SHAREHOLDER VALUE AND RISK EFFECTS OF STRATEGIC ALLIANCES

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Abstract
This study examines how alliances affect the value and systematic risk of smaller and larger alliance partners. We find smaller partners generally gain from alliances and larger partners generally suffer significant losses. We examine this pattern for different types of alliances, experience with alliances, R&D intensity and relatedness of alliance partners. Gains to the smaller partners are particularly pronounced for technical alliances, for smaller partners with high R&D Intensity, and for related technical alliances. We also provide evidence that the systematic risk of both alliance partners declines following an alliance announcement, possibly explaining why larger firms engage in alliances with smaller partners despite the limited prospects for gains in market value.

Keywords
Shareholder value, alliances, systematic risk, market value