zealand. In a recent article, two examples of Chinese multinational enterprises (MNEs) acquiring iconic New Zealand companies show some commonalities in investor motivation, entry strategy and choice of target.\*\* The research suggests that traditional international business theories of Western MNEs' internationalisation need modifying for enterprises from emerging economies.

PGG Wrightson is New Zealand's largest rural services business provider and also has subsidiaries in Australia and South America (mostly Uruguay). It has become partially acquired by a somewhat newly established Chinese agricultural firm, Agria, which made its first international acquisition in 2009 when it acquired a 13% holding in PGG Wrightson. A further acquisition of stock in 2011 took Agria's stake in PGG Wrightson past 50%. Shortly after this acquisition, PGG Wrightson accounted for 99% of Agria's revenue.

In contrast, Haier, an established consumer appliances firm, had a long history as an emerging Chinese multinational enterprise before entering New Zealand. In 2009 it added to its overseas assets with the acquisition of a 20% shareholding in New Zealand's Fisher & Paykel, which then manufactured in the US, Mexico, Thailand and Italy. In 2013 a full takeover followed. Haier has harnessed Fisher & Paykel's reputation for quality, especially in Australia and North America, but increasingly in China.

The study finds that Agria and Haier were motivated to acquire these New Zealand assets because they sought tangible and intangible strategic assets – specialised resources and capabilities like knowledge, R&D capabilities, buyer-seller relationships and reputation that are hard to transfer and imitate. In addition to seeking markets and (like Western MNEs) exploiting existing assets, Chinese FDI explores assets to build competitive

advantages domestically and globally.

Of three common Chinese international entry strategies, original equipment manufacturing does not help firms build their own brand, and organic expansion is slow. However, mergers and acquisitions help Chinese MNEs as global latecomers to acquire strategic assets faster and “leap-frog” ahead to legitimacy and prestige. Notably, Agria and Haier's acquisitions were framed as partnerships or light-touch integration strategies.

Rather than using FDI to leverage their own resources such as technological or management expertise, the strategies of Haier and Agria involved acquiring access to capabilities that they themselves lacked. In these cases, firms established in New Zealand possessed advantages that supported the Chinese firms' global strategy. Haier and Agria's acquisitions unlock established markets where the New Zealand companies already enjoyed a competitive advantage and, in the example of Agria, can connect Asia and South America. Moreover, being the world's third-freest economy, New Zealand could teach newcomers the “rules of the Western game”.

The two case studies success underline the importance of strategic asset-seeking as a motive driving Chinese MNEs in their acquisitions abroad.

\*\*The full study results are available in an article by Gloria Ge, Christina Stringer and Daniel Ding: “Chinese FDI in New Zealand: What Are Chinese Investors Looking For?”. *Thunderbird International Business Review*, 59(3), 385–399, May/June 2017.

