



How Media Coverage of Labour Movement Influence on M&A Deals?

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Abstract. We focus on how media coverage of labour movements in host countries will affect the results of mergers and acquisitions, with labour relations being an important social relationship whose stability and harmony have a direct impact on the stability of society. In this paper, we examine the impact of labour relations on cross-border M&A through the lens of social movements. Empirically, we analyzed the Chinese firms' cross-border mergers from 2014 to 2019. We find the number of labour social movement reduce the percentage of shares acquired. The tone of reports is positively related to the percentage of shares acquired. Moreover, we also find the moderator role of information transparency. We contribute by showing that social movements have significant impacts on firms' international business activities.

Keywords: labour relation · media tone · social movements

1 Introduction

In the context of global economic integration, cross-border M&A is becoming an increasingly important way to restructure resources on a global scale. As an important channel for information dissemination, media coverage is important for reducing information asymmetry and establishing efficient markets (Peress, 2014) [5]. The studies that have been conducted focus more on the impact of media coverage on the stock market. Positive media coverage can lead to short-term increases in stock prices (Solomon, 2012), while negative media coverage can put downward pressure on stock prices (Tetlock et al., 2007). The studies that have been conducted on media concerns have focused more on firms and have rarely used the media's role of information transfer to tap into changes in the environment. Social movement as a manner of institutional entrepreneurship to build informal institutions hasn't attracted much attention. Therefore, we focus on media attention of labour social movements to research the influence of institutional changes on cross-border M&A.

1.1 The Influence of Social Movement on Cross-Border M&A

Prior research has focused much on the influence of institutions such as rules and regulations on cross-border M&A (Cantwell et al., 2010) [2]. Dikova et al. (2010) found

that formal and informal institutions between countries can influence the success rate of cross-border M&A by examining data on 2389 announced cross-border M&A transactions in the international business services industry. Zhang et al. (2011) also found that if the quality of institutions in the target country is low, it reduces the success rate of cross-border M&A by Chinese firms. Ahern et al. (2015) also finds that a key dimension of cultural institutions (trust, hierarchy and individualism) affects firms' overseas non-acquisitions, and the greater the cultural distance, the greater the impact on cross-border M&A.

There are two aspects of labour issues that companies may encounter in cross-border M&A: labour law issues on the one hand and labour relations issues on the other. The labour laws of the host country are different from those of the home country, and enterprises will be subject to local legal rules in the process of cross-border M&A. Labour legal issues mainly refer to the possibility of losses suffered by the M&A enterprise due to the violation of relevant policies and regulations or external legal events when carrying out overseas M&A acts. Alimov (2015) point out that countries with tight employment regulations attract more foreign acquirers due to the laws and policies intended to protect the interests of workers gives the acquirer more certainty. Dessaint (2017) argues that employment protections increased and the number of M&A deals fell by almost 15% and the volume of deals fell by almost 30%. John, Knyazeva, and Knyazeva (2015) focus on employee protections at the state level in the US and their impact on acquisition returns. Their study shows that firm returns from weaker employee protection states (defined as states that have adopted right-to-work statutes that limit union power) also increased by about 0.8% post-merger, suggesting higher gains from synergies in deals involving buyers from weak employee rights states.

Labour relations as a specific institution have also received a great deal of attention. Unlike the law, labour relations more labour relations do not have clearly defined criteria and are influenced by the social and economic environment of the country. However, the impact of labour relations is not easily accessible in the actual operational process. Therefore, it is important to pay attention to media reports on local labour relations as one of the channels for M&A parties to obtain the appropriate information. Labour relations risks can affect M&A in several ways. Firstly, labour relations risks in host countries can increase production and operating costs for companies. Countries with high labour relations risks indicate that they have more social movements caused by labour relations issues and less social stability. To avoid frequent social movements, enterprises need to meet labour demands as much as possible after mergers and acquisitions in these countries. In order to meet labour demands, they may need to increase wages, reduce workers' working hours and optimise the working environment to meet labour demands. In such cases, the labour costs of the company increase, along with the management costs and opportunity costs of the company. As labour relations in a country become tenser, the likelihood that the frequency of labour movements will reduce business investment will diminish. The greater the number of labour movements reported in the media, the smaller the shareholding that firms will choose to take to hedge against such risks. Therefore, the following hypothesis is formulated.

Hypothesis 1: The greater the number of labour movement reports in a country, the smaller the post-merger shareholding of firms.

With the development of computer technology, the analysis of texts allows companies to have a better grasp of relevant information. Demers and Vega (2014) found that the tone of a listed company's quarterly earnings report positively influenced analysts' forecasts to a certain extent [3]. (2014) found that the tone of quarterly earnings reports of listed companies positively influenced analysts' forecasts. Boudt et al. (2018) find that there is an effect of the tone of the news report text on stock returns [1]. Such an effect stems mainly from asymmetries in company information. Similarly, in the face of uncertainty about labour relations in a country, firms can obtain more information from the tone of media coverage of labour movements. When the media report on labour movements in a positive light, such claims are acceptable to society. When media coverage of labour movements is negative, firms are more cautious in their investments in the face of such uncertain labour relations. Therefore, the following hypothesis is formulated in this paper.

Hypothesis 2: The more positive the media coverage of the labour movement, the higher the shareholding of the firm in the M&A process.

1.2 The Moderator Role of Information Transparency

Information transparency has been widely defined, and the corresponding research mainly includes information sharing, information exchange, information disclosure, and information disclosure (Liu, 2013) [4]. When the information transparency of the target enterprise is high, the M&A of the target enterprise will be more able to collect appropriate information, alleviate information asymmetry, reduce information search costs, and improve cooperation efficiency. At the same time, high transparency of corporate information allows M&A firms to better understand the financial situation and products of the target firm, making it easier to reach a deal during the M&A process. Overall, the transparency of corporate information makes it easier to conclude M&A deals. In countries where labour movements are prevalent, M&A firms are more reluctant to enter into large-scale deals in the face of uncertain labour movements. However, when information about a company is certain, the disadvantage of frequent labour movements is lost and companies are more willing to deal with companies that have certain information about their environment. Increased transparency in corporate information is more likely to facilitate M&A transactions when the media has a positive tone towards labour social movements. Therefore, this paper proposes the following hypothesis.

Hypothesis 3: Information transparency inversely moderates the relationship between labour movement coverage and M&A shareholding, with higher information transparency helping to reduce the negative relationship between labour movement coverage and shareholding.

Hypothesis 4: Information transparency positively moderates the relationship between the tone of media coverage of labour movements and M&A shareholdings. The more transparent the information, the more positive the media coverage, the higher the shareholding of the firm in the M&A process.

1.3 Sample and Variables

Data on Chinese M&A abroad from 2014–2019, mainly from the Thomson Reuters cross-border database. The total sample is 5,018 cross-border M&A transactions. In terms of variable selection, the dependent variable is the percentage of shares acquired, and the independent variables are the numbers of labour social movements and the tone of the reports. These variables are derived from the database of GDELT. The moderator is information transparency.

We also controlled the institution, industry, enterprise value, deal attitude, employment rate, and high tech.

2 Empirical Results

Table 1 reveals the descriptive statistics and Pearson correlations for the main variables in the study. The number is negatively related to the percentage of shares. The tone is positively related to the percentage of shares acquired.

To additionally test our hypothesis, we carried out an OLS regression analysis. The result is revealed in Table 2. Model 1 is the base model. Hypothesis 1 suggested that the more numbers of labour social movement the less percentage of shares acquired. Model 3 supports hypothesis 1 ($p < 0.05$). Hypothesis 2 suggested that the tone of reports is positively related to the percentage of shares acquired. Model 3 supports hypothesis 1 ($p < 0.05$). Model 4 reveals that the coefficient of interactions between the number of labour social movements and information transparency is 0.000106 ($p < 0.1$). It supports hypothesis 3. The result of Model 5 is supported hypothesis 4; the coefficient of interactions of the tone of reports and information transparent is 0.586($p < 0.05$). This signifies support for the hypothesis.

Table 1. Descriptive statistics and Pearson correlation coefficients (N = 5,018)

		1	2	3	4	5	6	7	8	9
1	Y	1.000								
2	number	-0.027*	1.000							
3	tone	0.015	0.252***	1.000						
4	institution	0.021	-0.010	-0.031**	1.000					
5	value	0.016	0.137***	-0.008	0.025*	1.000				
6	attitude	-0.010	0.024*	0.087***	-0.060***	-0.025*	1.000			
7	employment rate	-0.070***	0.041***	0.277***	-0.018	-0.079	-0.010	1.000		
8	industry	-0.010	-0.054***	0.003	0.008	0.007	0.005	-0.050***	1.000	
9	tech	-0.006	0.126***	0.097***	0.007	-0.056***	-0.041***	0.034	-0.036**	1.000

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 2. Results of regression.

	(1)	(2)	(3)	(4)	(5)
number		-0.0000582***		-0.00084*	
		(-2.66)		(-1.90)	
Tone			1.126***		-3.040**
			(-3.15)		(-2.35)
numbe*infor				0.000106*	
				(-1.78)	
tone*infor					0.586***
					(-3.42)
infor				-2.152***	-0.743
				(-6.05)	(-1.64)
institution	0.892	0.891	0.812	1.066	0.906
	(-1.35)	(-1.35)	(-1.23)	(-1.62)	(-1.38)
value	0.00087	0.00176	0.000705	0.0027	0.00149
	(-0.38)	(-0.76)	(-0.31)	(-1.16)	(-0.65)
attitude	-0.99	-0.946	-1.072	-1.082	-1.162
	(-0.94)	(-0.90)	(-1.02)	(-1.03)	(-1.11)
employment rate	-0.363***	-0.351***	-0.445***	-0.235**	-0.381***
	(-4.90)	(-4.73)	(-5.67)	(-3.08)	(-4.71)
industry	-1.45	-1.602	-1.404	-1.481	-1.143
	(-1.24)	(-1.37)	(-1.20)	(-1.27)	(-0.98)
tech	-0.462	-0.0244	-0.918	0.235	-0.881
	(-0.33)	(-0.02)	(-0.65)	-0.17	(-0.63)
year	controlled	controlled	controlled	controlled	controlled
_cons	80.80***	80.32***	83.73***	88.90***	84.73***
	(-16.42)	(-16.33)	(-16.74)	(-17.26)	(-15.69)
N	5018	5018	5018	5018	5018

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

3 Conclusion

This study conducts an ordinary least squares model to test the association between the numbers of labour social movements and the tones of reports with the percentage of shares acquired. The results support the findings that the numbers of labour social movements reduce the percentage of shares acquired. The tone of reports is positively related to the percentage of shares acquired. Moreover, we also find that the moderator role of information transparency. When a company with more information transparency,

the negative influence of labour social movement on the percentage of shares acquired is reduced. The information transparency also promotes the positive influence of the reports tones on the percentage of shares acquired.

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